SA (Pty) Ltd can still be turned around, Mr Chairman – IOL 10 September 2020

JOHANNESBURG - If South Africa was compared to a company called “SA (Pty) Ltd”, today the question must be, in what current situation is this company?

If we compare South Africa to a company then theoretically, the chairperson would be the president of this company, the cabinet ministers would be the directors and the shareholders would represent every South African citizen.

So, if we have to evaluate “current “specific factors that cause companies to be either profitable or run at a loss, we can address the following critical underlying issues of the company:

How are state-owned enterprises (SEOs) currently doing in the SA (Pty) Ltd landscape?

* Eskom: It has been 13 years since SA (Pty) Ltd first experienced load shedding. When asked how long this situation would last, the answer was: We do not know. It could be as long as seven years.

* Airports Company SA: Acsa, which is 74percent-owned by SA (Pty) Ltd and counts pension fund manager Public Investment Corporation as its second-biggest shareholder, told National Treasury in May it would need up to R11billion of new debt by 2025.

* Denel: The company that makes military equipment for SA (Pty) Ltd armed forces and clients across the world has struggled to pay salaries this year with its negative equity position of R3.3bn.

Based on the “current” information, I would say our company is not doing well with its chairperson and directors underperforming in the eyes of its shareholders.

Is the National Health Insurance (NHI) the way forward?

There are serious concerns about a shortage of health-care workers (doctor and nurse shortage due to a lack of funding) in the company for decades. The new NHI is expected to be implemented in 2026. But current research numbers indicate that 20.8percent of medical workers stated that they had already taken steps to emigrate, and a further 41.06percent would consider emigrating when the NHI is implemented. Health Minister Zweli Mkhize has stated in a published paper that the company needs to triple its number of doctors for the NHI to work? So, Mr Chairman of the company, why are your employees leaving?

What do your financials say about you and your company?

The SA (Pty) Ltd’s finances have deteriorated rapidly over the past decade. Well, the budget deficit for the 2020/21 financial year is seen to be exceeding R760bn, or 15.7

percent of gross domestic product (GDP). This compares to the R370.5bn, or 6.8percent of GDP, forecasting the February 2020 Budget, which was more than double the number that was already very worrying. That makes much of SA (Pty) Ltd's current debt revolting and, according to research analysts, unsustainable in the long run as the economy is not growing.

To further worsen "company matters", Moody's Investors Service downgraded the company's long-term foreign-currency and local-currency issuer ratings to Ba1 from Baa3. These outcomes speak to a weaker economic and fiscal policy effectiveness.

As a coincidence of this "downgrade", the company immediately falls out of the World Government Bond Index (WGBI) which measures the performance of fixed-rate, local currency, investment-grade sovereign bonds.

Much like when a Sequoia faces raging fires, the mettle of a chairperson and its group is tested when the company faces financial difficulties from the shareholders.

However, even when faced with economic challenges, a company can grow and flourish provided that action is taken.

So, in my opinion, it is only with a united movement of all your board of directors and the independent, but direct effective leadership of the chairperson, can this company survive.

To conclude: "Fires can destroy, but fires can also be a catalyst for the renewal" of hope for your company Mr Chairman.

Neil de Beer is president of Investment Fund Africa and advises numerous African states on economic development and is the chairman of APS Holdings.
www.ifa.africa / neil@ifa.africa / www.apsholdings.africa

BUSINESS REPORT