



## **EFF STATEMENT ON THE REGRETTABLE STATE OF STATE-OWNED ENTERPRISES**

Thursday, 4 February 2021

The EFF notes with deep concern the rapid degeneration of State-Owned Enterprises, as highlighted by the presentation of the Auditor General at the Standing Committee on Public accounts on Wednesday, 03 February 2021.

Almost all of South Africa's key State Owned Companies are in a depressing state, characterized by growing debts, dysfunctional management, no consequence management, incorrect classification of procurements as emergencies, failure to address audit findings and failure to deliver on mandates. These has been going on for almost a decade and a half now. All this is indicative of a deep problem of political incompetence on the part of the ruling elite, who are least concerned about running the country and growing its economy but are more concerned about looting the limited state resources.

Denel, the country's arms manufacturing company, which at one stage was unable to pay its workers, reported that it had made almost R2 billion losses for the 2019/2020 financial year. This happened despite Denel having gone through a recapitalization programme of almost R1.8 billion in 2019. The entity had been receiving audit disclaimers for the past three financial years, with material concerns on issues of procurements and contracts, irregular expenditure and fruitless and wasteful expenditure. The company's total assets for the 2019/2020 financial year were R8,1billion while the total liabilities amounted to R10,4 billion. The Auditor General noted serious leadership failures on the part of Denel as a key driver of the entrenched dysfunctionality of the company.

South African Airways is the worst of the lot. The company has not submitted any financial statements for the 2017/2018, 2018/2019, and 2019/2020 financial years. What we do know however is that after years of leadership failures, Mr Jamnandas put SAA under business rescue in December 2019. Instead of turning the company around, the business rescue practitioners have paid themselves over R200 million, while workers at SAA have not been paid since May 2020. To date, there is no indication of when, if ever, SAA will be back on the skies again.

The South African Broadcasting Corporation is no different, it is an entity deeply immersed in the muddy pool of incompetence, maladministration and corruption, which has not had a clean audit opinion in years. This has resulted in the SABC reporting an operating loss of R511 million for the 2019/2020 financial year. The AG foresees a further degeneration of the situation at the SABC because of the failure of leadership to implement a turnaround plan.

Transnet is another of these State-Owned Enterprises that is proving that the current political leadership in the country is woefully out of its depth. The company has reported R56.6 billion on irregular expenditure for the 2019/20 financial year, while irregular expenditure was at R49 billion the previous year, and R8.6 billion in 2018. Again here, the problem is the leadership. Key issues on procurement and contract management, and lack of consequence management in the institution have been highlighted as matters of key concern.

Eskom, which has been a political football for a while, is a true example of what happens to a country that is not grounded in any ideological commitment. The entity has been deliberately run down over the past 15 years, and is now swimming in debt. Eskom recorded irregular expenditure of R33 billion in financial year 19/20, a whopping R10 billion increase from R22 billion recorded in 2018/19. Furthermore, Eskom recorded R538 million Fruitless and Wasteful Expenditure in 2018/19 which has now increased by R2,4 billion in 2019/20 to R2,9 billion.

The situation is made worse by the commitment of the current regime to unsustainable independent power purchase agreements, which are further draining Eskom, and dragging it down to its knees. The company's performance has worsened under the management of the white messiah by the name of De Ruyter appointed by Pravin Gordhan, after he embarked on a concerted effort to rid Eskom of African managers. The company continues to make serious financial losses, cannot repay its loans without government support and is still unable to guarantee secure supply of electricity to the whole country, therefore curtailing any economic growth prospects.

This poor performance by almost all State-Owned Enterprises should not surprise South Africans. All these companies provide critical services to the nation, and the private sector has been salivating over these markets for a while. Without the State as a dependable provider of these services, the private sector will occupy the space, and provide these services at exorbitant costs to the population. The intention therefore is to weaken the State in a dramatic fashion, and kill off any aspirations for a state led developmental programme in this country.

The weakening of these entities is part of a massive programme of State capture, enabled by the current government of ill-informed and corrupt elites represented by Ramaphosa and Pravin.

There is no way that a competently managed Denel cannot function in an optimum manner, in an age where research and innovation are driving arms technology development around the world. There is no reason why Kusile and Medupi power stations have been the monumental failures that they are, apart from the fact that this has benefited private companies, and painted the state as incompetent.

Central to this whole project is Pravin Gordhan, and some minnow ministers in the Ramaphosa government. They are not incompetent, they are not clueless, they know exactly what they are doing. The ultimate aim is to strip the country of all ability to develop and ultimately to beg at the doors of white capital.

The losers in all this will be the South African citizens, who will have no state to depend on when this project is all over. The only true recourse remaining at the hands of the population is their vote. The ANC cannot be reformed, it must be destroyed, together with the agenda they are representing. We call on the people of South Africa to reject the ANC and its shadow President who has got no interest of the country at heart.

The EFF will as a matter of urgency engage in physical and virtual oversight meetings with all State Owned Companies to independently understand the scope, nature and form of a crisis so as to provide substantial and concrete alternatives on what should be done in each State Owned Company. We will engage with DENEL, TRANSNET, ESKOM, SAFCOL, SAA, SA EXPRESS and all entities that need our attention. We call on all these entities to fully cooperate with the EFF oversight engagements because we have a constitutional obligation to oversee all State activities.

**ISSUED BY THE ECONOMIC FREEDOM FIGHTERS**

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