SA rating hinged on SOEs

Molefe's record shows he's ideal man to steer Eskom, rescue the country

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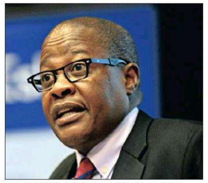

Brian Molefe has been rehired as Eskom chief executive.

AS BRIAN Molefe reported for duty at Eskom as chief executive this week, labour unions, political parties, the ANC, EFF, the DA and Cope are adamant that they will put their weight together against the move. They are singing from the same hymn book that his return to the power utility is premature, reckless, shows lack of integrity and is unfortunate.

Public Enterprises Minister Lynne Brown, who was summoned to Luthuli House, has reportedly (been) asked to rescind the decision to hire Molefe or dissolve the Eskom board.

Some political parties have threatened to go to court to interdict Molefe's reappointment. Molefe resigned from Eskom last year and was sworn in as an ANC MP. He resigned last week amid speculation that he would return to Eskom, sending shock waves to political parties, labour organisations and the legal fraternity.

"I have, in the interests of good corporate governance, decided to leave my employ at Eskom from January 1, 2017. I do so voluntarily; indeed I wish to pay tribute to the unfailing support I have had since I took up office from the chairperson, the board and those with whom it has been my privilege to work, together we brought Eskom back from the brink," Molefe wrote in his resignation letter.

The ANC is demanding an explanation from the Eskom board on Molefe's reappointment. The board presented a R30 million retirement package for Molefe, which Public Enterprises Minister Lynne Brown declined and hinted it was better to have Molefe back at Eskom.

Last week, the minister said reappointing Molefe made legal and financial sense. But in sharp contrast, addressing the SACP Conference in Cape Town on Saturday, Deputy Minister of Public Works and deputy general secretary of the SACP, Jeremy Cronin, said both reappointing Molefe and paying him the R30m were inapplicable considering that he left Eskom under a cloud.

Brown indicated she would call a media briefing soon, including the Eskom board, to enable it to respond to technical questions arising from this development.

Corruption Watch indicated last Friday that it would go to court to interdict Molefe's reappointment. Amid all this, Molefe's track record on financial management at senior level in state institutions from National Treasury, the Public Investment Corporation and Transnet has been hailed by others as sound.

After several months of load shedding, which posed a threat to business operations and household electricity supply stability, Molefe managed a turnaround strategy which saw the power utility being able to keep the plug on and the national grid on track. The SACP and Save SA have indicated that marches against the reappointment of Molefe cannot be ruled out.

One legal expert said according to Section 195 of the constitution on SOEs and Public Service and Administration, Molefe had not explained the reason for his resignation which he said was partly due to him observing good governance. "He is a sitting duck from being interdicted to go back to Eskom," said the constitutional expert.

But who is Brian Molefe and should we be worried about his return to Eskom?

DA supporters with placards outside Eskom Megawatt Park in Woodmead, where Brian Molefe was set to resume work following his resignation after being implicated in a state capture report. PICTURE: NHLANHLA PHILLIPS

In the early years of his career, Molefe worked at Treasury for eight years.

He began as a director in 1997 and left as a deputy director-general for asset liability management in 2003. He also worked at Airports Company SA and Telkom in senior positions.

Molefe has long been considered a rising star, earning plaudits as a civil servant of note and great integrity.

When he was appointed group chief executive of Eskom on October 1, 2015, the announcement was accompanied by a glowing summary of his career, starting with his previous tenure as chief executive at Transnet, where he had achieved a reputation as Mr Fix-it.

At Transnet, he spearheaded the groundbreaking Market Demand Strategy, a rolling seven-year R336 billion infrastructure investment programme.

Molefe's work at Transnet earned him an honorary doctor of engineering degree from Glasgow Caledonian University.

Before his four years at Transnet, he was chief executive for seven years at the Public Investment Corporation (PIC). At the PIC, he led an unmatched growth in assets under management from R308 billion to just under R1 trillion between 2003 and 2010.

At Eskom, Molefe would see South Africa start a gas-to-power programme, expected to add 3 126 megawatts of capacity from independent producers from 2019 to 2025 and encourage wider use of the fuel. One would argue that his experience in state-owned entities would augur well for a minister of finance or Reserve Bank governor.

As debate on the performance and stability of state-owned entities hots up, rating agencies will be in South Africa next month to assess the country's potential as an investment destination, debt ceiling management and the ability of the country to pay local and foreign debt and spending on infrastructure development.

The agencies will keenly assess the performance of state-owned enterprises and entities including the SAA, Eskom, Transnet, Denel, Prasa and Sanral.

They are on the spotlight in terms of good governance and their management of government guarantees and bonds.

Surely one would argue that this is not the best time for unions, political parties, government leaders, business, labour unions and civil society to be mudslinging when the country needs a sound footing and strategy for economic recovery, growth, job creation, fiscal and political stability.

A sense of unity, tolerance and cohesion needs to prevail even amid events leading to the ANC's elective conference in December.

In 2015/16, borrowing by the six largest state-owned companies – Acsa, Eskom, Sanral, SAA, the Trans-Caledon Tunnel Authority and Transnet – reached R128bn. Eskom and Transnet accounted for 74% of the total, according to National Treasury.

"Eskom's increased planned borrowings in 2016/17 increased from R46.8bn to R68.5bn. The increase results from Eskom's revised assumptions of cost savings and lower-than anticipated tariffs during the current price determination period."

The six companies project aggregate borrowings of R102.6bn in 2016/17 and R307.1bn between 2017/18 and 2019/20.

"Gross foreign borrowings are expected to account for the majority of total funding over the medium term, largely as a result of Eskom's efforts to obtain more developmental funding from multilateral lenders."

Eskom, Transnet and Sanral account for about 42% of public-sector capital formation.

Over the past year, Eskom continued its capital investment programme – bringing new generating capacity to the electricity grid – and maintained steady power supply. Transnet continued to invest in getting more freight from road to rail.

Meanwhile, contingent liability exposure to independent power producers (IPPs) is expected to decrease in 2019/20.

The Treasury report says government has committed to procure up to R200bn worth of renewable energy from IPPs.

As at March this year, exposure to IPPs – which represents the value of signed projects – is expected to amount to R125.8bn. Exposure is expected to decline to R104.1bn in 2019/20, according to National Treasury.

Government began to categorise power-purchase agreements between Eskom and IPPs as contingent liabilities last year.

South Africa needs sound and sustainable economic policies to boost economic growth and to reverse recent rating downgrades. The power utility produces about 85% of South Africa's power from coal and operates Africa's only nuclear plant. It goes without saying that what happens at SAA, Transnet and Eskom will be under the microscope as they play a major role in influencing the country's credit rating.

● *Gozhi is the managing director of Spin Africa Media and publisher of the Transport Tribune and Aviation 360 magazines.*