

STATEMENT. R9/21

ISSUED ON BEHALF OF THE ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS (AMAGP)

Cape Town
21 June 2021

HARITH, TAKATSO, SAA, GEPF AND THE PIC: A DANGEROUS POTPOURRI?

The more things change, the more they appear to stay the same.

AMAGP in its infancy a few years ago raised the alarm when it became clear that all was not well with the Public Investment Corporation (PIC) and the investments this state owned entity made on behalf of the Government Employees' Pension Fund (GEPF).

These concerns led to the appointment of the Mpati Commission of Inquiry.

The Commission uncovered substantial irregularities, fraud, corruption and mismanagement of GEPF funds by the PIC.

The Commission also revealed that there were lacks in the way the trustees of the GEPF exercise their duty of care regarding the retirement savings of 1,3 million civil servants and 450 000 pensioners.

Harith and its dealings with the PIC received particular attention from the Commission. The latter recommended further investigations into the PIC and GEPF. We are, however, all still waiting for the outcome of these investigations.

The findings and recommendations of the Mpati Commission raised high expectations with the members of the GEPF. A new board of directors of the PIC came into being and disciplinary actions against perpetrators were recommended. There were hopes that at least some losses incurred by the Fund might be recovered and that further risky adventures would stop. Alas, not so!

In view of this the present involvement of Harith with the funding of a bankrupt State Owned Enterprise (SOE), the South African Airways (SAA), came as a huge shock to AMAGP, its members and in particular the pensioners of the Pension Fund.

The news that Harith, whilst still under a cloud of investigations as recommended by

the Commission, is part of the Takatso Consortium formed with Global Aviation, partnering with the SAA to give the bankrupt airline a new lease of life was not at all good news for the pensioners.

What on the surface looks like an exciting turn of events in getting the government to privatise its assets, is very misleading for mainly two reasons:

- 1) **Harith was severely chided by the Mpati Commission for what was coined as a new term namely "legal corruption". One example is that investment yields were not ploughed back into the GEPF but it was instead apparently used to literally enrich directors and shareholders with the charging of high investment fees. This was to have been further investigated for possible malpractices:** and
- 2) **It appears that Harith is, as it ostensibly pretends to be, not at all the "private partner" but it is in fact loaded with ANC cadres and high-ranking former appointees in the PIC.**

Moreover, the government reserves a third of the voting rights in the board of directors, effectively retaining control over the airline. Even directors, if any, representing the PIC on the SAA board will be government appointees, the PIC also being an SOE.

To talk about privatisation of the SAA is therefore, in our view, a misnomer.

The recent developments seriously worry AMAGP and the members of the Pension Fund.

The Government's unnecessary meddling in matters regarding the Pension Fund was recently clearly proven by the unfortunate and unwise way in which the Minister of Finance, Mr. Tito Mboweni, and the parliamentary Standing Committee of Finance (SCOF), have given Dr Survé and his companies AYO and SIM a platform to criticize and attack the findings and recommendations of the Mpati Commission. Clearly Government should have seen that coming. It alarms AMAGP and the members of the Fund, as well as the pensioners, that the sole custodian of the government pensioners' money, namely the Board of Trustees of the GEPF was apparently not even invited to the meetings of SCOF. Why were they not also at these meetings?

Remember that all the above happened despite the Mpati Commission's warning against political interference in such matters. How can we then be sure that there will not be political involvement in this matter?

The PIC, holding a substantial stake in Harith and by extension in the newly formed Takatso consortium, is simply gambling and investing in a dubious venture – dubious because of the SAA's disastrous history of mismanagement, corruption and repeated bailouts with billions of taxpayers' as well as pension fund money, to fund a vanity project that has proved itself to be unviable, and with little prospect of ever becoming viable in future.

There are talks of Harith sourcing capital of R3.5 billion to get the airline operational in the coming three years, and that this funding will be acquired from pension funds and banks, etc. However, it is highly questionable whether any private funding institution would be interested to invest in a concern like a revived SAA. This then by default leaves the GEPP as a funding vehicle to be expected to pour more retirement savings into Harith. Obviously much more than R3,5 bn will eventually be required.

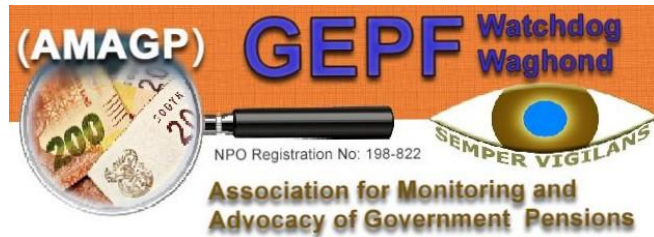
Political pressure is probably mounting to force the PIC to invest in BEE projects that may not necessarily be viable, or where investments are being made in enterprises to again drain the GEPP fund by the misuse of pension money. In our view these so-called “legally corrupt” ventures are once again setting off the alarm bells.

What is more, it would be illegal if any investments on behalf of the pension fund are not made with the clear view and intention to enhance sustainability and the growth of the Pension Fund. If unnecessary losses occur because of wilful and / or negligent conduct on the part of those making or approving such investments, then they need to be held fully accountable in their personal capacity. They need to then pay back the money. It is high time that this happens.

AMAGP is calling on the PIC and the GEPP to not even consider any calls for investments into ventures like the SAA or any other bankrupt or mismanaged SOE.

Ends...

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VERKLARING R 9/21

UITGEREIK NAMENS DIE VERENIGING VIR DIE MONITERING EN BEVORDERING VAN REGERINGSPENSIOENE (AMAGP)

Kaapstad
21 Junie 2021

HARITH, TAKATSO, SAA, GEPF, EN DIE OBK: 'n GEVAARLIKE POTPOURRI

Hoe meer dinge verander, hoe meer lyk dit of hulle dieselfde bly.

In sy kinderskoene 'n paar jaar gelede, het AMAGP alarm gemaak toe dit duidelik geword het dat nie alles wel was met die Openbare Beleggingskorporasie (OBK) en die beleggings wat dié staatsbeheerde entiteit namens die Pensioenfonds vir Staatsamptenare (GEPF) gemaak het nie.

Hierdie bekommernisse het tot die aanstelling van die Mpati-kommissie van ondersoek gelei.

Die, het aansienlike ongerymdhede, bedrog, korrupsie en wanbestuur van GEPF - fondse. deur die OBK blootgelê.

Die Kommissie het ook onthul dat daar gebreke was in die manier waarop trustees van die GEPF hulle verpligting ten opsigte van die aftrede-spaargeld van 1,3 miljoen staatsamptenare en 450 000 pensionarisse uitgeoefen het.

Harith en sy onderhandelings met die OBK het besondere aandag van die Kommissie ontvang en verdere ondersoek is aanbeveel. Ons wag egter nog steeds vir die uitkoms van hierdie ondersoeke

Die bevindings en aanbevelings van die Mpati-kommissie het hoë verwagtinge by lede van die fonds geskep. 'n Nuwe raad van direkteure van die OBK is saamgestel, en dissiplinêre optrede teen oortreders is aanbeveel. Daar was hoop dat ten minste sommige verliese wat deur die fonds gemaak is, herwin kon word en dat verdere onsekere avonture sou stop. Helaas, nie so nie!

Harith en sy onderhandelings met die OBK het besondere aandag van die kommissie ontvang, en verdere ondersoek deur die OBK en GEPF is aanbeveel. Ons wag steeds vir die uitkoms van hierdie ondersoek.

In die lig hiervan het die huidige betrokkenheid van Harith by die befondsing van 'n bankrot staatsbeheerde onderneming (SBO), die Suid-Afrikaanse Lugdiens (SAL), voordat duidelikheid bereik is, daarom as 'n skok vir AMAGP, sy lede en in besonder pensionarisse van die fonds gekom.

Die nuus dat Harith, terwyl hy steeds onder verdenking is, deel sou vorm van die Takatso-konsortium wat gevorm is saam met Global Aviation in vennootskap met die SAL om die bankrot lugdiens 'n nuwe lewensasem te gee, was nie welkome nuus vir pensionarisse nie.

Wat op die oppervlak lyk na opwindende gebeure om die regering te kry om sy bates te privatiseer, is baie misleidend, hoofsaaklik om twee redes:

- 1) **Die Mpatikommissie het Harith erg berispe vir wat as 'n nuwe begrip "wettige korrupsie" uitgedink is, byvoorbeeld omdat hy nie beleggingsopbrengste in die GEPF teruggeploeg het nie maar letterlik direkteure en aandeelhouers verryk het en hoe beleggingsfooie gevra het. Dit sou verder vir moontlike wanpraktyke ondersoek word.**
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- 2) **Dit blyk dat Harith, soos dit oenskynlik voorgee om te wees, glad nie die "private vennoot" is nie, maar inderdaad gelaai is met ANC kaders en voorheen hooggeplaasde aangesteltes in die OBK.**

Boonop behou die regering die reg tot 'n derde van die stemreg in die raad van direkteure voor, en behou só effektief beheer oor die lugredery. Selfs direkteure, indien enige, wat die OBK op die SAL verteenwoordig, sal regeringsaangesteltes wees, aangesien die OBK ook 'n SBO is.

Daarom is dit na ons mening verkeerd om privatisering van die SAL te praat..

Die onlangse ontwikkeling, bekommer werklik.

Die regering se onnodige houding van betrokkenheid by sake rakende die pensioenfonds, is onlangs bewys deur die ongelukkige en onwyse manier waarop die Minister van Finansies, mnr. Tito Mboweni, en die Parlementêre Staande Komitee van Finansies (SKOF) aan dr. Survé en sy maatskappye, AYO en SIM, 'n platform gebied het om die bevindings en aanbevelings van die Mpati-kommissie te kritiseer en aan te val. Die regering moes dit sekerlik voorsien het. Dit is kommerwekkend dat die alleenbewaarder van regeringspensionarisse se geld, die Raad van Trustees van die GEPF blykbaar nie eers na hierdie vergaderings van SKOF genooi is nie. HOEKOM WAS HULLE NIE DAAR NIE?

Onthou dat die bogenoemde gebeur het ten spyte van die Mpati-kommissie se waarskuwing teen politieke inmenging in hierdie sake. Hoe kan ons dan seker wees dat daar nie politieke betrokkenheid in hierdie saak sal wees nie?

Die OBK, wat 'n aansienlike aandeel in Harith en by uitbreiding in die nuut gevormde Takatso-konsortium hou, dobbel en belê eenvoudig in 'n twyfelagtige onderneming – twyfelagtig as gevolg van die SAL se rampspoedige geskiedenis van wanbestuur, korrupsie en herhaaldelike inspuitings met biljoene van belastingbetalers- geld om 'n ydelheidsprojek te finansier wat homself as onlewensvatbaar bewys het en met min vooruitsig om ooit in die toekoms lewensvatbaar te word.

Daar is sprake dat Harith kapitaal van R3.5 biljoen vind om die lugredery in die volgende drie jaar operasioneel te kry, en dat hierdie befondsing uit pensioenfondse, banke ens. bekom sal word. Dit is egter betwyfelbaar of enige privaat instelling sou belangstel om in 'n onderneming soos die herleefde SAL te belê. By verstek laat dit dan die GEPF as die befondsingsvoertuig, van wie verwag sal word om meer aftreespaargeld in Harith te stort. Klaarblyklik sal meer as R3,5 miljard uiteindelik benodig word.

Politieke druk is besig om op te bou om die OBK te verplig om te belê in BEE-projekte wat nie noodwendig lewensvatbaar is nie, of waar beleggings in ondernemings 'n dreinerings van die GEPF deur die wangebruik van pensioengeld is – sogenaamde "wettig korrupte" ondernemings – wat die alarmklokke laat lui.

Wat meer is, as die beleggings namens die pensioenfonds nie gemaak word met die oog op die volhoubaarheid en groei daarvan asook die redelike joep op sukses nie, is dit onwettig. Indien onnodige verliese as gevolg van bewustelike of nalatige optrede gelyk deur hulle wat sodanige beleggings veroorsaak of goedgekeur word, behoort hulle ten volle in hul persoonlike hoedanigheid aanspreeklik gehou te word. Hulle behoort dan die geld terug te betaal . Dit is hoog tyd dat dit gebeur.

AMAGP doen 'n beroep op die OBK en die GEPF om nie eers enige oproepe om beleggings in ondernemings soos die SAL of enige ander bankrot of wanbestuurde SBO te oorweeg nie.

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