

“How big is the implementation gap”

Several commentators have suggested that the government’s privatisation programme has come to a standstill. We compared the status as at the end of the 3rd quarter with the timetable we drafted and circulated in June.

Overall conclusions:

1. One must distinguish between the wider privatisation process and the R18 billion privatisation proceeds budgeted for by minister Manuel.
2. It is quite clear that the privatisation process is moving forward. The scope of the private sector keeps expanding. More beneficiaries are benefitting.
3. This is happening in spite of serious opposition by Cosatu, both in the streets (marches, strikes and protests) and parliament (lobbying ANC members of parliament and making submissions to parliamentary committees).
4. These developments indicate what government’s political will is.
5. Government is clearly pursuing a strategy of making “outsiders” the beneficiaries of privatisation, thus building a political powerbase for the process at large.
6. R4 billion of the R18 billion privatisation proceeds have been raised. Generating the balance will depend on market conditions. Government’s target date for Telkom remains the end of March 2002.
7. Good progress was made with deregulation, as opposed to mere privatisation, during the third quarter. This creates huge investment opportunities in energy, specifically electricity generation, and port operations.

Current status

The scorecard looks as follows:

- In June we forecast seven developments for the third quarter of 2001.
- Three of these developments took place; two more are in process and will probably be finalised during the fourth quarter; progress on two is uncertain.
- In addition, three developments that we did not forecast, also occurred.

June forecast and current implementation:

Legislation on restructuring of Eskom to pass Parliament (also the immediate trigger for Cosatu's anti-privatisation strike in August)	Done (in spite of resistance by both Cosatu and Eskom management)
Split Portnet into operating entity and regulator. Precursor to privatisation and outsourcing i.r.o. port operations.	Done
Appoint private sector partners to help with the management and maintenance of public buildings.	Done. Six local and one international company appointed.
Sale of stakes in two Denel subsidiaries to French and British companies. Negotiations in progress.	In progress. Negotiations now in process. Expect 4Q.
Final decision on restructuring of Spoornet.	In progress. Expect 4Q. Some decisions announced, but not whole package yet.
Invite tenders for sale of M-Cell shares	Done, but no sale yet. Uncertain.
Outsource management of four key buildings	Not yet – uncertain

The *three developments not forecast*, were around the state diamond mine Alexcor, state properties and Safcol's forestry interests.

Alexcor:

Amend Alexcor legislation to allow sale of shares other than through JSE listing. Alexander Bay community can obtain interest. 10% set aside for them.	Amendment passed by committee in spite of Cosatu's pleas.
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Some **state properties** were disposed of:

Up to 31 August 2001 237 properties comprising some 60 000 ha have been disposed.	Non-commercial use in land reform, low-cost housing, dev.
A further 103 properties comprising 14 424 ha	Land development

were sold for commercial purposes for R22 mio	opportunities created.
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Safcol's forestry assets:

45 000 ha of Safcol forests in Western Cape allocated to new beneficiaries for use in conservation & agriculture, rather than forestry	Uneconomical land shunned by private forestry investors.
Safcol forests in Eastern Cape sold to private consortium of business (Hans Merenksy Trust) and community.	Local community benefits; first time Black have an interest in forestry and sawmilling.
25 000 ha of Safcol forests KwaZulu-Natal have been sold to Mondi and a black community trust for R100 mio and an annual rental of R5,4 mio	Ditto.
7 000 ha transferred to the St Lucia Wetlands Park to enhance tourism potential	Will benefit tourism at World Heritage Site.
Negotiations with Steinhoff to become partner in upgrading sawmills in Southern Cape	Involve a major manufacturer

The R18 bil question

For the financial markets the key question would be how much of Finance minister Manuel's budgeted R18 billion of privatisation proceeds will be collected.

At this stage he has already raised R3,1 bil from Sasria, leaving a shortfall of R14,9 billion.

The Denel transactions, property sales and forestry disposal will in all probability raise another R900 mio. That will leave a shortfall of R14 billion to be covered by the sale of M-Cell shares and 20% of Telkom. If Telkom is valued at R50 billion (including its 50% stake in Vodacom) and the M-Cell sale can raise this amount .

Government has repeatedly stated that its deadline is the end of March, and transactions will depend on the state of the world equity markets.

Deregulation

Some other developments have a bearing on the philosophy of privatisation and is indicative of where government is heading:

1. The Gas Bill is passed in Parliament, paving the way for a US\$1,2 billion investment by Sasol in bringing gas from Mozambique to SA. More than \$1,0 billion will be invested in SA.
2. Government committed itself to taking a decision by 2003 on who would get licenses for electricity generation. New capacity will be needed by 2007 – hence a decision must be taken by 2003.