

## **What happened to privatisation in 2001?**

THE Telkom listing did not happen. The M-Cell shares were not sold. Two Denel transactions scheduled for last year did not take place. And then there was (and still is) much confusion and noise about telecoms and the industry's regulatory authority.

All this happened against the backdrop of Cosatu calling a two-day strike in August to protest against privatisation.

So what is the state of play? Does Government still have the political will to privatise? If so, why is nothing happening?

### ***Nothing happening?***

Well, let's see. In 2001 Pres. Thabo Mbeki and Min. Jeff Radebe committed Government to a total of 17 actions on privatisation. Of these, seven were completed during last year and progress is being made in three more – that takes care of ten out of the 17 promises.

Coleman Andrews, the insolvency of SwissAir and September 11 put an end to any plans for an SAA listing. That makes it 11 out of 17.

The current situation in Telkom and M-Cell is a direct result of Government's messy handling of the regulatory issues around telecoms. It must take full responsibility. So far, 13 out of 17.

The Denel transactions are proving to be very difficult, with the British indicating a lack of interest and the French still talking. Until more information becomes available, I am not sure who should take the blame, if anybody. Some deals simply cannot be made. That is 15 out of 17.

The establishment of a rail safety regulator and the restructuring of Spoornet remain on the "To Do" list. To the best of my knowledge, Government is waiting for a report from Rothschilds in London on the railways. That is the last of the 17.

Not promised, but nevertheless delivered, was the privatisation of state properties and forestry interests:

By August 2001 the state has transferred 237 properties to various beneficiaries for non-commercial purposes like low-cost housing, education, religious activities and land reform. A further 103 properties were sold for commercial use, for R22 million. A few jewels, such as the Silvermine property in Cape Town, were sold after 31 August and the proceeds are excluded from this amount.

Forestry interests were sold to various consortia involving private sector operators and local communities. For instance, Mondi bought forests in KwaZulu-Natal for R100 million and an annual rental, and Steinhoff bought properties in the Southern Cape. Thousands of previously disadvantaged people became stakeholders in commercial enterprises that will generate cash flow and capital gains.

### ***Conclusion***

It seems to me two failures out of 17 (Telkom and M-Cell) do not support perceptions that nothing is happening; or that there is no political will; or that Cosatu has delayed privatisation. The progress with state properties and forestry might not mean big money, but thousands of people are being made partners in a free market economy. Opportunities for investment are also being created in sectors that were sterile for a long time.

### ***Is Cosatu delaying privatisation?***

The above analysis answers the question, but let us labour the point a bit. One of the triggers for Cosatu's strike action in August was the Eskom Bill, aimed at converting Eskom from a utility to a company with share capital and taxpaying responsibilities. Cosatu called the strike in August. By September, the Bill was before Parliament.

Think of the symbolism: you do your damndest and play your Ace – a strike. Then your opponents carry on with their plans as if nothing happened!

I am sorry, I just cannot see substance for the view that Cosatu is delaying privatisation.

And will Cosatu tell those families benefiting from the forestry and land deals that they should not take the benefit? I think not. Politically, Cosatu has been out-manoeuvred.

Watch this space in 2002 – I predict a shift by Cosatu, away from its ideological opposition to all privatisation. Cosatu will still not embrace privatisation, but there will be more pragmatism.

### ***The Telkom delay -- a fringe benefit?***

Government could not have planned it that way, but consider the following:

Had Telkom and M-Cell been sold at the height of the TMT market (which was the original plan), shareholders would by now have been seriously out of pocket. Imagine yourself in the shoes of a previously disadvantaged person who received an allocation of those shares -- it was your first foray into the market, you put all your stokvel savings into it and now you are out of pocket. How would you have felt about financial markets, privatisation and the lot? Yes, pretty cheesed off.

I cannot think of a more devastating blow to the political support base for privatisation than such a scenario. Like buying Iscor at R2.00 after privatisation and then watching it go all the way down to 72c! You might get another chance years later with Kumba et al, but for the politics around privatisation, that would have been a catastrophe.

So, from a political point of view, I am quite happy that we did not list Telkom at the height of the TMT cycle. There would have been a lot of very unhappy voters by now.

- *First published by BoE Private Clients on 28 January 2002.*