

We cannot allow pensioners' money to be used to bankroll this broken government

By Dion George MP - DA Deputy Shadow Minister of Finance

Thank you, Speaker.

The Covid-19 pandemic has revealed how vulnerable our economy already was before the virus began. The government has no room for maneuver and this is entirely of its own making.

Although the government claims to be pro-poor and a champion of the marginalized and most vulnerable members of our society, its actions speak an entirely different language.

Year after year, financial reports reveal billions of rands squandered through inefficiency and corruption. The government has taken no action to hold those responsible to account and its politically connected cronies get richer and richer, all at the expense of the poorest members of our society who bear the brunt of a dysfunctional government unable to deliver service to the people.

Before the crisis began, service delivery was already being crowded out. Government's impossible dream of state-owned enterprises driving economic growth has failed spectacularly, despite hundreds of billions in bailouts squandered on hopelessly bankrupt entities that have no chance of ever being viable. The government has long forgotten that it actually has no money of its own, it all belongs to the people and it is generated off the backs of hard working South Africans.

The pandemic will bite heavily into the tax base, with revenue projected to be in the region of 30% below previous expectations and economic growth will remain negative for the foreseeable future. Under these conditions, a functional government would take urgent action to alleviate the plight of hardworking taxpayers. That was too much to expect.

The Minister speaks incoherently about government plans to raid pension funds. Income from hard working taxpayers is long depleted. Government's ability to borrow money is exhausted. Taxpayers will carry the heavy burden of increasing government indebtedness for generations to come. There is no additional relief for taxpayers who are forced to work from home and therefore should be able to deduct for home offices and receive some relief for not being able to travel to work, but still having to pay fringe benefits tax for allowances they cannot use.

Although this might seem like a fairly minor matter, that would not likely result in large sums of tax relief, it points to the attitude of government to the hand that feeds it. You can bite the hand that feeds you, but you mustn't bite it off. No amount of media advertising by SARS will convince taxpayers to remain compliant if the government strains the social contract beyond breaking point.

With tax revenue depleted and borrowed to the hilt, the government is now salivating over the nation's savings. The Minister's rather bizarre idea that pension fund Trustees would want to invest member's hard earned savings in a hopelessly bankrupt airline just doesn't make any financial sense and if anything sounds rather desperate. Trustees are personally responsible for the investment decisions they make. Investing in a broken airline, or in any new airline given the state of the market, would be negligent and foolhardy.

The government cannot force Trustees to take sub-optimal investment decisions and, if it chooses to enforce prescribed assets, be prepared for a fight. Regulation 28 was designed to protect pension fund members, and prudent Trustees will refuse to facilitate the theft of members' money to bankroll a broken government.

Instead of government looking for ways to bail itself out with the life savings of hard working pension fund members, it should rather ask how it can help members leverage their own assets in this crisis. Current pension provision backed home loans can easily be extended to loans for other purposes.

Effectively designed, a pension-backed loan can provide the financial support pension fund members need now to alleviate the extreme hardship they are facing, without eroding their longer term provision for retirement.

Leave the people's pension alone, Minister, it's not yours to take.