

Budget Debate on Vote 10: Public Enterprises

Speech by Farhat Essack MP

DA Shadow Deputy Minister of Public Enterprises

Hon Chairperson, in 1999 this ANC government established the Department of Public Enterprises supposedly to accelerate the restructuring, professionalisation, good governance and management of State Owned Enterprises (SOEs). 24 years later, none of these aspirations has been attained – instead, the country is saddled with highly indebted SOEs that are completely dysfunctional and have become cesspools of corruption for connected cadres and cartels.

After spending R331 billion bailing out these monuments of corruption since 2013, the South African taxpayer has literally been forced to live in the dark as Eskom has all but collapsed, exporters are failing to get their goods to ports due to a floundering Transnet, Denel is always knocking at Treasury's door asking for more bailouts and SAA, well, the less said about this doddering entity the better.

Such is the destruction and mayhem that the failing ANC government has brought to SOEs. They should all hang their heads in shame for **ruining** the promise that this country once had. Hon Chairperson, everyone knows that Eskom has been hollowed out by cartels and corrupt politicians and is probably on its last leg before it completely disappears from South Africa's energy sector. But here is the cold hard truth – in the short term, South Africa needs every megawatt that we can squeeze out of the struggling coal power plants.

But this will not be possible if the ANC government keeps insisting on racial bean-counting which has limited Eskom's ability to hire retired and experienced engineers who have offered to assist with running these old power plants. Eskom is suffering from a lack of skills, which is evident in the repetitive breakdowns and low quality of the maintenance being undertaken, affecting the performance of the generation units and thus leading to high levels of load shedding.

The warning by Eskom that the country faces the risk of stage 8 load-shedding during winter, while hardly surprising, will be devastating for our economy which is already in the ICU. At Denel, gross mismanagement, declining competitiveness and a local defence industry in decline – have all combined to render the entity a shadow of its former self. Denel suffers from high fixed costs and an outdated operating model, which requires large amounts of initial capital investment before profits can be realised. Due to Denel's redundant model, the

company has failed to capitalise on a potential order book of R8 billion – severely compromising its ability to hold on to clients that it had built a relationship over the years.

The loss of Denel's export market share will be a death knell for the company due to the shrinking local defence market. The fall of Denel's revenue from a high of R8.2 billion in 2015/16 to below R2 billion in 2021/22 has been precipitated by the declining South African defence budget spending in relation to gross domestic product (GDP). If the recent report by Treasury on Defence's terrible financial state is anything to go by, Denel's prospects for local orders are decreasing by the day.

The grim outlook for SOEs is symptomatic of the general malaise that has **infested** our national economy as a result of the ANC's disastrous policies:

- Transnet's operational inefficiencies have left South Africa's export sector struggling to get their goods to port on time – putting their relationship with clients at severe risk.
- Alexkor is still a problem child in the cacophony of struggling SOEs as it continues to ask for more bailouts from the state. The impoverished Richtersveld community in the Northern Cape have still not benefited from their successful land claim.
- SAA still has not published audited financial statements for the past 4 financial years and its going concern status remains in question.
- The Auditor General's report **clearly** points out that the Annual Performance Plan was **not** fully reviewed to ensure that it is linked to 2023/2024 activities.

Minister, you will again come up to the podium and give assurances that your Department's turnaround strategies are on course. It is a line that the ANC government itself, love to band about whenever they are called upon to account for failing SOE's. South Africans have now had enough of this empty rhetoric.

In conclusion, Hon Chairperson, the ANC's R331 billion SOE swindle was theft from taxpayers and South Africans will return the favour when they kick them out of office in the 2024 elections.