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

NEWSLETTER NO 12 of 2023

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 31 October 2023.

***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

Al hail to the mighty Boks!!!!

Worth smiling about again, albeit with regret for what was:
Kakistocracy - a government run by the worst, least qualified, or most unscrupulous citizens [Wikipedia]; government by the least suitable or competent citizens of a state; a state or society governed by its least suitable or competent citizens [Oxford]; the total lack of integrity of the administration [Cambridge].

Note [repeated]
The GEPF website landing page states the GEPF is 100% funded. The 'News' page on the same website states it is 110,1% funded; that is the only news available on the 'News' page.
Our assets are worth more than R1,61trn it seems. However, the Investment page on the GEPF website proudly states R2,3trn as at March 2022.

Further Note [also repeated]
The financial figures used in the newsletter are taken from the 2022 GEPF AR, which on its own reflects the GEPF financial status as at the beginning of 2022. **Said figures now <u>almost two years old</u>.** In reality, only a guideline as to possible value.

Eventually the liberalists and socialists run out of other people's money to spend. Our Fund is always tempting them.

Keep in mind the PIC is the 'government's' investment broker, paying many millions each year to the 'government' as its commission for investing our Fund's funds. So our Fund is paying the 'government' to invest our funds for us, in addition to the billions our Fund is already paying many brokers to do the same.

Our Fund is a defined benefit fund, meaning the 'government' is legislated to make up any shortfall in the Fund, which it hasn't been doing for at least the last decade in any case. Consider, if the 'government' is bankrupt, after possibly squandering your Fund's funds too, where is your pension money going to come from?

Reminding you of Project 'My Secure Pension': Who is willing to contribute R100 per month to free the state employees' pension fund from toxic political control?
Explained fully in newsletters 7 of 2023 and 8 of 2023
If you are not yet a member, join AMAGP by clicking on
https://amagp.coffeecup.com/forms/amagp membership/
and follow the instructions. Within a brief period, you will get a response and a membership number.
To donate to AMAGP and to this project to litigate against the status quo, please arrange with your bank for a monthly stop order to AMAGP's bank account: Bank – FNB, branch: Brooklyn 251345, cheque account 627 4334 7454, use your (new) membership number or ID number as reference number.

NOW FOR NEWS FROM THE MEDIA

An impressive pension article from the Sunday Times. Makes the intention of the GEPF "Transformation Policy" clear as crystal. This is followed by several letters to the press and GEFP by some of our members. Note how opportune this policy is just before the 2024 elections …

The implementation of the two pot withdrawals has been postponed by Treasury. This will give pension and retirement funds sufficient time to prepare for the demand when it is eventually implemented.

The SOE degeneration and breakdown is well known, as is their inability to supply the services they were established for. A short reminder.

Transnet is under performing to the extent that its poor functioning is becoming a threat to the economy. Some more information below.

It seems SAA is, at last, really starting to fly. Profitability is unknown but 'government' funding is still keeping it afloat, probably for some time still.

We all know about loadshedding, which influences all of us negatively, except the politicians of course. Eskom is in a vicious downward spiral, from which, it seems, there might be no return, except for massive 'government' funding.

You might remember the article about the 'government' wanting control of all petroleum matters some time ago [last year possibly?]. Well, the Bill is in the process of being passed, including a brand new sinecure SOE.

NEWSNUUSNEWS

Synopsis

Pensioners-to-be must stop the theft of their assets

Sunday Times
8 October 2017
By Mike Schussler

More and more South Africans are deeply worried about the PIC investing, or being coerced into investing by government politicians, pension money in failing SOE, to bail them out.

Is this pension money safe, and will South Africans be able to have the standard of living they have bargained on as pensioners? Or will we be poor and hungry in our old age because of bailouts and other poor decisions guaranteed by pension funds like the PIC? First, the good news: South Africa has the eighth-largest pension assets in the world in dollars. As a percentage of GDP, it has the fifth-highest ratio of pension assets in the world.

In fact, South African pension assets are more than the combined pensions of South Korea, Russia, Colombia, Sweden and New Zealand. They have helped form a mighty financial base where the government can borrow money from us when it cannot balance its books. South Africans have 36 times the per capita pension assets than fellow citizens of the developing world. Our pension assets represent 12,4 million people, and in 2015, 65% of the assets were held by black people. Indirect funds such as life and health insurance, along with mutual funds, probably bring the number of individuals with a financial stake in the economy to about 16 million. The PIC is the 20th-largest fund manager in the world, and by a long shot the biggest in the emerging markets.

The fund size makes it a great target for the state, along with other government pension managers such as Eskom, Transnet and municipal pension funds. Every time the government or an SOE needs money, they break into "their" piggy bank. The size of the pension funds is the reason why big crooks are interested in South Africa.

The Russians know our pensions can fund nuclear power stations; all they have to do is sell power stations as needing no government funding - only a state guarantee. Effectively, South Africa ends up building something expensive we do not need, and once the power station can no longer afford to pay for itself, the guarantees will be called in and our government will be forced to take away our pension savings.

The risk to government pensioners is long term as the taxpayer guarantees the pensions, but as the bill becomes ever more unaffordable, the net effect will be that less than a decade down the line, the government will be forced to lower the pensions.

Ask Transnet pensioners what happened. Some worked for 40 years at below-average wages for the so-called better pension "for the rest of your life". Now, most get next to nothing.

My worst fear is that South Africa misdirects its largest asset - its investment funds. Imagine you are about to retire and have some good stocks and foreign investments in your pension account. Then the government decides three years after you retire that 25% must be invested in Eskom or SAA.

The return you are promised at first sounds OK at 1% above inflation. Two years later the return is less than inflation. Five further years later, at age 70, you get only 95% of the money you had every year, and you and costs consume another 8%. Your pension shrinks at 13% a year with 60% now invested in prescribed government bonds and bank deposits that are kept artificially low. At age 75 you can no longer afford healthcare and the government can no longer afford much in hospitals and medicine either. Your pension is now worth less than 40% of its original value and you live on bread, coffee and jam - if you are lucky.

Politicians would be in a straitjacket if South Africa had to run to the IMF. But they will dump us in poverty if we allow thieves to use our pension fund assets to fund their theft. South African pension assets are attracting big-time crooks. They quickly learn to make friends with politicians with sweaty palms and offer them riches beyond belief. We, the public, must do two things.

- First, understand that we have these huge assets which have also protected our currency during the downgrades while allowing our firms to fund expansion and the government to build real infrastructure. The reason you don't know the size of our biggest asset is that politicians want it that way.
- Then vote with your mind and clear out the rot. The next lot will be more careful and will know that the public can act.

The indirect owners of South Africa's financial assets are about 16 million adults. That is more than what voted for any political party.

Comment

A very succinct brief on the ongoing threat to your Fund. Pleases note the reference to the PIC as the fund, it isn't, it is the 'government' investment broker for the GEPF.

If you were wondering, AMAGP originated because a few pensioners became aware of the threat against our Fund. Pity most of our more than 1,2million Fund members aren't concerned too.

The transformation policy seems to ensure that the Fund's funds be gifted to any political project that will enhance the 'government's' 2024 election success. The timing is just too good.

The Transnet pension tragedy. Briefly, the Transnet Pension Fund has insufficient funds for the pensions it is/was supposed to pay. It can be speculated that it was used in the same way the above article explains it shouldn't. To the detriment of the Transnet pensioners.

Synopsis

Cape Town 21 October 2023

GEPF TRANSFORMATION POLICY

I make this statement in my personal capacity as a worried member of the Government Employees Pension Fund.

Much can and actually should be said about the GEPF's transformation policy which was announced on 10 October 2023 by the Chairman of the Board of trustees of the GEPF, Mr Dondo Mogojane. It is, however, amazing that not one politician, union or staff organisation have thus far objected to this very dangerous and illegal route the GEPF is taking. Except for one or two newspapers most of the media ignore what is happening to this: PENSION CAPTURE FOR POLITICAL PURPOSES.

It is clear that the GEPF's main objective with this policy seems not to be the wellbeing of the pension fund but how to promote black economic empowerment, socio-economic projects, to create work, etc. All political responsibilities.

These objective obviously comply with the investment guidelines for the PIC in the **Public Investment Amendment Law, 2019 but is in direct conflict if the provisions of The Government Employees Pension Law, 1996.** It should, therefore, not be applied to investments on behalf of the GEPF.

Mr Mogojane says in his statement that the proceeds of the Fund should not only be used to ensure the quality of life of its members, the pensioners, dependents, etc, but to improve those of the members of disadvantaged groups. The Fund can certainly not afford that long-standing contributions by their members be used for the benefit of other people. It is almost like stealing but in a presumed legal way.

The main purpose of a pension fund should, obviously, be the sustainability and growth of the Fund. Investments by the GEPF's investment agent, the PIC should be made in such a way that the best possible yield can be obtained. There is obviously no objection to investments in black empowerment instances provided that the highest possible yield for the benefit of the fund should be the main purpose.

Obviously, the main purpose and responsibility of a pension fund is to build that fund for the benefit of its members, not to pursue race-based policies that will only enrich a few cadres of the ruling party.

Everybody in his right mind should support transformation and should not have problems supporting investments to contribute to this: PROVIDED THEY FOLLOW THE FIRST RULE OF SUCH INVESTMENT, NAMELY THAT THEY ARE IN THE BEST INTEREST OF THE FUND AND ARE CONSTITUTIONALLY AND LEGALLY CORRECT AND THAT THEY CANNOT BE IF THEY ARE PRIMARILY IN PURSUIT OR SUPPORT OF POLITICAL OBJECTIVES!

To drain the fund for other purposes than those envisaged by the 1996 Pension Law will, therefore, not only be illegal despite what Mr Mogojane says, but will surely leave very little for the rightful owners of the pension fund -- its members. Signs of this already happening can already be seen in the annual below inflation increments of the past few years.

One of these days Trustee members will have to consider pension increments for 2024. Will they have the guts to withstand pressure from their political masters and for a change decide on a long awaited adaptation of the pension fund to bring it to its rightful level before the next proper increment is considered?

According to Mr Mogojane, his board will see to it that there will be proper control and oversight of investments by the PIC. This should be welcomed. Given the already known failed investments in African Bank (Abil), Ayo Technologies, Daybreak Farms, Palmietfontein, Lancaster, and many others, one can only wonder why the GEPF did not in the past apply good management principles.

Good management of the GEPF mandate to the PIC and proper oversight would surely have prevented huge losses to the fund. It would surely have prevented the necessity for the government to appoint the Mpati Commission. The embarrassment of the GEPF as well as the PIC is very obvious in their refusal to make known particulars of their compliance with the 377 recommendations of the commission.

Am I wrong if I suspect that Mr Mogojane has following year 's election in mind when he announced the "new" Transformation Policy? The timing and way in which he made his announcement surely had a political flavour. Did opposition politicians miss this?

It is indeed strange that not a single member of the opposition parties has reacted to this intended looting of the pension fund even 11 days after this new policy became known. Can pensioners rely on them to safeguard their pension fund?

Adamus P Stemmet

Comment

Note the timing of the policy, just in time to make the most impact before the 2024 elections. We will probably see this policy being carried out with great fanfare in the next few months, with 'government' officials highly visible in the media hype of the projects.
Our Fund isn't a charity, it is there for the members of the Fund.

Further Comment 1

This letter was published in the Citizen and Die Burger (electronically). The letter reflects the uneasiness amongst many pensioners about the Transformation Policy announced by the GEPF on 10 October 2023.

GEPF PLEASE STICK TO YOUR MANDATE

My comrades and fellow pensioners of the public service pension fund, the GEPF, are waging a fierce yet successful battle to maintain this powerful Fund and thus prevent us from one day becoming a burden to the state. My thanks to these fighters.

I am only a back rider in this fighting commando, yet I also see the warning signs that make me reach for the pen. This powerful fund, with assets of more than R2,3trn, is one of the few institutions in our country that is fundamentally sound, but there are movements that worry me.

The GEPF chairman, Dondo Mogajane, now wants to cross the Rubicon and intends from now on to play an active supervisory role in the projects in which investments are made. Why was this role never fulfilled when the GEPF's money was squandered in investments in Steinhoff, VBS Mutual, Edcon and Land Bank, to name but a few failures? Now Mogajana wants to further fulfill a philanthropic role by addressing inequalities of the past. This pension fund's mandate is not to repair "past mistakes".

Formerly disadvantaged and their descendants are generously compensated with SASSA grants to all their children and grandchildren. Who are all formerly disadvantaged, does that include white women? Each member of the GEPF signed a contract upon employment according to which contribution to the fund was determined, compulsory contribution followed and upon retirement this contract was maintained and will continue until the member's death.

I would very much like to know from Mogajane what exactly he means by socio-economic development and transformation and how he wants the GEPF to stand for it. It is simply illegal to increase or decrease any GEPF member's remuneration at the expense of other members, based on race and gender. The fund may not be used to correct an injustice of the past with an injustice of the present.

Of course, the GEPF's chairman and management will not read my letter, but it must be noted that the members of the Fund have a bargaining power which will be exercised if necessary. We must avoid at all costs that the GEPF will follow the path of the extinct Railway Pension Fund!

Izak Smalman

Further Comment 2

From: **Adamus Stemmet** <adamusp2602@gmail.com>
Date: Fri, 27 Oct 2023, 20:53
Subject: Fwd: GEPF PEO : Response Letter.
To: Gepf CEO Mr Mabesa <musa.mabesa@gepf.co.za>
Cc: Psa Hk Pta <ask@psa.co.za>

Mr Musa Mabesa
The Principal Executive Officer
Government Employees Pension Fund
Kasteel Park, 1st Floor
546 cnr Nossob and Jochemus Streets
Erasmuskloof
PRETORIA
0001

Dear Mr Mabesa,

RE: GOVERNMENT EMPLOYEES PENSION FUND (GEPF) LAUNCHING OF TRANSFORMATION POLICY

We are members of the Public Service Association (PSA) as well as pensioner members of the Government Employees Pension Fund (GEPF). In our first capacity we are privy to the letter with above heading dated 18 October 2023 directed by the PSA to yourself as well as your letter in response dated 26 October 2023.

In our second capacity and because we are really worried about our pension fund, please allow us to comment on said letters.

Firstly: it is trite that the GEPF was created by the Government Employees Pension Law (GEPL) 1996. It is our considered view that as a creature of law, it is a basic legal principle that the GEPF can only act in terms of what is specifically provided for – not implied - in its founding legislation, i.e. the GEPL. The GEPF Transformation Policy and its predecessors (ESG objectives, the Responsible Investment Policy, the strategic asset allocation. Investment Policy Statement, and more) thus must all adhere to the principles as set down in the GEPL

The critical principle that guides all GEPF objectives, actions, policies, allocations and statements will be found in the GEPL section 3: Object of the Fund that reads: *The object of the fund shall be to provide the pensions and certain related benefits as determined in this law to members and pensioners and their beneficiaries'.* Your statements about

- '*being a good corporate citizen* of *this country requires one to play its part in addressing inequality….*'
- '*servicing the same members and their communities*'
- '*benefit members ultimately*'
- '*growing the fund for the benefit of our members and South Africa as a whole*'
- more

unfortunately, are not supported by section 3 – 'The Object of the Fund'.

The GEPF's duty is to its '*members and pensioners and their beneficiaries'* and nobody else. Neither the GEPF Board of Trustees nor the GEPF management has the right to deviate from the dictates of legislation. It may be politically tempting to support this 'political correct' policy but it is and remains unlawful. In summary, none of the policy documents that you rely on to motivate the transformation policy will, to our mind, stand Constitutional and/or legal muster.

Secondly: Your motivation for the adoption of the transformation policy is the public profile of transformation:

-addressing inequality,
-financial returns for the GEPF, and
-sustainability for the Fund.

Our concern however is in the political and distinct racist emotion that drives transformation. This was eloquently stated by the chairperson of the GEPF Mr Mogojane during an interview on Radio702 on 16 May 2023. We quote from his statement during this interview which reflects his understanding of transformation:

-*the Board of Trustees of the GEPF is a vehicle for transformation to address inequality,*
-the GEPF must use its muscle for transformation. Example: there are about 30 banks in SA. In the banking sector the CEO's, the Chief Risk Officers, the Chief Financial Officers are all white males. This needs to change. He asked the questions at a conference hosted by the GEPF: Does it mean black people cannot count? Does it mean black people cannot read? Does it mean black people cannot manage finances? They all will fall off the GEPF bus.

We wonder how the public profile driving the GEPF transformation policy can be reconciled with the political and distinct racist emotional drive for transformation as conveyed by Chairperson Mogojane.

We and many other employees and pensioners are not concerned about the racial profile of CEO, CRO or CFO in the private sector as long as they meet the '*fit and proper criteria'* set down for those posts because that ensure profit for the company and job security for the employees. We are very concerned about the GEPF's push for appointing in practice deployed cadres as CEO's, Chief Risk Officers and the Chief Financial Officers, while not even referring to the fit-and-proper criteria for those posts. It, thus, is a political demand, not transformational. We note that the cream of available cadres are already deployed in government as well as in state entities and enterprises. It is a sad reality that they produced spectacular failures and endemic corruption, both well reported in the media.

It is our view that the challenge for any transformation initiative is to jettison the racist prioritisation of that and to at all times prioritise merit – the 'fit-and-proper' test. Transformation is a need in South Africa. If the GEPF wants to support it, the challenge will be to do it within constitutional and legal parameters and to the direct benefit of its members. It must be clear that investments as provided for now will be in order and deserve support, provided they are done primarily for the benefit of the pension fund and not to satisfy the political masters of the deployed cadre.

Thirdly we note your points, quite correctly, that the fund has grown as from 1996 and recovered from being underfunded for the short term. We, however, point out that that the fund has given for a period of 10 years a pension increase to its members equal to the inflation rate but not for the year 2023. We contribute this to the fact an amount of R35bn was lost due to questionable investment practices with the classic example the politically tainted investment '*to create a black Naspers'* as testified before Mpati.

Even the GEPF (R2,3trn strong) could not lose that amount without passing this loss on to its pensioners. Not all investments as envisaged now, clearly judging from the failures in current investments in unlisted institutions, have any hope of success and are, therefore, illegal. The investments in the so-called Isibaya investments, for instance, have been showing for years that 40% or more "underperform".

We make the point that politically motivated investment priorities put the GEPF at severe risk; politics and investments are a bad mix. The inability of the GEPF to call its investment agent, the PIC, to task and ensure consequence management for officials involved as well as the recovery of these funds from these officials in this long list of questionable investments, sends all the wrong messages: to the perpetrators one of impunity, to the members of the Fund that the GEPF is protecting cadres and to the pensioners that the GEPF is not acting in their best interest.

Please attend to this matter.

Finally: Seeing that the Transformation Policy was announced in public and was also widely distributed, we take the liberty to do likewise.

Regards.

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……oncerned members of the GEPF .....

Synopsis

'Two-Pot System'

Treasury kicks retirement reforms implementation date down the road for another year

(Photo: iStock)

Business Maverick
By Neesa Moodley
26 October 2023

The new proposed two-pot system (technically three pots) is aimed at allowing retirement fund members the flexibility to access one-third of their savings before retirement while preserving the other two-thirds for retirement.

After assimilating feedback from public and industry, National Treasury, together with the SARS, has chosen to push the proposed implementation date of the "two-pot retirement system" one year later to 1 March 2025.

The new system is aimed at allowing retirement fund members the flexibility to access one-third of their savings before retirement while preserving the other two-thirds for retirement. In the new system, members of schemes will have three "pots": vested (the savings built up before the legislation becomes effective); savings; and retirement.

Delayed implementation

Joon Chong, partner at Webber Wentzel, says retirement fund administrators are likely to welcome the delayed implementation as there were many concerns that the initial date of 1 March 2024 would provide far too little time for the industry to have the necessary systems in place, and to enable the required training of staff and members.

Michelle Acton, retirement reform executive at Old Mutual, confirmed this, saying the proposed implementation date for 1 March 2024 would not have been achievable as the legislation has not yet been finalised. "It is, however, critical that the legislation is finalised in the next month or two to ensure that funds can be ready for 1 March 2025," she says.

"We understand that many financially strapped South Africans will be disappointed at the delay, and we call on the government to expedite the promulgation of the legislation to create certainty and to allow for access to the savings in 2025." "This latest extension will, however, allow us to fine-tune our preparations, ensuring our customers are well-prepared for the transition and informed about the consequences of accessing their retirement savings prematurely," said Acton.

Seed capital amendments

"The revised draft Revenue Laws Amendment Bill also clarifies that for members younger than 55 on 1 March 2021, seeding capital should be taken equally from the pre-1 March 2021 vested and non-vested pots." "Withdrawals from the savings pot may take place at any time from 1 March 2025 (and once in a tax year) and not on a staggered basis, as suggested by some industry commentators," Chong says.

The changes include an increase in the cap on the seed capital from a maximum of R25 000 in a year to R30 000. The seed capital reduces a member's vested pot and is transferred to the savings pot as the starting balance.

In a note issued yesterday, retirement funds administrator Alexforbes said it expected the proposed system to increase retirement savings over the longer term while helping members manage their more urgent financial needs. "This will mainly be driven by financial distress and higher indebtedness amongst fund members of South African retirement funds. Should this transpire, it will significantly impact fund administrators as they will have to process large claim volumes in a limited time," the company warned.

Withdrawals from the savings pot will be taxed at marginal tax rates.

Comment

The slow but sure deterioration in the finances of people over the last three decades is probably the basis system. As the GEPF is going to be part of this, we will see a massive outflow of funds in 2025 as members rush to withdraw.
Am I being cynical if I foresee a wonderful opportunity for the Fund to explain away poor performance by using the outflow of funds as the excuse? And how is this going to impact on investments, as the Fund won't have the billions needed to hand and will have to dispose of assets to fund it. Which assets: the top ROI or impairments?
The may be a major drain on the Fund's solvency.

Synopsis

South Africa's SOE management breakdown

Daily Investor
Shaun Jacobs
22 October 2023

The management of South Africa's SOE, particularly Eskom and Transnet, has broken down, with numerous executives and board members resigning over the past few weeks. This is feedback from the former chairperson of the DBSA, Professor Mark Swilling, who spoke to the SABC about the swathe of resignations at the country's SOE.

Last week, former Transnet chairman Popo Molefe resigned from the utility's board following the resignation of CEO Portia Derby, the utility's CFO, and Transnet Freight Rail CEO Siza Mzimela. A week before that, Mpho Makwana decided to step down as Eskom's board chairperson and non-executive director. He will be replaced by Mteto Nyati. The department first said Nyati would be the interim chairperson, but it quickly corrected it to the new chairperson.

This has left South Africa's most important SOE without permanent CEO, grappling with leadership instability and the loss of experienced board members. "What we are seeing at Transnet and Eskom is a breakdown in governance and leadership," Swilling said.

"It is extremely concerning, and all South Africans are affected daily by what is happening at Transnet and Eskom. When we are facing our greatest crises at SOE, key leadership figures are resigning."

Swilling singled out Transnet as a major concern as it faces a severe crisis with declining capacity, deferred maintenance, theft, and mismanagement. "Improvement in Transnet's performance cannot be achieved until it is broken up into more manageable proportions with their own separate boards."

"There is widespread agreement that the current governance model is structurally flawed. It is completely and utterly unviable to have such important SOEs vulnerable to political interference. That is completely unacceptable," Swilling said.

Swilling's comments echo Wits Professor Alex van den Heever, who called the country's current shareholder representative model a "case study in failure and what not to do". Van den Heever said the country has to look at the structural reasons for this occurring at Eskom and other SOE such as Transnet, Prasa, and the Post Office.

These institutions involve a substantial amount of procurement and critical decisions that involve vested interests. This naturally creates patronage, the professor said. "Our current government shareholder model for SOE is deeply flawed and designed to fail because it allows for an easy entry route into these patronage and procurement opportunities," Van den Heever said.

"One person, the government's shareholder representative, can influence the design of the board and the appointment of CEO and other management executives. So now they are placed right at the centre of the leadership functions of the organisations." "When you see these high turnover rates and instability in leadership, you are seeing the pattern develop. Behind the scenes, someone is trying to get into that organisation through leadership appointments.".

Van den Heever called for a clear separation between the leadership of SOE and the government through a complete overhaul of the current governance structure. "This model that we have had in South Africa is a case study of failure and what not to do. We really have to redesign our structural arrangements around the governance of these organisations," he said.

Comment

The SOE? We have bonds in most of them, meaning we bought part of the 'government' debt on the promise of returns when it is redeemed. The returns on SOE as we all know don't, really, exist. We might get our investment back one day, although that is doubtful.
The leadership problem? Cadre deployment and patronage.

Synopsis

Transnet collapse threatens entire South African economy

Daily Investor
Shaun Jacobs
22 October 2023

BDO partner Siyabonga Mthembu told 702 that the crisis at Transnet eclipses that of Eskom. "Similar to Eskom, what Transnet is going through is basically falling capacity, deferred maintenance, theft, and management issues," Mthembu said.

South Africa's economy is heavily reliant on efficient logistics, as 68% of its GDP comes from imports and exports. The economy is peculiar in that it acts as a landlocked country with most of its GDP situated in the centre of the country in Gauteng. The production in Gauteng needs to be transported outwards to other provinces and the coast for export.

Mthembu said estimates that the country is losing R1bn a day from Transnet's collapse are conservative as they do not include lost potential investment from local and international companies, which is extremely difficult to quantify.

"The reality is international companies will not want to come to South Africa and invest if they know there is a risk they will be unable to export their products or transport it to the end consumer," Mthembu said. "The magnitude of this is significant. Some argue that it is significant as the impact that Eskom has and argue that, actually, this is even worse than the impact that we see as a result of load-shedding."

Some mining companies, such as Anglo American and its subsidiary Kumba Iron Ore, have delayed investment in South Africa due in part to Transnet's inefficiencies. South Africa's largest iron ore producer, Kumba, said in its interim results presentation that it had lost R6bn from Transnet inefficiencies alone in the first six months of the year. This is in addition to a R10bn loss in 2022.

Other impacts of Transnet's collapse include the strain placed on South Africa's road infrastructure, with mining companies and fruit exporters turning to trucking to transport goods. This results in decreased road safety, increased spending on road infrastructure, and increased costs associated with trucking goods.

Comment

We have about R17,3bn in Transnet. As with other 'government' institutions, it seems as if the funds intended for maintenance, upgrades, renewal, etc, ended up being diverted into many and various non-Transnet pockets. Possibly their own too.

Synopsis

'New' SAA officially launching this week

BusinessTech
25 October 2023

The government is expected to officially relaunch South African Airways (SAA) in Cape Town on Thursday, 26 October. The event, which will mark two years since SAA returned to the skies, will also be used to announce the restart of the state-owned airline's direct flights to São Paulo, Brazil.

Public Enterprises Minister Pravin Gordhan said the relaunch was a milestone for the airline, which had run into turbulence after it was grounded for 16 months and underwent business rescue and averted liquidation.

"The upcoming event marks a very significant step in the resurgence of South African Airways. We look forward to the official relaunch of SAA, along with the introduction of its first intercontinental flight to São Paulo, Brazil," Gordhan said.

In a statement earlier this year, SAA revealed that it will fly four times a week to São Paulo, with two flights each departing from Cape Town and Johannesburg.

At the time, SAA Interim CEO, Professor John Lamola, said the airline took the decision to introduce the long-haul flight following a thorough sustainability analysis.

"We are overjoyed to announce São Paulo as our first international destination since the airline successfully emerged from an intensive Business Rescue process and Covid-19 lockdown. "It also marks our return of our long-haul service out of Cape Town. The teams at SAA are working hard behind the scenes to gear our operations for this much-anticipated route launch to South America.

"Our decision to begin the relaunch of our long-haul service with São Paulo was taken based on a rigorous analysis of the viability of the route. Sustainability has been at the heart of SAA's approach since our restart," he said. The first flight to the South American country is expected to depart from Cape Town next Tuesday (31 October), with the Johannesburg flight to follow suit on Monday, 6 November.

Comment

We have an indirect stake in the new SAA through our interest in the holding company. I always wonder how much the perks of free flights for politicians influenced the save SAA decision.

Synopsis

Eskom is dying

Daily Investor
26 October 2023

Experts warn that Eskom is dying as it is losing its paying customers, forcing it to increase its prices and drive even more paying customers away.

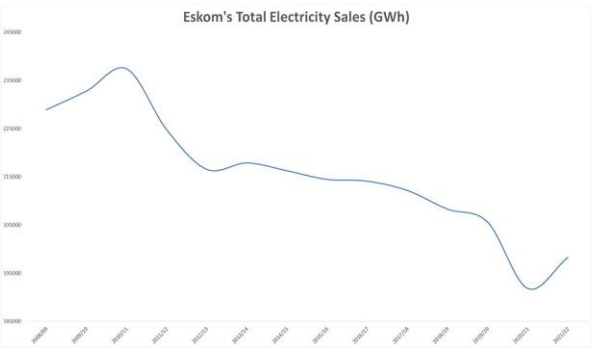
Eskom recently revealed that installed solar rooftop PV in South Africa increased from 983MW in March 2023 to 4,412MW in June 2023. The 349% increase in solar rooftop PV reduced the residual load Eskom needs to meet during the day, making it possible to reduce load-shedding.

However, the lower demand has dire consequences for Eskom, which is already in serious financial problems. National Treasury took over R254bn of Eskom's R423bn debt to help the power utility become financially sustainable. The debt relief is good news Eskom, but it still has to generate enough revenue to cover its exceedingly high costs.

Eskom's biggest challenge is selling less electricity due to load-shedding and South African households and businesses moving to more reliable and affordable alternatives. To make up for the decline in electricity sales, Eskom is increasing its prices far faster than South Africa's inflation rate.

The large 18,65% tariff increase helped Eskom to increase its quarterly revenue to R70,9bn, up from R66,3bn over the same quarter the year before. However, this large revenue increase was not enough to generate a profit. Eskom suffered a R5bn loss before tax in the first quarter of the financial year.

The chart below shows the decline in Eskom's total electricity sales, in gigawatt hours, over the last decade.



Energy analyst Tshepo Kgadima said it has become necessary for households and businesses to produce their own energy because of load-shedding and high prices. He added that the migration away from Eskom will accelerate as the cost of producing solar power is lower than what Eskom charges.

Kgadima said the decline in Eskom's generation capacity and lower demand means its cost base is far too high. "Eskom is overstaffed. It has 43 000 employees, but the amount of electricity it generates only requires half of these employees," he said.

He added that Eskom's declining energy sales spell serious trouble for the power utility as it continues to lose its biggest paying customers. Kgadima said the migration away from Eskom will accelerate as the cost of producing solar power is lower than what Eskom charges.

Kgadima's comments echo those of renowned economist Dawie Roodt, who said Eskom's generation and distribution divisions are slowly dying. "Only the transmission part will remain, and the rest of Eskom will just slowly die and come to an end," he said.

Roodt explained that Eskom is completely bankrupt. "It has been operationally and financially run into the ground. It does not work anymore," he said. He explained that Eskom's debt is unsustainable, which is why the Finance Minister announced that the state would take over a large chunk of this debt.

One of the problems is that Eskom has around 40 000 employees who earn very high salaries compared to the private sector. "Last year, Eskom employees received a 7% increase. It is irresponsible. These workers are already overpaid," he said.

The power utility is in a downward spiral. It does not have enough money or generation reserves to do proper maintenance, which, in turn, causes performance declines. The performance declines cause load-shedding, which forces its paying customers to find alternative power sources – typically solar.

His views are substantiated by data from RMB Morgan Stanley, which shows that the private sector, through renewables, will generate more electricity than Eskom by 2025. RMB estimates that Eskom will generate around 25 200MW of electricity in 2025, just over 47% of its nominal capacity.

Comment

The vicious spiral. Increasing the cost of power means more clients will turn to cheaper options; causing Eskom to increase its rates to make up losses, leading to clients turning to cheaper options, leading to Eskom increasing rates, leading to ….
Adding to the problem is Eskom's bloated manpower and way above industry remuneration. And the endless delay in splitting up Eskom.
Then the very large industries have discounted power, many municipalities defaulting on billions in payment, new office and mall construction already including alternative

power in the construction, bloated staff numbers with exceedingly high costs, etc.
Of course, there is the spin off to greater independency from the SOE in solar power, with the fast expanding solar power industry - batteries, solar panels, installation, etc. The GEPF has already invested in these to a certain extent.

Synopsis

Another new state-owned company for South Africa a step closer to reality

Businesstech
By Luke Fraser
27 October 2023

The National Assembly has passed the Upstream Petroleum Resources Development (UPRD) Bill, which will create yet another SOE. The Bill seeks to separate the petroleum provision from the mineral provision, as seen in the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002). This separation will create two separate pieces of legislation for the industries.

This split will also create a new regulatory environment for South Africa's gas industry, which has been touted as a crucial "transition" energy source.

The Bill will also provide for the establishment of a new state-owned company, which will be responsible for managing the state's participation at 20% carried interest in all petroleum rights. It also states that the Petroleum Agency of South Africa will be the regulator for the upstream of the petroleum sector while also giving provision for the participation of black persons in petroleum rights on commercial terms.

Comment

'Government' control over the petroleum industry is progressing. The Bill wil probably be passed with implementation somewhere in 2024/5. Let's hope our Fund won't buy Petrosa bonds. A new sinecure for cadres?.

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.

Our Facebook and AMAGP are together more than 59 000 members and continually growing, but this isn't enough. The continued growth 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.

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