

SWAZILAND RAILWAY SIDVOKODVO VILLAGE DIVESTITURE

prepared for

SWAZILAND RAILWAY TECHNICAL ASSISTANCE PROJECT

prepared by

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Consolidation at Mpaka should be deferred until after full Maputo traffic diversion to avoid unnecessary infrastructure investment. Eventual consolidation at Mpaka will free-up Sidvokodvo Village. The Railway does not have a foreseeable core business need for the Village. This report is designed to examine divestiture alternatives.

The Village, located 25 kilometres from Manzini and Matsapha comprises 78.3 hectares, 36, 247 square metres of building space and 438 residential units. Approximately 245 employees are based at Sidvokodvo while the population is estimated at 1,000 persons. The E4 million annual payroll supports the local area.

The Right-Sizing of 1992/1993 has resulted in 30% housing vacancy. Residential development is under-utilised by 34% due to undeveloped plots.

The Village has NO BOOK VALUE. Market value is estimated between E10.0 and E20.5 million depending on how well the Railway manages market supply. Several major residential developments are underway in Manzini implying a potential market oversupply in the short-term suggesting phased sale of the Village.

The Village is located on Swazi Nation Land and the improvements made form part of the land. The Railway can not presently sell any assets nor singly act on subletting.

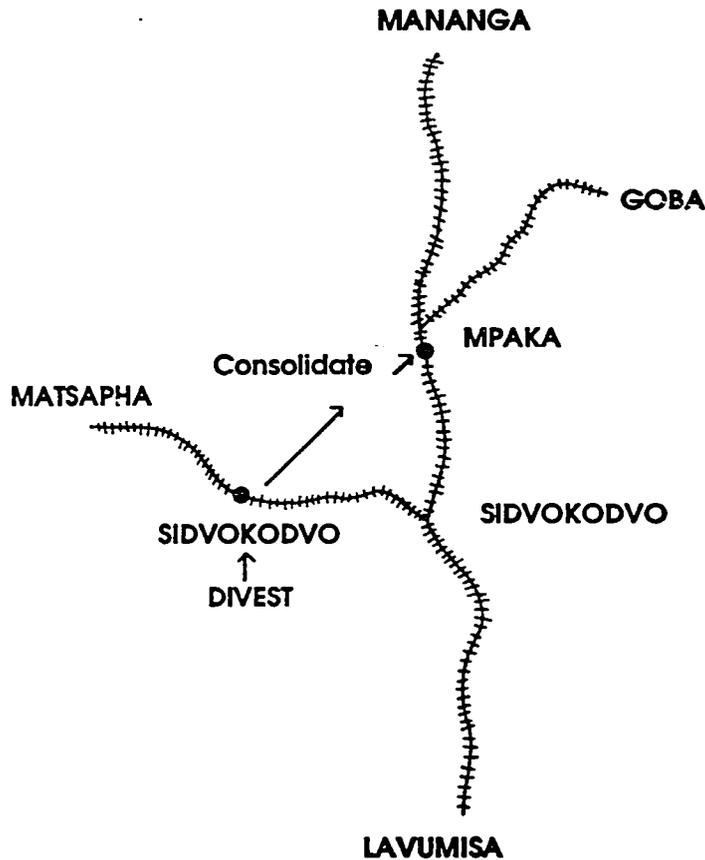
The Village is scenic and in a rural setting - it could be packaged as a safer and more simplified residential environment and Matsapha & Manzini bedroom community.

The Swaziland National Housing Board is not likely to be a residential property buyer. The Ministry of Commerce and Industry could be a Trade Fair buyer.

Over the next year the Railway should position itself to enable sale of property. It should seek Freehold ownership and obtain Union support for co-habitation.

The Railway should engage an Estate Agent to market commercial areas to government or industries and the Senior Village to individual buyers.

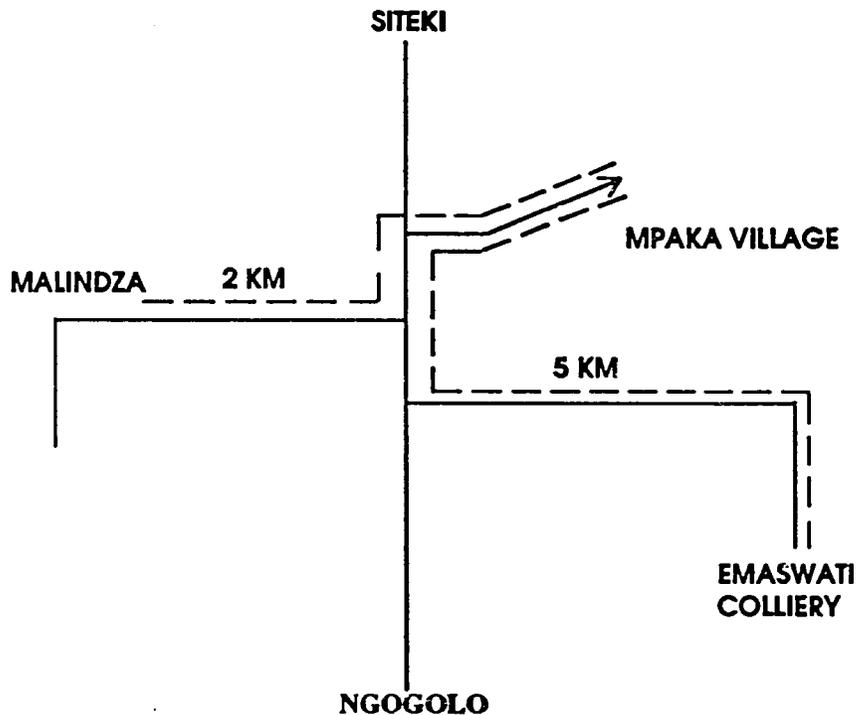
1. OPERATIONAL CONSOLIDATION



- 1.1 The Railway Strategic Re-Assessment of 1992/1993 identified operational consolidation at Mpaka as a potential area for longer term cost reductions. It suggested that the Swaziland Railway Technical Assistance Project study the cost/benefit of consolidation of Mpaka by phasing - out Sidvokodvo Village operations.
- 1.2 The Project retained, through USAID Short Term Technical Assistance Mr. Ramesh K. Grover to study consolidation feasibility. The study was conducted over the period late September through early November, 1993. Study recommendations were presented to the Railway management at conclusion of study.
- 1.3 The Mpaka Operational Consolidation study found that it was difficult to size consolidation requirements at this time due to the anticipated but unpredictable labour force and management right-sizing related to future diversionary effects of Maputo re-routing. Over the next five years labour force and management requirements could vary from none to 30% or more depending on degree of traffic diversion. Mpaka infrastructure can absorb consolidation requirements under full diversionary effect conditions.
- 1.4 The study found that infrastructure investment requirements for operational consolidation of Mpaka under present operating and staffing conditions would exceed E10 million. This investment however, is not needed under full diversionary effect conditions.
- 1.5 Furthermore, the study found that benefits of consolidation would not emerge immediately but rather would become available over time as management and labour force needs are streamlined. Consolidation will be difficult to effect since it entails relocation of employees in a potential right-sizing environment.

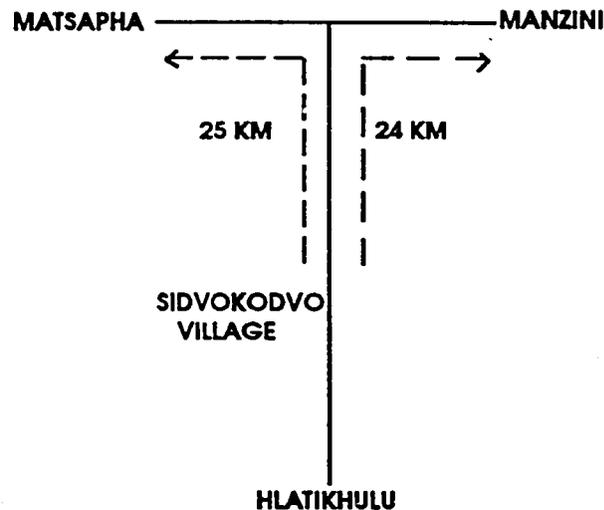
1. OPERATIONAL CONSOLIDATION

(Continued)



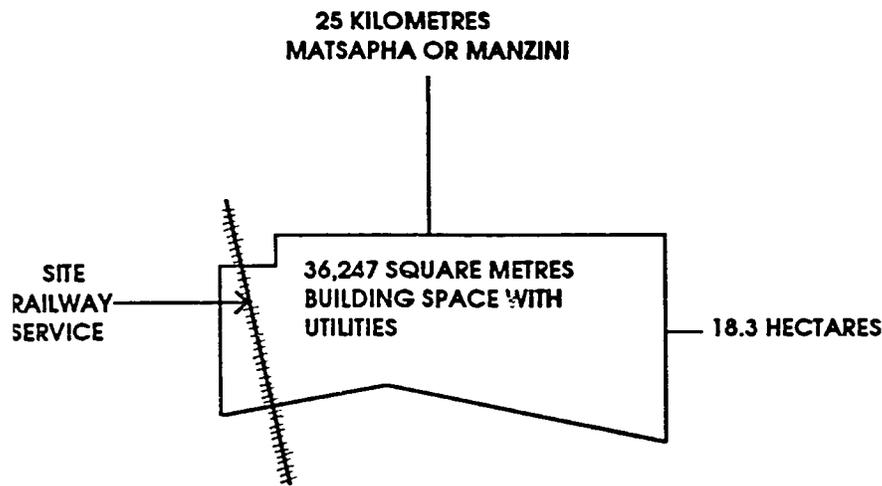
- 1.6 Together the study found that the potential benefits of consolidation do not match the investments necessary to consolidate under present operating and staffing conditions and should be deferred until the anticipated Maputo re-routing has stabilized since this will substantially reduce Mpaka infrastructure expansion requirements for consolidation.
- 1.7 The study identified short term lease of housing at nearby Emaswati Colliery as a potential relief value for Mpaka infrastructure investment should the Railway deem it desirable to start consolidation over a phased period. The Colliery is currently in receivership and liquidators are seeking investors who would re-open operations. While liquidators would be interested in leasing housing to the Railway, if an investor is not found, they would not advocate longer term lease to the Railway since this could effect the longer term feasibility of restructuring the Colliery. Lease of Colliery housing is therefore not a viable option. The Colliery facilities could accommodate approximately 100 employees at Railway housing standard and was therefore a significant relief value resource.
- 1.8 The study also examined the feasibility of using the UNDP Refugee Village of Malindza since it is scheduled to be phased out in calendar year 1994. This village offers primarily administrative facilities while potential housing would be substandard for Railway employees. This site is not a viable relief value.
- 1.9 Finally, the study found that certain maintenance functions would require continued basing at Sidvokodvo Village estimated in the range of a 30 to 40 person work force. This requirement would need to be taken into consideration in the examination of Sidvokodvo Village divestiture.

2. SIDVOKODVO VILLAGE DIVESTITURE



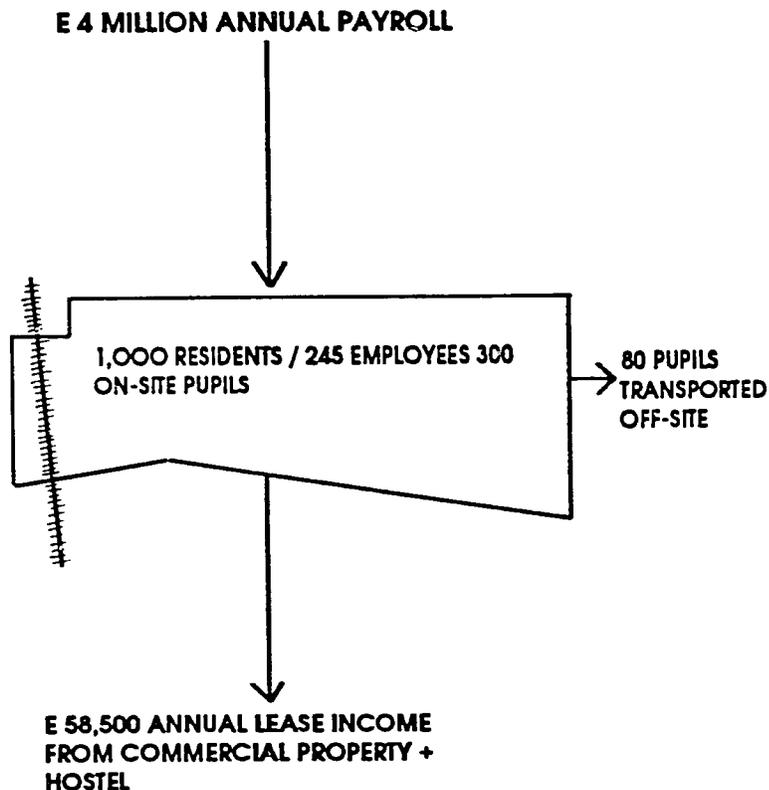
- 2.1 The Railway Strategic Re-Assessment of 1992/1993 recognized that potential operational consolidation at Mpaka could free-up Sidvokodvo Village which raised the question of what to do with this asset. It recommended that the Swaziland Railway Technical Assistance Project study Sidvokodvo Divestiture options.
- 2.2 The Project retained, through USAID Short Term Technical Assistance Mr. Fred U. Pshyk to study Sidvokodvo Village Divestiture options. This report documents the findings and recommendations of that study.
- 2.3 The objectives of the Sidvokodvo Divestiture study were to:
- determine Railway empowerments to lease or sell the asset.
 - establish the market value of the asset and whether or not that was sufficient to finance Mpaka infrastructure expansion for consolidation.
 - identify divestiture packaging options.
- 2.4 The scope of the Sidvokodvo Divestiture study covered:
- land title research by Railway counsel.
 - asset valuation by an industry expert.
 - housing and industrial development plans of the Matsapha and Manzini area.
 - potential buyers of the site or parts thereof.

3. VILLAGE PHYSICAL PROFILE



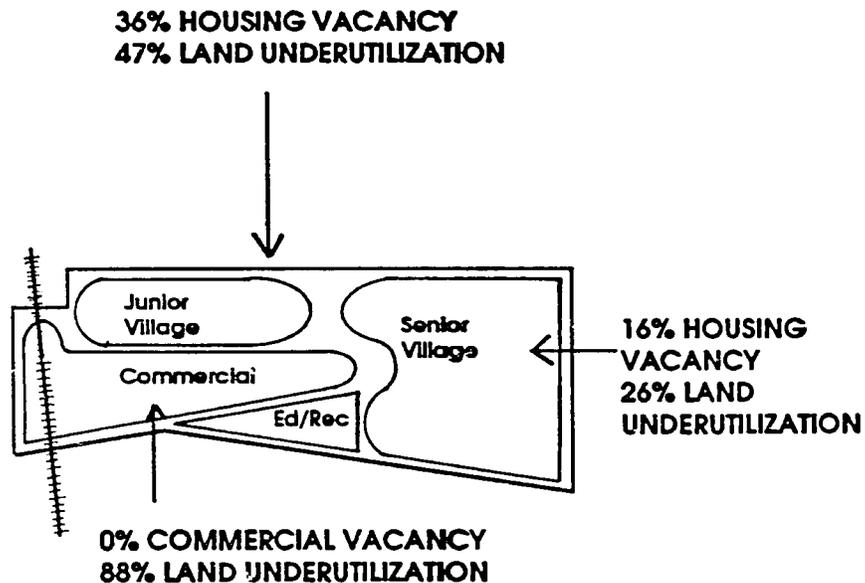
- 3.1 Sidvokodvo Village is located one kilometre off the Nhlanguano Highway, approximately 25 kilometres south of Manzini and Matsapha near the junction of the highway and the Usuthu River. The village was built in the early 1960s to serve as the operational base for the then kaDake Iron-ore related railway service.
- 3.2 Sidvokodvo Village is situated on approximately 78.3 hectares of land in the ownership of the Swazi Nation. Robinson, Bertram & Co. the Railway counsel has confirmed that the Railway has never held title to the land. The Village has 30,640 square metres of residential space, 900 square metres of educational and recreation facility space, 300 square metres of commercial space, 4,407 square metres of railway office space or 36,247 total square metres of building space. Swaziland Royal Police and a Post Office are also located at the site.
- 3.3 Sidvokodvo Senior Village was designed to house management and includes 134 detached housing units and 4 flats. The Junior Village includes 33 duplexes, 11 detached houses and 7 hostels designed to house labour. The Junior Village has 301 housing units. The Village has a capacity to house up to 438 employees.
- 3.4 Sidvokodvo Village has full utility services. Electricity is available to all buildings with the Senior Village metered and the Junior Village unmetered. Treated water and sewerage services are provided to all buildings, but metres are 70% non-operational. Sewerage is treated on-site through filtration and sedimentation facilities. Street lighting is provided throughout the Village.
- 3.5 A variety of commercial development has emerged outside the western area of the Village offering grocery, bottle store, restaurant and fueling services. The remainder of adjacent land is undeveloped.

4. VILLAGE SOCIO/ECONOMIC PROFILE



- 4.1 The population of Sidvokodvo Village is estimated at 1,000 persons, 245 of whom are Railway employees. The remainder are employee families. Approximately 35 Railway employees originate from the surrounding traditional area.
- 4.2 While the Railway constructed the village primary school and maintains the school, the Ministry of Education funds and provides educational services. School enrollment is estimated at 300 pupils, some of whom reside adjacent to the Village. Eighty pupils are transported to Manzini secondary schools by the Railway as an employee social services benefit.
- 4.3 The Railway established a full time clinic within the Village to attend to the health requirements of Railway employees and their families.
- 4.4 The Railway provides a monthly salary and wages payroll of E325,000 or approximately E4 million per annum to its 245 Village based employees. This payroll is the major economic stimulus in the immediate Sidvokodvo area and in fact is the major stimulus to the commercial enterprises located immediately outside the Village compound. Closure of Sidvokodvo without usage replacement would have a severe detrimental effect on the local economy.
- 4.5 The Railway presently leases three commercial buildings to outside parties. The Butchery tenant is E 8,701.64 in arrears and has disappeared while someone unauthorized persons have been found to be operating the butchery. The Equity Trading Store and Jacaranda Restaurant generate approximately E1,405 per month in rental income. Together these leased assets should generate E2,000 income per month. Finally, a hostel is leased to the KGR wagon rehabilitation project at E2,880 per month but the project is coming to closure.

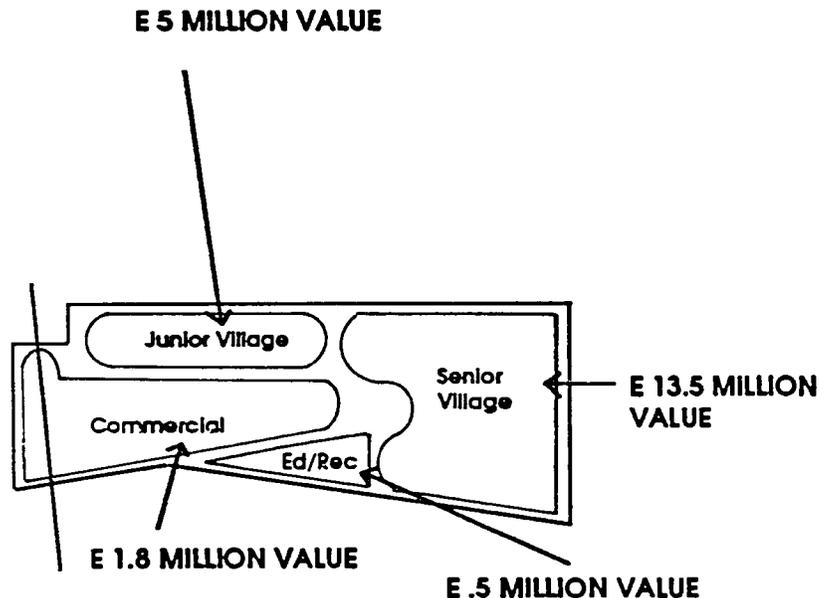
5. VILLAGE ASSET UTILIZATION



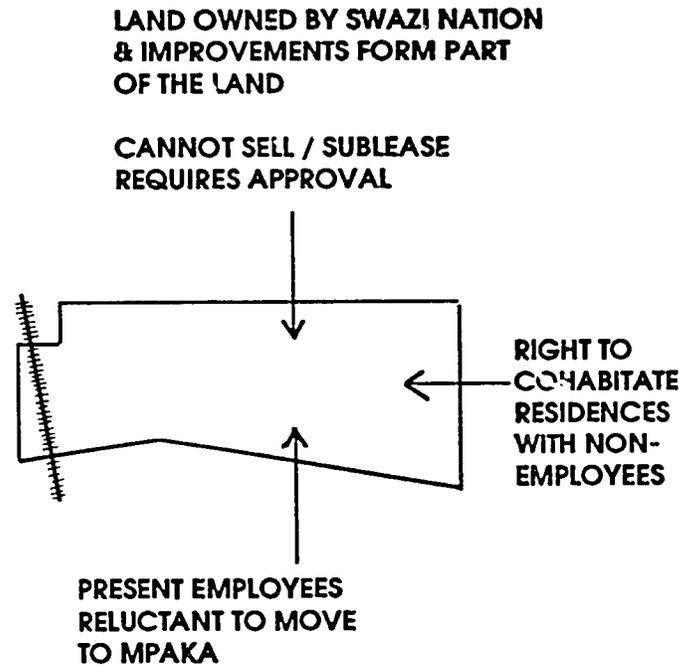
- 5.1 The Railway Right-Sizing of 1993 led to a reduction in labour force of approximately 270 employees, the majority of whom were based in Sidvokodvo Village. This action freed-up a range of housing. Subsequent to the Right-Sizing the Railway upgraded its accommodation entitlement policy resulting in selective housing upgrades using available vacant housing. Vacant housing as visually observed in November, 1993 is estimated at 22 units in the Senior Village or at 16% vacancy while the Junior Village has 13 duplex and detached units vacant and approximately 96 hostel units vacant or 36% Junior Village vacancy.
- 5.2 Sidvokodvo Village land is substantially under-developed as this relates to residential build-out capacity. The Senior Village has 10 platted but undeveloped plots and can accommodate up to 26 additional plots through subdivision. Approximately 26% of Senior Village residential land is under-utilized or the Senior Village could accommodate up to 173 homes instead of the present 137 houses. The Junior Village has 10 undeveloped but platted plots and 26 developable plots if subdivided. Approximately 47% of available residential land is under-utilized. Duplex and detached housing could be increased from 77 units to 113 units. Approximately 72 houses could be added to the existing stock of 214 houses or increased by 34%.
- 5.3 Sidvokodvo Village commercial land is also under-developed by up to 28 plots. Of the platted plots only 3 of 8 plots are commercially developed and leased. Up to 20 additional plots can be created through subdivision and used for commercial or multi-purpose activity. The full development potential of land needs to be considered in any divestiture scheme.

6. VILLAGE ASSET VALUATION

- 6.1 Sidvokodvo Village buildings and works, with the exception of the flats located in the Senior Village have no book value since they have been depreciated over the last 30 years.
- 6.2 The Swaziland Railway Technical Assistance Project in 1990 facilitated an organization-wide asset valuation. That valuation, in 1990 prices, established that the replacement cost of Sidvokodvo Village would be approximately E 42 million. Furthermore, it established a Net Current Replacement value of E 22 million after discounting replacement value by usage and condition. The valuation therefore suggests it would cost E 22 million in current Emalangenzi to replicate the Village in its present form.
- 6.3 Stuart Fisher and Slater, Chartered Surveyors, was engaged by the Project to conduct a "preliminary", not asset-by-asset, valuation of Sidvokodvo Village in November, 1993. Mr. Fisher notes that if the Railway secures free hold title of the property and obtains permission to further subdivide plots, village assets could have a value of E 20.5 million. Mr. Fisher goes on to note that if the Railway placed the entire village on the market at one time, supply would exceed demand thereby depressing market value of the Village by E 10 million.
- 6.4 If the Railway were to sell the Village to one-buyer the sales proceeds will be less than E 20.5 million due to expected discounting for buying the whole village. Similarly, if the Railway were to suddenly sell to multiple buyers, prices would be depressed due to over-supply. Phased liquidation to avoid over-supply appears to be the most prudent potential approach.

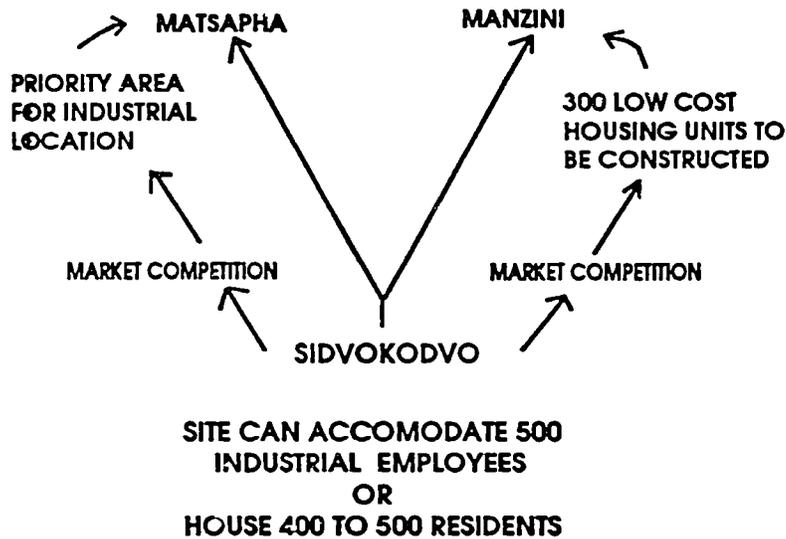


7. VILLAGE DIVESTITURE BARRIERS



- 7.1 Robinson, Bertram & Co, the Railway's legal counsel, was engaged in November, 1993 to determine ownership of Sidvokodvo Village. Messrs Robinson and Bertram found the following:
- a) Sidvokodvo Village is situated on Crown Land.
 - b) buildings and works constructed upon the land form part of the land and as such form part of Swazi Nation property.
 - c) the land leased by the Railway for 99 years was leased without a lease agreement. In absence of a lease agreement the Railway requires the consent of Swazi Nation authorities to sublet properties within the Village.
 - d) it is possible to convert Swazi Nation Land to Free hold Land by the issue of a Crown Grant with the consent of the Minister of Natural Resources.
- 7.2 The Public Enterprises Unit (PEU) of the Ministry of Finance has recognized comparable ownership conflicts among other parastatal bodies and is embarking on an effort of obtaining Crown Grants to convert the assets from Swazi Nation Land to Freehold Land. The Railway should vigorously support this initiative not just confined to Sidvokodvo, but covering all leased assets.
- 7.3 The Railway has not established its rights with the Union to co-habitate residential areas with non-Railway employees.
- 7.4 The Union is likely to resist consolidation at Mpaka because that could result in job losses and Mpaka is viewed to be less attractive to employees due to its remoteness.

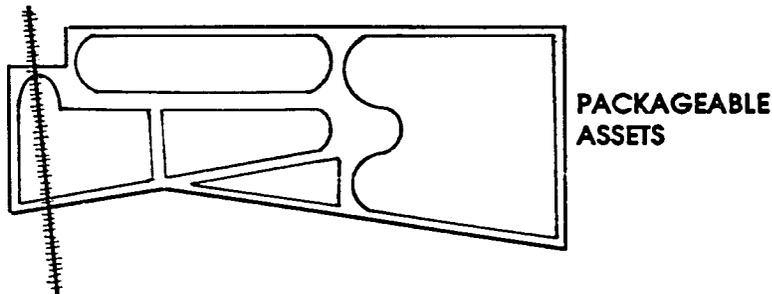
8. VILLAGE MARKET COMPETITION



- 8.1 The axis of development is in the Matsapha to Manzini corridor not in the Matsapha/Manzini to Sidvokodvo corridor - this makes the site less attractive and marketable since it is relatively remote from these hubs of primary development.
- 8.2 The National Provident Fund, the nations largest property developer has plans in process to develop 300 lower cost residences just east of Manzini centre. Decisions have not been made on whether to sell or lease units. The Fund expects to curtail investment in housing thereafter because it is overly vested in residential development. In addition, the Ministry of Finance, with World Bank support, expects to upgrade existing settlements in the Manzini and Matsapha areas excluding new housing construction. The combination of Sidvokodvo remoteness and planned National Provident Fund project will limit the additional amount of housing that can be supplied over the shorter term.
- 8.3 Commercial expansion within Sidvokodvo was negated a number of years ago when development west of the Village was allowed to take place. The Village can not realistically attract more commercial development until overall residential usage is intensified. Plots for commercial development will therefore be difficult to market over the shorter term.
- 8.4 National industrial expansion policy is focused on Matsapha, not alternative sites. A substantial area has been annexed and infrastructure improvements are planned for implementation over the next two years. This will make it difficult to in-part promote Sidvokodvo as an industrial location.
- 8.5 Contact with the Ministry of Commerce and Industries and other development promotion agencies did not result in identification of a major industry capable of absorbing Sidvokodvo assets. New industries based on 50 to 100 employees with no commitment to owning housing infrastructure are the prevailing pattern.

9. VILLAGE INTANGIBLE ASSETS

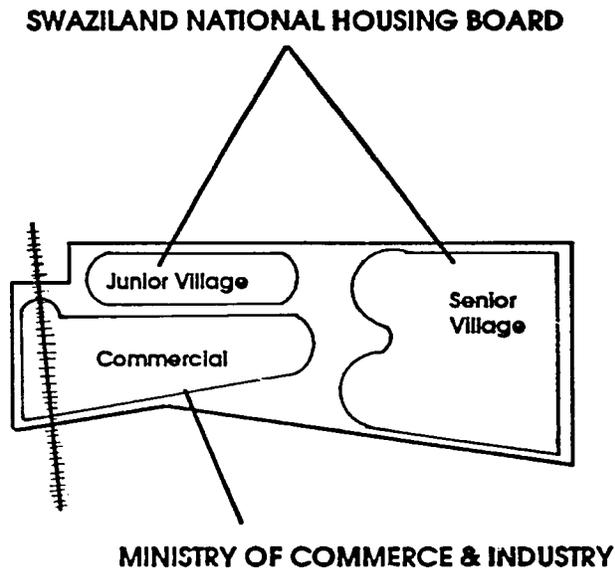
SCENIC & RURAL SETTING



SAFER, MORE SIMPLIFIED LIFE STYLE

- 9.1 The scenic and rural Village setting can be turned into an asset by packaging the Village as a bedroom community offering a safer and simplified residential environment. Success in sale will depend on condition quality of residences and the ability to attract upper income buyers for Senior Village housing in particular. The quality of life of medium and upper income residents of Manzini is eroding with little prospect for improvement. Sidvokodvo could serve as an alternative more promising residential location.
- 9.2 Sidvokodvo Village assets are flexibly packageable to attract a broad range of potential buyers. The Village can be sold in its entirety or in parts. The parts are as follows:
- Senior Village with or without recreation facilities.
 - Junior Village but with 30 units retained for the Railway.
 - Commercial core area.
 - Railway administrative and operational offices and workshops.
- 9.3 The Matsapha industrial employer and middle and upper management employee should also be targeted as potential Village residents. Most of the employees reside in Manzini in a highly competitive residential environment. While Sidvokodvo Village is three times further away from Matsapha than Manzini, the travel time is only twice as long. The Village is presently provided private bus service throughout the day making it very accessible to Manzini and Matsapha.

10. VILLAGE ACQUISITION BY GOVERNMENT

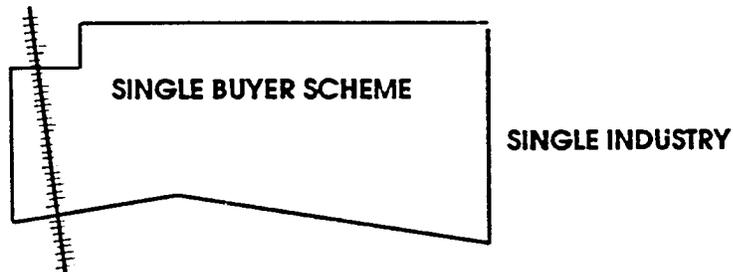


- 10.1 The Swaziland National Housing Board could be a potential buyer of Village residential property but is faced with competing liquidation demands and is limited by available financial resources. The Swaziland National Housing Board has entered into similar arrangements in the past. For example, the Board purchased the Ngwenya Village when mining operations ceased but since then has experienced difficulty in leasing the properties at viable rents. The National Housing Board may be reluctant to buy Village residential properties for fear that it may not attain viable rents given the remoteness of Sidvokodvo or offer the Railway a substantially reduced price to compensate for expected low rents.
- 10.2 The Ministry of Commerce and Industry could be a potential buyer of the undeveloped commercial area and Railway administrative and operating area which together comprise 26 hectares of land and approximately 4,800 square metres of building space. The Ministry intends to
- relocate the industrial Fair facility which is now in Manzini.
 - establish a permanent and on-going trade promotion and development centre in order to better attract industrial developers.

The Sidvokodvo Village unused commercial area and present Railway facilities could be adapted to this type of use. It could not be established whether the Ministry has budgeted funds for acquisition of new land and facilities.

11. VILLAGE PACKAGING OPTIONS

SWAZILAND NATIONAL HOUSING BOARD

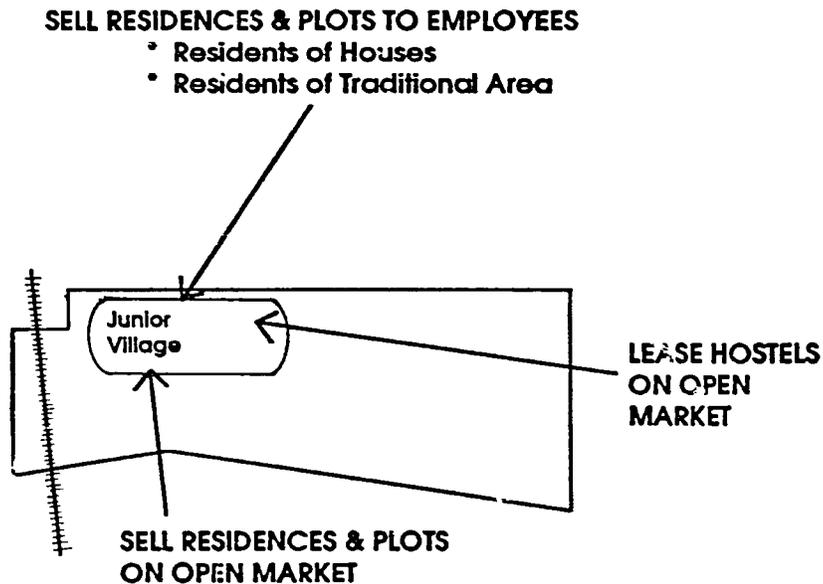


MINISTRY OF COMMERCE
& INDUSTRY

- 11.1 The Railways Sidvokodvo Village Divestiture Plan needs to anticipate that it will be highly unlikely that the Railway will attract Government or a single industry as buyer of the asset. While these options should not be precluded in divestiture they should also not become primary areas of focus. The Railway's most promising avenue to divestiture is breaking up the assets into more marketable parts. Since this approach will require co-mingling of work and residence over an extended period of time, divestiture should offer Railway employees an opportunity to purchase assets.
- 11.2 The Railway should pursue the options available through a **SINGLE BUYER SCHEME** and a **MULTIPLE BUYER SCHEME**. **THE SINGLE BUYER SCHEME** would pursue asset purchase by the Swaziland National Housing Board or Ministry of Commerce and Industry or by a single large industrial firm. The limitation of this Single Buyer Scheme is that none of the potential buyers will have a full interest in the asset.
- 11.3 The **SINGLE BUYER SCHEME** and **MULTIPLE BUYER SCHEMES** need to recognize that the Railway should retain 30 residential units and one hostel in the Junior Village and 10 residential units in the Senior Village reducing the sales value by E1 to 2 million. Furthermore, the Railway should recognize that the hostels will have limited market value in present form and should be excluded from sale. This further reduces the sales value of the village by E.5 to 1 million resulting in a combined sales value reduction of E1.5 to 3.0 million.

11. VILLAGE PACKAGING OPTIONS

(continued)



11.4 The **MULTIPLE BUYER SCHEME** envisages packaging of assets by marketable segment. The packages include:

- the Junior Village
- the Senior Village
- the Commercial Area
- the Recreation Facilities
- the Educational Facilities
- the Utilities

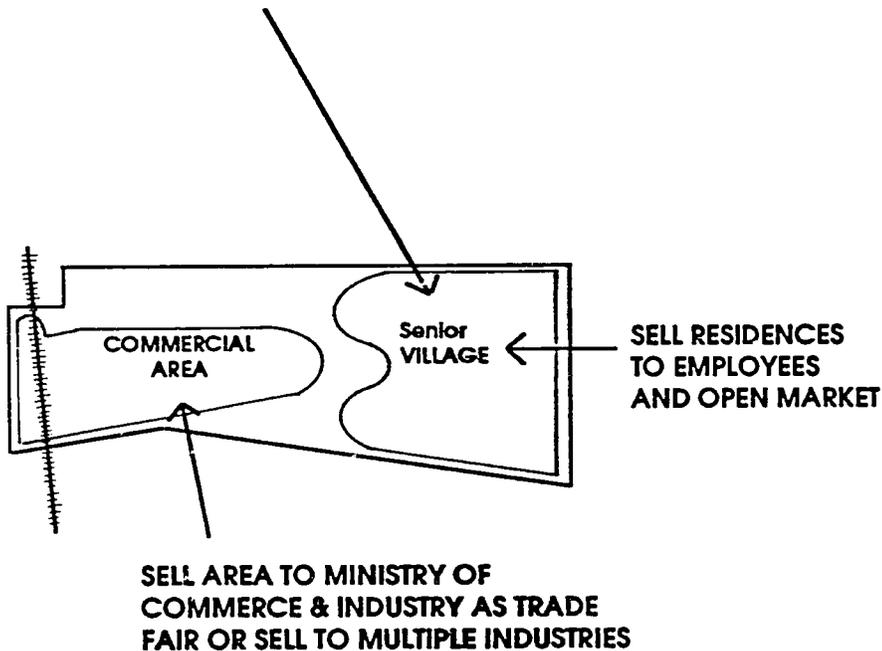
11.5 The **JUNIOR VILLAGE** asset base should include 39 detached houses and 8 un-detached houses or 47 units at a market value of E1.0 to E2.1 million and vacant plots at a market value of E.2 to E.4 million bringing Junior Village value to E1.2 to E2.5 million. The divestiture options include:

- a) Offering the available 47 units and 36 plots on a priority basis to employees that are residents at Sidvokodvo that are also residents of the surrounding traditional area. The buying employee will require a minimum of E30,000 per annum to qualify for a commercial loan if the Railway's intent is to gain full commercial value on sale. Resident employees may have difficulty qualifying for loans. The Railway with the Building Society could structure more favourable conditions.

11. VILLAGE PACKAGING OPTIONS (continued)

- b) offering the available units and plots residents on a priority basis supported by an employer based residential purchase scheme.
- c) offering the available units and plots to the open market directed toward Matsapha work-place employees.

RETAIN 10 RESIDENCES FOR RAILWAY



11.6 SENIOR VILLAGE

Residential housing stock and plots could also be offered on a priority basis to employee residents of the traditional area or to any employee and/or on the open market. The expected market value would be in the range of E 6 million to E 12 million.

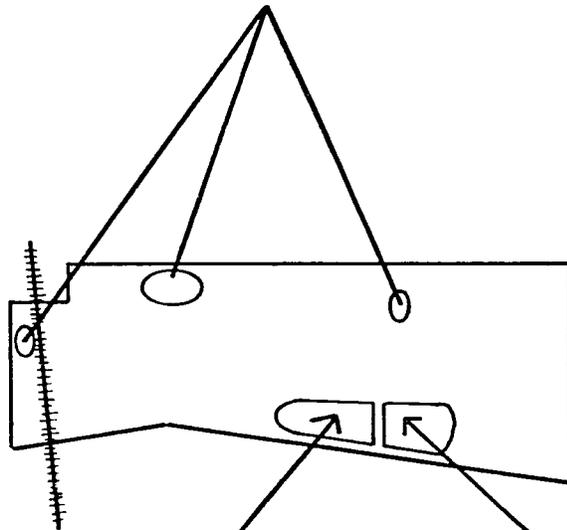
11.7 COMMERCIAL AREA market segments include:

- a) the Ministry of Commerce and Industry for the potential location of the Trade Fair at Sidvokodvo.
- b) multiple industries that ideally require a rail head - this should focus on those trying to locate in the country as well as those trying to relocate outside Matsapha.
- c) the open market.

The commercial area should include offering of Junior and Senior Village residences to potential buyers on a structure or plot basis. The potential sales value of the Commercial Area could be in the magnitude of E.9 to E1.8 million.

11. VILLAGE PACKAGING OPTIONS (continued)

CREATE WATER & SEWERAGE AUTHORITY



PACKAGE SCHOOL
AS PRIVATE WITH
SENIOR VILLAGE
OR CONTINUE AS
PUBLIC FACILITY

PACKAGE
RECREATION
WITH SENIOR
VILLAGE OR
PUBLIC-
FACILITY

11.8 THE RAILWAY RECREATION FACILITIES are valued at between E.12 and E.25 million and include a club house, tennis courts and a swimming pool. Options for divestiture include:

- a) packaging with Senior Village as amenities that go with the purchase of a home or plot.
- b) packaging as at large amenity to which all residents will be provided access on a maintenance support fee basis.

A Home-Owners Association should be created to whom the asset would be sold and who would thereafter have responsibility to manage the facility.

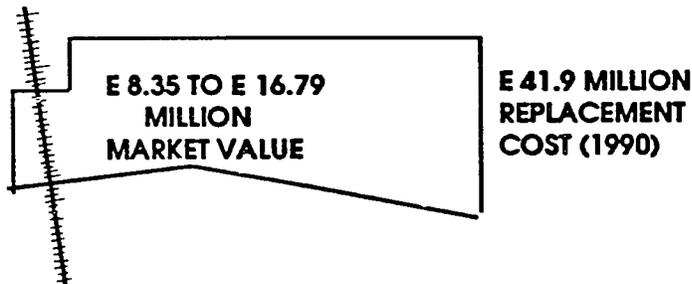
11.9 THE PRIMARY SCHOOL is valued at between E.13 and E.25 million and includes two school buildings and a recreational field. Options for divestiture include:

- a) packaging with Senior Village with aim of making the school a private facility not necessarily exclusive to Senior Village residents.
- b) reverting ownership to the Ministry of Education and continuing to run it as a public facility.

11.10 The Railway should establish an Authority to manage and sell utility services to residents and commercial enterprises. The primary utilities include water and sewerage services. This will require reinstatement of metres. Services should be sold on a non-profit basis. It is suggested that the Railway create an authority because it is assumed that Government can not step in to take-over services since these are usually only available among urban municipalities.

11. VILLAGE PACKAGING OPTIONS (continued)

NO BOOK VALUE



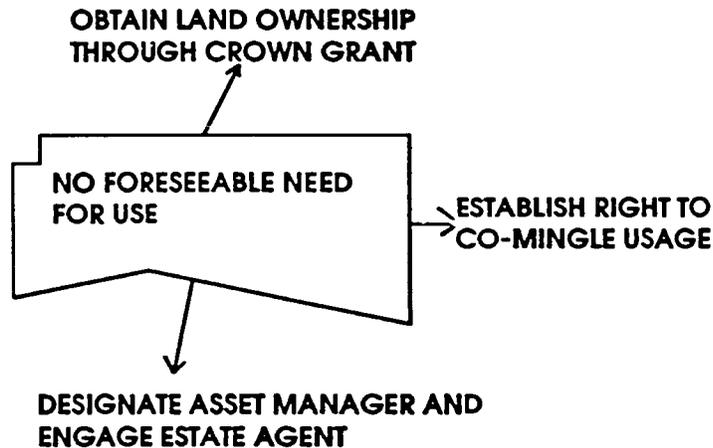
E 22 MILLION DEPRECIATED
REPLACEMENT COST (1990)

11.11 The potential sales values of packaged assets can be summarized as follows:

- | | |
|--------------------------|------------------------|
| a) Junior Village | E1.20 to 2.50 million |
| b) Senior Village | E6.00 to 12.00 million |
| c) Commercial Area | E.90 to 1.80 million |
| d) Recreation Facilities | E .12 to .24 million |
| e) School & Field | E .13 to .25 million |

The total potential market value of the asset is E 8.35 million to E 16.79 million. The Senior Village is clearly the most valuable leverageable asset. Finally, it should be recognized that the Commercial area constituting approximately 26 hectares and 4,800 square metres of building space may be undervalued at E1 to E2 million and should be a very attractive marketable asset. The Railway should aggressively market this asset since its replacement value was estimated at E 5 million with which any buyer would be faced if he/she were to consider a comparable and undeveloped location.

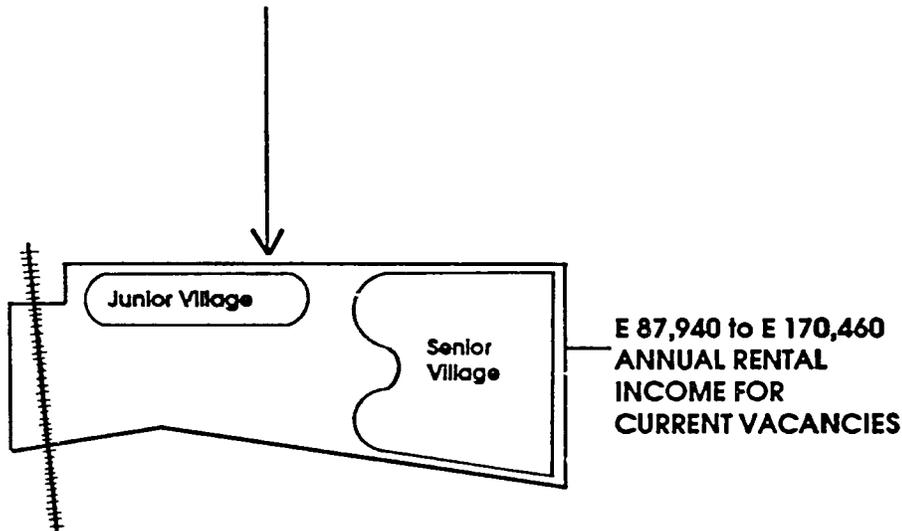
12. VILLAGE DIVESTITURE RECOMMENDATIONS



- 12.1 The Railway does not have a foreseeable future need for the village other than sustained minor housing requirements. The Railway should therefore sell the asset and use the proceeds to finance operational consolidation at Mpaka and the other Core Business requirements. The Railway should recognize that complete sale of the asset may require three to five years to avoid over supply to the market. Phasing must therefore be intergrated into Mpaka consolidation and anticipated right-sizing.
- 12.2 The Railway should take immediate action to obtain Sidvokodvo land ownership through Crown Grant. This initiative will be supported by the Public Enterprises Unit since the envisioned initiative is part of a larger parastatal land transfer process. In seeking PEU support, the Railway should make clear its intentions on Village divestiture and use of potential sale proceeds.
- 12.3 The Railway should make a decision as to whether or not it will sell Village assets on a preferential basis to employees and if so under what conditions. After this has been determined the Railway should inform the union of its general divestiture intentions, any employee purchase scheme and right to co-mingle employees with non-employee residents.
- 12.4 The Railway's Asset Management Function is under-developed and requires strengthening. An asset Manager should be appointed responsible for managing the Railway's assets on a commercial basis. Furthermore, a regional Estate Agent experienced in sale of large estates should be engaged to assist the Railway in promotional packaging, in sales promotion and in any management of leases and sales.

12. VILLAGE DIVESTITURE RECOMMENDATIONS (CONTINUED)

E 75,000 to E 160,680
ANNUAL RENTAL INCOME
FOR CURRENT VACANCIES



12.5 The Railway should advise Swazi Nation Land authorities of its intent to sublet residential properties and request the selected Estate Agent to lease vacant residential property on a one year renewable lease basis. The properties available and their potential income is as follows:

a) **SENIOR VILLAGE**

9 Prefab's at E 3,060 to E 6,030 per month
or E 36,720 to E 72,360 per annum

5 Type A's at E 2,000 to E 3,900 per month
or E 24,000 to E 46,800 per annum

1 Jr. Mgr Types at E 1,700 to E 3,300 per month
or E 8,500 to E 16,500 per annum

1 Flat type at E 520 to 880 per month
or E 6,240 to E 10,560 per annum

SENIOR VILLAGE rental income can range from E 87,940 to E 170,460 per annum.

b) **JUNIOR VILLAGE**

7 Duplex Unit Types at E 1,330 to E 2,590 per month
or E 15,960 to E 31,080 per annum

6 Detached Types at E 1,080 to E 2,160 per month
or E 12,960 to E 25,920 per annum

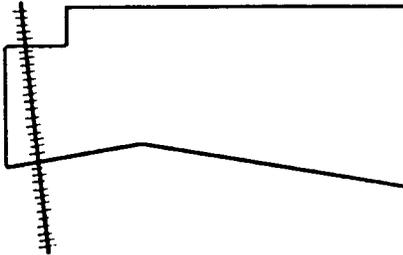
96 Hostel Units at E 3,840 to E 8,640 per month
or E 46,080 to E 103,680 per annum

12. VILLAGE DIVESTITURE RECOMMENDATIONS

JUNIOR VILLAGE rental income can average from E 75,000 to E 160,000 per annum.

Combined residential income per annum can range from E 162,940 to E331,140 and therefore needs to be leveraged rather than having the assets continue to idle. Rental income should be redirected toward annual face-lifting to prepare the Village for more marketable divestiture. Utility sales rates will require definition and meters restored to working order and electricity services will require transfer.

SELLING PRIORITIES



- **Government**
- **Single Industries**
- **Multiple Industries**
- **Employee Residences**
- **Residential Markets**

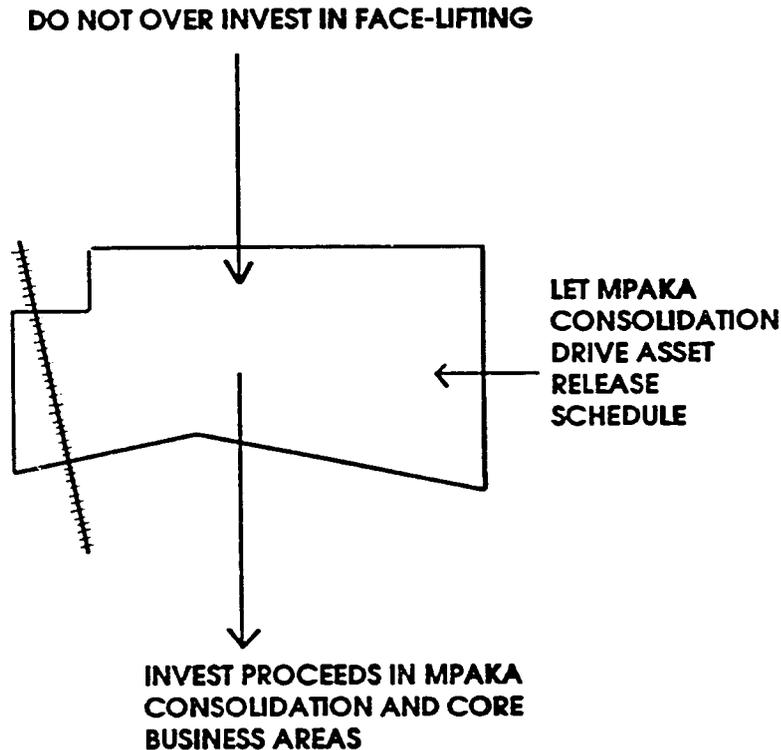
12.6 As a first step in divestiture, the Railway should offer the site in whole or in part to Government and the offer should be at current market value. If over a reasonable period of time (ie. six months or so) the Government does not show any interest in purchasing the property in whole or in part, then the Railway should market the property in the private sector. In doing so, the Railway should pursue a two tiered approach:

- promotion to any potential large scale industry or industries of commercial land with housing offered on an optional basis.
- promotion of residential property, after any sale to employees, in the open market.

Sale of Railway working facilities and residences should be annually driven by Mpaka consolidation requirements.

12. VILLAGE DIVESTITURE RECOMMENDATIONS

(CONTINUED)



12.7 The Railway, is cautioned by Mr. Stuart Fisher to **not** over-invest in required face-lifting since face-lifting usually does not result in significant increases in market value. Rather face-lifting usually only improves the visual appearance of the product, making it more sellable, not profitable. The Estate Agent to be engaged by the Railway should be requested to make recommendations on required structural repairs, painting, street grading and overall landscape.

12.8 Mpaka operational consolidation will require certain infrastructural improvements such as carriage and wagon maintenance facility, yard track expansion, various work shops and some office space. In addition, some housing will be needed to accomodate consolidation. Sidvokodvo Village sale income should be used on a **priority basis** to finance these Mpaka requirements.

12.9 The divestiture of Sidvokodvo Village should **never** lead the pace of possible consolidation at Mpaka since **this** will require additional investment. Mpaka consolidation opportunities over a phased three to five year period should drive the Sidvokodvo divestiture strategy.