OWNERSHIP & CONTROL
1995

JANUARY – MAY

Service payment campaign kicks off

WILSON ZWANE

A CAMPAIGN to persuade township residents in Gauteng to pay for services would be fine-tuned at a mass democratic movement summit meeting next month, the ANC's Gauteng region said yesterday

Details of the campaign would be finalised at a meeting next week

ANC Gauteng deputy secretary-general Obed Bapela said all mass democratic movement organisations would be invited to the meeting

Delegates at the meeting would work out a programme which focused not only on persuading residents to pay for services, but which would also ensure that the delivery of services improved "visibly"

The ANC wants those who led rent and services boycotts to persuade people to begin paying

Bapela said it was the ANC's wish to see "our people in all areas in the Gauteng province" paying for services this year

BD 5/1/95

Constitutional Development deputy director-general Thozamile Botha's Operation Self-Reliance, which was intended to accelerate the democratisation of local government, would be debated, as would the Boksburg agreement — in terms of which arrears totalling R1,5bn, accumulated to the end of January 1994, would be written off

Bapela said next month's mass democratic movement meeting would decide on ways to disseminate the agreement in such a manner that its contents filtered down to the grassroots

Nats prepa[re] review poli[cy]

THE NP is set to engage in policy soul-searching at its federal congress later this month, with organisers expecting deep divisions on issues such as abortion and capital punishment.

Organisers said widely differing views were held by the 1 200 NP delegates to the conference on both issues, with strong lobbies for the reintroduction of the death penalty and against abortion on demand.

These debates would take place within a thorough review of NP policy, necessitated by the fact that the NP was for the first time in half a century not the sole governing party

The NP is said to be keen to take the initiative on policy issues rather than simply react to issues raised by the dominant party in the government of national unity, the ANC

NP information director Martinus van Schalkwyk said in the new constitutional context, the NP wanted to develop "detailed and comprehensive" policy on a variety of issues.

The NP intended using the congress to strengthen the policy basis of the party and to ensure that all NP participants were equipped to play an effective role in government.

Van Schalkwyk said NP policy on parental involvement and tuition language in schools was part of the "quite comprehensive proposals" the

party inte[...] of the ret[...] would also[...]

Security[...] be debate[...] vinced the[...] matter su[...]

"But th[...] kind of co[...] and discus[...] country,"[...]

The int[...] positive [...] members [...] the gover[...]

Despite [...] members [...] participat[...] national r[...] he did not [...] on the iss[...]

"We all [...] should pla[...] of nationa[...]

No elec[...] ers would [...] new const[...] conferenc[...] year emp[...] and cons[...] tions in th[...] provincia[...]

The NP [...] January [...] Centre in [...]

Wieses fourth richest in SA

MUNGO SOGGOT

THE Wieses are now SA's fourth richest family after jumping three places in the ranks of SA's super wealthy, according to the Financial Mail's annual survey of SA's "seriously rich"

(232)

The survey, which estimated the wealth of SA's 25 richest families in 1994 at R19bn, showed the Oppenheimers remained SA's richest family They again beat Anton Rupert, who had robbed the family of its top place in 1992

BD 5/1/95

The Oppenheimers, the Rupert/Hertzog families and Liberty Life's Donny Gordon entrenched their number one, two and three spots with fortunes estimated at R5,84bn, R3,03bn and R2,29bn

The survey is based on the holdings that each of SA's super rich families have in their own businesses

The Wiese family climbed to number four with a fortune of R912,37m Last year Christo Wiese gained control of Boland Bank and added 63% of UK company Brown & Jackson to Pepgro's assets

The FM's list featured four new entries, including Bill Lynch of transport group Imperial Holdings He was valued at R226,6m, which pegged him at number 16

Other changes included the absence of former W&A joint executive chairman Jeff Liebesman Last year he occupied 18th position with R105m

The Oppenheimer fortune swelled about R2bn last year to R5,84bn after the group bagged "fabulous results" across the board of its holdings

A slight drop in the Rupert/Hertzog fortunes to R3,03bn from R3,12bn in 1993 increased the gap between the Oppenheimers and the rest of SA's super rich, while a R600m increase in the value of the Gordon family holdings brought the Liberty Life family holdings to R2,29bn.

Raymond Ackerman of Pick 'n Pay (R829,13m) jumped three places to oust the Krok brothers of Premier Pharmaceutical from the number five slot, forcing them down to number six with holdings valued at R743,4m

Hot on the Kroks' heels was Bill Venter with holdings valued at R732,95m — which saw him demoted three places to number seven Venter's hi-tech company Altron was awarded the 1994 President's Award for Export Achievement, after boasting a 300% jump in exports

The other new entries included the Grindrod family of investment holding company Grindrod Unicorn Group (R118,7m) at number 22 and the Scharrighuisens of mining, engineering and construction group Scharrighuisen (R101,25m) at 24

RANKING THE WEALTHY

Princes on paper

232 FM 6/1/95

Our most prosperous families have a nest egg of R19bn — at least

"Make money and the whole world will conspire to call you a gentleman" **George Bernard Shaw**

It must be stressed that this review — published annually since 1990 and expanded from an initial 16 families (worth a total of about R5bn) to 25 families (worth R19bn) this year — is highly selective. It therefore should be taken with a fistful of salt

The Oppenheimer, Rupert/Hertzog and Gordon families — which account for about R11bn — may indeed rank first, second and third in terms of real wealth, but most of the families listed have qualified for inclusion because of only one aspect of their wealth — traceable shareholdings in their own JSE-quoted businesses

The criteria do not include any accommodation for debt They do not take into account all shares held by family nominees in their own companies (Indeed, Foschini deputy chairman and Lewis family attorney Eliot Osrin's family nearly landed up at 18th position on this year's list because he happens to be the nominee for a 2,8m-plus parcel — worth R141,5m — of the nonresident Lewis family's shares in Lewis Foschini Investments.) And they do not take any notice of family shareholdings in other public companies

Besides, most families will have significant value in unlisted assets in SA and abroad — fixed property, art and antique collections, Krugerrands, racehorses, motor cars, boats, aircraft, furniture, wine. Not to mention the handsome dividend income they channel into trusts and other private investment vehicles

This paper qualification, it must also be stressed, is as volatile as the market itself It is perfectly conceivable that one of the families listed will no longer qualify for inclusion in a year's time

This was certainly the case with FSI founder and former W&A joint executive chairman Jeff Liebesman, who held 18th position (R105m) in last year's top 20 and this year has plummeted into obscurity

Then, too, the founder of leading granite producer Keeley, Fred Keeley, and the Mowszowkski family, headed by Reuben, behind Elcentre Group — both in the top 20 in 1990 and 1991— fell off the list in 1993 and have not been reinstated (see illustration) This is because the fortune of a family, calculated in this way, is entirely linked to and dependent on the fortunes of its family business

The review is also highly selective because it focuses on only one kind of rich family — those with core holdings in one JSE-listed company or a few related companies There are plenty of other spectacularly rich families in SA whose wealth is either inherited or in unlisted companies, in land or spread across a wide range of listed companies.

It is well known, for example, that Eric Sampson, the force behind SA's largest unlisted company, internationally powerful Macsteel, is fabulously rich, that Graham Beck made hundreds of millions of rand out of coal — his Kangra Group is one of the world's largest independents in the field — and bloodstock, that Gary Player has turned his golfing talent into vast wealth; and that Ellerine Holdings chairman Eric Ellerine has massive holdings in a range of quoted companies

HOW THEY'RE RATED

The information was prepared for the *FM* by McGregors Online Information, using a five-step procedure:

- All JSE-quoted companies controlled by families or directors are extracted and sorted by market capitalisation,
- Those below the relevant size are eliminated,
- Share registers, annual reports and circulars are examined to quantify actual holdings,
- Each family or relevant company secretary is sent the results of that research to confirm or adjust;
- This process is followed up repeatedly for a response: and
- The final holdings are then extrapolated to a rand value by using the market share price taken at the close on November 11 1994

1 OPPENHEIMER: R5,84bn

Family businesses and holdings: Anglo American Corp, De Beers, Minorco The groups have interests in mining, finance, insurance, industry, foods and property

The Oppenheimers hold about 18,75m shares in Anglo American Corp and 12m in Minorco.

Harry Oppenheimer

Founder: Ernest Oppenheimer (1880-1957)
Family head: Harry Oppenheimer (86)
Heir apparent: Nicholas Oppenheimer (48)
Profile: There has been an astounding increase during 1994 in the wealth of the Oppenheimers over the Rupert and Hertzog families — about R2bn has been added to the pile of SA's uncrowned royal family on the back of fabulous results across the board of its holdings

In the year to end-March, for example, Anglo — in its fifth year under the chairmanship of Julian Ogilvie Thompson — lifted total net earnings per share by 23%, its dividend was increased by 14,5%

It couldn't, therefore, have been a better swan song year for Harry Oppenheimer who, in late November, announced his retirement from the board of De Beers after an astonishing 60 years

Charterhouse and Oxford-educated Harry O is, of course, the slight, dapper, intellectual and politically outspoken son of Sir Ernest, who arrived in SA in 1902 as the Kimberley agent of a London diamond merchant and whose big opportunity came with the discovery during World War 1 of the East Rand goldfields

Harry's son, cricket and aviation-loving Nicholas, seems to be in place (as the London-based deputy chairman of Anglo and De Beers) to carry on in the tradition of the empire. Harrow-educated Nicholas and his wife Strilli's only child, Jonathan (mid-20s) is also expected eventually to take up a position in the family business; having completed his training at N M Rothschild & Sons in London, he has joined De Beers' Central Selling Organisation for a spell. He recently married American lawyer Jennifer Ward

For the rest, there is smile-a-minute matriarch Bridget, with her passion for bloodstock (she and Harry O recently bought a marvellously well-bred US colt, Fort Wood, for which it is believed they paid more than R3m), and Bridget and Harry's kookily philanthropic art patron daughter Mary, who was recently divorced from London-based Minorco CE Hank Slack. Johannesburg-based Mary has two daughters from her marriage to former JCI chairman Gordon Waddell and two with Slack.

2 RUPERT/HERTZOG: R3,027bn

Family businesses and holdings: Tegniese & Industriele Beleggings (TIB), which controls Rembrandt Controlling Investments and Rembrandt Group, and Richemont The groups have interests in tobacco, liquor, finance, mining, industry, luxury goods and European pay-TV channels, among others.

The Ruperts and Hertzogs have about 63,2m shares in TIB and 52,2m in Richemont According to Johann Rupert, various charitable trusts are the beneficiaries of a significant portion of these holdings.

Johann Rupert

Founders: Anton Rupert (78) and the late Dirk Willem Ryk Hertzog.

Family head: Anton Rupert.

Heirs apparent: Johann Rupert (44) and Edwin de la Harpe Hertzog (45)

Profile: The reluctantly high-profile Rupert and the all-but-obscure Hertzog families' wealth dipped slightly in 1994 from R3,121bn in 1993 — not that they could give a second thought to short-term share price fluctuations.

It was private, fuddy-duddyish Anton — chairman of Rembrandt Controlling Investments and of the Small Business Development Corp — who in 1942, along with Dirk Willem Ryk Hertzog, started Voorbrand Tabak. But it is his and wife Huberte's big, brash eldest son, Remgro chairman and Richemont MD Johann, who has taken the kudos in the late Eighties and Nineties for shaking up and streamlining the families' multibillion-rand international luxury goods and tobacco empire.

Stellenbosch University-educated Johann Rupert — who, fittingly, is rarely without a cigarette, though he loves the healthy atmosphere of the bush and golf course — made his mark in his late 20s when, having trained as a merchant banker in the US, he bought an ailing bank for a song and turned it into Rand Merchant Bank (a year ago, he stepped down as chairman of RMB Holdings)

It was he who — charged with (some might reckon unenviably) following in the footsteps of his business colossus of a father — separated Rembrandt's SA and foreign interests and formed two new quoted companies, Remgro and Switzerland-based Richemont. It was he, too, who in 1989 clinched control of Rothmans International, on the back of which Richemont recently boosted earnings And it was he who, in early 1993, tactically reshuffled Richemont's businesses into clearly defined entities — Vendome for luxury goods (Dunhill, Cartier, Piaget) and Rothmans for tobacco Richemont is also involved in pay-TV, through north European channel FilmNet (with M-Net) and loss-making Italian company Telepiu

Johann is married to former Tukkies rag princess Gaynor. His divorced younger brother, Antonij, is not in the business, he runs Franschhoek's large L'Ormarins Estate, producer of upmarket wines Their sister, Hanneli, is a singer married to fellow music-lover Paul Neethling, also the proprietor of an ambitious wine estate, La Motte For security reasons, one assumes, the extent and nature of the second-generation Rupert family's offspring has never been publicised.

On the Hertzog side, Dirk's son Edwin, one of two, is active in the business, as vice-chairman of Remgro, among other titles.

3 GORDON: R2,289bn

Family business and holdings: Liberty Investors (Libvest) The group is predominantly in life assurance, other financial services, and property

The Gordon family wealth vests in about 125,4m shares in Libvest, 11,6m of which are held by the Donald Gordon Charitable Foundation

Founder and family head: Donald Gordon (64)

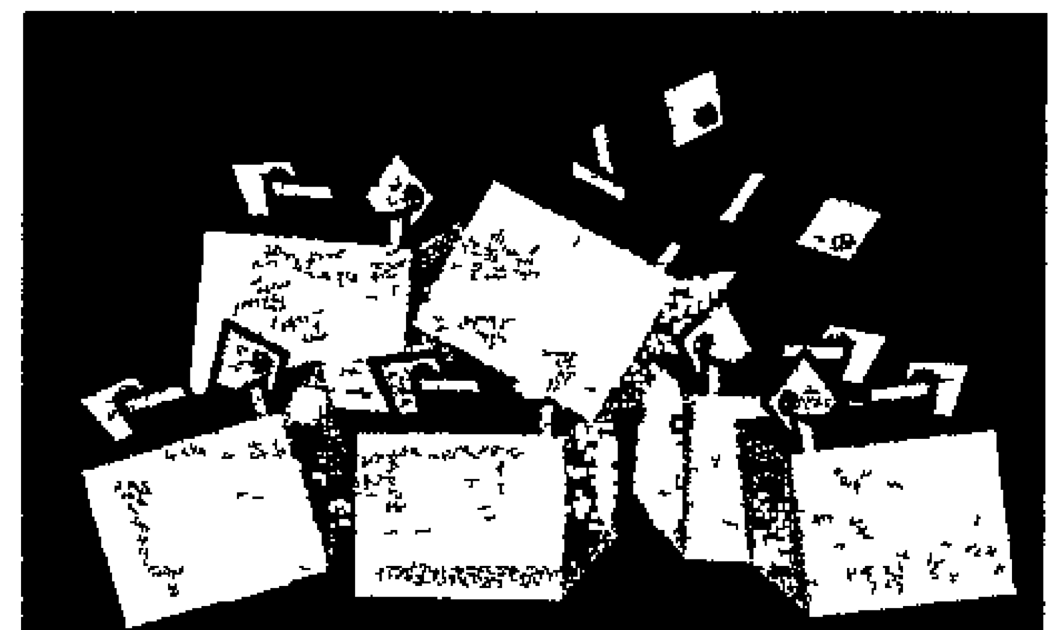
Profile: The Gordon family's holdings have swelled in value by more than R600m in the past year On paper, in fact, their wealth is fast approaching that of the Rupert/Hertzog families'

Gordon

Pickwickian founder Donald Gordon, it seems, has something controversial up his sleeve almost every year In 1993, he spun off the bluest of life assurer Liberty's blue-chip investments (stakes in Standard Bank Investment Corp, SA Breweries and Premier Group, among others) into separately listed holding company Liblife Strategic Investments (Libsil) In mid-1994, he hit the road of the world bond market in the bid to raise US$500m from international investors

This may have been part of an ongoing process aimed at freeing Liberty of foreign debt and expanding its international interests through acquisitions But the roadshow also had patriotic overtones As Gordon stated at the time "We are trying to get people interested in SA making our contribution to our new world by raising the profile of the company and the country on the global market" And it is well known that, though he spends about four months a year in London, he has no intention of following former Premier chairman Tony Bloom there permanently

King Edward VII School old boy and super-entrepreneur Gordon has stated that he will remain as chairman of Liberty until 1999, but don't bank on it because there is nothing he appears to relish more than financial engineering. This is something for



HOW THEY FARED IN 1994

1	Oppenheimer	R5,84bn	Same position
2	Rupert/Hertzog	R3,03bn	Same position
3	Gordon	R2,29bn	Same position
4	Wiese	R912,37m	Up three
5	Ackerman	R829,13m	Up three
6	Krok	R743,40m	Down one
7	Venter	R732,95m	Down three
8	Methven	R595,16m	Down two
9	Lewis	R568,34m	Up one
10	Jowell	R440,33m	Down one
11	Hamilton	R408,75m	Same position
12	Hersov/Menell	R367,74m	Same position
13	Ferreira	R289,00m	Up one
14	Dippenaar	R283,90m	Up one
15	Wessels	R272,34m	Down two
16	Lynch	R226,60m	NEW
17	Barrow	R179,30m	Same position
18	Hurwitz	R147,50m	Up four
19	Imerman	R138,50m	Down three
20	Sacco	R135,40m	Up one
21	Shill	R126,50m	Down one
22	Grinrod	R118,70m	NEW
23	Joffe	R102,90m	Down four
24	Scharrighuisen	R101,25m	NEW
25	Bateman	R81,80m	NEW

which shareholders are immensely grateful Liberty has shown an average annual growth rate — in share price and earnings — of more than 30% for three decades.

Gordon is married to Peggy They have two recently married sons, Graeme and Richard, neither of whom could be described as a chip off the old block, and a daughter, Wendy Wendy's amusingly acerbic husband, Hylton Appelbaum, is executive trustee of the Liberty Life Foundations and has a place on the board

The Gordons live in Hyde Park, Sandton, next door to the Appelbaums and their two young sons. In addition to a second home in London, they have a holiday house in Plettenberg Bay.

Though business is what drives Donny, don't expect him to sit on the sidelines at a party.

4 WIESE:
R912,37m

Family businesses and holdings: Pepgro, Boland Bank. Pepgro controls Pepkor, Africa's largest mass market retailer (Pep, Smart Centre, Cashbuild, Ackermans, Stuttafords, Shoprite/Checkers) and a manufacturer of semi-durable goods. Boland Bank is a largely Cape-based banking and financial services group

The Wiese family holds 30m shares in Pepgro and about 8,8m shares in Boland Bank.

Founder: Renier van Rooyen (Pepkor)

Family head: Christo Wiese (53)

Profile: The Wiese family have shot from seventh position in 1993 to fourth on the strength of Chris Barnard lookalike Christo's increased investments in Pepgro (slightly) and Boland Bank (substantially), not to say the doubling in value in a year of both share prices.

Last year, Wiese gained control of Boland Bank and, on the Pepkor front, raised US$85m abroad to fund the purchase of 63% of the UK's Brown & Jackson plc, which owns the Poundstretcher retail chain Clearly, his acquisitiveness, brilliance and Midas touch are undimmed


Wiese

Nor has Wiese's colourful career been confined to business In the Seventies — having worked his way up to become right hand to Renier van Rooyen, who in the mid-Fifties founded Pep Stores in the platteland — the Stellenbosch graduate fulfilled his dream of becoming an advocate While at the Cape Bar, he backed a young auditor who had an option to buy what became the Ochta diamond mine on the edge of the Namib — and made a killing before selling out his 50% share in 1980. In the 1977 general election he also made a political mark by taking on the late John Wiley as PFP candidate for Simon's Town

Wiese and his wife, Caro, the glamorous daughter of veteran politician Japie Basson, have three children. The family homes include a bungalow overlooking Clifton beach and the restored manor house of Stellenbosch's Lanzerac estate, site of the historic hotel.

5 ACKERMAN:
R829,13m

Family business and holdings: Pick 'n Pay Holdings (Pikwik), which controls Pick 'n Pay Stores

The Ackerman family have about 83m shares in Pikwik.

Founder and family head: Raymond Ackerman (63).

Heir apparent: Gareth Ackerman (36)

Profile: The paper fortune in one of SA's best-branded family names grew by almost 50% last year to propel the Ackermans from position eighth to fifth in 1994.


Ackerman

Last year was also the one in which Raymond Ackerman's two-and-a-half years of hard work as co-chairman of the Cape Town Olympic 2004 bid committee began to pay off In January it won round one — the R3m internal bid And round two, the R1,7bn effort leading up to the International Olympic Committee's decision in 1997, is well under way The first visit, in November, of an IOC president to SA was indeed an encouraging event

Early last year, in line with its stated intention to move into smaller stores and franchising, Pick 'n Pay bought 50% of Score Supermarkets Another highlight was Ackerman's appointment as chairman of Cies, the largest food retail grouping in the world

But 1994 certainly wasn't altogether kind to conservative, blue-suited Raymond. Pick 'n Pay lost a whopping 38% in trading income and earnings per share — and had its carefully polished reputation tarnished — following a devastating four-week strike in July, the first major industrial dispute of post-election SA

The son of a retailer who started the Ackermans chain but later lost control of it to Greatermans, Raymond Ackerman started Checkers for the latter In 1967, after a split with management, he bought four small supermarkets in Cape Town and built Pick 'n Pay into what it is today — a superbly spread retail empire with an annual turnover of R6,7bn

Raymond Ackerman is married to Wendy, active in Pick 'n Pay as a director responsible for employee liaison, staff benefits and welfare Their eldest son, Gareth, joint MD with human resources stalwart Rene de Wet, is being groomed to step into his father's shoes The Ackermans also have two daughters and a younger son, Jonathan, who, like Gareth before him, is working his way up the Pick 'n Pay ranks

Father plays snooker and golf and enjoys skiing in Europe, the family holidays at Onrus in the Cape.

6 KROK:
R743,4m

Family business and holdings: Premier Pharmaceutical (formerly Twins). Manufactures, markets and distributes pharmaceutical products.

The Kroks own about 39,3m shares in Premier Pharmaceuticals (Prempha).

Founders and family heads: Twins Abraham and Solomon Krok (65)

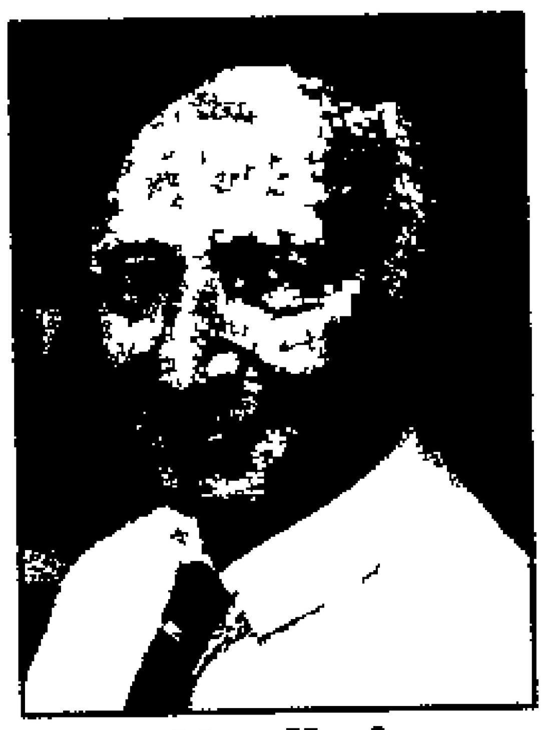
Heirs apparent: Maxim and Martin Krok.

Profile: What would life in Johannesburg be like without the thorny, showy Krok twins? To be fair to the more conservative Abe, Sol is the one who really likes the sound of his own voice — and the splatter his wallet makes when he throws it around, as he did in early October when he bought the late Marino Chiavelli's Summer Place (Toad Hall?) in Hyde Park, Sandton

That he was forced to fork out an additional R3,95m — bringing the purchase price to R12,65m for the 3,26 ha property — after fiercely outbidding others at R8,7m on the day of the liquidation sale must have galled him. However, he boasted that he had never lost a bid It's not certain what Krok will do with the property — a "seven-star hotel" has been one of his teasers — but one thing's clear the neighbours are not resting easily.


Solly Krok

Controversy has always trailed the Krok twins, who were born 19 hours apart to Lithuanian immigrants. It is well known, for instance, that their empire was built on the sale of harmful skin lightening creams to blacks. This is, of course something their unlikely establishment partner Premier Group — which has 58% of, and full management say over, the company the Kroks built, Premier Pharmaceuticals — would probably rather forget


Abe Krok

But members of the Krok family are still active in their own right in pharmaceuticals — through Medex, formerly the Roychem cash shell, which is a newcomer to the JSE boards. However, this time it is neither Sol nor Abe in the driving seat but their sons, Maxim and Martin.

Early last year, the twins, who also own 49% of glamour soccer club Mamelodi Sundowns, bought 40% of the listed Health & Racquet Club organisation, again, it is Maxim Krok who has the board representation.

The Kroks surfaced in another 1994 controversy when, with a consortium, they acquired an 8 ha tract of land in Linksfield, Johannesburg, belonging to the Old Johannian Association Perhaps Sol and Abe, with all their prime land, are indeed about to become hotel or cluster house kings?

Rough-and-ready entrepreneurism seems to run in the Krok family

But it took a bad turn in 1990 in the US, when Sol's daughters ran up a debt of US$24m arising out of the marketing of the Epilady hair removing product Both brothers were found guilty of a technical contravention of exchange control regulations over the matter — and were fined R40 000

Abe Krok, for all his lower profile, has been married three times and has six children, Sol has stayed married to Rita and produced seven children.

The twins' reputation for being acquisitive is balanced by their support for philanthropic enterprises

7 VENTER: R732,95m

Family businesses and holdings: Ventron, Altron (Altech, Powertech, Fintech) and Telemetrix plc The dominant player in the design, manufacture and distribution of technology-intensive products and systems for commerce, industry and mining

The Venters own about 16,2m shares in Ventron, 2,7m in principal operating arm Altron, 66 300 in Powertech and 38m in London-based information systems group Telemetrix

Founder and family head: Bill Venter (60)

Heirs apparent: Robert (35) and Craig (33) Venter.

Profile: It is not so much Bill Venter but his second ex-wife Edith who has been in the news recently Living well on a R12m-odd divorce settlement and cosying up to a man half Venter's age — and shouting it from the pages of glossy magazines — is clearly her way of taking revenge

Still, Bill has his twentysomething girlfriend, a new six-storey pad overlooking Clifton beach and a paper nest egg — which has diminished in a year by about R170m to push him from fourth position to seventh — to comfort himself.

The wealth of the Venters was built on rock-jawed, fitness junkie Bill's vision in the Sixties of a coming boom in the telecommunications and electronics industries — to say nothing of his contacts in government. In 1953, he was a pupil engineer in the Post Office, by 1978, he was already the king of hi-tech

Though it is no longer growing at the phenomenal rate of earlier years — and it is facing vigorous post-sanctions competition — Venter's group of operating companies has achieved a better balance. That Altron was recently named overall winner of the 1994 President's Award for Export Achievement — export sales increased 300% on the previous year — must have pleased approval-seeking Bill.


Venter

Bill Venter is complex, difficult, sensitive, prone to denial (of his roots in particular), dependent for his image-making on others and not one who wins friends easily, despite his influence Perhaps the word charm will be more readily associated with the Venter name when his good-looking tennis Springbok sons — both directors of Ventron, Robert is CE of Aberdare Cables, Craig chairman of Autopage — come increasingly to the fore

Venter also has a daughter and, with Edith, two other sons

8 METHVEN: R595,16m

Family business and holdings: Rainbow Chicken A leading producer of broiler chickens The Methven and Pfeiffer families hold about 180,2m shares

Founder: Stanley Methven (died 1986)

Family head: Methven's widow, Lilian

Profile: Rainbow Chicken, listed in 1989, is effectively controlled by Hunt Leuchars & Hepburn (HLH) which, in turn, is controlled by the Rupert family's Rembrandt But the legend of how it was founded in the mid-Fifties on a small-holding in Hammarsdale, Natal — and turned into the industry leader — by an eccentric, one-time merchant seaman, the late Stanley Methven, has certainly not been forgotten


Methven

Like most industry pioneers, Methven had a vision — that chicken would become a staple protein source — combined with formidable energy He paid nit-picking attention to detail in focusing the company on mass production and was so tough and hands-on that his business was dubbed "The University of Rainbow" Methven, killed in a 1986 motorcycle accident in Monaco — where his widow, Lilian, and some of his children now live — would tell staff that they would do well anywhere after 10 years with Rainbow.

Lilian Methven and Stanley's sister Shirley Pfeiffer, who is divorced and lives in Constantia in the Cape, are still major shareholders in Rainbow In the past year, they have seen a firming of its share price from R2,65 to R3,35 — and a concomitant increase of R118m in their paper wealth. This was despite a period of drought, Newcastle disease and strikes.

9 LEWIS: R568,34m

Family business and holdings: Lewis Foschini Investments, which controls the Foschini Group (Foschini, American Swiss, Markhams, Pages, Sterns)

The Lewises own about 11,6m shares.

Founder and family head: Stanley Lewis (72)

Heir apparent: Michael Lewis (35).

Profile: Despite their physical distance from the family business, the London-based Lewises manage to make sure that Foschini is unsurpassed in SA retailing for its profit margins and return on investment Indeed, true to form, the group posted a 26,2% increase in attributable earnings to R67,3m in the six months to end-October

This performance record is also despite the fact that the father and son team of Stanley and Michael are kept busy in the UK where, through family offshore arm Oceana Investment Corp, which is 36,3% held by Foschini, they own a 37%-odd stake in £220m-a-year UK fashion retailer Etam Oceana has other interests —


Lewis

notably Gioma, which operates 40 restaurants in Europe, and underperforming Handbags International

It's hard to get a fix on the private lives of Wynberg Boys' High old boy Stanley Lewis and his family But acquaintances say he is a simple-living man, prominent in Jewish community life, who puts family first, and son Michael, who has a BA (Hons) from UCT and enjoys sailing, is regarded as a real crown prince

The family — including Stanley's wife Zea, Michael and his wife, Leola, Stanley and Zea's three daughters and numerous grandchildren — gather together in Cape Town over the holiday season.

10 JOWELL: R440,33m

Family business and holdings: Mobile Industries, the holding company of Trencor, a giant in making and leasing freight containers; transport, trading and exports of other commodities. Trencor also has 28% — effective control — of W&A Investments, the listed holding company for a group of industrial and consumer business in SA and abroad

The Jowells' paper wealth vests in 103,6m shares in Mobile Industries.

Founder: Joseph Jowell (died 1973).


Jowell

Family head: Neil Jowell (61)

Profile: The big news, early last year, was the sudden departure of FSI founder Jeff Liebesman, then joint executive chairman of W&A with Ray Hasson, the respected right hand of Trencor chairman Neil Jowell and his younger brother Cecil.

This followed Trencor's announcement of plans to raise R800m in a desperate attempt to rescue the debt-burdened group. It was speculated that institutions would not back the rights offer while Liebesman was still on board; he had to go

Trencor's stake in W&A — which produced alarming losses in 1992 and 1993 — has ended the blue chip's long record of earnings growth. Still, Neil Jowell continues to emphasise the quality of W&A's businesses — and despite its attributable loss in Trencor's year to end-June accounts of R19,2m, W&A is expected to approach break-even in the second half of 1994

Sure enough, an increase in container prices, a decreasing rand and the turnaround in W&A have contributed to renewed confidence in Trencor's prospects. The share price shot to R23 in July off a low of R13,50 in April, it had settled at around R18 in mid-December

Trencor grew out of Neil and Cecil Jowell's father Joe's small town northern Cape-based trucking business, which ferried produce and merchandise throughout Namaqualand.

Now, the main ideas man and motivator behind what is acknowledged to be one of SA's most adroit management teams is Neil, who lives in Cape Town Cecil, who lives in Johannesburg, is chairman of holding company Mobile Industries He is more steeped in the motoring industry and group export activities — and he has not been short-changed in the looks department

Neil, an Argus Cycle Tour veteran, is married to formidable bluestocking Kate, director of the UCT Graduate School of Business Though both he and Cecil were schooled at Wynberg Boys' High, they graduated from different universities with BCom LLBs Neil at Rhodes, Cecil at UCT Neil has an MBA, as has Kate Jowell

Neil and Kate have three sons and two daughters Cecil, married to Phyllis, has a son and two daughters

11 HAMILTON: R411,38m

Family business and holdings: Dalys, which is the holding company of listed Suncrush, manufacturer and distributor of brand-leading soft drinks, and investment arm Tempora, which has, among other interests, a large stake in Cadbury Schweppes

The Hamiltons' wealth vests in 7,5m shares in Dalys and 2,3m in Tempora

Founder: The late Willie Hamilton

Head of family: Robin Hamilton (57).

Profile: Natal's low-profile Hamilton family have remained at 11th position, though their fortune — built on the nation's thirst for soft drinks — has increased by about R50m

Receiving its first Coca-Cola franchise in the mid-Fifties was what clearly paved the way for Suncrush's consistent growth — estimated in 1992 at a compound 25% a year for three decades. Present chairman Robin Hamilton's grandfather Willie, who founded the company, was then invited to join the board of Dalys and went on to become chairman His son, Douglas, took over and, in the early Sixties, the family bought control


Hamilton

Michaelhouse old boy Robin, a BSc graduate (Rhodes) in physics and chemistry who went on to complete a BCom (Natal) part-time, is widely praised for his investment flair — especially, of late, where it affects the fortunes of Suncrush-controlled investment trust Tempora, which has significant minority stakes in a number of largely beverage-related listed companies In the year to end-June, Tempora's market value increased by 16% to R793m

In 1993, a second Suncrush investment holding company, Etterington (formerly Dab Investments), was listed, it houses what were formerly Tempora's nonbeverage interests, among them stakes in Saficon, Sakers, Seardel and Lonrho Sugar

Horse racing and breeding are evidently a Hamilton family tradition grandfather Willie was a founder of Clairwood Park near Durban, Robin, a steward at Clairwood, lives in horse-breeding territory Shongweni. He and his wife have three daughters

12 HERSOV/MENELL: R367,74m

Family business and holdings: Anglovaal Holdings, which in turn has almost 51% of mining house Anglovaal and controls diversified Anglovaal Industries (Consol, Irvin & Johnson, National Brands and Grinaker, among others).

The Hersovs and the Menells jointly own a 51% stake (26m-plus shares) in Anglovaal Holdings.

Founders: The late Bob Hersov and Slip Menell.

Family heads: Basil Hersov (68) and Clive Menell (66)

Heirs apparent: Robert and James Hersov (both in their 30s) and Rick and Brian Menell (late 30s, late 20s)

Profile: Succinct testimony to the fact that this annual survey is highly selective lies in its estimation of the Hersov and Menell families' wealth. If the *FM* were able to come even close to a true assessment, the two heirs would probably nudge Liberty's Donald Gordon off his perch

Indeed, it is well known that the sons of the founders of small but respectable mining house Anglovaal have watered down their holdings in Anglovaal Holdings Not that they don't still play hands-on roles Michaelhouse old boy Hersov as chairman and CE, the UK's Rugby-schooled Menell as deputy chairman and administrative director However, that the two families' holdings are legally entrenched and cannot be separated amuses many, since today's family heads are hardly best friends

As usual, Anglovaal — admired for its adroit management and emphasis on forward planning — turned in good results for the year to end-June operating profit increased 13% to R814m, EPS by 17% to 567c It is well known that the house's fortunes are largely driven by industrial interests — overseen by a man whom many reckon is the business community's top


Hersov

manager, Jan Robbertze. However, its interest, on the mining side, in De Beers' Venetia diamond mine could change the make-up of the group's future income

Many feel that Hersov has been a trifle high-handed over the 1993 collapse of Crusader Life (now under judicial management), in which Anglovaal held a 61% stake He recently stated, having been awarded the Wits Business School Management Excellence Award, that he felt a moral but no legal responsibility towards policyholders. The ongoing saga has forced group management to consider the advisability of having subsidiaries which are not directly controlled.

Hersov, who is also chairman of First National Bank, was educated in mining subjects at Cambridge and has an MA He lists fishing, skiing, shooting, flying (a World War 2 pilot, he flies his own aircraft), occasional golf, science fiction and horses as his interests. He and his brother Ronald, whom scurrilous publication *NOSEweek* described as bone idle, inherited a massive farm in Swaziland

Basil is married to Antoinette and has two sons — the elder, Robert, is based in London as head of Richemont's pay-TV arm, the younger, James, is on the Anglovaal board — and two daughters

Menell, also educated at Cambridge, is an accomplished artist who takes time off each year to paint in exotically located studios He also has a brother, Jo, a filmmaker who lives in the US, and he also inherited a huge farm — in Constantia

Menell and his wife, Irene, a former DP member, have two sons — one of whom, Rick, is financial and administration manager of Anglovaal Mines and has a seat on the board — and three daughters.

13 FERREIRA: R289m

Family business and holdings: Rand Merchant Bank Holdings (RMBH), which is in diversified financial services, mainly life assurance — through Momentum Life (which houses RMB Asset Management, 50%-owned short-term insurer Aegis, RMB properties and 70%-owned Momentum Health) — and merchant banking

The Ferreiras own 8,5m shares in RMBH

Founder and family head: G T Ferreira (46)

Profile: In 1992, the Ferreiras, headed by Rand Merchant Bank Holdings (RMBH) chairman G T (for Gerrit Thomas), and the Laurie Dippenaars (see below), arrived on this list at position 16 (R92,9m) and 19 (R91,7), respectively Since then they have proceeded to move up it steadily

RMBH no longer carries the larger-than-life stamp of its joint founder and former chairman Johann Rupert But Ferreira and Dippenaar doubtless still thank the day, in the mid-Eighties, when their financial services group — launched in the late Seventies with a capital base of R10 000 and the grandiose name Rand Consolidated Investments — was merged with Rupert's RMB and thus provided with the banking licence it required

It is, of course, no coincidence that BCom MBA Ferreira and Rupert have been friendly since Stellenbosch University days However, if RMBH's emergence in the Eighties as a powerful force in financial services smacked of Rupert muscle, the group has gone from strength to strength — it now has a market capitalisation of R2,5bn — under Ferreira, Dippenaar and RMB MD Paul Harris

In 1992, RMBH made a sparkling debut on the insurance boards of the JSE, following a reverse takeover of Momentum Life Its September 1993 share-swap alliance with NBS gave it a stake in retail banking and placed it among the top five financial services groups And for the year to end-June 1994 it doubled attributable earnings to more than R94m after especially healthy contributions from RMB and Momentum


Ferreira

Recently, RMBH has been concentrating on strategic planning and management has made clear its intention to expand abroad (it already has a platform in Australia)

The group has appointed two high-profile people — former ANC monetary policy co-ordinator Neil Morrison and former Andersen Consulting international partner Wendy Lucas-Bull — both of whom are charged with, among other tasks, beefing up RMBH's international relations

Then, too, RMB has negotiated a US$50m syndicated loan, involving 12 banks from nine countries — the first syndicated trade finance loan granted to SA since 1985

Lucas-Bull will become a director of RMBH at about the same time Ferreira switches base from Johannesburg to Stellenbosch, where he has bought a 200 ha wine farm Though he is certainly not relinquishing the chair — and plans to spend at least a day a week in Johannesburg, as well as work from RMBH's Cape offices, in between playing Farmer Giles — he was amused to receive a number of calls congratulating him on the magnanimity and political correctness of appointing a woman successor

Graaff-Reinet-born and schooled Ferreira — famous for having fallen foul of Johannesburg's Blue Light Gang, which in the late Eighties shot him in the chest, left him for dead and made off with his BMW — is married to Annamarie and has a 10-year-old son and a 14-year-old daughter. He enjoys fly-fishing, hunting and following the Springboks on world tours

In addition to the farm, midway between Stellenbosch and Franschhoek, the Ferreiras have a holiday house at the Cape's St Francis Bay.

14 DIPPENAAR: R283,9m

Family business and holdings: RMBH, as above

The Dippenaars hold 8,35m in RMBH

Founder and family head: Laurie Dippenaar (45)

Profile: If his partner G T Ferreira is bent in the mid-Nineties on creating a better balance between business and leisure, there seems to be no stopping workaholic Laurie Dippenaar Formerly MD of RMB, in mid-1992 he took over as executive chairman of Momentum Life, and has since been making sure that the life assurer lives up to its name

Indeed, Momentum recently clocked in at position eight in the 1994 *Business Times* Top 100 Companies survey, its share price having risen over the five years to September 30 from 150c to R20 That the capital appreciation has come largely since control passed to RMBH — at 440c a share — and Dippenaar moved in is testimony to the boyishly good-looking MCom CA's management skills

Dippenaar, who was educated at Pretoria's Menlopark Hoer and Tukkies, has stated that Momentum's turnaround plan hinged on four key elements: focusing on the A-income and business markets; restructuring the group into profit centres; formulating a normative profit model which defines critical targets for each division, and greater empowerment of staff Judging by the jump in new recurring and single-premium income — 83% and 97%, respectively, in the year to June — the plan is paying off


Dippenaar

Dippenaar is married to Estelle; they have two sons and a daughter under 13 Though he puts in

15-hour working days, Dippenaar balances this superman schedule by playing golf, tennis and squash and cycling He also takes time off — the family has a holiday house in Plettenberg Bay, among other leisure properties — during practically all school holidays.

15 WESSELS: R272,34m

Family business and holdings: Holding company Wesco Investments and its two principal operating arms Metair Investments (motor industry-related manufacturing) and Toyota SA (the leading supplier of passenger and commercial vehicles)

The Wessels family's paper wealth vests in about 5m shares in Wesco, 431 037 in Metair and 388 000 in Toyota SA

Founder: Albert Wessels (died 1991)

Family heads: Bert Wessels (50) and Elisabeth Bradley (56)

Profile: Toyota continues to top the vehicle sales lists (it had almost 28% of the total market in November) — and to ensure Bert Wessels and Elisabeth Bradley, two of the late Albert Wessels's four children, a place at the core of the *FM*'s super-rich survey year in and out.

Wessels

The siblings, along with Holland-based Johanna and Jeanne, are the offspring of the man who, in 1963, acquired the Toyota licence for SA, and his first wife, Afrikaans poet Elisabeth Eybers They have always been involved in the family businesses Bert Wessels stepped into his father's shoes as executive chairman of Toyota SA and Bradley is executive chairman of Wesco

Last year, Toyota was, of course, hit by the five-week motor industry strike, the 27 days of lost production cost it 11 000 vehicles. But the *FM* commented at the time that it was lucky its excellent interim results — showing a 40% rise in net profit — came out after the National Union of Metalworkers of SA was forced to back down on its final wage demand Nor was management ruling out an even better second-half performance at the time.

Assuming no more labour disputes, Wessels is optimistic that pent-up demand will see Toyota enjoy strong demand well into 1995.

Wessels jnr, who was educated at Grey College, Bloemfontein, and UCT (BSc mechanical engineering), was dogged for some time by scepticism over his ability to take over from his super-entrepreneur father. This emerged despite the fact that he worked his way up through the ranks, after having spent a year with Toyota in Japan But since the company hasn't appeared to falter in the old man's absence, this perception has been all but forgotten.

Married and the father of five, stocky, fit-looking Wessels enjoys squash, sailing, diving, boardsailing and a good party

There has never been any doubt, on the other hand, about somewhat austere Bradley's dedication and abilities One of SA's leading businesswomen (she is also on the board of Standard Bank Investment Corp), she has an MSc from London University and worked for a year as a chemist in the US before joining her father's company in the early Sixties

Bradley is married to an academic with whom she has a son and two daughters

16 LYNCH: R226,6m

Family business and holdings: Imperial Holdings, a diversified industrial holding company invested in transport, vehicle rental, motor trading and financial services.

The Lynch family's paper wealth vests in about 8,9m shares in Imperial

Founder: Percy Abelkop

Family head: Bill Lynch (mid-50s).

Profile: The low-profile chairman of Imperial Holdings, Bill Lynch, was hardly overjoyed at the discovery that his family had joined the *FM's* super-rich ranks But his effect on the company has been such that — despite his policy of turning down personal interviews — he can hardly escape notice

The seed for Imperial Holdings' tremendous growth over 20 years was "King" Percy Abelkop's single dealership, which in 1970 had a turnover of R6m It was around then that Lynch emigrated from rural Ireland, where he'd also been in the motor trade, and grabbed the position of group administration controller when it was offered to him by Abelkop As Lynch has noted: "We clicked instantly"

He went on to become joint MD, with Abelkop's son, Stephen Imperial Holdings was listed in 1987 — one of the more successful debuts of the listings boom — and has continued to be one of the best performing motor groups

Lynch

In 1991, the Abelkop family were bought out by Lynch and institutional investors Though both Percy and Stephen Abelkop have remained as nonexecutive directors, Stephen has emigrated to California and Percy divides his time between Cape Town and the US

Lynch has played the leading role in the diversification and expansion of Imperial — between late 1991 and early 1993 it bought more than 70 companies More recently, for example, it made substantial purchases in transport, acquiring (through associate company Longrail) the entire issued capital of Highway Carriers for R68,2m Making acquisitions has indeed become a way of life for Imperial and Lynch — and it's a strategy that helped grow earnings for the year to end-June 1994 by 31% to R70,7m and turnover 37% to R1,49bn

Imperial headquarters is well known for being a lean but highly effective machine As an associate of Lynch's stresses "Bill knows every nook and cranny of the business He's a strong motivator and, though democratic, a highly efficient, decisive operator — things don't pile up and grow hair under him"

Lynch is married to attractive, gym-trim Ann, who is also Irish. They have a teenage son

17 BARROW: R179,3m

Family business and holdings: Fedsure Holdings, holding company for the sixth largest life office, Fedlife The group has expanded its activities in financial services to complement its core long- and short-term insurance business

The Barrows hold about 10,5m shares in Fedsure Holdings.

Founder: John Barrow (died 1933)

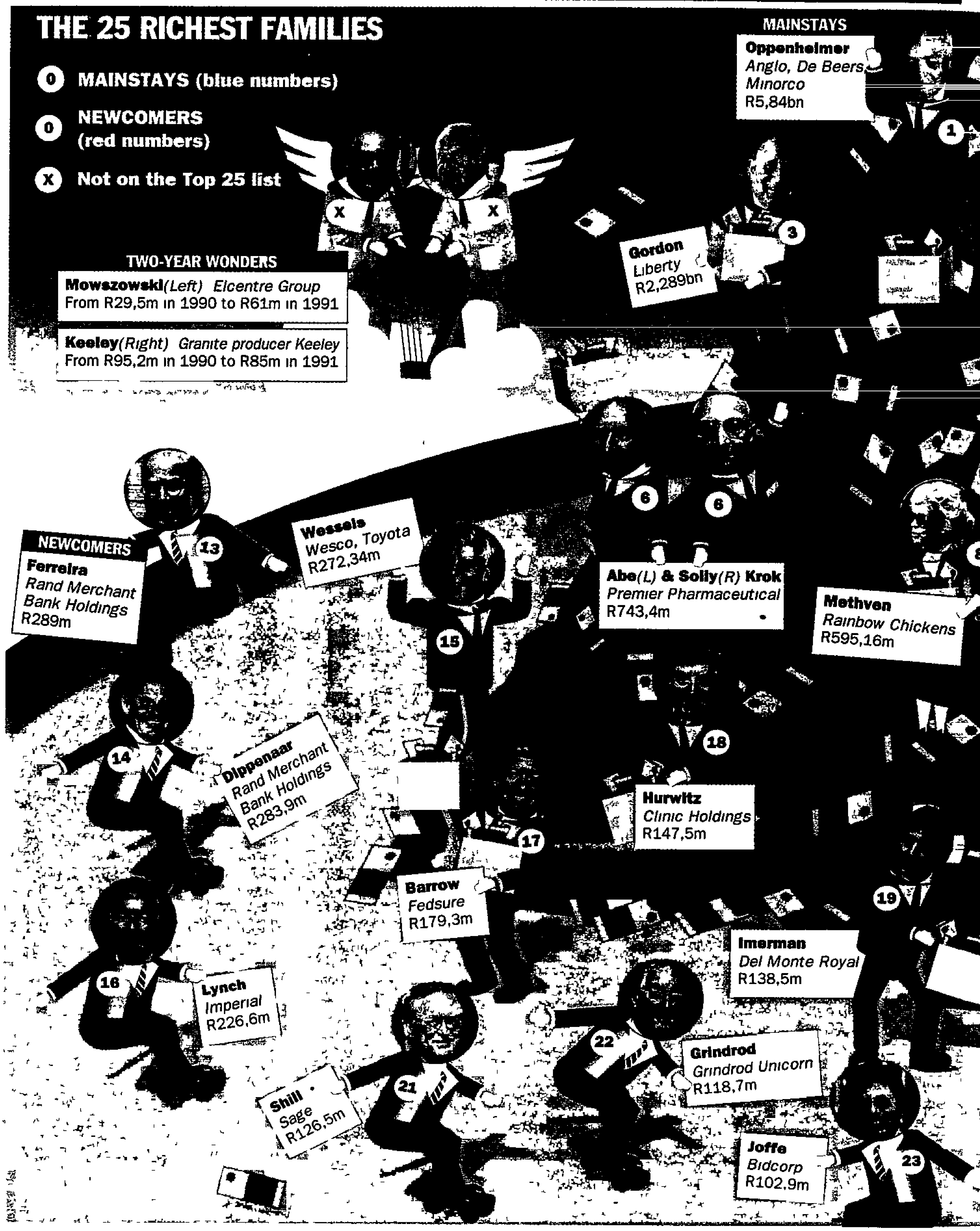
Family head: John Barrow (mid-50s)

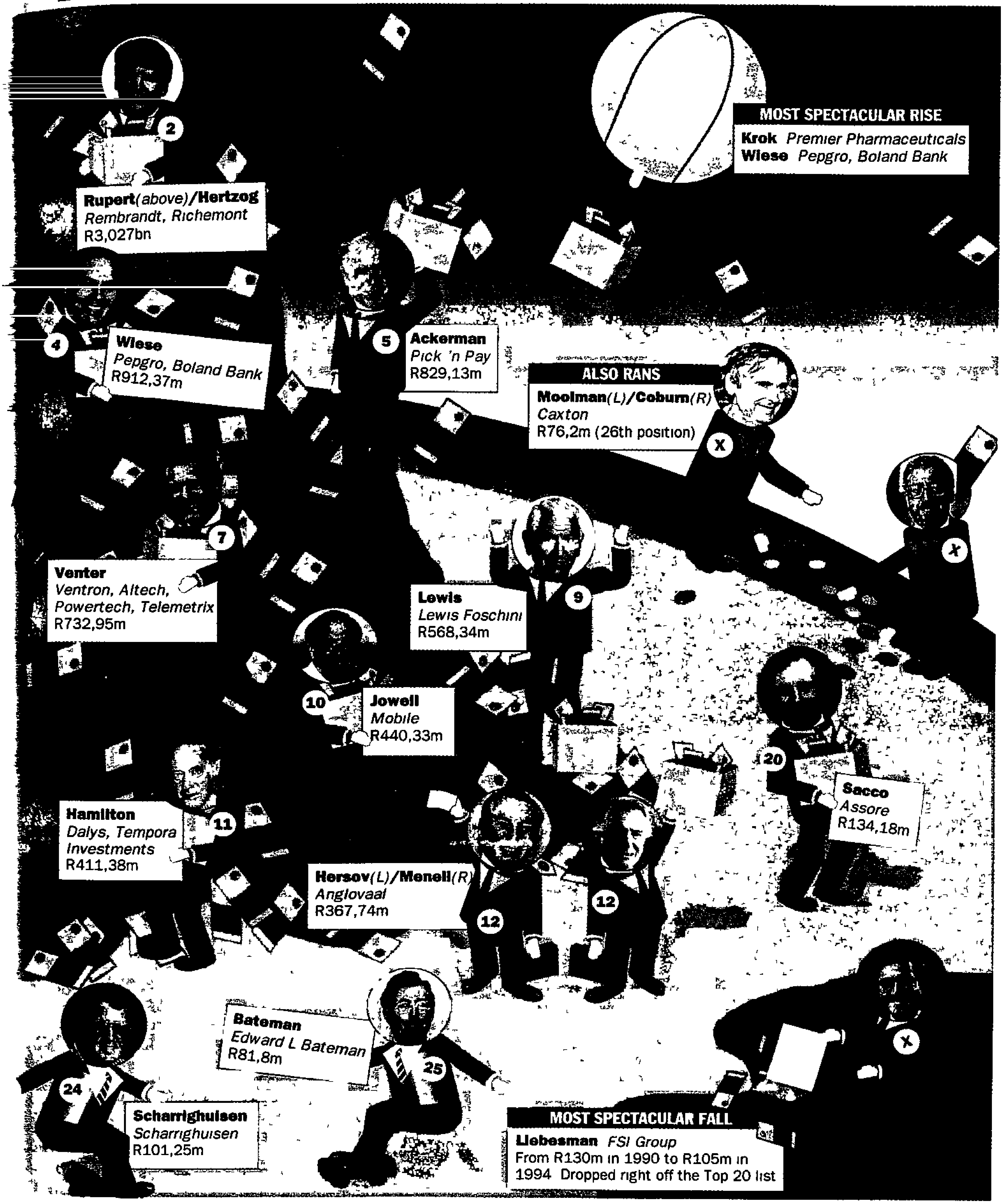
Profile: It is almost accidental that the extended Barrow family have a hefty wad of Fedsure Holdings' shares, the focus of their activities for almost 100 years has been not insurance but building, through Barrow Construction, founded in 1896 by Fedsure chairman John Barrow's great-grandfather, Albert. Among other landmarks, the firm built the Wits University Central Block and Great Hall in 1922

Barrow

However, Fedsure grew out of the bid by Albert Barrow, today's family head's grandfather, to establish a workmen's compensation organisation for the fledgling building trade. it was called Federated Employer's Mutual. Fedsure was listed in 1987, group assets have trebled in the five years since 1988 to close on R9bn

Late last year, in line with its trend of broadening its base of earnings in financial


THE 25 RICHEST FAMILIES
0 MAINSTAYS (blue numbers)
0 NEWCOMERS (red numbers)
X Not on the Top 25 list
MAINSTAYS
Oppenheimer Anglo, De Beers, Minorco R5,84bn
Gordon Liberty R2,289bn
TWO-YEAR WONDERS
Mowszowski (Left) Elcentre Group From R29,5m in 1990 to R61m in 1991
Keeley (Right) Granite producer Keeley From R95,2m in 1990 to R85m in 1991
Abe (L) & Solly (R) Krok Premier Pharmaceutical R743,4m
Methven Rainbow Chickens R595,16m
NEWCOMERS
Ferreira Rand Merchant Bank Holdings R289m
Wessels Wesco, Toyota R272,34m
Dippenaar Rand Merchant Bank Holdings R283,9m
Hurwitz Clinic Holdings R147,5m
Barrow Fedsure R179,3m
Imerman Del Monte Royal R138,5m
Lynch Imperial R226,6m
Grindrod Grindrod Unicorn R118,7m
Shill Sage R126,5m
Joffe Bidcorp R102,9m


MOST SPECTACULAR RISE
Krok Premier Pharmaceuticals
Wiese Pepgro, Boland Bank
2
Rupert(above)/Hertzog
Rembrandt, Richemont
R3,027bn
4
Wiese
Pepgro, Boland Bank
R912,37m
5
Ackerman
Pick 'n Pay
R829,13m
ALSO RANS
Moolman(L)/Coburn(R)
Caxton
R76,2m (26th position)
X
X
7
Venter
Ventron, Altech, Powertech, Telemetrix
R732,95m
9
Lewis
Lewis Foschini
R568,34m
10
Jowell
Mobile
R440,33m
20
Sacco
Assore
R134,18m
11
Hamilton
Dalys, Tempora Investments
R411,38m
Hersov(L)/Menell(R)
Anglovaal
R367,74m
12
12
Bateman
Edward L Bateman
R81,8m
25
24
Scharrighuisen
Scharrighuisen
R101,25m
X
MOST SPECTACULAR FALL
Liebesman FSI Group
From R130m in 1990 to R105m in 1994 Dropped right off the Top 20 list

services, Fedsure struck a deal with Thebe Investments and others, whereby it bought 49% of a black-controlled funeral fund and launched Safrican Insurance. This followed an earlier acquisition, in late 1993, when Fedsure took over the funeral and credit life business from Saflife for R60m, following the collapse of IGI.

The public face of Fedsure, in which banking group Investec has a stake, is smart, impish group CE Arnold Basserabie (49); Morris Bernstein, MD of Fedlife, is also well known in business circles John Barrow, on the other hand, keeps a low profile (you'll find Basserabie in *Who's Who* but not Barrow). he operates from dusty, faded-family-photograph-adorned offices adjoining a builder's yard in New Doornfontein, Johannesburg; and though he is in daily contact with Basserabie, he is not involved in Fedsure's day-to-day operations.

An approachable, unpretentious man, Barrow III, whose brothers Douglas and David happen to be former Springbok squash players, is chuffed that his three sons are ensuring the continuation of the Barrow building dynasty.

His after-hours interests include bird-watching, skiing, boardsailing, hiking in the Drakensberg — where the extended family (Barrow is at pains to point out that the Barrows are a clan) have a property — nature conservation and tennis The squash genes, he's happy to admit, skipped him.

18 HURWITZ: R147,5m

Family business and holdings: Clinic Holdings, the largest surgical and medical private hospital group with about 16 outlets in Johannesburg (Milpark, Park Lane and Rosebank, among them), Alberton, Pretoria, Natal, Port Elizabeth and Cape Town.

The Hurwitzes' paper wealth vests in their control — with about 40m shares — of Clinic Holdings

Founder and family head: Barney Hurwitz (72).

Heir apparent: Jeffrey Hurwitz (38)

Profile: The fortunes of Clinic Holdings executive chairman Barney Hurwitz, who slipped seven places to position 22 last year, improved in 1994. The man is walking testimony to the fact that it is possible to make money out of the emotionally charged arena of hospitals and medicine

However, the share price is hardly hotly rated. This is despite the fact that the property interests — previously separately held in an unlisted company controlled by the directors and which received rents from the listed company — and the operating interests were recently merged

The share priced climbed strongly to

Hurwitz

420c in early 1993 on news of this restructure; yet it drifted down to R2,20 at about this time last year. It had firmed to R3,70 by mid-November, probably because of good results for the six months to March — attributable profit increased 15,6% to R19,1m — and its expansion programme In November, the group picked up a 45% stake in Johannesburg's R65m Linksfield Clinic

Polish-born Hurwitz, who arrived in SA in 1934, is the son of a metal merchant who was based in Fordsburg, Johannesburg, Barney was schooled at Forest High. He wanted to be a doctor but trained as a chemist, and, in 1948, founded the High Bree pharmacy After taking a course in hospital design and management, Hurwitz realised private facilities were primitive — and, in the early Sixties, he took the gap. Clinic was one of the largest debuts of the 1987 listings boom.

Hurwitz has stated that what matters to him is family, *shul* and curing people. But members of the medical profession insist that the Albert Schweitzer image he is at pains to project is a veneer for a tough and streetwise — unsurprising, given his background — entrepreneurial character.

He and his wife, Leah, have been married for 50 years; they have, in addition to Clinic Holdings MD Jeffrey, two daughters and several grandchildren. Barney Hurwitz's principal hobby is bowls

Jeffrey Hurwitz was schooled at King David in Victory Park, Johannesburg, and has a BCom He is married to Denise, has two sons and lists jogging, golf and gym among his hobbies

19 IMERMAN: R138,5m

Family business and holdings: Del Monte Royal Holdings (Delhold), which has 50,9% of Del Monte Royal Corp, which in turn has 46,5% of Del Monte Royal Foods (Delfood). The group markets well-established branded products

The Imerman family have about 20,2m shares in Delhold

Founder: Sam Imerman

Family head: Vivian Imerman (38)

Profile: The Imerman family made their debut on this list in 1991 (placed 16th with R97m) and, though the nature of their business has changed and expanded dramatically since then — largely on the back of 1993's incredible R2,2bn reverse takeover of Del Monte Foods International, engineered by Vivian Imerman and Anglo American — the local market is still displaying indifference to the shares

The group had yet to report to November 1994 but its interim results stirred hardly any interest. They included a 9% increase in earnings per share, operating profit was virtually static, though a 36% rise in interest rates translated into an 8% drop in pre-tax profit In mid-December results for the year were expected to be promising.

The Delcorp control pool of shares is held equally by Anglo and the Imerman consortium However, Imerman's team has management control of what is Europe's premier — and one of its oldest — canned fruit and juice producer This has necessitated Imerman's move from Johannesburg, where he was born and schooled (at King Edward VII), to the UK, where trading conditions are not exactly a bed of roses; but where the shares doubtless enjoy a higher rating

Imerman

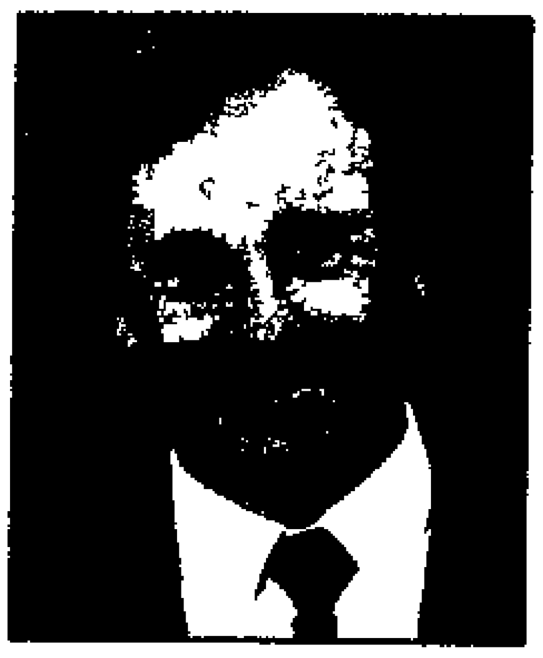
The Imerman name now connotes branded foods. But the family's fortune was built on chemicals. It was Vivian's father, Sam, who bought chemicals broking business Lovasz more than 20 years ago (Roychem, as it became, has since been broken up and sold) However, it was jnr who used it as a platform for honing his trading skills and, much to the market's astonishment, acquiring control in 1989 of Royal-Beechnut (SA) from giant US food conglomerate RJR Nabisco in a R45m transaction.

Imerman clearly has rough-and-ready entrepreneurial acumen in spades — as well as an unblinking focus on branded foods But there is a link between his first major deal — Royal-Beechnut (SA) — and the one that netted Del Monte. Both were opportunities presented by the gladiatorial leveraged buyout and break-up of Nabisco, a deal exposed in the book *Barbarians at the Gate* He has confirmed that apart from attempting a BProc at Wits (he completed three out of five years), his theoretical grasp of business has centred on the Nabisco corporate ethos and systems

Imerman is married to Gina, with whom he has three children He jogs, water-skis, works out at gyms and rides horses and a Harley-Davidson He and Gina are potty about antiques and the family spends holidays at their pad in Cape Town

20 SACCO: R134,18m

Family business and holdings: Associated Ore & Metal (Assore), which is a holding company with interests in Anglovaal-con-


Sacco

trolled Assmang (45%) and other base metal mining operations

The Sacco family hold 462 698 shares in Assore

Founder: Guido Sacco (died 1994).

Family head: Desmond Sacco (52)

Profile: Last year, the enigmatic, distinguished-looking, expatriate Italian founder of the Sacco family fortune, Guido, died; he was approaching his mid-90s and is survived by his wife, Patricia

His son, Michaelhouse old boy Desmond, had become chairman of Assore a couple of years ago, when snr retired as technical director of Assmang and as chairman of Assore

Guido Sacco arrived in SA in 1923 and stayed to become a prospector and pioneer of the base mineral mining industry He became involved in the evaluation and acquisition of manganese deposits on farmland in the northern Cape — deposits which are now acknowledged as one of the largest and richest of manganese and iron ore in the world

In the early Thirties, Sacco formed African Mining & Trust to search and work mineral deposits and Ore & Metal as an exporter of base minerals Assmang was formed in 1935 In mid-1950, Sacco incorporated and a year later listed Assore. By the end of his life Guido had built a mining group with a net worth of more than R600m.

Though Assmang's results were so-so — there is a world price squeeze on base metals — the year to June 1994 was a good one for Assore: turnover leapt to R68,3m (1993 R49,6m), attributable profit to R16,2m, EPS was 1 573c, nearly twice 1993's 870c.

Desmond Sacco, who is so squeamish about publicity that he wrote to the *FM* in the bid to have the family excluded from this survey, has a BSc in geology He played top-level cricket and hockey and still plays golf (Royal, Wanderers), tennis and squash. Other interests include farming and collecting minerals He is also known to be passionate about music and has invested heavily in state-of-the-art hi-fi equipment

Sacco has a sister, Sally He is married to Angela and they have two sons

21 SHILL: R126,5m

Family business and holdings: Sage Group, a life assurance, financial services and property group, controlling and managing assets approaching R6bn

The Shill family's paper wealth vests in about 13m shares in Sage Group

Founder and family head: Louis Shill (64)

Profile: After his stint in government — as the moribund, pre-election regime's last Minister of Housing & Public Works — Louis Shill, a Wits BCom CA, is back where he belongs as chairman of Sage, the group which he grew out of the establishment of SA's first unit trust, SA Growth Equities Fund

In early 1994, Shill was dancing in leaden boots on the negotiation process but nevertheless providing the new government — and his surprisingly adept successor Joe Slovo — with a solid base from which to move forward in the emotive arena of housing Meanwhile, Sage was entering the year as a different beast from 1993

It had sold its stake in RMB Holdings, acquired Absa's 49% stake in Amalgamated Insurance Holdings and its three listed entities were restructured and fused into a single listing The result is that the group has less debt and more focus — it grew pre-tax profit by 62,3% in the six months to September and after-tax profit by 80% to R40m


Shill

In December, Shill hinted that plans were afoot to improve the marketability of the group's shares in 1995. The option to take a 50% stake in the Independent Financial Marketing group of the US holds potential in this respect

"Hailing from the platteland . something of the Afrikaner has rubbed off on me," Shill once remarked Indeed, there are still Shills in Witbank, where he was born and schooled, and his brother has been active in local Nat politics This attitude, typical of the rural trader strand of SA Jewry, allowed Shill to share effective control of Sage with Rembrandt with no apparent friction

Shill was a co-founder of Liberty Life, though his relationship with Donald Gordon went through a chilly period when he struck out on his own

Shill and his wife, Mavis, have two daughters and are keen collectors of art

22 GRINDROD: R118,7m

Family business and holdings: Grindrod Unicorn Group (Grincor), an investment holding company whose mission is to operate and develop business units in the service industry, primarily storage, handling and transport of goods by sea, air and on land, nationally and internationally


Grindrod

The Grindrod family's paper wealth vests in about 14,3m shares in Grincor

Founder: Capt John Grindrod.

Family head: Murray Grindrod (60)

Profile: The socially prominent, Durban-based family behind shipping group Grincor joins the *FM*'s super-rich list for the first time

Headed by racehorse and golf fan Murray as chairman, the group's prospects — linked as they are to the world economy — have recently been more buoyant and investors are backing it as a recovery stock. Indeed, the Grincor share price appreciated by more than 78% in 1994 to a high of around R8 — and with it the family's fortune

Last year's highlights included, in July, the separate post-sanctions-inspired listing of new ship-chartering venture Griffin. It is 67%-held by intermediary Grinsaf (Grincor has 60% to Safren subsidiary Safmarine's 40%) Then, in October, Grincor and financial services group Russell Marriott & Boyd Trust (RMBT) banded together to form Marriott Merchant Bank, Grincor now has a 32% stake in Marriott Holdings, of which Grindrod is chairman

Grincor's roots go back to the founding, in 1910, of Grindrod & Co by Murray Grindrod's grandfather, Capt John Grindrod. Grincor was formed in the Sixties to serve as a holding company. At that stage it was controlled by Union Corp with the Grindrod — Murray's father Walter, who has since died, was then prime mover — and Renaud families owning the balance of the shares. The group, in its present form, was listed in mid-1986.

Murray Grindrod sits on the boards of a number of other companies, including First National Bank (Natal) and Times Media He owns racehorses and is a member of various racing clubs, as well as of the Royal & Ancient Golf Club of St Andrew's.

He is married to Pauli, with whom he has two sons and two daughters

23 JOFFE: R102,9m

Family business and holdings: Bidcorp, the holding company for Bidvest Group, which operates in the fields of distribution, service and trading and which encompasses light manufacturing

The Joffes have 12,5m shares in Bidcorp

Founder and family head: Brian Joffe (47)

Profile: Brian Joffe first arrived on this list


Joffe

a year ago at position 19 (R94,4m) after fewer than five years doing his own thing and having just witnessed his firm take second position in the *Business Times* Top 100 Companies survey — absolute proof, if ever there was, of the toothily attractive man's instinctive entrepreneurial ability

In the 1994 Top 100, Bidcorp — which in six years has grown from an R8m cash shell (Iclef) to a group capitalised at more than R1,2bn — dropped slightly to fourth position. Shareholders who took a R10 000 flyer on Bidcorp in 1989 would have a nest egg of R150 376 now

Tough, driven asset manager Joffe appears to have honed a hearty entrepreneurial appetite in the early Eighties when he was MD of W&A, under the aggressive chairmanship of Mannie Simchowitz (based in California) before the group was acquired by Jeff Liebesman's FSI

And it was not long after he left W&A that he bought Iclef, renamed it Bid (for Business Innovators Development) Corp and injected his first acquisition, food wholesaler Walter A Chipkin, into it

About a year later, Joffe picked up the Curries cash shell, renamed it Bidvest and used it to house a growing array of wholly owned operating divisions — among them, Cater Plus, which is expected to benefit from this year's World Cup rugby, Combined Foods, Bidserv, Bidpac and newcomer Safcor Freight, which dominated turnover with 59% of the R2,5bn generated in the year to June 1994

The result of Bidvest's hunger for acquisitions, as well as organic growth, was a 141% surge in attributable earnings to R89,9m in the same period

And Joffe has stated that the group — which is sitting on a cash pile of almost R300m — is still on the prowl to buy even more companies

Joffe, the fifth son of the family which founded Tastic Rice, matriculated from Greenside High, Johannesburg, and after qualifying at Wits ended up doing something he grew to dislike — auditing (at Kessel Feinstein)

Surprisingly, considering his passion for deal-making, he has dropped out twice· once to live in Israel for three years, and again, at age 32 — after he had bought a half-share in a pet food business and sold it at a premium to Tongaat Hulett — to live in the US.

He returned in 1983 and consulted for Standard Merchant Bank before joining Simchowitz

Joffe and his wife, Lee, have two sons He lists golf, tennis and photography as after-hours pursuits

24 SCHARRIGHUISEN: R101,25m

Family business and holdings: Scharrighuisen Holdings (Scharig) Group activities include opencast mining, plant hire, construction, earthworks and engineering

The Scharrighuisen family's paper wealth vests in 9m shares in Scharig

Founder and family head: Cas Scharrighuisen (44)

Profile: Ladysmith-based Hollander Cas Scharrighuisen, founder and hands-on chairman and joint-MD (with Laurie Fisher) of unpretentious but well-rated Scharrighuisen Holdings, is famous for his no-nonsense, never-let-up work ethic It has clearly paid off, propelling his family — his older brother, Teunis (Tony), is Scharig financial director — on to the *FM*'s super-rich list for the first time


Scharrighuisen

Scharrighuisen Holdings, for which there is no better description than the pun down-to-earth, went on to the JSE boards back in 1989 with the reverse takeover of DCM-listed Goodall Group

Since then, with the emphasis on productivity rather than profile — and particularly since the mining interests (Schamin) were listed separately in early 1993 — the group's growth has been rapid and consistent

Scharig also recently listed its industrial holdings (Scharind) through a R17,6m rights offer

Cas Scharrighuisen, who speaks a version of Dutch-accented Afrikaans jokingly referred to as "Scharrighuisen" and not much English, emigrated to SA in 1972

He brought his Komatsu D75 Traxcavator with him and, though he had no firm contract, it was his brother Tony who encouraged him to seek work at Newcastle, where Iscor's new steelworks was being built

More contracts followed and he bought a second, then a third machine. Scharrighuisen Plant Hire was launched

Today the company — much expanded through acquisitions and SA's largest independent opencast mining contractor — has no-frills headquarters in Jet Park, as well as offices in Ladysmith and Middelburg

Joint MD Laurie Fisher points out that Scharig's management style is informal and that Cas Scharrighuisen's Toyota Land Cruiser, fitted with telephone and two-way radio, doubles as his office

Scharrighuisen is married and has a 17-year-old son and a 19-year-old daughter He works long hours — at least 12 a day — six days a week But he is not altogether the dull boy you'd expect The seventh day is devoted to his fine collection of vintage cars, including a 1927 Bentley, a 1921 Silver Ghost Rolls-Royce and a 1929 Phantom II Rolls-Royce

25 BATEMAN: R81,8m

Family business and holdings: Edward L Bateman, a process and project engineer and supplier of capital plant and equipment

The Bateman family's wealth vests in about 3,6m shares in Edward L Bateman

Founder: The late Edward Latrobe Bateman

Family head: Bill Bateman (58)

Profile: Last year was the 75th anniversary of the founding of Edward L Bateman, the giant, multifaceted engineering firm And it drew to a close auspiciously, with a rating at 10th position in the *Business Times* Top 100 Companies survey, rising from 61 in 1992 and 28 in 1993 Shareholders who invested R10 000 in 1989 would have watched the amount grow to R103 898 in 1994


Bateman

E L Bateman also ended the year by unlocking the full value of its equipment interests

In November investment holding company Bateman Industrial Corp (Batecor), with a turnover of R522m, was listed on the JSE An interesting aspect of E L Bateman's earnings — turnover in the year to June almost doubled to R1,1bn — is that more than 50% are generated from offshore operations The public faces of the group are those of Peter Brereton, MD of of the equipment division, and John Herselman, MD of engineering

Fourth-generation executive chairman Bill Bateman, a newcomer to the *FM*'s super-rich ranks, keeps a low profile

Unfortunately, he hasn't produced any sons, so he is likely to be the last of the Batemans who will head up the group his great-grandfather, Edward Latrobe, founded in 1919 and registered at the beginning of the Thirties

OUTSIDE, LOOKING IN

The secretive and odd couple of printing, publishing and packaging, Terry Moolman (50) and Noel Coburn (50), have tied for 26th position with R76,2m apiece. Each holds about 5,8m shares in Caxton, whose major profit centre is its 53% stake in CTP Holdings.

Caxton/CTP is a household name among readers of knock-and-drop and paid-for community newspapers — *Sandton Chronicle*, for instance. The group also has lucrative print contracts including *The Sunday Times Magazine* and *Financial Mail* — and prints and publishes ***Style*, *Pace*** and ***Food & Home***. It also prints and packages through Hortors, and makes and markets ink (Solchem.)

Caxton holding company Afmed is 51%-owned by Moolman and Coburn and 49%-owned by Omni Media Corp (formerly Argus Holdings). But in recent years the partnership has soured, probably as a result of ongoing litigation over *The Star's* decision to distribute zoned supplements. This was something

Moolman

Coburn

Caxton unsuccessfully contended was prohibited by restraint agreements concluded by the two in the early Eighties; the case is under appeal.

It is well known that Moolman and Coburn, joint MDs of Caxton, and former Argus Holdings CE Doug Band did not exactly hit it off. Coburn publicly opposed the deal whereby Tony O'Reilly acquired Argus Newspapers. The company he manages day-to-day — Newspaper Marketing Bureau, which was jointly established by Caxton and Argus to sell national advertising space in the twosome's publications — is closing as a result of the restructuring of Argus Newspapers.

Moolman — famous for his rumpled dress sense and ever mindful of his barefoot background in Krugersdorp — is considered the more abidingly entrepreneurial of the two schoolteachers-turned-tycoons. Dapper, diplomatic, cultured Coburn is an expert on market research. They made their name in the media world in the early Sixties when they sold ads for Republican Press, Moolman being the behind-the-scenes strategist, Coburn the front man

Some reckon Moolman still cherishes the aim of becoming a press baron. But he and Coburn failed in a recession-fraught 1992 bid to launch a weekly tabloid targeted at readers in the Johannesburg northern suburbs; *Northsider* was closed after less than a year.

Moolman is married to Athalie and has two sons. Coburn and his wife, Frances, a former sub-editor at *The Star*, have a daughter. ■

Bateman was schooled at St Andrew's College, Grahamstown, and has a BSc in mechanical engineering from UCT and MIT He played squash for MIT and still plays tennis and golf (Royal, River Club) A member of the Rand Club, he is married to Shirley, who plays golf as well as bridge Somewhat aloof, they have three daughters and choose their friends carefully. *Linda Stafford*

GLOBAL ECONOMIC OUTLOOK

Buoyant but no big bang

Golden opportunity to tackle long-term problems must not be squandered

An unmistakable warning to policy-makers came with the OECD's buoyant December assessment that prospects for industrialised nations are the best "for several years" Taking a view to the end of the century, the organisation's *Economic Outlook* painted a glowing scenario of sustainable growth averaging almost 3% while inflation sticks at about 2,7%. The warning in the report was: Don't blow it!

Last year turned out far better than the OECD projected in December 1993, when, outside recovery leader the US, a mild and mixed upturn was expected for the big economies. Even that would depend partly on demand in the fast track Asian-Pacific, Indian and South American markets

But the story of 1994 turned out to be one of upward revision in spite of a six-stage squeeze by the US Federal Reserve to pre-empt inflationary pressures perceived to be 18 months down the road A rotten period for nervous financial markets belied the underlying real economies.

Compared with initial projections (see table), Germany advanced a good two-and-a-half times quicker, Japan rallied twice as fast and the US nearly 50% quicker Overall, the OECD emerged with 2,8% growth against the posited rate of 2,1%

And there was probably more to come when fourth-quarter figures were finalised (the OECD's data cut-off date was about seven weeks before the year-end)

Japanese industrial output in November, for example, was showing a 5,9% gain year-on-year with rising investment spending reflected in a 21% improvement in construction orders The main drawback was continued weakness in retail sales, up just 0,3%, which has kept prices down.

The outlook for the next two years is for a rebalancing of performances with acceleration in Japan and Europe taking over the role of growth engines in the industrialised majors from the US

The consensus of private forecasts is also unusually positive. America is seen as maintaining above-trend growth without much more price pressure for 1995.

And even when the slowdown comes in 1996, responding to higher real short-term interest rates of 4,5%, the US will still be in its seventh consecutive year of expansion — echoing the Eighties boom, though at a steadier, less inflationary pace

Though the OECD nations could be moving in closer step, there are differences in the causes In the US, weaker domestic demand — residential construction has already stopped rising — and lower imports will see a greater contribution from exports

Higher interest rates are expected to stimulate savings but exporters will benefit from the lower dollar and the strengthening of the main overseas markets

The obverse is the case for Europe and Japan In continental Europe, fixed business

Privatisation the way to go in SA, bank says

(232)

12/1/95

ARG ~~7/12/94~~

Business Staff

LARGE public utilities like Telkom, Eskom and Transnet should be privatised to ensure the maximum benefit from the restructuring of State assets, according to the Bank of Lisbon

In its Economic Survey, the bank said privatisation was a fact of life almost everywhere in the world. In the decade up until the middle of 1992 more than 7 000 enterprises had been privatised worldwide, with roughly 2 000 of them in developing countries.

Many countries had privatisation plans and programmes in the works that would continue to push these numbers even higher.

Privatisation has been largely off the South African political agenda since 1990, but this is all set to change in the wake of the new plans of the government to restructure government finances partly through the privatisation of State assets

These plans were endorsed by the ANC during its conference last month.

The bank said that many activities within the public sector could be contracted out, but warned that a series of small privatisations would be of limited value.

Maximum benefits would be reaped only if the large public utilities such as Telkom, Eskom and Transnet were privatised

These utilities were low risk investments with large cash flows which had already been commercialised. It was such privatised concerns which would attract major interest from foreign investors, the bank said

There is a strong demand among international securities houses, banks and institutional investors for shares in freshly privatised public utilities.

A "big bang" approach to privatisation was far more likely to help kick start overseas investment in this country, the bank said.

Such an approach would exert a much greater impact on foreign investor confidence than a protracted piecemeal programme of State disposals which excludes the parastatals

It was to be hoped that the attitude of the government towards privatisation woud be shaped by the special considerations unique to South Africa, as well as appreciation of the long standing general arguments in favour of the sale of State assets, the survey said

The greater efficiency of privatised concerns, the virtues of wider share ownership and the fiscal benefits to be realized by the government have been compelling arguments in favour of privatisation.

However, privatisation in South Africa of public utilities should be regarded as an integral feature of a structural adjustment programme aimed at eliminating exchange controls.

Privatisation moves might also stem capital flight from the country by improving the confidence of domestic investors, and would certainly help to broaden the investment base, and alleviate the perceived shortage of scrip on the Johannesburg Stock Exchange, the bank suggested.

South Africa had a highly developed capital market making privatisation easier, and the market was capable of absorbing large sales of shares by the government.

The options, moreover, for the sale of public utilities to foreigners did not solely encompass selling shares to foreign portfolio investors. The alternative would be to sell large chunks of such utilities to offshore utility companies.

Even so, there were strong grounds for arguing that any privatisation programme in South Africa should be on a staggered basis in the sense that only a portion of the large and potentially profitable enterprises should be sold off initially, to be followed later by total privatisation.

This conclusion stemmed from the danger that privatisation could be made more difficult to accomplish because of the so-called "privatisation trap"

There is still much opposition to privatisation on the grounds that this would result in widespread job losses, while placing additional pressure on depleted social security reserves.

But, such a perspective completely ignored the benefits of privatisation, the bank argued.

The jobs which could be saved by preserving State concerns paled into insignificance compared with the new jobs which can be generated by creating a more competitive investor friendly economy through a wholesale privatisation programme.

The approach to privatisation in South Africa had to be tailored to its special circumstances, the bank said.

PRIVATISATION

233 232

Eating the cake

FM 6/1/95

Though the ANC grass-roots membership endorsed the principle of privatisation, at the organisation's annual conference in Bloemfontein last month (see page 36), prospects for a bold privatisation programme are poor

Deputy President Thabo Mbeki, in an interview with the *FM* last year, spoke out against a "Thatcherite approach" And the December issue of *Euromoney* quotes Bernie Fanaroff, of Jay Naidoo's office responsible for reconstruction and development, to this effect "We have not had an overnight revelation that Mrs Thatcher was right. The banks have been told that the privatisations of eastern Europe are not an appropriate model to follow here"

The problem, politically, for the ANC, is that privatisation must not be seen to benefit largely foreigners and that part of the community that is already economically empowered. Mbeki argues "It would not serve the economy to privatise in a manner that further strengthens the conglomerates You might raise the money which would help to pay the public debt but it would create another problem"

On the other hand, the organisation has only two motives for agreeing to the sale of State assets, a concept previously ideologically unacceptable

One is to reduce the cost of servicing State debt — which amounted to nearly 55% of GDP at the end of the third quarter of 1994, according to the Reserve Bank *Quarterly Bulletin* One of the resolutions to come out of the conference is that the proceeds of such sales should be applied to the reduction of State debt

Another motive is to attract foreign finance The need for capital inflows has become critical as the current account moved into deficit — estimated at about R5bn for the 1994 calendar year

Mbeki suggests the matter should "be handled in a way that both raises funds and spreads wealth, opening up the economy by bringing in smaller business people and so on." This may be like attempting to have your cake and eat it

One option he raised is that only 40% of a State corporation should be allowed to pass into private ownership while control is retained by the State However, privatisation on this scale is unlikely to attract the funds required to make meaningful inroads into State debt It is true Sasol's partial privatisation was a financial success despite the limitation on private-sector holdings But that was in the context of a siege economy highly dependent on the corporation's output

Certainly, in the present international climate, a minority holding in a State corporation is unlikely to attract much foreign interest

JCI chief economist Ronnie Bethlehem says "Investors will have more confidence in an enterprise that was going to be managed in accordance with strict commercial principles And the best guarantee an organisation is going to be run in this way is for government to retain only a minority holding" ■

'About 75%' take up offer

R4bn in state pension funds privatised

(232) BD 9/1/95

GRETA STEYN

THE privatisation of state pension funds has kicked off in earnest, with about R4bn being freed up for investment on the JSE and other markets this year.

Finance Department chief director of financial relations Chris Mostert said at the weekend members of the government-managed Associated Institutions' Pension Fund had been given a choice of staying with a government-managed scheme or joining new, privately managed pension funds. "Early indications are that about three-quarters have chosen to go private. That translates into a bit more than R4bn."

The Associated Institutions' Pension Fund comprises the pensions of employees mainly at universities and technikons, scientific councils, zoos and museums, and covers about 210 institutions.

It is one of five state pension funds managed by the Public Investment Commissioners (PIC), which invests virtually all the funds flowing to it in gilts and parastatal stock. The PIC's assets are estimated at R90bn, of which only about R3bn is invested in equities.

The step to free up the fund follows demands from the associated institutions to create their own pension funds which, they argued, would show better returns because of a broader spread of investments. Legislation was passed last year to allow the move

Private fund managers ranging from small, aggressive outfits to the major players have been competing vigorously for the new business. Mostert could not say which private fund managers had benefited, as it depended on each individual institution which one it chose for its fund.

The freeing of the funds has generated bullish sentiment towards equities. Analysts argued that as long as exchange controls remained, the extra funds available for investment on the JSE would put upward pressure on share prices.

Board of Executors senior portfolio manager Rob Lee said in his latest Investment Outlook that the move by state pension funds into equities was a positive factor for the JSE. It was one of the reasons why shares remained preferable to bonds — despite low dividend yields and high real interest rates.

Lee said large-scale privatisation would help achieve a structural shift in the state pension fund's holding of growth assets. This would underpin the JSE but be a threat to bond prices because the pension fund was almost fully invested in government stock.

Mostert said the amounts to be transferred to the newly created private funds would be determined on the basis of actuarial valuations and the extent of funding. Market sources said the actuarial deficits in the fund would have to be made up by the private investment managers over a period of time, and explained why some members had opted to remain with the state guaranteed benefits offered by the state.

Mostert confirmed that the actuarial deficit — the gap between projected liabilities and assets — played a role in decisions on keeping pensions with the state fund.

☐ To Page 2

Pension funds

(232) BD 9/1/95

☐ From Page 1

He said there were no plans yet to give other state employees a similar choice.

Analysts said while the actuarial deficits could be addressed by allowing a wider spread of investments, it could create new headaches for government. Financing the budget deficit without the PIC as a captive market for government stock would be difficult.

Mostert said the state pension funds would be examined when drawing up a Pension Funds Act, which had to be done in terms of the constitution.

The PIC in the late 1980s farmed part of its monthly cash flow out to private fund managers to compare their performance with the state's. But their investments remained restricted largely to the long bond market.

Competitions Board to be 'examined from scratch'

CT 2/2/95

(232)

Political Staff

THE Minister of Trade and Industry, Mr Trevor Manuel, has ordered that the government's Competitions Board be re-examined "from scratch", ministry spokesman Mr Charl Nel said yesterday

The Competitions Board is empowered to investigate monopolies and price collusion in industries

The board was transferred from the Trade and Industry Ministry and placed under the juristiction of Dr Dawie de Villiers' Ministery of Administration and Privatisation (later Public Enterprises) in 1988, and remained stalled there until August last year when it was re-incorporated under the Ministry of Trade and Industry

The initial transfer at the time was in line with the then-government's policy that competition control be kept at a low profile

Mr Manuel said he wanted the Competitions Board to become effective, open and transparent in line with new government policy

Removal companies admit to tender collusion

(232) Star 8/2/95

BY ADAM COOKE

Three prominent removal companies have paid admission-of-guilt fines after being charged with colluding on a tender for First National Bank's move to Bank City in Johannesburg in 1992.

Sandton Office Removals, Elliot International and Stuttaford Van Lines each paid a R1 500 admission-of-guilt fine on January 20 and a R1 000 fine in respect of contravening the Companies Act

Sandton Office Removals paid the other two companies more than R87 000 each for their co-operation in the "bid-rigging operation", a Competition Board statement said yesterday

Following an investigation into the FNB contract by the board, the companies admitted to colluding before submitting their tenders, and to deciding which company would win the tender

The board expressed disappointment at the "lightness" of the fines imposed, and said the case highlighted the need for an urgent reappraisal of the manner in which competition law and policy is enforced in South Africa.

Board seeks tighter competition laws

BD 8/2/95 (232)

MUNGO SOGGOT

THE Competition Board called yesterday for SA's competition law and policy to be tightened up after a collusive tendering case it referred to the police resulted in light penalties two years later

Board chairman Pierre Brooks said the board had been tipped off in October 1992 that Sandton Office Removals, Elliot International and Stuttaford Van Lines had indulged in collusive tendering when First National Bank moved to Bank City.

He said it was an offence to contravene the prohibition on collusive tendering and the board referred the matter to the police in October 1992. The Witwatersrand attorney-general's office told the board recently that the three parties had each paid R2 500 in fines.

Brooks said he was "disappointed" with the outcome of the case "Considering that Elliot International and Stuttaford Van Lines were each paid more than R87 000 for their co-operation in the bid-rigging operation ... the board is surprised at the lightness of the fines."

The maximum penalty for the offence was R100 000 or five years in prison or both. Even that was "laughable" when compared with Canada's equivalent maximum fine of $10m

He said the division of power between the board and the police was inappropiate. This type of offence was not treated as a priority by the police, who had limited resources and were swamped by more serious crimes

A legal source said the Trade and Industry Department and the parliamentary trade and industry standing committee planned to enact new competition legislation this year.

The new legislation would seek to weed out the "major institutional weaknesses" highlighted by this case, he said.

It would also seek to change trivial penalties which were "little more than a slap on the wrist".

The new legislation would either involve substantial ammendments to existing legislation or completely new legislation

Top companies fined for colluding on tender

(232) ARG 8/2/95

The Argus Correspondent

JOHANNESBURG — Three prominent removal companies have paid admission of guilt fines for colluding on a tender for First National Bank's move to Bank City in Johannesburg in 1992.

Sandton Office Removals, Elliot International and Stuttaford Van Lines each paid an admission of guilt fine of R1 500 after being charged with collusive tendering and R1 000 on a second count of contravening the Companies Act.

Sandton Office Removals paid each of the two other companies more than R87 000 for their co-operation in the "bid-rigging operation", said a Competitions Board statement

The three companies submitted tenders to FNB for moving equipment to Bank City.

The contract was investigated by the Competitions Board and the companies subsequently admitted to colluding before submitting their tenders and to deciding which company would win the tender.

PRIVATISATION

(232) FM 3/2/95

Weighing the benefits

Has the IDC outlived its usefulness?

Should the Industrial Development Corporation (IDC) be sold off by its sole owner, the State? When the IDC itself investigated the question a few years ago, it decided (unsurprisingly) that it shouldn't. Some leading industrialists also believe it should be left alone. Consider, however, the possible benefits of a sale.

In 1982, interest payments on government's outstanding debt accounted for 12% of its total expenditure. Today the figure is 17%. At the same time, total government debt as a proportion of gross domestic product (GDP) has almost doubled during the past dozen years and now stands at half of GDP.

Faced with a similar predicament, brought about by living beyond their means, individuals can try to escape it by increasing their incomes, reducing normal as well as luxury spending — and flogging assets to make a quick repayment of at least some of their debt. It's less easy for governments to follow the first two steps, because the material pain they produce is felt not by them but by those who voted them into power.

Boosting revenue means raising taxes (unless you believe that lowering them will so encourage business activity that tax revenue will increase), reducing expenditure may well involve freezing civil servants' salaries and keeping schools deprived of teachers and hospitals of nurses.

Perhaps that is why the ANC has, since it came to power, become less averse to privatising State enterprises. It has still, however, not grasped the nettle.

Consulting economist Edward Osborn projects a frightening picture of government's future indebtedness. The *Budget Review* published by the Ministry of Finance indicates, he says, that government revenue this financial year will be about R6bn below expenditure (and this calculation excludes interest payments due).

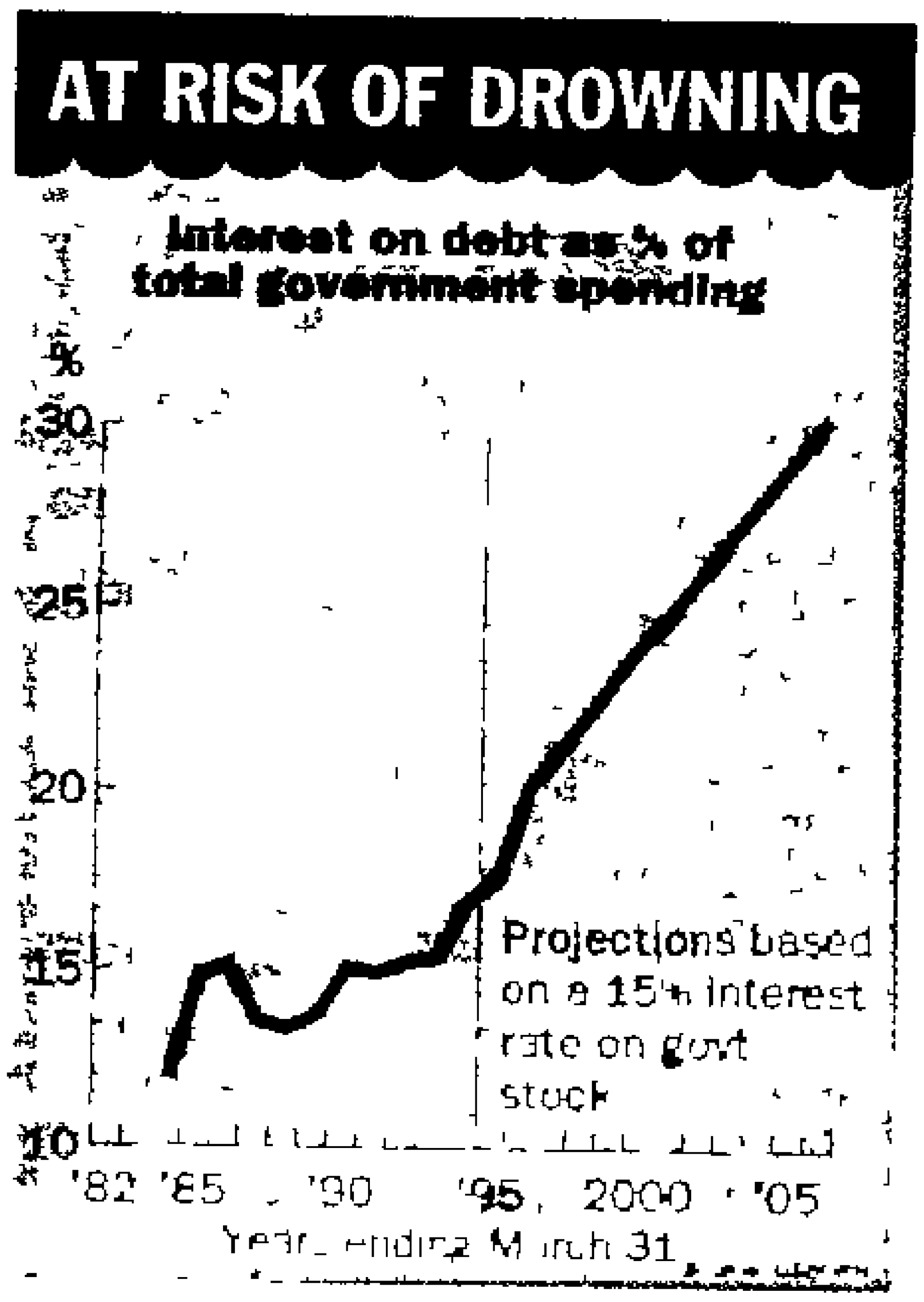
If that mismatch is carried forward, with revenue and non-interest expenditure both rising by a steady 12% annually, government debt will, a decade hence, be equal to 90% of the GDP, says Osborn.

And, moreover, if government has to borrow at an average 15% discount on its bonds, interest payments will, over the same period, rise from the present 18% of total government expenditure to 30% — which is well down the slippery slope (see graphic).

This debt trap should be giving the Minister of Finance and his immediate colleagues some bad moments. We hope it is also being pondered by those on the subcommittee within the Constitutional Assembly responsible for examining financial institutions and public enterprises (*FM* January 27).

Having done so, they must surely debate the IDC's privatisation with the Minister responsible for it, Trade & Industry's Trevor Manuel.

Manuel tells the *FM* that, while privatisation remains up for debate, "the consensus views an industrial development corporation as a necessity at present, in the context of market failure. This is wholly consistent with the approach adapted by successful newly industrialised economies."



That view seems to be widely supported by industrialists. We suspect, however, that is because the IDC has — in accordance with its central purpose of taking on or sharing the risk inherent in new enterprises — made risk more attractive for the private sector by selling off its shares in companies that have become satisfactorily profitable. In the four-year period 1991-1994, it realised a net total of R2,8bn in this way.

Private-sector partners in start-up ventures would not be willing to sell out once good profits were being made, unless they saw better prospects elsewhere.

The debate about the IDC and other State enterprises, therefore, centres on whether the State should be offering that service at this stage of SA's economic development — or concentrate resources on meeting social needs, such as education, health, housing etc. Our view is that it should do the latter, because government is best equipped, as well as mandated, to meet those needs.

It is not, after all, as if the State is enjoying a substantial annual revenue (company tax payments aside) from its investment in the IDC. But proceeds from privatising the IDC, says MD Carel van der Merwe, could be as much as R10bn. Last year, the State's dividend from the IDC was a mere R64m — a return of only 0,64%.

The purpose of the IDC is not, of course, to earn revenue for the State but to launch, or help launch, ventures of a new kind for SA. Nevertheless, the less-than-1% dividend return on net assets should be set against the 15% or so which new borrowings are costing the government.

The same line of thinking should be extended to the State's assets tied up in Telkom, Transnet and other profit-seeking enterprises. The R10bn which Van der Merwe believes selling the IDC could generate is no more than about 5% of present government debt.

But government itself has said that virtually three times as much could be quickly raised by selling various State enterprises and properties. A R30bn reduction of State debt (a use of privatisation funds approved by the ANC at its recent annual conference) would clearly free up the government's budgeting process considerably, especially in a period of rising interest rates.

Much of the business sector's resistance to the idea of selling off the IDC's assets and thus disbanding it stems from the fact that the organisation has played a valuable role since its formation in 1940. At that time, and for more than a decade thereafter, SA's banking sector was pretty rudimentary, and capital formation, therefore, difficult. Without capital though, SA would not be able to develop secondary industries. Among the IDC's first projects were Sasol, Foskor (fertiliser from phosphate concentrate) and Saiccor (rayon pulp).

Since then, however, SA has developed a banking sector that is among the world's best. The country also has, mainly as a result of widely used pension and similar contractual savings schemes, a large pool of capital looking for decent returns. What need is there, then, for the IDC as a capital provider?

Van der Merwe's reply is that for the foreseeable future economic growth will have to be based on exports, which will provide the foreign currency to pay for vital imported industrial machinery. Our manufactured goods, he continues, are mostly not internationally competitive due largely to low productivity. Therefore, he concludes, exports will depend on further exploitation and processing of natural resources such as coal, iron ore, from which steel of various kinds is produced, heavy minerals of the kind that will be exploited by Anglo American's Namakwa Sands project, and sugar.

Projects exploiting these resources must be huge, he says, if they are to be internationally competitive That, however, puts their cost beyond the capital capacity of even SA's biggest industrial groups such as Anglo American and Gencor Nor can banks and insurance companies be looked to, they are not risk takers, he says, but only come in on a project when it is running profitably

Les Boyd, chairman of Anglo's industrial arm, Amic, confirms the IDC's value as a sharer of risk "The IDC is a good partner during the start-up years, when profits are at best low," he says. "It also does not insist on being a long-term partner, but is prepared to sell its shares when they have reached a good price."

Both Van der Merwe and Boyd point to two other valuable services provided by the IDC. The first is its international network of contacts that provide foreign supplier-related credit for the plant and equipment that is imported for huge industrial projects Such credit takes the strain not only off local capital resources, but also off SA's foreign currency reserves "I think we achieved more in this regard on the Columbus stainless steel project by having the IDC as a partner than we would have done if we had been doing the project completely by ourselves," says Boyd

The other value both men point to is the IDC's skill in identifying and deeply researching new industrial development opportunities "It's not all one-way traffic, with the IDC being brought into projects by the private sector Often the IDC itself identifies new projects and invites private-sector participation," Boyd observes

Van der Merwe reckons the IDC's project analysis skills are "available nowhere else in SA Were they to become so, perhaps the IDC's role would become less relevant and we should be privatised" Implicit in that remark is that the IDC's continued existence should not depend on its risk-taking, capital-providing role

But it seems absurd to argue that a team of industrial analysts should continue to tie up billions of rand in assets It could be re-established as a separate and independent institution, jointly financed by government and the private sector.

Nevertheless, Boyd believes "any government would be foolish to play around with the role of the IDC" That's not the way Manuel sees it Various policy studies have shown, he tells the *FM*, that "the IDC's focus will have to shift to RDP objectives of beneficiating far further downstream than has been the case

"Project approval will have to increasingly concern itself with factors that impede the emergence of competitive and (relatively) more labour-intensive downstream industries These impediments include import parity pricing by firms to which the IDC has given, and continues to give, considerable support and in which the IDC has considerable shareholdings"

The IDC, in other words, remains the means by which the State can determine what major industrial investment decisions are taken. Previous governments were taken up with the "total onslaught", which produced ill-advised "strategic" investments The present government has different concerns, not wholly commercial The IDC could find itself under pressure to deploy its enormous resources to meeting them.

Commercially unsound ventures would not directly cost the taxpayer anything The IDC has received no funds from government for the past 40 years, but has enlarged the nominal (if not real) value of what it received from it by selling shares in successfully launched enterprises

Government's borrowings do, however, represent a direct cost to the taxpayer since interest on them has to be paid. That pile of debt promises, on present trends, to become a mountain Selling IDC and other State assets could help reduce it. ■

Sigcau draws nearer to privatisation

(232)

(BT) ST 29/1/95

By SVEN LUNSCHE

STELLA Sigcau, the Minister for Public Enterprises, is developing guidelines on the extent of foreign investors' involvement in the government's privatisation programme

"If we want to broaden South Africa's participation in the international economy and benefit from technology transfer then we have to establish clear objectives for their participation," Ms Sigcau said in an interview

"However, foreign involvement should not be at the expense of local participation," she said.

Her ministry is charged with establishing a blueprint on the objectives of privatising state assets.

The government, which only recently embraced the principle of privatisation, has indicated that about R27-billion could be raised almost instantly through the sale of state enterprises and properties.

In the longer run a further R100-billion could follow economists estimate.

Ms Sigcau appears a reluctant convert to the principle of privatisation, preferring to call it a "restructuring of public enterprises"

"Paramount in the restructuring is how public enterprises can be used to balance out the injustices of the past," she says.

She backs this by pointing to the success of Malaysia's privatisation programme, which used the exercise to empower the native Malays in an economy dominated by the Chinese and Indian communities.

Ms Sigcau also indicates that the sale of resort group Aventura is imminent. "We have no role to play in that sector of the economy"

At its annual conference last month the ANC said funds raised from privatisation should be used to reduce state debt and thus release resources for the reconstruction and development programme.

Ms Sigcau, however, stresses that the government in addition is restructuring its assets "for a different range of purposes"

"Paying off the debt is only one of the issues," she says, identifying black empowerment, human resource development and the RDP as the major criteria of the privatisation programme.

She does not rule out privatising parastatals such as Eskom "if in that form they can make a stronger contribution to the RDP"

She says an inter-departmental task force will be established soon to draw up the first blueprint by March

"Once those guidelines are established we will measure all state assets against them and decide which enterprises are 'untouchable'," she says.

She adds, though, that the scope of her investigation does not extend to the vast industrial and agricultural investments held by the Industrial Development Corporation, which falls under the control of the Department of Trade and Industry

Outlining other principles of the programme, Ms Sigcau refers to the gradual approach taken by the Mexican government which initially sold off only minor shareholdings in its assets, before eventually handing over control to the private sector

She also insists that private investors taking over state assets will have to comply with labour, environmental and safety standards

BALANCING ACT Stella Sigcau, who wants more foreign investment in South Africa's public assets Pictures ANDRZEJ SAWA

Nowhere to hide for SA fugitives

By JEREMY WOODS

EXTRADITION treaties being negotiated between South Africa, the Commonwealth, and some European countries will soon leave white-collar criminals with nowhere to hide, says Brigadier John Wright, executive director of Interpol SA.

"South Africa's return to the Commonwealth has allowed us to become part of the rendition of fugitive offenders scheme, which operates among member states."

The scheme allows for the immediate return from one country to another of individuals for whom a warrant has been issued.

"For law enforcement, it's a much easier notification. Once we have supplied evidence of a warrant and a resumé of the case, the individual concerned is sent back to us A key part of the scheme is that the crime here must be a crime in the other country, but fraud is fraud anywhere in the world."

A list of top names that Mr Wright wants to see back in this country includes those of Julian Askin, Oliver Hill, Ansie Kamfer and former Barclays and Absa executive Bob Aldworth.

"We live in a global village. Once the Justice Department has completed current negotiations, fugitives from South Africa will find out that they can run, but they cannot hide," says Mr Wright.

In addition to negotiations with Commonwealth countries, the Justice Department, through the Department of Foreign Affairs, is also negotiating bilateral agreements with countries where fugitives are known to be living.

Meanwhile, it has emerged that Mr Askin, wanted in South Africa to face fraud and theft charges of R29-million, is still under house arrest in Tuscany and is not free to leave Italy, Interpol said on Friday

"Reports in the press that Mr Askin is no longer under house arrest and is free to leave Italy are incorrect," said Captain George Rogers, of the SA Interpol office.

"I have received a fax from Italian Interpol that states clearly Mr Askin is still under house arrest, he is not free to leave the country, and his case for extradition back to South Africa is set to be heard on February 28"

Not only is Mr Askin under house arrest, but Italian police confirmed on Friday that his house is under 24-hour surveillance.

Privatising ADE 'too risky at this stage'

BD 23/11/95

EDWARD WEST

CAPE TOWN — Atlantis Diesel Engines' (ADE) four-year profit record could establish it as a candidate for privatisation, but uncertainty about future protection made a flotation too risky for the public, Industrial Development Corporation (IDC) executive director Carel van der Merwe said at the weekend.

The IDC owns the Atlantis-based diesel engine manufacturer. Van der Merwe said while it was IDC policy to sell companies with a profitable track record, "we could not impose that risk on the public at this stage."

The Motor Industry Task Group report, upon which the Board on Tariffs and Trade was expected to make its final recommendations this year, suggested that the duty on imported engines drop to 25% from 50% between this year and 2002.

MD Fritz Korte said ADE was moving towards becoming internationally competitive with falling protection levels.

In the past three financial years taxed profits averaged R25m on R500m turnover.

About 30% of turnover currently comprised exports to Korea, Indonesia, France, Germany, Brazil, Argentina and the UK and US, but over the longer term, major export growth could be achieved in other African countries where sales were small.

New ventures included tractor assembly, an automotive pipe shop, engine remanufacturing, manufacturing a truck wheel trolley and efforts to introduce diesel power to taxis.

ADE is the major employer in 60 000 strong community at the Atlantis industrial area outside Cape Town, of whom about 50% are unemployed. ~~[illegible]~~ (232)

Sigcau draws nearer to privatisation

232

(BT) ST 29/1/95

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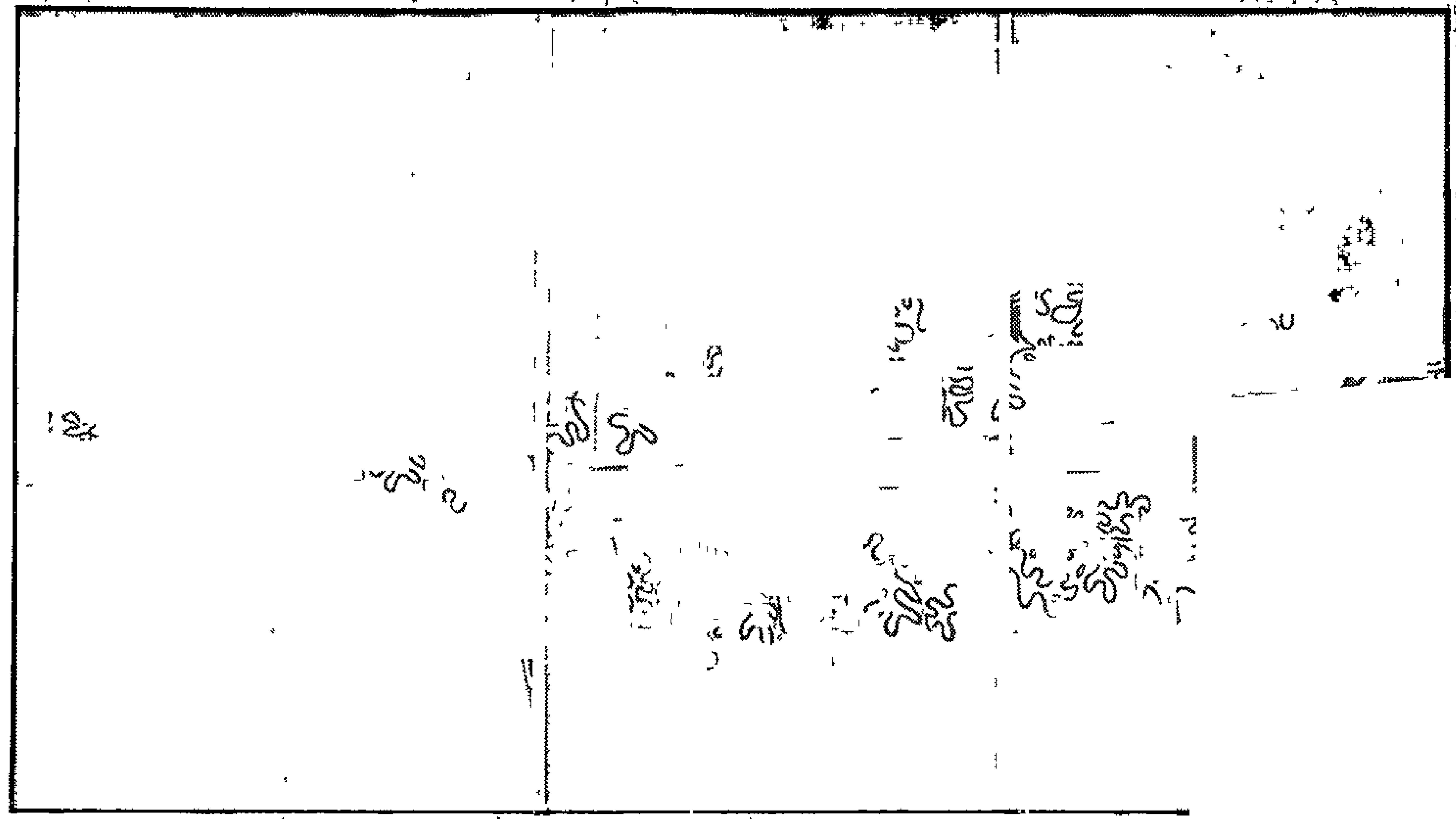


BALANCING ACT Stella Sigcau, who wants more foreign investment in South Africa's public assets P

European model favoured

Competition policy review under way

(232) BD 30/1/95

GRETA STEYN

MOVES to tighten SA's competition policy have begun with the appointment of experts to provide far-reaching recommendations in time for discussion shortly after Parliament officially opens on February 17.

A draft policy framework has been completed, and it is understood that the team will opt for the benign European approach to competition rather than follow tough US anti-trust legislation Nevertheless, radical changes are envisaged

Parliamentary trade and industry standing committee chairman Emma Sethema confirmed that experts had started writing a detailed document The committee hoped to review their report soon after Parliament started sitting

"Once we have agreed on the recommendations, the report will be distributed to interested parties for comment and will form the basis of public submissions to the standing committee." People would be invited to address the committee, but she believed these hearings would probably not be possible before April

It is understood the committee consists of two economists and two legal experts The economists are Frederick Fourie, a professor at Free State University who works part-time for the Finance Department, and UCT academic Dave Lewis. The legal experts are Cape advocate Willem Pretorius and Norman Manoim from the Centre for Applied Legal Studies

They declined to comment on their work, but sources said there were clues on their approach in papers they had written on the topic Pretorius, who studied European competition law, in a recent paper called for the creation of a powerful five-person tribunal and investigative agency to replace the Competition Board.

The tribunal would have legal experts and economists as members and would have independent decision-making powers The "quasi-judicial" tribunal would remove "unnecessary political pressure" from the Trade and Industry Minister, as final decision-making would no longer lie with him The new authority would be able to deal with issues far more quickly and effectively than the present board.

Fines should be increased significantly — possibly to 10% of annual turnover as in the European Community. Appeals should be heard by a specialised competitions appeal court

It is understood that the writers of the report were concerned about the high degree of concentration in SA, but felt it should be handled "sensitively and subtly"

Pretorius argued in the paper that high concentration should not be addressed in general through forcing conglomerates to sell off assets. But forced sell-offs should be retained as an option in the law, among others, as a penalty for abusing a dominant position in the market

But a general policy of coercing conglomerates was undesirable "Similar policies in Japan and the US have met with little success and current enforcement is virtually non-existent."

A source said that an issue likely to be addressed was the extent to which industrial concentration hampered the development of small and medium enterprises

Firms to pay fines but deny collusion charges

MUNGO SOGGOT (232)

SANDTON Office Removals, Stuttaford Van Lines and Elliot International yesterday denied they were guilty of indulging in collusive tendering during First National Bank's move to Bank City, as alleged by the Competition Board

BD 9/2/95

Nathamson Bowman Nathan partner Gerald Nochumsohn, who represents all three companies, said the three had decided to pay admission of guilt fines for collusive tendering "out of considerations of expediency" and to avoid the "unpleasantness and aggravation" of clearing their names of a crime of which they did not consider themselves guilty

The Competition Board, which said it had been tipped off about the three companies' "bid rigging", on Tuesday, expressed disappointment that the matter had resulted in light fines more than two years after it had brought the case to the attention of police

The three companies had each paid admission of guilt fines of R2 500

Board chairman Pierre Brooks repeated his call for an "urgent reappraisal" of the way in which SA's competition law and policy was enforced.

Nochumsohn said the three companies had held meetings with senior counsel and the board and were satisfied that they were not guilty of the charges

"However, the facts involved are complex and the documentation is lengthy A trial would have lasted three weeks or more and would have been enormously expensive

"It would also have taken up the valuable time of senior executives"

● Comment: Page 12

Removal companies rigged tender bid

(232)

Special Correspondent

JOHANNESBURG — Three prominent removal companies have paid admission of guilt fines after being charged with colluding on a tender for First National Bank's move to Bank City here in 1992

Sandton Office Removals, Elliot International and Stuttaford Van Lines each paid an admission of guilt fine of R1 500 on January 20 after being charged with collusive tendering, and R1 000 for a second count of contravening the Companies Act

Sandton Office Removals paid each of the other two companies more than R87 000 for their co-operation in the "bid-rigging operation", the Competitions Board said yesterday

The three companies submitted tenders to FNB for the job of moving equipment to Bank City in the centre of Johannesburg

The contract was investigated by the Competition Board, and the companies subsequently admitted to colluding before submitting their tenders, and to deciding which company would win the tender The board turned the matter over to the police

It expressed disappointment at the "lightness" of the fines imposed, and said the case highlighted the need for an "urgent re-appraisal" of the manner in which the competition law and policy was enforced in South Africa

The maximum penalty for contravening this act is R100 000 or five years in prison or both

The attorney-general's office said they had decided to inflict the maximum admission of guilt fine after lengthy deliberation.

CT 8/2/95

'Competition law needs reappraisal'

232

CT 8/2/96

JOHANNESBURG — Competition Board chairman Pierre Brooks said the manner in which competition law and policy was enforced in South Africa needed to be urgently reappraised, news reports said

Brooks' comments followed news reports that three removal companies, Elliot International, Stuttaford Van Lines and Sandton Office Removals, each paid admission of guilt fines of R2 500 after charges relating to collusive tendering

The charges were laid following the submission of tenders for First National Bank's move to Bankcity in Johannesburg a few years ago

Brooks pointed out that Sandton Office Removals paid Stuttaford Van Lines and Elliot International each more than R87 000 for their co-operation in the bid-rigging operation

Such an act carried a maximum penalty of R100 000, five years' imprisonment or both

The Competition Board was therefore surprised at the lightness of the fines and felt that this called for a reappraisal of law enforcement — Sapa

Privatisation policy planned

15 (232)

BEATRIX PAYNE

GOVERNMENT had adjusted spending targets in line with the the reconstruction and development programme (RDP) and would present policy concerning the privatisation of state assets within the next six months, Minister without Portfolio Jay Naidoo said at a Frankel Pollak Vinderine investment conference yesterday

A joint venture between parastatal Telkom and a private company was possible in order to benefit from technology transfers

Government was reviewing its assets to decide which parastatals to dispose of, which to maintain and where joint ventures would be beneficial

He said the Cabinet, facing a number of "hard choices", had prioritised urban and rural development programmes

It would gear funding towards improving public transportation, refocus health care expenditure on primary care, and focus on small and medium-sized enterprises.

BD 15/2/95

Government departments would draw up a five-year zero-based budgeting programme in July as part of the fundamental transformation of the budgeting process to implement the RDP, he said.

The establishment of local government structures would ensure that the RDP was implemented and would reduce levels of corruption.

The transfer of funding to local areas had been delayed as there were no structures in place to implement projects and evaluate spending.

The concentration and centralisation of business worried government, he said.

Legislation that had obstructed the emergence of small and medium-sized enterprises would be reviewed "We certainly cannot just continue to have a situation where the bulk of business is owned by a few companies," he said.

Government intended revising tender regulations to make it easier for small business to win contracts.

It's 'Go' for State sell-offs

(232)
ARG 18/2/95

BRUCE CAMERON

THE government is moving ahead rapidly with plans for at least partial privatisation or "re-organisation" of State assets

It appears to be irrevocably set on the path away from nationalisation as it grapples with the high cost of the RDP

Government policy on the possible sell-off of State assets will be revealed within two to three weeks, Deputy President Thabo Mbeki told a high powered group of foreign financiers at a luncheon in Cape Town yesterday hosted by petrol giant Shell

Mr Mbeki said a list of all government assets had now been compiled

"The re-organisation of State assets is an important part of addressing public finances"

Emphasising to the fund managers and bankers that the government would work within budget constraints, Mr Mbeki said priorities were being assigned to what could be delivered in the socio-economic upliftment of the country

The government had come to power with a wish or hope list — not necesarily promises that could be immediately fulfilled.

Five general areas were being isolated by ministers, working in inter-departmental committees to translate the wishes into actual programmes that could be met within the next year

Top of the list was housing He did not identify the other four areas

Mr Mbeki said Finance Minister Chris Liebenberg had recently pointed out to the Cabinet that 91 percent of government spending went on wages, salaries and welfare

This left only nine percent for housing, roads and other urgent needs

"We cannot afford any indisciplined government spending"

In this context Mr Mbeki said the government had to decide what to do with State assets from leisure resorts to Eskom "with all manner of things in between"

He said the State had even recently acquired a food factory because of a dud loan made by the State-owned Agricultural Bank of Bophuthatswana

He said the government's policy would be revealed within two to three weeks

Assumptions were made that there should be a sell-off but there were a number of ways to approach the issue

For example a partner could be found for Telkom which would invest new capital and technology improving the worth of the company It could then be sold, possibly realising a better price

Mr Mbeki also assured the foreign investors that social stability was high on the list of priorities

He said that achieving stability would mean a joint effort by all levels of society including civil society and the unions

■ Government revenue is running ahead of budget, figures issued by the Director-General of Finance show

The 16,1 percent increase in total exchequer receipts for the 10 months to January, compared to the previous year, is higher than the budgeted 12,9 percent

Expenditure is running 6,6 percent above year-ago figures, compared to a budgeted 10,2 percent

But, warns the Director-General, spending may accelerate up to budget in the last two months of the fiscal year

Revenue of R10,8 billion in January brought the total for the 10 months to R89,8 billion Expenditure in January was R7,9 billion, making the total for the 10 months R104,7 billion

The 1993 Budget estimated spending for the first 10 months at R135,1 billion

MBEKI: 'Plans' will be made known in weeks

Govt to put plans for privatisation on table

(232)

BRUCE CAMERON

CAPE TOWN — The Government is moving ahead rapidly with plans for at least partial privatisation of State assets and appears to be irrevocably on a path away from nationalisation as it grapples with the cost of the Reconstruction and Development Programme

Deputy President Thabo Mbeki told a high-powered group of foreign financiers at a luncheon in Cape Town this week that Government policy on the possible sale of assets would be disclosed in two to three weeks

A list of government assets had been compiled

"The reorganisation of State assets is an important part of addressing public finances," Mbeki said

Star 28/2/95

Emphasising that the Government would work within budget constraints, he said priorities were being assigned in terms of what could be delivered in the socio-economic upliftment of the country

The Government had risen to power with a wish list — not necessarily

♦ Privatisation

promises that could be fulfilled immediatly.

Ministers were isolating five general areas to translate wishes into programmes that could be met within the next year. Top of the list was housing. He did not identify the other four areas

Mbeki said Finance Minister Chris Liebenberg had pointed out to the Cabinet that 91 percent of government spending went on wages, salaries and welfare. This left only 9 percent for houses, roads and other urgent needs. "We cannot afford any indisciplined government spending."

The Government had to decide, in this context, what to do with assets ranging from holiday resorts to public utility company Eskom.

It had recently acquired a food factory because of a dud loan made by the State-owned Agricultural Bank of Bophuthatswana.

It was assumed that assets would be sold. However, there were a number of ways to approach privatisation.

For example, a partner which would invest new capital and technology could be found for Telkom, improving its worth before it was sold and possibly realising a better price.

Mbeki assured the foreign investors that social stability was high on the list of priorities. Achieving stability would require a joint effort at all levels, including civil society and unions.

State to decide on assets

(232)

JOHANNESBURG. — The government will decide this year which state assets to privatise and which to keep, Minister without Portfolio Mr Jay Naidoo said yesterday

"We hope that during the year it will be decided which areas the state wants to remain involved in and which it wants to get rid off," he said in reply to questions at an investment conference here

It will also decide with which assets to enter joint ventures with the private sector

He said the government remained concerned about the gap between black and white in the business sector "The bridging of the gap is the central concern of the government."— Reuter

CT 15/2/95

Thebe unit aims to guide privatisation

232

BD 13/2/95

MUNGO SOGGOT

THEBE Investment Corporation, the black-controlled investment group initially linked to the ANC, has set up a unit which it hopes will become the main private sector driving force behind the privatisation process set to kick off soon

The unit, to be housed in Thebe subsidiary Msele Finance Holdings, is holding talks with prospective merchant banking partners It seeks a major role in developing government's privatisation strategy.

Msele has set itself up against a number of major competitors. Price Waterhouse Meyernel Corporate Finance — which recruited Pieter van Huysteen, who drove the Iscor privatisation for government in 1989 — staked its claim for a major role late last year.

Msele's unit is to base its claim for a leading role in privatisation on the fact of its black ownership and the credibility it says it enjoys among community, emerging business and labour groups

GM Litha Nyhonyha said at the weekend that as Msele belonged to SA's only black-owned financial services company, the unit would be in a "unique position" to facilitate privatisation and encourage black participation in the economy

Unit senior manager Loren Braithwaite said it would play a mainly advisory role but would also be on the lookout for stakes in state assets. The unit believed privatisation was the only measure which could, in the short term, accelerate black participation in the economy significantly

Braithwaite, a corporate lawyer, settled in SA last year. Her New York-based law firm was involved in privatisation exercises in Russia and Poland, and worked with US merchant banks Goldman Sachs and Morgan Stanley.

She said the unit would involve itself in the "education process" related to privatisation. It had not yet met union representatives but planned to do so

Thebe's connections with the mass democratic movement would help the unit mould the way privatisation took place

There was still little consensus within government about the goals of privatisation — whether it should be used primarily to raise money for the reconstruction, to pay off government debt, or be used for black empowerment. Msele believed it vital that privatisation's goals leaned towards the last of these.

Nyhonyha said privatisation offered a unique opportunity to "radically restructure an economy where black-controlled companies represent less than 1% of the JSE's market capitalisation. The previous government's haste to rush the privatisation process "was seen as an attempt by the white establishment to retain control of these assets before control was passed to a black government. The situation has changed and other stakeholders, especially black business, are keen for the process to go ahead."

BUSINESS

(232)

LIQUOR PROBE FM 17/2/95

Sifting through morass

The sugar industry has been drawn into a Competition Board probe of liquor industry monopolies and restrictive practices.

The main thrust of the investigation is into the liquor industry and allegations that some liquor companies own retail outlets which will not buy or sell liquor from rival companies But there are also questions about free and fair trade between the sugar industry and liquor distillers

The SA Sugar Association, which represents cane growers and millers, has received a four-page notification of the investigation Two short paragraphs in the notice mention sugar and the Sugar Act

The board says the decision to look into the matter follows complaints by white spirit producers (who produce sugar cane-based spirits) that the regulated sugar industry hinders competition with equivalent grape-based products. The probe encompasses the Excise Act and the duty differential between cane- and grape-based spirits.

Sugar industry spokesmen seem surprised by the investigation and say the industry is deregulating. Sugar is no longer marketed through a single channel by the association but by refiners

Cane-based alcohols are derived from molasses, a sugar refining byproduct Molasses prices are negotiated on behalf of the industry by a committee comprising association representatives This is despite distillers also being sugar companies and association members. Competition Board chairman Pierre Brooks says elements in the alcoholic beverages market claim this allows collusion and price-fixing

The sugar industry seems to have cause for complaint about the anomaly over differential excise duties There is even a suggestion that the previous government gave grape spirits an advantage over cane.

Geoff Hoppe, marketing manager of Illovo's alcohol production facility at Merebank, Durban, says duty is levied on absolute alcohol litres (undiluted) Thus only the alcohol portion of cane spirit or vodka, for example, is subject to the tax Though virtually indistinguishable in this state, there is an R18,02 duty payable on wine spirits (from grapes) compared with cane's R19,02 Either type of spirit may be used in the manufacture of gin or vodka Only legislation prevents grape alcohol being used for cane spirit and cane-sourced spirit for brandy production ■

COMPETITION POLICY (232) FM 17/2/95

Removing collusion

Legislation which would see damages paid to those harmed by uncompetitive or restrictive practices would be the most effective deterrent to would-be offenders, says Competition Board chairman Pierre Brooks

"Procedurally, our system is poor There's little redress for those who are harmed by anti-competitive or restrictive practices Many have been put out of business because of such conduct."

A deterrent was certainly lacking in the case of furniture removers Sandton Office Removals, Elliot International and Stuttaford Van Lines Each paid a R2 500 admission of guilt fine this month for engaging in collusive pricing — outlawed under the Maintenance and Promotion of Competition Act — that earned them each around R87 000

The three claim they didn't collude on a First National Bank contract but say they paid the admission of guilt fines to avoid lengthy legal proceedings.

But the meagre penalties show just how little power the board wields when it comes to enforcing competition policy.

Says Brooks "This is a typical weakness of a system that separates the institution that formulates policy from the one that enforces it"

Brooks says the R2 500 fines, the result of bargaining, make a mockery of the R100 000 maximum penalty and/or five year prison sentence provided for by the Act

It's a procedural shortcoming that's likely to come under the scrutiny of the parliamentary select committee presently looking at competition policy

The select committee is also likely to hear calls from business that competition policy is unnecessary. Says Brooks "Businesses often tend to take a short-term view that's premised on self-interest rather than on what's good for the whole economy in the long-term Real competition needs to be nurtured and protected to ensure real economic growth"

Brooks would like to see a system that lists, up front, the types of conduct that are anti-competitive or restrictive rather than perpetuate the present system that leaves the board to decide whether certain conduct is inappropriate "Such a list would mean a greater amount of legal certainty" ■

UK call to privatise SAA

232

CT 20/2/95

Own Correspondent

LONDON — South African Airways should be privatised to help both the airline's debts and Transnet's pension problems, according to a report in yesterday's Observer newspaper

The suggestion comes from Mr Guy Kekwick, of Lehman Brothers, who places the airline "somewhere between global airlines such as BA and Lufthansa and smaller carriers, like Swissair", with total capitalisation of between R2,13 million and R2,29m.

With international passenger traffic to South Africa expected to rise 50% by 1998, Mr Kekwick says.

"SAA must leap into the international market and will need to upgrade and expand its fleet."

Newspaper monopoly for review

CT 22/2/95

MONOPOLIES in the English-language press in cities like Cape Town would be one of the issues addressed when the Competition Act was reviewed, Trade and Industry Minister Mr Trevor Manuel said yesterday at a briefing for international and local journalists. (232)

Mr Manuel said nine pieces of legislation from his department were in a "fairly advanced stage" for this parliamentary session, while another three would emanate from the recently-released White Paper on a national small business strategy — Sapa

ISCOR

The benefits of privatisation

232

It's been a rough ride, but the huge rights issue will celebrate its success

FM 24/2/95

By the end of March, Iscor MD Hans Smith will know how successful SA's largest steel producer's R1,3bn rights issue has been Launched at a time of severe market instability, the issue is SA's third largest ever and probably the only big one to have been launched without the support of a major shareholder — unusually, Iscor stands almost alone as an independent industrial giant, outside the umbrella of any SA financial grouping

An issue of this magnitude (380c on the basis of 18 shares for every 100 held and discounting the current price by 11%) illustrates Iscor's progress from fledgling orphan, protected from the chill winds of the economic imperative by the comfort of State control, to one of SA's recent success stories. It is also a journey into free enterprise which stands up well to comparisons with other successful conversions elsewhere

Conversion from a government-controlled and superintended body to membership of the private sector was marked by the inability of Iscor's managers to come to grips with the demanding reality of the cash flow Between November 1989 and June 1993, the steelmaker recorded a net outflow of R2bn, all of it met by bank loans Remarkably, in the 18 months since then, Smith has retired R1bn debt and is intent on redeeming the balance as quickly as circumstances will allow

"The key to our strategy," says Smith, "is that we've accepted Iscor is irrevocably tied to the international commodity cycle, and a specialised part of it at that What drives this company now is solely what the balance sheet will look like at the bottom of the next downturn This is the determinant of every new project we undertake."

Anyone doubting Iscor's new-found acceptability needs only examine the short-term record At end-1992 the market valued Iscor at 61c a share; it's now 425c It would then have been possible for a determined buyer to purchase Iscor outright (on the unrealistic assumption that the shares would have been available) for a modest R1,14bn, compared with the present R8,2bn

In a sense this transformation is encapsulated in the farewell party held on March 31 last year when 3 000 employees, many of them long-serving and all at the point of early retirement, left It was Smith's good fortune to inherit a pension fund hugely over-funded applying conservative actuarial standards, which enabled him to offer generous retirement packages

The effect was startling while Iscor lost a large and important pool of technical knowledge, the compensation was that younger employees were advanced rapidly into senior positions "At least, they knew they didn't have to wait for dead men's shoes," says Smith

And this is Smith's real achievement Previously — and no different from Railways — Iscor was a home for under-privileged Afrikaners, used by successive governments (not only those of the National Party) as a parking ground for otherwise indigent supporters.

Sheltered from the real economy by the skirts of the State, Iscor grew a bureaucracy of its own, no less exacting in its rigorous application than the civil service which protected it It was an organisation in which technocrats reigned supreme, an iron and steel producer run by engineers for engineers This gave it a unique edge in one area at least· its technical excellence is unchallenged What was lacking, however, was a sense of purpose and an acceptance of the need to compete vigorously in a mature industry

Iscor's Hans Smith *no more featherbedding*

Smith's return to his first home — ironically, he is an Iscor scholar and an Iscor bursary paid for his metallurgy degree at Pretoria University — has changed all that. "The finance department was simply expected to find the money to pay for the capital projects embarked on by engineers Accountants were used as bean counters. Well, all that's changed now," says Smith flatly And he means it financial disciplines are now rigorously applied

Of course, all he has done is insist on the use of well understood principles of financial management Budgets are taken seriously, senior managers account for their performance to their peers, not only to Smith and his executive directors Capital projects are held up for financial scrutiny Commonsense has arrived

Such things can't be achieved at the wave of a wand Part of Smith's success is that he has persuaded and cajoled his team that the only way of ensuring survival is to embrace competition Acceptance of this philosophy is now evident in the morale of the company and its combined approach to problem solving

If it is true that, after all their agonisings about assets, reserves and adequate returns, investors in the end buy into company managements, the turnaround at Iscor should give them cause to be thankful

The rights issue, underwritten by investment trust Genbel in association with what is described as "many other parties," comes at an interesting time, as the steel demand/price cycle moves into a distinctly upward phase

Smith expects a net R1,25bn and he intends applying it against a number of new projects. However, he is taking these on while he still has outstanding debt of around R1bn, ostensibly a reversal of his earlier policy that he wouldn't ask shareholders for more while loans hung around Iscor's corporate neck

In his defence, Smith points to the real achievement of drawing down borrowings by R1bn over 18 months, a quantum he says would easily have been exceeded had it not been for the blast furnace blowout at Newcastle which set the producer back by somewhere around R400m. He is clearly satisfied with Iscor's ability to redeem outstanding debt and is adamant the proceeds from the rights issue won't be applied to this

That would be an old trick, often used to obfuscate real performance "The bottom line," says Smith, "is that we must be cash-flush at the bottom of the next downward phase of the cycle"

Of the new projects, the conversion of the Pretoria mill from carbon to stainless steel production attracts the greatest attention because the comparison with Columbus is so unavoidable. Put simply, Iscor will invest R100m to produce about 480 000 t hot-rolled stainless steel slabs a year, the comparison is that Samancor, Highveld Steel and the IDC are investing R3,5bn at Columbus for annual production of 650 000 t, though admittedly of the cold-rolled (and, therefore, premium) variety

Ironically, Smith and Iscor are now benefiting from the technical profligacy of earlier years The installation of almost all the necessary infrastructure at Pretoria — way ahead of any immediately foreseeable use — means all that is necessary to achieve conversion is the introduction of an argon oxygen decarbonising arc furnace It is a project which has been on Iscor's drawing boards for the past decade

On paper, the project looks very good indeed

However, Rice Rinaldi research partner Mike Wuth believes that while the timing is largely right, the cost is understated. "It's not just the R100m capital cost which needs to be factored in. There's also likely to be about R800m in additional working capital. On that basis, this is a R900m project."

Second on Iscor's list is the Saldanha Steel project it is undertaking jointly with the IDC at a capital cost of R3,6bn. As Smith explains it, he has taken a decision to scale down production at the Vanderbijlpark plant to convert it to a continuous casting operation

Between the changes at Pretoria, where Iscor formerly produced carbon steel slabs and those now envisaged for Vanderbijlpark, Iscor will shed about 1 Mt a year from its carbon steel-making capability Saldanha will replace this.

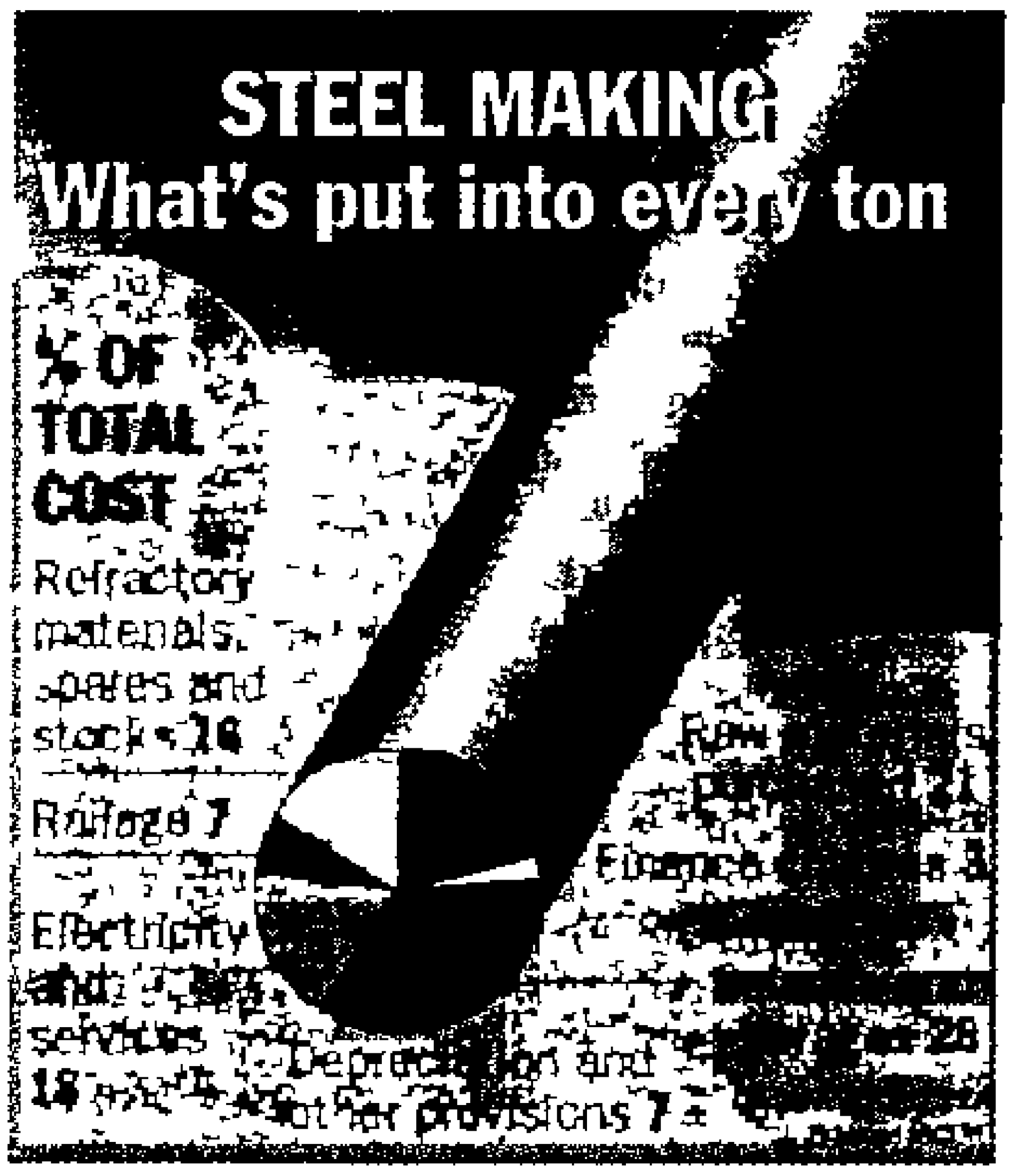
The tricks at Saldanha are that it is the cheapest site available and will employ state-of-the-art technology which will give it an important competitive edge. Iron ore from Iscor's Sishen mine already moves by rail to Saldanha for export at the rate of about 17 Mt a year. Constructing the plant at Saldanha takes advantage of this infrastructure though Smith concedes bottlenecks on the line will be unavoidable for the time being

However, the area which gives Smith most satisfaction — savings from rail transport aside, which he concedes are very significant — is that applying thin slab casting and continuous hot rolling technologies will enable Iscor to produce coils of below 2 mm as a final product. This is used largely in high value-added products such as white goods manufacture.

In a mature global industry which produces 650 Mt of carbon steels every year, it must be unlikely any better outlets or solutions will be found; so Saldanha's physical positioning (at a port) and use of the latest technologies give it, for the time being at any rate, a real competitive advantage.

Iscor is also involved in three other projects, all capital hungry. The first is its purchase of the outstanding 50% of Cullinan Refractories for R81m, with outstanding loans Smith justifies this on the grounds that between 6%-7% or about R300m of Iscor's costs are accounted for by refractories (and most of these are consumed in ladles carrying molten metal)

Second is the purchase of seamless tube manufacturer TOSA from Dorbyl for R173m including outstanding loans from Dorbyl. Smith's view is that seamless tube demand is nowhere near its potential yet The challenge for Iscor is to achieve and sustain the plant at full capacity and a significant cost advantage will be the use of



Iscor Vereeniging (the former USKO steel plant) to cast round billets continuously.

Finally, there's the involvement in a R100m stainless steel billets mini-mill near Durban to produce about 100 000 t a year of product (such as sections, bars, rods, angle irons) The cost will be about R90m, of which Iscor will pick up half.

This development will leave Iscor in the interesting position of producing stainless steel flats from Pretoria and longs in Durban and raises the possibility of sending Durban's billets to Newcastle for rolling into long products for the domestic market The company resolutely refuses to name its partner in the Durban project, beyond saying it is an international player which is insisting on confidentiality, at least for now

Nor should sight be lost of developments in mining, on which Smith lays some emphasis. Last year, Iscor bought full rights to two mineral sands resources which may lead, eventually, to the construction of a smelting and refining process at Richards Bay at a cost of about R600m That follows the purchase of a share in coking-coal mining at Moranbah, Australia and a dedicated iron ore storage facility at the Qingdao port complex in China

These moves are evidence of Smith's desire to diversify away from Iscor's total reliance on steels, though he accepts the company is locked into the commodity cycle.

If this makes Iscor appear a safe bet, investors also need to examine three areas of transparent weakness, the first of which is, of course, the commodity business on which Iscor is almost totally reliant There should be no misunderstanding of the viciously cyclical nature of the global carbon steel trade and its demand patterns Iscor's strategy of getting loans out of the way and becoming cash positive ahead of the next turn in the cycle is clearly sensible

However, these strictures are not true of stainless steel, which is growing consistently at around 3% annually and is a young, developing industry with a product finding ready and growing acceptance Nevertheless, it is really small beer in a market dominated by carbon steels So a second weakness is that, while Iscor will soon make inroads into this area, investors need to acknowledge its exposure will be very small indeed, and its reliance on carbon steels will remain dominant

Smith agrees exposure to that cycle is Iscor's Achilles heel. "But that's our business, and we have to learn to manage the troughs and peaks better" World markets are out of synchronisation now, making management that much more difficult Smith expects the US market to peak in mid 1996, Europe to last until late in 1997 and Pacific Rim countries to reach their high point in 1998 It is a pattern which holds as many advantages as it does pitfalls.

Third, the company is now staffed by a relatively young — and comparatively inexperienced — workforce. This has to be viewed against the political risk which foreign investors attach to emerging markets and the company's poor showing on the international productivity scale: Iscor takes seven to eight man hours to produce a ton of steel compared with Japan's and Germany's four to six hours By comparison, Smith claims Saldanha will come in at one to two hours, making it truly competitive.

These lead to a consideration of Iscor's balance sheet and latest interim results The bottom line for the six months was net attributable profit of R293m compared with 1993's R158m at the same point and full financial 1994's R385m. This puts EPS on 15,3c (full year 1994: 20c) and Smith agrees the company is on track for a substantial improvement in the second half That suggests full-year EPS of as much as 40c though some analysts expect even more — perhaps 46c

The balance sheet reflects a strengthening position with long-term loans down at R954m (June 1994: R1,24bn, December 1993 R1,56bn) and net borrowings now stand at R1,1bn.

These figures place Iscor on an historical p e of 13,7 and prospective p e (applying 40c EPS) of 10,6 In the circumstances of a fast changing company linked to a cycle which may only peak at the end of the century, it certainly should attract investors prepared to take the risks of a rocket-like ride over the next five years *David Gleason*

Privatisation guide in hand business told

ARGT 24/2/95 232

Deputy Business Editor

PRIVATISATION — or restructuring — of state assets is definitely on the cards, but it must go hand in hand with black empowerment, Minister of Public Enterprises Stella Sigcau said

She told a South African Chamber of Business function in Cape Town yesterday that the government was preparing guidelines for the restructuring of state enterprises

"But empowerment is crucial It's not just a matter of selling off assets to get money to service our debts," she said

The government could not afford to miss this opportunity for black empowerment

She said that although the private sector had shown great interest in the privatisation issue, the question of empowerment had not been high on its list of priorities

"Let us put at the top of our agenda the development of the potential of all previously disadvantaged South Africans," Ms Sigcau said

PO privatisation decision this year

By BARRY STREEK, Political Staff

CT 24/2/95

(232)

A DECISION will be taken this year on the partial privatisation of Telkom, the Minister of Posts, Telecommunications and Broadcasting, Dr Pallo Jordan, said yesterday

Strategic partners would probably be sought and shares could be sold to South African and offshore investors, he said at a media briefing

The state would probably retain a majority shareholding, however

Dr Jordan also said the government had not excluded the privatisation of the Post Office, but the extent of its debt meant that it could not be sold

In some cases, the sale of state assets would be used to pay off state debts, but in the case of Telkom it made perfect business sense to invest in infrastructure

At present, South Africa had seven telephones for every 100 people but to increase this to the desirable level of 20 for every 100 people, an investment of about R6 billion would have to be made.

It would cost almost the same to extend post office services in all areas

DB 63

Telkom considers partial privatisation

(232)

BD 24/2/95

DREW FORREST

CAPE TOWN — The Posts and Telecommunications Ministry is considering the partial privatisation of Telkom as one of a range of measures to raise the capital needed to modernise services.

A decision on this would have to be taken this year, Post and Telecommunications Minister Pallo Jordan told a news briefing yesterday.

Describing the move as a "strategic partnership", he said the idea would be to put some Telkom shares on the market for purchase by local and foreign private sector operators.

DB 64

"We are actively exploring a range of possibilities — liberalisation, deregulation and partial privatisation — as a means of funding the modernisation of our system," he said. "We must position ourselves so that in the 21st century we are not telecommunications have-nots.

DB 65

"SA must be internationally competitive and brought abreast with the rest of the world."

Jordan said it was essential to raise the national telephone penetration from its current eight per 100 South Africans to 20 per 100 by the turn of the century. This would require R6bn in investment.

DB 66

Sixty percent of SA's telephone connections were in Gauteng.

Talks were also under way with other ministries to stem wasteful duplication of telecommunications services by utilities such as Eskom.

Turning to the Post Office, Jordan warned that its client base was being eroded by the increasing use of the fax and other forms of electronic data transmission. Eighty percent of its income accrued from 20% of its clients, such as large corporations and mail-order houses.

"We must turn that 80/20 ratio around. The post office must find new sources of revenue."

Asked if consideration was being given to privatising the Post Office, Jordan laughingly said he would "have a hard time convincing anyone to buy it".

In contrast with Telkom, which made a profit and paid a dividend, the Post Office "just about managed to service its debts". To improve postal services would also cost R6bn.

□ Sapa reports about 450 members of the Post and Telecommunications Workers' Association (Potwa) were on strike at Telkom offices in Gauteng yesterday, a Telkom spokesman confirmed.

He said services were not affected.

On the East Rand, 350 members were on strike in Brakpan and 50 at Edenvale, while 50 were on strike in Kensington, Johannesburg.

He said the strike, which involved only Potwa members among the six unions representing Telkom workers, was related to human resources issues, in particular promotions.

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Anglo keeps platinum interests (232)

BD 27/2/95

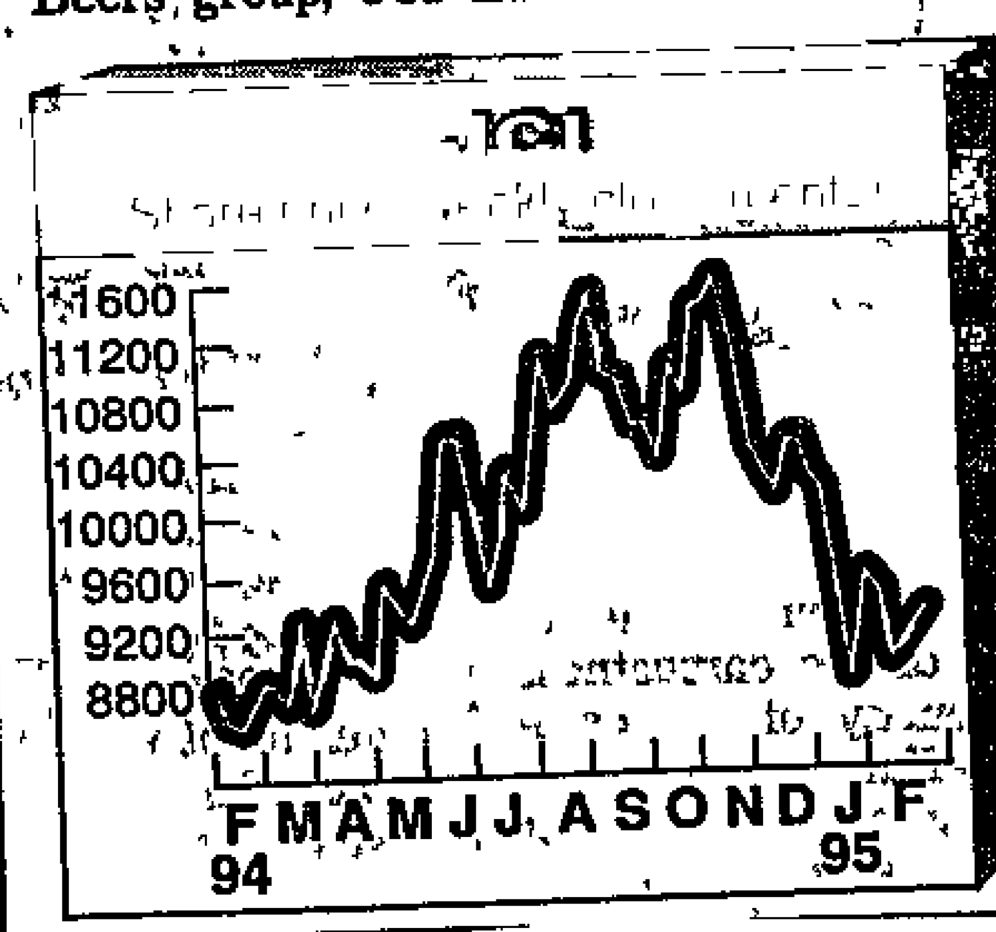
Black buyers sought in JCI unbundling

ANGLO AMERICAN is actively soliciting black investors to acquire interests in two of the three restructured parts of mining house Johannesburg Consolidated Investment (JCI).

The three parts will be based on distinct business groupings and will be individually listed on the Johannesburg Stock Exchange on May 15.

This invitation to black investors is contained in announcements by the two groups and is intended to extend the spread of prospective black shareholders beyond those with whom exploratory investment talks have already been held.

The intention is to split JCI into three holding companies based on platinum and diamonds, mining and industrial interests. Anglo American Platinum (Amplats) will hold the house's present interests in platinum mining and its interests in the unlisted diamond trading companies of the De Beers group. JCI Limited will hold the



MICHAEL URQUHART

house's other mining interests, including gold, coal, base metals, ferrochrome and exploration, as well as a minority 3,25-million shareholding in De Beers and 10% of Amplats, and Johnnies Industrial Corporation (Johnnic) will control the house's Omni Media interests and commercial property interests as well as minority shareholdings in SA Breweries, Toyota and Premier Group.

The three holding companies will each be listed with 148,9-million shares, the same number of shares as JCI itself has in issue. Shares in the three individually listed companies will be distributed to JCI's existing shareholders in proportion to their present holdings.

Black investors will not be offered a direct interest in Amplats, as its platinum and diamond interests are seen as strategic investments by Anglo American. However, Anglo wishes to encourage black investors to put forward proposals for acquiring investments in Johnnic and JCI Ltd. Prospective investors will be required to show that they represent a broad spectrum of black interests. They must also indicate how they would propose to structure and finance an acquisition.

In its last interim trading period before the restructuring, JCI recorded an interim profit before abnormal items of R221,8m for the six months to December 31, 1994, against R179,6m in the comparable period of 1993. Abnormal items, largely the surplus on the sale of a 3% interest in Bevcon and losses on the sale of investments be-

To Page 2

JCI

(232) BD 27/2/95

From Page 1

tween group companies, lifted the interim pre-tax profit to R368,6m (R179,6m).

The first half's attributable profit after tax was R344,5m (R163,8m) and the first half's equity accounted earnings excluding extraordinary items was 291c a share against 111c in the corresponding period of 1993. The interim dividend has been lifted to 50c a share from 46c. Earnings totalled 616c a share in the financial year to June 30 1994, and the total dividend was 200c.

On December 31, the net asset value based on market prices was R127,62 a share. Amplats' net worth is estimated at R38,20 a share, JCI Ltd's at 43,18 and Johnnic's at R46,24.

Unbundled JCI: Blacks to get stake

232

CT 27/2/95

From DEREK TOMMEY

[illegible]

(232)

New wrinkle on privatisation

Star 28/2/95

BY THABO LESHILO

An independent agency should be set up to spearhead privatisation, says a report by black law firm Moseneke and Partners

The report argues that black empowerment should be at the heart of any privatisation programme. It has been endorsed by the National African Federated Chamber of Commerce and the National Black Business Caucus

While warning that privatisation does not always lead to efficiency, it says state control of commercial enterprises is illogical, given the government's policies of trade and financial liberalisation.

"As a rule of thumb, privatisation should only be pursued where the applicable rationales for state ownership have been unambigously discredited," say the authors

The report was written by leading partner Tiego Moseneke and the firm's international associate and Harvard graduate Ronald Roberts

Report on privatisation

232

MUNGO SOGGOT

LAW firm Moseneke & Partners joined the privatisation debate yesterday with the release of its Report on Privatisation

It said privatisation should hinge on black economic empowerment — not the maximisation of sales proceeds, which could "seriously inhibit RDP goals".

"The central question is how to maximise social gains through carefully targeted privatisations

"No organisation or individual should be permitted to be both a player and a referee. Advisory functions must be separated from stakeholding," it said.

The report's co-author, US lawyer Ronald Roberts, said the question of whether to privatise should turn on the "social costs of the state stepping out"

The firm favoured the "gradualist" approach. "Big bang" privatisation was the exception and had taken place only in countries like Poland where a complete absence of market mechanisms had forced this approach. BD 28/2/95

"We believe that existing contributions to the privatisation debate have been unimaginative. We hope to enrich the technical debate over how privatisation should proceed and the political debate over what goals it should pursue."

Big no to Big Bang

Sowetan 2/3/95 (232)

By Mzimkulu Malunga

THE selling off of state assets should have an underlying social objective, a black-owned firm of corporate lawyers said

A study of privatisation conducted by Moseneke and Partners, which was released this week, favours a gradual privatisation process underpinned by a deliberate plan to broaden economic participation in the country.

The report, authored by lawyer Tiego Moseneke and Ronald Roberts, a US-trained lawyer currently working for Moseneke and Partners, said the "big bang" approach like that followed in Eastern Europe did not achieve genuine economic development

Roberts said even in countries where the big bang approach was followed the countries wanted to reverse it because a number of problems accompanied the moves

The authors of the report dismissed earlier contributions to the privatisation debates as "unimaginative".

"We hope to enrich the technical debate on how privatisation should proceed and the political debate on what goals it should pursue," argued the authors

At the heart of the privatisation programme should be black economic empowerment

This, they said, encompassed the empowerment of workers and those supplying material to state-owned corporations being privatised to ensure maximum social benefits in line with the Reconstruction and Development Programme.

Tiego Moseneke is a driving force behind the report.

Moseneke and Roberts argued that the current campaign for a privatisation programme with a primary motive of paying off the country's debt was misleading and could have negative implications for the RDP

The report has been endorsed by both National African Federated Chamber of Commerce and the National Black Business Caucus

Assets too expensive — Motlana

Sowetan 2/3/95 (232)

NEW Africa Investments chairman Dr Nthato Motlana fears assets of unbundled white conglomerates may be too expensive for black investors

He said yesterday his company was keen to acquire a stake in the restructured Johannesburg Consolidated Investments from Anglo American However, those assets could be out of reach for the country's emerging black entrepreneurs, thus defeating the aim of black economic empowerment envisaged by large white corporations like Anglo

The JCI unbundling was an important step, he said, but black business lacked significant sums of capital to fund these acquisitions

Motlana believed black investors would probably have to fund their purchases through huge loans from commercial banks "There must come a time when black companies can raise 50 percent of the equity needed for such acquisitions

"If a company has to become the slave of a bank in ~~order~~ to grow, then that's not really empowerment," he said

Anglo has proposed splitting JCI's interests into three separate groups Black investors would be encouraged to control the Johannesburg Industrial Corporation with assets of R6,89 billion and a gold mining group, JCI Ltd, with R6,43 billion in assets Anglo would maintain full control of JCI's platinum and diamond mining interests

All eyes on JCI's unbundling

(232)

Sowetan 2/3/95

By Mzimkulu Malunga

THESE days it is very rare to attend a function graced by black business people without running into individuals talking about the unbundling of the Johannesburg Consolidated Investment.

The favourite expression is always "When are we going to form our own consortium?"

The JCI unbundling process sparked intense interest in black business circles from the day the company's leading shareholders — Anglo American — announced they were going to sell pieces of JCI to blacks

Market analysts suggest there could be as many as the 30 groups which are preparing to bid for portions of the unbundled JCI.

Early this week, Anglo made a firm offer to interested black groups to come forward with proposals.

JCI will be broken into three companies focusing on platinum, gold and other mining interests and their industrial holdings.

The entities focusing on gold and other mining interests, as well as industrial holdings, are the ones up for sale. Both companies are worth around R13 billion.

For the most part of last year Anglo met numerous groups in the black business community in what it called a "consultative process" to gauge if there was interest in JCI

Some black business groups like Nafcoc went on to form investment companies with the JCI offer in mind so that when the time came they would be on a proper footing to bid for a portion of the cake

Due to the excitement generated by the JCI unbundling, rumours have been flying all over the place

Perhaps the most startling of the rumours is that a well-known black business person could be teaming up with powerful partners from South-East Asia to pursue one of the two JCI companies on sale.

Sources even suggest the business person in question is a "frontrunner".

Anglo has repeatedly denied the existence of any front runners in the JCI offer.

As expected, all the leading black business groups and companies have expressed interest in JCI

Corporate Africa, Real Africa Investments, National Sorghum Breweries, the investment arms of Nafcoc and Fabcos, have all indicated that they are interested.

'Unbundled assets too pricey'

CT 2/3/95

JOHANNESBURG — New Africa Investments (Nail) executive chairman Nthato Motlana fears the assets of unbundled white conglomerates may be too pricey for black investors

Motlana said yesterday his black investment enterprise was keen to acquire a stake in the restructured Johannesburg Consolidated Investments from owners Anglo American.

However, those assets could be out of reach for the country's emerging black entrepreneurs, thus defeating the aim of black economic empowerment envisaged by large white corporations, like Anglo.

The JCI unbundling was an important step, he said, but black business lacked significant sums of capital to fund these acquisitions

Motlana believed black investors would likely have to fund their purchases through huge loans from commercial banks

"There must come a time when black companies can raise 50% of the equity needed for such acquisitions

"If a company has to become the slave of a bank in order to grow, then that's not really empowerment," Motlana said. — Sapa

Anglo has proposed splitting JCI's interests into three seperate groups. Black investors would be encouraged in two of the groups while Anglo would maintain full control of JCI's platinum and diamond mining interests.

The two groups are, the Johannesburg Industrial Corporation (Johnnic) with assets of R6,89-billion and a gold mining group, JCI Ltd, with R6,43-billion in assets.

Sexwale slams 'limited' JCI unbundling

JOHN DLUDLU (232)

GAUTENG premier Tokyo Sexwale criticised mining house JCI yesterday for its plans to retain its diamond and platinum interests while unbundling its mining and industrial interests.

Sexwale said at a briefing JCI's unbundling announcement had not mentioned platinum and diamond interests. The base of economic ownership should be broadened to avoid a "huge social time bomb"

"If the (economic ownership) base is not broadened, I will bail out (as a premier)"

Gauteng National African Federated Chamber of Commerce president Mashudu Ramano echoed the premier's concern, saying "We've told them (JCI) that we don't want dying industries . we want industries with growth prospects"

Sexwale urged emerging business to form joint ventures with foreign and local businesses which sought to broaden economic ownership He invited emerging business to form a partnership of "economic ubuntu with the people's government" to meet the challenges of a stagnant, uncompetitive economy and alleviate the region's unemployment, which was between 20% and 25%

BD 3/3/98

On the provincial government's achievements, he said finance and economic affairs minister Jabu Moleketi had managed to establish a finance and economic affairs department with relatively few full-time staff Gauteng was appointing managers for its administration

He also said the time had come to declare war on criminal violence Tough measures would be taken against workers responsible for human rights violations such as taking management hostages "There's nothing wrong with mass action .. but if people violate the fundamental human rights of others, we have a responsibility to protect them"

Emerging entrepreneurs should take advantage of proposed changes to state procurement policies to favour small and medium-sized businesses.

Sexwale flies to the UK this weekend, as part of preparations for Queen Elizabeth's visit, to encourage British business to increase their investments in SA

UNBUNDLED JCI

How will the aims be met?

FM 3/3/95 (232)

Announcing the details of the unbundled JCI group this week, chairman Pat Retief revealed the original motivation for the massive reshuffle of assets remains unsatisfied, at least for the time being

The stated objective of JCI's major shareholder, Anglo American Corp, is to provide black SA entrepreneurs with a made-to-measure vehicle for entry into the mining industry, though JCI executives claim the underlying reasons are much wider

In the event, JCI's assets have been re-arranged precisely to encourage black ownership in two sectors Unfortunately, it is clear no black grouping has emerged to give effect to Anglo's aims, either because the cash resources needed are unavailable or because the groupings do not reflect a sufficiently broadly based constituency

JCI — Johnnies as it is called affectionately — has been divided into three distinct new corporate structures these are Anglo American Platinum (Amplats) in which are housed Johnnies' former platinum interests and equity stakes in the strategically important but unlisted diamond trading companies, JCI Ltd which will hold all the gold, coal and base metal operations and assets, along with minor equity stakes in Amplats, De Beers, UK-based Johnson Matthey and Minerais, a Luxembourg-based marketing company, Johnnic, an investment company which will hold Johnnies' extensive industrial, media and property portfolio

The NAVs of these companies, calculated at January 1 this year (the date on which the unbundling is deemed to have taken place) are R6,4bn for JCI, R6,9bn for Johnnic and R6,3bn for Amplats

Anglo's intention, enunciated clearly enough by chairman Julian Ogilvie Thompson when he announced the move last year, was to address the perceived and expressed need to involve blacks as mining industry owners This follows a precedent set in the Fifties when Anglo stepped back from General Mining to provide a platform from which Afrikaner business interests were able to participate in the industry

The critical difference is that Afrikaners had already marshalled their savings which were then readily available While blacks may have accumulated a large collective pool of funds (through stokvels, pension and provident funds and straightforward savings instruments), these are not so easily visible, nor may they be so painlessly accessible

JCI's Retief *original motivation not satisfied yet*

On the face of it, some observers may conclude Anglo has failed to achieve its long-term objective Responding, group public affairs consultant Michael Spicer says "It would be remarkable if this had been accomplished The truth is there have been far too many contingent elements Only now that the assets have been distributed and the legalities completed is it possible for potential buyers to evaluate the companies"

The crux of the problem for aspirant owners are the sums involved Assuming a deal is based on NAV, something like R640m has to be put on the table for just 10% of JCI's equity On the other hand, the way deals of this nature can be structured are manifold It must be possible that Anglo will remain a strong minority stakeholder — perhaps in a control consortium with black owners — and that terms for purchase will be made unusually attractive

Anglo executive director Mike King says the expectation has always been that this would be a long running project Questioned about difficulties blacks may experience in raising the funds needed, King responds "We've encouraged interested people to make themselves known to us Many have been accompanied — sensibly — by financial advisers

"This exercise presents a rare opportunity for merchant bankers to apply their creative abilities in structuring a deal everyone will be comfortable with There must be some opportunity in this for leveraging loans offshore There is a large store of goodwill for the project though I'm sure it will take time to conclude satisfactorily"

The new unbundled structure produces three companies roughly equal in size, all of which will be chaired initially by Retief Amplats is considered by Anglo as a core business it isn't for sale JCI and Johnnic are, and the market believes the truncated mining house will be the more actively sought after

"On the other hand," says Retief, "I'm not so sure After all Johnnic's investments are solid and well positioned between Toyota, Breweries Premier and Omni Media The company may hold special attractions for some"

Ahead of Johnnies distribution of its various holdings through a reduction in capital (a move designed to minimise potential tax liabilities in the hands of foreign shareholders), it has reported for the last time as a single group Interim results show EPS before abnormals (primarily the sale of the interest in Bevcon) of 133c (1993 111c) A slightly increased dividend of 50c was declared Borrowings total R147m on equity of R3,86bn

The problem for Anglo, the major shareholder in all three companies for the time being, will be to make haste slowly When the time comes to put new, black, owners in place, it needs to be certain there are no mistakes

David Gleason

LAST POST

Six months to	Dec 31 1993	Jun 30 1994	Dec 31 1994
[illegible]	[illegible]	633,8	*[illegible]
[illegible] Rm)	[illegible]8	[illegible]	344,5
[illegible]	[illegible]	394	133
[illegible]		154	[illegible]

SASOL

FM 3/3/9c

Chemical profit explodes

Sasol's share could well become the flavour of the month after the strong growth reported by the diversifying group earlier this week Along with most commodity cycles related to Sasol's activities appearing to be firmly on an upward trend, interim results — which showed bottom-line growth of 25% — came at the end of a squeaky-clean income statement

Most notable this time is the absence of any transfer from the tax equalisation reserve, which smoothed results by adding R50m to earnings in financial 1994 Apparently the directors chose not to use this facility after the sound performance of most divisions over the first half

The solid balance sheet provided a further boost Borrowings have been reduced from R2,17bn to R1,81bn, covered by an 84% increase in cash funds to R2,24bn The net effect was to convert the previous period's R44m interest payment to interest income of R67m, again showing the cash generating ability of the group

At operating level synthetic fuel production remains dominant, its contribution growing from R500m to R573m But as a proportion of total operating profit, synfuel's contribution has declined from 45% to 43%, a trend Sasol would probably like to see continuing

Production volumes were 8% higher and profitability aided by the weakening rand which declined from R3,28/US$1 to R3,50 on average This was offset by the decrease in the crude reference price relating to Sasol's tariff protection, from $23 a barrel to $21,1, as well as the changed formula for the calculation of the fuel price Tariff protection probably remained similar to that of 1994, just over R1bn for the full year

The highlight was undoubtedly the strong performance by Sasol Chemical Industries, which has received most of the R6,6bn capital spending by the group over the past five years Its contribution to operating profit grew nearly 85% to R373m, making the division the second largest contributor to profit

Sasol GM Pat Davies says capex of R595m over the first half was used to support existing businesses and grow the chemical operations, as will the remaining amount of about R800m for the full year

New joint venture listing Polifin produced good results but the strong growth of the division was mainly due to greater sales volumes and firmer world chemical prices

SHIFTING UP

Six months to	Dec 25 1993	Jun 25 1994	Dec 25 1994
Turnover (Rbn)	4,67	5,18	5,92
Operating income (Rbn)	1,11	1,41	1,33
Attributable (Rm)	681,5	816,0	854,0
Earnings (c)	120,3	143,9	149,6
Dividends (c)	42,0	48,0	46,5

Oil refining had a lacklustre first half, with higher crude throughput offset by lower international refining margins and cost increases Sasol Oil's contribution to operating profit declined marginally from R221m to R213m

The only area of possible concern is Sasol Mining, whose operating profit slipped 12,8% to R163m Coal sales volumes were higher but the 4% increase in the selling price was negated by rising production costs

Davies says a drive is in place to reduce production costs by focusing on manpower productivity and improvements in technology The division still seems to hold considerable potential, though much of that will probably not be realised until Sasol is able to start exporting coal from Richards Bay — due early in 1997

Interim results came with a bullish forecast from management, which predicts that should current selling prices and the rand/dollar exchange rate be maintained, full-year earnings will be higher than in the first half

With earnings now starting to come through strongly from Sasol's heavy capex programme, coupled with the rand hedge exposure of the share, a p e ratio of 11 looks low The share is bound to be rerated and will probably offer value up to about R40 over the short term The growing contribution from chemicals adds additional long-term value

Shaun Harris

TONGAAT HULETT

Taking the plunge

Fm 3/3/95

The announcement in principle that Tongaat-Hulett will go ahead with two large expansion projects totalling R2,33bn is a notable attempt to sustain real growth in earnings well into the next century

It shows a firm commitment to the potential of aluminium products — the aluminium division is to receive the lion's share of the capital spending — but also raises questions about the sources of future demand and funding for the biggest project the group has yet undertaken

Tongaat has not taken the decision to expand its aluminium rolled products plant at Maritzburg lightly R12m has been spent on local and US engineers who helped on the feasibility study

In 1995 money, the project will cost about R1,75bn, agreements still have to be signed, but it seems likely Tongaat will hold 50% of the expanded division (rolled products output will increase from 50 000 t/year to 150 000 t/year), the remainder held by major shareholder Amic and the Industrial Development Council (IDC)

When the project is commissioned in 1998, the cost, including working capital, will approach R3,5bn Tongaat will be liable for about R1,75bn of that, almost half the group's present market capitalisation

That's a huge investment in a project which group MD Cedric Savage says will probably only begin to offer reasonable returns after about five years However, it shows Tongaat is planning for long-term growth now the restructuring and refocusing of the past four years, aided by the more buoyant economy, is coming through in strong results

"The expansion has to be big to make the division internationally competitive Our 50% stake was carefully determined, it's the optimal proportion for us in terms of funding requirements," Savage says

Central to competitiveness is the division's supply of aluminium ingots from Alusaf Hulett Aluminium is already Alusaf's largest customer After the expansion, offtake of the metal should more than double from the current 100 000 t "We are finalising supply agreements with Alusaf Pricing will be based on a formula linked to the world price of aluminium It's important for us to get aluminium at world competitive prices"

Savage says the expansion can be seen as a spin-off of government's encouragement for upsteam aluminium production, which led Alusaf to invest about R5 2bn in its new Hillside plant Tongaat's expansion is aimed at further downstream beneficiation of aluminium products, including aluminium cans But Savage lists other areas, like products for the automotive industry, rolling stock, and construction

There are some reservations about the long-term potential of the aluminium can market, though the subject is under intense debate within the packaging industry Should the US trend towards aluminium cans be repeated in SA, local demand will remain strong

Savage says about 30% of the expanded capacity (total annual capacity will be about 200 000 t) will be exported, some to First World countries Tongaat will have a competitive advantage exporting to the rest of Africa thanks to lower transport costs


Savage

Funding still has to be finalised — and this is where Tongaat needs to give more details A rights issue has been ruled out Savage says the projects will be funded by equity and borrowings "We have taken a 10-year view on all our businesses Funding for these projects will be comfortably within our borrowing limits"

Tongaat, which reduced borrowings by 42% to R285m at the September interim, probably holds little gearing now and is likely to be cash positive by year-end in March Cash flow is strong, there is considerable capacity to take on debt

But the group has historically been overgeared and the latest projects could influence investor perceptions When the announcement was made last week, the share price lost R4, though it has since recovered to R39

The R580m expansion of African Products' starch and glucose plant in Gauteng shows similar long-term thinking Savage says the greenfields plant is looking towards growth beyond the next three years — R110m has been committed to the division for short-term expansion

The cyclical value of the share offers potential All six divisions performed well at the interim when earnings advanced 43% Full-year results are expected to be stronger (Tongaat is traditionally a second-half group), earnings possibly up by more than 50% on the previous year

JCI's unbundling gets lacklustre response

(232) WM 3-9/3/95

The unbundling of Johannesburg Consolidated investments has been a damp squib. Reg Rumney reports

THE unbundling of Johannesburg Consolidated Investments into three, separate and more focused companies has been received with little enthusiasm.

It was announced this week that JCI would be split into three separately listed companies on May 15:

■ Anglo American Platinum will retain the crown jewels of the original JCI, holding the platinum and unlisted diamond investments.

Anglo will keep its hands firmly on Amplats.

■ JCI Ltd, a mining finance house, will have investments in gold, coal, ferrochrome, base metals mining and mining investments.

It will hold 10 percent of Amplats, and interests in Societé Anonyme de Minerais, Johnson Matthey, and De Beers.

■ Johnnic, an industrial finance company, will control Omni Media, with its newspaper and printing businesses, and have strategic holdings in the South African Breweries conglomerate, food company Premier, and motor manufacturer Toyota, as well as property.

Pat Retief. Heads new companies

The market was lukewarm after the announcement.

On Tuesday the share price of JCI on the Johannesburg Stock Exchange at R96 had moved up 2,7 percent on the previous day but was still well below the 12-month high of R122. Moreover, R96 is still a 25 percent discount to net asset value per share as at end-December 1994.

The split is also viewed as less clean than it could have been. Amplats is the platinum mining company. Yet JCI Ltd, which will house the gold and other mining investments retains a 10 percent interest in Amplats, and 9,9 percent of platinum company Johnson Matthey.

Also, JCI chairman Pat Retief becomes chairman of all three companies, raising issues of conflict of interest.

JCI group consultant, strategic and public affairs, Nick Segal said that this was in theory correct.

However, in practice it would not work that way he said, hinting that Retief would be out of the picture by the time any competition between the two companies arose.

While at least one market analyst has called the unbundling politically correct, the reaction of black business investors is yet to be gauged.

The split is intended by owners Anglo American and De Beers to aid black economic empowerment. What they are supposed to have in mind is something along the lines of the deal that led to the creation of the Afrikaner mining house that became Gencor.

JCI chairman Pat Retief said this week that the new investors which would take over the majority stakes in the two unbundled companies Johnnic and JCI Ltd would have to be acceptable to Johnnies management as well as to the minority shareholders. And the new investors would have to represent a broad spectrum of black interests.

This is a tall order, made taller still by the high price of investing even in the unbundled companies.

At a price of R600-million or so for a reasonable stake in either of the two companies available for investment, few groups will be able to make the grade.

Both JCI Ltd and Johnnic have assets worth more than R6-billion each.

Real Africa is a possible investor. Real Africa Group chairman Don Ncube made it clear this week at a Press conference the group was exploring many avenues for investment, including mining.

However, Real Africa will have nothing like that kind of cash soon, even after its March 22 listing. Ncube also emphasised Real Africa would not be swayed by the Real Africa investors from investing in any company which offered good returns, even if it was unpopular with, say, the union movement.

"When we invest we bring about change," said Ncube. But he added that the group was not philanthropic in its intent, and acted on commercial considerations in the interests of shareholders.

It is ironic that shareholders of Real Africa include union pension funds and in one case the union itself, through the South African Clothing and Textile Workers' Union investment arm Sactwu Investments.

The union-controlled Community Growth Fund socially responsible unit trust has turned down JCI as an investment precisely because of what it sees as below-par treatment of labour at JCI mines.

Both the Real Africa listing and JCI unbundling are unlikely to impress the union movement.

CGF adviser Anthony Asher notes: "My own feeling is that selling businesses to black businessmen is a small step but one can't call it black empowerment.

"I would measure black empowerment by the effect on distribution of income."

And this kind of move he believes will not have much impact on redistributing income.

PRIVATISATION (232)

On the front burner?

FM 3/3/95

Johannesburg attorney Tiego Moseneke, brother of Telkom CE Dikgang Moseneke, may have made a strong bid for participating in the formulation of government's privatisation policy with the publication, this week, of the 87-page Moseneke Report on Privatisation

Co-authored with US attorney Ronald Roberts, the Moseneke report takes a strong view that to succeed as public policy in SA, privatisation should be "driven by public needs" and public benefit, rather than by ideology or the need to maximise revenues in order to pay off public debt

"The latter course could lead to the anti-competitive result of flogging off State monopolies as private ones, which may well fill the public purse, but would be to the detriment of consumers, competitors and small businessmen and would forfeit important opportunities for black economic empowerment," says Roberts

While controversial in the traditional SA context of looking at privatisation as a fiscal source for reducing public debt and of enabling private ownership of State corporations along the Iscor model, the Moseneke report, say its authors, looks at alternative models such as Malaysia, where disadvantaged communities benefited through the use of a privatisation policy to enhance their economic situation

Adds Moseneke, privatisation should be looked at as an opportunity to broaden the opportunity base of the economy through a focused policy of enhancing opportunities for disadvantaged black businessmen

And it should be an enlightened policy of affirmative action at board level, contracting out State services to private sector agencies, ensuring that workers and the public benefit from share ownership, inviting foreign equity holding and joint ventures in privatised concerns, and even of using the proceeds to assist blacks who were prejudiced during the apartheid years

The comprehensive report should achieve its aim of stimulating an increased public debate of a vital economic policy issue ■

New Syfrets boss delivers the goods

By Francoise Botha

Staff Writer

Syfrets, part of the Nedcor stable, is ahead of steep targets and expectations are that the new management under chief executive officer Christopher Beatty will deliver the goods

Mike Venter, Syfrets group financial controller commented "We set very steep targets and we are ahead of these, so the increase will be substantial"

The transfer from Nedcor to Syfrets of Nefic and Secured Investments and the assumption of full control of the London and Isle of Man-based ATC group in October added R12 million to Syfrets net income after tax

This increased Syfrets' contribution to Nedcor group results by 2,5 percent, bringing the total to R39 million

Market analysts estimate that the combined contribution to net income after tax will be in the region of R53 million, an increase of 35 percent

Over the past few years the group has been beset with problems including the loss of key staff and the poor performance of their property arm

David Rennie, executive director of Syfrets, said that all of the property finance divisions were now doing very well and sources report that the unit trust client base has been expanded substantially

The appointment a year ago of Christopher Beatty looks like one of the best decisions made

Nedcor executives said he was responsible for putting the group on a strong growth track and expanding its overseas focus

After losing three chief executive officers in four years, Syfrets can take comfort from Beatty who said he was "here to stay and aiming to take the group back to its top position"

Manuel plans to give laws on competition new teeth

CT(BR) 5/3/95

232

By Bruce Cameron

Political Editor

Trevor Manuel, the minister of trade and industry, is set on introducing legislation to improve competition, but he does not plan to ram changes through parliament without consultation

In an interview with Business Report, Manuel said the Maintenance and Promotion of Competition Act was unquestionably inadequate.

"It is deficient in a number ways, including the fact that virtually all decisions are left to the discretion of the minister of trade and industry," he said

The cement cartel, the steel industrial price agreement and Ster Kinekor's hold over the cinema market had occurred under existing legislation, he said

The Competition Board had been given more teeth since being placed under his department on October 1 last year than it had had under previous administrations

But, he said, the board still did not have sufficient powers

"We need a body capable of undertaking full examinations of uncompetitive behaviour It will probably need a body with quasi-judicial powers"

He said the penalties under existing legislation were negligible

"Unless the penalties show sufficient seriousness to deal with anticompetitive behaviour, no one is going to take any notice"

This did not mean, however, that he was set on introducing fines of 10 percent of turnover, as had been suggested in a recently published paper which had recommended that action be taken against abuse of market dominance rather than against market dominance itself

Manuel said greater definition was also needed of horizontal price collusion and on the vertical integration of companies

RESTRICTING CARTELS *Manuel believes that still more power should be assigned to the Competition Board*

He wanted legislation to do three things

- ☐ Facilitate equity participation There had to be black empowerment and a wider availability of scrip,
- ☐ Improve consumer protection,
- ☐ Deal with the overconcentration of ownership

"We want to bring South Africa into line with overseas trends," he said

He readily conceded, however, that there needed to be "some balancing to ensure we don't destroy our global competitiveness"

Not all pyramid structures should be considered bad, he said

His main problem was whether to tinker with existing legislation or to initiate new legislation, which, he said, could be a protracted process

The issue of competitiveness had first been raised at the now defunct national economic forum and would be taken over by the national economic development and labour advisory council, he said

He had also asked the parliamentary standing committee on trade and industry to initiate hearings on the issue

Any changes would need to be endorsed by the Cabinet, he said

His department was putting together a list of "heads of approach", which could provide a working basis

Meanwhile, the chairman of the National Party study group on finances and economic issues, Theo Alant, has written to Manuel asking to make a contribution The group also gave Manuel an NP policy document on the issue

In it, the NP said any injudicious action aimed at dismembering conglomerates would undermine business confidence and scare off foreign investors

The NP said existing conglomerates formed the nucleus of South Africa's economy and would provide the main thrust for its future growth

"Concentrations and conglomerations are not necessarily to the disadvantage of, or harmful to, the economy and the scope for selling off assets to independent entrepreneurs is fairly limited," the document said

It said, however, that action was needed to improve competition and suggested the "essence of the debate on competition centres on the question of market entry for emerging entrepreneurs"

It recommended that competition policy be removed from the authority of the minister of trade and industry and be placed under an independent agency

"The Competition Board should be restructured as a competition tribunal to adjudicate on all matters falling within its ambit, with a special court to deal with appeals," the NP said

Current penalties for contravention of the Maintenance and Promotion of Competition Act were inadequate, it said

The main shortcoming, however, was the inability of the police to conduct investigations and to process prosecutions

The party admitted that it had failed, since 1980, "to pursue a proactive competition policy"

It stressed that "competition is an economic and not a legal phenomenon and it should not be contaminated by ideology"

JOBS

Black view on privatisation looks at the bigger picture

ST (BT) 5/3/95 232

A firm of black lawyers has this week published a report which has shifted the focus of the debate on privatisation from the fiscal benefits of selling state assets to its macro-economic and social spin-offs, writes SVEN LUNSCHE.

A LEADING firm of black lawyers has called on the government to ensure that its privatisation programme redistributes wealth and advances black participation in the economy

Moseneke & Partners has also called for a constructive role for the state in all stages of the privatisation process.

The government has over the past few weeks identified the reduction of state debt as a primary aim of its privatisation programme. This, it argues, will lighten its interest burden and release funds for socio-economic spending

The view has received widespread support from the traditional white business sector Recently, however, black businessmen have called for a re-evaluation of the aims of privatisation.

The Moseneke report has been endorsed by black business interests, headed by the National African Federated Chambers of Commerce.

The authors of the report — Tiego Moseneke, senior partner of the firm, and Ronald Roberts, the firm's international associate, who has a Wall Street background — stress that privatisation should be viewed "as an instrument of public policy, responsive to social needs. The central question should be how to maximise social gains through privatisation."

This view suggests that privatisation need not reduce the overall role of the state as an economic actor

"In the SA context an optimal balance may mean a significant reduction of state involvement in certain sectors, and stability or even increased participation in others."

Where a state asset is earmarked for sale, Moseneke & Partners strongly oppose the "big bang" approach favoured in Eastern Europe. Instead the state should "remain a partial and passive shareholder"

The authors put forward a number of reasons for retaining a public stake in privatised entities:

☐ It assures the prospective purchaser of a favourable policy environment since the state will share in the costs of any its regulations.

☐ The reduced policy risk will enable the state to put a higher price tag on the privatised asset.

☐ It buys time for accelerating the development of black business to participate in later phases of privatisation.

The authors stress, however, that the state's relinquishing of operational control and its termination of budgetary support must be "genuine", if the benefits of privatisation are to be reaped.

Moseneke & Partners favour a constructive role for the state at all stages of the privatisation process, primarily to remedy "market failures"

"Certain socially and economically beneficial projects would never get done if left entirely to private initiative."

In order to ensure that "unanticipated social costs" do not flow from privatisation, the report calls for "appropriate state provisions or relevant obligations on private purchasers"

State supervision is also required to ensure that privatisation does not conflict with pro-competition policy

The biggest rationale, however, for continued state involvement is the need to foster widespread participation by all South Africans in the economy

This is a theme continually expoused in the report.

"Privatisation programmes will attract unnecessary opposition if they overbenefit privileged constituencies."

Hand in hand with the redistribution of wealth, privatisation should also seek to foster black entrepreneurs.

The report mentions a number of strategies to achieve this, including imaginative use of tender sales, establishing co-operative investment vehicles, "appropriately priced" share voucher schemes, worker share participation, and "small and conditional privatisation"

The latter involves unbundling certain state functions on the condition emerging enterprises are available to step in.

"Even if sales proceeds free up increased revenues for small and medium enterprise initiatives, why reinvent the wheel when state-owned going concerns could be spun off directly to emerging entrepreneurs?"

Moseneke & Partners foresee an important role for foreign investors in privatisation.

"The over-concentration of ownership in the SA economy is an obstacle to a progressive privatisation policy Overseas investors may co-operate with emerging businesses more effectively than local companies who stand to lose through diluted ownership patterns."

The authors nevertheless note that worldwide trends favour restrictions on foreign ownership and propose that the state should choose foreign partners who bring strategic as well as financial capital.

Some of the more controversial proposals in the report include the limited use of privatisation equity to compensate for human rights abuses and land dispossession and providing job guarantees to workers at newly privatised operations.

By and large, however, the authors succeed in shifting the emphasis from the fiscal benefits of privatisation to its macro-economic and social spin-offs.

The timing of the report is opportune. Public Enterprises Minister Stella Sigcau is expected to announce the first details of the government's privatisation programme later this month

The Moseneke Report on Privatisation, by Tiego Moseneke and Ronald Roberts Moseneke & Partners, Johannesburg

PRIVATE VIEWS Ronald Roberts and Tiego Moseneke, authors of the report

Competition Board slams Ster-Kinekor

ST 5/3/95 (232)

By CIARAN RYAN

STER-Kinekor's opening of the Musgrave Cinema Complex in Durban in direct competition with Avalon Cinemas has been declared a restrictive practice by the Competition Board.

The board recommends a negotiated solution in which Ster-Kinekor agrees to end the restrictive practice, failing which the practice would be outlawed and Ster-Kinekor compelled to sell the complex to Avalon at a market price or to buy Avalon at a price a willing buyer would have paid had Musgrave not been opened.

Ster-Kinekor is also prevented from exhibiting day and date releases (premiers) selected by Avalon's Berea Cine Centre until the board's recommendations have been implemented.

Ster-Kinekor's refusal to supply films to cinemas competing with its own was also declared a restrictive practice. No recommendations were made to terminate Ster-Kinekor's vertical control of the cinema industry, from distribution through to exhibition, although this may be reassessed.

Durban businessman Moosa Moosa, the owner of Avalon, claimed he was forced to shut down most of his cinemas because apartheid laws prevented him from competing fairly

Ster-Kinekor had "usurped his legitimate expectation" to be awarded a lease in a cinema complex developed by Sanlam's Coreprop in Chatsworth in 1988

The board stopped short of setting a precedent for racially motivated claims in cases of commercial redress It found it could not "create economic opportunities for previously disadvantaged communities by apportioning a share of the relevant market to such persons or restoring them to any position previously held in a given market".

The board received complaints that Ster-Kinekor, through its links with Sanlam and Sankorp, received right of first refusal in new complexes Sanlam companies control 14 of the 58 complexes operated by Ster-Kinekor.

"Allocating the Chatsworth site to Ster-Kinekor evinced a lack of vision, wisdom and sensitivity," says the board.

Ster-Kinekor could not be reached for comment.

US company jumping the gun on investment

Star 6/3/95

(232)

BY PETER FABRICIUS
STAR BUREAU

Washington — The SA Government is considering an offer by a US company to enter into a partnership with one of this country's parastatal corporations, even before it is privatised.

Deputy President Thabo Mbeki disclosed this after a week-long visit to New York and Washington to launch a US-SA binational commission, which is aimed at strengthening ties.

Mbeki said he had had several meetings with corporations in an effort to resolve specific problems which were preventing investment in SA.

He said one (unnamed) company was eager to buy a certain parastatal which might be privatised. It had offered to enter into joint ownership of the public company with the SA Government, even before the corporation had been privatised.

Mbeki said the US company had offered a good commercial argument. It would bring in technology and capital, and raise the value of the corporation significantly before it was privatised.

Mbeki also talked to another company, which wanted to put some of its products into the SA market to familiarise consumers with them before investing.

He also discussed tariff barriers with some companies. One said that even though it faced import tariffs of 25% in SA, it had still taken 40% of the SA market with its product in the past 12 to 15 months.

Mbeki said that if some tariff barriers came down, a certain SA industry would be wiped out. The US company was ready to enter, instead, into a partnership with the SA company.

He said a group of US businessmen would be travelling to SA with him, including one interested in offshore oil drilling.

Competition Board slates Ster-Kinekor

AMANDA VERMEULEN

STER-KINEKOR'S dominance in the cinema exhibition and distribution market has been criticised by the Competition Board as anti-competitive and restrictive

The board's report backs Moosa Moosa of independent exhibitor Avalon and several other parties which had lodged complaints against Ster-Kinekor's allegedly restrictive practices. (232)

The initial complaint was brought against Ster-Kinekor last year by Moosa after Ster-Kinekor proposed to open a multiscreen cinema complex at the Musgrave Centre in Durban which, according to the board, could have resulted in Avalon's exit from the market.

Other complaints were lodged by Nu Metro, Thokozani Cinema, the Independent Exhibitors Association (Western Cape), Thari Cinema and the National Association of Indepedent Cinema Owners.

Some of the complaints against Ster-Kinekor included its alleged refusal to offer independent cinemas film products and its close ties to the Sanlam group, which gave it first option on cinema complexes in any Sanlam property development, even in black areas.

Ster-Kinekor said it did not dominate the market as it had only 58 cinema complexes compared with Nu Metro's 27 and the independent operators' 137. Its Musgrave Complex did not constitute a restrictive practice, and its distribution was said to be

☐ To Page 2 BD 6/3/95

Ster-Kinekor

☐ From Page 1

more efficient and satisfactory by some of the major overseas film producers for whom it distributed.

But the Competition Board said Ster-Kinekor's practices opposed competition and the reconstruction and development programme's support of small and medium-sized enterprises.

Ster-Kinekor parent company Interleisure's deputy chairman Buddy Hawton said the group was "surprised and very disappointed" with the board's report. It was considering its position.

The report said Ster-Kinekor and Interleisure, which were owned by Safren, Old Mutual and Sankorp, were typical examples of "the conglomerate interlock found in SA". BD 6/3/95

Safren, Old Mutual and Sankorp had not seriously tried to resolve the dispute

Ster-Kinekor's contention that it did not [illegible]ate the exhibition market was a distor[illegible] of the facts. The report pointed to Interleisure's 1993 annual report which referred to its "dominance of exhibition"

The board said Ster-Kinekor's refusal to supply film prints to independent exhibitors "technically falls within the definition of a restrictive practice".

The board would try to negotiate a solution to the issue It recommended that Trade and Industry Minister Trevor Manuel direct Ster-Kinekor either to sell the Musgrave complex to Moosa at a market related price, or purchase Avalon's competing cinema at a price a competitor would have paid had Musgrave not opened

In the interim, Manuel should order Ster-Kinekor not to exhibit films selected by Avalon for its competing Berea cinema

Although Ster-Kinekor had entered into a joint venture with a black-controlled company as part of a black empowerment scheme, the board said such [illegible] ill not justify the creatio[illegible] of anti-competitive structures"

Privatise to lift capital inflow, says Lehmans

232

BD 7/3/95

SAMANTHA SHARPE

THE privatisation of state assets would have a tremendous effect on offshore capital flows into SA, which were being hampered by JSE illiquidity, according to prestigious US-based investment bank Lehman Brothers.

Representatives from the bank, on a short visit to SA, who have been meeting government officials and local blue chip companies to explore opportunities to increase investment capital inflows into SA, said the potential for US investment flows into SA was "significant".

Lehman Brothers executive director corporate finance Kofi Bucknor said the bank had been "surprised and encouraged" by the pace and debate of privatisation in SA.

Privatisation went further than a mere selling off of state assets, he said, and involved a restructuring of the public sector The sale of state assets was only one method of improving parastatal efficiency.

Lehman Brothers MD Mel Shaftel said the bank's presence in SA signified more than a short-term interest in the country. "We are not looking to do a whole lot of debt and privatisation deals and simply move on"

Shaftel said Lehman Brothers had identified SA as an emerging market, which offered "quite significant long-term opportunities".

He said the bank was considering opening a representative office in the country, but this would not be in 1995 "We expect to make some near-term decisions about our representation in SA, but 1995 has been taken up by commitments elsewhere."

Shaftel said an increase in the level of US investment in SA also hinged on increasing the education of the American investor about this country, something the bank was actively engaged with

The average US investor was not yet familiar with much of the basic business information which characterised the SA economy, he said.

Shaftel said the abolition of the financial rand and exchange controls would also go a long way to encouraging the foreign investor to venture into the SA market.

Bank MD Jeffrey Urwin said the relative turbulence of other emerging markets like Mexico and China could be seen as beneficial to SA, which offered a stable alternative to the offshore investor.

The bank's recent business activities in SA have centred on its advisory role regarding the IBM Corporation and its reinvestment in SA through a 40% acquisition of Information Services Group

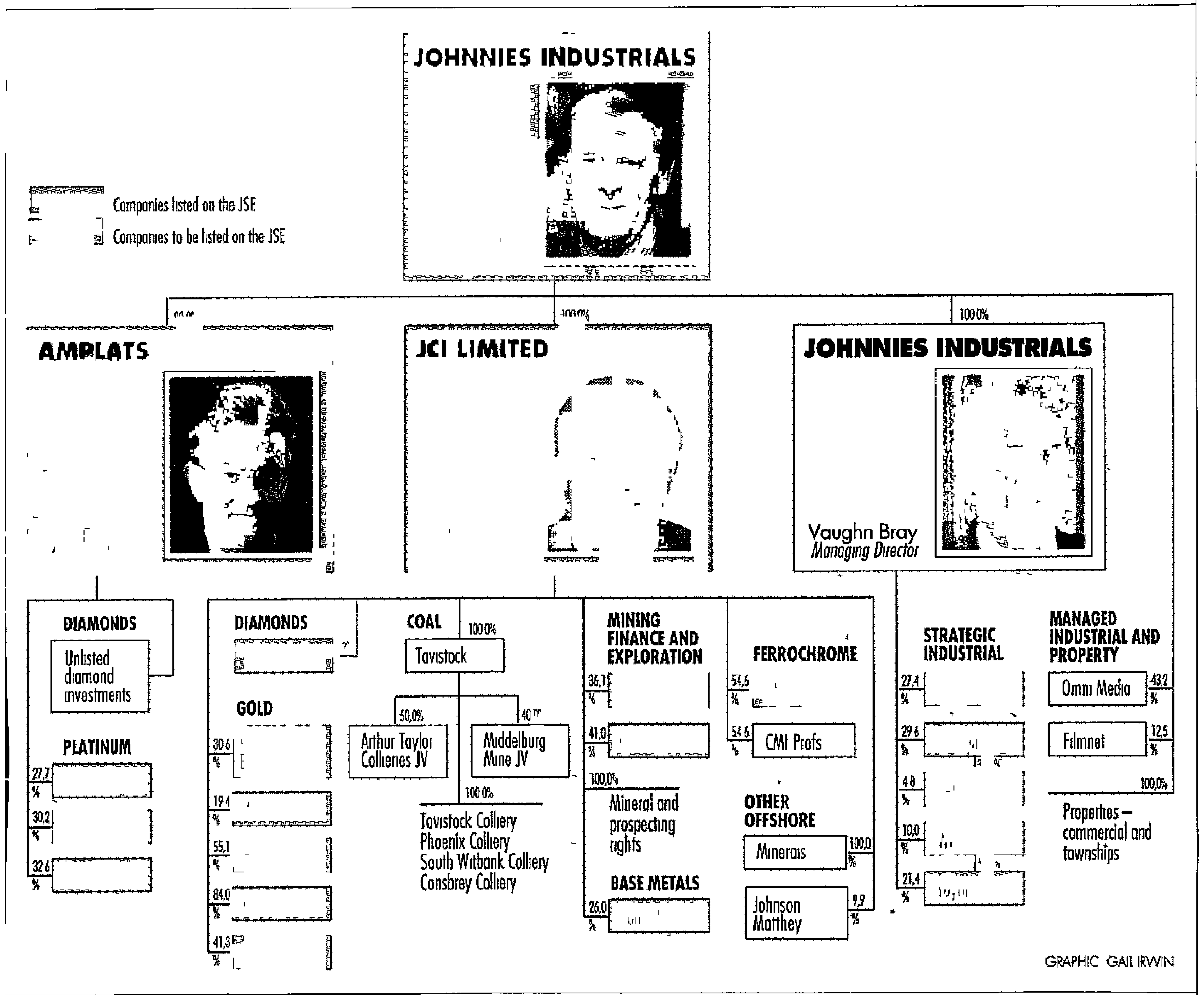
Lehman Brothers further acted as underwriter for the $750m SA global bond offer, as co-lead manager for the Yankee bond Eskom offering, and helped arrange and manage a $100m SA-structured bond investment trust.

BACKGROUND & ANALYSIS

Anglo sell-off unearths a mine of problems

(232) (FF6) CT(BR) 7/3/95

THE PRIZE: Johannesburg Consolidated Investment's treasure trove of assets



GRAPHIC: GAIL IRWIN

The second leg of the JCI unbundling and black empowerment exercise is set to drag out as a result of contenders' patchy capital availability and lack of cohesiveness

BY ANN CROTTY
SPECIAL WRITER

The easy part of the JCI unbundling and restructuring deal is over, now comes the difficult stage

The identification of the black South Africans who are to take up a "meaningful" stake in the mining and industrial finance groups is likely to be a much more difficult process for Anglo

No doubt Anglo is well equipped to deal with all manners of complex corporate restructuring, but it begins to move into unfamiliar territory when it comes to the selection of black individuals who must have the capacity to run with a large and complex transaction and also a fairly broad base of support within the black community.

Among the contenders are Cosatu, Don Ncube and the Rail consortium, Nthato Motlana and Nail, the Kagiso Trust, Thebe, Nafcoc and Fabcos with Patrice Motsepe, and Nactu and Kusa women's consortium The very long list even includes Trevor Tutu's name What is being brought by each party in terms of funds, skills or black community support, varies dramatically

What is evident is that this will not be the sort of straightforward deal that Anglo was able to pull off with the Afrikaans business community in the 1950s when it sold its stake in General Mining to Sanlam, helping it to establish a foothold in the mining industry Not only did the Afrikaans community have a ready-made vehicle with sufficient capital (in the form of Sanlam), it also presented a much more cohesive front

This time the capital availability is patchy and the black community is far from cohesive For these two reasons it's likely the second leg of the JCI unbundling and black empowerment exercise will drag out for the best part of a year Indeed, completion could take a number of years

> **Unbundling is not the straightforward deal Anglo pulled off with the Afrikaans business community in the 1950s when it sold its stake in General Mining**

Also inevitable — because of the lack of cohesion — is that whatever deal Anglo does, it will not please the entire black community Already, despite firm denials, there are signs of growing antagonism towards Don Ncube ("little Don") because, as a former Anglo employee, he is seen as being favoured by the executives at 44 Main Street In addition, there are ominous mutterings about Anglo retaining its diamond and platinum interests This has no doubt motivated the inclusion of an interest in Amplats and De Beers in the new JCI Having identified its core interests as platinum and diamonds, it would be tantamount to nationalisation to force Anglo to include all of these in the empowerment exercise

So, what is Anglo's next step? Given that it is sailing in unfamiliar waters, how does it choose from the host of candidates who have made direct and indirect approaches An open auction would be the easiest option but one that would be politically unacceptable

In the absence of a price to determine to whom the assets contender for the industrial assets While Thebe has shown that it is keen to get a bit of anything that's on offer in the current black economic empowerment flurry, Kagiso has a more solid reputation after years as a leading light in the NGO community Nafcoc/ Fabcos are a useful inclusion although the precise strength of their support base is difficult to gauge In terms of community support and funds, Cosatu must have more to offer than any other single group, inside or outside the NEC

For this reason it is surprising the union movement has allowed Don Mkhwanazi ("big Don") seemingly to lead the NEC bid The more so as Mkhwanazi is believed to be targeting the mining assets while the unions are more interested in the industrial assets (The inclusion of 10 percent of Amplats and some of De Beers has reportedly made a slice of the mining house a more attractive proposition for them) In addition, "big Don" is a director of Nail The fact that a director of Nail has moved to make an independent play on JCI heightens the perception that there is little cohesion within the black community on the whole economic empowerment issue

The NEC steering committee comprises Mkhwanazi, Sam Nematswerani of Thebe's finance company, Msele, Eric Molobi of Kagiso, lawyer Patrice Motsepe, Tommy Oliphant of Unity and Khalema Motlhanthe, secretary general of NUM Significantly Cosatu does have its own steering committee looking into the JCI deal on which Motlhanthe also features with Marcel Golding and Cyril Ramaphosa At present it is allowing the NEC to make the running for it

Until now it seems the most significant interest in JCI (the

> **'We wouldn't want to see**

to include Ncube's group in the consortium but has received a negative response

It is felt that the Rail team is not very impressed with the progress the NEC is making and that Ncube has little confidence in it being able to put together a proposal acceptable to Anglo

The lack of progress, despite three merchant banks (Board of Executors, Lehman Brothers, and Samuel Montagu) advising them, no doubt reflects the broad range of interests and agendas the NEC is attempting to accommodate If progress cannot soon be made it is inevitable that Cosatu and one or two others will move ahead on their own

Although Nail has indicated that it is interested in parts of JCI's industrial assets, specifically media-related, it seems not to be very aggressive in making a formal bid It is unlikely Anglo would do two separate deals relating to Johnnic, particularly if one significant party (the NEC) has indicated it is interested in all of Johnnic

Each of the potential bidders is accompanied by a merchant bank and a financing package of varying complexity Local and offshore debt, pyramids, voting pools, differentiated voting rights and trade union-related provident and pension funds are the more straight forward items in the finance packages The amounts involved in both Johnnic and JCI (approximately R3 billion for Anglo's stake in each) are substantial in anybody's book

For groups with limited experience in big business and severe funding restrictions, preparing acceptable financial proposals will certainly be a challenge for the merchant banks It will be made even more challenging by the fact that Anglo has said it will not contemplate a discount

Because of the very low dividend yield at which the assets are being priced, the use of debt finance will be severely restrained unless the bidder is aggressive about the potential for capital and income growth under the changed control

... fied alternative criteria other than "black" to which potential bidders must adhere?

Anglo executive director Mike King indicates it is up to the merchant banks to take the next step. "It would be inappropriate for us to initiate discussions with individual parties or for us to set out any criteria. It is the business of merchant banks to put together parties and deals that are viable."

Certainly the merchant banks are rising to the challenge, spurred on by the enormous fees that will go to the successful parties. Almost every merchant bank in the country is currently working on a proposal.

An acceptable compromise would see the more credible black players combining to form a broad-based consortium. This would not resolve the problem of needing to identify a lead personality.

In addition, because it is puerile or racist to assume all black groups have a common goal, it is inevitable that the more players involved, the more difficult it will be to agree upon and focus on one course of action.

But it was with this in mind that a number of the groups got together to form the National Empowerment Commission (NEC). Comprising Cosatu, Thebe, Kagiso and Nafcoc/Fabcos, the NEC at this stage appears to be the lead ... house) has been shown by Rail, with Ncube apparently hoping for some management control for a fairly limited fund outlay. Mkhwanazi is thought to be planning an aggressive play for the mining assets but it is doubtful that he can bring the NEC with him.

King disputes suggestions that Rail is favoured by Anglo. "That is certainly not the case, there are no sweethearts." But he does believe criticisms of both Rail and Nail — on the grounds of enrichment, limited community support and making conglomerates — are unfair.

Referring to the JCI deal, Ncube is reported to have said at a recent investment presentation: "The South African economy is rooted in mining. We have to be a part of it, and we will pursue it." Significantly, not all of the Rail directors agree about an involvement in mining where the ability to add value to an acquired asset would be questionable. Analysts estimate at most Rail would be going for a 10 percent stake valued at around R600 million.

According to a source close to Cosatu, the NEC has made efforts ...

'... blacks coming in and then selling out at a quick profit, we would want black South Africans to have a real and long-term commitment'

... debt finance hasn't deterred a number of players from discussions with international financiers. Arab finance has been mentioned. Possibly more ominous for Anglo is that Lonrho's name has been mentioned as a backer for one of the parties. Indeed, it is likely that every major mining house in the world is looking at this deal and identifying possible black front men.

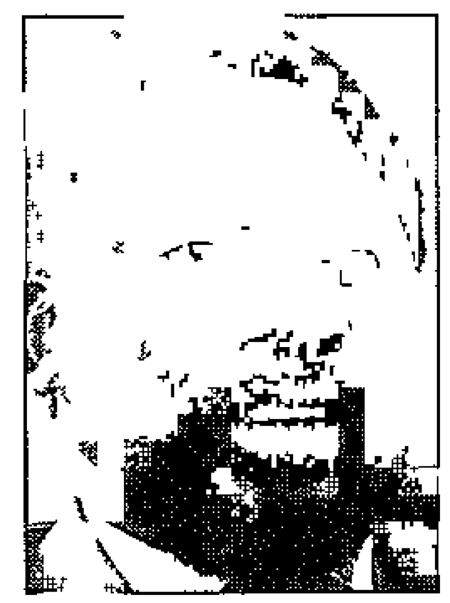
According to King, while foreign funding would be welcome, the process would involve close scrutiny to ensure such funders were only playing a supportive role.

"The worst thing for us would be failure to complete this second leg. We also wouldn't want to see blacks coming in and then selling out at a quick profit, we want black South Africans to have a real and long-term commitment." He refers to involvement as shareholders, directors and also in management.

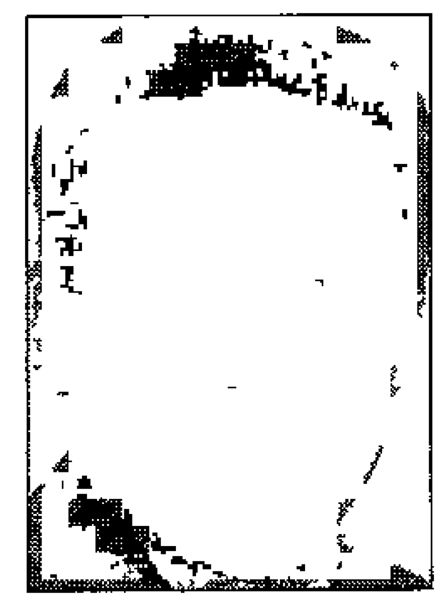
That said, he acknowledges this is a business deal and while some precautions can be taken, once the transaction is complete, Anglo cannot interfere in any subsequent deals.

WHO'S EYEING JCI?

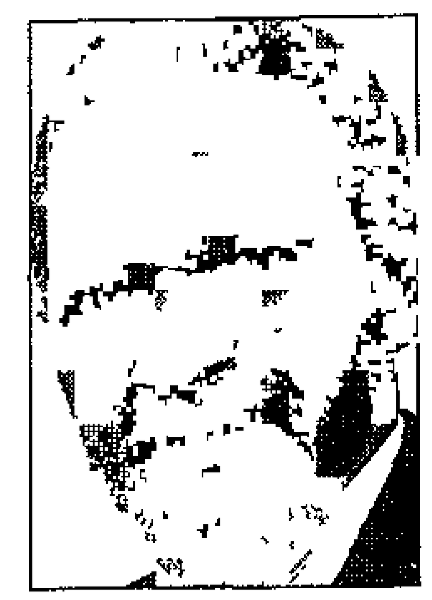
NCUBE



RAMAPHOSA



MOLOBI



MOTLANA

☐ **Cyril Ramaphosa** is the sleeper in the bid by Cosatu affiliates. While committed to a political career, Ramaphosa is known to be concerned about black economic empowerment's apparent inability to get beyond enrichment to the creation and spreading of wealth. He is a member of the Cosatu steering committee dealing with the JCI unbundling. An individual of ... lot of clout to any bid.

☐ **Eric Molobi** is CE of Kagiso Trust, chairman of the National Housing Trust, and also chairman of Southern Life's Futuregrowth fund.

☐ **Don Ncube** was formerly employed by Anglo's industrial relations department. He is chairman of Rail, which will be listed on the JSE on March 22, and of African Life. As with Nail, there are ... cisms that Rail is little more than the result of financial engineering in which so-called community support is difficult to identify behind layers of institutional finance.

☐ **Nthatho Motlana** is chairman of Metropolitan Life and Nail. As with Rail, community support is difficult to gauge. While keen to pick up some JCI assets, Motlana is said to be trying to bed down Nail's ...

Cinema chain reacts to report

(232)

AMANDA VERMEULEN

STER-Kinekor parent company Interleisure is to meet Trade and Industry Minister Trevor Manuel regarding the Competition Board's finding that it was anti-competitive, with company sources saying it might refer the matter to the Supreme Court as a last resort.

BD 8/3/95

The board last week released its report of an investigation into claims that Ster-Kinekor acted in a restrictive and anti-competitive way towards independent cinemas.

The report sided with the complainants, including Avalon MD Moosa Moosa, several other independent exhibitors and Nu Metro, SA's second largest cinema chain. It recommended that Manuel order Ster-Kinekor to sell its Musgrave cinema complex to Moosa, or buy Moosa's competing Berea cinema at a market-related price.

Ster-Kinekor sources said this recommendation implied that no company could open a competing business close to another.

Interleisure deputy chairman Buddy Hawton declined to comment on possible court action.

The board's Pierre Brooks said the board would welcome the opportunity to test this case in court.

Nationalise Gold Fields, demands NUM

(232)

RENEE GRAWITZKY

GOLD Fields should be nationalised without any compensation because it was not mining for the benefit of all South Africans, National Union of Mineworkers (NUM) president James Motlatsi said at a news conference yesterday BD 9/3/95

Claiming that the death of six mineworkers at Deelkraal gold mine in Carletonville on Tuesday could have been avoided, he accused Gold Fields management of being "super-racists" and of ignoring claims that workers in the hostels were armed

Hostel searches on Tuesday night and yesterday resulted in the seizure of weapons such as knobkerries, pipes and one AK-47 Fighting broke out on Sunday and tension increased yesterday when a worker was stabbed in a hostel

A Deelkraal spokesman said the mine, which had not been operating for two days, was losing R1m a day Management would not allow the workforce to go underground until peace was restored

Last night the NUM and the United Mining Workers' Union of SA were served with a notice of the company's intention to apply for Supreme Court interdict today

The interdict was to restrain members from "interfering with, obstructing, intimidating, threatening in any manner and assaulting" mine employees

Management met the two unions separately yesterday but was unable to find a solution, the NUM said

The NUM proposed establishing an interim community police structure which would include representation of all parties Management rejected the proposal on the basis that the parties first had to agree and sign a declaration of peace The proposal could be considered in the long term.

● Picture. Page 3

Probe into SA paper industry monopoly

Star 13/3/95

232

BY NIKKI WHITFIELD
CONSUMER REPORTER

The Competition Board has confirmed that an investigation is being conducted into South Africa's paper industry to determine whether a monolopy situation exists.

Paper prices have risen significantly since December, sparking anger among Gauteng businesses and giving rise to allegations of a monolopy existing between SA's two major paper companies, Sappi and Mondi.

Bruce Meyerson, director of National Panasonic's Rivonia franchise, said his company was supplied paper by Sappi who had increased prices three times since setting a figure of R10,80 per ream in December. April 1 would see the price per ream increase again to R16,82.

"My company buys 300 tons of paper a year and these price increases are ridiculous," he said. "And there's nothing we can do about it because of a monolopy in the paper industry."

He said questions about the increases directed at the paper merchant who supplied his company revealed a hike in the price of pulp imported from the US.

"But what I don't understand is why Sappi has to import pulp when South Africa owns the largest pulp manufacturing plant in the southern hemisphere."

Dr Pierre Brooks, chairman of the Competition Board, said several complaints had been received about the paper industry and that an investigation was being conducted under the Maintenance and Promotion of Competition Act.

Competitors

Bert Ibertson, managing director of Sappi, said Sappi and Mondi were competitors in the South African market and also competed with imports.

"During the decline in the world pulp price from 1990 to 1993, the prices of paper reduced under the influence of this competition.

"Currently, both South African manufacturers, in common with paper manufacturers worldwide, are increasing prices due to the pulp price effect, as well as supply and demand factors."

Referring to complaints that pulp was imported despite the presence of local pulp manufacturing plants, Ibertson said pulp was manufactured by both Sappi and Mondi and only a small percentage imported.

"Pulp is a commodity which fluctuates in price in long-term cycles. The price of pulp has increased from $380 per metric ton in November 1993, to $825 per metric ton currently."

Mondi's managing director Derrick Minnie said he "welcomed" the Competition Board's investigation.

"The investigation will lay to rest once and for all the many misconceptions about the paper industry that exist in the minds of the converting industries that we supply."

NUM calls on ANC to nationalise SA's mines

(234)

The Argus Correspondent

JOHANNESBURG — More than 500 delegates representing the 320 000-strong National Union of Mineworkers (NUM) have called for nationalisation of mines which "continue to violate human and worker rights" (232)(210)

Their nationalisation call, though qualified, presents a challenge to the African National Congress and the new government, both of which have formally abandoned their support for nationalisation.

The NUM is the largest component of the Congress of South African Trade Unions (Cosatu), which shares power with the ANC in the government of national unity ARG 13/3/95

ANC secretary-general Cyril Ramaphosa is a former NUM leader, and the reconstruction and development head, Jay Naidoo, is a former Cosatu secretary-general.

They are now faced with the choice of supporting the ANC's decision — taken at its annual congress in Bloemfontein last year — to renounce nationalisation and to embrace privatisation, or supporting the huge NUM membership.

An NUM central committee meeting earlier in Pretoria called for a basic minimum wage of R1 200 for surface workers and R1 325 for underground workers

'Nationalise mines'

■ NUM SPEAKS Union's opposition to unilateral reorganisation of mines:

(232)

Sowetan 13/3/95

MORE than 500 delegates representing the 320 000-strong National Union of Mineworkers have called for the nationalisation of mines which "continue to violate human and worker rights"

At a weekend central committee meeting held in Pretoria in preparation for negotiations with mining houses next month, the union also called for a basic minimum wage of R1 200 for surface workers and R1 325 for underground workers.

The NUM said members were threatened by retrenchments and therefore an agreement had to be negotiated between management and the union to regulate sub-contracting — which usually led to the retrenchment of workers

Saying worker participation in decision-making was essential for the new era of industrial relations, the union maintained that workplace forums suggested in the draft Labour Relations Act be adapted to frame a specific demand On privatisation, the union said it was opposed to companies' unilateral "reorganisation without negotiating with and the approval of unions"

It said although racist laws had been repealed, a Workplace Anti-discrimination Act may be needed to force "enterprises with a culture of racial domination to change their ways"

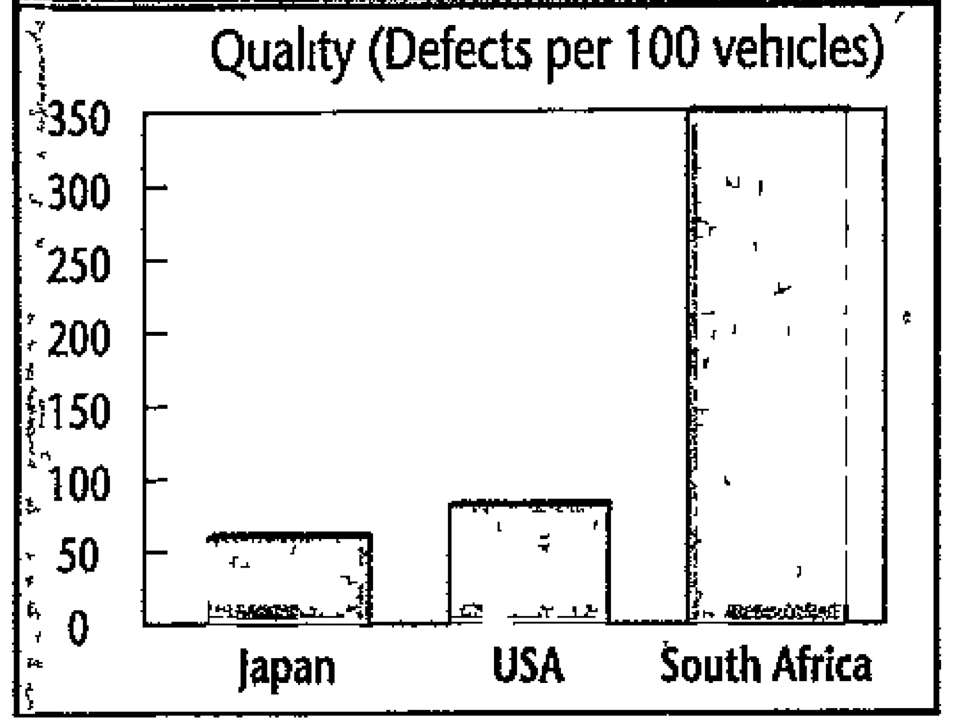
The union condemned all forms of corruption in all public and private institutions and said any person found guilty of such behaviour should be removed from office

Pledging support for Cuba's "struggle against the illegal occupation and economic blockade of Cuba by the United States of America", the union said the country must be accorded full preferential status by South Africa

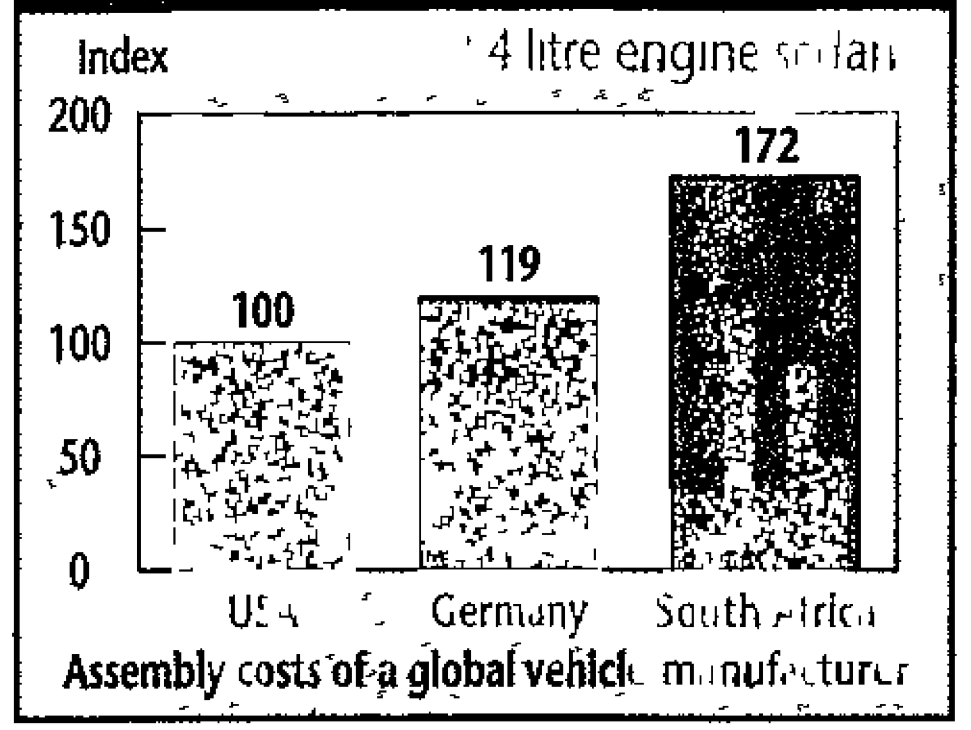
Our phone number: (011) 474-0128

Political comment in this issue by Aggrey Klaaste Newsbills, sub-editing and headlines by Sy Makaringe and Paul Drosdzol All of 61 Commando Road, Industria, Johannesburg. Printed by The Newspaper Printing Company for the proprietors and publishers, New Africa Publications Ltd of 61 Commando Road Industria Johannesburg

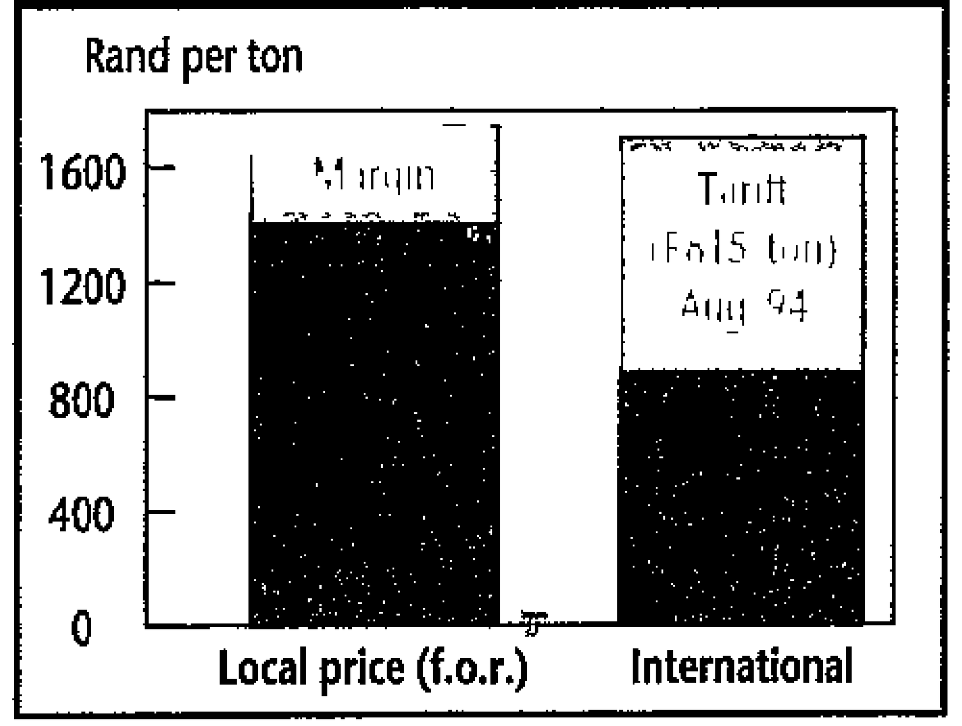
Vehicles: modern management techniques not yet in SA



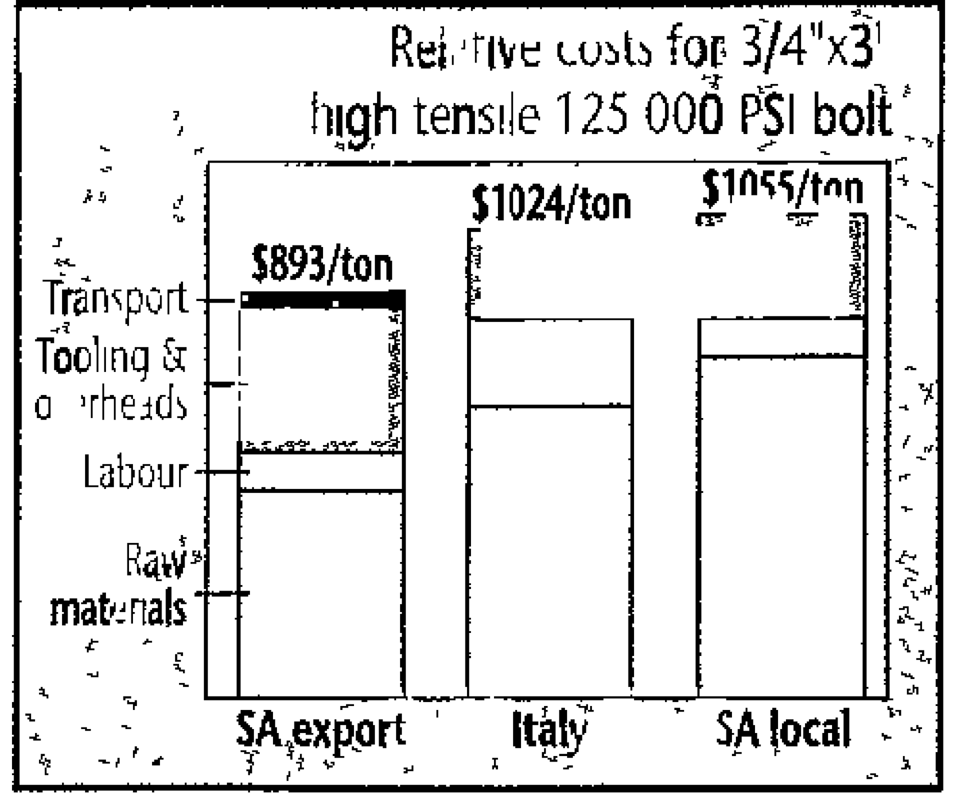
Price premium for SA cars costs R4bn-R5bn a year



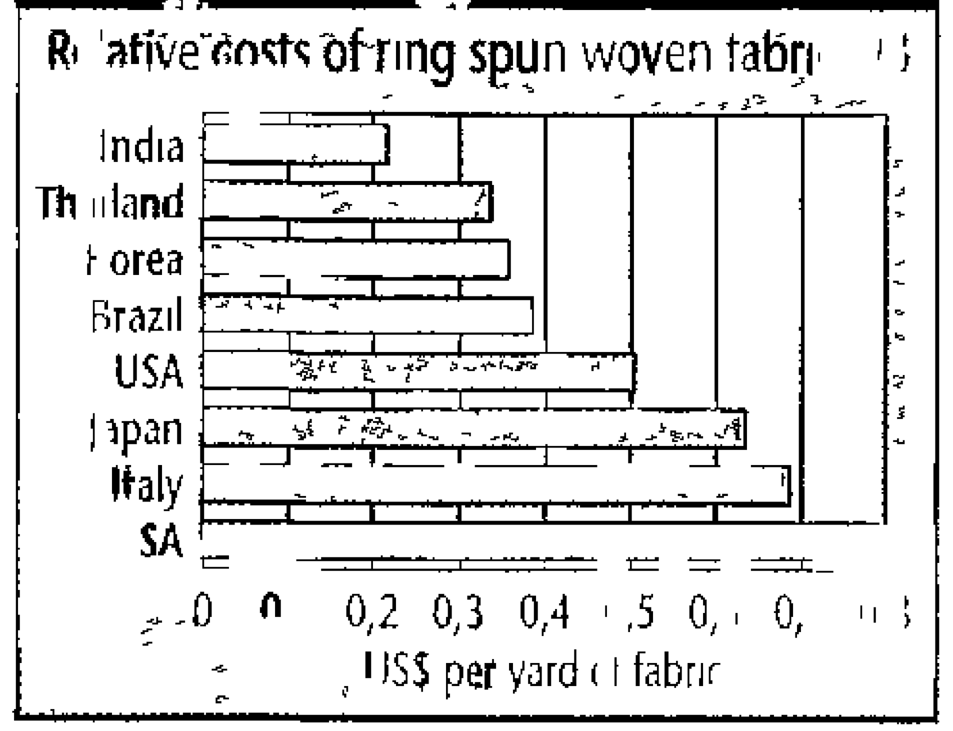
The SA sugar price is twice the world price



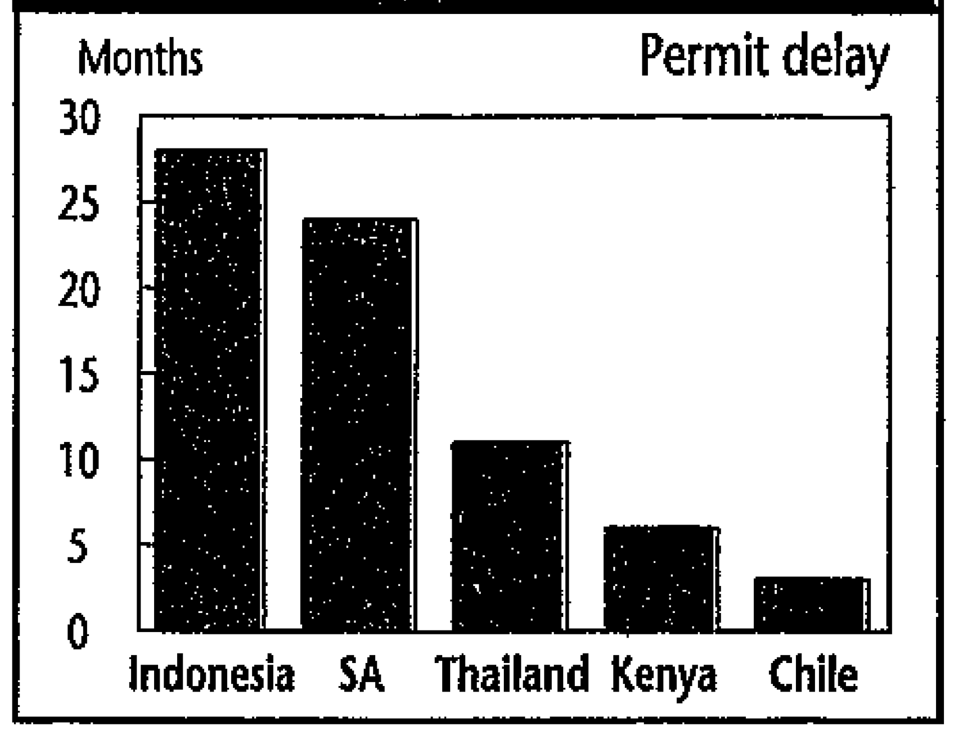
Low rivalry equals high prices



SA textile costs are world-beaters



Housing construction permits can take two years for approval



Survey finds SA a poor competitor

(232) ST(BT) 19/3/95

TRADE and Industry Minister Trevor Manuel says he is torn between using existing bodies such as the Competition Board to improve competition and introducing new anti-trust laws, writes KEVIN DAVIE.

But anti-trust legislation, given the size of the market, will "undoubtedly have to have an SA context"

Mr Manuel's in-tray is filling up with complaints from people in business, big and small, who are victims of anti-competitive behaviour

Some complaints have already been forwarded to the board, which has investigations under way into several industries The government is looking at the high input prices which restrain competitiveness. Measures will be taken to rectify this including "legislation if necessary"

TREVOR MANUEL weighing up the competition

By KEVIN DAVIE

A MAJOR independent study finds that South Africa's industries suffer from a terrible lack of competitiveness

Where advantages exist, such as in an abundance of certain raw materials, these are invariably turned into disadvantages largely through insufficient rivalry within the economy

Monitor, an international consultancy which has its origins in the seminal work by Harvard's Michael Porter on the competitiveness of nations, completed the study for the National Economic Forum (now Nedlac)

The study, funded by the Japanese government through the facilitation of the World Bank, is expected to be presented to the Cabinet this week

Monitor says "the price premium for vehicles in South Africa currently costs consumers R4- to R5-billion a year, approximately equal to the RDP and national housing budgets combined"

Based on comparative countries, South Africa's housing costs are double the price they should be

"Achieving expected costs would enable 60% of the population to afford housing (with the subsidy scheme) up from less than 20% at current costs"

It can take two years to get housing contruction permits approved compared with three months in Chile

Sugar prices are almost twice the world price

"While it is common for local prices to be higher than world prices (due to dumping and subsidies), the SA premium is higher than in countries such as Brazil, where the premium is 30%"

Low rivalry in metal products allows Iscor to maintain a substantial price premium over imported steel.

"Iscor is a globally competitive producer However, this advantage is eliminated by transport costs to the coast ($41 a ton) and to markets ($35 a ton to Europe)

"Without Geis (the export subsidy) support, Iscor's position falls behind most European producers

"In air transport SAA's cost is $0,19/km versus $0,16/km for Quantas"

Monitor says government's role in the economy is significant, but "mostly negative" as its administrative drag is a barrier to competitiveness

Policies such as Geis and Phase VI (the local content programme for the motor industry) have also detracted from competitiveness.

Government has not promoted rivalry and has allowed heavy tariffs, subsidies and even cartels.

Heavy protection has created a government rather than consumer orientation for most firms

Conflictual labour relations exclude radical restructuring using modern management strategies.

Concentration of ownership and "broad spans of control" exacerbate the low level of rivalry

Export analysis shows weakness in the vital industrial and supporting functions which pass innovations through the economy

"This is more characteristic of the Third World rather than newly industrialising or developing economies"

Competition between seven manufacturers in the motor industry keeps prices on smaller vehicles well below the level of tariff protection (import parity) But retail mark-ups of 17% are high and there is limited competition on price at the retail level

Raw materials are plentiful, but protected prices add R472 to the cost of a vehicle

Monitor wants more co-operation in some sectors "Witness the rivalry of SA textiles versus SA clothing rather than SA textiles and clothing versus the world"

SA textile prices are the highest of eight countries surveyed, mainly due to high raw material and conversion costs The latter results from lack of strategic focus (leading to complexity), poor work skills, outdated machinery and poor work organisation

But in clothing — excluding textile costs — South Africa is the third cheapest after China and Malaysia compared to 15 countries "due to relatively low labour costs and the labour intensity of clothing manufacture"

Monitor has begun a second stage investigation to develop policy options for a new industrial paradigm for South Africa

Suggested new policies include privatisation and encouraging greater competition to reduce price cross-subsidisation

The government should resist industrial lobbying.

Transport costs must be reduced, official data need dramatic upgrading and the government can help reduce industrial complexity

Skills development should be promoted by using new machinery, especially computer-driven technology, as should new forms of work organisation, particularly teams

Tariffs must be reduced to allow foreign competition and subsidies removed to level the competitive playing field Export subsidies must be phased out.

Government purchasing can reward innovation and upgrading and help raise the competitive temperature

Focus on Business

Real Africa Group takes JSE by storm

By Isaac Moledi

THE REAL AFRICA Group hit the Johannesburg Stock Exchange yesterday, having sold all the shares that were offered to the public

The opening share price was R2,20 — much higher than the directors had hoped.

The group had planned to raise R20 million through a public offer of 7,5 million new ordinary shares and a preferential offer of 2,5 million to members of Enterprise Investment Forum, Aflife and Oceana employees

But it received applications worth R30 million — R10 million more than expected

The Real Africa Holdings' chairman Don Ncube described the developments as a positive sign for the future RAH is the trading company in the Real Africa group

"The developments of oversubscription augur well for the group

"This demonstrates confidence people have in the company and the economy as a whole

"It also demonstrates a transparent, accountable and responsible manner in which the Real Africa group conducts its operations" He says his company has no plans to issue new shares to raise extra cash — known as a rights issue — in the near future

"Successful listing means we have the finance we need."

He hopes the process of creating and distributing wealth to as many people as possible would be sustained.

Standard Merchant Bank says the response to the first public offer by a black-owned company had been highly satisfactory, despite difficult market conditions

Don Ncube ... to greater heights.

"Developments of over-subscription augur well. This demonstrates the confidence people have in the company and the economy"

Sowetan 23/3/95

"The response has been positive despite the decline in the JSE industrial index and the abolition of the financial rand during the period when the shares were on offer," says a spokesman.

The listing of the two companies of the Real Africa group this week brings to seven the number of black-owned companies on the JSE

The group's shareholder base consists of both black and white business groupings, major trade unions and provident funds aligned to them, informal savings organisations and churches.

Privatisation — a key strategy

232 Sowetan 23/3/95

By Mzimkulu Malunga

NO specific public enterprises have been identified and targeted for privatisation yet, says Public Enterprises Minister Mrs Stella Sigcau.

"Privatisation is viewed as one of the available strategic instruments to be used to achieve the country's social, economic, political and technological development needs," she said at the weekend.

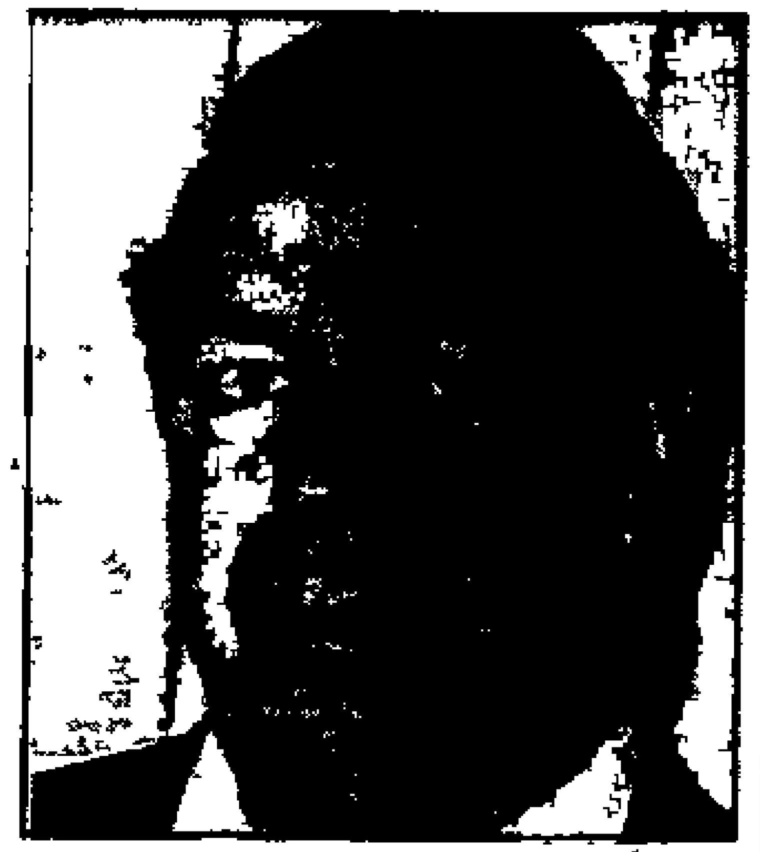
Contrary to popular belief in the business community, Sigcau said privatisation was not an end in itself, but just part of a restructuring package for state assets

She said the aim of restructuring was to place state corporations on a proper footing, so that they could effectively contribute to the implementation of the Reconstruction and Development Programme

Key to the re-organisation procedure is the empowerment of those who have been marginalised in the past, improving efficiency and reduction of state debt.

As for the privatisation segment of the restructuring programme, Sigcau said it would be weighed against other available strategies and instruments

A process to sell off state assets would have to involve all stakeholders — including employees and their unions, she said.



Dr Chris Stals

Last week the Congress of South African Trade Unions said it supported the Government's stance that the restructuring of state assets would have to be negotiated through the National Economic Development and Labour Council. Nedlac comprises labour, business, community groups and the Government.

However, Reserve Bank governor Dr Chris Stals was quoted at the weekend as saying the government should sell its assets to raise money to help reduce mounting debt.

Worthy

(232)

Sigcau to baptise privatisation baby

BD 13/3/95

MUNGO SOGGOT

PUBLIC Enterprises Minister Stella Sigcau will soon baptise the privatisation process with guidelines on why, how and when state assets are to be sold off.

Then begins the task of reconciling the goals of privatisation — be they mainly money-raising or mainly redistribution — with the practicalities of carving attractive companies with sustainable growth prospects from state assets

Concerns are developing in government and outside that those charged with doing this — an interdepartmental task group and an interdepartmental ministerial group — do not have enough financial expertise The privatisation policy unit housed in the Public Enterprises Department, which runs Eskom and Transnet, is there but ministerial rivalries mean other departments which run parastatals, such as Post and Telecommunications and Transport, could be discouraged from using it.

Commentators say successful privatisation programmes, such as those in eastern Europe, Malaysia or Britain, have all been steered by relatively independent agencies. It has been suggested SA's unit be moved to the neutral Finance Department.

A report by law firm Moseneke & Partners released this week says an SA privatisation agency "should be able to operate within pre-established parameters free from day-to-day political interventions ... Operational independence plus an unambiguous policy mandate are central to the success of an agency".

It says the German Treuhandanstalt (Trustee Agency) — a self-financing and independent arm of the German Finance Ministry — could be a model for SA. The German agency looked at bidders' plans to solve the business's short-term problems, assume existing debt, and give satisfactory types of future employment and investment when assessing prospective buyers. The Moseneke report says that an SA agency could swap these goals for ones connected with the research and development programme (RDP).

"A truly effective agency must have the capacity to research privatisation opportunities in a creative fashion, in a high degree of detail and with financial sophistication," it says. It suggests that an independent agency could also focus on small and medium privatisation opportunities. It could be decentralised, with branches at local level.

But some involved in the process have questioned the neutrality of the Finance Department. Interest groups who believe that the primary goal of privatisation should be redistributive fear the Finance Department leans more towards the goal of raising funds to pay off debt. But this is countered by the argument that the Finance Department — or anyone else overseeing privatisation — would be bound by whatever priorities Cabinet set.

Looking much further ahead, the report says that an independent privatisation agency should have a "credible commitment to dissolving itself upon completing its functions" — privatisation should not be an excuse for expanded state bureaucracy.

SIGCAU

The report, which is largely a compendium of other countries' privatisation experiences, makes it clear that privatisation programmes are complicated and can easily backfire.

Whatever happens to the policy unit — previously known as the privatisation unit which handled the Iscor and National Sorghum Breweries privatisations — private sector bodies such as Thebe Investments' recently-formed privatisation unit and Price Waterhouse are probably going to offer their services to government.

Thebe says its connections with the Mass Democratic Movement would help it mould government's privatisation policy. The unit's head, Loren Braithwaite, says there is little consensus in government about what privatisation should be primarily about — to raise money for the RDP or pay off debt, or promote black empowerment. That lack of clarity reflects different departments' different goals, which is all the more reason for an independent agency

The policy unit is helping Sigcau draw up her guidelines, but private sector sources say that other departments have already shown some reluctance to use it — perhaps a reflection of their reluctance to embrace the idea of privatisation at all

Proponents of an independent agency say there needs to be action as soon as possible if — as Post and Telecommunications Minister Pallo Jordan suggested last week in Cape Town — plans for the sale of parts of parastatals are put in place as early as this year.

212

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Govt considering some privatisation

(232) BD 13/3/95

ADRIAN HADLAND

SOMERSET WEST — The privatisation of some local government services is being considered by government as a means to assist third tier structures achieve financial viability.

RDP official Howard Gabriel told a conference on local government financing at the weekend that privatisation of selected local services could create opportunities for small and medium enterprises

Careful discussions would need to be conducted with community and other stakeholders while quality safeguards and encouragement of competition would need to be taken into account, Gabriel said

Hundreds of formerly white local authorities began privatising, but mostly contracting out, services in the early 1990s under the auspices of the department of regional and local government's privatisation unit

Fiscal and Financial Commission chairman Murphy Morobe told the conference, organised by the institute of local government, that important questions concerning financing local government were unresolved

Given that the reconstruction and development programme would be implemented at a local level and that new town councillors and potential investors required clarity on these questions, it was vital that answers were found, he said

Problems were likely when property taxes were extended to township areas.

"The question of property tax is foreign to many of us"

A Gauteng MP said he expected property taxes to be introduced across the province by the 1996/97 financial year. Before this could be implemented, a massive valuation project would have to be completed

One alternative, suggested by some delegates, was a land tax

"The taxation of land only should enable an easier extension of property taxes into townships," said local government consultant Philip van Ryneveld

"It may be best to exempt an initial amount of the value of any property from tax The poorer parts of the townships would thus fall outside the property tax net until land prices rose"

Among the many questions vexing government policy planners were the taxes to be devolved to local level, whether or not RSC levies should be retained, the design of new tariff structures for municipal services and the question of how much autonomy local authorities should have in respect of borrowing, Morobe said

Answers to these questions had to be found urgently, he told delegates

"They are important from the point of view of potential investors who, like the rest of us, want certainty in the environment to be able to make short and long-term investment decisions"

It was also vital that new councillors were "brought up to speed"

Privatise or be trapped, warns Stals

ST(BT) 19/3/95 (232)

By SVEN LUNSCHE

RESERVE Bank Governor Chris Stals has urged the government to privatise state assets to reduce its enormous debt burden.

Warning that South Africa was rapidly slipping into a "debt trap", Dr Stals recommended that the government further cut state spending and seek additional revenue sources, including privatisation, to reduce state debt.

Dr Stals was speaking after he addressed the parliamentary standing committee on finance on Friday.

His comments coincided with a statement by Public Enterprises Minister Stella Sigcau outlining initial objectives and mechanisms for the "restructuring of state assets and enterprises", as the government terms privatisation.

Dr Stals's call for privatisation, his first public comment on the issue, was echoed by economists, who, in the wake of this week's Budget, have slammed the government for failing to control state debt levels.

In particular, economists argued the deficit before borrowing should have been reduced beyond the budgeted level of R29-billion, or 5,8% of GDP.

The deficit — the difference between state spending and revenue income — is slightly lower than the 6,4% of GDP for 1994/5.

However, economists argue that the government should have taken advantage of the economic recovery to bring in more revenue and reduce the deficit to around 5% in 1995/6

As it is, overspending will raise the total public debt to about R280-billion in March next year from R245,7-billion this year.

The interest component on this debt is swallowing up ever-increasing portions of the Budget and is now the second highest expenditure item. This year the government is budgeting to pay interest of R28,6-billion, 18,6% of the total Budget.

"The 5,8% deficit is simply not good enough at a time of a strong cyclical economic upswing led by the private sector," says Ed Hern, Rudolph economist Nick Barnardt

Mr Barnardt says the government should have raised indirect taxes or started privatising state assets in order to raise another R5-billion in income

He says a simple one-percentage point hike in VAT would have raised an additional R2,5-billion this year.

The government shied away from raising VAT — despite the declared intention to lift the percentage of indirect tax to direct taxes — fearing political resistance, particularly from the trade unions

Privatisation did not feature in the Budget speech and has hardly been given a mention in subsequent appearances by key Finance Department officials

However, in Friday's statement Miss Sigcau said the restructuring of state assets and enterprises "was a key element of the transformation process of the public sector".

She said the efficient implementation of RDP programmes was critical in this process

Other objectives included

- ☐ Increasing the availability of financial and skills resources;
- ☐ Empowering disadvantaged employees and communities,
- ☐ Improving efficiencies and effectiveness in the utilisation of state assets,
- ☐ Reducing state debt,
- ☐ Redefining the role of the public sector;
- ☐ Contributing towards the restructuring of the SA economy.

Miss Sigcau committed the government to full participation by "all stakeholders", particularly by organised labour, in drawing up the policy

She said the restructuring would not be allowed to lead to reducing affordable services for poor communities

In the Budget, however, her department set aside only R1 000 under the heading "Restructuring of Public Enterprises"

The government also budgeted for a mere R15-million to be raised from "the sale of capital equipment and state-owned land, buildings and structures"

Deputy Finance Minister Alec Erwin said at a conference on Friday that there was "a tremendous fixation" on the concept of privatisation as such and not the effective use of state assets, as was the aim of the government

Finance Minister Chris Liebenberg indicated that in about three weeks' time five different task groups would be reporting back on issues affecting privatisation.

CHRIS STALS

Cabinet set to view privatisation report

(232) TIM COHEN BD 22/3/95

CAPE TOWN — Government plans to publish a White Paper on restructuring state assets after the submission of a report on privatisation to Cabinet, possibly today.

The report was written by an unnamed task group set up after the government's bosberaad earlier this year. Its submission will complete the first stage of the privatisation process, which government officials are keen to see move forward quickly.

The report included "penetrating recommendations" for which the task group sought a Cabinet mandate to establish "certain guidelines and options with alacrity", a senior government source said.

The report does not, however, specify which public enterprises should be privatised, but addresses a broad range of policy options. One source said it was "pervasive" and "incisive in its analysis".

Once Cabinet has expressed its opinion on the report, it will be rewritten into a White Paper and submitted to both the parliamentary public enterprises committee and the National Economic, Development and Labour Council for comment It is understood that both bodies will be important components of the process The source said the focus would be on speedy action since the ministry did not want to be seen to be dragging its feet

The submission of the report follows positive comments about privatisation in Finance Minister Chris Liebenberg's Budget speech. He said the restructuring of public assets could unlock underutilised resources and should contribute to the empowerment of communities.

Government had already initiated reviews of several institutions with national developmental responsibilities with a view to consolidation and rationalisation, he said.

The sale of particular state assets would allow certain parastatals to be restructured for growth, facilitate the implementation of the RDP and allow the public debt and associated interest costs to be reduced.

Privatisation — a key strategy

232 Sowetan 23/3/95

By Mzimkulu Malunga

NO specific public enterprises have been identified and targeted for privatisation yet, says Public Enterprises Minister Mrs Stella Sigcau

"Privatisation is viewed as one of the available strategic instruments to be used to achieve the country's social, economic, political and technological development needs," she said at the weekend

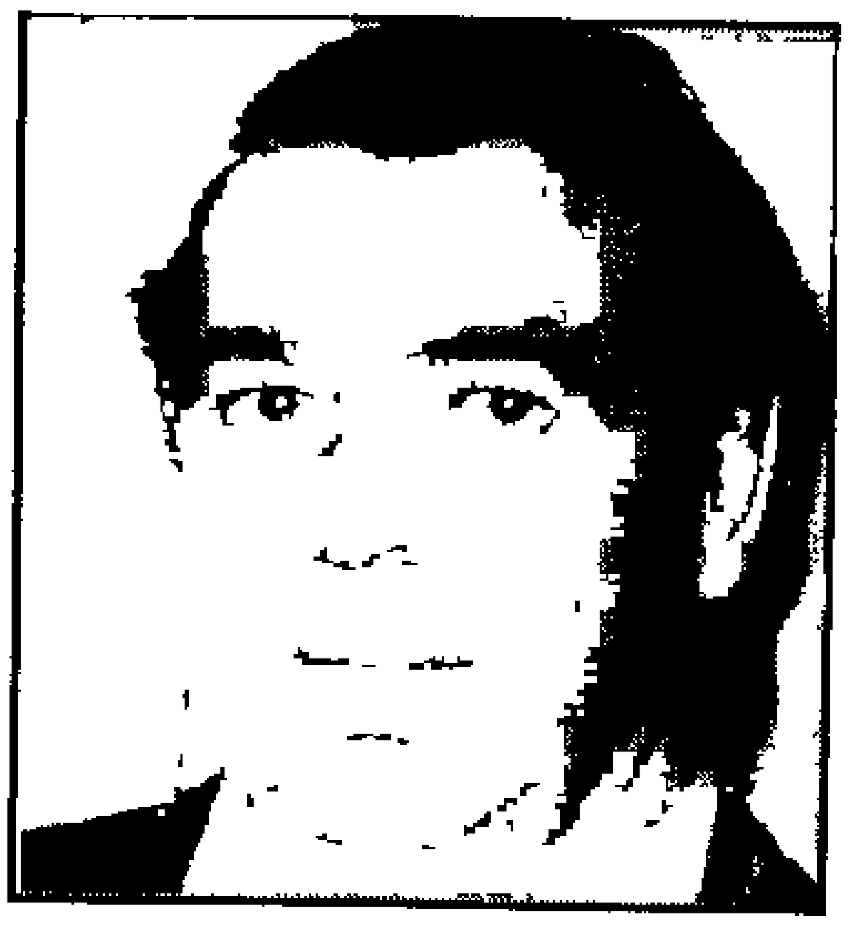
Contrary to popular belief in the business community, Sigcau said privatisation was not an end in itself, but just part of a restructuring package for state assets

She said the aim of restructuring was to place state corporations on a proper footing, so that they could effectively contribute to the implementation of the Reconstruction and Development Programme

Key to the re-organisation procedure is the empowerment of those who have been marginalised in the past, improving efficiency and reduction of state debt

As for the privatisation segment of the restructuring programme, Sigcau said it would be weighed against other available strategies and instruments

"A process to sell off state assets would have to involve all stakeholders — including employees and their unions, she said



Dr Chris Stals

Last week the Congress of South African Trade Unions said it supported the Government's stance that the restructuring of state assets would have to be negotiated through the National Economic Development and Labour Council Nedlac comprises labour, business, community groups and the Government.

However, Reserve Bank governor Dr Chris Stals was quoted at the weekend as saying the government should sell its assets to raise money to help reduce mounting debt

Privatisation carries revenue hopes

BD 23/3/95 (232)

MUNGO SOGGOT

THE budgetary "dark horse" of privatisation could cut government's 1995/96 borrowing requirements by securing extra revenue, Finance Department director-general Estian Calitz said yesterday

He told a post-Budget presentation that although last week's Budget had made no specific provision for possible proceeds from privatisation, it could affect the debt and revenue picture. Any decision on privatisation would have to be sanctioned by labour and government.

Government would have to reconsider the policy of sourcing most of its funding from the domestic market when exchange controls on residents were abolished — a move which would probably trigger an outflow of institutional funds

It had opted for a relatively small R1,5bn projected foreign borrowing requirement because of the aftershocks of Mexico's financial crisis on international capital markets. He said government had decided against being a "prolific borrower" on international markets and instead wanted to set benchmarks for other SA borrowers such as parastatals

Government was preparing for a possible Japanese bond issue and had appointed Daiwa as a lead manager. Its timing would depend on market conditions.

The Finance Department's Coen Kruger said the department was planning the issue of a new local stock — the R162 — and would [illegible] tenders today. Other possible issues, including a zero coupon stock, were also being considered. Calitz said government was debating the introduction of indexed linked government bonds and would

To Page 2

Privatisation

(232) BD 23/3/95

From Page 1

ask the market for its views.

State Expenditure Department director-general Hannes Smit told the briefing the 1,2% overspending for 1994/95 was a "significant achievement" for the government of national unity. He said Deputy Finance Minister Alec Erwin had played a "major personal role" in curbing potential overspending by provinces. There was "little danger" of any overspending this year.

He said provinces which believed they had not received a fair share of the cash probably had a point, but anyone expecting the new government's first allocation to be spot on had been "living in a dream".

Calitz said enabling legislation for provincial borrowing powers was being prepared. The Bill could hinge on one of three options, allowing provinces either to borrow directly on the market, borrow via a "financial intermediary", or borrow through government. There would be more clarity on this soon.

Provincial borrowing — which in terms of the constitution was restricted to capital expenditure — would not inflate the year's projected R36,5bn borrowing requirement.

COMPETITION BOARD

Reuters feeds a select few (232)

Information giant Reuters faces a possible Competition Board investigation into alleged restrictive practices in SA

A complaint has been lodged with the board by The Trading Desk (TTD), local agent for Micrognosis dealing room systems

TTD MD, Jurie Hamman, says Reuters' insistence on offering its combined Selectserver service, containing both hardware and software components, and its refusal to supply raw data (known as Select Feed+) constitutes unfair competition Reuters contests the claim, saying the cost of supporting raw data would be prohibitive

Competition Board investigator, Eeden Roux, says preliminary investigations are under way and a decision whether to take the case further will be made within days

Central to Hamman's argument is that in Europe and the US, Reuters sells Selectserver as a product and Select Feed+ as raw data In the Middle East and Africa, however, it sells data only as part of its packaged Selectserver system

This hardware/software system uses Sun computers to convert incoming data into a format that can be distributed to analysts, dealers and other users of financial information It consists of three components — Select Feed+, the Triarch distribution platform and an application programme interface Hamman says that because Reuters packages its data with a computer system, he cannot compete "I can only hook Micrognosis products on to Reuters' Selectserver This means I end up duplicating much of the hardware"

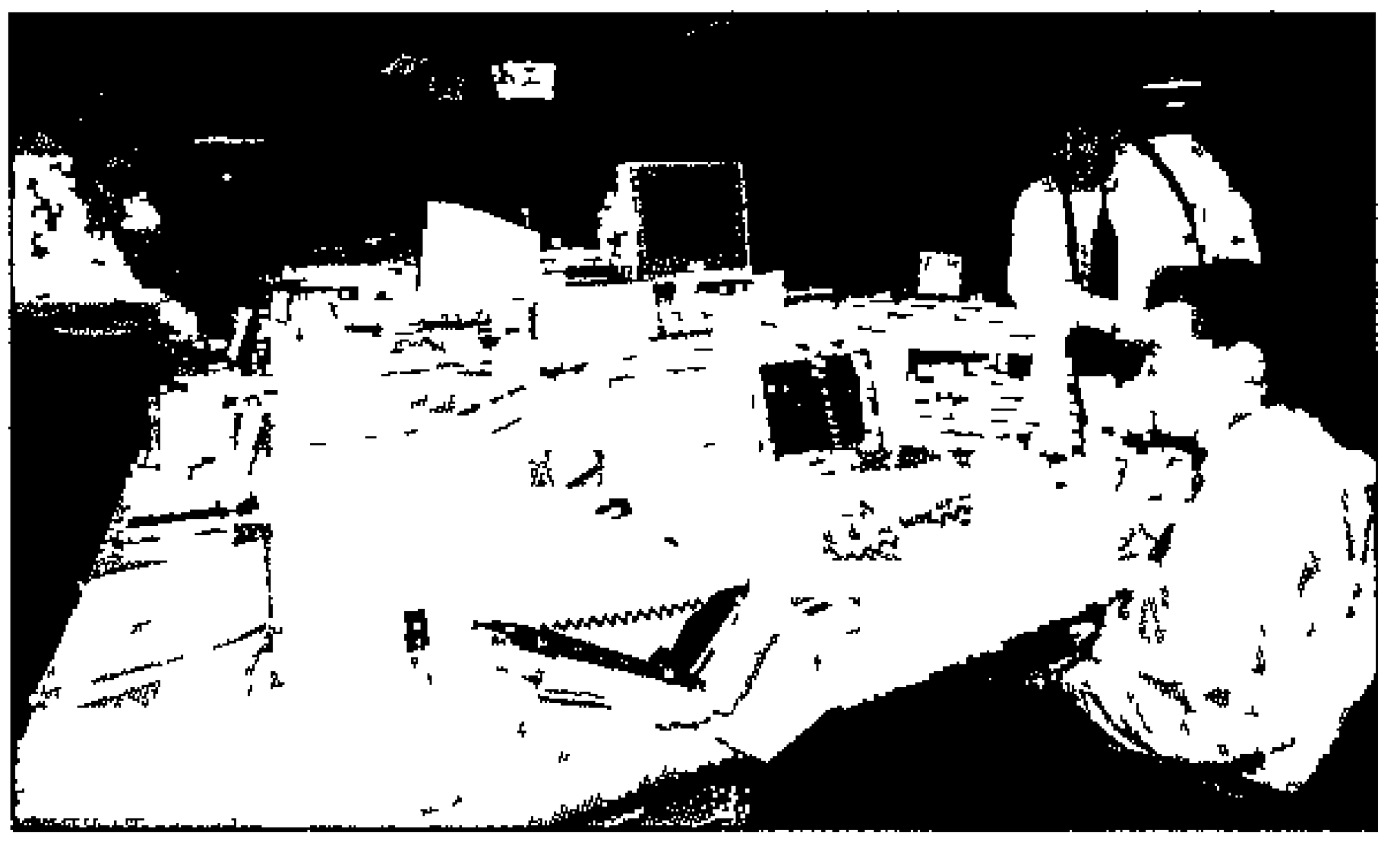
Micrognosis is a worldwide supplier of data distribution systems for dealing rooms Its products take data from Reuters, Dow Jones Telerate and other information providers and distributes them to traders

Hamman's beef is that Reuters forces customers to buy both its data and delivery platform "Surely customers should be able to choose whether they want to buy Select Feed+ only or the packaged Selectserver," he says

Hamman complained to Reuters' London-based CE, Peter Job, that Reuters SA "contravenes the principles of free and fair competition" and that it "embarked on a practice of unfairly bundling and pricing products to local customers that has led to locking customers in and locking competitors out"

A meeting with Reuters' local representatives failed to satisfy Hamman, who filed a complaint with the Competition Board on October 11

Reuters' legal adviser, Webber Wentzel & Bowens, denies the existence of restrictive practices



Dealing room *Reuters rules for now*

It says no part of Reuters' Middle East and Africa region sells Select Feed+ separately from Selectserver, because most subscribers in the region have only limited information technology (IT) departments and would not be able to cope with the complexity of linking the data to a computer interface

It argues that if Select Feed+ was provided as a stand-alone product, Reuters would have to employ at least three software experts, at a cost of more than R1m, to help clients cope

It is interesting to note, however, that TTD's major clients are the SA Reserve Bank and Absa, both of which boast comprehensive IT departments with up-to-date computer skills Neither needs the paternalistic protection of an overseas supplier "It's curious that SA is treated differently to Europe and the US," complains Hamman

Webber Wentzel says Reuters' Selectserver system does not preclude TTD as a competitor because it allows access to Reuters information products and data In other words, Micrognosis products can be linked into Selectserver

It says some systems suppliers — "which possibly include the complainant" — are against Selectserver because they earn income from a client's need to interface and adapt proprietary applications It claims that if problems occur, Reuters invariably incurs the costs in dealing with them Selectserver does away with this danger But Hamman says the issue is not whether TTD can or can t link Micrognosis to Selectserver 'The issue is that Reuters does not offer Select Feed+ as a separate product in SA"

He maintains that Reuters is abusing its dominant position in the financial information supply market to strengthen its place in the delivery of related products ■

LOGOUT?

French telecom giant Alcatel-Alsthom president Pierre Suard (60), charged with fraud following a scandal over alleged overbilling of France Telecom by US$160m, is in danger of being ousted as president if an appeal court turns down his application that he be removed from "court supervision," Alcatel's board says Alcatel and JSE-listed Altech have a local joint venture, Alcatel Altech Telecoms

TR SERVICES

Made in SA

Will TR Services have the same export success with its locally developed electronics products that Spescom has had with its SA-made prepayment electricity meters? London Stock Exchange-listed Blick, which recently acquired TR Services for £3,5m, thinks so

TR chief executive officer and former Blick executive Ian Macfarlane says that TR's time and attendance and access control system Triad has been earmarked for overseas exports, particularly into Europe and the rest of Africa

Designed during the isolation years to satisfy SA's manpower control requirements — keeping track of a large number of people in one place at one time — the system also has potential for automated European business where the emphasis is on managing productivity Says Macfarlane "The technology is geared to satisfy both requirements" Triad is installed in 300 sites countrywide, including mines, agricultural cooperatives, production plants and other industries with large staff numbers

TR started in Cape Town as the local subsidiary of UK-based Telephone Rentals, which was subsequently bought by Cable & Wireless The SA subsidiary was sold to local management In November 1993 £51m Blick bought the TR business and later acquired the TR SA

The developer of systems for time and attendance management, car parking, on-site radio paging, public address, fire alarm monitoring, access control and closed circuit TV, Blick has been on the acquisition trail in Europe over recent years TR will help it expand its offshore activities ■

Steel traders fall foul of board ruling

ST(BT) 26/3/95

(232)

By DON ROBERTSON

INDUSTRY Minister Trevor Manuel has declared as unlawful restrictive practices used by three top steel-merchants: Baldwins Steel, MacSteel and Trident Steel.

The decision, published in the Government Gazette of March 10, follows the Competition Board's three-year investigation into the R5,5-billion-a-year steel distribution industry

The Minister has outlawed the actions of Baldwins, Macsteel and Trident in refusing to supply certain customers and the refusal by Columbus to buy from scrap dealers other than Tillmor He has also banned any collusive purchasing of non-ferrous scrap The measures take effect from April 24

Mr Manuel says he is not satisfied that these restrictive practices are justified in the public interest.

The board found that metal merchants conduct their business using a common price list, referred to as "price leadership"

But, instead of outlawing price leadership immediately, the Minister has asked the board to try to reach an arrangement with the "parties identified" to end the practice

"If these negotiations are successful, a notice will be published in the Government Gazette formalising the arrangement If no agreement on the matter can be reached between the board and the relevant parties, a notice outlawing the practice will be published."

Pierre Brooks, chairman of the Competition Board, said he hoped to meet the main players within two weeks and have the matter resolved a week later

He said the board wanted to dispel the perception that the matter involved price collusion

"We have studied the approach adopted by similar bodies in Britain, Japan and America and I am confident we can resolve the problem," said Dr Brooks

He said it would be extremely difficult to formulate legislation to outlaw price leadership

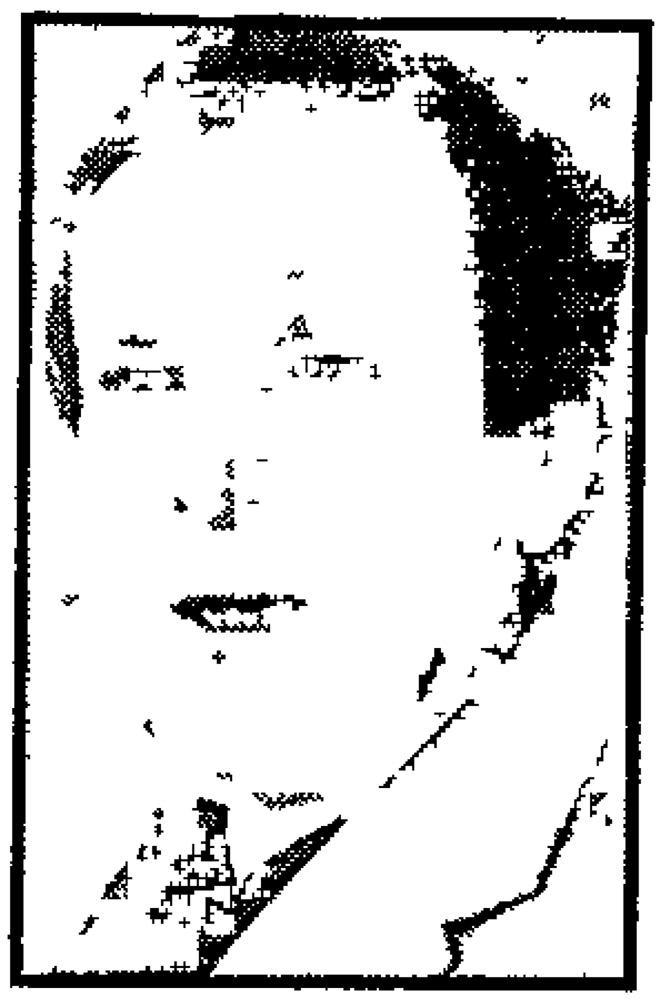
Legislation to be introduced which compels merchants to supply all customers is also under discussion

Dr Brooks says the decision by Mr Manuel to back the board on the steel merchants and the recent case involving Ster-Kinekor shows the government is taking competition policy seriously

"The government also intends putting more teeth into the (Promotion and Maintenance of Competition) Act," says Dr Brooks

The investigations into the steel industry began after mini-merchants alleged, among other things, that the three companies practised price collusion

Many merchants would speak to Business Times only anonymously, saying they feared for their lives. Others believed they could be threatened in other ways and that supplies would be cut off



PIERRE BROOKS

Speaking from Philadelphia in the US, where he is on a business visit, Michael Hoffman, chairman of the Steel Merchants' Association, said the Minister's findings on price leadership came as no surprise

"We are, however, delighted that the spurious accusations of price collusion have finally been dispelled "

Mr Hoffman is concerned about the legislation which will force merchants to supply all customers.

"We will have to try negotiate around this as there are customers who are bad payers or who deal in stolen goods," he said In 1992, theft of steel was estimated at R60-million a month.

The proposed legislation justifies merchants' refusal to supply customers who have been convicted of dealing in stolen goods. But Mr Hoffman said there was a big gap between those convicted of this and those who still practised it.

Ben Fourie, managing director of Trident, is more antagonistic about the Minister's findings "I fail to understand what they (the Competition Board) are talking about when they refer to price leadership

"Price leadership is practised by the steel producers themselves and we make a list from what they give us. The industry can't operate without a common price list."

On the issue of supplying all customers, Mr Fourie asks. "Must I supply someone who will not pay, someone who sells stolen goods, someone who has hi-jacked a truck or who is in cahoots with truck drivers?

Andrew Embleton, managing director of Baldwins, queried the "adverse effects" of price leadership

"Two years ago, after Iscor issued new prices, we published our own price list in an effort to get away from the mythical common list.

"We couldn't make it work. Customers wanted an overall price reference or merchant price and only wanted to know what discounts we would give."

A spokesman for Columbus says the new legislation will have no impact on the company as it has not bought any scrap from Tillmor or any dealer for the past 18 months

Ster-Kinekor to meet Competition Board

(232)

AMANDA VERMEULEN

STER-KINEKOR will negotiate with the Competition Board soon to find a solution to the board's ruling that it had acted in a restrictive and anti-competitive manner towards independent cinema operators

The ruling came after complaints were lodged with the board by independent operator Avalon MD Moosa Moosa and other independents last year

A three-month investigation culminated in the board's findings in favour of the complainants

Ster-Kinekor parent Interleisure MD Mike Egan said at the weekend that the company had been invited by Trade and Industry Minister Trevor Manuel to make a written submission on the board's report, following which Manuel recommended that Ster-Kinekor and the Competition Board meet to find a solution

In the report, the board said it was willing to explore opportunities "for concluding an arrangement with Ster-Kinekor that will allay the board's principal concerns about Avalon's position" If no solution was found the board would recommend that Manuel direct Ster-Kinekor to buy out Avalon at a market-related price or sell its competing cinema in the Musgrave complex in Durban to Avalon

BD 27/3/95

Egan said he was pleased Ster-Kinekor had been offered the possibility of a negotiated settlement. "We are encouraged by the spirit of negotiation and will enter into discussions in good faith with every confidence of finding a solution"

BEATRIX PAYNE reports that Competition Board chairman Pierre Brooks said that, after Manuel told him of the situation, he had invited Ster-Kinekor to schedule a meeting, but as yet no date had been set

Moosa said "I believe the ideal solution would be for us to buy the Musgrave Centre cinema complex, as it was something we wanted from the outset"

He said a fair price would have to be worked out

Privatisation 'must not hinder RDP' 232

UNIONS would oppose privatisation that undermined the reconstruction and development programme (RDP), a Cosatu spokesman said yesterday.

Any reorganisation of state assets — including the sale of state-owned enterprises — that compromised the RDP would be opposed by his federation, said Neil Coleman

"For example, we'd oppose privatisation of Telkom if it undermined the ability of Telkom to install telecommunication infrastructure in poor communities," he said.

Any move to reorganise state assets would have to be preceeded by a thorough debate among all stakeholders through the National Economic, Development and Labour Council (Nedlac). This consultation had not yet taken place.

Privatisation should seek to benefit communities and to achieve RDP goals. Coleman criticised as short-sighted arguments that privatisation would help ease state debt.

His statement followed a weekend announcement by Telkom GM Willie Landman that the company was gearing up to sell assets worth about R7bn — a claim later dismissed by Telkom chairman Dikgang Moseneke as speculation

National Council of Trade Unions (Nactu) spokesman Cunningham Ngcukana said that if Landman's statement was government policy, it raised some concerns.

"We are worried that a privatised Telkom will be unable to supply the demand of telephonically connecting the majority of our people. Telkom, as a commercialised state enterprise,

JOHN DLUDLU

has done well" BD 28/3/95

Nactu's policy on privatisation provided for state retention of key national assets, including telecommunications, railways, water and electricity supply.

"We don't believe .. that the state should intervene in the economy," Ngcukana said.

Nactu planned to set up an office in Cape Town to influence the law-making process during the next two years, including government policy on privatisation.

Durban-based businessman and ANC investment adviser Don Mkhwanazi said privatisation should accelerate black economic empowerment. It would be a "great injustice" if it strengthened the "hands of whites", Mkhwanazi said.

A spokesman for the State Enterprise Ministry could not comment on the Telkom announcement as Telkom fell under the control of the Post and Telecommunications Ministry But she said a set of guidelines on privatisation of state enterprises was being studied by Cabinet.

Sapa reports that Posts, Telecommunications and Broadcasting Minister Pallo Jordan said a government Green Paper dealing with the future role of Telkom and other parastatals would be published soon.

Nedlac's Debra Marsden said the issue of privatisation had not yet been discussed. It was proposed that it should be dealt with by the council's public finance and monetary policy chamber.

Star 28/3/96 (232)

A timely warning on SA privatisation

■ BY CLAIRE GEBHARDT
ECONOMICS EDITOR

Privatisation of some of South Africa's blue-chip utilities such as Eskom, Transnet and Telkom is imminent and could spark off the biggest fire sale in South Africa's history.

But as debate mounts about whether to use the proceeds to reduce the burgeoning public debt or to fund RDP development, the London-based Adam Smith Institute has issued a timely warning

It notes that in many countries new and innovative methods have been devised to sell enterprises that nobody owns and nobody wants to people who cannot pay

"The primary reason behind privatisation — to create a competitive market economy — appears to have been forgotten or misunderstood by many.

"If a whole sector is privatised but existing monopolies, cartels and cartelised networks are maintained, the benefits of privatisation could be small.

The institute says that a significant share of the privatisation that has been carried out is significantly flawed and burdened with problems.

These include.

- New owners' inability to exercise their ownership rights properly
- Entrenchment of the old management
- Restriction on the scope of activity of the privatised company
- Inability to trade shares effectively and regulatory restrictions on private sector activity as a whole

Critical factors for success include

- The institutional and technical capacity to handle privatisation with speed and efficiency — particularly that of small enterprises by auction.
- The existence of privatisation institutions able to operate independently and without continual assistance from foreign donor organisations
- Public and political awareness of, and support for, legislative changes and restructuring.
- The ability to get on with the process quickly rather than argue endlessly over operational details — this requires expertise in different methods of privatisation, such as cash sale of enterprises at auction and through vouchers
- An appropriate legislative environment such as the efficacy of voucher schemes, demonopolisation, corporate governance laws and so on.

The institute warns that the political and economic power of directors of state enterprises was a significant barrier to liberalised privatisation and explains many of the difficulties experienced.

Enterprises should be broken up, if necessary, prior to sale so as to resist the pressure to leave their monopolistic structure intact

The institute argues that all enterprises above a minimum size should be sold as open joint-stock companies with company constitutions that entrench the rights of all shareholders.

Taking the privatisation route could rapidly transform SA industry

(232)(BR) 29|3|95

VIEWPOINT

By Ivan Fallon

Worldwide, the benefits of selling off state-owned assets are indisputable. The hurdles are old-fashioned ideological ones

Telkom, we are told, is gearing up for the privatisation of half its R14 billion assets, Pallo Jordan promises to publish a government green paper dealing with the future of parastatals, the Cape Chamber of Commerce and Industry calls for the privatisation of South Africa's state-owned airports

Is there at last a head of steam building up towards privatisation of the choicer and so easily marketable assets in state hands?

I hope so Nothing could so quickly and beneficially transform large tracts of South African industry as privatisation. The belief that public utilities perform better in private rather than government hands is, at least at first glance, an ideological argument, yet in most Western countries has long ceased to be that Country after country has privatised its previously state-owned telecommunications industry, with compellingly positive results What began in Thatcher's Britain spread across Europe, Japan and South America Today no one questions the effect on service to the customer, technological advance, competition, and the spread of wider share ownership with all that implies for involvement in society

British Telecom was the first major privatisation Mrs Thatcher (as she was then) embarked on, and a dozen years later the headstart that gave BT is increasingly visible In the worldwide race to create a global voice and data network for the big multinationals there are only two players, the mighty AT&T of America, which already enjoys $18,75 billion of international revenues outside its main domestic business (another $45 billion of revenues), and BT with $3,1 billion France and Germany, still with inefficient state-owned monopolies, have announced plans to team up and compete, but so far they are nowhere in a market reckoned to be worth $25 billion by the year 2000

The more fleet-footed BT, smaller than either France Telecom or Deutsche Telekom, has paid $4,3 billion for a 20 percent stake in MCI, the second-biggest group in the US It won a $553 million contract to provide a private network in Australia and has set up joint ventures in Germany and Spain, two countries still trying vainly to protect their local monopolies Anyone who knew BT before 1983 can scarcely believe we are talking about the same company

All over the world the effects of privatisation have been felt In the early 1980s British Airways was the worst airline in the world — today it is the best and the most profitable There are many lessons there for South African Airways

Telkom in South Africa is ready made for privatisation. It is already subject to a degree of competition from the growth of cellular phones, a growth which mirrors dissatisfaction with the existing service, and could be made to feel even more by allowing foreign competition into the domestic phone market Privatisation would bring in several billions of dollars in foreign investment overnight, and would also give Telkom access to the international capital markets for equity money as well as debt, enabling it to get somewhere close to delivering the RDP's goal of 5 million telephones over the next five years As with Britain, customers would become shareholders, widening the capital-owning base of this country substantially

The benefits are clear and indisputable The hurdles are old-fashioned ideological ones An efficient, modern, privatised and deregulated telecommunications industry would do more to propel South Africa into the modern world than almost anything

Her Majesty's appointment

After Queen Elizabeth's highly successful tour of South Africa, Buckingham Palace privately rates it the best since Her Majesty's tour of India in 1983

Back home the Queen has an important appointment to make a new deputy governor of the Bank of England With former incumbent Rupert Pennant-Rea now somewhere in southern Africa recovering from the trauma of his resignation, the search is on for a replacement

In theory, the choice is the Queen's, but in practice she will of course act on the advice of her prime minister, John Major, who in turn will be guided by Kenneth Clarke, the chancellor of the exchequer For his part Clarke will seek advice from treasury officials, and also from the governor of the bank, Eddie George The vetting process this time is expected to be rather more involved than it was in the case of Pennant-Rea.

What happened last time was this when Major decided to promote George, the number two man in the Bank, to the governorship two years ago, the news leaked, forcing an early announcement and a quick decision for his replacement The then chancellor Norman Lamont proffered his solution Pennant-Rea, the man who, as editor of the Economist, had unfailingly backed the government's adherence to the doomed European Monetary System Pennant-Rea had some support inside 10 Downing Street from Sarah Hogg, a close friend and adviser to Major, who had worked with Pennant-Rea on the Economist

And so the unorthodox was tried with disastrous consequences It will be a long time before it is tried again As one British official remarked tiredly last week "This time we are under strict instructions to come up with someone pretty boring"

Tiny's last stand

Tiny Rowland, even in defeat, has lost none of his impishness "I've nothing against Bock personally," he said of the man who had just banished him from his beloved Lonrho "Except that I don't like him"

I wasn't there for Tiny's final denouncement last Friday at the Barbican in London, but I can imagine the teeth flashing as he said that

For many years Lonrho's annual meetings were events I tried not to miss Tiny, smiling benevolently from the stage, would never say a word, leaving that to his chairmen, the deeply flawed former British foreign secretary Duncan Sandys for many years, the charming but equally flawed Sir Edward du Cann later Yet it was Rowland who dominated the proceedings, nodding occasionally as Sandys or Du Cann nervously looked to him for approval, raising his eyebrows to mark his displeasure It was Rowland, too, whom adulatory shareholders would make long pilgrimages to come and see In all my time as a financial journalist in London I never knew anything like those meetings

Well, after 34 of them there will be no more Last week the 77-year-old Tiny, looking "emotional and frail" according to the Financial Times, talked about fighting on, but that is just bravado For better or worse, Tiny Rowland has gone, and much as some of us may regret that, he will not come again

He leaves behind a legacy, however, which should interest many sizeable South African concerns, and not a few outside Tiny was the original collector of companies I once called him a "hoarder" and he reluctantly agreed, leaving behind some 800 companies inside Lonrho, many of them scattered around Africa Dieter Bock has no particular love for this continent and will never, as long as he lives, understand it and its politics in the way Tiny did In London, Lonrho directors would sigh with relief if they could dump all their African interests

A clever merchant bank with some knowledge of Africa would today be putting together an offer for the lot, sorting them out and selling them on "Offer Bock £100 million and he'd go for it like a shot," one old Lonrho watcher remarked It would finally break Tiny's heart but the timing will never be more favourable

[illegible]

FINANCE Minister Chris Liebenberg said on Friday guidelines for privatisation, including provision for empowerment and debt reduction, were almost complete.

Responding to African National Congress concern about the sale of state assets, Mr Liebenberg said in the final address of a four-day budget debate that privatisation was not government policy. (232)

"I just want to state clearly that this government is not on a road of an ideology of privatisation. We are on a road of reprioritising extensively the public service and state assets.

"Privatisation is one of the factors in the restructuring of those assets. But for each asset that we will need to restructure or perhaps privatise, there will have to be very good reasons — sustainable social and economic reasons.

"What we have not done is to take the proceeds from privatisation into the Budget," he said. — Reuters

ST (BT) 2/4/95

Stiff penalties for anti-competitive companies mooted

(232)

ST (BT) 2/4/95

By KEVIN DAVIE

COMPANIES which abuse their dominant position could be fined up to 10% of their turnover if government accepts a report it commissioned

The report, given to Parliament's standing committee on trade and industry, says dominance is not anti-competitive, but abuse of dominant position should be adopted as a basis of dealing with market concentration.

The report, authored by the University of Cape Town's David Lewis, University of the Orange Free State's Frederick Fourie and Advocate Willem Pretorius, finds SA manufacturing industry is characterised by high concentration

The combined market share of the three largest manufacturing firms in an industry averages about 56%, for the four dominant firms the average is 63%.

The authors say the US approach to dominance, where enforced break-up is used, "presents enormous difficulties relating to implementation, lack of capital, business sector reaction and investor confidence"

They say a policy which counters abuse of dominant position will bring SA in line with European Union and other countries

Competition policy in SA must be seen within the overall context of promoting small and medium enterprises, black empowerment, the impact of high prices on the poor, labour interests and income and wealth inequality.

But "one should guard against using competition policy to attain social, redistributive or developmental objectives not directly linked to the state of competition and which may be better served by other policies".

The authors say there are indications that the high levels of concentration in SA are acting as a deterrent to foreign investment

"Foreign firms may be loath to enter markets dominated by a few large firms or a cartel"

Present fines for anti-competitive behaviour, at a maximum of R100 000, are too low. They suggest EU penalties, at a maximum of 10% of annual turnover

Also suggested is a beefed-up competition authority or "quasi-judicial system", including a competition tribunal, an investigative agency and a competition appeal court.

State sell-off not a raid on family silver

CT(BR) 3/4/95 (173) (232)

Stella Sigcau sees the restructuring of government assets as a means of social upliftment, not mere economic expediency

By Bruce Cameron
POLITICAL EDITOR

The minister of state enterprises, Stella Sigcau, does not like the word privatisation She thinks it gives a misleading idea of what the government is about

The former Transkei prime minister concedes that economic pressure is forcing the state to sell, but emphasises that it is not the main reason for the restructuring and reorganisation of its assets, the job the government has assigned her

In one of her rare interviews, Sigcau told Business Report that the primary consideration in the reorganisation of state assets was the RDP — "the flagship of government policy" The main objective, she said, was to improve the lot of the disadvantaged

The task will not be easy, considering the differing opinions within her own party and the government of national unity The ANC has not entirely broken free of its past commitment to nationalisation, a thorny topic

To add to her troubles is organised labour, which fears that privatisation will lead to job losses and is therefore opposed to the concept

Selling off a state asset is not a simple decision Account has to be taken of affirmative action, government commitment to accountability and transparency, and the efficient delivery of services Sigcau says the government has to consider whether the assets are ready for sale and how to sell them

If an asset is found to be unnecessary by one department or enterprise it cannot simply be sold off, but may be transferred to another department

She says the reorganisation of state assets is extremely important in the southern African regional context, particularly for companies such as Eskom, which have to play a role in regional development

When a decision is finally taken to dispose of a state asset there are a number of ways this can be done

- The assets may be wholly sold, or a part of a parastatal can be hived off and sold,
- A stake can be sold to a private company or companies entering into a joint venture with the state,
- Employees may be given an equity stake, or given a small section of an asset,
- The disadvantaged can be given an equity stake,
- The disadvantaged can be given small sections of an enterprise, for example a mail delivery route, to operate as a small business

HEAVY LOAD *Stella Sigcau, who controls assets worth R30 billion*

"We are going to look at all models and will shape them according to our circumstances I personally think the reorganisation of state assets is a great area for the empowerment of the disadvantaged There has to be a better spread of wealth"

Sigcau says Telkom is likely to be one of the first enterprises to see private-sector involvement A joint venture between Telkom and foreign partners is a possibility, not only to attract foreign capital but also to import vital technology

She says the government will not be rushed into the sale of assets the last thing it wants is a situation in which it has to buy back or mop up problems

Not all the state assets fall under Sigcau She is in charge of the parastatals, including Transnet, Telkom, Eskom and the armaments manufacturer Denel Together they are worth R30 billion

Other state assets are under the authority of Trevor Manuel, the trade and industry minister, who controls the research institute the CSIR, the South African Bureau of Standards, the Industrial Development Corporation and 50 percent of the Small Business Development Corporation, with total assets of about R10 billion

Major areas have been allocated to the minister of land affairs, Derek Hanekom, and the minister of public works, Jeff Radebe Between them they control billions of rands worth of assets in developed and undeveloped rural and urban property The final list of all state assets has still to be completed

Sigcau said: "The reorganisation of state assets is a multi-pronged and complex issue It is not only about privatisation The end result must be a better life for all our people It is the key to our endeavours"

(232)

Privatisation draft ready for viewing

CT(BR) 3/4/95

Draft guidelines for the reorganisation of state assets, which also deal with the issue of privatisation, have been completed and will be submitted to a special cabinet subcommittee this week

The minister for public enterprises, Stella Sigcau, has disclosed this in an interview with Business Report

Sigcau said after being considered by the subcommittee, the draft guidelines would be submitted to the cabinet for approval Public comment and reaction would be sought before further steps were taken

In his reply to the parliamentary budget debate on Friday, Chris Liebenberg, the minister of finance, said the government was not on an ideological road to privatisation — this was only one aspect of the effort to reorganise state assets Others were empowerment, repayment of debt, growth enhancement and the effective use of assets

Projected proceeds from privatisation had not been included in this year's budget, as the debt position could have been affected if the revenue was not realised

He added that privatisation was being investigated "behind the scenes"

□ **See Background & Analysis**

Privatise with care, SA told

232 JOHN DLUDLU

UK Trade Minister Richard Needham has applauded the cautious approach adopted by the SA government on the privatisation of state-owned corporations, saying it would avoid repeating mistakes made in other countries BD 3/4/95

In an interview on Friday at the conclusion of his week-long visit to SA, Needham said he had held in-depth discussions with his SA counterparts on privatisation

"The SA government has nothing against privatisation in principle They just want to do it the right way, by involving the public in the debate."

One of the mistakes in the UK's privatisation process had been to "leave the people behind", and he urged SA to avoid this pitfall

He said the UK planned to double its trade with SA by the turn of the century In September Needham leads a delegation of more than 200 businessmen to SA for a series of investment seminars and exhibitions

Call to privatise Airports Company

(232) CT 4/4/95

PRIVATISING the Airports Company would give the state R750 million for the RDP while speeding up much-needed expansion programmes, the Cape Town Chamber of Commerce and Industry says in its latest bulletin

The chamber believes the Airports Company, if privatised, would easily be able to raise the capital necessary for airport expansion programmes At the moment it must raise loans at market-related rates — Staff Reporter

Sigcau's privatisation looks much like Mrs Thatcher's

CT (BR) 5/4/95 (232)

VIEWPOINT

BY IVAN FALLON

Whatever name it goes under, reorganising state assets must be to the benefit of all

In an interview with my colleague Bruce Cameron over the weekend, the minister of state enterprises, Stella Sigcau, indicated her distaste for the word "privatisation"

She is far from alone, a dozen years ago, even as Margaret Thatcher started out to move vast monopolies out of the dead hand of state ownership, there was a great search for a better word to describe the actual process which was taking place

Think tanks, research teams, academics and polemicists all burnt the midnight oil, but somehow the word, disliked even by Thatcher herself, stuck

Now, in South Africa in 1995, Sigcau groans under it, insisting, as Thatcher once did, that it does not describe what the government is about at all

What she is actually doing, she insists, goes way beyond merely transferring assets from public to private ownership

"I personally think the reorganisation of state assets is a great area for the empowerment of the disadvantaged," she says "There has to be a better spread of wealth"

No one would disagree with that Nor can anyone disagree with her emphatic assertion that "the end result must be a better life for all our people"

Sigcau's colleague Chris Liebenberg pronounces himself equally opposed to the privatisation doctrine as developed in the West

"This government is not on a road of an ideology of privatisation," he insists "We are on a road of reprioritising extensively the public service and state assets" Privatisation, he adds, is only one factor in that process

But, one has to ask, when the rhetoric is stripped away, is there much difference between the road South Africa is now embarking on, and that originally trodden by Thatcher and her followers?

The objective as set out by Sigcau looks remarkably similar to the objective of privatisation everywhere else The former British prime minister Harold Macmillan, in a phrase meant to be devastatingly crushing, described the Thatcher policy of privatisation as "selling off the family silver"

It provoked gentle laughter from the Thatcherites, few of whom ever had any family silver in the first place They knew that their policy was about something else entirely, something which Macmillan for all his worldliness had failed to grasp

Privatisation essentially is about three principles raising money for the government to spend somewhere else — which is the selling of the family silver, involving as owners, the customers and employees of the former state-owned company, as well as any other member of the public who wishes to subscribe, and wider share ownership and freeing state enterprise from the interfering hands of ministers and officials, a process which, time and time again, has led to greatly improved levels of service and efficiency

In the early days, Thatcher's principle driving force was the third of these It is also the one Sigcau and Liebenberg most object to she was convinced that the transfer of assets form state to private hands was enough in itself to change the culture of even the biggest monopolies

She was partly right and only later did she discover there was not a great deal of difference between a state monopoly and a private monopoly

Sigcau is coming at it from the other end Her reason for privatising, she admits openly, is to raise the money needed to fulfil the aims of the reconstruction and development programme

Thatcher spent most of the privatisation proceeds on an ever-escalating social security bill and repaying government debt; Sigcau's proceeds will go more usefully and lastingly into housing, health and education. But the objectives are very much the same

Sigcau, like Thatcher, talks about giving equity stakes or even small sections of the assets to employees of parastatals, the South African version of wider share ownership Where she does go further is in promising the disadvantaged equity stakes, or even ownership of parts of a business, but my guess is that will never happen — or if it does it will end in pain

Why should you choose one group of people rather than another for what is in effect state charity? How do you select them? And what about all the others who will feel entitled to a slice of this largesse?

Privatisation, or whatever word Sigcau prefers, is a wonderful opportunity for South Africa to improve the efficiency of its state corporations, and to do at least some of the things Sigcau wants, but only if the right lessons are learnt Transfer of ownership must be accompanied by an increase in competition, there must be tight regulation, and ownership must be spread as widely as possible

By insisting on these, Sigcau will automatically create a better level of service and efficiency And that transcends any ideology

Barclays creeps back

Barclays Bank is heading back towards South Africa in rather a different mood to that in which it withdrew in the late 1980s

Then it was besieged by angry customers in Britain, its annual meetings turned into near-riots by shareholders and students protesting at its continued and very prominent involvement in the land of apartheid

Given the size and importance of its South African operations, the board could have withstood all that But in the end it was the student accounts that got it Banks around the world know that the student who opens an account stays with them for life — and students grow up to be captains of large corporations They were leaving Barclays in droves

So in the end the bank panicked and sold at whatever price it could get Anglo was there, as it always was through the 1980s, to pick it up, and there it sits controlling a bank, now called First National, with a market value of almost R10 billion

On a quick calculation, and allowing for the movement in the rand against sterling, I calculate that Barclays sold out at around one-eighth the present price By any standards that is a hefty opportunity cost for a bank which could have done with the extra balance sheet power in the dark days of recession in Britain

Later this month Barclays will open an office in Illovo with 15 staff, concentrating initially on trade finance but probably moving into the securities business to strengthen its BZW business back in London. Its new man, Philip Howell, is a Far Eastern hand, with none of the baggage of the old Barclays or the old South Africa As he drives around the country and sees those blue FNB signs he can dream of what might have been — and how well it all worked out for Anglo

Sour grapes?

I fear for Ken Owen, editor of The Sunday Times His experiences in the old South Africa seem to have dried up his soul, leaving only bitterness and resentment of change

On Sunday he personally insisted on giving Business Report some more free publicity with a story on his front page implying that this little venture of ours was on its last legs, another failure in the long list of South African publishing failures

Not so, I'm afraid Ken — as I'm quite certain you know The Cape Times, redesigned and relaunched with Business Report in it, is on a roll So are the other carriers the Mercury in Durban and the Pretoria News, where Business Report is available with all editions

In Johannesburg we originally limited the availability to those readers of The Star we believed would want to read about business We underestimated that demand So, since last Monday, Business Report has been available in The Star's full morning run, other than what we call the country edition It now has a circulation of almost 200 000 around the country If that's a failure, then I'm Ken Owen And believe me, I'm not

New competition Bill this year, says Manuel

CT(BE) 13/4/95 (232)

By Roy Cokayne

Pretoria Business Editor

New legislation on competition policy will be tabled in parliament this year, the minister of trade and industry, Trevor Manuel, said yesterday

"The deadline for legislation to be passed this year is the end of May We are working to that deadline, and hope to get the legislation through this year," he said

However, he was still uncertain whether the new policy would take the form of amendments to the Maintenance and Promotion of Competition Act of 1979, or completely new legislation

Manuel said the existing Act made the right kinds of noises, but was too weak and did not deal effectively with anti-competitive behaviour He believed the recent call by the chairman of the Competition Board, Pierre Brooks, for powers to impose penalties may have arisen from frustration with the capacity of the police service to do forensic work in this regard

Quoting a recent case in which three furniture removal companies had paid admission of guilt fines totalling R2 500 for collusive tendering and transgressing a section of the Companies Act, Manuel said that competition policy was not a particular area of competence of magistrates

Possibilities

Manuel said there were two possibilities, under discussion, with regard to introducing a new competition policy

These were to beef up existing legislation to take care of the deficiencies in the Act, or to introduce new legislation to undo a situation which had existed throughout the 1970s and 1980s when "rampant" mergers and acquisitions had removed the sting from competition laws

Manuel indicated that the new policy would probably result in a quasi-judicial body, rather than a board, making recommendations to the responsible minister, which could either be accepted or rejected

But he stressed that such a body would have to be given the competency to undertake investigations, and the ability to execute such competence

Legislation backing it would therefore have to be much broader than that currently contained in competition law

He added that the department of trade and industry was not filling vacant positions on the Competitions Board This was because the current review seemed likely to result in an entirely different

Sasol 'supports deregulation'

(232) CT 20/4/95

SASOL supported phased deregulation of the fuel industry as long as jobs were not compromised and small businesses were encouraged, Sasol general manager Mr Pat Davies said yesterday

He told Parliament's committee on mineral and energy affairs the compan[illegible] a study of tariff protection, but wished the crude oil industry was subjected to the same openness

Earlier this week petroleum industry representatives argued Sasol enjoyed an unfair advantage with state subsidies — Sapa

Sasol supportive of gradual deregulation

(232) BD 20/4/95

CAPE TOWN — Sasol supported phased deregulation of the fuel industry as long as jobs were not compromised and small businesses were encouraged, Sasol GM Pat Davies said yesterday.

He told the National Assembly's Committee on Mineral and Energy Affairs that Sasol also welcomed a current study of tariff protection, but wished the crude oil industry would be subjected to the same openness

Sasol's contribution to the GDP was three times that of the local crude oil industry, added R1,5bn to the economy each year and saved the country more than R5bn in forex annually

It did not expect special treatment in terms of tariff protection, which should not cost the economy more than the affected industry's economic contribution

Sasol was prepared to live with the removal of tariff protection for synthetic fuels as long as it was phased in over at least five years

"About 80% of local industry receives some form of tariff protection" Estimating overall industry tariff protection to average 27%, he added that Sasol should not be excluded.

Earlier this week petroleum industry representatives argued before the committee that Sasol enjoyed an unfair advantage because the state subsidised the synthetic fuel sector.

Sasol's tariff protection, funded by the Equalisation Fund from a levy of less than 6c on each litre of petrol sold, had amounted to just over R1bn in the 1993/94 financial year

"Business is about market share, those attacking us are motivated by commercial interests This may be in a vain hope Sasol disappears and their market share improves

"In the synthetic fuels industry we do not compete directly with the oil companies. We have no intention of entering the retail market, we wholesale our fuels to oil companies

"We are not competing with them in their market place, but our crude refinery — which does not receive tariff protection — should be competing equally" Tariff protection had to be approached openly

"All we ask for is fair, reasonable treatment Tariff protection and deregulation in the liquid fuels industry is crucial to our business".

Davies said Mossgas's conversion to methanol production seemed sensible and did not pose a competetive threat

However, further conversion to a petrochemical capacity had to be studied for its viability and Sasol would be happy to participate in such a process

He said Sasol was able to supply unleaded fuel, but believed this was not justifiable on environmental health grounds given the low concentration of vehicles in SA cities

To be environmentally effective lead-free petrol would have to be accompanied by catalytic converters in vehicle exhaust systems

But if unleaded petrol would boost competetiveness in the local auto assembly industry, Sasol would produce it — Sapa-Reuter

Education levels 'in need of a boost'

BD 28/4/95

MDUDUZI KA HARVEY

SA UNIVERSITIES need to build up their research facilities to raise the standard of understanding of science and technology in schools and tertiary institutions, says Royal Society president Sir Michael Atiyah.

Atiyah led a delegation of UK academics and government officials on a 10-day fact finding mission to SA earlier this month.

The delegation visited universities and held discussions with government agencies on science and technology to determine how the UK could help in promoting these subjects in SA.

Universities visited were UCT, Stellenbosch, the University of Western Cape, University of Natal, Durban-Westville, Rhodes University, Wits, Fort Hare and the University of the North

The delegation found there was a need for intensive bridging courses in science and technology at universities

The Royal Society, an organisation which coordinates educational assistance from Britain to other countries, would try to bridge the gap in academic institutions while the British Council would look at these issues at schools

The Royal Society would also discuss joint funding with government departments to build up research facilities countrywide

Atiyah said the Royal Society would look into exchange programmes for academic staff at a research level Most did not have the proper qualifications and necessary training in science and technology The exchange programme would aid staff in student development

His organisation had secured funds from various agencies abroad and individual funders and the delegation's trip would bear fruit by the end of the year

R92m project to improve conditions

SENIOR Johannesburg officials wore overalls and gumboots over their suits yesterday to launch a R92m emergency project to improve living conditions in the city's most needy areas.

The Greater Johannesburg Transitional Metropolitan Council intends to bring water, health care and sanitation to squatter camps and neglected residential areas. It wants to build roads, erect street lights and create "green spaces" in target areas, among them informal settlements in greater Soweto and Alexandra.

"We want to make a cleaner and safer world for our people and to make life more bearable," said council chairman Collin Matjila as he picked up litter from a stinking sewer in a Soweto squatter camp, where the project was begun.

The three-month project is financed by savings from the 1994/95 capital budgets of various Johannesburg administrations.

Among work to be done is the cleaning of areas where waste removal is inadequate, including the central business district.

Preventive and primary health care for communities with little access to medical services will be provided by mobile clinics offering immunisation, family planning, and basic diagnosis and treatment.

An emergency maintenance programme will focus on water supplies and drains, sanitation, roads, recreational facilities and street lights.

A housing team will investigate the transfer of state housing in Alexandra. — Sapa. BD 20/4/95

Report must be reworked

232 TIM COHEN

CAPE TOWN — A preliminary report on privatisation to the Cabinet committee on economic affairs needed "considerable reworking" and had been referred back to its drafters, Cabinet secretary Jakes Gerwel said yesterday.

The report, referred to by government members as the report on the "reorganisation of state assets" was considered to be "turgid". BD 20/4/95

Gerwel said the drafters were asked to present a considerably shortened document setting out the immediate issues that required attention.

The document is understood to have dealt with the policy options facing government on privatisation.

Gerwel said that a separate process, involving the auditing of all state assets, was under way, in line with a decision at this year's Cabinet "bosberaad".

SA establishes links with African education forum

MDUDUZI KA HARVEY

SA officially joined the African education community this week, as one of 54 states belonging to the African Higher Education Forum.

The forum was established to support the efforts and development of employee associations, unions and academic staff unions throughout the continent.

Through the forum the delegates plan to draft a continental policy on higher education.

Collaboration among institutions would be encouraged. This would involve the exchange of staff and students, joint reasearch programmes and combined evaluation and planning.

The establishment of a continental data bank was in the pipeline to store information concerning higher education, the state of human rights in higher education, various research findings, literature and the other disciplines.

Academic freedom violations were highlighted by delegates who suggested setting up a fund for the support of African scholars and academics.

This would aim to assist financially, legally and morally individuals and groups who had suffered because of intellectual or political beliefs.

Delegates also viewed the World bank and the International Monentary Fund with scepticism, saying their structural adjustment programmes had been counterproductive.

The forum would therefore review financing of higher education and urge African governments to put their respective national interests first, rather than responding to structural adjustment programme conditions.

Airport privatisation put on backburner

232

Star 19/4/95

BY BRUCE CAMERON

The Government is going ahead with a R1-billion upgrade of the country's three major airports, but is holding back on a decision on whether to fund the development through privatisation.

Transport Minister Mac Maharaj said yesterday the report of a special committee on the future development of the country's nine airports would be discussed with the Airport Company before proposals were made to the Cabinet.

A special committee of local and international experts gave the Government two choices in funding the development:

- To start a process of privatisation of the country's airports by bringing a strategic minority shareholding partner on board; or
- To sit tight and allow the airport company to borrow money to meet the demands for improved facilities, while the Government watched developments. But even if the Government took this option, it should start preparing now for eventual privatisation

Maharaj said there was no decision on privatisation of the airports but the Government would be in a better position to make a decision in three or four years time. If there was a strategic investor the decision on privatisation could be brought forward.

The committee found the Government could not opt for immediate sale of the Airports Company because a track record had not been built up.

The committee favoured the taking on of a strategic investment partner with the aim of eventually selling the shares by public subscription.

The single biggest problem facing the Government was the R1-billion needed to finance expansion of the airports in Johannesburg, Durban and Cape Town over the next five years.

‘Minority stake should be sold soon’

Airports urged to gear up for privatisation

BD 19/4/95

(232)

TIM COHEN

CAPE TOWN — An expert committee recommended yesterday that the public company which owned SA's nine airports should take steps to facilitate privatisation, but that a final decision be delayed for at least two years.

In the meantime, government should consider selling a minority stake in the Airports Company to a "strategic investor" to help develop the company.

The Transport Department and the Airports Company have endorsed the principal conclusions of the committee, with Transport Minister Mac Maharaj declaring himself "comfortable" with the report's findings. But he stressed the need for a public consultation process before a final decision was made on whether to privatise the company, which was first commercialised two years ago.

The principal conclusions of the Airports Policy Review, which was established by the Transport Department and included leading members of UK airports group, BAA plc, were:

☐ That the airports system operated by the Airports Company should remain in its present form because it provided a sound foundation for future development and SA's air transport needs;

☐ That the regulatory system to set traffic charges and monitor service standards appeared to be effective;

☐ Rather than building new airports, infrastructural development should be based on existing airports and terminals which should be sufficient to accommodate demand for the next decade;

☐ Capital expenditure of about R1bn would be required for five years, which could be funded with limited commercial borrowings of between R200m and R300m;

☐ The Airports Company was not yet ready for privatisation and a further two to three years would be necessary to establish a reasonable track record, improve efficiency and maximise the value of the company. Steps should be taken to improve its performance, which was a prerequisite to privatisation; and

☐ One route to speeding up the improvement process would be to sell a minority stake in the Airports Company to a strategic investor which could bring to the corporation experience in areas that needed to be addressed. "Significant benefits" would result from privatisation.

Maharaj said the strategy arising from the review did not entail an early commitment to privatisation, suggesting the proposed path forward would help the company in any event. Therefore, no immediate decision on privatisation was necessary while the decision on whether to sell a stake in the company to a strategic investor was open for public discussion.

The report tentatively forecast that total traffic demand at SA's airports would grow at a rate of between 14% and 19% a year until 2000. Even with this rapid increase in growth, additional airports or terminals would not be required, as there was considerable scope for making better use of existing facilities.

The decision contradicts a recent all-party decision by the Natal/KwaZulu government to press ahead with the construction of La Mercy Airport outside Durban. Maharaj said more studies were necessary

☐ To Page 2

Airports (232) BD 19/4/95

From Page 1

and a decision should be taken on the basis of economic considerations alone.

Regarding Cape Town International Airport and the Olympic Games bid, the report advised against investing large sums for a one-off event. It suggested the costs be subsidised directly, although there was scope for the Airports Company to negotiate a contribution for the facilities. It suggested that about R700m would be needed for expansion at Johannesburg International Airport, R175m at Cape Town and R150m at Durban.

The capital expenditure programme would requir[illegible] borrowing requirement of [illegible] suggesting the funds be raised either commercially or by selling a minority stake to a strategic investor.

☐ Sapa reports Maharaj also said three people had been appointed to the Airports Company board, increasing it to 11 members. They are Gloria Serobe of Standard Merchant Bank, Denel marketing director for Africa and Europe, Zukile Nomvete, and Community Bank chairman and Kagiso Trust Investment deputy chairman Yunus Mohammed.

Cosatu's hard man vows to fight privatisation

CT(BR) 21/4/95 (232)

By Thabo Leshilo

Staff Writer

If Zwelinzima Vavi, assistant general secretary of Cosatu, were to name the words he hates most, "privatisation" and "commercialisation" would probably top the list

Little-known outside the unions until now, Vavi is attracting increasing attention for his strong anti-privatisation views

This member of the South African Communist Party plays a pivotal role in shaping Cosatu's policies, and is said to be highly regarded by its 1,4 million members He is also tipped to succeed Cosatu's general secretary, Sam Shilowa

"We will fight commercialisation to the bitter end We will fight it until there is only one worker left to continue the fight," Vavi said in an interview this week

"We know what commercialisation has done It has led to massive job losses at the Post Office, Iscor and Eskom Privatisation is about maximising profit, with service playing only a secondary role"

It makes no difference, he says, whether privatised state assets are sold to black companies. To him all capitalists are the same

"Selling off Telkom to (Nthato Motlana's) New Africa Investments does not change the lives of ordinary people in Phola Park All it does is enrich black capitalists and their families"

Vavi is also critical of trade unions owning shares in companies This, he says, compromises the independence of labour in its continuing struggle against capital "The conflict between labour and capital is irreconcilable Capital wants to maximise profit, while labour wants a living wage You cannot marry the two"

But Vavi is not opposed to unions investing their funds "We should invest the billions we own to deal with the need for training and education of shop stewards We should also be able to provide legal defence and housing for our members, among other things"

NEXT IN LINE? *Cosatu's Zwelinzima Vavi* PHOTO: PETER MOGAKI

Vavi believes the advent of black majority rule in South Africa has released much of the energy unions spent on fighting apartheid Now they can focus on meeting the daily needs of members on the shop floor

Cosatu, he says, will continue to fight for a living wage But it will also concentrate on closing the glaring wage disparities between (mainly black) unskilled labourers and management, on unfair job grading, on ensuring that the experience of employees without qualifications is recognised, and on affirmative action.

"Affirmative action is not negotiable," says Vavi "We have to ensure that companies reflect the demographics of our country We realise that this will take time; hence the need to negotiate targets and time frames"

Vavi is especially happy to see trade unionism take hold in agriculture He says the struggle for freedom in South Africa will have been in vain if it does not result in tangible benefits for black farm workers

"If anybody has borne the full brunt of apartheid oppression, it must be the black farm worker," declares Vavi

He should know He was born of a peasant family living near Hanover in the eastern Cape

His parents named him Zwelinzima, which means "life is tough", because of the harsh conditions for black labourers on white-owned farms

Vavi attributes his father's death in 1984 to unbearable working conditions "I am not saying that every farmer is bad," he says, "only that most of them are terrible"

Trencor chief appeals for parastatals to be reined in

CT(BR) 21/4/95

(232)

By Roy Cokayne
PRETORIA BUSINESS EDITOR

An appeal has been made to the department of transport to limit the role of parastatals and prevent them from distorting the market — and to privatise Transnet

Trencor joint managing director Cecil Jowell made the appeal yesterday at the Road Freight Association's annual conference in Midrand

Jowell said it was absolutely necessary that there be effective competition in most industries, including transport It was the task of the government to create structures to ensure there was competition on a level playing field

He said it was practically inevitable that a large parastatal would distort the market in which it operated

As much as possible of Transnet should be privatised so that negative effects on the market could be minimised, he said

Jowell said parastatals had often pursued independent policies and it seemed that management was too strong and the organisations too cohesive for an outsider, like a politician, to get inside

"We see it in the ability of Transnet and its predecessors to spend large amounts of money on expansions in the 1970s and 1980s during periods of the utmost financial stringency by the treasury

"And we see it in the late 1980s — SATS (SA Transport Services) management having the ability to appoint its own committee to consider its own privatisation and the chairman of that committee saying 'SATS wishes to establish a proven track record as far as profits and dividends went before issuing shares to the public,' " Jowell said

Whatever basis there was to have a parastatal in certain sectors of the transport industry, it was difficult to see how this justified the many excursions by Transnet and other parastatals, which had embarked on business well outside their core activities — increasing the scope for cross-subsidisation, arbitrary pricing and distortion of markets, he said

Jowell pleaded with the transport minister to exert his influence so that the transport industry could be set free from such incursions

(232) FM 21/4/95

COMPETITION BOARD

Reuters changes tune

Information giant Reuters has changed its local sales policy following a complaint lodged with the Competition Board alleging restrictive practices in SA

The Trading Desk (TTD), local agent for Micrognosis dealing-room systems, lodged the complaint last October MD Jurie Hamman was unhappy with Reuters' insistence on offering its combined Selectserver service, containing both hardware and software components, and its refusal to supply raw data, known as Selectfeed Plus (*Infotech* March 24), separately

Hamman argued that in the US and Europe, Reuters could sell Selectfeed Plus on its own In the Middle East and Africa, however, it sold data only as part of the packaged Selectserver system As a result, TTD was forced to duplicate much of its equipment A document by Reuters legal adviser Webber Wentzel & Bouwens denied the existence of restrictive practices

The argument now, though, is academic Competition Board investigations director Eeden Roux says Reuters has written to the board explaining that the information company merged its Middle East-Africa and Continental Europe regions on January 1

As a result, Reuters will align the local datafeed policy with that of Europe and offer Selectfeed Plus for sale in SA In view of this, the board sees no reason to continue investigations ■

Union thumbs-down for funds switch

(232)

■ BY BRENDAN TEMPLETON

A government proposal to divert R840-million from its pension funds to public sector workers' pockets has been rejected, just days after it was put on the negotiating table

The National Education, Health and Allied Workers' Union said yesterday the package was unacceptable because it did not address the wage gap between black and white workers

Star 24/4/95

It called on the Government to immediately put a freeze on the salaries of civil servants receiving more than R60 000 a year Directors-general received 20% increases last year, compared with 4 77% increases given to lower-graded workers, Nehawu said

The government proposal was put forward with the proviso that ~~workers~~ agree to a "scaling down of the public service Nehawu rejected this too, saying the proviso really required workers to agree to mass retrenchments

It is a well-known fact that the RDP White Paper proposes that the public service must shed 200 000 jobs by the year 2000," the union said

Negotiations have dragged on since December, when rebellious civil servants threatened to embark on a mass strike if their demands were not met The crisis resulted in a task force being established by deputy presidents F W de Klerk and Thabo Mbeki.

Their proposals were put forward in three-day negotiations that ended on Friday with Nehawu rejecting the offers

The union also reiterated its demand that workers be guaranteed a R1 200-a-month minimum wage from April 1

Institutions vie to win portfolios

232

BD 26/7/95

Private sector to handle govt pension funds

GRETA STEYN

IN A major step towards privatising public servants' pension funds, government is planning to appoint four private fund managers to manage their R5bn equities portfolio.

A spokesman for the Public Investment Commissioners (PIC), which presently manages the public service's R84bn pension fund, confirmed private fund managers had been asked to apply to take over the equities portfolio.

The move follows the R4bn privatisation earlier this year of the Associated Institutions Pension Fund (including universities, technikons and scientific councils)

"We have decided that the PIC does not have the expertise to manage an equities portfolio and that it will cost too much to acquire it. We are sifting through private fund managers' proposals and expect to come up with a short list of about eight," the spokesman said. It was essential for the public sector pension funds to invest in equities to improve their rate of return.

At present, public servants' pension funds are mainly invested in government and other parastatal stock, which offers a small return on investment relative to the equities market. The lack of investments on the JSE is one of the major reasons for the massive shortfalls in the pension funds.

"We have too few growth assets," the spokesman said The PIC had acquired a R5bn equities portfolio by buying the Industrial Development Corporation's holdings. The PIC was heavily invested in Sasol and Sappi. He said farming out the equities portfolio would probably be followed by diverting some of the PIC's R12bn annual cash flow to private portfolio managers.

Institutions ranging from major players such as Sanlam and Old Mutual to smaller operators are going all out to get a slice of the public sector pension funds. One fund manager said he hoped the selection process would be transparent, as huge amounts of public money were at stake.

The PIC spokesman said once a shortlist had been compiled, the institutions on it would be asked to make presentations.

It was reported earlier this week that R1,1bn which would have been paid into the state pension funds might be used for public servants' salaries. It is understood officials are arguing that the additional payment is unnecessary because of the privatisation move, which will improve the return on the pension funds' investments. The finance was apparently provided for in the 1994/95 Budget to reduce the massive shortfalls.

Officials are reluctant to put a figure on the pension funds' actuarial shortfalls, but past estimates have put them at well over R20bn. Analysts said the privatisation of

☐ To Page 2

Pension funds

BD 26/7/95 232

☐ From Page 1

government's pension funds was a bullish signal for the equities market, but bad news for the gilts market. The freeing up of billions of rands for investment on the JSE should be timed to coincide with the freeing of exchange controls to prevent the equities market overheating

TIM COHEN reports from Cape Town that the DP slated government's reported intention to divert money earmarked for decreasing the actuarial shortfall in pension funds to meet public servants' wage demands. DP finance spokesman Ken Andrew said the proposal would result in government dissaving a further R1bn from its already dangerously high level

"SA will not prosper if government uses borrowed money to pay public service wages" Instead the public service needed to be cut "drastically and rapidly"

Privatisation urged to reduce debt

SAMANTHA SHARPE

Privatisation of state assets to help repay SA's large public debt should have been tackled in the 1995/96 Budget, according to a recent report in Indicator SA (232)

Natal University economists Mike McGrath and Merle Holden said it was a "serious omission" that the Budget did not make progress on the privatisation of state assets, which could be used to reduce public debt and soaring interest payments.

They said SA's continuing deficit was the culprit behind burgeoning interest payments. The deficit rose from 4,3% of GDP in 1990/91 to 5,7% in the recent Budget BD 28/4/95

"The share of interest payments in government expenditure has now risen to the alarming level of 18,6% "

On economic growth, McGrath and Holden said this was expected to reach a real 3% in 1995. But this growth was conditional on continued foreign capital inflows and sustained consumer and investor confidence

"Political frictions" between the government of national unity and Inkatha could have a negative impact on the growth forecast, they said

Tongaat-Hulett reaps the benefit of rationalisation

BD 28/4/95 (232)

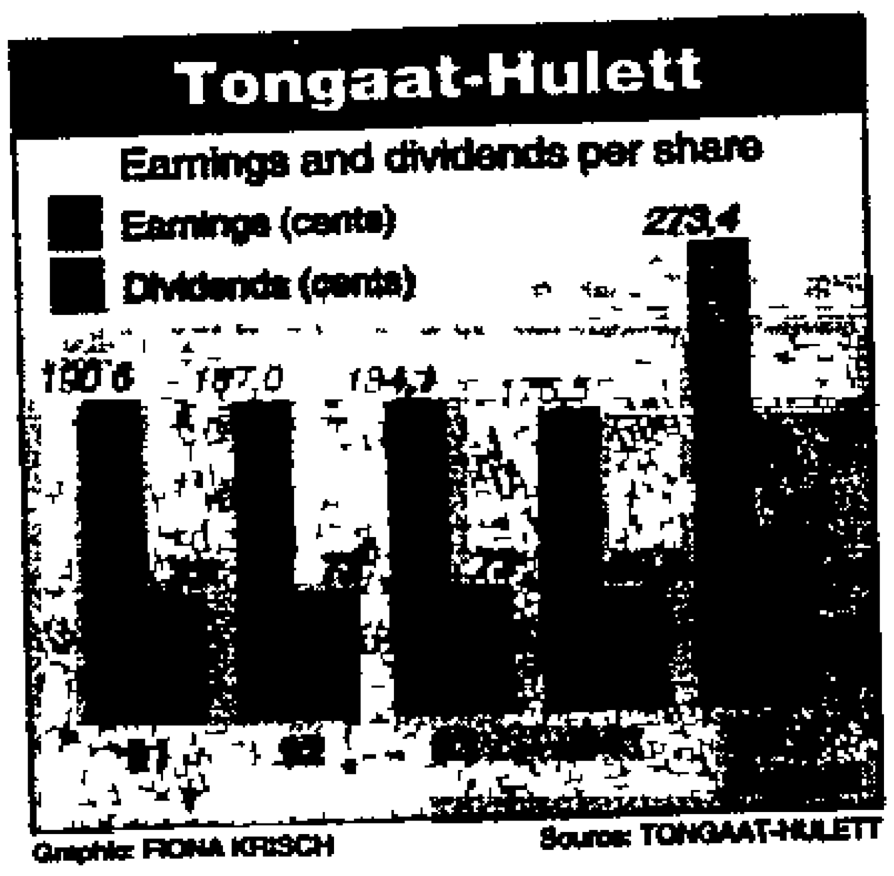
MARCIA KLEIN

STEEL and sugar group Tongaat-Hulett, feeling the full benefit of rationalisation efforts last year as well as an improved economy, reported a sharp 55% rise in attributable earnings to R248,7m (R160,3m) for the year to March.

It also announced it was negotiating to sell half its interest in Hulett Aluminium to the Industrial Development Corporation and Anglo American Industrial Corporation, its partners in the proposed R1,75bn rolled products expansion at its Maritzburg aluminium plant.

MD Cedric Savage said the results reflected the group's focus on growth following the restructuring of all its divisions. This had coincided with the upturn in local and world economies

Turnover was 11% higher at R4,4bn (R4bn), and operating profit surged 53% to R408,9m (R266,5m) Strong cash flow and reduced borrowings enabled the company to slash net finance costs and lift pretax profit by 76% to R371,1m (R211,2m). After a higher tax bill, taxed profit was 56% higher at R248m (R159,2m).



Graphic: FIONA KRISCH Source: TONGAAT-HULETT

Earnings were 53% up at 273,4c (178,5c) a share. A final proposed dividend of 70c a share would bring the full year dividend up by 44,5% to 100c (69,2c) a share. Shareholders have been offered the option of a capitalisation award.

Savage said the sugar division "substantially increased its contribution" due to a partial recovery from the drought of the previous year Sugar production was up 35% to 620 000 (458 000) tons, but this was still low. Following deregulation of the industry, the division has established its own sales and distribution network.

Aluminium division earnings reached "record levels" because of higher world aluminium prices and improved demand.

The building division performed strongly in the second half, and the textiles, consumer foods and the starch and glucose divisions improved profits.

Tongaat-Hulett has planned a number of major projects, including the rolled products expansion which would see it triple production capacity, mostly for export. The project awaited final approval, and an announcement was expected soon.

Proceeds from the sale of half its Hulett Aluminium interest would help to fund its share of the project's requirements. The project would be funded by export credit, other external borrowings and contributions from the partners.

Tongaat-Hulett has also approved a R580m new starch and glucose plant as well as some smaller investments in other operations.

The sugar division was expecting a 16% crop reduction crop to 520 000 tons due to the continuing drought. But action taken to reduce the effects of the drought, together with growth in other divisions, should enable the group to report real growth in earnings in financial 1996, said Savage.

Privatisation option 'unlikely'

Business Staff SowArgus 2/5/95 (232)

PUBLIC Enterprises Minister Stella Sigcau has slammed the door on hopes for rapid privatisation of South Africa's parastatals

In a speech prepared for delivery today at the top-level Financial Times investment conference in Cape Town, Miss Sigcau downplayed privatisation as a policy option, saying it was at the end of the spectrum of possible measures to restructure state enterprises

"Privatisation will be considered and evaluated against other strategic tools aimed at achieving national social, economic, political and technological development goals," she told representatives of major local and foreign corporations and investment houses

Restructuring of parastatals would be aimed not merely at raising funds but at promoting the government's drive for reconstruction and development, she said

The priorities of her ministry's restructuring programme were to redirect the activities of state enterprises to meet the needs of disadvantaged communities and to develop the parastatals' capacity to meet RDP goals

Government funds which had been used to support some state enterprises' activities would need to be diverted to the RDP

Miss Sigcau conceded the possibility only of a partial sell-off of state holdings in Transnet Eskom and Telkom

"Restructuring to allow for partial sales partnerships can allow for the necessary financial boost and exchange in technological know-how," she said

Other restructuring options under consideration included subcontracting, leasing and changes in the nature of state enterprises' activities, said Miss Sigcau

Community Processors & Distributors (Pty) Ltd	350 t Pilchard 3 000 t Anchovy
J Cottle en Vennote	350 t Pilchard 3 000 t Anchovy

Complete information regarding quota holders in the pelagic fishing industry as well as the applications of new applicants for pelagic quotas for 1995 may be obtained from the Secretary of the Quota Board

Nationalisation of the gold mining industry NUM in favour

232

*32 Mr A WATSON asked the Minister of Mineral and Energy Affairs †

Whether his attention has been drawn to a decision that was recently taken at a meeting of members of the National Union of Mineworkers in which these members expressed themselves in favour of the nationalisation of the gold mining industry, if so, what was the Government's response to this decision?

Hansard 3/5/95

N356E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

Yes, my attention has been drawn to the statement made by the National Union of Mineworkers of the nationalisation of certain gold mines This statement seems to have been directed at specific mining houses which, according to the Union's perception, "were not conducting mining to the benefit of all South Africans and which continued to violate human and worker rights"

Problems in relationships between unions and employers should be addressed by negotiations between them Nationalisation is entirely inappropriate, being a concept that has been discredited

Let me name a few examples

One of the major reasons why the Russian Federation and the former republics of the Soviet Union find themselves in the difficulties they do today, is due to nationalisation Many of Russia's ex-satellites find themselves in similar difficulties for the same reason Almost without exception, states in Africa who followed the path of nationalisation, are returning to market orientated principles By contrast the successful countries of the Asian Rim apply market driven policies

In the 1980s, Peru vigorously applied nationalisation Even the banks were nationalised The results were disastrous Unemployment soared, inefficiency abounded and inflation went through the roof In the late 1980s, ie at the end of Peru's love affair with nationalisation, the country's per capita Gross Domestic Product dropped by 10% annually, from US$1 146 in 1988 to US$926 two years later During the same period, inflation ran wild, going up by 152% annually, from an already sky-high 1 722% in 1988 to 7 649% in 1990

Since President Fujimori and his centre-left coalition came to power in Peru in 1990, there has been a reversal of this policy Legislation to return the bank to the private sector was passed in December 1990 and there is to this day on ongoing programme of carefully planned and executed privatisation As a result, per capita GDP has grown by 11,7% annually, from US$935 in 1991 to US$1 263 in 1994 The effect of the new economic policies on inflation has been even more spectacular it was slashed fom 7 649% in the year President Fujimori took office to 20% last year—a reduction of over 7 000% in four years

Mexico is another country that has skipped down the primrose path of nationalisation with disastrous results But it, too, has seen the light and its divestment programme has reduced the state sector fom 1 155 concerns in 1982 to less than 300 in 1992—ie reduced by three quarters over 10 years

And recently, even Tony Blair's Labour Party has scrapped the nationalisation clause out of its Programme of Principles Every single major European political party which ever embraced nationalisation has long since done the same The Dutch Social Democratic Labour Party abandoned nationalisation even before the Second World War and the German Social Democratic Party abandoned it in 1959

Furthermore, the priorities of the RDP would preclude the use of scarce financial resources to compensate for the nationalisation of mines, as would be required by the Constitution

The principle that mining operations should be conducted by private industry was reiterated, as recently as 28 March, 1995, by Mr Cyril

Ramaphosa at the Sub-Saharan Oil and Minerals Conference, when he stated (and I quote) "Thus if one refers to the role of the private sector one is addressing the free market based mining industry It will be the private sector that will take the lead in facing challenges and finding solutions in our market based economy As a politician my area of influence is the institutional framework within which the mining industry operates and my task is to create the conditions conducive for the private sector to prosper in harmony with the goals identified by the political process" Unquote I agree with the sentiments expressed by Mr Ramaphosa which in effect reject the concept of nationalisation of our mining industry

Labour Market Commission and NEDLAC: connection

*33 Mr A WATSON asked the Minister of Labour †

Hansard 3/5/95

(a) What is the aim of the Labour Market Commission, (b) what is the (i) connection and (ii) division of work between this commission and NEDLAC (National Economic, Development and Labour Council) and (c) in what respect does this commission integrate with his Department?

N357E

The MINISTER OF LABOUR

(a) The Commission is charged with making proposals leading to the development of a new labour market policy This government has inherited a labour market characterised by massive unemployment, systematic discrimination, low productivity and adversarial labour relations This is largely a consequence of the labour market policies of apartheid, most notoriously the pass laws that sought to direct the movement of labour The Labour Market Commission is charged with the development of policy directed at overcoming this legacy and at meeting the employment-related objectives of the RDP This cannot be achieved by piecemeal, selective interventions in the labour market It will be achieved by a labour market policy that complements, and is complemented by, key macro-economic and industrial policies Accordingly, the Commission's Terms of Reference task it with

- formulating an appropriate role for public policy in the determination of wages and other incomes,
- examining the relationship between labour market and industrial relations policies and productivity performance,
- developing a framework for dealing with the negative social implications of economic restructuring,
- the development of a policy framework designed to overcome labour market discrimination and ensure equality of opportunity, and
- establishing appropriate conditions for access by non-South African nationals to the South African labour market

(b) (i) The Commission is charged with making policy proposals and recommendations to the Minister of Labour In the event that the Minister accepts certain of the recommendations of the Commission and wishes to include these into law or policy, they will be submitted for consideration by the social partners through the structures of NEDLAC Although the Commission is comprised of labour and business leaders, as well as prominent academics, it is not a negotiating or consensus-seeking instrument It advises the Minister

(ii) NEDLAC is negotiating body through whose structures the social partners seek consensus The Co-Chairpersons of the Commission have presented the Terms of Reference to the Labour Market Chamber of NEDLAC and have received valuable feedback NEDLAC will be periodically informed of the progress of the Commission However the Commission will not attempt to secure NEDLAC's agreement prior to the presentation of its report This will be the task of the government delegation to NEDLAC in the event that the Commission's recommendations are accepted by the Minister of Labour

Head of Transnet says 'no' to privatisation

(~~230~~) (~~231~~) (232)

Business Staff

TRANSNET managing director Anton Moolman has poured cold water on arguments for the privatisation of the parastatal, saying it would yield few benefits that had not already been produced by commercialisation

He was speaking yesterday at the Financial Times investment conference in Cape Town.

It was wrong to assume that the sell-off of a Transnet division such as South African Airways would raise substantial sums of money for the government because the proceeds of such a sale should go to Transnet to help service the gaping deficit in its pension fund, Dr Moolman said.

Down-playing the value of privatisation, Dr Moolman said private shareholders could adopt a short-term approach and put pressure on Transnet's management to produce quick profits at the expense of the corporation's long-term health

Also, it would be "no good" to sell Transnet to a single buyer

ARG 3/5/95

"South Africa needs fewer conglomerates and less concentration of wealth, not more"

Transnet's five-year commercialisation experience had been a success, Dr Moolman said

The pressures of competition had resulted in a dramatic increase in productivity, and employee numbers had dropped from 172 000 in 1990 to the present 116 000

During the same period, net annual operating profit had grown from R700 million to R2,1 billion — but R2 billion a year was needed to service the pension fund deficit.

Govt team try again at privatisation

(232)

BD 31/5/95

EDWARD WEST

CAPE TOWN — A task team appointed to investigate the restructuring of state assets has completed its first draft guidelines, but has been sent back to the drawing board, Public Enterprises Minister Stella Sigcau said yesterday.

Addressing a Financial Times/Business Day conference, Sigcau said it would not be long before the guidelines were established and for the restructuring of state assets to move forward after that.

However, she said that "privatisation, being at the end of the restructuring spectrum, will be considered and evaluated against other strategic tools."

Restructuring of state enterprises took various forms internationally and in SA privatisation represented the full sale of a state equity interest to private individuals or institutions Any partial change of equity ownership was considered restructuring.

Possible changes in the operation of state enterprises under consideration included sub-contracting, leasing, additions and deletions of organisational activities and joint ventures and partnerships.

The purpose of these changes would include economic empowerment, efficiency and profitability and the development of entrepreneurs, Sigcau said.

The ownership and structure which could be subjected to restructuring could include commercialisation of former government departments.

In response to questions, Sigcau said restructuring of the telecommunications industry was on the cards.

'Parts of Transnet' could be privatised

BD 3/5/95 (232)

CAPE TOWN — Parts of the transport parastatal could be privatised, Transnet MD Anton Moolman said yesterday, announcing that its productivity and operating profits improved further in the latest financial year

Speaking at the Financial Times investment conference in Cape Town, he said Transnet had achieved about R2,2bn operating profit in the 1994/95 March financial year from R1,6bn a year earlier.

Transnet's exposure to competitive pressure, due to its commercialisation in April 1990, had benefited it and privatisation could secure further advantages.

Privatisation could be pursued by separately selling part or all of government's stake in certain divisions of the parastatal, which includes SAA, Spoornet, Portnet and Autonet.

Although Moolman refused to be drawn on whether a decision had been taken to privatise Transnet, he said privatisation would improve its economic performance and help promote domestic and foreign private investment.

"It also provides new economic opportunities for individuals who can become investors or part-owners in former state-owned companies

"In other words, privatisation benefits the public, the private sector and consumers, not just the state-owned enterprises that are privatised."

Transnet's financial performance had been underpinned by a dramatic improvement in its productivity during the past five years. Its work force had been cut by 50% but the volumes handled by its three largest divisions had increased.

If the annual burden of about R2bn needed to bolster its pension and medical funds was stripped out, then Transnet had achieved a maiden net profit of R200m in 1994/95, he said.

The shortfall in the pension fund, amounting to R17bn in April 1990, was being reduced and had amounted to R4,6bn in 1994 The shortfall would be cut further in the current year

Private sector investment managers' handling of Transnet's investment portfolio, and an agreement with trade unions to scale down pension benefits, resulted in the lower shortfall.

Moolman said Spoornet had achieved an operating surplus of about R150m in 1994/95 while Autonet would report an increase in profits well in excess of the inflation rate from R15m in the 1993/94 financial year

SAA had achieved net operating profit of R200m in the 1994/95 year, as route rationalisation by the international arm returned it to a profit following a loss in the previous year of R180m. — Sapa.

Union plans to ensure profit

(232) (2[illegible])

ERICA JANKOWITZ

ALTERNATIVES to privatisation — including restructuring and more efficient use of resources — would be pursued to avoid government being compelled to sell national assets, SA Railways and Harbours Workers' Union (Sarhwu) president Nelson Ndimsa said yesterday.

Ndimsa said the union would work with Transnet to ensure the profitability of all its divisions.

Joint ventures with the private sector with government retaining majority ownership would be investigated. BD 3/5/95

Ndimsa said Sarhwu had resolved to pursue a proposal that all wages and profits made on a specified day be donated to the government's reconstruction and development programme fund

Govt's new look at privatisation

BD 4/5/95

CAPE TOWN — SA is likely to allow international investors to buy stakes in its bigger state enterprises rather than privatise them completely, says Public Enterprises Minister Stella Sigcau.

This would allow the injection of significant capital funds and new technology.

(232)

Speaking yesterday at the Financial Times/Business Day conference on investing in SA, Sigcau said full details of an investigation into the restructuring of state assets, including an audit of all state companies available for possible privatisation, would be released at the end of this month.

The Cabinet had not yet adopted any final policy on the issue and she emphasised government was concerned with preserving the jobs of state employees and ensuring the companies pursued its broader development goals.

As a result, the process would probably focus on the sale of minority stakes in the country's biggest state-owned companies, including electricity utility Eskom, telecommunications company Telkom and transport group Transnet to interested partners.

Restructuring to allow for partial sales partnerships could result in a financial boost for the companies and an exchange of technological know-how, she said. — Financial Times.

Privatisation a bad word at conference

BD 4/5/95 (232)

HEATHER PARKER

STAND by for the democratisation of the economy.

The what?

Well, privatisation really, but at the Financial Times/Business Day conference in Cape Town, which ended yesterday, nobody liked to use the word.

Since the FT had linked the conference to privatisation, and privatisation is politically one of the hottest potatoes of the moment, delegates watched a number of speakers do rather complicated little dances. But whether you call it commercialisation, deregulation, reregulation, unbundling or privatisation, it was unfortunate for the conference organisers that although everybody's thinking about it, nobody is ready to put themselves on the line over privatisation.

It had been hoped that Public Enterprises Minister Stella Sigcau would be able to make the long-awaited announcement on the launch of privatisation guidelines, but that did not materialise. Instead, she was rather coy about delivery times for the guidelines. Deputy Finance Minister Alec Erwin was equally downbeat, hiding the "reorganisation of state assets" deep in his list of government priorities, and complaining that privatisation received attention disproportionate to its part in the government's blueprint for a better future. Trade and Industry Minister Trevor Manuel simply avoided the subject.

Nevertheless, an overwhelming case was made for privatisation, both as an end in itself and as a tool of the reconstruction and development programme, by speakers ranging from Rudolf Gouws, director of the Rand Merchant Bank, to Anton Moolman, MD of Transnet.

Whether these speakers answered the formal theme of the conference — SA: a new era for business, finance and investment — is another matter. Although some very good papers were delivered, there was little news in public or private sector thinking. Delegates got no final word on exchange control, no final word on deregulation, and nor could Manuel put any minds at rest about the country's trading status.

The FT conference is a well-established tradition in many parts of the world, but the SA one failed to capture the imagination of international investors, at whom one presumed it was aimed. The absence of the president or either of his deputies, the Reserve Bank governor Chris Stals or the Finance Minister perhaps indicated conference fatigue, which was echoed by the delegates' list. No senior editorial representative of the Financial Times newspaper itself was there, although both the newspaper's South African correspondents were; and the number of foreigners present was small. Potential new investors were notable by their absence. Excluding the SA representatives of existing investors and the finance and banking sector, the [illegible]-odd speakers were preaching to perhaps half a dozen potential new recruits.

After glorious weather for the duration, some kidding around by Manuel and Erwin, and a fairly slick operation at the Cape Sun, delegates are likely to leave the country impressed with Cape Town and what nice people there are in government. It is to be hoped that this is enough to keep them going until the democratisation of the economy and the trading regime are more clearly defined.

(252)
FM 5/5/95

COMPETITION POLICY — 1

Policy makers beware

As long as markets are not perfectly competitive, there will be debate over how to remedy perceived flaws There are two issues whether competition policy can improve the way in which markets work; and, if so, what form it should take.

Researchers Frederick Fourie, David Lewis and Willem Pretorius acknowledge the merits of "unfettered market interaction" advocated by the Chicago School But, in a working paper on policy reform, they argue that it is limited

"Competition policy, including merger policy, has a critically important role Though not equipped to tackle all the problems of economic power and inequality, it is the proper instrument for attending to the problems of economic concentration, market dominance and competition"

They have caveats, though, for those who see competition policy as a way to

- Promote small and medium enterprises,
- Empower black business,
- Keep prices from rising,
- Reduce employer power in wage bargaining, and
- Redress inequities of income

They say competition policy should not be used to attain social, redistributive or development objectives "not directly linked to the state of competition" — these "may be better served by other types of policies"

They also warn against assuming a direct or automatic link between positions of dominance and undesirable behaviour·

- Big is not necessarily bad and large firms may face stiff competition,
- Dominant positions are not necessarily abused High profits may simply be the result of good management and greater efficiency and may be transient,
- Nondominant firms can and do engage in undesirable behaviour,
- Import competition as well as potential competition must be taken into account, and
- Possession of economic power is not undesirable since it forms the basis of economic activities

Their premise — that competition policy is necessary — and their caveats will be disputed from different ends of the political spectrum But there will be little disagreement that the present policy framework, which falls under the ambit of the Maintenance & Promotion of Competition Act and came into operation in January 1980, is counterproductive Legislation is inadequate and procedures for implementing it ineffectual This creates uncertainty, penalising accused and accuser alike

Fourie, Lewis and Pretorius propose replacing it with a combination of administrative and judicial systems (see below)

"The weakness of a purely administrative system is the absence of a right to judicial appeal" On the other hand, "a judicial system is rigid and requires magistrates and judges with expertise and experience in competition law and economics. Normal courts don't have the know-how" This is time-consuming and costly By combining elements of both systems, these weaknesses can be eliminated ■

Fuel report calls for deregulation

(232) ST(BT) 7/5/95

By DON ROBERTSON

PETROL stations will be able to set their own fuel prices below a maximum level if proposals by the Department of Trade and Industry are accepted.

A "draft discussion" document in the possession of Business Times recommends a partial deregulation of the R40-billion oil industry. It is one of many proposals on the liquid fuels industry to be submitted to the Cabinet Committee for Economic Affairs

If approved, it will be passed on to the liquid fuels industry task group at Nedlac, the forum representing labour, the government and business

The Departments of Finance, Mineral and Energy Affairs and Transport have already submitted their recommendations to the director-general of Mineral and Energy Affairs, says deputy director Hein Baak.

Mr Baak, however, was unable to comment on informed reports that the various departments have taken differing views on the deregulation of the fuel industry If this is the case, consensus will be difficult to achieve.

Significantly, the DTI recommends that if South Africa is to achieve its economic and political potential, fuel must be made available to the public at "internationally competitive prices" and that the future of the liquid fuels industry be closely linked to the petrochemical sector.

Among other recommendations by the DTI are proposals that Sasol be allowed to market its products through its own retail network, that subsidies paid to Sasol be reviewed at the end of the year, and that refiners be allowed to buy crude directly rather than through the Strategic Fuel Fund.

Also recommended are plans to commercialise Soekor, that crude oil stockpiles be sold to local refiners, cheaper fuel be sold to commuter transport companies, import and export controls be reviewed and unleaded petrol introduced as soon as possible.

The discussion paper proposes that the current fixed price mechanism for petroleum products be replaced by a price-capping system, to be determined by a Petroleum Authority, "but which allows for discounting".

This plan would, however, depend on the liquid fuels industry task force coming up with a plan to counter any negative effects, such as jobs losses in an industry employing 65 000 people and the closure of some of the 4 900 small businesses.

In this respect, it suggests that franchising regulations need to be strengthened in favour of the franchisee.

The plan could also involve support for diversification through retraining or direct financial assistance, says the DTI.

The document insists, however, that a new pricing system be based on the same principles as the current price — the in-bond landed cost and the wholesale and retail margins

The document also suggests that the Service Station Rationalisation Plan, or Ratplan, which restricts the number of garages, be phased out with the introduction of price capping, but that the ban on self-service be maintained.

On Sasol's tariff protection, the document suggests that the current agreement and formula which provides the synfuel producer with about R1-billion a year be revised by the liquid fuels task force, but if changes are recommended, similar subsidies for Mossgas must be considered separately.

While agreeing with the recommendation that Sasol be permitted to market its own products, the company insists that any change in tariff protection for the synfuel industry be phased in over a minimum of five years, in line with World Trade Organisation agreements

Not having seen the DTI recommendations, the SA Petroleum Industry Association was unable to comment for the [illegible]

Cosatu against govt sell-off

CP 7/5/95

(232)

COSATU'S second most powerful official this week labelled black economic empowerment – as it is currently implemented in South Africa by big business – as a shambles.

Speaking at a rally in Cape Town, deputy secretary general Zwelinzima Vavi, a former mineworker in the Northern Cape, rejected the argument that privatisation was of benefit to blacks.

■ To Page 2

■ From Page 1 (232)

Cosatu against sell-off

Cosatu leaders clearly indicated this week that nationalisation of major industries still formed a central part of their economic policy and was the only way of addressing the social and economic problems of black people.

Vavi, signalling Cosatu's campaign slogans around wage negotiations this year, called for "the full nationalisation of Telkom, the Post Office, the SABC, Eskom, Iscor and all industries that are the key to the delivery of the RDP" CP 7/5/95

The Cosatu leader was critical of JSE-listed New Africa Investments Limited chairman Dr Nthato Motlana and said he had "accumulated wealth while there is no visible change in the lives of working people".

He charged that big business wanted, "to sell 50 percent of Telkom and Transnet shares to the Soweto business tycoon Motlana, but he lives in luxury in Soweto with a big house and swimming pool This while the majority of black people still live in poverty"

Jeremy Cronin, a leading SACP thinker and strategist within the tripartite alliance, said this week that the SACP was not inflexible, and that it was not opposed to the sale to individuals of some of the vast landholdings of the SA National Defence Force, for example.

But selling of parastatals to pay off government debt was like selling the roof of one's house when the sun is shining to pay off the bond more quickly, Cronin said

Privatisation 'may go private'

232 BD 9/5/95

MUNGO SOGGOT

GOVERNMENT was considering turning to the private sector for help in drafting guidelines for privatisation, sources said yesterday

The government team drawing up the guidelines, now overdue for release, might take on private sector advisers to provide expertise and to speed up the process, the sources said

Those being considered included Rand Merchant Bank economist Neil Morrison, attorney Tiego Moseneke and someone from Thebe Investments' financial services arm Msele Finance Holdings. Jeff van Rooyen — formerly of Deloitte & Touche and who had been appointed special adviser to Public Enterprises Minister Stella Sigcau — would be involved in making the appointments

A Public Enterprises spokesman confirmed that Van Rooyen had taken up the post of special adviser to Sigcau, but could not confirm plans to bring in other experts Neither Van Rooyen nor the others mentioned could be reached for comment

One source said that if advisers did join the team, they would return to private sector jobs once the guidelines on when, if and how state assets should be sold off were finalised

From a foreign investment point of view, it was vital that comprehensive guidelines be published as soon as possible, as government's privatisation policy was seen as a signal of its economic approach "At the moment government doesn't have the necessary skills Privatisation is a very complex process. This could be one way of improving its privatisation technology," the source said

International airports 'ripe for privatisation'

232 259 EDWARD WEST

CAPE TOWN — The international airports in Cape Town, Johannesburg and Durban could hold potential for investors over time if government decided to follow the privatisation route, Airports Company GM Hennie Taljaard said yesterday. BD 11/5/95

Addressing a Cape Afrikaanse Sakekamer function yesterday, Taljaard said that if privatisation was considered an option for the airports, private investment into individual airports should also be considered.

"Maybe we should not be looking at investment in nine business units of the Airports Company, but nine separate airports companies," said Taljaard.

The number of international airlines using SA's airports had grown considerably, but SAA still generated more than half of Airports Company's turnover.

The Airports Company was frequently criticised for appearing to favour SAA in the provision of facilities, but this criticism failed to take into account the large amount of turnover the airline provided, he said.

Cape Town International Airport provided 18% of the company's turnover. Compared with two years ago the number of airlines using it had risen to 14 from only three, while the number of international flights had risen to 52 a week from only 10. In addition, there was a long list of applications to fly into Cape Town.

SA's airport tariffs were low compared with the rest of the world. Out of the 10 busiest airports in Africa, SA's tariffs were the second lowest, while out of 100 airports worldwide, SA's airport tariffs ranked 66.

The Airports Company estimated that Cape Town airport would be handling 1,5 times its normal 10 000 passengers a day during the rugby World Cup. On June 18, the date of a semifinal match in Cape Town, an aircraft would be landing every half hour.

NATIONALISATION

232

Broad rejection

FM 12/5/95

Nationalisation of the mines, banks and industry has been repudiated by government as an appropriate tool of economic policy But it continues to arouse passions on both sides of the ideological divide — and represents too long a tradition of socialist belief to be discarded readily by certain influential unionists

Recently, as National Party MP Armiston Watson has pointed out, senior members of the National Union of Mineworkers (NUM) issued a call for the nationalisation of "certain" gold mines Watson has now received a written reply to a question to Mineral & Energy Affairs Minister Pik Botha requesting an official response to the NUM call and an explanation of government policy

In his reply the former Nat Minister of Foreign Affairs does a familiar side-step on the direct issue

The statement on nationalisation, he says, "seems to have been directed at specific mining houses which, according to the union's perception, 'were not conducting mining to the benefit of all South Africans and which continued to violate human rights' " He does not name them

Nor is this a debate that Botha has any wish to enter "Problems in relationships between unions and employers should be addressed by negotiations between them" However, he says, "nationalisation is entirely inappropriate, being a concept that has been discredited"

The Minister refers to the problems of the former Soviet Union and to African states that followed the path of nationalisation All are struggling to find their way out of the morass, lagging the Asian nations which have built their success on market-driven policies Peru and Mexico are also cited as examples of countries that have had to execute U-turns on nationalisation

"(Even) Tony Blair's Labour Party has scrapped the nationalisation clause out of its programme of principles Every single major European political party which ever embraced nationalisation has long since done the same"

Botha uses the example of appropriate costs in relation to the RDP as the capstone of his argument "(The priorities) of the RDP would preclude the use of scarce financial resources to compensate for the nationalisation of mines, as would be required by the constitution"

Botha enlists the aid of Cyril Ramaphosa — secretary-general of the ANC and former NUM supremo — to counter the residual nationalisation debate Speaking in March at the Sub-Saharan Oil & Minerals Conference, Ramaphosa told delegates "(If) one refers to the role of the private sector, one is addressing the free market-based mining industry It will be the private sector that will take the lead in facing challenges and finding solutions in our market-based economy

"As a politician my area of influence is the institutional framework within which the mining industry operates and my task is to create the conditions for the private sector to prosper in harmony with the goals identified by the political process"

The intellectual climate surrounding the issue of the nationalisation of the mines appears therefore to be wholly set against taking the sector into State control The politicians can see this The miners, however, are primarily concerned about safety and SA's record shows that of the 8 039 accidents that took place on mines in 1994 (485 fatalities) 6 943 were on gold mines, where there were 372 fatalities ■

Privatisation of state assets to get Cabinet scrutiny

CT(BR) 15/8/95 (232)

BY BRUCE CAMERON
POLITICAL EDITOR

The Cabinet will consider a policy statement on the reorganisation of state assets, including privatisation, within weeks

This was was confirmed by Stella Sigcau, minister of public enterprises, in an interview with Business Report

Earlier, Sigcau told the World Economic Forum Southern Africa economic summit in Gauteng that there would be a sell-off of state assets but there were many difficulties to be overcome

Privatisation was one of the main issues of the summit and was discussed at a number of closed-door sessions

Martin Kingston, a director of London-based private bank, Morgan Grenfell, and the chairman of a group of delegates which looked at the issue, told a plenary session that competitiveness was more important than privatisation He said there was a problem in defining privatisation and there was no ready template to transfer from one sector or country to another

There was a problem in defining privatisation and there was no ready template to transfer from one sector to another

It was important, however, that the process be underscored by accountability and transparency

His group of delegates found that most efficiencies were gained before actual privatisation took place but the possibility of privatisation had to be maintained

Kingston said there were a number of issues which had to be resolved These included

- Whether government should prescribe the form of privatisation. This included the issue of whether privatisation should be used to empower deprived groups,
- Whether short term job losses were acceptable,
- Whether guidelines for privatisation be set by government, and,
- Should governments be prepared to support privatised operations, including assisting with the financing of roads, bridges and tunnels?

In an interview, Trevor Manuel, trade and industry minister, said government would have to be cautious because of job losses This would add to the potential job losses caused by the removal of trade barriers

Delegates said the government's policy on privatisation had to be unambiguous

A clear line should drawn between the government and private sector

Last year state assets valued at R205 billion were privatised in 51 countries Of the total, assets worth R129 billion were privatised in Europe and only R4,3 billion in Africa

Clover's restraint of trade may be illegal

CT(BR) 15/5/95 [illegible] (232)

Roy Cokayne

PRETORIA BU INESS EDITOR

A Competition Board investigation has found that a clause in the deed of sale of Dairybelle's Clayville dairy to Clover SA constitutes a restrictive practice and is not in the public interest

It has recommended to the minister of trade and industry, Trevor Manuel, that the restrictive practice be declared unlawful

The Board added that it could not discount the possibility that the restraint of trade clause contravenes a government notice prohibiting horizontal collusion on market sharing Contraventions of this prohibition are an offence and carry a maximum penalty of R100 000 and/or five years' imprisonment.

Since a restraint of trade clause such as this arguably has the effect of dividing wholly or partially the market for the relevant commodity between the contracting parties on a territorial basis, it may contravene the prohibition.

If this were the case, the remedy would be different to that (already) recommended, the Board said.

Clover SA, a wholly-owned subsidiary of National Co-operative Dairies (NCD), acquired Dairybelle's factory for R23 million in October last year.

The Clayville factory was completed towards the end of 1984, shortly after the deregulation of the milk industry The Board said the deregulation of the industry contributed substantially to the fact that the factory was never profitable

By 1994, the losses suffered by the Clayville operation had reached such proportions that the board decided to either close or sell it After much negotiation, Clover decided to buy the factory

If the factory had closed, about 160 milk producers would be without a market for the greater part of their product.

Clover was willing to buy the factory but felt it was necessary to protect its position to some extent by way of the restraint of trade clause, the board said

In terms of the restraint of trade, ICS and Dairybelle were not permitted, alone or with any other parties, to be involved — whether financially, directly or indirectly — with the production and/or distribution of 147 separate products categorised as fresh milk, buttermilk/maas, cottage cheese, fresh cream, yoghurt, fruit juices, dairy fruit mix and mageu.

The restraint was applicable for five years in an area including Gauteng and the northern part of the North West.

Various arguments were advanced by Clover in support of the restraint clause, including that the restraint was necessary to ensure Clover's economic viability and protect its investment and that the restraint would not lead to a reduction in the range of products available to consumers

The Board said it was not satisfied that the public interest arguments advanced by Clover in defence of the restraint clause were sufficient to discharge the onus that rested on it. The shackling of commercial intercourse effected by the restraint was too extensive to condone.

THE SPIRA INTERVIEW

Profitable Transnet looks prime target for privatisation

(232)

CT(BE) 15/5/95

South Africa's largest multi-modal transport organisation, Transnet, looks a prime target for privatisation as speculation on the future of the country's parastatals grows

With annual sales approaching R15 billion and a dramatic improvement in profitability since commercialisation five years ago, Transnet (or parts thereof) is an attractive prospect.

But the company's managing director, Anton Moolman, says "I can't really talk on privatisation because the jury's still out. Privatisation to me is just one element of the direction Transnet might be taking"

Nevertheless, Moolman is happy to discuss the options and broad privatisation criteria, relating to parastatals in general.

Structuring

On Transnet, he questions whether, from a pure business perspective, it makes sense to separate the company into divisions

"For example, I have three different divisions dealing with containerisation Do we put them together or do we keep them separate in order to approach the market from different angles? Are we structured as we should be structured? We'd need to have another look at everything," he says

Whatever the answers, Moolman is aware that South Africa is considering privatisation as a strategy for economic restructuring, and that Transnet must examine the option closely

One of privatisation's carrots for Transnet is that it could solve the group's biggest problem — its R4,6 billion pension fund liability — in one fell swoop

Obviously, however, there are other considerations

"It's our responsibility to go to the government with a formula

"We won't be certain that it dovetails with what the government has in mind, but there's no doubt that we need a privatisation model specifically suited to South Africa — a model which should be innovative."

Privatising Transnet piecemeal is one possibility; another is to partially privatise the whole group and then sell off the component parts

The prime consideration, says Moolman, is that the process needs to ensure some form of empowerment of the disadvantaged.

"We need to hear what restrictions the government will place on foreign ownership

"It wouldn't be acceptable for foreigners to gain complete control of the key parastatals"

JURY'S OUT *Dr Anton Moolman*

One of the models which Transnet and government have been examining is the one used in Malaysia. Although it would need adaptation, says Moolman, it could well serve as a basic template since circumstances in Malaysia are similar to South Africa's.

Before privatisation, Malaysia's indigenous people, the Brumiputra, controlled a mere two percent of the country's wealth but comprised 60 percent of the population. The Chinese and Indian minority populations were economically dominant.

With a view to redressing the disparity, the government accepted the principle of privatisation, executed in such a way that a large portion of the proceeds of privatisation were placed in a trust. The Brumiputra were encouraged to buy units in the trust, which yields a return of 20 percent a year.

Benefit

In any privatisation, 30 percent of the shares are made available at issue price to the trust. The policy of the government is such that the price at which the shares come to the market exceeds the issue price by far. The trust thereby makes a capital profit, from which it pays its investors, the Brumiputra, the 20 percent return.

The object of the exercise is to ensure that all the wealth does not remain in the hands of the Chinese and Indian Malaysians.

While Moolman feels the model requires adaptation for South African conditions, he does see it as a means of ensuring that the wealthier whites will not be the only beneficiaries of privatisation.

"I know that the government is carefully looking at this model, but they're also looking at what's happening in South America and Eastern Europe.

From what I've been able to gather, I'm very much at ease, because the government is approaching privatisation in a very pragmatic sort of way

Moolman says the company has learned a lesson through its pension fund problem. "When we discovered the extent of the pension fund underfunding, we issued R10 billion worth of Transnet stock to the fund. We have to generate R2 billion a year to service that stock and provide for future medical expenses for pensioners

"In other words, we have to cover a sum of R2 billion before we can make a profit. In the past year we succeeded in doing so We drove our costs down and increased our market share We haven't got there yet, but we've gone pretty far along the learning curve"

Now that Transnet has clawed its way into the black, will the improving momentum continue?

"I don't see any reason why, in the next few years, we shouldn't extend this trend, bearing in mind that a large portion of the surpluses will go toward reducing the pension fund shortfall."

Unbundling precedent is good

(232)

SUDARSAN RAGHAVAN

CT(BR) 16/5/95 SPECIAL WRITER

The only mining-house precedent for unbundling in South Africa before JCI is that of Gencor, which unbundled 18 months ago At that time, one headline read "Gencor colossus sheds assets"

Millions of shares were distributed in energy company Engen, investment powerhouse Genbel, consumer products division Malhold and paper arm Sappi.

In one stroke, the decision to unbundle slashed Gencor's net asset value from R18,6 billion to R12,1 billion, leaving it to fend for itself solely on its mining business The company was trading at a discount nearly a quarter below its net asset value

Still, the day before that fateful move, analysts were laying bets that the impact of the unbundling would be minimal Were they right?

You be the judge. The firm's share price closed at R12 yesterday The day before unbundling its price was R10,40 The day after it was R6.

Sappi is now at R75,75 — up from its pre-unbundling price of R20,25 Malbak ended at R25 up from R15,50. Engen closed at R26,75 — down from R33 Genbel is at R8,80 after rising from R5,40

(232)

JCI unravels after 100 years

CT(BR) 16/5/95

By [illegible]

As from yest[illegible] group, [illegible] house [illegible] [illegible] former gold, coal [illegible] operation[illegible] share[illegible] De Beers platinum refin[illegible] [illegible] company [illegible]

SINESS
The Star
Edited by John Sp

Unbundling does not faze buyers

Star 16/5/95 (232)

COMBINED value of one share of each of three JCI group companies was the same as JCI's closing price on Friday.

■ BY DEREK TOMMEY

Investors accurately predicted the opening prices of the three unbundled JCI companies when they were listed on the Johannesburg Stock Exchange yesterday for the first time

The combined value of one share in each of the three unbundled JCI group companies was R99 at the close of trading yesterday — the same as the closing price of their parent JCI group's shares on Friday

Brokers described this as satisfactory for the first day of trading

Anglo American Platinum, which contains JCI's former platinum interests, closed at R29 after earlier trading at R30 This compares with a net asset value of around R38,20

Johnnic, which now has JCI's industrial interests, closed at R43, the same price at which it had opened

This price is above Johnnic's net asset value estimated at being around R38 Broker said the premium reflected Johnnic's large stake in Omni Media which has a big interest M-Net The pay-television company is actively expanding overseas

Shares of the third unbundled company, JCI Limited, which contains the group's gold and other mining interests as well as its stake in ferro-chrome, closed at R27 after trading earlier at R28 and R30 The net asset value of its shares is estimated at around R43

However, the listing had one unforeseen event which initially caused consternation among investors following the JSE's share indices

Because the exchange's computer had not been programmed for the unbundling, it miscalculated the prices of three JCI companies for the share index. As a result it reported that the all share index had dropped by 95 points to 5482 on the day In fact, with the gold index down on 2 points to 1384 and the industrial down 11 points to 7029, the fall in the overall index should be only about 2 points, say brokers

A broker said yesterday's prices for the three JCI companies were much in line with what was expected Investors were fully aware of the share value of the group's investments and could assess with considerable accuracy what the shares should be worth

The unbundling of JCI Limited and Johnnic has removed these two companies from the control of the Anglo American Corporation Now, as independent entities, their performance and the movement in their share prices could be far more positive than it would have been had they remained part of the JCI group, said the broker

Warching the board . . . Chris Tayelor, finance director of JCI Limited and Vaughan Bray, managing director of Johnnic. PICTURE JOHN WOODROOF

Foundation perturbed at developments in SA

Theo Rawana

BD 22/5/95

DESPITE the "spectacular rate of black empowerment", the continuing threat of mandatory affirmative action was one of the negative aspects of the new SA, Free Market Foundation executive director Leon Louw said at the weekend.

Louw told the foundation's council meeting that, without detracting from the "historic and profound" significance of positive developments in SA, there were reasons for concern which had not received critical media and expert attention.

He said the new Labour Relations Bill posed a far-reaching threat to contracts between employers and employees and to employers' property rights in their businesses. "If adopted in its present form, the law would give employees effective control over key business decisions, such as the introduction of new technology, and access to private information."

The Competition Board seemed to be embarking on an anti-competitive, anti-market attack on contractual and property rights. "Previously, numerous voluntary contracts such as resale price maintenance were outlawed mistakenly."

There were now plans to interfere with other contracts, such as franchise agreements, he said.

"Possibly for cosmetic reasons, the cement cartel was banned, despite convincing evidence that it was in the consumers' long-term interests, and the Competition Board seems poised to intensify interference with mergers, takeovers and other corporate structure agreements."

But Louw said the board deserved credit for the role it had played in reducing the "statutory stranglehold of some of the more perniciously protected professions and occupations" of the agricultural control boards.

"This is the truly legitimate way for a Competition Board to work, and we do what we can to encourage it to remove barriers to competition rather than interfere with competitive strategies."

He said government — weak in the face of anti-smoking fanaticism — had usurped the property rights of proprietors to determine smoking and other policies on their premises.

It had also usurped the freedom of the Press and of expression regarding tobacco product advertisements and the freedom of contract between consumers and proprietors of commercial property.

AHI asks for an anti-dumping body

Louise Cook

AFRIKAANSE Handelsinstituut (AHI) president Walter Scheffler called on Trade and Industry Minister Trevor Manuel at the weekend to establish an anti-dumping authority before lowering any further tariffs and to take measures to repair law and order in SA.

Scheffler said that the AHI was currently investigating aspects of the SA policy on competition.

He said both Manuel and the AHI agreed that an effective competition policy was of the utmost importance for SA.

BD 22/5/95

The establishment of an anti-dumping authority and the functioning of anti-dumping mechanisms should be expedited and Nedlac should debate prerequisites for the authority.

AHI vice-president Mof Terreblanche said, "We are, as a matter of priority, participating in the development of a suitable competition policy within the structures of Nedlac."

The meeting also addressed the effect of violence and crime on the business sector.

"It has become a matter of urgency that the Cabinet and business leaders promote a culture of discipline and law-abiding."

MultiChoice unbundling considered

(232) BD 25/5/95

Marcia Klein

THE M-Net/MultiChoice group was looking at unbundling the assets of MultiChoice into two separate listed entities, it announced yesterday.

The first, MultiChoice, would have as its only asset its 40% interest in PayCo — the global pay television group jointly held with Richemont through NetHold. The second listed entity would consist of 25%-held cellular telephone operator MTN and 60%-held cellular service provider M-Tel.

It was previously announced that M-Net and MultiChoice would be listed separately. Following shareholder approval at a meeting tomorrow, the M-Net and MultiChoice shares would be delinked on the JSE from Monday.

Yesterday's announcement indicates an intention to split the group further. This would see the broader group divide into three separately listed, distinct arms — the M-Net subscription channel, the PayCo pure rand hedge vehicle and a pure cellular telephone vehicle.

Ed Hern and Rudolph's Syd Vianello said it would not be surprising if the cellular telephone division announced a rights issue soon after the split. The cost of developing the business had been "astronomical".

He believed the proposal was aimed at enabling the operations to go their own way, and could pre-empt funding needs on the part of the cellular division. In addition, the separate listing of foreign operations could provide investors with "an uncontaminated rand hedge option".

It would also enable the Rupert family to put a value on the Payco business which it jointly held through Richemont.

MultiChoice said that the recently announced deal, in terms of which its subscription television businesses would be consolidated with those of Richemont and NetHold, was nearing finalisation. The group warned shareholders to exercise caution when dealing in their shares.

LIFE OFFICES 232

Health warning

FM 26/5/95

Slap on the wrist — or cause célèbre?

The Life Offices Association (LOA) has been challenged to prove to the Competition Board that its activities are not a threat to the public interest. The board confirms writing to the association but is playing down the importance of the inquiry. "It is possible our investigation will show industry agreements serve the public purpose," says board chairman Pierre Brooks.

The LOA is, however, nervous. Member offices are bound by a string of agreements, some of which constitute price-fixing. At this stage, LOA director June Wessels would comment only that the industry agreements, "if taken as a whole," add up to a code of conduct.

With the financial and legal resources available to the LOA — all major life offices are members — it will not present a soft target for the board's investigators.

Wessels

The issue is whether the LOA constitutes a cartel. And, if it does, do its activities detract from the legitimate interests of other parties, including consumers?

Certainly, some aspects of the association suggest a cartel, though it's possible a sound case can be made to prove these aspects are there for the public weal. There is a management committee and about 30 specialist committees which deal with matters ranging from taxation to health — and disciplinary codes.

The committees tend to be dominated by representatives of the large offices, which have more resources and can release more brainpower to work on industry concerns. Membership of the LOA is not mandatory for a life assurer but a nonmember cannot expect its opinions to be heard by the legislators and regulators.

Flowing from the committee structure, there are more than a dozen agreements, which their apologists describe as self-regulation. In most cases, these agreements are rigid and flouting them invites rejection from the ranks.

If there is a cartel flavour, it can be found particularly in four of the agreements:

- The stop order commission agreement;
- The benefits illustration agreement;
- The replacement agreement; and
- The S-register disciplinary code.

The first regulates at 2,5% the commission payable to an employer for collecting and paying over premiums.

And, when a life office agent or broker is quoting potential return on investment, the figure must be within limits set by the benefits illustration agreement. When inflation was rampant, the parameters were compound 15% and 12%. Now the limits are 12% and 9% — reduced only after strenuous objections by Liberty Life, which argued that changing the illustration when inflation rates changed gave the impression of an investment return "undertaking" rather than an illustration.

In practice, many agents ignore the official percentages and point to the historic performance of their principals — invariably better than the figures in the agreement. To counter that practice, LOA members have to repeat the agreed-on illustration when they confirm a proposal.

The replacement agreement is another which seems sound practice. It was introduced to deter life brokers from upsetting existing savings portfolios by introducing new policies, replacing old ones and reaping the commission benefit.

So the agreement provides that a broker replacing a policy gets no commission. The amount that would have been paid by the new life office is shared by the original broker and the life office which has lost the premium flow from the original policy.

But when Crusader Life collapsed and IGI Life was thought to be in some danger because of the demise of the short-term IGI company, some brokers — in good faith — protected clients by switching them to products of other life offices. They were penalised.

The issue became heated and one prominent broker, Brian Benfield, and his partner were — mercifully, for only a brief period — stigmatised by being S-registered.

To be S-registered means no life office may use the services of the victim, as a marketer, for five years. Ironically, Benfield had actually chaired such disciplinary procedures when he was still MD of AA Life. The procedures applicable until the Benfield issue were reminiscent of Star Chamber tribunals, with no opportunity for the accused to confront the accuser. The procedures have now been modified.

Several other agreements will intrigue the Competition Board. They cover advertising standards, the interpretation of the official commission regulations, Aids testing, deferred compensation, the common register of impaired lives, suicide exclusions, disability cover limitations and a protocol on disclosure of medical information.

Brooks .. *industry agreements*

The LOA's defence is predictable. The agreements that exist, it will be said, are in the consumer's interests. Meanwhile, they will show ample evidence that the life offices compete fiercely among themselves. They regularly introduce new products with built-in barriers to entry by competitors. They price business, especially pension and provident fund administration, keenly. They cannot even agree, except in some minor respects, how to price business which carries extra risk from the Aids pandemic. They do share information about medical histories of individuals but could argue this is a reasonable precaution against fraud.

The Financial Services Board, official regulator of the assurance industry, encourages the LOA to self-regulate and the LOA is seen by some monitors as a model industry organisation. ■

FOI

Grappling with that newly taboo term — privatisation

CT(BR) 16/05/95 (232)

A fresh wind of change is blowing through Africa Steadily African countries are accepting that they are responsible for their own fate

No longer are they blaming all faults on their colonial past At the World Economic Forum Southern Africa economic summit, politicians from neighbouring states came as close as possible to doing a mea culpa for the economic disasters that have befallen many of their countries

Even Zimbabwe's Robert Mugabe, who, until recently appeared to have taken up the cudgels as the leader of socialism, admitted, though seemingly regretfully, that market policies had to be followed if there was to be meaningful and sustained economic growth

The language of most was unashamedly free market, with a strong emphasis on privatisation It was left to South Africa to be the most mealy mouthed, with ideological word games still being played

Among other things, ANC members of government, watched by their still very much socialist partners in labour, seemed to grapple with the word privatisation, sticking to their euphemism of reorganisation of state assets

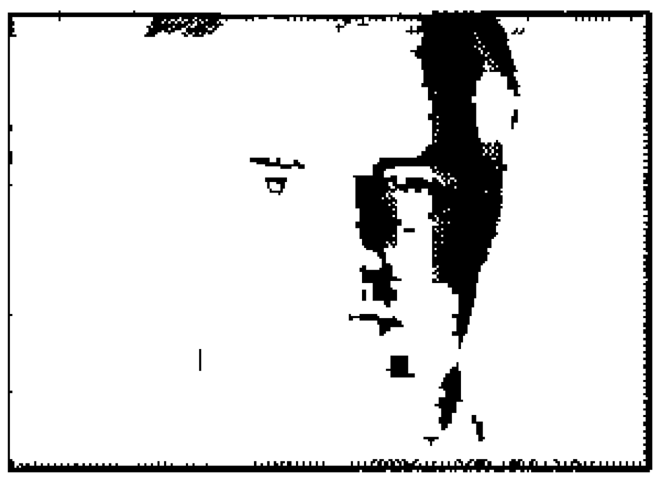
Stella Sigcau, the minister of public enterprises, at one stage got herself confused over the terminology before admitting it was privatisation she was talking about

To be fair, government does now seem to be moving steadfastly towards privatisation, even if somewhat unwillingly Apart from the ideological differences in the cabinet there are problems that must be resolved, particularly the politically charged issue of unemployment

The main topic of the conference was on a future southern African economic bloc Foreign governments see a southern African economic union as one of the few opportunities left to get sub-Saharan Africa on the growth track, while providing their taxpaying public with some evidence that there is a return on foreign aid — something which until now has been difficult to do with dictatorships on the continent worrying more about their Swiss bank account balances than the welfare of their people

South Africa's neighbours see, with the development of an economic union, a chance to share in what they perceive to be a comparatively successful country south of their borders

CANDIDLY CAMERON



BY BRUCE CAMERON

Our politicians are being caught out using atavistic rhetoric

Foreign investors see economic union as a sizeable market of more than 120 million consumers

But meaningful economic union is still many years off The biggest single problem, which was emphasised by finance minister Chris Liebenberg, is the huge disparity which exists between South Africa and its neighbours, not only in wealth but also in levels of development, infrastructure, administration and in government policies

In the more extreme cases it would be like marrying an elephant to an ant

The development of the European Union has repeatedly proved that political will is not sufficient to create an economic union. Common interests and desires have to be met with matching development

The EU started off from comparatively small beginnings with the formation of European Coal and Steel Community in 1951 which sought to unify the coal, iron and steel industries of the Benelux countries, France, Italy and West Germany The six countries formed the European Economic Community in 1957 which was to provide the basis for the single market 15-member European Union of today

The going was not, and still is not, easy as the countries seek to overcome various problems stemming from different levels of development

There are some people in the southern African region, who appear ready to leapfrog even the EU, blissfully talking about a common currency The EU has been struggling in recent years to move closer to a single currency through the exchange rate mechanism, but differences in inflation rates, interest rates, government deficits, trade balances and reserves have made it a difficult task

Any currency union here would see an already embattled rand taking a death blow

Transnet managing director Anton Moolman was right when he said a start should be made on the obvious and to build an economic union from there Force-feeding the region will fail

□□□

Influential people in government are keeping a close watch on what is happening in the unbundling of Johannesburg Consolidated Investment and the listing of three separate companies on the JSE yesterday

JCI parent Anglo American has let it be known that it is seeking black investors, to take up a stake in the newly created Johnnic and JCI Limited

It is this factor that is being watched ANC members are particularly perturbed at the way Sanlam handled the "affirmatising" of Metropolitan Life, which effectively created a few very rich people — not all black

The ANC wants to see a spread of real black ownership, not the creation of a very rich, tiny black elite or even worse a black elite fronting for other white groups

Anglo's Michael Spicer says talks have already started with a number of groupings, which he does not want to identify yet.

He says although account will be taken of the make up of the bidding groups, "this is not going to be a give-away It is not charity, it is a business deal"

The ANC would like to see a deal similar to that negotiated by Anglo's life assurance arm Southern Life, in the sell-off of African Life to black interests, which saw union groups take a stake, effectively spreading ownership Concentration of capital limits meaningful stakes to labour and communities

Aggressive privatisation policy 'a priority'

(232)

Mungo Soggot

BD 26/5/95

SA HAD to begin an aggressive privatisation policy and cut the Budget deficit to attract sustainable capital inflows, Investec economist Carole Mason said in the merchant banking group's economy focus yesterday

Long-term inflows which were attracted to sound macroeconomic policy were better than volatile short-term capital inflows into developing economies, she said The latter were simply chasing higher interest rates than were available in the industrialised world.

To attract these long-term flows SA had to chop the deficit more vigorously and put its privatisation programme — which would improve JSE liquidity and efficiency — on the road

"Capital inflows can present both a panacea and a Pandora's box the challenge for the authorities is to ensure that policies are in place that will prevent the potential adverse consequences of capital inflows from outweighing the undoubted growth potential that incoming capital would offer"

Volatile short-term capital inflows could trigger inflationary pressures by excessively boosting the rate of growth in money supply and could also bring on an overvalued exchange rate.

SA was firmly on the map of international portfolio investment, but holding on to investor interest would probably prove more difficult than attracting it, she said

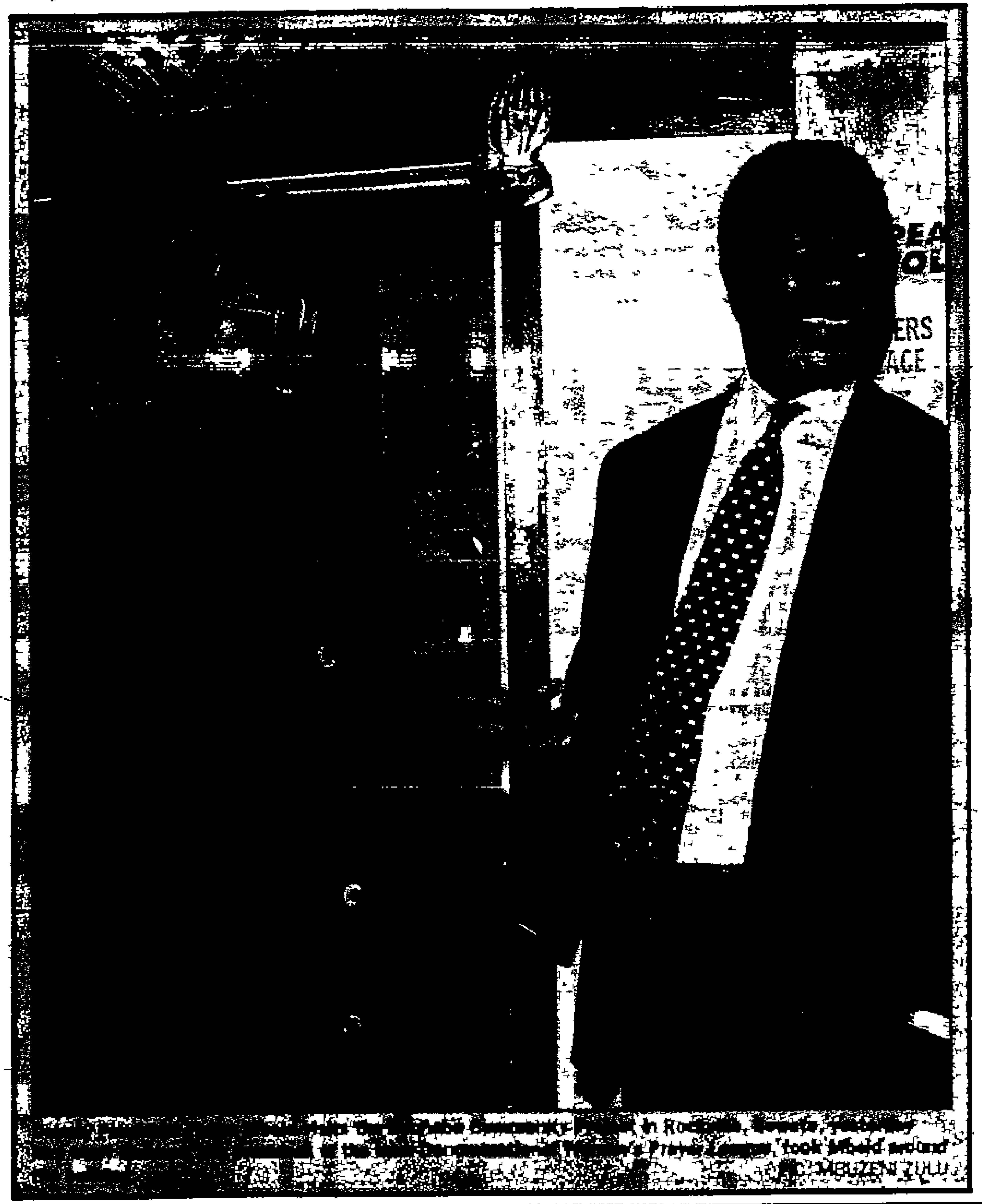
"Although the level of SA's reserves means a complete relaxation of exchange controls on residents in the medium term is unlikely, some official gesture towards the relaxation of exchange controls on institutional investors can be expected in the months ahead"

Cosatu warns Govt

(232) Sowetan 30/5/95

■ PUBLIC ASSETS Campaign

against privatisation a major focus:



MBUZENI ZULU

By Abdul Milazi
Labour Reporter

THE TIME has come for the Government to take a clear position on the privatisation of public assets, general secretary of the Congress of South African Unions Mr Sam Shilowa warned yesterday

Shilowa was speaking at a conference to explain Cosatu's position on the proposed new Labour Relations Act and Cosatu's rolling mass action campaign planned for next week.

Shilowa said the Government has claimed it will not privatise public assets, but some ministers have secretly announced their intentions to promote privatisation

"The Cosatu executive committee condemns the unilateral announcement by Minister Pik Botha of his intention to privatise Mossgas," said Shilowa.

Any decision taken on Mossgas, or any public asset, would have to be taken with the agreement of the major stakeholders, he said.

Campaign against privatisation

According to Shilowa, Cosatu's campaign against privatisation would be a major focus in next week's rolling mass action.

He said the decision to embark on mass action was not taken because the federation had lost faith in the National Economic Development and Labour Council Instead, he said, it was aimed at forcing the process to finalise new labour laws before the end of the year, adding that progress over the next few weeks will be critical in determining whether the impasse is broken.

"We believe that mass action by workers will demonstrate the seriousness in which they view this situation, and will put pressure on the negotiators," he said.

General secretary of the Congress of South African Unions, Mr Sam Shilowa.

The first phase will consist of two weeks of mass action from June 5, when workers will hold lunch-hour meetings and demonstrations at their workplaces.

A mass march will be held in Gauteng on June 6 Other regions will embark on mass demonstrations on the same day or on subsequent days. The details will be finalised at joint shop steward councils countrywide. The mass action campaign will culminate in a national day of protest on June 19, with marches throughout the country.

Shilowa said the labour delegation of Cosatu, the National Council of Trade Unions (Nactu) and the Federation of South African Labour (Fedsal) were united in their rejection of business' position

Nactu and Fedsal were still finalising their position on what action to embark on. Cosatu would consult the tripartite alliance, community, civil and youth organisations, Shilowa said.

OWNERSHIP AND CONTROL

1995

JUNE - DEC.

Anglo's Julian Ogilvie Thompson

Anglo is into 'empowerment' (232)

By Derek Tommey

Although there have been a number of approaches to Anglo American regarding the acquisition of the unbundled Johnnic and JCI by black groups, no figures have been put to it, the group's chairman, Julian Ogilvie Thompson said at a briefing on the group's profit figures CT (BR) 2/6/95

He said most of the approaches had been "far from specific"

"We stress that we are going to sell these assets only to groups that represent a broad base of black investors, backed by pension funds, trade union funds, stokvels, individual funds and so forth

"We are not in the game of what is loosely called black enrichment these days, we are in the game of black empowerment"

He said Anglo American was not able to say when the acquisition of the two companies by black groups would be completed He added the corporation was "in no particular hurry"

Azapo slams privatisation plans

~~(250)~~ (232) CT 5/6/95

JOHANNESBURG: The Azanian People's Organisation has lashed out at government plans for the privatisation of state services and enterprises

Azapo president Mr Mosibudi Mangena told a press conference here yesterday "it is clear to anyone that the call by Finance Minister Mr Chris Liebenberg for the government to sell profitable state enterprises is a trick to make rich whites, who have money to buy these, even richer"

At the press conference Mr Mangena also announced the expulsion of a senior Azapo leader

He said former Secretary for Community Development and Projects Mr Julius Landingwe was axed for failing to withdraw from a Cape Town local government sub-structure as demanded by the organisation.

SACP attacks ANC on govt economic policies

CT 8/6/95 (232)

SPECIAL CORRESPONDENT

JOHANNESBURG: The South African Communist Party (SACP) has launched a major assault in its latest journal on the government's economic policies

In what reflects a widening gulf between the ANC in government and its ally on economic matters, the planned disposal of state assets comes in for scathing criticism in the SACP's quarterly publication The African Communist, which is due out next week

SACP deputy secretary general Mr Jeremy Cronin and Cosatu president and SACP central committee member Mr John Gomomo have, in separate articles, castigated the ANC-led government for extolling the virtues of privatisation and other economic strategies advocated by donor agencies

"Public assets are not the private property of a particular party or government, but a heritage of the whole society. They should be protected from unilateral action taken by ruling parties," writes Mr Gomomo Any unilateral privatisation would be rejected by the union movement

Mr Cronin singles out Public Enterprises Minister Ms Stella Sigcau for "slavishly" holding Malaysia up as a model for South Africa to follow in implementing privatisation and affirmative action

Mr Cronin argues that the Malaysian economic success was achieved on the back of authoritarian regimes and has only benefited a small elite of the population

Verwoerdian

There are more parallels between the Malaysian policies and those of the Verwoerdian era National Party in South Africa than with the ANC, Mr Cronin says

Mr Gomomo also criticises the government for wanting to accept "the blueprints of outside agencies wanting to impose their dogma on to our situation"

Accepting this advice would lead to privatisation and rationalisation of the public sector, the rapid lifting of trade barriers, the establishment of cheap labour, and the advent of "Thatcherite monetarism", he says

Complaints over Model C schools

PRIVATE companies have complained about commercial competition from Model C schools, the Competition Board has told parliament.

The board said complaints included Model C schools competing with the private sector in after-school centres, and in renting out facilities in competition with hotels and guest houses.

Complainants said schools used facilities and staff provided by the state, which gave them an unfair advantage.

The board said talks had been held with education authorities, but the matter had not been resolved

— Political Correspondent.

ARG 9/6/95

Guaranteed success is not part of privatisation's deal

ST (BT) 11/6/95 (232)

Since competent management does not automatically follow private ownership, regulatory oversight of the restructuring of state assets is essential, write RONALD ROBERTS and TIEGO MOSENEKE.

THE debate on the restructuring of state assets resembles the construction of the Tower of Babel.

Opponents of privatisation have consented to its more subtle forms, such as allowing parastatals to raise private finance, thus conceding significant control to private lenders Others assume that privatisation means the sale of 100% of state ownership rights, whereas ownership of 15%-25% can mean de facto private control Moreover, when privatisation finances new infrastructure through, for example, build-own-operate techniques, asset sales are irrelevant

Nevertheless the media has reduced restructuring to a synonym for asset sales Parastatal management reforms, promising enormous annual savings, are displayed by sensational images of state asset bazaars, complete with mass privatisation schemes imitating Eastern Europe This uncritical importation of irrelevant ideas risks eclipsing efficient social welfare

The conservative US Heritage Foundation advises its global allies "to identify potential opponents and cut them in on the deal, generally by means of stock ownership" Right on cue, Leon Louw's Free Market Foundation urges that a "big bang" sell-off of state assets would give every black South African R20 000 In fact, such a big bang would, among other ill effects, depress overall revenues by crowding global markets with SA assets

Asset-sale bandwagons must not be allowed to overtake public welfare

Asset-sale enthusiasts also assume that state enterprises are inherently inefficient and private ownership necessarily efficient Yet, according to London's Financial Times, British Gas improved its productivity by four times more operating as a state company in the 1970s (4,2% a year) than it did in the 1980s (1% a year), when it was being prepared for privatisation Among the most efficient British performances in the 1980s were British Steel, which was not privatised until 1988, and British Coal, which remains state-owned Among the least effective was British Telecom, privatised in 1984

Some alleged benefits of privatisation result, actually, from variables such as competition Privatised British Telecom's poor performance between 1984 and 1989 reversed dramatically between 1989 and 1994, driven by increased competition in its industry

The risks of private ownership are easily under-emphasised Freed of state control, the 10 privatised British water authorities have reaped decreasing profits from unwise diversifications Investments of £1,16-billion in unrelated businesses such as hotels have yielded risible profits £76-million over four years Nevertheless, industry-wide pay hikes for their chairmen (1989-94) averaged 116% between 1989 and 1994, approaching 250% in some cases

Since private ownership does not guarantee competent management, continuing regulatory oversight is an acknowledged essential The real question — even during Margaret Thatcher's tenure as prime minister — has always been how to reconfigure, not banish, state involvement Despite ambitious price regulation in the British water industry, the new management's freedom to invest was under-restricted Managers were free to abandon regulated water delivery and seek (unsuccessfully) higher returns in unregulated activities

South Africa already faces such problems Semi-autonomous Umgeni Water has reportedly suffered R200-million losses on R2-billion of loans, having circumvented requirements for ministerial consent Attempting to recoup these losses Umgeni, aided by its investment bank, has reportedly embarked on secondary market trading, again without consent

The central problems in state-controlled Umgeni, as in privatisation of the British water authorities, hinge not on the private or public status of ownership, but rather on the design of management constraints Fundamentalists on both sides of the privatisation debate have ignored similarities between the "privatised" but regulated British water authorities and "state-controlled" but semi-autonomous Umgeni

Whether ownership is held privately (as in Britain) or by the state (as with Umgeni), the central determinants of performance — regulation, management incentives, competition — remain constant Privatisation has often been propped up by high tariffs, constraining competition for the short-term benefit of private purchasers Sixteen years after its 1979 "privatisation" Sasol tariffs remain a subject of public controversy Similarly, despite perceptions that Iscor has been successfully "privatised," it still depends heavily on state subsidies

This inconsistent enthusiasm for free enterprise, reflecting the distorting effects of vested interests, must be carefully managed The transaction fees generated by asset sales, for instance, often benefit the very bank tasked with determining whether such sales are necessary

As a sale gathers momentum, governments and the investment banks effectively seek to maximise revenues through hasty decisions granting government guarantees, writing off past debt, assuming pension obligations, giving tax breaks, and consenting to distorted and anti-competitive industry structures, or inadequate regulatory regimes

An effective sovereign advisory consortium must prevent such asset-sale bandwagons from overtaking public welfare

Transaction-biased international advisers will inevitably participate in, but should not lead, restructuring Lucrative asset-sale mandates should require advisers also to restructure non-lucrative assets like former homeland development agencies, thus balancing asset restructuring and asset sales

Tiego Moseneke and Ronald Roberts, of the firm Moseneke & Partners, are authors of a recent report on privatisation

Tougher penalties proposed

Competition laws to be redrafted

(232)

BD 12/6/95

Greta Steyn

TRADE and Industry Minister Trevor Manuel has asked for a complete rewrite of competition legislation and will tell Parliament this week of moves to tighten up policy, sources said at the weekend

The task of drafting a new competition law is understood to have been given to Competition Board chairman Pierre Brooks and legal experts Dennis Davis and Willem Pretorius.

Manuel presents his Budget vote in Parliament this week Competition legislation is expected to be his next main focus, after dealing with the restructuring of the clothing and textiles and motor industries.

Sources said it had been decided that draft legislation should be ready before the issue could be properly debated with business and labour in the National Economic, Development and Labour Council The intention was to write a completely new Act, rather than modify existing legislation The policy document written by Pretorius, Free State economics professor Frederick Fourie and UCT academic David Lewis would be a major input

The document had proposed the creation of a powerful tribunal and investigative agency with independent decision-making power to replace the Competition Board It suggested a special competition appeal court be formed and a massive increase in fines — 10% of annual turnover.

But a source said the recommendations were not cast in stone While it was likely that fines would be raised substantially, it would not necessarily be to the levels proposed in the discussion paper.

It had originally been decided that the policy document would form the basis of presentations to the trade and industry standing committee These discussions had been postponed twice, and a decision taken not to debate the issue on the basis of the discussion paper Business has privately signalled its opposition to the document, and is anxious to see how it will be translated into legislation.

One of the points of departure of the discussion paper was that abuse of market power, and not the existence of market power per se, needed to be punished. It also suggested that planned mergers and acquisitions that would bring about significant market power had to be reported to the competition authorities as a rule

A top business source yesterday criticised the decision to wait until draft legislation had been written before debating proposed changes to policy "This does not gel with the consultative approach which one assumed would be the route"

He called on Manuel to change his mind, and begin consulting business as soon as possible He noted that nothing had happened in Nedlac so far on the competition policy issue

The source said the distressing experience with the Labour Relations Bill illustrated the dangers in first writing draft legislation, and then setting short deadlines to reach agreement

He also noted that, on such a contentious issue, care should be taken to pick the committee to write legislation 'It might be advisable to make the committee broader-based, including members who did not necessarily agree on everything

Consumer bill faces tough time

(2115) (232)

Political Correspondent

TRADE and Industry Minister Trevor Manuel has predicted heavy weather ahead for his Competition Bill.

The bill, which is drafted, will aim to promote economic and social justice and punish anti-competitive behaviour.

It will also provide a framework for the development of effective consumer protection

ARG 14/6/95

In the debate on his budget vote in the national assembly yesterday, Mr Manuel said groups in the economy differed on whether changes to competition laws were needed.

"We are bound by RDP to effect the necessary changes," Mr Manuel said

There was applause when Mr Manuel announced the European Union's Council of Foreign Ministers had mandated the European Commission to grant South Africa access to the Lome Convention.

Mr Manuel will negotiate outstanding issues next week

In September, Mr Manuel will lead a trade and investment delegation to Japan and other Far Eastern countries.

National Party finance spokesman Theo Alant said his party supported the proposed revision of South African competition policy

Stormy passage likely for Competition Bill

(232) BD 14/6/95

Tim Cohen

CAPE TOWN — Government would enact the long-awaited Competition Bill even though it would be almost impossible to achieve consensus on it, Trade and Industry Minister Trevor Manuel told Parliament yesterday

Speaking during the trade and industry budget vote, Manuel said he anticipated extensive lobbying to delay the passage of the Bill once it was tabled

The Bill would seek to promote economic and social justice, punish anti-competitivebehaviour and provide a broad framework for the development of effective. consumer protection.

There were divergent views among economic actors on the need for the legislation, but the department was bound by the reconstruction and development programme to effect the necessary changes.

Discussing investment policy, Manuel said SA had insufficient savings for its industrial investment needs and the department had been working towards a coherent investment policy.

A recent report by a firm of international consultants had concluded that conditions for investment in SA were mixed.

SA had no barriers to inward investment, a good spread of incentives, as well as an advanced physical infrastructure and financial system

On the negative side, however, were exchange controls, cost-raising effects of protection, relatively high tax levels and a lack of a coherent investment image

Manuel said the department would set up a "one-stop investment centre" to facilitate enquiries and ease the path of potential investors through red tape.

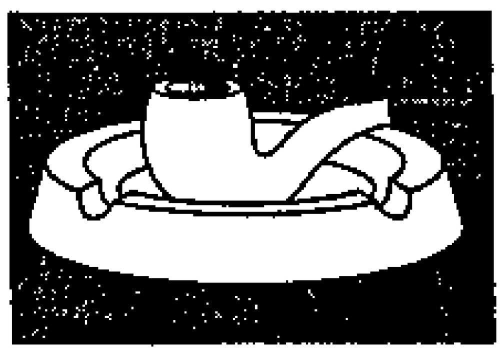
SA needed to move away from being a supplier of raw materials and semi-processed goods to developed countries, and reduce its dependence on imported manufactured goods.

He said the European Council of Ministers, supported by the African, Caribbean and Pacific Group, had approved SA access to most of the provisions of the Lome Convention Outstanding issues to be negotiated related to market access.

As part of this process, Manuel would lead a trade and investment delegation to Japan and the Far East in September

The SA/US Bilateral Commission would meet in October to cement progress made in the SA/US Business Development Council since September

INSIDE OUT



Will the denationalisation of state assets pave the way to people's capitalism?

(232) CT (BR) 15/6/96

Fears of share glut following privatisation are unfounded

The privatisation bandwagon is about to start in South Africa, following ministerial statements that privatisation is one of the means which will be adopted as part of the restructuring of state assets

Speculation is mounting that the government is planning to privatise either partially or wholly both Telkom and South African Airways before the end of this year The potential benefits to be derived by South Africa from a wholesale privatisation programme are substantial, since both the fiscal and balance of payments positions should benefit, while parastatals which are shifted into the private sector should become more efficient.

Even so, fears are being expressed in investment circles that the local financial markets, and in particular the JSE, will not be able to absorb easily the supposed glut of new shares to be offered to the investing public

State-owned assets have been valued in some quarters at around R500 billion, though some would not be easy to sell Privatisation in other words spells danger for share prices, especially when considered in the context of the high price levels which currently rule and the trend towards higher interest rates

These fears about privatisation have been partly fanned by a recent report by the Organisation for Economic Cooperation and Development (OECD), which warned that the number of privatisations planned over the next five years could have a damaging effect on the value of some share markets around the world

OECD report warns of the potential dangers to values of share markets internationally

Countries planning major privatisations this year include France, Britain and Italy A further six European countries — Austria, Germany, The Netherlands, Portugal, Spain and Sweden — also hope to privatise a number of large state-owned businesses by the end of the year

The OECD, moreover, points out that the value of privatisations is likely to grow further in coming years, boosting the total of new capital hitting share markets by $200 billion over the next five years

The report states that these privatisation programmes are so large that their implementation will have a profound impact on the financial systems of OECD countries It added that in Italy, where the value of privatisations will be the highest in comparison to the size of its securities markets, share capital could increase by 30 percent in the next year alone

Although the report does not predict that share markets will inevitably decline in the face of these issues, it emphasises the importance of continued strength in equity prices, arguing that any downturn in such prices would lead to a shift in portfolio allocations away from equities, which in turn could undermine current privatisation plans

There is, however, little parallel between South Africa and many other countries where privatisation programmes are concerned Whereas numerous other countries have been privatising for years, in the South Africa there has been only one major privatisation issue, namely that of Iscor in 1989 There is, therefore, no danger of fatigue among local investments for privatisation issues

Moreover, while in some countries a strong motivation for privatisation has been to place shares among the general public, and therefore the appetite for new share issues by retail (private) investors has been of key importance, in South Africa institutional investors could well be the major investors and therefore the driving force supporting privatisation issues

Institutional cash flows should be more than R30 billion this year, which will be more than ample to meet the funding requirements of the government which is expected to require less than R20 billion from the fixed interest market in the fiscal year ending March next year

The institutions should be aggressive bidders for any shares which are offered by the government in the local market, especially if share market conditions remain relatively stable Indeed, some money will most probably be diverted from the bond market towards privatisation issues

There is, moreover, the prospect that local financial institutions will not get the parcels of shares they would ideally like, because the government will be keen to use privatisation schemes to empower blacks, and could therefore sell shares in state enterprises to them at below market value

Selling shares at subsidised prices may induce emerging investors to buy shares, and thereby strengthen people's capitalism in SA It should also be noted that there is no shortage of foreign capital to fund ambitious privatisation programmes in South Africa provided the issue prices are attractive

In addition, the success or failure of any privatisation issues in South Africa will partly depend on the number of privatisations which are in the pipeline These could be very limited, since the government has emphasised that it is not committed to privatisation as an ideology

Fears that privatisation issues will weaken share prices in South Africa are much exaggerated, because, quite apart from anything else, such reasoning ignores the likely macro-economic benefits of denationalisation

The funds raised by the government from sales of state assets can be employed in such a way that the economy is strengthened, which would be positive for share prices Using privatisation funds to reduce government debt would improve the fiscal position, while the sale of shares in public utilities should attract foreign buying, thereby strengthening the balance of payments position

There is a chance that the funds will be squandered, but the need to remain as an "investor friendly" country will put pressure on the government into pursuing responsible economic policies In short, privatisation is unlikely to undermine the present bull run on the JSE

☐ *The author is a prominent government economist who prefers to write anonymously*

Monopoly Act storm brewing

(232) ST 18/6/95

By RAY HARTLEY
Parliamentary Correspondent

ANOTHER showdown between business and labour is on the cards, this time over the drafting of a new Competition Act that is likely to target monopolies which have attained market dominance by buying out their competitors.

The head of Business South Africa, David Brink, warned this week that overhauling the act would "develop into quite a hectic debate"

Cosatu's Neil Coleman said yesterday that the federation continued to back tough action against monopolies and called for unbundling and strong antitrust legislation

Mr Brink said there was a danger the new act would create a giant company-watching bureaucracy.

"The flavour of the month is that there shouldn't be any abuse of monopoly power The sort of bureaucracy that could be set up to ensure this boggles the mind," he said

Trade and Industry Minister Trevor Manuel is known to favour legislation that will increase opportunities for smaller businesses in areas of the economy dominated by large corporations

Addressing Parliament this week, Mr Manuel said some producers were rendering labour-intensive industries uncompetitive "because of high tariffs and because they are virtual monopoly suppliers"

Mr Manuel illustrated his point by referring to the paper industry: "We have two manufacturers of paper and between them they have dominated the market. Producers of schoolbooks, among others, have complained to me about high prices and supply difficulties"

The legislation is being drafted by Dr Pierre Brooks, the Competition Board chairman, Dennis Davis and Willem Pretorius, both lawyers

Dr Brooks said this week the legislation was likely to target companies who achieved market dominance by buying up their competitors and not those that won market share in open competition.

"The first thing we must do is to see that they don't get their positions through acquisitions," he said

But the legislation would not aim to "break up all the monopolies".

He said South Africa's large companies were "modern in every other sense, but they don't want to be modern when it comes to competition law"

Competition policy had to be accompanied by the lowering of protectionist measures and the removal of exchange controls, he said

Cartels 'are driving away investment'

DM #21/6/95 (232)

Nicola Jenvey

DURBAN — SA was losing vital foreign investment, particularly from Europe and the US, because of the concentration of economic power, Price Waterhouse senior partner in Durban Steve Ashforth said yesterday.

He said power concentrations meant local competitors could "put the squeeze" on financial backers or raw material sources.

Ashforth has recently returned from a KwaZulu/Natal Marketing Initiative inward investment mission to London, Brussels and Birmingham, where he made contact with various British businessmen wanting to invest in SA.

He said one investor had looked at investing in the KwaZulu/Natal Tugela basin, but found his main source of raw material "suddenly became unavailable" as the deal reached the signing stage.

The potential investor had commented that the concentration of power, which ensured SA only had a small number of competitors, provided "a major barrier to investment entry".

Price Waterhouse partner Stanley Soobramoney cited another example of a US company wanting to invest \$30m in SA. However, the US institution funding the deal had withdrawn its backing when faced with pressure from SA conglomerates.

"That deal was subsequently taken to Sri Lanka where the investors have said they were warmly welcomed and appreciated for the potential brought into the country," Soobramoney said.

Ashforth said SA competition laws had to be changed to prevent cartels "destroying potential foreign investments". He believed, however, that vested interests within business might result in the uncompetitive structures remaining.

"Original speculation was that the JSE would institute a minimum 25% public shareholder stake for listed companies, but this was decreased to 10%. It is not known what the mandate will be on future pyramid structures listing on the JSE, when the pressure is on and the powers have their say," Ashforth said.

He said initially speculation had been that companies would only be able to list two pyramid companies on the JSE, but this may not be so.

Another issue hindering foreign investment was the lack of incentives, particularly tax holidays.

During 1994 Ireland was the third most successful attractor of foreign investment in Europe after England and France — both of which have economies 10 times Ireland's size.

"The main incentive is that companies dealing with certain manufacturing activities pay only 10% in corporate tax until the year 2010 compared to the normal rate of 43%, yet SA policy-makers still insist that incentives do not attract investment," Ashforth said.

Sacob backs stronger Competition Board

Kevin O'Grady (232)

THE SA Chamber of Business (Sacob) voiced support yesterday for retaining and strengthening the Competition Board as a neutral regulatory body and said any competition policy review should also be extended to the public sector

Sacob president Les Weil released the chamber's competition policy — a document urging caution in restricting monopolies, acquisitions and mergers, and implementation of affirmative action It said parastatal bodies were "exempt from the rigours competition imposes on the market" and that privatisation had potential to promote competition and enhance black economic empowerment

Presenting the document at a news briefing, Sacob's Bill Lacey said the body was concerned that government intended to introduce strict anti-trust legislation Monopolies and concentrations of economic power should be judged on their behaviour, not "naively" on their size

"The forcible breaking up of monopolies would be opposed by business and consideration should be given to the reasons for the creation of those monopolies in the first place, such as exchange control, import controls, tariff barriers and regulation," the document said The remedy to economic concentration could not be found in short-term ideological measures without serious damage to SA's growth and employment prospects

Sacob recommended that the board required notification in advance of acquisitions of a particular size "so that problems associated with action after the event do not arise"

Sacob members were concerned about a statement in the reconstruction and development programme's outline on competition policy that a commission would be set up to review the "structure of control and

BD 22/6/95 Continued on Page 2

Competition (232)

Continued from Page 1

BD 22/6/95

develop efficient and democratic solutions". Competition policy makers should concern themselves with promotion of an efficient market, not with the way businesses were controlled and managed.

Sacob director-general Raymond Parsons said the "sheer force of events" would ensure the June 30 deadline for agreement on the draft Labour Relations Bill would not be met. The organisation supported government's right to impose policy if agreement was not met but said it would "have to face the consequences of failure" if success was not achieved.

The chamber was critical of strikes backing union demands for compulsory centralised bargaining, and supported business's commitment to voluntarism. The same principle applied to proposals to legislate a single model for workplace forums and to enforce the closed shop principle.

Recent announcements of possible user charges and taxes being levied were cause for concern, implying an uncoordinated approach to taxation and undermining the work of the Katz commission, Weil said.

Cabinet guide to privatisation held back

ET 29/6/95 (232)

By Bruce Cameron

Political Editor

Cabinet has postponed a final decision on guidelines for the privatisation of state assets until parliament resumes sitting in August.

The guidelines, prepared by a Cabinet committee, are understood to give the green light to privatisation with a range of choices

The postponement comes after weeks of haggling between senior members of government on the sensitive issue The reason for the postponement is understood to have been a result of some ministers not having read briefing documents in time for yesterday's Cabinet meeting

Opposition

The issue has been a political hot potato with organised labour and many ANC members of parliament, particularly those aligned to the South African Communist Party, opposed to the sell-off of state assets

The Cabinet committee has been considering a number of privatisation options including a partial sell-off of the major parastatals to foreign companies to raise capital and improve technology, a transfer of some of the assets to state pension funds to cover massive underfunding, and ways to give a stake to groups excluded from ownership by apartheid

There appears to be agreement that money raised from privatisation will be used to reduce the massive R250 billion state debt and cost of debt service, which absorbs the biggest portion of government spending

Anglo hits out at Manuel's policy

Michael Urquhart (232) BD 30/6/95

ANGLO American called yesterday on Trade and Industry Minister Trevor Manuel to demonstrate greater transparency in drafting new competition legislation.

Anglo chairman Julian Ogilvie Thompson also hinted that business could dig its heels in if it was not adequately consulted

In his annual chairman's review, Ogilvie Thompson said it appeared Manuel would not consult stakeholders until a draft Bill was presented to the National Economic, Development and Labour Council.

"The current distressing experience with the labour relations Bill illustrates the dangers of setting short deadlines to reach agreement on draft legislation. A more consultative and transparent process is desirable."

He said the principal danger from a tighter competition policy for SA would be "destructive policy-induced uncertainty" for producers and consumers. If certain key terms, such as market dominance, were defined too widely, it would allow competition policy officials to "roam across the corporate landscape unfettered by clear limits on discretion", and engage in numerous protracted negotiations

Recommendations contained in an unofficial draft competition policy paper produced earlier this year retained the capacity to promote an expensive and bureaucratic system, he said.

SA should be guided in the setting of new competition policy by the practices of its competitors in the industrialising countries, not by the rich industrialised countries with their large domestic markets

Ogilvie Thompson said the perception that labour would rather adopt confrontational tactics than use established institutions for negotiation was the key disincentive to investment and the achievement of higher growth levels

Privatisation powers 'must be clearly defined'

Mungo Soggot (232)

THE powers of the key actors in SA's privatisation programme — including government departments, the public enterprise holding companies, management and labour — should be clearly defined before the privatisation process began, Rand Merchant Bank GM Neil Morrison said yesterday. BD 4/7/95

Morrison told an AIC privatisation conference this would make clear who had the authority to prepare the sale of the state asset, look for a buyer and implement the sale agreement.

He said government's privatisation goals could include keeping control of the privatised company in SA hands, attracting long term foreign investors to improve access to technology, and distributing tangible assets to the disadvantaged.

Government had to set "high priority goals", although state-owned companies' share structures and market values could make these goals difficult to achieve. Its privatisation guidelines are due in August.

The privatisation programme would have to be run with the overall objectives of economic restructuring in mind. Government could consider earmarking the proceeds of asset sales for specific capital expenditure on expanding services for poorer communities.

Morrison said that as the public sector accounted for 34,5% of GDP, the restructuring of public enterprises could allow the government to focus on improving its efficiency and restructure the civil service.

'Japan can promote competition in SA'

232

TOKYO: President Nelson Mandela kicked off his four-day state visit to Japan yesterday with a call for foreign investment to "revitalise" South and Southern Africa.

Addressing a lunch attended by executives from most of Japan's major corporations, he said Japanese investment and expertise could help promote a competitive manufacturing sector in SA and the sub-continent.

He said SA offered excellent infrastructure, a sophisticated financial sector and access to markets in the region.

The government was committed to fiscal discipline and had abolished the dual currency system. Non-resident shareholders' tax would be phased out soon.

He also said the Community Safety Plan and increased co-operation between communities and the police had resulted in successful efforts to combat crime.

Mr Mandela later received an honorary doctorate in law from Waseda University in Tokyo and attended a state banquet hosted by Emperor Akihito and Empress Michiko — Sapa

CT 5/7/95

RONALD ROBERTS AND DAVID GREEN — **IN MY OPINION**

Privatising the private sector

(232) FM 7/7/95


Ronald Roberts co-authored the Moseneke report on privatisation. David Green wrote the Monitor report on SA's worldwide competitiveness

The restructuring of State assets must increase competitiveness in the State and private sectors, not simply transfer State assets to private oligopolies

The key determinants of competitiveness are improved industry structure, strong competition law and effective regulation If these prevail in both the private and public sectors, the transfer of State assets to private hands becomes an unnecessary sideshow in the quest for competitiveness

Competition is more fundamental than private ownership in determining performance privatised British Telecom's poor performance between 1984 and 1989 reversed dramatically between 1989 and 1994, driven by increased competition in UK telecommunications

Conversely, SA's privately owned steel bolt industry, protected from international competition, produces standard bolts 15% more costly than the US equivalent

Governments selling assets to maximise revenues and reduce State debt almost inevitably retard competitiveness and long-run economic growth Private purchasers will pay more for lucrative monopolies in protected markets than for restructured enterprises in competitive environments Sustainable development requires the pursuit of competitiveness, not short-term revenue maximisation

For example, Argentina's treasury-driven privatisers failed to draft adequate regulatory and performance standards to bind private purchasers

Consequently, Argentina's airline was privatised as a domestic monopoly and service deteriorate Tolls on Argentina's privatised highway system increased so rapidly that government was forced to suspend them

To maximise debt relief, Argentina abandoned plans to restructure its State monopoly in telecommunications into five competing units It then failed to establish an effective regulator of the privatised monopoly, long-distance and international phone rates were soon among the highest in the world

Similarly, the UK's gas monopoly was hurriedly privatised intact to fill the revenue gap that arose when litigation delayed the planned privatisation of British Airways This forfeited opportunities for industry restructuring and resulted in excessive post-privatisation profits at consumers' expense

Similar failings have clouded SA privatisations Had Iscor been privatised as individual mills rather than as a monolith producing a comprehensive range of steel products (200 000 in total), domestic rivalry would be higher Rivalry triggers product rationalisation, greater manufacturing efficiency, and price competition

Aside from competitive industry structure, effective procompetition law is vital Cartel-based models of industrial competitiveness have failed

According to the OECD, prices in the cartelised Swiss economy reach 40% above the industrialised world average In emerging markets, such as Argentina, inadequate procompetition law has allowed aristocratic family-owned conglomerates to dominate privatisation, introducing overcautious management styles and retarding competitiveness

In areas of "natural monopoly," where technical factors preclude competition, private ownership alone will not create efficiency It is more important to separate the truly natural monopolies (electricity grids, pipelines) from related activities where competition is possible (electricity generation, water purification) Given independent regulation and maximum rivalry among providers (whether public, private, or a combination), private ownership becomes nonessential

Government must also anticipate regulatory issues beyond particular industries

Chilean experience, for instance, demonstrates the twin evils of inadequate procompetition law and lax financial regulation In the mid-Seventies, Chile's State-owned banks were sold through public bids, requiring down payments as low as 20% of purchase price

Conglomerates made leveraged purchases of banks, then used the banks' assets to bid on nonfinancial firms Group small capital bases thus gained control of massive assets

Lax regulation permitted banks to lend to enterprises bought by their conglomerates Intra-conglomerate loans, from private banks to affiliated enterprises, soon averaged 15% of loan portfolios, reaching 40% in the case of Chile's largest bank As enterprise failures triggered bank failures, during the recession of the mid-Eighties, government was forced into costly re-nationalisations

In the late-Eighties, Chile successfully re-privatised, after implementing new regulations that, among other restrictions, forbade conglomerates from buying enterprises for debt This pattern is pregnant with lessons for SA, given concentrated patterns of cross-shareholding on the JSE and the intimate links between conglomerates and particular banks

Assuming competitive industry structure and effective regulation, State asset restructuring should aim to release resources from State-monopolised clusters to benefit the broader economy

The problem here is not that the State is a hapless monopoly producer but exactly the opposite it is a monopoly *consumer* of valuable semi-State expertise, in areas where the broader economy is critically weak, such as research and development, technical services, and machinery

World-class expertise

For instance, whether or not the world-class expertise that created the Rooivalk and G5 and G6 cannons continues to have military applications, that expertise should be available to the civilian sector

Revising the business strategies and regulatory environment of semi-State organisations is more important than simply selling them

If a hypothetical private purchaser of Denel continued, for instance, to monopolise scarce technical resources for narrow military purposes, broader problems of weak clusters would be perpetuated, not solved Thus restructuring, not private ownership, is the primary concern

Government's housing programme, an RDP priority, has been partially privatised through joint venture arrangements Yet the cost of a house is almost double that expected from international experience Government could literally get twice as much bang for its money if the competitiveness of its underperforming private-sector partners was improved

If competition is the heart of private enterprise, then State-dependent SA business, as much as the maligned public sector, urgently requires restructuring Government's task is far more complex than simply selling its assets to the highest bidder Intelligent restructuring can significantly boost reconstruction and long-term economic growth

Why ‘mindless’ privatis

Exploring the issue of privatisation of state assets, special writer Ann Crotty considers the views of those in the ANC alliance who regard with profound suspicion the wholesale selling-off of key public utilities

Like it or not, the recent request by Pallo Jordan, the posts, telecommunications and broadcasting minister, for submissions from the South African public on telecommunications policy will include much comment on competition and privatisation

As he unveiled the "green paper" discussion document, it became apparent that Jordan's only firm view on Telkom was that competition would be unacceptable

However, merchant bankers the world over regard telecommunications as possibly the sexiest asset to privatise, with its considerable ability to attract wads of international capital This, no doubt, is why these assets have kicked off, or taken centre stage in, privatisation programmes in many emerging markets

An exercise aimed at establishing the guidelines for telecommunications policy and legislation will inevitably attract comment not only from parties interested in Telkom, but from those interested in privatisation of any of the major state assets

The request for public input on Telkom came just as the long-awaited Guidelines on Restructuring State Assets document from Stella Sigcau, the public enterprise minister, was distributed to Cabinet ministers

Discussion of that document at Cabinet level has been delayed to enable ministers to come up to speed on the issues This was no doubt why Jordan's team was unable to give any recommendations for their department last week

Although the ANC national conference in December last year endorsed the government's privatisation "plans", it is apparent that the ANC has nothing like a firm policy on the issue

Alec Erwin, the deputy finance minister, has said there are no sacred cows regarding privatisation But it is a sentiment not shared by all his ANC Cabinet colleagues, nor by the party's alliance partners Cosatu and the SA Communist Party (SACP) Both Cosatu and the SACP are anxious to ensure that debate on the issue involves, and is driven by, a much broader base of players than has been evident to date

In the latest issue of its quarterly journal, African Communist, the SACP devotes much space to discussion of privatisation An article, based on an address by John Gomomo, SACP central committee member and Cosatu president, makes the point that since the elections last April, the intentions of the ANC-led government of national unity regarding privatisation "have not always been clear"

To be expected, the SACP is sceptical of the supposed benefits the process will provide the majority of South Africans "That the present public sector, which we have inherited from the past, needs drastic reorganising and transformation is incontestable But does transformation necessarily imply privatisation?"

Sale of some state assets could be considered, such as the tracts of land owned by the defence force or Mossgas, the journal says, but "generally, the SACP views with suspicion and concern most of the mindless advocacy of wholesale privatisation being articulated"

The journal refers to and supports a number of the concerns raised in a January publication by Cosatu research group Naledi, namely that while privatisation might bring greater commercial efficiency, it is typically at the price of service delivery and developmental priorities Further, while the selling off of key public utilities will bring in some state revenue to cover fiscal difficulties, Naledi says, the sums gained will be relatively low and once-off in character

A major and understandable concern expressed by both Naledi and the SACP is that the whole process appears to be driven largely by merchant bankers (mainly foreign), officials from the previous regime, and parastatal management None of these is regarded as having much sensitivity towards, or accountability for, what is deemed to be the driving policy issue of the new government — the reconstruction and development programme (RDP)

Naledi is particularly critical of the role played by the Office for Public Enterprises and Privatisation which, it says, has "gained tremendous influence over future decisions" despite the fact that it has not visibly changed its mission or its top personnel since the elections

Naledi calls for this office to be completely overhauled or excluded entirely from the restructuring process It also suggests that research on the subject be done by experts commissioned by Nedlac and not by "inherited bureaucrats" or merchant banks hoping to earn fees from the sale of parastatals

As Naledi sees it, business is looking to privatisation for a range of new opportunities, including substantial fees from facilitating the sale of the big companies, the chance to take over the profitable functions of the parastatals, greater foreign investment, and more stock exchange activity "In return, business promises the government that privatisation will raise funds for the RDP and give opportunities to black business "

The argument that privatisation can be a means to redress racial economic imbalances is, according to the SACP, deeply suspect

"This privatisation-as-affirmative-action argument (the Malaysian route) tends to focus on the creation of a new (and narrow) black business elite If, at the end of five years, blacks in South Africa own a larger slice of the economy, this will be largely irrelevant if the change is simply the statistical result of a few Nthatho Motlanas having become multimillionaires "

There is the additional perception that in selling off state assets and reducing the public sector, privatisation effectively devalues the power and the role of the government It would be unusual for the new players to welcome such a reduction of their power

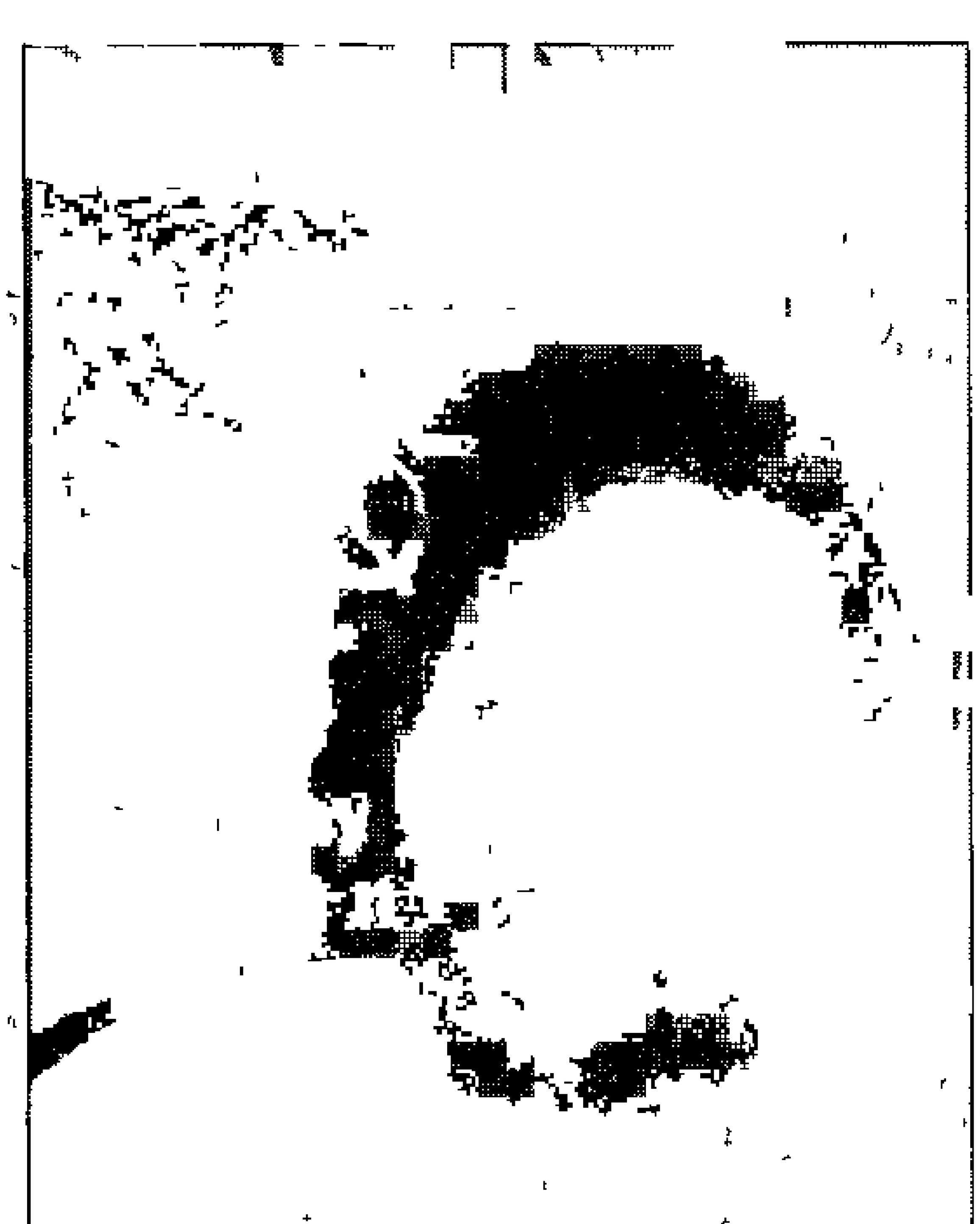
Both Naledi and the SACP are keen to emphasise the need to re-examine the issue of "restructuring of state assets" from a different perspective As Naledi notes "Whether privatised or not, parastatals must re-examine and restructure their operations to meet the needs of the majority"

It says that suggested core goals should include the provision of quality basic services to the poor majority, the creation of employment in the context of rising investment and economic growth, and the involvement of major stakeholders in decision-making

As Naledi sees it, the reality of privatised management militates against achieving any of these goals Rather, "such goals will likely require that the government initiate substantial changes in the structure of parastatal management and demand clear performance targets to reach them"

The SACP journal includes a critical review of the Malaysian model being so enthusiastically sold to South Africa's decision-makers

Unlike almost all local media reports, this covers some of the darker sides of the Malaysian privatisation experience, referring to the corruption that was and still is involved in the process as well as questioning the efficiency of the results



NO THANKS *John Gomomo, SACP central committee member and Cosatu president, opposes the outright privatisation of state assets*

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ation worries the ANC

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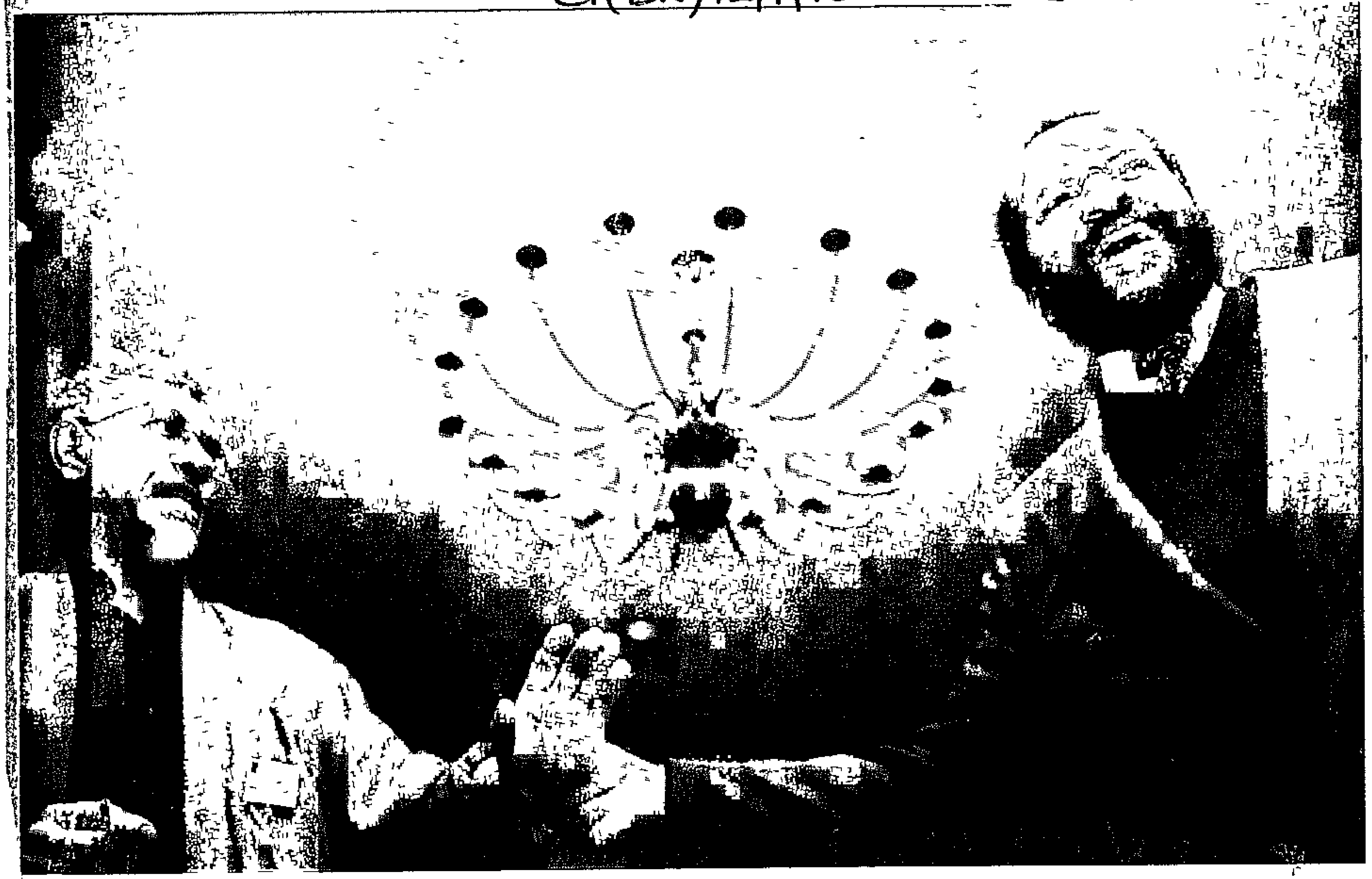


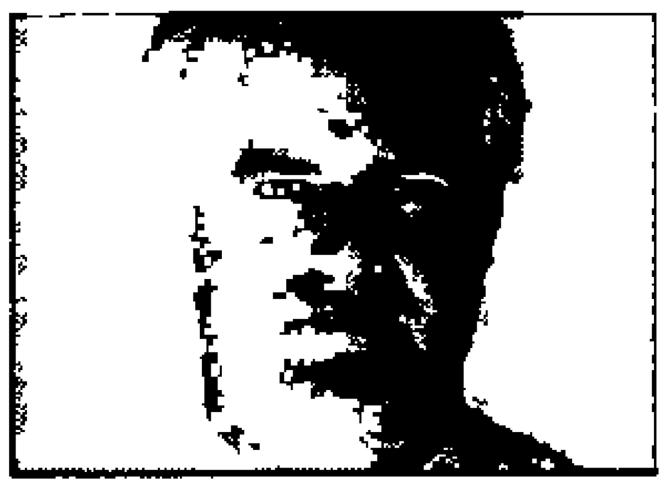
GREEN PAPER JOY *Pallo Jordan, right, telecommunications minister, with Mac Maharaj, transport minister*

PHOTO ANTON HAMMERL

Business will fight any hasty new legislation

232

CANDIDLY CAMERON



BY BRUCE CAMERON

Manuel's proposed laws to regulate anti-competitive behaviour could spark a new brawl

CT (BR) 4/7/95

Never before in South Africa have so many conflict resolution structures been set in place — and yet it seems the only way forward in many negotiations seems to be along the path of "mutually assured destruction"

Labour and business have lined up over the past few weeks almost on the basis of "my-daddy-is-bigger-than-your daddy" as they have attempted to out-dare each other

Some sanity has returned, thanks to the belated intervention of Tito Mboweni, the minister of labour, but the warning signals are already up for another heavyweight brawl — this time over threatened legislation by Trevor Manuel, the minister of trade and industry, to curtail anti-competitive behaviour

Julian Ogilvie Thompson, the chairman of Anglo American — South Africa's biggest private sector empire and target of much of the criticism of concentrated industrial power — has warned that government is in for a scrap if it goes ahead with the legislation without proper consultation

His main concern appears to be that the legislation will be drafted behind closed doors and then presented to interested parties with strict and early deadlines for approval — as has happened with the Labour Relations Bill.

Thompson's concern about rushing through legislation is valid, but Manuel has already said that the legislation will not be put through parliament this year

The seeming inability of South African negotiators to get past the confrontational approach is not made any easier by the forced nature of the negotiations The ANC is in a hurry to come up with some results to meet the high expectations of its constituency and at the same time has been committed to maximum consensus among all role players.

But the ANC will hinder its own good intentions if it pushes ahead too forcefully

Accepted negotiating practice internationally is to start with the areas of least resistance leaving the major issues to the end — the argument being that a position of trust is built up and often resolution of the smaller issues helps resolve the greater problems.

Instead of taking this approach, and in an atmosphere already loaded with distrust, the Nedlac negotiators were forced to tackle the difficult issues immediately.

With or without time pressures, Manuel's planned anti-competitive behaviour legislation is likely to see a tough fight

He has already said that he intends to give greater teeth to the Competitions Board and has indicated increasing impatience with import parity pricing, particularly from those industries hiding behind tariff barriers

Manuel's arguments for tougher anti-competitive legislation have, so far, also been to support a free market structure that would enhance the country's competitiveness on international markets They [illegible] based on out-moded socialist ideology, but from the mountain of reports labelling the lack of competitiveness in South Africa as the single biggest problem in breaking into the global economy

His driving force is a commitment to create real jobs, within a free market system He has repeatedly expressed concerns of the monopoly and oligopoly nature of South African industry (much of it is a direct result of apartheid and consequent sanctions) and has looked to countries like the United States for models on how to stimulate competition.

Further clues to the legislation are contained in a draft report of one of the working groups involved in negotiations on the Southern African Customs Union.

The draft report is based on a South African paper submitted to the working group It argues that constructive state intervention is required and justified to "correct the imperfections of the free market system. Competition law attempts to deal with the adverse consequences of the uncompetitive behaviour in the market."

Before there can be any real debate, the definitions of anti-competitive behaviour need to be known as well as the penalties and policing.

With this lack of definition Thompson has reason to be concerned as, within government, there is still an opinion that big business is bad business and that it needs to be somehow punished for not doing enough to destroy apartheid — a stupid argument if ever there was

But business should not underestimate Manuel's commitment to improve competition In a recent speech he anticipated the battle that lies ahead saying he expected "vested" interests to fight back.

The question is how will the battle be fought?

Privatisation long and tricky process — expert

ALIDE DASNOIS (232)
Business Editor
ARG 8/7/95

PRIVATISATION of state-owned companies is a long and tricky process, a visiting British expert has warned

Guy Wilson, a partner at Ernst & Young, has worked for the British Treasury on privatisations in Britain which raised nearly R250 billion for the government, including the sale of the country's 10 water utilities, the 12 electricity companies and British Telecom

In an interview in Cape Town, he said restructuring of state assets could take years, from the time the government committed itself to the final sale of the business

Restructuring did not necessarily mean the sale of the whole business Sometimes joint ventures were more appropriate, especially where large injections of funds were needed to improve services Sometimes it was more useful to contract out parts of the business into private hands while still holding the assets on behalf of the public

Objectives would differ from country to country, but the main goals should be the maximisation of revenue for the taxpayer, the improvement of services to the consumer and the widening of share ownership, Mr Wilson said

It was a myth that restructuring inevitably meant a loss of jobs

"Jobs which might be lost in the state-owned company if, for example, it sheds its canteen services, could easily be created in the private company which takes on the canteen contract"

But there could be job losses, and in South Africa the restructuring process might need to be tailored to limit job loss

Where there were natural monopolies — such as in the provision of water to a region — regulation should be introduced to protect consumers' interests Contracts with the new owners of the business could be structured to force them to extend services, say to rural areas, in line with the objectives of the state

Restructuring should be driven by the principle that competition was the best guarantee of consumers' interests

Not only profit-making companies could be sold off, Mr Wilson said Inefficient businesses which had been identified as candidates for restructuring could be turned around before sale

"In any case, the first stage in the process is the commercialisation of the business so that it can produce results The change of ownership comes later"

Once the government had decided to restructure a state-owned business, he said, a team of civil servants, lawyers, merchant bankers, accountants and other advisers moved in to analyse the company

"The team had to decide which parts of the business should be subject to competitive pressures and which were natural monopolies, which parts belonged together and which could be sold off separately, evaluate the options and present a report to the minister"

Once the minister had chosen an option and legislation had been passed through parliament, the transformation of the business could begin

The management team could be strengthened, new methods introduced and decisions taken about debt, capital structures and financial planning By the end of this phase, Mr Wilson said, the business should be showing improved results

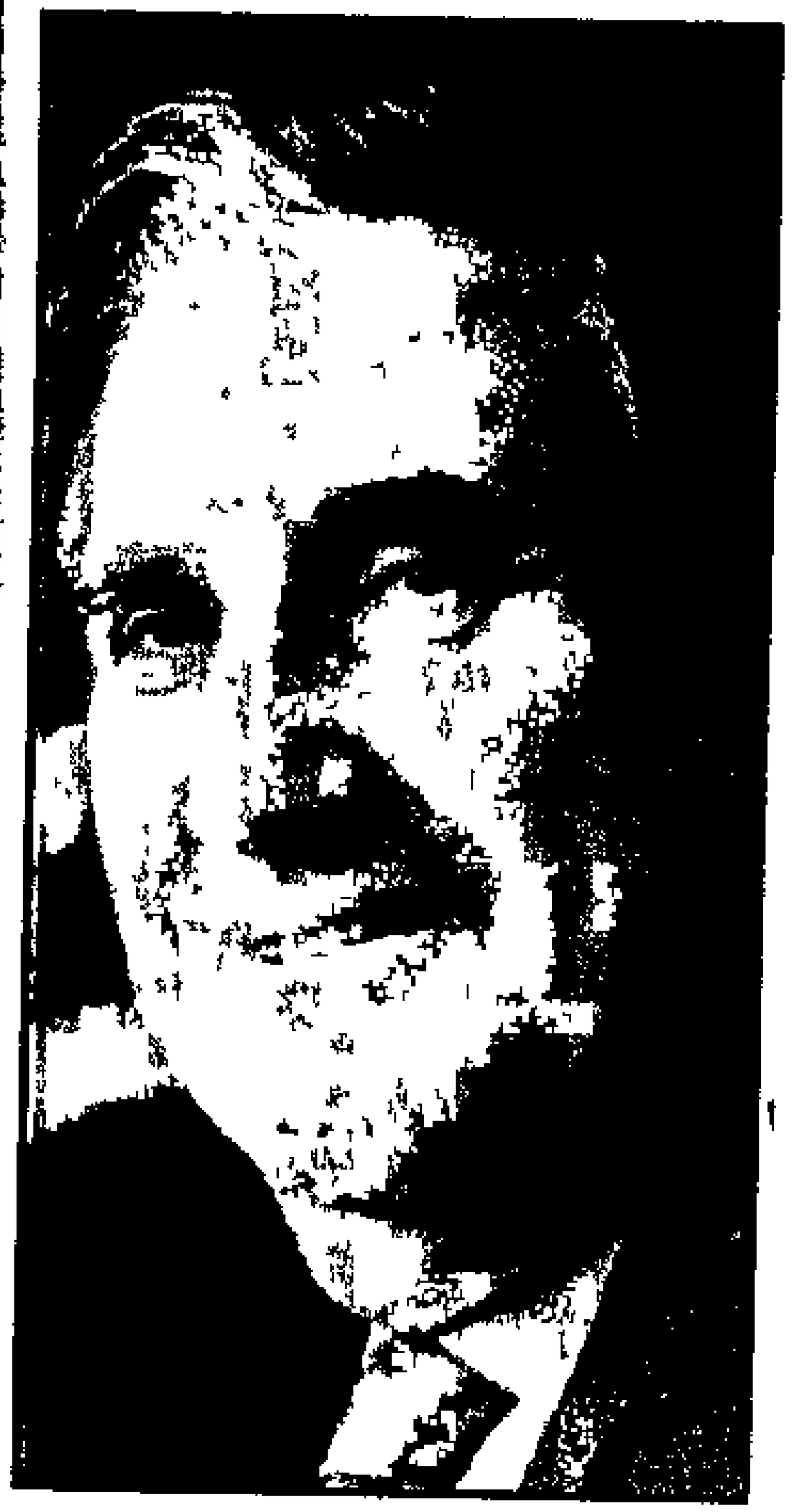
A prospectus could then be written and the business offered to investors

"It's a long process We calculated that for the paperwork involved in the privatisation of the water boards, we'd have had to cut down a forest as big as all the London parks"

Steel venture approved

ST(BT) 9/7/95 (232)

BY DON ROBERTSON



MR BIG. Eric Samson, chairman and chief executive of Macsteel

THE Competition Board has given Macsteel and Iscor "provisional clearance" for the formation of a joint export company to handle all Iscor's international sales.

Pierre Brooks, chairman of the Competition Board, said on Friday the board decided not to carry out a formal investigation into the agreement as it related only to export sales and should not affect the domestic market.

"We had some queries on certain aspects of the agreement and we were provided with more information and assurances by the two steel companies which resolved these problems to our satisfaction," Mr Brooks said.

"We were concerned that some local agents might be aggrieved by the formation of the new company and, in fact, one party will discuss this with the board this week. By giving provisional clearance only, it means that should anybody have a valid complaint against the export agreement, we will be able to look into it," he says.

The new company, Macsteel International, in which Iscor has invested R60-million as working capital, will incorporate all Macsteel's international distribution outlets in 26 countries. Before the agreement, Macsteel distributed about 50% of Iscor's overseas sales, mainly to the Far East. Macsteel International will now distribute about 2-million tons of Iscor steel a year.

Next year Macsteel International will distribute about 6-million tons of steel on international markets plus 5-million tons of pig iron and iron ore

In April, on the recommendation of the Competition Board, the Department of Trade and Industry outlawed certain restrictive practices carried out by steel merchants Macsteel, Baldwins Steel and Trident Steel. These related to the refusal to supply certain customers and collusive purchasing of non-ferrous scrap.

The board also found the merchants conducted business by using a common price list, referred to as "price leadership'. This practice was not outlawed and the merchants were asked to resolve these issues with the board.

Dr Brooks says that two meetings with the trade have since taken place and certain proposals have been made.

"There is one last aspect with which we have a problem ... but I have given them until the end of the month," says Dr Brooks.

Competition Board delays action on Iscor's export deal

232

CT(PR) 13/7/95

By Andy Duffy

Staff Writer

The Competition Board has granted the company opposing Iscor's planned joint export operation more time to compile its arguments against the deal

Pierre Brooks, chairman of the board, said Iscor's tie-up with Macsteel might be "inequitable", but the board had seen nothing so far that would persuade it to revoke the provisional clearance given to Iscor last week

MacDonald International Trading, the steel exporters based in Durban, outlined its case opposing Iscor's deal to the board on Monday and claimed that the deal could push it out of business

The board has given the company two weeks to build a detailed case

Brooks said that while he sympathised with MacDonald, it still had to convince him that domestic competition would be affected

"We're reserving judgment on this issue pending a more formalised submission," Brooks said yesterday

"The impression I get is that MacDonald would have to close down its business

"It might not be a question of competition, but there certainly is a case to be made that it might be inequitable But that's not a matter for our concern"

MacDonald International Trading, which exports steel to the Far East, is one of several steel merchants that will be cut out of Iscor's export efforts by the new operation

The new company, Macsteel International, will distribute around 2 million tons of Iscor steel a year

MacDonald was unavailable for comment yesterday

SA consulting war hero on privatisation

Linda Ensor (232) BD 14/7/95

LONDON — British Gulf war forces commander and merchant banking firm Robert Fleming's non-executive director Peter de la Billiere is on his way to SA this weekend to provide central government with advice on privatisation.

The industries concerned include telecommunications, airlines and railways.

A multidimensional man, De la Billiere has also been actively involved in charity organisation Farm Africa, which trains subsistence farmers in farming basics He has thus travelled to many parts of Africa

De la Billiere, who has won numerous awards for his military achievements, wrote a book, Storm Command, about his Gulf experiences and last year published his autobiography, Looking for Trouble

He also served as British forces commander in the Falklands and acted as Middle East adviser for the defence ministry.

Commenting on SA's privatisation programme, De la Billiere said. "They are looking forward, not back They are very keen on privatisation and believe they can lead the rest of Africa"

Eskom's Numsa members to march

232

Renee Grawitzky

BD 19/7/95

NATIONAL Union of Metalworkers of SA (Numsa) members at Eskom and Iscor will march today to the Union Buildings to present a memorandum to the ministers of public enterprises and trade and industry, to protest against privatisation and the involvement of trade and industry in Iscor's Saldanha steel mill.

The union at Eskom is demanding that the company stop its plans to privatise or contract out some of its services. The union claims that Eskom "has plans to give licences to individuals to supply electricity" and that these savings would be used to provide for a greater contribution to the RDP, higher wages and the empowerment of black business

The union rejected the notion. It believed the privatisation initiative was "retrenchment in disguise".

An Eskom spokesman said structures and processes were in place in the organisation to ensure meaningful participation in decision-making by unions. Matters of concern affecting workers would be thoroughly discussed within these structures.

Eskom had no plans to privatise.

'Management cliques hamper capital inflow'

BD 19/7/95 E (232)

Alan Walters

SA yearns for foreign investment. The world's business capitals are hosts to a procession of SA ministers and officials beating the drum. Their message is always the same: the world has witnessed the greatest miracle in human history — the bloodless transition to black majority rule, political harmony abounds, economic growth is rising. Why are investors turning down the chance to make the biggest killing since Croesus invented capitalism in Lydia?

There has been some inflow of capital since the transfer of power. But this has gone into existing equities, creating a froth of stock-exchange liquidity. This is "litmus test" capital. It creates euphoria among stockbrokers. But it is volatile and could return home as fast as it came.

Direct, as opposed to portfolio, investment is not entering SA. This is partly because of political uncertainty. True, the past year has confounded the pessimists. But the future after 1999 — the year of the next general election under a constitution yet to be drawn up — looks unpredictable. There is only one certainty: President Nelson Mandela will not be at the helm.

There is another important inhibitor to foreign direct investment.

This is the stranglehold over SA business held by a small group of management cliques at the head of takeover-proof corporations and conglomerates. No less than 85% of the market capitalisation of the JSE is under the control of fewer than 10 boards of directors, many with directors in common.

These management cliques have generally been able to ignore hostile takeover bids because of a complex network of cross-ownership.

Potential takeover targets are usually either more than 50% owned by a holding company, which may have another such structure on top of it, or part owned by a sister company. This sister company is also takeover-proof because it is in turn part owned either by the original target or by another company controlled by the same clique.

Incumbent managements, therefore, are able to reject any takeover bid, because they hold or control enough shares to block it — even though a majority of shareholders might favour acceptance.

A foreign investor must therefore either invest directly in an existing company — without any prospect of securing control or even having a say in important management decisions — or enter a joint venture.

The government recently introduced provisions preventing any company taking more than a 29% stake in another unless it makes an offer for the whole. But these only affect stakes taken after the provisions took effect.

By exempting pre-existing arrangements, the regulatory authorities have protected entrenched management groups from their shareholders.

External shareholders are in effect excluded from participating in management decisions and deprived of the power to force a change of control. Colossal investment projects, driven more by the incumbent management's pursuit of self-aggrandisement than any desire to produce a return on capital for shareholders, abound. Foreigners are often invited to come in as minority joint venture partners. Sensibly, they have stayed away.

In last year's budget the government actively encouraged this tendency by increasing dividend distribution tax and cutting corporation tax.

This encourages corporations to retain earnings rather than distribute them.

The only way for SA to attract the foreign direct investment it needs is to open the way for hostile takeovers and changes in management to take place. Unless SA deregulates the market for corporate control, as is being done in Japan, Switzerland and European Union countries along UK and US lines, and thereby realises the high return on capital of which the economy should be capable, foreign investors will stay away. Of course, the hostile takeover need never actually happen, provided that the threat is always there.

The goals of uninhibited competition, minimum regulation and absolute shareholder sovereignty may take SA a long time to achieve.

But if they are not recognised as the ultimate objectives, the country can forget its dream of becoming the economic powerhouse and ultimate saviour of the continent above it. — Financial Times

□ Walters, formerly economic adviser to Margaret Thatcher, is vice-chairman of AIG Trading Group. George Guise, a former director of Consolidated Gold Fields and a former member of the UK prime minister's policy unit, advises companies and governments on foreign investment and privatisation.

Guidelines for state enterprises

A DOCUMENT which provides broad guidelines for the restructuring of state enterprises in South Africa has been prepared and will be discussed by the cabinet on July 26, according to Professor Sipho Shabalala, head of the Office for Public Enterprises

Professor Shababala was responding to National Union of Metalworkers of South Africa members employed at Iscor and Eskom who earlier yesterday staged a march in Pretoria to protest against privatisation (232) ARG 20/7/95

"It is the intention of the government of national unity to use the document in consulting with critical stakeholders "— Sapa

Cabinet ready to discuss privatisation document

BD 20/7/95

(232)

CAPE TOWN — A document which provides broad guidelines for the restructuring of state enterprises in SA has been prepared, to be discussed in the Cabinet on July 26, according to Sipho Shabalala, Public Enterprises Office head.

Shababala, who chaired the task group which drafted the document, was responding to National Union of Metalworkers of SA (Numsa) members employed at Iscor and Eskom who yesterday staged a march in Pretoria as a protest against privatisation.

"It is the intention of the Government of National Unity to use the document in consulting with critical stakeholders such as the National Economic Development and Labour Council, organised labour, business, government portfolio committees, inter-governmental forums, political parties, management and workers of the enterprises," he said

Shabalala said the government had not held talks on privatisation of state enterprises and no instructions to start any major restructuring had been issued.

"It is possible that discussion on possible ways of restructuring might be taking place within some of the individual state enterprises. This is nothing more than mere preliminary discussion in anticipation of government guidelines. Any discussion that is substantively more than this would obviously be construed as misplaced," Shabalala said

The methods and process of restructuring will be guided by consensus reached through consultation with important stakeholders. Privatisation would be dealt with on a case-by-case basis

About 5 000 Numsa members marched to the Union Buildings yesterday in protest against Eskom and Iscor privatisation — Sapa

● Comment: Page 14

More than 2 000 members of the National Union of Metalworkers of SA marched to the Union Buildings in Pretoria yesterday.

Picture NICKY DE BLOIS

Protest against privatisation

(~~230~~) (232)

PRETORIA About 2 000 members of the National Union of Metal Workers of South Africa yesterday marched on the Union Buildings in Pretoria in protest against the privatisation of Eskom and Iscor

Some workers said privatisation would only take place "over our dead bodies" Security force members watched proceedings until the protesters dispersed from the Union Buildings about 12 30pm

CT 20/7/95

Staff Reporter, Sapa-Reuter

Govt to discuss assets

■ BY JUSTICE MALALA

The Cabinet is to consider a Public Enterprises Ministry document to restructure state enterprises worth an estimated R100-billion following demands by unions and business for clarity on the issue.

Minister of Public Enterprises Stella Sigcau said yesterday the Government had no intention of privatising or restructuring any of the corporations it was responsible for until it had consulted labour, business and development bodies.

"Sale of the assets is not a major thing, but selling could be the result of the restructuring process. This could involve selling buildings which are no longer being used, but this is not privatisation as such," she said.

Sigcau's ministry is responsible for parastatals such as Transnet, Eskom, Denel and the diamond mining operation Alexcor.

The announcement came after Cosatu and its affiliates last month resuscitated their campaign calling for a halt to the sale of state assets.

More than 3 000 National Union of Metalworkers of SA (Numsa) members at Eskom and Iscor are to march on the Union Buildings on Wednesday to demand a stop to feared privatisation of some of the parastatals' units.

The union said yesterday Eskom intended to privatise 11 of its business units, including its conference centre, gardening services and security. It said this would adversely affect about 4 000 workers.

Numsa also expressed concern over Iscor's "modernising" plan. It said the plan, which has led to a reduction of workers from 52 000 to 48 000 over the past 10 years, had seen its members forced into early retirement and employees having to carry double their normal workload.

Star 21/9/95

282

Star 21/7/95

Row over AIDS, miners' insurance

■ BY JUSTICE MALALA

The National Union of Mineworkers (NUM) has called for a joint government, labour and management approach to alleviate rising AIDS infection on mines and a review of an insurance company's intentions to increase miners' premiums to lessen the load on their schemes.

NUM general secretary Kgalema Motlanthe said yesterday about 600 000 mineworkers would be affected by Old Mutual's decision to increase premiums on the Mineworkers Assurance Benefit Scheme by 34% because of a fear of a rise in AIDS-related deaths.

He said the Chamber of Mines had decided that it would not pay the increase and instead the mineworkers' benefits would be reduced from 36 months' salary for death to 26 months to pay for the increased premiums.

But the chamber said in a statement yesterday that negotiations on the scheme and the new premiums were still continuing.

itial draft provid- Hanekom seemed to ... ing the report, the focus

Restructuring may be just a prelude to privatisation

(232) BD 24/7/95

MUNGO SOGGOT

WHEN government calls privatisation "restructuring" it is not necessarily taking over the previous regime's tradition of indulging in dubious euphemisms which spawned terms like the "Civil Co-operation Bureau" (CCB) to describe a pack of hit men. It is arguable that there is a real difference between the two ideas and that there has been a substantive change in government thought since the ANC, in principle, accepted the idea of privatisation last September. But to the disappointment of eager investors, the change is likely to postpone any sales of state-owned assets to the private sector.

Government has increasingly shied away from the word "privatisation" in what most have seen as a bid to pacify the unions who believe privatisation of SA's parastatals will wipe out jobs

What started the year as privatisation guidelines are now called the "guidelines on the restructuring of state assets"

They are due to go before the Cabinet this week and Public Enterprises Minister Stella Sigcau is confident that, after a few aborted take-offs, they will be approved

She insists that they are only about restructuring — "privatisation is not part of my vocabulary at the moment" — but concedes that the restructuring of assets could result in sales to the private sector. "If privatisation should come it should be one of the end results of restructuring," she says.

Whereas the first drafts of the guidelines concentrated on using privatisation as a tool to cut state debt and raise as much money as possible quickly, there has been a recent shift towards "restructuring" parastatals to make them more efficient and competitive. As Jeff van Rooyen, Sigcau's special adviser who was at Deloitte & Touche previously, says "These things were set up in a completely different era with completely different objectives."

It is pointed out that "restructuring" — apart from the first stages which will involve simple things like selling off useless buildings — will have the same effect on parastatal workforces as privatisation and that this should perhaps be made a little clearer by government.

Attorney Tiego Moseneke, who co-wrote the Moseneke report on privatisation, says the "unthinking and wholesale" transfer of assets to private hands is less important than creating conditions for efficiency and competition.

His colleague Ronald Roberts says that this will include dismantling monopolies, and cutting regulation and subsidies.

It is argued that these worthwhile goals will lead inevitably to sales of some sort — privatisation — but not as quickly as many would have hoped a full-blooded privatisation drive would have.

Roberts suggests SA could pioneer a "second-generation" privatisation process which followed this kind of restructuring.

Despite the substantive difference between "restructuring" and "privatisation", there is ample scope for clouding the issue on the part of government and parastatals as, as Sigcau says, restructuring can result in privatisation.

It is clear that some believe restructuring can be used to mask the reality of privatisation.

Telkom chairman Dikgang Moseneke insists the approaching sale of a stake in the parastatal is not privatisation as it is not aimed at cutting Telkom's hefty debt but at expanding its technological base: a "sale to a minority equity partner". The sale — which is expected to amount to about R7bn out of an estimated market capitalisation of R30bn — is expected to go through early next year.

Even according to Sigcau's terminology, this will be at least partial privatisation, especially since it follows a concentrated period of restructuring to prepare for it.

SIGCAU

Telkom was always considered to be the most saleable parastatal. Privatisation experts say selling off a small chunk first is the best way to go about privatising it as it will expose Telkom to outside expertise, make it grow more efficient and more ripe for full privatisation

As Sigcau made clear at a media conference last week, there will be lots to do in between the guidelines' approval and getting restructuring on the road The guidelines will still have to be approved by the National Economic Development and Labour Council and are likely to result in firm rules or legislation only in the next parliamentary session

The drafting of the guidelines has been fraught with tensions between the departments concerned — finance, public enterprises, transport and post and telecommunications — and these tensions are bound to continue as, as one commentator says, "they realise that this is going to be SA's major economic activity for the next decade". Some departments will inevitably — and perhaps with reason — be too impatient to follow through restructuring in preparation for privatisation and will instead push for the short cut.

So although adopting the word "restructuring" appears considerably less deceitful than inventing terms like the CCB and passing Acts like the Extension of Education Act — which banned blacks from white universities — there will always be a possibility that restructuring will have to be carried out as quickly as possible so that it can lead to privatisation and raise as much cash as quickly as possible.

BOOKS

Union protests privatisation

(232)

FROM SAPA

Telkom is expected to officially announce its privatisation plans this week, while a major trade union has warned it will stage industrial action in protest.

The union, South African Telecommunications Association (Sata), said the plans were confirmed by Telkom's senior general manager, Jannie Zaaiman, at a meeting with union leadership on Friday.

"This announcement may cause major industrial conflict as it is not likely that employees will accept a unilateral decision regarding their future," A.F. Dreyer, Sata's general secretary, said in a statement.

He said Zaaiman had said Telkom would make its privatisation plans public on Wednesday

Dreyer said that about 14 000 of Telkom's existing 54 000 employees would be affected.

CT (BR) 24/7/95

Protest if Telkom privatises

(232)

JOHANNESBURG: Telkom will officially announce its privatisation plans next week, says the SA Telecommunications Association

General secretary Mr A F Dreyer said employees would protest at "a unilateral and unprocedural decision regarding their future"

CT 24/7/95

Staff Reporter, Special Correspondent

Privatisation path will destroy RDP, warns Cosatu president

CT(BR) 25/7/95 (232)

By Llewellyn Jones

Staff Writer

Ideologically driven economic prescriptions such as wholesale privatisation, the dropping of all tariff barriers, wage freezes and cutbacks in social spending, would destroy the reconstruction and development programme, the president of Cosatu, John Gomomo, said at the 31st Nafcoc annual conference in Sun City yesterday.

"While Cosatu has no problem debating any economic policy option with the genuine aim of finding solutions to our economic problems, it believes these options are ideologically driven proposals which are not dictated by the needs of the people of South Africa," Gomomo said.

If South Africa allowed a top-down structural adjustment programme to be imposed on it, large-scale privatisation and cutbacks in state personnel would continue to deny basic social services to the masses

Rapid unplanned lifting of trade barriers would result in large-scale destruction of jobs and industry, while export processing zones would perpetuate the pattern of attempting to compete on the basis of cheap labour

On privatisation, he said Cosatu supported the need for reprioritisation and reorganisation within the state sector, but totally opposed the sale of any state assets where this would have a negative impact on the implementation of the programme and on the delivery of social services

Subjecting privatised parastatals to the laws of profit would deny the poorest of South Africans access to health care, electricity, transport, communications and other services

"Any restructuring of public assets must be judged by the single yardstick of the RDP — to what degree do the historically disadvantaged majority of our people benefit?" A second yardstick to be applied to public-sector restructuring was that of black economic empowerment.

Gomomo said arguing for growth based on "backward features" was a short-sighted vision which flew in the face of South Africa's democratic transformation, and only benefited big business.

"We believe that a strong and effective trade union movement has a vital role to play in creating a strong democracy We believe that an effective and functioning democracy is based on good economic conditions for all," he said.

☐ Page 16

Foreign interest relieves all gold index

By Peter Galli

Features Editor

Buying interest on gold counters lifted the all gold index 1,89 percent or 28 points to 1510 on the back of a higher bullion price and an improvement in international general feeling that — whatever came through in the June quarter — perhaps there was a touch of overselling The question is how long this will last," one dealer said

Among gainers on the day were heavyweight Vaal Reefs, which was 900c better at R249. Kloof was

wise dull dealing day in Johannesburg, with industrials finding few favours and the index shedding 5,7 points to 6809,3.

One dealer said the better-than-expected performance from the Randgold stable might also have swayed some buyers

Competition will create opportunity, says Manuel

CT(BR) 25/7/95 (232)

By Llewellyn Jones

Staff Writer

Without strong competition, the task of economic empowerment would be impossible, Trevor Manuel, the minister of trade and industry, said at the 31st Nafcoc annual conference yesterday.

"Our mission to create an environment to support small and medium business can never be about the creation of five of six black billionaires," he said.

Manuel said legislation would remove barriers and punish the anti-competitive behaviour which still dominated the South African economy and was maintaining the exclusive position occupied by the old establishment, he said.

The seriousness of the government's intention to create a favourable environment for supporting small- and medium-sized business was demonstrated in the convening of the president's conference on small business

Manuel said significant progress had been made towards the establishment of the institutions which would oversee the strategy proposed at the conference

Plans for the establishment of a small and medium business and development agency were well advanced The agency had been set up as a Section 21 company (company not for gain), and the trade and industry department had recruited people on a secondment basis to head some of its units The task group working towards the establishment of the Local Business Service Centres had also made good progress

"These depend on the climate created by government and small business persons themselves"

He said this was the lesson learned from a detailed analysis of dynamic and growing economies where the power and contribution of small and medium enterprises were the dynamo for growth and job creation

Privatisation is no quick fix

(232) Star 28/7/95

*The rush away from State ownership has been far from successful in some countries. Don't sell the family silver, warns **Harry Schwarz***

The debate on privatisation has intensified since the African National Congress conference took its decision on State enterprises and their possible privatisation

The question of State ownership of means of production and the provision of services has in the past been a matter of ideological conflict

When seeking to encourage investment by Americans in South Africa, I described during my days as ambassador to the US the threats of nationalisation as political scare stories I was faced with quotations from speeches and party manifestos

The view I advocated in Parliament and as ambassador is that the major role in regard to the generation of growth is for private enterprise

There are fields in which the State should clearly not operate On the other hand, there is a place for the State in the economy

There are social and political reasons, and sometimes solid economic reasons for the State to play a role

The decisions made at the ANC conference point the way to a welcome flexible approach to State enterprise but it would be wrong to construe this as the beginning of a wholesale privatisation process

I believe it needs to be understood by all advocates of privatisation that not only is the country seeking an efficient economy in which State-owned enterprises are run effectively and efficiently, there are also highly emotional issues in respect of the vast majority of South Africans who do not own a meaningful share of the wealth of the country

The stance of the National Party in 1948 demonstrates an interesting economic approach and no doubt it will be said that we are living in a different age with different philosophies

The fact remains that representatives of part of a white minority felt themselves as having an inadequate share of the economy and developed particular views on the ownership of State enterprises

Today, the representatives of people most of whom live in poverty show a remarkable economic maturity when they speak of privatisation and not of nationalisation.

Apartheid was never free enterprise and the concept of privatisation came to be adopted with the waning of the confidence of those controlling the State machinery that they could continue to do so They realised they could not continue to exercise control over parastatals The fact that privatisation was also good commercial sense came hand in hand with this realisation

Some thoughts on this

Firstly, South Africa is fortunate to be able to benefit from the experience of other countries There are successes, failures and lessons to be learnt

The rush into capitalism and with it privatisation has been far from successful in some countries and has made a few rich, increased prices, not improved productivity and left the majority poor as ever These lessons are important for our country

Secondly, while the question of ownership and the use of the proceeds are important, the consumer should not be forgotten — particularly if the activity to be privatised is a monopoly or virtually so The public in other countries has not taken kindly to executives of privatised industries paying themselves high salaries

Thirdly, who should be the new owners of the enterprises?

A large portion of the population in South Africa lives in poverty and the wealth gap is one of the largest in the world There are many in our country who own virtually nothing

The change in the Constitution at least made them feel that as full citizens they own the State enterprises, even though only indirectly or theoretically To now deprive them of this sense of ownership without something in return may be far from appropriate

To pay off debts of the past while bringing the benefit of a reduced interest burden, and so more money to be utilised in the budget for other purposes including the RDP, is obviously sound economic policy However, is it, on its own, fulfilling one of the short-term objectives of the RDP reducing the wealth gap?

Among South Africa's needs are foreign exchange and jobs So the desirability of placing shares abroad is obvious Foreign control can be avoided by a variety of mechanisms, but the question still remains whether and how the people can be made owners It has been tried elsewhere, not always with success

There may not be enough shares available in each privatisation venture to make a distribution meaningful, particularly if foreign capital is to be raised from part of the proceeds.

It is obvious that an entire State enterprise need not be disposed of either at one time or even at all. For example, the Transnet structure allows for a variety of enterprises to be dealt with in different ways. In addition, specific enterprises can be sub-divided

Fourthly, there appears to have developed almost a consensus to utilise the proceeds of privatisation to reduce State indebtedness so that the interest burden in the budget can be reduced.

There are some issues which may be considered in this regard.

■ The State will continue to borrow The objective is to reduce the deficit before borrowing to a more acceptable level Therefore, to reduce the indebtedness by using privatisation proceeds and continue to borrow at fiscally undesirable levels solves nothing

■ State dissavings have been a problem for years Current expenditure should not be financed from loans What is capital and what is current expenditure in the budget needs redefinition

■ Perception is often as important as substance Using the proceeds of privatisation (where not distributed to the people through a unit trust as suggested above or otherwise) to create other capital assets to benefit the underprivileged may do more for stability than seeming to pay the debts of the past — however necessary and economically sound this may be

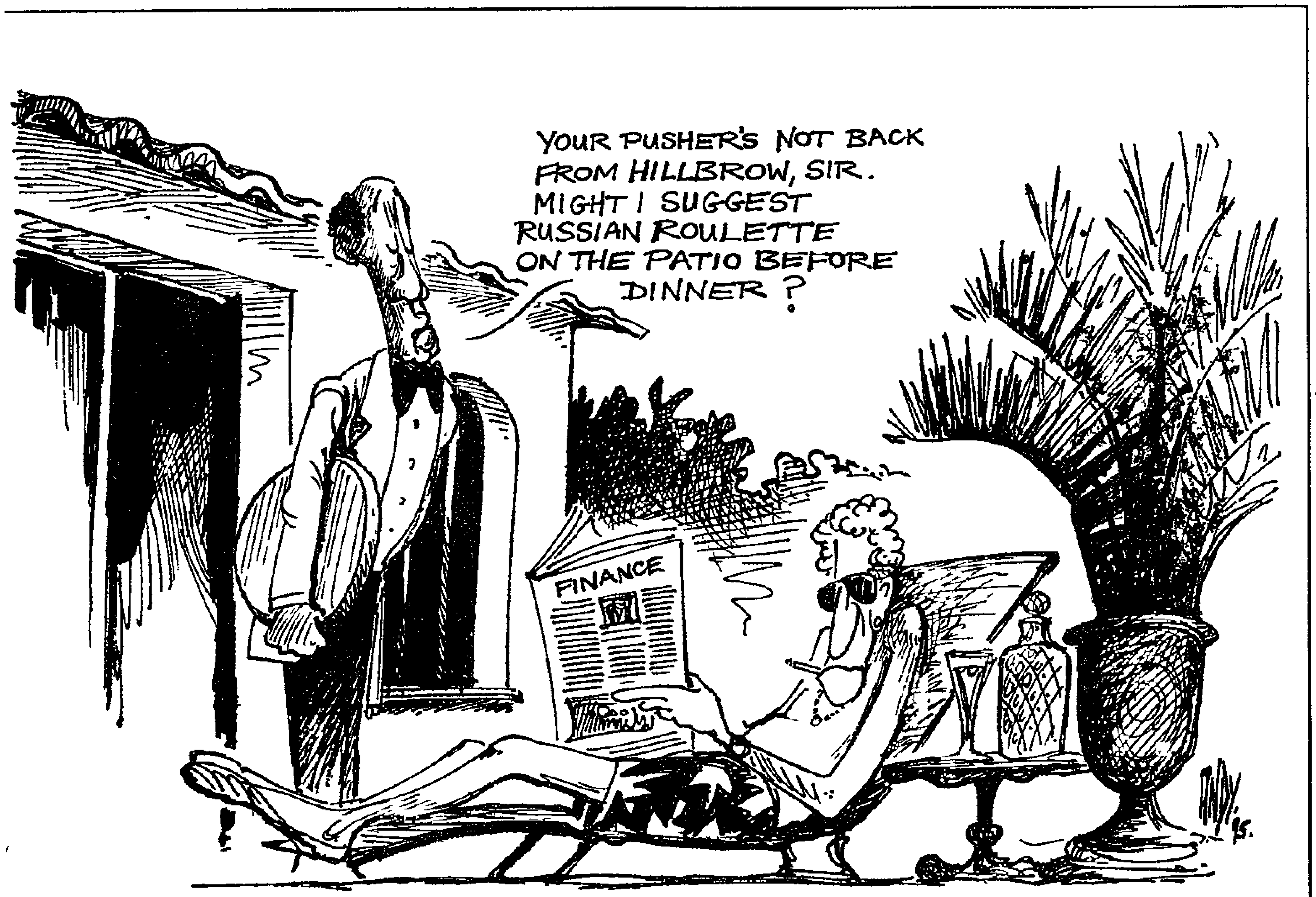
The family silver must not be sold to finance current expenditure

It should be turned into new capital assets which South Africa requires.

This obviously includes infrastructure for housing, education, health, water, lights, sewerage and which by their very creation will also address the major challenge of job creation.

The State is sitting on riches but they need to be used in the most effective way and we really have only one opportunity to do so Once sold, there will not really be a second chance

■ *Harry Schwartz is the former South African ambassador to the US*



Cartels impede foreign investment in SA

Star 28/9/95 (232)

Washington – The biggest impediment to US investment in South Africa is the "cartel" structure of the economy, said a senior US official urging anti-trust legislation.

United States deputy assistant Secretary of State for African Affairs Regina Brown said if there was a real obstacle to investment it was "the fact that the economy is run by cartels, and until the Government addresses that, that's going to discourage a tremendous amount of investment going into the country"

Brown advised "strong anti-trust legislation and a strong judiciary to implement that legislation" to open South Africa's doors to foreign investment.

Her testimony was delivered earlier this week at a US International Trade Commission hearing on the role of US trade and investment policy towards Africa.

Referring to another area which has vexed US-SA trade relations recently, she recommended a "political solution" to intellectual property rights disputes

Resolution of these disputes would open South Africa to investment by corporations like McDonalds, Toys R Us, Victoria's Secret, and Burger King who are currently involved in copyright disputes

"The solution's got to be made because McDonalds represents thousands of low-skill jobs," she said. These could open opportunities to South African individuals and launch them on a career path

Enormous

Brown strongly endorsed continued US involvement in Africa and encouraged continued support for sustainable development and economic and political reform to realise the "enormous potential for future trade and investment ties" for the US in Africa.

"The growth and expansion of democratic governments and institutions, paralleled by significant economic reform and liberalisation in African countries indicates a major transformation on the continent," she said

Echoing support from President Clinton and US Commerce Secretary Ron Brown for private sector foreign development investment, Brown stated that economic reforms and liberalisations in Africa had created an enabling environment where "the private sector can act as the engine of development".

BUSINESS REPORT
SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

Cartels pinpointed as a barrier to US investment

CT (BR) 28/7/95 (232)

By Catherine Harbour
THE INDEPENDENT FOREIGN SERVICE

Washington — The biggest impediment to American investment in South Africa was the cartel structure of the economy, said a senior American official urging anti-trust legislation.

Regina Brown, the deputy assistant secretary of state for African affairs in United States, said if there was a real obstacle to investment it was "the fact that the economy is run by cartels, and until the government addresses it, that's going to discourage a tremendous amount of investment going into the country"

"Strong anti-trust legislation and a strong judiciary to implement that legislation" should be established to open South Africa's doors to foreign investment, said Brown

Her testimony was delivered earlier this week at an American international trade commission hearing on the role of American trade and investment policy towards Africa

Referring to another area which had vexed trade relations between the United States and South Africa, she recommended a political solution to intellectual property rights disputes

Resolution of these disputes would open South Africa to investment by corporations like McDonalds, Toys R Us, Victoria's Secret and Burger King which were involved in copyright disputes

"The solution's got to be made because McDonalds represents thousands of low-skill jobs," she said.

Brown strongly endorsed continued American involvement in Africa and encouraged the continuation of support for sustainable development and economic and political reform to realise the enormous potential for future trade and investment ties for the United States in Africa

South Africa is the only African country designated a big emerging market by the commerce department in the United States.

PRIVATISATION (232)

Union backlash

FM 28/7/1995

State-owned telecommunications operator Telkom will make public next week its plans on restructuring This is expected to include spinning off some noncore operations But fearing job losses, Telkom's two largest unions — together representing 30 000 of Telkom's 58 793 staff — are threatening mass industrial action

Post & Telecommunications Workers' Association (Potwa), which represents 30% of Telkom staff, says the utility is acting unilaterally by pushing ahead with restructuring and is not doing enough to promote black empowerment Its threats come days after the SA Telecommunications Association (Sata), with 12 000 mostly white members, said it would take action because of the "unilateral and unprocedural decision" regarding it's members' future

In a programme started in May, Telkom plans to hive off support functions such as restaurants, security, transport, workshops and construction in order to concentrate on its core operations The support operations, which employ 14 000 staff, will be "regrouped" on August 1 to create centralised control mechanisms, says Telkom senior GM Johan Adler He says five of the seven restructuring stages have been agreed with the recognised unions While negotiations are still under way, the other two stages should be completed soon

Despite Telkom's denials that the restructuring is the first step in its privatisation drive, it is common knowledge that the utility is on the lookout for an international equity partner, which is able to supply the latest technology and billions of rand needed to expand and modernise its telephone network Telkom chairman Dikgang Moseneke recently confirmed that up to 20% of Telkom shares may be sold to a partner

However, before this happens, Telkom must become more businesslike With five times as many staff as an equivalent US telephone company, Telkom's service comes nowhere near what is taken for granted in developed countries Until now, unable to reduce its backlog of over 120 000 applicants wanting phones in developed areas, it has been burdened by government's wish for an additional 5m lines in underserviced areas by 2000 There are 3,8m working lines now

Despite legislation protecting Telkom's monopoly on the provision of fixed-line telecommunication services, the company is coming under pressure from "call back" operators, Internet service providers, value-added network companies, and cable and satellite networks

Adding fire to the unions' fears of job losses, African Global — the consortium headed by LCC Rothschild's Monaco-based president Lofti Maktouf and including the BBC, Philips, Matra Marconi Space, Alactel CIT, Bell Atlantic Corp and the Commonwealth of Learning as members — says it will make formal proposals on 10 projects in SA by early September

African Global, which has met the Cabinet and carried out various feasibility studies in SA, is likely to offer various ways of expanding township and rural telecommunications, as well as distance learning programmes

Bell Atlantic is one of many overseas telephone companies to express an interest in taking an equity stake in Telkom ■

(232)

Privatisation plan excludes radical change

ST 30/7/95

By EDYTH BULBRING
Political Correspondent

PRIVATISATION proposals tabled before cabinet this week rule out any radical restructuring of large state enterprises providing basic services — like Eskom and Telkom — in the near future.

Instead, smaller enterprises which either make a loss or do not provide an essential basic service may be liquidated, sold or restructured.

After months of to-ing and fro-ing, Public Enterprises Minister Stella Sigcau this week tabled a document, to be discussed with stakeholders such as business and labour, on restructuring state assets.

The document avoids the word "privatisation" and instead talks about "restructuring", defined as "substantial changes that affect ownership, accountability, function and location in the public sector".

The document, bound to disappoint businessmen waiting many months for a decisive report on the issue, says that each public enterprise should be subject to four "processes".

The enterprise would first be examined to see whether it served a basic need. Eskom, Telkom, Spoornet, the Post Office and the SABC, are listed as falling into this category and are unlikely to undergo radical restructuring in the short term.

"Change of ownership of these enterprises from public to private without regulatory protection could lead to the inability of the state to realise targets set out in the RDP," says the document. "However, the RDP does not preclude the possiblity of public-private partnerships."

State enterprises falling into the second category are those having a national security or strategic role, such as Denel, Petronet, the Atomic Energy Board, Mossgas and SAA.

Those in the third category play no visible role in the RDP. They are categorised as profitable — such as Sun Air, Autonet, Safcol and Alexkor — and non-profitable — such as Transkei Airways and Aventura

"Loss-making state-owned enterprises in this category that are being supported by either cross-subsidisation or state subsidies may have to be sold or liquidated"

The second process is an assessment of each enterprise "in relation to the development of sectoral policy".

"As the state-owned enterprises in category one are vital to the success of the RDP, their restructuring should only occur once sectoral policy has been substantially developed," the document says

But the restructuring of those enterprises in the second and third categories may happen simultaneously with the development of sectoral policy as they are of lesser significance to the RDP, the document says

The third process would be to, among other things, review the composition of the board and management of each enterprise This process has already begun

The fourth process requires taking "hard decisions" as to the future of each enterprise

The document says the involvement of the private sector in state-owned enterprises which provide services such as electricity, water, and telecommunications had to be carefully regulated

"However, through public sector facilitation and regulation a partnership with private sector capital, management, technology and access to markets is possible"

The document also says that in considering whether to restructure state assets, the rights of labour should not be adversely affected

(232) ST(BT) 30/7/95

ANC to get tough on monopolies

By ROGER MATTHEWS

THE ANC this week said it was committed to breaking the stranglehold of five or six large conglomerates on the economy because it believed they were blocking foreign investment, hampering growth and frustrating black business ambitions

In a departure from the previously conciliatory approach to the business sector, Cyril Ramaphosa, secretary-general of the ANC, said its national executive expressed deep concern at the situation at a two-day meeting last weekend

The hardline attitude appears to reflect frustration over the slow pace at which economic benefits from last year's election win are filtering through to ANC supporters

"The question of these monopolies has become a problem not only for the economy but for the entire democratic movement," Mr Ramaphosa said. While not naming the conglomerates, he was clearly referring to companies such as Anglo American, Sanlam, Rembrandt Group, Old Mutual and Liberty Life.

"International companies are concerned by the lack of opportunities that exist for entering the economy," he said.

"It is, of course, well known here the economy is tightly controlled by these monopoly companies

"In addition, the closed shop they are operating means black business cannot get access to the economy because the monopolies have such a stranglehold"

Mr Ramaphosa said the ANC executive was investigating the extent to which monopolistic practices were hampering growth and investment. The ANC was committed to breaking the stranglehold, and ultimately the government would have to act, he said

According to estimates by McGregor Information Services the largest six conglomerates represent 85% of the capitalisation of the Johannesburg Stock Exchange, with about 40% in the hands of Anglo American

The company puts its share at no more than 25%

Trade and Industry Minister Trevor Manuel has circulated a private discussion document on reform of competition policy, parts of which will form the basis of a draft law to be unveiled in a few months

It deals with some issues raised by Mr Ramaphosa but states that conglomerate concentration and corporate ownership normally fall outside the ambit of competition policy

It warns against seeking to use competition policy to attain social aims, or the redistribution of wealth — *Financial Times.*

Privatisation is a blow

(232) Sowetan 2/8/95

The privatisation of parastatals is a betrayal of the liberation struggle and will benefit only the all-powerful white business, writes **Mosibudi Mangena,** president of the Azanian People's Organisation

Azapo president Mosibudi Mangena ... privatisation is sowing the seeds of strife.

NEWS OF PLANS to privatise Telkom comes as yet another blow to black economic empowerment. Many of us wince every time we are told the Government wants to privatise this or the other state asset.

In the context of our history of racist settler-colonialism and its deliberate programme of black impoverishment, such privatisation amounts to a betrayal of black liberation.

As a consequence of history, black people do not have capital. The selling of state enterprises means that only the white minority will be able to buy them.

And that means a further concentration of wealth in the hands of one racial minority, so that the huge economic gap between blacks and whites will widen.

Secondly, the privatisation of parastatals almost invariably leads to an increase in the price of the services it renders, thus making those services more and more unaffordable for the majority of the people.

That means that the beneficial social function parastatals often serve is lost.

Thirdly, privatisation leads to the loss of jobs. The high unemployment levels in this country will not be helped by the selling off of state enterprises.

When Afrikaners came to power in 1948, they were not content with just having prime ministers and ministers with Afrikaner surnames.

They sought to add content to their political power by giving the *volk* true power and increasing Afrikaner economic muscle through deliberate, albeit racist, programmes.

They identified what they called "poor whites" and embarked on a campaign to eradicate the phenomenon. They employed thousands of these in the army, police force and civil service.

In the process, they gave their kith and kin such a stake in the state that they defended it with fanatic zeal.

Parastatals such as Iscor, the railways, Eskom, the national airline, post office and others became by and large the employment preserve of Afrikaners.

Iscor has long been sold to the private sector. And now, under the reign of a supposedly black-dominated government, other parastatals such as the post office, SA Airways and Telkom are being parcelled out and sold to the all-powerful white business establishment.

To give their people a solid means of primitive accumulation of capital, they went on a massive land-grabbing exercise that saw millions of blacks uprooted systematically from their lands to make way for Afrikaner farmers and settlers.

The various laws passed in Parliament for that purpose legalised forced removals, which were still in progress as late as the middle '80s. In fact, nothing did more to impoverish blacks than the robbery of their land.

Not satisfied with the fact that the economy of the country was controlled by whites other than Afrikaners, they set about building Afrikaner economic institutions such as Sanlam, Saambou, Volkskas and so on.

Today, as a result of all these measures, Afrikaners are well established in the economic mainstream of the country. The Afrikaner did this through a brutal system of racial oppression of blacks.

Barring racism or discrimination against others, it is imperative that a similar campaign be launched to reverse the effects of nearly 400 years of racist settler-colonial oppression.

The parastatals, the civil service and other means of state intervention must be used to help the black community to overcome the legacy of deliberate impoverishment.

Now, given the fact that the liberation movement component of the coalition government does not control the army, the police and the civil service, and that it is busy selling off state enterprises to whites, how else does it hope to advance black economic empowerment?

Does it perhaps rely entirely on the much-vaunted but nebulous affirmative action? If that is the case, then heaven help us, for affirmative action is nothing but a soporific while nothing happens. To one's best knowledge, affirmative action is a concept conceived in the US as a tool to bring minorities into the establishment. No transformation of society was envisaged.

In practice, it amounted to nothing but the co-option of the few elite among the minorities, especially African-Americans, into the *status quo*. The vast majority remain where they always were, untouched by the programme.

In our circumstances, the choice of the phrase itself is unfortunate. There is no way the black majority in this country can be affirmed by the white minority, and a transformation of society is an imperative.

There can be no true democracy in this country if the structural domination of one minority group over the majority of the people is allowed.

The only way forward is that blacks must affirm themselves through the transformation of all aspects of the power structure in this country.

In this connection, the privatisation of state enterprises and other state assets must be stopped so that they may be used together with other measures taken by the state, to reverse the legacy of centuries of colonial rule. Continued privatisation of Telkom and similar parastatals only means the sowing of seeds of a future of strife and pain.

No genuine democracy is possible in a situation where wealth is the monopoly of one minority racial group.

Competition Board rejects political role

CT(BR) 2/8/95 (232)

By Andy Duffy

STAFF WRITER

The Competition Board would want to wash its hands of any government policy to break up the business empires dominating South African industry

The board — which was to table its proposals on new competition legislation at the end of the month — said yesterday it would not want to enforce a policy that had a "political" edge

Pierre Brooks, the chairman of the board, said it was not definite that government would target JSE conglomerates such as Anglo American through new legislation

But if government did choose this route, a special mechanism separate from the board should be considered to police the new regime. The board was already overstretched pursuing present policy, he said

"If you look at Europe and America, it's not the sort of thing competition authorities need to be doing," Brooks said

"Breaking up the conglomerates would be a major thing with a political dimension I'd prefer that we stay out of political issues"

He said the stance was one option, and that it would be put to Trevor Manuel, the minister of trade and industry, before it was included in the board's formal policy proposals.

The board has been compiling its proposals since last year, and has already made clear that it needs greater policy power and tougher punishments to be effective

Brooks said he could not rule out legislation against conglomerates in the draft bill

There was a "groundswell of opinion" among business and across the parliamentary spectrum that business leviathans had to be dealt with

The long-running issue took on a new edge last week, when a senior official in the United States' state department for Africa said the South African economy suffered from a cartel structure

Cyril Ramaphosa, the ANC's general secretary, also blamed conglomerates for hampering foreign investment and black business

Brooks said cross-directorship — which would also feature in the board's proposals — could still leave business dominated by a minority, even if conglomerates were dismantled

"Breaking up a conglomerate is one thing," he said "To try to get the companies to operate independently of another is quite different"

Background & Analysis

Telkom privatisation far from accepted by key parties

(232) CT(BR) 2/8/95

By Ann Crotty

'We need a new business strategy for Telkom, it has to be refocused and market orientated'

What is going on at Telkom? With great media fanfare Pallo Jordan, the minister of post and telecommunications, recently launched a policy-making process indicating that the issue of privatisation was far from accepted by the key parties.

For the department of post and telecommunications, policy making is to be a consultative process with input from interested parties as well as members of the public. That is the official view

Fairly soon after launching the process there were indications of major disagreement between Telkom management and various trade unions about plans for Telkom's non-core business units.

One of the unions' criticisms is that management and unions are involved in separate discussions to establish a re-engineering and renewal strategy for Telkom.

As Nakana Masoka, the national treasurer for the Post and Telecommunications Workers Association (Potwa) said. "This process should determine what is core and non-core, we don t need two parallel processes"

The unions' approach, as can be expected, is strongly influenced by employment prospects for their members While union officials accept that a vigorous re-engineering programme could involve many employees becoming redundant, they want the process to involve a hefty input on the human resources side

Thus would involve redirecting redundant labour resources to potential areas of profitable growth. Inevitably it is a longer-term exercise than the core/non-core restructuring, where the emphasis will be on short-term cost reduction.

As the unions see it, Telkom management is on course to privatise the non-core businesses before the end of this financial year — in the process breaching agreements and assurances undertaken with the unions to negotiate each phase of the process

The significant and slightly disturbing fact is that this restructuring exercise, which involves 25 percent of the parastatal's employees, could have run its full course without any public exposure had it not been that the dispute between the unions and management escalated to threats of industrial action — news of which inevitably hit the front pages.

The process has been under way since the first half of last year and appears to be driven by members of Telkom management — initially independent of even its recognised trade unions

Last week's threats of industrial action were precipitated by union fears that management had moved closer to the privatisation-related phases of its seven-phase plan.

While its involvement in the first five phases seems somewhat ambivalent, Potwa, as Telkom's largest trade union, is adamant it will resist any effort to implement phases six and seven which it describes as the sale/privatisation of so-called non-core businesses. Although media attention is on Telkom, the trade union movement's concern extends to many of the parastatals where they say there is considerable evidence of what they describe as privatisation by stealth.

This is all being done independently of government and without reference to the fact that policy on restructuring has yet to be formulated.

For the unions the fear is that by acting ahead, and independently of the process determined by the Cabinet, the parastatal managers will establish a privatisation policy based on practice and not democratic debate — which is a much longer and drawn out procedure

For Cosatu the issue goes way beyond the debate over acceptability/efficiency or otherwise of privatisation. They see it as an attempt to browbeat government into accepting a fait accompli. "Once the process has progressed to a certain stage, it will be difficult for government to unwind it," said one trade union adviser.

It confirms concerns expressed by the National Labour and Economic Development Institute, a Cosatu-associate, about the autonomy of parastatal managers and the fact that parastatals are divorced from government policy-making institutions "This means that managers need not consider national policy aims at all when they decide to dispose of resources

"Parastatal managers can sell state assets without any explicit consideration of how it will affect reconstruction and development."

In effect it is National Party policies ruling from the grave The fact that there is no mention of the restructuring in Telkom's recently released annual report, despite its obvious significance to the running of Telkom both now and in the future, heightens the level of apprehension that prevails between management and unions

There is some suspicion that this non-core restructuring will see the establishment of private companies with lucrative contracts owned and managed by recently retired/retrenched senior employees of the parastatals. These suspicions may be way off the mark but the lack of transparency keeps them on the boil.

Adding further to the uncertainty of the whole situation is the fact that the Cabinet is establishing guidelines on restructuring of the public sector.

Stella Sigcau, the minister for public enterprises, is the convenor for an inter-ministerial committee responsible for establishing these guidelines.

Without any such directives from its own minister or restructuring guidelines from the minister of public enterprises, how is it possible for members of Telkom management to proceed with what appears to be a form of privatisation, albeit of so-called non-core businesses?

Response from Telkom management is emphatic — what is happening is not privatisation, but restructuring

'Privatisation involves selling shares, we are looking at outsourcing of non-core business activities," said Johan Adler the senior general manager.

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"We've taken some functions and restructured them into a business unit which is still wholly owned by Telkom"

As the sole owner of Telkom, government is represented by the minister of post and telecommunications, who would have the final say in any decision.

However, it is evident that Sigcau's department is not being kept abreast of developments

Neither Telkom's spokesman, nor Willie Currie, an adviser to Jordan, could be exact on the extent of the decision-making authority of parastatal management teams

"The minister appoints a board of directors which oversees the activity of the parastatal In terms of company law, a board of directors is obliged to act in the best interests of the company rather than the shareholders — usually the interests coincide," he said

Competition policy debate hots up (232)

Greta Steyn BD 3/8/95

BLACK business group Nafcoc has fired the next salvo in the competition policy debate by signalling it will push for changes to enable black empowerment — in sharp contrast to Business SA's stance

Nafcoc president Joe Hlongwane said it was unacceptable that about 80% of listed equity was owned by a handful of companies "There must be a way in which historically marginalised people can be drawn into the formal sector The Competition Board's terms of reference should be changed with a view to empowerment "

While "something has to be done", it should be done in a way that would not be harmful to business.

Hlongwane's comments suggest a tough debate lies ahead in the National Economic, Development and Labour Council on this issue Business SA has said empowerment should not even be on the agenda when competition policy comes up for discussion soon But recent comments by ANC officials suggest it will be They have surprised business by suddenly taking a tougher line than the one suggested in a policy document circulated by Trade and Industry Minister Trevor Manuel The document had temporarily allayed fears of US style anti-trust policy and of a forced sell-off of conglomerates to black interests

The informal policy document will be

Continued on Page 2

Debate

Continued from Page 1

used as the point of departure for Nedlac discussions, due to start soon, and is also understood to be the basis of draft legislation being drawn up by a team led by Competition Board chairman Pierre Brooks and legal experts Dennis Davis and Willem Pretorius. Business SA has praised the document for its rejection of competition policy as a tool for empowerment.

It described as "of fundamental importance" the statement in the document that "one should guard against attempting to use competition policy to attain social, redistributive or development objectives that are not directly linked to the state of competition". It could be "disastrous" if empowerment objectives slipped into competition policy through the back door of abuse of a dominant position.

But Business SA disagreed with other areas of the report. It was also concerned over the "draconian" powers of the proposed new competition tribunal and the proposal for severe penalties (10% of annual turnover). It said the proposed competition authority would spawn a new bureaucracy which would grow and absorb more of SA's small pool of trained manpower It also criticised the report for focusing solely on the US and Europe in international comparisons, and not on Pacific Rim countries such as Korea

Merger 'needs comment'

Yuri Thumbran (232)

BD 3/8/95

THE Competition Board was expected to finalise its report on the proposed merger of footwear manufacturing firms Conshu and Bolton Footwear soon, board chairman Pierre Brooks said yesterday

Brookes said most of the underlying work had been done, but the board was waiting for comment from trade unions.

The two firms would soon meet union delegations to discuss the merger and its affects on the labour force Conshu CE Robert Feinblum confirmed that talks had to be held with unions.

One analyst said although Bolton Footwear had a price tag of R60m, it was likely Conshu was interested only the three factories, substantially lowering the purchase price The properties, hardware retail division and the motor distributorship could be listed within Bolton Industrial or Cargo Carriers

The acquisition, if approved, would consolidate Conshu as the country's leading footwear manufacturer, he said

Standards recommended

Edward West

CAPE TOWN - Low cost and possibly unsuitable decoders and receivers may be dumped on SA markets with the arrival of satellite broadcasting technology in SA through today's launch of the PAS-4 satellite, Tek Electronics MD Richard Ferrer said.

He said the Starwalker committee formed by PAS-4 customers, to educate customers, had recommended minimum specifications to which receiving systems should conform

BACKGROUND&ANALYSIS

Privatisation of Aventura resorts 'just a rumour'

CT(BR)4/8/95 (232)

BY ANN CROTTY

SPECIAL WRITER

Rumours that one or two Aventura resorts have been sold are way off the mark.

But given that the office for public enterprises was unsure what the precise situation was, it is understandable that elements of the private sector were convinced that here might lie the beginnings of government's privatisation programme

Alan Louw, the managing director of Aventura was emphatic. "None has been sold." He said that earlier this year there were discussions about the possible disposal of two of the smaller resorts with a view to using the proceeds either to reduce debt levels or to develop the remaining facilities It was decided instead to sell the group's head office premises, valued at about R6,9 million.

On the issue of privatisation, Louw said that on the basis of regular meetings with government, it was apparent that not even non strategic assets such as Aventura's would be for sale This may or may not change following discussion of restructuring guidelines tabled for discussion last week by Stella Sigcau, the public works minister.

As a target for privatisation, Aventura will certainly not attract the sort of frenzy that has every merchant bank in the country, as well as many international bankers, knocking on the doors of senior executives of the major parastatals.

It is just not sexy enough. The big parastatals with their billions of rands of assets, offer the promise of lucrative fees for the many layers of advisers that inevitably accompany privatisation exercises. What Aventura offers is modest.

The fact that the government had not even indicated Aventura's assets were for sale was an indication of the extent of its resistance to the issue of privatisation, Louw said. At this stage, with the policy formulation process just kicking into play, the government is supporting the policy of public sector restructuring, but is indicating it will not be selling shares or assets.

What it is prepared to consider is the introduction of new capital by private sector investors or the creation of joint ventures with private sector shareholders.

There are a whole host of reasons why Aventura was thought likely to be among the first of the public sector assets sold off to the private sector

The single most important is that it is not politically sensitive, by no stretch of the imagination could it be linked to the reconstruction and development programme and it is unlikely that its privatisation would adversely affect service provision or employment.

Since 1992 the group has reported losses which have resulted in the accumulation of debt aggravated by restructuring costs Before 1992, government subsidies covered the losses.

The financial year to end August is expected to show yet another loss but management is forecasting a small profit for the next financial year. Improved performance is attributed to restructuring and a more aggressive strategy in the market-place. If this public sector asset can generate profit, why invite the private sector to share the spoils?

GOLDEN GOOSE *Government appears reluctant to share the spoils of its resorts with the private sector*

Insurers accused of collusion

(232) (BB) WM(BM) 4-10/8/95

The Competition Board may soon investigate collusion in the short-term insurance industry, **Reg Rumney** reports

MAJOR short-term insurers have been accused of collusion. And the Competition Board has confirmed that it is starting to probe the industry.

David Hersch, managing director of Compuquote, which provides comparative insurance quotes through Beltel, has outlined in a public forum what has been an open secret for some time, the existence of a "non-aggression pact" on business insurance between major insurers.

Hersch made the accusation in a speech at the Sanlam Actuaries Conference in Hermanus last week.

In a speech, severely critical of the both the life assurance and short-term insurance industries, Hersch pointed to a cartel arrangement in the short-term insurance business

In the recent past, said Hersch, short-term companies used to operate formal cartels and sign "agreements" or "accords". This ended with the introduction of the Competition Board.

"The short-term companies' response was simply to have lunch once a month. The extraordinary thing is that, with the passing of time, they have grown so complacent that these lunches are today minuted I have seen these minutes and their contents amount to not only unfair business practice, but they are also unethical and downright illegal

"They are also unhealthy for the economy as a whole It is common knowledge in the short-term industry that a 'non-aggression pact' as far as business insurance is concerned exists between the major companies. But none dare call it a conspiracy or cartel."

Asked for comment, the South Africa Insurance Association director Barry Scott referred the matter to the chairman, who asked for more time to respond to the allegations. However, a broker, who did not want to be named, told the *Mail & Guardian* he knew of a "market agreement" between four of the top insurers not to poach business from one another when policies came up for renewal by offering lower premiums.

Competition Board chairman Pierre Brooks said this week the board was starting to gather information on the industry, which might lead to an investigation. However, he pointed out the kind of activity described by Hersch was indeed illegal, and, if proved, entailed criminal prosecution of those companies involved.

Brooks said the board had approached the insurance industry to provide general information and was still waiting for a response. If he received additional information the board would take further action. The board would be glad to spearhead a prosecution.

Chairman of insurance broking firm Prestasi Jan Erasmus is sceptical the board will ever be able to prove anything. "Such agreements have been around ever since I started in the industry 23 years ago."

He said he had taken up the existence of collusion several times in the past with the Competition Board, and had in the mid-1980s even taped a conversation between two underwriters discussing their agreement not to undercut the premiums quoted for a particular business

However, Erasmus said the collusion had been too difficult for the board to prove, and it would seem the consumer would have to put up with this. "It was much worse in the old days."

Restructuring to be suspended

ARGT 5/8/95

PRETORIA. — The Ministry for Public Enterprises said it was suspending the unilateral restructuring of state enterprises. (232)

Deputy director-general and head of the Office for Public Enterprises Sipho Shabalala said the restructurings would be stopped immediately.

"Notwithstanding the need for management to continually introduce change, it should be highly appreciated any restructuring of state enterprises is a politically, socially and economically sensitive matter," said Mr Shabalala. — Sapa

Deaths

WADE

Dulcie passed away on Thursday 3rd instant Wife of Louis Deepest sympathy From Managing Directors and Staff at Ster Kinekor Johannesburg

WADE

Dulcie passed away suddenly 3/8/95 Sadly missed by sister-in-law Rosalyn Rubel nephew and niece Dennis Alexandra Beth and David

WADE

Dulcie passed away peacefully on Thurs 3/8/95 Sadly missed and fondly remembered by her loving husband Louis and son Allan Memorial service at Temple Israel, Sea Point on Tues 8/8/95 at 12 pm Prayers on Tuesday night only on Tues 8/8/95 at 6pm at 16 Arixona rd Thornton

WADE

Dulcie passed away suddenly 3 August 1995 Our sister our friend will be sadly missed Deepest sympathy to Louis and Alan From Robert and Ursley

Found

A W.S

DOGS

Alsatian cross Husky brown sable/white smooth hair M/Plain
Border Collie cross black/white small T/View
Jack Russell cross tri-coloured flea collar T/View
Staffordshire light brindle/white bought from person in Bergvliet but may be lost elsewhere
Terrier cross sable little white has milk Bothasig
Maltese white hair cut on lower back apricot ears Wingfield
Maltese white Manenberg
Maltese white little grey large M/Plain
Terrier cross tan rough-haired lost long time Manenberg
Maltese white smooth whispy hair Bonteheuwel
Pom cross black little white Kuils River blind
Bull Tierrer white skin problems Monte Vista
Labrador cross golden white on paws Bergvliet
Maltese cross Spaniel black/white tan on face T/View
Rottweiler cross sable/black long tail large Philippi
Crossbreed tan long nose Philippi
Staffordshire brindle/white plus collar, Monte Vista
Terrier cross black

Found

SPCA
1ST AVENUE
GRASSY PARK
PH 705 3757

DOGS FOUND

Maltese, beige Fish Hoek
Cross Border Collie, black/white, Retreat
Cross Maltese/Terrier black/grey Saint James
Cross Yorkshire Terrier golden/black, Blue Route
Cross Pom, beige Lavender Hill
Cross Terrier black/white Lansdowne
Cross Pom black/brown Lansdowne
Maltese black/white Seawinds
Cross German Shepherd/Labrador, black Bothasig
Cross Maltese beige Bothasig
Doberman, black Ottery
Cross Terrier brown/black Wynberg
Cross Border Collie black/white Southfield
Cross Staffie brindle Grassy Park
Rottweiler black/tan Athlone
Cross Labrador black/white Cape Town
Cross Terrier white/brown/black Ottery
Cross Maltese beige Welton
Cross Labrador black Wynberg
Cross Cairn Collie white Constantia
Fox Terrier black/white Grassy Park
Maltese white Heathfield
Cross Terrier white/brown Strandfontein Village
Maltese beige Ottery.

'All must share in public assets'

BARRY STREEK
POLITICAL STAFF

(232) CT 7/8/95

THE Democratic Party wants state assets privatised by selling them to a unit trust fund in which every citizen will get a unit worth R1 850

This was the policy adopted by the DP at Muizenberg yesterday

The party said in a policy document that an aggressive policy of privatisation would benefit the economy, especially if the economy was deregulated at the same time

But as most black people were poor, they were at a disadvantage when it came to buying shares in public assets

As the object was not "to replace one elite with another of a different colour", the DP recommended selling to those who could afford to buy shares, but distributing most of the ownership to the public through a public unit trust

Gauteng provincial legislature member Mr Brian Goodall said it was envisaged that 40% would be sold directly and 60% transferred to the public unit trust

The direct sales would provide the state with funds to relieve public debt while the other transfers would give many a stake in the economy for the first time

Parastatals

"Such a transfer of assets would be comprehensive, rapid and cheap," he said

At the book value of the four parastatals, R1 850 could be distributed to each person

"The prospect of a sharing of wealth would bolster public support for privatisation and economic reform generally

"Such a programme would fulfill the promise made in the Freedom Charter that monopoly industry shall be transferred to the ownership of the people as a whole"

FORUM

Anti-monopoly action must target both public and private sectors

(232) CT(BR) 7/8/95

SPOTLIGHT

Politicians who live in governmental glass houses should not throw stones at those of the private sector

BY HOWARD PREECE

South Africa urgently needs to get its competition and industrial restructuring policies into much sharper focus.

Confusion, contradiction, conflict of purpose and a lack of coherent socio-economic preparation appear all too evident.

A severe price will have to be paid by the country for this state of affairs unless rapid action is taken to put far-reaching, viable and logically consistent structures in place.

The following are some of the crucial areas where government needs urgently to consider just what its real priorities are.

☐ Cyril Ramaphosa, ANC secretary-general, has firmly re-stated the party's previous threats to break the alleged "stranglehold" on the economy held by five massive private sector conglomerates. These are Anglo American, Rembrandt, Old Mutual, Sanlam and Liberty Life (Anglovaal sometimes gets tossed into this pot as well).

Ramaphosa trotted out the often repeated (but equally often, seriously challenged) claim of financial analyst Robin McGregor that these groups together control 85 percent of the market capitalisation of the JSE, with Anglo alone accounting for about 40 percent.

There is some sympathy with aspects of the ANC's attitude even among some strongly pro-capitalist quarters. The Financial Times of London, for example, commented last week: "It cannot be healthy for any economy to be dominated by so few companies. South Africa would be better served by a more open, competitive structure of industrial ownership and control."

☐ But before Ramaphosa and his colleagues, above all in Cosatu, get carried away by that, they must take full note of the FT's recommendations on how a healthier situation might best be achieved. The crucial finding is that an absolute condition for fundamental change must be the ending, or at least the initial easing, of exchange control on South African residents.

Given the bitter hostility by most Cosatu leaders — and thus by a vital sector in the ANC leadership — to that kind of reform in any foreseeable timeframe, Ramaphosa's rumblings seem more designed for populist domestic consumption than for any truly constructive contribution to economic debate.

That is in part precisely why industrial policy in total in South Africa is now rooted more in slogans than in substance.

Nor is it necessarily true — though the balance of dispassionate economic judgment takes the FT view — that the economy would be healthier if the proportionate role of the dominant private sector groups were reduced.

Confusion

☐ What has always to be remembered is that South Africa is not only a medium-income nation, but also very much a medium-sized economy. That leads to some of the confusion of approach within the ANC, technically within the government, about the pros and cons of South African mega-groups.

This country's GDP is marginally smaller than those of Finland, Turkey, Norway and Thailand. By definition, therefore, any South African groups which are up in the world first division in terms of total asset size are bound to be much larger in relation to this country's GDP than the percentage role accorded to much bigger corporations which are counted as part of still much larger economies.

Morgan Stanley Capital International recently completed this year's list of the top 1 000 companies in the leading 21 industrial nations of the world in terms of their stock market valuations at May 31 this year (see Business Week magazine, July 10).

South Africa does not qualify for that ranking, it features instead in the secondary "emerging markets" category. But had Anglo American been included in the primary list it would have ranked with Morgan Stanley's $12,39 billion valuation of it only at number 195 — just below the supermarket chains of Sainsburys of Britain and Carrefour of France and just above Dresdner Bank of Germany and ABN Amro Holdings of the Netherlands which acquired the disaster-struck British banking group, Barings.

Anglo is also dwarfed by Australia's mining super-company Broken Hill Proprietary which, valued at $24,2 billion, comes in at number 68 on the top list.

☐ Further, to see the major players of South Africa's private sector in better and fuller perspective comparisons should also be made to the role and relative size of the big players in other medium-sized economies.

Consider Malaysia. According to this year's edition of The Economist's World in Figures, Malaysia's GDP was roughly half that of South Africa. The South African Reserve Bank, incidentally, estimates this country's GDP at the end of last year at R433 billion ($122 billion).

A look at the Morgan Stanley top 200 company list for countries classified in the emerging markets sector shows Anglo placed sixth.

But in second spot is Telekom Malaysia ($15,25 billion) and in fifth place is the country's Tenaga Nasional ($12,6 billion). Malaysia is among the countries that are most usually cited as instances of comparable economies from which South Africa can take useful lessons.

It might be worthwhile, therefore, to give some thought to why Malaysia seems happily able to accommodate such relative mammoths in its successful economy. Perhaps the simple answer is that Malaysia accepts that in certain business operations it is necessary to be world size to be a world player.

Ramaphosa — and, above all, the Cabinet's new macro-economic ministerial committee directly headed by President Nelson Mandela — would do well to examine thoroughly all the implications of this McGregor's ritual pronouncements on the big five (or six) contain a large measure of double counting. In the Morgan Stanley emerging markets league, for example, De Beers features as the number two South Africa company.

Pyramid

But Anglo has a near-40 percent control of De Beers built in to its market capitalisation worth. This kind of pyramiding effect runs across the JSE. Strip all of it out and Anglo's share of the JSE valuation drops to more like 25 percent than 40 percent.

☐ ANC economic attitudes still appear undesirably blinkered when it comes to the public sector — and McGregor, too, is curiously more coy on this.

The Reserve Bank estimates that at the end of last year the total value of the country's productive base (capital stock) was R802 billion. Of that, however, only a whisker over half (R405 billion) fell within the private sector. The rest came in the broad domain of the public sector.

As Anglo is never tired of pointing out, government is still overwhelmingly the largest single player in the South African economy. JSE capitalisation figures have to be heavily qualified by that. Once the debate is widened to take this into account, the ANC's industrial policy seems even more uncertain.

Pallo Jordan, minister of post and telecommunications is adamant, for instance, that there will be no basic change in the near or even medium-term to the monopoly power enjoyed by Telkom. Cosatu predictably goes far beyond that. In its characteristic nostalgia for the economics of the 1950s-1960s, it wants no privatisation of anything, anywhere, anytime.

Stella Sigcau, the minister nominally in charge of privatisation, regularly makes noises that suggest some action is coming; but no sign of anything concrete actually emerges.

Sure, privatisation does have to be handled much more carefully than suggested by its most effusive advocates — including senior spokesmen at Anglo American.

Harry Schwarz, former Democratic Party finance chief, made that point excellently in The Star a few days ago.

For all that, however, it is nonsense, and hypocritical nonsense, for Ramaphosa and others to lament the excessive concentration of private economic power in South Africa — fair though that complaint is in principle — unless there is at least equal concern about the over-mighty barons of the state.

☐ Trevor Manuel, trade and industry minister, has done a first-class job so far in seeking to push and encourage South Africa into a less protected and more internationally competitive economic environment.

But Manuel, too, has more to do. To enable full-scale debate from all sides of the political and industrial spectrums and before any premature policy moves are made, he needs to publicise much more comprehensively than to date exactly what he is planning on competition policy.

The State's role in the economy must also be central to this debate.

Government must spell out whether it accepts all the implications of a reduction in the concentration of private sector economic power.

These would have to include much greater foreign ownership of South African assets and much greater diversification of South African corporate and institutional funds into foreign businesses and bourses.

Foreigners will buy only on negotiated terms suitable to them, not on Cosatu-determined formulas. Any other approaches can involve re-arranging deckchairs.

Government suspends unilateral restructuring of state enterprises

(232)

CT 7/8/95.

The public enterprises ministry said on Friday that it was suspending the unilateral restructuring of state enterprises

Sipho Shabalala, the deputy director-general and the head of the office for public enterprises, said that the restructurings would be stopped immediately

"Notwithstanding the need for management to continually introduce change and development within their enterprises, it should be appreciated that under the conditions prevailing in South Africa any restructuring of state enterprises is a politically, socially and economically sensitive matter," Shabalala said

The suspension would continue pending the creation of representative bodies which would be given a mandate to restructure according to negotiated principles and procedures laid down by the government — Sapa

Telkom downplays talk of partial privatisation

(232) ~~(261)~~

MD 8/8/95

Mungo Soggot

TELKOM yesterday downplayed talk of partial privatisation, saying the priority was to restructure to focus on its core business so it could become internationally competitive and cater for the millions without phones.

Telkom MD and CEO Brian Clark told a Press briefing that Telkom's "equity restructuring" would have to follow the first phase of its restructuring, which would see the parastatal "outsource" its non-core businesses like restaurants, construction, security and transport

This phase of restructuring — which would be in line with government guidelines and which would not result in retrenchments — was due to be wrapped up by March next year.

Clark said Telkom did not have any stake in mind when it talked of "equity restructuring"

He said recent comments by other Telkom officials — which suggested a sale of 15% to 20% — were not accurate and had probably been aimed at giving a broad idea of what was on the cards

"We have no stake in mind at the moment"

Post and Telecommunications Minister Pallo Jordan said government was likely to give the green light to the sale of a stake which would help fund the parastatal's capital hungry plans — it had ruled out only full privatisation

Clark said a new management team to help steer the restructuring was due to be announced in about a month

He said the team would not necessarily be smaller, but would reflect Telkom's aim of giving more responsibility to lower levels and moving away from its rigid hierarchy

Clark said it was difficult to estimate the cost spinoffs of the restructuring as negotiations with the unions were still taking place.

The restructuring would also see Telkom split into business units, which, for example, would deal separately with corporate and private customers

Jordan said although Cabinet would have to approve the equity restructuring of Telkom, other management decisions — such as to whom Telkom awarded its tender for one million lines — did not need to be sanctioned by government

Clark said that there should be more clarity on the million lines tender by September.

istration Clerks, 1 Chief Administration Clerk and 1 Director

(iii) The officials were stationed in Durban (12), Pretoria (2), Cullinan (1), Benoni (1), Potchefstroom (1), Randburg (1) and Welkom (1)

The information above refers to the fraudulent acquisition of both South African identity documents and passports since separate statistics are not kept

Apart from the 1 official dismissed, 2 officials resigned before the prosecution could be finalised, 1 official was fined and the prosecution of the remaining 15 officials is still in progress

(c) Persons applying for South African passports who have not yet provided the Department with a complete set of fingerprints, are required by regulation 3 of the Regulations published under the South African Passports and Travel Documents Act, 1994 (Act No 4 of 1994), to supply such fingerprints together with their applications Should an applicant's fingerprints already be on record, only his or her thumbprint is required

The fingerprints/thumbprint control measure proves to be successful not only for the tracing of fraudulent applications but also for discouraging the submission of such applications

(2) No I suggest that this question be directed to the Minister of Safety and Security

(3) (a) (i) and (ii) Although every effort is made to trace false applications and the perpetrators, it is not always possible to identify applications which contain fictitious information

(b) Figures are not readily available See my reply to the question in paragraph (4)

(4) (a) and (b) Figures are not available because all the cases occurring throughout the country are not necessarily reported to the Department by the SAPS

Telkom hotlines installed in post offices

419 Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting

(1) (a) How many Telkom hotlines have been installed in post offices, (b) what is the cost to Telkom per hotline and (c) what is the average daily number of calls per hotline made by customers,

(2) whether any rental is being paid by Telkom to such post offices for the space used for such hotlines, if not, why not, if so, what amount per hotline?

N893E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

The Managing Director of Telkom SA Ltd has informed me as follows

(1) (a) There are presently 201 hotlines installed for the convenience of customers in post offices countrywide

(b) The total cost of Telkom per hotline is non-recurrent installation cost of approximately R530 and a monthly rent of R28,50 per office payable to the Post Office

(c) Because of the diversity of the activity levels, fluctuations in the enquiry rate are experienced on a daily basis It should, however, be mentioned that at some offices in excess of 50 enquiries are recorded per day

(2) Yes R28,50 rental per month per square metre occupied (VAT included)

Findings of Competition Board

422 Mr M F CASSIM asked the Minister of Trade and Industry

232

(1) Whether, as a result of the findings of the Competition Board in regard to the situation in the paper industry, he intends recommending lifting, with immediate effect, any restrictions on suppliers of paper products to state departments and/or agencies having to use only paper manufactured within the Republic, if not, why not, if so, when,

Hansard 8/8/95

(2) whether he will make a statement on the Government's policy on competition within the paper industry?

N897E

The MINISTER OF TRADE AND INDUSTRY

(1) No The Competition Board has not yet made any findings resulting from its investigation into the paper industry since the investigation has not yet been completed

The Competition Board has, however, recently made recommendations to remove the restrictions on suppliers of paper products to state departments having to use only paper manufactured within South Africa The provisions in the state tender rules, where the insistence that manufacturers use only local paper in the production of books has subsequently been substantially modified Furthermore, in general, contracts entered into by the State Tender Board since 28 February 1995 no longer contain the condition that only local products may be used in Government procurement contracts The removal of this condition was of particular importance in industries where the local producers find themselves in a monopoly situation or dominant position in order to ensure that competition from abroad is not excluded

However, the requirement in all State Tender Board contracts which requests tenderers to promote local content and affords them the right to "claim preferences" when they do, has always been viewed as important for the promotion of local industry objectives, such as the creation and protection of jobs in the country and cannot summarily be amended The effect on the South African industry of lifting such a condition will have to be monitored carefully over a period of at least 12 months A committee in my department has already commenced with this process What is important is that this condition does not preclude the use of imported products

(2) No The Board on Tariffs and Trade is currently also considering an application for the reduction of the duty on paper It would, therefore, not be appropriate for me to make a policy statement on competition within the paper industry prior to the release of the findings of the investigations of both the Competition Board and the Board on Tariffs and Trade

Permanent/full-time employees employed

429 Ms M SMUTS asked the Minister of Home Affairs

(1) How many permanent, full-time employees are currently employed by (a) his Department and (b) each relevant specified organisational component referred to in section 7(1) of the Public Service Act, 1994 (Proclamation No 103 of 1994),

(2) whether he will furnish particulars in respect of the salaries of such employees, if not, why not, if so, as at the latest specified date for which information is available, (a) what was the average salary of such employees and (b)(i) what annual salary was paid to the (aa) highest-paid and (bb) lowest-paid employees in (aaa) his Department and (bbb) each such organisational component, (ii) what posts did such employees hold and (iii) in respect of how many employees is this information furnished in each case,

(3) how many of these employees were (a) employed (i) before and (ii) after 27 April 1994 and (b) incorporated into (i) his Department and (ii) each such organisational component from the former homelands or self-governing territories?

N913E

The MINISTER OF HOME AFFAIRS

(1) (a) 155

(b)

Chief Directorate Administration	11
Chief Directorate Civic Affairs	114
Chief Directorate Migration	4
Western Cape Region	1
Northern Cape Region	1
Eastern Cape Region	3
Northern Province Region	3
Eastern Transvaal Region	—
North West Region	—
Free State Region	5
KwaZulu Natal Region	6
Gauteng Region	7

(2) (a) R24 005 per annum

(b) (i) (aa) R81 114 per annum

Nicky O rips into 'kite flyers'

Beatrix Payne (232) BD 10/8/95

ANGLO American and De Beers deputy chairman Nicky Oppenheimer lashed out this week at ANC and government "kite flyers" who were suggesting that legislative steps should be taken to force the unbundling of large corporations

Oppenheimer was speaking at the launch of a new business-funded research organisation headed by former executive director of the Urban Foundation Ann Bernstein Among those present was Trade and Industry Minister Trevor Manuel who, with ANC secretary-general Cyril Ramaphosa, has been most vocal in arguing for a strongly anti-conglomerate competition policy

Oppenheimer described those proposals as "extremely ill-judged", saying they would fatally undermine Africa's only healthy market economy "The large corporations as the backbone of our economy may not be perfect, but they are the only indigenous African example of flourishing and competitive world class companies," he said

Such suggestions were ironic considering that the state owned 50% of SA's fixed assets

He said key regulations such as exchange control and "state domination of excessive sectors of the economy" were the main barriers to foreign investment, black economic development and greater competition The perceived slow progress in black empowerment and perceived concentration of power were the result of these regulations

Elizabeth Bradley, chairman of the new organisation, the Centre for Development and Enterprise, said it was an independent research and advocacy body It would conduct research on national issues and provide a forum for practical policy ideas, she said

Key issues for the organisation would be how to balance the need for a strong and effective state with the rights of individuals; how to redress collective injustices of the past with the rights of individuals today; and how to balance the need for equal public expenditure on individuals wherever they may live, with the simultaneous need to concentrate on areas with the most growth potential

Over the next year the centre would release findings on a number of critical national issues, including growth proposals for SA's small towns, the country's new demography and income statistics, and the role of business in democratic transitions and economic development, Bernstein said

Members of the board include newly appointed head of the Land Court Fikile Bam, Cas Coovadia, professor Wiseman Nkhulu, businessman Kehla Mthembu and Anglo American's Michael Spicer

Privatisation mooted in Transnet bid

232

ST(BT) 13/8/95

By SVEN LUNSCHE

THE Department of Transport has raised the stakes in the battle for control of Transnet by outlining a programme for restructuring the parastatal, a plan that includes the full or partial privatisation of some Transnet divisions.

Transnet currently falls under the jurisdiction of the Minister of Public Enterprises, Stella Sigcau, but Transport Minister Mac Maharaj has staked his claim for the group

In drawing up a restructured commuter transport policy, Transnet is a vital factor and should therefore fall under his department, Mr Maharaj says

Meanwhile, it has emerged that Mineral and Energy Affairs minister Pik Botha wants to regain control of Eskom from Ms Sigcau.

Eskom was moved to Public Enterprises a few years ago when it was considered a prime candidate for privatisation.

However, the government's recent blueprint on restructuring state assets ruled out Eskom's privatisation and Mr Botha believes the energy utility should be returned to his department.

Furthermore, Mr Botha is said to be considering proposals to move the liquid fuels portfolio to the Department of Trade and Industry because it is "a tariff-related issue".

Unlike Mr Maharaj, however, Mr Botha has not yet raised the matter with his cabinet colleagues.

The Department of Transport's director-general, Ketso Gordhan, said this week his department had asked the government to set up a committee to oversee the restructuring of Transnet.

The committee, consisting of the departments of Transport and Public Enterprises as well as Transnet, should examine the role of Transnet within broader transport policy.

"We don't mind if Public Enterprises remains the 'shareholding ministry', but it is vital that our views on Transnet are strongly considered," Mr Gordhan says

A spokesman for Public Enterprises said on Friday "Where the direct interest of a department concerns parastatals under the control of Public Enterprises, we will consult with the relevant ministries"

Mr Gordhan says the restructuring of Transnet should fall within approved guidelines on restructuring state assets.

This would ensure parastatals a development orientation and mobilise private sector financial, managerial and technical resources in the form of equity partnerships.

Detailing some of his department's views on Transnet divisions, Mr Gordhan says SAA should seek a strategic equity partner which could help the airline to expand through financial and managerial support.

On Autonet, Transnet's profitable road transport division, Mr Gordhan says: "There is no strategic or economic reason for holding on to Autonet.

"It should be privatised with a view to black empowerment."

He also proposes that Portnet's infrastructural and operational charges be split to bring down the extraordinarily high wharfage charges".

Transnet this week reported its first profits since it embarked on a commericalisation drive five years ago. Net profits were R118-million in the year to end-March.

ST (BT) 13/8/95 (232)

Competition Board clears Murdoch deal

By JEREMY WOODS

THE Competition Board has provisionally cleared the R2-billion deal between the SA Rugby Football Union and Rupert Murdoch's News Corporation

The board was acting on complaints lodged by M-Net that the TV rights deal between Sarfu and Newscorp was a restrictive practice.

However, the board found that Sarfu did not have a competitive relationship with M-Net

"The most serious threat to competition would arise where Newscorp acted in a manner that arbitrarily denied M-Net, the SABC or both the chance to compete for the right to televise in South Africa matches which the majority of SA rugby enthusiasts could reasonably expect to see

"The available information does not seem to indicate that such a situation has arisen or will arise," the board said in its findings, which were handed to M-Net and Sarfu boss Louis Luyt this week

The board also found that by the time M-Net became aware of the transaction, Sarfu had already "divested itself" of its rugby rights for television and "was accordingly technically not in a position to deal or refuse to deal with M-Net in respect of those rights"

M-Net has also instituted civil proceedings against Sarfu, claiming that Dr Luyt promised it could bid for the television rights a week before the Newscorp deal

The Argus, Monday August 14 1995

For whom the bell rings

□ Sounding a note of caution over plans to privatise parastatals like Telkom

(232) ARG 14/8/95

Privatisation must not be seen as a quick-fix fiscal remedy in the South African context, say commercial and communications law specialists GERHARD JOHANNES and WILDU DU PLESSIS.

THE issue of the privatisation of state-owned enterprises, especially the privatisation of Telkom, has once again come under the spotlight

Kobus Jordaan, the DP spokesman on mineral and energy affairs, has severely criticised the fact that to date no concrete steps had been taken towards privatising Telkom According to Mr Jordaan "it is once again left to others to keep the issue alive"

Although classical economic thought may entail that "state-run enterprises suffer from sluggish performance and inefficiency", it would be shortsighted and dangerous for South Africa to see and approach the immediate privatisation of all state-owned or parastatal enterprises as a quick-fix solution for the struggling economy

Privatisation is but one way of improving parastatal inefficiency Although privatisation, especially of Telkom, should have a tremendous effect on offshore capital flows into South Africa, which at present are being hampered by JSE liquidity, it should go further than a mere auctioning-off of state assets

The privatisation process should not be embarked on as a quick-fix fiscal remedy, but should seek to benefit communities, to repay state debt, to achieve RDP goals and to facilitate economic empowerment

Although the privatisation of state assets and enterprises is now very much a world phenomenon, the whole issue in South Africa, especially that of privatising parastatals crucial to the provision of utilities to new residential areas and communities, will have to be researched

Blind acceptance of a privatisation model implemented abroad will not necessarily prove suitable here Successes and failures need to be analysed.

No mention is made by Mr Jordaan of the recent Green Paper on Telecommunications Policy published by the Minister of Posts, Telecommunications and Broadcasting, even though the Green Paper was published on July 7 and invited comments from the public and interested parties on the questions contained in the Green Paper before September 15

The Green Paper is not itself a statement of government policy As the closing date for submissions is September 15, it is with surprise that we note Mr Jordaan's claim that "the privatisation of Telkom has been evaded safely by the Post, Telecommunications and Broadcasting Department in its recent White Paper on Telecommunications Policy"

In the recent Green Paper a whole section is devoted to eliciting comment from interested parties especially on ownership, investment and financing of telecommunications providers in our changing society

In tackling the issue of privatisation, the Green Paper describes four different possible scenarios, discusses the various advantages and disadvantages of each and then asks for comment from all interested parties (and the public) on which scenario will be the best suited in the circumstances

Telkom is evidently not against privatisation Post and Telecommunications Minister Pallo Jordan advised as early as February this year that the Posts and Telecommunications Ministry was considering the partial privatisation of Telkom as one of the measures to raise the capital needed to modernise services

Telkom chairman, Dikgang Moseneke, recently confirmed that up to 20 of Telkom shares may be sold to a third party Telkom is also considering selling some of its support functions such as restaurants, security, transport, workshops and construction in order to concentrate on its primary business operations

In making comparisons, one should always compare apples with apples and not some other fruit To compare Telkom with Eskom is not comparing apples with apples The two entities are completely different.

The cost structures are not comparable National Council of Trade Unions spokesman Cunningham Ngcukana says "Telkom, as a commercialised state enterprise, has done well " In reality therefore not all parastatals perform sluggishly

To state that Telkom will "not support measures aimed at reducing costs" is incorrect In the Green Paper a whole chapter is devoted to investigating the affordability of telecommunications services (especially international and long distance services) and the setting of tariffs

The privatisation process should not be embarked on as a quick-fix fiscal remedy, but should seek to benefit communities, to repay state debt, to achieve RDP goals and to facilitate economic empowerment.

Telkom's tariffs are unfortunately, for historical reasons, currently unbalanced, with the lucrative international and long distance calls subsi- dising the cheap and affordable local calls This hopefully will be tackled

To state that Telkom, by objecting to the AT'T optic cable scheme, will not support such measures is also incorrect In investigating and employing new technology for South Africa's telecommunications needs, Telkom cannot and should not see the issues with blinkers on

For instance, the whole debate between satellite communications versus cable communications (whether it be traditional copper or high-tech fibre optic cable) should be investigated by all telecommunications providers in South Africa before committing to either

From international studies it is clear that satellite communications will provide the most cost-effective way of successfully communicating over long distances To portray Telkom s non-acceptance of the AT'T proposal as being obstinate and as not keeping pace with global telecommunications developments at this early stage, is unfair

The technology option chosen by Telkom to reduce the price of international and long distance telephone calls should take account of new technology such as the Teledesic satellite communications system recently proposed in the United States, where an almost fixed system (with all the accessory benefits such as distance learning, telemedicine etc) will be provided at extremely low costs by using more than 800 satellites.

● The writers are attorneys practising in the fields of commercial and communications law

(232) ARG 14/8/95

Selling off the 'family jewels' might not benefit the country

THE proposal that Telkom should be privatised by a consortium of internationals, such as AT'T or Sprint, buying all the shares in Telkom, may amount to the most significant investment yet made in South Africa, but such a total transfer of ownership to Telkom's direct competitors will not be in the best interests of South Africa or the South African people

It should be borne in mind that other international telecommunications carriers, such as AT'T, MCI and Sprint, are in direct competition with Telkom for the lucrative international market By simply selling a state-owned enterprise such as Telkom to an international competitor, the state will not gain the public benefits in the form of achieving RDP goals and economic empowerment that any privatisation process in South Africa should seek to gain

It will merely serve as a way of repatriating any profits made in South Africa from South African money to an international competitor

For any truly successful public debate on the privatisation issue to begin the after-privatisation scenario has to be considered

Any discussion on this issue simply must investigate and consider the scenario after implementation of the privatisation process, as was done in the Green Paper

The after-privatisation position should be considered and decided upon even before embarking on that road or addressing privatisation of enterprises such as Telkom

The effect of a privatisation drive is of crucial importance in any discussion of the issue.

Questions should be asked such as what will happen to the people currently employed by the parastatal organisation, how it will be ensured that a fair and reasonable tariff will be charged for services, will it be necessary to create and maintain an independent telecommunications authority as independent regulator of the industry, much like the Independent Broadcasting Authority or the FCC in the United States to regulate the industry for the public benefit?

Can the tremendous outlay, both in financial expenses and in manpower, inherent in creating such a regulatory body be absorbed at this stage? Do we have sufficient manpower with the required technological and other knowledge to successfully operate such a regulator and to successfully regulate the telecommunications industry?

How are the fears of Telkom's workers of being retrenched to be addressed, especially in view of the indication that Telkom's two largest unions — together representing 30 000 of Telkom's 58 000 staff — are threatening mass industrial action over Telkom's plans on restructuring?

Answers to all these questions should be put forward before a final decision on the privatisation issue can be made

Every reason exists to be cautious about what is sold off how and to whom, so as to ensure that most benefits go where the government determines the needs are greatest

Although Telkom may look like a treasure trove for privatisation, any privatisation, whether it be a full or partial privatisation, should not endanger or jeopardise Telkom's RDP obligations

The expansion programme of Telkom to increase telephone penetration in South Africa, not only in commercially viable areas, but also in non-viable and rural areas may under no circumstances be put at risk

Telkom has already embarked on a practical "privatisation" exercise with its one million line expansion programme Innovative ideas such as this expansion programme are needed in the South African privatisation discussion Without them the process is doomed to failure

The real question is one of ownership

To privatise each and every state-owned asset by selling it, in toto, to the private sector, whether it be a local or a foreign entity buying the asset, will simply not address all the problems and issues involved

Participation by a foreign or local private entity in a privatised parastatal is one thing, the complete transferral of ownership from the state to private entities is something completely different

A strategic partnership or joint venture would appear to be the more sensible approach in privatising a utilities provider such as Telkom

By simply selling off the "family jewels" of the state and of the South African public, such as Telkom, the two crucial questions in the privatisation debate, namely how to ensure that the process meets desired social objectives and what are the most appropriate mechanics of selling off state enterprises, are simply not answered

There is every reason to be cautious about what and how it is privatised

In tackling the privatisation issue, the role players should ensure that problems such as those encountered in the British Gas-privatisation disaster will not hamper South African reconstruction

The state should, even at a cost, retain some interest in the utilities provision of parastatals such as Telkom for the simple reason that such entities undoubtedly have social obligations Market forces and practical concerns, such as the finding of the correct technology-providing partner, and not ideology, should govern any privatisation debate

JSE deregulation Bill to be published this week

(232) CT (AR) 14/8/95

By Bruce Cameron

Political Editor

Legislation to deregulate the Johannesburg Stock Exchange, opening the way to corporate and foreign membership, negotiated fees, dual-trading capacity and greater investor protection, is to be published in parliament this week

Government has supported the deregulation for a number of reasons, including concern about a trend whereby trade in South African equities is moving to offshore markets.

The government and the JSE are hoping the deregulation will improve the efficiency of the market, its safety and stability, investor protection, transparency, and the liquidity of the market

The main objective of the Stock Exchange Amendment Bill is to ensure the statutory provisions under which the JSE is regulated are competitively neutral and comply with internationally acceptable principles

The Bill is in line with changes in international markets and follows on recommendations of the Competition Board, the Financial Services Board, the report of the JSE research committee headed by professor Michael Katz, debate within the industry, and pressure applied by the banking sector to be allowed membership

The Bill is scheduled to go before the standing parliamentary finance committee, chaired by Gill Marcus, within weeks and to be approved by parliament before the end of the current session next month.

A major feature of the legislation, apart from the deregulation of the exchange, is a tightening up of investor protection with the introduction of harsher penalties with the maximum fine for contravention of stock exchange regulations rising from R20 000 to R200 000

Proposed amendments to existing legislation include

- ☐ Opening up the definition of stockbroker to enable local and locally incorporated foreign limited liability corporations to become members,
- ☐ Widening the definition of the exchange, which will allow it to move from a floor trading, open outcry system to screen trading,
- ☐ Easing the restrictions on the definition of a portfolio manager to include anyone complying with requirements, including capital, expertise and systems, and receiving the approval of the Registrar,
- ☐ Changes to allow for the proposed new system of rolling settlements and a centralised securities depository,
- ☐ Changing the capital adequacy provisions to bring them into line with international requirements and changing risk exposures;
- ☐ Improvements to guarantee funds to overcome unwarranted delays and undue hardships to investors who have valid claims,
- ☐ Tougher conditions and penalties limiting to members or other approved people the right to advertise and canvass for business and then only subject to rules or conditions set by the Registrar;
- ☐ Tighter provisions to prevent securities fraud, including fictitious transactions, the spreading of false reports and activities that influence the prices of securities,
- ☐ The loosening of regulations which set a minimum number of people, who could establish and be granted a stock exchange licence.

Union threatens Telkom (232)

CT 14/8/95

MEMBERS of the Post Office Employees' Association of SA (Peasa) have threatened industrial action if Telkom goes ahead with the privatisation of non-core functions as part of its restructuring.

Peasa believed the privatisation of non-core functions such as transport and security will lead to retrenchments, a spokesman said

Privatisation in SA is a 'unique challenge'

ET(BR) 19/8/95 (232)

By John Spira

GAUTENG BUSINESS EDITOR

As South Africa eagerly awaits the government's guidelines on privatisation, a British expert has characterised the prospective process as a unique challenge

Guy Wilson, partner of Ernst & Young, London, says successful privatisation in South Africa will depend on a delivery process that produces organisations which can compete internationally while accommodating stakeholders' requirements in an interlocking matrix of objectives

Wilson, who has considerable experience in privatisation in Britain, believes South Africa is in an advantageous position with the opportunity to select elements of privatisation methods which have worked well in other countries

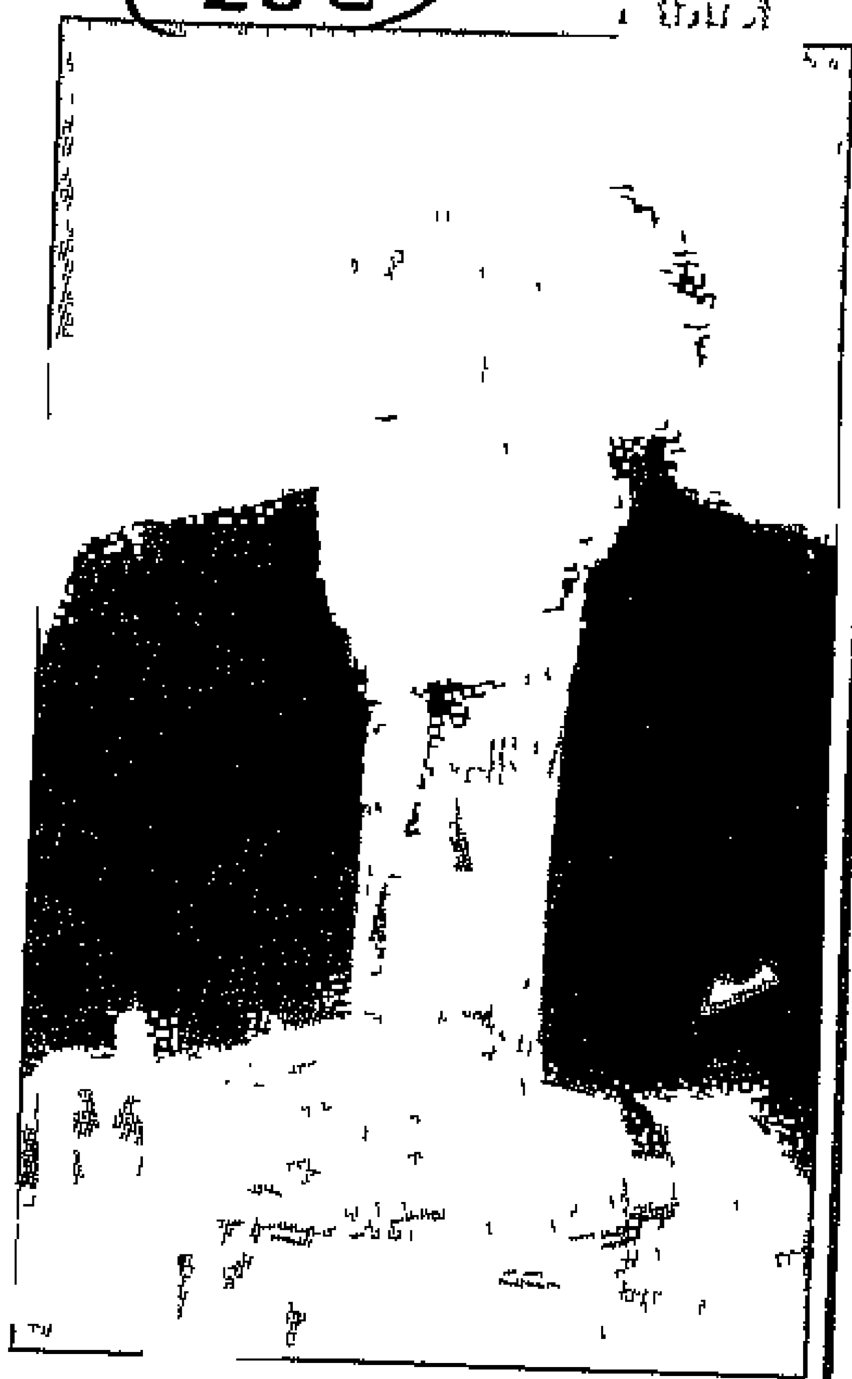
"South Africa would be ill-advised to pick one method and apply it

"Due to the complex infrastructure here, there are a variety of objectives to be met, and all stakeholders — trade unions, the disadvantaged community, workers, management and government — must be accommodated "

Worldwide privatisation was a growing market, with more than 100 countries having engaged in privatisation programmes over the past 10 years Over 10 000 state organisations had been privatised during the past 15 to 20 years

In South Africa, privatisation was one of the means of assisting the government in restructuring the economy

Unfortunately, it was seen by some as the sale of unwanted statal and parastatal organisations to the general public, resulting in unemployment



DISPELLING THE MYTHS *Guy Wilson of Ernst & Young, London*

and producing a negative impact on the economy "This perception is not in touch with privatisation," comments Henri Staal, head of Ernst & Young's restructuring and privatisation unit

"Any government looking to privatise operations is seeking a win-win result — a successful end product that does not entail workers losing their jobs, a share scheme that empowers the workers, and a happy management team

"In South Africa, it will be vital to produce benefits for consumers, workers and government alike

"It is critical for people to understand that privatisation does not reduce jobs "

Agency calls for parastatal privatisation

CT(BR) 17/8/95 (232)

By Charlotte Mathews
INVESTMENT EDITOR

The rating agency, IBCA, has added its voice to calls for the privatisation of Telkom, Eskom and Transnet as a way for South Africa to attract foreign direct investment

In privatising those utilities, South Africa would attract the notice of the big-utilities players and would probably also attract other multinationals seriously considering the country as an investment location, Chris Huhne, the managing director of IBCA's sovereign risk division, said yesterday

He told a presentation at the JSE that South Africa's reserves, at 0,8 months of import cover at the end of last year, were "really too low for comfort"

South Africa's sovereign rating is particularly important because no other borrower can have a higher rating than its government South Africa's sovereign debt rating last year was BB from IBCA and BB from Standard and Poor's, but Baa3 from Moody's

IBCA will probably formally review its rating after the local elections in November.

Huhne said the three areas on which IBCA would most like reassurance were the deterioration in South Africa's current account deficit, the resolution of conflict in Natal and tangible results to those who have not yet participated in the country's prosperity

With GDP of $2 900 a head at market exchange rates in 1993, South Africa is a middle-income country. However, income differences are extreme and appear to be similar to Latin America rather than Asia-Pacific or eastern Europe

A key priority for South Africa is to include the black community in prosperity and improve the level of human capital through better education

Huhne said it was critical that the country achieved a higher sustained level of real growth in GDP that could deliver better living standards South Africa delivered rising real incomes last year for the first time in many years

One of the disincentives to foreign investment is the level of criminal activity, particularly violence On its next rating visit, the IBCA will want to examine this issue in depth

The relationship between GDP growth and growth in the current account deficit is a matter of concern and has proved worse than IBCA had expected.

This raises questions about the competitiveness of South African business, whether it can earn the foreign exchange needed to pay for imports and service debt, and the financeability of current account deficits as the economy picks up

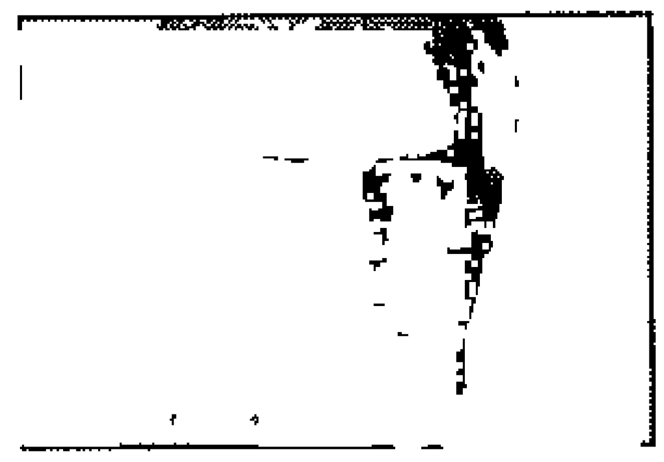
South Africa is still highly dependent on mining, with gold worth a quarter of exports and other mining exports worth another quarter

"The problem with commodity dependence is simply that the price may not develop in line with the price of imports· the long-run trend is for an adverse shift in the terms of trade," Huhne said.

Anti-competition bill 'won't be paralysed'

CT (MR) 21/8/95 (232)

CANDIDLY CAMERON



By Bruce Cameron

International examples are not always ideal as models for South Africa

Trevor Manuel, the minister of trade and industry, knows he has a big job on his hands in meeting the ANC's commitment to halt what the party sees as anti-competitive behaviour by some of the country's largest companies

But he is also quite relaxed about the battle that has already started, with opening shots fired across the bows by Anglo American chiefs Julian Ogilvie Thompson and Nicky Oppenheimer

In a briefing to financial media on the issue, Manuel said "I would have reacted in the same way in their position"

He has had his department beavering away at proposed legislation for almost a year and the first draft is expected to be ready within weeks

About 95 percent of existing anti-competition legislation was acceptable, but he acknowledged that a replaced 5 percent would have significant impact

Although he is prepared to have the legislation debated, he would not allow the government to be "dragged into paralysis that results from filibusting"

He acknowledged it was a complex issue and there were many economic factors that had and continued to contribute to, rather than assist in breaking down, anti-competitive behaviour

Sanctions were a major contributory cause with South African conglomerates buying up foreign companies which were disinvesting while foreign exchange control continued to limit investment choices, he said

An example was what Anglo American would do with the millions it would raise from the sale of JCI.

"It is unlikely to hand the money out as a dividend to shareholders It has to use the money for something"

So far the debate on the issue, although it had been moved into sharp focus by the ANC 1992 policy conference, had not been driven by government and was not a new issue in South Africa

The government had tended to be reactive, with the opponents of anti-competitive legislation bringing in economists to support a simple line of warning to the government to "keep your dirty paws off"

Once Manuel had the bill, the government would "then push the process"

He gave the assurance that the bill would be opened up to comment through the parliamentary select committee on trade and industry and possibly through the National Economic Development and Labour Council (Nedlac)

He, however, had reservations about allowing Nedlac to negotiate or redraft the bill

One of the problems of Nedlac's tripartite approach was that it tended to reach agreements based on the lowest common denominator, which often removed the original intentions of the legislation

He said this had to be one instance where the government had to show it was in charge without using a high-handed or unilateral approach

It appears Manuel has a wide range of issues in his sights and this may not stop at the private sector but could also force government-owned enterprises (with or without taking privatisation into account) into the real world of competition

Nedlac negotiations often removed the original intentions of legislation

Manuel said the government's approach was often misinterpreted as being "anti-big" This was not the case

He acknowledged that if South Africa was going to compete globally "we are going to have to sit with large firms in South Africa"

"It is not a big-is-bad approach The question is rather at what stage does a conglomerate become anti-competitive?"

He said other countries like Korea had very large conglomerates which manufactured everything from cars to clothing

The difference was they competed with each other at every level

Manuel agreed that measures to prevent anti-competitive behaviour could not be transplanted from one country to another as they came from different starting points

For example, in Germany, competition had been spurred by the substantial base of industry in medium-size enterprises

Manuel said he was concerned not only with vertical ownership but also horizontal collusion, which led to anti-competitive behaviour

Apart from the inefficiencies caused by anti-competitive behaviour, government programmes to improve the standard of living for deprived people were also being retarded, he said

South Africa was having to deal with cross-holdings and pipelines which resulted in companies creating anti-competitive situations

The question had to be asked as to why building contractors were unwilling to take on the building of small-housing units

The reason was that profit lay in the building of more fancy units with expensive fittings

He asked whether construction of small units was unprofitable because large construction companies were part of a pipeline of ownership that included lime quarries and brickfields right through to tap fittings

Mechanisms that could push up prices could be triggered at any level right back to the quarrying of stone The result was an interlinking through contractors

This indicated that the problem could be either vertical or horizontal collusion

Another example of anti-competitive behaviour was the sale of a part of the activities of one dairy in one part of the country to another national dairy

The problem was that the sale also included a restriction of trade which kept the milk producer out of a large part of South Africa

South African Breweries liked to argue that it had kept the price of beer in South Africa below the inflation rate for many years

Its behaviour was "not necessarily anti-competitive", but questions had to be asked as to whether it could be considered anti-competitive when new entrants to brewing were limited because of difficulty of access to hops supplies, bottles and even the screw caps for bottles.

Manuel said there was no doubt foreign investors were concerned about competitivity in South Africa and the difficulties of setting up because of horizontal and vertical ownership

As a result most new foreign entrants were choosing to come in as joint venture partners but investors were "looking for alternatives", he said

Manuel accepted that the problems were complex and diverse and would not be solved by a single act of legislation

Manuel links competition to exchange laws

Tim Cohen (232)
BD 21/8/95

CAPE TOWN — Dealing successfully with monopolies in SA and introducing effective competition policy was impossible without lifting exchange controls, Trade and Industry Minister Trevor Manuel said at the weekend.

Manuel told a news briefing he expected a draft Bill on competition policy to be ready by the beginning of next month, although it would go to Parliament only next year. He outlined a process similar to that adopted with the Labour Relations Bill where government placed legislation on table which was subsequently debated in Nedlac and then by Parliament.

Manuel said it was important that government take the initiative on something as complex as competition policy.

One scenario to be avoided was for Nedlac to put together a tripartite committee which recommended diluted legislation and rendered the process meaningless.

Manuel said it was too soon to speculate on what mechanisms government might eventually propose, but he drew a strong link between competition policy and the issue of exchange controls. Asked if it was possible to resolve the issue of competition and monopolies while exchange control was still in place, he said: "No."

He used the example of Anglo American's proposed sale of JCI, saying this sale would result in the company sitting with liquid assets of R6bn to R8bn.

"What do they do with it? They don't give it away. Historically the development of concentration of capital in SA does present us with a few very tricky problems."

Referring to criticism of his ideas on competition policy by Anglo American deputy chairman Nicky Oppenheimer, Manuel strongly denied SA was "anti-big". SA's larger corporations were valued. "Ours is not an approach that big is bad ... it's about linkages, attitudes and actions, rather than the size of individual corporations."

He specifically distanced himself from the approach adopted in the US antitrust legislation which "carved up" the market, but he added that foreign investors had a perception that they had "no way in".

Private sector may get stake in state infrastructure

(232) CT(BR) 23/8/95

By Bruce Cameron
POLITICAL EDITOR

A massive entry of the private sector into infrastructural development is being considered by the government. This major policy change could include private ownership of dams, harbour facilities, roads and other infrastructure.

Finance Minister Chris Liebenberg announced the moves in a wide-ranging speech opening the second reading debate on this year's Budget, in which he also revised the growth rate for this year upwards to 3 percent, with a possible 4 percent next year.

Liebenberg told parliament the government did not have money available for infrastructure development and was considering involving the private sector, including local and international banks. Negotiations had already started with local banks.

In an interview with Business Report, Liebenberg said he envisaged different associations between the public and private sectors, including joint ventures, outright ownership of assets by the private sector, ownership with the state as a client, and ownership of an asset for a defined period. In these ways a wide range of infrastructure provision could be taken over by the private sector.

Liebenberg indicated action might be taken to restrain the mushrooming of private-label credit cards, which he said was contributing to an unacceptable growth in credit spending.

Liebenberg, upbeat about the economy, said a number of things had to be put right, including the perception that the government was unable to tackle crime. This was the single biggest deterrent to investment.

Substantial agreement had been reached by the special Cabinet committee appointed last month to consider ways to stimulate the economy — one issue had been the need for a structure to co-ordinate economic policy.

Other issues raised by Liebenberg included better control of funds rolled over from one budget year to the next, and the possible use of private-sector auditors and lawyers to assist government departments to ensure frugal, zero-based, disciplined budgeting.

Competition policy in the throes of change

(232) WM(BM) 25-31/8/95

Competition Board chairman Pierre Brooks speaks to **Reg Rumney** about the changing shape of competition law

COMPETITION Board chairman Pierre Brooks is thoughtful and circumspect, as befits a man with a legal background — some would say to a fault, especially those who would have liked a more aggressive competition policy.

Yet if Brooks feels at all threatened it is not by his ministry or those agitating for tougher action against "monopolies", but by opposition to tougher laws by business itself

Brooks feels some disgruntlement about enforcing competition policy. "It's been an uphill battle," he says of the five-year period since I interviewed him last.

Trade and Industry Minister Trevor Manuel has promised that a draft Competition Bill will be published soon for debate But what is clearer now than five years ago is that competition policy cannot operate in a vacuum.

The Competition Board's recent move to the Trade and Industry Ministry has provided an opportunity, says Brooks, to co-ordinate policies

Competition policy, Brooks says, cannot stand aloof from other policy decisions that have an impact on competition policy. So he echoes Manuel's reported statement on the link between the ending of foreign exchange control and enhanced competition.

Also, if South Africa wants to participate in international trade, strong competition policy is necessary The government must examine tariff protection, especially in highly concentrated areas, to expose local firms to international competition to a greater extent.

Brooks finds foreign firms tend to export to South Africa initially to create a market for their goods Once they have established a toehold here, they will then look at direct investment.

Trouble is that potential competitors are obstructed in various ways. Domestic businesses, foreign firms, complain, manipulate local systems to keep them out. Brooks says local competitors have even threatened foreign firms with the possibility of anti-dumping charges for tendering lower for a municipal job than domestic firms. The result has been the exclusion of the foreign firm from the tender process. Foreign firms have tended to enter into joint ventures to avoid direct competition.

"We should create an investor-friendly climate by making it easier for foreign firms to come in," says Brooks

Competition policy, Brooks believes, must be integrated with other policies, for example, safety specifications. "Local manufacturers sometimes set specifications themselves, but objective, universal standards are needed, South African standards are not necessarily the best."

Brooks does not rule out enforced break-ups of conglomerates, but reckons this would be a last resort

A starting point would be to force any company in total control of, say, a distribution network to allow outside companies to use that network as well

Competition policy can also prevent abuses of dominant positions to keep competitors out of the market.

Asked about the tendency of black empowerment exercises to create new conglomerates, Brooks says: "One can question the vision of big business in doing that. People are worried about the empowerment of elites." He believes such moves are designed to catch headlines and do not show the kind of strategic planning businessmen are used to

Small business is where jobs will be created, he says. Big business has not expanded the number of jobs in the last decade or so.

"There is a lot more business could do to empower small business without being dictated to."

Though he is not anti-big business, he sees the board's role as defender of the underdog "Competition policy should at least protect small business from abuse by big business."

Pierre Brooks 'It's been an uphill battle'

PHOTOGRAPH RUTH MOTAU

Guidelines on privatisation to be released next week

CT(BR) 25/8/95 (232)

By Ross Herbert

STAFF WRITER

The cabinet will release guidelines governing the potential privatisation of state assets and parastatals next week, Stella Sigcau, the minister of public enterprises, said yesterday at the annual meeting of the Association for the Advancement of Black Accountants of Southern Africa

A draft of the guidelines was approved this week by a working subcommittee of cabinet and would be presented for cabinet approval next week

Sigcau said determining the market value of state assets would be a crucial but difficult question to answer

Identifying what assets existed and mapping out the operations of government and parastatals would require private-sector accounting and consulting assistance

The real power would rest with task teams appointed to review major assets and parastatals Once the guidelines were approved, the committees would take about two months to conduct thorough reviews and compile recommendations.

The proposed merger of Kagiso Trust and the Independent Development Trust (IDT) — almost derailed by funding delays at the RDP office — had been brought back on track after high-level cabinet intervention, said Eric Molobi, the chief executive officer of Kagiso Trust

The combined Kagiso-IDT agency was intended to channel funds to non-government organisations working on development projects

Molobi said the agency had pledges of R50 million from foreign governments, principally the European Union But those funds were contingent on the South African government also committing funds to Kagiso-IDT The RDP office had delayed commitment of funds to non-government organisations and, until intervention by the cabinet, that failure put the foreign pledges at risk

Molobi said Kagiso-IDT registered this week as an interim trust to begin administering funds He said the agency would be in place by the end of the year with Kagiso and IDT continuing to co-operate until they wound down existing operations and agreed on which staff would go to the joint agency

Litmus test for antitrust legislation

(232)

FM 25/8/95

Michael Judin is a senior partner in attorneys Goldman Judin & Werner

Antitrust legislation, as proposed for SA, is not hostile to the existence of monopolies Nor is it a form of punishment for successful businesses

It is important to make the distinction now that the US Treasury Department is investigating the legal basis for private investment to flourish in this country And if the aim of antitrust legislation is to condemn every monopoly, then it will succeed merely in impeding rather than promoting competition

In the US and other developed antitrust jurisdictions such as Britain and the European Community, whose examples SA is likely to closely emulate, there are various legal rules and tests which ensure that healthy competition and monopolies flourish side-by-side

Antitrust legislation is not fundamentally opposed to monopolies and whether or not monopolies should be subject to legal action is really a function of its behaviour in the marketplace The criterion for legal action would be whether the monopoly, and in fact any company, acts to restrict competition Size alone could not be construed as restrictive

However, if such a corporation, by means of its monopoly power, were to use that power to predatory effect by, for example, preventing a greenfields operation from establishing itself, that could be construed as abuse of power

The question of such abuse would become a matter for the courts and no reasonable businessman could object if the offending corporate were to become subject to the full force of antitrust laws

Antitrust legislation will therefore by directed not only at abuse of monopoly power, but also at restrictive trade practices and mergers and acquisitions which would eliminate competition, raise barriers to entry and foreclose markets

Few would deny the valuable role of antitrust legislation in preventing such abuses, especially in the new economic and political environment where anticompetitive behaviour can create tensions if corporate structures and restrictive trade practices prevent the democratisation of our economy The status quo must change in this new environment and it will be the function of the antitrust laws to serve these changes and not stand in their way

Also, it's a moot point to what extent our current competition policy caters for the needs of the expectant ruling class which will want to see economic power develop in tandem with political power

Its effectiveness has to be measured in the context of promoting the public interest of the old SA Public interests have changed, requiring an expansion of the economic base to eliminate poverty, a root cause of instability, to promote affirmative action especially through small businesses and the elimination of barriers to entry

A host of restrictive practices stands in the way of this happy scenario and the sense one gets is that enforceable competition is not effective

There can therefore be no problem with the basic concept of antitrust legislation The problem is one of enforcement and, while the Competition Board pursues a case because it believes it should for policy reasons, lawyers pursue a case because they believe they can win it These modes of enforcement can complement each other

Antitrust legislation should therefore also be left to private enforcement to ensure the participation of interested and expert parties in the process

Moreover, law enforcement through private action is more flexible than enforcement through a government agency While private action, does, to some extent, repair damage that antitrust violations usually cause, government action tends to be punitive and deterrent in nature

JOBS

Unbundle the government, says Free Market thinker

ST (BT) 27/8/95 (232)

Free Market Foundation research shows the government, its services and parastatals to be clumsy, inefficient and of little benefit to consumers, writes **MARCIA KLEIN**.

IT is government and not big business which has a stranglehold on the economy and the bulk of state industries should be placed in the more efficient hands of the private sector, according to Eustace Davie, a director of the Free Market Foundation

"It is not companies but the government which dominates the economy, and I am calling for its downsizing," says Mr Davie

Government spending has ballooned to R153,3-billion (budgeted) in 1995/1996 from R86-billion some five years ago and just R16,4-billion in 1981/1982

Mr Davie's research has shown that in one year, the government spends the equivalent of the combined market value of South Africa's six largest companies, while the total pre-tax profit of these six giants does not even cover the Budget deficit

Anglo American is meant to dominate the economy, he says, and big business is constantly criticised and under pressure to unbundle But his research shows that it would take the government just four months and 11 days to spend Anglo's entire market value and one year to spend 40,5 years' worth of Anglo's pre-tax profits

"It is scary when you see the amount of government spending — funded of course by individuals — relative to things like the value of the top companies and their pre-tax profit," says Mr Davie

"There are people who argue that the government's role is to maintain peace and security while the rest should be left to the citizens

"The minimum cost of government — funding the president and deputies, foreign affairs, Parliament, prisons, courts, defence and police — could be under R25-billion "

If this happened, and taxes were reduced accordingly, there would be a significant increase in the amount of money available for private investment and creating jobs

People currently in the civil service "would be absorbed immediately" into private sector initiatives

Mr Davie believes the government could continue to supply services — such as postal services — but should gradually withdraw from those being delivered by the private sector and should not regulate to prevent entry of these players into its markets

His research shows that state industries have to stand in the government queue for capital They are unresponsive to consumers and "never sure whether they are supposed to function as businesses or welfare organisations' Politicians tend to interfere in their operations

'Inefficiencies in the operation of state industries have a substantial impact on the economy as they generally dominate critical services

In addition the public interest has not been well served by government monopoly suppliers Apart from Eskom, public-sector industry prices have regularly increased by more than the inflation rate

"World-wide experience has shown substantial savings and improved levels of service from the contracting out of local government services," like refuse collection street cleaning, vehicle maintenance meter reading, catering and bus services

Mr Davie believes a downsizing of government functions will set former state industries free of bureaucratic intervention, enable finance to be drawn from normal capital markets enable managers to respond to market demands and ultimately benefit the consumer

PRIVATISE 'Eustace Davie of the Free Market Foundation Picture. RUSSELL ROBERTS

Cinema complaint gets a US sequel

By CIARAN RYAN

AVALON Cinemas' complaint that Ster-Kinekor exercises unhealthy control over the SA movie industry has attracted the interest of the US government

Avalon Cinemas' Moosa Moosa was invited by senior government officials in Washington to give a briefing on SA competition policy in July

"They are deeply concerned that the economy is effectively controlled by five giant corporations," Mr Moosa said. "They feel that corporate concentration in South Africa is not conducive to foreign investment"

Mr Moosa says the US authorities are concerned that 85% of the shares on the JSE are controlled by about 10 boards of directors, many of whom sit on each other's boards

The Fortune 500 companies generate no more than about 10% of the US economy, while a mere handful do in South Africa and the concentration is growing

Mr Cleverley, a US economic counsellor, says the US government is explicit in its support of inward investment as evidenced by the number of US companies recently investing in South Africa

"We would like to see the opportunity for new entrants to engage in healthy competition"

ST (BT) 27/8/95 (232)

Delicate touch needed for privatisation

BD 28/8/95 (232)

Samantha Sharpe

PRIVATISATION was not a process that could be "steamrollered" and needed the prior approval of relevant trade unions if it was to succeed, according to Ernst & Young director Henri Staal

Staal, who heads up Ernst & Young's privatisation unit, said that critical to the privatisation process was the creation of a political climate conducive to its initiation and implementation

"Stakeholders who are involved in the process have to be given the assurance that they will not be 'sold out' Fears of large scale unemployment and the loss of job security must be averted."

He said the right political climate meant the government of the day had to establish specific objectives with a view to privatisation

"In addition, the benefits arising from the privatisation of government institutions should be defined For example, should a particular country see privatisation as a method of reducing its debt, the potential benefits of the alleviated debt burden to the economic growth of the country should be communicated "

However, a typical problem in privatisation was possible resistance to change by workers and had to be handled with care

He said it was important that the privatisation concept was made acceptable to all the relevant trade unions, with experience showing that privatisation could fail if the trade unions were not consulted

New bill to deregulate JSE dealings

(232) CT (BR) 29/8/95

By Bruce Cameron

Political Editor

Long-awaited legislation to take the Johannesburg Stock Exchange from a "club" into the era of deregulated securities dealing has been published in Cape Town

The 73-page Stock Exchanges Control Amendment Bill not only deregulates the JSE but also toughens up controls and penalties in an effort to give greater protection to investors

The bill will go before the parliamentary standing committee on finance today and could be examined in further hearings of the committee on Friday and again next Tuesday

Gill Marcus, the chairman of the committee, said today the committee would first look into the principles contained in the bill before dealing with the detail

Marcus said a lot of work had been done on the issues contained in the bill over the past six months, which should speed its passage

When the committee has completed its hearings it will pass on the legislation, along with its recommendations to parliament

Chris Liebenberg, the minister of finance, said the main objective of the bill was to ensure that the statutory provisions in terms of which trading in securities was regulated, were competitively neutral and that the provisions complied with internationally acceptable principles

Roy Andersen, the JSE president, said in an interview that apart from deregulating the exchange, the objectives of the bill also included greater investor protection and harmonisation with other stock markets

Botha rules out fuel deregulation

BD 30/8/95 (232)

CAPE TOWN — Mineral and Energy Affairs Minister Pik Botha yesterday ruled out total deregulation in the liquid fuels industry, but said government favoured less involvement by the state

Botha said the liquid fuels aspect of the mineral and energy affairs policy Green Paper published yesterday would be dealt with as a matter of urgency

"Basically, we are in favour of less state involvement, less regulation," Botha said

"Oil is a strategic product Without it your whole economy grinds to a standstill and government has an overall responsibility to prevent that.

"Some people (want) complete deregulation. If they mean by that no government involvement at all, then the answer is 'No, sorry' What we are concerned about is the degree and level and extent of government involvement That's what we are wrestling with," Botha said

He said issues that would have to be considered in a strategy to reduce regulation of the liquid fuels industry would include

□ The future of oil refineries built under a monopolistic regime that banned import of refined petrol,

□ The future of some 5 000 petrol stations built in terms of regulations designed to bolster small retail outlets

Botha said a final policy would be designed to ease the transition from protection to a free market

"Part of the idea would be that big oil companies do not enter this retail market, that self-service will not be allowed All of this is being done to assist the retailers so that they have a fair chance to seek other ways if they cannot keep up with the competition"

The financing of SA's ambitious electrification scheme could involve the establishment of a National Electrification Fund, according to the Green Paper

It said that most of the financing could, as at present, be met through debt or loan financing by the industry but that "there may be a need for subsidisation of the very poor by means of government grants"

Another option would be to establish electrification development funds which would cross-subsidise low-usage domestic customers through a new national tariff structure

A National Electrification Fund could be established from 1996 onwards through the provision of increased grant finance to distributors Poor consumers would not have to pay higher tariffs

It says electrification funds could also be raised through a dedicated levy on electricity sales

FORUM

Privatisation document promises no surprises

CT(DR) 29/8/95 (232)

This week the long-awaited guidelines for the re-organisation of state assets should become known — they are due to be released after tomorrow's cabinet meeting

Whether they will be released after all the delays over the past months is anyone's guess, but the document is ready after months of to-ing and fro-ing between different ministries, agonising over trade union pressure and the break from socialist dogma

Like most documents that get caught on the bureaucratic merry-go-round, with the contents leaking out faster than an unplugged bath-tub, there are unlikely to be many surprises

Each of the parastatals are to be considered for privatisation within the ambits of the guidelines, which include the extensively discussed issues such as improving technology and spreading ownership

But there will be no headlong rush to sell off the family silver The British, from their own experience, have been giving advice, warning that to get it right the initial spade-work has to be done thoroughly

Chris Liebenberg, the minister of finance, when opening the second reading debate of the budget last week, said he was comfortable with any delays as he would like to see the state finances under control first He pointed out that the government was still borrowing to finance consumption expenditure

There would be little point in selling state assets as another means of financing consumption spending

First on the list to be investigated for new status is expected to be Telkom

Re-organisation of state assets however will not be limited to the restructuring of ownership of existing state assets

Liebenberg told parliament last week that the government would be seeking private-sector co-operation in developing infrastructure This could include joint ventures or even outright ownership of projects, such as dams

This followed an earlier announcement that government was also considering selling off large chunks of state-owned land

Civil servants involved in looking at the whole issue of privatisation estimated that there was well over R600 billion to be raised in the longer term This was enough to pay off the state debt, now creeping towards R300 billion and leaving a bit more besides

Combined with plans to encourage the private sector to help with the provision of infrastructure, an injection of capital can be expected to go into development spending

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CANDIDLY CAMERON

Guidelines for the reorganisation of state assets are due to be released this week

BY BRUCE CAMERON

There is a growing perception in parliament that the definition of business ethics for many businessmen is It is fine to steal the petty cash, the crime is to get caught with fingers in the till

There is also a growing irritation that everything done by business is being cynically packaged in RDP wrapping, preferably illustrated with colourful South African flags

Some sectors of business paternalistically appear to think that they are "educating" the new members in endless sessions of lunching and entertaining, while incorrectly assuming that many of the intentions of the ANC-dominated government of national unity will remain only intentions

Many members of parliament are becoming increasingly irritated by these attitudes and this is likely to harden views against business in the back benches of parliament

Many of the MPs have fire in their breasts, and despite the well-publicised excesses of some, they are determined to change the country, with the concerns of their constituency paramount — and that constituency is not big business

The irritation with business is from a perception that the objectives of the RDP are often frustrated by business intent on massive increases in profit but also by the lack of ethics and transparency

Any good done by Piet Liebenberg, the chief executive of the Council of South African Banks, with his earnest attempts to tackle the growing criminal culture in the country, was effectively undone by the performance of the Cape Law Society over bribes paid by some of its members to civil servants

Some fancy footwork by the Cape Law Society did not help matters It was reminiscent of the National Party, which in its days in power would claim when applying some of its more nefarious actions "but that is the law" — no matter how unjust the law

There can be little doubt the ANC is committed to honest government and to openness in government It expects the same from the rest of society

The growing irritation and disappointment with business has been expressed by a number of influential members of the ANC and has been given momentum by events such as the Cape Law Society and the Malbak affair

Firstly Frene Ginwala, the speaker of Parliament, in delivering the Open Society lecture in Cape Town, said business was prominent in calling on politicians for transparency and accountability, but she asked "How open is our corporate world?"

Among other things, she wanted to know "How much are we allowed to know about the banks that keep our money, the insurance companies that manage our pensions? They are intrusive in demanding information from us — as anyone who has tried to open a bank account will know — but they slam down the shutters when we try to peer into their affairs"

She said the Companies Act required little disclosure, nor did the stock exchange listing requirements, while returns of insurance companies were less informative

Even information of mismanagement could be kept secret

Non-disclosure of linkages between companies allowed cartels to function, forcing up prices and deterring foreign investors

As far as company claims of supporting the RDP were concerned, she said there should be independent audits of such claims

"Just as there is no one who admits to ever having supported apartheid, everyone now claims to support the RDP"

Both Ginwala and Trevor Manuel, the minister of trade and industry, hammered the Cape Law Society

In a speech to the Association for the Advancement of Black Accountants of Southern Africa Manuel also had plenty to to say about business ethics and entry barriers to professions

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It will be interesting to see whether Tito Mboweni gets his way in piloting the Labour Reform Bill through parliament Mboweni has been trying to convince MPs that they should not alter a comma in the legislation as this could throw open to question the whole agreement laboriously negotiated by the National Economic Development and Labour Council (Nedlac)

This again raises the question whether parliament or Nedlac takes precedence in decision making The debate on the Labour Bill should give some indication of the feelings of members of parliament

LIQUID ASSETS *Chris Liebenberg, the minister of finance, does not want to see funds from privatisation used for consumption* PHOTO TJ LEMON

BANKING ON CHANGE *Frene Ginwala, the speaker of parliament, has questioned the transparency of financial institutions*

232

CT 29/8/95

Public assets to be restructured

Wholesale privatisation ruled out

(232)

BD 31/8/95

Tim Cohen

CAPE TOWN — Cabinet took its first steps towards privatisation yesterday, approving a framework for restructuring public assets which effectively rules out wholesale privatisation of major parastatals.

But although parastatals like Eskom and Telkom are unlikely to be put on the block, the framework endorses public-private partnerships and joint ventures of parastatals that provide "essential services". A set of task teams will be established to examine each parastatal involved and make recommendations on restructuring options.

These options could include full or partial privatisation, strategic investors or concessioning.

The process of deciding on privatisation candidates, which has been fraught with delays and complications, is to be given a boost with the Cabinet demanding reports from the task teams within two months.

The document setting out the framework envisages three categories of state owned enterprises — those which have an explicit role in providing for basic needs, those which have a national security dimension; and those which do not involve the public interest.

The document lists Eskom, Telkom, Spoornet, the Post Office, SABC and Portnet, amoung others, as falling within the first category

Denel, Petronet, Armscor, Mossgas, SAA, the Strategic Fuel Fund and the Atomic Energy Board are considered to fall within the second category.

Sun Air, Autonet, Safcol, Alexkor, Transkei Airways, Aventura, and Abakor fall into the third category.

Although the Cabinet asked for a report-back within two months, the document envisages a drawn-out process, whereby the restructuring of the first category should occur only once sectoral policy has been substantially developed.

The document sets out several broad objectives for restructuring, such as facilitating economic growth, funding the RDP, creating wider ownership in the SA economy, reducing state debt and enhancing competitiveness. It says the restructuring must redistribute wealth, boost small and medium enterprises and have sustainable affirmative action implications. But it is silent on how this might be achieved.

It recognises that organised labour should participate in all policy formulation processes, and that the rights, obligations and standards of labour should not be adversely affected.

Foreign ownership should be limited and restructuring should be evaluated for its overall macroeconomic effect in respect of savings, investment, the balance of payments and its effect on employment creation and growth.

Specific goals should be formulated for the participation of disadvantaged groups in the resulting ownership structures.

Clear distinctions should be drawn between the public interest versus the interests of parastatal management and other stakeholders, the document says.

Where's our competitive spirit?

(232) WM (BM) 25-31/8/95

Competition Board chairman Pierre Brooks is sharply critical of a culture of anti-competitive behaviour in South African business, Reg Rumney reports

TOUGHER competition policy is necessary and is on the way, promises Competition Board chairman Pierre Brooks.

In an interview with *Business Mail* this week Brooks sharply criticised the pervasive disregard for anti-competitive behaviour in South African business.

Referring to a recently organised conference on crime and corruption, Brooks said that while businesspeople did not show the same concern about collusion and other anti-competitive behaviour, there was tacit condonation of such practices, which were seen as normal business practice.

"There is a culture of tolerance of anti-competitive behaviour, some of it criminal, says Brooks. "Business really cannot complain if we are looking at a more effective means of enforcing competition."

Brooks was speaking against the background of an intense debate about the desirability of anti-trust legislation and recent salvoes fired by big business against the government on economic concentration.

"This is a generalised view," he admits. "One must give credit to those who are willing to take a stand."

He talks of anonymous phone calls to the board about anti-competitive acts, and of those wanting to speak out being intimidated.

"How can business talk about morality if this is the sort of thing pervading the system? And then they don't want strong competition policy."

New — and tougher — competition policy is definitely on the cards. Brooks is helping to shape proposals for new law, which should be put before Parliament before next year.

He illustrates the need for tougher penalties by referring to the classic case of proven collusive bid-rigging by three furniture removal companies. Each was effectively fined R2 500, but profited by R80 000 from the rigged bids. "Crime is then a profitable business."

Big changes are mooted in the enforcement of policy as well as in penalties. "The police and authorities are understandably not as enthusiastic as we would be. Competition authorities would be more involved in enforcement, will act with more enthusiasm."

The investigative and enforcement processes must be kept separate, but under one umbrella, in much the same way as prosecuting authorities and courts operate as parts of the justice system.

Brooks says that Minister of Trade and Industry Trevor Manuel will decide when to publish the legislation for comment. "The input of big business is important but you have to look at a range of interests."

Business cannot take the moral high ground until it adopts ethical standards. "Unless we want to become a banana republic, we have a long way to go."

Competition policy, PAGE B2

Privatisation beacon beckons

Scramble begins for govt business

BD 1/9/95 (232)

Mungo Soggot

THE race is on between merchant banks, accountants and lawyers to court government for advisory roles on the restructuring and privatisation of state assets

Firms are gearing up for the potentially lucrative and glamorous business flowing from government's sale of some state assets. Five firms yesterday announced a partnership to provide advice, while others signalled that they were working on strategies to grab "a slice of the action"

Headed by law firm Moseneke & Partners, the partnership unveiled its "national assets initiative" — a day after government finally passed its restructuring guidelines and announced it had budgeted R10m for private sector advice

The initiative team includes Standard Corporate and Merchant Bank, management consultants Monitor Company and Ernst & Young

The team will also turn to the services of Msele Corporate and Merchant Bank on black economic empowerment issues, and British economic analysts London Economics

Attorney Tiego Moseneke, who co-wrote the Moseneke report on privatisation, said the team could be the core of an effective state asset restructuring team

Moseneke said that because his brother, Dikgang, was Telkom chairman, the team would not actively bid for Telkom work. Public Enterprises Minister Stella Sigcau said this week that as Telkom had done the most work on restructuring, it would probably be the first to be tackled

Sources said likely local competitors for the Moseneke team would be Deloitte & Touche, Price Waterhouse, which steered the privatisation of Iscor, and Rand Merchant Bank

International merchant banks are also expected to bid for a role

Other prospective advisers polled yesterday were not convinced the team would bag the bulk of the work on offer and were cautious about the move to form a consortium Rand Merchant Bank GM public sector finance Neil Morrison said RMB would prefer to wait for guidance from government about how it intended to deal with and use consortia

"The idea of establishing a grouping of people with different skills is a good one but at this stage premature"

Morgan Stanley SA director Beth Mandel said foreign merchant banks believed the process should at first be driven by local players, and expected to come in only at a later stage when possible candidates had been identified

Moseneke & Partners associate Ronald Roberts said "We believe this is a benchmark for non-ideological advisory services" Moseneke said the team would call in leading international investment banks for particular bids when necessary

After months of discussion the team had formulated a common approach in line with the stance taken in the Moseneke report, all members of the team were opposed to the uncritical importation of prefabricated ideas from elsewhere.

The guidelines approved this week have ruled out wholesale privatisation of state assets, but endorse public-private partnerships and joint ventures

COMPETITION POLICY (232)

Manuel's conundrum

FM 1/9/95

In a briefing for parliamentary financial journalists, Trade & Industry Minister Trevor Manuel was at pains to point out that the idea that big is bad had been laid to rest In order to be competitive globally, SA needs large firms — the problem being that the interpenetration of the financial and manufacturing sectors, and market collusion, worked against competitiveness itself

By September, Manuel expects to have a draft Bill on competition policy before him The process of consultation and debate will mean that final legislation cannot be passed until next year, but evidently Manuel wants a document on the table so that a start can be made on removing what he views as structural obstacles impeding the vigorous growth of SA's economy

He is concerned, too, that his Bill not be subjected to quite the same horse trading as took place in Nedlac over the Labour Relations Bill — the upshot being, as he sees it, a dilution of its original intentions. It was important to avoid "coming out with a lowest common denominator Bill," as he put it

Manuel's ideas on competition policy flow from his perception of how sanctions and exchange controls have distorted the economy, leading to massive and — in his view — undesirable concentrations of capital He referred to Anglo's sale of JCI which he said should realise R6bn-R8bn for the parent "It has to use the money for something," he commented, leaving open the issue of precisely what.

However, "Ours is not an approach that big is bad" The ANC had accepted this as far back as 1992 His primary concern was with anticompetitive "linkages, attitudes and actions"

At another point the Minister commented "The question is at what stage does a conglomerate become anticompetitive?" Precisely how his Bill proposes to deal with this is not known at this stage, but Manuel showed a deep awareness of the complexities and difficulties of government intervention in the framework within which business operates

CURRENT AFFAIRS

Above all, the creation of a competitive environment would not be possible without a lifting of exchange controls This is highly commendable But if the intention is to legislatively separate the financial from the manufacturing sectors, so that bankers (so to speak) do not impose investment decisions on a distorted market, the debates that lie ahead could be fiery How does SA unravel a corporate structure that has arisen in the very process of industrialisation over more than a century?

The answer must be not soon and not easily ■

Hansard

Disposal of South African nuclear/hazardous waste material

3 Dr K RAJOO asked the Minister of Mineral and Energy Affairs

Whether his Department has a policy in respect of the disposal of South African nuclear and hazardous waste material, if not, why not, if so, what are the relevant details?

N1249E INT

The MINISTER OF MINERAL AND ENERGY AFFAIRS Mr Speaker, the reply is as follows The management, disposal and storage of nuclear and radio-active waste are undertaken by the Atomic Energy Corporation, the AEC, and the Council for Nuclear Safety, the CNS The disposal of South Africa's remaining toxic and hazardous waste does not fall within the ambit of the Ministry of Mineral and Energy Affairs

In South Africa radio-active waste arises mainly from mining, the processing of minerals, power generation, and radio isotope use, largely for medical and industrial purp es These radio-active waste products have different physical chemical and radiological characteristics which need to be taken into accou t when they are disposed of

The framework of South Africa's policy on the management of nuclear waste is enacted in the Nuclear Energy Act, Act 131 of 1993 Sections 5(e), 6(p), 6(9), 29 and 30 of the Nuclear Energy Act establish the role of the AEC as the regulatory body with regard to the management and disposal of radio-active waste and spent nuclear fuel respectively The Act requires all generators of radio-active waste and spent nuclear fuel, to obtain the AEC's Chief Executive Officer's approval for the establishment of nuclear waste storage and disposal facilities The Act also empowers the AEC to establish and operate such disposal and storage facilities on behalf of the Government and for the use of other nuclear waste generators

Sections 34 and 51(1) of the Nuclear Energy Act establish the role of the CNS with regard to the licensing of all radio-active and nuclear waste storage and disposal facilities from a safety point of view These sections also require the AEC to obtain the necessary licensing approval from the CNS for its own nuclear waste facilities

Mr J H VAN DER MERWE Mr Speaker, I apologise for the absence of my colleague Dr Rajoo With your permission, I will be speaking in his place I listened to the Minister's reply He has been the Minister of Mineral and Energy Affairs for more than a year now, and it is clear that mineral and energy affairs are no longer foreign affairs to him

We have raised this interpellation because, like all other South Africans, we are concerned We do not regard this as a political issue, because it concerns the safety and the future of all South Africans Nuclear power and waste are here to stay, and South Africa has the capacity in this regard One problem is that nuclear waste takes 50 years to become inert

Disasters could take place, such as the one at Chernobyl Therefore we ask these important questions as contained in the interpellation Although the Minister says that this does not fall under him, it is still the responsibility of the Government, and we want more clarity about the Government's policy We would like to have more information—not only the Bills the Minister referred to

We are not sure whether there are adequate measures as far as the storage of this material, the type of places where it is kept, etc are concerned We are also concerned about the transport of nuclear and other waste In America, for instance, trucks carrying these things are clearly marked and special regulations pertain to these materials We are not certain that the measures which are in existence at the moment as far as disposal is concerned are adequate

Are there contingency plans with regard to the treatment of these materials? What do we do in South Africa if anything goes wrong and we face a disaster such as they faced in the Ukraine? Therefore we ask these questions We would like the Minister, in due course, at least to submit to us a memorandum in which he gives more details about the matter

Mr H J BEKKER Mr Speaker, my hon colleague, Mr J H van der Merwe, has dealt in detail with the aspects of nuclear waste, specifically its transportation There is, however, another aspect of hazardous material which is not nuclear orientated

Hazardous material, we have found, is being dumped and treated and catered for particularly in the Gauteng area Grave concerns have been expressed about what is happening there In fact, not long ago in the Midrand-Chloorkop area,

some evacuations even took place This is just the edge which is now emerging We must immediately have a policy document as far as hazardous waste is concerned, so that everyone can see exactly what is happening and where we are going in this country

The MINISTER OF MINERAL AND ENERGY AFFAIRS Mr Speaker, I agree to a large extent with my two hon colleagues who have just spoken However, may I emphasise that the overriding objective of the licensing process which is in place, is to safeguard humans, animals and the environment from damage due to excessive radio-activity

All those who produce radio-active waste must obtain a licence to do so from the Council for Nuclear Safety Before a licence will be issued, the prospective licensee must implement a radio-active waste management programme This programme lays down procedures to ensure that the radio-active waste is properly dealt with packaged and stored, pending its final disposal in a waste storage facility

When evaluating the programme, particular care is taken to ensure that there is minimal exposure of humans, animals and the environment to the radio-activity Established waste disposal sites or repositories for the final disposal of radio-active waste are selected according to criteria relating to the position of the site and its general characteristics These criteria are determined by the Council for Nuclear Safety in the light of the current international requirements

Mr A G EBRAHIM Mr Speaker, what I wanted to say has already been said by the previous speakers However, I do believe that it is important that the Government has a policy on the disposal of nuclear waste and hazardous material

I should like the Minister to give us a clear policy given the fact that toxic material has been imported to the country At one stage we were told that there was going to be an inquiry into the importation, but now it seems that the whole question of the inquiry is fizzling out Therefore it is clear that there should be a very clear Government policy on nuclear waste as well as toxic material so that the people can understand what is happening to these hazardous materials

Mr J H VAN DER MERWE Mr Speaker, I find myself in total agreement with the PAC, but only on this issue at the moment [Laughter]

However, the point is that the Minister has referred to legislation which, as we decided earlier in this Parliament, is written in very complicated language I would not be surprised if there are a lot of Latin expressions in it, such as *De minimis non curat lex, Domicilium citandi et executandi, Pater est quem nuptiae demonstrant* and so on [Interjections]

I do not imply that the hon the Minister is the *pater* of this particular issue but, in conclusion we need a very clear policy about this extremely important matter so that every person in this country [Interjections] I see that the Minister of Water Affairs and Forestry is saying "Yes, yes yes!" At least we have one supporter on that side but I can assure the House that many more members there silently agree with what the IFP is saying We need a clear policy We owe it to the country that this Government provides exactly that

The MINISTER OF MINERAL AND ENERGY AFFAIRS Mr Speaker, I am in full agreement with my hon colleague

I have just informed them of the legal position and that we, in practice, are already implementing safeguards and steps in order to protect our people, our animals and our environment

I fully agree and, as a matter of fact, I myself have requested the Council for Nuclear Safety to formulate a national radio-active waste management policy I have already requested them to do so Discussions have been held between the major generators of radio-active waste, namely the mining industry the Atomic Energy Corporation and Eskom These discussions have identified the technical, legal and procedural issues to be addressed

The parties concerned agree that all interested and affected parties including Parliament's Portfolio Committees on Mineral and Energy Affairs must be involved These policy consultations are now taking place, so the national policy will soon be there

Debate concluded

The privatisation of State assets 232

4 Mr K M ANDREW asked the Minister for Public Enterprises

Whether any progress has been made with the privatisation of State assets, if not, why not, if so, what progress?

N1247E INT

6/9/95

Hansard

The MINISTER FOR PUBLIC ENTERPRISES Mr Speaker, as a result of a resolution taken by a Cabinet "bosberaad" held in January 1995 to establish forecasting for various responsibilities, including the restructuring of State enterprises, a task team for the latter responsibility was established in March 1995 to prepare the guidelines on the restructturing of State assets

This task team was convened by the Ministry of Public Enterprises, but comprised representatives from a broader spectrum of concerned Ministries and reported to an inter-Ministerial committee set up by the Cabinet A lot of consultation on the guidelines occurred between the task team and the inter-Ministerial committee On 23 August 1995 the Cabinet Committee on Economic Affairs approved the guidelines as presented by the task team On 30 August 1995 these were submitted to the full Cabinet, which also approved the document

The document contains the motivation for the restructuring of State enterp ses and the objections to the pursuit, the guiding principles and values in the process, as well as the timeframe and the appointment of advisers The discussion document is also to be used as a basis document for the implementation process

The implementation process for restructuring provides, firstly, that sector-specific task teams should be established for each of the parastatals, with a mandate to develop major options for the restructuring of these parastatals, that the task team should consist of the Ministry of Public Enterprises, the relevant sectoral Ministry, the Ministry of Finance, as well as any other appropriate Ministry and the chairpersons of the boards of relevant parastatals, that the task team should be able to contract expertise as and when required, that the Ministry of Public Enterprises should be responsible for co-ordinating the task teams, and that the framework for the task teams should be To restructure the State enterprises in such a way as to give them an appropriate developmental orientation, including economic and industrial growth and job-creation strategies

The date by which reports by the various task teams are to be submitted to Cabinet is 6 December 1995, with an allowance that, should work on a particular parastatal be finished earlier, the task team concerned could report before that date

Mr J A JORDAAN Mr Speaker, if we want the RDP and this country of ours to succeed, we need two things—growth, growth, growth and the reduction of State debt In this, the restructuring and privatisation of public enterprises will play a key role The process must, therefore, be managed and driven efficiently

The task group to which the Minister referred was set up in January She referred to the meeting of the Cabinet and the task team which was set up in March This was in January and March Eight months later we get the report

On Wednesday last week we proposed a motion in which we referred to the inability of the Minister for Public Enterprises to drive the process and we called on Parliament to appoint an ad hoc committee in order for us to make some headway The Portfolio Committee on Public Enterprises is playing virtually no role and the Minister is largely responsible for this

During the discussion of her Vote, I referred to the fact that the Minister has left the portfolio committee out in the cold She only met with the portfolio committee twice just before the discussion of her Vote this year Her Vote was discussed last year too and in this period she met the committee only twice

I threw out an olive branch during the discussion of her Vote and said "If we look at the future, I believe it is possible to reach consensus I also believe that privatisation, done in the correct way, is the route to take We must now define the how, the when and the wherefore in open debate in our committee, in conjunction with the Minister We should not wait" This was all to no avail She continues in her bad ways

On page 11 of the discussion document it actually says that on Thursday, 31 August, a copy of that report should be in the hands of the Portfolio Committee on Public Enterprises I requested a copy from her department on Thursday last week Until today we have not officially received that document This is just not acceptable [Interjections] We find it unacceptable

We actually believe that the only way in which we can really drive this process is to look at the way in which the Ministry and this committee is functioning The committee was supposed to have had its last meeting on Tuesday morning We requested an additional meeting so that we could discuss the way ahead She has referred to reports that must reach the Cabinet in December What

role is this committee to play, over and above a "bosberaad" that we have arranged, when we go into recess?

I believe that this matter straddles such a wide range, including the Ministers of Transport and for Posts, Telecommunications and Broadcasting, that we need an ad hoc committee to deal with it and not the Portfolio Committee on Public Enterprises [Time expired]

Mr A J LEON Mr Speaker, we are talking here about an economic policy of which we dare not speak the name, namely privatisation The Minister uses the euphemism "deregulation" or "restructuring" Whatever we call it, there is no doubt that this should be the highest priority of this Government

After all, everyone, including the voters of the governing party, want more police, more health services, more housing and more RDP delivery One can honestly ask oneself where the "more" should be coming from If one looks at our Budget at the moment, one sees that the second highest budget item is the repayment of State debt Until we get that debt down and put economic wealth in the hands of the people, there will not be more police, more health services or more economic empowerment

My colleague Kobus Jordaan mentioned that eight months had elapsed since the first decision was taken In fact, it is nearly a year since Deputy President Mbeki's famous speech last October in Kimberley, in which he said there was going to be a six-pack of economic restructuring in this country, and that the privatisation or restructuring of State assets would be heading the list And yet, we wait We are met with a techno-babble, with great respect, from the hon the Minister, who talks about appropriate developmental orientation Yet when people ask for results, they are met with words

It is very simple The ANC often criticises the business community of this country, saying it has a stranglehold on the economy There is a very simple statistic that I would put on the table The Anglo American Corporation owns 6% of the fixed capital stock of this country The Government of the Republic of South Africa owns 52% of the fixed capital stock of South Africa The question is what we are doing to get for the people of South Africa the proceeds of this accumulated wealth, which is not benefiting the people of South Africa or helping us to give them the services they demand An amount of R171 billion is available from privatising our top State assets [Time expired]

Mr T M GONIWE Mr Speaker, on a point of order Is it parliamentary for a member, if he has a lot of money, to pressurise the Minister to sell assets so that he can buy them? [Interjections]

The DEPUTY SPEAKER Order! That is not a point of order [Interjections]

Mr A J LEON Mr Speaker, in so far as that was a reference to me, in the first instance, I think the hon the Minister concerned earns a parliamentary salary twice as high as the salary I earn, and secondly, her pension as the former Prime Minister of the Transkei presumably vastly exceeds the value of anything I possess [Interjections]

The DEPUTY SPEAKER Order! We are drifting somewhat from the interpellation The hon the Minister may now either refute or confirm what has been said A third option would be simply to ignore it

The MINISTER FOR PUBLIC ENTERPRISES Mr Speaker, for those of us who represent disadvantaged groupings, the whole process means nothing but that we have to make sure that with every step we take, we do not make mistakes which, at the end of the day, when we look back, make us wish we had not gone the way we had

Secondly, when we talk about restructuring, we are using a broader term than the narrow "privatisation" We know that these parastatals are the very engine room for growth, the very engine room for affirmative action and the very engine room which will empower our people to enable them to participate in the economy of this country in a positive manner

For somebody who was part of the former Parliament, when there was a Department of Public Enterprises, who sat there and did nothing about it, now to try to push us because there is a Government of National Unity, is counterproductive [Interjections] We are as keen as the next man for growth in this country We are as keen as the next man to make sure that when our country grows, all the peoples of this country will be empowered This apparent rush, this endless rush, this ceaseless rush is a rush by people who want us to make a change which will benefit only a few with the result that once more our economy will be in the stranglehold of only a few [Interjections] The Cabinet of this country has found nothing wrong with the manner in which we have dealt with this process [Interjections] [Time expired]

Mr J A JORDAAN Mr Speaker, it is typical of someone who has nothing to say to hide behind a smokescreen, as the hon the Minister has just done She did not even refer to our biggest dilemma, namely the marginalisation of the Committee on Public Enterprises Nor did she refer to the role of the committee which is supposed to support her and keep her arms upright like those of Moses in the Old Testament That is what we are trying to do for her However, she did not refer to it at all

I think an apt description of the hon the Minister and her approach is what Ali Mazrui said at a conference on development in Africa He said "The problem in the greater part of Africa' — here one can read the hon the Minister of Public Enterprises—"is not simply how to liberate and activate the profit motive, but also how to control and restrain the prestige motive in such a way that it serves the goals of production and not merely the appetite of consumption It is a question of making creativity more prestigious than acquisition, and production more prestigious than possession"

If we want to move ahead we cannot tolerate—I am saying this bluntly—Transkeian autocracy, Transkeian secrecy, Transkeian high-handedness and Transkeian lack of consultation We need transparency, and these processes need to be driven We need a managed process

Here I want to repeat that we are deadly serious about an ad hoc committee I want to address myself to hon Deputy President Thabo Mbeki We have come a long way What I am saying to him today is that we are serious about addressing the economic ills of this country We want to build together However, we shall not succeed unless he assists us, unless there is transparency, unless there is consultation with the committees of Parliament, and unless we make arrangements for an ad hoc committee to start sitting next week to assist the hon the Minister, to make sure that the correct steps are taken

We do not need reports such as what appeared on the front page of the business section of the *Sunday Times* last week about the Cabinet not trusting the Minister's department to do certain things I call upon the hon Deputy President really to address this issue so that we can walk the road ahead together

The MINISTER FOR PUBLIC ENTERPRISES Mr Speaker, woe betide the person who will rely on information purely from the media For the hon member's information, what was in the *Sunday Times* was never discussed in the Cabinet What the member should have done, as a member of the portfolio committee, was to find out the facts from me [Interjections]

The Cabinet approved the guidelines at the end of August and I have arranged with the chairperson of the portfolio committee that the guidelines will be explained to members of the committee, so that they may participate in the process in a fruitful manner

As regards the member's address to the Deputy President, telling him that they had come a long way I am surprised, because it was outside this very Chamber that the member told me that he would never, ever attend meetings of the portfolio committee, because they did not take one anywhere At that time he was not referring to my good self, but to other people I can only conclude that he will always find excuses and more excuses for not attending

I want to assure those members of the portfolio committee who are serious about their business that now that the guidelines are out, it is going to mean work for us for the betterment of South Africa Arrangements are that tomorrow every member of Parliament will get the guidelines in his or her pigeonhole, in order to understand what we are all about

Parliament is not for point-scoring Parliament is not for people to say "that is how it was in Transkei" I could also chase a person way back, but this is not the place for that We are here to discuss serious business in order to build the country and to make sure that marginalised communities get a better slice of the cake That is what the task team to be appointed will be all about

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

President of the Republic

Covert security operations: appointment of committee

*1 Mr A J LEON asked the President of the Republic

(1) Whether his predecessor appointed a committee between 1990 and 1994 to oversee and close down all covert security operations, if so,

(2) whether he has been fully briefed by this committee on the activities of the committee concerning covert operations, if not, why not, if so, what are the relevant details,

(3) whether the said committee closed down any covert security force operations, if so, which operations,

(4) whether the minutes taken during meetings of this committee and/or any copies of orders, guidelines or instructions given by the committee still exist, if not, why not, if so,

(5) whether he is considering making the documents referred to in paragraph (4) publicly available, if not, why not, if so, when?

N1175E

The EXECUTIVE DEPUTY PRESIDENT (Mr T M Mbeki) (as Acting President) (for the President of the Republic)

(1) Yes

(2) The Committee no longer exists, but its reports which traversed the activities of the committee and were presented to the former President, Mr F W de Klerk, have now been made available to the Secretary of the newly-appointed Evaluation Committee, for submission to that Committee, which has a similar function The former President, Mr F W de Klerk, issued a statement on 19 December 1991 after the completion of the Kahn Committee's work in which he provided information on its activities and findings He also dealt with the Committee's findings in Parliament on 23 April 1992 (Hansard, columns 4962-4964)

(3) Yes The Committee found that Departments had attempted to give effect to the Cabinet's intention to scale down covert activities It recommended *inter alia* that

- normal secret line functions of the Police, Defence Force and the National Intelligence Service should continue,
- the other secret projects should be terminated as soon as possible, or in some cases, should be regarded as normal departmental activity,
- of all the projects submitted by the Department of Foreign Affairs one had to continue for the time being (but is now to be wound up in consequence of a decision of the newly appointed Evaluation Committee) All the others either had to close down or revert back to open departmental activity
- all the projects submitted by the Police outside their normal line function should be closed down, and the Police were in fact doing so,
- one of the projects submitted by the Defence Force had to close down as quickly as was practicable while the others either had to be wound up or be regarded as normal departmental activity

The considerations that apply with regard to paragraph (5) below also apply to the provision of the names of the projects

(4) No minutes were kept of meetings of the Committee, but its four reports have now been made available to the Secretary of the newly appointed Evaluation Committee who will pass on the reports to the Committee

(5) No, because the Reports deal *inter alia* with legitimate secret activities of the various security departments These activities are, however, subject to proper scrutiny by the Evaluation Committee

Mr A J LEON Mr Speaker, arising out of the hon the Deputy President's reply, could he inform this Parliament who serves on this evaluation committee, and whether, in fact, the evaluation to date has

Manuel delivers tough warning to 'elephants of big business'

CT (MR) 7/9/95 (232)

By Bruce Cameron
Political Editor

Trevor Manuel, the minister of trade and industry, has warned "big business" to release its stranglehold on the economy

In his toughest speech yet on anti-competitive behaviour, Manuel said the appointment of one or two blacks to boards of directors or the showering of one or two black individuals with capital and placing them in wood-panelled offices was not black economic empowerment

Manuel, who was speaking in Cape Town at the launch of a new technology company, SourceCom, warned big business to give small business people an opportunity, as that was where real affirmative action would take place

Manuel's remarks were a clear reference to the growing disquiet in the ANC about the way a selected few individuals like Nthato Motlana had been placed in a position to become enormously rich

Manuel said "instant gratification cannot and should not replace empowerment for increased participation, and sustainable growth and development in this country"

In an obvious reference to recent criticisms from major corporates about proposed legislation, Manuel said "You have heard the rumblings and felt the tremors over the past weeks and months as the elephants in our economy have started to get edgy and as they seek shelter and protection

"You will have heard how we are denying them protection and undue privileges — you will understand that the era of patronage and of entitlement is coming to an end"

Government was preparing to clear the field for the "smaller creatures" in the economy

The reconsideration of the competition laws were part of the process of "uncluttering the field of play and removing the barriers to access to markets of goods and services by smaller companies"

The new company was "an inspiration to those of us who have to make the decisions that may affect the monopolists and those conglomerates that retain a stranglehold on our economy

"If big business has any faith in the market and above all in themselves, in their entrepreneuralism, they should not be intimidated by the challenge of competition. They should relish the idea of a fair fight," said Manuel

Sacob calls for joint task force to debate privatisation

(232) ET (BR) 7/9/95

By Derek Tommey

Staff Writer

The South African Chamber of Business (Sacob) has called for the establishment of a joint task force, possibly under the auspices of the National Economic Development Labour Council, to reach consensus between government, business, labour and civic interests on the privatisation of state assets

Sacob says a climate of co-operation between these four parties is being established within the framework of the labour council But their mindsets on privatisation has not yet been aligned

Commenting on the discussion document issued by the government on the restructuring of state assets, Sacob says that whatever the rationale for the government pursuing a course of privatisation, the reasons are far less important than the manner in which it is undertaken

Sacob urges that the authorities, should bear in mind that each privatisation and deregulation target requires individual analysis and strategy, and each strategy must take into consideration the cultural and economic background Priority should be given to those targets which will have the greatest economic effect on the economy

Privatisation will benefit state, says RMB

(232) CT (MR) 7/9/95

By Derek Tommey
Mining Editor

The government could greatly improve its financial situation and substantially increase the country's competitiveness if it allowed some of its assets to be privatised, said Neil Morrison, the head of public-sector finance at Rand Merchant Bank and formerly the national co-ordinator of the ANC's money and financial policy

Morrison said the international markets were extremely competitive and South Africa would be severely disadvantaged if it did not improve the competitiveness of its various sectors

This applied specifically to government assets

Telkom, for example, had a huge need for new investment and also needed to upgrade its systems

However, if South Africa were to privatise R50 billion of state assets, it would generate the new capital it needed and would also allow the government to wipe about R6 billion off its interest bill

Budget

This was more than the R5 billion budgeted for reconstruction and development spending this year and more than four times the R1,3 billion loaned by the SBDC in the 12 years to 1993

The sale of these assets could reduce government debt by the amount raised, and if these were to fetch the R50 billion envisaged, then the government's deficit as a proportion of GDP would fall from 5,8 percent to about 4,6 percent

Fiscal policy, an area where the government had been having much difficulty, could then be addressed to create a better macro-economic environment for local and international investors

Morrison stressed that this is "a back of the envelope" calculation which did not take into account that the economy was not static, that privatisation could take years, and that growth might rise or fall

He complained that many people from all sides of the political spectrum were looking at privatisation in ideological terms

Instead of looking to see what was best for the economy, they were arguing about what the state or private sector should or should not do

But at the end of the day, the divestiture of state assets was just another option in overall fiscal, monetary and economic policy

On the one side of the scale, South Africa was faced with a large public sector which absorbed more than 30 percent of GDP and highly borrowed parastatals, many of which were unprofitable or not technologically advanced

Further, interest on state debt was eating up R30 billion a year, the country faced a pedestrian growth rate, had numerous structural inefficiencies and a huge post-apartheid development backlog

On the other side of the scale, the South African and international private sector had the cash, expertise and willingness to play a greater role in the economy

"That the state and the private sector might want to meet each other half way for the benefit of the economy is not ideological but merely common sense, said Morrison

■ Bruce Cameron reports that Stella Sigcau, the minister of public enterprises, said South Africa would not be rushed into the restructuring or privatisation of state assets, which could leave it in the stranglehold of a few

Criticism

Sigcau was replying to criticisms from the Democratic Party that insufficient progress was being made with privatisation.

"Try to push us and it will be counterproductive We are as keen as the next man for growth," she said, but added that "reorganisation of state assets also meant making sure marginalised people get a better slice of the cake"

Tony Leon, the leader of the DP, said the state would not succeed in delivering better health, policing and economic empowerment within the constraints of the present budget structure

The extent of state wealth could be judged by the fact that the country's biggest company, Anglo American, held 6 percent of the capital stock of the country Against this the state held 52 percent

"There is R171 billion to be made from the privatisation of the top state assets," he said

☐ See next page

PRIVATISATION

A first step on the high road

(232)

Ideological rigidity must be discarded in favour of bold and flexible pragmatism

FM 8/9/95

Government missed an opportunity last week to formally embrace a policy of privatisation when it unveiled its discussion document on restructuring State assets.

The good news, however, is that the Cabinet's approval of the document — a proposal for consultation and implementation — finally places the matter firmly on the agenda in a framework that doesn't exclude full privatisation. Certainly, the 15-page document, co-ordinated by Deloitte Touche partner and government adviser Jeff van Rooyen, is somewhat vague on detail. But that is not without advantages. As Rand Merchant Bank GM Neil Morrison remarks: "Had government spelt out a set of fixed rules, we would have hammered them. The framework ... displays flexibility — the key ingredient to successful privatisations elsewhere."

The document spells out a sensible four-step implementation process and a set of objectives, not out of line with the modern international practice. Briefly these are to promote economic growth, create wider ownership in the economy, mobilise private-sector capital, reduce debt, enhance the competitiveness of State enterprises, promote fair competition, finance growth, meet the requirements for competitiveness and fund the RDP. Whether some of these objectives are compatible is another issue.

Morrison

What is disturbing is the delineation of State assets into three categories:

- ❑ Assets with a "clear public policy" or function to provide services such as Eskom, Telkom, Spoornet, the Post Office, the SABC, the Airports Co, Air Traffic and Navigational Services;
- ❑ Assets with a "public policy or strategic dimension" such as Denel, Petronet, the Atomic Energy Board, Armscor, Mossgas, SAA, the Strategic Fuel Fund and Soekor; and
- ❑ Assets with no public policy: Sun Air, Autonet, Safcol, Alexkor (profitable) and Transkei Airways, Aventura, PX parcel express and Abakor (nonprofitable).

The document stresses that the classification is preliminary and that changes are likely after consultation but the implication is that assets in the last two categories will be targeted as ideal candidates for State divestiture and their restructuring will start along with sectoral policy development. Assets in the first category — the public service providers — will be treated differently and their re-structuring will occur only once sectoral policy has been substantially developed.

But these assets, above all, need to be extricated from the inefficiencies of bureaucratic mismanagement that have resulted from an absence of competition, outdated technologies and a lack of understanding of consumer needs.

The document states that changing the control of these enterprises from public to private hands without regulatory protection could lead to the inability of the State to realise targets set out in the RDP, including housing, electricity, water, transport and telephones. But the report emphasises that the RDP "does not preclude the possibility of public or private partnerships and/or joint ventures" — a concession that effectively amounts to privatisation.

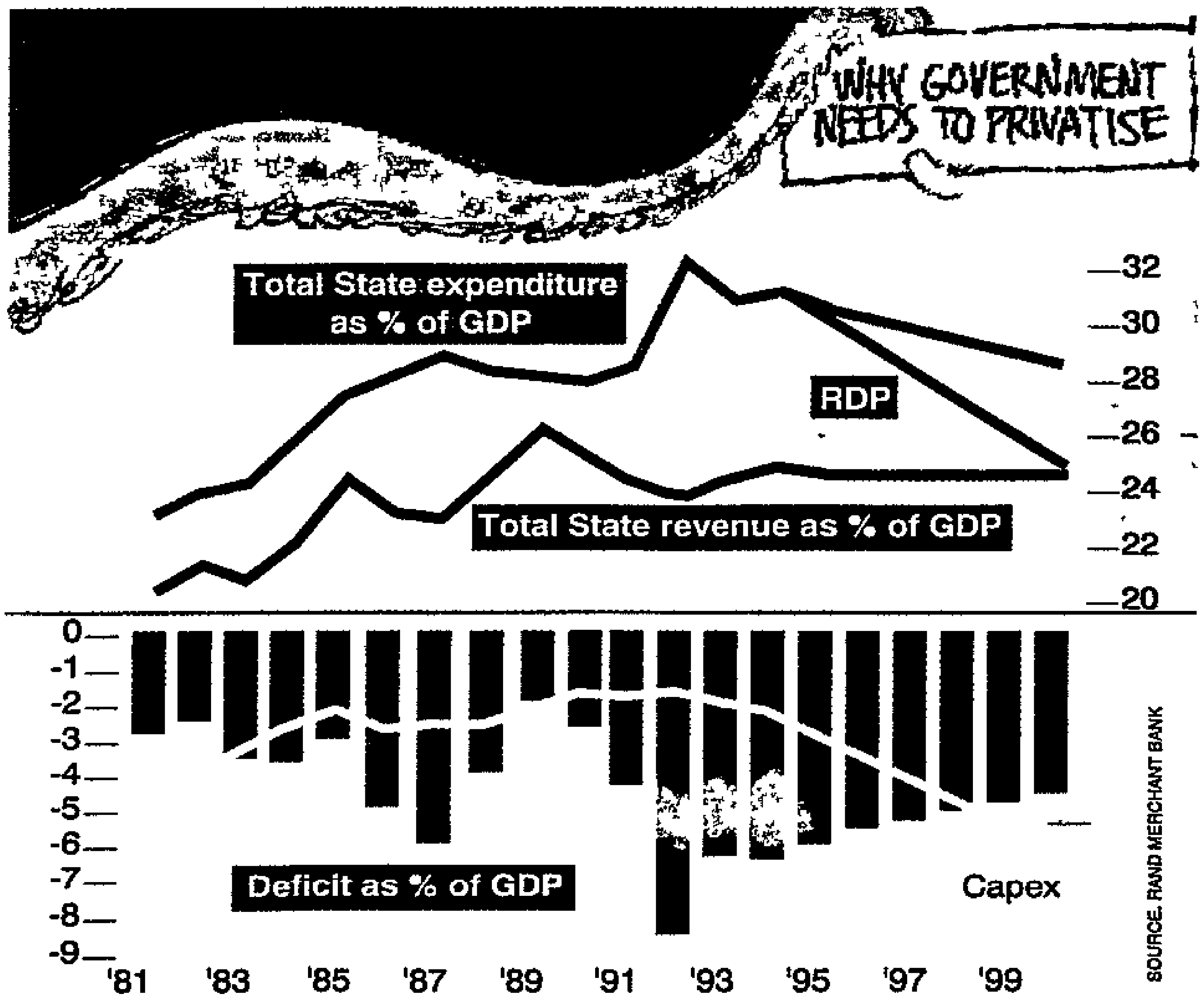
Says Price Waterhouse, Meyernel corporate finance CE Pieter van Huyssteen: "This means the State wants to keep an interest but knows it needs capital to expand services, so it effectively recapitalises, obtains fresh capital and skills and stays happy."

The possibilities are endless. Van Huyssteen suggests government may initially opt to keep control or dilute its share and at the right stage decide that an industry is sufficiently mature to be sold or no longer strategically important enough to retain. The sale might be at a larger profit than would have been realised earlier.

"The British telecommunications experience is a case in point. Government sold off assets in three stages, the last being the most profitable," says Van Huyssteen.

But there are potential problems where government elects to retain owne... Any private investor wants to know the extent of State involvement, especially in the management of the enterprise. Van Huyssteen suggests an ideal joint venture would see the private investor hold at least 51% of

Continued on page 25



Continued from page 20

shares But he stresses that a distinction between control and ownership can be enshrined through a shareholders' agreement that would see government relinquish control while still holding onto full ownership

Whatever form government's final policy on privatisation takes, certain objectives need to be set as many divestiture programmes have failed because of a lack of clear objectives

In SA, these objectives include the need to ease the fiscal or budgetary crisis, create efficiency and competitiveness, encourage domestic capital market development along with industrial restructuring, enhance technology transfer and industry modernisation, promote foreign and domestic investment, rid government of the management burden and eliminate the gross disparities inherited from the apartheid era

Van Huyssteen

Massive demands will increasingly be made on the fiscus by ambitious RDP projects that focus on extending public services to the poorest 40% of the population Government's ability to achieve its social programmes while maintaining macro-economic stability and building investor confidence will be severely constrained

RMB's Morrison says "The government could consider earmarking the proceeds of asset sales for specific capital expenditure to extend the provision of publicly provided services to poorer communities"

Such an approach is supported by Van Huyssteen He notes that the policy of earmarking funds is normally resisted by finance ministries in most countries but suggests that this approach brings about transparency by ensuring that funds are not dissipated in general revenue needs

Morrison stresses that the fiscal and budgetary crisis will worsen without privatisation "Government and public pension funds are actuarially underfunded and the government's balance sheets contain other unrealised losses and contingent liabilities that worry potential investors"

Disposing of R50bn of assets (a widely estimated value of State assets) could transform the current debt GDP ratio from about 55% to 45%, which is a sound ratio

Morrison, in a rough calculation based on government debt at about R250bn and GDP of R450bn, says that reducing the debt by R50bn would diminish interest payments by R5bn, which could be spent on capital goods and would stimulate growth, GDP and employment

He points out that SA's debt GDP ratio has grown by 18% in the past four years

Turning to efficiency and competitiveness, Morrison points out that recapitalised enterprises often provide more in tax revenue as restructured entities than as public companies

Given SA's concentrated economy and the need to raise foreign and domestic capital, recapitalising public enterprises through privatisation would provide an impetus to capital market development

Privatisation would also effect the much needed technology transfer and industry modernisation Efficiently run, publicly provided services would also generate strong signals for the economy's competitiveness

Ridding government of the burden of managing public enterprises retains priority Experts peg the size of government expenditure at about 35% of GDP "Public-sector restructuring would allow government to focus on improving its efficiency and identifying budget priorities," says Morrison

Though privatisation experts agree that ideological issues should not form part of the debate on what has become the sophisticated, technical matter of privatisation, it's clear that a number of innovative schemes have emerged over the years to address disparities in wealth in the countries that have engaged in privatisation

Some of these include employee share ownership schemes, distribution to pension and unit trust funds, the use of share coupons as collateral for the extension of credit, and directing proceeds to expand services to the poor

Restructuring of State assets requires careful pre-sale preparation that calls for flexibility Van Huyssteen stresses the need for sound direction of the process

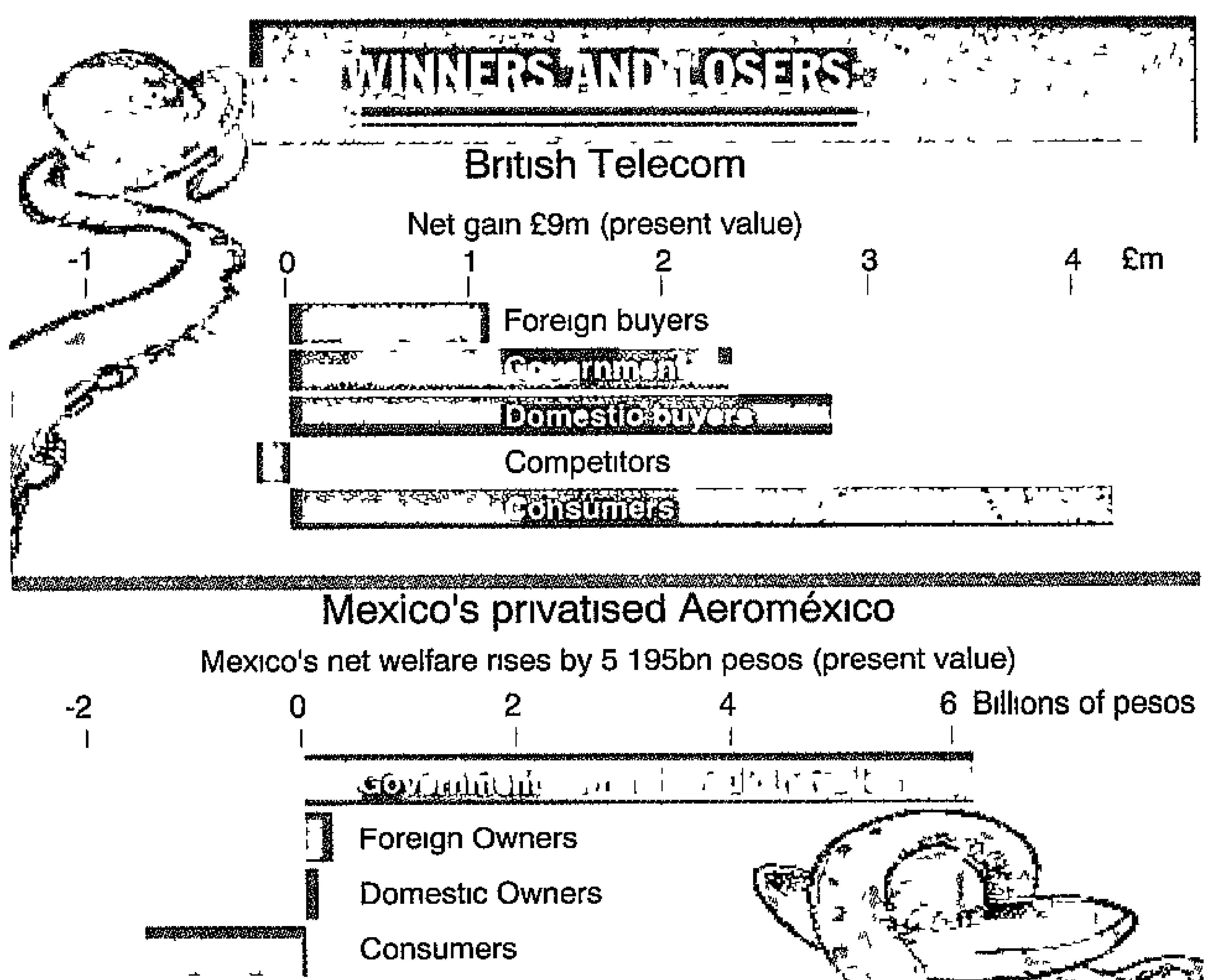
On this score, Morrison and Van Huyssteen stress that governments should listen to the dictates of the market and supply potential investors with as much information as possible

Clearly, the process of privatisation has different implications for the players — employees, unions, customers, managers, government, the public — and their interests have to be addressed

The regulatory restructuring, in particular, needs special attention In joint ventures, government would have to design a clear concession specifying the obligations and duties of new players But a regulatory framework must provide the right incentives for new investments and reasonable prices In SA, it must cater for black empowerment

The process should also be designed to end the inefficiencies that have come about through monopolies Regarding restructuring Telkom, US privatisation lawyer and author Ronald Roberts stresses "Monopolistic Telkom functions such as network operations should be separated from areas where competition is possible, as in long-distance network operations"

Divestiture laws also need to clarify the powers of key players in the programme ■

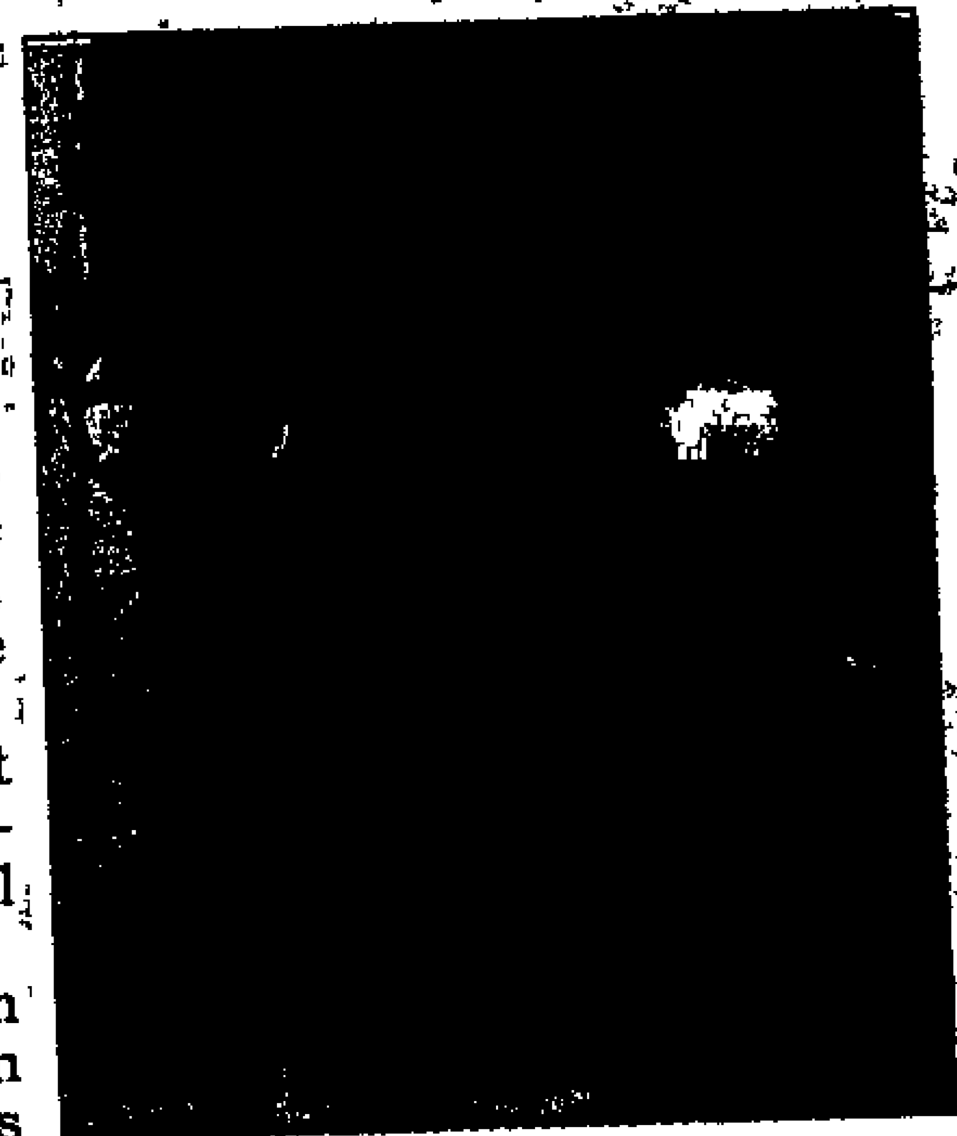


SOURCE WORLD BANK

The privatisation imperative

(232) WM(BM) 8-14/9/95

Privatisation, by any name you care to choose, is now on the agenda. **Reg Rumney** reports



Neil Morrison: Forget about ideology, it's the cash that counts

AMONG the many reasons for government to privatise state-owned enterprises, ideology is probably the least compelling.

This is the view of Rand Merchant Bank public sector finance head — and ex-ANC economic adviser — Neil Morrison.

Speaking at a media briefing in Johannesburg this week Morrison sketched the economic imperatives for privatisation

Chief among these is the need to reduce the state's R30-billion-a-year interest bill on central government debt that is estimated to rise to around 55 percent of gross domestic product.

Morrison's comments come after the release last week of the Ministry for Public Enterprises' guidelines for the restructuring of state enterprises, a tentative document which nonetheless includes privatisation as an option

Morrison reckons that privatisation could knock roughly R6-billion off the State's interest bill, more than the R5-billion budgeted for spending on the Reconstruction and Development Programme (RDP) this year

He includes in the definition of privatisation a wide range of options, some mentioned in the government guidelines They range from outright divestiture of a State-owned company or parastatal to the public, through private sales, joint ventures to outsourcing and the granting of concessions

Yet privatisation would make little sense if it were, as detractors sometimes allege, "selling off the family silver" to cut debt

Morrison was careful to stress the fiscal objective was only one of several forces driving privatisation in various countries Others were, typically, ideological, efficiency, domestic capital market development, the restructuring of industry, ridding the government of a management burden, foreign and domestic investment promotion, wealth redistribution, technology transfer and industry modernisation.

A spin-off, noted Morrison, was that the privatisation of a large utility company, for example Telkom, puts the spotlight on a country's reforms and alerts international investors about opportunities

Picking up on the need to encourage foreign investment, a discussion document, issued by the South African Chamber of Business (Sacob) this week on the government guidelines, notes that privatisation must be seen in the context of a number of other economic reforms in labour, trade, tax and competition

"The prime objective of the RDP is job creation within the framework of the provision of basic needs The most important component of job creation is investment, either domestic or foreign."

Sound restructuring of state assets will give the government an opportunity to accelerate economic growth by attracting new sources of investment, says Sacob.

The Sacob document remarks that while South Africa can learn from the experiences of other countries, they cannot simply be adopted.

There is no dearth of experience. More than 100 countries have engaged in privatisation programmes over the past 10 years, and more than 10 000 state organisations have been privatised during the past 15 to 20 years, according to Ernst & Young London partner Guy Wilson.

Wilson, in South Africa recently to help E&Y partners analyse the local situation, echoes Sacob's comment, saying South Africa would be ill-advised to pick one method and apply it.

All stakeholders — trade unions, workers, "disadvantaged communities", management and the government, must be accommodated, he says

Indeed, Morrison believes privatisation can benefit all stakeholders

This is contrary to popular opinion, which would have it that privatisations are a way of selling off unwanted state firms and parastatals to the public, resulting in massive job losses.

He cites a United States study of 12 privatisations in the United Kingdom, Chile, Malaysia and Mexico. These studies showed that workers gained in 10 out of 12 cases; consumers seven out of 12 cases, and governments and buyers nine out of 12 cases Consumers tended to lose out in airline privatisations, probably because fares had been heavily subsidised

In all cases, privatisations had positive economic effects, Morrison said. They ensured the correct pricing of goods and services, increased investment, and led to flexible hiring policies

Privatisation cannot be steamrollered, however attractive it might seem to wring productivity increases out of what are perceived to be idle parastatal workers.

E&Y privatisation head Henri Stall also points out that if a specific privatisation fails it has catastrophic consequences for further privatisations.

Basically the idea must be sold to all stakeholders: Staal calls this creating a conducive political climate.

It is essential unions accept the concept, he says.

This has been proved in South Africa. The union movement spearheaded successful resistance against the privatisation initiative launched by President PW Botha in the mid-80s The Botha government managed only to privatise Iscor

The new government appears to want to hold on to parastatals to help it fulfil RDP objectives Privatisation does not necessarily mean loss of control, however

Morrison made the point that increased efficiencies that result from privatisation can reverberate throughout the economy, especially public utilities such as Eskom and Telkom are privatised.

Eskom, it had been argued, was a low-cost producer of electricity and there was no need to privatise it. He remarked that research showed that while a public enterprise might show efficiency in the short term, over time that efficiency will disappear. It was desirable to minimise the risk to the government of that happening

The new government has a better chance of embarking on privatisation, particularly as it becomes clear that there are a number of alternatives to an outright 100 percent sale of shares at a discount, and as the benefits of successful privatisations become tangible

Privatisation is 'cause for concern'

(232) Sowetan 8/9/95

By Mosalagae Sam Ditshego

THE privatisation of parastatals and selling of state assets in South Africa should not be viewed in isolation from the rest of the world

These measurers are happening throughout the world and should be viewed in terms of the General Agreement on Tariffs and Trade (now transformed into the World Trade Organisation)

The Gatt treaty emanated from the Uruguay Round of Negotiations, at which only the powerful countries of the West and Japan were represented

The treaty betrays the fact that corporations are consolidating their power globally at the expense of workers, their health and safety and the environment

It presents the new shape of modern economies and the inexorable drive towards the globalisation of corporate power

This treaty is also going to erode the sovereignty of signatory countries and nobody has raised this very important issue at the Constitutional Assembly

How would the WTO erode the sovereignty of signatories? The WTO will have control over domestic policies because member governments will have to alter a wide range of laws and policies to conform to the agreements overseen by WTO

Particularly affected will be policies relating to external trade, domestic self-sufficiency, foreign investment, intellectual property, technology, labour and cultural policies

It has also been revealed that it is likely that in future the WTO, IMF and World Bank will synchronise their policies towards the so-called Third World and institute cross-conditionalities to pressure countries to accept them

The economic implications on the poor, workers and society would be far-reaching

It is encouraging to see the PAC, Azapo and National Union of Mineworkers fighting tooth and nail against privatisation and selling of state assets "to pay for the RDP"

(Ditshego is a freelance writer and has studied developmental issues)

Industry deregulation can put the customer at risk

- WM (BM) 8-14/9/95 (232)

Karen Harverson

THE deregulation of an industry may bring about more competition and lower prices but it could also result in increased prices and less protection for consumers

"Competition does not always result in prices coming down especially when regulated industries deregulate such as the airline and broadcasting businesses," says John Ford, senior lecturer in accounting control and management information systems at Wits Business School

He says if there are a number of competitors in the same business — prices may drop but not when there are only two competitors and one has been supported by regulation.

He warns that deregulation brings with it the downside of greater risk and less protection for the consumer

He says the demise of Flitestar, Avia Airlines and Sudan Airways was inevitable and consumers should realise that the price of a cheaper ticket brings with it a greater risk.

On top of the actual cost of flying, a new airline has additional fixed costs such as newly leased planes at high interest rates, because it is a new airline and it has to attract customers by offering discounted prices

Ford says the problem with many businesses is that they sell at any cost Management needs to realise that all sales come with a cost If the cost of that effort is too high then the sale should be foregone

He suggests that a company's biggest customer may not always be its most profitable as companies often ignore the cost associated with a particular customer.

Ford says growth in turnover should not be taken as an indication of a company's profitability "Sometimes scaling down an operation and operating in a niche sector provides greater value than pure volume sold "

He points to Comair as an example of a competitor which operates in niche markets where it can be effective, efficient and profitable

"One way that airlines keep costs down is by not offering commissions to travel agents to punt their airline Commission is a variable cost in a portfolio of largely fixed costs but the downside is airlines must have a mechanism which allows passengers to book and pay for flights outside the travel agent network."

Conversely, says Ford, a company could pay higher than normal commission in the hope that travel agents will push its flights at the expense of others

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232

widely dispersed ownership which should be structured at the level of the enterprise on a case by case basis," the report recommends

Relegated to minor status is the fund-raising potential of privatisation to reduce the states massive debt burden

This is a blow to the Department of Finance, which had hoped to use funds raised by privatisation funds to cut back on the huge Budget deficit before borrowing

Furthermore, only parastatals that are loss-making and do not have an impact on socio-economic delivery are earmarked for sale, thus limiting the amount they can raise for government coffers

Falling somewhere between the "Not for Sale" and "Get rid off" signs are parastatals with no particular "public policy dimension" which have a strategic value to the state

The document provides no details of how even partial privatisation will be achieved but stresses that black empowerment has to be a crucial element of any asset sale

RESTRUCTURING OF STATE OWNED ENTERPRISES

CATEGORY 1	CATEGORY 2	CATEGORY 3	
Clear public policy	Public policy dimensions/strategic	No public policy	
ESKOM	DENEL	[illegible]	[illegible]
TELKOM	PETRONET	SUN AIR	TRANSKEI AIRWAYS
SPOORNET	ATOMIC ENERGY BOARD	AUTONET	AVENTURA
SA POST OFFICE	ARMSCOR	SAFCOL	PARCEL EXPRESS
SABC	MOSSGAS	ALEXKOR	APROP
PORTNET	SAA		
SAPCC	STRATEGIC FUEL FUND		
AIRPORTS COMPANY	SOEKOR		
AIR TRAFFIC			

Graphic FIONA KRISCH

Source MINISTRY OF PUBLIC ENTERPRISES

JOBS

Privatisation's guidelin at last but still going nc

ST(BT) 10/9/95

The most surprising aspect of the government's recently published guidelines for privatisation and restructuring is their fairly comprehensive form, writes **SVEN LUNSCHE**.

AFTER rejecting two previous submissions from the Department of Public Enterprises, the Cabinet has finally come up with a privatisation plan that it can live with

"The first two drafts were terrible They amounted to little more than ideological waffle," one source said

At this stage a number of ministries, with finance, trade and industry and the RDP technocrats, at the forefront, got involved, each one trying to put its own spin on the draft proposal

It was only after an urgent meeting by the ANC's Economic Transformation Committee in late July and the subsequent establishment of the "super-economic Cabinet", chaired by President Nelson Mandela, that a new urgency was injected into the debate

The result, released last month by Public Enterprises Minister Stella Sigcau, is a far from perfect report that errs on the side of compromise and fails to provide a clear direction, even accepting that partial privatisation was never easy for a party long opposed to the concept and one in which trade unionists are a dominant influence

Understandably, the emphasis in the report is thus on restructuring, with privatisation given only an outside role

Under the proposals, six sectoral task groups have two months to come up with more detailed guidelines for each parastatal These are

- Telecommunications Telkom
- Transport Transnet, Airport Company
- Development IDC, Development Bank
- Energy Eskom, Mossgas, fuel bodies
- Defence Armscor, Denel
- Various Safcol, Alexkor, Aventura

The committees have to decide whether a parastatal should be fully or partially sold, or whether it should be restructured by concessioning or outsourcing various functions

Ms Sigcau and Finance Minister Chris Liebenberg are represented on all the committees joined by other relevant ministers and parastatal officials

Surprisingly, Trade and Industry Minister Trevor Manuel emerges as the kingpin Not only is he represented on most of the committees but almost half of the objectives listed in the report relate to improving competitiveness in the private and public sectors — a trademark of Mr Manuel's policies

"Enhancing efficiency of public enterprises, government and the economy drives long-term, sustainable economic growth," says the report

"Restructuring should be used to increase competition and guard against monopolistic behaviour It should also improve the resources available to meet the basic needs of the poor"

The stated objectives represent a marked departure from early government thinking that privatisation should merely serve as a method for additional revenue

Competition and the commitment to the reconstruction and development programme now head the list As a result, the guidelines block full-scale privatisation of parastatals that play a crucial role in socio-economic delivery, notably Eskom, Telkom, the SA Broadcasting Corporation and the SA Post Office (see chart)

"A change of controlling ownership for these state-owned enterprises from public to private without the regulatory protection, could lead to the inability of the state to realise targets set out in the RDP," the report says

It does, however, not rule out a minority shareholding by a private partner, preferably foreign investors, who could offer financial, technical and managerial support

A second tier of objectives include black empowerment and employee participation to achieve "wider ownership in the economy

"Restructuring provides an opportunity for

Giving black employees a slice of the pie

By SVEN LUNSCHE

BLACK economic empowerment has emerged as one of the primary objectives of the public sector restructuring and privatisation programme

But how can broader black participation be facilitated, both in terms of ownership and the management of restructured parastatals?

British-based economist Charles Okeahalam, and Loren Braithwaite, who heads Msele Corporate and Merchant Bank's public sector division, outline a programme that, apart from enabling black ownership, promotes small business as well as education and skills development

Msele is an associate member of the recently formed National Assets Initiative, a consortium of private sector lawyers, accountants and merchant bankers established to advise the government on the restructuring process.

Central to the programme, says Ms Braithwaite, are employee share ownership schemes

These "provide an opportunity for the government to increase democracy and black empowerment and for black individuals to be represented in the corporate sector"

As a first step, the government has to identify companies which seem to have a need for black participation

These companies should be restructured and commercialised, which could require some form of privatisation

"Corporations to be privatised would have some shares placed with strategic investors or floated internationally, with tranches reserved for domestic investors and employees," says Ms Braithwaite

This effectively means that shares could be priced differentially, and at a discount for potential black shareholders as opposed to corporate or foreign investors

Facilitating black empowerment also requires that shares are reserved for black investors and employees, by granting them first refusal or giving them guarantees that they can purchase shares outside of the market

These shares could be held in an investment fund or in a unit trust scheme on behalf of this group.

When it comes to payment for the shares, Ms Braithwaite argues for "more creative financial engineering" rather than direct forms of cash or debt leverage

The cost structure should evaluate the risks involved in participation by "economic agents without traditional forms of capital", as well as the increased labour productivity that results from employee ownership

Ms Braithwaite stresses that initial government intervention in the allocation of economic rights may lead to bureaucratic failure and calls for the establishment of an effective legal framework to address the transfer of ownership

Warning about possible abuse, she also urges the implementation of effective corporate governance, via "transparently elected or appointed directors' and "market-based accounting and financial reporting systems'

232 ST (BT) 10/9/95

Conservationists snubbed over state forest plans

ST(M) 10/9/95

By CHARL DE VILLIERS

(232)

IN A blunt snub to conservationists and the Ministry of Water Affairs and Forestry, the Office for Public Enterprises has dismissed pleas for a public debate over the future of state-owned forests in the Peninsula.

At stake are two former state forests in a protected zone which are being transferred to Safcol, a private company with a 100 percent state shareholding.

The Cape Peninsula Conservation Managers Forum wants the privatisation process delayed until a final decision is made about a new statutory conservation authority for the Peninsula.

But, according to Public Enterprises chief Professor Sipho Shabalala, there is no need to suspend or debate the process.

This is in spite of Water Affairs and Forestry Minister Kader Asmal's reference to government transparency when endorsing an "exhaustive public debate" on the property dispute between the SA Forestry Company Ltd and Cape Nature Conservation.

Prof Shabalala's reaction also counters an appeal by the official Table Mountain and Peninsula Advisory Committee, which wants a temporary freeze on all new developments and land deals in the Cape Peninsula Protected Natural Environment (CPPNE).

In his response to the committee, Environment Minister Dawie de Villiers this week said its appeal had to be directed to the "relevant ministries or authorities".

At least 100 private landowners and one provincial and four state departments are responsible for managing the 29 000ha CPPNE which stretches from Signal Hill to Cape Point.

Dr de Villiers said the issues and concerns highlighted by the committee were ancillary to its brief to advise him on a legal framework for a single statutory authority to run the CPPNE.

The TMPAC has cited a range of developments and negotiations which it fears may impact adversely on the authority of a new unified and representative conservation body.

It has urged a temporary ban on these processes, including a pending survey of the state-owned Cecilia and Tokai plantations which will clear the way for private property rights to be registered in Safcol's name.

TPMAC chairman and National Botanical Institute Director Brian Huntley says state land in the CPPNE should be ceded to its successor.

CNC deputy chief director Niel van Wyk and NPB operations director Dick Parris this week indivually endorsed the TMPAC's plea for a rethink on major deals such as that involving Safcol.

But, according to Prof Shabalala, even though the two plantations were inside the CPPNE, they did not fall under provincial authority.

He said public opinion could hold Safcol to sound conservation and commercial practices — which it was committed to.

"Under the circumstances there seems to be no case for a public debate," he said.

In motivation, he said Safcol was prepared to give its full co-operation to any authority having legal jurisdiction "with regard to conservational purposes over Cecilia (and) Tokai"

MY TURN

Big-bang privatisation gains may be illusory

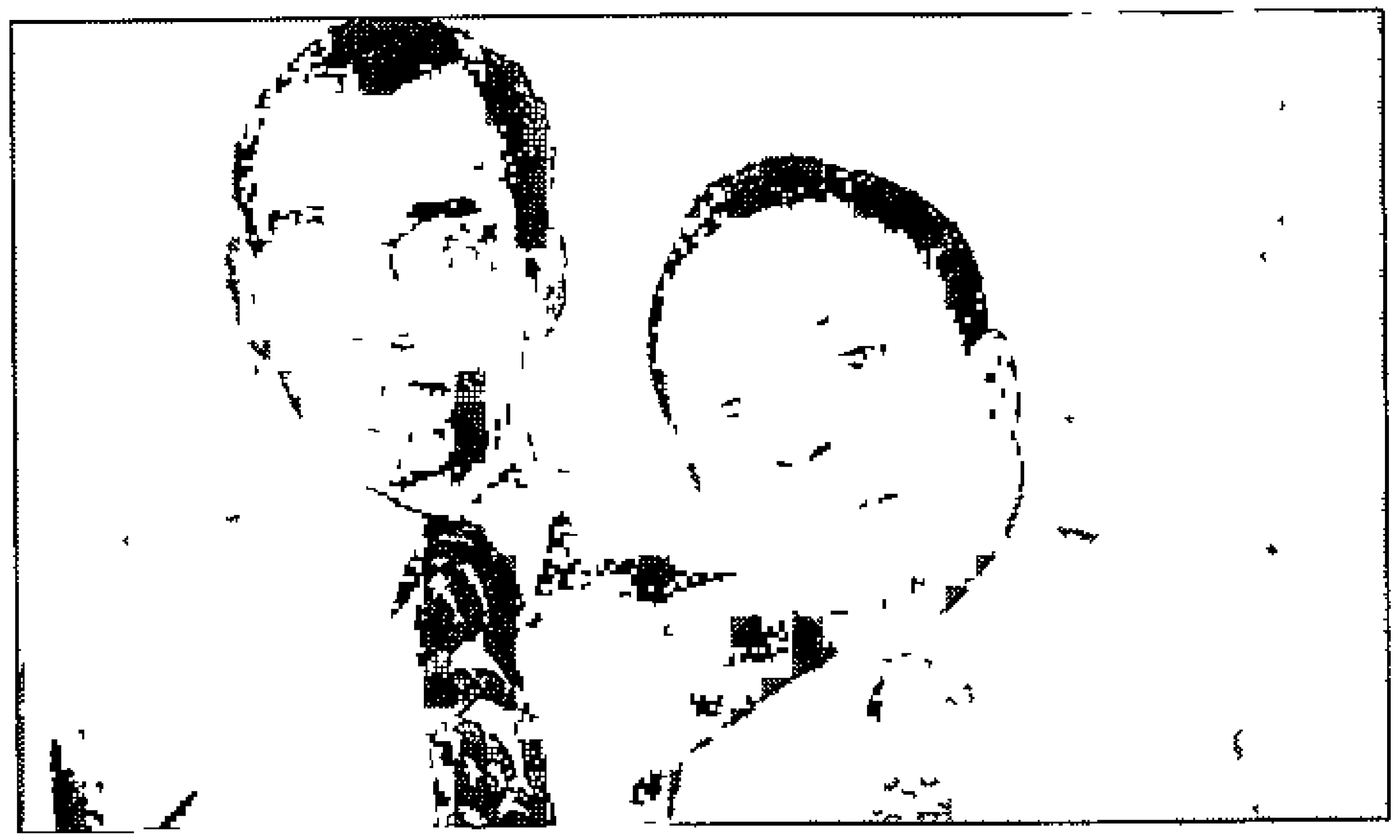
ET (BR) 11/9/95 (232)

By Tiego Moseneke & Ronald Roberts

Despite Finance Minister Chris Liebenberg's comment that South Africa is no longer walking into a debt trap where interest payments would absorb increasing amounts of government revenue (Business Report, September 6 1995), certain quarters continue to clamour for big-bang privatisation in order to reduce state debt ("Privatisation Will Benefit the State, says RMB," Business Report, September 7 1995)

According to the recent guidelines, the cash proceeds of state asset restructuring "may" be used to reduce state debt, but conflicting objectives such as increasing competition, broadening ownership in the economy and ensuring labour fairness, have correctly tempered any desire for an obsessively cash-driven process

Indeed, in the words of Lawrence Summers, chief economist at the World Bank "It is a cliché that state asset sales are a phony way to reduce a deficit" This fact is widely recognised among



LONG-TERM VIEW *Ronald Roberts, left, and Tiego Moseneke,*
PHOTO JOHN WOODROOF

South African policymakers, albeit not among asset sale enthusiasts in the business community

For example, Pallo Jordan's Green Paper on telecommunications recognises that the apparent revenue gained through asset sales is illusory As the Green Paper points out, asset sales are only a net gain to the treasury if the net sale price is greater than the net present value of the revenue stream, had the asset remained in state ownership In practice, political uncertainties mean that sales revenues will be substantially less than this level, often meaning a net loss to the state in real terms

Moreover, chasing short-term cash through privatisation has a range of unintended bad consequences, including the preservation of inefficient monopoly power

The pro-monopoly consequences of rapid cash-driven state asset sales explain why South African business behemoths are clamouring for cash-driven debt reduction as a central goal of state asset restructuring

Estimates of how much cash can be raised from state asset sales vary from R30 billion to R600 billion As always when people promise manna from heaven, we should be sceptical

Rapid state asset sales, driven by cash maximisation objectives, uniformly backfire Once the decision to maximise debt reduction is made, events gather momentum and government's other priorities may disappear in a rush to maximise revenues from the sale

In Britain this led to hasty decisions to grant government guarantees, write off past debt, give tax breaks, and consent to inadequate regulatory regimes

Without exception, every British economic regulator has found it necessary to impose more restrictive price caps on privatised utilities than the government established at the outset These unfortunate policy consequences are directly traceable to the imperative of maximising privatisation receipts to meet or exceed projected revenue targets

Moreover, the cash gains of asset sales must be netted against the fact that government may be foregoing significant income stream

An undue emphasis on cash maximisation for debt reduction eliminates worthy, competing goals of state asset restructuring

In the Malaysian privatisation programme, the maximisation of sales proceeds was not a high priority The important goal was to achieve empowerment goals at lowest budgetary cost, rather than to maximise budgetary proceeds as an end in itself

From 120 privatisations completed by the end of last year, the Malaysian government received only $4,2 billion in cash, but saved $18,5 billion in averted social welfare and other expenditure

Cash-maximisation strategies for debt reduction may also conflict with other important long-term goals that have a short-term cost High cash value upon sale may maximise debt reduction, but may also mean low technology transfer obligations imposed on a private purchaser, low enterprise investments such as industry modernisation, lax corporate governance reforms, rejection of preferential worker participation schemes, rejection of job security arrangements; a variety of black economic empowerment strategies, and of costly purchaser obligations to expand existing infrastructure

It may thus sometimes cost more in real terms to reduce state assets to cash, redeploying that cash in the pursuit of policy aims, than it would cost to redeploy existing state asset directly — through restructuring or other means — towards policy goals

☐ *Tiego Moseneke and Ronald Roberts are with Moseneke & Partners, lead managers of the National Assets Initiative*

Sun Air likely candidate for early privatisation

CT (BR) 11/9/95 (232)

By Audrey D'Angelo
Cape Business Editor

Sun Air, the regional airline which has been owned by the government since the homeland of Bophuthatswana ceased to exist, was profitable and was almost certain to be privatised within six months, said Dirk Ackerman, the chairman, and Johan Borstlap, the managing director

It would be considered for privatisation, along with other parastatals, by a Cabinet committee and Borstlap and Ackerman believed it would be among the first to be found suitable.

"It is a compact operation and stands on its own feet without a subsidy," said Ackerman

He said the airline was worth "about R60 million as it stands now, but we could push it up to R80 million"

It had made an after-tax profit of R2 million in the past year

He said approaches had already been made by investment groups wanting to take a stake in the former Bop Air, which now offered scheduled services between Johannesburg and Cape Town, Durban and Cape Town, Johannesburg and Sun City and Sun City and Livingstone in Zambia

If this happened shares would be allocated to all the airline's 320 employees, of whom 50 percent were black

"This would be a way of empowering them in line with government policy," Ackerman said

Sun Air started trading under its present name in May last year It traded as Bop Air for 14 years, when its main business was ferrying tourists between Johannesburg and Sun City

Since then it had expanded its fleet from one to five DC-9 jet aircraft and offered a total of 142 scheduled flights a week

Its newest route, introduced last week, was between Cape Town and Durban on which it offered two return flights a day

Borstlap said the next route to be introduced would be between Johannesburg and Durban, completing the triangle which attracted most business travel

Borstlap said 60 percent of passengers were on business

"The ratio has changed When we started it was only 30 percent business travel"

He said he did not believe that the government would allow control of Sun Air to be bought by another airline only wanting to strip its assets.

It was successfully serving a niche market, concentrating on offering a high standard of service and comfort in two classes, at prices on average 35 percent below those of SAA

It could do this profitably because its jet aircraft were smaller and more economical to run than those of SAA or Phoenix

And unlike SAA, it flew only at peak hours and did not have to provide underutilised late-night services

It was not in the same market as SA Express, in which Thebe Investments had a major holding and SAA an interest SA Express provided a stopping service linking destinations between major cities

Expansion of Bop Air into a regional airline was undertaken with the demise of the homeland

Sun Air did not compete with Airlink, which served the same market as SA Express, but on different routes

Borstlap said when Bophuthatswana ceased to exist he and his management committee held a meeting "at which we considered whether we had a future and what we should do to ensure the continued existence of the airline"

They decided expansion into a regional airline was the answer

Borstlap went to discuss the matter with Popo Molefe, premier of the Northwest province, who wanted the airline to continue to exist and to widen its scope

It would expand its fleet further by leasing two more DC-9s formerly used by Iberia Airlines and being refurbished at Shannon in Ireland

Borstlap said it would expand its operation slowly, making sure first that sufficient demand existed Additional routes would initially be in South Africa Port Elizabeth would the next destination

At a later stage Sun Air would serve major destinations in neighbouring countries

"There is a great need for flights taking business people to cities in neighbouring countries at times that will enable them to go and return in one day"

Recalling the Bop Air days, Borstlap — who is himself a pilot and took the controls on a scheduled flight at least once a week — said he flew Lucas Mangope to destinations including Europe and the United States in an executive jet the airline no longer had

"Once I flew him to Riga in Latvia, where Bophuthatswana set up an unofficial embassy," he said

Bophuthatswana had several such "embassies" in countries all over the world, he said

TAKING OFF *Dirk Ackerman, the chairman of Sun Air*

HIGH FLYER *Johan Borstlap, the managing director of Sun Air*

Competition Board will probe Kolosus takeover

(232)

Yuri Thumbran

BD 12/9/95

THE R95m deal in which food and tanning group Kolosus Holdings acquired an 89,9% interest in tanning and leather company Silveroak Industries from Daun et Cie is to be investigated by the Competition Board.

Board chairman Pierre Brooks said although no formal complaint had been lodged, the investigation was launched after the deal — effective from September 1 — was announced last Monday.

He said the investigation was necessary, as the companies jointly dominated the SA leather and tanning industry, and were the country's largest exporters of skins and hides. No approval was sought from the board before the announcement of the deal, although it was required in this case.

Kolusus group chairman Tito Vorster said the deal would ensure the combined leather and tanning business became a dominant player in the market, but it was not near being a monopoly.

He confirmed that the Competition Board had approached him about the deal: "I have answered their queries and await a further response."

Vorster said the deal was structured within three days, after German industrialist Claas Daun had approached him. The board had not been approached due, he said, to the speed with which the deal had been finalised.

Richard Conellan of the Security's Regulation Panel refused to confirm if an investigation was being launched following unusually high trading volumes in Silveroak prior to the announcement.

He said that if an investigation was underway, he was precluded in terms of the Companies Act from saying so.

(232)

UK warns on SA's monopolies

CT 12/9/95

OWN CORRESPONDENT

LONDON: UK fund managers have warned that unless South Africa's large conglomerates are opened to takeover bids, the country will not gain foreign investment and growth

Their message was conveyed to ANC secretary-general and constitutional assembly chairman Mr Cyril Ramaphosa here in July, Africa Confidential reported yesterday.

"It seems Mr Ramaphosa senses a convergence of interests between his trade unionist's instinctive distrust of SA conglomerates and the needs of foreign investors," it said

Manuel gets competition policy going

CT (BR) 12/9/95 (232)

Trevor Manuel, the minister of trade and industry, gave some idea of the direction his proposed anti-competitive policy is taking in a hard hitting speech last week

From this speech and other recent statements it appears there is a dual-track process under way

The first track is to target anti-competitive behaviour that prevents small business from competing on an equal basis

The next track would be aimed at what is essentially termed anti-trust action, where companies have a monopolistic control of a sector of the market

The two issues do overlap but have been muddied by opponents to Manuel's campaign, who insinuate the government is bent on a "break up big business" campaign

Manuel repeatedly states that the breaking up of big business for the sake of reducing size is not on his agenda

He has however frequently criticised the horizontal and vertical control of industries and how this impacts on pricing structures, preventing competitors entering markets anywhere in the vertical structure It is no secret that senior ANC members are concerned about the all-embracing size of some companies and the way they use their domination of the local markets to keep out foreign competitors

The other characteristic that worries policy makers is the pyramid nature of South African companies, a feature that is banned in many other countries

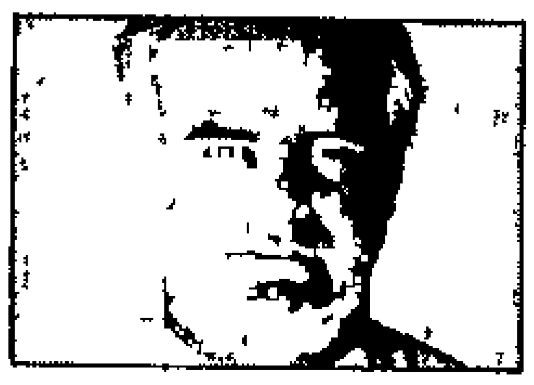
There appears to be a view in the government that the best line of attack may be a ban on holding companies, but it is highly unlikely that any legislative attack causing the break up South Africa's big conglomerates is likely to come in the draft legislation that is being prepared by Competitions Board chairman Pierre Brookes

Anti-trust legislation is a problem anywhere, and will be even more so in South Africa where there is a concentration of wealth caused by sanctions and exchange control regulations

Indications are that the government could appoint some type of commission to investigate this element more fully

A key element of the draft legislation will be directed at anti

CANDIDLY CAMERON



BY BRUCE CAMERON

Government is likely to target behaviour of business, not structure

competitive behaviour rather than structure, and will be based on tough penalties involving fines of hundreds of thousands of rands, while prosecution procedures will be speeded up through a toughened competitions board

At the moment complaints are investigated by the police and prosecuted through the courts

Manuel has repeatedly expressed his concern about the present low level of penalties for anti-competitive behaviour, which are more akin to a slap on the wrist with a powder puff than to being any deterrent

Penalties

The government has already signalled that it is looking at foreign legislation on all issues of anti-competitive behaviour, particularly that of the European Union A feature of the EU legislation is the tough penalties, which can make a substantial dent in profit margins, undermining share prices

On top of the direct penalties, the way is likely to be opened for companies, who can prove they have been financially disadvantaged by uncompetitive behaviour, to claim for losses

Incidentally, the long-awaited refined draft legislation has yet to land on Manuel's desk, according to his spokesman, Ismail Lagardien, although it is expected soon

Afrikaanse Handelsinstituut labour spokesman JP Landman, speaking at the parliamentary committee hearing on the Labour Relations Bill last week, knowingly let slip that even organised business acknowledges there is uncompetitive behaviour

He said he was likely to get into trouble for what he was about to say, to which the chairman Godfrey Oliphant said he would protect him Landman responded, tongue-in-cheek, that he would need protection greater than Oliphant could provide

Landman argued that an unintended consequence of centralised bargaining through the proposed sectoral bargaining councils could be that levels of pay and other conditions of service could be deliberately set high to force competitors out of business For example, a company that made articles for a higher profit could pay far higher wages than a company making articles for the low-profit mass market

The list of what will be considered anti-competitive behaviour is likely to be fairly extensive and will include the obvious, such as pricing collusion, but it is also likely to involve issues such as import parity pricing, where companies set their local prices at what an imported article would cost

An example of this behaviour is a claim in a submission made by Iscor shareholder, Ian Moultrie, to the Steyn committee of investigation into the proposed siting of Iscor's Saldanha Steel, that it sells its production locally at a 67 percent premium over export prices This pushes up costs to downstream industries and makes entry prohibitively expensive

Part of the problem of import parity pricing is already being tackled by lowering import barriers to meet the terms of the Uruguay Round of the General Agreement of Tariffs and Trade, but this course of action is also likely to be challenged through the tougher anti-competitive legislation

ON TARGET *Trevor Manuel, minister of trade and industry*

□□□□

The bargaining process to determine government spending priorities for next year's Budget started in Pretoria yesterday and will continue for about two weeks The process comes at the same time as the nurses strike — and the two events have strong links

Salaries

Although the government is showing strong resolve, up to the level of President Nelson Mandela, not to give way to pay demands, which would throw out the commitment to reducing the budget deficit, this should not be interpreted as a cold resolve by the government to screw the workers

Influential members of the ANC are deeply concerned about salaries and conditions of pay in the government service departments, including health workers, teachers and the police

They fully accept the need for fiscal discipline, but are convinced that reprioritisation of budget spending still has a long way to go

This not only means looking at departmental spending, for example at why the military should be receiving R2 billion a year more than the police, but also at salaries and benefits paid in different sectors of the public service

For example why should nurses, teachers and policemen be paid such low salaries and have such tough working conditions when members of the diplomatic corps receive double salaries — a generous non taxed, and more than livable, allowance while on a foreign posting with a normal salary in their bank accounts back home — no other country does this

The nurses should find this interesting

(232) BD 13/9/95

Protectionism is competition's only true enemy

RICHARD GRANT

IT IS not the first time that big business in this country has been accused of anti-competitive behaviour It is also not the first time that such accusations have completely missed the mark Indeed, the latest volley against the "big five" prompts one to ask whether the accuser is standing closer to the blame than the accused

Recent speeches by Trade and Industry Minister Trevor Manuel suggest that he harbours a serious level of dissatisfaction with the way business is conducted in SA. Many of us could, as a gut reaction, find grounds to agree with him There are serious impediments to competition but, as the recent accusations illustrate, it is not always obvious where they originate

Much of the popular thinking on the role of the competition policy is seriously outdated The past two decades have witnessed a shake-up in academic thinking that is gradually leading to a much more rational and practical approach to the whole issue of competition policy At the core is the recognition that competition is not measured by the size of the companies involved The true issue, the true standard, is the freedom to trade No fancy measures of industrial "concentration" can tell you as much about an industry as can a simple examination of the laws and regulations restricting that industry

Recognition of this is crucial when it is time for government to reexamine the body of competition law with which it is faced The history of competition law in the US and elsewhere has been one of treating symptoms, and of actually adding to the perceived problem by distracting attention from the true causes

It is finally coming to be accepted that anti-competitive behaviour is not commercial but political

It is not anti-competitive to offer a new product that makes other brands obsolete It is not anti-competitive to offer lower prices and better service than other companies Nor is it anti-competitive to grow large when you do these things better, and serve your customers better than anyone else

It is, however, anti-competitive to seek special protection for your company through political means It is anti-competitive to ask for high tariffs against imports of the product that you manufacture It is anti-competitive to seek legislation preventing potential competitors from entering your industry, or to ask for subsidies, or to get unnaturally exclusive rights from the government

The common link here is that genuine anti-competitive behaviour invariably requires government as an accomplice

Customer satisfying competition is found where governments do as little as possible to interfere with or "help" business.

The most glaring examples of customer dissatisfaction are associated with companies and industries that government is most involved in Telkom, the SABC and the Post Office are not paragons of customer service They are dead-weight drags on the economy Their "contribution" to the national infrastructure is a disgrace, and will continue to be so long as government protects them from competition

What is the solution to anti-competitiveness? It is to remove the laws and regulations that caused it in the first place? Is it no use criticising the private habits of business executives, that is not where the problem lies The problem is entirely political It manifests in government attempts to "pick winners" and to "improve" on the unhampered market It is, in sum, too much law, not too little

In the absence of special government protection, business executives would have no choice but to run their companies to satisfy customers. They wouldn't have anything resembling the monopoly powers that Telkom, the SABC and the Post Office now have. Nor would they be under pressure to behave according to the wishes of some philosopher or politician. To accuse business executives of anti-competitive behaviour is a refusal to acknowledge that politicians are ultimately responsible, and ultimately to blame

□ **Grant is chief economist at the Chamber of Mines.**

LETTERS

Privatisation 'is a big vote winner'

ARG 14/9/95 (232)

COLIN DOUGLAS
Staff Reporter

THE African National Congress should stop worrying about the political fallout that could result from privatising state-owned enterprises, because the policy could be a major vote-winner.

This was the message from United States privatisation expert Robert Poole, who was in Cape Town this week to address a summit of the Mont Pelerin Society, an international liberal organisation.

Mr Poole, president of the Los Angeles-based Reason Foundation, has assisted several countries in selling state assets

The government could issue shares in firms like Transnet and Eskom free to every citizen to spread ownership and promote economic empowerment, an approach which had been followed successfully in several other countries, he said.

"I can imagine Nelson Mandela taking that position and making it popular, presenting it as a thing the ANC was doing and the National Party would never have done."

Such an approach to privatisation might allay the fears of the South African Communist Party, which until now had been a stern critic of the policy, Mr Poole said.

"It might be a strategy that appeals to the SACP, because it would result in true public ownership, as opposed to state ownership, which is really ownership by bureaucrats."

Privatisation had been embraced by politicians of all persuasions in more than 100 countries, including communists in China and Cuba, and former communists in Italy and Eastern Europe, he said.

Mr Poole's advice was to distribute 10 to 20 percent of shares in state enterprises free among South African adults, and to sell the remaining shares in phases on the open market, possibly unbundling those firms which held monopolies in their sectors.

South Africa should not shy away from selling off public utilities and infrastructure, he said, as this sector was the focus of a new wave of privatisation worldwide.

Electric power utilities had been the leading candidate for privatisation so far this year, with stocks worth R36 billion already having been sold to private bidders.

Picture. BRENTON GEACH, The Argus.
PRIVATISATION EXPERT: Robert Poole, president of the Los Angeles-based Reason Foundation, says privatisation could be a major vote-winner for the ANC if it distributes shares in public enterprises to ordinary citizens.

"A distinction is sometimes drawn between the sale of industrial and commercial enterprises and the sale of infrastructure enterprises, such as telecommunications, airports and railways," Mr Poole told members of the society.

"It is argued that since the latter are essential to economic development, they must be provided by the state, even when other enterprises are being turned over to investors.

"Increasingly this distinction is being recognised as artificial — indeed, as counter-productive.

"Precisely because well-designed and well-maintained infrastructure is so important, it is essential that it be provided by institutions with the proper incentives to attract and spend capital wisely, price services sensibly and operate efficiently.

"There is growing understanding that these goals are often accomplished more reliably by investor-owned than by state-owned enterprises"

● See page 19

'We are not afraid of privatisation'

APG 14/9/95 (232)

Business Editor

PRIVATISATION should not be used just to transfer a monopoly from the state to the private sector, director-general of Public Enterprises Sipho Tshabala has warned

Addressing the investment summit in Johannesburg, Professor Tshabalala said: "We are not afraid of privatisation. It is an option that will be considered in certain circumstances."

Privatisation would be considered:

- when a state-owned company was under capitalised and would be more efficient if recapitalised,
- To open up access to technology and capital;
- To increase competitiveness;
- For black economic empowerment; and,
- To maximise proceeds of restructuring for the state.

"We also have to make sure that companies which are privatised don't collapse the following day," Professor Tshabala said.

Privatisation would not work if it was not politically acceptable and politically feasible.

It would be "naive" not to consider opposition from the trade union movement.

"We have to compensate the losers, create safety nets and convince the opposition The promises we make must be credible," Professor Tshabalala said.

"We have to add value and not just take away assets."

Investors favour State retaining small interest, summit told

APG 14/2/95

(232)

Business Editor

FOREIGNERS investing in newly privatised companies prefer the state to retain a small stake, according to Susan Segal, senior managing director at Chemical Banking Corporation in the United States

Ms Segal, who has advised governments in Latin America on privatisation, was addressing the Southern African investment summit in Johannesburg this week

She said her bank advised governments to retain a stake of between 15 percent and 25 percent, for three to five years This reassured foreign investors and also gave the government a chance to benefit from the company's profitability

Maximum domestic participation was also an advantage. A commitment to the company by domestic participants was comforting and enabled the foreign investor to benefit from local knowledge and contacts

"Foreign investors are attracted to South Africa. They're looking for new opportunities to complement home markets where rates of return are declining."

Elements foreign investors looked for in privatisation deals included

- A level playing field with respect to domestic investors — "they don't want to be special but they also don't want to be discriminated against",
- A stable political, legal and regulatory framework,
- Clear parameters for the purchase,
- Good information about market size and potential for growth,
- Good information on returns on investment,
- Good information on financing possibilities, and,
- Certainty on restrictions on ownership.

Successful privatisations in Europe, Latin America, New Zealand and Australia had all been characterised by clear programmes which gave foreign investors confidence

"It's essential to get it right from the start," Ms Segal said.

Though there were no set rules, telecommunications, electricity, energy and mining were "good places to start"

Manuel and Anglo's Spicer in public clash

(232) Star 15/9/95

BY BRUCE CAMERON

Government and South Africa's leading conglomerate, Anglo American, fired direct salvos at each other in a public clash in which Trevor Manuel, the minister of trade and industry, gave the first confirmed glimpse of new legislation to prevent anti-competitive behaviour

Manuel, speaking on competition policy at a luncheon of captains of industry and academics, clashed repeatedly with Michael Spicer, the executive director of Anglo American

Manuel accused Anglo American of starting the use of inflammatory language by attacking him in its annual report and claimed business was, to a large extent, to blame for the lack of the liberalisation of economic controls because of its lack of morality and ethics

Spicer opened his reply by saying the only line in Manuel's speech "that gave me supreme comfort . was that ministers have a limited shelf life"

He reprimanded Manuel for the "wild and damaging generalisations that have characterised a number of speeches in recent times"

He warned Manuel to be careful of demonising the only big companies on the continent of Africa

"These companies have been the vehicle for much of the development in this country and they will, if they are allowed to, play a very important role."

Manuel, Spicer at odds over national competition policy

(232) BD 15/9/95

Edward West

CAPE TOWN — Trade and Industry Minister Trevor Manuel and Anglo American public affairs director Michael Spicer locked horns yesterday over competition policy.

A new Bill on the issue is to be finalised within weeks

Speaking at a conference on competition policy, Manuel said SA conglomerates had ensnared the market and there was no way into the economy for local and foreign investors.

He hinted at the contents of the Bill, saying one of the principles of new competition policy should be that linkages between firms, through vertical integration, horizontal collusion or cross-holdings, be recognised as far more important an indicator of uncompetitive behaviour than the size or market share of a stand-alone entity "Government has no choice on this issue," he said, referring to the views expressed in the reconstruction and development programme on excessive concentration of power in the hands of a minority.

Spicer, called on to respond to Manuel, said he was "extremely comforted" by Manuel's statement that ministers "have only a limited shelf life". He said recent inflammatory rhetoric that big business was bad had damaged companies, locally and internationally "Be careful of demonising the only big companies in Africa "

Government owned 50% of the fixed assets in SA and the "golden key" to competition was speedy elimination of exchange controls and privatisation

But Manuel said no less than 85% of the JSE's market capitalisation was controlled by fewer than 10 boards of directors, many with directors in common Distribution and retail of most products was shared among the top five or six SA conglomerates

"And if it is not owned directly by the conglomerates, there is over-

Continued on Page 2

Policy clash

Continued from Page 1

whelming evidence that among them lies the ownership behind the 34% of shares listed on the JSE that are held by nominees," he said.

It had been pointed out that government and politicians were to blame for this. Government in a democratic SA would correct the situation, he said.

Anti-competitive behaviour should be regarded as retarding economic growth and harshly punished, and a special tribunal should be established to adjudicate on possible anti-competitive behaviour through "objective tests". People harmed by anti-competitive conduct should be permitted to claim damages, he said.

Manuel said he would be receiving a draft Bill on competition policy within a week, which would not be a public document. "The issue has been debated for quite some time. We are not anti-big ... we nevertheless recognise that bigger is not necessarily better. We want to engender entrepreneurialism. We want to tap innovative ideas and skills of our people."

PRIVATISATION

Sending out the invitations

(232) FM 15/9/95

Everything to do with restructuring and privatisation of State assets is negotiable, says Public Enterprises Minister Stella Sigcau The first step has already been taken with the appointment of ministerial task teams to investigate over the next two months the restructuring of State assets

Without prejudging the investigation, Sigcau says she would like to see the emergence of a multitude of small and medium businesses from the restructuring process

She adds that replacing one monopoly with another is not on her agenda. Competitiveness retains priority She also wants to ensure that public corporations that provide basic services — such as Telkom, the Post Office and Eskom — strive to achieve universal access to their services

Of course, this poses the question of just how far Sigcau will go in allowing private-sector partnerships and joint ventures for the service providers

She says "Our government has moved sufficiently forward to abandon a policy of nationalisation. It is unlikely that we would adopt a position that is inflexible and to the detriment of SA."

Admitting that privatisation has stimulated economic growth internationally, she adds the rider that when the economy changes it has to change for everyone — ensuring human resource development and empowerment

It's probably the only formal guideline Sigcau will convey to the task teams These teams, consisting of representatives from the departments of Finance, Public Enterprises, Trade & Industry and from the affected sectors, have to compile an agenda by early December for each of the major public corporations When this process is complete, experts will be appointed to start the implementation, says Sigcau

But the Minister is concerned that labour must back the process. She realises government needs to ensure that job disruption is minimal and that those affected are taught new skills She is heartened, though, by labour's approval of government's discussion policy document, released last week

Sigcau's concerns are not unusual Nor are the solutions that have successfully addressed such issues elsewhere. Price Waterhouse corporate finance CE Pieter van Huyssteen stresses that universal access can be regulated, as a condition of privatisation, without scaring off potential investors

"Buyers who face such conditions would still invest, for example, in Telkom because it's a sector which they recognise as being able to make large profits given the growing electronics industry internationally," he says

"Likewise, appropriate tariffs could also be regulated to ensure competitive pricing and quality of service Regulation is not a substitute for competition and where competition can be created, it should take priority Electricity generation — the monopoly of Eskom — could be restructured to allow many players to compete to gain efficiencies and lower tariffs."

Stella Sigcau with *FM's* Deeb

Moseneke & Partners associate Ronald Roberts says "The restructuring must introduce regulatory constraints and corporate governance incentives to promote the public good in an efficient manner"

Ensuring black empowerment within a privatisation process is also feasible. Rand Merchant Bank GM Neil Morrison points to the numerous mechanisms that include employee share ownership schemes, distributions to pension and unit trust funds, the use of share coupons for the extension of credit to those who otherwise would not qualify for credit, and the earmarking of privatisation proceeds for specific capital expenditure on social services for the poor

The methods of privatisation are also crucial Says Morrison "Though a public offering allows for the greatest size and breadth of ownership while also allowing retention of some State control, it might not maximise proceeds

"Nevertheless, a private market sale offers the highest price and increased competitiveness but may not be as successful in helping government to attain political and social goals Combining a public and private sale could increase flexibility and proceeds but requires significant time and effort Government thus needs to structure each individual transaction to fit the requirements of the entity, national interest and market conditions"

Van Huyssteen stresses that government might want to redefine those public corporations it historically regarded as strategic enough to pump billions of rands into "A redefinition might result in the conclusion that government's investment in, for example, Mossgas might well be wasted unless privatised, at least in part Further State expenditure may also be avoided"

He warns against the uncritical importation of international privatised models or policies "While Russian privatisation needed to create market forces from scratch, SA already exhibits significant market forces We do, however, need to ensure that they operate efficiently, which means removing all constraints to competition"

It is this consideration, more than any other, that has probably led Sigcau and the Cabinet to the implicit conclusion that simply commercialising State assets is not enough "Commercialisation has been useful in that it has put a worth on State assets and avoided the potentially untimely selling-off of family silver," says Van Huyssteen

But allowing commercialised entities to continue without attracting private-sector investment might deprive them of input such as capital and entrepreneurial expertise "The efficiencies that are obtained through commercialisation might wither away without continuing competition" ■

NISSAN SA

Japanese buy in

FM 15/9/95

Two major Japanese corporations have bought into Automakers, the holding company of vehicle manufacturer Nissan SA Mitsui and Nissan Diesel have invested a combined R112,5m, which will be used to buy a significant stake in Automakers when it is listed on the Johannesburg Stock Exchange next month

Mitsui has invested R75m and Nissan Diesel R37,5m They are the first direct investments by Japanese companies in the SA motor industry Others are likely to follow Apart from the lure of foreign capital, SA companies recognise Japanese shareholdings will open doors wider to exports

Automakers CE John Newbury acknowl-

Private sector on the table

(232)

WM(BM) 15-21/9/95

Rowan Callaghan

TO privatise or not to privatise: that was one of the chief questions at this week's Southern African Investment Summit in Johannesburg.

"Government has no business being in business," said Zambian Minister of Finance Ronald Penza.

The Zambian government avoids running public enterprises, as previous efforts have resulted in failure and enormous costs. There was a note of caution in Penza's voice as he spoke on an issue which has become a "hot potato" in South Africa.

In Zambia, private-sector involvement in industry is paramount and the government regards privatisation as the key to promoting growth. This growth could only be achieved by "dismantling the system of state ownership".

Penza said privatisation would also give the state opportunities to work on more pressing aspects of governing and to get rid of assets which are a burden.

"It is allowing us to use our limited resources."

Susan Segal, the senior managing director of the Chemical Banking corporation in the United States, also came out in favour of privatisation.

She argued that it "improves economic effectiveness, expands productive employment and provides access to new markets", among other things.

Segal presented detailed information on which industries should be privatised first and described the process to follow once privatisation of state assets has begun.

Advocate Dikgang Moseneke, chairman of Telkom, supported the maintenance of state enterprise as a more stable, effective system.

The nature of parastatals was changing and they offered more "sustainable long-term growth". He did, however, acknowledge that Telkom would not be able to hold on to a monopoly for ever.

Manuel ready to tackle SA's fat-cat cartels

ARG 16/9/95 (232)

ALIDE DASNOIS
Business Editor

A SPECIAL tribunal to judge allegations of anti-competitive behaviour is on the cards, Trade and Industry minister Trevor Manuel told business this week.

Speaking at a conference at the University of Cape Town, Mr Manuel said a draft bill on competition policy could be on his desk "within a week".

Policy would be based on several key principles:

■ Size or market share of single companies would be considered less damaging than the linkages between firms — whether through vertical integration, collusion or cross-holdings;

■ Anti-competitive behaviour would be harshly punished;

■ A special tribunal would be set up so that allegations of uncompetitive behaviour could be judged according to objective tests and not "ministerial whim";

■ Enforcement would not be left to the police but would be placed under the same umbrella as formulation of policy; and

■ People who were harmed by anti-competitive behaviour would be allowed to claim damages.

In one of his hardest hitting speeches so far, Mr Manuel said the big conglomerates had "ensnared" the market.

"There is no way into the South African economy for foreign direct investors — or local entrepreneurs for that matter."

Black entrepreneurs, excluded from business by government decree, "at the whims of politicians" and because of the "perverse" relationship between government and white business over the last 50 years, would be given fairer access, he said.

"To an extent this includes small white entrepreneurs too."

Concentration of economic power was damaging to the Reconstruction and Development Programme.

"If one looks at any major expenditure in housing or health, it is immediately obvious that very few companies will benefit from RDP projects.

"Whether you look at the ownership of chicken farms, furniture, sugar, cement, paper, beer, automobiles, oil, gold, diamonds, pharmaceuticals, timber, banks or insurance companies; the ownership of manufacturing, distribution and retail of any of these products — to name but a few — is shared among the top five or six conglomerates in South Africa," Mr Manuel said.

Millions of people in South Africa could not get out of the starting blocks, while a small segment of society dominated.

"We need to correct these distortions. Competition policy cannot be made applicable to new entrants only."

"We are not anti-big," Mr Manuel emphasised, noting that South Africa's was a small economy and some firms had to be big to realise economies of scale in global markets.

But bigger was not necessarily better, he said.

"The most telling indicator of risk aversion is the virtual dearth of new venture capital funds," said Mr Manuel, echoing concerns expressed earlier this week by Johannesburg Stock Exchange president Roy Andersen.

At an investment summit in Johannesburg Mr Andersen deplored the "lack of a venture capital culture" in South Africa.

The JSE's venture capital board, with only eight companies listed, "just hasn't been a success", he said.

Mr Manuel and Mr Andersen both attributed the lack of liquidity on the JSE to the concentration of economic power

Thirty companies owned 60 percent of the market capitalisation, Mr Andersen said, and accounted for 61 percent of the volume of trade.

The ratio of sales to market capitalisation on the JSE was only seven percent, compared to 350 percent in Taipei.

"But we'd be happy even to be in line with London or New York, where the ratio is 35 percent," Mr Andersen said.

BRIEFS

SABC to fight privatisation bid

(232)

THE SABC board is to fight the proposed privatisation of Good Hope Stereo, its newsletter, Weekly Update, says.

It said the board accepted the Independent Broadcasting Authority's recommendation that some commercial stations be privatised, but believed Radio Lotus and Good Hope Stereo should remain in the public service domain

CT 19/9/95

Durbanite joins Olympic bid

DURBAN: The corporate communications manager for the Greater Durban Marketing Authority, Miss Jackie Taylor, has been appointed marketing manager for Cape Town's Olympic bid

Another Durbanite, Mr Robbie Stewart, joined the bid team earlier this year

Mercury wins two awards

Part of air force base to be privatised

(232)

By Roy Cokayne

PRETORIA BUSINESS EDITOR

CT (EE) 18/9/95

A multimillion-rand project has been launched for the privatisation of a portion of the airforce base at Hoedspruit, which should result in it accommodating commercial flights by the end of this year

Negotiations with the South African Airforce were initiated by Gentour Holdings in October 1992

Agreements with the department of public works and the South African National Defence Force were concluded with the company Suikerkop Airport, registered for this purpose and trading under the name Eastgate Airport Gentour Holdings is the holding company of Eastgate Airport

In terms of the agreement, Suikerkop would have use of one of the runways for an initial five-year period with an option to renew for a further five-year period The lease involved a flat rate and an amount determined by the frequency and the mass of the aircraft that landed at the airport

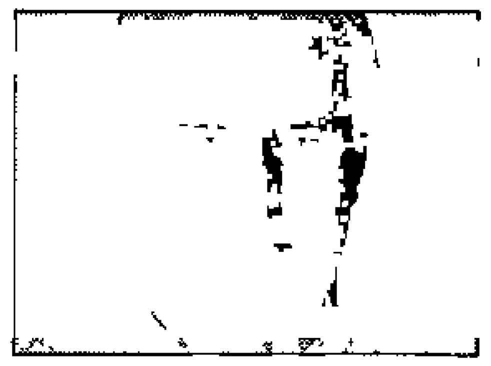
Ken James, the projects director at Gentour Holdings, said the project involved capital expenditure of R3,2 million. Gentour Holdings would hold a 51 percent shareholding in Suikerkop with the balance offered to game reserve owners and operators and other parties.

FORUM

Manuel in lion's den over competition legislation

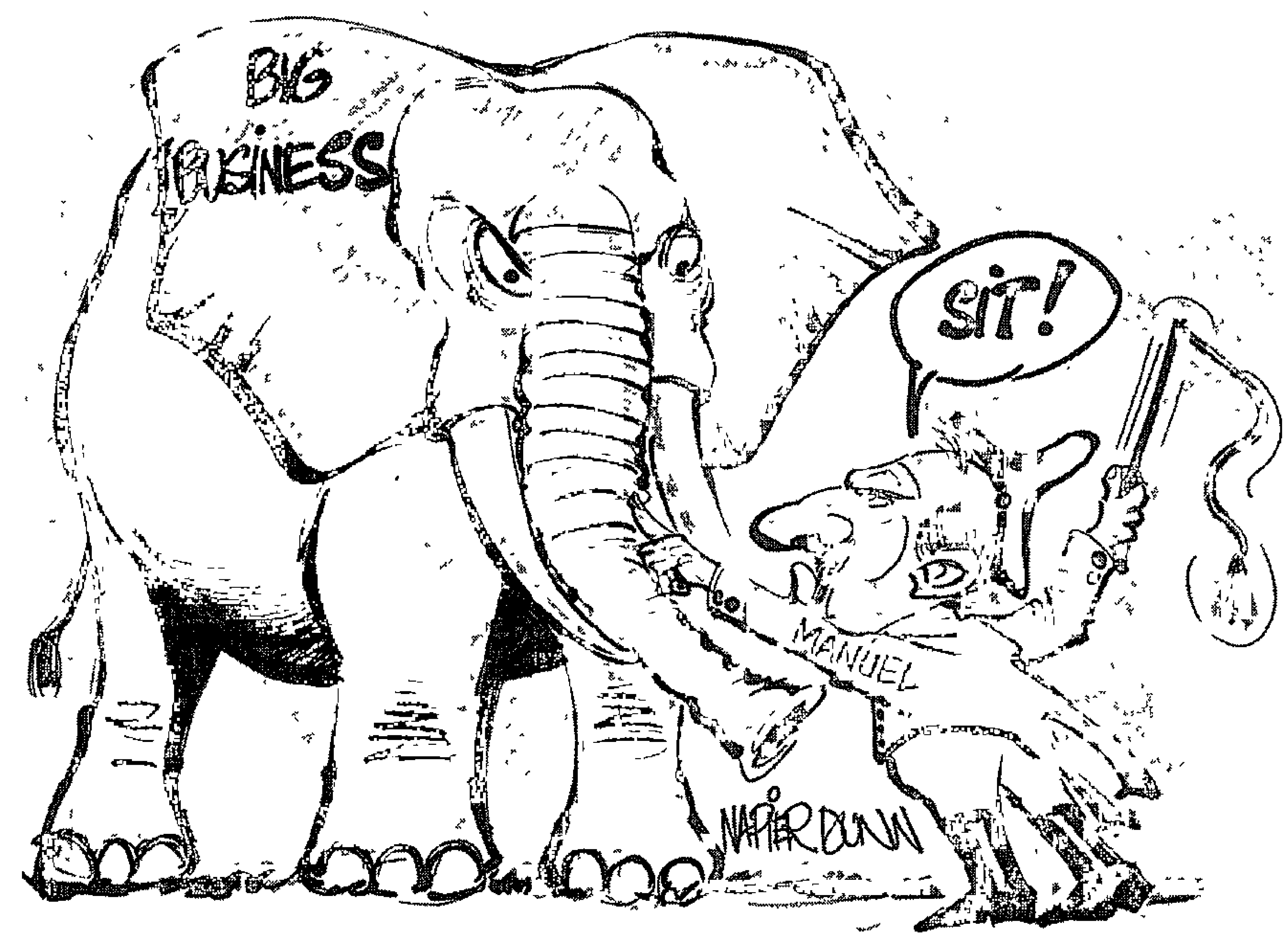
CT(BR) 19/9/95 (232)

CANDIDLY CAMERON



Debate is being waged over whether big business abuses its dominant position

By Bruce Cameron



Trevor Manuel, the minister of trade and industry, has been given the title of the zoo keeper by his colleagues, after his determined speech two weeks ago on busting anti-competitive behaviour with tough new legislation

In his speech, Manuel compared South Africa's conglomerates with elephants

But after his luncheon clash with Michael Spicer, the executive director of Anglo American, he might have to earn the title of the lion tamer

The lunch itself, at a conference organised by Brian Kantor, an economist at the University of Cape Town, on the issue of competition policy, was interesting — so interesting that Roger Mathews, the South African representative of London's Financial Times, who has seen a thing or two in his days, did not eat in amazement

Manuel went straight into the lion's den, so to speak, and cracked his policy whip, telling captains of industry, academics and a sprinkling of journalists why he did not like the existing situation and what he intended to do about it

He outlined three problems

One was that blacks had been excluded by racist laws from participating in the economy and something beyond appointing a handful of blacks to boards or dressing white conglomerates in black masks had to be done to give blacks a fair shake

The second was anti-competitive behaviour, including monopolies, cartels, collusive pricing, import parity pricing and manipulated pricing structures through vertical integration

Thirdly, the JSE was dominated by four conglomerates

Attack

Instead of a polite thank you speech, Spicer launched a personal attack, which brought a controlled but clearly annoyed reaction from Manuel, who clearly feels he is being subjected to a series of unwarranted attacks on the issue by the Anglo stable

The situation went from bad to worse in question time when Spicer loudly interrupted Manuel, who also came under fire from other quarters

What effect the unfortunate clash will have has yet to be seen, but Spicer is unrepentant

In a note to this columnist a day later, he said "The fact of the matter is that Manuel has adopted a non-consultative policy in contrast to all his colleagues and has wondered aloud whether other stakeholders should be allowed to influence policy He wondered recently whether it should go to Nedlac at all"

The draft legislation is due to be handed to Manuel this week and it would be in the best interests of all to have it released and debated in public as soon as possible

Debate should not be confined to closed door, trade-off sessions as happened with the Labour Relations Bill, within the confines of the anything-but-transparent Nedlac set-up

Both Manuel and Spicer claim that the issue is keeping foreign investors out Manuel says investors cannot enter the market because the conglomerates keep them out

Spicer says investors will not come in because of the attitude of Manuel to big business Unless there is reasonable debate and certainty on the issues, investors, who like stable markets, will definitely shy away

However, behind all the smoke and thunder, there does appear to be some consensus emerging

Spicer does agree there is a need for tougher control on anti-competitive behaviour but the sides are wide apart on how to define and punish the unacceptable behaviour

Earlier this year, a background working paper on competition policy was presented by academics Frederick Fourie and David Lewis and advocate Willem Pretorius, who has done work on legal aspects of competition policy

The paper is seen as a quasi-policy statement on behalf of government It came to the conclusion that a revamp was needed and warned that the government "must stand firm and not compromise on competition policy under pressure of vested interests"

Stef Naude, the former director-general for trade and industry, who is now the trade and industry convener for Nedlac, prepared a response to the paper for Business South Africa, which seems to have been adopted as the approach of business to the issue

Underlying the niceties of most of the arguments is the question of whether big business abuses its position and what defines abuse

Spicer and company are clearly concerned that the target could move away from behaviour to breaking up big companies

The signs are there with Manuel pointing to investigations showing a considerable increase in the number of millionaires since the introduction of anti-trust legislation in the United States, but, for the moment anyway, the target appears to be behaviour

The background working paper spread its definition of abuse fairly widely saying "abusive exploitation, in any manner, by any enterprise or enterprises of their market-dominating position in the market for goods and services," should be outlawed

This has rattled the lion's cage. Business South Africa says it will create uncertainty and if greater definition is not provided in the draft legislation "the system must be rejected as fatally flawed"

Other things that have the organisation snarling are concerns that the legislation could be used to enforce affirmative action to give blacks privileged access, that the proposed tribunal to administer and enforce tougher legislation will have draconian powers, and the penalties will be excessively severe

Pierre Brooks, the chairman of the Competitions Board, who is finalising the draft legislation, told Kantor's conference the debate needed some clarity and suggested some basic considerations

Firstly, the recognition in an increasing number of countries and organisations that market-oriented economies offer the best chance for a country to grow rich and that wealth should be shared by all citizens

Secondly, a free and fair competitive environment is a cardinal feature of all market economies and there have to be rules governing competition "to counter the subversive manipulation of markets by unscrupulous operators"

Thirdly, there is growing global consensus on the type of uncompetitive conduct and structures that should be prohibited and penalised

Fourthly, competition policy is not a panacea for a country's economic ills and is influenced and interrelates with, among other things, fiscal and monetary, and trade and industrial policy

Brooks, like Manuel, expects a tough fight with the loudest roars coming from those "to whom anti-competitive or abusive conduct is a way of life"

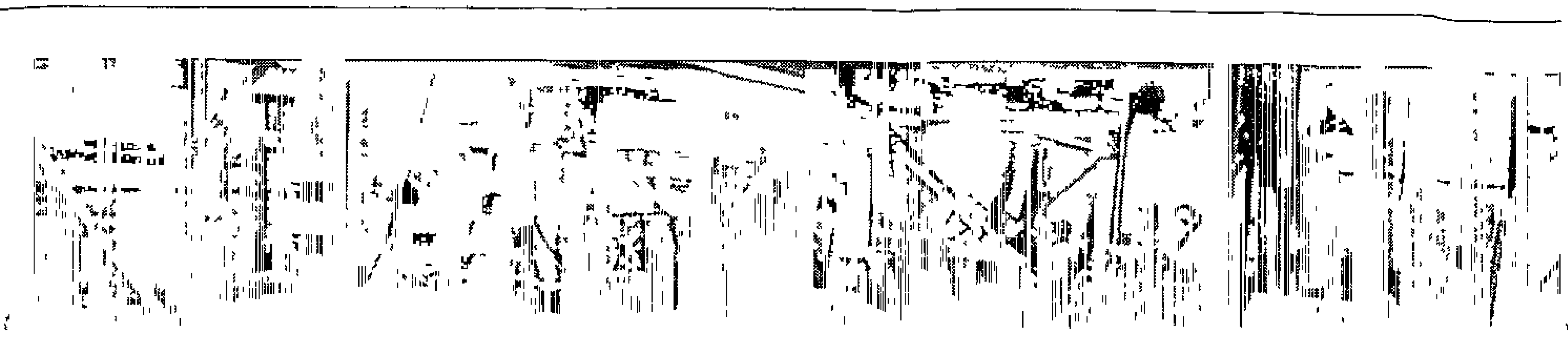
Like Manuel, he has been forceful in expressing his views He told the conference that firms had flouted rules by engaging in criminal activity, believing they would not be prosecuted or escape with an admission of guilt fine, strengthening their belief that "crime pays"

"Let no one doubt that if I have my way the new competition policy will redress the situation"

No one should be mistaken in thinking that Manuel and Brooks stand alone — they do not, they have the backing of the ANC and probably others besides

Competition policy must be fair and correct history's wrongs

(232)



This is an edited version of an address given last week by Trevor Manuel, the minister of trade and industry, at the Competition Policy Conference at the University of Cape Town

... [illegible] conference has been [illegible] time coming Within days, a week perhaps, I will receive on my desk a draft bill on competition policy

It will not be a public document yet, but competition policy has been debated in the media and on other public platforms for weeks and months now In fact, the debate can be traced back to December 1992 when the ANC convened a conference on competition policy and made sure that it was as inclusive and participatory as possible

The conference was the most widely representative on the issue, at the time We drew on the opinions of all South African conglomerates and monopolies, international experts engaged in anti-trust litigation, academics on both sides of the divide, stock brokers, trade unionists, Pierre Brooks, the chairperson of the Competition Board, was there as were economists from the ANC — no-one was left out

So what I am saying is that the issue has been debated for quite some time

Everybody has an opinion on competitiveness Contending arguments are proffered almost daily from vested interests and from interest groups and lobbyists In the government we actually had to sit down and design a policy document that was both in line with global trends and with South African conditions

The economic history of South Africa, since the turn of the century, and during the apartheid years especially, saw a panoply of laws passed to keep blacks out of the economy Indeed, one of the canons of apartheid was the notion that the indigenous Africans were "temporary sojourners in the white cities"

Control

This was enforced through the Land Acts and the Influx Control Act which denied indigenous African people the opportunity to own land and move freely through the country while the government controlled the allocation of business sites and designated the types of business blacks were allowed to operate in urban black townships

During this period, the now overwhelming conglomerates were consolidating their shares of the market The enactment of the Group Areas Act further restricted black business activity Black entrepreneurs who had established business sites in areas that had been declared white were forced to relocate to designated black areas

The South African economy is characterised not just by a concentration in production, but also by concentration of ownership A small cluster of families and institutions control a large proportion of South Africa's core mining, manufacturing and financial assets

The crux of our argument is therefore, not just the concentration and ownership of capital on the JSE — but also lack of liquidity

Alan Walters, the former economic advisor to Margaret Thatcher, wrote in July this year that the "stranglehold over South African business is held by a small group of management cliques at the head of takeover-proof corporations and conglomerates"

Whether you look at ownership of chicken farms, furniture, sugar, cement, paper, beer, cars, oil, gold, diamonds, pharmaceuticals, timber, banks or insurance companies, the ownership of manufacturing, distribution and retail of any of these products (to name but a few) is shared among the top five or six conglomerates in South Africa

And if it is not owned directly by the conglomerates, there is overwhelming evidence that among them lies the ownership behind the 34 percent of the shares listed on the JSE that are held by nominees

In essence then, the conglomerates have ensnared the market There is no way into the South African economy for foreign direct investors — or local entrepreneurs for that matter

Having traced, in a very simple way, the economic history of South Africa, one gets a sense of why small-business people, black people and foreign investors have such difficulty getting into the domestic economy

It is government and the politicians that can be blamed for the situation Therefore, it is government and the politicians that will correct the situation There has been the practice by politicians in the past of overturning decisions or ignoring recommendations by their own investigators and officials

The government and politicians in a democratic South Africa will correct the situation We will see that bad business practices and uncompetitive behaviour, by any conglomerate or public enterprises, are shaken out of the system We will see that black entrepreneurs gain access to business in an unimpeded and fair way To an extent, this includes white entrepreneurs too

We in government are seeking greater economic efficiency, increased and innovative productivity, competitiveness and entrepreneurship We believe that this is crucial to the specific objectives of creating sustainable growth and development, jobs and a better life for all We believe that conglomerates prevent competitiveness and entrepreneurialism

While we are not, and I want to repeat, we are not anti-big, we have a small economy which dictates that firms which could be considered domestically large might be required to realise economies of scale We recognise, nevertheless, that bigger is not necessarily better

We want to engender entrepreneurialism We want to tap the innovative ideas, skills and acumen of our people Large firms find it hard to keep entrepreneurial talent The reason is simple entrepreneurs are initiators and innovators and are prepared to take risks

Aversion

As in their practice on the JSE, large conglomerates are schooled in risk aversion, choosing safe immovable investments and safe acquisitions The most telling indicator of risk aversion is the virtual dearth of venture capital on the JSE In fact, 90 percent of America's 2 million millionaires were probably the direct result of anti-trust laws in that country

For the new competition law in South Africa to be successful it is imperative that its central objectives be based on sound principles

Among these are

☐ That the linkages between firms, be they through vertical integration, horizontal collusion or cross-holdings, be recognised as far more important as an indicator of uncompetitive behaviour than the size or market-share of a stand-alone entity,

☐ That anti-competitive behaviour be recognised as a growth retarder and be harshly punished,

☐ A special tribunal must be established for the adjudication of anti-competitive behaviour Such a tribunal must be established for this purpose and can only reach a decision on the basis of objective tests,

☐ That the formulation and enforcement be placed under the same umbrella since the police have limited enforcement capability, and

☐ That persons who are harmed by anti-competitive conduct should be permitted to claim damages

The government recognises that the circumstances in South Africa are indeed unique

These imbalances have left us with a society which, on the one hand, is in a state of serious social, political and economic decrepitude There are millions of people in South Africa, who, for a plethora of reasons directly related to our immediate past, cannot get out of the starting blocks

On the other hand, we have had the social, political and economic domination by a small segment of society and corporate dominance We need to correct these distortions

Competition policy cannot be made applicable to new entrants only The objective is to dynamise the economy and this means that we have to, in an equitable way, remove all the impediments to foreign and domestic investment, sustainable growth and development and keep entrepreneurship alive

According to the World Competitiveness Report, South Africa has slipped down the scale of global competitiveness The backlogs which face all of us, which stand between us and sustainable peace, economic growth and an enhanced quality of life for all, are formidable

Competition policy that is in step with global trends will send a positive signal to the world and will revitalise our economy

Our conglomerates were born and raised under the perverse circumstances of a particularly uncompetitive past Their growth was further deformed by the opportunity for buy-outs created by disinvestment and the particular liquidity at the time of the large banks located within the conglomerates

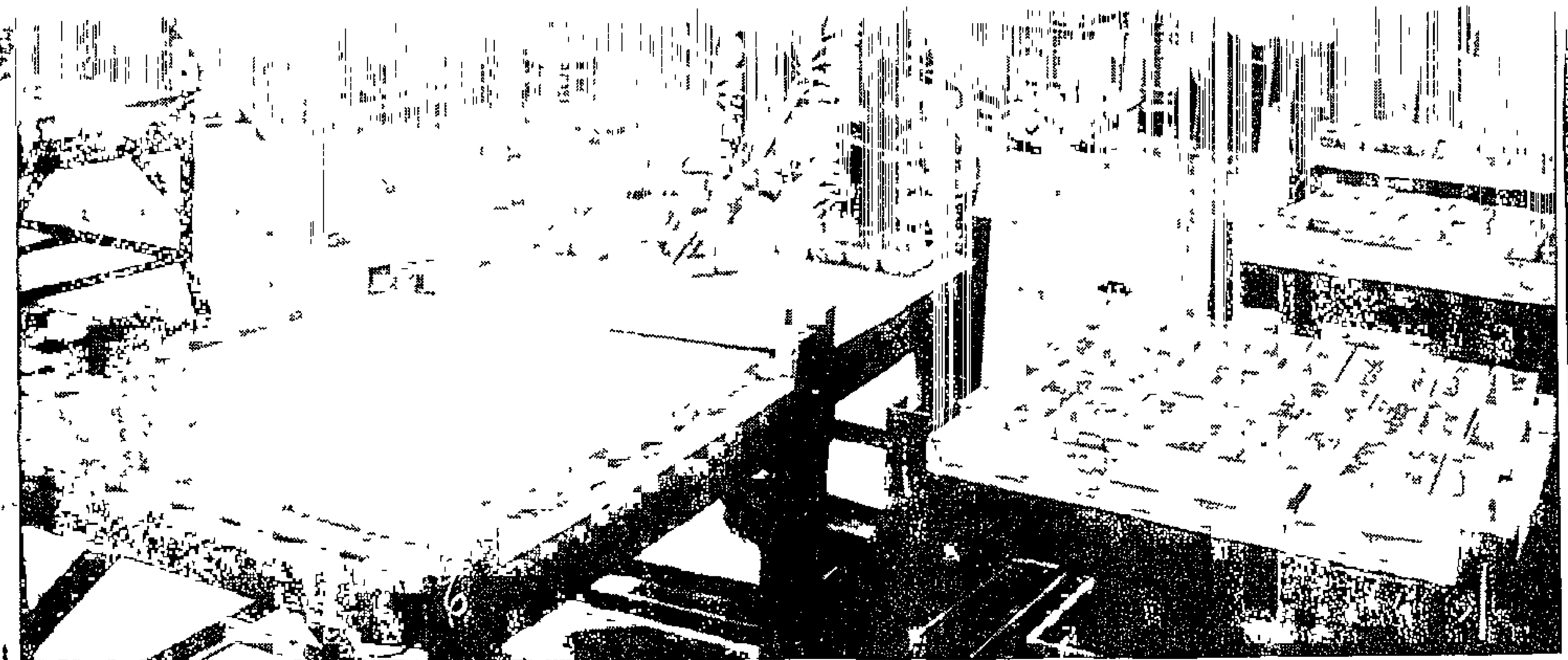
Today decisions about voluntary unbundling become difficult because of the inaccessibility of capital to prospective purchasers and the liquidity nightmare which arises after a sale — given the retention of exchange controls

We are aware, nevertheless, that none of our conglomerates have experienced any difficulty with offshore acquisitions whether achieved by clever financial engineering or with the approval of the Reserve Bank

These are weighty decisions Decisions are about the exercise of choice, nobody wants to make difficult choices We want change, we want to see a dynamic economy, permeated by healthy inter-firm rivalry and opening of opportunity

This remains the raison d'etre for effective competition law

There will be an opportunity to discuss and debate the issues — in the appropriate forum and in good time



UPWARD BOUND *South African companies should benefit from the weakening of the Japanese domination of the metals market*

Metals boom benefits SA companies

CT(BR) 19/9/95

BY NEIL BEHRMANN
LONDON CORRESPONDENT

The Japanese reflation should boost demand and prices of metals ranging from platinum to aluminium

Such trends would raise the profit of South African mining companies and the results of Gencor, Minorco and others, illustrate how companies are already benefiting from the metals boom

So far the depreciation of the yen has had a direct, favourable impact on precious metals and gold shares

As the yen slid, Japanese precious metals prices denominated by the currency began to soar

Dealers and speculators on Tocom, Japan's futures market, furiously bought gold, platinum and silver, says a Japanese precious-metals dealer

A falling yen raises the price of gold for Japanese investors and since the trend has been upwards, volumes on the exchange surged, the dealer says

These speculative purchases helped pull up the international gold price by $6 to $385 in the past 10 days

Now that the yen gold price is about 25 percent higher than its 20-year low seen in April, Japanese investors and jewellers are buying less gold, says the dealer

According to Gold Fields Minerals Services, first-half Japanese gold imports soared 88 percent to 154 tons on last year's figure

Individual investors were taking advantage of the low price and buying gold as a safe-haven investment following the Kobe earthquake They also feared a banking crisis

Platinum imports of 41 tons in the first seven months of this year are only marginally lower than last year's figures

Palladium imports soared to 60 tons from 46 tons in the same period because of its growing use in the electronics industry

Platinum and palladium are better indicators of Japanese reflation than gold, and the news is promising for South African producers

Efforts

About a month ago, most metals analysts were painting a gloomy picture about Japan Yet government efforts to revive the economy are occurring at a time when post-earthquake reconstruction is accelerating

For the moment, construction, the car industry and other metals users hold sufficient inventories, say dealers By next year, Japanese metals imports should rise sharply

"Japan will surprise the pessimists and grow much faster than expected next year," says Brendan Brown, the head of research at London-based Mitsubishi Finance International

Easy money, a lower yen and higher government spending will boost the economy and raise raw materials imports, he says

"Provided there's political stability and a return of business confidence, I am hopeful that demand for copper and other metals will improve," says a manager of a leading Japanese non-ferrous metals trading company Yet following Japan's deflationary recession, such an improvement will come from a lower base, he cautions

Ted Arnold, a specialist at Merrill Lynch adds "Japanese efforts to spur its economy must be good for metals

"It will be a further motor for other Asian nations which are already experiencing high growth rates," he says

Illustrating the significance of the region in the metals market, Robin Bhar, head of research at Brandeis Brokers, London metals dealers, calculates that Japan accounts for a quarter of Western nickel output, 14 percent of copper and 13 percent of aluminium and zinc demand

Inclusive of other Asian nations excepting China, the region accounted for 31 percent of Western copper consumption and 30 percent of aluminium

Asia is the world's largest gold buyer and Japan by far absorbs most platinum and palladium

In the background is the growing metals demand from the Peoples' Republic of China

Some analysts are more cautious

Simon Hunt, the chairman of Brook Hunt & Associates, metals consultants based in Surrey, England, is extremely cautious about the prospect of marked Asian growth and metals demand

"It is too soon to be sure that the Japanese reflationary package will work," says Hunt, fearing that any recovery will be brief and peter out soon afterwards

He is also wary of being over-optimistic regarding metals consumption in the rest of Asia

"After a steep downturn in the construction industry, Taiwan is on the verge of recession," says Hunt, who is on a tour of the region.

Following changes in China's export duties, sales to the nation from Taiwan, Korea and other Asian countries are falling

Earlier this year, copper, aluminium and other metals were traded in Asia at a hefty premium over the London Metal Exchange, says Hunt

Illustrating slacker demand, base metals premiums have since fallen sharply

Angus MacMillan, a metals analyst at Billiton, believes that it will take more time to kick-start the Japanese economy

The impact on metals demand will be minimal, he says

However, Arnold of Merrill Lynch, says the Japanese reflation implies that there will be "a synchronised low-inflation, global economic recovery and global stock market trends are already pointing in that direction"

"That revival will keep metals quotes firm," he says

Philip Crowson, the chief economist of Rio Tinto Zinc, also believes that average prices of copper, aluminium, zinc, lead, nickel and tin will be higher next year despite an expected rise in supply

Unions protest over Telkom privatisation

(232)

STAFF REPORTER

CT 20/9/95

AT least 3 000 postal and telecommunications workers marched in protest on Telkom's offices in the city yesterday to voice their objections to its privatisation plans

They fear it will lead to retrenchments for many of those who work in support services, rather than directly in postal or telephone services

Mr John Jacobs, regional chairperson of the Postal and Telecommunication Workers' Association, one of the unions involved, said Telkom wanted to privatise its "non-core functions" such as its 42 restaurants, its security, its transport, its workshops and its construction services

"We are negotiating about restructuring the company. We have agreed on phases one to five, but this privatisation is in phases six and seven Telkom wants to form companies and then sell them off Telkom says phases six and seven are not negotiable — to us that means there will be retrenchments," he said

A spokeswoman from Telkom denied that the organisation had said phases six and seven were not negotiable. She said several meeting had been held to discuss the "restructuring of support services"

SA deregulation 'will boost network growth'

THE imminent deregulation of SA's telecommunications environment bodes well for the mushrooming growth of the intelligent network arena.

This is according to Persetel Networks marketing services manager Tim Ellis, who says that in order to be in line to benefit, his company has now formalised its entry into SA's intelligent networking market by signing a distribution agreement with Tandem Computers.

Tandem servers will now provide the processing platforms for all Persetel Networks' Intelligent Network solutions.

"Intelligent networks are currently showing massive growth worldwide. This is largely because of the global deregulation of the telecommunications industry, as well as the simultaneous advances which are being made in technology to deliver solutions." BD 21/9/95

He points out that Tandem has performed particularly well among international telecommunications groups, and 35 of the world's largest phone companies now use Tandem for both their operations and administration systems. (232)

Protection of small businesses may become law

Tough line in draft Bill on competition

(232)

BD 21/9/95

Greta Steyn

MEASURES feared by business have made their way into draft legislation on competition which has been presented to Trade and Industry Minister Trevor Manuel.

The draft Bill, understood to have been written mainly by Cape advocate Willem Pretorius, contains the key proposals of a discussion document that sparked an unhappy reaction from business earlier this year. The draft legislation was completed in August, and once Manuel and his advisers have finished with it, the final version could be even tougher, with a few unpleasant surprises

These surprises could include a focus on the protection of small business — a move which was not mooted in earlier recommendations. But Competition Board chairman Pierre Brooks, who is advising Manuel, has hinted at his thinking through his sympathetic response to the complaints by independent cinema operator Moosa Moosa over Ster-Kinekor's distribution and exhibition practices in Durban

In addition, forced unbundling could be investigated, although it is unlikely to be left to the competition authorities to handle

Interlocking directorships come in for harsher treatment than expected in the draft, which prohibits the appointment of a director who is in a position to influence the decision-making of another undertaking "where any such decision could result in an advantage of such company over its competitors"

One of the main differences between the draft Bill and present legislation is that its point of departure is to attack abuses of a dominant position. This considerably widens the ambit of the law from the present situation in which monopolies are targeted

When the suggestion was first made in a discussion document to focus on abuse of a dominant position, business people said the phrase was too vague and hoped the wording of the legislation would be more precise The draft Bill completed in August is unlikely to dispel their fears, although it does provide detailed definitions

It describes a dominant position as one held by an undertaking with a market share of at least one-third When two or three enterprises together hold 50% of a market they are assumed to be dominant, while five are dominant with a market share of two-thirds or more in a relevant market It adds that these definitions do not mean that "a dominant position cannot exist where a market share below the aforesaid thresholds are held"

Abuse includes the setting of "un-

Continued on Page 2

Competition (232)

Continued from Page 1

BD 21/9/95

fair" purchase or selling prices, applying different conditions to different trading partners, and limiting production, markets or technological development to the detriment of consumers

The draft Bill also envisages tough penalties for transgressors and allowing persons harmed by anti-competitive behaviour to claim damages The present situation in which the Competition Board's bark is worse than its bite will change considerably if the legislation is passed At present, competition law transgressions are a criminal offence and it is up to the police to act — but they rarely do The new legislation would decriminalise offences and speed up the process, as well as widen the ambit of the law New institutions with substantial power to investigate are envisaged

On acquisitions, the draft Bill envisages a blanket prohibition of horizontal, vertical or conglomerate acquisitions that "significantly hinder competition" in the relevant market But exceptions can be made if the "economic advantages gained by such an acquisition outweigh the negative impact on competition"

The draft Bill states acquisitions have to be reported to the competition authorities if the total assets of the participants exceed R200m, and if their turnover exceeds R200m

Shaping guidelines for competition

WM ~~ST~~ (BM) 22-28/9/95 (232)

Reg Rumney

THE shape of new competition policy is becoming clearer Trade & Industry Minister Trevor Manuel in a speech last week revealed some of the proposals soon to be circulated in a draft Bill

Among the main objectives, said Manuel, were that.

- The linkages between firms, be they through vertical integration, horizontal collusion or cross-holdings, be recognised as far more important an indicator of uncompetitive behaviour than the size or market-share of a stand-alone entity,
- Anti-competitive behaviour be recognised as a growth-retarder and harshly punished,
- Adjudication of anti-competitive behaviour not be left to ministerial whim A special tribunal must be established and its decisions based on objective tests
- Formulation and enforcement be placed under the same umbrella, since the police, at present, have limited enforcement capability
- Persons harmed by anti-competitive conduct be allowed to claim damages.

Referring to the well-worn theme of economic concentration and market domination in South Africa, Manuel said this hurt the implementation of the government's Reconstruction and Development Programme (RDP)

Providing housing was made difficult by the extent to which single companies, trust funds or boards of directors straddle the building materials industry, among others, Manuel said

"Research has shown that the largest furniture manufacturer in South Africa wholly owns 17 plants amounting to an effective 35 percent share of the overall market, while over 90 percent of furniture in South Africa is sold by seven large retail shops Associated Furniture predominates in furniture, and there are only two or three significant suppliers of white goods (electrical appliances) and textiles "

A few companies would benefit from RDP projects, he said

"In housing a small number of suppliers in bricks, cement, timber, sand, stone, flat glass, plumbing fittings, ceilings, board, furniture, white goods, and textiles account for a significant proportion of the country's production capacities.

"In bricks, the Clay Brick Association claims that Corobrik produces 58 percent of the country's requirements, while in Natal, where housing needs are dire, they are practically the only brickmakers."

Manuel went on to point out three producers dominate cement production, a small group of firms dominates timber production, and one firm is the biggest supplier of sand and stone

"The one thing they all have in common is that their direct ownership can be traced back to the top four or five conglomerates on the Johannesburg Stock Exchange (JSE) "

Manuel promised the government would correct serious social imbalances created by past governments, and hinted that action would be taken somehow against existing conglomerates "Competition policy cannot be made applicable to new entrants only," he said

Manuel's comments have since been interpreted as "Big Business Bashing", or disguised affirmative action

But he concluded by stressing that the raison d'etre for effective competition law was a dynamic economy, permeated by healthy inter-firm rivalry and the opening of opportunity

"It is not to dress white conglomerates in black masks," he said, apparently referring to black empowerment exercises which have seen the creation of new black-headed conglomerates on the JSE

Competition Bill causes concern

BD 22/9/95 (232)

THE SA Chamber of Business (Sacob) yesterday expressed concern over the processes used in drafting the competition policy legislation

Sacob said news reports and recent pronouncements by Trade and Industry Minister Trevor Manuel had created a considerable degree of uncertainty both internally and externally as to government's intentions.

Sacob said in June it had submitted its views on competition to the minister, in which full support was given to the objective of enhancing the competitive environment through a number of measures, including a strengthened Competition Board. Some of the recommendations of the report on competition reform could be accepted, but several could be very damaging to the economy

"The concern of business related to whether that report is to serve as the blueprint for Competition Policy legislation and what processes were undertaken in its adoption

"For example, debate on the National Development and Labour Council Forum on competition policy was minimal at best. It would be unfortunate for all concerned if the debate were to centre on the potential disparate interests of small and large business No constructive outcome would emerge if such an approach was to drive an unnecessary wedge between big and small business," Sacob said

Sacob urged that a fully consultative, transparent process be followed along the lines of a Green Paper, at least before committing policy by way of a Bill — Sapa.

COMPETITION POLICY

Government's destructive agenda

Breaking up big business will prejudice growth before it empowers blacks

232

FM 22/9/95

When Trade & Industry Minister Trevor Manuel talks broadly of the need for competitiveness in industry, he deserves and receives substantial support It is when he hitches this argument to political grievances over black exclusion from business that consensus and logic are overwhelmed by political emotion

Indeed, in answering questions at conferences in the US from black Americans on affirmative action, Manuel has repeatedly referred to the application of competition policy to this end In doing so, he flirts with the prospect of diminishing economic growth

His starting point is the oft-debated claim that the four top "conglomerates" in SA control 76,3% of the capitalisation of the JSE An earlier version claims that five conglomerates control 82%

From this topic, he moves to the claim that the money on the JSE is circulated among so-called "management cliques " These cliques, claims former Margaret Thatcher adviser Sir Alan Walters, are an important inhibitor to foreign direct investment And that may be partly true

More to the point, claims Manuel, the structure of ownership prevents blacks "getting into the domestic economy" This is the key to how Manuel perceives (or misperceives) competition policy He adds that the RDP policy document proposes to introduce strict antitrust legislation, intended systematically to discourage pyramids and interlocking directorates

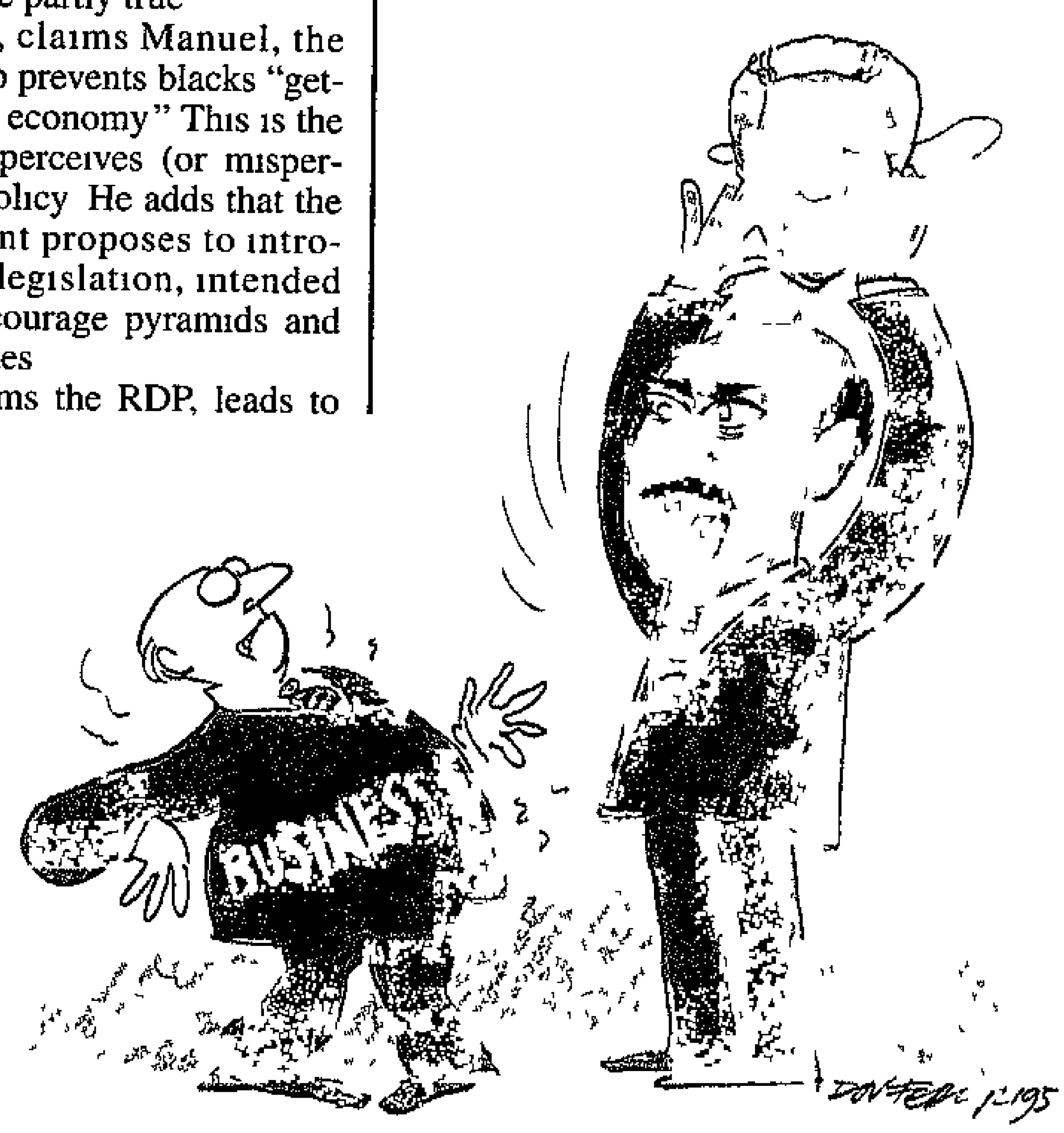
This structure, claims the RDP, leads to anticompetitive practices such as market domination and abuse and the exploitation of consumers

Particular examples furnished relate to the building trade — is this to generate an alibi for the failure of the RDP housing plans to date? — but also to areas of retailing such as furniture

In SA, competition policy should be decided according to each case In a given situation, the authority should weigh the benefits of efficiency through economic concentration against the disadvantages of reduced competition In a small economy, large units might be needed to face foreign competition, especially in export markets There is no reason to attack an efficient monopoly that does not enjoy official sanction Pyramids, while frequently decried, have the benefit of enabling families with outstanding entrepreneurial skills to control large groups for the benefit of other shareholders, and have already been used more or less with this ostensible object by some groups of black investors

Manuel's proposals (soon to be embodied in a discussion draft of a Bill) are

- Linkages among firms, whether through vertical integration, horizontal collusion or cross-holdings, are more important as an indicator of uncompetitive behaviour than the size or market share of a stand-alone entity,
- Anticompetitive behaviour should be recognised as a growth retarder and harshly punished,
- The adjudication of anticompetitive behaviour should be in the hands of a special tribunal, relying on objective tests, and also responsible for enforcement, and
- People harmed by anticompetitive conduct should be allowed to claim damages



These propositions require debate, especially Manuel's most questionable point — about linkages This is where the hidden agenda emerges, as it does forcibly, in the political bitterness about black exclusion frequently mentioned in his preambles Manuel complains that SA has suffered from the social, political and economic domination by a small segment of society — all of which gave rise to corporate (meaning white) dominance

Reasonably interpreted, the entire peroration justifies the inference that it is the intention of the ANC to use competition policy to break white dominance of the economy, in the spheres of ownership and management This is to apply a covert programme of affirmative action disguised as competition policy

We must never forget that measures which excluded blacks from the economy are not the whole story Laws which wrecked black education did much to disqualify blacks These were not the fault of the business community, indeed, they were bitterly opposed There is also the problem of developing an entrepreneurial culture SA's Indians, also cruelly discriminated against, still operated commercially because they possessed a long-standing mercantile tradition

All this said, Manuel's line of argument can be attacked at many points within its own frame of reference Let's start with the "conglomerates,' whether four or five Two are not companies quoted on the JSE but life assurers of the mutual type — Old Mutual and Sanlam These entities don't have share capital in the first place but belong in effect to their policyholders (many of them black), on whose behalf management vests life assurance premiums and pension contributions

For the historical reasons constantly referred to by Manuel, the management structures are still largely white, but this is changing as fast as the life companies (all of them) are able to train blacks to run a technically complicated industry Indeed, the contractual savings managed by the life industry are crucial to the whole process of economic growth on which black advancement depends

One major, equity-based assurer, Liberty Life, has successfully diversified abroad Therefore, to count its entire capitalisation as menacing within the SA context is plainly a corruption of the truth The same goes for the principal target of so many radicals

— Anglo American Its gold mines' output is sold into a world market over which it has no control Its other mainstay, De Beers, is today an international company whose assets and income-earning power lie outside SA

How can De Beers' powerful international position in diamond marketing serve to keep SA blacks out of economic power? That defies logic And what goes for Anglo American goes, too, for General Mining

It is theoretically possible that concentrated ownership has discouraged greater foreign ownership of local enterprises But there is little, if any, firm evidence of this, whereas there is much to suggest the contrary Within the past few weeks, Anglo American and Southern Life have established a joint venture with an important US health-care company, United HealthCare, which will achieve the transfer of significant technology for the local health-care market Two Japanese companies have announced a major investment in Sanlam-controlled Nissan

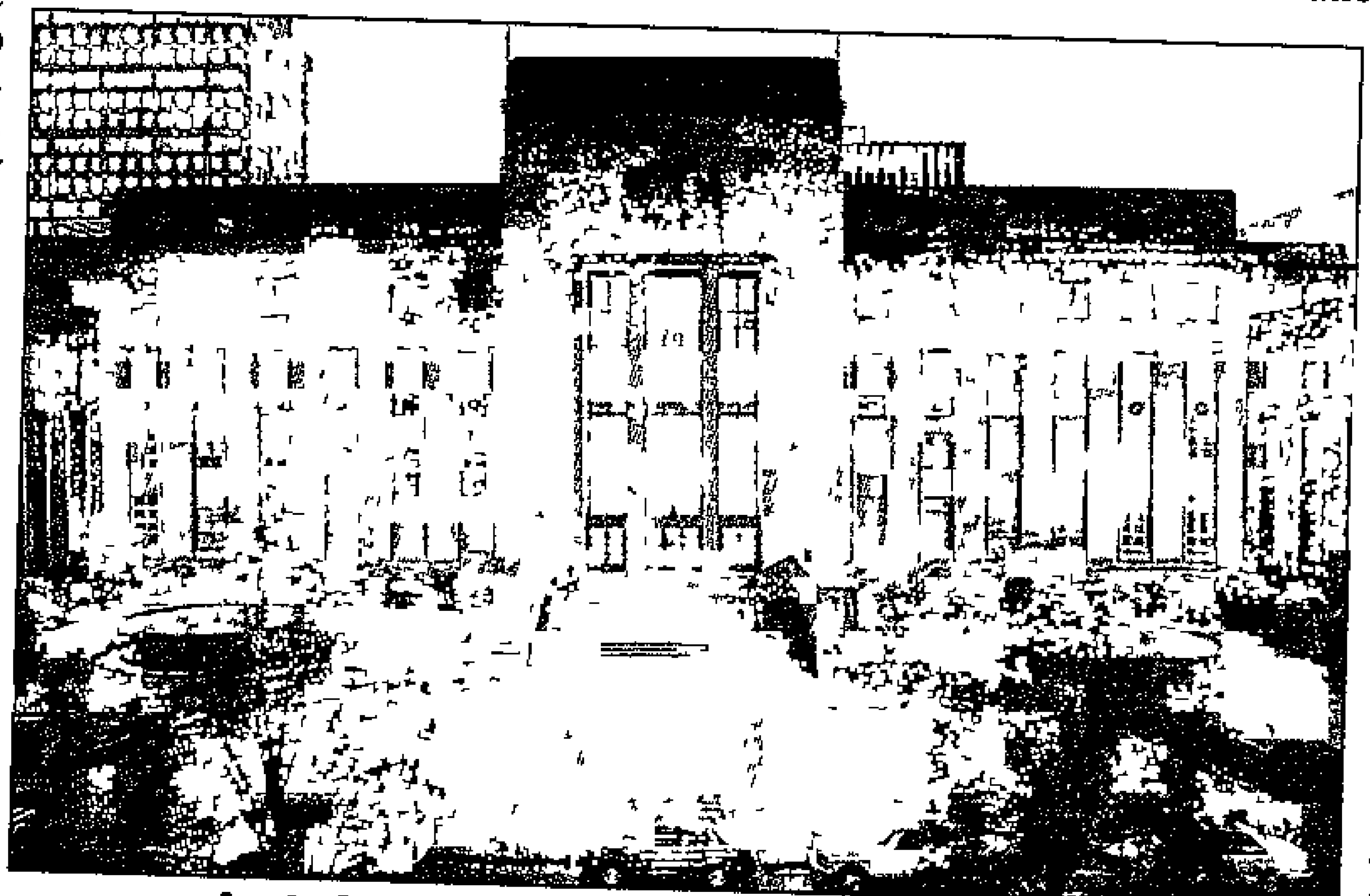
Anglo American-controlled Amic has brought in Ford to control Samcor and has launched joint ventures with British, Swedish, French, US and Australian companies What's more, Anglo has established a R250m Anglo Small and Medium Enterprise Initiative It's also common knowledge that the much-abused conglomerates have helped to introduce blacks to the management of large companies such as Metropolitan Life, African Life and SA Breweries

What of ownership of the conglomerates, apart from the mutual life assurers? In the case of Anglo American, apart from the majority of the 70 000 employee shareholders who are black, so too is the majority of the more than 6m South Africans whose pension and provident funds are invested in Anglo American shares

On the economic merits of any competition policy, international opinion seems less enthusiastic than in the past Indeed, there is a tendency in some countries to encourage larger companies, either through acquisition or alliances, to meet the challenges of international competition

The Economist has recently argued that the abolition of exchange controls and general economic liberalisation, especially tariff removal, will create competitiveness without the type of special measures implied by the term competition policy If SA abolished exchange controls on residents, the main life assurers and mining houses would be able to diversify geographically and their grip on the local economy would diminish And if foreign investors are as enthusiastic to invest as Walters suggests, they will find no shortage of assets

The SA Chamber of Business (Sacob), in written proposals on competition policy, deals with the special position of the mining houses The effects of exchange control have hindered their diversifying geographically So, to stay in business as mines die, they have been prudently deploying their huge cash flows domestically, through expansion into other industry and commerce Though Sacob supports the Competition Board and argues it should be given extra resources, it opposes the "legalistic extremes' of US antitrust policy, the value of which is being increasingly, and correctly, questioned there



Anglo American *encouraging foreign investment*

Sacob adds that vigorous measures to eliminate interlocking directorates might encounter the difficulty of finding additional directors of the calibre of those ousted SA enjoys no surplus of business skills And the skills needed to run sophisticated undertakings and foster in them entrepreneurial bias are not acquired quickly or at school

As Sacob argues, sauce for the private-sector goose must also be sauce for the public-sector gander There is no reason to exclude public corporations from any aspect of competition policy Eskom has started to recognise this, through talk of encouraging private groups to generate electricity

It may be that SA does not need, on economic grounds, any change to present arrangements, which entitle government, on a recommendation from the Competition Board, to block a merger, bar a business practice deemed to be restrictive, or even to take steps to break up a business structure deemed to be monopolistic This is as much power as any government should need, and vastly more than governments have actually used since the Maintenance & Promotion of Competition Act was passed in 1979 Why then change the law

It is all too easy to imagine Manuel's policy, enshrined in law, being used to force the dismemberment of large groups to enable some fortunate blacks to pick up pieces at fire-sale prices The polite term for that sort of legalised robbery is rent-seeking The effect on foreign shareholders isn't hard to imagine

Worse still, the allegations that existing concentrations of wealth were built up behind the shield of apartheid, if carried to their logical conclusion, would amount to a delegitimisation of white ownership entirely But the allegations are simply not true Concentrations were built up as foreign investors withdrew at the behest of the ANC If local corporations had not acquired the abandoned enterprises, this country would have faced economic chaos and the hardship caused by black job losses would have been acute

Even if used only as a threat, the effects of a newly annunciated and aggressive competition policy could damage business confidence and abort the current investment upturn The message to business would be that failure to comply with demands for affirmative action, either in employment policies or in surrendering assets cheaply, would result in endless government-sponsored intervention

This would also amount to circumvention of Section 28 of the constitution, which protects property rights

Unfortunately, economic growth does not come from equitable racial balance in boardrooms Nor will it come from despoiling whites for the benefit of blacks Both those directions will lead to greater impoverishment for all

Growth comes from the creation of conditions that will encourage entrepreneurial skills and allow them to flourish Attacking the towering heights of the economy will accomplish nothing

Large corporations that dominate their markets too often carry within themselves the seeds of their own destruction — sloth and complacency They become sitting ducks for the nimble entrepreneur

The way to foster black business is to foster entrepreneurship at grass roots All large companies were once small Minimum regulation, sound government finances (so that taxes and interest rates are low), a safe and orderly environment and good education is where Manuel's government should start Government cannot legislate entrepreneurs into being, but it can legislate them into oblivion

MY TURN

Liberalisation will improve competition

(Z32) CT(BR) 22|9|95

Michael Spicer, an Anglo American executive director, responds to the recent attack on big business by Trevor Manuel, the minister of trade and industry, on the issue of competition policy

The confidence of South Africa's major corporations in the government's formulation of economic policy is being threatened by the manner in which competition is being handled

Business shares the national goals of broad-based economic growth and improved living standards for all that are priorities for the newly democratic South Africa The investment-led economic upturn is testimony to the fact that South African business, led by the large corporations, is putting its money where its mouth is in generating new wealth for the benefit of all

Large companies recognise the role that a soundly based competition policy, together with the continued and determined opening up of the South African economy, will have on raising levels of competitiveness and efficiency They have committed themselves publicly to playing a constructive role in this regard

In the case of Anglo American, four of the last five chairman's statements have dealt at length with this issue So it is not a case of defending the status quo to avoid competition

The government and Trevor Manuel's department of trade and industry have taken important and courageous steps down the road of liberalisation, notably in the area of tariff reduction and the promotion of small and medium enterprises

But further progress along the path of liberalisation, particularly a combination of privatisation and the abolition of exchange controls, is urgently needed and is the golden key to enhancing competition in South Africa

Large companies like Anglo relish the prospect of the greater competition that will flow from such market-driven reform when willing sellers will be matched with willing buyers at prices set by a fully free market

In contrast, however, business is alarmed by the apparent politicisation of competition policy where there has been aggressively hostile drum beat of populist rhetoric from ANC politicians

Collectively, their statements seek to demonise large South African corporations as the major inhibition to competition in South Africa and propose harsh punitive measures to correct their uncompetitive behaviour The language used has strongly authoritarian overtones

There is also sometimes a potentially fatal belief that competition policy can and should achieve wider social goals, which creates the suspicion that the policy is seen as a means of politically inspired backdoor expropriation It is not just that the polemical identification of the mote in business' eye often disregards the plank in government's — government is, after all, exercising a stranglehold on the economy through its own control of a 50 percent majority of all fixed assets in South Africa, many of them statutory monopolies protected from the discipline of the markets

In addition, the government consumes more than 20 percent of national income, more than double that of successful developing countries Labour, whose practices are far from competitive or efficient, should also not be exempt from scrutiny in this regard

Nor is it the unwillingness to trust market forces and in particular the completion of the liberalisation process as the golden key which will solve most problems of competition and efficiency, real and imagined, that is the major concern

The superiority of liberalisation over the interventionism driven by politicians and bureaucrats has been emphasised in the recent editorials on competition policy in South Africa in such major international journals as the Financial Times and Economist of London

The offensiveness of the assault on major corporations is compounded by the flimsiness of its foundations and the wildness of its generalisations Three myths are emerging which risk assuming the status of conventional wisdom

Take for example the categorical assertion "the conglomerates have ensnared the market There is no way into the South African economy for foreign direct investors or local entrepreneurs"

This is patently untrue In the past fortnight, two Japanese companies announced a major investment in Nissan, a company controlled by Sanlam Anglo and Southern Life announced a joint venture with the largest American healthcare company, United HealthCare, which involves a very significant technology transfer to South Africa for the mass health market, and Business Day announced a major award to Anglo American Industrial Corporation, recognising its role in leading investment in the new South Africa

This included bringing foreign investors into South Africa, not just the sale of a controlling interest in Samcor to Ford, but also joint ventures with other British, Swedish, French, American and Australian companies in a wide number of sectors Regular cautionary notices in business publications indicate that other such transactions are being undertaken

The Anglo group's endeavours to attract investment to South Africa have embraced new as well as old foreign investments sources, a joint venture with Daewoo has recently resulted in the JSE listing of Daewoo electronics — the first listing for this major international company outside Korea

It is certainly true that some foreign companies complain that they are shut out of the South African market But is not this highly self-interested special pleading simply designed to excuse a basic unwillingness to invest or to procure assets cheaply through government intervention? Many foreigners seem upset to discover that the South African market is highly developed and that many of their products are already produced by a number of competing companies Consequently, unlike other emerging markets, entry cannot be had cheaply

Another myth is that the conglomerates shut out local entrepreneurs and in particular black South Africans

Quite the contrary is true The recent spate of listings on the JSE show that entrepreneurs are alive and well and unconstrained by the existing private sector Indeed the large corporations have been the major vehicles of introducing black entrepreneurs into the heart of the economy as the rise of a number of black businesses over the past few years attests

Further, such efforts do not just extend to a few rich entrepreneurs The sale of African Life to Real Africa involved a very wide base of black South Africans via pension and provident funds, trade unions, stokvels, churches an other institutions as well as individual policy holders The watershed restructuring of JCI — a very major black empowerment initiative — had Anglo arguing that a precondition for all bidding consortiums be that they have the broadest possible range of participants

READY TO PLAY *Michael Spicer, an Anglo American executive director, says large corporations look forward to greater competition* PHOTO JOHN WOODROOF

Further, in other forums, the leading role that corporations are playing in stimulating small and medium enterprises is well recognised The R250-million-a-year Anglo Small and Medium Enterprise Initiative is a model used by many in the government for subcontracting efforts The initiative has a significant venture capital component to enhance the ability of black enterprises to compete with existing enterprises

A final myth is that the conglomerates are major obstacles in the way of the RDP How strange then it is to find President Nelson Mandela saying exactly the opposite during his recent state visit to Botswana, where he paid tribute to South African business for supporting last year's advent of democracy

Business had given excellent support in reviving schools and clinics in specific areas, he said, and had responded well in agreeing to help transform the country

He was referring to the work of bodies like the Urban Foundation, the new National Business Initiative and The Anglo and De Beers Chairman's Fund which have been doing RDP-type work for over thirty years All of this is also implicit recognition of the tireless role of major South African companies in championing the new South Africa to investment around the world

To conclude, large South African companies are committed to the same economic goals as the new government — broad-based economic growth that raises living standards for all They have taken a key role in many areas in bringing market-based change to South Africa and welcome the re-entry of South Africa into the international market, understanding but looking forward to the resultant greater competition

Though naturally not perfect, they are the only indigenous multinationals on the African continent and are a national asset to be valued, not denigrated and torn down They are not owned by the few for the benefit of the few In Anglo American's case over and above the majority of the 70 000 black employee shareholders, the overwhelming majority of the 6 million plus whose pensions and provident funds are invested in large blocs of Anglo American shares, are black and their future depends on the success of the company

When Anglo and other major corporations are subject to baseless polemical attack, the lives and futures of millions of South Africans are undermined Rhetoric has consequences and exacts high prices It is time to return to rational debate on the subject of competition policy

South African business will not be found lacking in helping undo the injustices of the past about which people rightly feel so angry

Competition Board probes motor spares industry

CT (BR) 27/9/95 (232)

By Andy Duffy

Staff Writer

The Competition Board is investigating the motor spares industry, amid allegations that major distributors are bullying manufacturers into cutting off supplies to smaller rivals.

Board chairman Pierre Brooks said yesterday the preliminary investigation followed a complaint by Johannesburg-based spares distributor QSV.

American-owned Federal Mogul South Africa and Alert Engine Parts were named by QSV in its complaint. QSV's owner, Roland Bauer, was the joint founder of FMSA subsidiary V&R Holdings.

Brooks said the board was contacting various equipment manufacturers to check QSV's claims before quizzing the distributors.

"We want to give these people a chance to respond," Brooks said.

"It has been alleged that certain manufacturers are refusing to supply certain retail outlets, and that these manufacturers have had pressure put on them."

The investigation comes 18 months after the board overruled similar fears in clearing Varex's plans to buy Alert.

The deal, later aborted, would have given the two companies 25 percent of the spares market.

But the board found no evidence that manufacturers were discriminating against the companies' competitors.

FMSA chief executive Rob Crockett rejected suggestions that manufacturers were being pressured into not supplying smaller rivals.

"We have expressed our concerns that the market is being over-traded and already we're suffering from a back-order situation.

"But I don't believe there's any company supplied by the manufacturers powerful enough to call the shots on that issue."

FMSA's annual sales were currently around R560 million, he said, against R500 million last year, as it had been consolidating despite the acquisitions.

BD 22/7/95

Privatisation fight

THE SA Railway and Harbour Workers' Union vowed at its national congress yesterday that it would fight any attempt to privatise Transnet or any other state assets.

(232)

Sarhwu president Nelson Ndimisa called on members to ensure the anti-privatisation stance of workers and said the campaign would be taken to the streets and community-based organisations

NEWS

More licences for poor provinces

Gambling Bill hits at monopolies

Star 27/9/95 (232)

BY NORMAN CHANDLER
PRETORIA BUREAU

The gambling industry faces a massive shake-up in the new year, the Government announced yesterday when it tabled the National Gambling Bill

Monopolies are outlawed, poorer provinces are being given a bigger slice of the pie, and gambling debts will be enforceable by law, General Services Minister Chris Fismer said

No company will be allowed to hold more than 16 of the 40 licences nationally or have more than two licences in any one province, according to the Bill.

This means companies such as Sun International will have to shed some of their casino operations but will, along with others in the same situation, be given a two-year transition period to do so

Government-linked organisations which have shares in existing casinos, or which have any financial interest whatsoever in them, will also have to divest.

Fismer said the Government "had an important responsibility to ensure that the industry was regulated and co-ordinated by uniform laws and standards" and, in order to do this, has recommended the establishment of a National Gambling Board, a national inspectorate and the determination of national norms and standards

The new Bill also does not derogate from the provinces' competency to adopt provincial legislation to provide for gambling in that province

The NGB will take over from the former Lotteries and Gambling Board

A total of 40 casino licences will be allowed - five each in the Western Cape, Eastern Cape, KwaZulu-Natal and North West provinces, six in Gauteng, four each in Mpumalanga and the Free State, and three each in the Northern Cape and Northern Province

Fismer said: "In deciding on this allocation, regard was had to the proposals contained in the supplementary report submitted by the Lotteries and Gambling Board It differs however in that smaller provinces were given a proportionally bigger share in order to assist those provinces in their developmental objectives and to have a more balanced accommodation of existing legal investments."

Fismer said that anti-monopoly provisions had been included and that these provided for no company or person to hold more than 16 licences nationally, or more than two in a province

"It is proposed that organisations to whom more licences than are allocated in clause 13 of the Bill were issued prior to April 27 1994 will be granted a period of two years from the commencement of the Act to decrease the number of licences to within the maximum number allowed "

The Government, or any of its affiliated bodies, will also have to divest any financial interests in companies holding gambling licences.

Fismer also said that, because gambling debts had not previously been enforceable in law, provision was being made for debts to be enforceable in the future.

Transnet partnership suggested

232 ~~270~~

ARG 30/9/95

PRETORIA. — Workers should consider a partnership with Transnet as opposed to the wholesale privatisation of the industry, South African Railway and Harbour Workers' Union general secretary Derrick Simoko said at the union's national congress here.

While certain Transnet managers were calling for the complete privatisation of the industry, the union was looking at possible joint ventures with the parastatal, "under acceptable conditions", he said in a written statement issued yesterday.

Mr Simoko said the union was set to buy business entities that Transnet wanted to sell

The union was still committed to the Congress of South African Trade Union's call for one industry, one union but there had been little progress in talks to this effect — Sapa

PANIES

Competition Board investigates Kolosus, Silveroak merger deal

(232) BD 4/10/95

Yuri Thumbran

FOOD and tanning group Kolosus' takeover of tanning group Silveroak Industries still had to receive approval of the Competition Board, which was investigating the deal, board chairman Pierre Brooks said yesterday.

Brooks said in an interview the board had received documentation from Kolosus setting out details of the deal, but further information had been requested from the group.

Kolosus announced last month it had obtained German industrialist Claas Daun's 89,9% stake of Silveroak for R94,6m. Daun was paid 230c a share, but with the ruling price at 300c at the time, Silveroak minorities voiced their dissatisfaction.

Brooks said the board was looking at the dominance in the marketplace of the combined tanning businesses of Silveroak and Kolosus. If the deal was contrary to competition board policy, measures could be taken to prevent the merger.

He said both groups were vertically integrated, with strong leather and tanning operations. Kolosus MD Tito Vorster said the buyout was "sudden" and took a few days which did not allow him to approach the board as required.

Vorster conceded the Silveroak/Kolosus leather and tanning alliance was a dominant player in SA with 85% of market share in terms of production, but its major thrust was towards the export market.

The companies jointly had a market share of 15% internationally, but were faced with stiff competition — notably from companies in the US, Germany, Italy and Australia.

Vorster said the whole issue was sensitive, especially for not obtaining board approval before the buyout announcement, but said the issue should be resolved satisfactorily.

Kolosus would furnish the additional information requested by the board shortly, Vorster said.

Study shows unbundling generates profit for investors and companies

(232) CT(BR) 4/10/95

By Neil Behrmann
London Correspondent

Corporate unbundling generates considerable profit for companies and investors, according to JP Morgan in a major study on the American experience

If the breakup of Britain's huge chemical company ICI is used as a case study, demergers are also a proven success in Britain

The race and fashion to reduce size and focus on new strengths has created almost 100 new corporations from the old, large American companies, according to the study by JP Morgan in conjunction with Securities Data

Since 1988, the spin-off market has added about $92 billion (R336 billion) to corporate coffers (see chart) A further $40 billion is pending this year This increase in capital has been used to finance new investment and new acquisitions

The most recent example of a spin-off is the planned restructuring of telecommunications and computer company AT&T into three companies Investors greeted the news with a wild stampede into AT&T and since the deal was announced just over a week ago its shares have soared by $8, or 14 percent, to $66

If JP Morgan's study is used as a forecast indicator, shares of AT&T's offspring will boost the returns of shareholders in the long term ,

Other examples of share price increases following unbundling announcements include General Motors, which sold its National Car Rental subsidiary ITT, AirTouch Communications, Eastman Chemical and Viacom

The study of JP Morgan adds a practical dimension to the South African competition debate which has become bogged down by polemics According to JP Morgan, the success of unbundling or corporate spin-offs, the American definition for the de-consolidation of large companies into smaller units, has been far greater than original expectations

The moves to float company divisions and reduce the size of the large companies that own the units, were neither the result of American anti-trust action nor any other coercion by government

They were the outcome of free unfettered business decisions aimed at adding value to the corporations and their shareholders, and improving productivity and focus

The SA debate on competition policy has become bogged down by polemic

In a spin-off, or unbundling, a company distributes the shares of a subsidiary to the shareholders of the parent company

In the United States this transaction can qualify as tax-free for both the parent company and its shareholders if certain conditions are met The most notable are that at least 80 percent of the subsidiary's shares are distributed and the division has been owned by the parent for at least five years

"Parent companies are increasingly turning to spin-offs, partly because they are generally well received by the market and because they are tax efficient," says Rick Escherich of JP Morgan In turn the companies can raise funds to finance expansion, while they can also sell unprofitable divisions

Using a sample of 77 American companies, JP Morgan found that parent companies outperformed the market by an average of almost 6 percent between the announcement and the actual spin-off date

Unbundled companies also outpace the market by an average of more than 20 percent in their first 18 months as an independent operation, says JP Morgan Shares of unbundled subsidiaries with an initial market capitalisation of less than $200 million achieved the best returns Smaller units tend to be undervalued when unbundled since they are unknown entities, contends Escherich

When the market perceives profit growth, the shares race ahead, he says

JP Morgan did not analyse share price returns of companies with market capitalisation of $20 million Yet shares of some smaller companies capitalised at $50 million were more liquid than larger ones

Shares of ICI, at the time Britain's largest company, were trading at £12,44 just before its unbundling announcement in May 1993 On the day of unbundling, the two units ICI, mainly the chemicals business, and Zeneca, the pharmaceuticals and bio-chemistry division, were trading about £6,30 each ICI shares are presently about £8 and Zeneca is trading about £11,40

In a Harvard Business Review article this year, Geoffrey Owen, a former editor of the Financial Times, and Trevor Harrison, a former general manager of planning at ICI, said "As the diversity of ICI's businesses grew, two corporate parents proved better than one"

"At the start of the 1990s, ICI, like other companies faced the indignity of a takeover threat because the value of its best businesses wasn't reflected in the stock price," the authors write Hanson, the British corporate predator, had begun buying shares in ICI

"The new companies, formerly submerged within the comfortable security of the old organisation, are (now) seeking to release energies at all levels" the authors write

The demerged ICI had introduced the triple-A project — accountability, achievement and autonomy "to help it realise the agility of a small company while it makes the best possible use of the size and breadth of a multiproduct organisation", they write

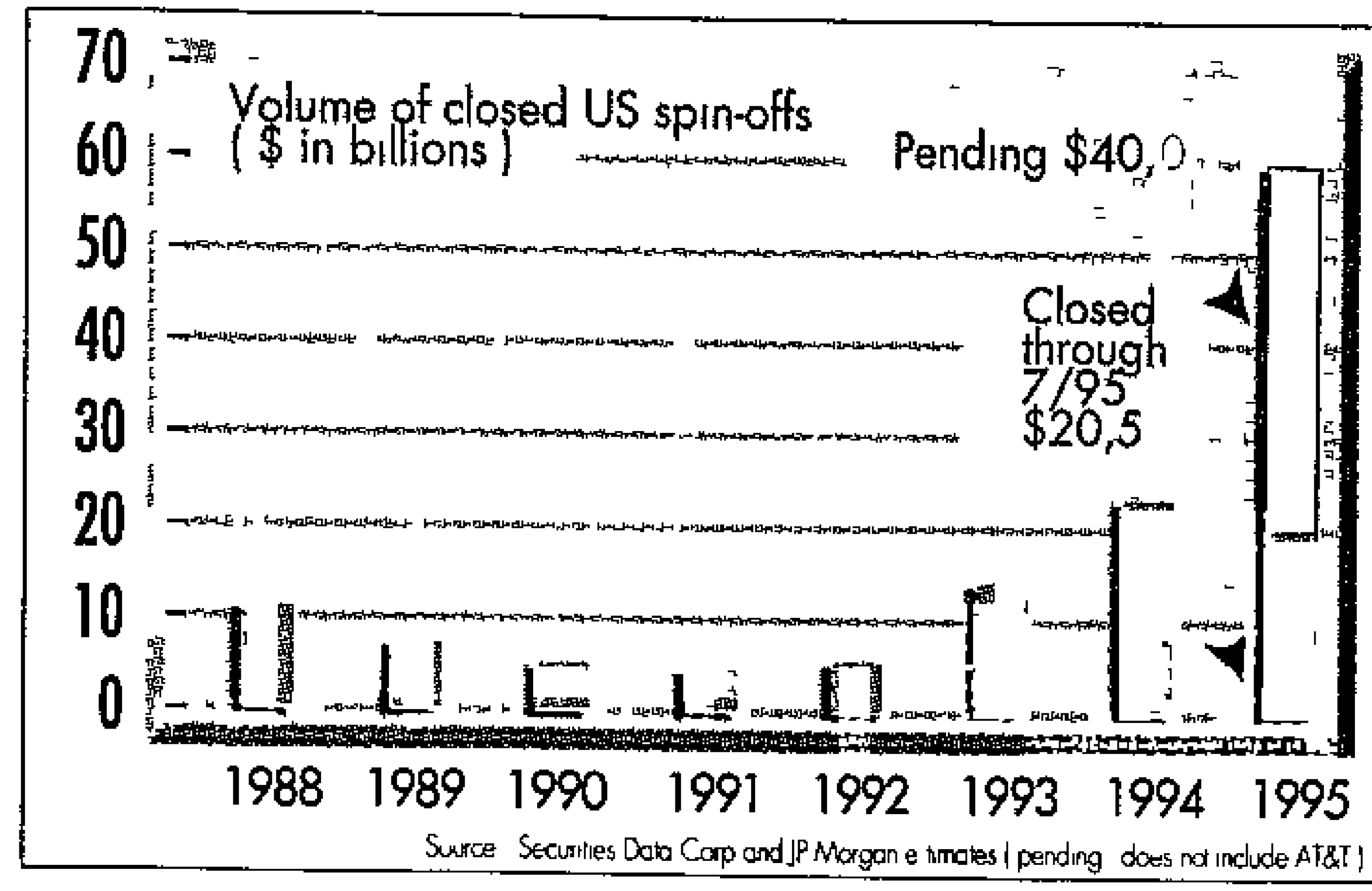
The improvement in productivity has come faster than expected The demerger of ICI has been a financial success and since flotation, combined market capitalisation has doubled and outperformed the FTSE index by a wide margin, says the article

Anglo American executives say South African companies should find the right mix between strategies pursued by Pacific Rim countries which actively encourage the role of big companies and those pursued by developed nations As an example, large companies find it easier to raise capital abroad than smaller entities, they say

But each case should be treated differently, particularly in a world where emerging businesses are more fashionable

Gencor has already proved that unbundling is a worthwhile exercise and more South African companies are likely to follow without any government prompting

The spin-off market is very strong



Source Securities Data Corp and JP Morgan estimates (pending does not include AT&T)

Competitive behaviour cannot be enforced

(232) CT(BR) 5/10/95

Marinus Daling, chairman of Sanlam and president of the reconstituted SA Foundation would like to see tempers and threats removed from the debate on the government's plans for tougher rules on anti-competitive behaviour. He shared his views with Bruce Cameron and Ivan Fallon

The government could not, and should not, attempt to enforce competitive behaviour, break down conglomerates and economically empower blacks through the use of common legislation

If it did, there would be serious problems, said Marinus Daling, the chairman of Sanlam

The three issues had to be treated separately, he said

In the past, South Africans had a tendency to believe they could prove the rest of the world wrong

The same mistake should not be repeated, Daling said

On what he considered to be the wholly separate issue of conglomerates, Daling said "I don't think it is practical or desirable to force people through law to deconglomerise"

Everyone agreed exchange controls had played a large part in conglomeration and their removal would follow the international trend towards unbundling and a return to core business

Once a company got back to its core business and grew beyond a certain size it had to start operating internationally This required the lifting of exchange controls

Scrapping exchange controls would contribute to investors coming into the country

Although there were no limitations on foreign investors taking out their money, these investors felt nervous on the grounds that if there were controls on locals, then government could apply poor policies elsewhere

"If government's policies are wrong they will have a disastrous effect on the foreign exchange market The market is a good insurance premium for investors"

He rejected claims that the size of the conglomerates was keeping foreign investors out

"What foreign investors find is there are quite efficient companies here If we were so useless and uncompetitive then surely it would be easy for a foreign company to come into this market

"They would be able to undercut prices" There were always two sides to every story, he said

Foreign investors told the government they were unable to come in because of the conglomerates, but the same investors told Sanlam that they wanted more certainty on things like long-term economic policy, labour dispensation, the level of crime, and exchange rates

'If we were so useless it would be easy for foreigners to enter the market'

"Those are all the area of government," Daling said

Foreign companies had tried to convince the government to make it easier for them to enter the market, including breaking up conglomerates, he said

"If they were successful we would have a huge sale of assets, which will depress prices That would be in the interests of foreign investors" — but not necessarily in the interests of South Africa

Daling said the best way for investors to become involved in South Africa was through joint ventures This was an international trend, which created a win-win situation

He said if the government broke up conglomerates this would send a discouraging signal to investors that success would be penalised

"Should someone like Donny Gordon of Liberty Life, who started off 35 years ago and built a conglomerate, be penalised because he is successful?

"It doesn't make sense," he said

He agreed with Johann Rupert of Rembrandt that South African conglomerates, while big in local terms, were small in a world context

On the issue of black economic empowerment, Daling said the question was whether "we want to achieve equity or have a successful economy I think we want to do this for a successful economy"

Companies could not simply be given away as this would not help the economy Unbundling and black empowerment had to be separated into two completely different issues

When Sanlam sold Metlife to blacks, it was in the same week as the unbundling of Sanlam-controlled company, Gencor

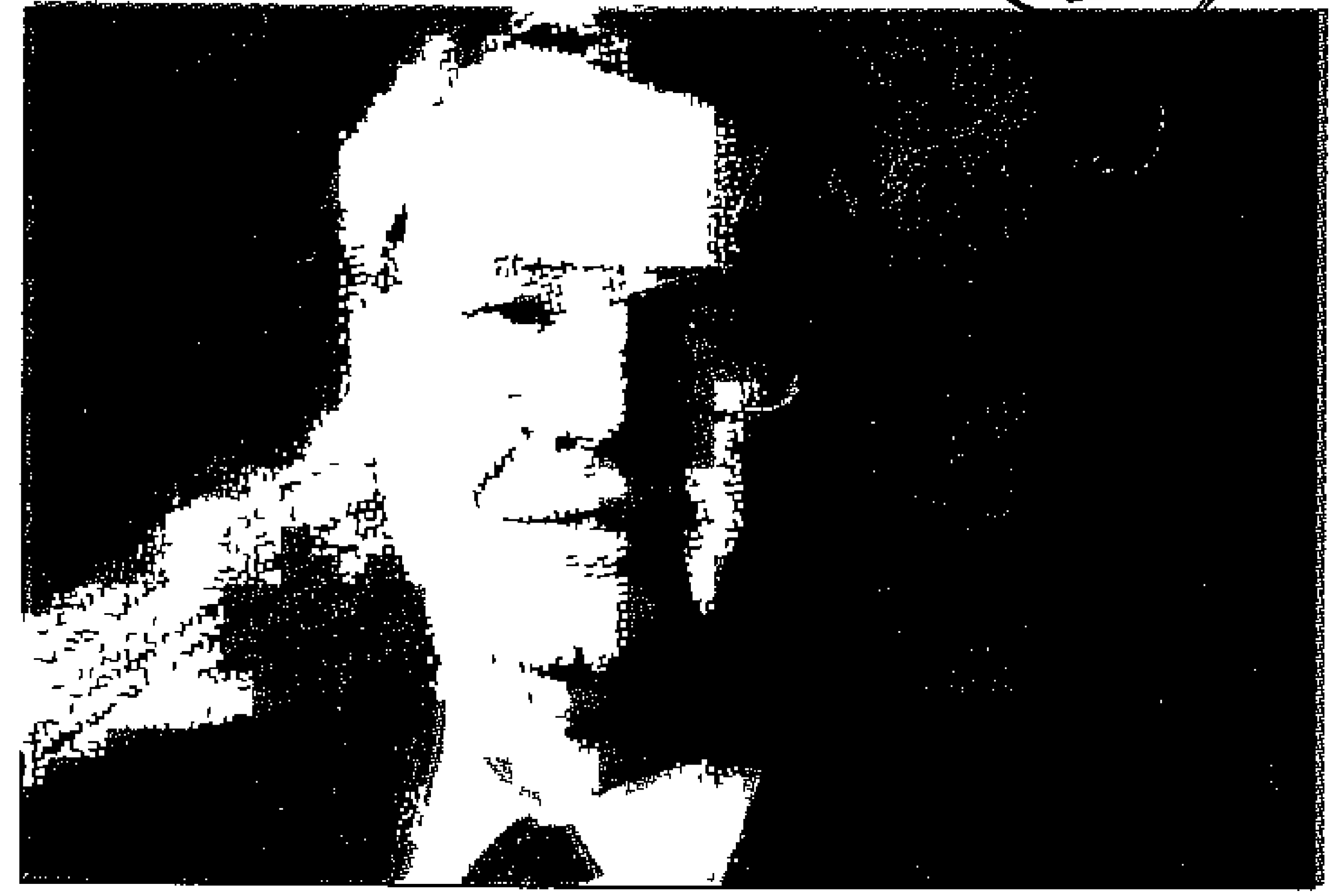
Metlife was about black empowerment, Gencor was about unbundling and had nothing to do with black empowerment

"The moment you start mixing the two it complicates matters unnecessarily," Daling said

Black economic empowerment would be successful if done in a business-like manner

There were a number of problems with black empowerment

One was that "blacks do not have enough capital for well-known historical reasons"



FORTHRIGHT *Marinus Daling, the chairman of Sanlam, has strong views on competitive behaviour, unbundling and black empowerment*

Secondly, there was a shortage of black managerial skills, again through no fault of their own

"If you empower people in the modern world, it implies people should be able to participate and compete in the market place Unfortunately it is a tough school"

Because of the lack of skills, Sanlam did not disinvest completely from Metlife

"We are staying in the business and we are helping to make it successful," Daling said

"There is a realisation among most business people that we have to make more progress on black empowerment We must sit down and develop ideas and schemes that can be done on a business basis"

Sanlam would not, and neither should anyone else, Daling said, sell off bad assets to empower blacks

He said that in the 1980s, when Sanlam disinvested from Tradegro, which was the holding company for the Checkers supermarket chain and other companies, Nthato Motlana had approached him to buy Checkers

"Checkers was a real dog then What Checkers needed was an organisation which could supply management In the end we did the deal with Christo Wiese

"I will not use my bad assets for black economic empowerment Metlife was one of our stars"

He did not agree that the Metlife deal had enriched Motlana

"I think that is a very racist approach We think Anton Rupert and Harry Oppenheimer are fantastic people The moment someone like Motlana becomes wealthy, why is it suddenly wrong? We need role models like Motlana, Don Ncube and people like that

"We did not give Motlana any money We sold at market price He has been successful

"Why do we want black economic empowerment if we don't want successful blacks Hopefully we will have many Motlanas"

Daling said a liberalised economy with lower tariff barriers and exchange controls removed, will, given international business trends, resolve some issues He fully agreed with the government about the need to create a more competitive environment in South Africa

"If companies act against competition law they should be penalised I have no problem with that" But, he said, "competition is not an aim in itself We want competition in order to create a more efficient economy and the starting point has to be a commitment to a free-market economy

"Competition policy is there to create an environment where organisations are more efficient"

Once that was accepted "all you can do is ensure competitive forces are such that prices are as low as possible", he said

"I don't see how government can be prescriptive in telling people what price they should ask for products and still claim a free market"

Daling warned against the big-bang approach to reduce tariffs, reckoning this would damage productive capacity

"We also have to be careful not to try to be the best in the Gatt club and go further than other members in the club," he said

"We have to ask in each industry how much protection we need through tariffs and how long to keep them For the rest, people must be allowed to import"

If companies were using import-parity pricing based on high tariffs, and return on investment was too high, "then surely other people will come into the market", he said

Responding to remarks made by Manuel about a lack of ethics and morality in business, Daling said there "will always be a few bad apples"

"Yes, we have problems like anywhere in the world, but I don't think in general we can say our business is unethical and immoral," Daling said

FOR

MY TURN

SA can draw on privatisation experience of other countries

CT (BR) 6/10/95 (Z32)

Harry Schwarz, the former South African ambassador to the United States, is now the adviser to Akin, Grump, Strauss, Hauer & Feld and Hofmeyr. He is presently in the United States for the firm

There are many ways to look at privatisation or, as we now call it in South Africa, the reconstruction of state assets

Some believe it is giving away the family silver, others that the state should in any event own the means of production and then there are people who believe that the government is inefficient and its activities should be restricted to bare essentials, everything should be left to private enterprise and the market Probably none of these views are completely correct nor need they be rejected or accepted in their entirety There is a place in the economy for private enterprise and the public sector

Ann Crotty in her article in Business Report of September 14 draws attention to some aspects of privatisation in Britain which have drawn criticism

The delay in the restructuring of our state assets enables us to profit from the experience of others Many countries have engaged in these activities, some with good and some with bad results, and most have made some mistakes, often because of political pressures at the time Most criticism is based on hindsight.

One of the criticisms voiced in Britain at this time and mentioned in the article by Crotty is that of giving away state assets at a discount This criticism partly ignores the vagaries of the stock market The value and price of a share must be gauged by market conditions at the time, not later, market conditions vary often within a day

Obviously, the state and the parastatals concerned need to get correct advice on the appropriate values, issue prices, methods of allocation and more There is certainly no shortage of reputable advice available

There are constraints which will affect any decision on how to allocate shares of privatised activities, such as the need to reduce the indebtedness of the state and obtain foreign exchange However, if some portion of any issue of share is allocated as a redistribution mechanism for previously deprived persons whether by way of a national growth fund, vouchers or pension funds for which only designated individuals are directly or indirectly to benefit, then the price issue for them becomes less material, as there is a desire to benefit the people concerned These people, by reason of history, should not be the subject of objective criticism because of such redistribution

The issue of sleaze referred to by Crotty obviously needs attention One of the criticisms rightly or wrongly directed at the British Gas privatisation was that it made executives and directors rich, increased tariffs and resulted in massive dismissals of workers due to alleged redundancies

The allocation of jobs to pals, whether by way of advisers, bankers, lawyers, accountants or directorships has been the subject of criticisms in many countries We need to learn from this

Let institutions, firms and individuals tender for work and let impartial panels choose Transparency is a South African buzz word It should be applied and not be a matter of lip service only

Excessive salaries to executives, and abnormally large share options need to be avoided Jobs need to be spread to let the greatest number of competent people participate and contribute

A further important issue is redundancies It is argued that the greater efficiency of private ownership and management requires less workers Most of the parastatals are already commercialised and should therefore show a degree of improvement in productivity, but, equally important, these enterprises need to expand and provide greater services for a larger number of clients If this is correct, then existing workforces are needed for such extended services and can become more productive

Massive unemployment resulting from privatisation is socially unacceptable and will cause political pressures, which will effect future moves into privatisation

The failure of privatised industries to produce better services by improving infrastructure as alleged to have occurred with privatised water companies in Britain can, of course, be addressed by creating legal commitments in South Africa's case The restructuring of state assets should not only produce greater efficiency and much-needed capital including foreign exchange, but an expansion of services to previously deprived sections of the population This can be safeguarded by a variety of mechanisms, including contractual commitments and initially only a partial sell-off of shares

The last point raised by Crotty is that of tariffs This is a valid issue, particularly if the privatised enterprise is a partial or total monopoly The need for a strong regulatory authority certainly exists To increase tariffs to ensure ever-increasing dividends and good share performance is a risky path to follow in a community which is in a delicate balance, socially and politically Investors must see benefits from their investments or their funds will not be forthcoming, but price exploitation is to be avoided at all costs

It might be mentioned that in Britain some privatised companies have been made to pay back money to consumers where it was found that their charges were excessive We need regulatory mechanisms to avoid exploitation occurring

The messages from the article "UK privatisation springs leak" is not that privatisation should be avoided but rather that we have experience to draw on in many countries of the world and can therefore avoid most, if not all, the pitfalls and produce new approaches which are not only productive and raise capital, but are socially responsible and acceptable

Absence of firm policy may hurt workers as privatisation goes on

Excluding losing assets amounts to 'nationalising loss and privatising profit'

232

By Ann Crotty

CT(BR) 6/10/95

Despite a lack of any firm guidelines from government on the issue, it seems a number of divisions within parastatals are continuing to wend their way towards some form of privatisation. Justification tends to be on the basis that they are non-core operations and are not critical to implementation of the RDP.

Telkom has already disclosed its intentions to sell off support functions such as catering, security, workshops and construction.

Rotek Industries, a multi-million rand division of Eskom, is apparently some way down the privatisation road with a detailed document issued to various parties for discussion earlier this year.

The delays in formulating an official government policy on the matter appear to have slowed down the process at Rotek but have certainly not stopped it.

The document is a "basis for discussion between the stakeholders of Rotek Industries including Eskom, management, trade unions and employee representatives, financiers and other relevant parties".

Inevitably, as a management-initiated document, labour's input will be reactive to management's proactive role.

The difficulties for all parties concerned are that the process acquired a certain impetus during the commercialisation programme put into place by the National Party government in the late 1980s.

That programme was dominated by government and management views with little reference to labour. The fact that the ANC was vehemently anti-privatisation ahead of the general election last year caused some apprehension, its indecisiveness now seems to ensure that the initiative remains with the managers and merchant bankers.

One of the greatest concerns for the trade unions is that, in the absence of firm guidelines from government, the issue will be decided on a piecemeal basis, reflecting the resources available to the various interested parties. Inevitably this means the unions will not get much of a look-in.

Cosatu's most significant persuasive resource is mass action. While powerful, it may not be as effective as sophisticated arguments presented, at considerable cost, by those favouring privatisation.

For the government there is the additional concern that the process will involve the nationalisation of loss and the privatisation of profit.

Adding insult to potential injury is the likelihood that costly research into privatisation by non-core divisions of parastatals will have to be paid for by the division in question not by the individuals who commissioned the research.

Thus in the case of Eskom's Rotek Industries it might be more equitable to provide the trade unions with the resources to fund its own discussion paper to counter the proposals for the restructure, employee buy-in and recapitalisation of Rotek Industries, prepared by Price Waterhouse Meyernel at the request of management. More equitable, that is, than expecting the unions to tag along in discussion groups.

The Rotek document presents an instructive study on the distance that separates the sides involved in the privatisation debate. It presents plausible arguments for an employee buy-in and recapitalisation exercise, but fails to deal adequately with many of the trade union's basic reservations.

The union movement does not argue against the need to restructure and dramatically improve the performance of parastatals. What it does argue against is that the nature of that restructuring necessarily involves privatisation.

In a paper by executives of the National Union of Metalworkers of South Africa (Numsa) for presentation to Cosatu, a number of options were outlined, including joint ventures, the sale of minority equity stakes and the placing of management on performance contracts.

At the same presentation Cosatu associate, the National Labour and Economic Development Institute (Naledi), argued that schemes involving the sale of shares to poorer sections of the community (in order to enhance the scheme's political acceptability) tended only to empower management — at the cost of workers, the community and the government.

Referring to various proposed schemes aimed at spreading ownership of parastatal shares to disadvantaged communities, the Naledi document said: "While these schemes may shift some income to shareholders, they leave decision-making power with the managers, investment funds and stock brokers. Indeed, as the schemes reduce state influence, they enhance management's control.

"Then, as happened in much of Eastern Europe, the poor soon sell their shares to richer compatriots."

In terms of the Rotek proposal "Eskom would divest itself from a majority shareholding in the company, employees would acquire a significant shareholding, Eskom would retain control of certain strategic equipment and Rotek would be placed on a commercial and sound financial footing for the future".

It needs to be pointed out that employees would acquire a significant but not a controlling stake in the company. Significant enough to generate increased commitment and productivity from the workers but, according to another part of the document, not so significant that it would cause concern to financiers about its commercial viability.

"Rotek management believes that one of the most effective ways to improve performance is to increase ownership by employees."

Further on, the document says: "A financier could be concerned about the commercial operation of a company where employees had a significant majority control."

"Certain strategic equipment" left in Eskom's control happened to be commercially unviable. "In order to ensure that a restructured Rotek is commercially viable it would be preferable to structure a transaction that excluded the mechanical services division assets.

"It is therefore proposed that the mechanical services division assets be transferred to a separate wholly-owned company or a division of Eskom. It is proposed that Rotek be granted an option to purchase these assets from Eskom in the future."

The mechanical services division assets are "commercially unviable" — a sure case of nationalising loss and privatising profit. Presumably Rotek's plan is to buy the mechanical services division after Eskom has invested resources to make it profitable.

As to whether government would interfere with a situation that was a fait accompli, Sipho Shabalala, the deputy director of the ministry for public enterprises, was emphatic: "Anything can be undone. We don't look at things in terms of core or non-core.

"It doesn't follow from anything we have said in our report that a non-core asset has to be divested. It is important for us to see it in context, especially if the core is critical to the RDP and is not profitable and the non-core operation is profitable — it could support the core."

Bruno Penzhorn, the managing director of Rotek, would not comment. The issue was far too sensitive, he said.

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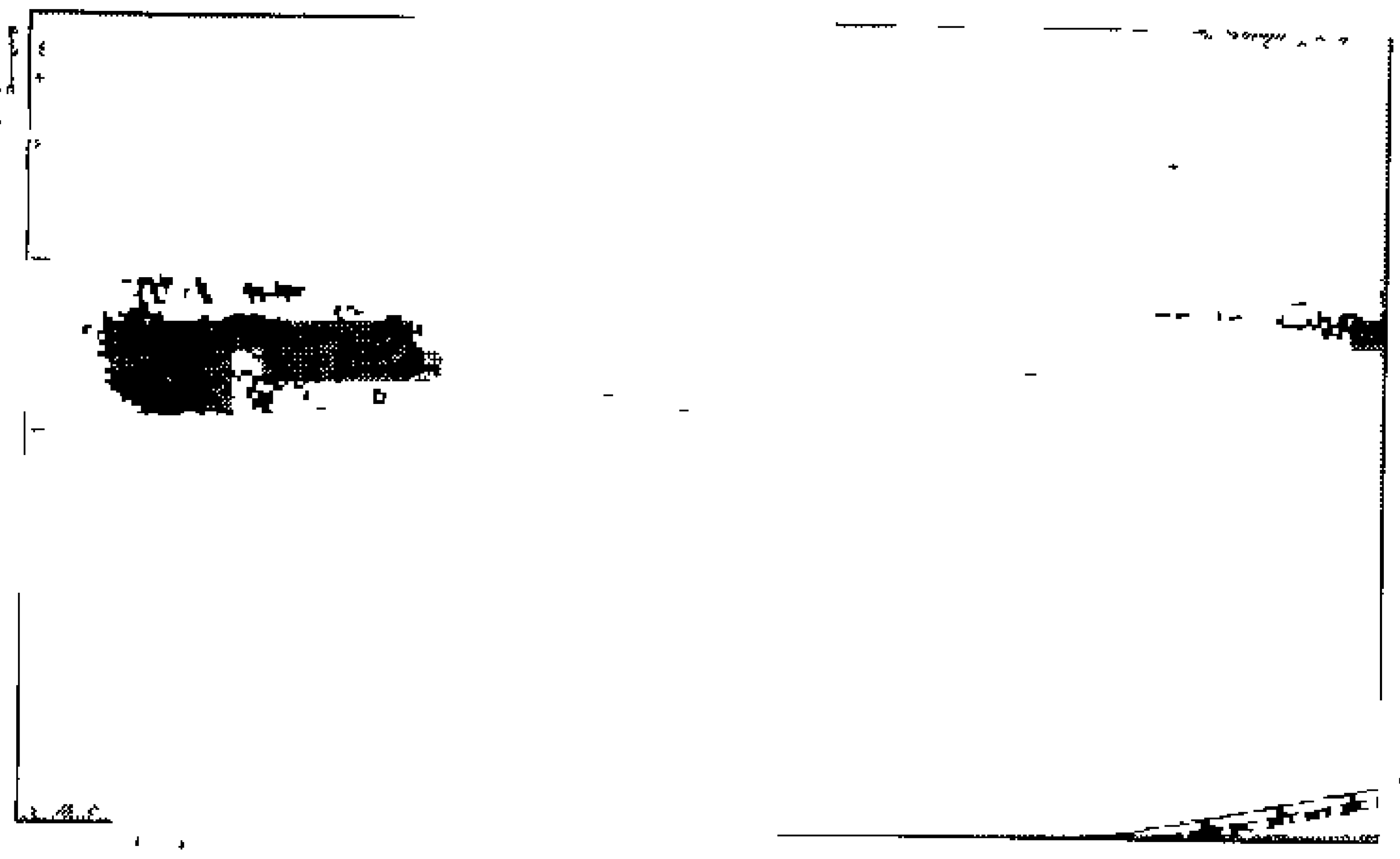

(-) **PRIVATISATION ROUTE** *Rotek is involved in maintenance and service of Eskom's facilities*

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NEWSMAKER

ST(BT) 8/10/95 (232)

New muscles for Competition Board's long-serving chairman

PIERRE BROOKS, 61, chairman, Competiton Board
Education: Middelburg High School, Unisa
Previous employer: Unisa's law faculty

AT first, Pierre Brooks does not strike one as tough enough to fill the chairmanship of the Competition Board, a position he has held for over seven years

But the quiet and circumspect manner, appropriate to his legal background, masks the determination with which he is pursuing a more active and interventionist competition policy

As one of the architects of a new competition law — he recently handed a draft Bill to his boss, Trade and Industry Minister Trevor Manuel — Dr Brooks has put himself on a collision course with big business

Business has in the past dismissed the Competition Board as toothless, armed only with a handful of staff and inadequate statutory powers

But the recent fierce debate between businessmen and Mr Manuel suggests this attitude has changed and that the Bill faces a stormy debate in the National Economic Development and Labour Council

Dr Brooks believes that the debate will not so much focus on the principle of competition policy — around which he says there is wide consensus — but on the details of the proposed legislation

He stresses that government must also take into account the views of small businesses and consumers, who are not represented at Nedlac

However, Dr Brooks might not be in office when his Bill becomes law, possibly in next year's parliamentary session, as he is due to retire

He does not expect to be asked to stay on, but that is a strong possibility considering the close relationship he enjoys with Mr Manuel, who has been pushing competition policy as one of the cornerstones of his agenda

However, in his fervour Mr Manuel and, by implication, Dr Brooks, have been accused of "big business bashing"

"Our approach to competition policy is not anti-big, it is aimed at avoiding the abuse of dominant economic positions by companies," says Dr Brooks

"My legal career has taught me to balance conflicting interests and, I believe this approach is discernible in current competition policy"

Dr Brooks holds a doctorate in law from the University of Exeter, is an advocate and was vice-dean of the law faculty at Unisa, his alma mater

Critics have accused him of nailing his colours firmly to the new political mast, pointing to his low political profile under previous governments, charges he vehemently rejects

"My views on competition policy have not changed over the past five years, this government simply takes competition policy more seriously than the previous administration"

Undoubtedly, though, the Competion Board has become more active recently, launching investigations into the Iscor-Macsteel export merger and the paper industry, among many others

Underlying his approach is the understanding that the best way to promote competiton is by opening up the economy, through policies such as lifting foreign exchange controls and tariff barriers and removing obstacles to investment

He also strongly backs the extension of competition law to public sector corporations

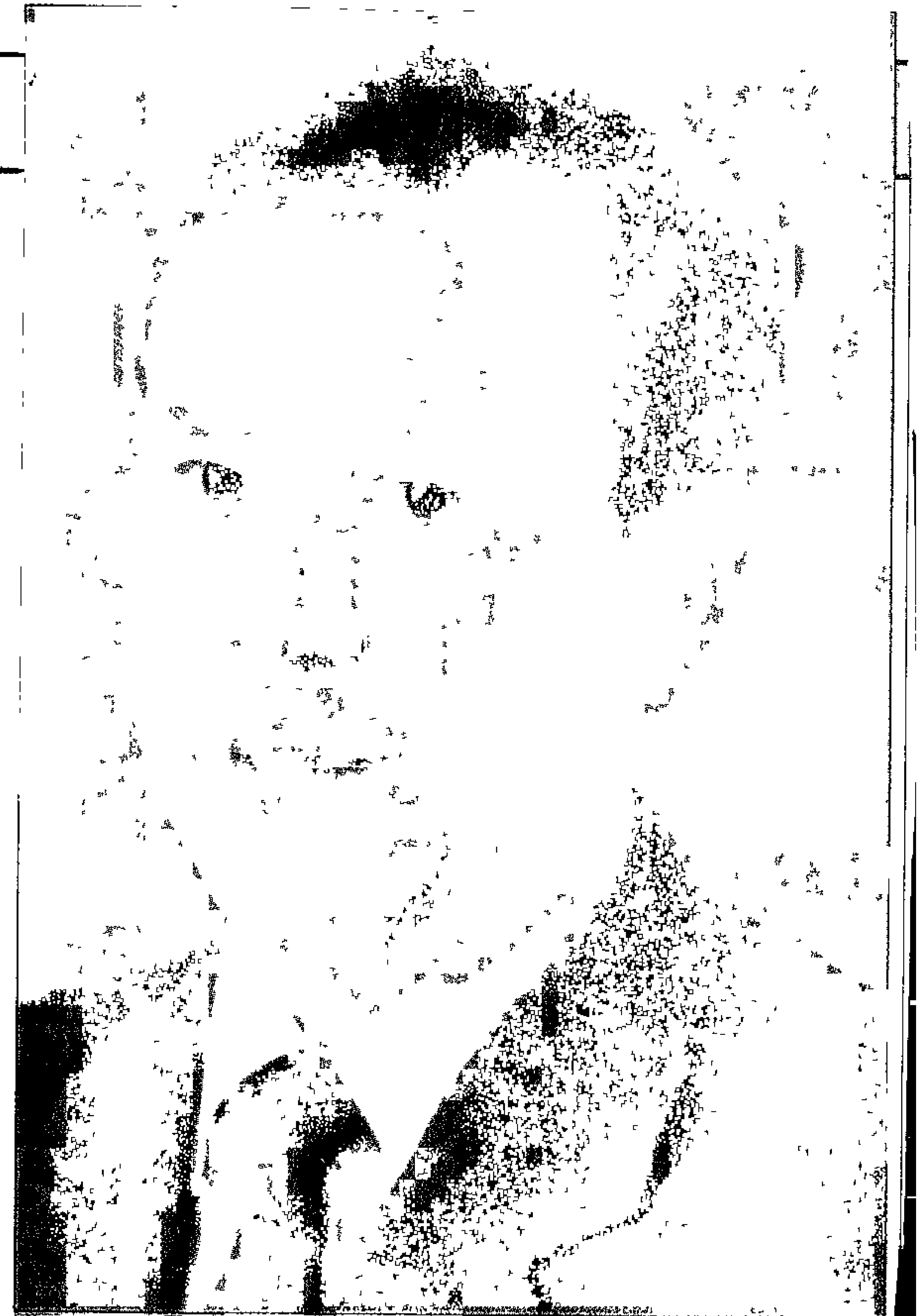
"We have to be proactive in an economy where the extent of corporate diversification is more extensive than in other countries"

He does not provide details of the draft Bill but leaks suggest a two-pronged approach. The first deals with a strengthened Competition Board, armed with increased statutory powers, higher financial penalties and independence from the ministry

Dr Brooks says that enforcement of policy will be considerably improved, if the Bill is passed "If you look at it simplistically the real difference between the old and new approach is stricter enforcement"

The second, and more controversial, arm of competition policy considerably tightens the definition of dominant market position and anti-competitive behaviour, such as price-fixing and market sharing deals Significantly, it could also prohibit cross-directorships among competitors

Sven Lünsche



NOT ANTI-BIG. Pierre Brooks, co-architect of a new competition policy

Study conflicts with SA privatisation plan

(232) CT(BR) 9/10/95

BRUCE CAMERON
POLITICAL EDITOR

Washington — The World Bank has released the results of a major international study of state ownership which could significantly influence South Africa's programme for the re-organisation of state assets

Although South Africa was not included in the 12-country study, some of the major findings contradict the guidelines for the re-organisation of state assets recently approved by the Cabinet

The main difference between the World Bank report and the Cabinet guidelines is the government's reluctance to sell off the larger state enterprises

However, South Africa is moving to fulfil many of the required underlying economic processes to successfully reform state enterprises These include reducing fiscal deficits, easing trade restrictions and removing the barriers to entry into the private sector

The main findings of the World Bank report, entitled Bureaucrats in Business, were

- ☐ Large state enterprises hinder economic growth Among other things they worsen government fiscal deficits, crowd out private investment and consume funds that could be better spent on health and education;
- ☐ Few countries have succeeded in making their state enterprises more efficient The countries that have succeeded in creating more efficient state enterprises have done so by greater involvement of the private sector in ownership and management; and
- ☐ Political obstacles, particularly job loses and the removal of subsidies, are the main reasons so few countries have succeeded in reforming their state enterprises

Michael Bruno, World Bank chief economist and vice-president of development economics, said the study was aimed at understanding why governments did or did not adopt and implement successful policies

The study showed that countries which successfully reformed their state-owned enterprises in line with other economic reforms accrued substantial benefits in trade, investment and economic growth

The study also found poorest countries had been the least successful in reforming state enterprises because of political difficulties.

Even though there has been a general commitment to the reform of state enterprises, only the former socialist economies and a few middle-income countries had recently reduced the proportion of state-owned enterprises

Of the 95 countries committed to the reform of state-owned enterprises, the average sell-off over the past 13 years was three a year — usually of small companies and not the major enterprises

World Bank team leader of the study, Mary Shirley, said there were examples of successful state enterprises but often, after a few years, they were again found to have become unsuccessful

Competition policy talks 'constructive'

Business seeks reassurance over new Bill

BD 10/10/95 (232)

Mungo Soggot

THREE of the most powerful businessmen in SA have met Trade and Industry Minister Trevor Manuel in a bid to find common ground on looming changes to competition policy

Sanlam chairman Marinus Daling, Anglo American chairman Julian Ogilvie Thompson and Business SA head Dave Brink met Manuel in his Pretoria office on Friday

Daling said yesterday that the meeting had been very constructive — not acrimonious as many had expected — and that Manuel had made it clear he was not "anti-big"

This suggested anti-conglomerate measures were unlikely to feature in the new competition legislation

However, sources close to Manuel said he was under increasing pressure to look at measures which had not been covered by the first draft of the new competition Bill leaked last month

Key features of the draft which concern big business are small business protection, a clampdown on interlocking directorships and its focus on attacking abuses of dominant positions.

Daling said he had suggested the draft competition Bill be made public as soon as possible to open up the debate "The meeting discussed a wide range of issues, not just competition policy," he said. "It was an exchange of views with a very important minister It was clear he was not anti-big."

Anglo American, which has said it wants to keep dealings on the issue under wraps, could not be contacted.

The meeting coincides with Competition Board chairman Pierre Brooks's decision to give greater clarity on his stance on conglomerates. He has reportedly said SA industry's structure often militates against competition

Law firm Moseneke & Partners associate Ronald Roberts, a competition law specialist, said the important aspect of SA's conglomerates was not their size but their diversity Even if Manuel did not intend to dictate unbundling he could, for example, implement market-driven unbundling by encouraging takeovers

Continued on Page 2

Competition Bill

(232)

Continued from Page 1

BD 10/10/95

Conglomerates' attempts to be "Jacks of all trades" could not be kept separate from competition law, if such law was aimed at improving the economy's efficiency For example, businesses belonging to a conglomerate which also housed a bank could get access to a soft loan — a state of affairs which jeopardised its competitors

It has been suggested that if forced unbundling was pursued, it would not be left to the competition authorities.

Other legal sources have expressed doubt about direct measures which would seek to split up big groups, as they could violate elements in the constitution which guaranteed property.

Sources said the next draft of the Bill awaited further input from Manuel and was unlikely to materialise until after the local elections. The first draft was written by Cape advocate Willem Pretorius and Brooks.

Privatised assets 'should go to black workers'

(232) BD 10/10/95

Tim Cohen

CAPE TOWN — At least 60% of privatised assets or equity should be made available to economically marginalised black workers, entrepreneurs and communities, PAC MP Patricia de Lille said yesterday in response to government's guidelines on the restructuring of state assets

The guidelines emphasise the need for redistribution, but do not quantify the extent of the assets which should be redistributed

De Lille's response suggested the PAC was not opposed in principle to privatisation, but felt there was no guarantee privatisation would necessarily empower disadvantaged communities

The PAC therefore proposed that privatisation should be accompanied by the provision of management training and the participation of disadvantaged groups and individuals in ownership structures

At least 50% of the money to be spent by the state on expert advisers should be available to black professionals

Iscor experience shows state benefits most from privatising

CT(BR) 11/10/95 (232)

By Ann Crotty

Special Writer

If Iscor's six-year experience is anything to go by, the single most obvious beneficiary of privatisation has been the state

Shareholders have had an uncertain ride with the share price fluctuating from the issue price of 200c (in November 1989), to a low of 61c in 1993, to an average of 400c this year Dividend flow has been unexciting with payment as low as 5c a share for the financial year of 1993

The ten thousand employees retrenched since privatisation may or may not feel they've benefited much, depending on their retrenchment packages This year's annual report shows the group's total remuneration cost increased 11 percent from last year and that operating income for each employee rose 56 percent from R16 000 to R25 000.

For the state the benefits are much more straightforward

Not only has it picked up the proceeds from the initial listing but its tax receipts are looking very attractive This year, cash tax payment more than doubled to R32 million from last year's level of R15 million The effective tax rate this year was 30,9 percent up from 24,3 percent last year

Both are considerable improvements on the 1992 level of 1 percent

Back in May 1989, Dawie de Villiers, then the minister of administration and privatisation, said that privatisation revenue would be used to reduce the public debt "It should be remembered that the assets being realised were for the most part brought to life with borrowed capital By reducing public debt, this capital is in effect being returned, by way of the financial mechanism, to the private sector"

Liebenberg enters row on competition

CT(BR) 12/10/95 (232)

By Bruce Cameron

Political Editor

Finance Minister Chris Liebenberg has endorsed proposed legislation that will reduce the vertical ownership of companies by major conglomerates

He entered the controversial debate at the World Bank and International Monetary Fund conference in Washington when asked about South Africa's monopolies

Liebenberg said the problem in South Africa was not one of monopolies "There are not five or six monopolies There are five or six large companies that are horizontally and vertically integrated"

He said Trevor Manuel, the minister of trade and industry, was in the process "of what Americans would call anti-trust legislation"

While incentives were being offered to the big companies to unbundle, people should realise that certain things were only possible when there were "big and strong companies"

What bothered investors was not big companies, he said, but vertical integration "They feel uncomfortable buying from a subsidiary that is owned by one of the big companies These are matters we have to address if we want a really competitive economy"

Liebenberg announced at the conference that the government had given the thumbs down to export processing zones

He said reasons for the decision included the intention not to undermine Namibian export zones in Walvis Bay Organised labour has opposed similar zones in South Africa.

☐ Liebenberg said earlier the first steps of the country's new economic strategy were encouraging, with South Africa attracting R18,6 billion in net capital inflows in the first six months of the year, Sapa reports

South Africa had adopted a strategy that emphasised "sustainability, monetary and fiscal discipline, value for money in government spending and a commitment to human resource development"

☐ See Page 16

GOOD RECEPTION

Walter Lecwatywa, left, demonstrates the new "free-play" radio to friends outside the BayGen factory in Cape Town The revolutionary radio is powered by a wind-up generator that needs no batteries or mains electricity. Production of the radio has been pre-sold a year ahead. Most of the 50 000 units being produced this year at the Bay-Gen factory at Milnerton on the outskirts of Cape Town have been sold to aid organisations. British Prime Minister John Major said he was pleased with the collaboration between SA and Britain in developing the new radio *See Page 16*

PICTURE ANDREW BROWN

Delegation looks at privatisation

(232)

Linda Ensor

BD 24/10/95

LONDON — The expertise which the British government and private sector have accumulated in privatising state industries is to be made available to the SA parliamentary select committee for public enterprises The 11-person delegation, led by chairman Mandla Msomi, which arrived in London at the weekend as guests of the British government, will spend the next few days meeting key players in the privatisation business.

Yesterday the delegation met head of privatisation in the treasury Harry Bush, head of the strategic management team Stephen Wood, and vice-chairman and directors of Hambros Bank.

Other meetings will take place with British Invisibles, Rolls-Royce, Associated British Ports Holdings BAA International — to discuss the human aspects of management in a post-privatisation company — accounting firms Ernst & Young and Coopers & Lybrand, and merchant bankers Kleinwort Benson, Morgan Grenfell, Robert Flemming Holdings and SG Warburg

Also in London this week is a delegation from the President's Office, led by deputy director-general Bernie Fanaroff and including key department of development planning officials.

They will meet the Overseas Development Administration to discuss co-operation with Britain and members of the treasury, as well as participating in a development planning workshop organised by London University's development planning unit.

R81m spent on school facilities

BD 24/10/95

Stephané Bothma

BY THE end of this month, Northern province would have disbursed R81m for the provision of classrooms and other school facilities in the province, Northern province education MEC Aaron Motsoaledi said at a function yesterday

Most of this money had come from the reconstruction and development programme.

This included R9m for the upgrading of 11 schools for the handicapped and R10m for the building of additional classrooms at schools which had been "using trees as they had no classrooms at all".

It had gone, too, to schools without any buildings, and schools where the pupil-classroom ratio was unacceptable

At an occasion marking the second phase of the ministry's education development programme, Motsoaledi said the programme, which was started on September 5, would be completed on Friday.

By early next year, there would be an additional 1 745 classrooms in the province.

Although this figure might seem insignificant in the face of the staggering 35 000 that the province was short of, Motsoaledi said it was made possible by the "intervention of the RDP in breaking the cycle of poverty" in the country.

Motsoaledi announced also the implementation by his ministry of an integrated approach aimed at overhauling the content of teaching and learning while at the same time providing the most favourable conditions for teachers and students.

He said the weakest link in the education chain was the training of teachers.

"We have decided, therefore, as MEC's for education in all the provinces, to cut down the enrolment of students at all teacher-training colleges from 1996," Motsoaledi said.

Northern Transvaal did not have a problem only with poorly trained teachers, but also with teachers who were unemployable, he said.

Courses

"We still have more than 7 000 teachers without jobs.

"Yet almost every school has one or more vacancies for mathematics and science teachers."

Motsoaledi said those planning to enrol at teachers' training colleges next year would have to follow courses in the fields of the natural sciences, mathematics, management, the fine arts including music, English and commercial subjects

State sell-offs plan on target

(232) (250)

PRETORIA. — The government is to go ahead with plans to restructure state assets, which could include full or partial privatisation of some enterprises.

Minister for Public Enterprises Stella Sigcau, announcing plans yesterday to submit an interim report to the cabinet on December 6, said no options had been ruled in or out ARG 26/10/95

"Those decisions have not yet been made. All ideas are welcome and no options are ruled out," she told reporters

The government outlined guidelines for restructuring state assets in August which acknowledged the importance of the private sector, but stopped short of calling for outright privatisation.

During 1996 six task teams will define final options with the cabinet deciding on the best course for each enterprise on a case-by-case basis, Ms Sigcau said.

To assist, her department would evaluate the need to hire external advisers, including international investment bankers.

But South Africa would not be swayed by dogma. "We will find solutions unique to South Africa rather than simply importing other models and applying them uncritically," she said. — Reuter.

Cosatu calls for privatisation to be open

(232) BD 26/10/95

Renee Grawitzky and Mungo Soggot

COSATU yesterday demanded that Public Enterprises Minister Stella Sigcau disclose all research into restructuring and privatising parastatals

General secretary Sam Shilowa said that in the interests of transparency Cosatu would call on Sigcau to divulge its research today, when she and deputy finance minister Alec Erwin addressed the National Economic Development and Labour Council on government's restructuring plans.

He also called for a moratorium on parastatals' restructuring.

One commentator said there were fears — not only among the unions — that the privatisation process was not being driven by government, but by parastatals and that Sigcau had still to take over the reins

Parastatals, particularly Telkom, were limbering up behind closed doors, making a mockery of transparency, Shilowa said

Meanwhile Sigcau dealt another blow to hopes of a speedy restructuring process, announcing that she is to set off around the country to consult "key stakeholders" in the restructuring process.

She said she aimed to give the Cabinet an interim progress report by December

In the meantime, she would hold a national "Indaba" roadshow and talk to regional governments, business, trade unions and also disadvantaged communities about the process, which would be dubbed "transforming public enterprises — serving SA better"

The restructuring options for each parastatal would be examined by task teams A source said that the telecommunications team would be chaired by Post and Telecommunications Minister Pallo Jordan, the transport team by Transport director-general Ketso Gordhan, and the energy team by Minerals and Energy Affairs Minister Pik Botha, with an active role by trade and industry

Sigcau's special advisor, Jeff van Rooyen, said these task teams would pick advisors from the private sector — including merchant banks and lawyers — in a "transparent and consultative process"

Kolosus expects sharper competitive edge

(232) BD 27/10/95

Yuri Thumbran

THE merger of the leather operations of Kolosus Holdings and Silveroak Industries would sharpen the companies' competitive edge, Kolosus said yesterday.

The tie-up — which has still to secure final approval from the Competition Board — would enable the operations to cut costs and boost efficiencies, it said.

Kolosus division Western Tanning Company finance director Melcus Nel said yesterday the merger would also allow the company to compete more effectively with growing imports.

SA hide production had slipped to 1,9-million hides in 1994 against 2,3-million in 1989, and the figure was expected to register a further slide to 1,8-million hides in 1995.

The first major challenge for the merged businesses would be to improve productivity, with techniques employed at Kolosus utilised at Silveroak.

Only the niche businesses of the two leather operations would be left to run independently, Nel said. The rest would be combined.

Sell Telkom, SAA, pay nurses and police – Leon

EAST LONDON — The government should sell South African Airways and Telkom to help finance infrastructural development and the country's debt repayments, says Democratic Party leader Tony Leon 4 (232) ARGT 28/10/95

Mr Leon told a DP election lunch in East London that the government owned at least R171 billion in "privatiseable" state assets, including the Denel arms manufacturer

"The government should sell these off — then we would be able to pay our nurses and policemen better salaries," he said

Mr Leon also claimed the attorney-general's office in Johannesburg — responsible for administering 145 courts in Gauteng — was operating with a skeleton staff and was on the brink of collapse

At least 20 positions were vacant, including those of the attorney-general, two deputy attorney-generals and seven senior-staff advocates

The average level of experience among prosecutors still in place in Johannesburg and Pretoria was between six and 12 months

"The result of all this is the rapid deterioration of the criminal justice system — in the city most adversely affected by crime in South Africa," he said

Mr Leon blamed the crisis on Justice Minister Dullah Omar who, he said, was more interested in the truth and human rights commissions than with maintaining the criminal justice system

The crime sweeping the country was a "national crisis" which required urgent steps by government

"It must reclaim the streets of South Africa back from the criminal army," he said — Sapa.

PRIVATISATION (232)

One small step

FM 3/11/95

Government moved one step closer towards privatisation last week with Public Enterprises Minister Stella Sigcau's announcement that she will begin nationwide public consultations in her bid to transform SA's public enterprises into world-class operations

Says Sigcau "The aim is to improve the running of essential public enterprises in order to deliver more, higher quality products and services for the benefit of all South Africans This will be achieved through a number of options which could involve partnerships with private-sector capital"

The announcement comes following Sigcau's appointment, in August, of a steering committee to restructure State assets and six sectoral task teams representing transport, defence trade and industry, posts and telecommunications, water affairs, forestry and agriculture, finance and development institutions and minerals and energy

The appointments effectively devolve decision making to each relevant sector — a move that could hasten the end of the political grandstanding within government and labour, paving the way for the technical experts to start the real restructuring

Of course, the main focus will be the "service providing enterprises" — including Telkom, Eskom and the Post Office — a category that government appears to be less keen to sell off since it perceives these enterprises as essential to the country's infrastructure and RDP promises of universal access to services

It's thinking, though, that doesn't necessarily exclude private sector partnerships

Says Rand Merchant Bank GM Neil Morrison "Experience has shown that as governments experience rising deficits and budget constraints, they seek private sector financing for infrastructure projects

But the involvement of the private sector in the provision of infrastructure services changes the role of government Put simply, as government creates conditions conducive for the private sector to provide services, it ceases to be the provider of services and becomes the purchaser"

He adds before seeking private infrastructure financing, government needs to consider whether risk transfer to the private sector is possible, whether cost distributions between the two sectors is feasible, and whether private finance represents value for money

Of course, prospective private sector buyers will need to assess a host of commercial, economic and political risks And while a would-be partner might have little control over irresponsible government monetary and fiscal policies and political instability, they can contract to minimise commercial risks, particularly through management contracts, lease projects and joint venture projects

For joint ventures, both the public and private sector contribute towards the cost of the project but the private sector controls the project and the risk it assumes will be determined by expected returns ■

Probe of sale under way

BD 3/11/95

Yuri Thumbran

(232 X ~~[illegible]~~)

COMPETITION Board officials will meet today to discuss the planned sale of the R300m timber operations owned by Hunt Leuchars & Hepburn (HLH).

Competition Board chairman Pierre Brooks said yesterday the investigation into the sale was far from complete and that it would go back to the various concerned parties with the findings from the meeting.

The investigation was sparked after independent operators found themselves bidding for the HLH operations against pulp and paper industry leaders Sappi and Mondi

Brooks has previously indicated that a final decision on the sale was likely to be influenced by the findings of the long-running probe into the paper and pulp industry

JSE gears up for 'big bang' deregulation

Beatrix Payne (232) BD 3/11/95

THE JSE had still to make final adjustments to its infrastructure before the "big bang" deregulation next Wednesday, JSE president Roy Andersen said yesterday.

The exchange would begin the automatic separation of client and broker funds on Monday, in a move to provide greater protection to investors should a broker default Client funds would be placed in separate trust accounts which brokers could access only if they were entitled to do so Most large exchanges had such a system, Andersen said

The JSE would also load 200 new software programmes onto the recently installed mainframe over the weekend

Once the market opens on Wednesday morning corporate and foreign membership and limited liability will have been introduced Brokers will also have had to meet new capital requirements that are in line with European directives. But trading would carry on largely unchanged, with the only tangible indication of the restructuring being some name changes and a new row of desks to accommodate the few recent incumbents to the floor

So far only two firms had closed after four firms merged operations, but four new companies had been launched by local banks Seven firms had sold shares to foreign banks or broking firms and four brokerages had teamed up with local banks or insurers One foreign broker was about to start operations, but Andersen would not identify the firm concerned.

He said the test would come in March with the introduction of negotiated brokerage, which would put margins under pressure and was likely to trigger price competition between brokers

Some smaller firms are likely to survive if they can tap into niche markets, but most market watchers expect to see some medium-sized firms go to the wall, especially those that have not teamed up with banks or foreign partners Dual capacity trading and an automated trading system would also be introduced in March, Andersen said

A case for privatisation?

(232)

FM3/11/95

Container bottlenecks in Cape Town and Durban have created havoc with shipping line schedules because port infrastructure is inadequate. There is also a shortage of skilled personnel As a result cargoes and ships have been delayed with concomitant costs to the economy

Since SA re-entered the world trading arena, many aspects of our protected and inadequate infrastructure have been highlighted — but none more so than at the country's ports.

A dire lack of planning and the failure to implement capex programmes have firmly placed our shipping facilities in the emerging countries bracket Capex inadequacy has been particularly conspicuous in Portnet, the managing authority of SA ports

Portnet, in spite of problems, is one of the most profitable enterprises in the Transnet stable. From a turnover of R2,5bn it made net profit after finance costs of R1,1bn Its total operating assets were worth R4,1bn at book value, yet capex in 1995 was only R224m.

For the past four years the post-retirement benefit costs (pensions) of the old SA Transport Services has wiped out all of Transnet's net profit each year Profit after finance costs — 1992 R478m, 1993 R972m, 1994 R1,6bn

In financial 1995, these benefit costs together with an additional R528m retirement Transnet costs for the year, reduced Transnet's attributable profit of R1,5bn to a meagre R118m

With this noose around its neck, Transnet's capital expenditure has been inadequate In 1995 it was R1,36bn That's peanuts when depreciation is R1,6bn, inflation is running at 10%, the country's economy is growing by 3% and assets are valued at R33,5bn In fact, it's retrogression

Portnet is valuable to Transnet because its profits subsidise Transnet's loss-makers But it could be worth considerably more in the private sector which would evaluate its earnings capability on a p e basis Of all Transnet's businesses, Portnet has the best track record If sold it could attract a relatively high p e

The proceeds from a free market sale could be used to bolster the pension fund which has been dragging down profits

It would be Transnet MD Anton Moolman's finest moment if he could persuade the powers that be to privatise SA's ports It would unlock huge value, create badly needed efficiencies and generate additional taxes for the State

But as with every other State enterprise, unions are having an increasing say Now a committee known as the Turn Strategy Council has been established under the chairmanship of Moolman to promote co-operation with the Transnet trade unions In practice, one of its functions is to monitor, guide and audit all affirmative action appointments in Transnet Presumably it was not working effectively because it is being restructured

Under these circumstances it is understandable that part of Portnet's problem arises from the fact that for the past two months, appointments of white staff have been zero The problem is not that they are not needed, they are — desperately It is that the hiatus is being caused by trying to do the right thing politically

Now, not only is Portnet unable to employ on merit, it is unable to employ at all It's symptomatic of the sort of bureaucratic madness and bungling that placed Transnet in the problem-ridden predicament it now finds itself It is also the sort of problem that breaks the economies of countries

As proposals now stand, when the restructuring is complete the council will meet bi-monthly It has developed a policy that Transnet is to employ blacks in the ratio of 70 30 and the committee — drawn from all the unions, management and stakeholders — purports to be as representative as it practically can be Commendably, the council is planning ahead. It describes in detail its Human Resources Plan 2000 Each section of a division or a business unit is to formulate its own human relationship plan which has to conform with the overall plan for Transnet to achieve a similar demographic profile to that of the country

But whatever policies the council eventually manages to forge, there is a clear message from all successful companies and indeed countries Employ on merit in the short term; educate and train for the long term Any deviation from this lesson causes jobs to disappear with profits and the spectre of poverty to arise That's why Moolman must privatise Transnet's assets as soon as possible

Make each division answerable to its stakeholders and operate on the inseparable basics for success — efficient workers and management excellence First privatise the ports then concentrate on making profits rather than trying to correct faults of the past 50 years in months *Gerald Hirshon*

CROSSING THE LINE

Cruise ship tourism is back in fashion It is again believed to be the most desirable way to travel and estimated to be the fastest growing sector in international tourism.

When Cape Town was the gateway to Africa, SA was served by Union Castle and other famous passenger lines that plied the seas between the Cape and Europe They are all extinct, replaced largely by the airliner Now, contrary to expectations, a new breed of liners could emerge if Portnet's Captain Johan Carse has his way

He has been instrumental in bringing together seven southern and east African countries to promote cruise tourism Kenya, Mauritius, Tanzania, SA Mozambique, the Seychelles and Zimbabwe

According to Carse, the traditional cruise ship routes have reached saturation point and operators are looking for new destinations Considerable interest is being shown in the ports of the western Indian Ocean and the eastern and southern seaboard of Africa as places that could rival the traditional Caribbean, Mediterranean and northern European cruise areas

To promote the new destinations, the Port Management Association of Eastern and Southern Africa has been formed with 14 members A standing committee chaired by Carse has been established Its prime function will be to package and market promotions of regions as complementary destinations for cruise ships Carse is to present a marketing plan to association members at a conference in Durban on November 20-24

There are already cruises from Durban or Port Elizabeth to Cape Town and between Cape Town and the UK Safmarine has a few berths on its container ships Though the dancing and sporting activities associated with the traditional cruise liners are not offered, prices and level of luxury are reasonable You can eat the well-presented fare, drink and be merry with the senior officers, rest, read, watch videos and sleep And if the weather is good, there is always the pool to enjoy This is a highly recommended way of taking a break *Gerald Hirshon*

Minister wants HLH sale stopped

(498) (232) ST (BT) 5/11/95

By SVEN LUNSCHE

THE government has asked the Competition Board to reject the sale of Hunt Leuchars & Hepburn's timber interests to local forest giants Mondi and Sappi.

Water Affairs and Forestry Minister Kader Asmal says the sale offers "the opportunity to bring in an international player into the SA timber industry, and specifically the pulp and paper industry".

The Competition Board has received submissions "on an unprecedented scale" from independent sawmillers and other parties fearful of a concentration of power in the timber industry in the hands of three major players — Sappi, Mondi and parastatal Safcol.

HLH is proposing to sell its softwood interests to Sappi and its hardwood (mining) timber division to Mondi for an undisclosed amount. Their combined value is estimated at R400-million.

Mondi parent Anglo American, which already has 50% of HLH Timber Holdings, has a pre-emptive right on the other 50% but has expressed an interest only in the mining timber division.

In his submission to the board Mr Asmal says "the pivotal role of the small-grower sector would be lost if either Sappi or Mondi acquired Timber Holdings as over time all its 3,1-million tons of fibre resources would be directed to their own manufacturing facilities".

He says there is already a significant clamour among the world's leading pulp and paper companies for SA timber, particularly from New Zealand, the US and Japan, and HLH Timber could prove an attractive asset for foreign investors.

He proposes that the board reject Mondi's offer and remove Anglo's pre-emptive rights on HLH Timber.

Instead, other potential local and foreign investors should be allowed to bid openly for HLH Timber, assuming they are financially suitable to HLH.

"New investors could also offer Mondi a strategic asset swap for its shareholding in the form of an equivalent investment overseas to expand its international aspirations," Mr Asmal says.

Other bidders for HLH's softwood interests have proposed that if Sappi receives the go-ahead it should be compelled to guarantee supplies to them for at least five years.

Competition Board policy 'is not to blame'

(232)

Beatrix Payne

BD 7/11/95

SHIFTS in Competition Board policy were not to blame for the recent collapse of some franchise chains such as the Bubble Shop and Top CD, franchise consultants Parker Gordon & Associates director Bendeta Gordon said last week

Bubble Shop MD Dick Whiley had blamed the chain's collapse on the relaxation of Competition Board policy which allowed franchisees to bypass the company and obtain stock from other suppliers.

Gordon said the franchise industry was likely to grow 20% to 30% a year over the next few years. But the collapse of some chains, largely a result of misconceptions about the nature of the business, had discouraged banks from providing finance and gave a bad name to franchises that could prove successful.

"It's no use pointing fingers at the Competition Board. The problem is that people see franchise chains as a mechanism to distribute products. But franchisers have started to realise that they have to shift their strategic focus from supply to pushing franchisee turnover." Franchisers should make money largely on a percentage of the franchisee's turnover, not on profit from supply and distribution.

FIRST RESORT *Stella Sigcau, minister for public enterprises, says hospitality is not a government function, which suggests that the selling of resort assets might be the first significant step in state privatisation*

Aventura resort an appropriate venue for privatisation talks

(232)

CT(BR) 15/11/95

By Ann Crotty

Johannesburg — Should some significance be drawn from the fact that this week's restructuring bosberaad is being held at Aventura's resort in Warmbaths?

While no official decision has been made, as things stand Aventura looks likely to be the first significant asset privatised by the government

Two weeks ago at a press conference to announce a nationwide programme of communication and public consultation, Stella Sigcau, the minister for public enterprises, under pressure to give some specifics on the government's approach to the ownership of assets, refused to give anything away on the politically sensitive parastatals However, she cautiously remarked "Hospitality is not a government function"

Of course this does not amount to a specific mention of Aventura, but it is difficult to see to what else the minister might have been referring If it is the case, it does suggest the government is making some move in its approach to asset restructuring In August, Alan Louw, the Aventura managing director, said that the government had indicated to him that not even Aventura's assets were for sale

According to the ministry's July discussion document, Aventura falls into the third category of State Owned Enterprise (SEO), those enterprises "for which no public interest exists as to why they should be in the public sector and which have no visible role in the RDP SOEs in this category may be further subcategorised into those that are profitable and those that are incurring losses Loss-making SOEs in this category that are being supported by either cross-subsidisation or state subsidies may have to be sold or liquidated"

In the past, Aventura appears to have been used as a subsidised holiday resort for public servants Government subsidies covered the losses that were made every year up until 1992

In the year to end-August this year Aventura suffered yet another loss Management expects to make an operating profit this year but this will be wiped out by interest payments and refurbishment costs

The improvement in operating performance reflects the benefits of some restructuring that was undertaken this year, which involved replacing the top management team, as well as a more aggressive strategy in the marketplace, including an improved advertising campaign and better service

Despite an increase in rates to bring Aventura into line with industry norms, a slight increase in occupancy levels has been achieved Last year it also sold R10 million worth of units in its holiday investment scheme Club Priv

While it does not have the high profile attractiveness of some parastatals, with an asset base of about R100 million and replacement costs running five to six times as high, Aventura does have considerable attractions, particularly given the long-term prospects for tourism in South Africa

Now that Aventura is moving towards profitability, in terms of the minister's discussion document it does not have to be sold The profit that it generates can be used to repay the government for the subsidies that were handed out over the years It does need a capital injection of about R40 million

A profitable state-owned Aventura would have little trouble raising private sector funds to further develop its asset base The notion of privatising profit and nationalising losses hardly seems appropriate for a government that needs to fund massive RDP projects

An additional note on government and the restructuring of assets is the confusion that appears to have been caused by the Aventura bosberaad to which all the key players in the government, parastatal management and unions (albeit at the last minute) have been invited

The bosberaad has been organised not by the ministry, but by the standing committee on public enterprises That no mention of such a high profile gathering was made at Sigcau's press conference suggests the minister was only recently informed of it This raises questions about exactly who is driving the official approach to the restructuring of state assets

Asmal enters Nedlac debate

(232) BD 9/11/95

Greta Steyn

WATER Affairs Minister Kader Asmal has joined the competition policy fray, saying a new policy should not be negotiated with business in the National Economic, Development and Labour Council (Nedlac)

Asmal, speaking yesterday in Cape Town at the international conference on democracy, human rights and economic development in Southern Africa, said Nedlac could not become a substitute for Parliament.

Asmal, whose topic was human rights and sustainable development, noted that Trade and Industry Minister Trevor Manuel had expressed doubts about whether the Nedlac process should be central to the finalisation of the Competition Bill Nedlac was meant to represent the interests affected by government policy But in the area of competition policy a major constituency — that of would-be foreign and domestic investors — was unrepresented.

Competition policy had to be decided by Parliament in the interests of the country as a whole.

Parliament ruling on competition wanted

ARG 9/11/95 (232)

☐ *Nedlac business component weighted, says Asmal*

ALIDE DASNOIS
Business Editor

COMPETITION policy should be decided in parliament, not in the National Economic Development and Labour Council (Nedlac), Minister of Water Affairs Kader Asmal said

He told the international conference on Democracy, Human Rights and Economic Development in Sea Point last night that the business component of Nedlac was weighted in favour of the conglomerates Potential foreign and domestic investors

"Asking the conglomerates to determine competition policy is like asking the lion to determine lamb policy It is an absurd idea," Professor Asmal said

"In general, Nedlac cannot become a substitute for our new parliament And in the area of competition policy the difficulties are particularly acute"

Big was not necessarily bad, he said "Sometimes big entities may be efficient, for instance by capturing economies of scale

"The problem arises when business managers begin to pursue business as an end in itself, even at the expense of efficient corporate governance When this happens, society's resources are misallocated, long-term growth and job creation are jeopardised; government must step in"

Referring to remarks by Anglo American executive Michael Spicer, who was quoted at a recent seminar on competition policy in Cape Town as saying that "ministers have a short shelf life," Professor Asmal said this was ominous

"We must remind such people that the country has become a democracy, and democracy can have a very long shelf life

"All of us must insist on an open, transparent and parliament-driven debate over competition policy"

Telkom's privatisation gets a nod

BD 8/11/95 (232)

Beatrix Payne

RESPONSES to government's Green Paper on telecommunications policy indicated a large measure of consensus on the limited privatisation of Telkom and the need for a strategic equity partnership, Posts and Telecommunications Minister Pallo Jordan said yesterday.

Speaking at a briefing on public responses to the paper, Jordan said there seemed to be room for "sufficient consensus" on the issue of market structures. The necessity for change was "a red thread" that ran through most of the responses.

But the parameters of what was possible in the restructuring of state assets would be subject to government policy on the issue.

He said his remarks were neither "definitive nor conclusive" as the responses had to be discussed at an industry wide colloquium later this month.

The first draft of a White Paper on telecommunications policy would be published in mid-December from the discussions at the colloquium.

The second draft, he said, would be presented to the national telecommunications forum plenary session early in February, and a final draft would be ready for Parliament by late March.

The ministry had received 131 submissions on the Green Paper.

Jordan said he was a little disappointed by the response from the public, but participation by some individuals and organisations had been good

Despite a sharp polarisation of views on the question of the supply of telecommunications equipment, he said he had firm views that the preferential supply agreements should be relegated to the past as there was considerable untapped capacity in SA's equipment supply sector.

"But we can still debate the issue," Jordan said.

The telecommunications sector would be an enabling network to facilitate economic activity, and could act as a stimulus to small and medium enterprises.

Most submissions recognised the necessity of addressing basic needs, "a requirement for SA's ability to drive on the information highway", Jordan said.

Privatisations attract interest

(232)

Beatrix Payne

SA COMPANIES and government privatisations were likely to be the driving forces behind the issue of American depository receipts (ADRs) next year, Citibank depository receipts regional director Europe, Middle East and Africa Tim Oldfield said yesterday

ADRs are US securities representing shares in a non-US company, and trade on US financial markets along similar lines to ordinary US company shares

All foreign companies seeking a listing on US exchanges have to start by issuing an ADR

Oldfield said most of the ADR issues this year by local companies, including Malbak, Sappi and Bidvest, had been used to raise capital — and the number of SA deals still in the pipeline was high

Many SA companies were likely to convert their unsponsored ADRs to sponsored programmes with a single bank to improve exposure to the US market

It was unclear whether there would be any privatisation-related issues from SA next year but there was considerable foreign interest in the privatisation of SA's utilities, he said

Just more than 120 new programmes were launched in the first nine months of this year, the most active issuers having been the UK, where 22 new programmes were launched, Hong Kong (21), SA (10) and Germany (7), said Oldfield BD 10/11/95

Ster-Kinekor 'not stifling competition'

BD 13/11/95 (232)

Amanda Vermeulen

LEISURE group Interleisure has dismissed suggestions that mainstay operation Ster-Kinekor inhibited competition because it was the market leader.

In the group's 1995 annual review, chairman Peet van der Walt said the current Competition Board probe into Ster-Kinekor was "ironic", given that the company's previous investment displayed faith in SA's economy

Ster-Kinekor had invested in modern multiplex cinemas 10 years ago, well ahead of the global industry "It is therefore ironic that these developments are now the subject of a Competition Board inquiry," he said.

"Small and big business have important roles to play in the development of SA But we will not accept that the capital commitment, free market efforts and competitiveness of Ster-Kinekor are jeopardised by unreasonable constraints arising from its position as market and brand leader."

Interleisure, which lifted earnings a share 18% to 23,1c on sales down 5% to R407m in the year to June, had spent R44,6m during the year, most on Ster-Kinekor A joint venture between Ster-Kinkor and black-owned entertainment group Moribo was formed The new company, Ster-Moribo, would focus on establishing new cinemas in townships.

Ster-Kinekor had largely completed its strategy, announced four years ago, to double its number of screens. Development in major shopping complexes would slow in the next few years, partly as regional shopping centre development would decline.

He said economic growth was expected to continue but it was imperative that South Africans felt safe to travel out of their homes Fears about car-hijacking and violent attack were inhibiting the group's ability to provide away-from-home entertainment

Van der Walt said he was relinquishing his position to Kersaf chairman Buddy Hawton, who announced recently he would replace Sol Kerzner as Sun International Bophuthatswana chairman

Minister fells privatisation of Safcol 'in present form'

ST(BT)12/11/95 (232)

By SVEN LUNSCHE

KADER Asmal, the Minister of Water Affairs and Forestry, has warned that the SA Forestry Company will not be transferred in present form from the public to the private sector

"I shall not be party to Safcol's privatisation if it places the country's forest resources in fewer hands or doesn't accord with our rural development programme," he said

A task group under the Department of Forestry's chairmanship is examining the restructuring and possible privatisation of Safcol as part of the government's programme to restructure all public sector corporations

Safcol is the major supplier of softwood sawlogs to some of the country's independent sawmillers, who have launched an unprecedented campaign to prevent Safcol's privatisation and break its stranglehold on log supplies

But Tienie van Vuuren, Safcol's chief executive, wants the group maintained at a "viable" size "The government will lose out if Safcol is split as the group will not be commercially viable and lose its export potential"

TIENIE VAN VUUREN

Safcol, which was commercialised in 1992, has a 35% share of the SA softwood sawlog market But some independent millers charge that because Safcol has a regional monopoly in many areas of the country, it is pushing up prices indiscriminately and tightening contracts with independent millers who have no alternative suppliers

Many issues concerning Safcol's future status are inherent in the Competition Board's investigation of the sale of Hunt Leuchars & Hepburn's R400-million timber interests to the other two forestry giants, Sappi and Mondi

Mr Asmal has urged the Board to reject the sale, saying it is likely to lead to a concentration of forestry resources in the hands of three major players

Figures provided by his department show that if the sale is approved, Sappi, Mondi and Safcol will control 58% of the hardwood and 72% of the softwood timber markets

While Sappi and Mondi rely mainly on their own forests and Safcol to provide the raw material for their sawmills and pulp and paper plants, many independent millers are dependent on Safcol alone

Safcol is abusing its dominant position, the independents charge

"When Safcol was under state control it was a benign supplier targeted at establishing industries in rural areas," says Solly Tucker, chairman of JSE-listed Yorkcor "Now we are dealing with a supplier who is also a competitor and wants to bring up his bottom line so the family silver will shine at the sale"

At the heart of the dispute are Safcol's "evergreen" contracts, long-term supply contracts that guarantee supplies from specific plantations to the sawmillers

John Mortimer, executive director of the SA Lumber Millers Association, says there are 22 long-term contracts between Safcol and millers

In the latest round of contract renewals, Safcol has insisted on a three-year termination clause and wants more frequent reviews of sawlog prices

Three independent millers — Yorkcor and Eastern Cape groups Rance Timber and Lentz Forest Products — are refusing to sign the contracts, arguing that they need and are entitled to security of tenure which is the basis of investments in plant and machinery.

John Rance, director of Rance Timber, says Safcol is a monopoly supplier to his company "When we refused to accept certain contract terms and argued over increased log prices, they reduced the volumes supplied," he says

These charges are rejected by Mr van Vuuren He is particularly angry about allegations that Safcol has withheld log supplies "We always honour our contractual obligations," he says

On the sharp price increases, he says that SA sawlog prices are about one-third of international prices and that Safcol has indicated it will take more than five years to bring prices into line

"On average we have lifted prices by 35% over the past two years with larger increases for higher quality logs," he admits, but adds that sawmillers waste up to 10% of timber resources. "Sawmillers should invest in technology so they can improve recovery of material from the present 45% to the international norm of 55%," Mr van Vuuren says, pointing out that Safcol had just invested R50-million in upgrading its five sawmills

About 10% of Safcol's timber is earmarked for its own mills, while 3,5% is exported at world prices

Mr Rance counters that Safcol, as opposed to independents, has total security and knowledge of supply which makes the R50-million a viable investment

"Prices have risen well above inflation and we cannot cope with that overnight especially since we have been isolated from international technology," he says, arguing for a 10-year adjustment period

Various suggestions are being put forward on Safcol's future structure

Safcol will be represented on the task team by chairman David Gevisser and will give constant input at all stages of the investigation Yet it appears unlikely to maintain its present form, judging from comments by Mr Asmal

He is keen to involve foreign investors in the restructuring, having urged a similar line in his Competition Board submission on HLH.

"Foreign investment is one way of opening up the economy, especially since foreign investors have developed a much closer working relationship with local communities and subcontractors," Mr Asmal says His main priority though is to use forests as a central part of rural development. "Forests are the major employer in the rural areas, and these jobs need to be protected even if we sell off only 49% of Safcol"

Mr Rance, with support from other independents, proposes that Safcol's saw mills be combined with its plantations and sold individually, while other plantations should be sold to the mills they supply

Salma's Mr Mortimer says it is essential to split Safcol's forestry and saw milling interests. The saw mills should be sold individually and Safcol's forests should be held in trust on behalf of the state and managed by the sawmills that derive logs from them

'No garage sale' in restructuring of state

By Bruce Cameron ST (BR) 14/11/95 (232)

Warmbaths — The government will not be rushed into the restructuring of state enterprises, Stella Sigcau, the minister of public enterprises, warned yesterday at a top level conference on the restructuring of state assets

"There will be no garage sale"

Sigcau was opening the conference attended by members of parliament, captains of industry, trade unionists and senior executives of the state enterprises

She announced the next step in the process would be to appoint experts to advise the various task teams investigating the re-organisation of the various enterprises The posts would be advertised this weekend

There was a clear agenda to transform the state-owned companies into world-class enterprises The process "must lead to growth and stability"

"We must not be overhasty and make a lot of mistakes We will rue the day if we do"

There was also a need to break out of what had become a sterile debate on privatisation based on political dogma A focus was required on the end benefits for the people of the country and to the country as a whole

Sigcau said the process would require strong government leadership, good management of the state-owned enterprises, co-operation between the enterprises, unions and individual workforces, outside expertise, and private capital and partnerships where appropriate

The process had to deliver economic growth, achieve RDP objectives, allow greater competition, and promote job creation, black empowerment and education and skills development

Critical

A key factor in the whole process would be wide consultation with all stake holders, including employees and customers

"The process of open and transparent consultation is critical to the whole exercise"

Sipho Shabalala, the head of the office for public enterprises, said the whole process had to be undertaken within the restructuring of the economy as a whole

Issues such as the effect of reorganisation of state companies on the over-concentration in ownership of resources and the location of the wealth of the country had to be taken into account

'Public enterprise 'bosberaad' open

(232)

ALIDA DASNOIS
Business Editor

WARMBATHS — Delegates to the *bosberaad* on the restructuring of public enterprises decided, after heated debate, not to hold today's session behind closed doors

The three-day *bosberaad* in Warmbaths was organised by the parliamentary portfolio committee on restructuring

Attempts by committee chairman Inkatha Freedom Party MP Mandla David Msomi to exclude the Press from today's session were strongly resisted by trade union delegates and African National Congress MPs

Mr Msomi claimed the management of the parastatals such as Eskom, Transnet and Denel, should be allowed to discuss the delicate issues of restructuring — and its implications for jobs — away from the public gaze

But, ANC MPs, including Tony Yengeni, and delegates from unions such as The National Union of Metal Workers of South Africa (Numsa) and the National Union of Mine Workers (Num), refused to close the session

"We are talking about public enterprises, and the public has a right to hear," said one delegate

The unions are already angry because they were invited late to the bosberaad

According to Mr Msomi, Minister of Public Enterprises Stella Sigcau was not keen that unions should be present, but gave in at the last minute.

The minister could not be reached for comment, but other portfolio committee members blamed the late invitation — the unions were only invited last Friday to the bosberaad — on Mr Msomi himself

ARG 14/11/95

Consultation promised on state assets

Business Editor

MINISTER of Public Enterprises Stella Sigcau is to hold roadshows throughout the provinces to hear views on the restructuring of state assets

Ms Sigcau told a *bosberaad* on restructuring in Warmbaths, north of Pretoria, yesterday that trade unions, business leaders, black professionals and entrepreneurs, employees and customers of public enterprises, as well as the premiers of the provinces, would be consulted

"The whole process of open and transparent consultation is critical to the exercise," said Ms Sigcau.

She was attacked at the *bosberaad* by union delegates who complained that decisions on some state enterprises already had been made without their involvement.

Ms Sigcau said several special advisers on restructuring would be appointed.

Nafcoc firm on rejection of Parsons

BY BRUCE CAMERON

Warmbaths — The National African Federated Chamber of Commerce (Nafcoc) is still refusing to accept South African Chamber of Business (Sacob) director general, Raymond Parsons, as the convener of the business group at the National Economic and Labour Council (Nedlac)

But Parsons says he is occupying the position and carrying out his duties He is also arranging to go abroad in his role as business convener at Nedlac

In an interview with Business Report about the now months-long stand-off between Nafcoc and Business South Africa, Nafcoc president Joe Hlongwane said there were a number of reasons why Nafcoc could not — and would not — accept Parsons

The main reason was "He has not projected himself as one who is friendly to black economic empowerment That is to put it mildly"

Hlongwane said he would be discussing the issue today with Dave Brink, the president of Business South Africa

Both men are attending the high-level conference on the re-organisation of state assets being held over three days in this resort town

CT(BR)14/11/95

Unions get tough on privatisation

CT(BR)14/11/95(232)

BY BRUCE CAMERON

Warmbaths — The trade unions have fired off warning shots at a major conference on the re-organisation of state assets, demanding a greater say in the process and an immediate suspension of any further measures aimed at commercialising state-owned companies

Stella Sigcau, the minister of public enterprises, said she would take the issue of continued commercialisation to cabinet to see whether the moratorium preventing the sale of state land should be extended to other issues

Exceptions

However there were exceptions where, if action was not taken, the company could collapse This was the case with job lay-offs at the Avontura holiday resorts She said Avontura was in serious trouble and its efficiency had to be improved

Leonard Gentle of the South African Commercial and Catering Worker's Union opened the attack, asking why there was so much emphasis on the need for return on investments and not on social factors, such as employment

After wars the public services of countries were used to provide jobs South Africa had emerged from a war and greater emphasis should be placed on provision of jobs, he said

Stephen Maphari of the National Union of Mineworkers demanded to know why, and who, had allowed state-owned companies to continue with re-organisation, which included job losses

Other union members said they were being allowed little access to the process of drawing up re-organisation options

Sipho Shabalala, the head of the office for public enterprises, said the state had to balance social needs with the need to show a return on capital If no return was shown on capital, it would be difficult for the enterprises to raise finance on the capital markets while there would not be money to service debt

He gave an assurance that unions would be fully involved in the process.

Earlier, the conference organisers apologised to the unions for their late invitations to participate in the conference Other participants include captains of industry, politicians, and senior executives of state enterprises

☐ See Page 16

Price of Nigerian debt takes a dive

CT(BR)14/11/95

BY JONATHAN THATCHER

London — Prices of Nigerian debt tumbled yesterday as investors worried that the international outcry over the execution of human rights activists on Friday would lead to economic sanctions against the country

Analysts doubted the West would ban Nigerian oil exports but feared that a prickly military government might retaliate if it felt its economy was being threatened

One way to do that would be to stop servicing its foreign debts

The price of Nigerian Brady bonds — rescheduled foreign commercial debt that is traded on the emerging debt market — slumped $0,03 to a two-month low of just under $0,44 in the dollar

"It's over-reaction. I can't see Britain or the United States imposing sanctions. It would drive the country into further chaos," said Peter Worthington, emerging-markets economist at JP Morgan

"The fact that this government can effectively thumb its nose at the international community means one cannot rule out something again happening," said Robin Hubbard a senior economist at Chase Manhattan in London

Nigeria has defaulted on much of its debt but not the Brady bonds, which offer one of the few instruments for investors in the country

One factor against a Nigerian default is that Nigerians themselves — some in positions of influence — hold the debt and are unlikely to want to default on themselves, analysts said

The key will be whether the West, especially the United States, imposes sanctions against Nigerian oil exports

Meanwhile, Malaysia said yesterday it was considering imposing trade sanctions against Nigeria The Commonwealth suspended Nigeria at the weekend — Reuter

Vaccine units to be privatised (232)

BD 15/11/95

Kathryn Strachan

A PLAN to combine SA's state and private vaccine-producing facilities into a single private firm early next year is expected to put SA in a position to break into the world vaccine market

The company, SA Vaccine Producers — wholly owned by the independent SA Institute of Medical Research — is searching for an international partner to boost its research capacity. Four leading research institutes from Europe and the US have been short-listed as possible partners.

By joining forces the local vaccine units, with their foreign partner, plan to double production capacity and to export half their products

The institute recently made its vaccine unit a wholly owned private subsidiary The plan is for the two state units to join that company, which will mean they will fall under the institute.

Company director James Southern said yesterday that while the health department had agreed in principle to

Continued on Page 2

Vaccine (232)

Continued from Page 1

BD 15/11/95

the plan, red tape was holding up the process. It was also a politically loaded decision, as it involved giving control of state assets to an outside body The final decision lay with the department

While the institute is independent, the health department does have some influence in that it approves appointment of the institute's board members

The private vaccine company would generate its own revenue and would continue to produce public health products such as those needed for government's child immunisation programmes, rather than go into the more expensive private products such as flu vaccine for adults. This would mean its returns would be relatively small.

Currently the vaccine facilities produce only for SA. The new arrangement would enable them to move into Africa and other developing countries

Southern said the facilities tended to duplicate functions. By merging and rationalising operations, they would be more cost effective. They would retain their bases — two in Johannesburg and one in Cape Town. The polio vaccine unit at the institute's premises in Johannesburg was getting a R20m revamp to bolster the initiative.

Southern said the foreign partner would bring marketing and management skills, as well as global access to research and development

The facilities, producing vaccines for diptheria, tetanus, whooping cough, polio, tuberculosis and rabies, hoped to expand their product range.

Measles and hepatitis B vaccines are currently imported

Yengeni warns state on privatisation process

ARG 16/11/95 (232)

ALIDE DASNOIS
Business Editor

WARMBATHS — The government is in danger of losing control of the process of restructuring of state assets, African National Congress MP Tony Yengeni has warned

Interviewed at a parliament-sponsored bosberaad on restructuring, Mr Yengeni said "the parastatal companies such as Eskom, Transnet and Denel were not waiting for the go-ahead from government, but were already transforming themselves"

"They are doing what they like," said Mr Yengeni, who is attending the three-day bosberaad in his capacity as chairperson of the portfolio committee on defence Part of the committee's brief is to monitor the restructuring of Denel

He said there was a danger the management of the parastatals would not keep to the government's guidelines on restructuring

"There is a danger that privatisation could be smuggled in through the back door"

Mr Yengeni was echoing concerns expressed at the bosberaad by trade union delegates

Several union representatives said they were worried that parastatals were being prepared for privatisation in spite of government and management assurances to the contrary

According to the Ministry for Public Enterprises' restructuring guidelines issued in July, privatisation is just one of a series of possible restructuring options.

But unions fear that the privatisation route has already been chosen in some parastatals

"The government and management are not being honest with us," said a spokesman for the National Union of Metal Workers (Numsa), which has 5 000 members in Eskom.

"Part of Eskom has already been lined up for privatisation," he said, citing the electricity utility's catering, security and property divisions.

Minister of Public Enterprises Stella Sigcau explained at the beginning of the bosberaad on Monday that no decision would be taken without consultation with the unions and other interested parties

Representatives of the parastatals also tried to be reassuring, but union delegates, concerned about possible job losses from privatisation, were unconvinced

Nine unions in Transnet have written to managing director Anton Moolman complaining that the unions are being "bulldozed" by ministerial committees, who are accused of unilaterally setting dates for the discussion of restructuring proposals

The letter signed by TWU, Footplaat, Salstaff, Busa, Blatu, Sarhwu, Tatu, Saaeau and Saapa, also criticises government members of the committee for "arrogant attitudes".

Addressing the bosberaad yesterday, Dr Moolman refused to say how far down the line Transnet was with restructuring

"But restructuring is inevitable and it is going to cause job losses," he said "Let's cater for that"

Polifin to buy Witbank cyanide factory from American Home Products

Johannesburg — Polifin yesterday said it had signed an agreement to buy the R100 million-a-year cyanide business of South African Cyanamid (SACPL) from American Home Products Corporation for an undisclosed sum

The acquisition comprised SACPL's Witbank factory and associated sales and distribution infrastructure The transaction was scheduled to be completed on December 1 this year, Kim Fraser, the general manager of Polifin's mining reagents division said The acquisition represented less than 2 percent of Polifin's net assets, but could add 1,5c to Polifin's earnings a share this financial year and double that next year

Fraser said Polifin already had a rationalisation programme in place which included bringing a modern plant into service and closing other plants built in 1949 and 1965

"The acquisition enables long-term rationalisation with minimal disruption to the mining industry," Fraser said — Sapa

Cameroon receives debt relief terms: The Paris Club of creditor nations said yesterday it had agreed to give generous "Naples terms" of debt relief to Cameroon after the country agreed to an economic reform programme with the IMF in September These terms are available to the world's poorest and most indebted nations In 1993 the club's portion of Cameroon's $9,2 billion debt was about $4,6 billion

FNB Botswana lifts income 35%: First National Bank of Botswana, in which FNB South Africa holds a 70 percent stake, lifted interest income 35 percent to 45,5 million pula for the year to September 30 Pre-tax profit rose 29,3 percent to 24,5 million pula After-tax income rose 48,7 percent to 19,3 million pula Non-lending related income was up 68 percent to 19,2 million pula Loans rose 31 percent

UK unions reject Ford's pay offer: Unions fighting for better pay and fewer working hours for more than 22 000 British car workers rejected a pay offer from Ford after a marathon meeting late on Wednesday Ford proposed a rise of 4,75 percent from this month and 4,5 percent from November next year and said the offer was final

Zimbabwe may produce coal-bed gas: Zimbabwe mining company Shangani Energy Exploration said yesterday that the first commercial production of coal-bed methane gas in sub-Saharan Africa could start within two years in Lupane Between Z$140,3 million and Z$187 million could be needed for exploration and production

BA to introduce holiday service: British Airways will introduce a fourth direct service between Cape Town and London to run from January 12 to March 28 next year It will arrive in Cape Town on Fridays and departing for London on Saturdays

Housewares enjoys strong core growth

BY CHARLOTTE MATHEWS

Johannesburg — Direct sales and mail-order company Housewares increased attributable income by 55 percent to R14,5 million in the six months to September compared with the same period last year, after strong growth from its core business and a good contribution from Glomail

Earnings a share grew by a lesser 34 percent to 12,53c, however, owing to an increase in the number of shares in issue as a result of a July placement with two institutional investors, which raised R40 million

Group turnover lifted by 91 percent to R145,3 million, partly reflecting the contribution from Glomail which was acquired from January 1 this year The inclusion of Glomail, which has a lower operating margin than Housewares, took overall operating margins down to 18 percent from 21 percent

Finance costs more than doubled to R2,9 million from R1,2 million previously but were expected to fall as a result of the injection of R40 million in July

The group has decided to declare a dividend only at year end because of uncertainty about secondary tax on companies

The end-of-year dividend will be approximately three times covered by earnings

Joint managing director Hilton Kramer said the balance sheet had been strengthened as a result of the share issue

Gearing had dropped to 10 percent from 36 percent a year ago

Debt collection had been maintained at a high level despite problems with the postal services since most collections were by debit order or direct deposit into banks

Chairman Melvyn Gutkin said he was pleased with Housewares' results, particularly as most of the growth in the core business of direct sales arose from a sales strategy implemented about 18 months ago

Gutkin said Glomail performed ahead of expectations owing to a wider range of products as well as additional mailings

It recently acquired the business of DDM, which markets its products through television or dedicated stands in major retail chains and has also contributed towards a distance learning programme in conjunction with the Midrand Campus Education Group

Gutkin said he expected organic growth in Housewares to continue

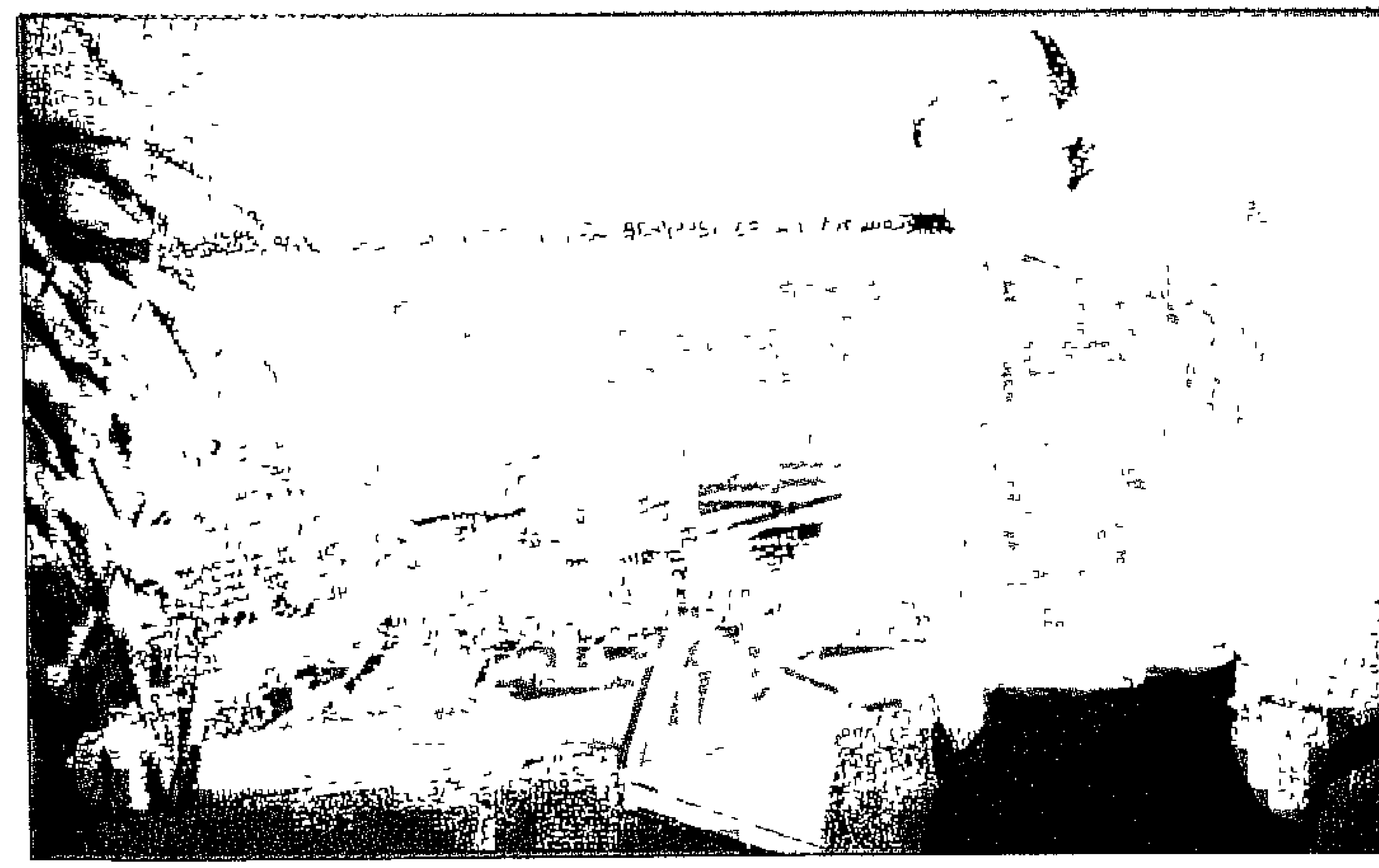
Sowits director denies low confidence

BY CHARLOTTE MATHEWS

Johannesburg — The battle between South Wits (Sowits) management and a group of disgruntled shareholders continued this week as shareholders received letters from South Wits chairman Nick Stavrakis and Jack Dorfan of the shareholders group

The group has asked South Wits management to convene a general meeting to remove Stavrakis and two other directors from the board and replace them with Dorfan, a former Barnetts director, B Aires, former executive chairman and managing director of McPhail Coal, and W Karpas, a former managing director of Furniture City

Stavrakis said he did not believe a change of management would benefit South Wits He rejected Dorfan's accusation that the low confidence of South Wits directors was demonstrated by the reduction in their shareholdings The fall in directors' shareholdings arose from the departure of former directors who had sold their interests



BRIGHTER OUTLOOK *Choice's managing director, John Limberopoulos* PHOTO JOHN WOODRO[C]

Choice earnings 'highly satisfactory'

BY JOHN SPIRA

Johannesburg — Food group Choice Holdings reported earnings of 75,25c a share for the six months to August — more than treble the 23,11c for the same period last year

The comparison is distorted, however, by net extraordinary items of R4,4 million

After adjustment for this sum, attributable net income was reduced from R8,4 million to R4 million, equivalent to 36c a share — still a highly satisfactory 56 percent up

The figures nevertheless suggest that the result could have been even more satisfactory, since, with turnover up by 105 percent to R191 million, net operating income rose by a smaller 96 percent

Accordingly, margins declined from 9,1 percent to 8,7 percent

The directors said that operating profit came under strain owing to chicken and red meat imports at reduced prices Also affecting the results was the poor performance of the Penguin Foods acquisition, which was "taking longer to turn around than anticipated"

Gearing soared from 33,3 percent at August 31, 1994, to 89,3 percent at the end of August this year However, after the end of August Choice received the proceeds of a rights issue which would have taken gearing down to about 63 percent

Managing director John Limberopoulos said chicken prices had firmed "They are now only 6 percent below their peak of around a year ago and are some 20 percent above their recent lows"

He said that throughput at Agrichucks and Sangiro was increasing weekly, while fortunes at Penguin had improved since the end of August and were expected to continue improving

NRB posts mediocre half-year results

BY SHIRLEY JONES

Durban — Lagging behind the rest of the banking sector, New Republic Bank posted fairly pedestrian results for the six months to September this year

Maintaining its dividend at 7c a share, the bank saw pre-tax income increase 16,3 percent to R8,6 million (R7,4 million) and income attributable to shareholders inch up 8,9 percent to R7 million (R6,4 million)

... owever ... on a higher weighted-average number of shares in issue

Net interest income was down to R30,2 million from R31 million and total income dropped marginally from R36,9 million to R36,7 million

This comes against a background of considerable growth in capital and assets over the past few years

Bad and doubtful debts were reduced slightly to R5,9 million, representing 1 percent of advances on an annualised basis The group's general ... cent of gross advances

Advances showed ~~no~~ material increase because of the bank's policy of containing growth in this area during the upgrading of systems, concentrating on improving the quality of advances and the phasing out of core local trade finance as an advances product

However, managing director Mac Mia said the group was in the grip of a rigorous rationalisation programme He said the upgrading and rational-

However, earnings a share decreased slightly to 24,1c from 25,9c

and specific debt provisions carried forward were R15,6 million, or 1,3 per-

isation of sys ems would usher in further growth

Engen optimistic over Congo wells

By Charlotte Mathews

CT(BR) 17/11/95

Johannesburg — Engen Exploration (Congo), a wholly owned subsidiary of Engen, has reported positive results from the oil well Moho Marine 1 in the *haute mer* exploration permit, it said yesterday

An analyst, who asked not to be named, said the find looked promising and could be positive for the company's oil exploration arm Engen announced in August that it planned to list its oil exploration and production assets separately

According to the analyst, the well tests at Moho Marine 1, which showed flow rates of 3 500 barrels a day and 2 200 barrels a day on two levels, were significant in relation to Engen Exploration's other fields The proximity of this field to the Nkossa field, 15km eastwards, would also enhance its viability

Engen said further work would be be necessary to evaluate the importance of the discovery The permit is operated by Elf Congo, which has a 51 percent stake Chevron Overseas holds 30 percent, Hydro-Congo 15 percent and Engen Exploration (Congo) 4 percent

Lonhro Sugar lifts attributable profit 29%

CT(BR) 17/11/95

By Charlotte Mathews

Johannesburg — Lonrho Sugar of Swaziland, which is 94 percent owned by Lonrho International, lifted attributable profit 29 percent to 86,7 million Emalangeni (R86,7 million) in the six months to September compared with the same period last year, in line with forecasts

The company has changed the basis of its accounting and restated the comparative figures Previously it reported interim results at half the projected profit for the full year

The directors said the seasonal nature of the group's business meant that most profit was earned in the first half

In the second half of the financial year annual production was completed and canelands and sugar factories maintained for the next season

Total turnover rose by 29 percent to E540,8 million on which profit before depreciation was 36 percent better at E216,8 million

On earnings of 72,5c (56,4c) a share, an interim dividend of 19c (13c) was declared

The directors said there had been a substantial improvement at Sucoma in Malawi where production was higher and good average prices were achieved, while the Dwangwa estate, also in Malawi, continued to produce excellent results

The Glendale estate in South Africa was affected by the drought while in Swaziland, unusually cold and dry conditions during the growing season made it impossible to repeat last year's record season

Both Ubombo and the Mauritian estates improved their performances, aided partly by higher average prices

The current financial year should show a continued growth in earnings over last year

Higher production in Malawi should compensate for lower out-turns at Ubombo

High average prices are expected to hold for the rest of the year owing to the new "special preferential sugar" quota being delivered to the European Union, in addition to the normal Africa Caribbean Pacific's quota entitlements from Malawi, Mauritius and Swaziland

Demand boosts Bell's earnings 47%

By Shirley Jones

Durban — Increased local and international demand for the full range of materials-handling equipment manufactured by Richards Bay-based Bell Equipment boosted the recently listed company's earnings a share by 47 percent to 22c (15c) during the six months ended August 31, 1995

No dividend was declared Bell's maiden interim results include a 29 percent increase in turnover to R311,7 million (R240,7 million) and a 60 percent increase in operating income to R25,6 million (R16 million) on improved margins

Net finance costs increased marginally to R5,4 million (R4,9 million) resulting in an 83 percent increase in pre-tax profit to R20,2 million (R11,1 million) Taxation was higher at R6,4 million (R1,1 million) as taxes on the general export incentive scheme became payable during the period

After-tax profit was R13,8 million (R10 million) and outside shareholders interests amounted to R0,2 million (R0,1 million) Despite an expected increase in taxation following the utilisation of the group's assessed tax losses and the fact that the concessions of the general export incentive scheme are now taxable, chief executive Gary Bell expects a satisfactory increase in earnings for the full financial year

DILBERT

By Scott Adams

TOWARDS PRIVATISATION

Companies offer solutions at restructuring bosberaad

The future status of South Africa's parastatals, some of which have ideological origins, will reflect their diversity and complexity. At the parliament-sponsored bosberaad in Warmbaths on the reorganisation of state assets, six of the companies involved gave presentations this week on how they saw options for their future. The presentations reflected a starting position rather than the end game as members of parliament and, particularly, trade unionists expressed concern about the process so far. Many wanted a slow down, if not halt, until more definitive government policy was in place. Bruce Cameron takes a look at the presentations made by the six companies

(232)
ET (BR) 17/11/95

SAFCOL

Safcol, the forestry and saw milling company, has developed vast tracts of timber and South Africa is now a net exporter of timber, pulp and paper

The process of commercialising the government-owned part of the industry started in 1980 with Safcol registered as a public company in 1992

It has a total planted area of 264 000ha, an annual turnover of R400 million, employs 5 500 people and competes head on with two private sector groups, Sappi and Mondi It has the largest forestry area at 19 percent, with a claim to the 10 percent in the former TBVC states and has 35 percent of the sawlog production

Johan Raath, the general manager of corporate services, said that recent complaints about the commercialisation of Safcol came from a small group of small sawmills, but the majority of Safcol's clients approved of the process

He favoured a sell-off of shares in Safcol, with the state retaining a stake of about 50 percent

The reasons for restructuring of Safcol included the company resources were not a strategic resource of public importance, it was an ideal vehicle for participation in the economy for disadvantaged communities, there would be a handsome cash payout for the state, privatisation would be a small step from its current status, the company had a very strong balance sheet, with no long-term borrowing and a pension fund deficit of less than R30 million

Privatisation would bring foreign investment, greater profitability, increased economic growth for the country, and more employment opportunities

Raath said there were a number of arguments against privatising Safcol, although all these could be dealt with satisfactorily These included the former state forests were part of the national heritage, the forest areas included sensitive water catchment areas, public access to the forests could be reduced, job creation may not be a priority, sawlog production could be reduced in favour of pulpwood, and social objectives could be ignored

TRANSFORMING *While Eskom has undergone high-profile restructuring, it still faces significant challenges in providing electricity to all South Africans*

ESKOM

Eskom, one of the world's major electricity utilities, has undergone the most high-profile restructuring process as both a generator, transmitter and provider of electricity, but still faces significant further transformation

Alan Morgan, the chief executive, said the transformation of Eskom was being driven by both international developments and local imperatives, although the group saw this in terms of efficiency and competitiveness rather than [illegible] sarily result in privatisation but could entail rationalisation,

☐ An investigation into the corporatisation of non-core business, creating semi-autonomous entities in areas such as information technology, technology and research,

☐ An investigation of the implications of privatising the wholly owned Eskom electronics manufacturing subsidiary Rotek

ALEXKOR

Alexkor has its history in the old State Alluvial Diggings (SAD) in the diamond fields of northern [illegible]

the six big banks

In restructuring, the company had to take into account how one area affected another

There was a lengthy process, which would not necessarily lead to privatisation

Strategic investments could make sense in one area and not another For example it made sense for SAA to form a partnership with a foreign airline as its aircraft stood at airports in Europe for 10 hours The aircraft could be better used by another airline in those 10 hours to fill a medium haul flight while the partner's aircraft could be used from South Africa for flights to a neighbouring African country

For Transnet the process started with an analysis of the business and how it related to the market Industry implications and effect and government policy all had to be taken into account

Restructuring was also an constant process in any successful enterprise

One of the inevitable truths of restructuring was there would be job losses Decisions had to be made on such things as changing job security to employment security with retraining

The process was further complicated by the R5 billion shortfall in the Transnet pension fund, the increasing ratio of pensioners to employees and the R10 billion debt of Transnet

The restructuring of Transnet had to be self-funding, including the cleaning up of the balance sheets of the various entities like SAA, which needed R1 billion in debt taken off its books

He warned that cherry picking and selling of profitable parts of Transnet like Portnet, without taking account of effects on other sectors, "will leave us dead"

Moolman said a number of options had been drawn up by Transnet and these options would have to be discussed He gave no indication [illegible]

These were contributing to economic growth, creating wider ownership in the economy, mobilising private sector capital, promoting fair competition, financing growth and having a neutral effect on state debt However, it would not contribute money to the exchequer

Benefits for the company included reduction of debt, greater ability to refurbish, erection of additional accommodation and disposal of unproductive assets

DENEL

Denel, the armaments manufacturer, was separated out of the government's weapons industry as the manufacturer and marketer in April 1992, leaving Armscor as the procurement company for the South African Defence Force The company was forced into major restructuring by a substantial drop in the defence budget and the withdrawal of government subsidies

Pottie Potgieter, the director of finance, said Denel had transformed itself in two ways — one was an increase in exports and the other was to move into the manufacture of commercial products

In the 1992-1993 financial year 63 percent of its sales were to local security forces, 17 percent in exports and 11 percent commercial By the 1997-1998 year, it was projected that 26 percent of sales would be to local security forces, 44 percent for export and 26 percent commercial

Total income of the company has grown with the transformation from a turnover of R2,8 billion in 1992 to 1993 (after-tax profit R235 million) to R3 billion this year (after-tax profit R260 million)

Denel, with 18 operating, fully or partly owned companies, has total assets of R4 billion, 14 000 employees and provided employment to a further 25 000 through [illegible]

INTERIM GROUP RESULTS
for the half-year ended 31 August 1995

Income Statement

	Reviewed Pro Forma Half year ended 31 August 1995 R000	1994 R000	Audited 11 months ended 28 February 1995 R000
Turnover	**116 973**	97 354	158 480
Income Dividends	**8 356**	5 634	12 210
Interest	**885**	862	1 595
Net income from trading activities	**7 618**	9 519	16 514
Other income	**180**	129	223
	17 039	16 144	30 542
Net investment gain	**2 077**	39 738	62 333
Total income	**19 116**	55 882	92 875
Operating expenses	**(3 947)**	(7 726)	(9 909)
Operating income	**15 169**	48 156	82 966
Financing costs	**(5 214)**	(1 857)	(7 327)
Net income before taxation	**9 955**	46 299	75 639
Taxation	**(756)**	(639)	(1 382)
Income after taxation	**9 199**	45 660	74 257
Retained equity income of associated companies	**2 933**	2 785	4 081
Attributable to outside shareholders	**(192)**	(541)	(2 125)
Net income attributable to ordinary shareholders	**11 940**	47 904	76 213
Weighted average number of shares in issue (000)	**61 398**	60 650	60 650
Earnings per share (cents)	**19,4**	79,0	125,7
Valuation of share investments Listed at market value	**180 547**	103 715	144 078
Unlisted at directors' valuation	**107 751**	198 393	127 096

Abridged Balance Sheet

	Reviewed Pro Forma 31 August 1995 R000	1994 R000	Audited 28 February 1995 R000
CAPITAL EMPLOYED			
Share capital	**15 736**	15 162	15 162
Non distributable reserves	**102 908**	93 293	91 607
Distributable reserves	**88 180**	64 154	78 274
	206 824	172 609	185 043
Outside shareholders	**29 838**	5 559	16 973
Long term liabilities	**21 427**	16 115	30 794
Deferred taxation	**1 188**	–	920
	259 277	194 283	233 730
EMPLOYMENT OF CAPITAL			
Investments	**194 339**	176 542	191 422
Share investments			
Listed	**119 794**	86 912	109 732
Unlisted	**18 458**	31 341	25 694
Loans and debentures	**3 075**	10 318	7 098
Associated companies	**63 012**	47 971	48 938
Other fixed assets	**56 802**	19 985	53 923
Current assets	**59 474**	25 616	64 924
	310 615	222 143	310 269
Current liabilities	**(51 338)**	(27 860)	(76 539)
	259 277	194 283	233 730
Net asset value per share (cents)			
Book value	**329**	285	305
Directors' valuation	**567**	588	529
JSE share price (cents)	**460**	420	420
Discount to Directors' valuation (%)	**19**	29	21

Comments

1 As shareholders are aware, the acquisitions of interests in the EG Chapman group and in C I C Investments, although effective 1 March 1994, were not concluded until after the publication of Yabeng's interim financial statements for the half year ended 30 September 1994, and therefore no group figures were reported at that time However, following the change in year end, the relevant group figures for the six months ended 31 August 1994 have been calculated and are included by way of pro forma amounts

2 Dividends are brought to account in the income statement when the dates of declaration of the dividends fall within the accounting period, they do not accrue evenly over the year

3 Dividend income increased over the previous year as a result of changes in timing and improved results from major investments Income arising from the group's trading activities has declined mainly as a result of adverse conditions in the retail food sector

4 Net investment gains are derived mainly from the exchange of Yabeng's holdings in subsidiaries of certain listed companies for shares in those listed companies and the disposal for cash of certain investments

5 The financial information set out in these statements has been reviewed, but not audited, by the company's auditors, Price Waterhouse Their unqualified review report is available for inspection at the company's registered office

Prospects

It is anticipated that the income of the group's trading subsidiaries will improve in the second half of the year, and will be enhanced by the expansion of C I C Investments' processed meat operations and its acquisition of an important distributor of perishable food products

Certain property developments undertaken by the EG Chapman group are expected to be completed during the second half of the current financial year, and to make a significant contribution to the group's earnings, while a continuing flow of new projects ensures income generation for future years

Unibank, an associated company, increased its profit for the year to 30 September 1995 by a substantial amount and is expected to continue to perform satisfactorily for the remainder of Yabeng's financial year

The completion of the rationalisation of Yabeng's investment portfolio by 28 February 1996 will produce further profits on the disposal or exchange of investments

Corporate performance

Corporate performance of an investment trust is measured by capital growth in net asset value and market capitalisation Income criteria are unreliable guides to performance as realised earnings will fluctuate between reporting periods as and when transaction profits are brought to account

Dividend policy

It is Yabeng's policy to declare a single dividend in May of each year at the time of announcing the company's results for the financial year

For and behalf of the Board

JAJ Maree
Chair

I David Gould
Chief Executive

16 November 1995

Directors JAJ Maree *(Chair)*, ID Gould *(Managing, Canadian)*, A Barclay *(British)*, (Alternate - DG Kruger), PT Clark, Ms MAF Moja, MJ Pargiter, GJ Swemmer

Registered office Teresa House, Voortrekker Street, Mafikeng 8670 PO Box 6843 Mmabatho 8681

Transfer Secretaries Fraser Street Registrars (Pty) Ltd, Sage Centre, 10 Fraser Street, Johannesburg 2001 PO Box 61178, Marshalltown 2107

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scope with access to the full range of available restructuring options Morgan said the entire electricity supply industry had been under continuous review since 1989

Internationally, many countries were accelerating restructuring in electricity supply in response to the changing economic environment With markets back in favour this included the demise of monopolies in favour of market competition

The restructuring often involved unbundling in one or more of three dimensions Electricity supply was being separated vertically, with the core businesses of generation, transmission and distribution being separated, horizontally, with the introduction of competition, and laterally by separating true natural monopoly functions from the rest (for example transportation from trading) and introducing direct contracting between customer and generator

Some state control, either through regulation or through some direct control, was being retained to ensure a level playing field conducive to competition

Morgan said South Africa could not buck the international trends and national priorities to enable it to become internationally competitive

Options for restructuring of South Africa's electricity supply industry as a whole included three vectors

The first vector would determine the extent and nature of government control, including regulation and ownership

The second vector was the extent to which control over economic activity is fragmented and subject to competition compared to centralised control in monopolistic situations This would include the possible reduction in the number of electricity distributors from a few hundred to 10 or 20 as well as allowing non-Eskom generation, or breaking Eskom generation into independent entities

The third vector covered the boundaries of Eskom activities, including the contracting in from other suppliers or the further diversification of parts of Eskom

Present Eskom restructuring initiatives, which had been retarded on purpose to synchronise with government policy, included

☐ Management and financial control being restructured into three separate ringfenced core businesses, namely generation, transmission and distribution This included possible rationalisation of distribution with Eskom's distribution arm being amalgamated with Municipal Electricity Undertakings as one national distributor or a number of regional distributors The distribution restructuring would not necessarily have been a cash cow for the government but with falling known reserves, dropping quality of stones, the stabilisation of the rand against the dollar, stagnating diamond prices, high prospecting costs and high technology development costs for exploiting off shore resources, the company faces falling profit

The first step towards commercialisation of SAD was taken in 1985 This resulted in the registration of Alexkor in 1992 Alexkor also has started diversifying It operates an ostrich-farming enterprise and is involved in marine farming

The company, the major employer in the area, plays a role in the development of the area with 30 percent of its after-tax profit going to a development foundation

The growing problems of Alexkor can be seen in the drop in mining profit from R33 million in 1993 to R13 million last year

Leendert Dekker, the chairman, said the findings of the commission of inquiry into the diamond industry would have important implications for Alexkor, as would a study into beneficiation

A 10-year plan was being finalised, which could result in substantial job losses, accelerated prospecting of all remaining Alexkor land and the speed up of marine diamond exploration

Dekker said Alexkor faced five options for reconstruction

☐ The state maintaining 100 percent ownership with the execution of the 10-year plan, the negotiation of joint venture agreements to assist with capital and technology, the promotion of the RDP in general and serving the community through the Alexkor Foundation,

☐ Maintaining the status quo, but with the sale of the ancillary businesses to empower people,

☐ Partial privatisation through share allocations to communities, employees and strategic investors with the state retaining control,

☐ Total privatisation; empowering employees, communities and disadvantaged investors,

☐ The conversion of Alexkor to a regional development agency run on a commercial basis

TRANSNET

Transnet, with its vast empire of harbours, airports, airline, rail and road networks and pipelines in 50 business units, is so complex that the chief executive, Anton Moolman, said the half hour he was allotted was not nearly sufficient to detail the restructuring under way

The dimensions of the process could be judged by the single fact that if it set up a separate organisation to deal with its staff housing only, it would be the size of one of the media, saying some of the options were unacceptable and could cause labour problems if published

Anton Moolman, the managing director of Transnet

AVENTURA

Commercialisation of Aventura, formerly known as Overvaal, was initiated in 1992 with the removal of state subsidies and the establishment of Aventura Limited in September 1993 The company has low occupancy growth, a backlog of refurbishment, a high level of debt and no capital resources

It is also hampered by a poor, but improving, image in the industry, the prohibition on it as a government entity from entering the casino market and a pension fund deficit of R5 million

Its top management was cleaned out with the formation of Aventura as was much of the management at a number of the resorts

Aventura has 14 resorts in six provinces, mainly north of the Vaal River, with 1 075 accommodation units and 1 800 caravan sites About 60 percent of the accommodation is three star

To break even the company needs 63 percent occupancy, but now has 62 percent If it were not for the R33 million debt and the need for refurbishment, the company would be turning a solid profit

The managing director, Alan Louw, estimates he needs a capital injection of about R40 million to get the company onto a sound footing This would mean a partial privatisation

Even within its limited means, Louw said initiatives were being taken to make the company successful, such as increasing rates and improving marketing, as well as upgrading resources and accounting systems

Commercialisation had resulted in short-term job losses but Louw said seven of the eight objectives set out in the government's re-organisation of state assets guidelines would be met by privatisation

oped a 10-year plan to support the RDP with the first three years including a doubling of exports with earnings of foreign exchange of R1,3 billion, doubling the sale of commercial products to R750 million, doubling profit to R500 million, paying tax of R550 million and doubling dividends paid to the state to R120 million a year, doubling spending on social investment, training 500 technicians and 200 computer programmers, enabling 500 pupils to obtain matric with mathematics and science through special bridging schools, and changing the management composition to 40 percent black/female

In arguing for the privatisation of Denel, Potgieter said management was fully developed, autonomous and performance orientated, the company had unfettered access to private sector capital resources, and it was competing in fiercely competitive markets without state assistance

A public listing by Denel would enable it to expand its activity base by entering important international alliances and initiate acquisitions, expand the capital base for future development, empower people both with technology and economically, and provide a substantial financial benefit to the state as the present owner

In privatising Denel, Potgieter said the state would have to be wary of cherry picking the best performing assets for sale, allowing a take-over by an international competitor which would allow it to gain market dominance, the fragmentation of the industry, and interfering in the business process of Denel, which was having to operate in a highly competitive market

In determining the percentage of equity to be sold, Potgieter said, anything less than 51 percent would be negatively perceived by the market The government would have to decide whether it wanted to retain control, what percentage of shares should go to previously disadvantaged groups, and any limitation on the number of shares held by a single investor

Advantages for the government in listing Denel included maximum market capitalisation, depending on timing, and significant contribution to the RDP objectives and to economic development of the country

From the point of view of new investors and the company, the listing would have to be attractive enough to ensure that there would be buyers of the share the day after listing, that the company was a good corporate citizen, there were growth prospects, and there was credible and competent entrepreneurial management

Privatisation that dares nc

ST 19/11/95 (BT) (232

By SVEN LUNSCHE

FOR more than a year the government hedged its bets on privatisation and the restructuring of state assets, amid resistance to private control of state-owned companies

Over the past few months, however, the process has moved into top gear, although the dreaded p-word is still couched in very cautious terms

Finance Minister Chris Liebenberg's speech to Parliament on the issue two months ago underlined the government's approach "I want to state clearly that this government is not on a road of an ideology of privatisation We are on a road of reprioritising the public service and state assets"

The official nomenclature for privatisation has become "restructuring of state assets", a phrase coined by Stella Sigcau, the Minister for Public Enterprises, who has been charged with drawing up the policy and who is particularly averse to "privatisation"

In public the government is putting on the breaks but in the corridors of power plans are far advanced in either restructuring or privatising public-sector corporations

Most government departments are drawing up plans to hive off land, buildings and various subsidiary corporations The state-owned telecommunications arm Telkom awaits the official blessing to sell off about 20% of its assets

The new urgency was achieved only after it got the backing from the ANC's Economic Transformation Committee in late July and the subsequent establishment of the "super economic cabinet", chaired by President Nelson Mandela

The resulting guidelines, though, continue to mirror the inherent scepticism of the ANC towards privatisation and are an exercise of compromise rather than clear direction

But then accepting even partial privatisation was never easy for a party long opposed ideologically to the concept and one in which trade unionists are a dominating influence

Understandably the emphasis in the report is thus on restructuring with privatisation given only an outside role

Under the proposals, six task groups have been established, each chaired by an official from the relevant ministries The six groups and the parastatals that fall under their jurisdiction are

- ☐ Posts & Telecommunications SA Post Office, Telkom,
- ☐ Transport Transnet, The Airport Company, Sun Air, Air Transkei,
- ☐ Finance Development Bank,
- ☐ Mineral & Energy Eskom, Mossgas, Fuel bodies, Alexkor,
- ☐ Defence, Trade & Industry Armscor, Denel, IDC, and
- ☐ Water, Forestry and Agriculture Safcol, Aventura

The committees have to decide whether a parastatal should be fully or partially sold or whether it should be restructured

The departments of public enterprises and finance have been joined in the exercise by other relevant ministers and officials

The objectives which the government hopes to achieve from the restructuring and privatisation exercise are manifold but there has been a clear re-think of priorities

Heading the list is the commitment to socio-economic upliftment of the poor Subsequently the guidelines block full-scale privatisation of parastatals who play a crucial role in socio-economic delivery

Ms Sigcau has stated clearly that if a parastatal provides an improved socio-economic service as a government arm it will stay in the public sector fold On this basis, Eskom willbe a long-term prospect for privatisation as the utility is successfully electrifying about 1 000 homes a day

The guidelines, however, do not rule out a minority shareholding by a private partner, preferably a foreign investor, who could offer financial, technical and managerial support

A further range of objectives include black empowerment and competition, the latter rapidly emerging as the second most important criterion in the restructuring programme

Raising the stock of black wealth in the economy under the banner of privatisation will make the policy far more acceptable to the unions and is a sure vote-catcher It could be dressed up as the redistribution of wealth the ANC promised its electorate

Relegated to minor status is the fund-raising potential of privatisation in order to reduce the state's massive debt burden This is a bit of a blow to some Department of Finance officials who had hoped to use privatisation funds to cut back on the deficit before borrowing.

In a further blow to the department, those parastatals that are likely to be put up for sale tend to be loss-making or are relatively small, thus limiting their revenue-raising potential

These include three Transnet subsidiaries — Autonet, Sun Air and Transkei Airways and the forestry company Safcol

Falling in somewhere between the no sale and give-away signs are parastatals with a public policy dimension, or strategic value, such as SA Airways, Armscor, Denel, Mossgas and Soekor

The document provides no details on how privatisation will be achieved but stresses that black empowerment has to be a crucial element of any asset sale

While revenue might have slipped down the list of privatisation objectives, there is no doubt about the need for additional funds to deal with the dire straits of government finances At a time when the state desperately needs funds to finance vast socio-economic expenditure, the deficit before borrowing is more than 6% of gross domestic product and total public debt has accelerated to about 55%

The scope for tax increases is limited — companies and individuals are already taxed to the hilt

A purely theoretical exercise by RMB's Neil Morrison shows that the sale of R50-billion in state assets in the 1994/5 fiscal year would have reduced state debt as a percentage of GDP from 55,1% to 44% and reduced interest payments on the debt by R6-billion

However, the early offerings to the public — with the possible exception of the Telkom stake — will probably be relatively small and unlikely to garner significant international interest

However, if foreign in-

RESTRUCTURING OF STATE-OWNED ENTERPRISES

[illegible]	[illegible]	[illegible]	
[illegible] for public policy	Public policy [illegible]	No public policy	
ESKOM	DENEL	[illegible]	
TELKOM	PETRONET	SUN AIR	TRANSKEI AIRWAYS
SPOORNET	ATOMIC ENERGY BOARD	AUTONET	AVENTURA
SA POST OFFICE	ARMSCOR	SAFCOL	PARCEL EXPRESS
SABC	MOSSGAS	ALEXKOR	ABAKOR
PORTNET	SAA		
SARCC	STRATEGIC FUEL FUND		
AIRPORTS COMPANY	SOEKOR		
AIR TRAFFIC			

Graphic. FIONA KRISCH

Source MINISTRY OF PUBLIC ENTERPRISES

SOUTH AFRICA'S LARGEST STATE-OWNED PARASTATALS

DENEL	R4,5bn
DEVELOPMENT [illegible]	R5,3bn
ESKOM	R44,5bn
INDUSTRIAL DEVELOPMENT CORPORATION	R7,2bn
LAND [illegible]	R11,3bn
SA POST OFFICE	R2,0bn
[illegible]	R1,3bn
TELKOM	R15,0bn

Graphic FIONA KRISCH

19/11/95

232

t speak its name

vestors are the target of the campaign then privatisation appears inevitable

The proposed privatisation of a portion of Telkom is a good case in point Given the task of linking up millions of homes to the telephone system, the Telkom board soon realised that this could not be achieved without private-sector support

The provision of one million telephone lines to rural areas alone is expected to cost R6-billion — an amount the parastatal simply does not have

Instead of asking for tenders, Telkom looks set to sell up to 20% to a private-sector consortium expected to include black-controlled businesses and foreign investors

Global telecommunications giants such as AT&T, Cable & Wireless, Siemens and Alcatel have already expressed a keen interest and have set up local subsidiaries

Apart from Telkom, the candidates for partial privatisation are found in almost all other sectors of the economy

In its first assessment, the government announced that, theoretically, up to R27-billion could be raised almost immediately through the sale of state enterprises and properties Another R100-billion could be generated over the longer term

The previous government placed nearly all public companies on a commercial footing, making them fully accountable and under the control of appointed boards of directors. The table depicts the value of the largest corporations

A number of the state-owned corporations are controlled by the Industrial Development Corporation which has also taken a significant shareholding in many industrial ventures, such as the giant Columbus stainless steel project

Selling these investments would be a relatively easy and speedy way of raising cash.

Other state-owned firms such as resort group Aventura and abattoir group Abacor have been ready for sale for some time now but are awaiting government guidelines

STELLA SIGCAU: Coining new phrases

Elephant hunter Manuel's eye fixed on the big ones

(232) ST 19/11/95 (BT)

WHEN it comes to competition in the economy and the role of conglomerates, Trade and Industry Minister Trevor Manuel does not pretend to be diplomatic

He has promised to break the grip of the biggest conglomerates in the economy and to ensure that bad business practices are shaken out of the system

And Mr Manuel has not been shy to preach to the enemy At a now famous Cape Town lunch he told representatives of several large "culprits" that they had ensnared the market and labelled them "big elephants"

"There is no way into the SA economy for foreign direct investors, or local entrepreneurs for that matter," he said

Big business, led by Anglo American, has led a counter-attack, arguing that a small economy of scale, such as South Africa's, requires a certain measure of conglomeration

No wonder then that Mr Manuel's draft Competition Act is enjoying such publicity It is heading for a major bunfight at Nedlac

Mr Manuel has repeatedly said his approach is not that "big is bad" but that competition policy is about linkages, attitudes and actions, rather than the size of any individual corporation

Since he took over the portfolio he has committed himself to tackling the concentration of ownership in business

Despite the rhetoric, there is little in the Bill to suggest it will forcefully break up conglomerates

Nevertheless, it considerably strengthens the powers of the Competition Board and narrows the definition of key terms such as

STRAIGHTSHOOTER Trevor Manuel is determined to break the hold of conglomerates

By SVEN LUNSCHE

dominant position, price fixing and market sharing

For example, "dominant position" is defined by the percentage market share held by a company and qualified by an explanation that provides as much certainty as is possible using economic terminology

As Pierre Brooks, the board's chairman, puts it "The board's approach to competition policy has not really changed but this government is certainly paying a lot more attention to it"

The board has become much more pro-active Over the past two months it has launched investigations into a number of high-profile transactions the paper industry, the sale of Hunt, Leuchars & Hepburn's timber interests, the export venture between Macsteel and Iscor and TML's acquisition of the Daily Dispatch

The proposal in the draft Bill that is likely to stir the most controversy is one forbidding competing firms to hold a shareholding in each other

For example, such a ruling, if passed, would force Anglo American to sell its 25% stake in Gold Fields of South Africa

An investigation by the Competition Board four years ago found that this crossholding did not constitute a restrictive practise

Such a ruling would also prohibit competitors from entering into a joint venture

Other key features of the Bill are

□ The outlawing of cross-directorships among competing firms,

□ Changing the Competition Board into a tribunal, independent from the government and with responsibility for enforcing policies The current board can make recommendations to the Minister of Trade and Industry only

□ A flat-rate R10-million fine with further daily fines to follow for failure to comply with the tribunal's findings

□ Companies and individuals may be able to claim up to three times their losses in compensation if business is hurt by a breach of competition rules

□ Competition rules will apply, with certain reservations, to public sector companies

Mr Manuel is also considering whether to enforce market-driven and competitive bidding processes in the Bill

These processes give the tribunal the power to transfer bids for listed or large unlisted companies to an independent directors' committee

The committee will ensure that a sufficient range of competitors is given the opportunity to compete and make offers

The committee will evaluate the bids and make a recommendation to shareholders

Once the Bill has been published for discussion it will be handed over to Nedlac for debate and negotiation between business, labour and government

ST(BT) 19/11/95

HL&H's timber sale axed

232

~~FORESTRY~~

THE Competition Board has blocked the sale of Hunt Leuchars & Hepburn's timber interests to forestry and paper giants Sappi and Mondi, writes **SVEN LUNSCHE.**

The board sent a letter to HLH chief executive Neil Morris this week informing him of the decision to halt the sale of HL&H Timber Holdings, according to sources close to the proposed sale.

Under the HL&H proposal its softwood interest would have been sold to Sappi for R230-million while the hardwood (mining), timber and SilvaCel chip divisions would have gone to Anglo American subsidiary Mondi. Mondi holds 50% of HL&H Timber and has a pre-emptive right to the other half.

The board received numerous objections to the deal from independent foresters and sawmillers, as well as Forestry Minister Kader Asmal.

Under Competition Board rules HL&H will now have to put forward new proposals for the sale.

Safcol's growing profits raise privatisation stake

ST (~~FM~~ BT) 19/11/95 ~~(2) FORESTRY~~ (232)

By SVEN LUNSCHE

THE SA Forestry Company, the state-owned timber and saw-milling group, is in strong financial shape ahead of its possible privatisation

Results released this week show that in the 15 months to end June Safcol lifted turnover to R450-million from R257-million in the preceding 12 months while earnings a share rose to 9,1c from 5,2c.

The state, as sole shareholder, received dividends totalling R11-million, R5-million more than in the previous year when the group declared its maiden dividend

The Department of Water Affairs and Forestry is deciding whether to privatise Safcol or restructure it in line with the government's programme to reorganise public sector corporations

Safcol was commercialised in 1992 and has since turned profitable through a combination of increased efficiencies and, crucially, higher sawlog prices

The group is one of the largest suppliers of sawlogs to South Africa's independent sawmilling industry, which has been struggling under Safcol's strategy of bringing log prices in line with international norms

Some independents have refused to sign new contracts with Safcol, arguing that the group has too strong a hold over supplies.

At a media conference chairman David Gevisser said Safcol would close the price gap gradually over five years "to give users time to adjust to technologies in line with the international competitive environment"

He said the group had successfully renegotiated market-related supply contracts with 95% of the sawmilling industry.

He stressed that a specific object of Safcol's commercialisation "was to stop the continued subsidisation of the private sawmilling sector by the state"

Forestry Minister Kader Asmal has indicated that foreign investors could be invited to take a stake, while other industry players have suggested that Safcol's forestry and sawmilling interests be split

The group's strong results are likely to raise any price tag on Safcol, should the government decide to take that route.

Tienie van Vuuren, the group's chief executive, said return on equity had improved from 3,9% to 9,2% during the financial year.

He said that apart from higher log prices a major contribution to profits came from the export of logs at international prices These were substantially above local prices

Safcol's exports are marketed internationally by Weyerhaeuser Company of the US under a co-operative alliance agreement signed last year

Mr van Vuuren also outlined expansion plans for its processing (sawmilling) division "as these capabilities are necessary for Safcol's long-term growth sustainment"

The group has embarked on a R50-million capital programme at its Weza and George sawmills to bring them in line with international technology standards, he said

□ See Letters page

DAVID GEVISSER: Renegotiating sawlog prices

Competition Board rejects merger of shoe companies

BD 20/11/95

Yuri Thumbran

(232)

THE Competition Board has rejected the proposed merger of the shoe manufacturing interests of Conshu Holdings and Bolton Footwear (Bolwear), in line with Trade and Industry Minister Trevor Manuel's desire to clamp down on anti-competitive practices.

A board spokesman confirmed on Friday that a proposal had been sent to Manuel last week outlining why SA Breweries subsidiary Conshu should not acquire Bolwear's shoe interests

A merger would give the new combined group 70% of the local shoe manufacturing market.

The companies announced in June they were in negotiations on a possible merger. The matter was later put on hold pending the board's decision.

Board chairman Pierre Brooks was unavailable for comment, but the spokesman said the decision was final and only Manuel could rescind it.

All parties concerned were informed of the board's decision last week.

Conshu CE Robert Feinblum, whose group submitted the merger application to the board, said he had not yet received the board's notice as he was in KwaZulu-Natal last week.

Bolwear MD Sid Finlayson said he had been told of the board's decision, but declined to comment further until Manuel had made a ruling.

Conshu shares, with a market capitalisation of R313m, closed unchanged on Friday at 650c while those for Bolwear, which has a R40m market capitalisation, were unchanged at 200c. An analyst said the high volumes traded in both shares last Wednesday suggested investors had got word of the board's decision.

Meanwhile, Hunt Leuchars & Hepburn CE Neil Morris said talks with the Competition Board regarding the sale of its timber interests to Mondi and Sappi were continuing. He denied a newspaper report yesterday that the deal had been rejected.

HLH told to cut in small buyers

BD 21/11/95

Yuri Thumbran (232)

THE Competition Board has told Hunt Leuchars & Hepburn to include smaller independent timber groups in its plan to sell its R300m timber interests

HLH CE Neil Morris said yesterday it had received notification from the board last week that the talks should not sideline the smaller groups who had bid for the interests.

He said the plan was still on track, but that it was now following board guidelines.

HLH has been talking to Sappi and Mondi, but the board launched an investigation amid objections by smaller players.

Morris said 83 parties, including Sappi, had tendered for its softwood operations, and that some of the smaller players could team up to bid for parts of the softwood business. The sale was likely to be finalised shortly.

But talks regarding the sale of the hardwood business, for which Mondi was vying, had not yet been clarified. Mondi's ultimate parent Anglo American holds pre-emptive rights over HLH's hardwood interests.

A board spokesman said the sale had not been blocked, and that talks were still under way.

Meanwhile, shoe manufacturer Conshu yesterday criticised the board's decision to reject its proposed merger with Bolton Footwear. Conshu CE Robert Feinblum said the merged companies would have accounted for 12% of total shoe sales in SA.

Managers of parastatals must answer to the public

(232) CT (BR) 21/11/95

CANDIDLY CAMERON

Unionist reject arguments for privatisation and concentrate on the issue of job losses

By Bruce Cameron

'It's the atomic-bomb theory," said Ronald Roberts of Moseneke and Partners, the consultants who have had a significant influence in shaping government's view on privatisation — or whatever one wanted to call it

This statement, at the parliament-sponsored and rather chaotic conference on the reorganisation of state assets at Warmbaths last week, had delegates pondering what the issue had to do with atomic bombs

The theory goes like this the previous government only moved to get rid of the atomic bombs it had constructed in ultra secrecy in the 1980s "when it saw the darkness of democracy settling upon the land"

For the same reason, the government of yore started rushing the process of the commercialisation of state assets in the late 1980s and early 1990s, with most being removed from direct control of parliament by 1992

Pieter van Huyssteen, the chief executive of Price Waterhouse Corporate Finance, told the conference it was the economic distortions created by the growing and undisciplined intrusion into the economy by the parastatals, muscling out the private sector, that forced the issue

Whatever the causes, the process so far has essentially been driven by the management of the parastatals, with very little consultation with the stakeholders, particularly with employees and the public.

"The only time we are consulted is when they (management) want to work out retrenchment packages," said Stephen Maphari, the National Union of Metalworkers representative at the conference

The result is the unions and others wanted the process slowed further, if not stopped altogether

At the conference the union representatives, already peeved by the tardy and belated way they were invited to participate, made repeated calls to stop the process

There were also calls for the existing management, seen as the same management appointed by the previous government, to be thrown out The union representatives firmly rejected arguments favouring privatisation and concentrated on the issue of job losses

Issues such as the load on the fiscus and the taxpayer of uneconomical or uncompetitive parastatals, and the mere fact that a number of the state enterprises could collapse from overstaffing or lack of capital, did not feature in labour union arguments

And the fault for all this lies squarely with the management of the companies Although there are a few exceptions, the managers of the parastatals do not seem to realise they are managing assets owned by the public, and no matter what they think, they are public servants and are answerable to the public.

Neither do they seem to realise that unless they bring along the unions in way that is not paternalistic, they could sabotage themselves

They also do not seem to realise that the previous government's days of secrecy are now over, and the public has an increasingly enforceable right to know

Initially, the parastatals at the conference attempted to make a deal that their presentations would be held away from the prying eyes of the media But the move failed when members of parliament objected, saying the process should be as transparent as possible

Transnet's Anton Moolman was asked by Business Report for a copy of his presentation (before the intervention of the parliamentarians) He refused, saying he was not accountable to the media

Like many of his buddies in the now defunct National Party government, Moolman failed to understand the media was there as an essential part of the democratic process to inform the public

When this was pointed out to him, he argued that the public did not need to be consulted

Take the pipelines controlled by Transnet subsidiary, Petronet, as an example, he said If he wanted to convert one pipeline to transport gas and the other for petrol he needed only to consult the stakeholders, who were customers

Wrong, Moolman The pipelines are owned by the public and because of the inefficiency of your organisation and its monopolistic tendencies, the public is paying a good few cents more than they should for every litre of petrol they buy This is why they are vitally interested

When Moolman got around to his presentation he continued to play the smart guy

He said he would give parliamentarians and unions a copy of his full presentation, with only the information that might useful to competitors being excised But he went further, covering up the essential parts of transparencies showing a matrix of the stage of commercialisation of the Transnet subsidiaries Of what use those would be to his competitors he failed to explain

To get back to the point — the management of the parastatals could pay a price, and the taxpayers could as well, for the way in which the unions have not been brought along as part of the process

Although most retrenchments have already occurred, there are probably enough left to be carried out to have the unions leaping about And the unions have influence in parliament

It should also be remembered there are still a substantial number of people in parliament and in the unions who are opposed to commercialisation of state assets on purely ideological grounds.

They would like to see greater government intervention in the economy to create jobs

Dave Brink, who was at the conference in the dual capacity of president of Business South Africa and as the chairman of Denel, said in an interview that South African management was backward in its management style — in the public as well as private sectors

They needed to move from managing to leading In defence of South African managers, Brink explained they were hard-pressed and often did not have the time to consult fully

Consolidated Mining unbundles

232

Michael Urquhart

BD 22/11/95

THE Consolidated Mining Corporation group, which operates the small opencast West Wits gold mine, would unbundle, it said yesterday

The group would become an investment holding company with earnings from dividends. Listed subsidiaries Southgo and Egoli would be cash shells

The earnings and net asset value of West Wits, Benoni and Witnigel shares would accrue to Southgo shareholders, while the earnings and net asset value of Southgo, Carrig, West Wits, Benoni and Witnigel would accrue to Egoli shareholders.

Numsa wants privatisation debate slowed

(232)

By Fiona Leney

CT(BR) 23/11/95

Johannesburg — A leading trade union leader informed the government yesterday that organised labour was prepared for serious confrontation if the pace of the privatisation debate quickened.

Enoch Godongwana, Numsa's general secretary, said at a labour conference on the new Labour Relations Act that unions were turning their focus to broader socio-economic issues

The act had removed many areas of conflict which had previously triggered industrial unrest "The codification of union rights means there will be fewer strikes on those issues," he said

"Action is more likely to be taken on broader issues. Strikes will be the last resort, but they will come if the government does not listen to us"

He defended public workers' record of industrial unrest, saying that taking to the streets was often the only way to put over demands in a sector with poorly organised labour relations.

He tempered his comments with a guarded criticism of the nurses' strike in September, however. "The nurses' strike was genuine, but such action hits the poor, it is our people who suffer. Politically it hurts us. We must use that weapon very carefully."

His remarks supported a clause in the act limiting the right of workers in essential services to strike "This limitation is internationally recognised After all, both sides lose in a strike," he said.

Godongwana said centralising union negotiations would contribute towards fewer, but more widespread, stoppages.

The new act, which simplified and clarified many aspects of labour relations, including dispute and disciplinary procedures, should materially improve labour relations, said Bokkie Botha, of the Business South Africa group

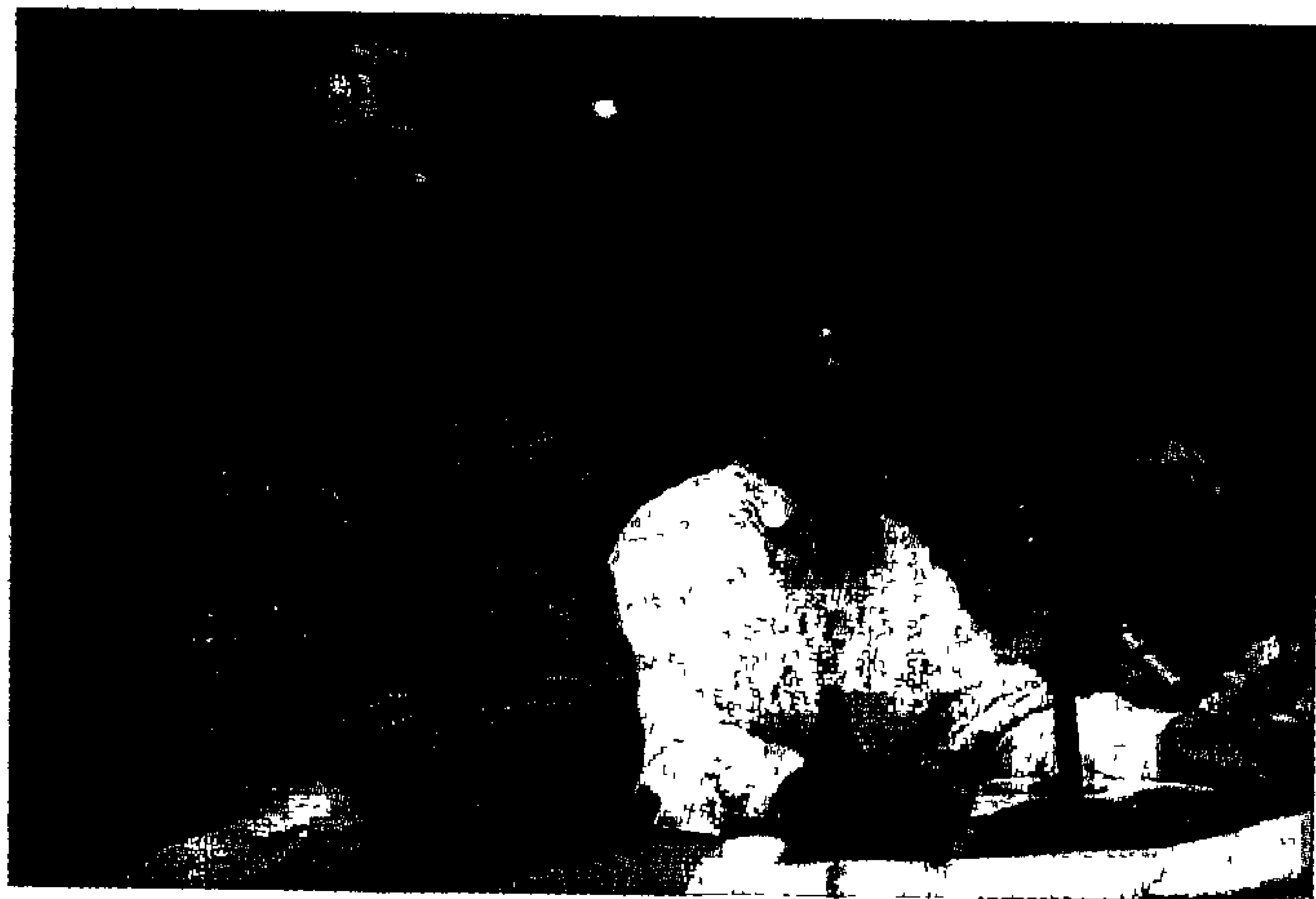
"This is about a new start in labour relations in South Africa," said Botha, speaking about the act's implications for small and medium businesses.

"We are still poorly placed to take on massive growth in South Africa." He said that the act would benefit small and medium enterprises in several ways.

First, it was drafted in clear and easily accessible language, for all to consult.

Second, it simplified dispute settlement procedures, shortened resolution times, and thereby cut costs.

Third, small companies would have special representation on the central negotiating councils set up by the act. This would not, however, mean special, anti-competitive concessions, as they would only make small companies uncompetitive in the long run, said Botha.



TALKING SHOP *From left to right: Karl von Holdt of the SA Labour Bulletin; Enoch Godongwana, Numsa general secretary, Vusi Nhlapo, Nehawu president and Bokkie Botha of Business South Africa*

PHOTO: JOHN WOODROOF

Servcon looking at low-cost rental plan

BD 23/11/95

Amanda Vermeulen

SERVCON, the joint venture housing company established by the banks and government, is canvassing the viability of renting repossessed properties to people unable to afford their present housing, say banking sources

Servcon head Denis Creighton said yesterday several options had been suggested for home owners who could not afford their mortgages but could be relocated to more affordable properties — dubbed rightsizing by Servcon

Home owners who were failing to pay their bonds were to be given a nine-month grace period under the existing programme before having to find alternative accommodation This grace period was likely to start early next year.

But Creighton said the lack of delivery of new low-cost housing could have a serious affect on attempts to relocate people once the nine months were up

There was a need, also, to create the appropriate institutional capacity, such as housing associations, to deliver accommodation housing in the sector, he said

But the current programme had proved fundamentally sound in the past six months, and should be allowed to continue

If necessary, it should be enhanced, he said

"It is crucial that we do not create expectations by jumping the gun on the rental issue," Creighton said

"But if such a decision was taken and properly implemented, it could be in the best interests of the banks, government and those sections of the public involved"

Banking sources said informal talks were taking place to test the proposals But it was too early, they said, to say whether or not the policy would be adopted.

The banks' total number of houses in possession is about 13 500. The Mortgage Indemnity Fund said last week that a total of 44 000 properties were either in possession or owners were not servicing their home loans.

The banks originally asked government for six months in which to assess how many of these loans could be rehabilitated

The Mortgage Indemnity Fund said that the banks would ask government for more time as only 20% of the properties had been assessed.

Clash on privatisation could usher in new Act

BD 23/11/95 (232)

Renee Grawitzky

PRIVATISATION could be the first flashpoint for strike action under the new Labour Relations Act as it was being sold to workers under the guise of black economic empowerment at the expense of thousands of jobs, National Union of Metalworkers of SA general secretary Enoch Godongwana said yesterday

Speaking at a joint Cosatu-IR Network "big guns" conference on the Labour Relations Act, Godongwana said privatisation was a possible prescription for first world economies It would, however, lead to serious confrontation in SA Strike law could be tilted in favour of working people under the new LRA

Godongwana said that despite the new Act, illegal strikes would still take place.

He said there could be fewer, but bigger, industrial strikes because the battles would be about broader macroeconomic issues

Capacity-building within Cosatu and especially among shop stewards was a prerequisite for any decision to establish workplace forums. A move to immediately rush into establishing forums would represent a danger to the labour movement.

This view was expressed by both Cosatu general-secretary Sam Shilowa and National Education Health and Allied Workers Union president Vusi Nhlapo

Shilowa said labour had to be clear about what it wanted from workplace forums "We will spend time negotiating workplace forum constitutions"

Nhlapo said a number of factors had to be put in place before forums could be established These included worker and shop steward capacity-building, the need for a paradigm shift in the workplace, which would require a change in attitudes and which would take some time to ensure a move away from a climate of adversarialism

Nhlapo said employers had a responsibility to assist in the training of shop stewards. Shilowa said the first test of the new LRA was whether employers would release shop stewards for training in the Act

Govt rejects snap deregulation

(232)

Mungo Soggot

BD 24|11|95

THE minerals and energy affairs department yesterday signalled its reluctance to implement a rapid deregulation of the liquid fuels industry because of the potential dangers this would pose for small fuel retailers

Deputy director-general Gert Venter yesterday told a Price Waterhouse business breakfast sudden deregulation would probably wipe out the 1 000 black-run filling stations in poor communities

"If we deregulate immediately we will pull the rug out from under them "

Instead, Venter said a phased deregulation was on the cards "We will look at a gradual loosening of strings, which should lead to a more efficient system "

Venter said the existing regulation — seen as having been designed to guarantee supply and deter the oil majors from pulling out of SA — effectively guaranteed anyone entering the sector a reasonable return on investment

"It is too easy to say government should just get out of the sector," he said

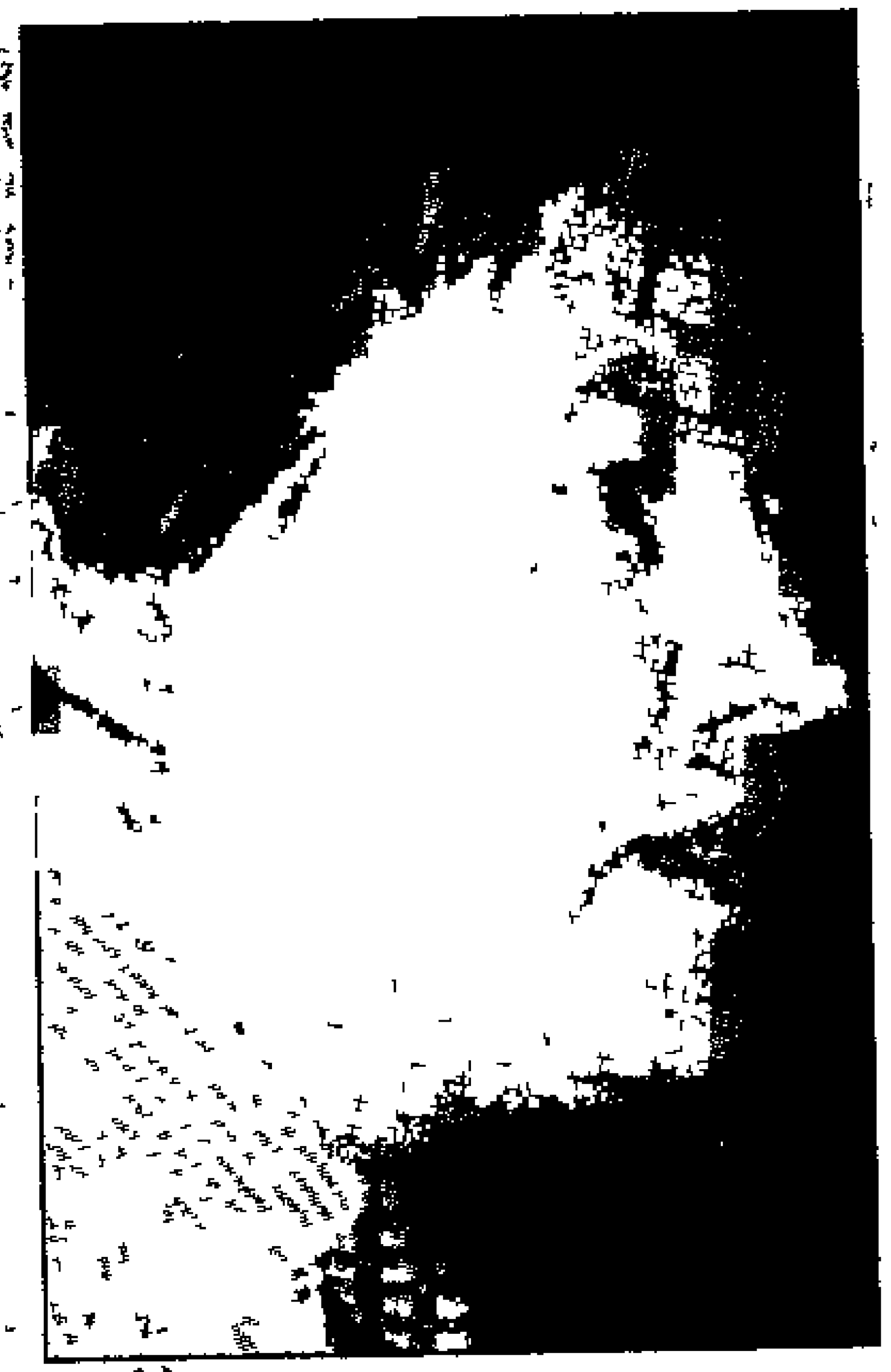
Meanwhile, Venter said there had been substantial interest in Mossgas from the private sector, including the "troika of SA chemical companies" — Sentrachem, AECI and Sasol

It was understood that Minerals and Energy Affairs Minister Pik Botha on Wednesday presented the Cabinet committee on economic affairs with a proposal to put Mossgas up for sale

Venter said the department's White Paper on energy policy due early next year would take on board the advice of the International Energy Agency, due to release a report on the SA energy scene next month

Monopoly is no simple game

(232) MG(BM) 27/10-2/11/95



Bobby Godsell: Anglo American is an octopus stretching its tentacles
PHOTOGRAPH NAASHON ZALK

Karen Harverson

DEBATING the topic of whether the monopolistic structure of local business makes it uncompetitive, Anglo American's Bobby Godsell, denied that South African economy could be defined as monopolistic.

Speaking at the Parktonian Parliament, a monthly forum on topical issues, Godsell said the term monopoly should not be confused with size, racial exclusivity, and diversification (or conglomerates). "A monopoly exists where one business effectively controls an industry or market — I do not think this is true of the South African economy, apart from De Beers which operates in the world economy."

He defended the image of Anglo American as an "octopus stretching its tentacles into all sectors of industry", arguing that each sector it was involved in was very competitive.

"In the gold industry alone, there are five intensely competitive groups in the market as well as a number of smaller producers." He argued that the local automotive industry is known to have too many producers. "So in a small economy such as South Africa's, there will be size constraints to the number of participants in any sector." It was inevitable that the major companies in that economy would diversify.

Perfect Malimela, director of a local business consultancy, argued that conglomerates had raised the barriers of entry into markets for small businessmen and in effect owned both small and big business in the country "The economy is still in the hands of a few."

He scoffed at the notion that to compete internationally, South Africa needed big businesses. He said conglomerates ignored small business when it wasn't a threat and destroyed it when it competed. He warned that "whites have no future if blacks don't have any", adding that the big conglomerates' future would be secured in the security of small men.

Perfect Malimela: The economy is still in the hands of the few
PHOTOGRAPH NAASHON ZALK

Soekor moving towards privatisation

BD 27/11/95 (232)

Mungo Soggot

STATE-owned oil and gas exploration company Soekor has been axing staff and spinning off operations, in a quiet drive aimed at its privatisation

CE Joggie Heuser said at the weekend that the parastatal now employed only 262 staff, less than one-third the level of 1993, and that further retrenchments were planned in the new year

He said all operations apart from the licensing business were likely to be sold Soekor had already been restructured into three units· exploration and production, offshore drilling, and licensing.

But non-core activities, such as laboratory services and electronics and its communications operations, had been spun off.

"It is now a lean and focused business run along commercial lines and pointed towards the road to privatisation," he said

Soekor is part of the Central Energy Fund group of companies — which also controls Mossgas — and has been earmarked for possible privatisation by government.

In its recent recommendations on the future of Mossgas, the parliamentary joint standing committee on public accounts suggested government could sell Mossgas and Soekor in the same package

The committee said the mineral and energy affairs department should "determine potential private sector interest in acquiring all or part of Mossgas assets and, as appropriate, all or part of the assets of Soekor. "

It is understood the recommendations were included in the memorandum submitted last week by Mineral and Energy Affairs Minister Pik Botha to the Cabinet committee on economic affairs

'THIS IS HOW WE'LL PRIVATISE'

(232)

A DRAFT agreement on the restructuring of state assets between the government and the labour sector in the National Economic Development and Advice Council (Nedlac) will be submitted to the Cabinet for approval this week – so that a start can at last be made with privatising

The agreement – initiated by the union Fedsal and jointly negotiated in Nedlac by the other two union movements – sets down strict limits to protect workers who will be affected by the restructuring

State assets must be restructured if they do not contribute to the aims of the Reconstruction and Development Programme – but the underlying principle is that this must not happen at the cost of workers, the agreement says

The agreement was negotiated in Pretoria last week by the minister of public enterprises, Stella Sigcau; the minister of posts, telecommunications and broadcasting, Pallo Jordan; Fanie van Rooyen, who acts as the government's consultant on privatising; the secretary general of Cosatu, Sam Shilowa; the secretary general of Nactu, Cunningham Ngcukana; and the secretary general of Fedsal, Dannhauser van der Merwe

However, the agreement still has to be ratified by the Cabinet.

■ Among other points, the agreement stipulates that there must be negotiations with unions before restructuring is done.

Decisions on changes must be negotiated on an executive level between unions and the managements

In an additional memorandum submitted this week to Nedlac's executive council, the labour sector says it is concerned at whether the process will be implemented properly and fairly in all sectors.

Six representatives of the labour sector and six government representatives will be appointed to negotiate a final agreement This will among others

■ Set down the guidelines to be followed by each state-controlled enterprise The powers, composition and financing of the committees will be defined,

■ Make provision for a welfare plan for workers who have to be retrenched The plan must be negotiated on an executive level by the unions involved so that the workers' interests are protected,

■ Stipulate ~~that~~ all information that the government has on the restructuring of state assets – including the reports of consultants drawn up by order of state-controlled corporations – be made available to the labour sector;

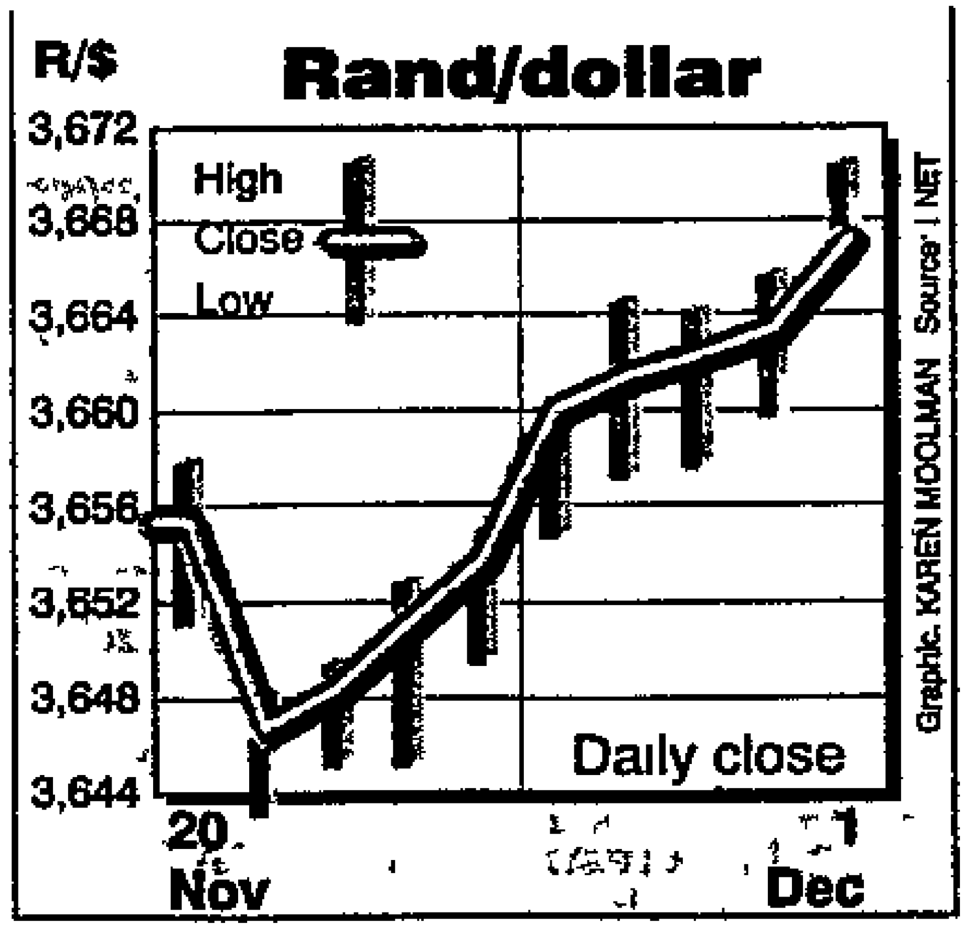
■ Stipulate that unions be empowered to appoint professional advisers who can review the business plans of managements, and

■ Stipulate that Nedlac's task force will receive regular reports from the transitional committees and will be able to intervene when problems arise

The moratorium on restructuring will remain in force until the new agreement has been implemented

– Beeld

CP 3/12/95



The rand ended just under 1,5c weaker against the dollar at R3,6670 on Friday from R3,6540 the previous week, as the US unit surged to 10-week highs against the Deutschmark in anticipation of a German interest rate cut.

Labour calls for state assets pact

BD 4/12/94

Mungo Soggot and John Dludlu

(232)

LABOUR has called for a pact with government over restructuring state assets to ensure its voice is not drowned out as the process gathers pace.

It has also demanded that the moratorium on restructuring remains intact until the mooted pact is in place, and that government foot the bill for advisers which labour will appoint to help it take a view on restructuring.

In a document handed to the National Economic, Development and Labour Council (Nedlac), it says: "Labour must be fairly represented (in the process) and given the time and resources to participate effectively."

The move follows tensions between labour, government and parastatal management over restructuring and privatisation plans — particularly within Telkom, which is spinning off non-core activities and scouting for a strategic equity partner to which it

Continued on Page 2

Labour

(132)

Continued from Page 1

BD 4/12/94

plans to sell off a 20% stake

The document says the pact should ensure labour is fairly represented on parastatals' transformation teams and on the public enterprise department's six teams which will be looking at restructuring and privatisation

The Post and Telecommunications Workers' Association recently expressed fear that Telkom was proceeding without adequate consultation with it and other unions representing Telkom workers.

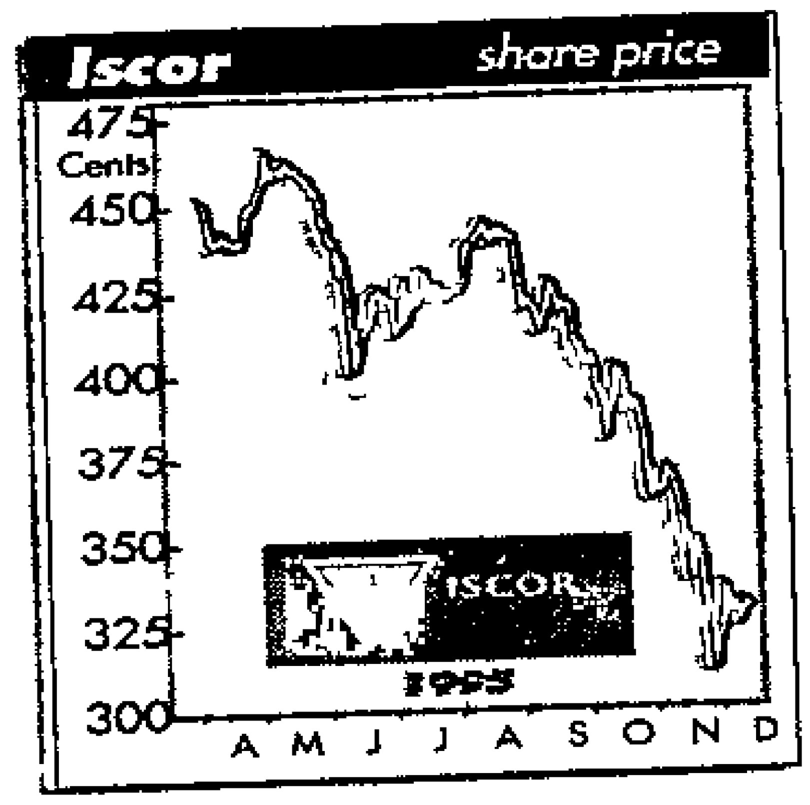
In the Nedlac document, labour also asks for government to consider plans to soften the blow to workers, calling for "social plan solutions The underlying approach is that restructuring should not occur at the expense of the workers in state enterprises Labour will not support processes which promote job losses and unemployment."

Cosatu general secretary Sam Shilowa said at the weekend labour had hoped business would join the pact, but so far it had not expressed strong concerns about the restructuring process

Public Enterprises Minister Stella Sigcau said government and labour were still discussing ways to tackle the restructuring process.

Labour is also demanding access to all information government has about individual parastatals' restructuring plans. "This should include reports produced by consultants on behalf of parastatals." It says its advisers should be allowed to examine management's business plans.

Public enterprises has already set aside R10m for its international and local advisers on restructuring. It is expected to announce who won the tender in the new year.



Iscor accused of sweetheart deal

(232)

Johannesburg — ~~Iscor~~, the so-called people's share, is taking a hammering as the company moves from one controversy to another

A new twist developed yesterday, with Durban-based steel trader MacDonald International accusing Iscor of giving away billions of rands in a "sweetheart agreement" with the country's largest non-listed company, MacSteel Iscor says the allegation is inaccurate and unfounded CT (BR) 8/12/95

Its share price plummeted from a high of 444c on August 10 to 312c on November 21, before rising to 330c this week **See Page 16**

GOVT, UNIONS SET FOR SHOWDOWN

State 'assets' for sale

CT 8/12/95 (232)

IN A MOVE that has prompted immediate reaction from the business community and unions, Deputy President Thabo Mbeki announced the first steps towards privatising state businesses.

BUSINESS leaders last night welcomed the government's move towards privatisation — including selling off parts of Telkom and SAA — but the country's main unions were gearing up to oppose the sell-off of state assets

Reaction came soon after Deputy President Thabo Mbeki announced the government planned to privatise some state assets and to allow private partners in others, including the national transport and telecommunications sectors

This is the new government's first major step towards re-adjusting the state's involvement in the economy with a view to reducing state debt, creating jobs, increasing black involvement in the economy, increasing competitiveness and meeting the RDP

The move could raise billions of rand as it is estimated Telkom alone is worth R18 billion.

"We are not selling to raise money . disadvantaged communities need to be uplifted, the economy modernised, we need to establish a basis for sustainable growth," Mr Mbeki said

He said the cabinet decisions fell into three main categories

- The identification and formation of alliances with private partners to buy into Telkom, SAA and the Airports Company. The government would retain the "majority and controlling share" while undertaking schemes for employee share and black ownership.
- Sun Air, Transkei Airways and Autonet, the motor haulage arm of Spoornet, would be sold off in their entirety because state involvement was not considered strategic and these businesses operated in a highly competitive environment.
- A restructuring of other assets to make them more efficient and effective This option included Spoornet and its support entities like Metro Rail, harbours controller Portnet and the South African Rail Commuter Corporation.

Confrontation

Mr Mbeki declined to give a time-frame.

The move could set the scene for the first major confrontation between the government and the unions, with Cosatu last night saying they would seek an urgent meeting with the government today Cosatu called on the government to suspend the second phase of restructuring until a comprehensive evaluation had been undertaken.

Mr Albert Schuitmaker, deputy director of the Cape Chamber of Commerce and Industry, said it was a step the chamber had been supporting and promoting. — Staff Reporters, Sapa-Reuter

Assets sale row

Union plans strikes to fight privatisation of government holdings

ARG 8/12/95 (232)

JOHANNESBURG. — Plans — including strikes — to resist privatisation of state assets were announced today by the South African Railway and Harbour Workers Union.

Sarhwu said the government had betrayed workers in a move which would devastate the economy.

Rallies and marches would be called among Sarhwu's 37 000 members to press the government to reverse a decision, announced by Deputy President Thabo Mbeki yesterday, to sell billions of rands of government holdings

"We will take all possible measures to defend our members and that includes strikes," Sarhwu president Nelson Ndimisa said

Sarhwu said privatisation would not advance black empowerment or the reconstruction and development programme

"This is a betrayal We have been stabbed in the back by the government which we supported," Mr Ndimisa said.

The African National Congress has welcomed the government proposals but its alliance partner, Cosatu, wants the plan put on hold, reports political correspondent **CLIVE SAWYER.**

Cosatu has asked for an urgent meeting with the government and has called for the second phase of restructuring to be put on hold pending a review

Mr Mbeki announced yesterday that parts of South African Airways and Telkom would be sold off, although the government would keep the controlling share, while Sun Air, Transkei Airways and Autonet would be sold in their entirety.

Other assets will be restructured to make them more efficient These include Metro Rail, Spoornet, Portnet and the SA Rail Commuter Corporation

ANC secretary-general Cyril Ramaphosa said the ANC was encouraged by the process of consultation used to develop a common perspective on the process

He said the proposals would encourage state involvement in major corporations to drive the process of transformation and development

"This continued state involvement in such major areas will ensure the state remains in a position to redress the imbalances created by apartheid"

But such a huge task could not be carried out by the state alone, Mr Ramaphosa said "It is important that strategic partners be brought into joint ventures with the state to ensure improved efficiency and service delivery"

The introduction of the principle of affirmative action for mainly non-core operations of such state co-operations would open up more business opportunities for previously disadvantaged communities

Cosatu said it had asked for a meeting with the government and in the meantime, the second phase of restructuring should be suspended until there had been a comprehensive re-evaluation

The National Party said it was disturbing that Cosatu wanted further talks

This showed that the whole exercise had not yet been cleared with an important stakeholder, said Myburgh Streicher, NP spokesman on public enterprises

"This could lead to further delays and confusion"

The NP, labelling the measures announced by Mr Mbeki "partial privatisation" gave them a reserved welcome

Competition in a deregulated market should be encouraged, Mr Streicher said.

State plans to sell billions in assets

Star 8/12/95 (232)

Cabinet's decision is the first major step towards readjusting the state's direct involvement in the economy

By Patrick Bulger
Political Correspondent

The Government is to sell off part of Telkom and South African Airways as part of a sweeping set of measures to privatise and restructure state assets

The announcement was made by Deputy President Thabo Mbeki at a media conference at the Union Buildings yesterday evening following the decision on Wednesday to sell off Mossgas to the highest bidder and phase out subsidies to Sasol by the end of 1999

Mbeki's announcement is the first major step towards readjusting the state's direct involvement in the economy and so reducing the national debt This should help in creating jobs, increasing black involvement in the economy, boosting competitiveness and meeting the goals of the RDP

The strategy will have major implications for the transport and telecommunications sectors in particular, but no state enterprise will be left untouched

Mbeki was accompanied by Transport Minister Mac Maharaj, Posts, Telecommunications and Broadcasting Minister Pallo Jordan, RDP Minister Jay Naidoo and Public Enterprises Minister Stella Sigcau.

The decisions announced yesterday were reached at Wednesday's cabinet meeting, and are the result of a process begun in January, and public consultation undertaken by Sigcau in October.

Mbeki said the decisions fell into three main categories

■ Formation of alliances with private partners to buy into Telkom, SAA and the Airports Company But the Government would retain the "majority and controlling share" while undertaking schemes for employees to buy shares and for black ownership

■ Sun Air, Transkei Airways and Autonet (the motor haulage arm of Spoornet) would be sold off altogether because state involvement was not considered strategic and these businesses operated in a highly competitive environment.

■ A restructuring of other assets to make them more efficient and effective This option included Spoornet and its support entities like Metro Rail, Portnet and the SA Rail Commuter Corporation.

The Government would also regulate monopolies and prevent excessive tariffs for Portnet and Petronet The SA Roads Board, which controls the national road network, would be the subject of "institutional and funding changes to allow for a more focused and dedicated agency to care for the nation's primary road network"

Mbeki said the Cabinet's decisions would form the basis of the Government's mandate in talks with other stakeholders, unions and the National Economic, Development and Labour Council

"These recommendations must be viewed within the context of a government initiative over the past few months that focused its attention on compiling a comprehensive growth and development strategy that will help realise the goals of the RDP," he said.

"It is Government's intention to achieve these goals with minimum negative impact on employees and with the broadest possible involvement of all stakeholders in the process of transformation.

"Many of the recommendations revolve around the need to invite strategic equity partners to

▶ To Page 2

State sells off billions in assets

(232)

▶ From Page 1

join our public corporations, bringing with them capital, technology and management inputs to ensure quicker development and delivery of services while providing international access and growth possibilities"

Mbeki is understood to have briefed the ANC's alliance partners – the SA Communist Party and Cosatu – on the move yesterday Asked if the partners agreed with the moves, he replied "Yes, the whole matter of the restructuring of state assets is agreed"

He conceded that public sector jobs may be lost initially but said long-term consequences of greater efficiencies and investment would benefit the entire country

Mbeki will head a cabinet subcommittee co-ordinated by Sigcau to spearhead the process No time frame has been set. Mbeki said the Government wanted to follow as inclusive a process as possible.

Star 8/12/95

ou, Kid

Starry-eyed ... President Nelson Mandela met and shook hands with all 150 disabled children yesterday who were taking part in the Wheelchair Sports Ca Norwood, Johannesburg. Children came from all over South Africa and Zimbabwe to attend the camp which ends today

ARG 9/12/95

You sell, we strike, govt told

(232)

JOHANNESBURG. — Organised labour has threatened strike action in opposition to the government's plan to sell off key assets.

The Federation of South African Labour Unions said the plan, announced by Deputy President Thabo Mbeki on Thursday, made a mockery of consultation and went against an understanding between the government and labour.

"We need not remind the government of the effect of a strike recently by just one of our affiliates," Fedsal general secretary Dannhauser van der Merwe said.

The South African Railways and Harbour Workers' Union earlier warned that strikes could be used to fight privatisation, which it said would not advance black empowerment or the reconstruction and development programme.

Sarhwu president Nelson Ndinisa said rallies and marches would be called to pressure the government to reverse its decision.

"We will take all possible measures to defend our members and that includes strike actions."

Fedsal and Sarhwu accused the government of disregarding agreed processes and undertakings, and unilaterally going ahead with privatisation proposals.

Fedsal and labour federations Cosatu and Nactu (National Council of Trade Unions) were due to meet Public Enterprises Minister Stella Sigcau on Monday to discuss the government's plans for state assets. — Sapa.

Privatisation plan met with outrage

By JEFFERSON LENGANE

CP 10/12/95 (232)

THE ANNOUNCEMENT by Deputy President Thabo Mbeki regarding the privatisation of some state assets threatens to divide the ANC, SACP and COSATU alliance

Mbeki on Thursday announced a major state privatisation drive to invite strategic equity partners to join forces with public enterprises to inject capital, technology and management expertise

Specifically targeting South African Airways, Airports Company and Telkom, Mbeki said the partnership would raise the quality of the services of the enterprises and attract direct foreign investment

Mbeki also announced the sale of Autonet, Sun Air and Transkei Airlines, which he said were of no strategic importance to the state, alluding that the sale would enhance black economic empowerment

Criticised

In response to this announcement, the South African Communist Party (SACP) yesterday warned the government not to embark on wholesale privatisation of public assets while the powerful labour federation Cosatu criticised the government's plans

Secretary-general Charles Nqakula said any wholesale privatisation of state assets would lead to the party's intervention – in the form of support for strikes or any industrial action threatened by labour

Nqakula said "Any privatisation of state assets must benefit blacks first It will not be the first time in history where government economically empowers its people Plans and strategies must be put in place to assist blacks to acquire shares in the privatised assets, even if that includes subsidies "

The South African Railway and Habour Workers' Union (SARHWU) was forthright in its condemnation of the privatisation recommendations It described them as a setback to the advancement of the RDP and black economic empowerment.

SARHWU president Nelson Ndinisa warned that his union could rally its 37 000 members "for strikes, rallies and marches, and to take all possible measures to fight privatisation"

Cosatu expressed "shock and disbelief" at how the government was handling the critical area affecting the transformation of the country

"Cabinet decisions were premature and pre-empted a number of agreements which had previously been reached with government as contained in the memorandum submitted to the Nedlac executive on November 30 The agreement that the government would institute a moratorium on unilateral restructuring by parastatal management while discussion on restructuring was taking place, has not been honoured

"The goals of RDP will be defeated if restructuring of enterprises benefits a new black elite, while the delivery of services is fundamentally undermined The same applies to restructuring, which only benefits multinationals, local business, or ventures in parstatal managements who are fighting over the spoils," Cosatu's statement pointed out

National Council of Trade Unions (Nactu) president James Mdlalose said "Nactu condemns the government action of unilaterally and immediately proceeding with privatisation of state assets The action undermines the bilateral discussions between labour and government regarding reorganisation of state assets "

He said th~ privatisation process would have a severe impact on the already high level of unemployment

"Thousands of workers, who may eventually run into millions, will lose their jobs and this will add to the current level of crime," warned Mdlalose

Equally irked by the procees, Azanian People's Organisation (Azapo) spokesperson Thabo Mohlala said, "It is heart-breaking for the assets of the nation to be given away just like that on a silver platter

"The Mandela/De Klerk dispensation is beginning to show its true colours – of being an uncaring and inconsiderate authority that is at the behest of IMF

Allegiance

"They owe it to the oppressed of this land to show that they owe no allegiance to the hair-brained schemes of capitalist overlords and their masters, the IMF and the World Bank Working people should not be victims of structural adjustment plans that were put in place in order to prop up a moribund regime "

The PAC's secretary for Economic Affairs and Development Mosebjane Malatsi said "The privatisation process is not sufficiently justified from an economic and development con~ideration The rich will continue to become richer and the poor poorer because of their economic exclusion "

"

The Federation of South African Labour Unions, Cosatu and Nactu will meet tomorrow with the Minister of Public Enterprise Stella Sigcau to present labour's position on the announcements of Mbeki

Support for state asset restructuring

JOHANNESBURG: The ANC's National Executive Committee (NEC) supported the broad strategy of a cabinet decision on restructuring state assets, it said on Saturday. (232) CT 11/12/95

The NEC "strongly endorsed" two major features. It said: "The decision correctly locates the whole question of state assets within the context of RDP priorities and the National Strategic Vision."

The decision also "reaffirms the need to retain core utilities, so central to the RDP, within the public sector," the NEC said. — Reuter

Crisis talks today over privatisation

ARG 11/12/95 (232)

Union anger about plan to sell state assets

CLIVE SAWYER
Political Correspondent

EVEN as the government and Cosatu prepared for talks today to avert a crisis over privatisation plans, a major trade union has announced plans for mass action against the restructuring of state assets

The South African Railways and Harbour Workers Union (Sarhwu) accused the government of betraying workers, and said rallies and marches would be held to press the government to reverse its decision

Deputy President Thabo Mbeki last week announced cabinet approval of total or partial selling of billions of rands of state assets, including South African Airways, the Airports Company and Telkom

In a statement issued before today's meeting, Cosatu said any public enterprise which went ahead with unilateral restructuring would "feel the wrath" of the union federation

The government's privatisation announcement brought a furious reaction from Cosatu This heightened tensions evident last week when the giant labour federation said it would 'go to war" over Katz Commission proposals to investigate increasing value-added tax

There seemed little room for manouvre on the privatisation issue, following African National Congress national executive committee endorsement

In a statement issued after a meeting this weekend, the ANC national executive said it "strongly endorsed" the way the method of restructuring was linked to the RDP

At today's meeting between Cosatu and the government, Sam Shilowa, general secretary of the union federation, will put five demands

These include a moratorium on restructuring, and government including Cosatu in a new restructuring programme

Sarhwu president Nelson Ndimsa said the union would take 'all possible measures" to defend its members This would include strike action

Privatisation would not advance black empowerment or the RDP, he said

Cosatu questioned whether the government had a coherent strategy and warned against restructuring that "benefits a new black elite"

Showdown at unions' meeting

(232)

Sowetan

By Abdul Milazi Labour Reporter 11/12/95

SPARKS are expected to fly today when major South African trade union federations meet Public Enterprise Minister Stella Sigcau in Pretoria over the planned privatisation of public assets

Plans to privatise some Government-owned companies, including Telkom and Transnet, were announced by Deputy President Thabo Mbeki at a special meeting with organised labour last week.

The Federation of South African Labour, Congress of South African Trade Unions, the National Council of Trade Unions and the SA Communist Party have expressed outrage at the move, while the African National Congress welcomed it.

The federations complain they were not consulted while the ANC said at the weekend: "The ANC and its allies is encouraged by the consultative process which Deputy President Thabo Mbeki and other ministers embarked upon in an effort to develop a common perspective and overall understanding of the process".

Fedsal spokesman Mr Dannhauser van der Merwe said. "It (the decision) makes a mockery of so-called consultation if trade unions directly involved in a company such as Autonet hear on the news that their company will be sold off. What is there to consult about if Government has seemingly already made the decision?"

Cosatu said the task force on re-organisation of State assets had made recommendations to Cabinet without consulting trade unions. This was despite an undertaking by the Government earlier this year that proposals and plans on the restructuring would be presented to all stakeholders at NEDLAC

"The agreement that Government would institute a moratorium on unilateral restructuring while the discussion was taking place has not been honoured," it said

Cosatu threat to Govt sell-off plans

(232)

Star 11/12/95

Minister to be told today that any public enterprise which embarks on unilateral restructuring 'will feel the wrath of our members'

By Patrick Bulger
Political Correspondent

Labour federation Cosatu will today try to persuade the Government to abandon its plans to privatise and restructure key State assets in the transport and telecommunications sector.

Cosatu general secretary Sam Shilowa will put the labour federation's five demands at a meeting in Johannesburg with a Government delegation led by Public Enterprises Minister Stella Sigcau

The demands include a moratorium on restructuring, and Cosatu's inclusion in a new restructuring programme

Deputy President Thabo Mbeki has named Sigcau co-ordinator of a Cabinet committee in charge of taking forward a sweeping privatisation drive that could rake in up to R5-billion for State coffers

Mbeki announced details of the plans on Thursday, saying the Government would sell off part of Telkom and SAA, sell some "non-strategic" assets outright, and reorganise wasteful and inefficient State enterprises

He conceded that there would be job losses, but said the sales would help the public debt, create other jobs and economically empower blacks

Cosatu's rejection of the privatisation plans is the first serious breach between the ANC-led Government and its trade union ally in the "triple alliance" with the SA Communist Party

Although Mbeki met Cosatu on Thursday, shortly before he announced the outcome of the Cabinet's deliberations on long-stated "restructuring" plans, Cosatu reacted to his announcement with "shock and disbelief", accusing the Government of a unilateral restructuring of the economy and of implementing "discredited restructuring plans of the old parastatal bureaucracy"

Mbeki said last week that the Cabinet's proposals would form the basis of the Government's mandate in its negotiations with trade unions and other stakeholders, including the National Economic Development and Labour Council (Nedlac).

He did not put a timetable on the implementation of the restructuring proposals, but indicated he wanted the process to remain as inclusive as possible

Referring to the meeting, Cosatu said in a statement Mbeki had said the Cabinet proposals were "not cast in stone and were subject to further discussions with stakeholders".

Cosatu said it had been ignored by the sectoral task forces on restructuring, that Nedlac had not been included, that the Government had broken an agreement not to impose "unilateral restructuring"; and that services to poorer areas were being cut. It questioned whether the Government had a coherent strategy and warned against restructuring that "benefits a new black elite"

Referring to today's meeting, Cosatu said. "Any public enterprise which goes ahead with unilateral restructuring, with or without Government approval, will feel the wrath of our members"

The ANC, after a two-day meeting of its national executive committee, said it supported the restructuring proposals. "They dealt with State assets within the framework of the RDP while retaining 'core utilities' within the public sector, the party said in a statement

LOOMING BATTLES *Cunningham Ngcukana, Nactu general secretary, Sam Shilowa, Cosatu general secretary, and Stella Sigcau, minister of public enterprises, at the conference on privatisation* PHOTO RUSSELL ROBERTS

Privatisation team to be set up

ET (BR) 12/12/95 (232)

By Thabo Leshilo

Johannesburg — The government and organised labour yesterday agreed to set up a team to negotiate a "national framework agreement" for the restructuring of state assets

The agreement was reached at a meeting attended by the ministers of transport, telecommunications and public enterprises, and the leaders of the country's three most powerful trade union federations

The two parties tried to play down the tension between them on the sensitive issue of privatisation, emphasising instead that last week's announcement by the government to find private sector partners for Telkom and other key enterprises was still open to negotiation. "Government and labour are committed to a process of reorganisation and restructuring of state assets in so far as it is in line with the RDP goals," the two parties said in a carefully worded statement

However, it became clear at the press conference that major battles between labour and government lay ahead

The three union federations, Cosatu, Nactu and the Federation of South African Labour Unions, made it clear they opposed the privatisation because of potential job losses

Sam Shilowa, Cosatu's general secretary, said privatisation had never benefited any society in the world He said the labour movement would support "restructuring" — as opposed to "privatisation"— where it promoted efficiency, ended corruption and improved access to basic needs Cunningham Ngcukana, the general secretary of Nactu said "We can't negotiate our members out of jobs"

Pallo Jordan, the minister of posts and telecommunications, said the government was committed to restructuring where this did not lead to "difficulty and hardship"

Public Enterprises Minister Stella Sigcau assured labour that government plans to find private investors for Telkom and other key public enterprises — announced by Deputy President Thabo Mbeki — were not the final word

Mac Maharaj, the minister of transport, said labour's concerns over restructuring would be tackled during negotiations on the proposed agreement, due to start next week

Government denies privatisation plan

(232) Sowetan 12/12/95

By Abdul Milazi
Labour Reporter

THE Government will not privatise state assets, Public Enterprises Minister Miss Stella Sigcau told journalists after a three-hour meeting with organised labour in Johannesburg yesterday.

Sigcau's assurance came after an outcry from the National Council of Trade Unions (Nactu), the Congress of SA Trade Unions (Cosatu) and the Federation of SA Labour (Fedsal) following an announcement last week by Deputy President Thabo Mbeki that the Government intended to privatise public assets.

The minister said Mbeki had merely announced proposals by the Government for the "restructuring and reorganisation" of state-owned enterprises, that were still to be referred to a national forum for negotiation.

Cosatu had earlier expressed "shock and disbelief to the Deputy President on how the Government is handling this critical area affecting transformation of our country".

Fedsal said the Government and organised labour had agreed informally that the restructuring of State assets would be negotiated, but "the next thing was this ridiculous announcement, directly to the media, about decisions the Government had taken unilaterally"

Nactu equally condemned the proposal, saying it would not "sell the jobs of our members"

However, after yesterday's meeting, the union groups appeared to have changed their tone towards the Government.

Cosatu general secretary Mr Sam Shilowa tried to explain the federation's earlier remarks by denying that the statement was about Mbeki's announcement

Unions and Govt to negotiate over privatisation

(232) Star 12/12/95

By Mondli Makhanya
Political Reporter

The Government and the biggest labour federations have agreed on a six-a-side committee to negotiate a national framework agreement which will consider the restructuring of state enterprises

The three-hour meeting in Johannesburg yesterday followed a furore over an announcement by Deputy President Thabo Mbeki last week that the Cabinet had decided to sell some state-owned companies outright and reduce the state's stake in major utilities such as Telkom and South African Airways

Outraged unions have threatened industrial action, fearing many members could lose their jobs when the companies are streamlined for commercial management

The government delegation was led by Public Enterprises Minister Stella Sigcau and included Posts, Telecommunications and Broadcasting Minister Pallo Jordan and Transport Minister Mac Maharaj

Leading the labour delegation were Cosatu general secretary Sam Shilowa, National Council of Trade Unions general secretary Cunningham Ngcukana and Federation of South African Labour Unions' Dannhauser van der Merwe

The ministers played down the privatisation, saying last week's announcement was merely a proposal tabled for discussion with other role-players

"Government has a view (on privatisation) and this view has been put out publicly so that it can be discussed rationally," said Maharaj

In a statement released after the meeting, the two sides said they were "committed to a process of reorganisation and restructuring of state assets in line with the RDP objectives"

The Government also assured the unions that the proposals were "merely mandated positions of Government for further discussions, and not decisions for implementation"

Shilowa said while labour was "wholeheartedly opposed to privatisation", it was committed to finding a framework for restructuring and reorganising state assets with a view to creating jobs, enhancing efficiency and delivery of services, and rooting out corruption.

"We don't see restructuring and reorganisation as euphemisms for privatisation"

Ngcukana said the union movement would fight any moves that endangered jobs

"We can't negotiate our members out of jobs, that's the bottom line," he said

Shilowa said the Cosatu central executive committee would be meeting on Thursday to map out a strategy to "ensure our troops are in a state of readiness whatever may happen"

The committee must report back before January 18

TRANSPORT WORKERS PLAN DAY OF PROTEST

Unions may opt for action to fight sale of state assets

CT (CAP) 13/12/95 (232)

UNIONS BELIEVE THOUSANDS of jobs will be lost and workers' rights set back by the government's plans to privatise certain state assets. **WILLEM STEENKAMP** reports.

SOME unions are considering "mass action" in an attempt to stall government plans to privatise state assets, which they believe will lead to widespread job losses

Among those planning protests are the SA Railways and Harbours Workers' Union (Sarhwu) and Post and Telecommunications Workers' Association (Potwa)

Sarhwu was to meet last night to discuss "a national day of action" among public transport workers today, its spokesman, Mr Neil Newman, told a press conference attended by the Cosatu-ANC-SA Communist Party alliance and unions yesterday

Mr Newman could not say what forms of protest were being contemplated

Potwa was considering "rolling mass action" that might entail go-slows, blockades and occupations, its spokesman, Mr Nathan Bowers, said The union's mood was "militant"

Cosatu regional secretary Mr Joseph Williams said that, to the unions, privatisation was "like waving a red rag in front of a raging bull"

Cosatu had to be "clear" in its opposition to privatisation, he said "Our workers are not going to accept this "

The Cosatu national executive is to meet tomorrow to discuss ways to respond to the government's announcement that it is to sell some ventures, such as Sun Air, restructure others, including Spoornet, and partly sell others, such as SA Airways and Telkom

Restructuring

All the speakers said they favoured the "commercialisation" or restructuring of public services that would lead to greater efficiency, less corruption and the safeguarding of jobs Privatisation would lead to widespread retrenchments and the "rolling back" of workers' rights

They expressed concern that the government was taking "unilateral" decisions about state assets Although the government had given an assurance that none of the decisions was final and labour would be consulted, they feared they would end up "negotiating retrenchments" only

ANC MP and SACP regional secretary Mr Philip Dexter said the SACP "does not believe privatisation is the solution to social, economic and political problems"

The media and "big business" were "pre-empting" the process and he wanted to "take issue with the idea that the government is selling off the family silver"

"We don't believe this is the intention of the government," said Mr Dexter

Mr David Dlali, ANC spokesman and chairman of the Cape Metropolitan Council executive committee, said the ANC was in favour of restructuring state assets and "definitely" committed to consultation and negotiation

Unbundled firms lead the market

(232)

By Fiona Leney

CT (BR) 13/12/95

Johannesburg — Unbundled companies have outperformed the market as a whole and show the route that big South African conglomerates should be taking, says Robin McGregor, the author of Who Owns Whom in Sub-Saharan Africa 1996

McGregor said yesterday that the market capitalisation of listed companies controlled by Sanlam and SA Mutual, who had led in hiving off assets, had grown by 64,5 percent and 65,8 percent respectively, compared with a rise in total market capitalisation of 41,3 percent between November 1993 and this year.

Sanlam was performing poorly until it unbundled Gencor in 1993, he said. Similarly, SA Mutual's performance improved dramatically after its 1994 unbundling of Barlows

"When SA Mutual unbundled Barlows, it bought control in the unbundled companies," McGregor said "Those companies have done well"

Analysts say that both Sanlam and SA Mutual have also benefited from the sale of retrenchment packages based on life insurance schemes

"Conglomerates are breaking down the world over They are going back to their core businesses That has to be the way South African companies go sooner or later," says McGregor

A candidate for unbundling was Anglo American's Amic, where "the sum of the parts is a great deal bigger than the whole"

Anglo denies it has unbundling plans after hiving off JCI

McGregor said it was the concentration of power, not size, that was the problem.

Companies within a group had to have autonomy, but the personalities of top managers in many leading groups had instilled a resistance to decentralisation, he said

TFN13-19

Unions plan to hit out at privatisation

ARG 13/12/95 (232)

TYRONE SEALE
Political Staff

WESTERN Cape trade unions plan to talk tough at tomorrow's meeting of the Cosatu national executive to discuss government proposals to restructure state assets

Deputy-President Thabo Mbeki has announced that parts of South African Airways and Telkom will be sold off, although the government will keep the controlling share.

Sun Air, Transkei Airways and Autonet will be sold in their entirety.

Metro Rail, Spoornet, Portnet and the SA Rail Commuter Corporation have been targeted for efficiency-driven restructuring.

In Cape Town yesterday the secretariat of the alliance embracing Cosatu, the SA Communist Party and the African National Congress met to discuss possible mass action to halt privatisation.

Public sector unions such as the Police and Prisons Civil Rights Union (Popcru), the Post and Telecommunications Workers' Association (Potwa), the National Education, Health and Allied Workers' Union (Nehawu), the SA Municipal Workers' Union (Samwu) and the SA Democratic Teachers' Union (Sadtu) took part in the meeting

Cosatu regional secretary Joseph Williams said the trade union federation was concerned about job losses that might result from privatisation.

Transport and General Workers Union (TGWU) spokesman Harald Harvey said unions were saying to their alliance partner, the ANC, that it was time the organisation asserted itself in the cabinet instead of being "led by the nose by capital".

SACP regional secretary Philip Dexter said the restructuring of state assets had to be implemented with the principles of the Reconstruction and Development Programme as guidelines

Efficient services had to be rendered, particularly to poor South Africans, and this had to be done without job losses and without the process of reconstruction itself becoming an arena for the very corruption the government hoped it would stamp out by privatising certain institutions

SA Railways and Harbours Workers Union (Sarhwu) spokesman Neil Newman said his union's 3 500 to 4 000 Western Cape members were considering a day of action.

Speaking for Potwa, Nathan Bowers said "the feeling on the ground" was "very militant" as at least 14 500 jobs could be lost through privatisation in so-called non-core services

He said Potwa supported the Sarhwu day of action and was working on its own programme.

after car theft suspects beaten to death

lei, and his father William Andries Graham, 53, of Rooiwal, and Dawid Enslin, 27, of Pretoria Gardens, appeared briefly in the Pretoria North District Court yesterday in connection with two charges of murder.

No charges were put to them and they were not asked to plead.

Their appearance followed the arrest of the five men on Monday after the bodies of two men, identified only as Jerry and Penny, were found in a biltong drying shack on Graham Senior's farm near Rooiwal

The victims were allegedly beaten and tortured by the five suspects and left in the room overnight Their bodies were found when the room was opened on Monday, police said.

The victims were allegedly abducted and assaulted because they were suspected of having stolen a bakkie belonging to one of the accused.

Four of the suspects surrendered to police and a fifth was later arrested

According to a post mortem one of the victims died as a result of a brain haemorrhage and the other due to severe blood loss.

Decision on interim name for council

ARG 13/12/95

Municipal Reporter

CAPE Town/Kaapstad/Ikapa — that is what the Cape Town City Council wants to be called until political changes to restructure new municipalities have been completed.

The council has appealed to provincial authorities not to rush into a decision on new names for substructures because this is "an important and highly sensitive issue".

Local government minister Peter Marais has asked councils to make suggestions for new names for the six new municipalities in the Cape metropole by Friday

But at yesterday's council meeting it was decided they would urge that the joint executive committees — tasked with amalgamating the 39 local authorities into six new municipalities — be allowed to grapple with the issue of a name.

Meanwhile the council has suggested that the names given to the new municipalities by the Demarcation Board be retained — namely Eastern, Northern, Southern, Tygerberg and Helderberg.

Privatisation furore

Sowetan 13/12/95

The Government and trade unions seem to be set on a collision course over state assets. Labour Reporter **Abdul Milazi** surveys the situation.. (232)

NOW YOU SEE IT, now you don't This seems to be the game that the Government is playing when it comes to the privatisation of state assets

The newly coined phrase to refer to the process is now " restructuring and reorganisation" The use of the word "privatisation" by Deputy President Thabo Mbeki last week caused a furore among trade unions

Mbeki told the media that the Government intended to partially privatise some of the key state enterprises

He said the Cabinet had approved recommendations that strategic equity partners be sought for Telkom, South African Airways and the Airport Company

Mbeki further explained that non-strategic investments, such as Autonet, Transkei Airways and Sun Air had been recommended for outright sale

The Congress of South African Trade Unions (Cosatu), Federation of South African Labour Unions (Fedsal) and National Council of Trade Unions (Nactu) criticised the Government for the "unilateral decision"

In a statement Cosatu said it had met Mbeki at his request for a briefing on the Cabinet's decision on restructuring state assets and was shocked at the way the Government was handling the matter

Cosatu claimed it had pointed out to Mbeki that the decisions were premature and pre-empted a number of agreements that had previously been reached at the National Economic Development and Labour Council on November 30

"The sectoral task forces on reorganising state assets (transport and telecommunication) had made recommendations to the Cabinet without consultation with affected unions, contrary to undertakings from Government," Cosatu argued

Fedsal general secretary Mr Dannhauser van der Merwe said "The proposal of organised labour about the process of restructuring of state assets is already public knowledge What is at stake here is the blatant disregard of agreed processes and verbal undertakings by Government"

Van der Merwe said the federation's main concern about privatisation was the possible loss of jobs and the effect this would have on the provision of services to the community

This was echoed by Cosatu general secretary Mr Sam Shilowa and Nactu general secretary Mr Cunnigham Ngcukana at a special meeting on Monday, when they maintained that organised labour was against the "wholesale selling of public assets"

Although Public Enterprises Minister Mrs Stella Sigcau denied that Monday's meeting

Minister Stella Sigcau .. earlier announcements on privatisation were merely proposals for discussion.

was called to clear the privatisation controversy, journalists, who had come for a Press briefing, waited for hours while Government and labour delegations discussed the issue

When journalists were finally allowed in, they were given a very brief Press release announcing that the parties had agreed to negotiate a national framework agreement on the restructuring process

The statement further explained that the meeting "noted that Government's announcement on December 7 (by Mbeki) are mandated positions of Government for further discussions, and not decisions for implementation"

This was confirmed by Sigcau, who said Mbeki had explained that the announcements were merely proposals for discussion with all stakeholders

Post and Telecommunications Minister Pallo Jordan said privatisation was one of many options the Government had in dealing with the re-organisation of state assets

However, Nactu, Cosatu and Fedsal emphasised that they would never accept privatisation

Shilowa said Telkom had previously benefited whites only

He said the same basic services should now be extended to blacks

"We can't now say the private sector is more efficient, and the approach should now be profit-making," he said

Ngcukana added that restructuring and reorganising state assets should include human resources development, where people from previously disadvantaged communities would be 'brought on board" at managerial level

Media speculation that the controversy was the beginning of a rift in the ANC-Cosatu-SACP alliance was dispelled when the South African Communist Party which had joined organised labour in condemning the Government announcement, also welcomed Monday's agreement to negotiate a national framework agreement

In a statement the SACP said it had been concerned about the debate over privatisation, which had obscured the Government's key standpoints It said it believed there were critical and positive elements in the Cabinet's proposals

"Contrary to widespread Press reports, the proposals are not about full-scale privatisation, but to maintain the key utilities in public hands," argued the party's statement

The African National Congress also applauded the proposals, saying they encouraged Government involvement in major public enterprises to ensure that the state continued to have leverage to drive the process of transformation, growth and development

The Azanian People's Organisation however strongly condemned the Government's decision It said selling off state assets would cause greater hardship for most of the population and increase inequalities among racial groups

"Most state enterprises, such as Telkom, Eskom, Spoornet and Metro Rail provide essential and beneficial services to the population Their privatisation is likely to make these services expensive and out of the reach of many people," said Azapo president Mr Mosibudi Mangena

"Since blacks have no capital, it is obvious these state assets will be bought by the white minority and foreign capitalists This will have the effect of further concentrating wealth in the hands of one racial group"

Azapo will urge the Government to work for efficiency and profitability in state enterprises, not privatisation

The SA Chamber of Business described the proposals as pragmatic and positive steps, which would alter the pattern of ownership and reduce the involvement of the public sector

Labour told to like or lump privatisation

CT(Bus) 14/12/95 (232)

By Thabo Leshilo

Johannesburg — As labour continues to flex its muscles, economists have issued a blunt warning that privatisation of state enterprises is inevitable and the labour movement had better accept it

They were speaking against the background of a widespread strike by the South African Railways and Harbours Workers' Union, which hit domestic flights and slowed down operations at ports and railways yesterday

Transnet spokesman Con Jooste said an early estimate was that 12 000 out of a workforce of 115 000 were away from work and 21 domestic flights were delayed, affecting 3 000 passengers at Johannesburg, Durban and Cape Town airports

Portnet said about half its workers at Durban harbour joined the strike while Cape Town harbour's container terminal operated at about 75 percent. Trains were delayed after Spoornet workers joined the strike

Tony Twine, the director of Econometrix, said there was no way the government could give in to threats by labour to stop privatisation because of the need for long-term economic growth.

Yesterday, Cosatu's executive held a special meeting to consider ways to counter government plans to sell Sun Air, Transkei Airways, Autonet and Mossgas, find private partners for Telkom and SAA, and restructure Spoornet and other public enterprises

Twine estimated that the proposed sale of assets would save the government R16 billion on interest payments alone, helping to reduce the massive R273 billion national debt and fund the RDP

He said instead of trying to stop the process, the unions should press for guarantees on the training of their members to make them more productive and prepare them for other roles

Twine said privatisation was necessary to enable the economy to grow at between 4 and 5 percent to stop the further erosion of jobs, and between 5 and 7 percent to reduce the country's high unemployment.

To achieve this more emphasis should be put on export promotion rather than import substitution as was done during apartheid

Cunningham Ngcukana, the general secretary of the National Council of Trade Unions, said privatisation was unacceptable because of the potential job losses

Options

"There are better options, including commercialisation, whereby the state keeps 100 (percent) ownership of the enterprises. Parastatals were set up to create jobs and to provide services at lower cost," said Ngcukana.

The unions' fears were amplified by Soekor's decision at the weekend to cut 100 of its 260 jobs by early next year in preparation for privatisation.

Jobs continue to be lost in other public enterprises

Telkom employs 58 000 people, having shed 1 000 jobs since last year; SAA has cut its staff complement by 17 percent to less than 10 000, and the commercialised Eskom employs 40 000 people compared with 66 000 a decade ago

Sacob economist Bill Lacey said although privatisation would initially lead to some job cuts it could create more jobs in the medium to long term.

Sigcau to meet unions over privatisation fury

□ Further strike action threatened by Sarhwu

ARG 14/12/95 (232)

CLIVE SAWYER
Political Correspondent

STELLA Sigcau, Minister for Public Enterprises, will meet the country's two biggest trade unions tomorrow over the deepening crisis about government privatisation plans

The Congress of South African Trade Unions and National Council of Trade Unions will attend the meeting

Cosatu's national executive is meeting today to discuss a national strategy against privatisation

Its allies, including the South Africa National Civic Organisation, are likely to be drawn into the campaign

Yesterday's wildcat strike, which reduced airports countrywide to chaos, was called off after Ms Sigcau asked the South African Railways and Harbour Workers Union (Sarhwu) to tell its members to go back to work Workers agreed after Ms Sigcau promised to look into their demands

Sarhwu president Nelson Ndimisa said strike action could resume next year if the privatisation proposals were implemented

Minister for Public Enterprises Stella Sigcau.

Mr Ndimisa said yesterday that no one, including the government, would be allowed to embark on privatisation

Cosatu general secretary Sam Shilowa called on the federation's 1,6 million members to remain ready to fight the proposals

Ms Sigcau said today the government remained committed to its agreement with labour to negotiate a national agreement on state assets

"A number of the concerns expressed by labour concerning participation in the restructuring and transformation committees at enterprise level have already been agreed upon and this was conveyed at the meeting with representatives of labour on Monday

"Agreement has been reached on the disclosure of information concerning restructuring and the appointment of advisers to labour"

The government repeated its commitment to "transparent" consultation with unions, said Ms Sigcau

The government expressed its regret about the inconvenience caused by the strike

Competition Board turns down planned takeover

Companies to seek interview with minister

ARG 14/12/95 (232)

Business Editor

THE Competition Board has given a thumbs-down to the planned takeover of Bolton Footwear (Bolwear) by Conshu Holdings

In notices issued today, the Bolwear and SA Breweries-owned Conshu said negotiations between them had been discontinued

The board had recommended to the Minister of Trade and Industry that he declare the transaction unlawful in terms of the Maintenance and Promotion of Competition Act

But Bolwear would seek an interview with the minister, the company said

"Bolwear, for a number of reasons, finds itself in respectful disagreement with the conclusion reached by the Board," it said

Competition Board chairman Pierre Brooks launched an investigation into the proposed takeover in June, saying that other footwear companies had complained to him

■ Huge interest payments because of high gearing in Premier Foods bit into the **Premier Group's** profits in the six months ended October

Trading profit rose 26 percent to R381,5 million, but interest at R92,2 million was up 57 percent on year-ago figures

Attributable earnings came in at R100,4 million, compared with last year's — restated — figure of R100,1 million

Premier said borrowings should be reduced this year

■ **Kilroe, Whitehead & Co** will terminate its corporate membership of the Johannesburg Stock Exchange at the close of business on December 30, the JSE said

Other developments on the JSE include the admission of TA Securities South Africa as a corporate entity member with effect from January 2, the conversion of Ivor Jones, Roy and Company's status to a corporate entity with immediate effect, and the changing of Anderson, Wilson and Partners' name to Anderson Wilson (Pty) with effect from December 18

■ **FNB Holdings** has restructured ahead of the retirement of key figures in its management

The group said it would split into three basic operational areas, each headed up by a senior general manager reporting in to MD Barry Swart Retail, headed up by Peter Thompson Corporate and Institutional, under Johan Meiring who has been promoted to the position of senior general manager; and Finance, Risk and Group Communications under Viv Bartlett

Soon to be retiring were Norman Axten, senior general manager, Kosie Meiring, GM, Don Hogan, regional general manager of Kwazulu-Natal, and Stan Powell, regional general manager in the Western Cape

Black business gives cautious nod

By Shadrack Mashalaba

BLACK business has accepted with caution a move by the Government to privatise and restructure certain key state assets (232)

The key assets that the Government announced would be affected are in the transport and telecommunications sectors

Labour federations, in particular, raised their concern about the number of jobs that will be lost following the restructuring

Sowetan 14/12/95

It was also confirmed by Deputy President Thabo Mbeki last week that there would be job losses if the Government continued with restructuring

He said the move however would ease the public debt and help black empowerment

Black business also joined the privatisation controversy and aired their views

Mr George Negota of the National Transport Forum said the restructuring of state assets is inevitable just as the restructuring of the South African economy

"For restructuring to succeed it should be done in consultation and through involvement with organs of civil society It should be done within agreed policy and that includes affirmative action, merit and should avoid creating a new elite," said Negota

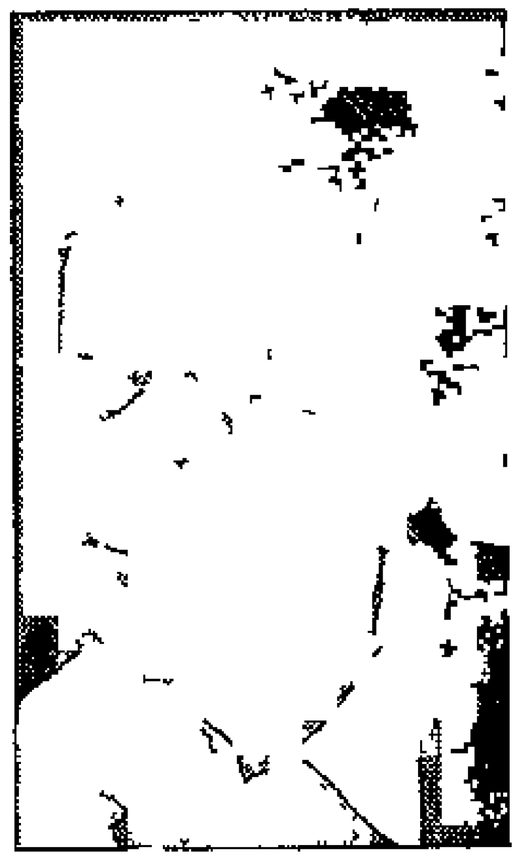
The participation of foreigners in the whole move would be accepted if it is to benefit black emancipation, add value and efficiency

"Raising capital to finance the sale of the state assets would not be a major drawback for black business," Negota said

Nafcoc's Mr Mashudu Ramano said the Government had reneged on an earlier agreement that it would not privatise public assets

"Its latest move begs a multitude of questions to Nafcoc

"We raised our concern with the Minister of Public Enterprise at Nedlac and she agreed that we have legitimate concerns", said Ramano



Privatisation only game in town

The ANC must cross its own Rubicon on this issue, says Political Correspondent Patrick Bulger

(232) Star 14/12/95

The Government's decision to "restructure" State assets by privatising some of them outright and inviting "strategic equity partners" to invest in others invites comparison with the National Party government's attempts to throw its own ideological bandwagon into reverse during the final decade of its rule

For the NP in the 1980s the challenge was to reform the political structure for the ANC now it is a matter of redefining the State within the South African economy And perhaps saving our economic skin by doing so

In its attempts to reform the economy the ANC faces its own version of the river Rubicon Like former State President P W Botha the ANC can paddle in the muddy waters without obvious effect or it can stride, albeit nervously, across its waters In doing so, the ANC will relieve the State of activities it is ill-designed to pursue, like digging for diamonds or running holiday resorts

There is some irony in the ANC's newfound taste for what some of its ministers refer to as the "P" word – privatisation, with all its Thatcherite connotations The irony exists in the fact that while the South African economy is a consequence of decades of Afrikaner nationalist self-sufficiency, it is modelled on much the same lines as would be pursued by those in the ideological Left that have until now defined the ANC's economic agenda.

The common features are heavy State involvement, protective tariffs, in-built inefficiency, sheltered employment, subsidies, monopoly protection, elaborate marketing controls and a tendency to rely on the most productive economic sector, the private sector, when the going gets tough.

In the meantime, productive investment is crowded out, preferring to find profits in speculation on the financial markets rather than take its chance in the field against State-protected industries with a hotline to high places

Given the ideological somersault in question here, who could blame the union bureaucracy for hesitating and for opposing a set of inherited circumstances that employ its members? Similarly, who could have blamed whites in the early 1990s for resisting changes that seemed so patently to their disadvantage? Yet, who could now deny that those same changes have brought and will continue to bring positive change, not to whites as a separate class, but to all South Africans in the short term and the future

The realities of power have dampened the Utopian voices within the ANC Some in the government can discern the bare outlines of what comprises a successful economy that nurtures and educates those citizens prepared to work for it

This outline comprises a reduction in public debt, increased competitiveness in an ever-smaller world, a vibrant private sector that is not hobbled by restrictive conditions and regulation and a State sector that confines itself to creating the conditions in which the tree of prosperity can thrive - namely a stable currency, a workable system of justice and internal stability

Besides, the Government needs the money

Not that it is an easy task for the Government to press ahead with economic reforms that will cost it friends among its traditional allies in Cosatu and the SA Communist Party

The ANC component in the Government of National Unity, and in particular Deputy President Thabo Mbeki, has read the writing on the wall Unless funds are generated to keep SAA internationally competitive, the national carrier and the country as a whole will lose out

Only the partial privatisation of Telkom can generate the resources needed to extend the telecommunications network to the townships and the rural areas There is no other choice

Of course, Cosatu's continued support for the ANC is contingent upon the ANC's support for the goals of the Reconstruction and Development Programme, among them the alleviation of poverty, the creation of jobs, black economic empowerment and a better life for all After all, the RDP is a Cosatu creation This is why Cosatu's accusation that the privatisation programme announced last week is contrary to the goals of the RDP holds such a political sting in its tail

The ANC will be hard-pressed to please everybody in the privatisation struggles that lie ahead and there should be serious negotiated attempts to lessen the blows and especially to avoid inflicting individual hardship upon people whose fault is merely that they have a job at the pleasure of a benevolent State The principle of getting bureaucrats out of business must not be abandoned or watered down

Like the NP before it, the ANC will have to cross its own Rubicon, ironically one created by the NP There are good reasons for forging ahead, not least the further proof that the conversion from the syrupy sort of Albanian socialism that was ANC policy to a pragmatic philosophy is complete

Like the NP before it, the ANC could find that the path it must follow to restructure the State's role in the economy is a rocky one But Mbeki and the Cabinet dare not turn back

Unions' privatisation backlash 'expected'

(232)

POLITICAL STAFF

CT 15/12/95

FIVE visiting US governors yesterday reassured the government the union backlash to privatisation of state assets was "to be expected" — and urged their federal counterparts to "encourage unions to come up with better ways to do it"

Iowa governor, Mr Terry E Branstad, said his state ran into similar problems in "downsizing" government, "but we didn't let their (union) opposition stand in the way — when we privatised we gave them an opportunity to come up with a better way to do it — and often they did"

Mr Branstad congratulated the "honest way" in which the South African government was privatising airlines and utilities, predicting it would reduce the deficit and create a competitive free market driven economy where "you can really help people help themselves"

CALL FOR ACTION *Cosatu's Sam Shilowa (left) with president John Gomomo* PHOTO JOHN WOODROOF

Cosatu intensifies anti-privatisation call

(232) CT (BR) 15/12/95

BY THABO LESHILO

Johannesburg — Cosatu stepped up its anti-privatisation struggle yesterday, calling for a two-hour work stoppage next week and a one-day strike next month

At a press conference in Johannesburg, the powerful federation said the government should not only stop privatisation, but increase its ownership of the economy still further to create more jobs and provide cheaper essential services

The call by Cosatu's special executive committee meeting was timed to strengthen labour's hand at today's meeting that Cosatu, Fedsal and Nactu are to hold with the government to discuss a "national framework agreement" on restructuring state assets

Sam Shilowa, Cosatu's general secretary, told reporters the federation had adopted a national programme of mass action to ensure labour's full participation in restructuring Telkom, SAA and other public enterprises

He said that Nactu and Fedsal (the Federation of Labour Unions of South Africa) would be asked to support Tuesday's work stoppage, scheduled to last two hours

John Gomomo, Cosatu's president, accused the government of having reneged on an undertaking to consult labour on the process of privatisation

Shilowa rejected as "rubbish" the argument that privatisation would result in more jobs in the medium to long term and promote black empowerment

Emmanuel da Silva, director of communications at the Afrikaanse Handelsinstituut, rejected Cosatu's call for mass action, saying it was likely to discourage investments

Unions set for showdown on state sell-offs

(232)

CLIVE SAWYER
Political Correspondent

COSATU is to launch a mass action campaign against the sale of state assets with a nationwide two-hour work stoppage on Tuesday, followed by a full-day strike on January 16.

The decision to go ahead with mass action was taken at a meeting of the union federation's national executive yesterday.

Cosatu general secretary Sam Shilowa said the two-hour stoppage would take place "not during lunch-time, but when it will hit the hardest".

He said the full-day strike on January 16 would not be a stayaway. Workers would stage marches and demonstrations in all major cities.

Further action would depend on the content of a government announcement, due to be made on January 18, on further plans for privatisation.

Meanwhile Reuter reports that Deputy President Thabo Mbeki said today he did not think Cosatu would carry out the threatened national strike.

ARG 15/12/95

"I don't know. I don't think there will be," Mr Mbeki told a news briefing when asked if he expected the strike to go ahead.

Asked about relations between Cosatu and the ANC, he said the ANC was "still dancing with Cosatu".

Appeal for compromise in row over selling state assets

(232) ARG 15/12/95

Give unions a chance to find answers – US governor

TYRONE SEALE
Political Staff

A UNITED States governor has suggested a compromise to head off growing confrontation between the government and trade unions over privatising state assets

Privatising state assets makes economic sense but sell-offs should be reconsidered in cases where trade unions can come up with better ways to ensure profitability and efficiency, he says

This advice comes from from Terry Branstad, governor of the state of Iowa, who was one of four governors who briefly met Western Cape Finance Minister Kobus Meiring yesterday Mr Branstad is also deputy head of the National Governors Association (NGA)

A high-powered NGA delegation, headed by chairman and Wisconsin governor Tommy Thompson, has spent the past few days familiarising itself with the political situation here

Other governors on the tour are Kirk Fordice of Mississippi and Carl Gutierrez of the American territory of Guam Nevada governor Bob Miller left the country before yesterday's meeting with Mr Meiring at the provincial legislature

Describing parallels between South Africa and the United States, Mr Branstad said the US government was trying hard to balance the federal budget over the next seven years and said the debate on privatisation was an important part of this challenge

The US government had committed itself to reducing the budget deficit through privatisation of government-run services

"That's a very wise economic decision"

The scaling down of bureaucracies in individual states had attracted union outcries but had been supported by the electorate at large

While negotiations with unions had subsequently proved difficult, a role had been found for unions in the course of privatisation

Where unions could come up with ways to ensure efficiency and profitability, control of such services had been retained by the government, he said

PRIVATISATION

Government advances cautiously

Labour still sceptical and suspicious

(232) FM 15/12/95

Within days of government announcing a policy of limited privatisation last week, the trades unions were in an uproar And with every statement since then, government appears to be conceding ground.

Essentially, the State's plans are to sell off minority stakes in Telkom, SAA and the Airports Company and fully divest itself of Autonet, Transkei Airways and Sun Air

Labour clearly fears this will cost jobs and deny black empowerment and access to services.

This is entirely understandable in a climate of reduced tariff protection, rising private-sector productivity and illegal immigration, all of which will aggravate unemployment.

Union membership in the private sector has fallen sharply and labour depends heavily on the maintenance of public-sector jobs to preserve its political clout.

Deputy President Thabo Mbeki's announcement followed a unanimous Cabinet decision last week to accept the recommendations of the sectoral task groups convened nearly two months ago by Public Enterprises Minister Stella Sigcau.

Consisting of representatives from the Ministries of Public Enterprises and Finance, each sectoral Ministry and chairmen of the enterprises, the task groups were charged with assessing State asset restructuring options for specific sectors

That labour had earlier accepted the policy and the process that Sigcau so transparently pursued indicates the extent to which unions fear their loss of influence and possibly the degree with which they misjudged government's preparedness to negotiate implementation

The upshot is that labour and government will, over the next month, negotiate a new national framework agreement on which the process of restructuring will be based Labour wants to be included in the "transformation teams" that restructure enterprises That has been conceded.

Particularly contentious is the future of the service-providing enterprises like Telkom, the Post Office, Eskom, Spoornet, the SABC, the Airports Co and Air Traffic & Navigational Services

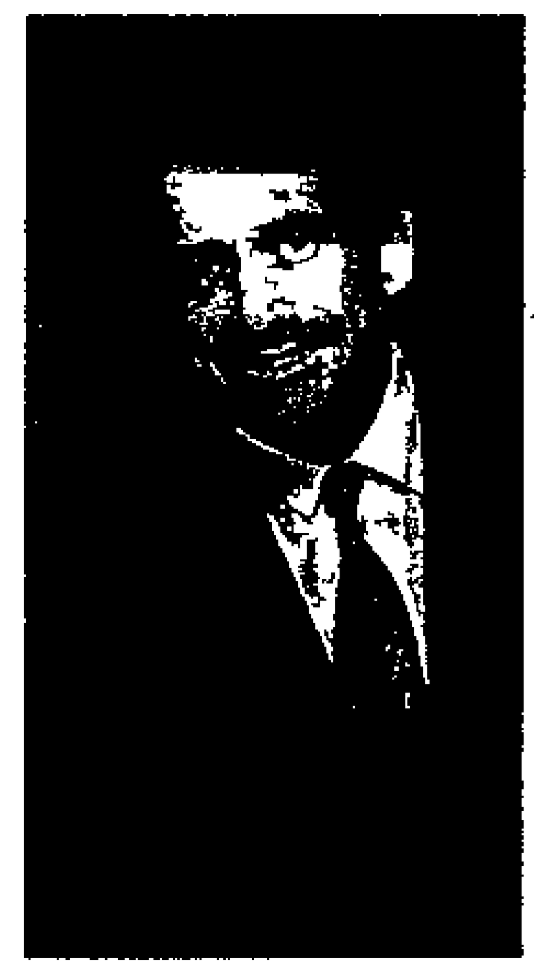
Labour believes these assets are necessary for the success of the RDP, black empowerment and training These undertakings are also big employers Bearing this in mind, Sigcau categorised them as assets "with a clear public policy" that could only be restructured once sectoral policy had been substantially developed (*Leading Articles* September 8)

PRIVATISATION

DIVESTITURE	NONDIVESTITURE
Property rights Joint ventures	Management control Leases Concessions (Build, Own, Transfer, etc)


Morrison


Sigcau


Van Huyssteen

And though government's policy statement of September indicates that the State believes it has an indispensable role in providing these services, joint ventures between the public and private sectors were not ruled out

So the vehemence of labour's reaction to the proposed partnerships for SAA and Telkom has probably come as a surprise.

Labour's fears are not peculiar to this country Nor are the ways in which similar apprehensions have been addressed in industrial and developing countries

A partial sale or partnership, for example, would allow the State to keep an interest while raising the capital and attracting the skills it needs to expand services Government could initially opt to keep control or dilute its share and later decide that an industry is mature enough to be sold or no longer strategically important to retain

A case in point is the sale of British Telecommunications, where government sold off assets in three stages, the last being the most profitable

Separating the issues of ownership and control could also diffuse potential problems Though an ideal joint venture would see the private sector holding at least 51% of shares, a shareholders' agreement could see government relinquishing control while retaining full ownership

Universal access to services can also be regulated as a condition of privatisation without scaring off potential investors

Says Price Waterhouse Meyernel corporate finance CE Pieter van Huyssteen "Buyers who face such conditions would still invest, for example, in Telkom because it's a sector which they recognise as being able to make large profits given the growing electronics industry internationally"

Likewise, appropriate tariffs could be regulated to ensure competitive pricing and quality of service

It must, however, be stressed that regulation is not a substitute for competition and where competition can be created it should take priority.

Other issues of perceived "national interest" can also be regulated or contracted for in privatisations.

Several UK privatisations, for example, saw government retain a special or "golden" share to protect national interests These could include.

- Restrictions on the proportions of shares to be held by individual shareholders,
- Limits on total share capital held by foreigners,
- Restrictions on the disposal of assets and winding up, and
- Appointment by government of directors

Ensuring black empowerment and the distribution of ownership is also feasible Mechanisms could include employee ownership schemes and employee and management buyouts, distributions to pension and unit trust funds and the use of share coupons to extend credit to those who otherwise would not qualify for it

The methods of privatisation are particularly important

Says Rand Merchant Bank's Neil Morrison While a public offering allows for the greatest size and breadth of ownership (also allowing for some State control), it might not maximise proceeds

"A private sale would offer the highest price and increased competitiveness but might not be as successful in helping government to attain political and social goals A combined public and private sale could increase flexibility and proceeds but require significant time and effort

"Government needs to structure each transaction to fit the requirements of the entity, national interest, market conditions and other stakeholders, notably labour"

Of course, labour's immediate job loss fears are more difficult to address State enterprises are invariably overstaffed and privatisation inevitably means trimming the labour force

But the international experience of privatisation shows that expanded investment and diversification after privatisation resulted in rapid growth The Chilean telephone company, for example doubled its capacity in the four years after its sale A recent World Bank publication claims "Labour was not worse off, even taking into account all layoffs and forced retirements Consumers were better off or were unaffected by a sale in most cases

"Buyers of the firms made money, but in the main the other stakeholders — labour, consumers and government — gained as well"

The report adds that privatised companies grow faster and are better able to contain costs

The firms improved their capital structure and increased capital expenditure Their work forces also grew because of increased investment Privatisation improved domestic welfare in 11 of 12 cases analysed by the World Bank Productivity went up in nine of the 12 and showed no decline in the other three

Nor is labour without recourse in the bargaining process Morrison points out that an investor might be persuaded to retain and train additional staff for a potentially expanded service Of course, such a decision would be discounted into the purchase price, which would mean that the State would receive less for the sale

Morrison stresses that the present ownership and structure of State enterprises is simply unaffordable

"SA corporations are part of a global community and need new skills and technologies that cannot be met by government or State budgets

"Privatisation of Telkom could mean leaner management and enable Telkom to undertake investment that would mean economic growth and employment opportunities'

Morrison acknowledges that economic growth cannot be pursued in isolation, simply ignoring labour's interests He suggests that government might specifically need to manage the welfare results of a privatisation to ensure that constituencies affected by the privatisation receive some of the benefits directly

"Ultimately, though, labour shouldn't be trying to derail the process but should try to make it succeed for the workers and the country"

No debate, however, should detract from the seriousness of the financial constraints that government will continue to face unless it can turn under-performing assets to more productive use

It is estimated that disposing of R50bn of assets could transform the current debt GDP ratio from around 55% to 45% Working from a rough calculation pegging government debt at about R250bn and GDP at R450bn, Morrison says that reducing the debt by R50bn would diminish interest payments by R5bn — which could be spent on capital goods that would stimulate growth

Government could either use the proceeds to retire official debt or recapitalise the enterprises Either way the need for such high interest rates would be reduced, which in turn would make it easier for small and medium enterprises — the seed corn of future growth — to prosper

Nondivestiture privatisations can also foster economic growth, especially where they are used for public-sector infrastructure financing

Broadly, these could include leases and management and operating contracts between the State and private players Put simply, the benefit of nondivestiture methods is that they create a new and more productive asset Management contracts, in particular, are usually less politically contentious than sales

Says Morrison "The particular advantage of private financing is that it shifts the government budget frontier to off-balance sheet financing It makes risk transfer from government to business more feasible"

But the telling thing is that by allowing for private decision-making, it also changes the role of government from providing to purchasing services — a proven route to efficiency and competitiveness

Private finance projects could be financially free-standing — where costs are recovered through user charges Examples would include toll roads and bridges, tunnels and pipelines The contractor, rather than the taxpayer, would finance the development and the end-user would pay for the costs of construction, releasing government resources for other expenditures

Variations could include

❑ "Wraparound addition contracts" where the government owns a facility and wants to expand it and the private player agrees to expand and operate it for a finite period,

❑ A private investor building, operating and transferring the asset to the State after a specific time, recovering costs through user fees This would be an ideal arrangement to build a new airport The investor could also lease back the asset, and

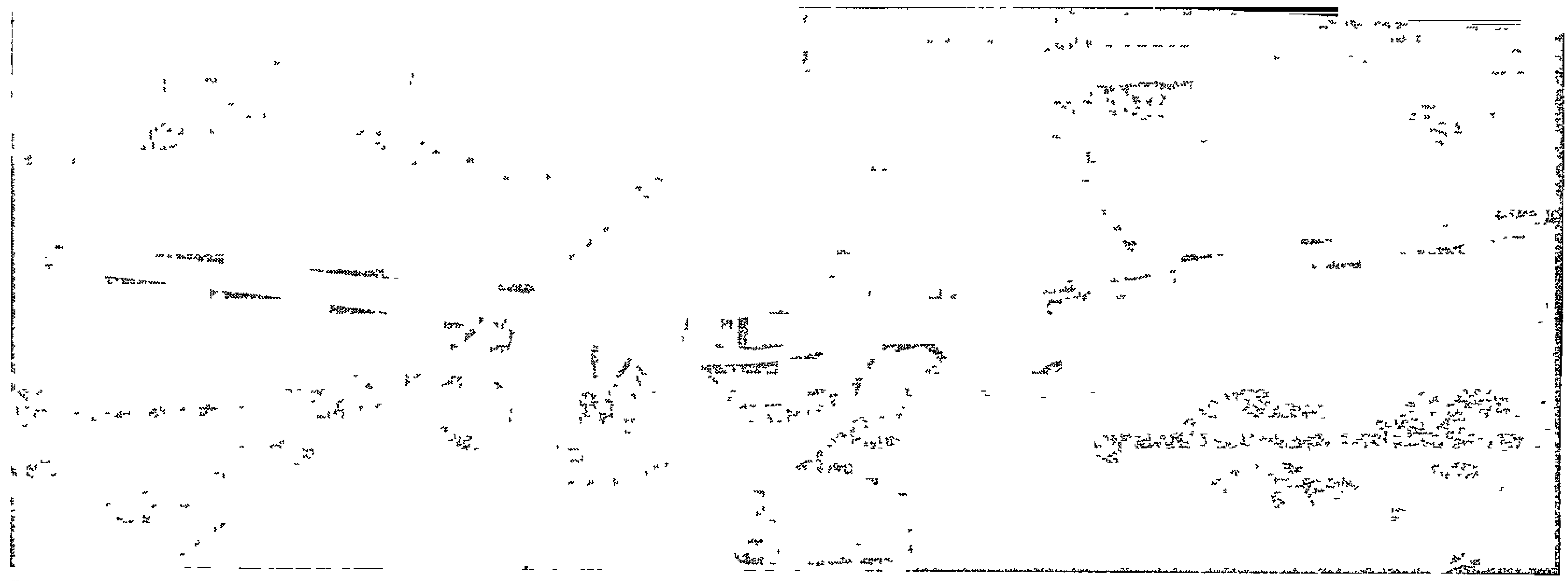
❑ A private-sector investor building, owning and operating a facility for the State without any transfer of ownership or control The State would act as facilitator and might impose restrictions on the price levels and quality of the service provided

Lease agreements are an additional private-sector method of funding infrastructure or social projects Government could give or sell a facility to a private investor and buy back services

The success of nondivestiture methods of privatisation ultimately depends on government's capacity to negotiate, monitor and enforce contractual obligations and its commitment, political support and long-term objectives Experience in other countries suggests the reward is worth the effort ■

VALUE OF STATE ASSETS

	Rm
Trading accounts	**298**
Government water schemes	147
Equipment account	86
Government printing works	42
Other	23
Boards	247
National Parks Board	176
Council for Geoscience	52
Other	19
Funds	**12 679**
National Housing Fund	6 132
Housing Development Fund	1 831
National Road Fund	1 671
Urban Transport Fund	894
Economic Co-op Promotion Loan Fund	728
Guardians' Fund	492
Mine Works Compensation Fund	357
Re-insurance Fund mines etc	275
Other	299
Other	**3 310**
Compensation Commissioners	1 818
Land & Agricultural Bank	1 405
Other	87
Public entities	**15 288**
Electricity Supply Commission	13 837
Agricultural Research Council	491
CSIR	431
Council for Mineral Technology	80
MNR	77
HSRC	67
Water Research Commission	61
Other	288
Shareholdings	**31 278**
Transnet	11 899
IDC	7 608
Telkom	4 841
SA Rail Commuter Corp	3 346
SA Development Trust Corp	3 410
Denel	3 094
Armscor	338
Alexander Bay Dev Corp	180
Small Business Dev Corp	89
SA Atomic Energy Corp	120
Disclosed at issue price	**541**
World Bank	329
Development Bank	168
International Finance Corp	41
Other	3
Reserve Bank	**78**
Total	**63 720**



Ready to fly? South African Airways is one of the state-owned companies mooted for privatisation

State asset sell-off – who gains?

(232) M+G 15-21/12/95

Contrary to government rationalisations, privatisation is not necessarily in the interests of disadvantaged South Africans, argues **Brendan Martin**

THE price of water was as popular a talking point in the Gdansk birthplace of Polish Solidarity this week as the defeat of the city's favourite son, Lech Walesa, in the presidential election

Water tariffs have risen several times since Gdansk's water supply was semi-privatised in 1992, but the demand of the French transnational SAUR for a further 40 percent price hike is threatening to provoke a citizens' revolt

The financial logic behind it has only, as it were, poured oil on troubled waters SAUR reasons the increase is needed because its revenue is short of target, and its revenue is short of target because consumption is lower than projected — and consumption is down because prices are up

Having spent last week in South Africa and the previous one in Poland, I was struck by the fact that, even if the two countries' political and economic predicaments are in many ways as comparable as Baltic winter and Cape summer, when it comes to the abuse of state ownership, the realities of sudden exposure to globalisation and the controversies surrounding privatisation of vital public utilities, they have much in common

The transnational companies looking to take over water, waste, energy and telecommunications, for a start. There are only a few big players in the new global markets for those strategic services and, while the names of local subsidiaries can conceal common parentage, nothing can hide the growing concentration of world power

Whether dressed up as Aquatech (in Canada), Sodeci (in Côte D'Ivoire), EASA (in Argentina), Mid Southern Water (in the UK) or Sodeca (in the Central African Republic), the power behind SAUR is the same — the French transnational Bouygues

The African National Congress and its allies resisted privatisation in the latter years of apartheid precisely because the regime planned to use it as a vehicle to institutionalise through economic means the political power it was resigned to losing Now the ANC has stunned its allies with last week's announcement of several partial privatisations

It is too easy to dismiss the government's reasoning as window dressing to cover an ideological betrayal The fact that post-apartheid South Africa inherited one telephone line per 100 black people, against 60 per 100 among whites, and that most blacks have no running water while nearly every white takes it for granted, should be trumpeted the world over to undermine the idea that state ownership and equitable provision necessarily go together

But the left's merciful release from its statist stranglehold is in danger of being replaced by no less limiting fantasies about the intentions of private capital for public services

'Major electric, telecommunications and water utilities in industrial countries face slowly growing demand and increased competition (following deregulation) in their home markets," said the World Bank in last year's *World Development Report, Infrastructure for Development* "As a result, they are vigorously seeking high-yield investments in developing countries "

Matching their investment strategies to the development needs of countries like South Africa is the kind of win-win deal that would give capitalism a good name, except for one problem it is not an even match

The bigger the share of the public service market grasped by those companies — and the private infrastructure business is already worth $60-billion a year, according to the World Bank — the less able are national states to resist dealing with them, but the more hazardous doing so will be

The massive gaps between need and provision, combined with the public debt and spending restrictions likewise inherited from the past, leave South Africa with no choice but to open the door to those with the capital, technology and know-how to tackle the task, goes the government's argument (despite its rebuttal by Eskom's massive achievements in connecting black communities to electricity supply)

Public finance benefits from the windfall (this will be the case for selling a stake in Eskom), and there is no danger to the public interest because the terms of the partnership will ensure continuing public control, the argument goes on

But just as the notions of 18th century free market economic theory lose their elegant equilibrium in the tendency to monopolisation, so the ability of governments to enforce the terms of long-term deals with the public service transnationals has more to do with the shifting balance of power between national states and global capital than with the wording of contracts

Gdansk's contract with SAUR enables the city council to veto price rises but, having turned the utility over to SAUR, the cash-strapped municipality may find that it needs SAUR a lot more than SAUR needs it. Why should Bouygues stand losses in Poland when the door is opening to big profits in, say, South Africa?

So, while the circumstances of Solidarity's birth predispose it against state ownership, while Cosatu's tradition demands an opposite burden of proof, the driving forces of globalisation and privatisation are producing a common cause It is neither privatisation nor nationalisation as ends in themselves, but a search for solutions to the problems of economic empowerment and social justice, which enable local communities to shape their own destinies rather than have them usurped by either distant state or distant corporation

Oh, and fair pay and employment conditions, proper consultation and negotiation agreements with their workers' unions, too

Brendan Martin is an international consultant on privatisation and public sector reform and author of In the Public Interest? Published by Zed Books

The workers say 'no way'

Vuyo Mvoko

TENSION between labour and the government broke into the open this week, culminating in a wave of wildcat strikes that hit three parastatals up for privatisation — Autonet, South African Airways, and Telkom.

The South African Railways and Harbour Workers' Union (Sarhwu), which organised the nationwide strikes on Wednesday, warned: "If they (the government) are not prepared to listen, we will not hesitate to take decisive action."

Sarhwu's anger stems from the announcement made by Deputy President Thabo Mbeki last week, which revealed the government's plans to sell off parts of Telkom, South African Airways, Sun Air, Transkei Airways and Autonet.

Addressing a rally attended by about a thousand members at Johannesburg International Airport on Wednesday, Sarhwu president Nelson Ndinisa said· "This is a clear message we are sending to the government . . As workers of South Africa we will not allow anybody, I repeat anybody, to privatise."

The union will not trust the government again, Ndinisa said, accusing it of acting like "the previous National Party governments which took decisions on our behalf". He told the workers: "The onus is on them now to prove to us that they stand by our agreement."

Sam Shilowa· 'As workers your rights are sacrificed on the altar of profits'

The wildcat strikes broke out after organised labour and government reached an agreement this week that they were committed "to a process of reorganisation and restructuring of state assets" in line with the aims of the Reconstruction and Development Programme.

A team of six delegates from each side was will be set up urgently to negotiate a "National Framework Agreement" to govern the restructuring process.

Cosatu general secretary Sam Shilowa explained in his keynote address at the Sarwhu rally that the government would consult labour before making any moves to privatise.

Shilowa told the workers that this agreement was clinched after organised labour protested vehemently at an earlier heavy-handed approach to the issue by Deputy President Thabo Mbeki. He said Mbeki had informed labour "in a briefing" during a meeting on Thursday last week that he would be making the announcement in the next three hours.

"There is no debate on whether Cosatu supports transformation, reorganisation and restructuring," Shilowa said, "because we want an efficient system and to root out corruption."

Cosatu's main contention, Shilowa said, was with the way the government handled the issue. "As workers your rights are sacrificed on the altar of profits."

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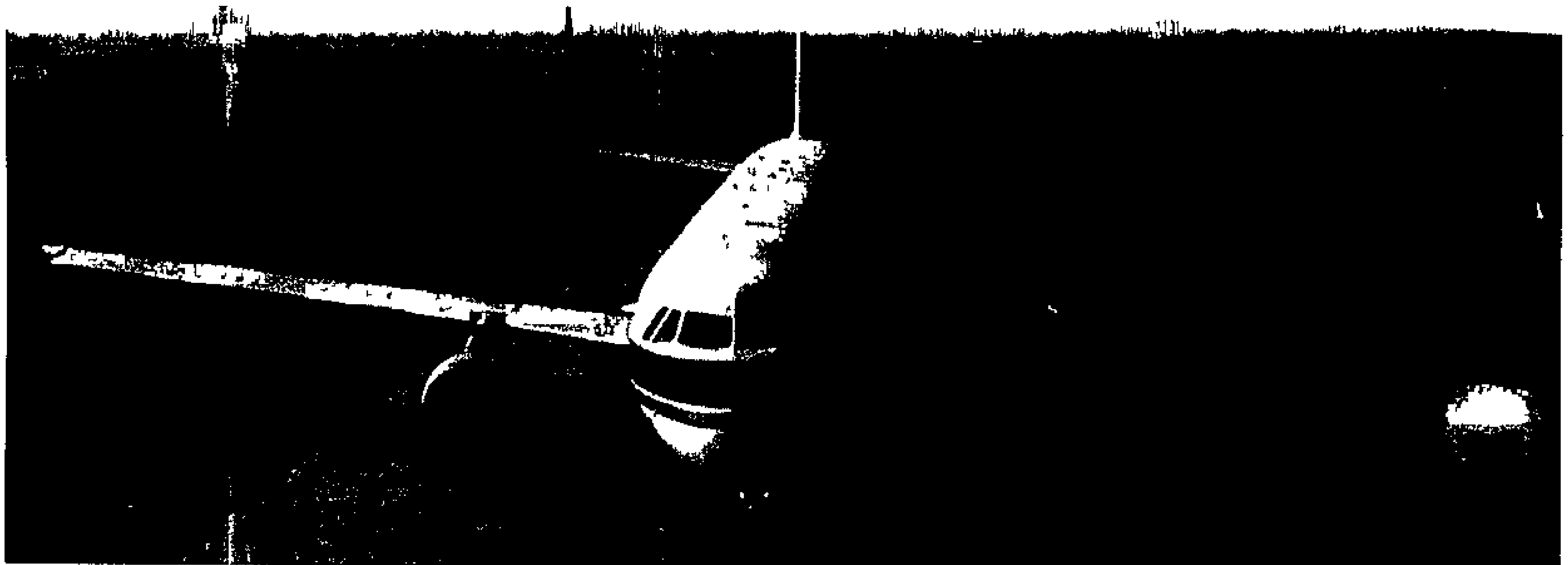

Ready to fly? South African Airways is one of the state-owned companies mooted for privatisation

State asset sell-off – who gains?

(232) M+G 15-21/12/95

Contrary to government rationalisations, privatisation is not necessarily in the interests of disadvantaged South Africans, argues **Brendan Martin**

THE price of water was as popular a talking point in the Gdansk birthplace of Polish Solidarity this week as the defeat of the city s favourite son, Lech Walesa in the presidential election

Water tariffs have risen several times since Gdansk s water supply was semi-privatised in 1992 but the demand of the French transnational SAUR for a further 40 percent price hike is threatening to provoke a citi zens revolt.

The financial logic behind it has only as it were poured oil on troubled waters SAUR reasons the increase is needed because its revenue is short of target and its revenue is short of target because consumption is lower than projected — and consumption is down because prices are up

Having spent last week in South Africa and the previous one in Poland, I was struck by the fact that, even if the two countries political and economic predicaments are in many ways as comparable as Baltic winter and Cape summer, when it comes to the abuse of state ownership, the realities of sudden exposure to globalisation and the controversies surrounding privatisation of vital public utilities, they have much in common

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Cosatu to stick with stoppages plans

ARG 16/12/95 (232)

ADRIAN HADLAND
Political Staff

WORK stoppages for two hours on Tuesday next week and a full-day general strike in January would go ahead as scheduled to protest against government privatisation plans, the Congress of South African Trade Unions said yesterday

The confirmation followed the first meeting in Pretoria yesterday morning of a committee of union and government representatives established to examine plans to restructure state assets

The decision to continue with the industrial action is part of a growing body of evidence suggesting a widening gulf of disagreement between the two parties

The official comment on yesterday's brief round of talks, which were held in Public Enterprises Minister Stella Sigcau's office, was that the discussions had been "constructive"

But union leaders vowed that the work stoppage next week and the general strike on January 16 would go ahead.

Accusing government of failing to honour its agreements with organised labour and of unilateral attempts at implementing privatisation plans, Cosatu general secretary Sam Shilowa told a news conference on Thursday that the state "must feel the pain and anger of workers"

The stayaway would be organised to take place during the most awkward two-hour period possible to ensure production was effectively disrupted, Mr Shilowa said

Yesterday morning, however, Deputy President Thabo Mbeki and ANC deputy secretary general Cheryl Carolus told guests at an ANC breakfast function at Johannesburg's Carlton Hotel that they doubted the January 16 industrial action would take place

"I don't think there will be (a general strike)," Mr Mbeki responded to a question.

Ms Carolus and Mr Mbeki argued that constructive negotiations with the unions and their inclusion in the restructuring process would cause further protests to be called off.

They said the insufficient inclusion of Cosatu and other unions in the restructuring process was the only major point of contention

But union representatives demonstrated a profound uneasiness this week with government's intention to restructure its assets to boost the Reconstruction and Development Programme

"We reject privatisation and don't believe it has ever benefited any other country," said Shilowa

They argued that problems with the process were only a part of the labour movement's grievances over the initiative

Any restructuring taking place would have not only to prevent job losses but would have to create employment while ensuring the continued delivery of effective and affordable services, Mr Shilowa said

Cosatu also disputed the likelihood of restructuring leading to black economic empowerment.

Members of the 12-person committee which met yesterday included Ms Sigcau, Deputy Finance Minister Alec Erwin, Minister of Posts, Telecommunications and Broadcasting Pallo Jordan, Mr S[illegible]va, National Union of Mineworke[illegible] assistant general secretary Gwede [illegible]antashe and Cosatu assistant ger[illegible]al secretary Zwelinzima Vavi

Both ANC and Cosatu representatives denied during the week that the current disagreements would have any impact on the ANC-Cosatu-SA Communist Party alliance

Cosatu action threat an 'acid test' for state

(232) (1~~ ~~) ARG 16/12/95

THE government's reaction to a mass action threat by the Congress of SA Trade Unions (Cosatu), to protest against government privatisation proposals, would be the acid test of its ability to manage the economy properly, Democratic Party spokesman Ken Andrew said.

In a statement in Cape Town he said the government should under no circumstances allow itself to be held to ransom by Cosatu. It was up to the government to stand firm, to demonstrate it wanted to govern in the best interests of all South Africans and was not prepared to succumb to political or economic blackmail, he said.

The DP said if the issue had not been so serious, it would have been laughable that Cosatu was calling on the government to increase its ownership of the economy to create more jobs and provide cheaper essential services.

The DP saw the government's privatisation plans as limited and too timid.

Mr Andrew said Cosatu was prepared to damage the economy to protect its vested interests. — Sapa.

Protests go ahead – unions

Star 16/12/95 (232)

By ADRIAN HADLAND

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They argued that problems with the process were only a part of the labour movement's grievances over the initiative

Any restructuring taking place would have not only to prevent job losses, but would have to create employment while ensuring the continued delivery of effective and affordable services

Cosatu also disputed the likelihood of restructuring leading to black economic empowerment, as claimed by Government, and called for greater state involvement in the country's capacity to produce

Members of the 12-person committee which met yesterday included Deputy Finance Minister Alec Erwin, Sigcau, Minister of Posts, Telecommunications and Broadcasting Pallo Jordan, Shilowa, National Union of Mineworkers assistant general secretary Gwede Mantashe and Cosatu assistant general secretary Zwelinzima Vavi

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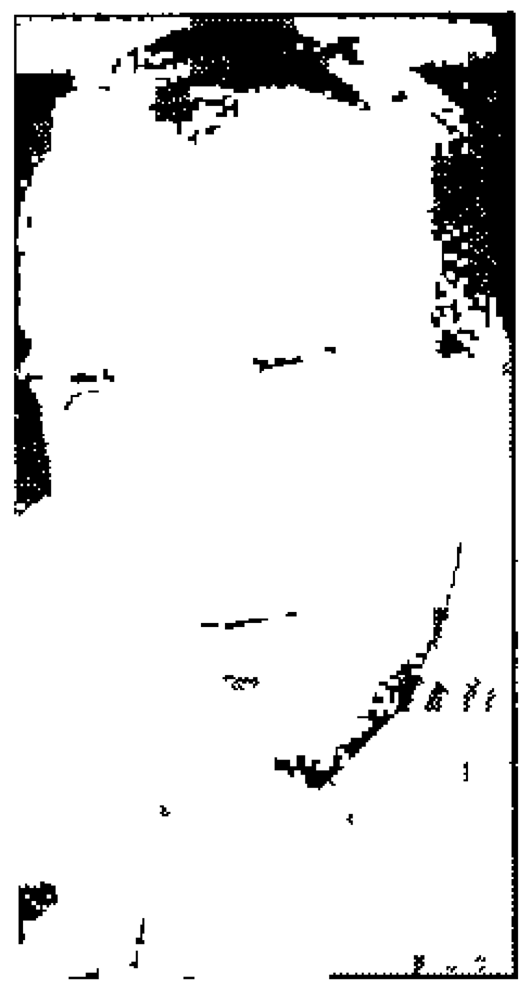
"We are still dancing with Cosatu," Mbeki said yesterday

Privatisation may just be the mechanism by which the ANC will fulfil its promise of sharing SA's wealth, says SVEN LUNSCHE



How to share out our wealth

(232)

ST 17/12/95

FOR every two hesitant steps the ANC-led government has taken down the privatisation road it has inevitably taken another one backwards Just days after committing itself to the partial sale of Telkom and South African Airways, the government finds itself on the back foot, making concessions it might not be able to keep to the labour movement

The government's desperate attempts to pacify its allies demonstrate not only a lack of economic leadership but also the ANC's continued ideological dilemma with selling off state-owned corporations, assets which it had hoped to use to fulfil its vision of the new South African economy

The ANC is now realising that these long-cherished ambitions — a vast redistribution of resources — cannot be met without the active support of the private sector

But it is reluctant to deliver this message clearly to its key constituencies, particularly the unions

Until recently the lack of commitment to privatisation was evident to all, beginning with the appointment of Stella Sigcau as Minister of Public Enterprises, the department charged with overseeing the process

Miss Sigcau lacks the political backing and clout to stand up to the unions or the managers of parastatals, who have a vested interest in a quick-fire sale

Even the pro-market faction in cabinet has been wary of uttering the P-word without injecting numerous conjectures and ifs and whens.

Presenting his Budget in Parliament earlier this year, the Finance Minister, Chris Liebenberg, clearly an independent mind in cabinet, said "I just want to state clearly that this government is not on a road of an ideology of privatisation We are on a road of reprioritising the public service"

It is only recently that the issue has been wrestled from the ideologues in cabinet and at last some progress can be reported

The authorship of the pragmatist faction, which includes Trade and Industry Minister Trevor Manuel, Labour Minister Tito Mboweni and transport director general Khetso Gordhan, among others, is clearly evident in the restructuring guidelines released a few months back, although the report was officially credited to Ms Sigcau

It is also not surprising that the task group headed by the Department of Transport was the first to issue recommendations for the parastatals falling under its jurisdiction

Mr Gordhan and his minister, Mac Maharaj, have long held a vision of the functions of the various corporations in the transport sector and they are using the restructuring and privatisation programme to implement this vision

Clearly the state has no role to play in a small airline, such as Transkei Airways, which will be sold

On the other hand, the SA Rail Commuter Corporation needs significant government subsidies and a continued role for the state is vital

This realistic approach is one that needs to be followed to avoid the obvious pitfalls in the privatisation gamble, namely a quick sale to the highest bidder This approach is being heavily promoted by the bevy of foreign merchant bankers and accountants arriving in Johannesburg hoping to reap handsome commissions for their advice

The appointment of Deputy President Thabo Mbeki to oversee the process is an unmistakable sign that the government will press ahead with privatisation, although it might have to make a few more concessions to the unions than it had hoped to

Clearly, labour has to be accommodated, be it through shares in a privatised parastatal or board seats

But the government would paint itself into a corner if it were to guarantee jobs for all employees, a key demand by the unions

It could defeat what has emerged as the prime objective of the privatisation programme — the efficient delivery of homes, electricity, telephones and so on to the country's poor

The proposed sale of a minority holding in Telkom — a 25 percent share is widely mooted — is a case in point

Given the task of linking up millions of homes to the telephone system, Telkom soon realised this could only be achieved with private sector help

The provision of one million telephone lines to rural areas alone will cost R6-billion — money the parastatal simply does not have

Since then Telkom has expanded its programme further and it now needs an additional R10-billion by the turn of the century If not from the private sector, where will these vast amounts come from?

Selling off 25 percent to a foreign investor would raise about R4-billion and would open access to credit facilities in off-shore markets

Needless to say, there is no shortage of suitors and most of the world's telecommunications giants have set up shop to prepare bids.

To attract private-sector participation, the parastatal has to balance its commitment to socio-economic goals with prospects for a healthy bottom line Retrenching redundant labour is an unfortunate, but often necessary, component of this effort

Most of the hard work has already been done, though, as public-sector corporations embarked on a cost-cutting exercise after their commercialisation in the early 90s It has not been painless, but there was undoubtedly a need to rid the parastatals of the vast array of pencil pushers employed under the past regime

The unions' attitude is also difficult to comprehend, given that the government will keep a majority interest in the more significant entities.

Ms Sigcau has already indicated that any private investor will have to conform with strict labour, environment and safety standards

Privatisation also presents a unique opportunity to raise the stock of black wealth in the economy by offering black South Africans a chance to buy shares or units in the privatised entities Another option would be to set up unit trusts to which the privatisation proceeds are channelled and then used for socio-economic projects

This should make the policy far more acceptable to the unions and is a sure vote catcher In effect, it is the redistribution of wealth the ANC promised its electorate

Mbeki says unions will play the game

ST 17/12/95 (232)

By CYRIL MADLALA

THE government this week downplayed the seriousness of an apparent rift with the Congress of South African Trade Unions over recent plans to privatise and restructure state assets

Cosatu has called for a two-hour work stoppage next week and a one-day strike next month in protest against the plans

But Deputy President Thabo Mbeki poured cold water on Friday over the federation's threat of a national strike

"I don't think there will be a general strike," he said "We agree (with the unions) that there must be a restructuring of state assets in pursuit of the reconstruction and development programme The issue is the process, the unions say it has not been inclusive enough"

"This would be resolved in further negotiations, he said

Reviewing the first 18 months of ANC government, Mr Mbeki said his organisation was pleased with its performance

"It has been a good year, he added.

Despite tensions at times, the government of national unity had held together Legislation to transform the country had been passed, and local and international investors were showing increasing confidence in the future of the country, as indicated by a three percent growth rate in the economy and a decline in the inflation rate, he said

"For the ordinary South African, a start had been made towards a better life, Mr Mbeki said

"Access to clean water and electricity were dreams coming true and political violence had virtually disappeared in Gauteng In Kwazulu Natal there was a marked drop in slayings

The government was targeting a six percent growth rate in the economy, which had to be maintained for many years

"Growth, of course, must be driven by new investments, in particular in manufacturing," he said

South Africa had started negotiations with the European Union on access of South African products into that market Trade links with India and Malaysia were already growing

Manufacturing and tourism were key areas that could boost the country's economy, he added

An unacceptably high level of crime was one of the most serious challenges facing the country and it was a task that needed the co-operation of all South Africans, not just law enforcement authorities, Mr Mbeki said

Finalising the constitution by May would be one of the major tasks facing the ANC next year

The conditions that made it necessary to have a government of national unity still existed

The arrangement would not be necessary after 1999 because political forces would no longer be defined by the apartheid past, Mr Mbeki said

Cosatu begins showdown

(232) CP 17/12/95

By JEFFERSON LENGANE

TENSION between the government and Cosatu is rising following the decision by the powerful trade union federation to go ahead with a national two-hour work stoppage on Tuesday and a general strike on January 16

The planned work stoppages and the general strike are expected to involve both private and public sector workers – and could be the biggest industrial action since the Government of National Unity came to power

Though the government has not announced specific privatisation plans, Cosatu is protesting against any unilateral announcement on privatisation by government

■ Cosatu's decision on Thursday to go ahead with Tuesday's two-hour work stoppage was seen as strengthening the hand of labour in consultations that began with government on Friday

Addressing editors and political editors at an ANC breakfast meeting in Johannesburg, Mbeki said that the government was having ongoing discussions with the labour movement and that he doubted the work stoppage would take place on Tuesday.

■ But while Mbeki – supported by ANC deputy secretary general Cheryl Carolus – was optimistic that a crippling strike could be averted, Cosatu's general secretary, Sam Shilowa, was in an uncompromising mood

In what is seen as a hardening of attitudes by the labour movement, Shilowa reiterated that his federation had called a national two-hour work stoppage on Tuesday to force government to stop further announcements on privatisation and to make it negotiate with labour.

Shilowa said the work stoppage would not be during the lunch hour but during strategic periods of production at workplaces

In the past Cosatu's industrial actions have been the domain of private sector employees Its capacity to mobilise nurses, police and soldiers will be tested on Tuesday.

Shilowa was confident of this capacity – saying. "To the extent that those we consult support our call, we have the capacity to mobilise the nurses, police, soldiers and everyone receiving a wage as a living

"There is no prescription on who should take part and who should not We are simply defending jobs, transformation, creating jobs and making sure that society benefits from restructuring," said Shilowa.

■ He said for Cosatu restructuring was not an euphemism for privatisation

"To us restructuring means making the parastatals work more efficiently, creating more jobs and being more cost effective This is contrary to government privatisation – which seeks to maximise profit at the expense of job losses."

Shilowa said the notion that more jobs would be created through privatisation was "rubbish"

"Many jobs have already been lost through the commercialisation process There are statistics on how many jobs have been lost through the commercialisation of Eskom. The hardest hit were blacks – while whites gained more."

Questioning the financial capacity of blacks to buy shares in South African Airways, the Airports company and Telkom, Shilowa said "Those blacks who say they can buy will be fronting We will see white money – but black faces."

Cosatu had also called a national one-day strike on January 16 in order to put on pressure ahead of further government announcements on privatisation scheduled for January 18, Shilowa said.

"This will not be an ordinary strike – but will include demonstrations and marches in major cities," he said

Cosatu would keep a close watch on the government's announcements on January 18, he said

"This will be followed by a national executive meeting to discuss a possible two-day national strike on February 1 and 2."

Shilowa emphasised that this programme of action was not a collision between Cosatu and the ANC – but that Cosatu was only challenging proposals made on privatisation by government.

■ Labour and government were tight-lipped about their discussions on Friday.

381 killed on festive season roads

Two massacres rock Nsimbine

Azapo supports Cosatu action

232

Sowetan 18/12/95

By Mzimasi Ngudle

THE Azanian People's Organisation yesterday threw its weight behind tomorrow's two-hour work stoppage called by the Congress of South African Trade Unions in protest against the unilateral restructuring of state assets.

Azapo national media spokesman Mr David Lebethe said the organisation fully supported the action – and called upon people to "take to the streets and march in their numbers to Pretoria"

"Azapo is against privatisation of state assets by the Government of National Unity whose mandate ends in 1999.

"The problem with the GNU is that if fools itself into a de facto government.

"Already there are spurious decisions such as having the land mortgaged to the International Monetary Fund and the World Bank whose programmes have only plunged Africa into famine, disease and abject poverty.

"Azapo fully supports efforts by black workers to register their opposition to the raping of the country long before liberation.

"We are following developments around this issue and would soon make contact with Cosatu and the National Council of Trade Unions on a possibility of a joint initiative," Lebethe said.

Meanwhile, Cosatu president John Gomomo yesterday said the federation agreed with the government on the processes leading to the restructuring of government assets, but could reach no agreement on content.

Gomomo was speaking after Friday's meeting between Cosatu and Deputy Finance Minster Alec Erwin – reportedly to avert a one day general strike by Cosatu in January next year.

ANC deputy secretary general Ms Cheryl Carolus said the organisation was discussing the threatened strike and privatisation with Cosatu. It was in this light that Erwin met his former colleagues, she said Deputy President Thabo Mbeki told journalists he did not think Cosatu would go ahead with the threatened January strike

Work stoppages set for today

BD 19/12/95

Govt agrees to slow down privatisation

(232)

Mungo Soggot and Renee Grawitzky

GOVERNMENT has bowed to union pressure to slow its privatisation drive, agreeing to freeze its recruitment of privatisation experts until late next month

Despite this, Cosatu's call for work stoppages countrywide today to protest against privatisation plans is expected to hit air, rail, harbour, road and telecommunications services

Public enterprises department parliamentary services director Douglas McClure said yesterday the deadline for tender submissions by consultants had been extended to January 19 — a day after government and labour were expected to unveil details of their pact on restructuring and privatisation

The move marks government's first concession to the unions after the outcry when Deputy President Thabo Mbeki announced plans last week to sell off parts of SAA, Telkom and the Airports Company, and all of Autonet, Sun Air and Transkei Airways

Cosatu and its affiliates had accused government of charging ahead with the announcement without adequate consultation, but it remains unclear whether they oppose the plans themselves McClure said the unions' request to put the process on ice while government thrashed out an agreement had been granted, as the department also felt the original deadline of December 11 was too tight

He said the department had secured a R10m budget for one advisory team to help government steer the restructuring and privatisation process. If the government "task teams" overseeing restructuring in the different sectors felt they needed advisers, the department could seek additional money to fund the extra advisers

Cosatu sources expressed concern that they would be faced with another wave of privatisation plans next month, but hoped government would make no further announcements before both sides had agreed on the pact or "national framework agreement"

They said the remaining task teams examining restructuring and privatisation in other state sectors were due to report back to government on January 17 and 18.

Manufacturing production is unlikely to be affected by today's two-hour work stoppage as the main sectors have already shut down Initial indications are that mining will not be affected by the stoppage Calls have been made to retail workers to stage demonstrations from 1pm

In the build-up to today's action — which will take the form of marches, and occupations and sit-ins of offices

Continued on Page 2

Privatisation

(232)

Continued from Page 1

BD 19/12/95

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A Telkom spokesman said workers were therefore sent home early and services were severely disrupted

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A Potwa statement said the workers were protesting against the "sa amic attempts of Tel management to privatise major Telkom services"

SAA's executive manager for corporate relations Felicia Mabuza-Suttle said it was still unclear how passengers would be affected as the SA Railway and Harbours Workers' Union had not indicated when action would occur

Cosatu said the planned two-hour stoppage should occur during peak production time when employers could feel the impact. Rail and air passengers could expect similar disruptions to those which occurred last week

Book warns against privatisation of electricity

(232) BD 19/12/95

CAPE TOWN — As government finalises plans to revamp the electricity supply industry, two Cape Town researchers have warned against any attempts to privatise the sector.

In the new book Poverty and Power, published by UCT Press, Anton Eberhard and Clive van Horen say that, as in eastern Europe, the movement to democracy has led to pressures to open the economy and promote wider participation.

This has led to "thoughtless prescriptions for wholesale privatisation of state functions and corporations, often with disastrous consequences for social and economic equity", the book says.

"But there is now a growing understanding that the market has not met, and will not meet, all development challenges and, in particular, will not fully provide for the basic needs of the poor."

"A lean and efficient state is envisaged which appreciates where markets best function but which intervenes strategically, selectively and, if necessary, deeply in those areas where markets fail."

The authors support the idea of the industry being guided by an independent electricity regulator, who has already been appointed. — Reuter.

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Ostrich speculators to be eased into scheme

Louise Cook

BD 19/12/95

A NEW scheme in the former Transvaal ostrich industry to boost leather and meat exports would allow speculators in without needing farms or infrastructure.

Transvaal Ostrich Producers' Organisation chairman Johan Wingerd said at the weekend that 40 ostrich farmers had set up a co-operative to take over the running of the Ostriches Galore abattoir and feed lot at Tarlton in the Magaliesburg.

Instead of young birds being raised by farmers on farms, the co-operative would take in thousands of 6-month-old birds at 55kg into its feed lot from speculators or part-time farmers.

At least 8 000 birds were likely to be delivered to the feed lot next year, he said.

"This way, anyone can buy a young ostrich, have it delivered straight to the feedlot to raise it and deliver it to the abattoir after five months at 85kg The buyer does not need a farm, labour or any farming skills"

Wingerd said the scheme could offer returns on investment of 23% a year.

The Transvaal Agricultural Union, backing the move, said the co-operative would also export quality ostrich leather and meat products in "meaningful quantities and on a consistent basis"

"The move is aimed at providing a co-operative feed lot system that delivers slaughter birds in economic quantities to abattoirs," the union said

Wingerd was optimistic about the future of the industry in the former Transvaal.

It was 10% the size of the Karoo industry at Oudtshoorn, but had potential to overtake the farming and export operations run by the Klein Karoo Co-operative, he said

"Gauteng entrepreneurs have money to invest in the industry We are hoping to set up further feed lots and abattoirs in Gauteng, Northern Province and Free State over the next few years," he said

Mediation body starts to take shape

BD 19/12/95

Renee Grawitzky

THE Commission for Conciliation, Mediation and Arbitration's interim board meets this week to discuss the appointment of an independent chairman and a director, as well as the way forward for the commission

The interim board comprises three representatives each from business, labour and government, but will be officially appointed by Labour Minister Tito Mboweni only once Nafcoc has finalised its representative on the board.

Labour's representatives are Ebrahim Patel (Cosatu), Manene Samela (Nactu) and Ben van der Walt (Fedsal) while business representation included Bokkie Botha and Rudolph Gouws. However, no final appointment has been received from Nafcoc after their original representative resigned from the organisation Government representatives are the labour department's director-general Sipho Pityana and deputy director-general Les Kettledas, as well as public service and administration department director-general Paseka Ncholo

At the heart of the new Labour Relations Act is the establishment of the commission, designed to provide a quick, efficient and cheap means of resolving disputes.

The commission has to be up and running by the time the new Act comes into effect on May 1.

The International Labour Organisation (ILO) has been providing financial and human resource assistance in the establishment of the commission. Former Independent Mediation Services of SA head Charles Nupen is the ILO's technical adviser

Pityana said last week the department had requested R100m be set aside in its 1996/7 budget for the operation of the commission Mediation and Conciliation Centre director Mahmood Fedal said yesterday that because the commission would be funded with taxpayers' money, it was crucial that it succeeded Its success depended on the support provided by private dispute resolution agencies such as the centre.

Fedal said the users of the dispute resolution mechanism — business and labour — should also be consulted on the formation of the commission. Excluding these parties could result in them going to other private agencies and not utilising the structures established by government

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Cosatu strike 'a warning'

232

Major gripe of tne federations is that they were not consulted on the issue

Sowetan 19/12/95

By Abdul Milazi
Labour Reporter

TODAY'S TWO-HOUR STRIKE by members of the Congress of South African Trade Unions (Cosatu) is set to cost many businesses millions of rands in lost production

Cosatu called for the strike to protest against the Government's plans to privatise some of the key public assets

Cosatu spokesperson Nowethu Mpati said today's strike was a warning to the Government not to play with the lives of its members.

"When we talk privatisation we are talking about the loss of jobs and poverty Cosatu will not allow that," said Mpati

National strike

Mpati said the federation was already planning for a national strike on January 16 when the whole country is expected to come to a standstill

"Workers will march from all corners of the country and there will be demonstrations," Mpati said

She said last week's meeting between labour and Government to resolve the issue, did not reach any positive agreements.

"There was agreement only on the process, but not on the content of the restructuring and reorganisation exercise," said Mpati

The National Council of Trade Unions (Nactu), the Federation of South African Labour Unions (Fedsal) and Cosatu have objected to the Government's announcement a week ago of its intention to privatise

The main grievance of the three federations was that they were not consulted while it was agreed at the National Economic Development and Labour Council (Nedlac) that the Government would not restructure without consulting all stakeholders.

Public assets targeted for privatisation are Transnet and some of its subsidiaries including Autonet, Airport Company and the PX parcel delivery service. Transkei Airways could also be sold.

This was announced by Deputy President Thabo Mbeki a week ago when he told trade unions that Cabinet had approved recommendations to privatise some of the core assets and sell off all non-core assets.

After a special meeting last Monday Nactu general secretary Mr Cunningham Ngcukana vowed that his federation would not sell its members' jobs. He argued that the labour movement was in favour of restructuring and not privatisation.

His sentiments were echoed by Cosatu's Sam Shilowa, who said assets like Telkom had benefited whites only, and now when it was the black people's turn to benefit, the Government wanted to privatise.

Transport delays loom as Cosatu takes action

(232) ([illegible]) Star 19/12/95

By Justice Malala
Labour Reporter

It was business as usual in Johannesburg early today, but the Congress of SA Trade Unions warned of major delays in air, rail and road transport later as a two-hour work stoppage, the first leg of the union's anti-privatisation programme, takes effect

Transnet said transport services in Johanesburg were not disrupted early today, while businesses which did not close for the festive season were also unaffected by the work stoppage at the time of going to press

A Cosatu spokesman said the stoppages would take effect from 10am.

The work stoppages are expected to spill over into other forms of action, with the Post and Telecommunications Workers' Association (Potwa) threatening sit-ins at post offices and Telkom plants

And although many companies have closed for the holiday season, Cosatu spokesman Nowetu Mpati said yesterday the action would have a huge impact on the economy and would be a "wake-up call" to the Government

The strikes are aimed at getting the Government to review its proposals, announced two weeks ago, to sell off part of Telkom and SAA, sell some "non-strategic" assets outright, and reorganise wasteful and inefficient state enterprises Unions are concerned that many jobs will be lost through privatisation.

Business organisations, which have largely welcomed the Government's proposals on privatisation, have condemned the strikes as detrimental to the economy

Afrikaanse Handelsinstituut communications director Emmanuel da Silva said his organisation was "concerned" about the action and called on the Government and labour to resolve their differences on the issue without delay

"It has been proved worldwide that private enterprise is enormously better than state enterprise In this way we can ensure job creation, but for this we need the co-operation of all parties," he said

The second biggest union federation in the country, the Federation of SA Labour Unions, will not take part in today's action Fedsal assistant general secretary James Abraham said it was "not rigid" on privatisation and would await the report of a task team

> **The ANC will not dictate to Cosatu. Our strikes will continue**

Potwa spokesman Mavi Panyane said two hours would not be enough to show the union's anger at the proposals, and that its members would strike for a longer period today.

Mpati said Cosatu would go ahead with its programme to oppose the proposals despite Deputy President Thabo Mbeki's claims at the weekend that the unions would not do so.

"The ANC will not dictate Cosatu's action Strikes will continue as long as this issue is not resolved"

Mpati said Cosatu and Government representatives had agreed on Friday on a process to resolve the deadlock on Government proposals for restructuring state assets, but had not discussed the content of the proposals

MOVE TO PROTEST AGAINST PRIVATISATION

Blow to Cosatu's work stoppage call

(232) CT 20/12/95

COSATU'S CALL FOR work stoppages met with a weak response from workers yesterday as many were already on holiday and those still at work were confused by the call.

COSATU's call for a two-hour work stoppage to protest against privatisation moves by the government was dealt a blow yesterday by workers being on holiday and confusion among those still at work.

Many businesses said it was impossible to gauge the strength of the strike because workers were either on leave or factories were closed for the holidays.

Those at work said they only knew about the national strike planned for January 16.

In the greater Cape Town area, Telkom workers staged two two-hour stoppages.

A Telkom spokeswoman said about 60 workers at the Town Centre in Mitchells Plain held a placard demonstration during their lunch-hour.

In Montague Gardens, about 20 Telkom workers held a similar protest.

She said the stoppages "caused a very insignificant backlog in operations".

Meanwhile, threats of major disruptions in rail, air and road transport services did not materialise with Metro Rail Commuter Services and SAA reporting no work stoppages.

A spokesman for the Post Office said: "We have had no demonstrations or work stoppages."

A Cosatu regional official said decisions regarding the work stoppages were taken at factory floor level and not at regional level.

Workers were also puzzled by calls from the National Council of Trade Unions (Nactu) and the Federation of South African Labour Unions (Fedsal) for workers not to support Cosatu's action.

Azapo threw its weight behind Cosatu's anti-privatisation campaigns and hinted at joining hands with the country's two major trade union organisations, Nactu and Cosatu.

Azapo spokesman Mr David Lethebe said: "We fully support efforts by black workers to register their opposition to the raping of the country long before liberation.

"We'll make contact with the two unions on the possibility of joint initiatives."

Meanwhile, DP leader Mr Tony Leon has condemned Cosatu's stoppages as a "flagrant disregard for the law".

He said it was time Cosatu, always first to invoke protection under the Labour Relations Act, started obeying that legislation.

Police said about 200 people turned up at a Cosatu gathering in Maritzburg to demand the government review its privatisation plans. — Sapa-Reuter, Staff Reporter

Cosatu's strike 'damp squib'

ARG 20/12/95 (232)

□ *Holidays put damper on protest*

Labour Reporter

COSATU'S call to members to stage two-hour protests against government plans to privatise and restructure public enterprises and parastatals had little effect on commerce and industry in the Western Cape.

A spokesperson for the Cape Chamber of Commerce and Industry, Katherine Martin, said the chamber had had no queries from employers, unlike on previous protest action days

Cape Metro Rail said services had been normal

And Telkom spokesperson Erica Venter said there had been a slight backlog with fault repairs, but that this had been minimal

She said 63 workers at Telkom's Mitchell's Plain depot and another 20 at Montague Gardens were engaged in a demonstration These were the only instances of protest action of which Telkom was aware

She said Telkom and Potwa had agreed on a policy of no work, no pay for any work stoppages and that disciplinery action would be taken against workers who used Telkom vehicles as part of their protest action

The Post and Telecommunications Workers' Association (Potwa) disputed Telkom's assessment of protest action by its members

Potwa Western Cape regional chairman Arthur Frans said about 140 members had taken part in a demonstration at Mitchell's Plain Town Square and other members were "indoors, but were not being productive"

The union said reports had indicated about 1 500 of its members were sitting-in at various Telkom offices

Potwa has about 2 500 members in the Western Cape

Potwa had targeted Telkom because the company was proceeding wth plans to restructure

Elsewhere, the protest call also proceeded with apparent little impact

Major employer organisations could not assess the impact of Cosatu's two-hour work stoppage yesterday as most companies already had closed for the Christmas holiday.

SA Chamber of Business senior economist Bill Lacey said most manufacturing-sector industries had closed, with only retailers still operating

A similar view was expressed by the Johannesburg Chamber of Commerce and Industry, Business South Africa and the Afrikaanse Handelsinstituut.

JCCI chief executive Marius de Jager said: "So far, we've not heard from a single member about the impact of the two-hour work stoppage Most industries already have closed for December We see the strike as being merely symbolic"

A group of Potwa members briefly staged a protest outside Telkom headquarters in Pretoria, said company spokesman Ronelle Myburg

Spoornet spokesman Johan Hugo said it was very quiet

Meanwhile, Cosatu spokesman Nowethu Mpathi described response to the call as "positive".

Telkom bears brunt of stoppages to protest against privatisation

(232) BD 20/12/95

Renee Grawitzky and Mungo Soggot

A TWO-hour work stoppage against government's privatisation plans was mainly carried out by Post and Telecommunications Workers' Association (Potwa) members yesterday.

Some Cosatu leaders described the stoppage as a "symbolic action" since the main industry had already shut down production for the year.

Potwa said members countrywide participated in stoppages, marches, blockades of entrances and occupations of offices, including Telkom CE Brian Clarke's office in Pretoria. Telkom confirmed that disruptions had been experienced countrywide.

In some cases Potwa's protest action exceeded the two-hour call. A number of mainly white unions at Telkom have called for action to be taken against Potwa members who occupied the regional office in Randburg on Monday.

Meanwhile, privatisation experts who had submitted tenders to advise government criticised the public enterprises department yesterday for its "bungled" handling of the tender process. They complained that the department's decision to extend the deadline by five weeks had not been advertised — instead it had emerged in the press. They also criticised the department for failing to inform them that they could reclaim their tenders and resubmit them by the January 19 deadline.

"It has been difficult enough dealing with the vague terms of the tender. We are not upset that work has been delayed, but are angry about the handling of the process," said an applicant.

Marking the start of a programme of mass action, Cosatu yesterday demanded labour representation on the powerful sectoral task teams looking at restructuring and privatisation, which were steering government's decisions.

Potwa called on Telkom to suspend "non-transparent and non-inclusive restructuring". It continued to reject Telkom's privatisation which was "informed by free marketeers who had better means to lobby the government on this competition course". The union disapproved of the Cabinet's approach and called on members to defend themselves against capitalist "manoeuvres that have crept in our ranks".

Cosatu did not indicate the extent of the action, except to claim that "workers who were present at their workplaces embarked on a two-hour work stoppage. The unions were left to decide on what time was most effective to launch strike action."

SAA spokesman Martin Sebesho said the organisation did not experi-

Continued on Page 2

Telkom

(232) BD 20/12/95

Continued from Page 1

ence any disruptions to operations.

On Monday public enterprises department parliamentary services director Douglas McClure said the department had agreed to extend the deadline for privatisation tenders by five weeks — from December 11 to January 19. The new deadline would fall one day after labour and government were expected to announce details of their pact on privatisation.

McClure said the department was not obliged to inform the applicants of these developments. But it would now be advertising in the media.

It was wrong to interpret the postponement as a concession to union demands that government slow down its privatisation drive. Instead, it was part of an effort to "promote consensus between labour, government and business on the issue". It had been a "gesture of good faith" to labour while government and labour worked out a privatisation pact.

See Page 6

The truth, not the public sector, is being restructured

JEREMY CRONIN (232)

BD 20/12/95

ON DECEMBER 7 Deputy President Thabo Mbeki announced the Cabinet's negotiating positions on restructuring Telkom and the public transport sector In the days that followed there was some breathtaking restructuring But it was the facts, not the public sector, that got restructured

On the morning following Mbeki's announcement, The Star had a front page headline stretched across seven columns "Government sells off billions in assets". Government, of course, has not yet sold one cent of the assets covered in Mbeki's report Government (as shareholder) was simply announcing its negotiating position on restructuring. As for the "billions" in the headline, there was no substantiation whatsoever in the body of the story for this figure

In his otherwise well considered review of the year in Business Day (December 12), Drew Forrest more or less repeated the same sentiment as The Star headline "It is nothing short of remarkable that the party of the Freedom Charter is now planning the sale of key state assets"

What are these key state assets that the ANC government is now supposedly selling off? The Cabinet announcement called for the retention within public hands of all the core utilities under review. It recommended strategic partnerships for Telkom, SAA and the Airports Company with private sector companies, in which the private sector partner would be minority shareholder In terms of selling off, Sun Air, Transkei Airways and Autonet were the companies mentioned We can certainly debate, as Cosatu is, the merit of some of this, but are these latter really "key state assets" worth billions?

If anything, the headlines following the Cabinet announcement should have read "Government plans to keep strategic utilities firmly in public hands" It was, however, a message that much of the media was unable, or unwilling, to reflect This obduracy persisted in the following days

After its December 8-9 meeting, the ANC national executive committee issued a statement welcoming the broad guidelines contained in the Cabinet decision The Sunday Independent had a brief story claiming that the executive had "strongly endorsed the use of income from the restructuring of state assets to assist the reconstruction and development programme"

I happen to serve as the co ordinator of the executive's drafting committee and I can assure you that its statement said nothing of the sort The Cabinet's announcement expressly distanced itself from a "selling off the family silver" approach And it was partly this refusal the statement was welcoming

Following the December 11 bilateral meeting between Cabinet ministers and labour, and the agreement to negotiate a national framework agreement on the public sector, the SACP issued a statement welcoming this bilateral agreement The statement expressed full support ("Cosatu is absolutely correct") for labour's concerns with the process and some of the detailed content of the government proposals

At the same time, the SACP highlighted the strategic value of government's position ("absolutely positive elements in the Government's standpoint") In particular, we noted that government proposals marked a significant shift from three flawed approaches to privatisation which have been doing the rounds the Thatcherite approach ("the private sector by definition does it better"), the new black elite version of Thatcherism, the so-called "Malaysian route" (sell off the public sector to enrich a handful of blacks), and social welfarism ("de-

MBEKI

velopment, job creation and welfare are the responsibility of government, and it alone"

In the SACP we are used to being largely ignored However, there is always one exception to this We know we will grab some attention if what we say can be located (usually with much panel-beating) under a headline that reads "Growing signs of tension in ANC alliance"

So how was the SACP's December 12 statement to be located? Renee Grawitzky in Business Day pits the SACP statement against one of Cosatu's affiliates "Potwa said Telkom continued to force through

P.T.O,

its restructuring without adequate consultation and government had not acted to stop this The SACP, however, threw its weight behind government's plans because a 'vibrant and restructured public sector' was vital for leading major infrastructural development."

The "however" is unfortunate There is, of course, no contradiction whatsoever between the Potwa and the SACP perspectives We agree with Potwa's concerns around process, but we think that the Cabinet position represents the beginnings of an innovative strategic approach

If Business Day pitted us against Cosatu, a day later The Star, in an editorial, chose to take exactly the opposite tack "The SACP has come out in support of Cosatu's stance, leaving the ANC alone to push through its programme Negotiations must take place If at the end of the process, however, the SACP and Cosatu remain implacably opposed and the alliance faces a fatal split, the ANC must clearly define the national, as opposed to the party political, interest. And it must pursue this without fear or favour."

Now that is restructuring for you! The Star first invents an ANC in government policy ("Government sells off billions in assets"), then it pits this imaginary ANC against its alliance partners, who naturally do not agree with this imaginary policy, and then The Star starts to dream of a "fatal split"

There are, of course, many reasons for this catalogue of misrepresentation Some of it is genuine confusion I heard one local journalist ask Sam Shilowa, quite innocently, if he could explain once more why "restructuring" and "privatisation" were not absolute synonyms

Some of it, as in the case of The Star's editorial, is lazy ideological prejudice trotted out pompously and without the slightest intellectual effort

But there is also a more profound reason; there is a far-reaching inability to appreciate the quite innovative strategic positions that are starting to emerge from within the ANC-led alliance on the question of the public sector I will not pretend that there are no differences both of emphasis and of perception between the ANC and Cosatu in the area of restructuring But, when in mid-January next year the labour-government national strategic framework is announced, I am sure it will reflect what I believe is already an emerging strategic consensus.

This is a consensus that sees an effective and powerful public sector as absolutely critical to the huge urban and rural infrastructural development programmes that lie at the heart of the RDP.

The market on its own will never take electricity, or water, or phones to where they are most desperately needed Only a strategically located public sector can lead the way

On the other hand, this emerging strategic consensus sees the public sector (and the state) in a developmental and not welfarist perspective Job creation, social welfare, overcoming huge racial and regional inequalities — these are not the sole tasks of government, while a supposedly unconnected private sector conducts business as usual

This kind of state welfarism will confine the public sector into a rapidly deteriorating ghetto, and the RDP will become a charitable side issue dependent on a hopelessly overstretched government budget A developmental approach to the public sector sees it as critical for leverage, for strategic leadership over a common major public and private sector infrastructural development programme

☐ **Cronin is deputy general secretary of the SACP and an ANC national executive committee member.**

Was Cosatu not informed, or is it playing a game?

BD 20/12/95 (232)

WYNDHAM HARTLEY
in Cape Town

SADLY, SA's airports are a major part of its image. Sadly because of the actions of Cosatu unions last week in a wildcat strike to voice opposition to government's privatisation proposals. Last week's action disrupted the lives of thousands of travellers. It came two days after a meeting between Public Enterprises Minister Stella Sigcau and Cosatu boss Sam Shilowa (and their respective delegations) had apparently clinched the national framework agreement on how to proceed.

Yesterday there were again work stoppages across the country when Cosatu called two-hour mini strikes in a variety of industries, also to protest against the proposals. A national strike in mid-January is also on the cards. The damage this will do to the economy and to the international image of the country as a secure investment home is, and will be, considerable.

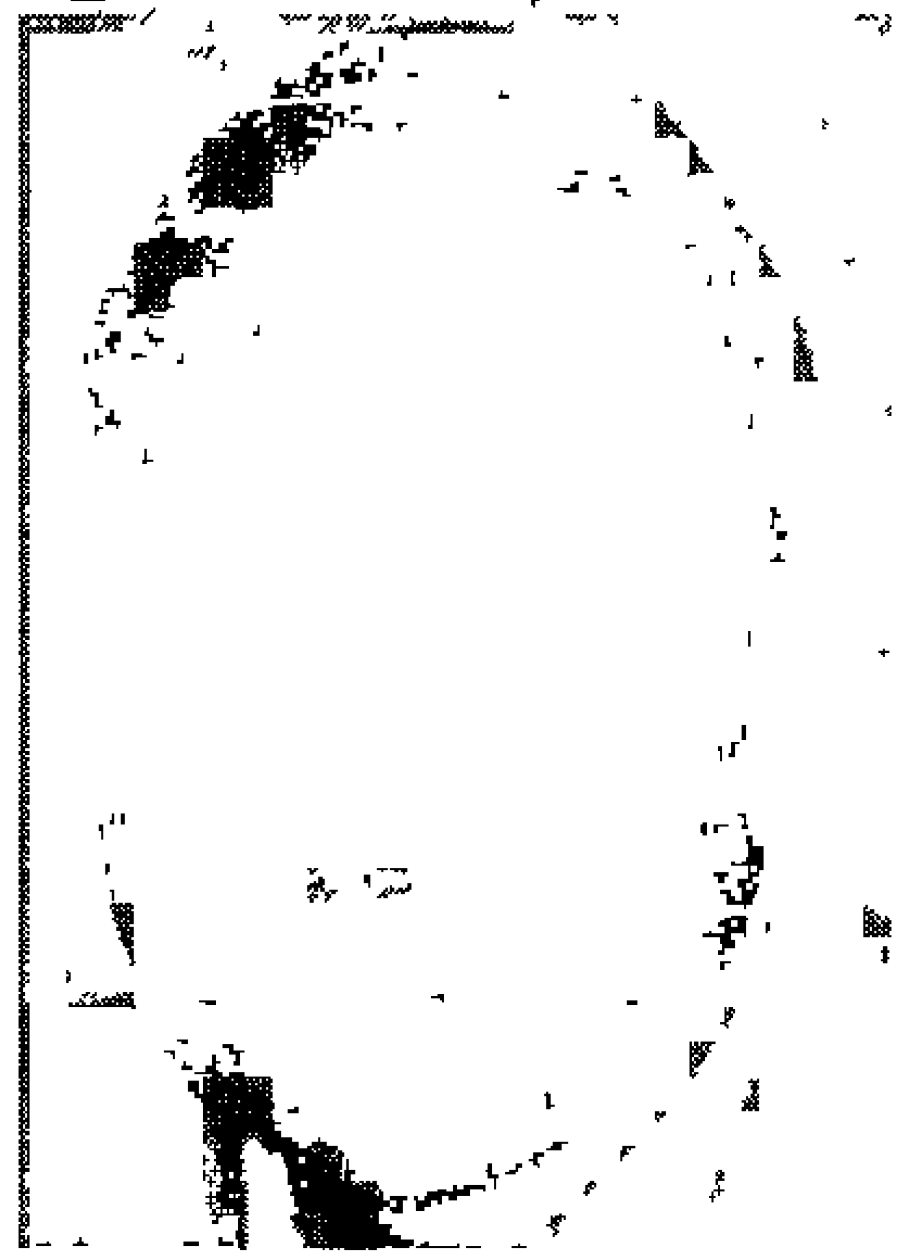
Travellers, businessmen and ordinary taxpayers whose money pays most of the salaries involved can be forgiven some confusion. They know, for instance, that the ANC and Cosatu are, together with the SACP, in a political alliance. Cosatu and SACP members, for instance, sit in the highest decision-making bodies of the ANC. How, they can be forgiven for asking, can the majority party in government reach such a stage in planning privatisation of some state assets that it goes to the Cabinet for a decision, and that its alliance partner is so angry that wildcat strikes result?

There are two possibilities. Either — in an era where everything is talked to death — the ANC failed to talk to the union body about the whole privatisation issue, or Cosatu was consulted and is playing a reckless game to reassure its working constituency.

Consider the extraordinary trouble which Labour Minister Tito Mboweni took in keeping both Cosatu and big business on side during the negotiations for the Labour Relations Act. He never moved a millimetre without informing both sides. It is almost inconceivable that the ANC in government would have pushed ahead with plans to privatise state assets without discussing it with its alliance partners. For two reasons: it is impolite to ignore partners, and it is also politically very dangerous to mess with organised labour if that is not necessary. A thunderous silence has been government's reaction to the wildcat strikes and, indeed, to the announcement by Shilowa that a national strike is being planned.

ANC insiders acknowledge that privatisation has been discussed many times in the national executive committee. Indeed it was discussed in detail at the ANC national conference in Bloemfontein a year ago, and the conference endorsed investigating the matter and the preparation of a register of state assets.

It must be remembered that at that conference Shilowa was elected to the executive and participated fully in the privatisation discussions. All this raises the possibility that yesterday's stoppages, and last week's chaos at airports, not to mention Potwa's occupation of Telkom offices earlier this week, is simply the trade union body telling its members that it still has their interests at heart.



SHILOWA

It is, of course, possible that an understanding was reached with Cosatu and that Deputy President Thabo Mbeki's announcement went a lot further, causing the vicious accusations of betrayal and the strikes. Also possible is the scenario that there was no consultation at all, and that Shilowa's knowledge of the matter was simply an accident of his membership of the executive.

Should either be true, then the ANC in government is guilty of blinding and dangerous stupidity.

As it stands the country could be paying for an overt political lesson for a substantial portion of the ANC's electoral support, organised labour, or for yet another major bungle in government.

The confusion is that we do not know and no one is saying. The country is owed an explanation.

Most workers ignore call by Cosatu for random strikes

(232)

Government tries to soothe labour fears of job losses under privatisation, but general strike will go ahead

Star 20/12/95

By Justice Malala
Labour Reporter

The Congress of SA Trade Unions' two-hour random strikes failed to bite in most industries around the country yesterday and the Government tried to soothe the labour federation's anger and fears about privatisation costing jobs.

But the 1,6 million-member federation claims it is resolute that its programme of action against government proposals to restructure and sell off some state assets will continue despite the disappointing turnout for yesterday's nationwide action.

Cosatu spokesman Nowetu Mpati said plans for a national strike on January 16 were going ahead, adding that this was not in conflict with a current agreement between labour and the Government to jointly explore the privatisation proposals disclosed two weeks ago to sell off parts of such public companies as Telkom and SAA

The Minister of Public Enterprises, Stella Sigcau, who is in charge of the restructuring, said yesterday the Government was committed to the "agreed development of the National Framework Agreement which will sufficiently accommodate the concerns of the labour movement in respect of the restructuring of state assets"

"The Government is resolute in ensuring that the process of restructuring will be pursued in a manner that is incontestably transparent and participative in nature, while underpinned by the broadest possible national consensus," Sigcau said.

But she warned: "It should be emphasised that the Government is in no way deviating from the process it has already outlined."

And in a move that is likely to put further pressure on the Government's ability to keep the proposals intact, the third partner in the long-standing alliance between the ANC and Cosatu, the SA Communist Party, has thrown its weight behind Cosatu's action.

The party said it "associates itself with the deep concern of workers that the management of the public sector companies, egged on often by the media, is pursuing unilateral restructuring of these companies".

It said yesterday's strikes and the proposed national strike were "essential" to show that workers could not simply be marginalised in the restructuring of state assets.

Yesterday's nationwide action, frustrated in many cases by the fact that companies have closed for the holiday, brought post offices and Telkom offices in many parts of the country to a standstill.

Business organisations said it was difficult to judge the impact of the action as it had occurred at different times during the day

The next round of talks between the Government and labour is on January 10 and 12.

Growers' outrage leads to board probe

(232)

Edward West BD 21/12/95

CAPE TOWN — The Competition Board has launched an investigation into Safmarine's plans to create a $150m shipping venture with export marketing groups Outspan and Unifruco.

A board spokesman said yesterday the probe followed a barrage of complaints, some of which reached the board barely an hour after the deal was unveiled last Friday.

He said it was premature to release details of the probe, but it is understood to have been driven, in part, by a response to an outcry from independent fruit growers

The deal would give Safmarine domination over refrigerated fruit exports, which account for a large slice of SA's R3,3bn annual fruit exports.

The newly formed Independent Fruit Growers'/Exporters' Association said its members would not benefit from the merger, nor would they have the opportunity to monitor the new company's performance

Unifruco and Outspan were attempting to build a monopoly in fruit exports ahead of deregulation, using facilities that had been built with fruit growers' cash.

"Outspan and Unifruco ... have transformed themselves from (control) boards created to assist farmers into public companies operating for profit," the association said. "They now apparently operate without any of the constraints one would expect on a statutory body in its monopolist position."

The shipping deal would bring together Safmarine's Universal Reefers company and all the shipping interests of Unifruco and Outspan. The companies said the offshore venture would

Continued on Page 2

Safmarine

(232)

Continued from Page 1

BD 21/12/95

bolster their profits and allow the shipping firm to use its SA product base to expand into foreign trade

The growers' association said the merger meant farmers would be used as "a source of easy revenue to build up the ailing and obsolete fleet owned by Universal Reefers"

Safmarine dismissed this allegation saving its fleet was between two and 11 years old which meant it was "just being run in"

Unifruco MD Anton du Preez said the merger would obtain better shipping rates in the long term. "Nobody stopped any exporter from shipping their exports with any company."

It was obvious the association did not know how an international shipping operation worked He claimed it had a "private agenda" to attack Unifruco in the Press Outspan was unavailable for comment

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Telkom bears brunt of stoppages to protest against privatisation

BD 20/12/95 (232)

Renee Grawitzky and Mungo Soggot

A TWO-hour work stoppage against government's privatisation plans was mainly carried out by Post and Telecommunications Workers' Association (Potwa) members yesterday.

Some Cosatu leaders described the stoppage as a "symbolic action" since the main industry had already shut down production for the year.

Potwa said members countrywide participated in stoppages, marches, blockades of entrances and occupations of offices, including Telkom CE Brian Clarke's office in Pretoria. Telkom confirmed that disruptions had been experienced countrywide.

In some cases Potwa's protest action exceeded the two-hour call. A number of mainly white unions at Telkom have called for action to be taken against Potwa members who occupied the regional office in Randburg on Monday.

Meanwhile, privatisation experts who had submitted tenders to advise government criticised the public enterprises department yesterday for its "bungled" handling of the tender process. They complained that the department's decision to extend the deadline by five weeks had not been advertised — instead it had emerged in the press. They also criticised the department for failing to inform them that they could reclaim their tenders and resubmit them by the January 19 deadline.

"It has been difficult enough dealing with the vague terms of the tender. We are not upset that work has been delayed, but are angry about the handling of the process," said an applicant.

Marking the start of a programme of mass action, Cosatu yesterday demanded labour representation on the powerful sectoral task teams looking at restructuring and privatisation, which were steering government's decisions.

Potwa called on Telkom to suspend "non-transparent and non-inclusive restructuring". It continued to reject Telkom's privatisation which was "informed by free marketeers who had better means to lobby the government on this competition course". The union disapproved of the Cabinet's approach and called on members to defend themselves against capitalist "manoeuvres that have crept in our ranks".

Cosatu did not indicate the extent of the action, except to claim that "workers who were present at their workplaces embarked on a two-hour work stoppage. The unions were left to decide on what time was most effective to launch strike action.

SAA spokesman Martin Sebesho said the organisation did not experi-

Continued on Page 2

Telkom

(232)

Continued from Page 1

BD 21/12/95

ence any disruptions to operations.

On Monday public enterprises department parliamentary services director Douglas McClure said the department had agreed to extend the deadline for privatisation tenders by five weeks — from December 11 to January 19. The new deadline would fall one day after labour and government were expected to announce details of their pact on privatisation.

McClure said the department was not obliged to inform the applicants of these developments. But it would now be advertising in the media.

It was wrong to interpret the postponement as a concession to union demands that government slow down its privatisation drive. Instead, it was part of an effort to "promote consensus between labour, government and business on the issue". It had been a "gesture of good faith" to labour while government and labour worked out a privatisation pact.

See Page 6

Large corporations 'not detrimental to economy'

(232) CT(BR) 22/12/95

By Llewellyn Jones

Johannesburg — The government's negative attitude towards larger corporations because of the mistaken belief that they are detrimental to the country's economic well being is disturbing, says the chairman of CG Smith, Derek Cooper, in the company's annual report

"Not unlike other successful countries, South Africa needs the presence of strong groups to remain world competitive in the many fields which demand large investment in both physical and technological assets"

But, said Cooper, the country also needed sensible anti-monopoly legislation to protect consumers from exploitation

He said the third component required in a "sensible and sustainable wealth-creating economy" was a strong medium and small enterprise sector that was able to operate freely This sector would then be able to capitalise on the opportunities arising from the wealth growth taking place

"It is illogical and erroneous to believe that these three requirements are mutually exclusive, or that the bureaucratic overemphasis on one ensures any greater share for the other in the economic pie"

The "symbiotic relationship" between these three elements would ensure strong entrepreneurial and competitive growth in the economy

The government had to ensure there was no exploitation, said Cooper Its prime function, however, was to establish a political and economic environment which encouraged growth

Privatisation under fire

ARG 22/12/95 (232)

ROGER FRIEDMAN
Staff Reporter

THE "crude" manner in which the government is going about imposing privatisation on the nation is the death knell for principals enshrined in the Freedom Charter, says a workers' organisation

Lending its "full support" to trade union resistance to the proposed privatisation of various state assets, including Telkom and South African Airways, the Workers' Organisation for Socialist Action (Wosa) laments that the government has declared war on the working class

"This step finally confirms that the logic of the government must lead to the dumping of all the demands of the Freedom Charter which tend to strengthen the hand of the workers in the class struggle against the bosses," said Neville Alexander in a statement on behalf of the Wosa central committee

"The government, in spite of knowing that privatisation of state and parastatal enterprises will lead to job losses and in spite of the elaborate rituals played out in Nedlac, where solemn agreements between the "social partners' are supposed to have been made also on this issue, has thrown down the gauntlet to the workers' movement"

Mr Alexander said the government's announcement of its intention to partly or wholly privatise state-owned assets "predictably saw the entire class of capitalist owners" rallying to its support

The private sector could not wait to rush "to cash in on the predicament of a literally bankrupt state" which hoped to raise enough money through privatisation to reduce the national debt

Mr Alexander said privatisation would not "significantly" reduce the "R260 million apartheid debt"

But it would mark "the crowning victory of the pro-boss factions in the government, and in the ANC in particular"

From the point of view of workers, Mr Alexander said it was good that the government had revealed its "capitalist nature" so early into its term of office

"There is now no way that the open class struggle can be stopped or disguised any further."

Mr Alexander said the major issues for workers remained the right to work and to earn a living wage

Telkom mass action will be repeated

Kevin O'Grady ~~[illegible]~~ 1232

BD 22/12/95

MASS action similar to that which paralysed post offices and Telkom on Tuesday would be repeated by members of the Post and Telecommunications Workers' Association (Potwa) over the next few weeks, president Ramateu Monyokolo said yesterday

Almost all aspects of Telkom and the SA Post Office's work, including mail processing and the installation and repair of telephones, were likely to be affected by the strikes, he said. The organisations' administrative functions would be unaffected.

The work stoppages were in opposition to government's proposals to privatise state assets and to Telkom's unilateral plans for restructuring, a move which was expected to result in massive job losses, Monyokolo said

Government recently announced its intention to seek private sector partners in SAA and Telkom, and planned to sell some "non-strategic" assets outright.

State assets could well be a good bet

IN the last in our series on investing on the Johannesburg Stock Exchange, William Meyer discusses privatisation opportunities.

232

ARG 30/12/95

THE first state-owned companies are likely to be privatised in 1996, opening up new opportunities for South African investors.

Privatisations in the United States and the United Kingdom have been good investments British Telcom shares doubled in a day, Britain has now sold off almost everything except Buckingham Palace and the British government has often allowed the public to buy shares almost on an instalment sale basis, with good gearing possibilities. These investments are called partly paid-up shares

It is too early to say how, and in what form, South African utilities and government investments will be privatised, but almost certainly they will provide a fertile area of search for some of the major share winners in 1996 and 1997.

Investors should classify these privatisations into the different investment categories listed in this series SAA, for instance, is a cyclical share and inherently has the risks associated with these shares

And watch out! Make sure the privatisation really is a privatisation. It's not so exciting to hold shares in a company which is only partly privatised. If the government retains, say, 80 percent of shares, what can the board of directors really achieve?