

**Date:** 29 September 2023

## **South African Post Office Business Rescue Practitioners provide update on business rescue**

### **- Electricity reconnected at Newcastle Branch**

The joint Business Rescue Practitioners ('BRPs') of the South African Post Office ('SAPO'), Mr Anoosh Rooplal and Mr Juanito Damons have been at the helm of the Post Office for some two months now after their joint positions were ratified by creditors on 24 July 2023.

The BRPs are dealing with a myriad of issues surrounding the Post Office and are investigating SAPO's affairs, business, property and financial situation. The SAPO asset base is dwarfed by its total liabilities of approximately R12.5 billion as at 31 July 2023, which informs the key concerns regarding the viability of the business rescue. To turn around the company into a factual solvent position, the revenue must improve, and an effective and efficient cost structure of the company must be attained.

"We have been working with management to address the decline in revenue, generate additional sources of revenue, reduce costs, effect key structural changes in the SAPO business model and consider key investment in technology and infrastructure to drive performance. The success of the SAPO Business Rescue is predicated on arresting the cash flow bleed whilst also allocating capital to facilitate the company being able to service clients effectively", noted Joint Business Rescue Practitioner, Anoosh Rooplal.

The BRPs undertook an extensive analysis of the employee base to authenticate employees and understand all skills sets and abilities, which is being finalised. There were a number of disciplinary cases involving misconduct by employees which had been stalled prior to the BRPs taking over as Business Rescue Practitioners in July. All disciplinary hearings including high profile matters relating to senior management have to date been scheduled and are receiving attention. We hope for these matters to be finalised in the coming weeks.

Employees' salaries continued to be paid.

The payment of staff salaries is being monitored and reviewed and is dependent on cashflows of the entity and funding received from the Department of Communications and Digital Technologies and National Treasury. The BRPs are engaging continuously with The Employees Committee, which represent unions and non-unionised staff members. The BRPs held various engagements with SAPOs' four medical schemes. These

engagements and payment of contributions from July onwards led to the reinstatement of payment to the medical aids from 1 August 2023, although not all are allowing access to benefits just yet. The BRPs have committed to pay contributions going forward to ensure that members of the respective schemes are afforded access to the benefits. Employees have the right to choose a different identified medical aid, should they wish to.

Another area of focus, is considering the extent and structure of the branch network, which is the corner stone of the Post Offices' business. The team has undertaken an extensive review and analysis of the branch network, which has included a wide range of criteria of the individual branches, including, profitability, geographical reach to customers, universal service obligations to keep certain branches opened, services like motor vehicle licencing, financial services and SASSA grants pay outs from the Post Bank.

Rooplal notes, "We know that many branches are not operational due to lack of payment of rent to landlords or IT issues or operating manually due to electricity shut downs resulting from the non-payment of electricity accounts. We are aware that certain branch conditions are not optimal and we are looking to rectify this going forward. This will however take some time as we try and navigate the entity out of the financial distress that it is currently experiencing".

"A one size fits all in determining which branches need to be reopened and which should be closed is difficult to undertake", continues Rooplal. The Post Office services include the Universal Service Obligations ('USO') in rural areas and so a mere profitability metric or cost centre metric would be trite". However, the purpose of the practitioners is to restructure the business into a solvent entity, which is able to pay its debt as and when it becomes due. A solvent efficient and effective Post Office will therefore need to be considered, with the input of multiple stakeholders, including the Ministry of Communications and Digital Technologies and creditors for the ultimate benefit of South Africans, many who live in rural area and make use of the Post office.

### **Newcastle branch has electricity reconnected**

Re-opening of key branches also remains high on the BPR's list. This has to be balanced with costs are incurred when re-opening a branch and the current lack of funds.

Juanito Damons, Joint Business Rescue Practitioner commented, "we are pleased to have paid for and reconnected the electricity at the Newcastle branch this week. The branch which will be fully operational from 4 October 2023, serves about 100 000 community members and offers renewal of vehicle licencing, postal services and acts as a paying agent for SASSA grant members".

He added, "paying for the electricity to be reconnected and operational at the Newcastle branch is an important step and demonstrates our commitment to negotiating with municipalities and where necessary landlords in the re-opening of key post offices that were closed prior to our appointment".

The BRPs have also had to turn their attention to the issue of the long queues of SASSA members during the beginning September which stems from grant holders inability to be paid out their grants from the Postbank, who hold the mandate to issue SASSA grants.

SAPO like many other retailers and banks are paying agents to grant holders. The fact that the monies were not paid is an issue on the Postbank's side and which the Postbank has alerted the public to.

"We are urgently engaging the Postbank as well as the Minister of Communication and Digital Technologies on this matter", concluded Rooplal.

ENDS

Louise Brugman 083 504 1186 on behalf of Joint South African Post Office ('SAPO')  
Business Rescue Practitioners (BRPs), Mr Anoosh Rooplal and Mr Juanito Damons

**Notes to editors**

SAPO provides traditional postal delivery services, which enables people, especially in remote and otherwise underserved areas to access communications and government services where they would otherwise be unable to do so. SAPO's services are not limited to traditional postal services. SAPO serves as the South African Postbank SOC Ltd ('Postbank') physical branch network. It is responsible for distributing social grants at its branches on behalf of the Post Bank which holds the SASSA mandate; it delivers medication to those in need; and it facilitates convenient renewal of motor vehicle registration.

SAPO is presently financially distressed. SAPO is unable to honour its financial obligations as and when they fall due. SAPO has failed to honour its contractual, statutory and employment obligations. While there are several reasons for SAPO's predicament, the main reason is that SAPO was designed to provide traditional physical postal services. With rapid improvements in technology, demand for traditional postal services has diminished. SAPO has for various reasons been slow to adjust its business model to this modern state of affairs.