

NATIONAL

# SABC job axe to fall across the board

● Parliament told salaries amount to nearly half of corporation's spending

**Bekezela Phakathi**  
Parliamentary Writer

The looming retrenchments at the cash-strapped SABC will affect all occupational levels, including senior management, parliament heard on Tuesday. Briefing parliament's communications portfolio committee on the public broadcaster's turnaround strategy, SABC executives also said that they were pushing for an increase in TV licence fees in an effort to boost revenue. "TV licence fees still remain the second-largest source of revenue for the SABC but the fee needs to be increased and the collection methods strengthened. The television licence fee of R265 has remained unchanged since 2013. Currently the SABC TV licence fee costs an average of 72c a day," said Sylvia Tladi, head of the SABC's audience services division.

## THE ORGANISATION PAID JUST MORE THAN R45M IN SALARIES TO ITS 40 SENIOR MANAGERS IN THE YEAR

Currently, only about 1.8-million households and businesses pay TV licences, out of about 9-million accounts on the SABC database. The SABC, which recorded a net loss of R622m in the financial year ended March, is in the midst of a severe financial crisis. The public broadcaster is heavily reliant on advertising and revenue from licence fees to stay afloat. It receives 85% of its revenue from advertising, sponsorships and other commercial partnerships, 3% from the government and 12% from TV licence fees. It has mainly attributed its losses over the years to declining advertising revenue across all platforms, coupled with deteriorating TV licence fee collection. The broadcaster has also bemoaned the fact that it is underfunded by government. While the board maintains it has no choice but to lay off hundreds of workers to remain sustainable, communications minister Nomvula Mokonyane and

various MPs are strongly opposed to the job cuts. UDM MP Ngabayomzi Kwankwa said retrenchments should be the "last resort". He, however, said one of the major problems at the SABC was the bloated management team. "There are people paid high salaries to manage desks. That appears to be the main problem," said Kwankwa. The organisation paid just more than R45m in salaries to its 40 senior managers in the financial year ended March. SABC CEO Madoda Mxakwe said "staff optimisation will focus across the board." "We are not just focusing on the lower levels," said Mxakwe. SABC spends more than R3bn a year on the salaries of more than 3,000 employees. In 2017 it reported a net loss of more than R1bn. The new SABC board, chaired by Bongumusa Makhathini, has been on an aggressive drive to turn it around, after years of decline under Hlaudi Motosoeng. Executives told MPs that part of the reason the wage bill had escalated over the years was the irregular salary increases awarded to numerous employees by previous management. DA MP and communications spokesperson Phumzile van Damme called for a comprehensive review of all salaries, including those of executives. CFO Yolande van Biljon said in the 2017/2018 financial year, the SABC had revenue and other income totalling R6.6bn, but its expenses were close to R7.3bn.

**COST CONTAINMENT**  
The major cost drivers included salaries (R3.1bn); programme, film and sports rights (R1.7bn); signal distribution and linkage costs (R718.1m); and broadcast costs (R486.6m). As part of its turnaround strategy, the SABC is looking at immediate and long-term measures, including aggressive cost containment, growing audiences, and diversifying revenue streams to improve its financial situation. A property audit would be done to dispose of noncore assets. SABC properties amount to R2.5bn in value, including a London property valued at £925,000 which is in the process of being sold. phakathib@businesslive.co.za

## ARMS MANUFACTURER

# Denel still awaits state guarantee

**Genevieve Quintal**  
Political Writer

Cash-strapped arms manufacturer Denel has not received the additional R1bn guarantee it has requested from the government, a move that could have serious implications for its cash flow. Denel, which has government-guaranteed debt of R2.7bn, had asked for a further guarantee and a cash injection to recapitalise the business. It did not disclose the size of the requested cash assistance. The state-owned arms manufacturer, which along with other state-owned enterprises has been weighed down by allegations of mismanagement and corruption, slipped into such a severe financial crisis that in December it needed a government guarantee to be able to pay its workers and suppliers.

Public enterprises minister Pravin Gordhan overhauled the entire Denel board in April 2018, saying the change was the first step the government was taking to restore good corporate governance at the entity. The company on Tuesday confirmed that it had not, at the moment, received a further guarantee from the government and said the recapitalisation was still under consideration and that Denel would know during the medium-term budget policy statement to be tabled in parliament on October 24 whether it would receive this. Denel said it was faced with a



**Revenue generation:** A mechanic works on a helicopter engine at the Denel Aviation site in Boksburg. The state-owned entity needs a cash injection to recapitalise the business. /Sunday Times/Kevin Sutherland

number of challenges, which included a weak balance sheet, an unaffordable cost structure and an unsustainable creditors backlog, which had affected the operations negatively. All of these combined had curtailed its ability to generate revenue, it said. "What is clear is that the business cannot continue with these challenges without a significant intervention to keep the business afloat. We have discussed these matters with both mem-

bers of our board, who have been very supportive in resolving the said challenges, as well as the shareholder." Rapport newspaper at the weekend reported that Denel's expected loss for the 2017/2018 year was R1.8bn. During his announcement on the stimulus package last week, President Cyril Ramaphosa said the government had limited fiscal space to increase spending or borrowing. He said it was imperative that the government

make sure that the resources that it did have were used to the greatest effect. Denel is one of the state-owned entities, including SAA and SA Express, which are yet to finalise their annual reports five months after the end of the financial year. Finance minister Nhlanelo Nene is expected to provide details of a funding package for state companies in his mid-term budget speech. quintalg@businesslive.co.za

## EMERGING-MARKET RISKS

# SA loses R72bn as portfolio inflows plunge

**Mfuneko Toyana**

Portfolio investments into the SA economy fell sharply in the second quarter, as investor risk aversion towards emerging markets was rising, central bank data showed on Tuesday. Inward investment into local bonds and equities shrank to R16.6bn from R89.4bn in the first three months of 2018, the Reserve Bank said. Appetite for bonds was hardest hit, with non-resident investors cutting their purchases to a net R3.8bn in the second quarter from R46.9bn in the first quarter. Purchases of equities fell to R12.8bn from R42.5bn. Africa's most industrialised economy relies partly on volatile portfolio flows to fund its budget and current account deficits. The Bank did not give a reason for the slump in investment into SA assets, but during the second quarter global investors were scaling back their allocations towards emerging markets as worries about the health of the Turkish and Argentinean economies grew. That was followed by a steep sell-off in emerging-market assets in the third quarter, as investors fretted that economies



Cyril Ramaphosa

like SA could suffer from contagion from turmoil on Turkish and Argentinean financial markets. Separately, plans by the ANC to speed up land reform started to unsettle investors, despite assurances from the governing party that land reform would follow a parliamentary process and the economy would not be negatively affected. Reserve Bank data also showed on Tuesday that SA's total external debt increased to R2.165 trillion at the end of the first quarter, from R2.130 trillion at the end of 2017, mainly due to a rise in rand-denominated external debt. On Friday, President Cyril Ramaphosa announced a multibillion-dollar stimulus plan to pull SA out of recession. /Reuters

## SOLVENCY RATIO CONCERNS

# Headwinds for bid to amalgamate public servant medical aids

**Tamar Kahn**  
Science and Health Writer

The Council for Medical Schemes has hit its first stumbling block over its proposed consolidation of all the medical schemes for public servants with the Government Employees Medical Scheme (Gems), after the Public Servants Association (PSA) said it had "serious reservations" about the plan. The measure is contained in a discussion document published by the council last week and is in line with the government's white paper on National Health Insurance (NHI). The PSA's 242,000 members make up about a fifth of the public service. It said on Tuesday that Gems did not have the capacity to absorb more beneficiaries. "Gems needs to be cleaned up first," said PSA spokesperson Tahir Maepa. The PSA has received numerous complaints about Gems, its solvency ratio was below the statutory requirement of 25% and it did not have the capacity to deal with rampant fraud, he said. Gems has about 1.8 million members and provides cover to more than half of all eligible public servants. It made headlines in August

2016 when its solvency ratio plummeted on an unexpected surge in costly hospital admissions: from 9.46% in December 2015 to an intrayear low of just under 4% in September, before recovering slightly to end the year at 6.99%. It has since improved, and ended 2017 on 15.22%, but still does not meet the requirements of the Medical Schemes Act. Maepa said consolidating all the medical schemes for public servants with Gems would reduce competition and diminish members' influence. "The problem is that Gems is becoming a monopoly. The moment [it] becomes [the only] medical aid for public servants, Gems will do as it wishes," Maepa said. Gems was created through a collective agreement at the Public Service Co-ordinating Bargaining Council and any proposed merger would have to be discussed there, said Maepa. Gems principal officer Guni Goolab said: "We are cognisant that changes of this magnitude will only be implemented after extensive stakeholder engagement and consultation led by government." He said it had embarked on several interventions to mitigate the challenges identified by members. kahnt@businesslive.co.za



## Allan Gray, Coronation, Investec AM, Government Employees Pension Fund, Old Mutual IG, Sanlam:

### Help us invest in the fossil fuel-free future we want

**Steering the world and South Africa away from the most destructive climate change future is an urgent necessity - and an opportunity.** For the past two months, we have been running a petition campaign calling upon you, SA's top asset managers and owners, to help us invest in the future we want. We want funds free of the coal, gas and oil that are the biggest contributors to climate breakdown. The petition was signed by over two thousand South Africans, liked by six thousand more on social media, and endorsed by the nation's top green and sustainable development NGOs. When we met people on the ground, most signed without hesitation, passionate that they want the option to divest. Many were young people. Your future savers and investors. The world has agreed it is vital to limit average global warming by 2100 to 1.5°C. But on current trends, we may hit that threshold within the next 15 years. As visible impacts of climate change outpace scientific predictions, it seems the scientific community, far from being alarmist, has been too cautious. Scientists tell us that, "a deep transformation based on a fundamental reorientation of human values, equity, behaviour, institutions, economics, and technologies is required." On behalf of our supporters, partners, stakeholders and communities, we ask:

**Asset managers:**  
Explain to your clients and trustees the risks of climate change. Enable a just transition. Create decarbonised savings and investment vehicles for trustees and savers to invest in.

We want our savings to support a swift, fair, South African and global transition to a socially just, cleaner energy economy; to a climate that is safe for ourselves, for vulnerable communities, and future generations; while taking care of workers in the fossil fuel industry.

"Equity analysts typically do not capture non-linear risks likely to materialise beyond 3-5 years," research shows. "Once climate change becomes a defining issue for financial stability, it may already be too late," says Mark Carney, governor of the Bank of England. So, push out your horizons. Explicitly capture and integrate these risks in your assessments of value. We know that trustees and clients often focus on short-term returns. But this threatens everyone's long-term interests. It's time to actively create and market funds built on socially and ecologically sustainable foundations, free of fossil fuels.

**Asset owners:**  
Advise retirement fund beneficiaries that enjoying a retirement income can be assisted by having a stable planet on which to enjoy it.

That whole countries and cities (like Ireland, New York, London and Cape Town) are divesting. That over \$6.2 trillion in collective global assets has already been committed to decarbonisation. That some insurance companies now refuse to underwrite fossil fuel infrastructure. That the likes of Sasol face major threats to their business models and future litigation from climate change victims. Help us use our collective savings to build the world most of us actually want.

**South Africa: #DivestNow.**  
Sign the petition at [www.amandla.mobi/divest-now](http://www.amandla.mobi/divest-now)

We thank our communities and partners for their endorsement.  
**Current petition signatories:** 2,039.  
Endorsed by: 350 Africa, African Climate Reality Project, amandla, mobi, Centre for Environmental Rights, Cullinan & Associates, Earthlife Africa, EcoMates, Fruits & Roots, Groundwork, Green Anglicans, UCT Green Campus Initiative, Greenpeace, Greenpop, Oxfam, People's Health Movement, SA Climate Action Network, SAFCEI, transparenCI, WWF.



**Getting it right**  
Due to an editing error in yesterday's article Sars figures show wealth of super-rich growing, says study, we wrongly reported that the top 0.01% of earners in SA was a group of 35,000. In fact, the group consists of 3,500 people. Business Day regrets the error.

# WE CAN BUY EVERY CHILD IN SA TEXTBOOKS IF WE TAKE BACK OUR R7 BILLION\*.

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\*Source: TISA / Ipsos National Tobacco Study, July 2018.