



public enterprises

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OPINION

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I am an active SOE shareholder – Gordhan

By Pravin Gordhan

The role of our state-owned companies in the development and the transformation of the South African economy cannot be overstated.

It is this recognition that has informed the government's intention to recalibrate the way the state leverages the capabilities of our SOEs to bring about a just and an equitable society.

While it is apparent that there continues to be all kinds of narratives that seek to downplay the progress we have made in saving our SOEs, we are undeterred by the immensity of this task. The well-being of future generations depends on it.

The damage to our SOEs did not happen overnight and fixing them will not either. It emerged clearly at the Zondo Commission how the Department of Public Enterprises was positioned at the heart of State Capture.

Interventions were needed across the DPE portfolio when we took over five years ago. Without this, it is unlikely that there'd be a South African Airways today, let alone Eskom, Transnet, Denel, and Safcol. All these entities were hollowed-out by State Capture, whose aftereffects continue to confront us daily.

In the five years since I assumed political leadership of the Department of Public Enterprises (DPE), I have never pretended that our work would be any easier. Moreover, there are clear indications that some are intent on subjecting these institutions to a round of State Capture #2.0, if we are to judge by the intense resistance put up to reforming the entities.

We confront outright lies and deliberate distortions, often couched as expert opinions, aimed at deceiving the public and at scoring cheap political points.

Throughout my time in government I have made it clear that our responsibility is to serve the interest of our people. To that end, the task I have been entrusted with is to ensure that the state's capacity to deliver to the people is not hindered by vested interests.

SOE reform constitutes a key platform for the reorganisation of the state in South Africa. In the aftermath of State Capture this undertaking of reforming SOEs was clearly not going to be an easy process.

In any economic endeavour, reform is difficult. But it is a necessary process. It is therefore important to always understand the political economy of reform – that it is not a straight line; that there are a multiplicity of competing interests looking to push back the pace, the depth and urgency of that reform.

It's in that context that we need to understand and appreciate the apprehension and misgivings sometimes articulated on matters of SOE reform.

As government, and as a shareholder representative, we had two choices:

We could have tampered on the margins of reform, but without addressing the real problems of SOEs. This would have in fact amounted to doing nothing and preserving the status quo. That clearly was not the choice.

As a representative of the government, I chose to undertake a radical restructuring process; it is one that was never going to go down well with vested interests.

This meant that I must be engaged and not be passive in our battle to “Reclaim and Stabilise” these entities.

I make no bones about being an active shareholder – in the context of my responsibility to hold the Boards accountable, ensure proper governance, demand ethical leadership, and judicious execution of the mandate.

But cutting through all the recent noise, one thing is clear: reform is ongoing and demands that we be continuously vigilant and assertive in ensuring that end.

The Eskom GCEO will be appointed before the end of the year. The restructuring of Eskom into three subsidiaries – generation, transmission and distribution remains on track. This represents the commitment we have made as government to transform our electricity industry in our pursuit of a more energy secure future.

The issue at Transnet is the precipitous decline in rail volumes which is hurting our resources sector as underperformance hampers export volumes. A turnaround plan by the Board will be made public next week to address critical shortcomings and reposition Transnet to support our economy. This plan will entail specific interventions and measures to improve Transnet performance, and accountability. Transnet is a company that must increase its revenue, improve efficiencies, sweat its assets, innovate, and leverage its people so that it can deliver on its mandate.

These interventions also require us to consistently be on the lookout for ethical leadership, the kind of people who are ready to put their interests last and the interest of the country first.

Three weeks ago, Cabinet approved and released for publication the draft National State Enterprises Bill. It envisages the creation of a state asset management company in line with global best practice.

The bill represents a ground-breaking exercise to ensure that once our clean up work is done, all strategic SOEs can be transferred into a Holding Company, through which the state can better deliver on its developmental imperatives. A centralised shareholder model was one of the recommendations from the Presidential State-owned Enterprises Council (PSEC).

Through this centralised model, the state aims to harmonise the policy, regulatory and legislative framework through which the SOEs are run. Additionally, the state also aims to eliminate undue political interference as the Holding Company will have its own independent board and will operate on a clear commercial mandate that aligns with the requisite governance prescripts.

Much of this work speaks to the opportunity that is inherent in the mixed economy model, in which the public and the private sector work together and complement each other in meeting the developmental needs of the population.

Accordingly, the SOE approach adopted by the government has always been one of maximising the effectiveness and efficiency of SOEs in delivering services and stimulating economic growth in the context of a mixed economy.

The ownership and control, by the state, of instruments, including State-Owned enterprises (SOEs), ensures that the state can achieve its policy objectives and is fundamental to the achievement of an inclusive and prosperous society.

Above all we are serving the interests of all South Africans, not a narrow rent-seeking elite or corrupt persons; we are safeguarding these assets that belong to our people – in particular future generations. SOEs must be financially and operationally viable in order to achieve our developmental objectives.

The struggle against corruption and incompetence must continue; the task of reforming SOEs must continue. A LUTA CONTINUA!!

Pravin Gordhan is the minister of public enterprises.