



**MINISTRY
OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES
REPUBLIC OF SOUTH AFRICA**

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**ADDRESS BY MINISTER MONDLI GUNGUBELE (MP) DURING THE DEBATE IN
THE NATIONAL ASSEMBLY ON THE PROVISIONAL LIQUIDATION OF THE
SOUTH AFRICAN POST OFFICE (SAPO)**

04 May 2023, Cape Town

Honorable Speaker,

Chairperson of the Portfolio Committee on Communications,

Honorable Members of Parliament, Members of the media,

Fellow South Africans,

The story of the South African Post Office is intertwined with the story of the development of the Republic of South Africa. This entity which was formed over 200 years ago has lived from the formation of the Republic, through the years of oppression and struggle till democratization. It is therefore imperative that we state up front that saving this historical institution and turning it into a viable business which continues to serve the people of South Africa is our priority.

As a state-owned organisation, the SA Post Office plays a crucial role in contributing to South Africa's social and developmental goals by providing postal, logistics, financial, and government services via its Postal Network.

At its core, it is mandated to provide these services to citizens, particularly vulnerable individuals, and communities in an affordable and convenient manner at a national scale. Within this context, the Postal Network is a strategic contributor ensuring economic inclusion, improving living conditions, and is a catalyst to reducing inequality and alleviating poverty.

Since its establishment in 1792, the dominant role of the SA Post Office has been the collection and delivery of letter-post. However, evolving market factors and technological advancements have displaced the need for physical letters. As a result, letter volumes are declining, and in tandem, revenue has reduced from R3.4bn in 2015 to R2.6bn in 2022. This trend has posed a significant threat to the sustainability of the SA Post Office in its historical form.

Additionally, the growth of electronic Financial Platforms has posed a further threat to the SA Post Office Financial Services segment as transaction volumes and revenue have also declined.

In the 2014/2015 financial year, the entity experienced a prolonged and crippling strike which lasted about 5 months from which it has never fully recovered. At this point, SAPO entered financial distress and the shareholder placed the organisation under administration.

Other contributing factors in the story of the SA Post Office are the ill-conceived decisions from past management which includes the reinstatement of almost 500 employees who had been dismissed following the illegal 5-month long strike. During the period between 2012 and 2019, a total of 10384 part-time employees who were previously only engaged by mail centres during peak periods were absorbed on a fulltime basis. Furthermore, monies intended for a turn-around strategy were used for consumption instead of investment in infrastructure and modernisation. Therefore, these incidents adversely affected the cost structure of the company.

The advent of COVID-19 exacerbated the financial challenges facing the entity further affecting its ability to pay its creditors.

Government has over the years embarked on several interventions to get the SA Post Office back on track. These include a total of R7.3 billion cash injection between 2016 and 2019, partnerships with SITA and Postbank on infrastructure development and sourcing of expertise from the private sector.

We have also defended SAPO's reserve market of 1kg letter and package distribution in the entire Republic. In fact, we are currently in court because there are other unregistered players encroaching in that space to the detriment of the SA Post Office.

Through partnership with the Department of Transport, 4 million Motor Vehicle Licensing are issued by SAPO on an annual basis in the entire republic except for the DA government in the Western Cape which refuses to come to the party.

Working with the department of Health, SAPO distributes chronic medication to patients at their doorstep all over the country and Social Grant recipients receive their social grants from SAPO on a monthly basis.

Notwithstanding the above, SAPO has seen slow recovery over the past few years despite these interventions from government.

On 09 February 2023, a judgement was issued to place SAPO under provisional liquidation which led to a Provisional Liquidator being appointed on 30 March 2023. Working with the provisional liquidator, the entity continues to ensure the provision of essential services are not affected.

Honourable Members, we want to assure you that we have been working tirelessly with the entity to explore various options to find an optimal approach within the legal prescripts and confines of the provisional liquidation to save the entity and ensure business continuity. We will therefore in the next coming week table an approach to Cabinet for approval to ensure business continuity.

The services of a Senior Legal Counsel and external lawyers have also been sourced to provide advice and guidance on the optimal option in dealing with these matters. Our plan is to get the matters resolved before the 1 June 2023 final Court date so that the entity can continue to operate.

For now, it is vital to assure the public that we are working tirelessly to ensure that the optimal option to mitigate against the liquidation is put in place with the objective being to save the entity. This will ensure that the impact of the liquidation on ordinary South Africans making use of SAPO services is mitigated against.

Honourable Members, a critical feature of saving the SA Post Office is to ensure that we reposition and modernise the entity to respond to the service needs of our people in the present digital era.

It is for this reason that Cabinet has already approved the Post Office of Tomorrow Strategy which reviews SAPO's operating model to restructure it in such a way that it can operate as a sustainable, productive and efficient entity. It thus eliminates organisational duplications and inefficiencies by restructuring the organisation in such a way that the entity is positioned to become a modern, sustainable entity over the short to medium term.

The priority focus areas of the Post Office of Tomorrow strategy include repositioning the entity to become:

- A Leading Logistic Service Provider for South Africa and region;
- A Logistic service partner to other e- commerce and logistics players, including SMMEs and informal traders nationally and internationally based on its expansive postal network;
- An e-Commerce hub for South Africa and the region;
- Business digital hubs that also serve as digital hubs for communities; and
- Designated Authentication Authority that also fulfils its role as a national Trust Centre in the age of digital identity and services.

To give effect to the Post Office of Tomorrow Strategy, the Department has already embarked on the amendments to the SAPO Act and as such the SAPO Amendment Bill has already been introduced in Parliament for processing.

We want to conclude by reiterating that government's main objective is to ensure that this entity is repositioned, modernised, and continues to serve the millions of South Africans it has been serving over the past 200 years. As reported here today and to the Portfolio Committee earlier in the week, much of the spade work has already been done and we are in the process of laying the bricks towards activating the Post Of the Future.

We also want to invite South Africans to walk this journey with us as government to ensure that we turnaround the fortunes of the South African Post Office for it to live another 200 years and beyond.

Working together, we can grow the South African Post Office.