



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

Enquiries: Communications Unit • Email: media@treasury.gov.za • Tel: (012) 315 5046 • 40 Church Square, PRETORIA, 0002 • www.treasury.gov.za

MEDIA STATEMENT

MINISTER OF FINANCE CONCURS TO A R47 BILLION GUARANTEE FACILITY FOR TRANSNET IN SUPPORT OF ITS RECOVERY PLAN

The Minister of Finance has concurred with the Minister of Public Enterprises to issue Transnet with a R47 billion guarantee facility effective immediately in support of its recovery plan including meeting its immediate debt obligations.

Transnet plays a central role in the South African economy and the government's goal of inclusive growth. However, the entity has suffered significant operational, financial and governance challenges in recent times and is struggling to fulfil this strategic role. In recognition of the seriousness of these challenges, the National Treasury and the Department of Public Enterprises have been working with Transnet to find a solution to the company's immediate and longer-term problems, and the decision to grant the guarantee facility is a result of these discussions.

Government continues to pursue deep-running, broader reforms of the company and the logistics sector as a whole. Without a comprehensive reform of the sector, rather than that of single entity, we risk being faced with similar challenges in the future.

The financial support package provided for the entity is a R47 billion guarantee facility against which Transnet will drawdown an initial amount of R22.8 billion to deal with immediate liquidity matters such as settling maturity debt. Government has not considered an equity injection given that the budget for 2023/24 is closed and is confident that this guarantee facility alongside swift implementation of the Transnet Recovery Plan will be sufficient to resolve Transnet's challenges.

A Guarantee Framework Agreement between the National Treasury, Department of Public Enterprises, and Transnet will include strict guarantee conditions that will be continuously reviewed and amended when deemed necessary. Any further drawdowns will be subject to Transnet meeting these conditions.

Minister Godongwana is positive that the necessary reforms needed to put Transnet back on track can be achieved if the entity commits to meeting the strict conditionalities attached to the guarantee and quickly implementing the reforms informed by the National Logistics Crisis Committee



MEDIA STATEMENT

Minister Pravin Gordhan highlighted the fact that Transnet is critical to the South African economy. A well-functioning logistics company is particularly important given the geographical distribution of economic activity in the country, our reliance on commodity and other exports, as well as our distance from key export markets.

A Guarantee Framework Agreement must be concluded between National Treasury, the Department of Public Enterprises and Transnet within 14 days of the activation of the guarantee to ensure that any fiscal risks are mitigated and that the conditions of the facility are fully agreed to by all parties. In addition, National Treasury will continue to work with Transnet to pursue other initiatives to revive its operations and financial viability.

Transnet to explore further the divestment of non-core assets, reduction of the current cost structure, alternative funding models for infrastructure and maintenance requirements. The latter includes but is not limited to project finance, third party access, concessions, and joint ventures.

For enquiries, email media@treasury.gov.za

Issued by National Treasury and Department of Public Enterprises

Date: 01 December 2023