PRIVATISATION

COMMITTED TO RAISE CASH

Proceeds might come to more than R18bn, most of which will be used to reduce State debt

The sale of shares in two of the country's biggest telecommunications companies will boost government receipts from privatisation to more than R18bn during 2001/2002.

A substantial portion of the R2,8bn raised from the sale of State assets in fiscal 2000/2001 came from the sale of 75m shares in M-Cell, the listed telecoms group, by Transnet, the State-owned transport group. Transnet sold the shares for R2,4bn to Johnnic, the economic empowerment company that controls M-Cell. Transnet then paid government R2bn of the proceeds as a special dividend and as a tax on dividends.

Finance Minister Trevor Manuel expects receipt of R18bn during 2001/2002, which he will use to reduce State debt.

But National Treasury officials say R18bn could turn out to be a conservative figure. It depends on investor appetite for Telkom, the State-owned telecoms group being prepared for an initial public offering (IPO) later this year to local and international investors. The sale of Telkom shares to the public could be affected by the current lack of enthusiasm among international investors for telecoms stocks.

Besides Telkom, government will sell Transnet's remaining 23% stake in M-Cell, which owns SA's second cellular phone group, MTN. Transnet will then pay the proceeds to government as a special dividend, subject to the transport company's need to finance its capital expenditure.

Government's stake will most likely be sold to an international telecoms company, in line with Johnnic's previously announced plans to take on a strategic equity partner in M-Cell, whose MTN subsidiary is emerging as one of Africa's preeminent telecoms companies.

M-Cell has said it needs an international partner for its bid for the second fixed-line telecoms network in SA, when Telkom's monopoly ends in May 2002.

In addition to boosting government privatisation proceeds, the sale of Transnet's stake in M-Cell will resolve one of the lingering issues of potential conflict of interest between M-Cell and Transtel, Transnet's telecoms subsidiary.

Other State-owned assets to be sold during 2001/2002 include Denel Aerospace. Public Enterprises Minister Jeff Radebe said last week that the merger with BAE Systems, the UK-based group, was expected by July. In addition to the price for the strategic stake, BAE is expected to improve Denel's access to global markets and help it upgrade its technology and manufacturing capabilities.

National Treasury sources say government is also likely to sell its stake in the SA Special Risks Association (Sasria), the specialist risk insurer. In 1999/2000, government (having converted Sasria into a public company in 1998) received R7,1bn as a special dividend from the company. In his *Budget Review*, Manuel says government has appointed advisers to look into further options for "the restructuring" of Sasria.

Manuel's higher-than-expected privatisation cheque has struck a positive note with economists. Privatisation proceeds for 2001/2002 were initially pegged at R6bn. Andre Roux, the head of fixed income at Investec Asset Management, says the "surprisingly big upward revision to R18bn" illustrates government's commitment to the privatisation process.

Manuel has allocated an additional R76,9m to the 2001/2002 budget of the Department of Public Enterprises to cover the cost of establishing the IPO office. The office will be responsible for the preparations of all sales to investors of State-owned companies. The bulk of the money will be used to buy equipment and information systems, and pay the transaction and marketing costs of selling Telkom shares.

The creation of an IPO office was first announced last August when Radebe presented his department's policy framework to guide the restructuring of State-owned transport, energy, telecoms and defence companies. The restructuring of the four — Transnet, Eskom, Telkom and Denel — will be completed by 2004. **Jabulani Sikhakhane**