Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

GEPF your investment, your future

NEWSLETTER NO 2 of 2024

AMAGP – Association for Monitoring and Advocacy of Government Pensions
AR – annual report
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SLAPP - Strategic litigation against public participation
SOE – state owned entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1.2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1.61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. https://www.GEPF.gov.za/ dd 9 March 2024.

***WE ARE THE OWNERS OF THE GEPF** and we have the right to expect the GEPF BOT and the PIC to manage and invest OUR money in a responsible and profitable way, to the advantages of members and pensioners. Note the misbalance: the single pensioner on the BOT representing all 450 000 pensioners and the 15 representatives from the multitude of trade unions and government departments representing the 1,2 million contributing members.*

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA. BUT, we as members and owners of the Fund have the duty to protect and safeguard it against abuse.

The Editor's Word

It still boggles the mind, the GEPF website states in its landing page assets of R1,61trn but states on the same page over R2,3trn in assets. Now which is correct? I suspect the total assets managed by the PIC is quoted as that of the GEPF.

Member totals
Government Employees Pension Info (Fb) has 78 000 members,
GEPF WATCHDOG (Fb) 52 000 members, and
AMAGP 8 000 members.
The total is about 138 000. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries.
Why aren't you more active in preserving your pension funds?

AMAGP is totally and completely underwhelmed by the lack of any response to assist in the analysis of the 2023 GEPF AR.
Volunteers to help analyse the 2023 GEPF AR are still required!!!!

A thoughtful video. Double click, then click on open:

VID-20240121-WA0001.mp4

Note the plethora of parties contesting the election, which dilutes the power of the official opposition. Consider their role in preserving your pension fund when casting your vote. Ask them pension fund questions when they canvas your vote.
Please make sure you know which polling station you are registered at and vote on 29 May. If you think one vote not cast won't make a difference, about 2 000 000 others also thought so at the previous election. Don't be one of them, your vote will make a difference.

The problem with pensioner widows with the GEPF seems to be the old ID numbers. All our existing ID numbers were changed in the nineties when race was removed from the ID numbers. The marriage documents before those years will have the old ID number, which SARS and Home Affairs seem to have no problem in understanding. It seems our Fund's due diligence might be too thorough in not understanding this change. Plan for eventualities and go through the process of getting an updated marriage record if your marriage certificate still has the old ID number on it.

AMAGP still has a relatively good relationship with the GEPF.

Now for news from the media

To start off, a letter from Zirk Gous about the integration of the non statutory forces [NSF] into the GEPF and the costs involved. Didn't know about that, did you! In effect it means the NSF in 'government' service are getting 20 years' pension service added to their total term of service without paying for it. There is still detail outstanding on the PAIA application.

Prescribed assets for pension funds is once more in the news, after consensus was previously reached about its negative effect on the economy was abundantly clear even to the 'government'. Now the 'government' is suddenly in a rush to instate it, most probably if they still have a good majority after the election.

Sasol's ROI for 2023 is down for various reasons. Take note.

A rumour about the GEPF system being hacked and held to ransom. Before spreading unsubstantiated media-generated hysteria, please check the facts. Evidently an attempt was noticed and prevented, leading to GEPF systems being off-line for a period to ensure security remains in place.

The sale of SAA is still not finalised and remains shrouded in secrecy after three years.

Eskom wants billions from the private sector to pay for expansion of its grid, ownership to be vested in the 'government' of course.

A fresh view of the economic/financial status in South Africa to titillate your attention. A bit dismal in the reading.

NEWSNUUSNEWS

Samevatting

Dit is bekend dat die GEP Law gewysig is deur art 30A in te voeg in 2013. Met die wysiging is terugwerkende pensioenvoordele toegeken aan lede van die 'Non Statutory Forces' wat post 1994, na +- 20 jaar 'diens' in die buiteland, in die staatsdiens opgeneem is. Prakties sou dit beteken dat (syfers denkbeeldig)

-die NSF lede die bevrydingsbewegings vir 20 jaar gedien het in die buiteland;
-na 1994 is hulle as staatsamptenare in diens geneem primêr in die SA Weermag maar ook in die intelligensiedienste en die SAPD;
-hul pensioendraende diens met hul aftrede op 60/65-jarige ouderdom sou dan slegs 20/25 jaar gewees het en hulle sou met 'n klein pensioen aftree;

Die wysiging aan die GEP Law art 30A stel dit reg deurdat hul diens dan erken word asof hulle indiens geneem is op 20-jarige ouderdom en hulle dan met 40/45 jaar se pensioendraende diens aftree. Die vraag is egter, wie dra die koste van hierdie terugkoop van pensioendraende diens?

In ons PAIA het ek die vraag gevra. Dit is slegs deels en onbevredigend beantwoord maar gee tog 'n mate van duidelikheid oor die bedrae ter sprake en die betaling/nie-betaling van die terugkoop-bedrae.

Die GEPF het afdrukke verskaf van bladsye uit jaarverslae wat die skuld of terugbetaling aantoon bv bl 110 uit die 31 Maart 2015 'Annual Financial Statements' Onder Section 11, para 6.1 'Contributions receivable' word 'n bedrag van R3 026 146 000 aangetoon as '*This is an amount owing to the GEPF in respect of additional liabilities arising out of the revised NSF pension dispensation. The additional cost will have to be met by each individual employers''.*

Die jaarverslae toon dus aan dat die skuld op 'n hoogtepunt was van R6,2 miljard in 2013 en stelselmatig afgewerk is na R373 miljoen in 2020/21. Die 'NSF-skuld' styg nou weer tot R457miljoen einde Maart 2023.

Die GEPF voer dus aan die bladsye verskaf bewys dat die NSF kostes op 'n hoogte punt was van R6,2 miljard en stelselmatig afgewerk is. Die werklike boekstawing van ontvangs word egter nie deur die GEPF duidelik aaangetoon nie.

Die GEPF het twee Paia versoeke vir blootlegging geweier nl

-die totale koste en/of die totale werknemer bydrae vir die implementering van art 30A, en
-die datum waarop die 'koste vir die werkgewer' werklik aan die GEPF oorbetaal is.

Kommentaar

Belangrike besonderhede oor the NSF se insluiting in ons Fonds. En ons Fonds se traagheid/onwilligheid om die besonderhede bekend te maak.
Dit is onseker of die NSF individueel enigsins bygedra het vir die 20 pensioenjare diens wat hulle gekry het. Dit beteken dat hulle 20 bykomende pensioenjare verniet gekry het. Nogal 'n aansienlike verskil in uiteindelike pensioen.

Synopsis

After the Bell: ANC gets all tautological over prescribed assets

Daily Maverick
By Tim Cohen
26 February 2024

Tautology is difficult to define but it's a very useful concept, especially when it comes to politics because. And you know what is great for any examination of tautologies? Election manifestos. Why? Because the first rule of politics is to make sure you don't say anything specific, while at the same time appearing to say something very specific. It's, how should we say, a tautology.

The big tautology in the ANC's election manifesto concerns prescribed assets. Essentially, the idea is that you, the government, force the private sector to set aside a proportion of your investment assets for investment in socially minded projects. Typically, the target is retirement fund investments, or sometimes insurance funds.

It's a kind of halfway house between free investment and the government forcibly grabbing the capital through taxation to embark on its investment enterprise. The justification is that most investment happens on a short-term basis, so forcing pension funds to invest in long-term projects counters that trend.

That's the investment part, but there is another utility: It can be a big help to highly indebted governments by forcing investment into government bonds, which could stabilise government finances during financial crises or downturns.

In terms of investment theory, prescribed assets are the equivalent of throwing money into the toilet. It's that bad. If investment decisions are not made on the basis of risk and return considerations, they almost, by definition, end up being suboptimal. They distort the market and they can crowd out more effective private capital. They also often involve political risk.

For these reasons and others, prescribed assets have typically been dumped by governments after they got burnt. To find an example of this, we need to look no further than the apartheid government, which had a prescribed assets system for years.

Much depends on the terms, the extent and the use, of course. Some governments still have prescribed asset requirements on the statute books, notably Malaysia and India. But they are pretty modest in their scope, and plenty of other countries tried this and scrapped it, notably the UK.

Like many left-wing governments around the world, the ANC has flirted before with prescribed assets, but before 2019 it was never a big issue for the party. In fact, in its first major address at a business conference in 1994, just before the first democratic election, the ANC explicitly rejected prescribed assets.

Well, it turns out, the ANC does want to be prescriptive. In its 2019 election manifesto, the party promised to "investigate the introduction of prescribed assets on financial institutions' funds to unlock resources for investments in social and economic development".

The party's 2024 manifesto repeats this call, saying the ANC will "engage and direct financial institutions to invest a portion of their funds in industrialisation, infrastructure development and the economy, through prescribed assets". Both also talked about a Sovereign Wealth Fund.

So, what has changed? My guess is two things. First, the ANC is a bit more desperate (government debt is getting to be very large and very expensive). Prescribed assets pretend to be for social good but, given that they are normally introduced by governments under pressure, it's fair to assume they are a sleight of hand.

Second, the ANC doesn't want to be outflanked on its left by the EFF. So, it's putting these things into its manifesto because it knows the EFF may be doing the same. However, given that this was introduced in 2019 and never acted on, it's presumably not a high-priority issue. I suspect it's being held in reserve.

So, how does the tautology issue factor into all of this? Well, it's simple: if you have spade-ready investment projects that are based on commercial principles, then finding the capital is typically easy. It's only when you don't have ready-to-go, commercial investment projects, that you need prescribed assets. If you impose prescribed assets and use them for those spade-ready, commercial investments, then you didn't need prescribed assets in the first place.

What prescribed assets demonstrate has nothing to do with investment and everything to do with the mentality of the people who impose them. What it means is that the proposers don't believe the market will produce the funding they want for projects that are by definition not viable. However, projects that are not viable cannot be made viable by virtue of the fact that the funding was forced.

Comment

Very clear, I think. If implemented, I would guess a large percentage would be government bonds. Of course, it means withdrawing funds from current investments to shore up kakistocracy'. Detrimental to the continued ROI for our Fund.
Also, the sovereign wealth fund, 'a state-owned investment fund comprised of money generated by the government, often derived from a country's surplus reserves'. *Note: where is the 'country's surplus reserves' and how is the 'government' going to generate them, and 'state-owned' means?*

Synopsis

ANC confirms it wants your pension money for Eskom and Transnet

Bloomberg
7 March 2024
Daily Investor

South Africa's ruling ANC will forge ahead with plans to revive an apartheid-era rule compelling pension funds to plough money into certain government-approved investments, assuming it retains power in upcoming elections. "Immediately after elections, we have to get into it," Zuko Godlimpi, deputy chair of the ANC's economic transformation committee, told Bloomberg in Johannesburg on Wednesday.

Unveiling its manifesto last month, the ANC pledged to transform the financial sector to ensure it makes adequate funds available for the nation's industrialisation and economic development by introducing prescribed assets.

The ANC is examining the measure amid pressure to restore its appeal with voters ahead of the May 29 ballot, in which it is at risk of losing its national majority for the first time since taking power in 1994. Goldimpi dismissed opinion polls suggesting the party's support will fall below 50% and said there were no discussions about forming a coalition.

He said the range of prescribed assets would go beyond investing in government bonds to support struggling state-owned firms such as Eskom and Transnet, which are in desperate need of funding after years of mismanagement, theft and under-investment.

"The prescribed assets conversation is about rebasing pension fund investment in productive assets," Godlimpi said, adding that there was an assumption that it was all about Eskom and Transnet. "It is not just that," he said, stressing that the financial sector would be consulted. "It is about investing in different classes of assets, including private assets themselves, but that is consistent with the industrial output that we are seeking," he said.

Such a move would also tackle the over-concentration of the country's retirement savings in the companies listed on the Johannesburg Stock Exchange, Godlimpi said, arguing that the distribution should be more spread out to other asset classes. Most investment is "in telecoms, retail and therefore not the most productive sectors of the economy," Goldimpi said.

Like many countries, South Africa's pension industry is already closely regulated in terms of what it can purchase, including a rule capping investment in international assets at 45%.

Comment

It is clear from the above article that the sudden 'government' urge for prescribed assets has more to do with the election than the economy. From the article it isn't clear if Godlimpi was serious about his knowledge of where pension funds' funds are really invested. Pension funds are already over invested in 'government' institutions and SOE with no ROI in sight or envisaged in the near future. Including Eskom [R81bn] and Transnet [R17bn].
Withdrawing funds from the JSE means damping down the economy even more.

Synopsis

Follow Sygnia's Wierzycka in opposing prescribed assets, IRR urges financial sector

Daily Friend
Staff Writer
Feb 28, 2024

South Africa's financial and asset management sector should follow the lead of Sygnia Ltd CEO and co-founder Magda Wierzycka 'against the ANC's reheated attempt to raid the pensions and savings of South Africans to pay for the failures of government', says the Institute of Race Relations (IRR).

In a statement, the IRR welcomes 'the strong stance' adopted by Wierzycka. From 2019 to 2020, the IRR led the charge against the ANC's prescribed assets policy, one now reintroduced in the party's 2024 election manifesto.

Flagging the threat of prescribed assets early in 2019, the IRR immediately launched a campaign to halt the policy. The form of this campaign was straightforward:

> we put a simple question to South Africa's largest financial and asset management companies:
>
> > were they willing to hand to the government money their clients had entrusted to them?

Whatever the rationalisations of some in the industry, this is, after all, what the result of a prescribed assets policy would be.

Says Hermann Pretorius, IRR head of strategic communications: 'We came in for a lot of flak with news media and the financial sector accusing us of stirring panic. However, as we doubled down on our efforts to stop the policy, sector insiders, contacting us covertly, alerted the IRR to the fact that negotiations between sector leaders and the Presidency to implement prescribed assets had been under way for months. We upped the pressure on the industry by prompting the public to join us through a letter-writing campaign in putting similar questions to their own financial services providers. Soon, the pressure began to tell.

'We were informed of management memos warning staff that no-one was to engage with the IRR on prescribed assets. This was yet more evidence that we were on the trail of uncovering and frustrating a stitched-up deal between the government and industry to sell out their clients.'

In September 2020, Wierzycka accused the IRR of blackmail when the Institute 'engaged her about the position of her company, Sygnia Ltd, on the issue of prescribed assets. Following a letter in which the IRR stated that the content of our correspondence with her would be made public on social media, Wierzycka made her sensational and untrue blackmail claim'.

This public confrontation 'ensured national attention was focused on prescribed assets and the IRR's fight against it'.

The IRR's campaign of 2019-2020 was 'highly effective in not only halting the looting of pensions and savings for years, but ensuring a fundamental change of attitude within the financial industry towards selling out clients by collaborating with the government on prescribed assets'.

Adds Pretorius: 'Whatever the nature of our past engagements, I applaud Ms. Wierzycka for her bold stance in opposition to this microwaved attempt by the ANC to loot pensions and savings. We are proud to have played a vital role in exposing efforts in 2019 and 2020 by the industry to naively go along with such looting, and we are pleased to see the results of our campaign in changed attitudes and unapologetic industry opposition to prescribed assets.'

'In stopping pro-poverty forces and policies, one inevitably stirs the pot. But in building a pro-growth coalition and arming the pro-growth forces in our country, there can be no question of the stakes. Having been on the receiving end of heated criticism for taking a stand against prescribed assets as a pro-poverty, anti-growth policy, I must acknowledge and welcome the bravery of Ms. Wierzycka in joining the IRR's fight against this toxic and disastrous policy. We encourage her peers to follow her lead and help the IRR once again to thwart attempts by government to get their hands on assets people have worked hard to earn.'

Pretorius concludes: 'The South African state is in fiscal trouble. However, the solution lies in slashing waste in public procurement and cutting taxes to unleash economic growth, not in looting private assets.

Comment

True.

Synopsis

Plans to grab retirement savings to fund government projects in South Africa

Staff Writer
27 February 2024
Business Tech

The ANC 2024 Elections Manifesto is once again pushing for prescribed assets in South Africa, revealing the party's plans to introduce legislation to compel pension fund managers to invest in infrastructure development and the economy. During the official launch of its 2024 general election manifesto, the ANC noted it would "engage and direct financial institutions" through prescribed assets to invest their funds in public projects.

Despite the highest levels of budget deficit and state debt, it also aims to leverage a sovereign wealth fund, among other things. Prescribed assets, a sovereign wealth fund, and state involvement in monetary policy have been written into several ANC manifestos but remain unimplemented.

Old Mutual's Andrew Davison highlighted that the 2019 mentions of prescribed assets indicated that the party was still considering its merits. However, the ANC's 2024 election manifesto states that the party would now engage and direct financial institutions to invest a portion of its funds in industrialisation, infrastructure development, and the economy through prescribed assets.

This means that although it is not government policy yet, the ANC has decided that prescribed assets will be implemented.

South African pension funds and asset managers do not favour prescribed assets. "Prescription should not happen. We are dead against it and think it will not happen," said Alexander Forbes CEO Dawie de Villiers.

Sandy McGregor, a strategist at Allan Gray, previously cautioned that prescribing assets may lead to inefficient capital allocation. Additionally, he stated that such a policy would drive away international investment, as investing in local assets could result in poor returns if the government was involved.

Sygnia's CEO, Magda Wierzycka, criticised the ruling party's plan to use retirement savings to finance government projects. Sygnia's CEO, Magda Wierzycka. "First, they rob South Africans through taxes. Then, by mismanagement of the economy, the rand collapsed. Now it's a raid on our retirement savings," she said.

She added that most South African asset managers already hold over 20% of government bonds, raising the question of what percentage will be enough.

Previously, Wierzycka expressed concern that while it would help fund bankrupt SOE, prescribed assets would divert investments away from funding corporations that create jobs and contribute to the economy. "It will also affect the revenue derived from the taxation of such corporates, so what is taken to fill one bucket empties another," said Wierzycka.

Comment

We are back to the 'government' wanting to fund its bankruptcy by taking pension funds' funds. This was being discussed three years ago but it seems the money has really run out now. Desperate measures to keep the 'government' and its SOE afloat.
We should prevent this vociferously.

Synopsis

Warnings for pensions in South Africa

Business Tech
Luke Fraser
3 March 2024

Asset managers across South Africa have criticised the ANC's plan to introduce prescribed assets in their investments.
In its 2024 general election manifesto, the ANC said it would direct financial institutions through prescribed assets to invest funds in public projects.

Prescribed assets would need an amendment to Regulation 28 of the Pension Fund Act to come into effect.

Speaking with the Business Times, Stanlib CEO Derrick Msibi said that using prescribed assets as a solution to the nation's infrastructure woes is misinterpreted, arguing that while current investment frameworks allow asset managers to invest in such sectors, policy uncertainty results in major obstacles for mobilising the necessary capital.

Shane Watkins, CIO of All Weather Capital, said that when investment drivers are driven by legislation, the implication is that the return will be lower or risk will be higher. "Whenever you need to compel an investment by legislation, the implication is that the returns will be lower, or the risk is higher."

Speaking on the PSG Think Big Series, National Treasury Director General Duncan Pieterse said that recent reforms introduced for infrastructure aim at facilitating private sector investment into infrastructure without the need for prescription.

Overreaction

However, Zuko Godlimpi, deputy chair of the ANC's economic policy formulation subcommittee, said the reaction to the prescribed asset proposal was alarmist.

"The reaction so far has been 'Oh no, they are raiding our pensions; they want us to buy government bonds'. The manifesto is not predicated on a lunatic misunderstanding of how markets and the economy function," Godlimpi said.

Comment

Detail of our Fund's investments in unlisted companies, property, etc are restricted by the GEPF, but our investments on the JSE is public knowledge in the Annual Reports. As in other pension funds' AR.
Note the rhetoric – 'lunatic'.

Synopsis

Sasol feels the pain from collapsing SOE

Daily Investor
Bianke Neethling
26 February 2024

Sasol released its results for the six months ended 31 December 2023 today, which revealed a significant decline in the company's performance compared to 2022. Sasol reported poor results for the first six months of its 2024 financial year, as low commodity prices and Transnet and Eskom's failures weighed on its operations.

The company reported revenue of R136,3bn, around 9% lower than the prior period of R149,8bn. This was mainly the result of the lower chemical product prices across all regions, Sasol said.

Earnings before interest and tax (EBIT) of R15,9bn is 34% lower than the prior period, mainly due to lower revenue and lower gains on the valuation of financial instruments and derivative contracts, offset by lower chemical feedstock prices in Europe, Asia and the US.

Sasol noted that the six-month period includes remeasurement items of R5,8bn mainly due to:

- Impairments of the Secunda liquid fuels refinery cash-generating unit (CGU) of R3,9bn.
- Impairments of the Chemicals Africa Chlor-Alkali & PVC and Polyethylene CGUs of R1,2bn due to lower selling prices associated with reduced market demand.

The prior period also included impairments of R6,4bn, mainly due to:

- The Secunda liquid fuels refinery CGU – R8,1bn.
- Chemicals SA Wax CGU – R900mn.
- China Essential Care Chemicals CGU – R900mn, offset by a reversal of the US Tetramerisation CGU impairment R3,6bn.

The company's basic earnings per share dropped from R23,23 in 2022 to R15,19, an almost 35% decrease.

"Sasol's performance for the period continued to be negatively impacted by the continued volatile macroeconomic environment, with weaker oil and petrochemical prices, unstable product demand and continued inflationary pressure," the company explained.

"Despite some operational improvements in South Africa, persistent underperformance of the state-owned enterprises involved in Sasol's value chain and the weaker global growth outlook continue to impact Sasol's business performance."

Comment

We have about R 22,5bn in Sasol but there is still ROI.

Synopsis

SAA continues to nosedive while Gordhan delays take-off of long-awaited Takatso deal

Daily Maverick
By Guy Leitch
28 February 2024
Guy Leitch is editor of SA Flyer and FlightCom magazines.

Despite promises that SAA V2 would require no more bailouts, Public Enterprises Minister Pravin Gordhan has been granted an extra R1bn for the ailing airline, while the completion of the Takatso Consortium deal seems further away than ever.

The magic cure for SAA was supposed to be the sale of a majority shareholding to the Takatso Consortium. It was claimed this would provide the capital and skills to run the airline without yet more taxpayer money. There are also unanswered questions about where Takatso will get the promised R3bn from and even whether it promised the funds at all.

It appears increasingly unlikely that the Takatso deal will ever happen. In June it will be three years since the deal was announced and the government keeps kicking the can down the road. Now, as his latest delaying tactic, Gordhan has withdrawn the new SAA Bill from Parliament.

Only once the SAA Act is replaced, will the government start the time-consuming process of applying for amended operating licences. If the government was genuinely committed to selling off the airline, these steps would have been completed years ago, while it was grinding through the Competition Commission and Tribunal.

So yet again the Takatso deal is stalled, and the airline continues to operate with a shortage of both skills and capital, as it has done for the past 25 years.

From 2001 to 2010, SAA averaged a loss of roughly R1bn a year on a R25bn turnover. While the critics moaned, this loss was claimed to be justifiable because of the broader benefits SAA brought to the South African economy. Then, under Dudu Myeni, this loss swelled to an unsustainable R6bn a year.

No option but to grin and bear it

To justify its support for a business it has no reason to be in, the government likes to remind us of the importance of SAA to South Africa's economy. Gordhan pointed out that it is essential for skills development, and to keep as much of the money spent on air travel in South Africa as possible. With no viable political opposition, taxpayers had no choice but to grin and bear these delusions.

Continuing the same rationale, under business rescue, R26bn was provided to recapitalise the airline to fill the massive debt hole created by looting, preferential procurement and cadre deployment. Creditors were forced to take vicious haircuts so that the interest burden of the legacy debt could be wiped out. Losses of R50bn were quietly erased so that the new SAA V2 could be presented debt-free, as an unencumbered bride, to the Takatso Consortium.

Under the business rescue process, the airline's headcount was slashed from 5 000 to just 1 000. The new streamlined company made taxpayers happy by claiming that it had made a profit and was running cash positive.

But it was a short-lived honeymoon. For 2022 the airline produced a R122mn loss and that was on a paltry R3,6bn revenue, just 14% of pre-Covid levels.

By 2023 the world's airline industry had recovered to 95% of its pre-Covid levels, yet SAA remained the dunce of the class and an embarrassment to all South Africans, apart from the tone-deaf government.

For the 2023 financial year, the SAA Group loss had swollen to R761mn, which was not as bad as it might have been without the quiet star of the show; SAA Technical, and a miraculous contribution from the moribund Mango Airlines.

In 2024 the airline has reported a loss of R776mn for just nine months, and thus extrapolating, a probable loss of R1bn for the year.

The airline's key problem is that revenue for 2023 was 26% less than budget, mainly because it cannot get the planes it needs to open up its old routes or even try to compete on new routes. It has also admitted that it cannot attract the right calibre of staff.

The government is leading taxpayers down the garden path. From its continual delaying, it can only be concluded that it has little or no intention of completing the Takatso deal. And SAA will continue to struggle along, with obsolete aircraft and unable to attract quality management. The losses will continue. Pravin's promises of no more bailouts are already being revealed to be meaningless. **DM**

Comment

As long as SAA's provides free air travel to the 'government' and is cadre driven, it will continue to be a bottomless pit. Our continued interest is our shareholding in Harith, a PIC/GEPF investment management company, which is one of the participants in Takatso.

Synopsis

Govt pension fund: GEPF denies claims

By Kgomotso Medupe
28 February 2024

The GEPF has denied claims that its system was hacked and that the hackers demanded ransom. This after claims were made that the pension fund was hacked two weeks ago, and hackers demanded millions from the entity.

The rumours were sparked by a statement release by GEPF after their system went offline following a detected attempt to gain unauthorised access on their system.

The statement reads: "The GPAA has since established that the fund's information communication system experienced an attempt to gain unauthorised access to GEPF systems. As part of their security measures, the GPAA shut down all systems to isolate affected areas and prevent any breaches."

Speaking to the *Daily Sun,* GEPF spokesman Rakgathwa Mokou said they were not hacked and there was no ransom demand made to them. As indicated in the previous notices that we issued, our cyber security systems detected an attempt to gain unauthorised access to GEPF systems.

"The Government Pensions Administration Agency (GPAA) has been working to restore its systems in a phased manner and this process will be concluded in a few days. The GPAA has since restored regional office and call centre systems, and members and pensioners can now visit GEPF offices to submit claims and be assisted with other enquiries," he said.

Mokou said that organisations continuously improve their security measures to prevent such unauthorised attempts. "This is no different for the GPAA and GEPF. While this is the case, there are no guarantees that no such attempts would recur. With regard to this incident, it's important to note that our systems detected the attempt, allowing the GPAA to stop the attempt," he said.

Comment

Good to hear that our Fund's systems prevent it being held to ransom. Imagine R2,1trn investments suddenly being run by hackers. It might possibly an improvement?

Synopsis

Bailouts will not save Transnet. Just ask Eskom

Daily Friend
Makone Maja
26 February 2024

In his recent Budget Speech, Minister Enoch Godongwana reinforced the commitment to award Transnet R47bn in debt guarantees to help bail it out of its R130bn debt and R13bn annual interest.

This marks a second consecutive bailout for Transnet, as in the 2023 budget, Transnet was granted R2,9bn to repair the damage from the KwaZulu-Natal floods of 2022 as well as an additional R2,9bn for restoring long-standing locomotives.

Despite the bailout, in July 2023, Transnet reported having 363 long-standing locomotives (long-standing locomotives are locos that have been parked for periods exceeding 90 days due to unavailability of spares for repairs). The number of long-standing locos kept rising months after the R2,9bn injection. These parked machines mean not only that 363 of them are wasting away for a lengthy period of time, but Transnet itself links them to the decline of revenue, as fewer goods can be hauled when more locos are out of operation for extended periods.

Expectations

Transnet's interventions to restore the long-standing locos did not meet expectations. Transnet repair and restore project came up short, bringing back only 61 locos into operation.

Now Transnet joins the long line of failed bailouts, standing right behind other SOE such as Denel, SAA, Landbank, SA Express, and Eskom. After historically rewarding these SOEs for their poor governance, malfeasance, and corruption with over a decade's worth of eye-watering bailouts and debt write-offs to the tune of R331bn, the bailed-out entities continue to make huge losses.

Bailouts have given these entities a get-out-of-jail free card, with hardly anyone in cabinet or executives in the entities ever being held accountable for mismanagement and maladministration. Bailouts beget more bailouts and poorer outcomes for SOE as the country has gone from issuing bailouts of nearly R3bn in 2014 to bailouts of more than R300bn in 2023. Eskom claims over half of this growing amount.

Bailouts are a great stain on this country's record. Through them, kakistocracy is enabled and rewarded, and as with everything in life, you only get more of what you incentivise and less of what you punish.

Punishing behaviour that has compromised state-owned companies by implementing Chief Justice Zondo's state capture recommendations should be prioritised over rewarding such delinquent behaviour through bailouts.

Comment

Well said. We have about R17,2 bn in Transnet.

Synopsis

Private sector must cough up R350 billion for Eskom grid

My Broadband
Shaun Jacobs
2 March 2024

Eskom's chairperson has said it will need around R350bn over the next 10 years to build sufficient transmission infrastructure for private energy projects to connect to the grid.

Chairperson Mteto Nyati revealed this in an interview with Reuters, where he said that Eskom cannot do this alone and will need hundreds of billions of rands from the private sector. "We probably need close to R350bn over the next 10 years to build the transmission infrastructure. We do not have, from our own operations, the capacity to fund that," he said.

The need for such a massive expansion of transmission infrastructure is due to the rapid growth of private renewable energy projects across South Africa. Eskom's transmission grid currently has a 14 000 km expansion backlog.

South Africa's grid is designed to carry electricity from large, central power stations in the country's northeast to other parts. Renewable energy generation is decentralised, with generation facilities located almost anywhere.

The areas, such as the Western Cape, Eastern Cape, and Northern Cape, which have rich renewable resources, do not have the grid capacity to distribute electricity to the rest of the country. The grid in these areas can only carry limited load, hence the need for massive investment in expanding and upgrading the grid.

Despite Nyati outlining the need for private-sector investment, he also stressed that the government will own the assets built by the private sector. "Private sector participation, yes, but the asset is going to end up with the government," he said.

He said it is important for the funding agreements to ensure the state, through the newly created National Transmission Company, will retain its full grid ownership. "The new infrastructure will be procured with speed by accessing the liquidity in the private sector without relinquishing state-owned ownership of the grid," Ramokgopa said.

He has said the country needs to build 6 000 km of transmission lines in the next three years. This is far beyond what is currently forecasted to be 1 400 km over the next three years.

The government and Eskom were warned about the need to expand grid capacity across the country in the 2003 White Paper on Renewable Energy. However, Eskom's focus shifted to building new generation capacity at Medupi and Kusile, both costly overruns.

This led to the government and Eskom waking up far too late to the need to add capacity to the grid, and it severely weakened the utility's ability to fund such a rapid expansion. Eskom has belatedly drawn up a transmission development plan to tackle this problem, requiring hundreds of billions of rands to build infrastructure nationwide.

Comment

Interesting the approach to have the private sector build and pay for what the 'government' wants for the 'government' to own it. And the 'government' to insist on total control over it all, irrespective of who paid for it and who uses it. And why does the decentralised provision of power have to be incorporated into the national grid?
Many other countries revel in private ownership and use of such assets.
We have about R81,7bn in Eskom.

Synopsis

Corion's Bacher on Feb: World booms but SA falls – same old, same old

Biz News
4th March 2024
by Alec Hogg

Investors who've bought a "local is lekker" marketing message by SA asset managers will grind their teeth a little harder after another huge underperformance by the JSE in February. In our weekly review of the past month, Corion's David Bacher unpacks the key numbers and shares why international stock markets continue to significantly outperform the JSE. He spoke to BizNews editor Alec Hogg.

Edited transcript of the interview

Alec Hogg: Over the past few weeks, we've had a number of asset managers now finally coming out and saying it's been 10 lost years for South African investors because of the poor performance of the JSE. But for the previous nine years, nobody was saying that it was all going to rebound.

David Bacher: Agreed. It's not like Corion or myself are taking a political view. So, you know, on that basis, we stand by the questions we have asked.
International markets again performed strongly over the month. It was a rather broad equity market rally with emerging markets, developed markets, Europe, Japan posting all similar gains.

Alec Hogg: However, South Africa doesn't seem to be participating again in this boom.

David Bacher: It was a dreadful month for South African equities, down in Dollar terms by 5,5%, one of the worst global markets for the month. Our local market was hit by the sell-off of the resources sector and the appreciation of the Rand. So that made South African equities not the place to be in February.

Alec Hogg: We've got the year-to-date numbers for 2024 so far, and South Africa really is lagging badly. But if you compare it with Japan, there's been a lot of action there. Japan's stock market has shown quite a lot of value in terms of metrics with other markets. Another catalyst is there's been a lot of good rhetoric coming out of the government trying to make boards more efficient and really look to making companies who are holding a lot of cash look after shareholders a little bit better. Plus, good valuations and a currency that hasn't done well for a significant time. So you put that together and you got quite a pleasing investment mix. Japan has gained 19%, outperforming NASDAQ's 9% and South Africa's -5% year to date.

David Bacher: Nvidia's net income for the fourth quarter grew by 770% year on year, a massive gain. Their one-day increase in stock price was the biggest increase in market cap of all time, about a $247bn gain in one day. To put that in context, using our currency, that's about a R4,7trn gain on one day, significantly higher than all the savings in South Africa and our collective investment scheme.

Alec Hogg: That's astonishing. Looking back at the numbers, they are spectacular. But is this justified? As an asset manager, when you don't own Nvidia, are you climbing aboard now or saying, well, I missed this one, let someone else enjoy the benefits?

Alec Hogg: Moving on to a focus area that you've raised here about managers not liking concentrated markets. The US market, for example, their top 10 stocks are about 33% of the S&P 500. That's high concentration.

David Bacher: Nigeria has some macro headwinds. They had a big sharp devaluation of the currency against the US dollar. So that impacted MTN's Nigeria's financials. And then a big part of their investments, obviously, in South Africa. And South Africa has been a region that's had little growth. So those two factors I think have been the driving force behind MTN's underperformance.

Alec Hogg: And Sibanye Stillwater has been affected by the Palladium price, which has been on a downward track for almost the last two years. Is there any upside there?

David Bacher: These companies are heavily geared to the underlying commodities and the basket commodity prices declined about 33% in the last year. That's a significant fall in terms of their revenue numbers. Then you take into account that platinum companies like Sibanye are probably more geared than some of their peers, Amplats or Implats.

Alec Hogg: Sibanye being a big palladium producer now through its acquisition in the US of Stillwater. The Toyota share price has doubled because Toyota has gone a different route to many of the other companies. They believe in hybrids and hybrids, of course, use platinum and palladium. On the good news side, a very good month for Richemont, Nepi RockCastle, the Gold Stock AngloGold Ashanti, and Reinet investments. They were the best performers on the top 40.

David Bacher: I think all three of them, for different reasons, but one common theme there is the Rand hedge theme playing out. So with a depreciating currency and assets in South Africa under pressure, that was the fuel that really gave them a catalyst to outperform.

Alec Hogg: We also had a piece during the month about rumours coming from Europe that LVMH and Richemont might find each other willing partners sometime in the future.

David Bacher: I think four months ago, we said that property looks cheap and was due for a rebound. Property has rebounded by over 25% in the last three months. And I think that was just a valuation play relative to, South African bonds where you're getting high dividend yields or income yields on these property shares relative to other investments.

Alec Hogg: But before we get excited, most people in South Africa, retail investors, their property investment has been really poor. South African house prices have done their worst in the last 15 years, up 1,5% year on year, according to FNB, and they've got a big index to lots of data to work from.

David Bacher: There are many reasons. Rising interest rates haven't been good for the property sector. Debt financing costs do not bode well for increased property prices. But I also think it's a service delivery issue. Areas where property prices have been significantly impacted is where service deliveries are weakest and municipalities are weakest. People don't want to live in places where basic services aren't being rendered. Additionally, with an economy that hasn't been growing, the demand side of property is under pressure as people can't afford houses anymore.

Alec Hogg: Contrarians would say go to those areas where property prices have fallen the most. You can think there about Ethekwini or Durban, Johannesburg. Pretoria does seem to be on the upgrade or on the improvement and many other parts of the country where the service delivery, that'd be it. You staying with it, David, you staying with it in Johannesburg.

David Bacher: Correct. We are a contrarian investment house, so generally, that will be our mantra.

Alec Hogg: You can't be staying with it if you're invested in the taxi industry. But now there's at least one big fund exposed to the taxi industry, facing a potential write-off of R800mn.

David: Bacher It's a sad event for the industry. I don't think the full R800 million will be written off. The problem for some income funds was not the default itself, but rather an overweight exposure to these instruments in what's supposed to be a low-risk fund.

Comment

A clear view of the investment arena. It really doesn't say anything we don't know already but reconfirms that our economy is in dire straits, with resulting negative influence on our Fund's investments' ROI.

THE GEPF WATCHDOG / WAGHOND FACEBOOK PAGE

Welcome to our page!!

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation "The Association for the Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

We are the owners of the GEPF, and we have the right to expect the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners!

Most of our GEPF members are content with the fact that pensioners still get their monthly pension and perhaps a non-inflation related increase sometimes. They are convinced by GEPF newsletters and ambitious GEPF Annual Reports that our Pension Fund is in a superb condition. The AMAGP newsletters, annua reports and press releases tell a different story.

Member totals: Government Employees Pension Info (Fb) has 78 000 members, GEPF WATCHDOG (Fb) 52 000 members and AMAGP 8 000 members. The total is about 138 000, but keep in mind there will be some duplication as some members will have signed up for more than one forum, so let's agree on at least 120 000 for a round number. This isn't even close to being enough to convince the 'government' to pay attention when AMAGP releases media statements. The continued growth in AMAGP numbers confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern.

Please read the articles that are posted on the wall, BUT also under "files and FEATURED". You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees, but we urgently need your financial support for legal actions and other projects. You don't have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse.

VRYWARING

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