

# Telkom share price up on delisting claims

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Telkom's share price rose on Tuesday on news that the government may buy the shares in the fixed-line telecommunications provider that it does not already own and delist the company.



Telkom is a strategic asset in the government's rollout of telecommunications infrastructure in an effort to improve the skills of citizens. The government is targeting full broadband penetration in South Africa by 2020.

By 1.26pm local time, shares in Telkom were trading at R20,67 on the JSE, 1,57% higher than the opening price.

A source close to the Department of Communications said on Monday the government was looking for ways of directing Telkom to meet its development agenda without being hampered by the rules of the JSE.

## Discussion denied

The African National Congress (ANC) is expected to discuss the renationalisation and privatisation of Telkom at its policy conference next week, the source said. The ANC and the Department of Communications, however, have denied that.

Siyabulela Qoza, spokesman for Communications Minister Dina Pule, also denied the report on Tuesday and told Bloomberg news service that "there has not even been a discussion or talks inside the department about any proposal for Telkom".

Earlier this month, the Cabinet rejected a proposed deal by South Korean telecommunications group KT Corporation to buy 20% of Telkom. The deal had been expected to help Telkom accelerate the rollout of its broadband network.

## Telkom has 'largely failed the nation'

Chris Gilmour, an analyst at Absa Capital, said on Tuesday that Telkom had largely failed the nation, especially on broadband provision, by dragging its heels on this issue.

"We are way behind most countries in the world when it comes to speed and cost of broadband services and far behind a number of countries in Africa, none of which had the advantages that Telkom had to begin with," he said.

"In other words, the past decade or so has largely been a wasted decade for Telkom. Under (former CEO) Sizwe Nxasana's reign it was doing all right, but virtually from the point at which he left, it has gone downhill quickly," Gilmour said.

He added that Telkom no longer had a monopoly on providing landline infrastructure, and that it could have maintained its monopoly had it acted "more cleverly" in the past and not forced a new competitor, Neotel, to reinvent the wheel by installing a new telecoms backbone in the country.

"It got distracted from its core competency by going into the ill-considered CDMA venture in Nigeria (Multi-Links) and then 8ta (Telkom's mobile network in South Africa)," he said.

## **Union wants Telkom renationalised**

The Communications Workers' Union (CWU) has voiced its support for the renationalisation of Telkom. Spokesman Matankana Mothapo said on Monday there were massive developmental priorities that Telkom had to fulfil, and the government had to find innovative ways of increasing national ownership of the telecommunications company.

Specifically, Mothapo said, the government must consider engaging the Public Investment Corporation, which in turn must consider acquiring a greater stake in Telkom to make it once again state controlled and enable it to fulfil its developmental priorities.

"The crisis in Telkom is a perfect opportunity for the government to take this asset back and use it to drive a developmental agenda such as rolling out broadband to schools, households and government facilities," Mothapo said, adding that this would boost skills development and training, ICT research and development and support the local ICT manufacturing sector.

"Selling a stake to the private sector, foreign or local, will not assist in building state capacity for development," he said.

Source: *Business Day* via I-Net Bridge

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