

## **Speech delivered by Hon R M Tseli on the Budget Vote 9 of the Department of Public Enterprises**

14 May 2015

Hon House Chairperson,  
Hon Ministers and Deputy Ministers,  
Hon members,  
Guests in the gallery,  
Ladies and gentlemen  
Ndi masiari

I am indeed privileged to be one of the participants in the debate on Vote 9 of the Department of Public Enterprise on behalf of the ANC. We really appreciate the department's commitment to assist the State owned companies in the acceleration of economic growth, employment creation and the reduction of inequality substantially saw a way of achieving the United Nations Millennium goals set in 2000 of which South Africa is a signatory. A lot of progress has been done in that regard and I would like to focus largely on SAFCOL and ALEXKOR.

SAFCOL has the potential to partner with business in agroforestry, timber framed structures and furniture manufacturing which has been recognized by the Industrial Policy Action Plan to be very key in terms of benefits for rural communities. A furniture manufacturing training project has been initiated with over 1400 people trained to date. It is also encouraging to note that a project for social infrastructure programs is also being developed and has been piloted through the provision of schools, frail care centers and clinics in Limpopo, Mpumalanga and Kwazulu Natal.

The company has generated a profit of R51million which includes dividends of R41.8 million from associated companies and that has increased its reserves by 45% to R222 million. The fact that it has not received any capital injections from government is an indication that it is financially sustainable and has the potential to grow.

As much as its management of the plantation is the best in the country, 61% of the land it operates in is subject to land claims which are a worrying factor as it hampers its long term planning. However as the ANC we are pleased by the engagements going on between the Department of Public Enterprise and the Department of Rural Development and Land Reform which are aimed at ensuring the speedy processing of those land claims.

A number of cases of misconduct have been reported but we are assured that they are receiving attention and those found wanting will be dealt with appropriately. As the Portfolio Committee we will be following these cases with keen interest to ensure that indeed those responsible are held accountable.

Chairperson,

Alexkor on the other hand is in the process of reviewing its strategy to enhance financial sustainability and also to oversee the implementation of the Richtersveld Deed of Settlement which resulted in the establishment of a formal township in Alexander Bay. We would like to call upon the Department of Public Enterprise to move with speed in the signing of the transfer agreement of the township with the community.

For the first time in 12 years , land based mining is taking place through investment in a R60 million diamond processing plant resulting in 230 jobs being created and most of the employees come from

the 4 townships the beneficiaries originate from.

Another positive development is the SOCs net profit of R237 million as compared to the R4.7 million it achieved in 2013.

The ANC is committed to clean governance and a corruption free society hence the company has a fraud hotline facility which is operational to report fraudulent, corrupt and unethical conduct as and when it arises.

With regard to Transformation, Alexkor has made sufficient progress in improving its equity status in that 60% of the top management is constituted by African females.

Honourable Chairperson,

The need for the intensification of oversight over the State owned entities by the shareholder cannot be overemphasized and equally performance and consequence management will have to be introduced for the executives and SOCs that do not achieve their key performance targets.

Honourable Chairperson, allow me to address some of the Honourable members of this house . I would like to remind some of you that your policies have been rejected by 94% of the electorates of this country and instead gave the ANC overwhelming mandate with 62% to govern and we will never be apologetic. They said with a big NO that we don` t want to associate ourselves with what you believe in . As I said that I am just reminding you because sometime you come here and become excited because people are watching you on Tv at home

To other Honourable members on the left, even if you can embark on a rent a black leader campaign using the Maimanis of this World, you must know that our people are clever and know you will always remain the very Democratic Alliance of yesterday. You will never succeed in playing with the minds of our people.

Mbongola naho ya ambadziwa rokho kana vhurukhu a i mbo di shanduka ya vha muthu, I di dzula I Mbongola.

Our people know that it is only the African National Congress that has a clear Programme of action to address the triple challenges of poverty, unemployment and inequality. We will take South Africa forward.

Minister and Deputy Minister, as the Portfolio Committee we would like to assure you of our support in the wonderful work that you are doing.

The ANC supports the Budget vote.

I THANK YOU

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**Speech by Hon G N Nobanda (ANC) on the budget Vote Number 09 of the Department of Public Enterprises**

14 May 2015

Honourable Chairperson  
Honourable Minister and Deputy Minister of Department of Public Enterprises

Honourable Members  
CEO's and Management of our State Owned Entities  
Distinguished Guests/ Ladies and Gentlemen

IYABULISA iAfrican National Congress

First of all as the ANC we support this budget vote number 9 for the Department of Public Enterprise and it is important that we remind ourselves that the state has a central role to play in leading initiatives aimed at achieving a decent quality of life for all, and that is possible only if enough support is given to our SOE's.

The Portfolio Committee had to scrutinize the Strategic Plan and Annual Performance Plan of the Department and its entities in order to see if funds requested are aligned to the objectives as stated in their respective Strat. Plans documents. The Department of Public Enterprise is focusing on implementing the National Development Plan during the 2015/16 financial year and its main goal is to ensure that SOE's support the implementation of the NDP and contributes to the achievements of outcomes outlined in the plan thus our support for this budget vote.

Main challenges facing the SOE's is an insufficient return on investment especially Eskom, Transnet and SAA and many are under-capitalised but this does not mean in any way that the option to privatise any of these SOE's is an option. Chairperson, let me engage with the budget vote of the Public Enterprise in general but with the particular focus on Eskom and Denel to give the department of Public Enterprises a mandate for 2015/2016 financial year.

DENEL

The ANC continues to applaud Denel's financial turnaround and its achievements, this shows that with the right support our SOE'S can do better and more to move South Africa forward. It is now the largest manufacturer of defence equipment in South African and operates in the military aerospace and landward defence environment.

The president in his 2014 State of the Nation Address highlighted manufacturing as one of the five job drivers identified to grow the economy and Denel is certainly doing its part.

Turnaround Strategy

From inception Denel has improved its turnover from approximately R3 billion to its highest level at just under R4.5 billion in 2004 and growing it with a recorded revenue of R4.6 billion in 2013/14 financial year. Denel is well governed and is making strides to maintain commercial profitability. Siyaqhuba!!

Denel provides fertile ground for nurturing engineers, technicians, and artisans through the Denel Technical Academy and since technology skills are scarce in South Africa and the cost of developing personnel in this sector is extremely high, Denel contributes to the critical national objectives for job creation, developing scarce skills in areas of engineering, artisans and management by developing talent from school level through to professional qualification and on the job training. It spends 3% of its payroll costs for learning and development, focusing on employees with critical and core skills and on young employees with potential. The Academy trained 231 apprentices and 764 learners in various advanced and type training during the 2013/14 financial year, ke ka moo re reng sejo sennye ga se fete molomo ebile bana ba motho ba kgaoganya tlhogwana ya tsie. Hayi Siyaqhuba!!

Aviation

It is the original equipment manufacturer of the Rooivalk combat support helicopter and design authority of the South African Air Force Oryx medium transport helicopter. It is also an accredited and certified provider of maintenance, repair and overhaul solutions for both fixed and rotary wing aircraft, associated components and ground support equipment. It also provides advanced and type training as well as apprenticeships training in several trades for aerospace, engineering and defence industries. Denel is the primary MRO (maintenance, repair & overhaul) provider for the SAAF Oryx & Rooivalk helicopters.

#### Aerostructure

Denel is positioned as tier1 and 2 suppliers in the global aerospace supply chain, supplying aerostructures to Original Equipment Manufacturers and is also working with the local Tier 3 and 4 parts manufacturing suppliers as part of developing and growing the domestic national aerospace supply chain.

Under Denel's achievements, we can boast on getting the Airbus A400M military air transport and air-to-air refuelling aircraft contract, the Rooikat Armoured Car, The Badger (combat vehicle), and the G6 Self-Propelled Gun Howitzer

As it is clear that this SOC is being governed well and making profits, it still needs the support of government as well as of Parliament (in areas of arms control legislation, localisation and most importantly skills development specifically engineers and scientists).

#### ESKOM

The 2014-2019 MTSF focuses on infrastructure development as it is the enabler to future economic growth. This infrastructure expansions relies heavily on two SOCs in particular Transnet and Eskom.

The ANC continues to applaud Eskom in its delivery and achievements even through difficulties that are affecting them in their smooth operations, we also commit to our continued support and monitoring mandate to ensure Eskom sustainability and profitability. Eskom received an unqualified audit report on the 2013/2014 Annual Report so despite its financial difficulties, it is well managed and has proper governance principles.

Eskom has managed to reach payments agreement with 10 of our Municipalities. This represents about 3.8 million people or 7% of the population from all those municipalities and Cape Town is among the list of municipalities.

Nama Khoi Municipality in Cape Town

Nketoane Municipality in Free State

Nala Municipality in Free State

Dihlabeng Municipality

Thabazimbi Municipality in Limpopo

City of Matlosana in North West

Naledi Municipality in North West

Madibeng Municipality in North West

Randfontein Municipality in Gauteng

Westonaria Municipality in Gauteng

Eskom is a full integrated power utility that supplies 95% of South Africa's electricity and 4th largest in the world in terms of installed capacity. Due to a backlog of maintenance it is necessary for Eskom to continue with its maintenance programme thus the experience of load-shedding by South Africans.

Even in the load-shedding (programme) Eskom still supplies 96% of the required electricity demand at Stage 1 load-shedding, and at Stage 2 it is 94% of the required demand supplied. Through all this, Eskom has added about 160 000 NEW electrification customers in the last financial year. Siyaqhuba.

Eskom is continuously looking into ways to avoid load shedding but this is necessary.

On Monday 2 March 2015, at 11:03 Eskom announced the first power was produced from Medupi Unit 6 making a major milestone for coal-fired power station project, which has been plagued by delays and cost overruns associated with technical and labour problems.

The Medupi Legacy Programme is a well-coordinated and integrated programme whose objectives are to ensure that while Eskom is building the power station, it leaves a sustainable legacy in the Lephalale area and the Waterberg district which would contribute to the Limpopo Provincial Gross Domestic Product and its mission is to ensure that the immediate socio-economic concerns of the local community are addressed.

#### Local development issues

Eskom situated the Medupi power station at Lephalale in Limpopo due to the proximity to the existing Matimba power station as well as the Waterberg coalfields. Eskom is procuring about R202 million locally with 70% of procurement from companies owned by black women

#### Job creation

At the Medupi power station, Eskom placed contracts worth R1.67 billion to suppliers within the Lephalale and Waterberg district. Medupi employed 16 800 people by end of March 2013 and of these, 7 259 or 43% of the workforce are residents of Lephalale, 72% of the unskilled and semi-skilled workers are from Limpopo Province and 95% of the total workforce are South Africans and 53% are under the age of 35 (classified as youth). It is estimated that the project may have or will indirectly create approximately 25 000 employment opportunities within the Waterberg district. Inene Siyaqhuba

Although there have been delays in the completion of the Medupi Power station, and a serious impact on the power utility to provide enough energy to the country as the capacity in the system is already constrained, the project is bringing much needed job creation, skills development and local and social development in Lephalale, Limpopo.

#### Achievements

##### Medupi Unit 6 synchronization (KHALID, PLEASE SUPPLY WHEN EXACTLY SYNCHRONIZED)

Eskom announced that its Sere Wind farm near Vredendal in the Western Cape has achieved its full commercial operational capacity of a 100 MW. The achievement of this milestone is in line with the commitments made by Eskom in terms of both time and cost and the results of successful interaction between Eskom and contractors.

Sere wind farm is Eskom's first renewable energy capital project which delivers 100 megawatts (MW) to the national grid. Sere wind farm comprises of 46 wind turbines which are connected to the grid through the Skaapvlei substation in Vredendal, Western Cape. At the height of the project 564 jobs were generated when the project was 48% complete. Siyaqhuba!!

The plant adds 100MW to the national power grid and will contribute to saving nearly 6-million tons of greenhouse gas emission over the next 20yrs expected operating life, with average annual energy

production of about 298 000 MW hours-enough to supply about 124 000 standard homes. Si yiANC siyaqhuba

The Western Cape Province has received a lot of interest from local and international wind and solar energy project developers. Three projects from the department of energy renewable (wind) energy projects have applied for grid connection in the Western Cape Province, namely: Junno (170MW) Bacchus (350MW), Auroro (2450MW) which will add more power to the national grid. The renewable energy and natural gas projects in the vicinity of Sere and the Western Cape Province as a whole are major drivers of the economy and ensuring the diversification of the energy industry and provide significant economic support. The wind farm is not the only green energy initiative at Eskom, which is also developing a 100 MW concentrating solar plant project near Upington in the Northern Cape, a project once fully operational will save about 450 000 tons of carbon dioxide emissions over its life time.

#### In Conclusion

We recommend that the minister of Public Enterprise should ensure that the Department addresses infrastructure related challenges within the SOCs as a matter of urgency (maintenance & new build) as this will provide the platform for the economy to grow and that the department also introduces performance and consequence management for executives and contract companies that do not achieve their key performance targets.

Having considered the budget vote and the strategic plans of the department, we support this budget vote number 9 of the Department of Public Enterprise.

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### **Speech delivered by Hon Zukiswa Rantho on the Budget Vote 9 of the Department of Public Enterprises**

14 May 2015

Chairperson  
Ministers n Deputy ministers  
Members of parliament  
Acting DDG and your officials  
Our SOC`s delegations  
Out guest in the gallery  
Fellow South Africans  
Molweni!!

We are 21 years old in our democracy and not 201 years. And we are dealing with a huge damage made for more than 300 years and this has affected us socially ,economically and mentally We were robbed a fundamental right to education which is basic to our lives Nelson Mandela once said "education is the most powerful weapon which can change the world" This mess is holding us up in advancing the objectives of our movement because we have to rebuild the mind-set of our people who were oppressed to be able to go forward It is so unfortunate Kodwa asikhalazi singurhulumente wabantu silindele ukunikwa umkhomba ndlela ngabantu yiyo lonto simana ukuyokubuza ebantwini Sithini ngoku !Silapha ngoku ! (NGC)

In its 53rd conference in Mangaung the ANC economic vision rested on the clause of the freedom charter that says "people shall share in the wealth of this country. In the past 21 years we were able

to meet the basic needs of our people including the growth of social wage and the provision of social infrastructure But are aware that redistribution of economic assets and the growth of job creating industries have not been met yet as per the expectation of 1994

The department of Public Enterprise is a sole shareholder of some of the big SOC`s in South Africa including Eskom and Transnet these two accounting for 96% of the collective values of the department Therefore this department plays a critical role in shaping the outcomes of the Medium Term Strategic Framework (MTSF) and ultimately the National Development Plan (NDP) The mandate of this department is ensuring that SOC`s are directed to serve the government strategic objectives as outlined in the NDP articulated in the NGP and IPAP It also has to ensure that SOC`s are financially stable and are able to support the priorities of economic growth ,expanding employment and developing infrastructure.

Therefore we need effectiveness, efficiency, accountability and finally the use of available resources responsibly. There has to be an inclusive growth and everybody must take part.

The SOC`s are implementation agents of the developmental state and very central to South African economy through the following : To drive infrastructure expansion ranging from energy transport water and spatial planning To Raise technology base of the industrial sector. And finally to build the sense of social responsibility as good employers. The ANC Lekgotla of January 2015 supported the five point plan to respond to energy emergency and the intervention in the stabilization of Eskom. The current developments like the Sere farm in the Western Cape where a capacity of 100 MW is operational and adds to the national power grid that is under pressure ,will contribute to save nearly 6millions tons of greenhouse gas emissions over its20 years of operation expectation Through this facility Eskom has shown that it can compete with the world by constructing world class wind energy facility. Kweli phondo leNtshona Koloni uEskom has set up Grid Access Unit for Independent Power Producers with the objective of being the point to entry for IPP`s Ingaba sifunwa ntoni nyani? Eskom has recently electrified 160 000 households across the country adding to the 95% of people that has been connected already since the dawn of democracy We are confident that current interventions will stabilize the electricity industry position in the medium term However we must agree that it is clear that energy shortage is going to be with us for several years to come But we are appealing to all of South African electricity users to work together in overcoming these challenges by simply switching off all unnecessary plugs During the first two weeks of the acting CEO of Eskom which had long weekends we were pleased to see that we had no load shedding We are aware that Eskom has embarked on a long working hour plan in maintaining the plant at Medupi called Maintenance Festival we welcome that Qhubani !Themba limbi asinalo!! Sijonge kuni !

Transnet first batch of electronic locomotives has been completed and p President Jacob Zuma has welcomed this move and said that the 95 locomotives will form part of Transnets long term fleet renewal program aimed at increasing the capacity while reducing the average age of the locomotive fleet . 85 of these locomotives were assembled in Koedoespoort here in South Africa by South African black and white young men and women This is youth development at its best.

Besipha eKoedoespoort singamalungu wamaqela ahlukileyo ezoploitiko sisuka sonke apha epalamente sazibonela ulutsha lwethu lusakha oololiwe ngezandla zabo. Sonke ke sangqina ukuba liphulo elihle Savuma sonke singalamaqela ukuba uyaqhuba urhulumente we ANC futhi Eli ligalelo elihle kwi NGP yeli Lizwe ekwakheni amathuba emisebenzi nanjengeminqweno ye Lekgotla 2011 when the unemployment rate was at 25% then and the Lekgotla saw it as a disaster hence these many initiatives This Lekgotla adopted NGP as a framework within which we all work on and the10 job drivers that has a high potential of absorbing the unemployment in numbers

Transnet Engineering has developed into an excellent locomotive assembly and equipment manufacturing entity within its 133 depots Silwa indlala ngandlela zonke it also intend opening maritime schools of excellency in places that are nearer to ports Uzava ukuba kuyadlalwa nah! It is

important to have these maritime schools because a lot of our learners in rural provinces do want to explore in those fields but there are no training colleges for them. Generally South Africa has a shortage of skills and low quality of basic education inadequate infrastructure that was meant for few , markets dominated by monopolies and conflictual labour relations and inequitable spatial pattern. If we can be able to train our youth on skills needed by the country to develop economic growth we will be able to completely win the battle of poverty unemployment and inequality

The department in the report had clearly stated its 8 strategic goals for the next 12months therefore we will be able to monitor them in support of the NDP. We can also evaluate them within the 4 quarters of the year We want to see a legislation introduced to guide the SOC` s and also that will strengthen the department in its oversight role.

Denel technical academy which is recognized internationally in engineering and aviation training today has an apprenticeship training aviation and non-aviation to high school leavers Besiyile nalapho sababona abantwana abancinci beli lizwe lakowethu befumana ithuba lokuzibalula kwizakhono zabo This entity has a new initiative of opening small strips for smaller flights and is assembling a new small domestic flight for the smaller strips that will be opened This needs celebration because our country is growing economically but profess of doom don` t want to acknowledge because is done during our time as ANC government.

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### **Speech delivered by Hon Zukile Luyena on the Budget Vote 9 of the Department of Public Enterprises**

14 May 2015

Honourable Chairperson  
Honourable Ministers and Deputy Ministers  
Honourable Members of Parliament  
Officials of the Department  
Distinguished Guests  
Fellow South Africans  
Ladies And Gentlemen  
Sanibonani

Honourable Chairperson,

South African Express is a regional and local operation airline. Out of 39 indicators contained in the shareholders compact their airline has already achieved 28% or 71%. SAX has also achieved 63% of the sustainable cash position targets an indication that there is a measurable improvement.

How Chairperson, as a direct result of the airline usage of under-capitalised and operating with aging fleet in a highly competitive trading environment which affected operational current profits eliminated into the airline unable to achieve financial targets. The ANC is therefore convinced that the current governance and management leadership use of collective mechanics with workers directly involved will save the airline and application of cost-effective means to avoid extravagant.

Globally airline challenges amongst others include reduced profit margins and passenger demand, increased airport charges strong 1st World currencies and passenger demand, increased airport operations and fuel cost. The cost reduction strategy that the airline stakeholders agreed upon must bear fruits if and why if it is applied appropriately populated as maintenance and infrastructure with labour costs and skills.



The turnover increase by 11.5% as compared to prior period increase in average fare and increase in fuel levy is appreciated by the ANC earnestly. Cargo 30% reduction from previous year due to contracting challenges and frauds transportation competition requires more serrating by all the parties. The passenger revenue growth in both domestic and regional routes indicates a clear room for further growth.

The ANC encourages the airline to periodically assess on profitable routes, nationalise its network but underway to retain or growth the 1188 employees that supports about poor jobs indirectly, 68% black, 38% females, over 20% black pilots via the Cadet Pilot Programme, 61% black technicians and incubator for aviation critical skills, over 150 black pilots, 250 technicians and 100 learnerships. This airline pays more than ½ or billion to its employees has commercial airline in South Africa, siyaya siyaquba.

The ANC further calls upon all stakeholders to be considerate enough by embracing each other put all expertise, efforts at their disposal from their divert background to be patriotic enough to collective take this airline forward confider of privation to apply on it.

Transnet

During the period 2004/5, Transnet embarked on a four point turnaround strategy as a direct result of complex performance, unfocused and in efficient business structures, weak governance can morale and a leak of capital investment and high gearing.

The four local points included

Business reengineering-on operational strategy

Strengthening balance sheet-disposal of non-care business assets (Housing loan book, SAA

Transnet and Metrorail) reduction of liabilities.

Establishing strong governance structures and implementing proper risk management

Human Capital development

Hon: Chairperson that has actually doubled operational profit from R4.7 billion to R8.5 billion, capital investment increased from R3.8 billion to R11.7 billion while gearing reduced dramatically from R83%- 39%. What a remarkable transition from an already declared dead company by the prophecies of doom to an excellent organisation. Thanks to the board and management for such wonderful strides you took. We may with the opposition in certain aspects but on Transnet, it's all thumbs up at a committee level but at this platform there are certain tendencies that erupts.

The Quantum leap in 2008 from the successes of the turnaround strategy culminated to the volume demand much for out stripped the capacity of Transnet as a review of stabilised balance sheet which sacrificed all with a R100 billion infrastructure development and operational efficiency.

Hon: Chairperson Transnet felt obliged to review strategy in order to meet the demand and developed a market Demand Strategy (MDS). Through MDS investment plan Transnet committed over a rolling 7 years coat to address backlog rail, port and pipelines and new logistical projects.

Since the introduction of MDS, R90 billion infrastructure expenditure on projects, 70 000 indirect jobs , 3000 artisans trained and more than 500 engineers . Local companies benefit as lot through localisation policy as pronounced by his Excellency President J,G. Zuma his State Of The Nation Address.

This year is very critical in ANC Zeal to make a difference in people's lives. The declaration by the NEC of the ANC that 2015 is the year of Freedom Charter. Much has been done though still more

needs to be done. People sharing mineral resources as entailed in the Freedom Charter cannot be realised whilst certain parties call for privatisation of Eskom like the new DA leader Single ownership of an important power generator like Eskom will be contradictory to what heroes and heroines died for during the fight for our hard earned victory of our liberation.