

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 1897**

**QUESTION**:



**1897. Ms O M C Maotwe (EFF) to ask the Minister of Public Enterprises:**

Whether his department has lived up to its mandate which was to champion and direct the restructuring of State-owned corporations to ensure their optimal economic and developmental impact; if not, why not; if so, what are the relevant details? **NW2151E**

**REPLY:**

President Cyril Ramaphosa mandated the Department, together with the members of the Presidential State-Owned Enterprises Council (PSEC/ the Council) appointed in June 2020, to support Government in repositioning state-owned enterprises (SOEs) as effective instruments of economic transformation and development. This work entails strengthening the framework governing SOEs through, among other initiatives, the introduction of an overarching Act governing SOEs, and the determination of an appropriate Shareholder Ownership Model.

The Department is the shareholder representative for Government, exercising direct oversight over 6 SOCs in its portfolio (namely: Alexkor, Denel, Eskom, SAFCOL, SAA, and Transnet), and serves also as Secretariat for the Council. The President, at the 2022 State of the Nation Address (SONA) announced that Government will adopt a Centralized Shareholder model for its key commercial SOCs. During the 2023 financial year, preparatory work was underway to establish a state-owned Holding Company that will house strategic SOEs, and exercise coordinated shareholder oversight.

The Department is developing legislation in conjunction with the Council. The South African State-Owned Companies Bill will undergo a coordinated consultative process within Government and Stakeholders. Department is also working closely with PSEC workstreams to identify SOEs that will be retained, consolidated, rationalized and/or disposed of.

This work will continue through the 2023/24 financial year.

The work being undertaken by the SOCs in respect of their contributions to economic and developmental outcomes, is continuing, as is evident below:

**ALEXKOR:**

The focus for the short term has been to stabilise the operations and strengthen governance structures at the joint venture operations. Following years of facing financial sustainability challenges the joint venture is set to post a profit for the 2022/23 financial year. Whilst the favourable global rough diamond market played a significant role in turning around the fortunes of the joint venture, it has not resolved the long-term sustainability challenges of the company.

In this regard the Department is undertaking an in-depth analysis of Alexkor’s diamond assets with a view to identifying an appropriate model that will ensure the State derives maximum value and benefit from ownership of its diamond assets. The study is expected to be completed by September 2023. The outcome of the study will accordingly serve as base for Government to engage relevant stakeholders towards a decision on how best to exercise ownership of diamond resources.

**DENEL:**

The Department has made notable progress in terms of the restructuring of Denel.

Denel has appointed a Chief Restructuring Officer to enable Denel to develop its strategic restructuring plan focused on the operational and balance sheet restructuring. The Minister was informed by the Chairperson of Denel for his information. The latter has seen Denel receive payments for guaranteed debt, enabling Denel to save on substantial interest payment costs, and R3.4 billion recapitalisation allocation announced in October 2022.

These funds have significantly improved the SOC’s balance sheet, stabilising the entity, allowing for the restart of income generating activities, honouring payment plans and thereby gradually restoring its reputation as shown by renewed interest, from international entities, in partnering with Denel.

**ESKOM:**

The Department is implementing the restructuring of Eskom as per the *“Roadmap for Eskom in a Reformed Electricity Supply Industry”*: It stipulates that Eskom is to be divided into 3 independent entities, namely generation, transmission, and distribution. As part of the broader reform process, in December 2022, the National Transmission Company of South Africa (NTCSA) was created as a subsidiary of Eskom. Eskom is awaiting the decision of a license application from the National Energy Regulator of South Africa (NERSA) to begin trading. The NTCSA will soon be operational with an independent board. The National Electricity Distribution Company (NEDCSA) of South Africa was registered in November 2022 and work is underway to establish legal separation of NEDCSA. Eskom has finalised the due diligence report for the establishment of the new Generation Company of South Africa. The due diligence report will inform the structure of the new Generation Company.

**SAA:**

The airline exited the business rescue process in April 2021 after 16 months. It commenced operations in September 2021 and has been in operations for 21 months. The airline is expected to report a profit in the 2022/23 financial year.

A private sector partner (Takatso Aviation) has been identified to provide SAA with a capital injection. Agreements are in place for Takatso to be a 51% shareholder in SAA. It is anticipated that this partnership will promote SAA’s ability to service both the domestic and regional markets, which will have significant spin-offs for both the domestic and regional economies.

**SAFCOL:**

SAFCOL remains in a strong solvency and liquidity position and continues to sustain itself without financial support from Government. The previous financial year saw SAFCOL declare a profit and pay a dividend back to Government.

**TRANSNET:**

During the 2023 SONA, the President announced that Government is developing a Transnet Roadmap that includes the restructuring of Transnet Freight Rail to create a separate infrastructure manager for the rail network by October 2023. Work on the Roadmap is underway through a cross functional team led by Operation Vulindlela which includes the DPE, DOT, National Treasury and Transnet. The Roadmap will articulate the required institutional and structural changes required in order to enable the required policy reforms in ports and rail and to improve the competitive environment within these sectors. This will include amongst others, establishing the National Ports Authority as an independent subsidiary of Transnet, and creating an enabling environment for 3rd party rail operators. Transnet and private sector companies will conclude partnerships at the Durban and Ngqura container terminals, to enable new investment in our ports and improve their efficiency. There has been great success in repositioning the Port Elizabeth Automotive Terminal, which has more than doubled its capacity and has already seen an increase in exports.

**Remarks: Approved / Not Approved**

**Jacky Molisane PJ Gordhan, MP**

**Acting Director-General Minister**

**Date: Date:**