

Source: SUNDAY INDEPENDENT

Date: 25-Feb-2001

Topic: 31

Ref No: 1644



1

ID: 02653589-01 Source Page: 21

SUNDAY BUSINESSREPORT**Manuel puts
Telkom on the line**

The strong commitment given by Trevor Manuel, the minister of finance, to keep the initial public offering (IPO) of Telkom on schedule in this week's Budget sits uneasily with the board of Telkom. The board of the telecommunications utility is afraid the minister's "do or die" approach may lead to Telkom failing to receive the value it should when it goes to market. If the market knows the country has to privatise Telkom to meet its fiscal targets, investors will have more leverage to dictate the price.

Alternatively, Manuel's public resolve could impress the financial markets and potential investors. Manuel needs to reassure the investment community that the government can stick to its promises.

His terms have been unequivocal. The finance ministry requires R18 billion from privatisation revenues in the new fiscal year to reach its budget deficit target of 2,5 percent of gross domestic product. On the block sit Telkom, Transnet's stake in M-Cell and Sasria. And the greatest of these is Telkom. The Telkom IPO is a foreign investment bellwether and one that could change the sentiment towards the country's economy.

This year doubts have crept in around the Telkom IPO. They sprang from an incident over Christmas in which the department of public enterprises backed the union movement in a court action to stop retrenchments taking place at Telkom. This was interpreted as the government shying away from policy that it had approved under union pressure. But there are greater doubts about whether the regulatory process will be ready in time to allow for a fourth-quarter IPO. Guidelines on the shape of the competitive landscape in the local telecommunications sector have yet to appear. They are expected to be released next month but they will take some time to find their way into legislation. No investor is going to put money into Telkom without knowing how or what regulatory terms govern a second fixed-line operator.

The Telkom board openly showed its discomfort with Manuel's iron approach on Friday. Sizwe Nxasana, the chief executive of Telkom, challenged Manuel's resolve to list Telkom by the end of the year, saying it would be senseless to list the partially privatised utility at a time when information technology and telecommunications stocks were depressed.

Linking ambitious restructuring revenues to meeting deficit targets has put a new complexion on commitments made by senior officials, including President Thabo Mbeki, to list Telkom in the fourth quarter of this year. The caveat has always been subject to market conditions. Post-Budget this is a little different.

Manuel is courageous. He knows the good effect the promise of delivery by senior officials can have on market expectations. The inflation targets were introduced with this in mind. This time he has clearly set out an objective by which he and Jeff Radebe, the minister of public enterprises, will be judged. Sadly, he pulled up short of putting something personal at stake by saying both will resign their posts if they do not make their target. The regulatory authorities, government departments and Telkom's board should do everything to make sure they don't have to. There may be more value in Manuel's firm intention than in telecommunications stocks.

You can write, phone fax or e-mail a letter to:

The Editor, Business Report on Sunday, PO Box 1014, Johannesburg 2000

Phone: (011) 633-2996 Fax: (011) 838-2693

e-mail: busrep.weekend@thestar.co.za

Business Report reserves the right to edit all contributions.