

Pravin Gordhan | Government is winning in the fight to save SOEs, despite the criticism

As we head towards the end of the [sixth administration](#), there is every reason to look back at some of the most consequential steps we have taken in the past five years to stabilise our [state-owned enterprises](#) (SOEs) and lay the basis for important reforms.

If it were not for the interventions that this government had implemented to recover, renew and rebuild our SOEs, we would be in a much worse position as a country.

Of course, it does not help that, every so often, our work is caricatured and even denigrated by some sections of the media due to a lack of appreciation and understanding of the extent to which state capture eviscerated our most critical SOEs.

The media can do a better job by giving space to a more constructive discourse about substantive issues affecting our country. Gossip, lies, misinformation and scapegoating do nothing to serve the needs of our people.

For that reason, the Press Code reminds us that the media exists to serve society. The media does the public a great disservice when those entrusted with its stewardship turn it into an echo chamber, where senior journalists wrestle to outdo each other in harping on the same gossip and fake narratives. The profound and incisive analysis of events and institutions is sorely absent.

It is a fact that, even today, there continues to be formidable resistance to the clean-up process as we work to dismantle patronage networks, displace rent-seekers and put in orange overalls the culprits who have stolen public funds. The real corrupt and disruptive persons in all parts of our society escape scrutiny and sanction.

SOEs do not belong to a few, well-connected and shadowy syndicates of greed. They belong to all South Africans. These institutions were nearly collapsed by individuals who placed their personal, selfish interests above those of millions of South Africans.

When I became minister of public enterprises, I was not embarking on a popularity contest, to acquiesce to those wanting to perpetuate the underperformance of our key SOEs through rent-seeking, greed and selfish agendas. As a lifelong activist, I do not flinch from responsibility.

The president directed us to intervene in our SOEs more decisively to stem their financial, operational and strategic lapses. We did this by tightening their mechanisms for governance, oversight and accountability.

As a society, we stand to lose much for which we have worked very hard unless we draw a red line through corruption that robs the state of its capacity to deliver to the masses of our

people essentials such as water, transportation, infrastructure, healthcare, education, safety and security.

Even so, we continue to see sabotage to our water pumps, illegal electricity connections, cable theft and delivery of compromised coal to power stations – all because of selfish interests. The pushback against these rogue elements is unstoppable. SOEs must be leveraged to create an inclusive economy capable of helping us overcome poverty, unemployment and inequality.

There is zero truth in the claims that government will wilfully subject SOEs to failure as a pretext for privatisation – claims perpetuated by some for supposedly ideological reasons, when their real intent is to facilitate theft.

All our SOEs are being recalibrated so that they can play their developmental role. Reform is tough – it requires seriously heavy lifting to diagnose, assess and rectify shortcomings, root out syndicates and dismantle webs of patronage networks.

Reform takes time. Reform is not a straight line or linear. There are many zigzags, such as the impact of geopolitics and a changing global economy which has affected supply chains and, in some instances, has triggered protectionism.

I am not a hero – some in the media have purported me to be – nor have I sought to be one in my 50 years of activism. I am a public servant imbued with the conscience and values of the Congress Movement to do public good.

The bid to transform SOEs is irreversible and government has no intention of allowing anything to stand in the way of delivering tangible results for the masses of our people. So, what has underpinned our reform journey? It has been instilling a new leadership ethos, improving the mechanisms of accountability and managing change.

We are intentional about change. Socrates amplified this by saying:

There is only one good: knowledge; and only one evil: ignorance.

Transnet

Let us look at some facts.

Among the first things we did early on at **Transnet** was manage successful board transitions and install honest, ethical and courageous leadership. Individuals such as Popo Molefe and Louis Von Zeuner are among the leaders who have exhibited these traits. In July 2023, we announced the current board led by Andile Sangqu, with immense leadership and strategic management experience.

Currently the focus for the board and the executive management is on arresting the operational decline. Last month, Michelle Phillips was promoted from caretaker group CEO of Transnet to permanent group CEO.

These interventions are beginning to yield positive results:

. The backlogs at the Durban container terminal and Cape Town ports in the latter half of 2023 caused by lack of equipment have been cleared through executive management interventions and government collaboration;

. Rail volume tempo has stabilised back to approximately 3 metric tons per week;

. The financial loss of R5.6 billion registered by 2023 will be reduced as the improvements continue and finances stabilise. Transnet National Ports Authority (TNPA) corporatisation is another significant achievement.

The TNPA board was appointed in October 2023 to spearhead the work of finalising the memorandum of incorporation in 2024 and separate TNPA into a separate legal entity;

. Third-party rail access is imminent, following the November 2023 establishment within Transnet Freight Rail of Transnet Infrastructure Manager, an independent owner and manager of rail infrastructure, so that private operators can access the rail network, starting in May 2024;

. Due diligence on international container terminal services for the private sector partnership initiative at Durban container terminal pier 2 is complete and it is now entering contracting; and

. Key elements of Transnet's recovery plan encompass improvements and leveraging of equipment, productivity, security, TNPA, Transnet Infrastructure Manager, pipelines and active engagement with customers.

Eskom

There has been significant progress in the restructuring of **Eskom** into three distinct subsidiaries: generation, transmission and distribution – part of reforming the South African electricity market. This week's passage by Parliament of the Electricity Regulation Bill heralds a more dynamic and competitive electricity market, where there is ample room for private generators to help us end load shedding.

A new company, the National Transmission Company of SA (NTCSA), was registered with the Companies and Intellectual Property Commission and incorporated into a wholly-owned subsidiary of Eskom Holdings in December 2021.

The National Energy Regulator of SA recently granted approval and issued licences to the NTCSA for operating and trading, as well as importing and exporting electricity. In January 2024, the board of directors of the NTCSA was appointed. A new company, the National Electricity Distribution Company of SA SOC Ltd, was registered during the 2023 financial year.

New group CEO Dan Marokane assumed his position on 1 March.

The new board chairperson, Mteto Nyati, a visionary business leader, was appointed in November 2023.

In February 2023, National Treasury announced a R254 billion debt relief package for Eskom which, among other things, frees the utility to focus on critical maintenance.

Eskom is also spearheading our Just Energy Transition (JET) to mitigate the impact of climate change on our society.

In his state of the nation address, President Cyril Ramaphosa indicated that financing pledges for the JET investment plan had risen to almost R240 billion.

The human element of JET is paramount as we seek to ensure that communities can adapt to change in a just manner.

Eskom is also revitalising its generation capacity by leveraging new investments in wind and solar energy, which have augmented our renewable power sources.

The removal of a cap on how much independent power producers can generate is another critical catalyst for improving our power supply.

SAA

Our national flag-carrier has been put into a much stronger financial position. In November, the airline relaunched its first intercontinental route to Brazil (Sao Paulo). In April it will relaunch its Perth, Australia, route.

SAA's route expansion and fleet recalibration are among measures aimed at repositioning the airline to recapture market share both domestically and internationally by serving customers better and capitalising on new market opportunities.

The recovery of global air travel demand to pre-Covid-19 levels holds great promise for SAA.

However, the airline's performance is also subject to constrained spending locally amid subdued economic growth.

The board of SAA and executive management are working on a new corporate plan to sustain SAA's recovery and end its reliance on the fiscus.

SAA will explore various strategic financing options, following the agreement this week of the department of public enterprises and the Takatso Consortium to terminate the proposed strategic equity partnership transaction which envisaged government giving up control of the airline.

This means SAA is back to being wholly owned by the state, but with a clear plan to sustain itself.

Denel

Denel was severely crippled by state capture which took hold from 2015 with the unexpected sudden changes in board and executive leadership.

Between 2015 and 2018, numerous material and significant decisions were made which were not in the best interests of the SOC and the state.

These included entering a corrupt 10-year supplier contract with the Gupta-linked VR Laser on the Hoefyster Infantry Combat Vehicle for the department of defence.

There were also attempts to alienate and expropriate Denel's intellectual property for personal gain.

Following a recapitalisation of R3.4 billion, Denel is on its way to a much stronger financial trajectory, thanks to a dedicated board that is driving key restructuring.

Through the interventions of the department of public enterprises, Denel has been able to restore relationships with the capital markets and could roll over its government-guaranteed debt. Its export order book is standing at a robust R20 billion.

To conclude, understanding the political economy of reform has been fundamental to some of the successes we have seen.

Reform requires that you stay the course. It also requires that you must anticipate resistance and opposition along the way. And, in that context, the words of former president Thabo Mbeki are very apt.

Using the analogy of the Comrades Marathon, he observed that: "Those who complete the course will do so only because they do not, as fatigue sets in, convince themselves that the road ahead is still too long, the inclines too steep, the loneliness impossible to bear and the prize itself of doubtful value."

- *Gordhan is the minister of public enterprises*