**Address by Honourable N. Dlamini MP (ANC) during the Debate On Budget Vote 10: Public Enterprises**

Tuesday 25 May 2021

Hounourable Deputy Speaker
His Excellency President Ramaphosa
Deputy President Mabuza
Ministers
Honourable Members, I greet you all

**Introduction**

The Budget vote on Public Enterprises is occurring under both challenging times given the social and economic effects of Covid 19 and opportunities to embark on the Economic Reconstruction and Recovery Plan. The rebuilding of SOE’s that were negatively affected by state capture and corruption commenced and much progress is being made to re-establish corporate governance, operational and financial viability of the SOE’s. SOE’s have an important developmental role in South Africa to ensure economic renewal. These entities have both a commercial function and developmental role. They have also served as an arm for the delivery of important Government policy objectives as they operate in strategic spheres of the economy. Many SOE’s have played a key role in the development of key infrastructure which enables the efficient functioning of many other sectors of the economy.

**Restoring Corporate Governance**

This budget vote is occurring when there is much steady progress achieved by the Department of Public Enterprises under the 6th Parliament to reverse the negative effects of State Capture and corruption. This has occurred through the appointment of new Boards and management. There has been a rigorous process followed in the appointment of directors to the different boards to avoid any conflicts of interests between the SOE and new directors which are appointed. Skills, capacity and capability was another important criteria for appointment of directors to ensure that the different SOE Boards have the correct skills and capacity to restore operational efficiency, financial controls and achieve financial viability. Financial viability is critical to restore SOE’s to perform on their commercial and developmental mandate and create going concerns. More importantly it is imperative that SOE’s creates and grow shareholder value.  In this process the Department has ensured that Boards have a clear mandate in terms of what is expected by the shareholder and will also under go performance assessments.

This is certainly encouraging to ensure that there is focus on developing corporate governance and financial controls for the development of the business.

We also welcome the improvement at Alexkor, they have recorded a profit after a long time of losses, thanks to the new team lead by the CEO there. This is a positive sign that we are going to turn things around

**SAA**

SAA has traditionally played an important role for the country in the aviation industry.  The geography of the country being at the Southern tip of Africa meant that it was in the national economic interest that the country had a flag carrier in the aviation industry as air travel is the fastest and most efficient mode of transport. Since the creation of the Democratic South Africa SAA was able to create a regional hub for international flights at OR Tambo international airport. The airline made a major contribution to the tourist industry in the country which has traditionally made a major contribution to GDP.

SAA has historically had a number of challenges from a corporate governance and financial point of view. It is well known that the airline was placed in business rescue and that dragged on for many months. It is a relief that this process is finally concluded and the business has finally been passed back to the interim Board and management.

Government support for the airline was based on the legal and moral responsibility of the shareholder and the economic importance of the airline for the country. The airline created many direct jobs and indirect jobs as well as contributing to the local economies in which the airline operates.

The company will have to grow its business on a new business plan and the Department needs to ensure that there is a strategic partner which is sought who has the same vision as SAA to grow the business. The Department will need to assess the restructuring of the state’s assets in aviation industry to ensure that economies of scale can be created from these assets to function under adverse conditions afflicting both local and global aviation industry.

The global lockdown negatively affected the aviation industry and most national airlines are struggling to recover as the aviation industry is a capital intensive and low margin business. The airline like its international competitors will take much time to recover given the effects of second and third waves of the pandemic. This means the recovery of the airline is not a quick fix and it will need to prepare for a post covid 19 world. This can only occur if the majority of countries receive the vaccines as the wealthy northern countries dominate the vaccines.

Going forward SAA must function with vision and its financial controls must efficiently function. Margins in the industry are very tight under normal conditions and it is more difficult under current market conditions. The national airline does have a bright future, but one step at a time.

The growth of our tourist industry is critical to the country’s economic growth and this is complemented by the functioning of the national airline.

**Transnet**

Transnet plays a critical role in the logistics and freight sector and makes a substantive economic contribution directly and indirectly to the economy. It has divisions which operate the major ports in the country, a national freight rail service and passenger service as well as a petroleum logistics business through ports, rail and tank farms. It is an integrated logistics and freight business.

The ports and rail service which Transnet operates is crucial to the conduct of many business activities. It is common course that transport enables the movement of goods, people and services throughout the country and therefore the economy is unable to function without such services as provided by Transnet in any substantive manner.

The ports facilitate the import and export of various types of goods as the country is not close in distance from its major trading partners. The country is dependent for many commodities which are not produced domestically to be imported and also dependent on the rail and ports for the export of minerals, agricultural products and manufactured goods. South African ports are based on international standards.

Transnet financial performance has been encouraging under difficult economic conditions as it was able to generate revenue of R75 billion and made R3.8 billion in profit. The company has an asset base of R 342 billion. This is encouraging given the difficult economic climate imposed by the pandemic. This is no small operation as it directly employs 55 000 people and contributes to indirect employment in the service and engineering industries. This is a large enterprise by any international standards. It is one that needs to be strengthened in order to ensure economic growth and development.

Its procurement enables transformation through the support of BEE empowerment companies for services and goods.

**Progress in Transnet**

The Department has facilitated the appointment of a new board and management at Transnet. The Board and management have been dealing with state capture and corruption at the entity. This Board is clear that it has to restore financial controls and grow the business. The different business divisions need to improve on its cost structure and its efficiency to ensure optimal functioning.

Transnet is one of the SOE’s which is critical for infrastructure development as part of the Economic Reconstruction and Recovery Plan given the strategic logistics role it plays in economy.

With growth in the industrial activity and changes in the maritime industry the President correctly announced the development of the Durban port in the SONA of 2020. This is critical to ensure that larger container vessels are able to dock at the Durban port. Port infrastructure supports exports of South African goods. The Durban port is critical for the exports from the motor industry which has expanded its South African operations in the form of Ford, Toyota and Mercedes. The Cape Town port is crucial for the export of agricultural products just as Richards Bay is crucial for the export of minerals. This expansion of the Durban Port will make the country’s economy more efficient.

Transnet has already commenced with a feasibility study to commence with this project. This is a major infrastructure upgrade of the Durban port based on world class standards and supports economic renewal and growth. It will also be a source of job creation.

The ANC Government has embarked on a policy of moving freight and goods from road to rail in order to preserve the road network through reduction in the number of heavy duty trucks on the roads. Transnet Rail will play an important role to ensure the realisation of this policy. In this regard the Transnet Rail has embarked on improving security of the rail network and ensuring that it is able to cope with increased freight volume. In addition Transnet Rail is planning a high speed rail from Durban into the country’s major inland market. This will improve efficiency in the movement of goods and freight between the inland market and the cost. A number of these major projects will be undertaken with the private sector.

Transnet is seeking to grow its revenue going forward to R100 billion.

Our 2019 manifesto made the following commitments:

* Transform the economy to serve the people – government has committed to expand the port of Durban and this will deal with the issue of aging infrastructure and unlock auxiliary opportunities in the port’s activities and create more jobs thereby growing our economy through the multiplier effect of the rand
* To address the monopolies, excessive economic concentration and abuse of dominance by large corporations to this end there is a program to assist small scale miners to export their call at the RBCT. S 79 of the ports act empowers TNPA to redirect underutilised licenses to businesses which are in need of the same resource
* Education, to this end Transnet through the school of excellence is striking a balance between quality education and soccer development and they are at an advanced stage to introduce the ladies soccer section

**Our Focus**

Our focus must be to ensure the constant improvement of corporate governance and in turn financial controls of SOE’s must be improved as the Department has ensured over the past year. The Department’s focus on reducing irregular and fruitless & wasteful expenditure in SOE’s must continue. The focus on corporate plans must also contain proposals for ensuring operational viability as well as growth. With the Plans and programmes of the Department steady progress will be made to ensure that SOE’s are able to play a key developmental role in economic renewal.

The ANC supports the Budget Vote on Public Enterprises.