

PARASTATAL PROPERTY AND PLANNING

BASIL BRINK, JANUARY 1998

INTRODUCTION ¹

Public sector land in South Africa is owned by the state and parastatal organisations. Until recently, the strategic importance of these properties to contribute towards transformation and a new democracy in South Africa has not been fully realised by the property industry, including town and regional planners. Both the state and parastatals are currently drawing up inventories of their vast portfolio of properties to verify the extent and nature of their assets so that these can be utilised more efficiently in future.²

The aim of this paper is to:

- draw a distinction between the various types of state owned land
- provide an overview of the 21 largest parastatal organisations in South Africa
- outline the government's objectives with the restructuring of parastatals
- describe the emergence and need for the establishment of parastatal property development units
- highlight four case studies of the property development units of Transnet, the SA Rail Commuter Corporation, Eskom and the Post Office to illustrate their functions in more detail
- illustrate how the more efficient utilisation of parastatal property assets could have a significant impact on the planning and development of the built environment throughout South Africa with specific reference to Propnet
- create an awareness of the challenges and opportunities that the development of parastatal properties provide for government, the business sector as well as professionals.

¹ Views expressed in this paper are my own and do not reflect those of Transnet or other parastatal organisations

² This paper is an edited version of a paper entitled "Parastatals, Planning and Property Development" presented at the Spring workshop of the Association of Chartered Town Planners in South Africa on 13 October 1997.

LAND IN THE PUBLIC SECTOR

In October 1995 the Department of Public Works was commissioned by Cabinet to compile a register of state-owned fixed assets. The Department of Land Affairs supplied information to the Department of Public Works, which had set up such a register in terms of Article 39 of the Restitution Act, 22 of 1994. A White Paper on South African Land Policy which was issued in April 1997 defines state, public and parastatal land as well as the institutional measures required to implement the agreement between the Departments of Land Affairs and Public Works for the management of state land. It is proposed that the various parastatals will enter details of their land holdings into an inventory of public land. However, as yet, there is no legislation that requires parastatals to publicise information on their land assets and uses.²

Given the history of dispossession practiced by the former Government, land redistribution and restitution processes are obviously high on the agenda of the new Government. The purpose of the land restitution and redistribution programme is to provide the poor with access to residential and productive land in order to improve their lives.

Land in the public sector is made up of three categories; public land, state land and parastatal land. Refer to the histogram.

Public land is defined by the Department of Land Affairs (White Paper on S.A. Land Policy), as land belonging to parastatals and enterprises wholly owned by government, land held by local authorities and Provincial and National governments. Public land is considered to be a national resource, the uses of which should be governed by a policy which supports the government's macro-economic (GEAR), human development (Black Economic Empowerment, RDP) and redistribution goals. It comprises 14 million hectares or 12% of the surface area of South Africa. Roughly a quarter of this land is used for state domestic purposes, such as public buildings and the military, and the remainder is used mostly for transport, forestry and conservation (Parks Boards) purposes.

State land is owned by the national and provincial governments, but excludes local authority and parastatal land. State land comprises 17 million hectares, or 13% of South Africa's surface area and includes most of the former so-called "Homeland" (TBVC countries) and rural areas. Approximately 1 million hectares of state land in addition to the 17 million hectares, is currently available for redistribution and development. This land is leased to farmers and agricultural corporations by the State.

The state's land assets are estimated to comprise 230 000 land parcels, and according to the Directorate : Public Land Inventory 37 647 land parcels are allocated to 29 different holder departments.

This does not include state land in the former so called self governing

³Land Information, December 1996 / January 1997 : " Identifying land that can be used for land reform " pp. 20- 22

TOTAL R S A

122 008 988 ha

DIFFERENT CATEGORIES OF STATE LAND

Please note: These figures represent rough estimates

32 m ha



TOTAL

14 m ha



PUBLIC

17 m ha



TRUST

1 m ha



LAND FOR REDISTRIBUTION

territories and TBVC countries, which is controlled by the Department of Land Affairs.

Public works Minister Jeff Radebe said on 4th December 1997 that the national assets register programme had identified a further 57892 previously unregistered properties, bringing the total to 186 993 since the programme was launched in 1996.⁴

An international assets register is also being compiled, and 26 000 overseas state properties, including 40 leased properties in Britain, had been discovered, according to Mr Siphso Shezi of the Department of Public Works.⁵

Parastatal land differs from state land in that it forms part of the assets and liabilities i.e. the balance sheet of the particular parastatal. The land has a book value, being the value at which it is accounted for in the parastatal's books, as well as a market value, which is the price a willing buyer would be prepared to pay for the property should it be made available for sale. The precise number of parastatal properties and their extent are still being determined, but as a rough estimate such land comprises 8 million hectares, or 6% of South Africa's surface area.

Both the White Paper issued by the Department of Land Affairs and the Green Paper issued by the Public Works Department take the view that their processes should extend to properties held by parastatals, and that unutilised parastatal property should be taken over by the relevant Government departments. Parastatals are seemingly viewed as just another government department by these two departments.

However, the balance sheets of parastatals are made up of both of assets and liabilities, and if the assets which are identified as surplus to core business operational needs are to be transferred to the state as envisaged in the Policy Documents, this could have a potentially detrimental effect on the balance sheets. It is therefore crucial that transfers of property should occur on a market related basis with the properties being paid for.

SOUTH AFRICAN PARASTATALS

Parastatals are legal entities having ancillary functions to the state which controls them. They have been corporatised, and they apply private sector fundamentals to their companies or corporations in order to establish and run efficient and profitable commercial organisations that do not rely on state subsidies.

A distinction can be made between those parastatals under the political control of the Department for Public Enterprises - Transnet, Eskom, Denel, Alexkor, Aventura and Safcol, and those resorting under operational ministries - S.A. Rail Commuter Corporation (SARCC), Airports Company and Sun Air (Department of Transport); Telkom, Post Office and SABC (Department of Communications) and the Industrial Development Corporation (Department of

⁴ Business Day, 5 December 1997, 'More secret government properties found'

⁵ S. Shezi, 7 October 1997, SABC TV news interview

Trade and Industry).

Parastatals reporting directly to operational ministries are more likely to succeed commercially than those which are subjected to political objectives.⁶ The following observations can be made regarding the 21 largest parastatals in South Africa, as set out in the schedule :

- They own fixed assets to the value of R107,7 billion.
- They employ 281 569 people.
- Their total assets amount to R167,7 billion.
- Their net income for 1996 amounted to R6,7 billion.
- Their role in and contribution to the economy, with its GDP of R550 billion, is substantial. Mr K. Lings, an economist and lecturer at the Wits Business School, indicates that parastatals comprise approximately 10% of South Africa's total assets, and provide jobs for ± 4% of South Africa's employed.⁷

Figures in the schedule may be slightly inaccurate because of the level of aggregation and inconsistent standards for the valuation of fixed assets. Each of the parastatals operate within unique circumstances e.g. Transnet is burdened with an actuarial shortfall on its pension fund of R3,23 billion at 31 March 1997.⁸ Whilst such shortfalls were made good by the state for some of the other parastatals, this was not done in Transnet's case. Transnet's relatively low net income therefore is a result of having first contributed to its pension fund deficit. Similarly, the SARCC's positive net income does not reflect the fact that it is subsidised by Government to the tune of some R1,3 billion per annum i.e. its " *net income* " reflects an improvement on its subsidy budget. Furthermore, net incomes of parastatals have tended to oscillate over the years e.g. Denel's net income fell from R279m in 1996 to R62m in 1997.⁹

RESTRUCTURING AND PRIVATISATION OF PARASTATALS

The restructuring and privatisation of parastatals is occurring within the context of the transition to a democratic South Africa and is therefore inherently paradoxical. The opposing forces of business and labour, capital and reconstruction as well as profit and social equity need to be balanced, for example. Mr K Memani , special advisor to the Department of Public Enterprises, recently outlined objectives for restructuring as being to :

- Increase economic growth and employment
- Meet basic needs
- Redeploy assets for growth
- Mobilise and redirect private sector capital for infrastructural development
- Reduce State Debt
- Enhance competitiveness and efficiency of State enterprises
- Finance growth and
- Develop Human Resources¹⁰

⁶ Sunday Times, 13 July 1997, 'Bureaucrats get a kick up their parastatals.'

⁷ K. Lings, 13 October 1997, Wits Business School

⁸ Transnet Pension Fund Annual Report 1996/97

⁹ The Star, 24 October 1997, Denel Group Income Statement

¹⁰ K Memani, 1997, Department for Public Enterprises.

S.A. PARASTATALS : 1996

	TOTAL ASSETS					RANKED BY				
	(R-M)	FIXED ASSETS (R-M)	TURNOVER (R-M)	NET INCOME (R-M)	EMPLOYEES	TOTAL ASSETS	TURN OVER	NET INCOME		
Eskom	53 770	46 334	18 687	3 072	39 950	1	1	1		
Transnet	49 118	32 835	17 934	120	113 634	2	2	8		
Telkom	21 766	17 748	16 347	1 950	57 500	3	3	2		
IDC	14 104	1 285	2 253	535	560	4	5	3		
DBSA	6 676	38	465	114	527	5	13	9		
SARCC	4 877	4 625	551	150	40	6	11	6		
Land Bank	4 391	100	1 737	178	1 285	7	7	5		
Denel	4 384	1 024	3401	279	14 150	8	6	4		
Post Office	2 340	791	1 715	36	23 015	9	8	12		
SABC	1 344	608	1 652	-60	4 667	10	9	21		
Airports Co.	1 257	801	455	134		11	14	7		
SAFCOL	761		467	38	5 650	12	12	11		
Agriculture RTS Council	592	484	341	3,7	4 560	13	15	16		
Atomic Energy Corp.	516	264	611	106	2 200	14	10	10		
ARMSCOR	478		317	13	1 104	15	16	14		
Natal Parks	452	428	140	7	3 150	16	20	15		
Abakor	287	196	232	-29	2 400	17	17	20		
National Parks	284	165	159	20	4 059	18	19	13		
AlexKor	226		173	0,3	1 640	19	18	19		
Aventura	100	88	109	2	1 469	20	20	17		
Dried Fruit Board	59	0,9		1,7	9	21	21	18		
	167 782	107 735	67 586	6 770	281 569					

SBC Communications of the USA and Telkom Malaysia acquired 30% of Telkom in 1997, and this has given impetus to the restructuring of parastatal assets.¹¹ The HSBC Investment Banking consortium who is co-ordinating this process, tabled its progress report on 6 October 1997 at a meeting of the labour and public enterprises committee of the national board of provinces.

In terms of a seven-year restructuring master plan, the various divisions of Transnet will be formed into separate companies. SAA's restructuring will receive priority, although consensus on the overseas strategic equity partner still has to be reached. Transnet's restructuring committee should complete their work by October 1998. The Airports Company should have sold 49% of its equity to one or more of the ten overseas airports, who wish to become its strategic equity partner, by early 1998. Alexkor urgently requires R93 million to avoid closure of its mines. It is proposed that a mining and non-mining subsidiary be formed, and a black empowerment consortium and employees acquire equity in these subsidiaries. Aventura also requires capital urgently, and its restructuring will be complete this year.¹²

The public enterprises department favours a single piece of legislation to guide the privatisation of state enterprises.¹³ The Restructuring Bill is expected to be tabled in Parliament early this year, and will provide separately for state enterprises with unique features, as well as a framework for handling land claims against state enterprises where these exist.

MORATORIUM

In 1994 a Moratorium on the alienation of (some of the) parastatal land was put in place to prevent uncoordinated disposal of strategic properties. Transnet, Eskom and the SARCC are subject to this moratorium, whereas for example the Post Office is not.

In addition, specific departments within a parastatal, e.g. the housing department, may not be subject to the Moratorium in order to facilitate the sale of (existing) housing stock to prospective homeowners. This lack of uniformity in the implementation of the Moratorium causes confusion within and outside of the parastatals, and in some cases leads to irreversible, costly "damage" to their balance sheets when state land is arbitrarily sold off.

¹¹ Transnet Ekofiliits: 7 April, 1997 : "Hard road to prosperity"

¹² Beeld, 7 October, 1997 : "Restructuring of eight state corporations progresses"

¹³ The Star, 7 April, 1997 : "Single law to guide state enterprises".

PARASTATAL PROPERTY UNITS

During the 1980's parastatal property units were established with the objective of turning parastatal property to account. Previously the property sections within parastatals tended to be service centres to manage the land and buildings allocated to core functions. However, more recently, property development units have been established to add value to the unutilised properties of parastatals.

The improved financial management of parastatal properties was firstly necessitated by the requirement that rates and taxes be paid on properties owned by parastatals. It was realised that these burdensome holding costs would have to be contained either by recovering them from lessees, or alienating assets by way of sale or long lease. Secondly, the property industry began to see opportunities for the development of well located tracts of under- and unutilised parastatal land in response to community needs. Thirdly, as already indicated, the land reform and restitution processes required that a register of state and public land be made available to facilitate the (re) allocation of land to communities forcibly removed because of Apartheid policies.

These pressures forced politicians to formulate policies for and/or commission studies of state and parastatal assets, and to instruct officials to re-structure the property sections to be more responsive to the needs of all stakeholders. The emerging role of the state in development is to :

- engage in redistribution
- govern markets to encourage labour intensive growth (job creation)
- encourage risk taking and investment in new industries and technologies
- facilitate learning and industrial upgrading
- manage conflict interest in development
- be a guarantor of property relations and
- co-ordinate complementary investment decisions.¹⁴

The new property units are therefore striving to become "*one stop property shops*" catering for short and long term leases of vacant land or buildings, or to facilitate the outright sale of such assets where the moratorium on the alienation of state land does not apply. Systematic and strategic planning approaches are being followed to achieve these objectives.

The following schedule sets out key aspects of the operating environment of the largest parastatal property units which exist at present. Some of the property units are dealt with in more depth in the case studies.

¹⁴ J. Streak, 'The counter-counterrevolution in development theory on the role of the state in development: Inferences for South Africa?', in **Development Southern Africa**, vol. 14, no 3, October 1997, p.316

KEY ASPECTS OF PARASTATAL PROPERTY UNITS

	PROPNET	INTERSITE	ESPROP	SAPOS	DENEL PROPERTIES	TELKOM PROPERTIES
Size of Portfolio (R - billion)	1,1	2,6	2,5	0,1	*	1,2
Income, 1996 (R - million)	130	78	50	22	*	35
Number of Employees	400	45	1300	65	*	150
NOTES	Portfolio to double by 1999 with 75% having commercial potential.	Develop and manage 374 commuter train stations. Net income, based on market related fees, is R11,4 million for 1996/97.	Turnover is R400 million per annum. 68 commercial / industrial buildings and 13 500 houses.	Income from sale of Post Office buildings	* Denel properties did not wish to divulge the above statistics at this time.	External income from leases of MTN/Vodacom Masts. Staff from internal workshops to merge with Telkom properties Staff will then total 1160.

SOURCE : FINANCIAL AND HUMAN RESOURCES MANAGERS OF THE UNITS

PROPERTY UNIT PLANNING PROCESSES

Planning is "studying the past to decide in the present what to do the future" and is a process of matching resources with opportunities.¹⁵

Planning processes used by parastatal property units to develop their properties are identical to those used in other organisations e.g. spatial, business and action plans; but other processes are devised according to the specific requirements at a particular point in time, e.g. one or two stage proposal calls. These plans and planning processes include:

SPATIAL PLANS: National; Corridor; Regional / Provincial; Development framework; Precinct; Urban Design; Site Development Plans and Geographic Information systems.

STRATEGIC PLANS: Privatisation; Restructuring; National Infrastructure Plan and Property Pool of unutilised properties, for example.

PUBLIC PARTICIPATION PROCESSES: Social Impact Assessments; Public Involvement Processes, Social Compacts and Market or Social surveys.

PROPOSAL CALL PROCESS: Unutilised developable land is made available to the property development industry by advertising it. Proposals are evaluated and the most suitable proposal is accepted. A long term lease agreement or a deed of sale is then entered into between the land owner and the developer. A two stage proposal call process, whereby proposals are short-listed in the first stage, is usually resorted to for larger prime properties.

IMPLEMENTATION OF BLACK ECONOMIC EMPOWERMENT: Creation of temporary and permanent jobs; education and skills transfer; equity partnerships and the management of diversity.

ACTION PLAN: This sets out who is to achieve certain objectives by specified target dates at a defined cost.

FINANCIAL MANAGEMENT PLANS: The operational and capital expenditure budget; the business plan; return on investment targets; risk management.

CORPORATE SOCIAL INVESTMENT PLANS: Advancement programmes; satisfying community needs; environmental conservation.

¹⁵ Marketing Management in S.A, 1992 P.14

FOUR CASE STUDIES

Four case studies on Transnet, the S.A. Rail Commuter Corporation, Eskom and the Post Office are presented to illustrate their property development functions in more detail.

1. Transnet

The context for Transnet's present property strategy is its National Infrastructure Plan. The National Infrastructure Plan (NIP)¹⁶ was developed during 1996 by integrating strategic planning modules across the various divisions of Transnet.

The process was co-ordinated by a strategic management section in Transnet and an integrative matrix was developed to coordinate actions. The purpose of the NIP was to :

- Ensure that capital investments are based on a sound financial and developmental basis for the country as a whole, as against promoting isolated pockets of development
- fundamentally transform the way Transnet approaches the development of infrastructure
- transform the capital expenditure framework and direction
- contextualise infrastructure development within a new economic development model for the country
- use transport infrastructure investment to balance regional economic development nationally
- facilitate the process of restructuring and
- foster a sound financial basis for investment in infrastructure development.

The Property and Assets module of the NIP comprised representatives of the divisions of Transnet and provided the framework for a new property strategy for Transnet.

TRANSNET'S PROPERTY STRATEGY

The primary objective of Transnet's Property Strategy ¹⁷which emerged from the NIP is to bring a commercial focus to the use of railway property and to align this with market practice and Transnet's objective of becoming a profitable enterprise.

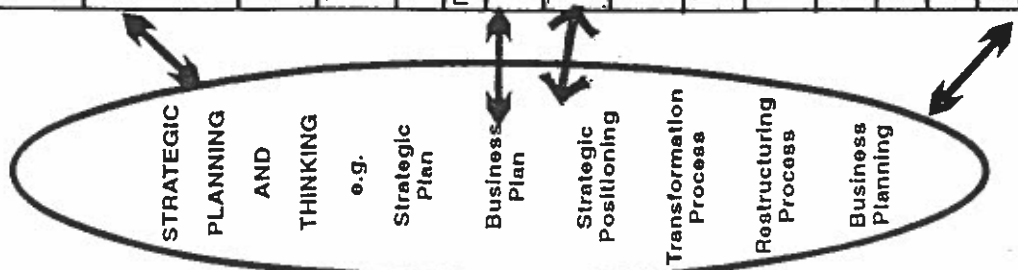
¹⁶ National Infrastructure Plan, Presentation to the Property Management Board of Transnet, 26 August 1996.

¹⁷ 'Transnet Properties, New Strategic Direction', Presentation to Transnet Executive Committee, 11.11.1996.

TRANSNET NIP PROCESS



Modules	Noël Cronje Portnet	Vincent Smith Spornet	Basil Brink Propnet	Brendan Mbatha Autonet	Nomgando Matyumza Petronet	Cyprian Xaba Protekon	Themba Nkenene SAA	Hendrick Modise PX	Themba Gwini Portnet Road	INTEGRATORS
Regional Infrastructure Plan	Ivor Funnell	Simo Lechaba Xola Mphahlele	SIAM MCHUBA	Jce Musandlwa	SZA Mbuso Pillime	Jeremy Steere Malcolm Blggar	Daniel Kekana	Wendy Reid	Regional Development Leonoré 488-7107	
Broad National Physical Framework for local Capital Infrastructure Investment	Zaidh Bayat	Richard Healdan	Basil Brink	Morgan Mutehwen	Jan Van Wyk Tokozani Mazibuko	Cyprilan Xaba	Lindent Madlala Hendrick Modise	Nokuthula Khanyile	?	
Capital Investment & Environment	Kentee Seele	Sunesh Joshi Philip van Heerden	Jeff V. Nietert	Christo Bester	Leon Viljoen Sicelo Sikakhane	Themba Nkenene	Tumelo Chiplupe	Eheki Phoswa	Lea	
Trade Policy (Tariffs)	Siyabonga Gama	Richard Stevens	Chris Molele	Joan Maloma Fabal Mahomed	Carlo Bellelli	Thulani Nzima Gesant Orle Anthony Naicker	Hendrick Modise	Loenard Booysen	NOBUST 488-7104	
Tender	Sibu Shandu	Paul Martin	DEAN GOUNEN	Danny Tollen Jan Matlala	Buddy Dellar	Dave Janisch Paris Footchand	Wille Botha	Brendan Mballa	?	
IT&S	Mosalo	Chris Jardine	DAN WENTZEL	Fabzal Mahomed	JOHN MALONGA	Tom Cole	Phlinny Ledwaba	Claude Chidzero	?	
Asset Protection	Albert Phosa	Alfred Woodington	Chris Molele	Fabzal Mahomed	Karen Forbay	Gerhard Bam Felicity Malata	Gerhard Coetzer	Vincent Jodo	Sandra 488-7156	
Property & Assets	Siyabonga Gama	Khutso Mampeule	Andre Mazisi Nomatu Buthelezi Basil Brink	JOHN MALONGA	Buddy Dellar	Dave Stromberg Krishna Reddy	Jan Nel	Charles Appels	Marius 488-7792	
Transport Policy	Logan Naicker	Albert Link	Mendo Letape	Christo Bester Khaya Sakamuli Leonard Booysen	Karen Forbay	Bill Brunjes Paris Footchand	Reggy Matime	Duncan Speelman	?	
Container Strategy	Sihembo Mthethwa	Dheenan Naidoo	Mendo Letape	Brandan Mbatha	Graham Landon Craig Slimmer	Graham Landon Craig Slimmer	Gerhard Coetzer	Marius Luyt	Thandeka 488-7263	
HR & Capital Investment	Averal Fortuin	Marlin Sobokwane Mzolis Dyasi	Mendo Letape	Julie Herring Dipuo Hosoro Sidney Mediba	Karen Forbay	Farouz Bhabha Gesant Orle	Jan Nel	Hendrik Modise	Marius 488-7792	
Inter Modalism	Brensby Sokopo	Harry Mashale Dirk Du Toit	Jeff V. Nietert	Christo Bester	Eric Blise Neelan Achary	Eric Blise Neelan Achary	Eddie Leach		Maria 488-7107	
Investment Criteria	Noël Cronje	Vincent Smith	Jeff V. Nietert	Brandan Mbatha	Airika Mahlangu	Palence Makhubela Cyprian Xaba	Sadah Morgan			
Multi-Purpose Terminal	Claude Chidzero									
Dockyards	Dave Anetoy									
Bulk Terminals										
Liquid Bulk Terminals										



Transnet's property strategy will :

1. **Create comprehensive property records** in all the Business Units from which records a consolidated record of all Transnet's properties(180 000 ha) can be built up.
2. **Align property policy with corporate/shareholder objectives** for growth, empowerment and development.
3. Bring a "property focus" to the methods of accounting and records keeping which can identify property assets, costs, tenancies and vacancies, to enable Business Units to **quantify the cost of and contribution by property assets.**
4. **Adopt a user pays principle based on market related rentals** for comparable commercial/industrial property to be applied by all business and service units to their use of space.
5. **Create a property pool** of all properties that are not strategic properties to be administered by one focused property unit.
6. Assist business units to **develop information technology support systems** to provide them with Management Information on their property portfolio.

PROPNET

In 1986 a property development unit was established in the S.A. Transport Services to facilitate property development on unutilised railway land. Since 1986, Propnet and its forerunner Business Development have completed more than 50 projects with a total capital investment of more than R900m.

Propnet is the custodian of unutilised property within the Transnet group and strives to achieve a sound and transparent base for the management, re-deployment or development of Transnet property. Propnet examines the best alternative for the utilisation of the assets. At first internal utilisation of properties is considered and should it be established that there is no immediate internal application, development, alienation or leasehold of the unutilised land are considered.

Propnet fulfills three functions :

The Property Management Section manages the holding of unutilised assets and undertakes leases in order to minimise holding costs. There is a focus on disposal where practically possible, but this is restricted by the moratorium on the sale of state assets.

The Professional Property Services Section which includes valuation and land survey, focuses on sub-division, consolidation, registration of title and keeping of spatially referenced information on land owned by Transnet.

The Property Development Section fulfills the roles of landowner, developer (direct and facilitated) and investor in infrastructure within the property industry. Its main aim is to facilitate value enhancement of Transnet's surplus property assets, through the processes of development, community upliftment and equitable access to land. Bridging investment, ultimate sale or lease of the asset occur with the co-ownership of the private sector developers and community.

Property Development projects have to provide commercial returns on the market value of un-and underutilised assets, and long term leases are resorted to so as not to alienate property that may be required in future. Generally returns on property developments are phased in to coincide with the realisation of the developer's return on his/her investment.

Un - and underutilised Transnet property which is available for development is located in all the nine provinces. The economy in the Eastern Cape, North West, Northern Cape and Northern provinces is depressed in comparison with that of other provinces such as Gauteng, Kwazulu-Natal and the Western Cape. Consequently, the economically disadvantaged provinces are given priority when the allocation of capital expenditure to support development is considered.

However, in these economically disadvantaged provinces investors and emerging entrepreneurs are not yet used to the notion of long term leasehold and their enthusiasm is usually diminished by the fact that they cannot purchase the property. Furthermore, a large portion of land available for development in these provinces is suitable for housing only, and should be sold to the homeowners. The moratorium on the sale of Transnet land slows down development of this nature.

More recently, Propnet has formulated and implemented a Black Economic Empowerment policy which developers should subscribe to when undertaking development on Transnet land. This policy ensures that the various activities required to complete and to maintain a development will support black business development as much as possible. In this way extensive opportunities are provided for historically disadvantaged and previously excluded persons to benefit directly from a project.

The schedule that follows illustrates to what extent Propnet property developments have :

- created temporary and permanent jobs in all the provinces
- added substantial value to Transnet's unutilised landholdings
- benefited the more undeveloped and socio-economic disadvantaged areas

CURRENT PROPNET PROJECTS CONTRIBUTING TOWARDS PROVINCIAL ECONOMIC GROWTH AND DEVELOPMENT

1996/1997

PROJECTS COMPLETED OR UNDER CONSTRUCTION	LOCAL LABOUR TEMPORARY JOBS (CONSTRUCTION)	PERMANENT JOBS	COMMENTS e.g. BLACK % OWNERSHIP	PROJECT VALUE (MILLION)
SEBOKENG HOSPITAL, SOUTHERN GAUTENG	500	250	50% Black Equity 100% Black Managed	R40 million
KLERKSDORP, NORTH WEST PROVINCE : FARMERS CO-OPERATIVE WHOLESALE CENTRE	300	40	Labour includes all phases of project	R14 million
MAFIKENG, NORTH WEST PROVINCE : RETAIL DEVELOPMENT	300	80	75% National Anchor Tenants	R14 million
BLOEMFONTEIN, FREE STATE : WAREHOUSE	30	1	Relocation of premises	R1,8 million
WELKOM, NORTHERN PROVINCE: BEER DISTRIBUTION CENTRE	50	Nil	Relocation of premises	R20 million
PIETERSBURG, NORTHERN PROVINCE : RETAIL CENTRE	70	60	-	R11 million
MESSINA, NORTHERN PROVINCE : RETAIL CENTRE	90	90	Taxi and Hawker facility 100% Black managed	R7,5 million
KNYSNA, EASTERN CAPE : MARINA AND RESIDENTIAL	300	200	-	R180 million
CULEMBORG WESTERN CAPE : INTERNATIONAL FENCING VENUE	250	400	-	R30 million
TUZI GAZI , KWAZULU-NATAL: WATERFRONT DEVELOPMENT	200	10	-	R45 million
EMPANGENI RAIL, KWAZULU-NATAL : LIGHT INDUSTRIAL	300	100	-	R5,5 million
MZINGAZI, KWAZULU-NATAL : MIXED USE FACILITY	340	140	Land sold to Boldprop	R35 million
ISIPINGO, KWAZULU-NATAL : LIGHT INDUSTRIAL	60	10	75% Black Equity	R4,7 million
STANGER, KWAZULU-NATAL : COMMERCIAL FACILITY	300	175	100% Black Equity	R17 million
TOTAL	2990	1551		431,5

○ made a substantial contribution to sustainable development of the provinces.

This has been achieved by means of partnerships between Propnet, who made the land available, and the private sector who financed, developed and tenanted the new facilities.

In some cases infrastructure, such as services and roads, was provided by Propnet, and the private sector designed and constructed the buildings.

2. The S.A. Rail Commuter Corporation (SARCC)

From 1 April 1990, the commuter services of Spoornet were organised into a separate state corporation known as the SA Rail Commuter Corporation. Refer to the organogram. This enabled Transnet to compete with other transport organisations in the open market without the loss-making rail commuter services.

The Corporation is a separate legal entity and its commuter service operates under the name "Metro".

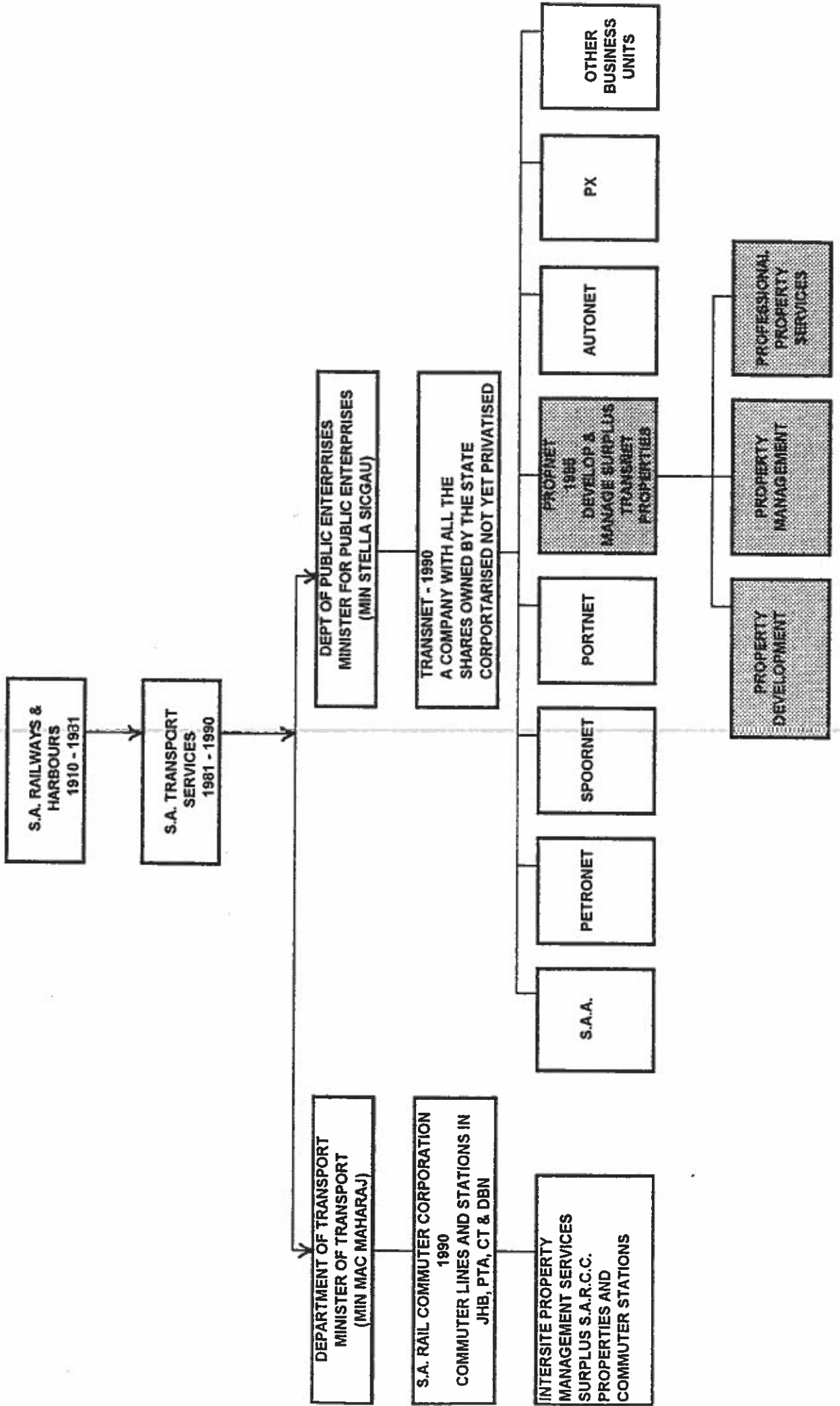
The objective of the Corporation is to ensure that rail commuter services in public interest are provided in South Africa. The Corporation conveys approximately 2,5 million passengers daily - 1,5 million in Gauteng, 0,5 million in the Cape Peninsula and 0,4 million in Durban and surrounding areas.

SARCC PROPERTIES : INTERSITE PROPERTY MANAGEMENT SERVICES

The property section of the SARCC is called Intersite. Intersite was established in 1992 as the SARCC's wholly owned subsidiary to develop and manage a R2,6 billion portfolio comprising 374 commuter train stations primarily in metropolitan areas¹⁸

¹⁸ Intersite Concise Profile, 1997 page 4,5

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Intersite's net profit is based on the receipt of market-related fees and has increased from R400 000 in 1991 to R11,4 million in 1997. Income on the portfolio has increased from R18 million in 1991 to R78 million in 1996. The revenue that Intersite earns for the SARCC goes towards the cross-subsidisation of the rail commuter service and thus contributes to the national fiscus.

One of Intersite's most recent projects is the R173 million upgrading and development of Park Station, which was officially opened by President Mandela on 2 October 1997.

3. Eskom Properties : Esprop.

Eskom properties, or Esprop¹⁹ being the portfolio and development management division of Eskom, has 1200 employees distributed over various centres in South Africa. The three sections of Esprop are : Residential Properties ; Technical and Operations ; and Commercial and Development.

The Residential Properties Section strives to fulfil the housing needs of Eskom staff with the effective management of eight unproclaimed towns, 13,500 houses and 3,500 stands.

The **Technical and Operational Section** is a project and facilities management function comprising professional and project management teams and artisans. This section designs, supplies, erects and maintains new and existing Eskom buildings.

The **Commercial and Development Section** focuses both on the provision of office accommodation for the Eskom group and the disposal of surplus and underutilised property assets. A total of 68 commercial and industrial developments on surplus Eskom properties have been completed in partnership with developers.

4. Post Office Properties : SAPOS

The Postal Policy Green Paper of July 1997 marks the beginning of the restructuring of the postal service in South Africa. The Post Office serves more than 40 million people and has received Government subsidies amounting to R1,38 billion rand over the past three years.²⁰

SAPOS, the property management subsidiary of the Post Office, has been selling traditional Post Office buildings and providing post points in shopping centres and supermarkets, leased at market related rentals from landlords. This strategy improves customer service by siting the post points in the most convenient localities ; it provides revenue from the sale of existing buildings and contains the cost of maintaining relatively older post office buildings throughout the country.

¹⁹ The Sapoa Property Register, 1996, 'Eskom Properties'.

²⁰ The Star, 24.7.1997, 'Naidoo in bid to improve postal service'.

The Way Forward

The major impact that the more efficient utilisation of parastatal property could have on all sectors of the South African economy is clear. Integrated planning and development of this vast and diverse portfolio could more effectively:

- align and implement government policies such as the RDP, Black Economic Empowerment and GEAR
- support the growth of small, medium and micro enterprises (SMMEs)
- uplift the historically disadvantaged communities of South Africa
- redress inequitable urban and regional distortions which were a consequence of Apartheid
- increase skills and create new job opportunities which are critically required to improve welfare and living standards
- balance inter-regional economic development by channeling investment to areas of greatest need, and lastly
- optimise returns from property to provide a sustainable income stream for the state and future shareholders.

Conclusion

Public sector land can make a substantial contribution towards transformation and the creation of a new democracy in South Africa, and town and regional planners have a role to play in the realisation of this goal.

The privatisation of parastatals is much contested because of the major impact this will have on state ownership, the economy and labour.

Innovative strategic approaches, such as Transnet's National Infrastructure Plan, are being developed and implemented to plan for integration, participation and transformation. Transnet's property strategy and Propnet's role were identified and focused by the N.I.P.

Parastatal property units such as Propnet, Intersite, Eskom and Sapos are making an ever increasing contribution to state income as surplus properties are optimally utilised. This is being achieved by means of improved financial management, e.g. proper accounting and cost containment, as well as the development of properties through public - private partnerships.

Parastatal property units, property developers and planners need to harness the potential of a vast, diverse parastatal property portfolio to realise democratic development and delivery.

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