



Carol Paton

Business Day

State-owned enterprises: A sole shareholder at odds with itself

State-owned companies: a shareholder at odds with itself

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State-owned companies

Health warning!

- Since last year, things have got worse
- This is an exercise in examining the worst aspects of SA's political economy
- it all comes together in state-owned enterprises: weak skills and capacity; cronyism; corruption; poor governance; and unchecked presidential power

State-owned companies

What is the governance model according to the law?

- SOC's are governed by their own specific Acts; the Companies Act and the Public Finance Management Act

- So standards of reporting and accountability are as they should be higher than in the private sectors

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- Transferred the shareholding to a particular ministry: usually the department of public enterprises
- Set up process to appoint the board: “the minister appoints the board in consultation with the cabinet”
- Set up process to appoint the CE: “the board recommends three appointable candidates to the minister, who appoints

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What happens in practice?

Appointments have become seriously muddled for two reasons:

- what does “the minister in consultation with the cabinet” mean?
- The ANC’s decision in 1999 that it needs to “control all the levers of power” in society; the establishment of the ANC

Department of Economic Development and Trade

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The President's Powers

- Some board appointments the Constitution says are to be made by the President. eg. Parliament recommends the appointment of the Public Protector, the Auditor-General, Human Rights Commission; the Commission for Gender Equality; and Electoral Commission.
- The same process applies to the appointment of the board of the SABC

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- To get an item tabled in cabinet, it is submitted to the relevant cabinet committee where it is discussed (in this case Economic Cluster) and then placed on the agenda
- but it has become obligatory that before a minister submits names for board appointments to the cabinet committee it must first pass (a) the president; and (b) the

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Trends in board appointments:

- used to be the heavy hitters of private sector

- now trend is people with no business or public profile; very little or no business experience; often with soft qualifications – Human Resources; management diplomas etc

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Denel

- its a company with an R10bn asset base and a R30bn order book; its got JVs with some of the best international partners in the industry: Rheinmetall; Airbus;

Turbomeca

- last July Public Enterprises Minister Lynne Brown appointed a new board:

* ... (ANC)

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*Chairman Daniel Mantsha is a legal adviser to Communications Minister Faith Muthambi. Mr Mantsha famously provided the opinion to Ms Muthambi last year that endorsed the illegal removal of three South African Broadcasting Corporation board members.

In 2007, he was struck off the roll for abuse of trust fund money, but was readmitted in

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* Mpho Kgomongoe, an auditor at a small auditing firm, also has no other board experience. He is head of Denel's audit and risk committee

* Khumbudzo Ntshavheni, now Limpopo ANC provincial spokeswoman, faced accusations of "dishonesty, deliberate nonperformance and financial misconduct" when employed by the State Information

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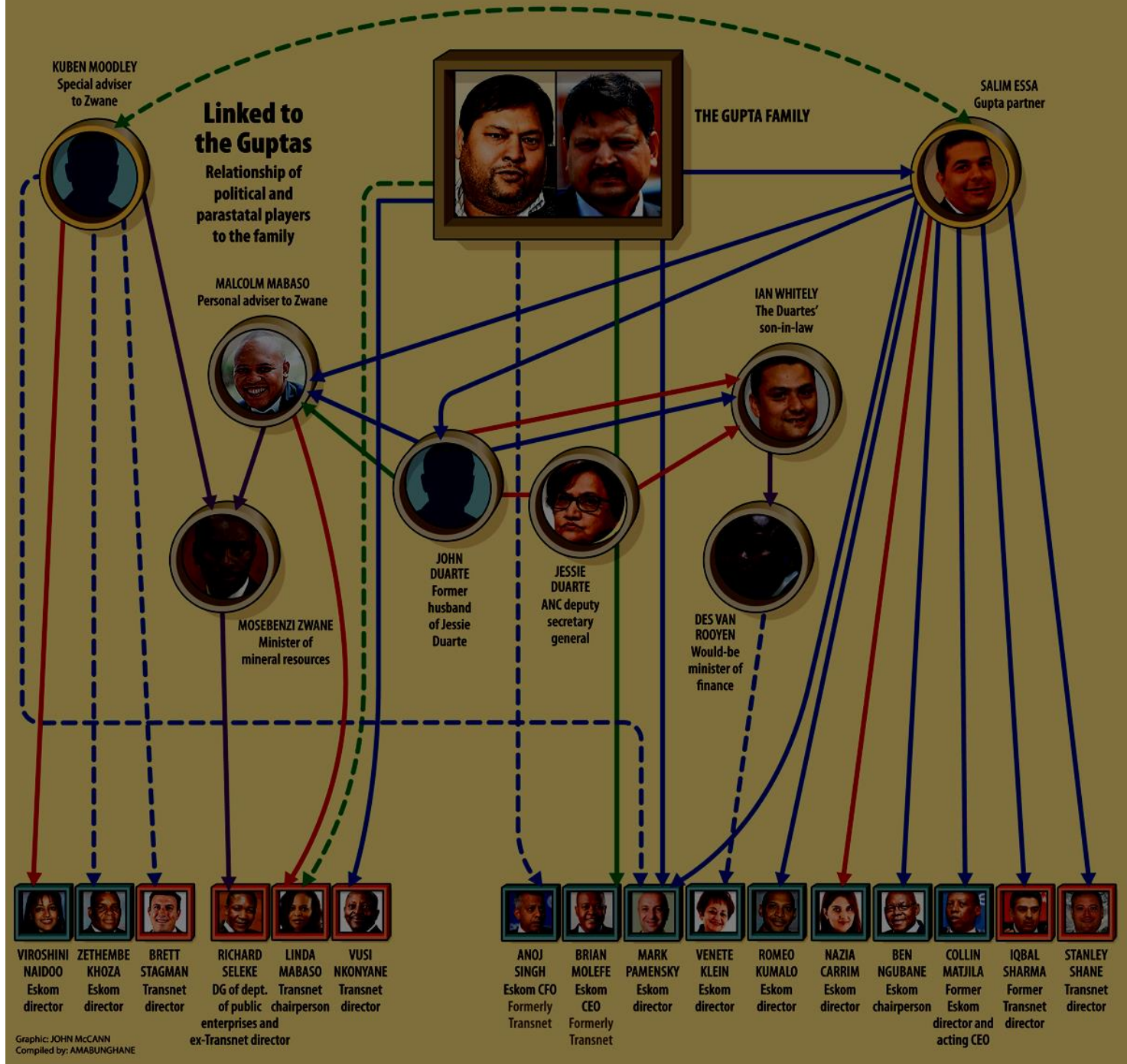
* Johannes "Sparks" Motseki also carries a cloud over his head. A former treasurer of Umkhonto weSizwe Military Veterans Association, where he was implicated in the misuse of funds in a forensic report, is a Gupta business partner and holds a small share in one of the family's companies.

* Refiloe Mokoena was fired from the Armscor board by Defence Minister

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* Nonyameko Mandindi is a quantity surveyor and is described by the Department of Public Enterprises as CEO of Royal HaskoningDHV Engineers in SA. But this turned out not be true as she no longer worked there. In 2008, while CEO of Transnet property company Intersite, Ms Mandindi became embroiled in a dispute with the board and its chairman, Papi Kganare. The board resigned en masse, but

TYPE OF RELATIONSHIP: — Family — Business — Friends — Political — Transnet — Eskom
 Dotted lines reflect circumstantial or anecdotal links



Graphic: JOHN McCANN
 Compiled by: AMABUNGHANE

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- * Much of this goes through Gupta associate Salim Essa

- * He has direct business connections with five Eskom directors and is connected to nine in total

(Ben Ngubane, chairman with whom he shared a co-directorship; Romeo Kumalo (who has since resigned) with whom he had

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Why did it get worse?

PG gave an undertaking: he would restore governance

But he was blocked at the top:

- tried to appoint SAA board. Its common cause that he and President Zuma cant

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Grab for power not complete

Zuma wants better control over SOCs –
hence co-ordinating committee

Wants control over the treasury

This battle that is now playing out

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What can be done?

- lots of people have spoken out
- with very little impact
- this is part of the unravelling of the ANC
- it will get worse before it gets better