

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1110

DATE OF PUBLICATION: 4 SEPTEMBER 2009

Mr M Swart (DA) to ask the Minister of Finance:

- (1) Whether there has been a ratings downgrade in the credit rating of State-owned entities (SOEs) by certain agencies (names furnished) since 1 January 2007; if not, what is the position in this regard; if so, what were the reasons given (a) for the downgrade and (b) by each rating agency for each SOE;
- (2) whether the National Treasury has compiled a plan, policy or recommendations to avoid the possibility of downgrades in credit ratings for SOEs; if not, why not; if so, what are the relevant details;
- (3) what are the cumulative cost of credit ratings downgrades of SOEs in every financial year since 2005-06 up to the latest specified financial year for which information is available?

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REPLY:

- (1) Yes. A list of the SOEs' credit rating downgrades since 2007 and the reasons for the downgrades, are reflected in ***Annexure A***.
- (2) Yes. The National Treasury ensures that the credit rating downgrading of SOEs are contained through:
 - o Minimising the likelihood of a sovereign credit rating downgrade as SOEs' credit ratings are benchmarked against that of Government;
 - o Exercising financial oversight over SOEs within the authority provided under the Public Finance Management Act;

- Co-ordinating of borrowing and market access by all Public Sector borrowers (Government and SOEs); and
 - Reviewing SOEs' Treasury Operations against Treasury Best Practice Guidelines.
- (3) Investor sentiment is not only driven by a credit rating action alone, but is also influenced by various other global and domestic economic, financial and political factors, of which the recent sub-prime crisis serves as an example. The degree of change in borrowing cost, due to a credit re-rating, can therefore not be isolated from the other factors mentioned above and it is therefore impossible to calculate cumulative cost of credit ratings downgrades of SOEs since 2005-06.