

Higher profit pressure faces state-owned enterprises

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23 Oct 2014

Members of Parliament have responded to Finance Minister Nhlanhla Nene's inaugural Medium Term Budget Policy Statement (MTBPS), which he tabled in Parliament on Wednesday (22 October).



Public Enterprises Minister Lynne Brown believes state-owned enterprises have a responsibility to make profits for the government. Image: GCS

The MTBPS, also known as the mini-budget, saw National Treasury put forward a series of measures to reduce the country's budget deficit and to stabilise public debt.

Public Enterprises Minister Lynne Brown, whose department oversees several key state-owned entities, said Nene took the necessary steps to put the country on a sound footing.

"I think the minister is right. All state companies must work within budgets. We've got to run the state-owned enterprises as if they were private companies that make profits so I support Nene," said Brown.

Referring to South African Airways (SAA) Brown confirmed that she was due to meet with the board this week and pointed out that SAA must do what it is "supposed to do" to stay operational.

"They must keep the aircraft flying. They must have good governance, must make profits and make the money for the state," said Brown.

Government has proposed a new framework for funding state-owned companies, which will include closer monitoring of such entities.

State-owned entities need to make profits

Tabling the MTBPS in Parliament, Nene said that state-owned companies and public entities play important roles in realising government's economic and social mandate.

"These entities need to be financially sound and operationally effective, contributing to development without draining the fiscus. Government is proposing a new framework for funding state-owned companies that will distinguish the purely commercial activities from the costs of exercising their developmental mandate," said Nene.

The Deputy Minister of Small Business Development, Elizabeth Thabethe, also welcomed the MTBPS.

"In the current economic climate - both globally and domestically - our growth rate is low. It is tough but I think Nene has presented a strong MTBPS. It will be able to take us forward," she said.

The Democratic Alliance's Parliamentary leader, Mmusi Maimane, said the budget focused a lot on state interventions. "I think bolder action was needed," he said, adding that more must be done with the resources available to government.

Freedom Front Plus leader Pieter Mulder said the cuts announced by Nene were relevant in the face of the revised growth rate of just 1.4% for the current year.



One of the state-owned enterprises that has been draining money from the state's coffers is SAA but Public Enterprises Minister Lynne Brown believes this will soon end as the airline starts to return to profitability. Image: SAA

"In the end, he said total savings will be R1.3bn from cuts but R15bn more is needed in revenue. Surely that means tax increases are coming," said Mulder.

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