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OPINION

JACKY MOLISANE: Green SOE shoots emerge after pruning state capture graft

From Eskom to Alexkor, developments underscore government's commitment to putting entities on a sustainable path

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by JACKY MOLISANE

Picture: 123RF/ANDRIY POPOV

As we draw the curtain on the sixth administration, we remain committed to entrenching the reforms the department of public enterprises has spearheaded over the past five years.

It is gratifying that some of our work has begun bearing fruit, as depicted by more than a month of no load-shedding by Eskom, improvements at ports, and the ongoing recovery in freight rail volumes by Transnet. SAA has just relaunched its second intercontinental route with the addition of Perth, Australia.

Granted, these are green shoots, but they underscore the government's commitment to putting state-owned enterprises (SOEs) on a sustainable path. The resolution of the electricity and logistics crises will support much-needed growth in the economy as the capabilities of SOEs are leveraged to fuel transformation and development.

When we began the reform journey in 2018 it was clear that we needed to disentangle the web of corruption that had crept into SOEs due to state capture. Over the past financial year we have begun to see the result of a more stringent oversight framework, which involves stabilisation of the boards, executive management and the implementation of more rigorous accountability measures, including more enhanced shareholder compacts and memorandums of incorporation.

Through these measures we have begun to see a more dynamic leadership approach by our boards and executive management, with a focus on improving the experience of citizens by enabling SOEs to be key drivers of service delivery. Here is a snapshot of some of the strides being made in SOEs:

- **Eskom.** The restructuring of Eskom into three separate businesses in line with the president's pronouncements is continuing, with critical milestones achieved. The National Transmission Company of SA has been established as a wholly owned subsidiary of Eskom Holdings and has been granted the requisite licensing from the National Energy Regulator of SA (Nersa).

  Nersa has also approved Eskom's application for a transfer of its powers and duties related to section 34 power purchase agreements with independent power producers to the National Transmission Company, designating it the buyer of electricity. These measures set the stage for the transformation of the electricity industry.

  Since the board's appointment in September 2022, Eskom's leadership and operations have stabilised. The appointment of the new board chair, Mteto Nyati, and the new group CEO, Dan Marokane, have enhanced Eskom's capability to respond to the challenge faced by the country as Eskom works to eradicate load-shedding.

  In its winter outlook released last week, Eskom forecast load-shedding will be contained to stage 2 during the period. That is thanks to improved generation capacity due to a ramp-up in planned maintenance and an increase in the reliability of its coal fleet. Interventions by government to shore up Eskom's balance sheet have given the utility some much-needed breathing room to focus on maintenance, boost staff morale and drive the recovery in operational performance.

- **Transnet.** From 2018, like other SOEs, Transnet has faced significant governance lapses, but shareholder interventions have resulted in the new board, which was appointed in July 2023, embarking on a process to develop and implement an extensive recovery plan. Implementation of the plan has begun yielding operational improvements, albeit with further work ahead.

  Key elements of the recovery plan encompass improvements and leveraging of equipment, productivity and security, as well as the operationalisation of the Transnet National Port Authority, the establishment of the Transnet Infrastructure Manager, and active engagement with customers.

  The announcement of a R47bn guarantee for Transnet in December 2023 by the National Treasury and the department of public enterprises assisted the company to deal with immediate debt obligations.

- **SAA.** With the mutually agreed termination of the strategic equity partner transaction in March, SAA faces a pivotal moment in its recovery journey. We believe the airline has been placed on a sustainable path to reclaim its position as a formidable player in the global aviation market.

  SAA is working to capitalise on emerging opportunities through a methodical, systematic expansion of its route network and acquisition of additional aircraft. The airline, which this year commemorates its 90th anniversary, is strengthening its leadership by moving from an interim to a permanent executive management structure.

Since the commencement of the business rescue process, the department of public enterprises has facilitated the injection of R27.7bn into SAA as part of the overall financial support that was required to enable it to recommence flight operations in September 2021. The department will support SAA to ensure it is strategically enabled to scale even greater heights without burdening the fiscus.

- **Denel.** From 2018 Denel has experienced shifts in its governance structure, marked by resignations and interim appointments. The current board consists of eight skilled, competent directors focused on driving Denel's turnaround strategy, including the recently appointed group CEO.

  Efforts are under way to stabilise its leadership, with key priorities including the appointment of a permanent group CFO and strengthening of executive management to drive the company's turnaround plan effectively.

  While the department continues to support the implementation of the restructuring plan, Denel must also increase its revenue generation by leveraging its robust order book and initiatives to facilitate the renegotiation of existing contracts and delivery dates with clients.

- **Safcol.** Since 2018 the state-owned forestry company has undergone a transformative journey, pivoting from governance challenges to renewal and efficiency. With a revamped board boasting diverse expertise, the company has strived to regain public trust. The department will have to ensure that through the board the vacancy arising from the departure of the CEO is urgently filled.

  Safcol is spearheading significant infrastructure and technological advancements, contributing notably to the turnaround of SOEs. Key projects such as the enterprise resource planning system, set for rollout later in 2024, and the Timbadola reinvestment/upgrade project, will contribute to modernise and improve efficiency.

- **Alexkor.** Since 2018 the state diamond mining company has undergone governance shifts, transitioning from its previous board to interim executive management. The department intervened and ensured that interim board management was put in place in 2022. The department will prioritise that the board and the executive management is strengthened to ensure the stability of the entity.

  Though the company has not been dependent on the fiscus, its financial sustainability has been at risk over the past 10 years. A review of the business model is under way, in line with a research study that was undertaken.

Our mandate is anchored in the three Rs: recover, rebuild and renew. SOEs are a critical catalyst for growth. Their capabilities should give the economy a competitive edge so that we can sustain the fight against unemployment, poverty and inequality.

We are gearing up for a future in which the recommendations of the presidential state-owned enterprises council, appointed by the president in 2020, will be effected through the establishment of a state-owned holding company to house strategic SOEs and provide oversight through a centralised shareholder model.

Never again shall our SOEs be controlled by narrow, greedy interests as we seek to consolidate the gains of 30 years of freedom.

• Molisane is acting director-general of the department of public enterprises.

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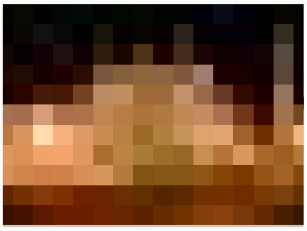

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