**Report of the Portfolio Committee on Public Enterprises on its activities undertaken during the 4th Parliament (May 2009 – March 2014), dated 11 March 2014**

**Key highlights**

1. **Reflection on committee programme per year and on whether the objectives of such programmes were achieved**

The Committee had annual plans for the five year term of Parliament which consisted of briefings and oversight visits. The Committee had no legislation referred to it for the term of Parliament; hence the Committee had not planned any public hearings. The Committee implemented all the activities and achieved its goals that it had set at the beginning of the term, which was to ensure that state-owned companies advance the developmental objectives of government and are financially sustainable.

For the current term of Parliament, the mandate of the Department of Public Enterprises remained a distinct one from other Departments of government. The mandate of the department was to act as a shareholder on behalf of the state in all state-owned companies (SOCs). The Portfolio Committee ensured that the mandate of the department was aligned to the developmental goals of government. Furthermore within this term the Committee ensured that there was stability in the boards and management of state-owned companies and that the entities were financially sustainable.

**1.1 Presidential Review Committee on state-owned companies**

During the 4th term the president of the Republic of South Africa established a Presidential Review Committee (PRC) to do a holistic review of all state-owned companies in all spheres of government. The scope of the review included amongst others: the policy framework of state-owned companies, the viability and funding of SOCs, the role of SOCs in a developmental state, standardisation of reporting and accounting processes and remuneration standards. In light of this review, there were many policy issues that were put on abeyance in anticipation of the recommendations of this Committee. The Presidential Review Committee has completed its work and has reported to the President. The Portfolio Committee has interacted with the PRC during the review process, and they subsequently briefed the Portfolio Committee on the final recommendations.

1. **Committee’s focus areas during the 4th Parliament**

The Committee in the 4th term had a very robust oversight programme, within which the Committee visited all state-owned companies.

* Ensure adherence to legislative frameworks and best corporate governance principles by state-owned companies
* Oversee the implementation of the infrastructure build programme by state-owned companies
* Ensure that the infrastructure programme yielded the intended result in terms the following economic spin offs: job creation, skills development, and promotion of local industries, beneficiation and a positive impact on the socio economic conditions of the adjacent communities.

1. **Key areas for future work**

* Enhancement of mechanisms to monitor performance of entities
* Non adherence to labour legislation by contractors at Medupi Power Station and other mega-projects
* Implementation of SAA Long Term Turnaround Strategy
* Long term procurement and fleet acquisition plans
* Recommendations of the Presidential Review Committee on state-owned companies
* Implementation of the Market Demand Strategy of Transnet

1. **Key challenges emerging**

These are some of the challenges that are emerging in some of the state-owned companies:

* Financial sustainability of certain entities (SAA, SA Express Airways, Alexkor, Safcol and Denel Aerostructures).
* Absence of Electronic Communications Services (ECS) Licence at Broadband Infraco.
* Threat posed by the National Ports Act No 12 of 2005 which allowed for competition from the private sector. The Act imposed obligatory competitive processes to allocate the port operations, thus making Transnet Port Terminals to compete with private sector operators.
* The Deeds of Settlement posed challenges to Alexkor.
* Cost escalations and delays in infrastructure projects (Medupi and Transnet Pipeline).
* Loss making and weak balance sheet of South African Airways.
* High rate of diamond theft at Alexkor.
* Instability in the Eskom leadership (resignation of Group Chief Executive Officer and the absence of Chief Financial Officer).

**5.** **Recommendations**

The Committee recommends the following should be done:

* Monitor the security of supply of electricity and the maintenance of power stations.
* Ensure the completion of the construction of the coal powered station (Kusile and Medupi)
* Ensure that Broadband Infraco receives the Electronic Communications Services Licence
* Ensure that the National Ports Act is reviewed to avert the potential threat to the mandate of Transnet Ports Terminals
* Review the deeds of settlement and the management arrangement of the Pooling and Sharing Joint Venture
* Monitor the implementation of the South African Airways Long Term Turnaround Strategy and ensure that the implementation plan has measurable targets with timeframes
* Support the energy saving initiative of Eskom through the 49M campaign
* Ensure the repealing of the Aventura Act

1. **Introduction**
   1. **Department/s and Entities falling within the committee’s portfolio**
2. **Department of Public Enterprises**

Core mandate/strategic objectives

The Department of Public Enterprises has a vision to drive investment and transformation in the Department’s portfolio of State Owned Companies (SOC), their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.

The Department has set goals of contributing to Ouctome 6:

* Ensuring reliable generation, distribution and transmission of electricity.
* Ensuring the maintenance and strategic expansion of our road and rail and operational efficiency, capacity and competitiveness of our sea ports.
* Ensure contribution to other outcomes on: decent employment through inclusive growth and rural development.

1. **Entities:**

The following entities listed below report under the Department of Public Enterprises.

| **Name of Entity** | **Role of Entity** |
| --- | --- |
| **Alexkor** | Committed to the profitable and sustainable development of mineral and natural resources for the economic benefit of the Namaqualand region and all its stakeholders |
| **Broadband Infraco** | Provides affordable access to long-distance telecommunications network infrastructure and broadband telecommunications connectivity services in South Africa |
| **Denel** | Operates in the military aerospace and landward defence environment |
| **Eskom Holdings Limited (Eskom)** | Generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors |
| **South African Airways (SAA)** | The national airline carrier delivering sustainable profits and growth through world-class service to customers internally and externally |
| **South African Forestry Company Limited** | Dedicated to growing its business in the forestry and forest products industry. |
| **Transnet Limited** | A focused freight transport company, delivering integrated, efficient, safe, reliable and cost-effective services to promote economic growth in South Africa. |
| **South African Express Airways** | A regional airline which operates predominantly on routes which are secondary in South Africa and the region. |
| **Pebble Bed Modular Reactor** | The entity was a nuclear energy project which has been discontinued, and the company is undergoing care and maintenance under Eskom. |

* 1. **Functions of committee:**

Parliamentary committees are mandated to:

* Monitor the financial and non-financial performance of government departments and their entities to ensure that national objectives are met.
* Process and pass legislation.
* Facilitate public participation in Parliament relating to issues of oversight and legislation.
  1. **Method of work of the committee**

The Committee held a strategic planning session at the beginning of the term of Parliament. Where at the Committee developed a strategic plan that was informed by the broader policy imperatives and priorities of government of the five years. The Committee identified instruments that it will use to conduct oversight, these included: Briefings by entities, scrutinising of annual reports, interaction with the Auditor General and robust oversight visits. During oversight visits the Committee interacted with workers, labour representatives, local business representative and the relevant stakeholders, in order to assess the impact of the SOCs on communities. The Chairperson established a Management Committee which comprised of the Chairperson, Whip of the ANC and all the support staff of the Committee. The role of the management committee was to implement resolutions of the Portfolio Committee.

**1.3.1 Capacity Building**

The Department of Public Enterprises held an annual capacity building workshop, known as Autumn School, for the Portfolio Committee on Public Enterprises. The purpose of these sessions was to familiarise the Committee with the global environment, challenges, policy environment and the industries within which the different state-owned companies operate. The Autumn Schools enhanced the oversight work of the Committee.

* 1. **Purpose of the report**

The purpose of this report is to provide an account on the work of the Portfolio Committee Public Enterprises work during the 4th Parliament and to inform the members of the new Parliament of key outstanding issues pertaining to the oversight and legislative programme of the Department of Public Enterprises and its entities.

This report provides an overview of the activities the committee undertook during the 4th Parliament, the outcome of key activities, as well as any challenges that emerged during the period under review and issues that should be considered for follow up during the 5th Parliament. It summarises the key issues for follow-up and concludes with recommendations to strengthen operational and procedural processes to enhance the committee’s oversight and legislative roles in future.

1. **Key statistics**

The table below provides an overview of the number of meetings held, legislation and international agreements processed and the number of oversight trips and study tours undertaken by the committee, as well as any statutory appointments the committee made, during the 4th Parliament:

| **Activity** | **2009/10** | **2010/11** | **2011/12** | **2012/13** | **2013/14** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| Meetings held | **14** | **31** | **28** | **23** | **29** | **125** |
| Legislation processed | **0** | **0** | **0** | **0** | **0** | **0** |
| Oversight trips undertaken | **4** | **2** | **6** | **8** | **7** | **27** |
| Study tours undertaken | **0** | **1** | **0** | **0** | **0** | **1** |
| International agreements processed | **0** | **0** | **0** | **0** | **0** | **0** |
| Statutory appointments made | **0** | **0** | **0** | **0** | **0** | **0** |
| Interventions considered | **0** | **0** | **0** | **0** | **0** |  |
| Petitions considered | **0** | **0** | **0** | **0** | **0** | **0** |

1. **Stakeholders**

The Committee’s stakeholders are the following:

* + Members of Parliament
  + Minister and Deputy Minister of Public Enterprises
  + Department of Public Enterprises
  + Policy Departments of state-owned companies
  + Regulatory bodies of state-owned companies
  + Chairpersons and Executives of all SOCs
  + The media and the Parliamentary Monitoring Group
  + General Members of the Public
  + Office of the Auditor-General

1. **Briefings and/or public hearings**

The Committee invited state-owned companies to brief the Committee on issues that required urgent attention and to report on progress that has been made in advancing the developmental objectives of government. The briefings also included the tabling of strategic plans and annual performance plans, annual reports, financial statements and quarterly reports. The Committee reported on the annual reports of the Department of Public Enterprises and its state-owned companies. During the fourth term the Committee did not have any public hearings, as the Committee did not process any legislation.

1. **Legislation**

For the period under review, the Committee did not process any legislation.

1. **Oversight trips undertaken**

The following oversight trips were undertaken:

| **Date** | **Area Visited** | **Objective** | **Recommendations** | **Responses to Recommendations** | **Follow-up Issues** | **Status of Report** |
| --- | --- | --- | --- | --- | --- | --- |
| 16 – 19 Nov 2009 | Transnet: Pipeline and Transnet Rail Engineering Warehouse (Gauteng Province).  PBMR: Phelindaba plant (Pretoria)  SAA: OR Tambo International Airport and SAA headquarters  Eskom: Medupi and Matimba power Stations (Limpopo) | To familiarize the Committee with the operational sites of State Owned Companies.  To follow up on issues emanating from the annual reports, to address complaints received from the PE Regional Chamber of Commerce regarding the adverse effects of the manganese terminal and tank farms on the environment. Lastly, to assess progress in the infrastructural build projects of State Owned Companies. | The Department of Public Enterprises should convene a meeting with Department of Trade and Industry to discuss the issue of cargo dues, which were identified by DTI as being very high in South African ports compared to international counterparts.  Transnet should consider to embark on a national skills campaign, conducting training for other SOE`s and ensuring that young people were self employed and become entrepreneurs. | The Portfolio Committee on Trade and Industry held a colloquium on the impact of administered prices on the manufacturing sector. All affected stakeholders participated, however there is no progress that has been made in addressing the tariff problems through legislation. The Department of Public Enterprises has included skills development in the shareholder compacts of SOCs. | - The completion of the Transnet Pipeline  - High cargo dues/ Port tariffs  - Non- Compliance of contractors at Medupi power station with legislative framework, and under-performance against targets and sub standard workmanship.  - Ensure completion of Medupi | Report adopted. |
| Department should resolve the conflict and instability at the level of the board and management of Eskom. | The Minister has appointed Mr Brian Dames as GCEO in 2010 and has brought stability in the board and management of Eskom. | Mr Dames has resigned, and a new GCEO and CFO should be appointed |  |
| 18 – 19 May 2010 | Alexkor in Alexander Bay in Northern Cape | To familiarize the Committee on the challenges facing the entity and to assess progress made regarding the Pooling and Sharing Joint Venture. | The Committee resolved that CPA should forward a plan on how the money for education and other funds would be spend, and how much money had been accrued on the unused funds. The information should reach the Committee by 19 June 2010. | The Portfolio Committee on Minerals pursued the issue of community trust funds that were unaccountable. Alexkor has trained members of the community in preparation for the envisaged municipality. | - An oversight visit to Akexkor to assess the progress made in the Pooling and Sharing Joint Venture (PSJV).  - Review of the Deeds of Settlement (DoS) of Alexkor  - Non compliance of the PSJV with the PFMA | Report adopted. |
| 24 June 2011 | Denel Aero-structures, Pretoria | To investigate the challenges faced by the underperforming and loss-making Denel Saab Aero-structures (DSA), this is a division of the Denel Group. | Noting the financial difficulties of DSA, Denel should provide the Committee with a progress report on its restructuring by 28 October 2011;  The Department of Public Enterprises should submit a written report on the reasons why Denel had not received the amount it required for the restructuring;  The Denel Group Chief Executive Officer and top management should be present in future oversight visits of the Committee; and  DTA should make a deliberate effort to recruit learners from rural communities; | Denel has successfully restructured the Aero-structures Division. National Treasury recapitalised Denel, and the company had since recovered and was on a healthy and profitable growth path.  The leadership of Denel has a very healthy relationship with the Committee, and have since honoured all invitations. | - Meeting with the Department of Defence and Military Veterans regarding lack of orders by SANDF.  - The financial sustainability of Denel Aero-structures | Report adopted. |
| 29 Nov – 2 Dec 2011 | South African Airways, Broadband Infraco, Department of Public Enterprises and Safcol | To familiarise the Committee with the challenges facing the Department and its state-owned companies. Furthermore to assess the contributions that SOCs make to the immediate communities. | The department should ensure an enabling legislative environment for Broadband Infraco to deliver on its public mandate as intended by the Broadband Infraco Act No 33 of 2007. | To date Broadband Infraco has not received an Electronic Communications License (ECS), however the company has been allowed to partner with an international company for access to the ECS license. | Meeting with the Minister of Communications to advocate for a policy directive to ensure the issuing of ECS license to Broadband Infraco | Report adopted. |
| Safcol should renovate the houses of workers and ensure that the sanitary facilities were in working order. Safcol should construct recreation facilities for the children who stayed in Safcol villages. The committee would expect a progress report on the implementation of these recommendations by the end of March 2012. | Safcol has delivered on all the recommendations and have reported to the Committee, and continued to invest in the communities where it operates. | Safcol has developed a social responsibility plan which assists in building timber frame structures for early childhood development centres, primary schools and recreation centres. |  |
| The department should consider better premises conducive for the work of the department. Furthermore, the signage on the premises should be improved to ensure that the department is clearly identifiable and accessible to the public. | The Department only occupied two levels in the building, hence was not allowed for signage. The Department of Public Works have not yet resolved the office space for DPE but the discussions were ongoing. | The Department has since expanded and still requires adequate office space. |  |
| 5 – 8 June 2012 | South African Express Airways, Medupi and Kusile power station and Kusile (Lephalale and Witbank | To look at the impact of Eskom on communities in terms of job creation and skills development. To assess challenges faced by South African Express Airways, and progress of  Infrastructure build projects such as power station constructions Gauteng, Limpopo and Mpumalanga | The Committee expressed its discomfort with regard to the effectiveness of the board and governance of SAX and requested the board to be thorough in the execution of its duties, so that the incident of incorrect financial statements did not reoccur. It further resolved that SAX should address all the concerns that have been raised by the customers and employees and should improve its customer service. SAX should keep the Portfolio Committee informed timeously of the developments within the company. | The Minister has appointed an effective board for South African Express Airways which has been working tirelessly to turnaround the company. The board has reported on mechanisms introduced to improve internal controls and compliance with legislative compliance. | - The  successful implementation of the Long Term Turnaround Strategy of SAA  - ensure unity and stability in the boards of SAA and SAX | Report adopted. |
| Eskom should not give contracts to companies that do not adhere to labour legislation and treat workers as sub-human beings. It was ultimately responsible for the workers employed by the contractors, because Eskom is the custodian of the project. | Eskom has reviewed the Project Labour Agreement and replaced it with a Partnership Agreement, which governs the relations between labour and contractors. It has further enhanced monitoring mechanisms on construction site to ensure contractors comply with legislation. | The monitoring of performance of some contractors and sub-contractors was still sub-standard and contributed to the delays of the construction of the Medupi Power Station. |  |
| Eskom should ensure that the subcontractors are paid on time and are given the necessary support and training. | Eskom has a Competitive Supplier Development Programme to increase the competitiveness, capacity and capability of the South African supply base where | Assess the impact of the Competitive Supplier Development Programme on Black women owned and youth owned enterprises. | Report adopted |
| 19 – 22 July 2012 | Transnet Phelophepa Health Train (Northern Cape), South African Airways (Gauteng), Port of Ngqura ( Eastern Cape) and Port of Richards Bay (Kwazulu- Natal) | - To look at the impact of these Transnet on communities in terms of job creation and skills development.  - To assess challenges faced by South African Airways and progress of the infrastructure build projects undertaken by  Transnet (Port of Richards Bay and the  Port of Nqura).  - To assess the  effectiveness and challenges of the  developmental project of Transnet (Phelophepa Health Train) | Port of Richards Bay: The union should be involved in the development of the skills development plan to ensure that it was linked to the personal development plans of employees. Transnet should provide workers with protective clothing, especially for dust, and should consult operators when procuring equipment in order to purchase machinery which is user friendly, effective and economical. | Transnet has instructed the management of Richards Bay to develop a social investment plan and has reported to the Committee with regards to progress made in providing safety equipment to workers and the replacement of aging machinery. | - Expansion of the Transnet Phelophepa Health Train through more investments  - Promotion of intra-trade among SOCs (Prasa and Transnet, Denel and Armscor etc) |  |
| The Committee resolved that SAA Cargo should supply employees with dust masks to prevent infections until such time that the facility is upgraded. The management of SAA should address the concerns raised by the employees, organised labour and customers listed in this report and provide feedback to the Committee by 30 September 2012. | SAA has reported to the Committee that it has addressed the concerns of the workers. Relations with organised labour had since improved because the new board consulted with organised labour during the development of the Long Term Turnaround Strategy. | - improve relations between management of SOCs and communities, local businesses and organised labour. |  |
| 1 – 2 Aug 2012 | Port of Cape Town and Saldanha | To assess progress of the infrastructure projects, and the impact the projects had on the immediate communities in terms of job creation, skills development and localisation. | The Minister of Public Enterprises should ensure that Transnet:  - promotes port careers to the rural areas of Kwazulu-Natal and not only recruit in urban areas includes organised labour in the Provincial economic Council.  - Forwards the report of the socio-economic study to the Committee when it has been completed.  - Keeps the Committee informed of the decisions on the dig-out port and the Salisbury Island expansion projects.  - Forwards detailed information regarding employment equity and transformation indicators. | The Minister has met with the business community of Saldanha Bay in order to improve relations and promote local businesses. The port has since developed a forum for labour and local business can participate and benefit from the development at the port. | - Ensure the successful completion of the expansion of the Durban Port and the Dig Out project at the old Durban Airport. Ensure the economic spin offs for the adjacent communities, local business and beneficiation. | Report adopted |
| The management of the Port of Saldanha should develop a corporate social investment programme that will focus on advancing the developmental objectives of government such as, providing skills development and bursary opportunities for young people in the community and improve the socio-economic conditions of the adjacent communities. | The Port of Saldanha has developed corporate social investment programme which focus on the developmental objectives of government. | Follow up Oversight visit to the port to assess progress made in empowering local businesses and investment in skills and education. |  |
| 26 – 29 Nov 2012 | South African Airways and Denel Overberg Test Range | The aim of the visit was to meet the newly appointed boards of SAA and South African Airways. | The Minister of Public Enterprises should:  Engage with the Minister of Transport to review the airport taxes, landing, parking and handling fees that are charged by ACSA as they had a negative impact on SAA.  Ensure that the board and executive of SAA embark on an outreach programme to market the brand, encourage ambassadors, Members of Parliament and South Africans to fly SAA.  Ensure that there is openness and transparency in the governance of the airline in order to enhance mutual relation between the board, management, staff and organised labour.  Ensure that a strategy is developed to improve public perception and public confidence in the airline.  Ensure that the airline changed the manner it conducted its business in order to improve efficiency and its services.  Ensure that the board submit a quarterly report on progress regarding the turnaround strategy to the Committee. | The matters of airport taxes, parking and handling fees have not been dealt with.  The board of SAA has consulted with all stakeholders during the development of the Long Term Turnaround Strategy.  The strategy includes strategies to improve cost efficiencies and profit maximisation. | - Ensure the reduction of the following administrative prices: airport taxes, parking and handling fees and port tariffs.  - Drive to improve public perception about SAA  - encourage Members of Parliament to use SAA as a preferred airline. | Report adopted |
| 30 July 2013 | Denel Pretoria Metal Pressings | To assess the defence capabilities and performance of the Denel Overberg Test Range. | The Minister of Public Enterprises should ensure that Denel:  - embarks on educational programmes and promotes the services and careers in rural areas of South Africa.  - partners with the communities on joint ventures to improve community involvement and relations.  - makes a concerted effort to recruit women and develop a capacity building programme to retain them.  The Committee further recommended that the Minister of Public Enterprises should consider engaging with the Minister of Defence and Military Veterans regarding possibilities of the South African National Defence Force placing long term contracts to ensure the sustainability of Denel PMP. | Denel has implemented and improved its programmes to support schools and young people with maths and science and training of Engineers. | Engagement with the Minister of Defence and Military Veterans regarding possibilities of the South African National Defence Force placing long term contracts to ensure the sustainability of Denel PMP and other divisions of Denel. | Report adopted |
| 25 – 26 July 2013 | Medupi power Station  (Lephalale) | To assess progress that has been made in the construction of the Power Station since the last oversight visit of the Committee, establish the reasons for the delay in construction and the impact of the new labour agreements. | The Minister of Public Enterprises should ensure that Eskom:  - resolves the outstanding issues for the completion of the Partnership Agreement (Site Specific Agreements between organised labour and contractors, in order to improve relations and governance problems on site.  - intensifies monitoring and inspection on the quality of work and on time performance of all contractors.  - ensures that there are harsher penalties for under-performance and non-delivery of contractors.  - improves communication with the public as well as stakeholders. When something happens at Medupi, Eskom should be the first to inform the public and not the media, as that was how information got distorted.  -Initiate action against those workers who caused the damage to property and injury to people on the 24 July 2013, and ensure that there are consequences for workers who caused this.  The Minister of Public Enterprises should ensure that contractors:  -adhere to labour legislation and treat workers with respect;  -perform their duties with the highest level of ethical and professional standards; and  -deliver on the performance targets and are penalised severely for non performance.  The Minister of Public Enterprises should ensure that labour:  - does not delay this project any further and action be taken against those workers who have caused damage to property and injury to people. | Recommendations implemented in total. Progress has been made in resolving issues that are in the Partnership Agreement. Eskom has introduced a system to claim against contractors fail to deliver on their contractual obligations. Furthermore Eskom has enhanced monitoring at the sites of construction. | - ensure the successful completion of Medupi, Kusile and Ingula power stations.  - Ensure increase participation and oversight by Eskom on the construction site in order to avert non compliance, strikes and delays.  - improve monitoring of contractors.  - ensure harsher penalties for non delivery of contractual obligations. |  |
| 1-2 Aug 2013 | Port of Durban | To assess progress that has been made in improving efficiencies and capacity of the port. | The Minister of Public Enterprises should ensure that Transnet:  - Promotes port careers to the rural areas of Kwazulu-Natal and not only recruit in urban areas.  - Includes organised labour in the Provincial economic Council.  - forwards the report of the socio-economic study to the Committee when it has been completed.  - Keeps the Committee informed of the decisions on the dig-out port and the Salisbury Island expansion projects.  - Forwards detailed information regarding employment equity and transformation indicators.  - The Minister of Public Enterprises should consider:  Addressing the adverse impact of the Ports Act as raised by organised labour in this report. | A report has been sent to the Portfolio Committee on progress that has been made regarding the recommendations of the Committee. | Address the adverse impact of the National Ports Act, 2005 (Act No 12 of 2005) | Report adopted |
| 4 – 6 Feb 2014 | Department of Public Enterprises, South African Airways, Denel Land Systems and Denel Aviation. | to assess:  - Progress that has been made in the implementation of the turnaround strategy of South  African Airways;  - Progress that has been made in the construction of the Ingula hydro power station;  - Progress that the Department of Public Enterprises has made on the following issues: - developing a strategy for Safcol and resolving the land claims backlog,  - progress made in developing the broadband policy and the ECS license for Infraco  - status of the Pulling and Sharing Joint Venture and update of the dual mandate of Alexkor. | The Minister of Public Enterprises should ensure that:  - the Deeds of Settlement was reviewed as it posed a threat to corporate governance and contravened legislative framework, especially the PFMA.  - initiate investigations into community trusts and ensure that they are accountable to the community.  For Safcol:  - Investigates using timber structures as an alternative for Human settlements;  - Identifies a niche market and other alternative products to diversify its product range;  - Ensures that the money invested in IFLOMA was well spent, and should improve oversight over the operations;  - Performs an analysis of the cost of timber frame structures versus brick and mortar buildings; so as to encourage communities to invest in timber frame crèches and other social structures.  - Partners with disaster management agencies to replace lost homes with timber frame structures;  For Broadband Infraco:  - there is a conducive policy environment for Broadband Infraco to enable the company to execute its developmental mandate through an ECS license.  - continue with engagements with the Minister of Communications to ensure that a policy directive was issued with regard to a need for an ECS license for Broadband Infraco.  For SAA:  - the board of SAA develops timeframes and costed measurable objectives for the LTTS in order to enable the Portfolio Committee to assess progress and conduct its oversight.  - the Management of SAA respond and act on the complaints of the employees as stated in this report.  - the board of SAA should investigate whether there were any compensation due to SAA from the transfer of assets to Airports Company of South Africa.  - the Management of SAA should reconsider the decision to have the domestic and international departures at the same counter.  - that SAA becomes a financially sustainable state-owned company that adheres to its developmental mandate. |  | - Addressing the minority shareholding of Safcol.  - Addressing the slow pace of resolving the land claims with the Department of Rural Development and Land Reform.  Make follow up with the Minister of Communications to ensure that a policy directive is issued with regard to the issuing of an ECS license for Infraco.  - Ensure that SAA implements the long term turnaround strategy and reports quarterly on progress. |  |

1. **Challenges emerging**

The following challenges emerged during the oversight visit:

* The infrastructure projects are significant in size and complexity
* The complexity of infrastructure projects required specialist and scarce skills which were not readily available in the country
* Some contractors employed at Medupi power station were not adhering to labour legislation of the country
* Some contractors were not delivering quality work and some were fraudulently certifying their work
* Poor Inter-governmental co-operation, between departments and entities and across most SOCs
* Poor monitoring of projects such as Medupi, hence some contractors performed sub-standard work
* PPPFA needs to be relooked at for public entities, this needs to be addressed by National Treasury and Department of Public Enterprises
* Need for a “whole of state” aviation policy framework, monitor implementation
* The adverse impact of the National Ports Act No 12 of 2005

1. **Issues for follow-up**

The 5th Parliament should consider following up on the following concerns that arose:

* The issuing of ECS license for Broadband Infraco
* Ensuring the finalisation of SAFCOL land claims
* Monitor the implementation of SAA long-term turnaround strategy
* Monitor the Eskom build-programme, especially Medupi, Kusile and Ingula
* Need to monitor Eskom’s maintenance programme, as it has knock on effects on the capacity of energy supply
* Monitor the Market Demand Strategy of Transnet
* Address the challenges facing Alexkor, ensure the implementation of the business strategy into coal, and review the Deeds of Settlement
* Ensure the Financial Sustainability of SAA, SAX and Alexkor is improved
* Monitor the implementation of the recommendations of the Presidential Review Committee

1. **Study tours undertaken**

The following study tours were undertaken:

| **Date** | **Places Visited** | **Objective** | **Lessons Learned** | **Status of Report** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| 22 July – 1 Aug 2011 | Venezuela and Brazil | To study developmental roles of SOEs in the economy, governance model of SOEs and how Parliament and the executive exercise their oversight responsibilities. | The Committee learned the following:  - Developmental role of state-owned companies in the economy.  - Values and principles that govern state-owned enterprises.  - Corporate governance models used in Brazil and Venezuela in terms of accounting and reporting.  - The role of each state-owned company in terms of advancing the developmental objectives of government (health, education, human settlements, recreation, jobs etc). | Report adopted |

1. **Challenges emerging**

The following challenges emerged during the study tours:

Venezuela has only one official language that is used, which is Spanish. That was a challenge as all the documents and presentations were in Spanish. However the support staff managed to capture deliberations through the assistance of an interpreter.

1. **Issues for follow-up**

The 5th Parliament should consider following up on the following concerns that arose:

* Consider pursuing the lessons learned in Venezuela in terms of the developmental mandate of state-owned companies;
* Consider pursuing the recommendations of the Committee with regards to the lessons learned.

1. **International Agreements:**

The Committee did not process any international agreements during the 4th term of Parliament.

1. **Statutory appointments**

Not Applicable

1. **Interventions**

Not Applicable

1. **Petitions**

Not Applicable

1. **Summary of outstanding issues relating to the department/entities that the committee has been grappling with**

The following key issues are outstanding from the committee’s activities during the 4th Parliament:

| Responsibility | Issue(s) |
| --- | --- |
| Departments of Public Enterprises and Communications (DPE and DoC) | Issuing of Electronic Communications Service License to Broadband Infraco. |
| Department of Rural Development and Land Reform and DPE | Resolution of SAFCOL claims and SAFCOL strategy. |
| South African Airways | Needs to submit a breakdown of targets and performance indicators for the LTTS. |
| Department of Public Enterprises | Needs to submit the shareholder compacts to the Committee once signed to help the Committee monitor the performance of the entities timeously. |
| Mpumalanga COGTA | To resolve land occupations and issue of building on state land by communities without proper approvals. |
| DPE and Safcol | To closely monitor and manage IFLOMA. |
| Alexkor | To monitor and address diamond theft in Alexander Bay. |
| Department of Public Enterprises | To review the deeds of settlement in order to capacitate Alexkor with more responsibility. |
| Department of Public Enterprises | To continuously monitor the new strategy for Alexkor and further needs in executing the strategy. |
| Portfolio Committee on Public Enterprises | To visit Alexander Bay township to assess the impact Alexkor made in the area.  The committee should visit the operating entity and assess it operations. |
| SANDF, SAPS and DIRCO | Need to support Denel on its initiatives to market some of its products |
| SAA | It is crucial that SAA becomes a commercially and financially viable national airline, both in terms of its management and operations. |

1. **Recommendations**

During the 5th Parliament the Portfolio Committee should consider the following:

* Ensure that State-owned companies should have an increased presence and involvement on the construction sites to enhance oversight over contractors, especially at the Medupi Power Station.
* Monitor the actions by a group representing pensioners who are filing a lawsuit against Transnet.
* Monitor the implementation of the Long Term Turnaround Strategy of SAA through regular briefings and oversight visits.
* Ensure continued support to Denel in particular with the development its Hoefyster project.
* To ensure support to Denel through collaboration between SANDF, SAPS and DIRCO in order to remain competitive especially with regards to Denel Pretoria Metal Pressing business unit.
* Monitor the turnaround of SA Express Airways and ensure compliance with reporting requirements.
* Ensure that the Department of Rural Development and Land Reform resolve outstanding land claims at Safcol
* To support efforts for developing a new role of Alexkor.
* To ensure that Broadband Infraco acquire its ECS licence.

1. **Committee strategic plan**

The Committee had a strategic planning workshop in the beginning of the 4th term. The Committee adopted the five priorities of government as the five key focus areas in exercising oversight over state-owned companies. In ensuring that state-owned companies advanced these objectives, the Committee looked at the following areas during the 4th term: creation of skills and jobs, promotion and development of local businesses, beneficiation and the social impact on the adjacent communities where these companies operate.

The strategic plan also ensured that the Committee interacted with the following stakeholders during its oversight visits: organised labour to assess the conditions of workers, the local authority to ensure that there was a healthy co-operative relationship with the SOC, representative of local businesses to ensure that they benefit from the infrastructure programmes, and interaction with the employees of state-owned companies.