



ONE MINUTE WORKOUT – PPP's

Everybody is focused on the Big Four: Telkom, Transnet, Escom and Denel. These are big transactions involving big money and even bigger symbolism. However, our research indicates that an equally important story is unfolding at local and provincial government level.

- Public-private-partnerships (PPPs) projects are underway in five national departments, all nine provinces and about 13 municipalities countrywide.
- Essentially it entails bringing private sector capital, and thus discipline and expertise, into areas of the public sector. It will increase capex spending and improve efficiencies and productivity.

At national and provincial government level the beneficiaries are:

- **Health sector:** currently seven hospital projects are underway. These range from a maintenance PPP at the Red Cross Children's Hospital in Cape Town; to equipping and maintaining the new R3 billion Albert Luthuli Hospital in KwaZulu-Natal to the co-location of private hospitals in public hospitals in the Free State and Eastern Cape.
- **Construction sector:** it will benefit from a PPP to rebuild the Chapman's Peak road in the Western Cape; three PPPs are also underway to build new head offices for national departments.
- **Services sector:** outsourcing the government garage (national and Northern Cape governments, also Johannesburg municipality); outsourcing maintenance of government buildings (currently the Union buildings, parliamentary complex and magistrates courts in Pretoria).
- **IT sector:** several projects involve the outsourcing of IT services to private companies.

At local government level the beneficiaries are:

- **Water and sanitation provision:** international companies have entered SA and are running multi-billion rand water supply and management contracts on behalf of local authorities. Rand Water Board has entered the fray, tendering for contracts in competition. (Could it be a prelude to a privatised Rand Water down the road?). However, it is not just big guns. Several smaller municipalities (Stanger, Umtata, Richards Bay and Lowveld District Council) are employing private sector operators.
- **Solid waste:** eight municipalities are outsourcing solid waste management.
- **Energy:** Johannesburg has sold its *gas* works to a US company and Pretoria is undertaking a R600m PPP to upgrade an old *power* station. A R200m PPP will also create new power generation capacity in the Johannesburg Metro. Read with President Mbeki's

earlier announcements about gas legislation and opening up the power generation sector, this sector could be in for significant expansion.

- **Airports:** at least three municipalities have privatised their (loss making) airports. The new owners are investing more money to improve infrastructure and attract traffic, inter alia, by developing office and IT parks around the airports.
- **Services:** a group of Eastern Cape municipalities have clubbed together to create a joint administrative service, outsourced, to do billing, money collection and help with administration.

Government support:

- The above list is a clear indication of government's position on PPPs.
- A section 21 company (MIU) was set up by government with private sector support. It advises municipalities on how PPPs should be initiated, evaluated and monitored. It provides technical advice and financial inputs and develops capacity.
- A PPP unit has been created inside the Dept of Finance run by a private sector secondee. This unit helps national departments and provincial governments with PPPs.