

# Telkom CEO 'not hopeful' on future of KT Corp deal

Telkom CEO Nombulelo Moholi is "not hopeful" the government will reverse its decision and back the proposed transaction with South Korea's KT Corporation. The Cabinet's decision to take the deal off the table is being seen as another example of the government's reluctance to loosen its grip on the ailing company, thus stifling access to telecommunications.



Moholi said Telkom was introduced to KT by late communications minister Roy Padayachie.

"It (the deal) was not solicited by Telkom, hence we want to engage with the government ... to obtain clarity on the context of the decision," she said on Friday.

Moholi did not want to be drawn into whether politics was at play in the decision. However, she admitted she was "not hopeful there is recourse" to resurrect the deal.

"We will engage with the government, but we are not hopeful that the position will change as the deal will require 75% approval from shareholders," she said.

After more than six months of negotiations, KT Corporation had been set to buy a 20% stake in Telkom for more than R3bn.

Although the deal was criticised for leading to Telkom offering high volume, low-margin broadband products that would put pressure on the margins of competitors, it would have benefited consumers as data prices may have fallen, accelerating the roll-out of broadband.

A statement on Friday by the Department of Communications gave no reasons for the Cabinet's rejection of KT's offer, but reiterated government policy that broadband access should be made available to all citizens by 2020, in partnership with the private sector.

"The government recognises the need for Telkom to implement an urgent turnaround strategy, and to get the company back on its critical centre of delivering ICT services to all South Africans, new options will be considered by both Telkom and government in this regard.

"Cabinet has asked Communications Minister Dina Pule to report back to Cabinet about all the options that are available for Telkom in three months," the statement said.

Other than to position Telkom as a "key and strategic asset" in the roll-out of telecommunications infrastructure, the statement did not clarify the government's intentions for the company - especially whether it envisaged it becoming a state-owned asset again.

## **Government largest shareholder**

The government is the largest shareholder in Telkom with 39,8%, while its pension fund, the Public Investment Corporation (PIC), owns 10%. The PIC had supported the Telkom talks with KT.

Maqhawe Dlamini, GM for listed equities at the PIC, said his organisation had not had a formal engagement with the government on its position on the deal.

"The fact that Telkom has since renewed the cautionary suggests that the negotiations will continue and therefore the deal is not off the table just yet," he said. "Therefore, whatever the rationale government puts forward to justify their position, it was not onerous enough to have KT walk away from Telkom, which is positive."

The Cabinet did not support it "as proposed", which meant that the parties may still revise the agreements after the government has stipulated its concerns.

Moholi did not rule out the possibility of a non-equity partnership with KT or any other entity.

Source: *Business Day* via I-Net Bridge

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