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Policy

PRIVATISATION

THE BALL STARTS ROLLING

Larger public utilities to change first

Privatisation is expected to yield R5bn towards the reduction of government debt next year and double that figure in 2002/2003, says Finance Minister Trevor Manuel. The restructuring of State enterprises will gather momentum in 2000, with Minister of Public Enterprises Jeff Radebe due to outline a privatisation strategy to Cabinet in March.

Priority will be given to restructuring the larger public utilities: Telkom, Eskom, Denel and Transnet. Manuel says a total of R8,6bn has been raised through privatisation, mostly from international equity partners, of which about R3,9bn in restructuring proceeds has flowed to the exchequer, mainly through the conversion of the SA Special Risks Insurance Association (Sasria) to a public company. In addition, secondary tax on companies of about R800m was paid into revenue as a result of the restructuring of Sasria.

"The conversion of Sasria into a State-owned company has allowed a further R6,2bn in debt to be redeemed. Full privatisation of Sasria has already started and a transaction adviser will be appointed shortly," says Manuel.

The successful bidder for the Aventura holiday resorts did not meet the payment obligations and government was forced to terminate the contract, according to the *Budget Review*. The Protea Group has been appointed to manage and restructure the company.

Government has received 50% of the proceeds of the sale of Sun Air. The bal-

ance was to be paid in January this year, but Sun Air has since been liquidated. According to the *Budget Review*, government is negotiating with the former shareholders about the payment of the outstanding R20m.

Negotiations are continuing on prices and conditions for the restructuring of forestry parastatal Safcol, and to lease forests managed by the Department of Water Affairs & Forestry. The forestry assets in Mpumalanga and Northern

Provinces have been re-offered on a stand-alone basis and a deal should be completed by June.

With a view to putting government's diamond mining concern on a sound footing, a two-year strategic management contract has been awarded to Nabera, entailing the transfer of operational responsibility for Alexkor.

Government has approved the sale of 5% of Telkom's equity, worth R970m, to empowerment groups, employees and the National Empowerment Fund.

A Cabinet committee has also endorsed a 20% initial public offer of Telkom shares by 2001.

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PROCEEDS OF THE RESTRUCTURING OF STATE ENTERPRISES

Rm	Date of transaction	Stake sold (%)	Proceeds from sale of assets	Proceeds paid to exchequer to reduce debt
Sun Air	Nov 1997	100	42.1	
Telkom	May 1997	30	5 630.5	
SABC radio stations	Mar 1997	100	510.4	
Airports Company	Jun 1997	25	1 035.1	
South African Airways	Jul 1997	20	1 400.0	
Connex	Aug 1999	100		
Sasria	Feb 2000	Special restructuring d		

Government received US\$961m from the sale of a 30% stake in Telkom to the SBC/Telekom Malaysia consortium in 1997, and invested \$700m as its share of a \$1bn recapitalisation programme.

In keeping with a burden-sharing agreement, government will take over R1,3bn of the shortfall in the Transnet Pension Fund attributable to SA Airways.

The corporatisation, restructuring and sale of Transnet's noncore business units have been approved. Connex Travel has been sold for R15m. The sale of Denel's noncore activities and the purchase of a 50% shareholding in debis IT Services have been approved.

Government has approved the merger and consolidation into a single corporate entity of the information technology service providers within Denel, Eskom and Transnet. The merger and corporatisation of the telecoms divisions of Transnet and Eskom have also been approved.

Money gained by the exchequer from the sale of strategic oil stocks since 1995 has yielded R7,6bn.

Government has approved the appointment of advisers on the restructuring of the SA Broadcasting Corp into separate public broadcasting and commercial services.

William Mervin Gumede

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