

## Privatisation boost for BEE

**Topic:** The Minister of Public Enterprises, Alec Erwin, outlined plans to privatise through divestment assets worth nearly R8bn, and in the process to give a big boost to Black Economic Empowerment. Giving the keynote address at the American Chamber of Commerce in SA lunch this week (September 28), Erwin also gave some detail about the capital spending and other plans of the country's two major parastatals, Transnet and Eskom.

**Relevance:** As *BusinessMap* has pointed out, South Africa's privatisation policy has only changed in emphasis. While the South African government has ruled out privatisation of the two remaining core SOEs, Transnet and Eskom, parts of these businesses will be sold off because they are not part of the core business. Erwin also said that in the "medium term" government is also considering of a number of listings, as it did with Telkom, and that these will further strengthen and deepen South African capital markets.

**Details:** Erwin revealed that Eskom is set to dispose of 14 non-core enterprises and assets with a combined asset value of around R200-million. Transnet will dispose of 13 non-core entities with an estimated combined asset value of R7, 7-billion.

"These transactions will constitute a major boost to Broad Based Black Economic Empowerment," he said.

### Eskom

Erwin said the projected investment requirements to meet national energy needs were estimated at R107-billion over the next five years. This would require:

- R76.9bn in generation,
- R10.4bn in transmission; and
- R13.6bn in distribution.

The investment plans in the energy sector are based on Eskom delivering 70% of required additional generation capacity. Eskom plans to spend around R84bn.

An Independent Power Producer will provide the remaining 30% of required capacity. Here again there will be empowerment, with government looking for a minimum of 10% Broad-Based BEE involvement in this highly capital-intensive sector.

"In the overall procurement process we believe we can achieve an even greater impact on BBBEE and SMME development."

Eskom is already returning to service three power stations mothballed fifteen years ago: the Camden, Grootvlei and Komati stations. The rehabilitation programme will add 3,612MW in new capacity when complete and create around 36,000 jobs directly and indirectly.

Two peaking plants are soon to be constructed – one by Eskom and the other one by the Independent Power Producers (IPP), worth around R15bn.

Erwin also said the Pebble Bed Modular Reactor being developed could contribute between 4,000MW and 5,000MW to South Africa's energy requirements.

## **Transnet**

Erwin said Transnet would now focus on land and sea freight – rail, ports and pipeline – while South African Airways (SAA) is moved off the Transnet balance sheet and made a stand-alone entity reporting to his department. The airline will focus on opening new routes around the globe and forge strong partnerships with other African airlines to contribute towards achieving the goals of New Partnership for Africa's Development (Nepad).

Transnet investment plans are focused on its three operating divisions. Key investments are:

- Expansion and redesign of Pier 1 and the widening of the entrance in Durban Harbour at a cost of R2.9 billion.
- Construction of the container terminal at the port of Ngqura at a cost of R2.6bn.
- Expansion of the Cape Town container terminal for R1.4bn.
- Construction of the multipurpose pipeline from Durban to Gauteng, which will cost R3bn; and
- An R8bn expenditure by Spoornet on locomotives, wagons and equipment.

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