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Privatise Eskom for \$20bn, state is urged

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Pretoria — The government should consider privatising Eskom which, as a power utility, would be worth about \$20 billion, said Peter Worthington, a JP Morgan Bank economist, last week.

If the government sold 25 percent of Eskom, "it would double the net foreign exchange reserves of the Reserve Bank, which would result in major macroeconomic benefits for the country (and) the Budget and subsequently boost investor confidence", he said.

"The arguments in favour of it (the privatisation of Eskom) are so strong I really don't know why the government does not consider it," Worthington told a post-Budget briefing organised by the Pretoria Afrikaanse Sakekamer in conjunction with the Pretoria branch of the Economics Society.

Worthington said the R4 billion revenue in the Budget the government expected to reap from privatisation was "too conservative".

The government would raise more, he said, from the listing of Sasria (the South African Special Risks Insurance Association) and "creaming off" some of its reserves and the privatisation of the South African Forestry Company (Safcol), the forestry parastatal.

He added that the sale of 25 percent of SAA would proba-

bly generate about another R500 million.

Worthington described the Budget as "a model of realism, transparency and good fiscal policy".

He said that it represented a good balance between three often conflicting interests — social upliftment, macroeconomic stability and supply incentives, such as the corporate and individual tax rate cuts.

Andre Roux, the deputy director-general of the finance department, said the one real big success story of the past year was the remarkable turnaround in how the finances of the provinces were managed.

Roux said over-expenditure by the provinces was in the order of 1 percent of gross domestic product at about R6 billion last year but a consolidated surplus of R600 million was expected this year.

The government was deeply concerned about the fiscal health of the provinces last year which, Roux said, was "a crisis in the making".

But Roux said the national government had been extremely in the way it had approached the provinces and had explained to them that it was not going to bail them out.

If the provinces overspent, they would have to repay the amount owed.

"Very quickly, the provinces realised that was how the new system worked," he said.

TREFWOORDE

1 Business Rep.

2 Ekonomiese

3 aamodhi

4 Regening. Res. Centraal

5 privatisering

6 Eskom

7 finansiering

8 Sasria

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