**ESB workers to be offered €100 million share bailout deal**

03:55, 24 May 2015 by Michael Brennan and Fearghal O’Connor

The government is set to sign off on a new share bailout deal worth up to €100 million for ESB workers.

The ESB gave out the shares to its workers in lieu of pay rises back in 2001. But the promised windfall never came, with workers complaining they were unable to sell their shares due to a lack of demand.

Now the ESB has been forced to belatedly fix the problem, with a massive share buyback plan for its current and retired workers.

The secret discussions have been taking place over recent months with the government, the ESB and the representative body which holds the ESB shares for 10,800 workers.

The principles of the main points of the proposals “have been agreed with government departments and ESB”, according to a letter from the ESB Employee Share Ownership Plan (ESOP) to its members.

ESB workers own 5 per cent of the ESB shares through their ESOP with the state owning the remaining 95 per cent. They can currently only sell their 99 million shares to each other through “internal markets”.

The price and volume of the share buy back deal has not been agreed. But at the original €1 value of the shares, it would cost around €100 million to buy all of the shares owned by current and retired ESB workers.

However, ESB pensioners are arguing that the shares should be priced at €1.99, based on the current €2 billion net asset value of ESB. At this price, a full share buyback would cost close to €200 million.

It comes after The Sunday Business Post revealed earlier this month how the government exempted ESB workers from paying the Universal Social Charge and PRSI on their shares. It was a reversal of a previous budget measure by the late finance minister Brian Lenihan jnr.

The latest deal will see the Esop and the ESB each acting as buyers of the workers’ shares until 2018. At this point, a review will take place, and shares bought by ESB will be cancelled.

It is understood that the Esop has already spent €8.5 million of its own funds to prop up the price of ESB shares on the internal market for staff. This money has come from Esop’s dividends on its ESB shares. But this has had only a limited impact.

A letter sent by ESB’s Retired Staff Association this month about the outline proposals said that it was proposed that ESB and Esop would “introduce new liquidity to support future internal markets”.

The planned deal will be a boost for retired and serving ESB workers who own 5 per cent of the shares in the company. It is understood that it will be particularly attractive for some ESB staff members who have bought up shares in previous internal market sales, at very low prices.

Under the deal, there would be an independently assessed fair market value put in place for the ESB workers’ shares.

Retired ESB workers, who currently have to sell their shares after a set period, would not be allowed to accept less than a pre set minimum reserve price.

A share sale on the internal market that was due to take place this month has been deferred until September, to allow detailed measures to be brought forward and implemented.

According to the ESB’s most recent annual report, its 7,149 workers are paid average salaries of €74,000 each, including overtime and pension costs.

ESB staff have always felt hard done by because they never benefited from the bonanza share payments given Eircom and Bord Gáis Éireann staff when these semi-state companies were privatised.

A spokesman for the ESB’s Retired Staff Association (ESBRSA), which has campaigned on the issue, said that the shares would not provide a large windfall for pensioners, due to the privatisation of the ESB being off the table.

Pensioners currently have a maximum of 12,000 shares, with only 6,000 of these available for them to sell. At a price of €1 a share, the maximum payout would be €6,000. There are no restrictions on how many shares can be owned by serving ESB staff.

The ESB has declined to say how much it was going to spend on buying back its workers’ shares. It is due to fund the share buybacks from its own resources, rather than engage in more borrowing.

In a statement, the ESB said the internal share market for ESB workers had suffered from inherent weaknesses for a number of years.

“The ESB is seeking to implement changes to improve the operation of the market, including making a limited amount of funds available for ESB to buy shares in the Esop market,” it said.

It insisted that it would not have an adverse impact on electricity prices, dividends to the government or the ESB’s investment plans in electricity infrastructure.

A spokeswoman for Minister for Communications Alex White said it would be inappropriate to comment because discussions between the Esop and the ESB were ongoing. The Esop said it would not be making any comment at this time.