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TELKOM IPO COMPLICATED BY MIXED SIGNALS

Telkom CEO Sizwe Nxasana has been slapped down by government for his comments that Telkom's listing, scheduled for the fourth quarter, may be postponed if the downturn in telecoms stocks continues. Yet Nxasana's comments are sensible. One need only look at the carnage that greeted UK cellular operator Orange's initial public offering (IPO) to see that even the world's most admired operators are not immune to fickle markets. US carrier SBC and Telekom Malaysia, which own 30% of the much less admired SA fixed-line monopoly, will not want to see Telkom's valuation slashed at listing. The same goes for government, which is hoping the IPO will fetch more than R16bn.

While Nxasana's views are similar to those expressed by Public Enterprises Minister Jeff Radebe, he rocked the boat just days after Finance Minister Trevor Manuel's Budget announcement that privatisation proceeds for fiscal year 2001/2002 will reach R18bn (which includes the sale of special risks insurance association Sasria and Transnet's 24% stake in JSE-listed telecoms group M-Cell). Some analysts are concerned that Nxasana's comments are a signal that government is having trouble drafting a clear telecoms deregulation policy. This would negatively affect Telkom's IPO and preclude the issuing of a second (or third) fixed-line licence.

Until there is policy clarity, the markets' see-saw is likely to continue. But there are other problems. That government tried to intervene in Telkom's restructuring plans late last year does not help. In December, the Communication Workers' Union applied for a court interdict, with supporting letters from government, to prevent Telkom management from retrenching 760 workers. The appeal failed. But, by acting in support of the union, government seriously undermined Telkom's board (50% of which are State appointees). As the Telkom IPO draws near, government and Telkom management must satisfy investors they are singing from the same song sheet. ■