

## **SOEs will only be competitive if they are opened up to private investment**

*By Ghaleb Cachalia MP – DA Shadow Minister of Public Enterprises*

This Department is tasked with the vital responsibility of providing shareholder oversight and leadership to a number of State-owned enterprises.

Through every successive term of government this Department has produced strategic plan after strategic plan to oversee funding and ensure that the SOEs are both sustainable and delivering on government's developmental objectives.

The core role of SOEs is to provide a strategic network infrastructure to primarily ensure the security of logistics and energy. Contributions and impacts of SOEs such as Transnet and Eskom were highlighted as these companies were envisaged to grow the economy over a long-term period.

The sad reality is that this Department has overseen, over time and at eye-wateringly increased cost, a scenario that is best described as abject failure. It has failed miserably, at great cost to the economy and as the Zondo Commission attests to the moral fabric of our society. It failed then. It is failing now.

Not only has this abject failure – underscored by theft on an industrial scale, purposeful ineptitude, cronyism, cadre deployment and more – brought our country to the very edge of the cliff, it has failed even on the deliverance of government's developmental objectives.

The theory of the developmental state is characterized by having strong state intervention, as well as extensive regulation and planning to invest and mobilize the majority of capital into the most promising industrial sector that will have the maximum spill-over effect for the society.

The idea is to intervene in the market system by granting of subsidies to improve competitiveness. This involved controlling the exchange rate, wage levels and manipulation of inflation to lower production cost for industries that caused economic growth.

The arguments for and against the developmental state aside, the variant being practiced in South Africa is at odds with the style known worldwide in general, and in South East Asia in particular, which was effective in lifting millions out of poverty and unemployment in those geographies. In South Africa however, it has not made any positive difference, instead it has been a net drain on the fiscus with scant contribution to the provision of public goods, sustainable jobs and industries.

As the lights flicker towards a beckoning darkness in Eskom; the once proud ports falter; our rail infrastructure literally rots; our airlines limp from failure to vain hope; Denel is all but dead; Alexkor, a potentially profitable diamond mine in an industry that remains important, especially for local employment and community upliftment, is witness to the children of the Richtersveld eating sand on river banks; and Safcol posts a R45 million loss while competitors show rising profits.

There you have it. A plethora of PowerPoint plans notwithstanding, more than R300 billion has been used to bail out failing State-owned enterprises, leading to a current reduction of R257 billion in public funds available for frontline services and infrastructure.

The Minister of Finance says State-owned-companies must develop and implement sustainable turnaround plans and their future is under consideration by the Presidential State-Owned Enterprises Council.

This council like others before it and will now assess the value they create and whether they can be run as sustainable entities without bailouts from the fiscus. Some of them will be retained, while others will be rationalised or consolidated.

The problem lies however with the millstones that will be retained and reinvented. For rationalising and consolidation – read the same old time-dishonoured efforts that have brought us to this parlous place and cross-reference these to every successive plan going back well over a decade and you will be able to plot the trajectory of failure – successive misadventures leading to non-performance of this Department, of this government, of its policies, of its ineptitude, of its destruction of the spine, the arteries and the barely beating heart of our economy.

This is why we will not support this report. This rubberstamping of imprudence, this un-adapted, ill-thought through, habitually flawed set of reports. And in case you're wondering; a rubber stamp, as a political metaphor, is a person or institution with considerable de jure power but little de facto power, one that rarely or never disagrees with more powerful masters and organizations. If the shoe fits...

It suits the Minister, it suits the Cabinet, it suits the SOE council and it suits the bottom feeders that are dragging our economy into the depths of darkness on the back of a train headed for disaster. It's as if the warning lights, flashing red in the face those who are tasked with avoidance of a catastrophe are drunk on their own drink and are of little consequence because any meaningful overhaul will upset the proverbial applecart.

Every plea, every suggestion, every demand from the DA to acknowledge failure and to do things differently falls on willfully deaf ears while masterplans forged in the folly-fed crucible of State-controlled inanity continue to deliver disaster – so much so that we have called for a state of disaster to be declared around Eskom.

As the cover story of this week's Financial Mail says, *"we all know the impact that Eskom has had on destroying SA's economic growth, but Transnet's abject failures have been equally corrosive"*. And it's not just the media that has awoken to this, experts in the field and in academia rail on about it of late. But does the Department, it's Minister and the Cabinet see the dimming lights of Eskom, the dead end of Transnet's arteries, the inability of Denel to assist readiness for any DEFCON status and the failure of SAA to fly profitably while it runs a diamond mine into the ground – in an industry and region that marked the beginnings of industrialisation?

No, because their collective heads are buried firmly in the sand – sadly, because good governments are proactive and not simply reactive – which is why we have called for commissions of inquiry and states of disaster to be declared to stem our decline in these key areas and to ensure that we put partisan politics behind us and champion a whole of society approach comprising all stakeholders and in particular, implementation savvy experts.

What we don't need is platitudes from public servants that seek to assure us that matters are being monitored, addressed, developed, workshopped, iterated, and overseen while the collective ship we all

travel in heads firmly and resolutely, like the ill-fated Titanic, in the direction of an epic collision with an iceberg.

It is for these reasons and in the hope of a radical redirection that we reject this report. What we need at the helm of the ship is a hand that is schooled by informed choice that leads to timely action.

That time is now.