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1

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State privatisation and restructuring projects 'moving along well' say Treasury officials

National Revenue Fund

already R3,2bn richer

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Cape Town – The government had already received R3,2 billion of the expected R18 billion to be raised from the proceeds of restructuring or privatisation this year, Treasury officials said yesterday.

Other transactions that had been targeted were “moving along well and government is exactly where it needs to be”, one official said.

Brian Molefe, the deputy director-general in charge of asset and liability management, told the portfolio committee on finance it was difficult to judge exactly how much would be raised.

The Telkom initial public offering (IPO), for example, was scheduled for the fourth quarter, and

last year that Sasria had reserves of R10,5 billion and would need about R2,5 billion, plus reinsurance of another R2,5 billion, to continue its business. “And that is made on the assumption that the company will be able to cover two disasters close to each other of R2,5 billion each,” Molefe said.

As a result, a dividend of R7,5 billion was declared last year before Sasria's privatisation started. But it soon became clear the industry was not sure about the government opening the political risk market, and it was decided to retain ownership for a further five years.

Further research by actuaries found that the capital in Sasria could be reduced from R4 billion to R500 million, “and take out further

“anything can happen between now and then”, he said. “We also do not want to state positions that will cause speculation about how we are going to do the transaction that could have an implication for the value that we will accept.”

It was difficult to prejudge the proportion of local and foreign investment but it was unlikely the government would borrow from the domestic market, where it was “quite comfortable” financially, he said.

Maria Ramos, the director-general of the Treasury, said the government was doing all its homework so that parastatals would be ready to go to the market as soon as it was ready this financial year.

Molefe said the R3,2 billion had come from Sasria, the special risks reinsurance arm. It was confirmed

reinsurance because it has an income of about R200 million a year,” Molefe said. “We then declared a further dividend of R3,2 billion.”

Ramos said the Treasury was playing an active role in the restructuring of State enterprises ahead of corporatisation or privatisation. The aim was to ensure that the IPOs and other deals were financially sound, and that the money was collected and placed in the National Revenue Fund.

Her staff took part in overseeing the process to “give financial and economic oversight over where these transactions are going,” she said. “We focus also on the bottom line but we try and understand the economic consequences of a particular transaction.”