



18 March 2020

Dear Minister Mboweni,

Following the declaration by President Ramaphosa of a national disaster, I want to offer any and all assistance to you with respect to the great responsibilities that the National Treasury will have to bear during this time. You have my full support in doing what you must to ensure our country defeats this virus, and you should please let me know if I can be of practical assistance.

I hope that in a year's time, when we look back on this period, we will see that this was the time South Africa showed its very best in unity and co-operation.

Let there be no doubt that this health disaster will also mean a full-scale economic recession with devastating consequences for thousands of businesses and millions of employees. It is my hope and expectation that the government will soon announce a decisive economic response which matches the decisiveness of its virus containment plan. An economic support package is needed that helps businesses, particularly small and medium businesses, to ride out this storm without laying off staff or closing down.

The purpose of this comprehensive economic response should be to ensure that economic activity rebounds as quickly as possible once the virus is under control.

I propose, for your consideration, the following proactive steps that government could take immediately to support the economy in this crisis:

1) Free up funds for disaster management:

In the current crisis, it is unthinkable that redundant SOEs like SAA will continue to receive a bailout of R16.4 billion, while the health budget is to be cut by R3.9 billion. This bailout should be cancelled immediately and the budget amended to allocate this money to disaster relief.

I would be grateful if you would also clarify what funds are available in the National Disaster Management Fund.

2) Loan forbearance:

For the economic survival of small businesses, we propose a nation-wide four month payment holiday on loans for small and medium businesses, in particular property loans, business loans and vehicle loans. By extending the term of loans by four months, and allowing borrowers to pause their payments for those months, businesses and the families they support will receive immediate and very significant financial relief. This will help small businesses maintain the cash flow necessary to stay open and keep paying their employees. It will act as a form of 'bridging finance' for these businesses, without each business needing to negotiate terms with their banks individually.

Businesses are already flooding banks with requests for payment holidays. Instead of waiting for the flood of requests in the coming weeks, the government, along with the Reserve Bank and the Banking Association should act proactively and announce these relaxed payment terms now.

This is fast becoming the preferred intervention of governments across the globe. China, France, Italy, the United Kingdom, several Gulf countries, Canada and others have all enacted programmes similar to this.

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3) Rental forbearance:

Most small businesses operate from rented premises. Landlords can often not afford to relax these rental payments, because the properties themselves are bonded. If a loan payment holiday programme is enacted, then rental payments can also be paused for four months to help businesses survive. There are of course some property owners who rely on the income from their properties, even if they are not bonded. In these cases, a pause in rental payments, or a reduction in rental payments, would need to be negotiated on a case by case basis. It would nevertheless help for the government to make a statement calling on owners to demonstrate forbearance wherever possible.

4) Raise in VAT threshold, and pause in UIF and Worker's Compensation Fund payments:

The Department of Labour could pause payments for UIF and Worker's Compensation Fund by small businesses for four months, without affecting workers' cover under these funds. Many businesses pay tens of thousands of rands to these funds, and this money would be valuable cash flow support to those businesses during this time. Payments could be recouped when the economy rebounds.

The Compensation Fund currently has R50 billion in assets, and pays out roughly R4.5 billion in claims each year. Our assessment is that The Fund could absorb a single payment deferment this year. Similarly, the UIF currently has R180 billion in funds, and could comfortably absorb payment deferments for the next four months without affecting workers' cover.

Now is also the time to raise the VAT threshold for small businesses, from R1 million to R2 million. This would give immediate VAT payment relief to small businesses. Outstanding VAT refunds should be paid to businesses urgently.

5) Local government rates relief:

Those local governments that can afford it should offer rates relief to businesses in their jurisdiction. We are engaging with DA local governments to explore how to offer some relief proactively. I understand this may be the most difficult of these proposals, given the precarious state of local government finances.

6) Business Rescue Proceedings:

Even with these interventions, we expect that many businesses will not be able to cope. But this does not mean they should have to close down. To protect businesses from bankruptcy, we propose that business rescue proceedings should receive an automatic three month extension beyond the three months provided for in S132 of the Companies Act.

I wish you strength in this time and offer the above for your consideration.

Sincerely,



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