

Eskom model review kicks off

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A review of Eskom's business model has started and will be finalised at Nedlac-level, a National Treasury official told *Moneyweb* yesterday.

The official was responding to questions after an admission in Treasury's budget review that Eskom will have to change its business model "as part of broader transformation in the electricity sector".

To this end, Nedlac on Tuesday published a request for proposals for the review, the official said.

This is part of the work of the Sovereign Downgrade Task Team that was led by President Cyril Ramaphosa in his former capacity as deputy president. The task team brought together business, labour and government in an effort to prevent further sovereign downgrades by credit ratings agencies.

In his budget speech, Finance Minister

Malusi Gigaba also said: "Government recognises that the business models of some state-owned companies (SOCs) are unsustainable and their capital structures too reliant on debt."

He said that in the coming year, government may have to support several SOC, "which could be done through a combination of disposing of non-core assets, strategic equity partners, or direct capital injections".

He said according to the department of public works, government owns up to 195 000 properties, with an estimated value of more than R40 billion. "We will work with them on a programme to better utilise or dispose of these properties in the short-to medium term."

Government is further finalising a framework on guarantees aimed at both reducing the exposure and improving the quality of the guarantee portfolio, Gigaba said.

"We can and will ensure that all SOC are run sustainably and contribute to our national development."