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President Jacob Zuma (2009-present), other ministers and senior ANC officials vie for influence in state-owned enterprises (SOEs) by pushing the appointment of allies to respective boards. Zuma allies resign from the boards of Eskom, Transnet, and the South African Broadcasting Corporation (SABC). Zuma moves responsibility for South African Airways (SAA) to the national treasury. Zuma also signs into law the Public Administration Act, which prohibits private companies owned by civil servants' from winning government contracts. Eskom imposes the most extensive electricity load-shedding since 2008, after running out of money to buy diesel fuel. Eskom blames a lack of foresight in upgrade and infrastructure spending for the situation. The International Monetary Fund (IMF) highlights irregular power supply as a major contribution factor to South Africa's low growth. Mining companies Anglo American Platinum and Impala Platinum report 20% losses in earnings in 2014 as a result of the five-month platinum strike which ended in July. The National Union of Metalworkers of South Africa (Numsa) elects an interim working committee but delays the launch of its new United Front political party. An internal African National Congress (ANC) report says that it may not win upcoming elections on its 'struggle' credentials alone.

Change, but no improvement at SOEs, as cabinet, Zuma and ANC fight for influence

Individual cabinet members, President **Jacob Zuma** (2009-present) and the ruling **African National Congress (ANC)** have been vying for influence in South Africa's state-owned enterprises (SOEs) during December. Minister for the presidency **Jeff Radebe** announced on 11 December that the cabinet had decided to remove a number of Zuma's close associates from senior state-owned enterprise (SOE) positions following a series of public scandals in these institutions. The agenda was driven by deputy president **Cyril Ramaphosa**, public enterprises minister **Lynne Brown** and energy minister **Tina Joemat-Pettersson**.¹ A number of senior ANC figures not in the cabinet, including party Chairman **Gwede Mantashe**, backed the decisions.

Sources see the move as the first indication that Ramaphosa is flexing his muscles, alongside powerful cabinet allies:

*"The cabinet acted collectively on these board appointments but behind the scenes you can see the strong influence of Cyril Ramaphosa, [finance minister] **Nhlanhla Nene**, and [public enterprises minister] **Lynne Brown**."²*

The cabinet decided - specifically - to:

- Remove **Collin Matjila**, head of state-owned power utility **Eskom**'s tender board, who was behind a botched tender at the **Koeberg** nuclear power station that resulted in the losing bidder, Westinghouse-Toshiba, suing Eskom for changing the requirements at the last minute. He had also spent the company's entire sponsorship budget on a R43m (\$3.7m) deal with the **Gupta** family, key Zuma allies.
- Remove **Ellen Tshabalala** from Transnet's board. On 3 December, the parliamentary communications portfolio committee had judged that Tshabalala had faked her **University of**

¹ Business Day, 11 Dec 2014

² Source: government official, Pretoria

South Africa (UNISA) degree and lied to parliament.³ She resigned as the chairwoman of the **South African Broadcasting Corporation (SABC)** on 18 December.⁴

- Pass over **Ben Ngubane**, Zuma's preferred candidate, as Eskom chair, in favour of the incumbent, **Zola Tsotsi**. Ngubane, the chairman of **Land Bank**, was previously chairman at SABC, where he had a poor performance record: SABC board members had also complained that Ngubane had said he only answered to Zuma.⁵ However, Ngubane still made the Eskom board despite opposition from public enterprise minister Lynne Brown who has shared responsibility for SOE board appointments.⁶

Zuma still retains significant influence over SOEs. He moved responsibility for **South African Airlines (SAA)** from the department of public enterprises to the national treasury. The official reason for the move was that most of SAA's problems are financial.⁷ The airline faces an immediate funding gap of R1.7 billion (\$146m) and is borrowing \$500m a year in order to meet its operating shortfall. The government has been looking for an equity partner to buy into SAA for some time; currently **Etihad** (the **United Arab Emirates'** state airline) is being mooted as the frontrunner.⁸ However, to attract such a partner and to qualify for further state funding, the national treasury has instructed SAA to submit a realistic turnaround plan. According to SAA's acting CEO, **Nico Bezuidenhout**, this will be a major challenge, as SAA *"has no equity on the balance [sheet]....it is the [highest] geared airline in the world."*⁹

Some commentators argue that these changes to SAA's departmental oversight are a precursor to partial or total privatisation of the airline. The opposition **Democratic Alliance (DA)** has publicly supported the move and urged finance minister Nene to focus on making the airline financially viable.¹⁰ Other reports say that Brown had ordered SAA chairwoman **Dudu Myeni**, a close personal friend of Zuma's and chairwoman of his **Jacob Zuma Foundation**, to reinstate SAA's suspended CEO **Monwabisi Kalawe** whom Myeni had fired in November for reasons she did not disclose publicly. The changes in oversight will suit Brown more than Myeni. Brown has been actively holding to account various SOE board members since she took up her post in May.¹¹

Figures in the ANC national executive committee (NEC) who do not hold ministerial positions are vying for greater influence in the SOEs. ANC chairman Mantashe, announced on 5 December that the party was setting up an internal committee to seek greater party oversight over SOE activities.¹² ANC subcommittees are already involved in SOE governance as they submit names for consideration for board positions.¹³ However, a party committee focused on SOEs could potentially add a further power broker into the already-complex and convoluted politics of SOE appointments, alongside the government departments already involved. Mantashe's move is also being seen as an attempt to curb Zuma's direct influence in appointing his allies to key SOE positions.

Zuma's appointments to SOEs have long been widely blamed for some of the worst cases of mismanagement in key entities like Eskom, the SABC and SAA.¹⁴ Despite the cabinet decision on 18 December, many Zuma placemen and women remain, such as Myeni at SAA, and Zuma continues to appoint others to key positions. The most recent notable example is **Tom Moyane** as commissioner

³ Business Day, 3 Dec 2014

⁴ City Press, 18 Dec 2014

⁵ Daily Rand, 5 Dec 2014

⁶ Business Day, 12 Dec 2014

⁷ Business Day, 12 Dec 2014

⁸ Business Day, 12 Dec 2014

⁹ Business Day, 12 Dec 2014

¹⁰ DA press release, 11 Dec 2014

¹¹ Business Day, 19 Dec 2014

¹² Business Day, 4 Dec 2014

¹³ Daily Rand, 5 Dec 2014

¹⁴ See ARC South Africa Briefings: September, October and November 2014.

of the **South African Revenue Service (SARS)** in September.¹⁵ Moyane has since come under pressure for firing deputy commissioner, **Ivan Pillay**, and **Peter Richers**, group executive of strategic planning and risk, on 5 December for allegedly creating a rogue investigations unit within the SARS. A labour tribunal ruled on 17 December that the suspension of both men was unlawful and constituted a breach of contract.¹⁶

“The SOEs have been Zuma’s personal playground since 2009; he has appointed friends, business partners and political allies with impunity.... [and] almost nobody on a state board [now] has relevant experience.”¹⁷

The battle over SOE appointments has elements of a turf war among groups seeking to benefit from the parastatal sector, as much as a drive to instill greater professionalism. For example, Mantashe’s wife **Nolwandle Mantashe**, the CEO of the recently-established **Tamborah Resources**, has been reportedly bidding to be a major coal supplier to Eskom.¹⁸

Zuma finally signed the **Public Administration Bill** into law on 19 December. The act prohibits public servants from doing business with the state or from holding directorships in public or private companies that do business with the state. The act also requires public servants to declare their business interests before any appointment.¹⁹ The bill had been on Zuma’s desk – unsigned - since May. The president, however, still has discretion to decide the date from which the new act will come into force.²⁰

Worst power cuts since 2008, as IMF warns infrastructure deficit chokes growth

Eskom announced ‘stage 2 load-shedding’ of up to 2000 megawatts (MW) on 5 December, citing fuel supply issues and technical faults.²¹ Eskom, which is also facing a financial shortfall, ran out of money to pay for diesel for back-up generators. The last time Eskom instituted stage 2 load-shedding was in 2008, but in the winter, when electricity demand is generally higher.²² The current summer load-shedding plans are almost unprecedented.

Responding to criticism of the power cuts, Eskom CEO **Tshediso Matona** maintained that, while the power cuts were bad for South Africa, Eskom itself was not in crisis. Long-standing technical problems took time to resolve, he said, and Eskom employees didn’t have the technical expertise to fix many generators. Eskom is still negotiating partnership working models requiring the original equipment manufacturers (OEMs) to repair their own equipment.²³

Load-shedding and power outages are now a regular occurrence across South Africa. A constant series of technical faults has led to repeated shortfalls. Generators in the **Matimba**, **Duhva**, and **Matla** power stations all reportedly failed on 16 December, the first due to a lightning strike and the other two due to technical faults.²⁴ Matona’s response to the ongoing technical failings is that the government didn’t let the utility carry out maintenance works (which require limited power outages) from 2010 onwards because of the football World Cup and then the national elections, as they were afraid to lose votes.²⁵ According to Matona, who was a senior adviser to then public enterprises minister **Malusi Gigaba**:

¹⁵ City Press, 23 Sept 2014

¹⁶ Mail and Guardian, 17 Dec 2014

¹⁷ Source: senior journalist, Johannesburg

¹⁸ Times, 17 Dec 2014

¹⁹ City Press, 19 Dec 2014

²⁰ City Press, 19 Dec 2014

²¹ City press, 5 Dec 2014

²² City press, 5 Dec 2014

²³ Mail and Guardian, 8 Dec 2014

²⁴ Business Day, 16 Dec 2014

²⁵ Business Day, 8 Dec 2014

"We are paying the price of those decisions. We tried to keep the lights on at all costs [in 2010 and 2011] and now we can't. That's why we're in the situation we're in now."²⁶

The crisis also has its roots in the lack of electricity infrastructure investment. Eskom's 5 December load shedding was because it ran out of money to buy diesel. Diesel is a high-cost - R10 billion (\$863m) a year - option for generators that could be converted to run on natural gas.²⁷ However, South Africa has yet to invest in any infrastructure to bring gas into the country. National electricity grids usually carry enough contingency capacity to cover maintenance, but South Africa's doesn't, in part because it has not invested in new power plants.²⁸ The first unit of the long-planned 2000MW **Medupi** plant is still not on line, and its commissioning date has been pushed back to June 2015 (the original timeline was 2012). Even when it does go live, Medupi will not reach full-capacity generation until 2020. The focus on getting Medupi up and running has delayed work on the **Kisule** power plant, as resources set aside for Kisule were transferred to Medupi.²⁹

"South Africa is currently trying to play catch-up to keep the lights on; it is going to take years of blackouts before the country gets to where it should be."³⁰

This power infrastructure deficit is imposing a huge cost on the South African economy. **The International Money Fund (IMF)** told the South African government on 10 December that 'structural constraints' in the economy, notably power shortages, transport bottlenecks and prolonged strike action, have significantly hit economic growth. The IMF predicts 1.4% growth for 2014, the lowest since the 2009 recession, and 2.1% in 2015. It singled out power shortages as the single biggest factor undermining business profitability, foreign investment and social stability.³¹

"South Africa is in a catch-22 situation – it both needs to reduce its structural and fiscal deficit and invest billions of rand in infrastructure... it will be a hard negotiation for the February 2015 budget."³²

Mining companies reveal losses as a result of platinum miners' strike

Mining companies in South Africa have revealed the full financial and operational impact of the five-month platinum strike in a series of year-end statements. **Impala Platinum (Implats)** announced on 8 December that its half-year, year-on-year, profits fell by at least 20% due to the effects of the strike in its **Rustenburg** operations. The basic dividend for shareholders for the **Johannesburg Stock Exchange (JSE)**-listed company fell from R1.45 (\$0.12) per share in December 2013 to around R1.16 (\$0.09) per share.³³

Anglo American Platinum (Amplats) announced on 1 December that it, too, was facing at least a 20% decrease in headline earnings due to the strikes compared to 2013. The company projected net earnings of R1.16 billion (\$100m), a R290m (\$25m) decrease from the R1.45 billion (\$125m) posted in December 2013.³⁴ The company also cited the fall in the platinum price as a contributing factor in the earnings fall.

In the wake of the strike, Amplats has sought to sell some of its assets. It is looking for a buyer for its **Union** platinum mine in Rustenburg. Frontrunners for the \$300m asset are South African firms **Sibanye Gold** and **Northam Platinum**. The sale is scheduled for the first half of 2015; in preparation,

²⁶ Business Day, 8 Dec 2014

²⁷ Business Day, 8 Dec 2014

²⁸ Source: global energy company, London

²⁹ Mail and Guardian, 17 Sept 2014

³⁰ Source: global energy company, London

³¹ FT, 10 Dec 2014

³² Source: senior financial journalist, Johannesburg

³³ The Citizen, 9 Dec 2014

³⁴ Business Day, 1 Dec 2014

Amplats has had to write off \$245m of non-performing assets.³⁵ Amplats' parent company, **London - listed Anglo-American plc**, is undergoing a restructuring process that will reduce its global workforce by 60,000 employees by 2017. It is not currently clear how this separate exercise will impact on Amplats: so far, reports have only mentioned Anglo-American's plans to sell off its South African thermal coal operations.³⁶

*"The effects of the platinum strike will be felt for years to come, even after the companies have restructured, the losses have been absorbed and the assets have been sold off. Companies are not going to see labour security in the same way ever again."*³⁷

The platinum strike is estimated to have knocked 0.5% off South Africa's GDP growth, cost the industry as a whole \$2.25 billion, and Amplats \$1.05 billion. South Africa's platinum output dropped 16% to 3.5 million ounces (moz) in 2014, from 4.2 moz in 2013, out of a total global supply of 5.1moz.³⁸

Numsa elects a United Front working committee as ANC admits it is 'in trouble'

The **National Union of Metalworkers of South Africa (Numsa)** has elected an interim national working committee for its new **United Front (UF)** political party. The party was due to be launched over the weekend of 20-21 November, but Numsa has reportedly pushed back the launch until April 2015. The decision was taken after a 342-delegate meeting in **Ekurhuleni (Gauteng Province)** on 13-14 December failed to agree on founding principles for the party. The new party will now aim to begin campaigning through a series of anti-austerity protests in February 2015.³⁹

Prominent members of the UF's working committee include former intelligence minister **Ronnie Kasrils**; activist **Zackie Achmat**, and former **Nelson Mandela Bay (Eastern Cape Province)** metropolitan area mayor and MP **Zanoxolo Wayile**.⁴⁰ All three are vocal Zuma opponents: Kasrils was a key ally of former South African president (and Zuma opponent) **Thabo Mbeki** (1998-2007), Achmat has long campaigned against ANC corruption and Zuma's stance on HIV/AIDS,⁴¹ and Zuma dropped Wayile from the ANC election lists, despite his high party ranking.⁴²

The obstacles in actually getting the United Front off the ground may indicate problems ahead. Numsa first took the resolution to revive the party at its congress in November 2013. Since then, it fought to stay in the ANC-allied **Congress of South African Trade Unions (COSATU)** and only moved forward on the UF idea once COSATU had expelled Numsa.⁴³ The union is currently stretched thin financially fighting court cases against COSATU and to retain membership on its shop floors.⁴⁴ For example, the high court granted the **National Employment Association of SA (NEASA)** an extension of a wage deal on 18 December that could attract people to NEASA and away from Numsa.⁴⁵

*"There is a danger that the United Front could become like **COPE** (the **Congress of the People** party) and disintegrate into a talking shop.... also, where is [COSATU chairman and Numsa ally] **Zwelinzima Vavi**?"*⁴⁶

³⁵ Reuters, 4 Dec 2014

³⁶ Business Day, 9 Dec 2014

³⁷ Source: management consultant (mining sector), Johannesburg

³⁸ Business Day, 9 Dec 2014

³⁹ Business Day, 15 Dec 2014

⁴⁰ Business Day, 15 Dec 2014

⁴¹ City Press, 18 Aug 2014

⁴² Herald, 10 June 2014

⁴³ Business Day, 19 Dec 2014

⁴⁴ Business Day, 19 Dec 2014

⁴⁵ Business Day, 18 Dec 2014

⁴⁶ Source: political journalist, Johannesburg

“This is a dangerous coalition of anti-Zuma figures; Kasrils, in particular, is a canny operator. If it gets off the ground then the ANC will have something to worry about.”

ANC chairman Mantashe authored a report for the party’s annual congress in November 2014 that admitted that the ANC could lose power in upcoming elections. It is the first ANC document to discuss this issue openly. Mantashe argued that the ANC has lost votes amongst young people, the middle class, and in urban centres. It points to other breakaway movements from the ANC, such as the **Economic Freedom Fighters (EFF)**, as systematically eroding its support. It also accused the judiciary and ‘foreign money’ of mounting a concerted attack on the ANC’s hold on power.⁴⁷ Mantashe and Zuma have clashed in recent months and the report is partly a thinly veiled criticism of Zuma’s presidency.

“It is about time the ANC woke and realised that people just won’t vote for them as a liberation party any more. Underneath the rhetoric [in Mantashe’s report] is a real fear that the ANC needs to change in order to keep on winning.”⁴⁸

Zuma also admitted that the ANC was in trouble, during a speech to the **ANC Youth League** Congress on 30 November.⁴⁹ Zuma had stepped in directly to stop the election of a new (anti-Zuma) youth league executive at the congress. South African media have speculated that he feared an attempt by a new executive to pressure him to step down before the ANC’s party congress in 2017. The official ANC line is that they did want to the youth league to perceive themselves as ‘kingmakers’.⁵⁰ EFF leader **Julius Malema** is a former ANC youth league leader who went from being a vocal Zuma supporter to a prominent – and vitriolic – opponent.

Implications

The chaos in South Africa’s SOEs shows the ongoing and damaging extent of patronage networks that have come to define the ANC’s relationship with public bodies. The resignation of Tshabalala and Matjila shows that change – albeit slow – may be on the horizon. However, Zuma is able to impose some of his choices, such as Ngubane, to board (if not executive) positions. Among those within government pushing for greater competence and professionalism at the top of the parastatals, Brown has been relentless (and has no doubt drawn the ire of Zuma for doing so). Further behind, many see the careful and slowly-expanding influence of Ramaphosa. The risk is that there are those, like Gwede Mantashe, who will seek to exploit the situation for their own personal and political benefit.

Zuma’s decision to sign the public administration bill gives the courts – already relentless in overturning wrongful dismissals by SOE boards – another tool to clamp down on perceived conflicts of interest of board members and senior staff at parastatal companies. The risk is that ANC-linked officials will find a way around the new legislation: although ANC-linked civil servants may now not do business in a private capacity with the state, ANC officials don’t fall under this definition so Mantashe’s wife can profit from a large-scale Eskom contract with impunity.

The IMF’s observations on the state of South Africa’s infrastructure and its impact on the economy is a damning indictment of political leadership in the country. While pointing – rightly – to the impact of downturns in international trade on South African growth, it shows that the most damage has been self-inflicted – through avoidable power cuts and damaging strikes. Because Eskom ran out of money for diesel, for example, the government has lost tax revenue, and small businesses have suffered unnecessary losses – and either retrenched or delayed plans to hire workers, hardly helping South Africa’s high unemployment and social inequality. Foreign investors either leave or sit on the sidelines until the state can guarantee power supplies or protect them from protracted labour disputes.

⁴⁷ Mail and Guardian, 19 Dec 2014

⁴⁸ Source: senior financial journalist, Johannesburg

⁴⁹ Times, 30 Nov 2014

⁵⁰ Times, 30 Nov 2014

If the South African economy is to recover in 2015, the national treasury will have to pull off a difficult card trick: allocate more funds to infrastructure and cut losses at inefficient SOEs. The decision to move SAA into the national treasury's orbit could indicate a willingness on the part of government to make some difficult but necessary decisions. At the same time, the government faces a less pliant and more fragmented and hostile union sector. The left of the ANC will fight any reductions in spending. It has to do this without damaging public sector service delivery; ongoing problems in this area prompted protests across 2014.

The United Front is off to a shaky start. Numsa pushing back the launch date to April 2015 looks weak but, given the many factions within the movement all jostling for position, it had no option. The absence of union supporters in the UF's ranks, especially Vavi, is a blow. If the UF is not to go the same way as COPE, it will need to show clarity in its agenda and connection with the voters. The omens at this stage do not look good. As for Numsa, its prospects – to some degree – rest on the actions of others. COSATU's special national congress in early 2015 may see the trade union movement fissure further, benefitting Numsa.

Mantashe's admission – in a formal report – that the ANC risks losing its national stranglehold on power, reflects both a current reality and that senior figures are concerned about further splits in the tripartite alliance of the ANC, COSATU and the **South African Communist Party (SACP)**. With the opposition DA – led in parliament by an increasingly visible **Mmusi Maimane** – still struggling to capitalise, the biggest threat to the ANC remains its own internal politics, corruption, factionalism and personal rivalries – and its failure to deliver on bread-and-butter issues of concern to the majority of South Africans.