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## **WILL THE STATE-OWNED ENTITIES EVER FIND THEIR FEET?**

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The national electricity supplier, Eskom, has been operating in crisis mode for as long as any other State-owned enterprise (SOE) in South Africa, with the primary concern, of course, being its financial insecurity. On 23 July 2019, Finance Minister, Tito Mboweni, introduced the *Special Appropriations Bill* (the Bill) in the National Assembly. The succinct Bill details additional funding for Eskom - in terms of which Minister Mboweni will be able to approve a whopping R59 billion bailout for Eskom. The funds will be released in a R29 billion chunk for the 2019/2020 period, with the remainder following in the 2020/2021 financial year.

Much like Eskom, the South African Broadcasting Corporation (SABC) is in dire financial straits and is lugging around debt of almost R2 billion. Tito Mboweni has indicated, following a four-month period of uncertainty, that the SABC will be receiving its requested R3.2 billion cash injection, but not without conditions. In April, the SABC was given 11 conditions to meet before money could be released. Among the conditions were finalising of the Board, the removal of non-core and non-performing activities, maximising advertising revenues and clawing back expenditure on content. The initial refusal for the bailout was due to the Broadcaster failing to meet some of its obligations and presenting a business plan which Treasury did not consider strong enough.

Apart from a sound turnaround strategy (in the case of the SABC) and the appointment of Chief Restructuring Officers (CROs) at each of the concerned entities (Eskom, Denel and South African Airways), whose names will be announced imminently, it seems bailout conditions will be applied on a case-by-case basis. The CROs will be tasked with assessing and mitigating significant competitive, regulatory and technological threats to the SOEs' capital and earnings. In the case of the other embattled SOEs, very little detail is available as to what exactly these preconditions are. It is important that the public is made aware of these conditions.

The SABC's bailout will be drawn from National Treasury's contingency reserves, intended for emergencies. It must be noted that these reserves were increased by R6 billion to R13 billion in the February budget, to allow the State to respond to the multiple requisitions for financial assistance from embattled SOEs. It is even more concerning to note that the contingency reserves must be apportioned between the SABC, the embattled State arms manufacturer, Denel, and the beleaguered national carrier, South African Airways (SAA).

Denel has confirmed that it will be unable to pay staff salaries for the month of July on time, after a similar scare at the end of June. The arms manufacturer will also delay its payment into the Denel pension fund, which has elicited justifiable panic from employees, as well as the threat of legal action by trade union, Solidarity. Denel has requested R2.8 billion from National Treasury to help it address its financial woes.

SAA, which received a R5 billion cash injection from Treasury last year to repay its debt, needs another R4 billion this year to avoid collapsing totally. SAA is in a particularly vulnerable



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position in terms of its leadership, with the recent resignations of both the Chief Executive Officer, Vuyani Jarana, and Chairman of the Board, JB Magwaza, in close succession. Shocking revelations of mismanagement and blatant looting at the national carrier have been made before the Commission into State Capture at SOEs, indicating that leadership is but one of its worries.

The mostly unknown conditions to be met by these ailing entities threaten the job security of the thousands of people whose livelihoods depend on the viability of SOEs.

Solidarity is not alone in stepping in for its members. The Broadcasting, Electronic, Media and Allied Workers Union (BEMAWU) has assured its members that it will fight retrenchments at the SABC, despite multiple statements from the Broadcaster that there are to be no such retrenchments. Job security is important, particularly when South Africa is experiencing astronomical levels of unemployment. However, it is important to remain mindful that SOEs are notorious for having more staff than they need, and exceeding international ratios. Should the SABC fail to meet the conditions, “Day Zero” could become a reality, plunging the millions of South Africans who rely on the SABC for information, into darkness.

It is common knowledge that the impact of State capture is being felt across the board, with SOEs like Denel, the SABC, Eskom and SAA all looking to National Treasury for financial rescue. The pie is only so big and the developments at the respective entities have so far, not been particularly encouraging. Treasury’s reluctance to come to the aid of SOEs, in light of the revelations made before the Zondo Commission, for example, is justified. In the same breath, SOEs have constitutional and other mandates whose execution will be impossible without the necessary fiscal aid. Treasury has a mammoth task before it - to apportion limited finances to all State departments, and at the same time, come to the aid of its SOE “problem children”. By rights, all these SOEs should be operating as viable, sustainable businesses, whilst simultaneously meeting their constitutional obligations.

When seeking a sustainable way forward, one must bear in mind that the crises at the affected SOEs are not going to be resolved by throwing bailout after bailout at them. Systemic corruption and maladministration are at the root of the rot at the SOEs. The turnaround strategies must bring in different faces and skills to steer the proverbial ships. If not, the public can be all but guaranteed that nothing will change and, much like we have seen in the past, these SOEs will soon, once again, be requesting more financial assistance from National Treasury. In the case of the SABC, opposition parties have asked the Broadcaster to attempt to recoup lost finances from former executives who benefited unjustifiably from the chaos that they helped cause. In a time where the call has been made repeatedly for officials who participate in corruption or negligence to pay for the damage they cause in their personal capacity, this is a novel, yet not unreasonable, remedy.

\*The *Special Appropriation Bill* will now go to Parliament’s Appropriation Committee for processing, which includes a period for public comment. It is uncertain at the moment whether Parliament will pass the Bill in its current form.