MEDIA RELEASE	**SOEs bailout: PSA calls for cautious and constructive approach about pensions**
DATE	26 August 2019
EMBARGO	None
Enquiries	communication@psa.co.za

The Public Servants Association (PSA) has cautioned against the use of workers' pension funds to rescue failing state-owned enterprises (SOEs), as mooted by President Cyril Ramaphosa.

Problems at SOEs have persisted for decades and intensified dramatically over the last few years. The PSA, a representative Union of more than 240 000 public service employees, affirms the social and economic importance of SOEs and regards their sustainability as of utmost important. The Union, however, noted that it is disappointing that government has not published any coherent perspective on the core challenges at SOEs, those responsible for these challenges and plans to address and prevent failing of SOEs.

Most SOES are in a crisis, and decision makers tasked with rescuing these entities are without clear, decisive solutions. Plans, for example, to unbundle Eskom seem to be intended at making the SOE function like a corporation along three distinct units – generation, transmission, and distribution, with the possibility of privatising Eskom. This approach has received support from the President and the Finance Minister, Yet, plans on how this will be undertaken, remain sketchy. There is also lack of clarity on the overall strategy that will inform the work of the chief restructuring officer who was appointed to preside over the restructuring.

Amidst this cloud of uncertainty, it has been suggested that government might want to tap into pension funds to bailout SOEs. Boards of various SOEs have thus far not given assurance that they are acting independently and are able to provide guidance to the Minister on how turn around these entities into economically viable institutions. The PSA calls for constructive engagements to pave a way to address sustainability of SOEs without jeopardising pension security.

The PSA proposes that two possible options be explored. The first option could be the extension of guarantees to back a private-sector driven bailout of Eskom on the basis of a clearly-defined restructuring plan. A new board, or a restructuring panel in its stead, with top-level private sector representation would need to be appointed. The second option could entail having the bonds that Eskom owes to financial markets shifted to the balance sheet of the South African Reserve Bank (SARB). If the SARB with its capacity to act as a lender of last resort cannot do it, why should pension funds risk resources? The SARB has institutional capacity to manage such bailouts. It in the past extended support to, for example, Bankorp from 1985 to 1992. More recently, it bailed out African Bank.

Meaningful engagement with stakeholders will, however, be necessary to give legitimacy to the bailout process. Much of the work on restructuring Eskom and other South African SOEs has been taking place outside the public view, and with no signs of serious engagement with key stakeholders, including management, employees, and trade unions. A multi-stakeholder and inter-agency process should be put in place to determine the terms of the bailout and governance of Eskom following restructuring. Such a process should include the Public Investment Corporation, the Government Employees Pension Fund, the SARB, the Industrial Development Corporation, National Treasury and the Department of Public Enterprises, and be chaired by the President.

The PSA is ready and prepared to protect the hard-earned pensions of public servants. The PSA also calls on employees not to panic and take uninformed, premature financial decisions.

END