**MEDIA STATEMENT**

**COMMITTEE ON PUBLIC ENTERPRISES APPLAUDES DEPARTMENT FOR PROGRESS IN DEALING WITH CHALLENGES AT SOEs**

**Parliament, Wednesday, 19 August 2020 –**The Department of Public Enterprises today appeared before the Portfolio Committee on Public Enterprises to brief the committee on progress made in addressing governance challenges facing state-owned entities (SOEs).

Briefing the committee, the newly appointed Director-General of the Department of Public Enterprises, Mr Kgathatso Tlhakudi, said it is their responsibility as the department to ensure that the seven major SOEs that fall under their jurisdiction are financially sustainable, adequately funded and operationally robust, among other things. The entities include, Alexkor, Denel, Eskom, Safcol, South African Airways (SAA), South African Express, and Transnet.

The committee heard that three of the seven entities, Denel Safcol and Alexkor have reported financial losses for the 2019/20 financial year.

The arms company, Denel, recorded another loss of R1.7 billion due to the significant decline in revenue collection. The department said the loss is directly attributable to the current liquidity challenges. The third-largest state-owned company in South Africa, the South African Company Limited (Safcol), reported a loss of R47 million also as a result of the decline in revenue collection and high operating expenses, while the diamond mining company, Alexkor, reported a loss with no revenue generating activities.

The diamond entity depends solely on the income from the Pooling and Sharing Joint Venture (PSJV). Ms Jackie Modisane, the Deputy Director-General of the Enterprises Department, said the performance of the PSJV has been erratic because of poor management, corruption and low diamond prices. “Consequently, the PSJV’s liquidity challenge has had a substantial impact on Alexkor’s financial position. Alexkor is therefore not a going concern,” she said.

Ms Modisane told the committee that Alexkor’s cash reserves are expected to be depleted by September 2020. She said the department is not able to provide further funding to the entity, which is unable to generate revenue. Furthermore, she said the entity is unable to access financial markets, and neither can it request support from the fiscus.

Alexkor’s financial projections for the financial year 2020/21 are not available due to the winding down of its head office. With regard to Eskom, Ms Modisane said the increase in revenue at the power utility is underpinned by the increase in tariffs. She said although cash from operations is increasing, it is insufficient to cover the increasing costs.

Transnet’s revenue grew by 3% to R57 billion in the 2019/20 financial year. The department attributed this growth to the lower demand than previously, which therefore resulted in low-volume performance. “According to the Corporate Plan, the revenue was expected to increase to R78 billion, but the event of Covid-19 and lockdown make it unlikely that this will be achieved,” Ms Modisane said.

The department also reflected on the status regarding SAA and SA Express. SAA was placed under business rescue in December 2019, due to declining performance and its inability to pay its debts. The Business Rescue Plan was approved in July 2020 by creditors, and various options of raising fund to implement the business rescue plan are being considered.

“This is being carried out with the assistance of Rand Merchant Bank which has been appointed as Transaction Advisor to ensure that the best option of securing funding is chosen,” Ms Modisane added.

SA Express was placed under business rescue in February this year and was subsequently placed under provisional liquidation on 29 April 2020 by the High Court. The provisional liquidators have advertised the expression of interest for the sale of the business.

According to the department, there is a likelihood that the airline may be liquidated on 30 September 2020 should there be no interest from any potential investor. On the strengthening of governance structures and tools at the state entities, the department reported that critical positions are receiving the necessary attention at the various companies.

The committee heard that Transnet has finalised the recruitment and appointment of the top executives, the Group Chief Executive Officer and the Group Chief Financial Officer.

The Chairperson of the Portfolio Committee, Mr Khaya Magaxa, applauded the department for the progress in dealing with the challenges facing the state-owned entities. “There are many developments that are being observed since the last meeting and this is very encouraging,” he said.

**ISSUED BY THE PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES, MR KHAYA MAGAXA.**