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The Star

Jr..... Nr..... P. 4 Dat 24 FEB 2000

‘ The minister could afford to ease off a little in the longer term pursuit of fiscal prudence ,

Rudolf Gouws
Rand Merchant Bank

‘ One of the bombshells of the Budget is the declared intention to introduce a capital gains tax ,

Martin Kourie
Momentum Life

‘ It is a great disappointment that retirement fund tax was not adjusted to offer some relief ,

Niel Krige
Momentum Life

TREFWOORDE

1 Business Rep.

2 Manuel T

3 Legat

4 Parliament

5 Info

6 Sheld

7 Privatisation

8 Hakske

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‘ The radical change to residence-based taxation is probably being introduced too soon ,

Francois Jooste
Momentum Life

PRIVATISATION Approach more cautious than some observers

would have liked

State to contribute R5bn to debt reduction

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town Trevor Manuel, the finance minister, announced a slightly more cautious approach to privatisation than many would have liked when he said the state was expected to contribute R5 billion to debt reduction in 2000/01, rising to R10 billion in 2002/03.

Earlier he admitted at a media

briefing that R5 billion was "not sufficiently ambitious" and said parastatals had to be prepared for privatisation. The government, he said, was not presiding over "bargain basement sales".

Maria Ramos, the director-

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The Star

Jr..... Nr..... P. *h* Dat *24 FEB 2000*

general of finance and state expenditure, said the R5 billion would probably come in the main from the next stages of the corporatisation of Telkom and Transnet.

But Manuel assured parliament "bold initiatives in restructuring public entities" were in progress. Inflows were expected to pick up substantially in coming years as the complex task of putting parastatals on a sound financial basis was completed.

Manuel said that in 1999/2000, R6.9 billion was raised from restructuring, mainly through the conversion of the South African Special Risks Insurance

Association (Sasria) to a public company with reduced reserves.

The Budget review released with Manuel's speech said that during the year R43.9 million had been received for debt relief from the sale of the Airports Company, R6.2 billion from the restructuring of Sasria and R610 million from the sale of 20 percent of South African Airways.

A total of R8.6 billion had been raised from restructuring, mainly from international equity partners, of which R3.3 billion was used to reduce debt, the review said.

Of the R6.2 billion from Sasria, only R5 billion has been paid

already, and the payment of the rest, together with a further secondary tax on companies payment, should bring the total amount available for debt relief to R9.5 billion.

Manuel said the benefits of restructuring were much wider than providing funds for debt relief. It ensured the renewal of public enterprises with a strong focus on service delivery, such as the roll out of telephones to more people and the extension of broadcasting and public information services.

"We acknowledge that there are many areas of public sector responsibility in which the

private sector is better placed to deliver effective services, perhaps because the dynamics of competition can be brought into play, or because technical capacity exists in the private sector or because the investment risks can be better managed in this way," he said.

Manuel's department was establishing a unit to help national and provincial departments identify, procure and implement public-private partnerships. Regulations would be drawn up to "provide a proper framework for the development of partnership transactions".

The review said the restructuring of state assets

would "gather pace in 2000 and beyond" with Telkom, Eskom, Denel and Transnet receiving priority. Various approaches were being adopted, including corporatisation, concessioning, strategic equity partners, business re-engineering and divestiture.

The programme would result in improved productivity and lower interest rates. It would attract investments and have a significant effect on growth and employment.

"Potential short-term job losses are likely to be rapidly compensated for by employment creation through additional economic growth," it said.

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