

15 May 2018

Budget Vote Speech by Minister of Public Enterprises Pravin Gordhan

Honourable Speaker
Cabinet Colleagues and Deputy Ministers
Members
Boards of State Owned Companies
Chief Executives of State Owned Companies
Fellow South Africans
Sanibonani
Molweni
Goeie middag
Thobela

I have the honour to present Budget Vote for the Department of Public Enterprises. This is the year in which we celebrate the centenary of the birth of our national icon, President Nelson Mandela. We also celebrate the centenary of one of the key architects of our democracy, Albertina Nontsikelelo Sisulu. Together with their generation of freedom fighters these giants of our democratic struggle sought to work for a society based on justice, fairness, equity, democracy and non-racialism.

State-Owned Enterprises constitute a key part of our national life and our national assets. They are central to our developmental and economic agenda. The reform of State-Owned Companies is part of a broader agenda of structural reforms in our country.

President's commitment to investment and inclusive growth

It is their spirit and legacy of integrity, service and diligence that must inspire all of us to do what is right for our country and people. This is what we, as a "community of SOEs" must do also.

President Ramaphosa, in his State of the Nation Address set us all a challenge: to encourage significant new investment in our economy with the aim of achieving sustained inclusive growth, creating jobs, reducing poverty and transforming our economy. Inclusive growth and job creation are dependent on increased investment in our economy. South Africa needs as much local and foreign investment as possible to increase the growth and jobs momentum already on the way. This is the central priority for government this year.

We have embraced this objective.

In presenting our plans for this fiscal year, we have and will continue to ensure that the state-owned companies make their invaluable contribution to new investments by using both public resources and by leveraging private sector resources.

Through its state-owned companies, government will be investing R368 billion over the next three years, of which Transnet and Eskom account for a significant share.

Their investment will be directed toward upgrading and expanding the country's electricity generation and transmission infrastructure as well as acquisition and maintenance of rail rolling stock and the completion of the New Multi-product pipeline (NMPP).

Improving the quality of the country's infrastructure will ensure a reliable and cost-effective electricity supply and efficient freight logistics and port infrastructure. This will make South Africa a more attractive location for companies to do business. This will crowd in further investment by the private sector.

The infrastructure investments being undertaken by state-owned companies also serve to improve the quality of life for our people. For instance, in the electricity sector, Eskom continues to connect new households to electricity, with the aim of achieving universal access by 2025. Over two hundred thousand new connections were achieved in the 2017/18 financial year.

New dawn

Honourable members, a new dawn is upon us - A new dawn characterised by the spirit of Thuma Mina.

The possibility and the actual emergence of this new dawn is a result of the hard and determined efforts of all South Africans. Key amongst those who worked to strengthen our democracy and create conditions for the new dawn, are ordinary people, trade-unions, the judiciary, non-governmental organisations, media, business, political formations and committees of parliament.

To sustain the new dawn will require vigilance, courage and a commitment so that we serve our country and our people. In the new dawn, we should work to entrench the democratic ethos of the Constitution, constitutionalism, social justice and fairness. Through our institutions and State-Owned Companies, we must work to promote our constitutional values such as inclusivity, non-racialism and gender parity. The state-owned companies belong to all South Africans. They are not the preserve of only a few. They must be used to advance our national interests and play their part in development and inclusive economic growth.

Role of SOCs

The OECD, in the preface to its SOE-guideline on good governance, notes: "In many countries SOEs are the main providers of key public services, including public utilities. This means that their operations have an impact on citizens' everyday life and on the competitiveness of the rest of the economy. SOEs are increasingly prominent actors in international markets."

Traditionally, state-owned companies play an important role in addressing specific market failures or promoting a country's strategic interests.

In our case, an effectively managed, efficiently performing and well-governed public enterprise sector should play a dynamic role in:

- Delivering important public services and public goods that enable economic activity and improve the quality of the lives of our people;
- Investing in infrastructure to reduce the cost-structure in the economy so that other economic players become more efficient and competitive;
- Supporting and growing small- and medium-size businesses;
- Undertaking research to develop new technologies to equip the country to compete effectively in a world post the fourth industrial revolution;
- Transforming the patterns of ownership in the economy by directing their procurement spend to black-owned businesses; and
- Providing jobs, training and skills development.

We must get back to this basic mission. Not only must we contend with the present challenges, but also prepare for a very dynamic future. Re-establishing and public service culture and ethos is critical.

This is our best antidote to greed and opportunism.

Role of the specific SOCs

In particular, these enterprises have a central role to play in the progressive reform and strategic transformation of our economy.

For instance:

- Eskom's mission is the provision of energy and electricity, as well as related services, for the enablement and development of economic growth. It achieves this by powering the economy and enabling businesses, particularly mining and manufacturing, to thrive and create employment;
- Transnet's port, rail and pipeline infrastructure facilitates the movement of goods from where they are produced to where they are consumed within the country. This promotes trade with our neighbours and provides a connection to export markets. It is critical as an enabler of cost-effective, efficient, and seamless movement of goods through our economic system.
- Denel supports a supply chain of both small and large companies operating in the defence sector. In addition to ensuring the country's security, through its research and development, the company contributes to the development of the advanced skills necessary for the company to compete in a world that is becoming increasingly sophisticated. Indeed, when functioning efficiently and in a well-governed manner, Denel has leading-edge technology and manufacturing capability that advances our national competitiveness.

- South African Express operates routes connecting secondary cities with the major metros as well as connecting South African with some of its neighbours such as Botswana, the Democratic Republic of Congo and Namibia. This contributes to promoting economic activity particularly tourism in the region as well as in secondary centres.

It is evident that by efficiently delivering on their core mandates, the state-owned companies can directly contribute to enabling economic growth and creating jobs and therefore advancing the developmental state.

State capture of the SOCs

Notwithstanding their potential role in growing the economy, the last few years have seen a progressive weakening and capture of these institutions.

In his State of the Nation Address, when speaking about the establishment of the Judicial Commission of Inquiry into State capture, the President said, “We are determined to build a society defined by decency and integrity that does not tolerate the plunder of public resources...The commission is critical to ensuring that the extent and nature of state-capture is established, that confidence in public institutions is restored, and that those responsible for any wrong-doing are identified...The commission should not displace the regular work of the country’s law enforcement agencies in investigating and prosecuting any and all acts of corruption.”

Priorities in the next year

In advancing government objectives over the coming year:

- We will work to “re-capture” the state-owned companies, putting in place strong and ethical boards, re-establishing good governance. We will ensure that, the companies function in line with their mandates, and halt the vicious looting and theft.
- We will work swiftly to stabilise these entities and return them to financial sustainability through the appointment of capable executive teams, refocusing the companies on their core mandates, ensuring that the companies have viable business and operating models. Improvements in operational performance, and engendering confidence among lenders and the bond market is critical.
- We will look how the collective resources and capabilities of SOEs can be used to promote inclusive growth, investment and the creation of jobs. We will restructure and reorient their businesses accordingly.

- SOEs must promote transformation through measures like preferential procurement to develop a new generation of black-, woman-and youth-owned enterprises.
- We will rebuild staff morale and restore the dignity of these entities and people who work in them.
- We will be holding to account those that have been directly involved in malfeasance as well as those that have neglected their responsibilities and allowed state-capture to happen. In addition, those audit firms, consulting companies and legal advisors that facilitated state capture must be answerable for the role that they have played.
- We will initiate processes which will enable government to recover stolen funds.

Unfortunately, during my short time in this office, it has become evident that several of the state-owned companies will not be able to trade and borrow their way out of their financial difficulties and some funding will be required from government. Strong and creative measures must be taken to return these companies to solvency. Should any government support be provided this must be contingent on the companies diligently implementing interventions to return them to financial sustainability and enhance efficiency as well as restructure their operating models to effectively deliver on their strategy and developmental mandates.

What role will each of the companies in the Public Enterprises be playing in advancing this agenda?

Eskom

Eskom, is responsible for the generation, transmission and distribution of electricity. The company has installed capacity in excess of 45 Gigawatts and generated 225.92 Terawatt hours of electricity in 2017/18. The key generation expansion projects are the Medupi and Kusile coal-fired stations. The reliability of the country's electricity supply has a major impact on the country's economy and its citizen's wellbeing: when the country experienced load-shedding, this was estimated to have wiped off at least 1 percent of GDP.

This critical institution was on the brink of collapse through state capture. A compromised Board and unscrupulous executives were installed, who were actively engaged in enabling the looting of the institution. A classic example is the Tegeta purchase of Optimum Coal Mine. In addition, there was a collapse in governance, an audit qualification and irregular expenditure.

A new Eskom board was appointed in January this year as well as an Acting GCE. Since then, the Board and GCE have achieved the following;

- It is instituting a culture of effective and transparent governance, including ensuring that those who were engaged in fraudulent activities are brought to account.
- This has resulted in the departure of 6 senior managers on the basis of serious allegations of misconduct. A further 3 senior employees remain on suspension of which 2 will be facing independent disciplinary hearings in the month of May 2018.
- This is only the first step in combating corruption. The Board will continue to pursue wrongdoing and take corrective action within the law.
- Employees as well as outsiders have been encouraged to use the whistleblowing facility to share information about corruption at Eskom. The response has been very positive. I am advised that almost 250 matters are being investigated, of which there have already been 42 cases where actual corruption, fraud or irregularity has been confirmed.
- Lifestyle audits have commenced and the process is projected to be finalised by the end of July.
- Progress has been made in clearing the qualified audit issued in the past financial year.
- There has been a positive change in investor sentiment and increased appetite for Eskom bonds. The company raised R43 billion between January and March 2018, providing sufficient liquidity for the company. This has allowed Eskom to recommence with its normal borrowing activities with the aim of securing a total of R72 billion over the 2018/19 financial year to enable ongoing implementation of its investment programme.
- To ensure financial sustainability Eskom is seeking to optimise its revenue and collect municipal arrears whilst driving down costs to ensure that the entity does not borrow to service debt.
- Under the circumstances, acceptable operational performance has been achieved, and the capital build programme is on track. The final units at Medupi and Kusile will achieve commercial operation by financial years 2021 and 2023, respectively, barring any delays in contractor performance, industrial action, or technical issues.
- No load shedding over the winter period is anticipated.

Whilst it is still too early to celebrate the full re-capture of this institution, the experience shows how, under the leadership a committed board and executive

management team who take decisive action, confidence and staff morale can quickly be re-established. But much still needs to be done.

Transnet

Transnet is responsible for providing land freight transportation services through its port, rail and pipeline infrastructure. During (2017/18 financial year the company moved a total 226.3metric tons by rail with general freight moving 90.6mt as well as 17 billion litres of fuel.

The most binding constraints to realise the accelerated and shared economic growth through Transnet's role in the developmental state includes:

- The inefficiency of the transport and logistics system that forms the backbone of the South African economy – the fact that South Africa is far from its major export markets and the fact that most production centres are situated inland away from the ports hampers South Africa's export competitiveness; and
- Limits to competition – the fact that the South African economy remains relatively concentrated and that monopoly or dominating players' prices have a negative impact on downstream sectors and the development of new industries is constrained.

The role of Transnet in addressing these challenges is critical and its ability to ensure that government's infrastructure network programme acts as a catalyst towards the broader development of the economy will be a seminal marker of the progress being made towards building a developmental state.

Transnet is in the unique position of owning and operating the bulk of South Africa's commercial freight rail, port and pipeline infrastructure. As an SOE, Transnet can leverage both government spend and commercial investment in transport infrastructure to make a significant contribution to economic growth and employment creation. By using the SOE structure, Transnet can maximise efficiencies in freight transportation and enable large-scale investment (by itself and the private sector) in a manner that is efficient for society in the long-term. Without a strategic SOE role, the freight network will depend on project-specific state revenue allocations and short horizon, non-integrated, costly private investment. Ensuring effective state custodianship of the port, rail and pipeline network is thus fundamental for the developmental state.

At Transnet, governance structures were repurposed to enable corruption and rent-seeking. There is evidence that contracts were awarded to people with close links to some of the Transnet officials: there were clear conflicts of interest. The directors of Transnet as well as senior executives were derelict in their duties and there were regular violations of the Public Finance Management Act, Companies Act and the Prevention of Corruption and Criminal Activities Act.

During the month of April, the Board accepted the resignation of the CFO and I have approved the appointment of Mr Mohammed Mahomed CA (SA) to act in this capacity. I have accepted the resignation of the previous Chairperson of the Board of Transnet and several other non-executive directors. In line with the Companies Act, I met with the remaining Transnet Board members to allow them to make representations concerning their retention on the Board. Having carefully considered these representations, I decided to remove them as non-executive directors with immediate effect and install a new interim board, pending consultation with Cabinet.

Although the company has been growing the volumes that it transports by rail and handles in the port system, much more can be done to improve efficiency and remove bottlenecks in freight transportation from the economy. The structure of tariffs needs to be looked at, with a view to reducing the cost of doing business in the country in support of exporting high-value manufactured goods by domestic producers.

The new interim Board of directors will be directed to act on the findings of the Werksman's investigation and other forensic reports. They will also review the large contract that have been entered into in order to verify their legality.

Denel

Denel is responsible for the production of defence equipment, including small ammunitions, landward systems, missiles, unmanned aerial systems and military aircraft as well as maintenance, repair and overhaul and systems engineering.

Denel was one of the institutions where evidence of state capture began to emerge. Once again, it seems that a weak and captured board and executives were intent on facilitating the exploitation of the company's valuable intellectual property to enrich Gupta-associates and potentially launder money off-shore. In doing so, the company flouted the Public Finance Management Act and other legislation.

The new board, which was appointed in April, has been tasked with implementing the findings of all forensic reports and holding those implicated to account. The CEO has resigned and his resignation has been accepted by the board. I have approved the appointment of Mr Mike Kgobe, current head of Denel Aviation, as acting CEO.

Over the past year Denel experienced severe liquidity constraints. This was largely linked to state capture at the company, which resulted in financial institutions withdrawing credit lines. Eventually, the company was unable to pay its employees – just one example of how the plundering of state resources directly impacts on workers. To ensure that Denel could meet its obligations, government increased its guarantees to the company. The company's cash flow position remains tight. The department will be working with the company to improve its liquidity position as well as reviewing the company's operations and improve performance.

SA Express

South African Express transports passengers and cargo as well as providing air charters and other related aviation services. The objective is to increase the frequency of services on lower density routes which are not viable for large aircraft

and expand air services on regional and secondary routes. The airline transported close to 300 000 passengers during 2016/17.

As a result of resignations and suspensions, there are currently numerous vacancies at the airline. As a temporary stabilisation measure, senior officials from the Department were seconded to South African Express, whilst the process of appointing a permanent CEO and CFO is underway. Simultaneously, I am reviewing the Board, with a view to strengthening its capacity. Reports of corruption at South African Express (which you all will have seen was covered by the media last week) are being reviewed.

In addition to addressing the governance and leadership challenges at the airline, government is working with South African Express to finalise a turnaround strategy to stabilise the company financially. The immediate steps that will be taken include rationalising routes to match capacity; improving cost-to-income ratios and consolidating operations with SAA.

Regrettably, extended mismanagement of the airline, means that it is likely to require a recapitalisation from government to strengthen its balance sheet, return it to solvency and improve its credit worthiness. The merger of state owned airlines will also receive attention soon. In the longer term, government will explore options for modernising the fleet and the possibility of introducing a strategic equity partner with the aim of reducing the burden they are currently place on the fiscus and instilling a commercial mind-set into their operations.]

Safcol

Safcol manages 181 000 hectares of forest which equates to approximately 10% of the country's plantation forest land. In addition, Safcol owns 80% of a Mozambican State Owned Company, IFLOMA, with a total area of 16 200 hectares. Much of the land managed by Safcol is under land claim. Whilst awaiting finalisation of the land claims, the company has entered into social compacts with the local communities. Since 2017, the company's financial performance has been improving and it is currently working on plans to further boost revenues including increasing the amount of logs that are beneficiated.

Alexkor

Alexkor currently participates in a joint diamond mining venture with the Richtersveld community which is governed by the settlement agreement reached in 2007 following from a land claim. Together with the community, Alexkor has been reviving the land diamond mining operations, which produced 162 000 carats of diamonds in 2016/17. There have been some challenges arising from governance arrangements between Alexkor and the Pooling and Sharing Joint Venture, which I will be reviewing in the coming year.

The company also has deep sea mining operation off the coast of Alexander Bay. Due to damage to a deep sea mining vessel, the operation produced only 41 000 carats of diamonds in 2017/18 compared with 110 000 carats in the 2016/17 financial year.

Forensic investigators have been appointed to investigate allegations of wrong-doing at the company including:

- Exclusion of certain contractors from marine mining procurement;
- Lack of transparency on the sales and marketing of diamonds; and
- Lack of information on the sales.

I am currently reviewing the boards of Safcol and Alexkor, with the aim of ensuring that there are directors with proven integrity and skills.

Recapture and RESTORE

In the next year, a central focus will be on recapturing the state-owned companies. Chairperson, the task of rectifying years of abuse of our state-owned companies not only by the Guptas and their associates, but also by other corrupt networks, has already begun in earnest. We have taken our marching orders from the President, who in his SONA provided the context of a New Dawn, when he said “We will intervene decisively to stabilise and revitalise state owned enterprises”.

The first step in bringing stability to all our state owned enterprises has been to ascertain and begin to address the malaise, depth of corruption and criminal behaviour that seems to have become endemic in these institutions.

Together with the Boards of each state-owned company and following due process, corrupt executives will undergo disciplinary processes and be dismissed and new management appointed and existing vacancies filled with people with proven capability and a track record of ethical behaviour.

Government has established a Judicial Commission of Inquiry to investigate matters of public and national interest concerning allegations of state capture, corruption and fraud. We will be making a comprehensive submission to the commission. We expect that the commission will proceed expeditiously so that the stultifying effect of state capture can be dealt with decisively and uncompromisingly.

I have directed the Chairpersons to act swiftly on the findings from any investigations, including reporting matters to law enforcement authorities.

A team comprising the Hawks, NPA and SIU is working with SOC Forensic Investigators reviewing Eskom and Transnet forensic reports. The results of this process will be used for example, to seek that certain directors are declared delinquent, open criminal proceedings where a prima facie case of fraud and corruption exists, and where individuals must face the consequences of their actions.

We shall not only be satisfied with putting the criminals in jail. The money they have stolen from the SOCs and the things they have bought with them – expensive houses, flashy cars, jets – must be recovered and returned. The SOCs will liaise closely with and provide all the support they can to the law enforcement authorities, especially the Asset Forfeiture Unit and the Special Investigation Unit, to identify, trace and locate the stolen assets and to recover these, using criminal and civil

processes. These are funds that have been stolen. They must be returned to the fiscus. They belong to our people not to crooks.

I am also seeking legal advice on how SOCs can best support our law enforcement authorities to identify stolen assets which have been hidden in other countries, such as in Dubai and India, so that these can be brought back.

Investigations by the Hawks Into some of the matters covered by the President's proclamation are at an advanced stage. These include:

- The contracting for or the procurement of coal and coal transportation services;
- Maladministration concerning Medupi, Kusile and Ingula; appointment of McKinsey,
- Trillian and Regiments to render services to Eskom and Transnet;
- Defective performance by build programme service providers appointed by Eskom; and
- Unlawful appropriation or expenditure of public money or property concerning Transnet and Eskom.

Those that have been involved in corruption must not be under the illusion that their resignation absolves them from being held to account.

In the instances where I am convinced that non-executive directors have failed to discharge their fiduciary duties effectively or there has been dereliction of duty, these non-executive directors will go through the legal processes to declared delinquent directors in terms of the Companies Act.

In future, Board members shall play no role in the evaluation and adjudication of tenders. Where there are Board Tender Committees (or such like) these should be dissolved and the function delegated to management. Instead Boards (and not just sub committees) must step up and fulfil their important duty in overseeing procurement, to ensure that due process is followed.

Directors and employees will be prohibited from doing business with state-owned companies. Government will be reviewing the legislative framework governing procurement at state-owned companies in order to strengthen the controls to prevent corruption.

The lifestyle audits on key officials within state-owned companies (for example procurement and SCM processes) are intended to be completed by the end of financial year.

The fact that state capture was able to happen is evidence of the weak internal controls at many of the state-owned companies. My department is working with the Auditor General to strengthen the external audit process. The Auditor General will be

taking over responsibility for the some of the audits of the major state-owned enterprises.

Holding private institutions that colluded in state capture to account.

We have also learnt that firms from the private sector that we would have expected to have been reputable have played a destructive, possibly even collusive role, in the capture process at our state-owned companies. In this regard, sufficient prima facie evidence exists of their role in actively facilitating malfeasance. They have brought their businesses and their entire sectors into disrepute. Those firms and the persons involved must be thoroughly investigated and, if criminally prosecutable, the law must take its course and the proceeds of crime be recovered.

SOC Council and SOC reforms

During 2016, government established a State-owned Enterprise Council, chaired by the President, which is responsible for ensuring effective oversight of state-owned companies. In November 2016, the Council and Cabinet:

- Noted the proposal to determine and cost the developmental mandates of state-owned enterprises.
- Endorsed a framework to guide collaboration between state-owned companies and the private sector on infrastructure projects
- Adopted a guideline for the remuneration and incentive standards for directors of state-owned entities.
- Approved the broad thrust of a guide for the appointment of boards and executive officers.
- Recommended further consultation on the first draft of a new government shareholder policy, which will culminate in overarching legislation for state-owned companies.

Further work in this regard, and on a SOC Bill will be undertaken.

Transforming and boosting the economy

The historical evolution of the South African economy has been predicated on the domination, exploitation and marginalisation of the black majority. Colonial and Apartheid policies lead to significant structural distortions in the economy and society. The state-owned enterprises have a key role to play in creating opportunities for inclusion of black people in the ownership, management and control of economic activities in order to achieve sustainable development and prosperity – not of a privileged elite, but for all.

The state-owned companies will continue to leverage their procurement spend to achieve this transformation of the economy. The focus will be on increasing the amount they procure locally and growing the share supplied by small businesses and companies that are owned by black people.

- At Eskom, just over 80 percent of its spend went to BBBEE companies, with 16 percent going to companies that are owned by black woman and 3 percent to youth-owned companies. Small and micro-enterprises accounted for 19 percent of the value of goods procured.
- In 2016/17 Transnet procured more than 80 percent of its spend locally, with 34 percent being supplied by black-owned firms, 13 percent from black woman-owned companies and close to 8 percent from small- and micro-enterprises.
- Likewise, local content made up 76 percent of Denel's procurement spend, with 27 percent coming from black-owned companies of which 9 percent were owned by women. The contribution from small- and micro-enterprises constituted a massive 73 percent.
- All of Alexkor's procurement was locally produced, of which 15 percent came from black-owned firms.

In addition, the state-owned companies are also focused on developing the skills of artisans, technicians and engineers in order to empower our people.

- Close to 5000 artisans, technicians and engineers were trained by Eskom and another 2300 by Transnet and a further 300 by Denel during 2017/18

Within the workplace environment, transformation has been occurring.

- 68 percent of the senior management team at Eskom and 75 percent of middle management are black.
- At the other companies, black people comprise between 57 and 83 percent of all employees.

State-owned companies like Safcol and Alexkor as well as Eskom and Transnet have operations in rural areas, generating important employment opportunities in these communities.

Enhanced role of the department

The Department of Public Enterprises needs to play an effective role in recapturing, stabilising and repositioning the state-owned companies. To do so the department will need to be appropriately capacitated with competent individuals with integrity and expertise who are committed to serving the public.

The Department's activities are grouped into three programmes:

- **Programme 1:** provides administrative, corporate management and support services to the department and Ministry. This includes providing strategic

planning and reporting, financial management, human resource management, ICT, communications and security and facility management services.

- **Programme 2:** is responsible for legal support and advising on corporate governance matters. It assesses the financial and operational performance of the state-owned companies and provides support to the companies in securing adequate, diversified funding. The programme monitors the implementation of response plans to address the findings of both internal and external auditors at the state-owned companies. It also reviews the key accounting policies of the companies.
- **Programme 3:** aims at ensuring that the state-owned companies advance industrialisation, transformation and regional integration. It is also responsible for engagement on policy and regulatory issues oversight of strategic initiatives to enhance the strategic role played by the companies.

These activities are aligned with government's priorities as set out in the National Development Plan and Medium-Term Strategic Framework as well as the priorities articulated by the President in the State of the Nation address of stabilising and revitalising state-owned companies, strengthening governance, rooting out corruption and restoring financial stability.

A call for renewal and action

In these times of renewal, a new dawn and a new deal, we have to make the state-owned companies work. We have to make them the pride of the nation again.

I commend business for signing the integrity pledge. Government is looking forward to business having zero tolerance for corruption, working actively to combat corrupt practices, protecting whistle blowers and providing information about the corruption that has occurred in our midst. Auditors, accountants, lawyers and consultants have a role to play in restoring the standing, integrity and prestige of their professions and supporting the repositioning of state-owned companies to better deliver public value.

Our unions have a responsibility to ensure that a high ethical standard is upheld by business as well as at state-owned companies. It is ultimately the workers who will lose out, should companies fail.

The past year has witnessed unprecedented grassroots civil society activism focused on reclaiming our state-owned companies. This bears reflecting on, because it represents a remarkable development in our nation's history. Social movements and progressive civil society sectors of our body politic, which are accustomed to confronting the state and holding it accountable, assisted democratic forces to reclaim control over the state and its companies.

They did this not only to stamp out corruption. They did this because they recognise that our owned companies have an enormous developmental and social mandate to fulfil. Our state-owned companies should be central to delivering public services, investing in infrastructure, creating jobs, diversifying wealth and providing opportunities for people to realise their potential. Activists were able to take an abstract concept like “state capture” and demonstrate its direct impact on the lives of the most disadvantaged in our society.

We appeal to civil society today, saying that the work is not yet done. We want civil society to help us raise our game. Hold us accountable. Demand transparency. The reform of our state-owned companies and transformation of our society must be sincere, deep and long-lasting.

But insisting on transparency and accountability is not enough. We need moral and ethical leadership. We need people that act with integrity. And each one of us needs to have the courage to act on our beliefs. Working for the national interest is the duty of us all. This period requires all of us to have the clarity, humility and resolve to move South Africa to a fair, just, inclusive and prosperous society.

Conclusion

In conclusion let me summarise our plans and actions in the period ahead.

- Recapture the state;
- Hold to account those that have been involved in malfeasance;
- Strengthen governance;
- Stabilise the entities and return them to financial sustainability; and
- Use the companies to transform and boost the economy.

We shall seek to ensure that the SOCs are positioned so that they can facilitate:

- inclusive growth
- massive investment, both foreign and local
- job creation
- skills development; and
- assist with enterprise-wide and business creation.

The actions will involve the Re-Capture of SOCs through:

- Boards with capacity and integrity
- Skilled Management with integrity
- Conduct forensics and ensure consequence management
- Integrity and Good Governance, including
 - lifestyle audits and
 - stopping officials from doing business with SOEs

- Auditors and Legal firms - clean up their act
- Merger of the Airlines
- Procurement processes with transparency and oversight
- Business models, both now and for the future where issues of sustainability will be integral to any solution we arrive at
- Role of the SOC in the economy so that they are able to promote investment, job development, enable skills acquisition and enable growth of business
- The Department of Public Enterprises itself needs to be enhanced so that it is able to accommodate these changes
- We need to identify locate and trace stolen assets so that these can be restored to SOCs and the South African people to whom they belong.

Chairperson, I thank President Ramaphosa for allowing me the privilege of serving South Africa again in this capacity.

I am grateful to Acting DG Ms Makgololo and colleagues in the Department for their sterling role in difficult circumstances.

I am eternally grateful to my family for their courageous support and encouragement.

The Team in the Ministry have demonstrated their loyalty to the “New Dawn” and making government work.

Finally I salute the patriotic and ethical South Africans who have made themselves available to serve on Boards and management.

In the words of Nelson Mandela: “Sometimes, it falls upon a generation to be great. You can be that great generation. Let your greatness blossom.”

Thank you.