

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 41 [CW46E]
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41. Mr O S Terblanche (Western Cape: DA) to ask the Minister of Finance:

Whether any of the state-owned entities is not economically viable on its own; if so, (a) what mechanisms are in place to turn such entities to (i) profitability and (ii) not depend on taxpayer's money and (b) what are the further relevant details?

CW46E

REPLY:

a) National Treasury is primarily concerned about SAA, SAPO and Eskom, steps taken to stabilize these entities are as follows:

- **SAA:** a full strength Board has been appointed which has been tasked with focusing on returning the airline to financial sustainability. The SAA was recapitalised with R10 billion in 2017/18
- **SAPO:** A new Board and CEO were appointed at the South African Post Office (SAPO). The National Treasury assisted SAPO to raise the requisite funding to implement its corporate plan. The funding ensures that SAPO is able to stabilise its operations, which is essential for the implementation of its turnaround strategy. SAPO was recapitalised with R3.7 in 2017/18
- **Eskom:** Over the past few months, Eskom has struggled to raise funding amid concerns of lapses in governance leading to severe liquidity challenges. Government considers corporate governance as a critical element of ensuring the success of the business. Therefore, the stability at Board and Executive level is important as Eskom still needs to deliver on its current capital expenditure programme. Hence, the Government appointed a new Board with credible individuals who have the knowledge and experience required to manage such a complex entity. This measure has greatly assisted in restoring investor confidence in the company. The process is also underway to appoint a permanent Group Chief

Executive Officer (GCEO) and Group Chief Financial Officer (GCFO). Government is also working closely with the new Eskom Acting GCEO and GCFO to engage the domestic funders who were previously “closed” to Eskom due to governance-related issues. Moreover, Government will continue to support Eskom to operate as a going-concern given the strategic role that it plays in supporting economic growth. ESKOM has a government guarantee of R350 billion of which R211 billion has been utilized as at 31 December 2017.

- The current Government guarantees issued to Eskom were provided to enable Eskom to raise financing necessary to complete the current committed capital expenditure programme. The guarantee facility will be sufficient to enable the entity to complete its current build program.
- b) To ensure longer term sustainability, government is undertaking the following SOCs reforms:
- In December 2016, Cabinet endorsed the Private Sector Participation (PSP) framework. The PSP framework aims to guide the collaboration between major SOCs and private-sector companies to deliver new economic infrastructure projects in order to augment the current level of investment.
 - Apart from the funding, a robust framework for PSP will also enable other benefits to be realised such as greater innovation, efficiency, technical and financial expertise. The PSP aims to guide the collaboration between major SOCs and private-sector companies to deliver new economic infrastructure projects in order to augment the current level of investment. Such partnership will enable SOCs to deliver infrastructure without placing ‘undue’ pressure on their balance sheets or requiring support from Government.
 - Costing of developmental mandates - Cabinet approved that a mechanism be developed to explicitly cost SOCs’ developmental mandates, with the financial implications to be set out more clearly in Shareholder Compacts. This will enable government to optimally allocate public sector resources to deliver on its social objectives, whilst ensuring that SOCs are delivering a fair return on their commercial activities.