

Source: BUSINESS DAY

Date: 22-Feb-2001

Topic: 08

Ref No: 3332



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ID: 02653353-01 Source Page: 7

PRIVATISATION *Largest inflow from revamp likely to be from Telkom's initial public offering*

State restructuring should raise R18bn

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and Greta Steyn**

GOVERNMENT expects to receive R18bn from the sale and restructuring of state assets in 2001-02, with the biggest inflow likely to come from Telkom's initial public offering towards the end of this year.

Significant funds could also be raised from the sale of Transnet's 24% stake in M-Cell during 2001-02.

National treasury deputy director-general Lesetja Kganyago declined to say how much would flow to the fiscus from the sale of Transnet's stake in M-Cell, but confirmed the sale would not take place through the market.

"We've seen some foreign interest and there are three bids on the table," Kganyago said.

One industry official said UK mobile telephone operator Orange had definitely expressed an interest in the M-Cell stake.

Other possible bidders could include France Telecom and Portugal Telecom, but the discussions were "highly sensitive".

The official said it was understood that Transnet was keen to get a portion of the proceeds from the sale when it went through. The money could go into its pension fund and possibly infrastructure development.

In his budget speech yesterday, Finance Minister Trevor Manuel committed government to listing Telkom this year, although no details on the percentage to be listed or the sum government expected to raise were forthcoming.

Depending on the valuation of Telkom, analysts have speculated that government could raise between R15bn and R30bn from the listing of between 14% and 20% of the utility.

While Telkom is expected to be the biggest money spinner for government, a significant sum of money could also flow from the sale of Transnet's stake in M-Cell. Another possible source could be from the restructuring of political risks insurer, SA Special Risks Association (Sasria).

The introduction of strategic equity partners into Denel's ordnance and aerospace divisions as well as the continuing sale of several of Transnet's noncore assets are on the cards.

Government may decide to sell a stake in its diamond mine, Alexkor, after Nabera's strategic management contract ends in June and it may also offload further assets held by the SA Forestry Company.

Officials would not be drawn into breaking down the overall budgeted number for privatisa-

tion into its different components. "That would be giving the market a price, and we cannot do that," said Kganyago.

The budget, which includes figures for three fiscal years, did not include any estimates for power utility Eskom, although officials said future estimates could be seen as conservative.

Eskom is not expected to be taken to the market any time soon, although significant restructuring is under way.

The budget review said Eskom was currently being split into separate generation, transmission and distribution corporate entities, while its noncore assets had been transferred to Eskom Enterprises.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka indicated recently that if private partners were introduced to Eskom, this would only be likely to take place when its excess capacity runs out, which is expected in about 2010.

The budget review said a total investment of R19bn had been raised since 1997, mainly from international equity partners, of which R12,4bn has been paid to the exchequer for reduction of debt.

The biggest amount came from a R7bn special restructuring dividend from Sasria last

year, which was followed by the sale of a 30% stake in Telkom in 1997 for R5,6bn.

The one surprise in the budget review was that government had agreed the government printing works would be established as a state-owned enter-

prise and incorporated in terms of the Companies Act.

An investigation was being conducted to finalise the option of selling a minority stake to a strategic equity partner, it said.

Public enterprises ministry spokesman Fani Zulu said the

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policy framework for restructuring state assets was now in place and government could accelerate its programme.

"We are going to see a lot more work on the restructuring side flowing through from now on," he said.

Interest on debt as percentage of national revenue and expenditure

