OPINION

Pravin Gordhan's parting thoughts

As he reflects on his five years as the minister of public enterprises, Gordhan writes on how his tenure was focused on the need to recover, renew and rebuild our SOEs

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BY PRAVIN GORDHAN


Public enterprises minister Pravin Gordhan.
Image: *Esa Alexander*

The end of the 6th administration presents us with an opportunity to take stock of the accomplishments that we believe have laid the foundation for a more sustainable future for our state-owned enterprises (SOEs). Coming into this portfolio in 2018, we were confronted with the reality of a very precarious backdrop to begin rescuing our strategic SOEs from state capture. This work must be carried over into the 7th administration to consolidate some of the progress that we have championed for the past five years.

President Cyril Ramaphosa aptly summed up the term of the 6th administration when he declared in his 2024 state of the nation address that the last five years had been a time of recovery, rebuilding, and renewal.

In essence, these undertakings have characterised all the work of the department of public enterprises (DPE) throughout the term of this administration, guided by the injunction that the president gave back in 2018 for us to intervene decisively to stabilise and revitalise SOEs.

At the start of this administration, key financial and operational metrics pointed to systemic challenges across the government's SOE portfolio under the DPE. The most egregious shortcomings were identified in Eskom, Transnet, Denel, SAA and Alexkor.

The underperformance of these entities posed one of the most significant risks to the economy, the fiscus and the general wellbeing of the people of South Africa. Through the implementation of the National Energy Action Plan and other measures government is on its way to ending load-shedding and resolving the freight and logistics crisis.

The Covid pandemic exacerbated the impact of state capture on our economy as the world implemented growth-inhibiting lockdowns from 2020 through 2022, seriously impeding business.

The impact of endogenous shocks like load-shedding and exogenous shocks such as the conflict between Ukraine and Russia, and the turmoil in the Middle East, all point to a fragile geopolitical context. We have seen increasing signs that the world is becoming more protectionist and polarised.

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Fortunately, we determined very early on that unless government instituted a set of far-reaching reforms to improve governance, oversight, and operational performance of the beleaguered SOEs, the state's economic developmental imperatives would be compromised.

The key priorities for the new administration will evolve around the need to ensure that there is continuity in the strategic implementation of the reforms currently under way to reclaim, recalibrate, and reposition our SOEs for long term sustainability.

The term of the 6th administration will be ending following the national general elections scheduled to take place on May 29. The interventions that have accrued through the mandate of the DPE, as the government's shareholder representative, touch key areas of our macroeconomic engine: electricity, logistics, defence, mining, forestry, and aviation.

In addition, we have committed resources to lay the foundation for the establishment of a state holding company as envisaged in the National State Enterprises Bill, which will likely be processed during the 7th administration.

More specifically, we have sought to make our key SOEs more responsive to their mandate as catalysts for our economic development and industrialisation. We have also worked tirelessly to ensure that the boards have leaders who embody integrity, professionalism, courage, patriotism, and selflessness.

The DPE has been preoccupied with cleaning up malfeasance that characterised the costliest period for our SOEs. Stability of the boards of Eskom, Transnet, Denel and SAA is paramount as these entities bore the brunt of the thievery.

Government is also intent on reclaiming our SOEs from criminal syndicates who now want to subject us to state capture 2.0 — new forms of corruption and rent-seeking that are emerging as we continue with our relentless push to reform SOEs. Granted, our work has been met with a lot of resistance and opposition.

Our reform journey is irreversible. And we remain resolute.

ESKOM

At Eskom, the board led by Mteto Nyati, a highly regarded business executive, a visionary, and an inspirational leader, is overseeing the implementation of a wide-scale restructuring of the utility into three distinct subsidiaries: generation, transmission, and distribution. The National Energy Regulator of South Africa (Nersa) has approved all requisite licences for the newly established National Transmission Company of South Africa (NTCSA), whose board was announced by Eskom in January.

Head office of Eskom.
Image: *Siphiwe Sibeko*

These steps, along with the approval by the National Assembly of the Electricity Regulation Amendment Bill, herald a transformed, competitive, and a more sustainable electricity market for South Africa. Eskom has also received consent from key lenders for its restructuring.

On March 1, Dan Marokane assumed his position as Eskom's new group CEO, a task that now involves the implementation of the Just Energy Transition (JET), and plans to expand the grid by 14,000km over 10 years — an endeavour expected to require more than R350bn of investments.

In February 2023, the National Treasury provided Eskom with a R254bn debt relief package, aimed at giving Eskom the ability to improve generation capacity and invest in maintenance to relieve load-shedding. The restructuring of Eskom underscores the importance that government places on ensuring that South Africans have a secure, safe, and reliable energy supply. This is also vital for growing our economy to create more jobs.

TRANSNET

Work to overhaul Transnet is at an advanced stage, consistent with the recovery plan that its board has devised to recover rail volumes, improve port operations and stabilise finances. In December, Transnet was extended a R47bn guarantee to allow it to resolve immediate short-term debt.


Transnet freight locomotives.
Image: *Freight News*

We are pleased that the board expedited the process to fill the vacant executive management positions at Transnet, culminating with the recent appointment of Michelle Phillips as the new group CEO and Nosipho Maphumulo as the group CFO. We have always said that we are committed to ensuring that our SOEs are equipped with competent, experienced, ethical, courageous, and committed leadership that can make a difference.

Transnet's recovery plan is focused on recovering rail volumes on coal and iron ore corridors, which have faced a marked decline since the 2017/18 period, and on improving efficiencies at the ports. It also prioritises, among other key interventions, protection of the rail network and optimisation of the rolling stock.

By early March, total rail volumes were already showing a significant recovery, registering over 3Mt per week versus 1.9Mt per week prior to the implementation of the recovery plan. Coal corridor recovery tempo exceeded the recovery plan by 28%, while container corridor tempo surged by 33%. The National

Logistics Crisis Committee (NLCC) is overseeing the government's response to the immediate freight logistics crisis, and this involves input from business to devise intermediate interventions.

Those interventions included the recent acquisition of compressors and batteries to bring to service additional locomotives on the coal line, and facilitation of workshops between business and Transnet via an initiative known as "action labs" to develop plans and synergies for improving key freight lines and Pier 2 of the Durban Container Terminal.

Transnet has appointed an international terminal operator, International Container Terminal Services Inc. (ICTSI), to help expand and improve Pier 2.

Transnet is also pushing ahead with the implementation of the freight logistics road map, a blueprint that was approved by the cabinet in December 2023 to begin opening access to third-party operators on the rail network starting in May. Its other key feature is the establishment of the Infrastructure Manager in November 2023 as an independent owner and manager of rail infrastructure to leverage investment and expertise from private operators.

Another key milestone is the appointment of the inaugural board of the Transnet National Ports Authority (TNPA), a key component in the plans to corporatise the entity as part of its strategic overhaul to better leverage our ports and improve their catalytic contribution to the economy.

SAA

SAA has opened new routes since the deal with Takatso was announced in 2021.
Image: *Supplied*

Our third priority is to consolidate the recovery of SAA. Our national flag carrier is now on a sustainable financial path that should see the airline recapture a greater share of the domestic and international market as it continues to expand its network and optimise its fleet.

The SAA board and executive management will engage with the shareholder to map out a funding path that leverages private investment to expand SAA's route network, recalibrate its fleet and recover market share. Ever since SAA resumed flights in September 2021 after narrowly averting liquidation, SAA has seen a marked improvement in its commercial and strategic agility, thanks to the support and interventions by government.

The airline resumed operations with only six aircraft but is now aiming to have as many as 20 planes in its fleet by the first quarter of 2025. In November 2023 SAA relaunched its first international route to São Paulo, to be followed by the reintroduction of Perth this month.

As government we are committed to see to it that our SOEs play a meaningful role in our economic development. Whether it is in the promotion of localisation or leveraging their procurement to advance transformation across key value chains or in the advancement of small business, SOEs have a massive role to play. This vision is the cornerstone of the National Development Plan 2030, and it underscores why we have exerted our collective strength to recover, renew and rebuild our SOEs during my tenure.

I take this opportunity to thank President Ramaphosa for his principled leadership and support. I am certain that our SOEs can make a critical contribution to our economic wellbeing in the years ahead. I also thank the boards and executive management of all SOEs for their immense contribution and for their courage to serve our nation. These are the kind of leaders who have embraced the need for change and adaptability.

Warren G Bennis, renowned American leadership and management scholar, once said: “In a time of drastic change, it is the learners who inherit the future. The learned find themselves equipped to live in a world that no longer exists.”

• *Gordhan is the minister of public enterprises*

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