

# State steel maker mooted in ANC discussion paper

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THE creation of a state-owned steel company — either as a government-owned entity or in partnership with the private sector — is one of many ideas in an African National Congress (ANC) discussion paper on the future of state-owned enterprises.

In preparation for its policy conference in June, the ANC has for the first time drafted a discussion document on state-owned enterprises,

which the party wants to play a leading role in the economy.

However, the paper, "Shifting the policy landscape for state-owned enterprises and development finance institutions", adopted no definitive positions and was incoherent in places — a reflection of the multiplicity of views among the authors and in the ANC.

The mooted steel manufacturer was sketchily discussed in an annexure. It suggested an investment of R40bn-R50bn would be required.

Advantages listed for the project included that it would increase beneficiation of raw materials, a key objective of industrial policy; it would lower input costs for infrastructure; it could draw on the synergy of the state-owned mining company, which would secure mineral rights; and with Transnet, it could build a complete value chain for manufactured steel.

The idea fits with comments by Trade and Industry Minister Rob Davies that he would like to see

another steel manufacturer for SA besides ArcelorMittal SA.

Discussions to this end are believed to have occurred between government officials and Korean state-owned steel maker Posco, and steel makers in India and China.

Another idea expressed in the paper, but again not elaborated on, was a new model of governance for state-owned enterprises, which would entail the creation of a state holding company to administer and manage the assets.

The government holding company would have its own board, made up of top government officials and "a high proportion of private sector experts" to ensure sufficient business expertise. The rationale was to "align the interests" of the government, the board of directors and management. This is in contrast to the current arrangement in which

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shareholder management of state-owned enterprises is pursued by various government departments along with the Department of Public Enterprises.

An overarching holding company would allow better co-ordination and provide the government with greater ability to direct the activities of its

enterprises. The harnessing of state-owned enterprises to pursue the broad aims of the developmental state, as opposed to focusing on narrow commercial interests, is the key objective of ANC policy.

The holding company fits with ideas advocated by Public Enterprises Minister Malusi Gigaba, who proposed the formation of a shareholder management department.

Writing in Business Day this month, Mr Gigaba said there were three options: the status quo; placing enterprises under their policy departments, which are responsible for the regulation of their sectors; or placing "a selected portfolio of key" state-owned enterprises "under a dedicated shareholder management department to optimise their effect individually and as a portfolio".

His implicit support for the third option has been described as support for the Chinese model, where a vast portfolio of state-owned enterprises is controlled directly by the Communist Party of China's organisation department.

While ANC discussion documents are frequently a good gauge of mainstream thinking, the role of state-owned enterprises is a ball in

play in the party, with a multiplicity of voices and interests trying to influence the debate.

A presidential review commission on such enterprises, established by President Jacob Zuma nearly two years ago, is due to report next month. This will throw light on the direction the discussion will take at the ANC policy conference in June.  
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