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 Nqabayomzi 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 Motsoeneng.

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.

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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.

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.

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**

Denel said it was faced with a 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 members 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 Nhlanhla Nene is expected to provide details of a funding package for state companies in his mid-term budget speech.

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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 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 unnerve investors, despite assurances from the governing party that land reform would follow a parliamentary process and the economy would not be negatively affected.

Cyril Ramaphosa

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%.

4% the intrayear low in the solvency ratio of state scheme Gems

25% the statutory requirement for the solvency ratio of medical aids

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.

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