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Transnet holds back on Carlton sale, but says residential option is inappropriate

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State-owned Transnet had no intention of moving to dispose of the iconic Carlton Centre, situated in downtown Johannesburg, during the current property market downturn, but was also opposed to arguments that it forego profits on any possible future sale in the interests of a social housing project.

The head of the country's newly established Housing Development Agency (HDA), **Taffy Adler**, said last week that State-owned enterprises (SoEs), including Transnet, should be obliged to sell property for housing projects for no more than their historical cost.

Adler indicated that the HDA had considered proposals for transforming the Carlton Centre into residential property, but that the plan had been made inconceivable by the fact that Transnet, which purchased the property from Anglo American for R33-million in 1999, was now looking to secure upwards of R600-million for the complex.

Briefing Parliament's human settlements committee, Adler called for the development of a policy, whereby SoEs would forego market prices for property assets when these were suitable for social housing.

But acting Transnet CEO **Chris Wells** told *Engineering News Online* this week that this would be in direct conflict with Transnet's mandate under the Public Finance Management Act, which directed management to act in the interests of Transnet.

"Acting in the interests of Transnet, means we need to dispose of this asset for fair value," Wells asserted.

But, Transnet was also opposed, in principle, to any proposals of transforming what it saw as the "premier" business/hotel complex in the city into a low-cost housing development.

The group felt that the hotel could be returned to five-star grandeur, while Wells noted that the shopping complex remain vibrant, and that the office complex, which Transnet currently occupies, should be the "pinnacle" of office accommodation in the central business district.

"That's not to say, that it is not important to have ambitions of creating affordable housing in the inner city, but the Carlton is no the appropriate building for that," Wells argued.

"There are many buildings that are empty and boarded up in the city and no-one is doing anything with them. For the value of the Carlton, you could buy 20 of these buildings, and transform them into residential property," he added.

But Transnet had no intention of entering into a debate directly with the HDA and the new Human Settlements Minister, Tokyo Sexwale, with Wells indicating that the discussion would need to take place at Ministerial level – Transnet's shareholder Ministry is Public Enterprises, led by Minister Barbara Hogan.

Transnet was given a mandate in 2004 to focus on freight logistics, specifically harbours, railways and fuel pipelines, and had since proceeded with an extensive programme to dispose of noncore assets, including noncore property assets.

The most high profile of its property disposals to date was the R7-billion 2006 sale of the V&A Waterfront, in Cape

Town, to foreign investors.

In the 2007/8 financial year, it also sold various properties to the Department of Public Works and Servcon for R191-million.

The group had other noncore properties, including the Carlton Centre, which it would seek to sell, but it would only proceed with such disposals once the market for property improved.

“We have done all the work we need to for the launch of the disposal of the Carlton Centre precinct.

“But, we have put it on hold until market conditions are such, that the potential property investor can secure funding and we can receive a better price,” Wells concluded.

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