OWNERSHIP & CONTROL

1996

JANUARY – JULY

OPINION

2/1/96 (232) Star ~~2/1~~ 2

Privatisation robs working class

It's disastrous because in all its forms it undermines democracy, writes Cara Jeppe

An article headlined "Privatisation only game in town" by Patrick Bulger was published in The Star on December 14 My belief that privatisation spells disaster for the working class is grounded in many years of extensive research and study

Effectively, privatisation replaces the influence of government policy with the profit motive and lessens the capacity of users to exert political control over service providers The sale of the most profitable portions of the public sector undermines the capacity for cross-subsidisation from the rich to the poor.

It has to be remembered that privatisation is one of the major preconditions for obtaining loans from the IMF and the World Bank Once major privatisation programmes have begun in the prospective borrowing country it is seen as being "on track" by these institutions, who will expect liberalisation of the economy and cutbacks in social spending

Privatisation is a tactic for shifting the cost of provision of services away from government funding on to the "consumer" and therefore creating a marketplace for services It reduces pressure on government spending while fees for services increase with the result that the poor are deprived of services

Privatisation in all its forms undermines democracy, divides communities and workers, compromises the working class and lowers standards, including health and safety standards for workers

Privatisation started here in the mid-1980s as a Thatcherite scheme of the apartheid government and their political partners in big business, and included a number of forms like commercialisation, contracting out and management autonomy

This was because the old regime anticipated that change was coming and they wanted to remove control of the services from the incoming government and enrich themselves and their supporters by taking control of the newly privatised enterprises

But what was worse, it was an attempt to raise revenue for the state's repressive offensive against the anti-apartheid movement by selling public assets Public money funded the third force and war crimes against our neighbours

To a large extent this has contributed to the fiscal mess and public sector crisis we inherited in 1994 In order to make the institutions saleable, commercialisation programmes began with often disastrous consequences for the provision of services and the workforce, which suffered massive retrenchments at blue-collar worker level

Today bureaucrats and big business are pushing for privatisation to avoid cuts in spending on the privileged minority and the cross-subsidisation of services to the poor We used to call it unilateral restructuring

Some argue that profits accruing from the sale of public assets can be used by the Government to pay for more important social needs, but this is a shortsighted view as profits rarely cover the real value of the institution which, once sold, would be too costly to reinstate

It is a myth that selling state assets would boost funds for the RDP

Cabinet's commitment to restructuring is misrepresented by the media as enthusiasm for the previous regime's privatisation programme Intense lobbying, they believe, will facilitate privatisation of the large parastatals, which will bring foreign and local business substantial fees as facilitators, take-overs of the profitable functions of parastatals, more stock exchange activity and greater foreign investment

But investment grows as crime dives and there is political stability – both dependent on full employment It has been shown that once the quick-fix of foreign investment has worn off, it leaves the recipient country with scant control over the foreign venture and its own resources

Protestations of efficiency from the bourgeoisie are merely calls for increased production and profits from the wealthy while cutting employment and investment The commercialisation programme of the last decade has resulted in a decline in state enterprise investment which accounted for almost the entire decline in investment in the 1980s and early 1990s which, in turn, played the major part in the severe recession of 1989 to 1993

This recession was further aggravated by the total net job loss of 350 000 between 1988 and 1993 of which 20% were lost in the commercialised parastatals – Transnet, Telkom, the Post Office and Eskom In 1993 these companies employed 20 000 fewer people than they had in 1960

Clearly privatisation is a get-richer-quick scheme for those who can afford it while the working class are doomed to dependence on their charity The argument that it would empower black people is a bourgeois deceit concealing its determination to create a powerful black elite that will oppose communists and socialism We won't give up!

■ Cara Jeppe is a founder of the National Education, Health and Allied Workers' Union (Nehawu), a member of the ANC and an executive member of the Johannesburg Central Branch of the SA Communist Party

The Star Thursday January 4 1996

Cosatu campaigns for anti-privatisation strike

Star 4/1/96 (232)

Union federation says any form of restructuring that leads to workers losing their jobs is detrimental to all

By Justice Malala
Labour Reporter

The Congress of SA Trade Unions has started distributing more than a million pamphlets to factories and townships across the country in its bid to mobilise workers for its 24-hour anti-privatisation strike on January 16.

Cosatu spokesman Nowetu Mpati said yesterday the union had identified the campaign against government proposals released last month to sell off several key state assets as one of its most important this year.

She said millions of workers across the country were expected to come out in support of the strike because privatisation as envisaged by the Government affected not only the 1,6 million Cosatu members, but all workers in the country.

The campaign started after Deputy President Thabo Mbeki unveiled government proposals in early December to sell off parts of Transnet, Telkom and other key state assets

A two-hour strike by Cosatu members followed several other wildcat strikes in the wake of the announcements last month.

"Our message to workers across the country is that any form of restructuring which will lead to workers losing jobs is detrimental to us all. The Government's decision to present proposals which clearly show management's ideals have made it lose a lot of credibility among workers," she said.

Talks between a six-member labour delegation and the Government on the issue are scheduled to start on Wednesday, but Mpati said it was not likely that the meeting would halt the pending strike. She said the two other major labour federations in the country – the National Council of Trade Unions and the Federation of SA Labour Unions – would joini Cosatu in the strike.

Cosatu president John Gomomo and other leaders have been visiting KwaZulu Natal factories to mobilise support for the campaign, and other leaders will be sent out to other regions next week.

The Witwatersrand branch of the Post and Telecommunications Workers' Association, one of Cosatu's most militant affiliates on the issue, will hold a meeting today to resume its mass action campaign started last year.

RANKING THE RICH

The paper plutocrats

FM 5/1/96
(232)

Three new listings give three happy families places in the top 25

For proof that the size of the fortunes of some families can be entirely linked to and depend on the performance of their own JSE-listed companies, look no further than the Imermans and the Kirshes

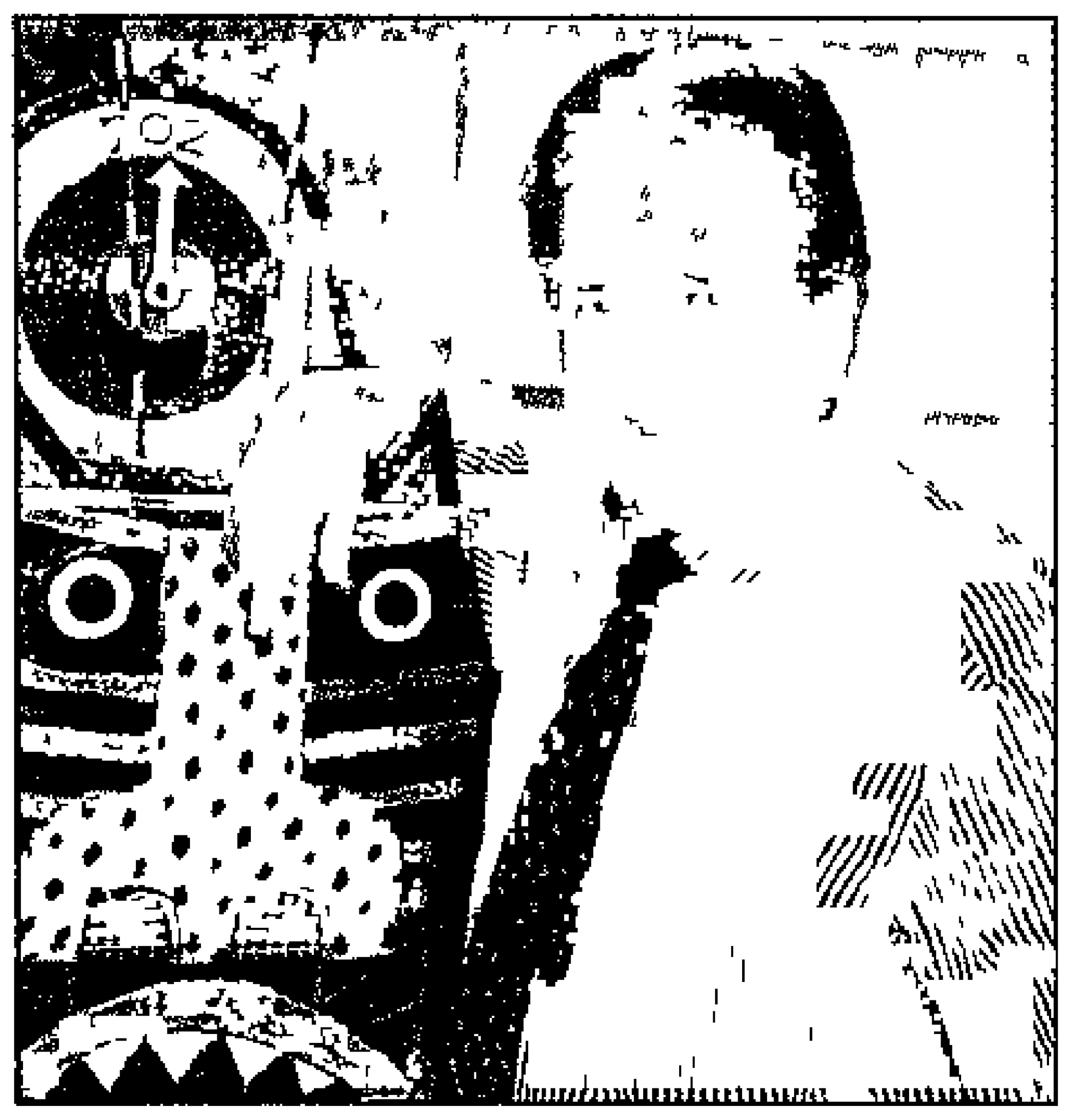
The *FM*'s review of SA's richest families (see table) — published annually since 1990 and expanded from an initial 16 families, worth a total of about R5bn, to 25, worth about R20bn, in 1995 — usually turns up a surprise or two

The results shouldn't be taken too seriously, they are, after all, calculated in terms of the single criterion of a family's traceable shareholdings in their own quoted company or companies They neither include any accommodation for debt nor take account of family shareholdings in other public companies They ignore unlisted assets — fixed property, for instance — in SA and abroad And they also overlook families whose wealth is in unlisted companies, in land, or spread across a wide range of listed companies

For those with tongues placed firmly in their cheeks, therefore, the disappearance of Imerman and the debut not only of Kirsh but also Bell, McCarthy and Gutkin are this year's main attractions

Imerman *falling off for the first time in five years*

Last year, the Imermans, whose paper fortune vests in 20,2m shares in Del Monte Royal Holdings (Delhold), stood at position 19 The UK-based family, headed by Vivian — who, in 1993, engineered the exciting R2,2bn reverse takeover of Del Monte Foods International in partnership with Anglo American — is conspicuously absent from this list for the first time in five years



Issie Kirsh *his son is taking the winning streak to a third generation*

The price of Delhold — which has 50,9% of Del Monte Royal, which in turn has 46,5% of Del Monte Royal Foods — has fallen by 40% since November 1994 The Imermans come in this year at position 26, with about R108m, and are thus disqualified Of course, they could always bound back — even regaining or exceeding their peak position 13 (1992) But that will depend on future performance of the international branded food business controlled by Anglo and the Imerman consortium

The other family name that usually manages to cling on somewhere near the bottom of the list, but has dropped off it this year, as it did in 1993, is Sacco Headed by second-generation Desmond, its business is Associated Ore & Metal (Assore)

The Kirsh family's inclusion for the first time — at 24th position with 3,35m-odd shares in media group Primedia valued at R123,9m — is interesting for a number of reasons First, though the Kirsh name is synonymous with entrepreneurial activity and great wealth by association with Natie, former chief of Kirsh Industries and Tradegro, in this instance it applies to his older brother, Issie, longtime Radio 702 *éminence grise* and Primedia executive chairman, and Issie's son, William Kirsh

Second, Primedia has been listed in its current incarnation for little more than a year Formerly found under Industrial Holdings as Primequity, it was used to acquire Radio 702, outdoor advertiser Ad Displays and niche publisher Mead & McGrouther and, in late 1994, relisted in the well-rated Beverages, Hotels & Leisure sector Helped by the acquisition of several other related businesses, its share price has risen from a low of around R13,75 to a high of R41

Primedia is controlled by the Kirsh family and trust, Rand Merchant Bank and Merhold Kirsh Capital, of which William Kirsh is a director Kirsh jnr, Primedia's CE, is no slouch The share has become a substantial investment vehicle in media and related activities — so much so that its market capitalisation of R879m (at December 15 1995) compares, for example, with Independent Newspapers' R857,8m

HOW THEY'RE RATED

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

- ❑ All JSE-listed companies are sorted by market capitalisation,
- ❑ Those too small are eliminated,
- ❑ Share registers, annual reports and circulars are examined to quantify the shareholdings,
- ❑ Each family or relevant company secretary is sent the results to confirm or adjust, and
- ❑ The final holdings are then extrapolated to a rand value by using the market share price at the close on November 29 1995

THE SUPER RICH

What the market is eagerly awaiting is the group's launch of a 24-hour music TV channel called MTV SA, in conjunction with musician Johnny Clegg and the US's Viacom However, this venture hinges on securing a licence from the notoriously tardy Independent Broadcasting Authority

Entrepreneurial flair clearly runs in the family, flowing from Natie and Issie Kirsh's father,

McCarthy *a first time for this member of KwaZulu-Natal royalty*

Oppenheimer

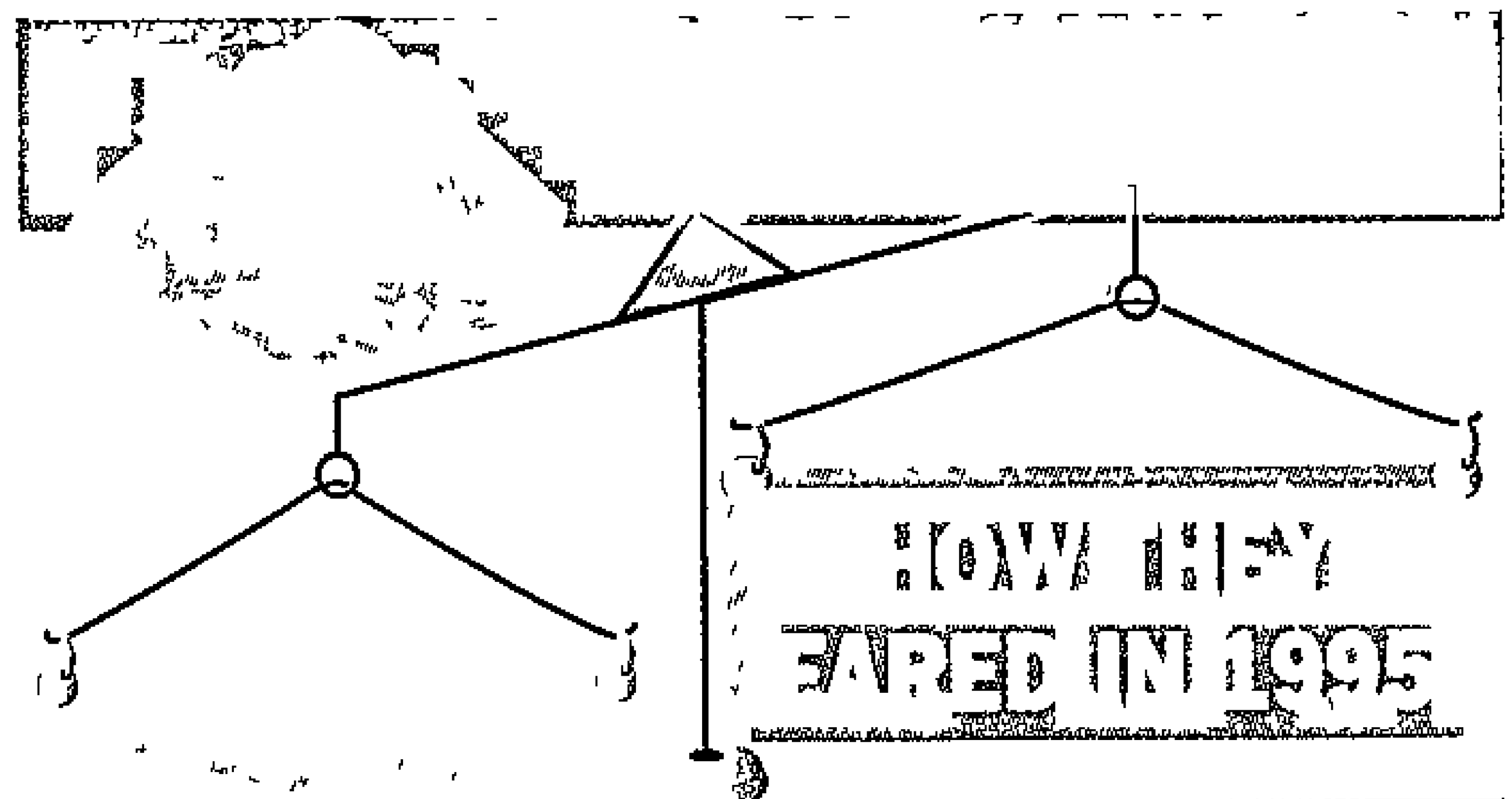
who started a sorghum beer malt business in Potchefstroom This became a springboard for, among other ventures, the launch of what is still a powerful brand in the Tiger Oats stable, King Korn Now, however, Natie having sold out of 702 some years ago, the brothers' only common interests are in Swaziland

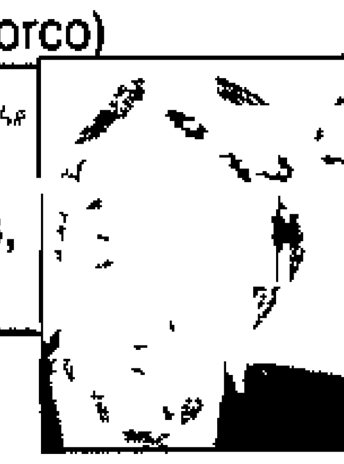
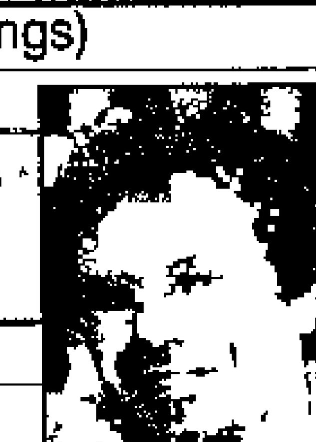
Issie Kirsh and his wife of 40 years, Mushe, have, in addition to William, a younger son and two daughters

Another new listing which has propelled a family into the ranking for the first time is KwaZulu-Natal materials handling machine maker and exporter Bell Equipment The little-known Bells own more than 32,7m shares valued at R150,5m

The business was founded by Irvine Bell, a fitter and turner turned engineer, in 1954 in Empangeni Though he is in

Gary Bell *ringing in the wealth on the JSE*



1	Oppenheimer (Anglo American, Minorco)	R5,74bn	*Same position*
2	[illegible] (Technical & Industrial Investments, Richemont) 	R3,97bn	*Same position*
3	 Gordon (Liberty Investors)	[illegible]	*Same position*
4	[illegible] (Pepgro, Boland Bank) 	[illegible]	*Same position*
5	Venter (Ventron, Altron, Powertech, Telemetrix Plc)	R779,2m	*Up one*
6	Krok (Premier Pharmaceuticals, Medex, Unispin, Leisurenet, Merhold, Logtek)	R666,18m	*Down one*
7	[illegible] (Pick 'n Pay Holdings) 	R522,73m	*Up four*
8	Jowell (Mobile Industries)	R493,87m	*Up one*
9	Lewis (Lewis Foschini Investments)	R455,02m	*Down one*
10	Hurwitz (Clinic Holdings)	R451,46m	*Up eight*
11	Hamilton (Dalys, Tempora Investments, Ettington Investments)	R434,66m	*Down one*
12	Lynch (Imperial Holdings)	R376,9m	*Up four*
13	Wessels (Wesco Investments, Toyota SA)	R366,65m	*Up two*
14	Ferreira (Rand Merchant Bank Holdings)	R361,25m	*Down one*
15	Dippenaar (Rand Merchant Bank Holdings)	R354,88m	*Down one*
16	Hersov/Menell (Anglovaal Holdings)	R347,03m	*Down four*
17	Methven (Rainbow Chicken)	R328,35m	*Down ten*
18	Barrow (Fedsure Holdings)	R264,13m	*Down one*
19	Shill (Sage Group)	R239,21m	*Up two*
20	[illegible] Corporation) 	[illegible]5m	*Up three*
21	Bell (Bell Equipment)	R150,51m	*New*
22	Grindrod (Grindrod Unicorn Group)	R127,93m	*Same position*
23	McCarthy (McCarthy Group)	R127,55m	*New*
24	Kirsh (Primedia)	R123,86m	*New*
25	Gutkin (Housewares Group)	R112,1m	*New*

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 two*
5	Krok	R743,40m	*Same position*
6	Venter	R732,95m	*Down two*
7	Methven	R595,16m	*Down one*
8	Lewis	R568,34m	*Up two*
9	Jowell	R440,33m	*Same position*
10	Hamilton	R408,75m	*Up one*
11	Ackerman	R381,40m	*Down three*
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 (Del Monte Royal Holdings)	R138,50m	*Down three*
20	Sacco (Associated Ore & Metal)	R135,40m	*Up one*
21	Shill	R126,50m	*Down one*
22	Grindrod	R118,70m	*New*
23	Joffe	R102,90m	*Down four*
24	Scharrighuisen (Scharrighuisen Holdings)	R101,25m	*New*
25	Bateman (Edward L Bateman)	R81,80m	*New*

his mid-70s and retired, the World War 2 veteran and his wife, Eunice, were on hand to crack a bottle of champagne at the May listing Irvine has handed over the reins to his son Gary (42), who is CE of Bell Equipment, and chairman Howard Buttery Gary's older brother Peter is technical director and ideas man

Also new to the *FM*'s list are members of KwaZulu-Natal royalty, the motor industry McCarthys They hold about 8,8m shares, worth R127,6m, in McCarthy Group This pyramid holding company's only investment is in McCarthy Retail, which focuses — in what may seem an unlikely but has turned out a magical mix — on retailing motor vehicles, furniture, household appliances, TV/sound equipment and quality clothing through two separate divisions, Motor Holdings and Prefcor Holdings

Septuagenarian Brian McCarthy is chairman of McCarthy Group and head of the family The Michaelhouse old boy, who also chairs NBS Holdings, among several other directorships, is married to Pamela and is the father of a son and three daughters

Last of the newcomers is the Gutkin family, headed by rough-and-ready entrepreneur Melvyn The Gutkins have 19m shares, worth R112,1m, in direct-selling company Housewares, which went to the JSE boards for the second time in late 1994

It was W&A Investments (now Forward Corp) that bought and delisted Housewares in 1987 when it was capitalised at R84m Seven years later, many marvelled at the sweetness of the deal that saw Gutkin — who had bought back 20% of Housewares in 1991 — negotiate a 90-day option to acquire W&A's 80% for R77m After a merger with jewellery direct seller Goodgold, Gutkin then sold on 20% of the enlarged company to investment vehicle NSA

Astute management, quality products and a focused strategy have proved a winning formula In 1995, it acquired a new mail-order subsidiary, Glomail, raised R40m in cash and increased its capital by 10m ordinary shares The share responded by moving from a low of R3 to a high of R7

Melvyn Gutkin, who is fond of flamboyant ties, cut his teeth in his father's wholesale egg-and-poultry business in Newtown, Johannesburg In 1969, he and his late brother Phillip planted the seed for Housewares by buying a 50% stake in direct-selling outfit Riviera Foods

Gutkin and his wife, Sharon, have two sons and a daughter

While the paper fortune of the Methvens,

Hurwitz

Gutkin

of ill-starred Rainbow Chicken, has gone into free fall — they were eighth last year and are 17th this year — there have been one or two spectacular rises Motor group Imperial Holdings' Lynch family, headed by low-profile, pennywise Bill, has darted up from 16 to 12 This is no surprise — especially since, in mid-1995, Lynch put Imperial into a strategically powerful position by buying control of Saficon and Boumat from the Borsook family

Lynch *low profile but highly visible success rate*

The reason for Clinic Holdings' Hurwitz family's rise from 18 in 1994 to 10 in 1995, however, has less to do with the performance of the medical services company than with a substantial increase in the size of the family shareholding

Apart from the Imermans and the Saccos, this year's casualties are the Scharrighuisens and the Batemans, last year at 24 and 25 Whether they'll return next year is anybody's guess *Linda Stafford*

Trade-offs mooted on sale of state assets

(232)

Renee Grawitzky

BD 5/1/96

LABOUR and government are expected to exchange draft national framework documents this afternoon for negotiation on restructuring state assets, with indications that elements within labour federations may be willing to compromise on partial sale of state assets subject to certain conditions

Organised labour — Cosatu, the Federation of SA Labour Unions (Fedsal) and the National Council of Trade Unions (Nactu) — has in recent weeks been formulating a unified position on the framework agreement which will be completed today

Sources say influential leaders argued for a more pragmatic position — where asset sales were dependent on job security and pension guarantees, among other things

The sources have indicated that those opposed to privatisation have argued for strategic alliances with private partners which would provide new technology and finance

They have argued that partial sales would compromise the RDP and would take control of parastatals away from government

Cosatu president John Gomomo said last year at the World Economic Forum that control of key services needed to be kept in public hands, but there "may be certain advantages in parastatals entering joint ventures with the private sector Such joint ventures would have to take place under very strict conditions"

These conditions included control resting with the state

Nevertheless, Cosatu has indicated it intends to strike on January 16

Fedsal said yesterday it had no plan to take part in the strike as the parties

Continued on Page 2

Unions

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BD 5/1/96

were still negotiating

Jeff van Rooyen, special adviser to Public Enterprise Minister Stella Sigcau, said parties would meet today to exchange documents

At their next meeting, on January 11, parties would attempt to reconcile their positions and reach agreement on the objectives of restructuring, the process to be followed for its implementation and agreement on definitions and terms

Cosatu spokesman Nowetu Mpati said the federation was gearing up for the January 16 strike with the distribution of more than a million pamphlets calling for all South Africans to strike to "show our resounding rejection of privatisation and unilateral restructuring of state assets"

While the federation would support restructuring which would bring about efficiency, secure jobs, create new jobs and ensure RDP implementation, it demanded that a framework agreement "inform the process of restructuring at the enterprise or sector level"

The Post and Telecommunications Workers' Association (Potwa) is organising a march through Johannesburg on Monday

The SA Commercial, Catering and Allied Workers' Union (Saccawu) will demonstrate in Mmabatho on Tuesday over the Northwest Development Corporation's failure to consult it as a major role player in transformation and restructuring of the organisation

Saccawu said the action was in line with Cosatu's decision to intensify mass action in opposition to government's action on restructuring parastatals without involving labour

DYNASTY: Pick 'n Pay chairman Mr Raymond Ackerman.

CAPE'S OWN: Pepgro and Boland Bank chairman Mr Christo Wiese

BILLIONS: Liberty Life chairman Mr Donny Gordon

Four Cape families among 10 richest

CT 5|1|96

BARRY STREEK,
POLITICAL STAFF

FOUR Western Cape families are among the 10 richest South African families — with listed assets of more than R450 million

But the Oppenheimer family, with shareholdings worth R5,74 billion, remain the richest, followed by the Cape Rupert/Hertzog families with listed assets worth R3,97bn

This was disclosed in yesterday's issue of the Financial Mail, which said the only criterion for its list of 25 super-rich families was the family's traceable shareholdings in its own quoted company or companies

The results should thus not be taken "too seriously" They did not include any accommodation for debt or take account of family shareholdings in other public companies, and they ignored unlisted assets, such as fixed property

The other Cape families in the top 10 are the Wiese family with shareholdings worth R1,07bn, the Ackerman family (R522,73m), and the Jowell family (R493,87m)

The third richest family in the country was the Gordon family, headed by Liberty Life chairman Mr Donny Gordon, whose shareholding was worth R2,44bn They were followed by the Wiese family

● See Page 17

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Unions willing to compromise on privatisation

(232) ST 7/1/96

By SVEN LUNSCHE

AS the government and labour began their negotiations on the restructuring and partial privatisation of state assets on Friday indications arose that the unions are willing to soften their tough approach towards the policy

Union representatives met with Public Enterprises Minister Stella Sigcau on Friday to exchange draft documents on a national framework agreement that will outline the role of unions in the privatisation process

The draft documents would not be made available until after the first round of negotiations next week, Jeff van Rooyen, Ms Sigcau's adviser, said

But sources say the labour movement appears ready to shift its position from an outright rejection of partial privatisation to one of compromise This position includes demands for a "social plan solution" for retrenched workers, job security and pension guarantees

The unions are also insisting that they be represented on the six sectoral task teams overseeing the restructuring of public sector corporations

It appears, though, that the one-day strike on January 16 will go ahead as planned Cosatu called the strike after the government announced the partial sale of SA Airways, Telkom and the Airports Company and the full privatisation of Autonet, Sun Air and Transkei Airways

Mr van Rooyen said the strike would be discussed at next week's meeting

The unions have already achieved a delay in the government's agenda for privatisation, Ms Sigcau agreed to freeze the recruitment of privatisation experts from the private sector until later this month and could also delay the first report of the four other sectoral task teams, scheduled for January 18

The government has also agreed to extend the moratorium on the restructuring plans of public sector corporations

Underlying the unions' more moderate stance is the realisation that private sector finances and technology are essential to drive the reconstruction and development programme in corporations such as Telkom and Eskom

At a meeting between the two parties last month — under the auspices of Nedlac — the trade unions noted "Where particular assets are under-performing or are not contributing to RDP goals, they should be restructured and transformed through a process which involves all stakeholders"

At the meeting labour tabled an initial list of demands which are said to form the basis of the report presented to Ms Sigcau on Friday

The demands include

- The representation of labour on the six sector task teams,
- Representation of labour on the enterprise transformation committee, a task group set up at each public sector corporation to examine privatisation,
- Social plan solutions where restructuring has negative consequences for workers "Where restructuring is likely to entail retrenchments, downgrading or transfers, a social plan must be negotiated with the unions to take account of workers' interests," the Nedlac document shows,
- Full disclosure of information,
- The appointment of professional advisors by the trade unions, to be paid for partially by the government,
- Extending the moratorium on the restructuring undertaken by parastatals,
- Regular reports to Nedlac on the restructuring process

The government's soft stance towards the unions has apparently infuriated some Cabinet members who are keen to see their enterprises press ahead with restructuring in order to speed up the delivery of basic services

Telkom, for example, requires R6-billion over the next five years to lay 1-million phone lines in rural areas, a programme that will not succeed without foreign financial and technical support

Postal workers to launch protests over privatisation

Star 8/1/96 232

The Posts and Telecommunications Workers Association will march through Johannesburg on Thursday to launch a rolling mass action campaign against the privatisation of state assets

The march will start outside Darragh House in Plein Street at 10am and proceed to the Gauteng provincial legislature offices in Market Street, where a memorandum will be handed to Telkom representatives and Premier Tokyo Sexwale

Union representative Mavi Panyane said the "selfish intention of the Government to privatise state assets will lead to a massive loss of jobs" — Staff Reporter

Union dismayed at privatisation

CT(BR) 8/1/96 (232)

STAFF WRITER

Johannesburg — The government's plans for privatisation and retrenchment, and its intention to declare public-service jobs at the bottom of the ladder to be non-public service functions, have been greeted with shock and disbelief by the South African Health and Public Service Workers' Union

On Friday, the union marched to the Union Buildings to present a memorandum to President Nelson Mandela

The union said it remained the most downtrodden and exploited section of the public service and its members' standard of living had not improved since the elections

The government's plan to make the lowest public servant posts non-public service indicated that it was not committed to uplifting the downtrodden and exploited

Privatisation was also known around the world to result in job losses, the union said

Any action which would place thousands of public servants on the streets would plunge the country further into crime, the union said

The union called for the scrapping of contracting out of services, for its members to retain their jobs and for the state enterprises department to be merged into the trade and industry department

Secret restructuring plans exchanged

ET (BR) 8/1/96 (232)

By Thabo Leshilo

Johannesburg — The government and organised labour exchanged documents outlining their respective positions on the restructuring of state assets at the Cosatu head office in Braamfontein at the weekend

But the contents of the two draft documents on the national framework agreement on restructuring are being kept secret at government insistence

The move forced labour to cancel plans to publish its document last Friday

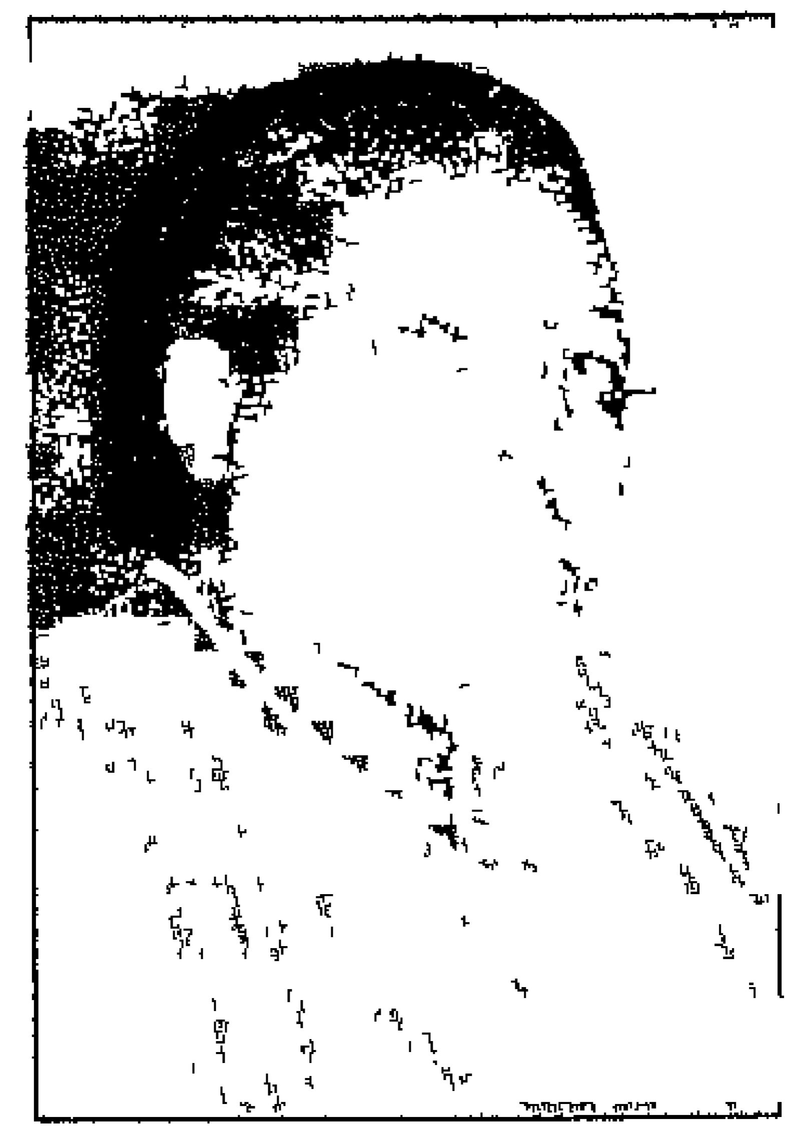
Jeff van Rooyen, the special adviser to Public Enterprises Minister Stella Sigcau said the documents would form the basis for negotiations between the government and the alliance of Cosatu, the National Council of Trade Unions and the Federation of South African Labour Unions on the restructuring of state assets at their meeting scheduled for this Thursday

"We now have the opportunity to see what each side says and the meeting should be constructive and have no surprises," said Van Rooyen

Labour and the government agreed on the need to formulate the national framework agreement last month, to serve as a guideline on privatisation after bitter protest by labour against the government's plans to seek private-sector partners for Telkom, SAA and the Airports Company, and to sell Sun Air, Transkei Airways and Autonet, among other plans

Cosatu spokesman Nowethu Mpai said the federation will go ahead with its anti-privatisation strike, planned for January 16, despite this week's talks with the government

The trade union movement is opposed to privatisation because it fears the process will lead to massive job losses



Public Enterprises Minister Stella Sigcau

The error applied to expect any adverse reac- The error is regretted

Green Charcoal attracts investors

Edward West (232) BD 9/1/96

A NEW company planning to export charcoal derived from invasive non-indigenous vegetation — Green Charcoal — has attracted investor interest from Ireland, the UK, Zimbabwe and the US.

MD Patrick Frampton said yesterday that the Industrial Development Corporation had been approached to help finance the venture with a R4m loan. The company planned a private placing of 202 ordinary shares at R1 each and an interest-bearing loan of R20 000 a share.

The private placement had so far been "reasonably successful" in spite of the company having to attract investors over the holiday period from December 22 to the January 12 cut-off date stipulated by the corporation.

Green Charcoal said it planned to produce 6 000 tons of charcoal and 2 100 tons of extrudate logs a year. Production was expected to begin in June once a plant had been built near Humansdorp and once shareholder approval had been given.

Frampton said Green Charcoal might have to establish its own alien vegetation plantations.

Sasol, Omnia merger rules laid down

Edward West (232) BD 9/1/96

THE Competition Board has set down ground rules for the proposed merger of Sasol and Omnia Holdings' fertiliser and explosives interests

Board chairman Pierre Brookes said yesterday there would be no formal investigation into the merger but that the companies had undertaken to ensure other companies would not be prejudiced by the link-up.

"We spoke to a number of parties and there appeared to be a general acceptance that some sort of rationalisation in the industry was necessary," Brookes said

Since SA's market opened up to the world, a number of international fertiliser companies had set up agencies in SA and one of the parties was likely to have gone out of business had the merger not taken place, he said

Sasol and Omnia recently cautioned shareholders that the deal was still being negotiated.

Omnia MD Neville Crosse said the hurdle which the Competition Board might have presented appeared to have been crossed. However, negotiations were still under way, he said.

Omnia's share price was untraded at its 12-month high of R12 on the JSE yesterday after rising steadily from an 18-month low of 840c since the announcement of the merger

Govt bid to address labour fears over restructuring of state concerns

BD 9/1/96 (232)

enee Grawitzky

GOVERNMENT will seek to accommodate a number of labour's concerns over restructuring, including the negotiation of a "social plan" to cushion workers affected by retrenchments.

It also supports the appointment of labour representatives to participate in these negotiations at the state-controlled enterprises, and the appointment of labour advisers by unions. During restructuring talks, advisers would be partially paid by government.

This emerged from government's draft framework agreement handed to organised labour on Friday — a copy of which was acquired by Business Day.

Draft framework documents were exchanged on Friday between Public Enterprises Minister Stella Sigcau and labour, outlining the respective positions on the objectives and the process for implementing restructuring.

Negotiations on a national framework agreement are due to start on Thursday, when all parties are due to officially release their documents.

Government's draft document, although not substantively different to the report appproved by the Cabinet at end-August, provides for more comprehensive consultation and negotiation with labour, in line with commitments made during talks last month.

The document, which recognises that organised labour should "participate in all policy formulation processes", acknowledges that the underlying approach of the parties is that the "restructuring of certain state assets" should not occur at the expense of workers in state enterprises Where restructuring potentially "has negative consequences for workers, a social plan must be negotiated with the relevant unions at enterprise level which takes account of the workers' interests"

Government proposes that all policy documents and materials it uses in formulating mandates, and information developed by advisers, would be made available "strictly in terms of the normal confidentiality agreements". However, "sensitive information will be edited from documents circulated"

Labour demanded that labour representatives be appointed at enterprise level and that government partially pay for the appointment of professional advisers by labour. Government has proposed through the board of directors, "the form, appointment and number of advisers to labour at an enterprise level", with money being made available by the enterprise. But payment for the appointment of advisers to labour at the national

Continued on Page 2

Privatisation

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(232)

framework agreement level would be subject to "budgetary constraints"

The document sets out several broad objectives for the restructuring "certain state assets" (not privatisation) which could refer to "joint ventures, strategic alliances, commercialisation, operating rules, financing and privatisation"

The broad objectives outlined previously ranged from funding of the RDP, and facilitating economic growth to the creation of wider ownership in the economy

Government envisages structures at three levels which would guide the process for policymaking on restructuring Once a deal is reached on the national framework agreement it would be referred to the executive council of the National Economic, Development and Labour Council.

Flowing out of the national framework agreement, a forum or structure would be set up to act as "a strategic and guideline formulating structure" This would include equal representation for labour and government

Structures at an enterprise level would be established where negotiations would take place on decisions taken at the national framework agreement structure level. Disputes arising out of these negotiations should be resolved in terms of Labour Relations Act procedures

However, policy and strategic disputes would be referred to the national framework agreement structure.

Govt 'information' entails more than just sending a fax

STEPHEN LAUFER (232)

BD 10/1/96

IN AN unusually vitriolic response to reporting on the proposed privatisation of state assets, Jeremy Cronin has charged a number of journalists with getting the story wrong (Business Day, December 20). The SACP's chief theoretician is a man normally very judicious in his choice of the classics, yet this time he seems to have confused Clausewitz with Lenin.

Clearly writing under the influence of the German military strategist's advice that attack is the best form of defence, Cronin might have been wiser to remember the Bolshevik leader, who said that to take one step forward you sometimes need to take two steps backward.

Going back a couple of paces would have allowed Cronin and his colleagues in government to recognise that the real problem is one of poor or non-existent communication to which they contribute, whether wilfully or not. The confusion over the privatisation issue is a reflection on the communications barriers both growing naturally, and being assiduously nurtured, between government and the media in SA.

Having had experience on both sides of the fence, it seems fair for me to say that neither side alone is to blame. The problem is not so much rooted in secret media agendas against transformation — often suggested by those who come in for criticism, whether fair or unfair — as in the mistrust, misunderstanding and mutual frustration which have become the hallmarks of both sides of a once sunny relationship.

Gone are the balmy days of the World Trade Centre, when background briefings and direct access to those setting the political pace were the order of the day, and journalists and politicians seemed to be working towards the shared goal of a democratic SA. Their cosy relationship has of necessity changed as opposition groups have become governing parties.

But instead of being replaced by a professional and perhaps suitably distanced relationship, the old atmosphere of co-operation and mutual respect has given way to fear and loathing. They are sentiments shared equally by both sides, with each holding the other responsible for the deterioration of relations.

It is not that Cronin is necessarily wrong in his criticisms of the media. Tendentious opinions all too often substitute for facts in much local reporting, and the editorial culture of most news organisations has been as slow in changing as that of the public service. But what did he expect — a revolutionary vanguard in the editorial offices while every other SA institution basked in the rays of the sunset clause?

The point is that if change is to come to SA reporting, then government and politics need to be participants in bringing it about. Not through regulation, legislation or the more harebrained schemes of withholding government advertising from unreconstructed news organisations and having a state slot on TV, but by taking their own communications functions seriously.

Rather than standing on the sidelines and criticising journalists' perceived slights of themselves, politicians urgently need to professionalise their communications operations — to ensure that information is readily available, that government and party communicators are responsive to news-gathering organisations' needs and rhythms.

The fact is that if the truth is to be told by the media, the truth must be understood by journalists. If government was to modernise its communications capacity so that it had the structures and people in place to assist journalists to understand what it is getting at, Cronin would have far less cause than at present to complain about the truth being restructured.

In the case of Deputy President Thabo Mbeki's announcement on state assets, a professional communications operation would have briefed reporters in advance on what was coming. The plans would have been explained in the context of SA's transformation, and briefers would have ensured that there could be no Thatcherite misconceptions.

The announcement would have been timed sufficiently early in the day to allow journalists to gather reactions and to write balanced, considered copy. And just in case the journalists got it wrong, this professional media strategy would have had a backup plan to correct misperceptions — a plan excluding that increasingly hoary response of blaming it all on the media.

CRONIN

Finally, the deputy president's spin doctors would have had their cell phones on in the days following announcements, and would have returned calls from leading business newspapers, rather than make increasingly frantic journalists spend whole days telephoning after them.

Instead, there was a bald early evening announcement by Mbeki, close enough to most news deadlines to ensure little time for background research. With no advance groundwork by the communicators, reporters had to run with what they had — including the deputy president's use of the word "privatisation," even though he meant "restructuring", as we are now told.

It is a moot point whether there is a difference between the terms, whether Cronin and Mbeki have different visions, or whether a euphemism is being used to conceal the fact of privatisation.

Whatever the case, government has the resources to jack up its act, to ensure journalists are not left snorkelling in the mud, as one colleague puts it.

Spending R56m a year on the virtually invisible SA Communications Service while starving the ministries of the resources they need to communicate "from the horse's mouth" is not the answer.

Political communications must be recognised as just that — political. As in every other democracy, media secretaries must be political appointees of sufficient standing and calibre to be able to advise ministers and senior officials on communications strategies.

The need is not for junior public servants who know how to fax news releases or pass on journalists' requests for interviews. The need is for senior professionals who, enjoying their principals' trust, are able and allowed to keep the public well informed by a well-informed media.

It is a disservice to democracy, which lives and dies by information, that important ministers have operated for months without media secretaries. Others have lost effective people because of their being placed in a filing clerk's pay grade.

It is a disservice to the politics Cronin stands for when ministry after ministry treats communications as an optional extra — posts unfilled, filled by academics or public servants of the old order, about as close to championing Cronin's brand of transformation as Newt Gingrich. It is a disservice to a democracy's information needs to leave restructuring of government communications dormant for 20 months.

To call for an expanded and professionalised communications operation in the ministries is not to plead for a return to the old smoke and mirrors operations of the Bureau of Information. It is to call for recognition of the fact that a complex society like ours requires information structures as well as strategies sufficiently subtle and sophisticated to ensure the maximum flow of information.

French president Jacques Chirac recognised the central political importance of good communications when he told his government recently to explain its policies better and make new efforts to bring back confidence and hope following the recent strikes.

Once that attitude and the structures to go with it are in place in SA, Cronin will then be fully justified in crying "foul" when the journalists get it wrong.

□ Laufer was housing ministry spokesman until he joined Business Day's staff last month.

DP wants minister fired over leak

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Star 10/1/96

By Justice Malala and Sapa

The Democratic Party yesterday called on the Government of National Unity to dismiss Public Enterprises Minister Stella Sigcau from the Cabinet for her handling of negotiations on the restructuring of state assets.

The DP's call came as the Congress of SA Trade Unions, which has expressed outrage at the Government's restructuring proposals released last month, said the leaking to the press of new government proposals on restructuring this week did "not augur well for negotiations".

Press reports yesterday indicated the Government would attempt to accommodate some of labour's concerns on privatisation, including plans to lessen the impact of possible retrenchments through a "social plan".

The two parties exchanged documents on the issue last week and agreed to keep them secret.

DP public enterprises spokesman Kobus Jordaan said Sigcau had demonstrated narrow-mindedness, despotism and arrogance in her approach to privatisation and had blocked serious negotiation by insisting on keeping the negotiations away from the public eye.

"She is preventing public discussion on a matter which concerns everybody in the country, not only the select membership of Cosatu and the Government.

"Serious negotiations can only begin only once Ms Sigcau is prepared to abandon her secretive approach."

The latest furore comes before crucial talks between labour and government representatives tomorrow.

Cosatu has called for a 24-hour national strike on Tuesday in protest against the Government's proposals

Privatisation will revolutionise the Gauteng racing industry

(232) Star 10/1/96

Many of the unsatisfactory aspects of racing in Gauteng will be eliminated by privatisation, including subsidies and the system of club membership

By Robert Garner

As reported exclusively in this newspaper last week, Gauteng Provincial Government wants racing in the region to be privatised by the end of the year - a directive that is set to revolutionise the industry

The success or failure of privatisation will hinge on three factors - the rate of taxation on bets, whether racing is allowed to become a major player in other forms of gambling like slot machines and how wisely privatisation is implemented by the racing clubs

Given the right people as directors and a favourable tax rate, coupled with permission to operate a substantial number of slot machines on course, racing could be transformed overnight from an industry always battling for a rand to a thriving business

Some will argue that privatisation is undesirable because profits will be distributed to shareholders, instead of being re-invested in the industry as at present.

But that is no cause for concern provided, as is the the case in the US where many racecourses are normal profit-making companies, it is laid down that a certain percentage of betting turnover must be allocated to stakes

And, anyway, many of the shareholders will be people who will re-invest their dividends in racing in one way or another

It will also have to be laid down that horseracing remains a major part of the business conducted by the company that owns the industry, particularly because racing is likely to be involved in other forms of gambling

The long-term threat is that slot machines could prove so lucrative that shareholders might one day be tempted to jettison racing and concentrate on other forms of gambling

Privatisation should automatically eliminate the most unsatisfactory aspects of racing

One is subsidies, which have transformed a naturally capitalistic industry into a welfare organisation

At present it costs next to nothing to run a horse in a race but, without subsidies, the owner will have to pay the horse's transport to the course and the jockey's fee

Thus it will cost a few hundred rand each time a horse races and owners will think long and hard about keeping mediocre horses

Stables at training centres could be sold to trainers under sectional title and levies charged for the upkeep of the training tracks

The cost of owning a horse will increase dramatically but so will stakes because of the money saved by scrapping subsidies Obviously many trainers will go out of business but successful trainers, and owners of horses with ability, will make more money than at present

Privatisation will also destroy the club membership system, whereby members nominally own the racecourses and elect honorary stewards from their ranks to administer them

Stewards and club members enjoy the best facilities at South African racetracks It can be argued that stewards warrant their facilities because many of them do work long hours on racing's behalf for no recompense Far better though to have paid executive directors than honorary stewards

As for club members most, although certainly not all, contribute so little to racing that they do not warrant prime facilities at an annual cost of a few hundred rand

Their facilities have been paid for by the public who, iniquitously, are denied access In a privatised industry the best facilities will be open to all at a price

The most important benefit offered by privatisation is that shareholders and directors will be more aware of the need to make profits than are stewards and club members This should result in more professional management and a better deal for punters and owners, who are the paymasters of the industry

What form privatisation should take is a complex issue The basic options appear to be to either pool Gauteng racing's assets into one company or privatise the three racecourses separately, each with a share in TAB Transvaal and other companies within the industry

One company would, theoretically, offer the most efficient management although the danger is the lack of competition it would create within the industry

Another suggestion that has been made is to privatise the three racecourses and TAB Transvaal separately as subsidiaries of a holding company but, whichever route is chosen, racing will never be the same again if privatisation does become a reality

Vaal and Bloemfontein racecourses would probably go out of business because it's odds-on that the Gauteng racing company would not pay them the commission from tote takings which keeps them viable at present

The three Gauteng tracks could each hold a few extra meetings to partially replace the lost fixtures and, anyway, there would almost certainly be substantially fewer horses in training

All in all privatisation will give Gauteng racing the chance to operate on a proper business footing and enable it to compete successfully with other forms of gambling The transformation though will be traumatic for some

Dismay over govt's 'leak' of document

(232) BD 10/1/96

Renee Grawitzky

COSATU yesterday expressed its disappointment that government had "released" its draft national framework document on the restructuring of state assets to the media despite an agreement to the contrary.

Cosatu said despite this move by government — which had initially requested that the documents not be made public — labour would honour the original undertaking, not releasing its document until after tomorrow's meeting.

Cosatu pointed out that government's document was not new, and was primarily a duplication of past positions.

DP public enterprises spokesman Kobus Jordaan reacted sharply to reports that the draft national framework documents on state assets' restructuring, exchanged between labour and government last Friday, had remained confidential.

Jordaan's concern about the secrecy stemmed from the view that this was another manoeuvre "in a long list of attempts by the minister to hold back privatisation".

☐ Members of the Post and Telecommunications Workers' Association plan a march to coincide with the start of talks between government and labour tomorrow, to formulate a framework accord.

Reuter reports that when the two sides meet tomorrow, government will do its best to try to persuade Cosatu to call off its planned January 16 strike, a senior negotiator said.

Labour seeks pledges on restructuring

(~~250~~) (232)

Renee Grawitzky

BD 11/1/96

LABOUR will seek a government undertaking today that no further decisions or announcements on restructuring be made and that previous Cabinet decisions announced by Deputy President Thabo Mbeki not be implemented until agreement is reached on restructuring principles.

Labour and government begin negotiations today on a national framework agreement for the restructuring of state assets

Indications are that labour intends emphasising that the co-ordination for restructuring should take place at government level with affected ministries being responsible for its implementation. Restructuring should take place only within the overall policy direction of the specific industry and the RDP.

The negotiations open amid speculation about the effectiveness of a one-day strike against privatisation planned for January 16 This speculation is partly due to the fact that large portions of the manufacturing industry reopen only next week

Cosatu's Western Cape region said yesterday a programme of "maximum impact" would be pursued in the public sector and the private sector would try its best, but might not be as effective

Cosatu's regional secretary Joseph Williams emphasised that the one-day strike was not the end of the mass action programme directed against privatisation The question of mobilisation after the event would be the region's priority

The Federation of SA Labour Unions reaffirmed its position yester-

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Restructuring

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BD 11/1/96

day not to participate in the strike, but indicated this did not imply its affiliates "accept wholesale privatisation"

Cosatu general secretary Sam Shilowa said the only goal of restructuring should be to ensure the delivery of efficient, affordable and quality services. "Ownership should not be the determining factor in the delivery of services", therefore, labour's definition of restructuring did not include any form of privatisation such as the partial sale of state assets

Government's draft document acknowledges that restruc[illegible]ring should not occur at the [illegible] workers in state enter[illegible] [illegible] proposed the negotiation of a social plan to cushion the effect of retrenchments

Cosatu vows to press ahead with anti-privatisation action

(232) ARG 12/11/96

ESTELLE RANDALL
Labour Reporter

THE 1,6 million-member Congress of South African Trade Unions (Cosatu) has vowed to go ahead with an anti-privatisation work stoppage on January 16, in spite of ongoing discussions with government about restructuring state enterprises

The government and Cosatu this week exchanged documents which formed the basis of discussion between the two parties Today Cosatu is holding a special executive committee meeting to decide its next step.

But Cosatu spokesperson Nowetu Mpati said the January 16 work stoppage would not be reviewed

"The document from government will need time for discussion Labour and government may reach agreement, but this will be only on some issues. The purpose of the January 16 action is to keep the pressure on and to make government aware that they have to be accountable."

Cosatu has argued that proposals being considered by government for restructuring of state-owned enterprises and parastatals may lead to loss of jobs and services in the name of efficiency because privatisation is seen as the key option

Ms Mpati said she expected a good response to the work stoppage call

"We have circulated more than a million pamphlets and have also been mobilising support from communities," she said

Joe Williams, Cosatu's Western Cape regional secretary, was more cautious in view of the fact that many workers in the province had not yet returned from annual leave

He said Cosatu in the Western Cape would focus its efforts on the municipal, transport, telecommunications and health sectors

Among the activities planned are a march by members of the South African Municipal Workers' Union and the Posts and Telecommunications Workers' Association, and a meeting of the Police and Prisons Civil Rights Union (Popcru) about restructuring in the South African Police Services

● The Federation of South African Labour Unions (Fedsal) which represents 212 000 members has said it will not participate in the January 16 national work stoppage because the action was called for before the meeting between government and labour began The South African economy could also not afford a national general strike at this stage Fedsal warned that it would use industrial action if negotiations failed or if government and the parastatals tried to make secret deals

"Job security remains one of our core concerns and unilateral outsourcing which often leads to job losses will be strongly resisted," said Colin Smith, Fedsal's privatisation co-ordinator and bilateral task team negotiator

MAIL & GUARDIAN
January 12 to 18 1996

Mineworkers may not support Cosatu strike

M+G 12-18/1/96 232 (219)

Jacquie Golding-Duffy

THE Congress of South African Trade Unions cannot count on the support of its main affiliate, the 300 000-strong National Union of Mineworkers (NUM), in its planned anti-privatisation strike on Tuesday.

Although, as a Cosatu affiliate, the NUM is bound to some degree by the federation's decision to strike, ambivalence is being displayed among some key NUM members.

The strike, aimed at what Cosatu terms the "unilateral restructuring of state assets", could fail, with one senior unionist, who wished to remain anonymous, describing Cosatu general secretary Sam Shilowa's militant stance as "mere posturing".

NUM general secretary Kgalema Motlanthe was tight-lipped about the strike, saying it was "inappropriate to comment", since talks between Cosatu and various other parties could "succeed in reconciling differences" and possibly reach agreement on the objectives of restructuring within the public and other sectors."

"All federation decisions are binding on affiliates," Motlanthe said.

However, should the NUM, as a backbone union of the federation, fail to render its support, Cosatu's "show of strength" will not make an impact.

Cosatu spokesperson Nowetu Mpati said she did not doubt the NUM would support the strike, especially as it participated in the decision-making process. "The strike will continue as planned, and we have distributed pamphlets in all the regions," Mpati said, adding Cosatu's affiliates had pledged "strong support" for the strike.

MAIL & GUARDIAN
January 12 to 18 1996

A plan for legalised mugging

(232)

M+G 12-18/1/96

Brendan Martin questions who will benefit from privatisation of state assets

THERE would have been no prizes for predicting, a year or two ago, that the fragile unity of the new South Africa would founder on government action to secure "black economic empowerment" But how many sages foresaw that it would be the ANC's alliance with Cosatu, rather than its coalition with the National Party, that would be the fault line?

You don't have to be a trade unionist to wonder, when the South African government promotes privatisation as a vehicle for black economic empowerment, just which blacks they have in mind

For Posts, Telecommunications and Broadcasting Minister Pallo Jordan, it is the 99 out of every 100 not connected to the telephone network But if the experience elsewhere is anything to go by, the bigger winners could be the one percent who already are connected

Deregulation and privatisation worldwide has certainly swung the balance of forces, and the economies of scale, from the state to private business in telecoms, producing a handful of transnational giants with the financial muscle, technology and know-how to tackle a challenge on South Africa's scale

The problem is that those companies have no shortage of similar investment opportunities in Asia, Latin America and eastern Europe If they are to invest in South Africa instead, it had better pay

South Africa is often compared with Brazil, but when it comes to privatisation perhaps Mexico has the more significant lessons Certainly, until Mexico's social uprisings, financial collapses and political scandals of the last year, international institutions such as the World Bank were fond of taking government delegations there to learn how it is done

Yet a World Bank report on telecommunications privatisation in Mexico — while rating it a great success — is graphic in its identification of winners and losers When Telmex was privatised, foreign buyers made gains of $12-billion in share values, in the first year, says the report, largely because tariffs went up so much that "the big losers are consumers, worse off by $33-billion"

Built into the deal was an obligation on Telmex to meet a number of performance targets, such as increasing the number of lines by 12 percent a year for the first three years

That looks exacting, but think about it At the start, Mexico had six lines per 100 population. Twelve percent a year on top of that might be progress, but mass economic empowerment it ain't A similar rate of increase among black South Africans would see the number connected double to two in every hundred by the year 2000 Is that what Pallo Jordan has in mind?

Foreigners have not been the only big winners from Mexican privatisation The 37 businessmen who already owned between them about a quarter of the country's gross national product were (being the ones with the money) the main buyers in almost every case, resulting in "a worsening of the already skewed and concentrated pattern of ownership distribution", according, again, to the World Bank

Heaven forbid that an electricity company should see its 'primary role', and the point of investment, as the provision of electricity!

In Britain, the biggest winners have been not the new owners but the old management, a fact well worth bearing in mind the next time you hear a South African utility boss claim that only privatisation will solve his company's problems

In the month that British Gas announced plans to cut the pay of 2 600 of its lowest-paid workers by 16 percent, the company's chairman took a 75 percent salary increase to £475 000 (about R2,5-million) a year Lucky for him that his employees did not know at the time that he had also been party to awarding himself £600 000 (more than R3-million) in share options

It has been a similar story in British electricity, which has rewarded directors for halving their workforce by making millionaires of men who a few years ago were public servants In a paper for an international conference on the future of the industry, Scottish Power explained as follows the change in its ethos following privatisation

"Firstly we focus on operating profit, seeking ways to build cash inflows by maximising revenues and reducing costs Secondly, we focus on capital employed to optimise cash outflows, looking very carefully at the timing and extent of investment and taking a rigorous view on disposals. Finally, we focus on understanding the cost of capital and the implementation of balanced financing policies"

No mention of providing electricity to all who need it in an efficient manner at affordable rates — and no accidental omission either The document added: "This focus is in marked contrast to the priorities that the company had prior to privatisation (when) our primary role was the maintenance and security of supply to our customer base Our approach to investment was to invest whatever was considered necessary on technical grounds to deliver an electricity supply to our customers" Heaven forbid that an electricity company should see its "primary role", and the point of investment, as the provision of electricity!

But the really unpopular privatisation in Britain has been water, described in the *Financial Times* as "a rip-off, a steal, a plunder, legalised mugging, piracy, licensed theft" The whole rationale of privatisation was that there was an urgent need — as there was, and is — for investment to regenerate the service's decrepit infrastructure, installed a century ago and little repaired since Yet more than five years into privatisation, with prices rising exponentially and directors' pay and share options even faster, there is still as much water leaking from cracked pipes as makes it to the taps in a county like Yorkshire, where this year long-suffering consumers were threatened with loss of supply on alternate days because of what the company (not being familiar with the real Southern African thing) called a "drought"

In short, privatisation guarantees very little except that a few people get very rich, or "economically empowered", if you prefer South Africans should count themselves fortunate to have trade unions determined that empowerment begins at home, with proper consultation and negotiation, so that the restructuring which all agree is necessary can bring sustainable and equitably shared results

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Brendan Martin is an international consultant on privatisation and public sector reform and author of In the Public Interest?, published by Zed Books

Cosatu decides today on 24-hr national strike

(232) Star 12/1/96

Government and labour agree on sale or restructuring of R1-billion in state assests, including Telkom and SAA

By Justice Malala
Labour Reporter

High-powered government and labour delegations yesterday agreed on elements of the process to restructure state assets worth about R100-billion, but the Congress of SA Trade Unions' strike on the issue is still on

Public Enterprises Minister Stella Sigcau said last night after an eight-hour meeting that the parties had agreed on the objectives for restructuring state-owned enterprises and guiding principles and possible structures to be followed in the restructuring process

Cosatu general-secretary Sam Shilowa said, however, that the 24-hour national strike called by the union federation for next Tuesday had not been discussed in the meeting The decision whether to lift it would be taken by the federation's national executive committee today

The meeting follows labour's outrage last month after Deputy President Thabo Mbeki unveiled government proposals to sell parts of Telkom and SAA, sell off some "non-strategic" assets and restructure others

He conceded that some jobs would be lost but said the moves were necessary to make the assets more efficient and to meet the needs of the RDP

Yesterday's meeting came as Cosatu affiliates began marches and other industrial action in support of the federation's strike call

More than 4 000 Posts and Telecommunications Workers' Association members marched on the Gauteng legislature yesterday and presented memorandums stating objections to any form of restructuring that endangered jobs

In KwaZulu Natal and the Eastern Cape, SA Rail and Harbour Workers' Union members held placard demonstrations as a prelude to the strike

The parties will meet again next Wednesday to approve the final draft of the National Framework Agreement Cabinet will meet on Thursday and the agreement will be one of the issues ministers will be discussing

RIAN HORN

Worker power ... members of the Posts and Telecommunications Workers' Association yesterday flexed their muscle by marching on the Gauteng legislature over moves to privatise parts of Telkom and SAA and the selling off of other State assets. The march, attended by more than 4 000 workers, took place as government and labour negotiators met to discuss the issue. One of the protestors was wearing chains.

COMPETITION BOARD (232)

On the pill

FM 12/1/96

Officials from the departments of Health and Trade & Industry were due to meet this week to discuss pharmaceutical manufacturers' concerns over government's regulatory proposals for the industry

The meeting results from a complaint lodged by the industry with Competition Board chairman Pierre Brooks last month

Lodging the complaint, Pharmaceutical Manufacturers' Association CE Mirryéna Deeb, National Association of Pharmaceutical Manufacturers' chairman Arthur Barnett and SA Association of Pharmacists in Industry president Stavros Nicolaou said the Health Department's policy proposals contravened competition policy

"Since we believe these potential contraventions of competition policy would severely prejudice the industry and the consumer, we ask the Competition Board to formally consider the implications of the department's proposals"

The call for direct intervention by the Competition Board is the latest salvo fired in the wake of government's policy document, *Towards a National Health System*, which last year spelt out the future of health care in SA

Proposals contained in Chapter 6 of the report are seen as a major threat to the future of the multimillion-rand pharmaceutical industry and the continuing presence of international pharmaceutical companies (*Business* January 5)

The three organisations say their concerns are focused on the department's proposals to introduce price controls, a pricing system that could encourage collusion, a potentially discriminatory, unfair and unworkable remuneration system for wholesale and retail sellers of drugs, mandatory generic substitution and the creation of a State monopoly

The three organisations query the department's document which states that a pricing committee will regulate drug prices and price increases "particularly since the Price Control Act was abolished in 1993"

"If the State is to become the virtual sole buyer of drugs a committee dominated by State employees could be used to entrench a powerful State monopoly"

Concerns are also raised over government's intention to expand the essential drug list — a mandatory and limited drug shopping list for the public sector — to the private sector, consisting mostly of generic drugs

Though accepting that such a list may be an efficient way for the State to buy its drugs, the three pharmaceutical bodies believe that expanding it to the private sector will create "an unacceptable monopoly position given the prohibition against monopolies" stipulated in the Competition Act

Says Deeb "There should be no reason medical schemes could not buy directly from pharmaceutical companies to supply members Such a move would bypass the present wholesale and retail mark-ups in the distribution chain that can amount to 100% Though the 1994 amendment to the Act allows for this, it is still barred by the Pharmacy Act which entrenches a legal monopoly for retail pharmacists"

Deeb and the others are worried about the department's proposal that wholesale and retail percentage mark-ups be replaced with a system based on professional fees and uniform prices nationwide

A professional fee could lead to single-item scripts costing more than they do now

"The document does not say what the fee will be and how it will be controlled," says Deeb "We need to deregulate ownership"

Though Health Minister Nkosazana Zuma appears determined to take her final proposals to Cabinet, the industry still has until January 15 to submit comments But Zuma's determination to push on regardless leaves one wondering where is government's much flaunted policy of transparency and consultation? ■

Deal on framework for restructuring

Renee Grawitzky

BD 12/1/96

LABOUR and government agreed last night on the basis for a national framework to restructure state assets, with government agreeing not to make any further decisions or announcements on the issue and labour indicating it would evaluate mass action in light of the developments (232) (260)

Both parties said the issue of privatisation had not been discussed, but "restructuring was alive" They indicated that they were not in a position to outline the agreed-upon objectives and principles to guide the restructuring until such time as they had reported back to their respective principles

Continued on Page 2

Framework

(232) (260)

Continued from Page 1

BD 12/1/96

Public Enterprises Minister Stella Sigcau said that the framework agreement would speed up the process of restructuring Cosatu general secretary Sam Shilowa said he did not believe the major area of government's approach entailed wholesale privatisation However, government would use "various tools" at its disposal for restructuring and these would be discussed in the various structures to be established

Post and Telecommunications Minister Pallo Jordan reinforced this view, saying that government would use a multiplicity of tools, including privatisation This would not exclude government from taking a more active role in certain areas of the economy

Deputy Finance Minister Alec Erwin said privatisation might end up being only a small component of restructuring.

Meanwhile, more than 500 Post and Telecommunications Workers' Association members — bearing placards saying "Cosatu suspend the allegiance" and "politicians plus workers equals weak bond" — marched on the Gauteng legislature yesterday to protest against privatisation

Cosatu Witwatersrand regional secretary Dan Mohapi said he was not anticipating a change in the plans for the strike on January 16 which would go ahead irrespectively Shilowa said that a decision had been taken to go ahead with the action next week However, Cosatu's executive committee which meets today "may decide otherwise"

Meanwhile, Sapa reports the white Mineworkers' Union (MWU) said it would advise its members not to perform duties for strikers. Employers were unable to guarantee members' safety MWU members who had taken on extra duties when other unions were on strike had been assaulted and intimidated, MWU secretary-general Peet Ungerer said. It was incorrect for the union to involve itself in a dispute between employers and other unions when it had no interest in the matter

Picture: Page 3

Accord on state assets close

(232)(~~...~~)   CT 12/1/96

JOHANNESBURG: Labour and the government said last night they were "on the eve" of reaching agreement on a framework for restructuring state assets — but a planned strike by Cosatu on Tuesday to protest against privatisation of parastatals was not discussed.

Cosatu secretary-general Mr Sam Shilowa said the decision to suspend the strike was in the hands of Cosatu's executive committee, which meets today

Public Enterprises Minister Ms Stella Sigcau said the two sides had agreed on objectives of restructuring, principles to guide the process and possible structures and procedures to be followed

They will meet again on January 17, when the agreements reached yesterday will be drafted into one document

National Education, Health and Allied Workers' Union president Mr Vusi Nhlapo said Cosatu's executive committee would discuss whether mass action would still be necessary "in the light of what we have agreed on"

Transport Minister Mr Mac Maharaj, who also attended the meeting, said "Restructuring is alive

"We are on the eve of a national framework agreement It will speed up the process of restructuring — which we all share as a common objective to realise the transformation of our country "

Ms Sigcau said the government had not taken a final stand on restructuring and it was committed to consultation

Deputy Minister of Finance Mr Alec Erwin added that objectives for restructuring had been agreed on and the government's proposals would be thrashed out in terms of that agreement

Mr Shilowa said the meeting had not been to resolve whether there was agreement on privatisation, but rather if there was agreement on the context for restructuring

Both sides were committed to deep and meaningful transformation, he added — Sapa

Transnet to restructure, not privatise

(232)

By Charlotte Mathews

Johannesburg — The government is not talking about privatisation but about restructuring, taking into account what is best for business, Louise Tager, the new Transnet chairman, said yesterday

Tager was appointed chairman of state-owned transport company Transnet in early December and has been catapulted into the debate about privatisation Analysts believe Transnet would be one of the first to be sold off

Asked whether she would be taking the company toward privatisation, Tager said people were using the term privatisation very loosely

In 1990 the South African Transport Services was commercialised and became Transnet, which was interpreted in the media as a step towards privatisation

However, commercialisation meant taking an operation which

NO SALE *Louise Tager, the chairman of Transnet*

had been a government department and turning it into a commercial firm, operating in a more business-like and efficient way, Tager said

Restructuring involved a whole range of actions, possibly a division of operations in a different way, combining business units and separating others, but it did not mean privatisation.

Selling a percentage of shares in a state-owned asset would amount to privatisation, Tager said

She said all stakeholders would be involved when restructuring of Transnet or any of its divisions was undertaken

Tager, who since 1986 has been mainly involved in the Law Review Project, aiming at bringing about changes in laws affecting entry into the economy, also holds an honorary professorship in Mercantile Law at Unisa and is part time chairman of the Business Practices Committee

She rejected the suggestion that there was any conflict of interest in her heading both Transnet and the Business Practices Committee If any complaint of harmful business practice arose against Transnet she would recuse herself from the discussions, she said

CT (BR) 12/1/96

WHAT'S THE SCORE? *Enoch Godongwana, the general secretary of the National Union of Metalworkers of SA, takes a break during yesterday's talks with the government on privatisation*
PHOTO JOHN WOODROOF

Strike delays protest

~~(102)~~ (232) ~~(233)~~

FROM SAPA

CT (BR) 12/11/96

Johannesburg — A march by post and telecommunications employees protesting against proposals to privatise state assets was delayed by a Putco bus drivers' strike in Johannesburg yesterday morning, a union official said

Ali Kubayi, the Witwatersrand secretary of the Post and Telecommunication Workers' Association (Potwa), said the marchers had planned to hand a memorandum to Gauteng's premier, Tokyo Sexwale. However, they were waiting for members of the association from Soweto who did not have transport to the city

About 500 Potwa members toyi-toyied and waved placards outside the union's headquarters in the city centre.

Food manufacturing behind PPI rise

(232) CT (BR) 12/1/96

STAFF WRITER

Johannesburg — South Africa's producer price inflation rate increased marginally to 8,3 percent for the 12 months to November from 8,2 percent in October, the Central Statistical Service said yesterday

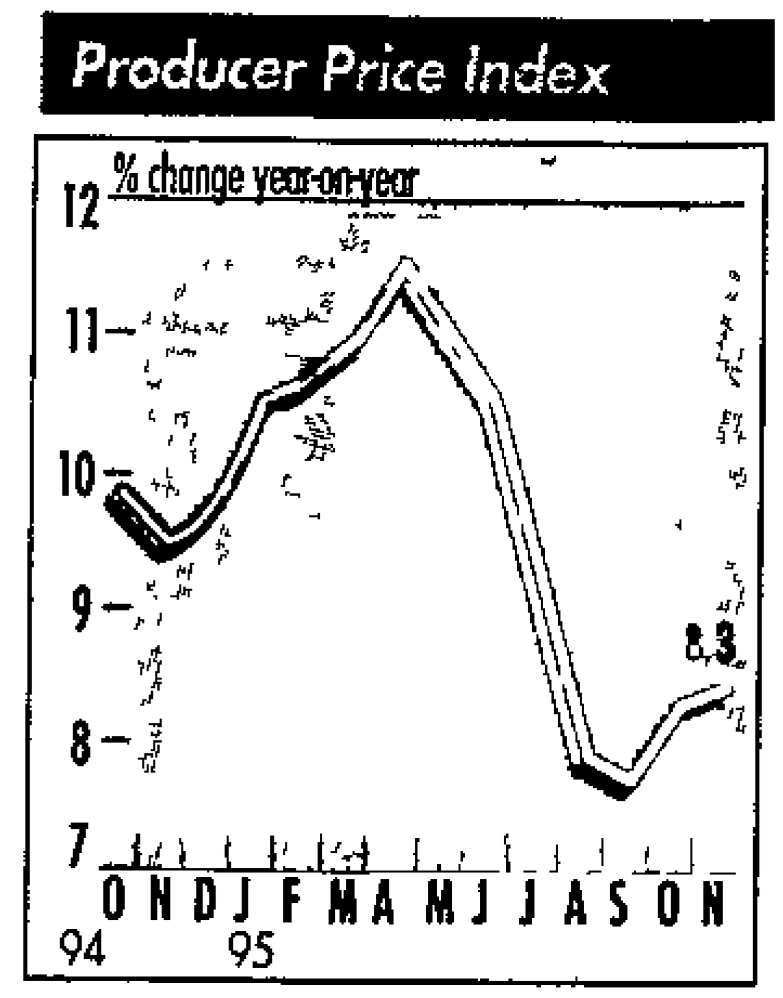
The increase came in the wake of a sharp 1,5 percent month-on-month rise in food at the manufactured level Food at the agricultural level declined by 0,7 percent

The local component of the producer price index (PPI) rose by 0,3 percentage points month-on-month, while the imported component was flat.

The subdivision of the PPI shows that for the 12 months to November last year the increase in prices of locally produced commodities was 9,0 percent, while the rise in the prices of imported goods was 5,5 percent, the reason for the hike in the total index being contained to 8,3 percent This was, however, the second consecutive monthly rise The PPI was 7,6 percent for the year to September

On the basis of the rise in the PPI, some upturn in the consumer price index (CPI) can be expected when the December figure is released later this month.

But economists generally are confident that the annual rise in the CPI for this year will be less than 10 percent Some forecasts range as low as 8 percent, although an accelerating trend in the closing months is also widely expected



Standard Bank yesterday forecast that producer inflation would average 9,5 percent last year and between 7,0 percent and 7,5 percent this year

WHAT'S THE SCORE? *Enoch Godongwana, the general secretary of the National Union of Metalworkers of SA, takes a break during yesterday's talks with the government on privatisation*

PHOTO JOHN WOODROOF

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Ian Goldin offered top job at DBSA

CT (BR) 12/1/96

BY DUMA GQUBULE

Johannesburg — The Development Bank of South Africa (DBSA) has offered the position of chief executive Ian Goldin, a senior economist at the European Bank for Reconstruction and Development (EBRD) in London

The post was widely expected to be given to a black candidate after a palace revolt by black professionals at the bank almost two years ago

Sources within the bank said yesterday that the board had decided to offer the job to Goldin after the last-minute withdrawal of Timothy Thahane, a Lesotho national and vice-president of the World Bank.

The Development Bank chairman, Wiseman Nkuhlu, last night confirmed that the board had met on Tuesday to discuss the appointment of an acting chief executive for the bank as negotiations with Goldin were taking longer than hoped

The DBSA is a quasi-government agency that provides finance for development in southern Africa It has played a key role in the development of the RDP

Black DBSA managers said yesterday that the bank had gone out of its way to look for a suitable black candidate They were prepared to give Goldin a chance because of his widespread international experience

"After all, our demand is that development must reach the [illegible] on the ground. It does not follow that t[illegible] happen if a white person is appointed," a source said

Goldin, 40, left South Africa in 1978 and has worked as an economist at the Organisation for Economic Co-operation and Development and the World Bank. He has worked at the EBRD for the past eight months

Cosatu postpones strike after promising talks

(232)

ARG 13/1/96

JOHANNESBURG. — The Congress of South African Trade Unions has postponed a strike planned for Tuesday to protest against government plans to privatise certain state assets

A Cosatu executive meeting made the decision yesterday after talks on Thursday with a government delegation led by Public Enterprises Minister Stella Sigcau on a draft framework agreement for the restructuring of state assets.

Ms Sigcau said yesterday that Cosatu was to be commended for postponing the strike

"I am very happy it is off because, arising out of the spirit of yesterday's meeting, it shows how serious government and the unions are in approaching the question of restructuring," she said.

Earlier the Federation of South African Labour Unions (Fedsal) announced that its members would not take part in the strike.

At Thursday's meeting the government and labour agreed on the objectives of restructuring, principles to guide the process and possible structures and procedures

Fedsal spokesman Colin Smith said "There was an excellent spirit between government and labour and we were impressed by the way government handled the concerns of labour"

Transport Minister Mac Maharaj said "We are on the eve of a national framework agreement. It will speed up the process of restructuring which we all share as a common objective to realise the transformation of our country".

Labour and the government meet again on Wednesday to discuss a final draft document before it is submitted to their principals for ratification — Sapa

Telkom's equity sale will ring the changes

ARGT 13/1/96

(267) (232)

JOHANNESBURG. — Telkom is ploughing ahead with plans for the sale of a chunk of its equity, in spite of union opposition to government privatisation plans

Telkom said yesterday it had appointed United States investment bank Goldman Sachs to help identify the right partner from 20 of the world's largest telecommunications operators

The partnership candidates, which Telkom declined to name owing to the "sensitivity" of negotiations, have submitted proposals which Goldman is to help assess

Goldman's appointment comes just days before a planned one-day, nationwide strike on Tuesday by the Congress of South African Trade Unions (Cosatu) in protest at the government's privatisation plans

Government raised the ire of organised labour in December by approving recommendations to sell off non-strategic transport utilities and to put minority stakes in Telkom, South African Airways and the Airports Company up for sale.

As a result, Cosatu began negotiating a national framework agreement with government whereby state asset restructuring, including possible privatisation, could proceed.

A Telkom spokeswoman said preparation for the equity sale and the selection of the buyer or buyers would continue But whether the sale went ahead would depend on the outcome of these talks.

"We are continuing to enable government to make a decision, whichever way they will go. There is no timeframe for this at the moment. It all depends on those talks," she said.

A Post, Telecommunications and Broadcasting Ministry spokesman said Telkom was "acting within its own rights" in appointing Goldman, and it was a matter in which government had not been involved.

Telkom has said it could sell up to a 30 percent stake, but Minister Pallo Jordan said in December the market would determine the quantity of equity, and that it could be as low as 12 percent.

A research report from Fleming Martin, released in March last year, said Telkom could conservatively expect to command a market value of between R31 billion and R35 billion, meaning the sale of a 30 percent stake could raise between R9,3 billion and R10,5 billion.

This would deal conclusively with Telkom's debt burden, which amounted to R8,5 billion at the end of the financial year to March 1995

Cosatu strike crisis averted

Star 13/1/96

(232)

By NEWTON KANHEMA

Both the Government and labour have stepped back from their positions on privatisation and restructuring of state-owned assets and enterprises

Cosatu has suspended its planned 24-hour strike scheduled for Tuesday

This follows a government commitment to cancel a scheduled special cabinet meeting which was to make further announcements on privatisation

Cosatu claimed yesterday it had lost nothing and registered a victory for labour. The union federation's reasoning was that its protest had been noticed by the Government

But Jeff van Rooyen, special adviser to the minister of public enterprises, said: "There is no backing down on the part of the Government We are committed to consultation. The Government has cancelled the special cabinet meeting as an expression of good faith in our commitment to consultation "

The Government had no intention of implementing restructuring unilaterally, he added.

Cosatu assistant general secretary Zwelinzima Vavi said. "We ... took note of the Government's commitment not to implement its recently announced decisions of restructuring of state-owned enterprises, including the proposed privatisation of Sun Air and Transkei Airways as well as Telkom They have also indicated that the Cabinet will not make further announcements until there has been agreement on the National Framework Agreement.

In view of this "breakthrough", Cosatu's executive had agreed to suspend the 24-hour strike scheduled for Tuesday

"We will, however, continue with the mobilisation of our membership in opposition to the use of privatisation as a restructuring tool," said Vavi.

COS[illegible]TION HOT LI[illegible]THE CABINET

ST 14/11/96

(232)


THABO MBEKI

The government has been slow to identify which assets it wishes to sell off


STELLA SIGCAU

Plans to privatise Sun Air, Transkei Airways and Telkom are set to be vetoed by Cosatu


SAM SHILOWA

By RAY HARTLEY
Political Correspondent

FIFTEEN months after Deputy President Thabo Mbeki announced government's legendary "six-pack" of plans to shore up its finances, its privatisation plans are mired in a treacle of bureaucracy

In terms of an agreement reached with Cosatu this week, the cabinet now finds itself bound to consult Cosatu before making any further decision on privatisation — or "restructuring", as the union federation prefers to call it

In exchange for its extraordinary role in vetting what the cabinet may or may not discuss, Cosatu announced it would "suspend" the day-long strike it had threatened to undertake this Tuesday

First set to be vetoed under the decision are plans to privatise Sun Air, Transkei Airways and Telkom, which were announced by Mr Mbeki in December.

"The government has also indicated that the cabinet will not make further announcements until there has been agreement on the National Framework Agreement," Cosatu's executive committee said

A spokesman for the Ministry of Private Enterprise, Douglas McClure, said "We've agreed on the basic principles for a mechanism that will facilitate consultation"

The Cosatu agreement is not the only thing holding up the privatisation initiative — government itself has been slow to identify which assets it wishes to sell off.

In October 1994, when Mr Mbeki announced his "six-pack" aimed at restructuring government finances, he said it represented a "bold and imaginative shift in the government's approach to the role of the public sector"

He said that privatisation could help with the empowerment of black businesses and announced that the Minister of Public Enterprises, Stella Sigcau, would head up the initiative

Ms Sigcau established a management committee to co-ordinate the efforts of "sector task teams" to evaluate privatisation options

The task forces were supposed to report in December on which state assets to sell

Only the Minister of Transport, Mac Maharaj, was able to meet the deadline, leading to the early decision to sell off Sun Air and Transkei Airways

The latest row between the government and Cosatu was sparked by Mr Mbeki's announcement in December of the government's plans for the two airlines and Telkom

The announcement immediately drew a threat of a two-hour work stoppage and a one-day strike from Cosatu.

The transport industry was brought to a halt by 40 000 SA Railway and Harbour Workers' Union affiliates, leading to intervention by Ms Sigcau, and the first concession by the government — that it would accord Cosatu a special place in decision-making on privatisation

State enterprises, including Eskom, Telkom, Transnet and Denel, are worth about R100-billion — about a quarter of the gross national product

The Democratic Party's Kobus Jordaan has said that the government has a 52 percent share of fixed-capital stock

Cosatu calls off one day strike

Sowetan 15/1/96 (232)

By *Sowetan* Reporter

THE one day strike planned for tomorrow by the Congress of South African Trade Unions is off

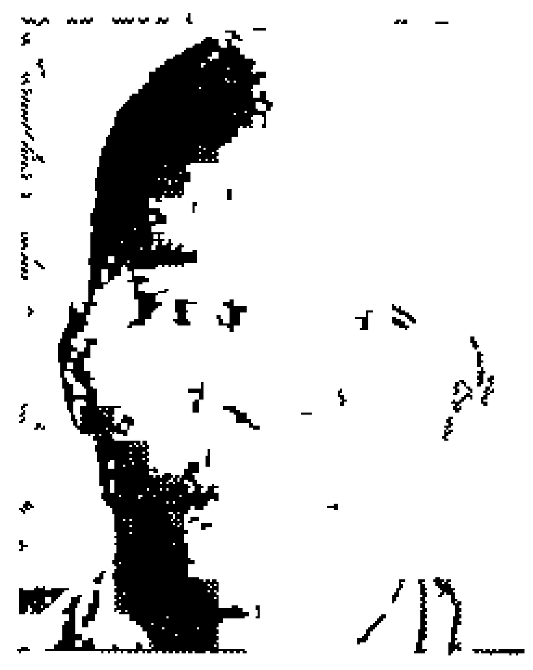
This followed agreement reached between Cosatu, the National Council of Trade Unions (Nactu) and the Federation of South African Labour (Fedsal) at a meeting on Friday

The strike was to protest against the planned privatisation of state assets such as railways, Telkom and post offices and arms manufacturing giant Denel

In terms of the agreement, the government had agreed to stop making announcements or decisions on privatisation and or restructuring without consulting with labour

This consultation would be in terms of a National Framework Agreement This effectively means that Government will henceforth consult labour before moving, and that all plans under way will be grounded until agreement on each issue is reached

Immediate victims of this agreement are the proposed sale of Sun Air Transkei Airways and Telkom



Not the right time for privatisation

(232) Star 15/1/96

The evidence suggests job losses not creation, argues Political Reporter Mondli Makhanya

Much of the pro-privatisation commentary that has backed the Government's bold privatisation moves has highlighted the supposed benefits that will accrue to the country from this and has totally ignored the damage that will be done by the job losses that will result

We have been told that privatisation will give us a better telephone service and a more efficient transport system, deliver billions of rands into Government coffers and bring in welcome foreign investments

Objections from the trade union movement and other sections of South African society have simply been ridiculed and put down as adherence to "outdated ideologies"

Yet it is labour that has provided the most rational arguments regarding the pros and cons of privatisation by pointing out the damage that this will do to jobs

The Government and other forces driving the privatisation process seem to be overlooking the fact that one of the most pressing issues in South Africa today is the creation of new jobs and the preservation of existing ones

Evidence from around the world, from Thatcherist Britain to Chiluba's Zambia, demonstrates that privatisation inevitably leads to permanent job losses which are not necessarily offset by job creation elsewhere as free market purists would have us believe

Driven by the justifiable desire for higher returns on their investments, new owners of privatised enterprises simply look at how best they can deliver the services at less cost, and the first overhead that suffers is labour

Should South Africa embark on this path in earnest, as seems to be the indication from the Government, most of those who will be thrown on to the streets will be unskilled and low-skilled workers who will not find it easy to get re-employed

Economists are all in agreement that while the economy is now showing healthy signs of growth, new jobs are not being created

In a country that is battling with a 46% unemployment rate and where joblessness is a major contributory factor to spiralling crime, it does not seem sensible to implement policies and programmes which are bound to exacerbate this

This is not to say that the Government should provide sheltered employment for under-utilised employees South Africa has no shortage of tasks for employees of parastatals so the focus should be on finding the means to deliver the goods making sure the services reach their recipients

As labour has argued, it will not serve the interests of a profit-driven privatised Telkom to deliver phone lines to squatter camps, or for a privatised Eskom to deliver electricity to remote rural areas

The singular lack of enthusiasm shown by the banking and construction industries for low-cost housing projects is an indicator of the low priority the private sector will give to low-margin projects, no matter how noble the task

In contemporary South Africa, the tasks of removing the monumental imbalances and delivering certain essential services such as transport, telecommunications and electricity have got to be driven by state-run enterprises, with the private sector being brought in as a partner and a source of expertise

For the state to hand this task over to the private sector will only amount to an abrogation of responsibility and a betrayal of the wishes of many people who were promised a better quality of life

Rather than sell off state assets, the Government should heed labour's advice and use these assets to do what the apartheid governments that used parastatals as vessels of patronage to a minority– use them as vehicles of delivery to a majority

For the duration of the transition period the Government should have suspended all its privatisation plans and instead considered ways of making parastatals more effective in delivering the services

It is only when we have passed the delicate transition process and made a telling dent in the existing backlogs that the country can consider experimenting with privatisation.

Cosatu may once again call for strike over privatisation

(232) Star 15/1/96

By Justice Malala
Labour Reporter

The Congress of SA Trade Unions may call for another national general strike when substantive negotiations on the privatisation of state assets worth about R100-billion begin, Cosatu assistant secretary-general Zwelinzima Vavi said yesterday

He said the decision to suspend the union federation's national strike, scheduled for tomorrow, had been an acknowledgment of progress made with Government leaders in talks

"The suspension of the strike does not mean there is no need for the strike in the future. The real fight on privatisation will come when negotiations on the restructuring of state assets begin. The fight is not over," he said

Vavi said the agreement reached between the Government and labour in eight-hour talks on Thursday night meant the necessary consultation process which had to be undertaken before privatisation took place was back on track.

The meeting followed labour's outrage last month after Deputy President Thabo Mbeki unveiled Government proposals to sell parts of Telkom and SAA

Cosatu would continue to mobilise its members against privatisation, Vavi said He denied reports that the decision to suspend the strike was taken because some Cosatu affiliates, particularly the National Union of Mineworkers, had been against the strike

Cosatu suspends strike

(232) CT 16/1/96

OWN CORRESPONDENT

[illegible]

Privatisation notices in press cause confusion

(232) CT(BR) 16/1/96

By Charlotte Mathews

Johannesburg — Despite soft-pedalling by the government on privatisation, notices in the press yesterday invited expressions of interest in Mossgas and some of the SABC's commercial radio stations

This would appear to contradict the government's commitment to consultation with labour before embarking on restructuring

According to one economist, who asked not to be named, these proposed sales "do boil down to privatisation"

Another economist said it looked very much as though the government had started to privatise, but in view of Mossgas's loss-making history there would probably be few objections if a buyer was found for it

Elize Swart, an economic assistant at the Afrikaanse Handelsinstituut, said the institute regarded the sale of Mossgas as the first step towards privatisation

The institute was in favour of the sale and believed it would be of assistance to the economy

A consultant at Investec Merchant Bank, which was handling the sale of SABC commercial radio stations, said he could not comment on the issue of whether this was a privatisation or not, but the notice had already drawn substantial interest

Zwelinzima Vavi, the assistant general secretary of Cosatu, said the sale of Mossgas and SABC radio stations would still be classed as privatisation

Cosatu had not yet discussed the issue of Mossgas and when Vavi spoke to Business Report he was about to attend a meeting where it would be raised

Vavi could not say at this stage what Cosatu's position on Mossgas would be

Cosatu wanted a restructuring of state enterprises to meet the basic needs of the reconstruction and development programme and did not want privatisation to play a role in this The state would want to introduce some element of privatisation, he said

Labour releases draft on restructuring state assets

(232) ([illegible])

Renee Grawitzky BD 17/1/96

LABOUR yesterday officially released its draft national framework agreement on restructuring state assets which emphasises job retention and restrictions on state enterprise managers' ability to take decisions on restructuring

Coinciding with yesterday's cancelled one-day strike against privatisation, Cosatu general secretary Sam Shilowa outlined labour's position on restructuring which should "become the vehicle to develop the human potential" of blacks in the same way as the previous government used parastatals to develop the potential of Afrikaners

Shilowa said yesterday's action had been postponed because of government undertakings but would continue later in the week with Cosatu president John Gomomo and Potwa president Lefty Monyokolo leading a march in Durban on Thursday

In view of Telkom's move to find an equity partner, he said that labour would take on the parastatals if government did not bring them into line with the spirit and intent of the framework agreement Shilowa said it was unclear if Telkom's decision to look for an equity partner had Post and Telecommunications Minister Pallo Jordan's "blessing"

Meanwhile, labour and government met today for the parties to check if the document correctly reflects decisions taken at last week's meeting If agreement is achieved on the document, it would be referred back to the respective principals for approval.

Jeff van Rooyen, special adviser to Public Enterprises Minister Stella Sigcau, said government did not anticipate problems in ratifying the document as a high-powered government delegation had participated in the negotiations on the agreement

State asset talks end in deadlock

(232)

The Argus Correspondent

PRETORIA. — The thorny question of state asset restructuring is still in the balance. ARG 18/1/96

This follows a marathon meeting between Public Enterprises Minister Stella Sicgau and organised labour in the form of Cosatu and its affiliates which ended in the early hours of today without agreement.

The meeting was called to draft a national policy framework document on restructuring of state assets following organised labour's objections to earlier reports of privatisation involving, among others, Telkom and South African Airways

LABOUR AND PRIVATISATION

No stopping the caravan

FM 19/1/96

(232)

Having kicked up dust and threatened a national strike over government's privatisation plans, organised labour led by Cosatu now looks set to acquiesce to the inevitable Labour won't stop the process, despite ambiguous "guarantees" from government to "consult" unions

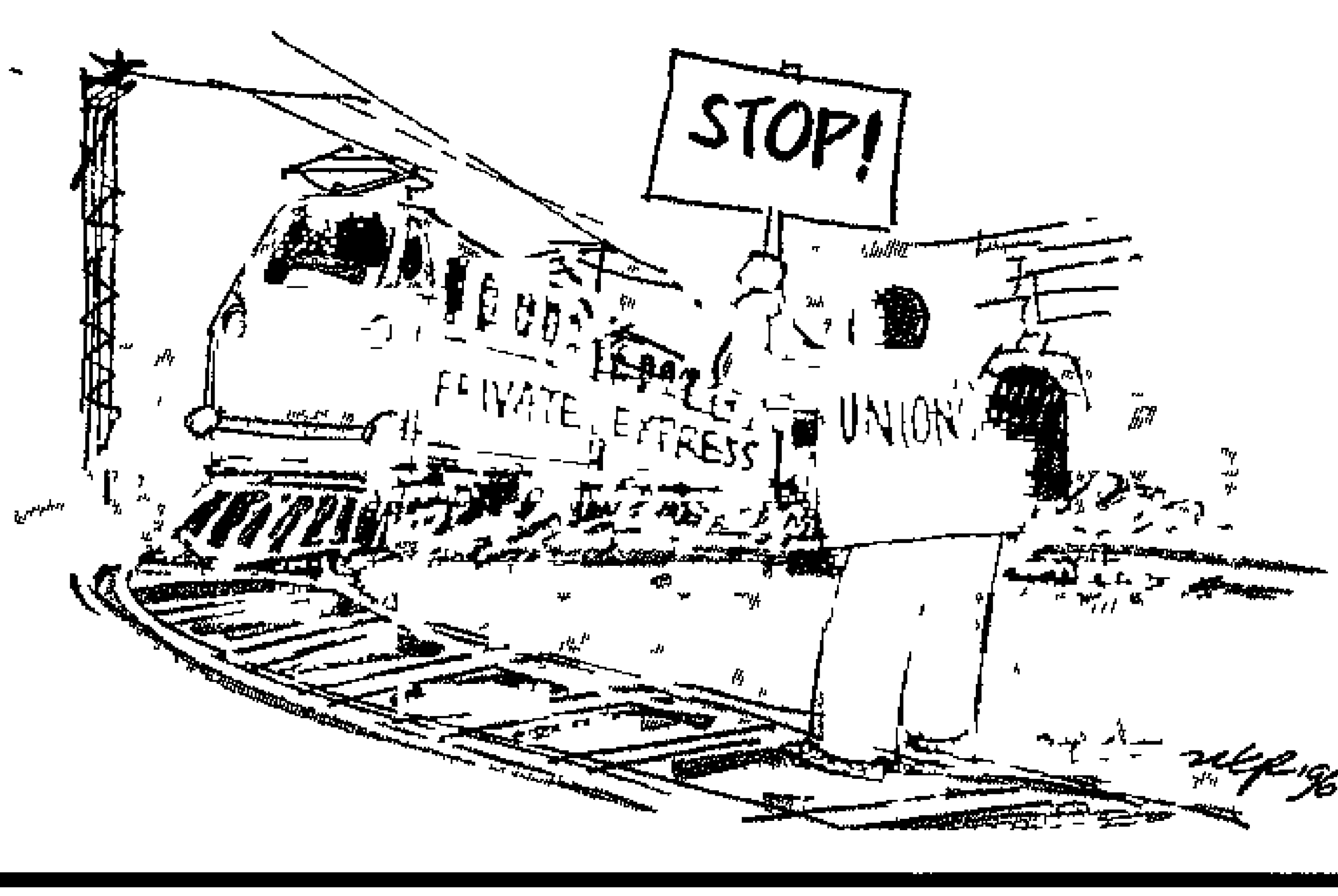
This is the upshot of the joint statement issued after the marathon meeting of the two sides on January 11, which states "Government and labour have agreed on the major elements of the National Framework Agreement" relating to the proposed "restructuring of State assets" — as outlined by Deputy President Thabo Mbeki on December 7, which provoked labour's ire

Another round of bilateral talks was due to start this week aimed at finalising the now consolidated framework agreement between government and labour It includes the objectives of restructuring, guiding principles, and structure and process with particular reference to labour's participation

Once this has been achieved, the parties will go back to their principals for final approval "We don't anticipate any difficulties at all," says Jeff van Rooyen, adviser to Public Enterprises Minister Stella Sigcau This in spite of the opposition of some in Cosatu to the very use of the "P" word, which they say could yet lead to deadlock

Once the framework is agreed "the process will continue" and Mbeki's original statement "will be considered within that framework" So too will the major options on privatisation emanating from the other sectoral task teams appointed in terms of a Cabinet mandate last August There are six such task teams, covering Transport, Defence, Trade & Industry, Agriculture/Water/Forestry, Mineral & Energy Affairs, and Posts & Telecommunications Only Transport and Telecoms have reported, the others were due to outline their options on privatising this week

Government, whose position "has not changed," says Van Rooyen, was to have made a further announcement on its programme on January 18, but this has been cancelled in view of labour's complaint that privatisation was continuing It still is, of course, as Telkom's search for a foreign partner, and notices inviting interest in Mossgas and SABC radio stations, seem to confirm



Cosatu's decision to cancel the strike called for this week is less the result of concessions by government than a sombre realisation that support among its affiliates is flaky Fedsal stated that it would not join the national strike, the National Union of Mineworkers had indicated the same, and labour's December 16 stayaway protesting privatisation was poorly observed

There is an element of political theatre in Cosatu's opposition which can be seen as an attempt to mobilise workers around some issue especially at a time of looming public-sector lay-offs But reality is that Cosatu's clout is being gradually whittled down by its alliance partner in government

Privatisation — or, as the unions prefer to call it, the restructuring of State assets — has been extensively canvassed with the unions, whose insistence that there be no retrenchments in the process is unrealistic, if not Luddite Labour needs to look at the opportunity costs involved — that is, would union members be better or worse off in a few years' time if nothing were done with Telkom or SAA, for example?

Clearly, they will be worse off, as would consumers and the economy as a whole Since 1988, as SA has entered the world economy, public business enterprises like Transnet and Telkom have had to shed 25% of their work force and need to cut still more jobs in the interests of efficiency

Government's intention of seeking strategic equity partners in businesses such as Telkom can minimise job losses through recapitalising the enterprise with the proceeds from the sale (R1bn), and at the same time expand the service and its efficiency With a high debt equity ratio of 1,6 Telkom cannot take on more debt Where else will the money come from? Government certainly does not have it If government followed the unions and did nothing, competition from international players would soon wipe out Telkom and more jobs would be lost anyway The same argument applies to airlines

According to Pallo Jordan, the issue of the restructuring of State assets has been misunderstood It was never intended merely to pay off government debt, he explains "What the government is concerned about is restructuring the economy in order to address the issues of poverty and growth The restructuring of State assets is one of many tools government will use to this end"

Jordan suggests that confusion has arisen because Mbeki had referred to the possible privatisation of Transkei Airways and Sun Air — a small portion of State assets This "shouldn't be elevated to mean wholesale privatisation," Jordan cautioned, adding that mechanisms are being looked at to address restructuring and economic transformation

"But Mbeki's remarks should not be misconstrued in the light of the preferences of those who favour privatisation," warned Jordan, who likes to cock a snook at supposed class enemies ■

AFRIKANER TENSIONS — 1

Identity crisis

FM 19/1/96

One day the National Party may just curl up and die — or metamorphose from a worm into a butterfly But that day is not yet

At a media conference this week, party leader F W de Klerk said that a policy document leaked to *Rapport* had been an early version of a more comprehensive vision to be unveiled next month However, the NP did foresee the need to transform its image and, possibly, seek out political allies once the current interim phase — manifestly the Government of National Unity (GNU) — had passed

The NP has for some time been involved in internal disputes of this kind What distinguishes the latest episode is that it comes in the wake of the party's inability to make inroads against the ANC in the local authority elections, and, in some wards, the return to the Democratic Party by voters who chose to support De Klerk in 1994

The NP's role within the GNU is also a problem to many Afrikaners who want to see strong opposition to ANC policies but who have not committed themselves to the

Freedom Front's *volkstaat* ideal (or illusion) For them, the Truth Commission is a one-sided witch-hunt, and they fear for the survival of their language and culture

But the majority of the parliamentary NP caucus sees involvement in the GNU as a means of moderating the centrist ANC, of influencing the constitution, and — though this is not admitted — of slowing down uncomfortable social transformations

The official position of the NP in the Constitutional Assembly is that it would like the GNU to be extended beyond 1999, when the sun sets on the sunset clause But the consistency with which contrary positions are leaked, and the regularity with which De Klerk has to insist on party unity, suggests that there are those who would like to see the party change its name and nature radically

An interested observer of these events has been Freedom Front chairman Pieter Mulder "I was in the Conservative Party when it came under strain and it looks like the same thing all over again with the NP It is a party without a plan, and these are the typical symptoms of a party in trouble They want to play in the same league as the ANC but without losing Afrikaner support" Mulder, of course, would say this However, the Freedom Front admits it has sectional goals and hardly expects to be a major political player in terms of numbers

A new survey by an Idasa agency — *The Election Book Judgement and Choice in SA's 1994 Election* by Robert Mattes — suggests that the first democratic poll was more than an "ethnic census" in which the electorate split up on race and even tribal lines Economic and class factors predominated, Mattes says One conclusion is that the voters are not static, and that the more information they get, the greater the possibility they could move across party lines

He suggests "It is of the utmost necessity that parties take significant steps to find people who enjoy credibility across the racial and partisan divide, especially parties like the PAC, NP and DP"

Mulder's point is, therefore, that while the NP wants to, and needs to change, the process would be so traumatic that the party would not survive That is why De Klerk so often gives the impression of being a politically divided man he is ■

AFRIKANER TENSIONS — 2

Dismay on the Right

The Freedom Front prides itself on the constitutionality of its drive for the creation of an Afrikaner *volkstaat* But President Nelson Mandela's recent critical utterances on Afrikaners in general and the *volkstaat* in particular have understandably sown confusion in its ranks

The fear has arisen that Mandela's remarks could form part of a concerted ANC effort to adopt a new constitution by the official May deadline — notwithstanding the fact that key issues remain unresolved and that such a document could leave minorities vulnerable

Last weekend, Mandela told the Broederbond-linked Ruiterwag that Afrikaners who did not accept the new dispensation would find themselves "on the political sidelines" Afrikaners had to come to terms with the Truth Commission, affirmative action in the public sector, the trial of the generals and the fact that Afrikaans could expect no more than equitable treatment as one of SA's 11 official languages

This followed Mandela's Carletonville speech in which he dismissed the concept of a *volkstaat*

Throughout 1995, the Freedom Front's relations with the ANC were cordial, as exemplified in the warmth between Mandela and front leader Constand Viljoen But front chairman Pieter Mulder has expressed dismay at Mandela's "negative" remarks — and questioned the long-term utility of the leaders' personal relationship

He said Mandela, who had started out emphasising reconciliation through such gestures as quoting the poet Ingrid Jonker at his inauguration and wearing the Springbok jersey, now seemed to be falling back on some personal animus

The Freedom Front wanted enduring peace, Mulder said, and there was "enough room, leeway and goodwill in SA for a *volkstaat* to be achieved" It could be done based on the clause in the interim constitution that brought the front into the 1994 election and mandated the establishment of the *volkstaatraad*, which last year released details of its proposals (*Current Affairs* May 26)

Mulder wondered whether the ANC had even considered those proposals "We're looking at each other, making sure we know what we're talking about"

He revealed that the ANC had sent a special envoy to explain further to the Freedom Front what Mandela had meant in his Carletonville speech, but he declined to reveal the envoy's name

"You cannot stop negotiations on a misunderstanding," he said The front had accepted that the Constitutional Assembly (CA) was entering the last negotiating phase of constitution-writing and believed strongly that the final basic law needed to be "inclusive" since it would be difficult to amend afterward

The May deadline — two years after Mandela's inauguration — could easily be postponed to ensure inclusiveness

Looking ahead, Mulder pointed out that "the next generation doesn't have the same one-on-one responses as the original leaders who knew and trusted each other"

In other words, once Mandela and Viljoen have left the political scene, trust between a dominating ANC and minority Afrikaners would wane and the potential for conflict reassert itself unless constitutional safeguards were in place to override party or ethnic tensions

The front, Mulder said, was not being racist or exclusive through negotiating a place in the sun for Afrikaners who wanted a *volkstaat*

In a statement on January 10, he expressed concern that "the ANC still seems to equate apartheid with ethnicity in an effort to deny the reality of the latter The ANC should gain wisdom from the current worldwide recognition, and constitutional accommodation, of ethnicity and expedite the settling of this matter in the interests of all in SA"

He had heard a leading ANC member of the CA express the view that "nothing focuses the mind like a deadline" However, "pressure will bring problems It would be easy to postpone for a year or a month if all the parties in the CA agree"

Over the next few months, calls to postpone the new constitution are likely to grow There are too many outstanding problems — such as regional powers — for the ANC to expect plain sailing until May ■

MAKGOBA AFFAIR

Compromise in offing

FM 19/1/96

The University of the Witwatersrand has made progress in resolving the acrimonious dispute over deputy vice-chancellor William Makgoba But with the pending return of students after the Christmas break, the issue remains potentially explosive

One compromise has already been forged the reinstatement of Makgoba in return for his agreement to return extracts taken from the personal files of his adversaries at the university (and released to the media) and not to make further disclosures from the files

Another compromise may be in the offing — one which may settle the dispute

As the situation stands, complaints against Makgoba of misrepresentations in his curriculum vitae, of administrative incompetence and of publicly maligning senior members of staff are due to be investigated by a special tribunal But Makgoba's supporters on the campus, including the Transformation Front and the SA Students' Congress, are opposed to the tribunal, in part because neither Makgoba nor they were consulted about its composition

A possible compromise is one in which the Makgoba camp could be given an input into the nature and composition of the arbitration process

The three-member tribunal consists of

Govt and labour 'close to agreement'

Renee Grawitzky (232)

COSATU general secretary Sam Shilowa told about 1 000 protesting Post and Telecommunications Workers' Association members in Durban yesterday that labour and government were "very close" to agreement on the process for restructuring state assets.

Sources indicated both parties were carefully reviewing the revised document to ensure that it reflected accurately the demands of both parties They have agreed to meet again in the last week of this month.

Shilowa told Potwa members that negotiations would continue to finalise an agreement, but that mass action and "protests against privatisation should nevertheless continue

Cosatu's KwaZulu-Natal regional secretary Paulos Ngcobo said the end product of restructuring should not be job losses, and if government "has a proposal which will not lead to job losses we will consider it"

Meanwhile, the committee made up of union and management representatives established to oversee the restructuring of Safcol — the state owned forestry company which employs over 5 000 people — met yesterday for the first time

SA Commercial Catering and Allied Workers' Union (Saccawu) members will embark on a strike from Monday after a conciliation board with the North West Development Corporation failed to settle a dispute on the restructuring of the organisation

BD 19/1/96

Privatisation talks in the mire

ST (BT) 21/1/96 (232)

By SVEN LUNSCHE

TALKS between government and labour on the restructuring and partial privatisation of state-owned corporations are running into difficulties, government sources involved in the negotiations say

Differences emerged at a meeting this week between the Ministry of Public Enterprises and the unions called to finalise the national framework agreement (NFA)

The NFA will determine a role for labour in the restructuring process

A senior official at the Ministry, Jeff van Rooyen, says the two parties had hoped to finalise the NFA this week "We will continue to meet to resolve outstanding issues but no date has been set," he said

Cosatu has threatened industrial action unless the restructuring process is halted and labour is fully involved in the process

"Agreement had been reached on the broad direction of the NFA but profound differences emerged in the principles underlying the agreement," the sources say They indicate that senior Cabinet members could be drawn into the negotiations to resolve the differences

Labour's framework agreement, drawn up by union federations Cosatu and Fedsal, lists 16 principles of which two are particularly controversial They call for "privatisation of state owned enterprises to be rejected as a restructuring tool" and "individual employment security to be guaranteed"

The sources indicate that senior government officials are beginning to resent labour's apparent stranglehold on the process and are pressing for an implementation of the Cabinet's mandate to restructure parastatals such as Telkom and SAA

Mr van Rooyen says that while public sector corporations are continuing to work on restructuring plans, any such plans will have to be submitted for consultation to structures set up by the NFA, once the agreement has been concluded

Telkom, for example, this week appointed merchant banks to advise on a suitable equity partner, a move that was heavily criticised by the unions but had the backing of Posts and Telecommunications Minister Pallo Jordan

Mr van Rooyen adds that Sun Air and Transkei Airlines will continue working on their proposed privatisation "on the understanding that the final plans will be submitted to the relevant NFA structures"

Restructuring plans will also have to be submitted to Nedlac but Mr van Rooyen says labour will not participate in that forum until the NFA has been finalised Nedlac comprises the state, labour and business

Cosatu could not be reached for comment

Dispute over agreement on state assets

(232)

Renee Grawitzky

BD 22/1/96

LABOUR and government have been unable to finalise the "correct wording" of clauses in a proposed framework agreement on the restructuring of state assets.

The hitches — which include a definition of privatisation, conditions of employment in restructured enterprises and the aims of restructuring — have delayed the negotiations.

Both labour and government sources yesterday denied claims that the talks were in jeopardy. This followed allegations by government sources that fundamental differences had emerged on the principles underpinning the agreement.

Other sources close to the negotiations have claimed the intended agreement is a vague document of no real significance as it evades the crucial issue of privatisation of state assets.

Negotiators have said the agreement is intended to ensure future talks on restructuring at sector and enterprise level are conducted in a "controlled negotiating environment".

Deputy President Thabo Mbeki said at the weekend negotiations were still on track and had not reached a deadlock. There was "disagreement on technical not on substantive negotiations". He was confident an agreement would be concluded at the next meeting.

Labour sources indicated the process was not in jeopardy as a result of differences over the wording of certain clauses. These clauses included the definition of privatisation, what was meant by the term "strategic partner" and labour demands that employment conditions of workers remaining in restructured enterprises should not be altered. In addition, disagreement ex-

Continued on Page 2

Privatisation

(232)

Continued from Page 1

BD 22/1/96

isted as to whether the primary aim of restructuring was to improve "competition" in the parastatals or to improve their "competitiveness"

The parties have officially agreed to refer the different positions back to their principles Cosatu general secretary Sam Shilowa said there was no reason why an agreement could not be reached this week

□ **John Dludlu** reports from Brussels that the EU is to consider establishing a funding scheme for countries, including SA that implement privatisation.

The proposal — which goes before the EU council later this month — will give grants to governments and parastatals to cover tender preparation, environmental impact assessments and price-setting analyses

The scheme has been formulated by the European Community Investment Partners programme, which fosters joint ventures between EU and developing nation companies

An official of the organisation, Tom Roe, said at the weekend he was confident the scheme would be approved

The EU council has approved a budget for the programme of 250-million ecus until 1999

MAIL & GUARDIAN
December 22 1995 to January 4 1996

No love lost in alliance relationship

(232)

M+G 22/12/95-4/1/96

Vuyo Mvoko

THIS week's two-hour work stoppages, pickets and blockades at parastatals marked for privatisation — though weak in impact — portend a difficult relationship ahead for labour and the ANC-led government.

For organised labour the events "marked the beginning of a process of mobilisation against privatisation", a policy the Congress of South African Trade Unions says will benefit only the elite and result in job losses, but the government insists will benefit the economy, black empowerment and the Reconstruction and Development Programme

Labour was forced into a public display of humility at its joint press conference with government on Monday last week, nearly retracting the more robust parts of its criticism of the government's privatisation plans But now government may be in for a surprise over its announcement that parts of Telkom, SAA, Autonet, Transkei Airways and Bop Air are to be privatised

Jeremy Cronin, deputy general secretary of the South African Communist Party and member of the African National Congress National Executive Committee, insists labour "succeeded in slowing down the speed" of privatisation Indeed, it looks like the South African labour movement is no longer willing to be a conveyor belt for what it sees as top-down government decisions

The ambiguous nature of Cosatu's relationship with its alliance partner in government is demonstrated in the about-face of a tango they danced in the short space of a week last week the allies tried to play down their tiff, two days later Cosatu general secretary Sam Shilowa supported a flash strike by transport workers; a day later this week's protests and a day-long national strike for January were being planned

From the meeting with Cabinet ministers, labour emerged embarrassed and contained. Shilowa paradoxically told journalists that the three-hour meeting had been part of a pre-scheduled ongoing consultation process between the two parties

When challenged by a reporter whether, had that been the case, all the furore could not have been avoided had government held back on the announcement of its privatisation plans until after this meeting, neither Shilowa nor Public Enterprises Minister Stella Sigcau wanted to reply Then Minister of Posts and Telecommunications Pallo Jordan said the media "blew it (the disagreement) out of proportion" and got "carried away with itself"

Perhaps the media was the culprit — if only it was not Cosatu which had expressed "shock and disbelief" at the government's announcement; if only Nactu had not said it would not sell its members out, and if the Federation of South African Labour Unions (Fedsal) had not spoken of a "ridiculous announcement"

If, as Cronin tried to explain this week, "labour (simply) became suspicious of the strategic approach of the government" — or that government "first had to make public their position for purposes of transparency" before entering into negotiations with labour — then perhaps we deserve explanations for government's monastic silence in the face of growing labour militancy

Two days after the public kiss-and-reconcile session, Shilowa showed rage when he addressed an anti-privatisation rally organised by the South African Railway and Harbour Workers Union A day later this week's action and the January 16 24-hour strike was announced

While Cosatu and the ANC, allies in labour and government, may have been born of the same liberation struggle, their interests are no longer synonymous While it may be true, as Cronin argues, that the "priority mandate" of the ANC lies with the workers and the unemployed who voted for it, it is also true that very often governments [illegible]ttach greater weight to business [illegible]rests. There is room for the "betra[illegible]l" of the workers

Co[illegible], on the other hand, may feel a [illegible]g responsibility towards the RDP, i[illegible] brain-child Yet, just because the government is naming the RDP as one of the beneficiaries of privatisation, there is no reason for Cosatu to be cowed by this at the expense of disservice to its own membership

Cronin, whose SACP seems to be carefully walking the tightrope, insists "there is no inevitability of a massive breakaway" in the tripartite alliance Maybe so, but as Cronin himself admits "The alliance is not a love affair"

Privatisation still spreading after a record year

(232) BD 23/1/96

BRIAN BOLLEN

PRIVATISATION is still expanding worldwide, with 1995 marking a new record high. The total value of flotations and trade sales of state-owned businesses rose to $73bn from $64bn in 1994, according to Privatisation International magazine. There were about $10bn of deals in December alone.

The driving forces behind the trend for governments to sell assets to private interests are as strong as ever. These include the belief that the commercial sector runs businesses better. But domestic budgetary considerations are more important for most governments. "Everybody wants to sell as much as possible, as quickly as possible, for as high a price as possible," says one investment banker.

This hunger for cash explains why governments have pressed ahead with privatisations in conditions which would discourage private sector companies from bringing offerings to the market. "The edge went off privatisation in 1995," says David Hatt, of the Salomon Brothers equity capital market syndicate desk in London. "But the supply just keeps on coming."

Telecommunications was one of the most active sectors in 1995. A glut of further issues is expected in the next few years. Francis Maude, global head of privatisation at Morgan Stanley International, says: "There are enormous amounts of telecoms equity coming through the pipeline over the next few months."

Investors can afford to be selective. Many have reduced share buying in anticipation of the privatisation of Deutsche Telekom later this year. For example, the second tranche of Koninklijke PPT Nederland, the Dutch telecoms and postal services company brought to the market by ABN Amro, was smaller than expected due to muted investor response. But it was still the largest single privatisation of 1995 at around $3,5bn.

The $1,7bn flotation of Indonesia's PT Telekom was poorly received. The offering was scaled back and priced at the bottom end of the indicated range. The large number of global co-ordinators appointed to run this issue — Goldman Sachs, Lehman Brothers, Merrill Lynch and SG Warburg were joined by four local investment banks — contributed to its problems. "There were too many cooks in the kitchen," says one banker.

PT Telekom's offering was the largest share offering from an Indonesian company and the largest Asian deal of the year. Another banker argues: "Rather than be seen as a failure, it should be regarded as a miracle that such a large deal could be done at all for an emerging market."

The flotation of Portugal Telecom, the largest Portuguese privatisation to date, set another new benchmark in telecoms. With Union Bank of Switzerland, SBC Warburg, Merrill Lynch and Banco ESSI as global co-ordinators, this issue received special mentions in industry awards as one of the more successful initial public offerings of 1995.

The privatisation of British Rail is proving one of the most complex yet attempted in the UK, and has already generated fees for many banks. Their number includes Hambros, arranging the £1,8bn sale of the three rolling stock companies in what the UK Secretary of State for Transport Sir George Young described as "the largest privatisation by direct sale".

Other banks filling a variety of advisory roles on the privatisation include SBC Warburg, Samuel Montagu, Hill Samuel, Kleinwort Benson and Merrill Lynch, while NM Rothschild is advising on the flotation of Railtrack, scheduled to take place later this year. All involved can take heart from the highly successful $1,7bn privatisation of 100 per cent of Canadian National Railways, which was Canada's largest privatisation yet.

Although the UK's privatisation campaign continues to provide the blueprint for most state sell-offs around the world, Spain has been more innovative. The use of a novel retail incentive structure for the privatisation of Repsol, the Spanish oil company, enabled global co-ordinators Goldman Sachs and Banco Bilbao Vizcaya to lay claim to a clutch of Deal of the Year awards. "This technique is cheaper than a bonus share scheme," says executive director at Goldman Sachs International in London Dante Roscini, who explains how domestic retail buyers were effectively given a 10% one-year money-back guarantee.

"It also makes for a more stable shareholding," he says.

The first privatisation of an Italian industrial company, ENI, took place during 1995. At around $4bn, this represented the largest equity offering from Italy and the third largest equity deal in the oil and gas sector. Pechiney of France's $1bn flotation went ahead despite difficult conditions, including strikes, the worst civil disturbances since the Paris riots of 1968 and the fear of a large scale devaluation.

It will be a long time before the stock of state businesses that can be privatised runs out. The volume of sales planned worldwide means there is still plenty of work ahead for the investment banks. Large volumes of issuance coupled with greater selectivity from investors has put a high premium on good advice. — Financial Times

Advisers vie for R10m target

(232) BD 24/1/96

Mungo Soggot and Patrick Wadula

THE public enterprises department has received a "great many" tenders from potential advisers on privatisation and restructuring, despite some confusion surrounding the appointment process.

A spokesman said yesterday the department would now evaluate the tenders for the R10m consultancy work up for grabs It previously indicated it could seek more money for its advisers

It emerged last month that the department had ditched its original December 11 deadline for January 19 in what appeared to be a concession to union pressure to slow the privatisation drive Some advisers who had already submitted tenders complained they had not been told of the postponement.

Meanwhile, PAC MP !Khoisan X said at the weekend his company, Trans SA Investment Holdings, would submit proposals to take a stake in Telkom with a foreign partner once government had agreed with labour on its partial privatisation plans The company's partnership with AT&T has already been shortlisted for Telkom's R6bn 1-million line contract.

Tough privatisation talks ahead

(232) CT(BR) 25/1/96

By Thabo Leshilo

Johannesburg — The government and labour are optimistic that they will conclude a national framework agreement on restructuring this week But they warn of more hurdles ahead over privatisation

Cosatu negotiator Khumbula Ndaba said this week that the much-touted agreement would not imply the end of the acrimony between the government and labour on the privatisation debate

"They (the government) will still have to give us compelling evidence that the privatisation route is the necessary route," said Ndaba

Ndaba, the co-ordinator for the labour delegation in the talks with the government, said the alliance of Cosatu, the National Council of Trade Unions and the Federation of South African Labour Unions remained opposed to privatisation because of the hardship it was likely to cause workers

"The debate could take as long as the negotiations for the new South Africa Privatisation is too serious a matter and should not be rushed," said Ndaba

He said labour would fight any attempts by the government to "sneak in privatisation through the back door"

Jeff van Rooyen, the advisor to the public enterprises minister, said the government expected the finalisation of the agreement to be followed by hard bargaining over the specifics of restructuring

He said the agreement would still have to be discussed with the business and community constituencies of Nedlac.

(232) ST(BT) 28/1/96

Privatisation deal clinched

THE government and the trade unions have finalised a draft National Framework Agreement which will govern labour's role in the restructuring and partial privatisation of state assets, writes SVEN LUNSCHE

The agreement follows weeks of difficult negotiations which looked set to collapse last week

It is believed, however, that the two parties have skirted the difficult issues, leaving them to the structures to be established by the NFA

Sources close to the negotiations indicate that the NFA "merely sets the parameters in which the parties will examine the restructuring of public sector corporations. It ties neither the hands of the government nor labour."

In its submission, the labour movement, comprising Cosatu and Fedsal, had asked for guarantees that full-scale privatisation be ruled out as a restructuring tool. Labour also demanded job guarantees for all workers at public sector corporations

Both demands were apparently opposed by government negotiators

The NFA will be tabled in the Cabinet for approval in early February, says Jeff van Rooyen, adviser to the Minister for Public Enterprises.

Public sector corporations, such as SA Airways, Telkom and Eskom, are currently under scrutiny by six sectoral task groups which will put forward recommendations on their future These proposals could include full-scale or partial privatisation

Mr van Rooyen says the proposals will then be taken to structures established under the NFA, where they will be negotiated by labour and government

He refused to say whether labour would have veto powers over the proposed recommendations.

Telkom changes slammed

Renee Grawitzky (232) BD 29/1/96

THE SA Telecommunications Association has called for a moratorium on the restructuring of five business units in Telkom.

The association accused Telkom of acting in an "underhand way" as it continued negotiations on restructuring. The association and other unions have lodged objections to the outsourcing of functions.

The association said Telkom's "real intentions" were disclosed and backed by government in August 1994 in the publication of the framework for Restructuring Public Enterprises, which involved various forms of privatisation.

The association has demanded full participation in any decisions taken and would refuse to "rubber stamp" decisions taken and demanded full disclosure of and access to information

Jeanne Venter reports that white employees held a protest at Telkom's West Rand headquarters on Friday in Krugersdorp, after management's alleged racism towards white workers.

Mine Workers' Union spokesman Dick Heyns said protesters were unhappy about their safety, and that management applied double standards when dealing with white and black workers' grievances.

Telkom spokesman Gert Schoeman said about 100 people gathered but the union claimed 500 protesters met to hand over a memorandum. Telkom was given a week to respond.

nunity
DE BLOIS

Background&Analysis

Autonet's turnaround adds to its privatisation value

CT (BR) 29/1/96 (232)

THE SPIRA INTERVIEW

As outgoing chief executive of Autonet, Transnet's road transport arm, Jan Venter finds himself in the eye of the privatisation storm, since Autonet is among the prime candidates to exit from the state's umbrella

Three years ago Autonet returned a loss after interest of R50 million Venter has turned it around He is confident that in its present financial year Autonet will achieve a net profit of about R20 million — slightly more than last year's

Venter is convinced that the turnaround is sustainable — for many reasons, among them that it has been successful in developing a diversity of thriving business units

Translux is the country's largest group in passenger intercity transport, while in cargo transport, Autonet has been increasingly focusing on tanker transport, where growth has been about 30 percent a year

Venter says that no single client accounts for more than 10 percent of Autonet's total turnover, so it is not vulnerable to setbacks among a minority of its customer base

It would be correct to assume that Venter was paving the way for prospective investors

"When we invite investors to buy into Autonet, they'll be buying a sustainable turnaround, three years of buoyant, audited profit and autonomous businesses with their own systems and their own infrastructures. Autonet could spin off cell businesses if needed, though at this stage it makes sense to keep them together

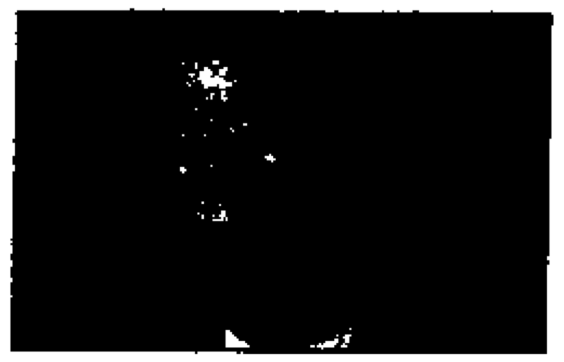
"We can transfer technology from one aspect of the business to another. We have invested generously and gained a wealth of knowledge and experience."

Venter may consider the time ripe for Autonet's privatisation, but his hands are tied until the rubber stamp is created by the government.

"It is crucial that we resolve the deadlock between the unions and the minister so that a clear process materialises Within this process, I believe it will be in everyone's interest that Autonet is privatised

Privatisation will ensure that Autonet becomes a better business as it aligns itself with strategic partners in the road transportation business, thereby adding more value."

Venter says the government has classified Autonet as non-strategic



and a prime candidate for privatisation.

And the link with Transnet?

"We could continue to work with Transnet on an intermodal basis, but need not be part of Transnet to do so. Co-operation could take the form of an alliance. For competitive reasons it makes sense for road transport to be separate from rail."

What form does Venter envisage the privatisation of Autonet taking?

"It should not be an orthodox investment privatisation. We don't want investors to take shares in Autonet and then, when listed, they make money and leave. We need investors and shareholders who will stay with us for the long haul, especially since they will need to see us through our fleet replacement programme," Venter says

Over the past three years, Autonet has invested close to R140 million in fleet replacement and its return on assets has declined slightly But, says Venter, if that sum is added back, it becomes apparent that margins have improved.

However, he says, much remains to be done. "The past three years have seen the replacement of trailers to improve payloads. We will now have to start replacing the tractors, which means you won't see rapid growth in margins Therefore, we will need investors who will take a long-term view"

He speculates that the partner for Translux, the intercity operation, could be South African, adding the value of networks, training and technology He says that Autonet has not entered into any discussions because the privatisation process is not clearly established.

On the cargo side, Autonet would probably look at partnerships with foreign operators.

"A foreign partner could support us either with procurement or could add value from a systems expertise point of view, especially with vehicle tracking systems"

Labour's opposition to privatisation stems principally from the fear of retrenchments

Venter says: "Autonet has gone a long way down the path to rightsizing and downsizing its business — from 3 400 to 1 700 people Therefore we would not have to embark on a major retrenchment process.

"Accordingly, the unions should support the privatisation of Autonet. Unfortunately, we are unable to discuss this with them owing to the moratorium on such contact. But I am convinced that once we have a process in place, we will be able to prove to the unions that privatisation is advantageous," he says

But, he believes, it is a process which should not be speeded up because many questions have to be asked and answered. Among them.

☐ Is the time right?

☐ Why are we doing it?

☐ Will we add or destroy value?

☐ Should commercialisation continue for longer before privatisation is implemented?

☐ With a diverse portfolio of parastatals, do we have the managerial competences to enhance the value of the portfolio?

☐ Can we afford to remunerate

PAVING THE WAY *Jan Venter, the outgoing chief executive of Autonet* PHOTO: JOHN WOODROOF

performance in the parastatals in accordance with private sector standards?

"It must be acknowledged that the parastatals have come a long way They are not the same parastatals of 10 years ago For this, credit must be given to commercialisation. At present, in some cases it would make sense to extend commercialisation, in others, privatisation is the best answer."

Venter will soon be moving to Transnet, where he will be one of the group management board members He will be involved in the transformation of Transnet's service businesses, with the core focus on Transnet's engineering activities. He will remain involved in Autonet, nursing it through privatisation.

☐ *John Spira is deputy editor of Business Report*

Govt, unions in pact on parastatals policy

(232)

Mungo Soggot

BD 29/1/96

GOVERNMENT and union negotiators had struck a deal over basic policy and procedures for the shake-up of parastatals and other state assets, the public enterprises department said at the weekend

The draft of the pact, thrashed out during the past month, will be referred back to the negotiators' principals, Cosatu and Cabinet

Labour sources said the national framework agreement did not broach pivotal issues — such as the acceptance of privatisation in principle — and had instead recommended setting up further committees to deal with

Continued on Page 2

Parastatals

(232)

Continued from Page 1

BD 29/1/96

them These structures would examine proposals from government-appointed "task groups" which were examining the future of parastatals

The six task groups, which were looking at the future of Telkom, Eskom, Transnet and other state assets, could recommend privatisation, but any such recommendation would then have to be thrashed out in the committees set up under the national framework agreement.

A source said that the agreement did, however, include definitions of key terms such as privatisation and restructuring — these terms had been hotly debated

Negotiators on both sides had also agreed that parastatal functions should be trimmed. "They have to complement each other."

An example of services overlapping was Eskom's and Transnet's own telephone operations, which sat alongside those provided by Telkom.

Privatisation 'fuels crime'

POLITICAL WRITER (233)

CT 31/1/96

THE impending privatisation of public services and retrenchments could erode the constitution and promote crime, the South African Health and Public Service Workers Union [illegible] claimed yesterday.

"With unemployment at a high rate, people will resort to crime," the union says in a memorandum to be handed to the government this morning.

It said it had noted that the government intended to declare jobs at the bottom of the ladder non-public service function.

This was called a lack of commitment to uplifting the most downtrodden.

"When [illegible] democracy became a reality, there [illegible] an end to all our hardships and exploitation had finally reached its end, only for it to be shocked by the decision of government to privatise."

ment in South Africa seminar in Kempton He said names had been chosen

African countries 'yet to benefit from privatisation'

(232) CT (BR) 31/1/96

By John Spira

Johannesburg — Although the rewards of privatisation were many and varied, most African countries had yet to derive benefits from the process

Pierre Tredoux of Deloitte & Touche said privatisation could provide improved efficiency and performance, a more competitive industry, effective corporate governance and broader and deeper capital markets

"But," he cautioned, "privatisation is a difficult road and success is not easily won For Africa there will be no gain without pain."

He believed the privatisation process was more complex in Africa than elsewhere because African nations viewed privatisation with suspicion "And even in those countries where privatisation is rife, real incomes are on the decline and unemployment is growing"

The trend which had emerged was towards overseas sales, given that there were not enough local private sector capital providers in many African countries

"In addition, potential buyers fear that African governments may later reverse privatisations, with negligible compensation for investors," said Tredoux.

PARTNERS

NBS sells

Bundle of problems for private enterprises

(232) MtG (BM) 2-8|2|96

The debate over unbundling is once again heating up, reports **Aspasia Karras**

UNBUNDLING has, to a large extent, been viewed as one of the panaceas of the South African economic environment

The Reconstruction and Development Programme considered unbundling as a major solution to the question of competition and black business empowerment, arguing that if the hold on the majority of South Africa's private enterprises by the small number of conglomerates was broken, then the dreams of a developmental and internationally competitive economy would be well on their way to fulfilment.

But the halcyon days of high idealism are over The highly publicised "competition" debate between Anglo American Corporation and Minister of Trade and Industry Pallo Jordan, which is back on the policy drawing board, has highlighted the problems faced by the state in its attempt to intervene in the private sector

But unbundling has become an issue beyond just the political arena The international trend has become almost a universal quick fix solution to operational problems and the rising costs of centralised control

The debate is positioned in two camps, one for "lean is mean", and the other for "big is beautiful" The success at both ends of the spectrum resolves itself in the arguments of economist Professor John Sender, whose basic premise is that size is a question of positioning in each sector Thus, what may work extremely well in Korea may not work for the United States in terms of either size or capacity

This is a point that Barlow's chairman Warren Clewlow makes, "There is no formula for unbundling, you cannot pick up a file labeled U, and find the ultimate solution "

When he rationalises the groups' decision to unbundle in 1993, he is surprisingly frank about the fact that neither the issue of competition, nor the question of black empowerment, came into the picture

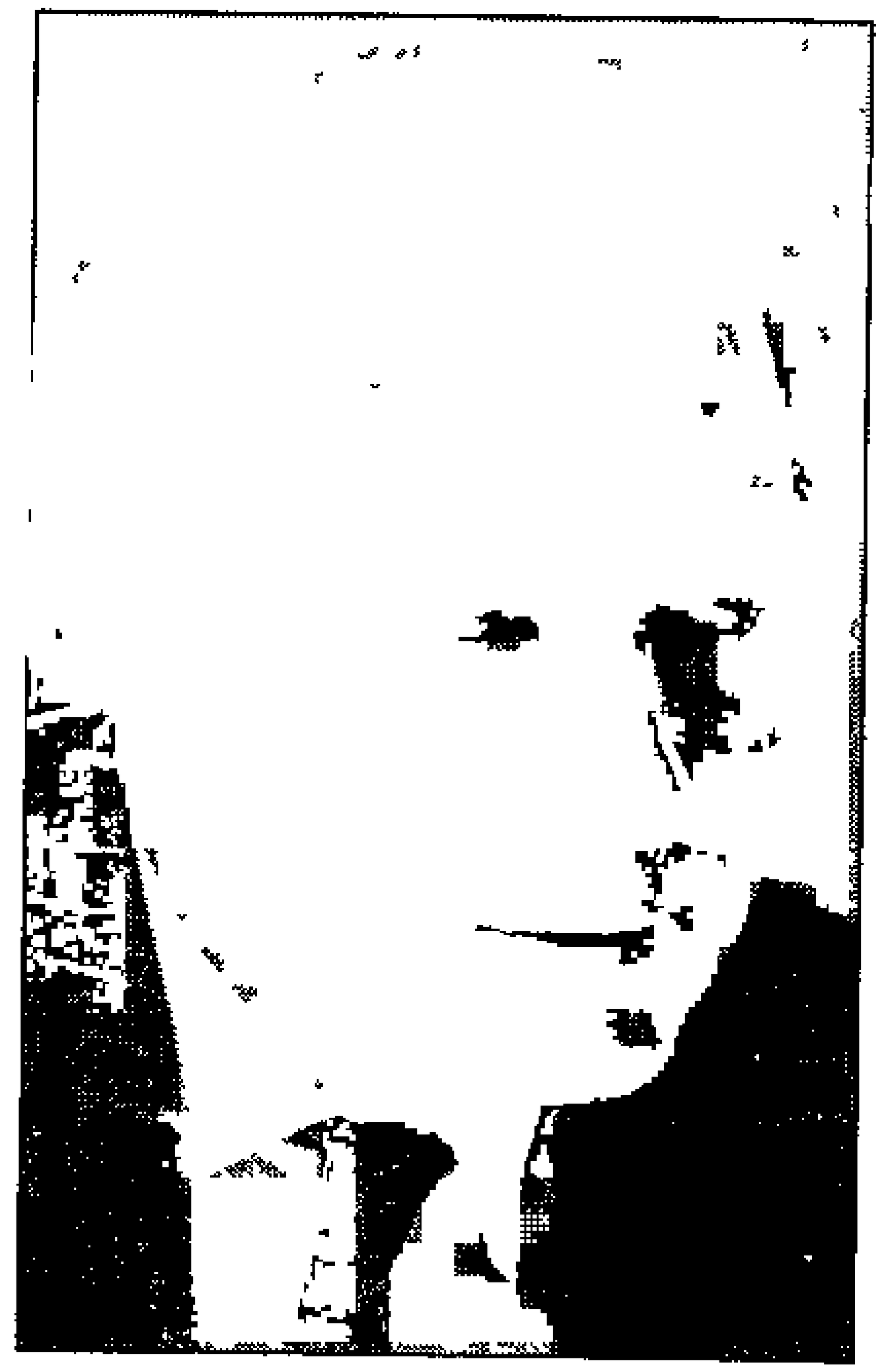
"At that point South Africa had announced that it was embarking on transformation but had not begun to implement it yet We were faced with the prospect of a completely different playing field We had to be in a state of fitness to take the opportunities that would be presenting themselves "

'Our approach is not that big is bad, but that structures need to be investigated as they may not necessarily be competitive'

He further elaborates on the fears that predominated "Alternatively, if the transformation was not successful, there was an equal need to embark on defensive management, in which case our companies needed to be lean and focused "

This certainly cannot be what African National Congress economists had in mind when they initially argued for this kind of intervention, and as a result their approach has become far more sophisticated

Andrew Feinstein, who chairs the Gauteng Legislature Standing Committee for Finance, makes the point, "The ANC policy is to introduce competition policy, this does not neccessarily mean introducing unbundling measures our approach is not that big is bad but that structures need to be investigated as they may not neccessarily be competitive "



Warren Clewlow 'There is no formula for unbundling'

The argument is clear "While some groups have unbundled independently, their actions have in no way addressed the issue of competition in specific sectors "

Describing the process that Barlows underwent is illustrative of Clewlow s sharp business focus For him, the shareholders interest is the dominant concern

He points out that "by the late eighties the 'glamour stock' image of the diversified stock which had been so succesful in the sixties and seventies had waned, the nineties shareholders were revisiting their rights, and sharpening their focus "

He elaborates saying that "while the companies were holding their own, we were becalmed, there was no growth "

The decision to split Barlow Rand into 11 groups divided along sectors, at the expense of some centralised control, (Barlows Limited has a strong centralised relationship, in terms of financing, trade, insurance and support services) has proved effective, the Barlow Share price has grown by 32%, and shows an all share index growth of 90%

"It was a lonely decision, not popular with the executives," says Clewlow, but in his characteristically *bon vivant* style, explains that unbundling is like going to a dance "You enjoy it most if you choose one girl and dance with her all night "

Like most change management guru's will confirm, you need to have a like-minded team of leaders, and Clewlow's approach bears the theory out "I created a new team of top executives, who were all much younger and filled with fresh enthusiasm "

Still under observation, it appears that old ways die hard Clewlow was unclear about precisely how many trading units Barlows Limited still controlled, even if indirectly, placing the figure somewhere between 500 and 750

The climate of political correctness also seems inconsequential, as he glibly points out that "I have no interest in colour or gender, we treat everyone the same, based on talent and ability" His pragmatic approach, which is borne out in his conviction that "we are only going to be able to make good on our chances if our people are there to take them", also extends to the question of state intervention

"The final barrier is exchange control We have to be careful as it is a pendulum that could swing the wrong way We do need some protection, we have to be careful that we do not destroy jobs, we need to be cleverer "

Michael Spicer of Anglo American, says "There are no rules on mountain tablets about diversity or unbundling There is no universal edict, one is judged against the market We all have to realise that the market is no longer small and perennial, we face the hard international market "

Anglo American is on record as saying that it is not prepared to accept any suggestions of unbundling Spicer follows Feinstein's argument by saying that the issues of competition and unbundling are not synonymous, rather the distinction is one of corporate structure and governance However, he maintains that "It is not the role of the government to pass decrees on the structure of the private sector "

Anglo American's position on competition is that it will not work through the structural intervention of the state Spicer adds, "We are a small country, we need to look at models that relate to ourselves and not at international best practice South Africa can only sustain three steel mills, competition legislation will not work by saying let's have six "

He clarifies the point by arguing that competition will only work through "liberalisation, lower tariffs and foreign competition, not through artificial measures "

It appears then that the unbundling debate takes its place as one of the aspects of the broader competition question, with the final word from Anglo being, "We believe in diversity"

Labour, business unite in call for legislative clarity

BD 5/2/96 (232)

Greta Steyn

LABOUR has sided with business in the National Economic, Development and Labour Council (Nedlac) in calling on government to explain its position on talks over competition legislation

In a discussion on Nedlac's relationship with Parliament, business raised government's refusal to negotiate the draft Competition Bill in detail in Nedlac, and believed Trade and Industry Minister Trevor Manuel's stance might contravene the Nedlac Act

Cosatu general secretary Sam Shilowa said "Business raised the principle, and we supported it" He said labour had agreed with business that the Nedlac Act stipulated that all legislation with important economic consequences had to be discussed in the council, and that competition legislation should be included. He emphasised that labour agreed with business only on the process of competition policy formulation and not the substance of the policy

Government's representative at the Nedlac management committee meeting, trade and industry deputy director-general Gerrie Breyl, confirmed government had been asked to clarify its position on competition legislation in the light of the Nedlac Act

A spokesman for Manuel said his position remained that Parliament's sovereignty had to be respected, and that it should not be a rubber stamp for legislation finalised elsewhere However, a detailed discussion document would be tabled with Nedlac

Nedlac executive director Jayendra Naidoo said there was a debate over the interpretation of the Nedlac Act Although the Act said all legislation that would result in significant socio-economic changes had to be discussed, it did not necessarily mean that this would be "clause by clause. But it also does not mean that a wisp of a document can take the place of substantive policy discussions"

Matie workers strike over privatisation plan

ARG 5/2/96 (232)

ESTELLE RANDALL
Labour Reporter

ABOUT 300 workers at the University of Stellenbosch — all members of the National Education, Health and Allied Workers' Union (Nehawu) — went on strike today over the university's plans to privatise its food services

Nehawu spokesman Patric Xegwana said the strike, which started about 7am, was sparked by the university's unilateral intention to contract out food services from April 1 The union has been recognised at the University of Stellenbosch since 1987

Mr Xegwana said the university had refused to talk to the union about ways of avoiding job losses, which may result from this move

"We want proper consultation and negotiation, a mechanism to avoid job losses and a moratorium on privatisation on the campus," he said

Mr Xegwana said the union would hand a memorandum detailing its concerns to the university administration today.

Nehwau's agreement with the university enables workers to engage in wildcat industrial action for a maximum of 24 hours, without fear of disciplinary action being taken against participants

A spokesman for the university confirmed the strike but would not comment on union allegations about not being consulted over privatisation

He said steps were being taken for the new contract company to re-employ most workers in food services Tenders for the contract were being considered

The university starts its new year next Monday but was open to new students and their parents today

Cosatu confident on privatisation

(232) Sowetan 6/2/96

But negotiators still have to reach a national framework on the issue

By Abdul Milazi
Labour Reporter

THE Congress of South African Trade Unions (Cosatu), yesterday said it was optimistic that organised labour would reach agreement soon with the Government on privatisation of State assets

Cosatu spokesperson, Ms Nowethu Mpati, said the Government and the three labour federations, including the Federation of SA Labour Unions (Fedsal) and the National Council of Trade Unions (Nactu), had agreed on a moratorium on privatisation until a national framework agreement was reached

Mpati said "the negotiators have only agreed on what is privatisation, but they still have to agree on what should be done"

Telkom's move to look for an equity partner overseas was strongly opposed by unions, who felt the move would lead to job losses

This prompted the Government to intervene and ask the company to shelve its efforts until a national agreement was reached

Mpati said Cosatu would hold meetings throughout the country where affected affiliates would discuss strategies to deal with the privatisation issue

"Although we cannot divulge the strategies at this stage, these meetings will help negotiators in tabling the concerns of labour and suggested solutions by workers who stand to lose if the matter is handled wrongly," she said

The meetings were also aimed at ensuring that the moratorium was observed by the Government and the managements of the companies involved

Jordan insists on selling part of Telkom

(232)

CT (BR) 6/2/96

By Thabo Leshilo

Johannesburg — Telkom, South Africa's monopoly telecommunications provider, would not be able to fulfil its service obligations under the RDP without outside financial and technical help, Pallo Jordan, the minister of telecommunications, warned yesterday

In a bid to rescue his hopes of finding a private-sector partner for Telkom, Jordan insisted at a plenary meeting of the National Telecommunications Forum (NTF) that Telkom's assets would remain under state control But he said the government intended to go ahead with plans to sell a minority stake in the business

"What is beyond dispute is that to attain our objectives we shall need a massive injection of finances, skills as well as international experience," he said

The government has been accused by organised labour of trying to privatise public assets since it first announced plans late last year to find an equity partner for Telkom. Jordan used his address to the meeting in Midrand yesterday to appeal for calm in what has become an emotionally charged debate

He attacked dogmatic opposition to the restructuring of Telkom and other state assets "Is it not time we arrived at new conceptions of the public interest and of public services? Should we not seriously explore if and how competition can enhance the delivery of service?" he asked

Jordan said the government needed help to meet its RDP target of providing five million new telephone lines by 2000

Telkom, he said, needed to install 550 000 telephone lines a year for the next five years, build 3,2 telephone exchanges a month, and to lay 4 272 km of cable a month

"In view of these realities, the fears of both trade unions and the (telecoms) equipment industry that the restructuring of Telkom must invariably lead to job losses and the decline of our equipment production sector are misplaced," he said

"I stress once again that equity restructuring is not a euphemism for privatisation," he said "The (government) is contemplating placing only a minority of Telkom on the market."

The government's second draft of the white paper on telecommunications policy was tabled at a plenary session of the NTF, an independent industry forum set up in 1993

It proposed a six-year plan to restructure Telkom and introduce full competition in telecommunications

The plenary, which continues today, marks the beginning of the final leg of the NTF consultative process on the white paper It will result in a third draft, which will be presented to the Cabinet later this month

Privatisation is only choice for SA, says top industrialist

(232) ET (BR) 6/2/96

By Claire Gebhardt

Davos, Switzerland — One of the world's leading industrialists urged South Africa yesterday to press ahead with privatisation in spite of union opposition

Juergen Schrempp, the chairman of Daimler-Benz Germany, insisted there was no alternative to the privatisation of state-owned companies He said the country had to turn its back on "wildcat strikes" and encouraged the abolition of remaining exchange controls

At a banquet hosted by the South African delegation to the World Economic Forum, Schrempp said investors would judge the country on measures it took to attract international capital and on specific profile and comparative advantages

He said South Africa needed to guarantee political and social stability, combat crime and violence, raise investment and productivity, and reduce high taxes

Asked whether Daimler-Benz was prepared to invest in South Africa, Schrempp said he was personally investing considerable sums of money "And that is better than doing so with company money"

Deputy President Thabo Mbeki said the government was committed to the abolition of exchange controls but no date had been set

Pact sets out rules for restructuring

Tim Cohen BD 8/2/96 (232)

CAPE TOWN — The restructuring of state assets is set to regain momentum after the signing of a pact yesterday in which government and labour agreed to negotiate remaining disputes on an industry-by-industry basis.

Government and Cosatu, the National Council of Trade Unions (Nactu) and the Federation of SA Labour (Fedsal) signed a national framework agreement, accepted formally by the Cabinet yesterday, which Public Enterprises Minister Stella Sigcau said would allow restructuring to move ahead in top gear.

The pact set out detailed ground rules for restructuring state enterprises and set up structures for further negotiations. Government also agreed to fund studies of the effects of restructuring, to be conducted under the auspices of the labour movements.

The document did not rule out privatisation or give an absolute assurance that no job losses would occur.

Cosatu first vice-president George Nkadimeng said that while the union was implacably opposed to retrenchments, "these structures (in the agreement) will be able to deal with these issues". Although Cosatu stated at the outset that it opposed outright privatisation, Nkadimeng said the union would not adopt a rigid position in industry-by-industry negotiations. He noted that nothing in the pact removed the unions' right to industrial action.

Deputy Finance Minister Alec Erwin said the accord contained agreements on the objectives of restructuring, laid down guiding principles and set up structures like the strategic implementation committee, which would also operate as a dispute resolution

Continued on Page 2

Labour pact

(232) BD 8/2/96

Continued from Page

mechanism. He said the size and nature of state enterprises varied widely and suggested union movements had correctly argued that [illegible] sectors, not only particular industries, be considered in restructuring.

Among the agreement's general principles is a commitment from government and labour to affordable, quality basic services for all.

Individual state enterprises should be competitive at home and abroad and should be positioned to access global resources and markets.

The guiding principles of the document, to be tabled before the National Economic, Development and Labour Council, say "every effort should be made to retain employment. Where restructuring potentially had negative consequences for workers, a social plan must be negotiated with unions at enterprise level." Workers redeployed within or between state enterprises will not lose benefits.

"Ownership is not the determining factor for efficient operations" and "where appropriate, restructuring proceeds may be used along with improved financial management systems to reduce state debt", the document says.

Unions given 'decisive voice' in privatisation

CT (BR) 8/2/96 (232)

By Patrick Bulger and Donwald Pressley

Cape Town — The government and trade unions breathed new life into South Africa's faltering privatisation programme yesterday with a landmark agreement that would give the unions a potentially decisive voice in the way state assets were restructured or sold off

The agreement was approved at a cabinet meeting in Cape Town.

Alec Erwin, the deputy finance minister, said the national framework agreement would give labour a voice in the restructuring of state assets It would also give labour the right to an independent analysis of financial motivations and a say in how job cuts should be handled if they proved necessary

Stella Sigcau, the public enterprises minister, said the privatisation and restructuring programme was "now on the move"

She signed the agreement with representatives of the three main trade union federations

The accord commits the government and the unions to a co-ordinated and negotiated approach to restructuring which would minimise job losses, redistribute wealth and promote economic growth

The agreement follows an uproar by trade unions after Deputy President Thabo Mbeki announced in December that the government had decided to privatise some state enterprises outright and invite international partners to take shares in major state corporations

The government's policy at the time was to privatise Sun Air, Autonet and Transkei Airways Mbeki also invited strategic equity partners to inject capital technology and management expertise in Telkom, SAA and the Airports Company

But the parties will now focus on internal restructuring to make certain enterprises more efficient These include Portnet, Spoornet and the Rail Commuter Corporation.

Other areas of negotiation will be the regulation of monopolies and the prevention of excessive tariffs for Portnet and Petronet.

George Nkadimeng, the vice-president of Cosatu, and Erwin said that the agreement did not rule out job losses or industrial action after negotiations had been exhausted.

Restructuring should not occur at the expense of the workers and "every effort should be made to retain employment", the agreement said.

State, unions sign deal on sell-offs talks

(232) ARG 8/2/96

Political Correspondent

TALKS on the selling-off of state assets are back on track after the signing of an agreement between the government and labour on how the negotiations process should proceed.

The row over the government plan to restructure state assets brought the country to the brink of a nationwide strike by powerful union federations worried by potential job losses.

While unions accepted that restructuring had to go ahead, they had not forfeited any of their rights to take action if further trouble developed in negotiations.

Said George Nkadimeng of the Congress of SA Trade Unions, a signatory to the agreement: "If we are deadlocked ... it does not take the power away from the unions to say, 'Thou shalt not'."

The agreement was signed by the government, Cosatu, Nactu and Fedsal yesterday.

Minister for Public Enterprises Stella Sigcau said the agreement was to be valid until April 27, 1999.

The government, which had advisers at its disposal, had agreed that unions should be given the same facility.

Labour will have a say in how retrenchments, if deemed necessary, should be handled.

They will have the right to submit financial proposals to independent analysts.

Ms Sigcau denied that the agreement was tantamount to giving unions a veto.

Where retrenchments were considered necessary, re-training would be given in new career directions, possibly even to the advantage of those affected, she said.

Sigcau has the final word on privatisation

(232) ST(BT) 11/2/96

By SVEN LUNSCHE

STELLA Sigcau, Minister of Public Enterprises, underlined this week that government would have the final say in restructuring and the partial privatisation of public sector corporations

Responding to fears that the newly created national framework agreement between government and trade unions could delay or even halt the process, Ms Sigcau said "In the final analysis it is the government that has control over parastatals and we will stick to that mandate"

The ratification of the agreement by the Cabinet this week signalled the resumption of work on restructuring parastatals

While the government has ruled out handing over a majority stake in key parastatals such as Telkom, Eskom and SA Airways, it has been involved in talks to seek strategic equity partners

An indication that the signing of the deal did not signal the end of union resistance came this week at a conference on the future of the telecommunications industry

The Posts and Telecommunications Workers' Association, a Cosatu affiliate, threatened to block the liberalisation of the industry, which includes the sale of a minority stake in Telkom

Other public sector corporations are loth to outline their plans for fear of union action SA Airways, for example, is believed to be in talks with foreign airlines in an effort to sell a 25% stake, valued at about R1,25-billion

George Nkadimeng, vice-president of Cosatu, says the unions have not surrendered any rights by signing the agreement, but concedes that the restructuring process has to go ahead

Ms Sigcau committed the government to extensive consultation with unions to address their fears about large-scale job losses linked to privatisation

Among other measures, the government has agreed to carry the cost of advisers to the trade unions

A strategic implementation committee would act as a dispute resolution facility, Ms Sigcau said

Unions would also be involved in negotiations at enterprise level, where observers believe the key battles will be fought

The government stopped short of most of the unions' key demands, which included job security agreements and a stop to privatisation as a means of restructuring Instead, the agreement states that "every effort should be made to retain employment levels" by, among other measures, redeploying workers between state enterprises.

Fedsal decides against anti-privatisation strike

Star 11/12/96 (232)

By Justice Malala
Labour Reporter

The Federation of South African Labour Unions has decided not to take part in the January 16 national strike called by Cosatu to protest against the Government's proposed sale of some state assets

Fedsal, claiming about 212 000 members, said in a statement the decision did not mean it condoned privatisation of state assets

The South African economy could not afford a general strike at this stage and the privatisation issue could be solved through negotiation, said Colin Smith, Fedsal's privatisation co-ordinator

Fedsal, which had members in Telkom, Eskom and Transnet, would remain "completely involved" in all levels of negotiations, Smith said

Postal delays are expected in Johannesburg today when about 4 000 posts and telecommunications workers march on the provincial government building in support of negotiations between the Government and labour about privatisation plans.

The talks will focus on draft proposals made by both parties last week The documents outlined the two parties' perspectives on the process of restructuring state assets and privatisation.

Posts and Telecommunications Workers' Association spokesman Agnes Bezu said Witwatersrand workers would march from near the station to the Gauteng government building in Simmonds Street at 9am

Post Office spokesman Flip Ecksteen said contingency plans were in place

State asset plans 'continuing'

Business Editor (232) ARG 13/2/96

PLANS to restructure state assets had not been put on hold, Minister for Public Enterprises Stella Sigcau said today.

The programme had only been delayed during the negotiations with the trade unions, which had resulted in last month's National Framework Agreement, she told a briefing in parliament.

Work was now going ahead at enterprise, sectoral and ministerial level

Answering questions, Ms Sigcau said the government was not being "held hostage" by the unions on the restructuring issue. Workers' fears had been put in the forefront of the government's concerns because they would be most affected by changes.

But this did not mean that other interest groups such as consumers and business would not be consulted

Unions and the government had agreed that the central issue in restructuring was economic growth, Ms Sigcau said

Bid to allay fears over competition

Tim Cohen 232

CAPE TOWN — Trade and Industry Minister Trevor Manuel moved yesterday to calm the growing storm surrounding competition policy legislation, indicating that no final decisions had been taken and suggesting that the publication of new legislation was not imminent

Briefing journalists and diplomats, Manuel declined to specify what form of competition policy his ministry would favour — a move bound to disappoint business people who have been pressing for clarity in order to begin the debate in earnest

After saying the publication of new legislation was "imminent" towards the end of last year, Manuel said yesterday "we are nowhere near legislation that I can put my name to" It was even possible that the new legislation could simply take the form of amendments to the current Competition Act

Issues were still being synthesized, and the crucial distinction of whether the legislation should target business in a "dominant position" or those who "abuse a dominant position" was "still in the melting pot", he said

"There is too much passion around competition legislation," he said.

He repeated past assurances that

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Manuel

232

BD 14/2/96

Continued from Page 1

the legislation would not "rip the competitive heart out of SA industry", but gave the assurance that it would promote greater competition

Addressing suggestions by Nedlac that Manuel was required to negotiate the proposed legislation in the forum before taking it to Parliament, Manuel said he was convinced that he was acting in terms of the law.

The Nedlac Act required only that changes to legislation affecting the labour market and policy questions had to be negotiated in the body, he said, stressing that the passing of legislation was ultimately Parliament's responsibility.

New competition policy must promote growth, says Manuel

(232)

Cape Town — Trevor Manuel, the minister of trade and industry, said yesterday that legislation to toughen competition policy was still "in the cauldron"

CT (BR) 14/2/96

There was debate on whether there should be a ban on companies being in a dominant position or outlawing the abuse of dominance

Manuel said he wanted a bill that would make a contribution to economic growth, would not cause rancour or damage the competitive edge held by South African companies internationally

And the finance minister, Chris Liebenberg, announced that legislation against money laundering was being finalised Liebenberg said the legislation would be co-ordinated with other countries in the region — Bruce Cameron

Pact silences privatisation protests

232 CT (BR) 15/2/96

INSIDE LABOUR

BY TERRY BELL

Reconstruction is the key word in the battle to engender social equity and make a profit

Despite all the hullabaloo and proclamations of union power, last week's national framework agreement on privatisation contained nothing new

It was simply a reiteration of established positions Yet it will probably serve the purpose of taking the steam out of protests about privatisation

Significantly, most of the top brass in Cosatu were missing from the launch in Cape Town They were tied up in their Johannesburg headquarters dealing with much more important matters discussions with their trade union federation counterparts from Swaziland

This provided another illustration of the usefulness of the symbiotic nature of government in South Africa

It would have been a diplomatic blunder of the first magnitude for the South African government to enter into discussions with the leading opposition force in a neighbouring state But Cosatu, though a member of the governing alliance, could do so

For Cosatu loudly trumpets its independence At one level, this is a valid claim The trade union federation is, in the final analysis, subject to whatever pressures are exerted by its rank-and-file members But at a leadership level, Cosatu is very much part of the ANC-led alliance in government

This means that decisions taken by government — on anything from privatisation to the state of affairs in Swaziland — are usually agreed on by all members of the alliance.

The partners constantly confer, debate and reach compromise solutions on issues such as the restructuring of state assets, a term that implies more than simple privatisation

This does not make the new framework agreement a victory for the unions over uncontrolled privatisation Rampant privatisation was never intended

But it made for a classic straw man And knocking it down has apparently worked

Only the 110 000-strong Municipal Workers Union refused to endorse the agreement in the closed executive meeting at which it was discussed

This should not be surprising as the Cosatu leadership remains very much in command

The use of the term "reconstruction" is important It is not synonymous with privatisation

Privatisation means just what it says the sell-off of state assets Reconstruction, on the other hand, can include the sale of these assets But in the present South African context, it also implies the probability of a continued state or state-linked presence in the reconstructed sectors

The government is seeking a middle way. It faces the same problems as any regime committed to social equity in a harshly competitive world government political priorities tend to run counter to the dominant economic rationale

The result is the reconstruction balancing act It is an attempt to straddle the divide between the demands for social equity and those for profit, with the probable end result of pleasing nobody

But after so much talk and so many claims, confusion and apathy seem a much more likely outcome than conflict and anarchy

CT(BR) 18/2/96

Competition board targets Safcol

(232)

(3) Forestry

By Roy Cokayne

Pretoria — The competition board has launched a formal investigation into alleged restrictive practices by the South African Forestry Company (Safcol), the parastatal to which the state's commercial forestry undertakings have been transferred

This follows complaints submitted to the board by the York Timber Organisation (Yorkcor) and CJ Rance in the Eastern Cape

The Yorkcor chairman, Solly Tucker, welcomed the investigation He said it was important that a "competitive situation be restored to the timber industry"

The Safcol chairman, Tienie van Vuuren, also welcomed the investigation He said it would "once and for all clear the air after months of attacks suggesting that Safcol was involved in uncompetitive practices"

Van Vuuren said the attacks on Safcol stemmed mainly from negotiations to revise supply arrangements between the company and its long-term customers He said there were 17 sawmilling companies with which Safcol had long-term contracts, which provided for the revision of terms from time to time He said Safcol successfully concluded revised market-related contracts with 14 of its customers last year Negotiations with three customers, which represent 5 percent of Safcol's supply volumes, were unsuccessful

He said while it was necessary for the investigation to take place, it would have some influence on optimising Safcol's value as a state asset in the short term, and therefore hoped it would be concluded as soon as possible

The board's chairman, Pierre Brooks, said the alleged practices were tied up with Safcol's past and the system of transferral of the state's commercial forestry interests, its commercialisation, the content of Safcol contracts and contracts that were in dispute

He said if there was any doubt about the validity of the complaints in any particular case, the board gave the benefit of the doubt to the complainants

He said formal notice of the investigation would probably only be published in the government gazette in about two weeks' time

PRIVATISATION

(232)

A ROLE FOR LABOUR

FM 16/2/96

Organised labour has signed a formal pact with the Government of National Unity that should help bring about the privatisation ("restructuring") of State assets in return for a promise that job losses will be held to a minimum

The National Framework Agreement was signed last week after ratification by the Cabinet and will be tabled at Nedlac

After a brief ceremony, State Enterprises Minister Stella Sigcau said "The process is now on the move — we don't want to be left behind We want the process to move "

But the agreement would not have

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Continued from page 50

come about had Deputy President Thabo Mbeki not appeared to commit government to privatisation last December, triggering Cosatu's dismissal of the move and call for a national strike

So it would seem that labour — represented at the signing by Cosatu, Nactu and Fedsal — had gained a significant victory, entailing an extension of the moratorium on privatisation that followed Mbeki's statement

In its strict sense, the agreement would amount to an exhaustive evaluation of each candidate for privatisation — involving all parties — with labour retaining the option of a veto through industrial action

Stella Sigcau

The reality might not be as harsh As its name implies, the agreement suggests a framework for discussion — and one that includes deadlock-breaking mechanisms Cosatu's George Nkadimeng denied that labour had forced veto powers and admitted "Possibilities of retrenchments might be there" This, however, would occur only after overall benefits to the economy had been proved "We want to know the reasons (for restructuring)," said Nkadimeng "the benefits for us "

The agreement defines the benefits of privatisation as "part of the process of implementing the RDP Government has made concrete some of these objectives in its so-called six-pack programme, namely belt-tightening, reordering priorities of State expenditure, restructuring State assets and enterprises, restructuring the public service, building new intergovernmental relations, (and) developing an internal monitoring capacity for the above "

The agreement states "Where appropriate, restructuring proceeds may be used, along with improved financial management systems, to reduce State debt " But this will be done only on the premise that "organised labour in general and employees of the relevant public enterprises should participate in policy formulation processes

"Where restructuring has the potential of negative consequences for workers, a social plan must be negotiated with the relevant unions at enterprise level which takes account of the workers' interests Workers who may be redeployed within or between State enterprises shall enjoy equivalent benefits and conditions of employment as they enjoyed in their previous employment "

A key structure to be established by the agreement shall involve itself with "strategic implementation " It will "comprise a core of six-a-side from labour and government but others will be drawn in as and when required " All information about the proposed disposal (or restructuring) of a State asset shall be made available to the unions "strictly in terms of the normal confidentiality agreements "

The phrase "redirection of career" rather than the blunter "retrenchment" was used at a key moment after the signing ceremony and the overall impression was that the intention was to ensure, as far as possible, a soft landing for those retrenched Since disputes have to be declared at the level of individual enterprises before the six-a-side committee is drawn in, it is evident that government has adopted a markedly more conciliatory approach to labour than was apparent late last year

The intention remains to privatise where this is seen as beneficial to the economy — as defined in the six-pack But Nkadimeng was certainly correct when he spoke of the agreement as providing "a brake on restructuring " ■

Privatising now a global fashion

232 ST 18/2/96

A NEW global record in the number of privatisations was recorded in 1995 as the practice continued to grow apace

The total value of notations and trade sales of state-owned businesses rose to $73-billion from $64-billion in 1994, according to Privatisation International magazine There were about $10-billion of deals in December alone

The forces behind the trend are as strong as ever These include the belief that the commercial sector runs businesses better But domestic budgetary considerations are more important for most governments "Everybody wants to sell as much as possible, as quickly as possible, for as high a price as possible," says one investment banker.

This hunger for cash explains why governments have pressed ahead with privatisations in conditions which would discourage private-sector companies from bringing offerings to the market

Telecommunications was one of the most active sectors in 1995 A glut of further issues is expected in the next few years Francis Maude, global head of privatisation at Morgan Stanley International, says there are "enormous" amounts of telecoms equity coming through the pipeline over the next few months

Investors can afford to be selective Many have reduced share buying in anticipation of the privatisation of Deutsche Telekom later this year For example, the second tranche of Koninklijke PPT Nederland, the Dutch telecoms and postal services company brought to the market by ABN Amro, was smaller than expected due to muted investor response But it was still the largest single privatisation of 1995 at around $3,5-billion.

The $1,7-billion flotation of Indonesia's PT Telekom was poorly received The offering was scaled back and priced at the bottom end of the indicated range The large number of global co-ordinators appointed to run this issue contributed to its problems PT Telkom's offering was the largest share offering from an Indonesian company and the largest Asian deal of the year

The flotation of Portugal Telecom was successful, but the privatisation of British Rail is proving one of the most complex yet attempted in the UK

It has already generated fees for many banks Their number includes Hambros, arranging the £1,8-billion sale of the three rolling stock companies in what the UK Secretary of State for Transport Sir George Young described as "the largest privatisation by direct sale" — *Financial Times*

Privatisation worth less than its price

ST(PT) 18/2/96 (232)

By SVEN LUNSCHE

HUGE pension liabilities incurred by some parastatals could undermine gains made by restructuring programmes, according to figures in a report by the Department of Public Enterprises

The government's restructuring and privatisation plans for public-sector corporations will affect 318 000 workers at 26 enterprises The total assets involved are R137,2-billion, but liabilities amount to R72-billion

Work in the six sectoral restructuring task groups has resumed following an agreement earlier this month between the trade unions and the government

The document shows that the state-owned enterprises have a combined annual turnover of R48-billion on which they achieve a taxed profit of R6-billion

The liabilities are linked mainly to huge actuarial deficits on parastatals' pension funds Eskom's liabilities, for example, are well over R30-billion compared with total assets of almost R50-billion Telkom, with assets of R16,5-billion, has R11,4-billion in liabilities of which R8,3-billion is interest-bearing debt

Mossgas's liabilities now exceed R10,5-billion, comprising taxpayers' money and foreign loans, and are barely matched by assets totalling R11,2-billion

The large liabilities of state-owned enterprises are likely to limit the amount the government can expect to raise if it opts for full or partial privatisation

Telkom, which is seeking a minority equity partner, hopes to raise at least R5-billion from the sale But the equity financing will be devoted largely to its R16-billion expenditure programme and not to finance the deficit on the pension fund, for which alternative funding has to be sought

Similarly, SA Airways is hoping to raise approximately R1,25-billion from the sale of about 25% of its shareholding, but it still needs to fund liabilities totalling R2,4-billion Airlines such as Lufthansa and American are the most likely contenders for the SAA stake

The government has announced that eight smaller enterprises will be sold They include four profitable operations Alexkor, Autonet, Safcol and Sun Air (combined asset base over R1,2-billion, profits in excess of R100-million)

The four non-profitable corporations are Abakor, Aventura, Parcel Express and Transkei Airways Their combined yearly losses amounted to R435-million, mainly due to a R407-million loss at Transnet's Parcel Express

Transport green paper clears way for privatisation of non-key assets

(232) BD 19/2/96

Tim Cohen

CAPE TOWN — The transport green paper, released at the weekend, recommends a major shake-up of SA's transport institutions and is intended to clear the way for new investment opportunities, including the outright privatisation of some non-key entities

The policy document sets strategic objectives such as achieving an 80 20 split between affordable public transport and private car usage

It proposes major changes to almost all transport sectors, to increase public and private investment in both institutions and infrastructure

The paper also proposes that the taxi industry be regulated and helped to achieve economic viability.

It proposes the broad acceptance of SA's current air transport framework, but suggests major changes to the country's port and rail structure

Rail transport seems set for the biggest shake-up There are blunt, critical statements about both the key institutions, Transnet and Spoornet

Transnet is said to be "both a monopoly and oligopoly" in certain areas. "Government should take decisive action to address the unhealthy dominance of this institution."

The paper says the pension fund liability has fundamentally clouded Transnet's structure and management This liability has made it difficult for government to think strategically about Transnet's role as a major transport operator and has adversely affected the development of balanced policy decision making

On Spoornet, the green paper says the parastatal ought to focus on its core business and concentrate on its competitive areas It therefore ought to get out of sections of the freight business which it currently cross-subsidises, while urgent steps are necessary to cut operating costs "The aims for Spoornet should be full commercialisation Immediate possibilities for franchising and outsourcing certain parts of the operation should also be investigated "

On SAA, the paper recommends that the operator enter into alliances to involve strategic investors to contribute capital and technology

It suggests an independent regulating authority to restrain the Ports Company from abusing its monopoly positions The authority would also have the power to develop new ports

Because Autonet's operations were in competitive markets there seemed to be little reason for not privatising this section of the business

The Airports Company should be at

Continued on Page 2

Transport

(232) BD 19/2/96

Continued from Page 1

least partially privatised within four years while Sun Air and Transkei Airways Corporation should be privatised

Theo Rawana reports that the green paper proposes the taxi industry be regulated and helped to enhanced its economic viability

The document will be discussed by all passenger transport stakeholders at a workshop in Pretoria next weekend It says small, medium and micro enterprises transport operators will be encouraged to compete for the award of contracts by transport authorities, with assistance offered to disadvantaged operators

"Minibus taxis could form legally registered businesses, for example, co-operatives or companies, or be registered associations "

"As far as possible in terms of the transport plan, the determination of routes/networks will be based on existing operations (including both legal and pirate operators) Financial and technical assistance will be offered to minibus taxis to enable them to obtain permission and/or contracts and to improve their economic viability "

"Transport authorities should apply alternative support mechanisms aimed at cost reduction for current minibus operators," it says

Under the provisions of regulated competition for public passenger transport modes, competition would be for a route or network, and not competition on a route or network Permission would be awarded only to privately owned or fully corporated municipal and parastatal bus companies and registered minibus operators

All road-based public transport operators should "operate as separate legal entities from any level of government, have no direct access to finances other than on a commercial basis, operate on business principles and be liable for tax", the paper stresses

See Page 4

Competition Board calls for CSIR probe

232

Amanda Vermeulen

BD 21/2/96

THE Competition Board has recommended to the trade and industry department that it investigate the CSIR, claiming the research parastatal has acted unfairly in its competition with the private sector

Board chairman Pierre Brooks said yesterday that the role of all parastatals needed to be redefined, and stricter guidelines drawn regarding their competition with the private sector

Brooks' recommendation last month to the department followed complaints against the CSIR by Jeremy Kirsch, MD of Scientific Design Plant & Process, which is competing with a CSIR licenser for a tender put out by Tongaat-Hulett company African Products

Brooks said the board had recommended an investigation, but it was not clear whether the CSIR was acting legitimately within its enabling legislation Previous investigations had cleared the CSIR of accusations of anti-competitive practices, but Brooks said this was a different issue to unfair advantage

Brooks said the CSIR operated under a number of advantages, including government subsidies, and did not have to fear bankruptcy.

Parastatals were also not under the same pressure as private sector companies to make the same returns, and did not have to bid at market-related prices, but could under-cut competitors.

The issue, although not contained within proposed competition policy, was gaining momentum for resolution, particularly against the backdrop of previous investigations into other parastatals

However the board as well as the arts, science, culture and technology, and trade departments were currently looking at this issue, and ways to resolve the emerging conflicts, he said

Brooks said the ministers responsible for each parastatal needed to put more pressure on them to comply with guidelines to protect business from suffering from an unfair advantage

Restructuring a means to address poverty

(232) BD 21/2/96

Greta Steyn

PUBLIC Enterprises Minister Stella Sigcau appealed to local and foreign investors yesterday to find ways to empower disadvantaged communities to own some of the state's assets up for sale

The restructuring of state assets would be a means to address poverty, as part of the proceeds would be used to finance infrastructure investment Job creation would result, and people's quality of life would improve, she said

Sigcau also reassured them that "this is the year in which there will be results" after years of preparation

She told the Frankel Pollak investment conference that restructuring of state assets, which would include full or partial privatisation, provided an opportunity to achieve a more dispersed ownership of equity in SA.

A major constraint faced was the limited access to capital by disadvantaged communities.

"This audience must note that this could be where we need to put the most attention It is vital the private sector supports government's initiatives "

She said the trade and industry department was looking at ways to improve the access of small entrepreneurs to capital Also under consideration were employee share ownership schemes

Government was also "looking at people in the banking fraternity" to help solve the problem of a lack of capital As an example of an opportunity that existed for small entrepreneurs, she mentioned the many restaurants managed by Telkom

Sigcau said a Cabinet committee would meet tomorrow to discuss the appointment of advisers on the restructuring process.

The committee would consider the levels at which advisers would be needed — such as at managerial level in enterprises and in government — and also how the advisers would interact with the task teams

"We are at a stage where we can say the process will begin to unfold and start showing results," Sigcau said

Fuel fund GM calls for its privatisation

BD 22/2/96 (232)

Mungo Soggot

THE Strategic Fuel Fund, the oil-trading division of the Central Energy Fund, should be privatised, GM Kobus van Zyl said yesterday. Government should then draw up a contract with the privatised company obliging it to maintain a strategic stock of fuel.

Van Zyl's comments follow the conclusions of a report by the International Energy Agency, which has questioned the need for having a state oil trading arm now that sanctions are over. In a survey of SA's energy sector which questioned the need for most of the energy fund's activities, the agency said country to country deals were of little use to private oil companies and that any government support for the Strategic Fuel Fund should be confined to keeping a strategic stockpile. The agency, linked to the Organisation for Economic Co-operation and Development, also mooted the idea of privatising the fuel fund.

Van Zyl said that since government did have a strategic stockpile, there was no point in not trading the oil, which made money for government. It was pointless to just let it sit in storage tanks at Saldanha Bay.

In seven years of trading the fuel fund had never made a loss. This fiscal year the former sanctions buster had passed on a particularly large amount to government, which would be disclosed in the Budget. In the 1994/95 year the fuel fund, which is the Central Energy Fund's biggest and most lucrative company, had a retained income of R5,9bn. The energy fund's other companies are Mossgas, which could be sold off this year, and Soekor, which says it is preparing for privatisation after trimming staff levels.

Cosatu can't stand for workers – claim

Sowetan 22/2/96

232

By Joe Mdhlela
Political Reporter

THE relationship that the Congress of South African Trade Unions (Cosatu) has with the Government cannot make it an effective voice of the workers, chairman of the Azanian People's Organisation Mr Nkosi Molala said

Also, Molala welcomed the uncompromising stance taken by the Post and Telecommunication Workers Association (Potwa) about plans by Government to privatise state assets

"The way I see it, Cosatu is too closely aligned to the Government to be trusted as the workers' watchdogs Their role, I think, is to make the union membership less militant and more accommodating

"But one has been encouraged by the uncompromising stance taken by Potwa to fight privatisation You see captains of industry and to a large extent, the Government, are only keen on rationalisation of industry and profits that go with it," Molala said

Spokesmen for Cosatu were unavailable for comment

General secretary of the National Council of Trade Unions Mr Cunningham Ngcukana said he was opposed to privatisation.

"We see this as being part of the government's plan of structural adjustment as dictated to it by the International Monetary Fund and the World Bank," Ngcukana said

The double-edged sword of privatisation

(232) M+G (BM) 23-29/2/96

Simon Segal

AMID all the fuss about what to do with state assets, does the improved performance of South Africa's public enterprises make it easier or more difficult to privatise them? It is, as information service group BusinessMap points out, a "double-edged sword".

Privatising these assets — or in government-speak, "restructuring these assets" — becomes less attractive to government the better they perform. Why get rid of something good and potentially lucrative both financially and politically? The unions are particularly sensitive about this.

But, on the other hand, the assets become more valuable and thus realise greater proceeds from any sale. Indeed, a primary objective of these enterprises over the past few years has been to make them commercially viable for any future investor. In this regard, government can talk about success.

Consider Transnet, Eskom and Denel, by far the three largest public enterprises (Telkom and the Post Office are structured differently with the state their sole shareholder. They do not fall under the ministry of Public Enterprises).

Transnet, the state-owned transport group, operates South African Airways (SAA), Spoornet (the railways), Portnet (harbours), Petronet (pipelines), PX (container distribution) and Autonet. Its assets are R39,2-billion. The 1995 financial year marked a significant milestone for Transnet when it reported its first profit (R118-million) in four years. Of this, Spoornet contributed R734-million (R576-million in 1994), Portnet R1,1-billion (R766-million), SAA R217-million (-R23-million), Petronet R144-million (R149-million), Autonet R20-million (R17-million) and PX a R297-million loss (-R344-million).

Without its almost R1,8-billion pension contribution, the group would thus have made R1,9-billion.

BusinessMap reports that Transnet is doubling its capital investments from R1,2-billion in 1994/95 (of which R750-million was for expansion) to R2,5-billion this year (R1,5-billion).

Eskom has seen its net income rise 20% over 1995 to R2,7-billion and operating income rise 6,5% to R5,8-billion.

Total revenue is up 11% to R17,1-billion and the debt/equity ratio dropped to 1,45 (1,73 at the end of 1994). Its assets are R41-billion.

Arms manufacturer Denel (formerly Armscor) began trading as a private company in 1992. Its assets are worth R4,1-billion.

Its two-pronged strategy of exporting and diversifying have seen military exports double from R480-million in 1992 to R996-million in 1995 and commercial exports grow from R31-million to R186-million over this period.

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The double-edged sword of privatisation

(232) M+G (BM) 23-29/2/96

■ From PAGE B1

Total income is up from R2,8-billion in 1992 to R3,2-billion in 1995 and net income before tax is up from R290-million to R325-million in 1994. Denel paid a R70-million dividend to government last year.

Says BusinessMap: "The reports are so glowing that it might well be asked why government thinks it's necessary to have a national strategy of restructuring its enterprises — rather than simply addressing a few problematic ones and leaving the ownership of the rest intact.

"However, all that glitters is not gold. Profitability is improving, but it can be argued that with restructuring, government could get more from its enterprises."

The public enterprises form an integral component in shaping and supporting the economic infrastructure behind government's Reconstruction and Development Programme (RDP). Because of their strategic products and size — the *Financial Mail* ranks Eskom and Transnet as South Africa's 10th and 11th largest businesses respectively in terms of assets — they are in a position to play a dramatic supportive rôle in South Africa's socio-economic transition.

Their products, particularly electricity and rail, ship and air transport, are the engine room for the economy's development and well-being.

Thus, what to do with these state assets has immense consequences politically, socially and economically.

Minister Stella Sigcau has overseen the shift in policy from being broadly neutral — neither privatise nor nationalise, but commercialise — to one of accepting their "restructuring".

However, Telkom, not under Sigcau's authority, is likely to be the first state enterprise to test government's new restructuring policy when it obtains a strategic equity partner, possibly this year.

JOBS

Privatisation bogeyman over-inflated

(232) ST(BT) 25/2/96

Conventional wisdom dictates that job losses are inevitable in the privatisation of state enterprises. This is not necessarily the case, writes SVEN LUNSCHE

WORLDWIDE plans to privatise state enterprises have inevitably led to clashes between trade unions and government

South Africa is no exception Trade union action after the government first announced the partial or full privatisation of parastatals in December catapulted labour into action and eventually led to the signing of the National Framework Agreement this month.

The NFA, however, while providing a forum for labour to make an input into proposals on restructuring and privatisation, does not give it a veto over the process

Crucially, it does not give an undertaking to guarantee job security for public-sector workers

Instead, the agreement "calls for efforts to be made to retain employment or redeploy workers within or between state enterprises"

Altogether 315 000 workers in 29 public enterprises will be affected by the restructuring (see table)

Parastatals in categories 1 and 2 will either be retained in their current form or will be allowed to sell a minority holding to a strategic equity partner

Profitable or loss-making companies (categories 3 and 4) look set to be sold in their entirety, according to the guidelines by the Department of Public Enterprises

The restructuring impact on employment levels can be expected to differ from parastatal to parastatal, but there are some overall trends that appear to suggest jobs are safer than assumed by the unions

Most public sector corporations were commercialised in the late 80s or early 90s As a result the number of workers at these companies almost halved from the heydays of the mid-80s when many of the companies acted as a safety net for mostly white and unskilled South Africans Official figures, compiled by the Central Statistical Service and dating back to September 1990, show 400 000 people in the employ of parastatals By June 1995 the figure had shrunk to 298 000

A look at some of the individual corporations provides a more accurate picture

Electricity utility Eskom, a success story both in terms of its social delivery programme and its bottom line, reduced its staff complement from 66 000 in 1985 to just under 40 000 last year

The combined staff of the Post Office and Telkom fell from 133 500 in September 1990 to 88 000 in June last year

The most dramatic cuts have been experienced at Transnet, in particular its Spoornet subsidiary In 1982 Transnet employed 280 000 mostly unskilled workers By 1991 the figure was down to 162 000 and last year the staff complement amounted to 115 000, a 60% cut over 13 years

These reductions in the workforce effectively rule out further large-scale job losses, although there is clearly a need for significant restructuring at some of the giants in the public sector such as Telkom and Transnet

Transnet's Spoornet division, which currently employs 66 500, could easily shed a further 20%, say industry sources

Telkom's staff levels are 5,5 times higher than a similar-sized group in the United States Telkom management, though, has sound reasons for holding back on a further wave of retrenchments Under its Vision 2000 project it will have to provide a further four million telephone lines over the next four years, a project that is likely to absorb a large portion of the "superfluous" labour pool

Telkom has already made some progress in its battle to trim numbers by sourcing out certain non-core operations These operations — restaurants, transport, construction, workshops, security and printing — employ about 14 000 workers and in order to run profitably might have to be cut back

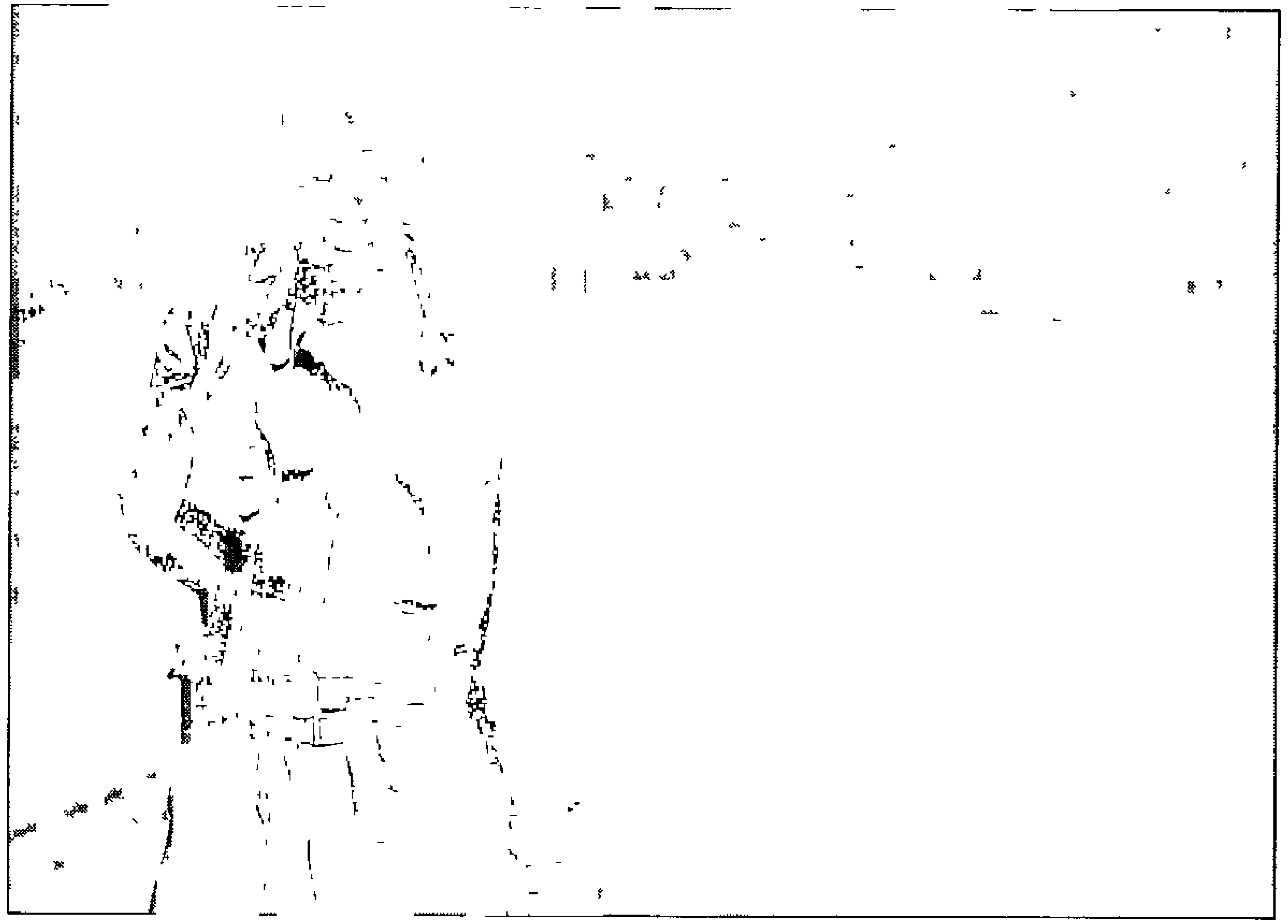
Not all Transnet subsidiaries are a disaster, though SAA and the Airports Company have improved their bottom line markedly over the last two years, so much so that the Department of Transport this week gave the assurance that not a single job would be lost if the Airports Company brought in an outside shareholder

In sharp contrast to Telkom and Transnet, Eskom is at the point where rationalisation has clearly come to an end and where the utility could effectively start hiring staff again in order to meet its considerable commitments under the mass electrification programme

The small public corporations up for sale are, for the most part, at full-employment level, which in the case of the profitable ventures, explains their commercial success

The notable exception to this trend is Transnet's PX (Parcel Express) which employs over 8 700 people but made losses of about R300-million

The state wants to get rid of PX, but given the competitive nature of the mail express industry, privatisation would mean large-scale job losses



MAKING TRACKS? Transnet has cut the number of employees from 280 000 to 162 000 in 13 years

RESTRUCTURING OF STATE ENTERPRISES

	Total assets R'000	Total liabilities R'000	Turnover R'000	Profit before tax R'000	Number of employees
CATEGORY 1 - public policy value					
Eskom	49 761 000	30 162 000	12 891 000	2 601 000	[illegible]
SABC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SA P[illegible]	[illegible]	[illegible]	[illegible]	22	[illegible]
[illegible]	[illegible]	1 370 [illegible]	[illegible]	[illegible]	[illegible]
[illegible]	211 5[illegible]	13 4[illegible]	89 81	12 7[illegible]	4
CATEGORY 2 - public policy/strategic value					
Atom[illegible] En[illegible]	[illegible]	746 [illegible]	[illegible]	15 [illegible]	26[illegible]
Mossgas	11 219 [illegible]	[illegible]	[illegible]	516 [illegible]	[illegible]
SAA	4 355 [illegible]	[illegible]	[illegible]	21	[illegible]
Soekor [illegible]	19[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CATEGORY 3 - no public policy value					
Profitable					
Autonet	234 0[illegible]	142 849	399 0[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sun Air	86 252	26 597	46 253	(4 047)	257
Non-profitable					
A[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transkei Airways	67[illegible]	7 83[illegible]	9 2[illegible]	(6 420)	[illegible]
	132 257 806	73 521 292	49 273 954	6 214 788	267 346
TOTAL	138 343 722	76 612 408	49 632 585	6 409 275	315 156

Graphic FIONA KRISCH Source DEPT OF PUBLIC ENTERPRISES

Privatisation a boost for insurers

(232)

By Llewellyn Jones

CT (BR) 26/2/96

Johannesburg — Privatisation will boost the risk management and insurance industry as public companies start to shift ultimate responsibility away from the government and on to their own balance sheets, says Roger Voysey, the managing director of risk financing company Guardrisk.

Voysey was speaking ahead of today's risk conference in Johannesburg organised by the South African Risk and Insurance Management Association and the Society of Risk Managers.

"The shifting of the centre of gravity of certain large enterprises away from the state will inevitably imply a corresponding shift in their risk exposures," Voysey said.

"What the government implicitly covered before, companies will have to start covering themselves."

Privatisation was only one of a number of structural factors responsible for the growing importance of risk management in South Africa. These included increased competition as well as the growing local presence of international companies experienced in risk management.

Also heightening the risks South African companies now face are the growing threat of litigation, new corporate governance constraints, the high price or non-availability of certain kinds of insurance cover and the growing tendency by companies to seek more cost-effective tailor-made risk financing solutions.

BMW had recently achieved the latter, according to Voysey, by isolating the hijacking and theft risk of its vehicles from other vehicle risk.

2 more tolls on Durban road

(232)

Star 27/2/96

OWN CORRESPONDENT

Durban – A roads project costing between R2-billion and R3-billion has been handed over to the public sector for privatisation – which will mean two extra tolls on the N3 between Cedara, outside Pietermaritzburg, and Heidelberg.

The concession, which will run for 25 to 30 years, will go to the private sector company or consortium whose detailed plan is accepted, following the submission of proposals earlier this month.

Four major construction groups have reportedly made submissions.

The winning tender will include two new toll sections on the route to cover the costs of building a R300-million section to replace the road between Heidelberg and Villiers, and an R800-million road over the De Beers Pass, linking Warden and the Tugela toll station.

Thus would bypass Harrismith and Van Reenen's Pass.

management and the CWIU, and at my invitation, a meeting was first held with the CWIU, other stakeholders and CEF management on 16 January 1996 and a subsequent meeting was held with the CWIU, other stakeholders and Mossgas management two days ago, on 19 February 1996 At this meeting I urged management to enter into discussions with the CWIU and it was agreed that talks would be held between them, together with my representative, at Mossgas on the issue I am optimistic that a settlement satisfactory to all can be reached

Summary and Conclusion On 6 December 1995, the Cabinet decided that an enquiry should be urgently launched to determine private sector interest in Mossgas It was also decided that before any investment in the further development of the gasfield was approved, the opinions of interested parties on the desirability or otherwise of the immediate development of the satellite fields would be canvassed in the light of what those parties had in mind for the further development of Mossgas Advisers Rand Merchant Bank and Arthur D Little were appointed to ascertain the private sector interest but prior to that to report on prospective investors' views on the satellites question by February 1996, whereafter the Cabinet will consider the matter

(a) falls away,

(b) falls away

(2) Good progress has been made with determining the extent of private sector interest in Mossgas Contact has been made with over 170 local and international organisations 102 of these have already indicated that they would like to have further information Although no decision has as yet been taken to sell Mossgas or a part of it, it is necessary to carefully and comprehensively determine the degree of interest so as to ensure that the State, the people, the workers and the Mossgas community obtains the maximum value for South Africa's investment in Mossgas This process will be conducted by the consultants to the Central Energy Fund over the next six months

Magistrate. alleged offences

*27 Mr D M BAKKER asked the Minister of Justice †

(1) Whether a certain magistrate, whose name has been furnished to his Department for the purpose of his reply, is still officiating as such in spite of the fact that allegedly he has already been convicted of criminal offences three times, if not, what is the position in this regard, if so,

(2) whether any steps are envisaged in this regard, if not, why not, if so, what steps?

N34E

The MINISTER OF JUSTICE

(1) No He has been instructed by the Magistrates Commission to do administrative work until the matter has been finalised

(2) Yes, steps are envisaged Magistrates, however, are independent and are not subject to the control or discipline of the Department of Justice Magistrates fall under the authority of the Magistrates Commission The matter was referred to the Magistrates Commission which is awaiting the outcome of the appeal which Mr Shimange has noted against his conviction on 1 February 1996 The Magistrates Commission anticipates that once the appeal has been disposed of, disciplinary steps will be instituted

Financial aid to ship building programme

*28 Mr D DE V GRAAFF asked the Minister of Trade and Industry †

(1) Whether a certain company, whose name has been furnished to his Department for the purpose of his reply, has applied to the Government for financial aid in respect of a particular ship building programme, if so, (a) for what purpose was the aid requested, (b) what was the amount involved and (c) what was the Government's decision,

(2) whether he will make a statement on the matter?

N35E

The MINISTER OF TRADE AND INDUSTRY

(1) Yes The name of the company is Dorbyl Engineering

(a) Dorbyl received a proposal from a foreign company to build a number of ships in South Africa over a few years The costs of the proposed venture was significantly higher than what Dorbyl could possibly carry and a request to Government was made for financial assistance Such envisaged assistance would, according to Dorbyl, make the venture profitable

(b) In addition to GEIS (General Export Incentive Scheme) payments on the first two completed ships, Dorbyl required

- A subsidy of R65 million over a four and a half year period,
- A deferment of tax receipts of R120 million over a period of five years and guarantees to cover any possible negative effects that likely changes to tax legislation would have on the financial structure of the scheme before 2005

(c) Government's response to the tax proposals were that we could not provide a special tax dispensation nor could we guarantee tax levels to anyone for any length of time

In terms of the request for subsidy, Government is in general not in a position to provide subsidies on demand Moreover, previous experience of ship building in South Africa suggests that schemes such as that proposed by Dorbyl are always requested in order to enable companies to compete international experience has shown, however, that it is impossible to make South African ship building industries competitive and sustainable in the long term without unacceptable levels of government subsidy

Countries that subsidise their shipbuilding industries tend to be those that have large budgets and in simple terms, those that can afford to South Africa cannot afford to subsidise its shipbuilding industry in order for it to complete in a league with countries that have infinitely more money available for subsidies than we do

The Government is, however, still prepared to consider a scheme proposed by Dorbyl if such a scheme can match the objectives of government such, for example, as the creation of employment and exports, and through measures that are more acceptable

(2) No

Restructuring of State assets: agreement 232

*29 Mr L D CHUENYANE asked the Minister for Public Enterprises

Whether the Government and a certain organisation, the name of which has been furnished to her Department for the purpose of her reply, have reached an agreement on the restructuring of State assets, if so (a) what are the terms of the agreement and (b) what State assets are involved?

N371E

The MINISTER FOR PUBLIC ENTERPRISES

Yes

(a) The terms of agreement are set out in an agreement titled "National Framework Agreement" of 25 January 1996 which was made available to the members—I shall however table the said document

(b) All State enterprises and assets where the State is the controlling or sole shareholder

Joint media release on the National Framework Agreement by the Government of National Unity and Labour

7 February 1996

Government and Labour (Cosatu, Nactu and Fedsal) indicated in an earlier media release on 25 January 1996 that following intensive negotiations between the six-a-side teams in December 1995 and January 1996, agreement had been reached in principle subject to the approval of the respective principals of the parties

Cabinet today approved the National Framework Agreement (NFA) The three labour federations have also approved the draft and accordingly the NFA has now been signed by all parties

The parties believe this is an important achievement in dealing with complex issues affecting the social partners A firm ground for moving forward and dealing with problems has been established

The structures in terms of the NFA will be established and the process commenced with, soon

National Framework Agreement (NFA)

1 **Parties**

1 1 Government of National Unity (GNU) represented by Ministry for Public Enterprises, the coordinating Ministry of the restructuring process

1 2 Labour comprising the Congress of South African Trade Unions (COSATU), the Federation of South African Labour Unions (FEDSAL) and the National Council of Trade Unions (NACTU)

2 **Purpose and Status of the NFA**

2 1 To establish an agreed process, based on stated objectives and principles between the parties in regard to the restructuring of certain State Areas

2 2 The status of the agreement is defined by the mandate of the National Economic Development and Labour Council (NEDLAC) Accordingly this agreement does not replace the sovereignty of Parliament The National Framework Agreement (NFA) shall be a bilateral agreement between the GNU and Labour that, in the interests of transparency, shall be tabled for information at the Executive Council of NEDLAC

2 3 The parties shall abide by their respective obligations as set out in this agreement

2 4 This agreement and all structures emanating therefrom shall be valid until 27th April 1999 The agreement will nevertheless remain in effect until renewed or terminated

3 **Background**

The GNU came to power confronted with an enormous range of problems, most alarming being a 40% rate of unemployment State institutions had been used to entrench minority privilege They should now be used to address the apartheid legacy and promote employment and service delivery to people who were disadvantaged

In order to resolve these problems, state institutional reform must be a major element of the Reconstruction and Development Programme

4 **Objectives of Restructuring**

Labour and Government are committed to the provision of affordable, good quality basic services to all South Africans

The initiative to restructure State Assets is part of the process of implementing the RDP Government has concretised some of these objectives in its so called "six pack" programme namely belt tightening, reprioritisation of state expenditure, restructuring of state assets and enterprises, restructuring of the public service, building new inter-governmental relations, developing an internal monitoring capacity for the above programmes

Government and Labour recognise the legitimacy of the state playing a role in productive sectors of the economy Therefore, restructuring is not necessarily geared towards reducing state economic involvement in any economic activity

The main objectives of restructuring are as follows

4 1 *Increase Economic Growth and Employment*

The effectiveness, sustainability and viability of State Owned Enterprises (SOEs) is vital to the objective of maintaining and generating employment opportunities

Enhancing the economic efficiency of public enterprises, facilitates long term, sustainable economic growth, the key to widespread economic welfare and sustainable job creation

4 2 *Meeting Basic Needs*

Restructuring should be geared to meeting the basic needs of all South Africans with the focus on the poor and disadvantaged communities

Critical to this objective is the improvement of the quality and delivery of affordable services Restructuring of state assets such as housing, land and other infrastructure should be rationalised within sectoral policy to meet RDP ojectives

4 3 *Redeployment of Assets for Growth*

To enhance growth and employment it is necessary to redeploy assets Accordingly any proceeds from the restructuring process should be reinvested in assets and not used for consumption

4 4 *Infrastructural Development by Mobilising and Redirecting Private Sector Capital*

This is essential in financing the development costs of infrastructure—housing, water, energy, communications and transport—required to meet already articulated service expansion goals

The burden on public finances, particularly for infrastructure development, is enormous On average, half of government investment is accounted for by the infrastructure sector and, as the industrial economy expands, the demand will become greater

The principal new infrastructure providers include international firms operating in association with local companies These firms bring to bear not only the management expertise and technology but also the credit standing and ability to finance investment Sustainable borrowing could be used in part to meet capital needs

4 5 *Reduce State Debt*

Where appropriate, restructuring proceeds may be used along with improved financial management systems to reduce state debt

4 6 *Enhance Competitiveness and Efficiency of State Enterprises*

It is essential that individual state enterprises should be competitive and efficient in the domestic and international markets and should be positioned to access global resources and markets, particularly in Southern Africa, within a proper institutional regulatory framework

It is also essential that there are improvements in corporate governance within the public sector to allow for effective asset management, investment policies, accountability and transparency A complete audit of all State Owned Enterprise holdings, properties and their assets will be conducted

4 7 *Finance Growth and Requirements for Competitiveness*

In the utility sector there is large demand for development programmes which necessitates an increase in the operations of state enterprises in this sector By and large most of the state enterprises in this sector are already highly geared i e the ratio of borrowings to equity capital is too high

Therefore, new financing through different forms of domestic and foreign partnerships to promote the infusion of new capital and especially technology may be required

4 8 *Develop Human Resources*

Restructuring should develop the human resources capacities of South Africa through decent employment conditions, efficient use of training and retraining, redressing previous discriminatory practices and enhancing technical and managerial capacity

5 **Guiding Principles for Restructuring**

5 1 *Re-Orientate and Enhance Public Sector Efficiency*

The purpose of restructuring state asets is to re-orientate and enhance the public sector's ability to meet the challenges and requirements identified by the RDP In this context, it is the role which the enterprise can play in achieving transformation and transition goals as set out in the RDP which should inform decising-making This requires new structures, new mandates and change management

5 2 *Legal and Regulatory*

The legal and regulatory framework engenders positive economic benefits in the development process It is necessary to ensure that the laws and regulations relating to, for example, property, labour standards, monopolies, foreign investment, export incentives, environmental issues, capital markets and financial instruments are all consistent with and designed to support the government developmental initiative

South Africa has already begun this process by developing White Papers to cover the broad range of regulatory reforms and to ensure that the process of public sector restructuring is transparent and leaves no ambiguity in the implementation

It is essential that in the provision of essential services effective regulatory mechanisms are established This applies in all circumstances no matter what the structure of the industry providing that service Accordingly, appropriate legislation and constitutional mechanisms to facilitate the restructuring process at national and provincial levels should be provided Regulatory structures should be staffed by knowledgeable persons and operate autonomously

5 3 *Labour*

Organised labour in general and employees of the relevant public enterprises should participate in policy formulation processes In addition the labour rights, obligations and standards should be maintained and enhanced

The ultimate aim of restructuring is to improve the quality of life of all South Africans Therefore, the underlying approach of the parties is that restructuring should not occur at the expense of the workers in state enterprises Every effort should be made to retain employment

Where restructuring potentially has negative consequences for workers, a social plan must be negotiated with the relevant unions at the enterprise level which takes account of the worker's interests

Workers who may be redeployed within or between state enterprises shall enjoy equivalent benefits and conditions of employment as they enjoyed in their previous employment

A coherent and common set of principles need to be developed and applied by Government to the restructuring of pension and provident funds which are already undergoing massive restructuring These principles must taken into account the fundamental changes to State Owned Enterprises configuration which will follow restructuring

5 4 *Integration of State Assets*

All assets, regardless of where they are situated, must be examined within an overall sectoral policy framework and wherever possible reintegration of apartheid divided assets must occur prior to restructuring The state assets in the former TBVC states are included

5 5 *Historically Disadvantaged Groups*

Restructuring must redistribute wealth, boost the small and medium enterprise sector, have sustainable affirmative action implications and facilitate genuine black economic empowerment

The capacity of the historically disadvantaged communities to participate and benefit fully in the restructuring programmes should be ascertained and enhanced Special attention shall be paid to the needs of entrepreneurs, and the role which pension and provident funds could play in broadening ownership

In addition investment decisions and asset dispensation of SOEs in the context of overall economic policy rather than piecemeal equity transfers are key elements in achieving the restructuring elements outlined above

5 6 *Participation and Transparency*

All key stakeholders should be full participants in the policy formulation process, Boards of Directors and other appropriate decision-making structures at an agreed level The policy formulation process should be transparent in all respects Agreement shall be reached on the procedures for the conveying and protection of commercially sensitive information and operations

5 7 *Macro-Economic Stability and Growth*

It is not assumed that the transfer of assets between public and private sectors will automatically promote the objectives of growth and employment Accordingly, the restructuring of the state assets and enterprises will take place within stated policy objectives and be evaluated for their overall macro-economic effect in respect of savings, investment, the balance of payments, ownership and their net effect on employment creation and growth Macro-economic evaluation in the context of the RDP is essential within this process

5 8 *Industry Sector and Enterprise Focus*

The restructuring mechanism and process will be guided by circumstances prevailing in each industry sector as well as those in each of the individual state enterprises

The process will involve the assessment of socio-economic imperatives, a sectoral approach, and an enterprise by enterprise case study focus

5 9 *New Economic Projects*

The restructuring of state enterprises should be designed to encourage domestic and foreign investors to invest in new economic projects

5 10 *Foreign Involvement*

In the event of direct foreign involvement in restructuring, the extent of such involvement should be negotiated within the affected enterprise

5 11 *Ownership*

Ownership is not the determining factor for efficient operations

5 12 *Models of State Asset Restructuring*

Models of state asset restructuring adopted elsewhere are not necessarily appropriate to South Africa's special conditions

5 13 *Transition Period*

At present regulatory policy is being formulated in a continually changing environment Therefore certain urgent changes are required Accordingly (i) where negotiations are proceeding by mutual agreement of the parties involved they are to continue (ii) where there has been mutual agreement on issues these will be implemented, and (iii) new and currently contested initiatives will be implemented in terms of the NFA

These initiatives need to take into account both current policies and regulatory frameworks, whilst they also need to consider the direction and proposed new policy and regulatory frameworks

6 **The Structures envisaged in terms of the NFA**

The following outline must read with reference to the diagrams which are attached

6 1 *The Structure*

The NFA is a bilateral agreement between Government and Labour established in terms of clause 2 above It addresses matters that specifically concern Government and Labour in the restructuring process

There shall be a 3-tiered structure as follows

Tier One

This structure is internal to the parties Government and Labour recognise each other's right to establish its own structures Diagram one outlines the Government's structure in respect of the process The Government has established Sectoral Task Teams to examine the restructuring options The Task Teams (TTs) prevail until their reports are produced Thereafter, the Sectoral Minister's Sub-Committee will take over

Tier Two (Diagram Two)

This structure shall be the strategic implementation level set up in terms of this NFA The composition will comprise a core of 6-a-side from Labour and Government but others will be drawn in as and when required Appropriate sub-committees and ad-hoc committees will be formed as and when necessary

This NFA structure will continue to prevail until the NFA terminates as envisaged

Tier Three (Diagram Two)

This structure shall be at an enterprise level It comprises the Boards of Directors as mandated by the Cabinet and a Labour/Management Committee

6 2 *The Process*

Labour and Government recognise the right of all role players to develop their own mandates, receive advice, and shape their views on the process of restructuring The Government's internal structures as reflected in the diagram indicate that Cabinet will make all final decisions on both mandate and implementation, subject to parliamentary approval where required

The work of the Cabinet will be coordinated through a Ministerial Committee while sectoral work done initially through the Sectoral Task Teams will be coordinated through Ministerial Sub-committees per sector Government could have internal advisers, both at the general level as well as the sectoral level

The main function of the NFA structure will be to act in terms of the NFA

More specifically it will serve the following functions

(i) to explain the Government's position, share and discuss strategic and policy documents that have a material impact on the restructuring discussion, also, all materials used by Government sub-teams and Ministerial sub-committees used to formulate Government's mandate as well as information developed by advisers to the enterprises will be made available strictly in terms of the normal confidentiality agreements, e g the provisions of the Labour Relations Act As stated in clause 5 6 agreement shall be reached on the procedures for the conveying and protection of commercially sensitive information and operations

(ii) on policy and strategic issues, there shall be liaison with the Government Ministerial Sectoral Sub-Committees as and when necessary For issues on which the Government has already initiated processes and has mandated views, these should be discussed within this structure Issues where no mandate exists, discussions will take place within this structure prior to recommendations being made to Cabinet

(iii) to agree on the form, appointment and number of advisers to Labour at the NFA structure level The appointment of such advisers must be transparent, avoid duplication and subject to budgetary constraints

(iv) to facilitate, through the Board of Directors, the form, appointment and number of advisers to Labour at an enterprise level in a transparent manner Such monies to be made available by the enterprises

(v) to resolve disputes between management and labour at an enterprise level in terms of the procedures contained in the Labour Relations Act Only policy and/or strategic disputes to be referred to the NFA

In the event of labour and management being unable to agree on whether or not a particular dispute is of a policy and/or strategic nature, such disputes will be referred to the NFA structure

In relation to the process at enterprise level Government will act with and through its Board of Directors in terms of Cabinet mandates Restructuring proposals will be tabled in terms of the NFA and any measures agreed through discussions at the NFA Structure level Such proposals will be negotiated through the collective bargaining process in terms of the Labour Relations Act or where no bargaining structures exist through structures stablished by agreement between management and employees to agree on the details and procedures for implementation of any restructuring

7 **Definition of Terms in Respect of a Matrix of SOEs within various categories**

The definition of terms is to facilitate the clarification of terminology but does not prescribe any particular course of action in any particular restructuring process

7 1 State Owned Enterprises (SOEs)

Also referred to as public enterprises or parastatals, which provide goods or services The State is the controlling or sole shareholder and acts as the steward of these assets on behalf of all South Africans

7 2 Reorganisation of state assets

Refers to the overall programme of restructuring state assets to meet the objectives as set out in this agreement and includes all four government task groups dealing with fixed assets, public corporations, pension funds and the guidelines on the restructuring of public enterprises

7 3 Restructuring

Refers to substantial changes as they affect ownership and control, accountability, function and location of state assets

7 4 Privatisation

(i) Refers to the policy of converting public ownership of an asset to the private sector or

(ii) permitting the performance of a certain activity, hitherto carried out by a state owned enterprise, by a private sector business

7 5 Joint Venture

Refers to a situation where two or more enterprises, whether private or public, work together on an economic activity

7 6 Strategic alliances

A contractual arrangement based on technology transfer and/or management contracts within long-term strategic projects

7 7 Commercialisation

Refers to a state corporation which operates on a cost recovery basis in the market place

7 8 Corporatisation

Refers to commercialisation and registration in terms of the Companies Act

7 9 Golden Share

Refers to Government, following privatisation, retaining the right to intervene in management decisions and to ensure compliance with Government policy and does not necessarily confer the right to dividends to the Government

BACKGROUND DOCUMENTS

A National Economic Development and Labour Council Act No 35 of 1994

B Discussion Document by the Government of National Unity on the Consultative and

Implementation Framework for the Restructuring of the State Assets, 25 July 1995

C The Reconstruction and Development Programme—A Policy Framework—ANC 1994

D White Paper on Reconstruction and Development—Government Gazette Number 16085—15 November 1994

E OTHER RELEVANT CABINET/NEDLAC DOCUMENTS

Signed on behalf of the parties at Cape Town on 7 February 1996 by

1 Government of National Unity

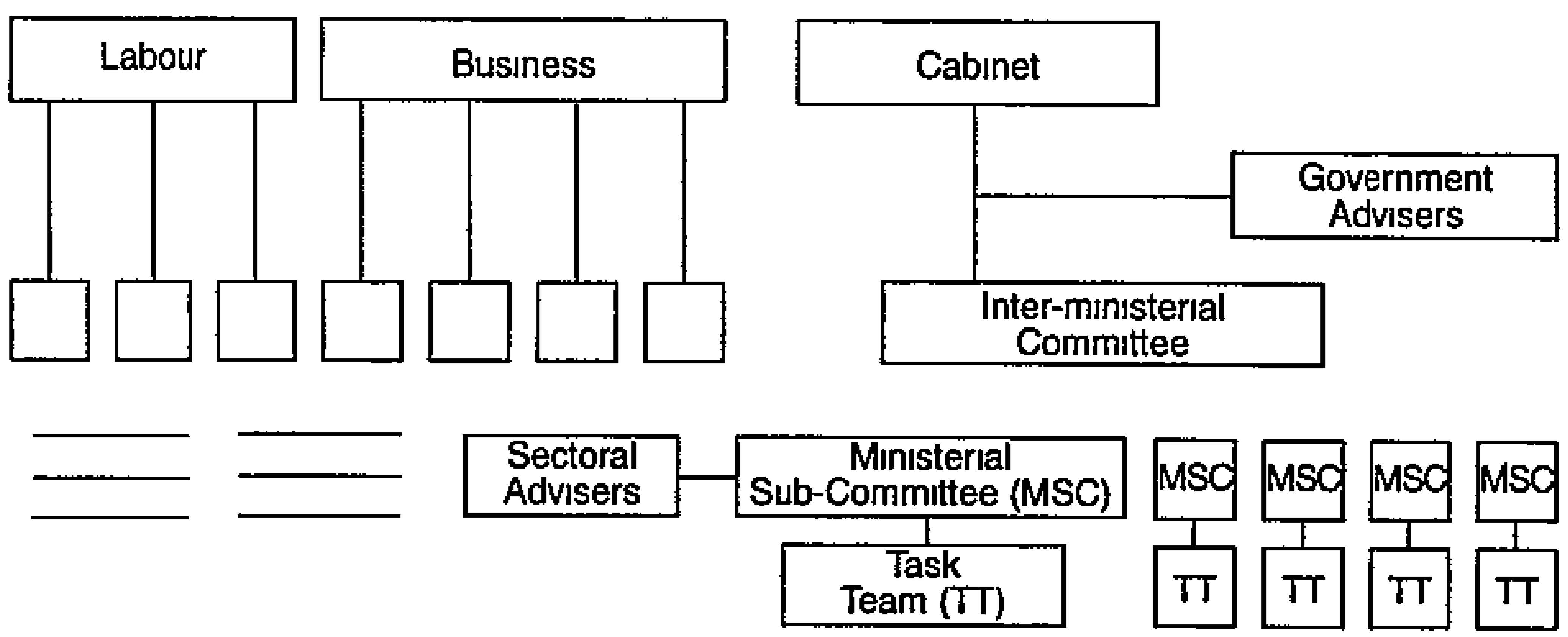
2 Federation of South African Labour Unions

3 Congress of South African Trade Unions

4 National Council of Trade Unions

Diagram One

INTERNAL STRUCTURES OF KEY STAKEHOLDERS



TT ends when reports are complete —
Ministerial sub-committee then takes over

X

Public Service: English as official language

*30 Mr A S BEYERS asked the Minister for the Public Service and Administration †

(1) Whether his Department has taken a decision that English will in future be the official language of the central Public Service, if so, (a) who was consulted in this regard and (b) what were the reasons for this decision,

(2) whether he will make a statement on the matter?

N39E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

(1) No

(a) Lapses

(b) Lapses

(2) No

Aid to health services: control

*31 Dr W A ODENDAAL asked the Minister for Health

(1) Whether the Government intends controlling and/or monitoring all donor aid to health services, if not, why not, if so, (a) why and (b) what will be the nature of the control and/or monitoring,

(2) whether she will make a statement on the matter?

N40E

The MINISTER FOR HEALTH

(1) Yes, the Government intends to monitor all donor aid to health services

(a) It is important to monitor donor aid into South Africa for the following reasons

- to facilitate optimum utilisation of donor aid and channel resources towards country priorities in health
- to monitor the impact of donor aid in increasing access to health services and the improvement in the delivery system
- to monitor the ratio between the national budget in health versus donor funding to ensure that public resources are spent appropriately and that donor aid is aligned with the fiscus and does not disturb the macro-economic impact of the SA budget

(b) The nature of the control and/or monitoring will be as follows

- the National Department of Health has established a Sub-Directorate for Donor Coordination under the Directorate for International Affairs to do the technical administration of donor aid
- There is a National (Health) Donor Coordinating Committee which comprises all the Chief Directors at the national level to ensure that donor aid is in line with the policies and priorities of the Department of Health
- Donor aid is coordinated between the national and provincial departments of Health through the Provincial Health Restructuring Committee which comprises the National Director General of Health and the provincial Heads of the Departments of Health
- The Department of Health has a policy on donor funding which ensures that only project that fit in with overall Department of Health policies and programmes are funded
- There is also an International Donor Coordinating Committee coordinated by the Departments of Finance, RDP, Trade and Industry and Foreign Affairs All aid received in South Africa is in line with the Government of National Unity and RDP priorities The Department of Health is represented on this committee

(2) No

Afrikaans· broadcast time

*32 Mr J J DOWRY asked the Minister for Posts, Telecommunications and Broadcasting †

(232) (233)

INSIDE LABOUR

CT (BR) 1/3/96

Waging war on water privatisation

TERRY BELL

Water is likely to be at the centre of the first serious — and possibly brief — battle in what promises to be a guerrilla war against privatisation by sections of the trade union movement. These followed the belated realisation by the unions that the private sector bandwagon had already begun to roll, in the form of long-term, delegated management contracts for water and sanitation services.

Now there is a frantic attempt by the unions to draw in international expertise and background information. This week, the British-based and trade union-funded Public Services Privatisation Research Unit filed its report on controversial Paris-based transnational Lyonnaise des Eaux to the South African Municipal Workers Union (Samwu).

Five years ago, Lyonnaise des Eaux, which manages water and sanitation for cities such as Paris and Barcelona, teamed up with locally based Group Five.

Both companies had a shared interest in construction and services provision and Group Five had identified water and sanitation provision as a growth area.

Group Five had already established a company called Aqua Gold Services. Its purpose was to develop and manage water and sanitation services.

The company was renamed Water and Sanitation Services (WSS) and became a subsidiary of Lyonnaise Water Southern Africa (LWSA), which is a joint venture between Group Five and Lyonnaise des Eaux.

It was LWSA, established to deal with larger, metropolitan areas, which was pitching for the contract to manage Johannesburg's water and sanitation services. WSS, which concentrated on smaller councils and rural areas, already managed such services in Queenstown, Stutterheim and Fort Beaufort.

The 25-year Queenstown contract — the first in the country — was signed in 1992, but Samwu only became aware of it a year ago.

"We found out when they tried to get into Kimberley," said Samwu water co-ordinator Lance Veotte. That was the first skirmish.

Now, with Johannesburg casting about for possible management services and WSS apparently involved in talks with a number of local authorities, including Kimberley, the battle lines are drawn.

The next skirmish will take the form of a workshop to be held before the end of April, featuring union and private sector representatives — and paid for by LWSA.

The company sees the workshop as an opportunity to clear the air. LWSA and WSS delegates will stress that their contracts do not amount to privatisation, that there is no selling off of assets, that profit will come through more efficient operations and that by taking water and sanitation out of the restrictive political environment, a more efficient service will be assured.

The orientation will still be towards profit.

Samwu is concerned at profit becoming a priority in a vital area like water. Discussions in the workshop are likely to be heated if LWSA refuses to divulge the financial details of existing WSS contracts. Copies of these confidential documents, minus the financial details, have been made available to union representatives, who now want full disclosure.

Much is likely to be made of the nod of approval to delegated management contracts from Kader Asmal, the water affairs minister. His proviso was that these contracts must be in the public interest and that "the views of organised labour" must be taken into account.

In the case of existing contracts, organised labour was not consulted. But consultation is about to begin and Willem Munting, the managing director of WSS, has promised openness about the company's activities.

Samwu's official view is that it is opposed to privatisation in any form, that "cost-plus" contracts, especially where capital expenditure remained the province of the local authority, should not be entertained.

Said Veotte: "With a resource as vital as water, we can't let that happen. You don't rent out the family jewels."

'State sell-offs could fund cuts'

(232)

Mungo Soggot

BD 1/3/96

GOVERNMENT should cushion the costs of public service retrenchments by devoting a slice of privatisation proceeds to fund the cuts, the SA foundation said

Although it was crucial for government to slash the public service, retrenchment costs were very expensive, it said

"One way of cutting the deficit while temporarily raising the wage bill would be through dedicating a portion of privatisation receipts to retrenchment costs"

The foundation warned, however, that such an approach could have dangerous pitfalls

"Such strategies are dubious, of course, because capital receipts should not be used for current spending"

But provided this was an explicit and short-term approach, and that government was meeting its employment reduction targets, "it would probably be acceptable to the private sector".

The foundation called on government to scrap expenditure which perpetuated apartheid distortions, such as transport subsidies where R2bn to R3bn could be cut within a couple of years

Privatisation will help govt dodge looming debt trap

(232) BD 1/3/96

Mungo Soggot

THE SA Foundation is puzzled over why privatisation has been rejected so widely in SA

In its growth-for-all strategy, it said it was nonplussed at the trade union movement's opposition to privatisation "Organised labour has yet to be convinced that the benefits that will flow to the economy from privatisation will outweigh possible short-term job losses and dislocation costs. Moreover, job losses in some highly unionised public enterprises may be seen as weakening to the union movement"

The foundation believed privatisation was a much needed tonic for the economy — it could help boost efficiency and help government dodge the looming debt trap However, it recommended government set about the task as openly as possible "A public perception has arisen in SA that privatisation will be implemented by stealth which is unhealthy"

It suggested a meaty first wave of privatisation which could be executed with minimal trauma to the labour movement. This batch of assets, which would bag government R20bn "very quickly", could include the Industrial Development Corporation's stakes in Sasol, Iscor and Alusaf and government stakes in Safcol, Mossgas, Denel, Foskor, Sunair, Transkei Airways and the Aventura holiday resort chain.

After dispensing with these less tricky sales, government should then proceed to sell Telkom and Transnet "In both cases, substantial productivity gains from retrenchments are possible." Despite their hefty pension fund deficits, their combined sale value could top R20bn

The foundation scorned the white paper on telecommunications' suggestion that Telkom be shielded from foreign competition for seven years, saying other experience showed the sector bloomed more than most when exposed to competition. "Given that mechanisms exist to ensure the poor gain rapid access to services, even in competitive markets, it is difficult to understand government's position"

It was more cautious when it came to Eskom. It said the utility's privatisation should be handled cautiously because of "political desires to use it for social purposes" But it said expanding access to service was "entirely compatible" with private ownership and competition if the regulatory and financing structure was appropriate

"Its potential sale should be carefully handled because of political, sensitivities; specific tender conditions for the sale of Eskom or its parts might, in practice, overcome all manner of socio-economic concerns."

Meanwhile, the foundation warned that the pension fund crisis at many parastatals could worsen as government sought to trim the civil service It said a contracting public service meant a decline in contributions to the pool of resources available for an increasing number of pensioners

Current employees could then become unwilling to contribute to the funds or could become tempted to retire sooner rather than later.

It suggested government hand control of the funds over to the private sector and swap defined benefit schemes for defined contributions

The foundation did caution that "such privatisation would have large and unknown transition costs"

Timber sale gets the nod

(232

THE Competition Board has approved the second application by Hunt, Leuchars & Hepburn to sell its timber interest to Sappi and Mondi, writes SVEN LUNSCHE

However, the board has attached a number of conditions to the sales of HL&H Timber's softwood business to Sappi and the hardwood interests to Mondi.

The sale of HLH Timber to the two forestry giants was previously blocked by the Board after a number of independent lumber millers expressed concern about the concentration of log supplies in the hands of Sappi, Mondi and state-controlled Safcol.

The Board's conditions require Sappi to enter into contracts with independent lumber millers to purchase its softwood waste and Mondi to sell 20 000 hectares of hardwood timber plantations to timber co-operatives.

Board chairman Pierre Brooks says the major concerns of independent lumber millers centred on their supply contracts with Safcol, a matter that would be the subject of a separate inquiry. He also suggests that Sappi seek a buyer other than Safcol for its Boskor sawmill in the southern Cape.

ST(BT) 3/3/96

Competition board allows sale of HL&H Timber

CT (BR) 4/3/96 (232)

By Charlotte Mathews

Johannesburg — On Friday the competition board made its long-awaited decision to approve the sale of Hunt Leuchars & Hepburn's (HL&H) timber interests to Sappi and Mondi But the decision is likely to engender mixed feelings among all the parties

HL&H first announced its intention to sell these interests in a cautionary notice to shareholders eight months ago

The sale should help cut its debt burden. Market estimates put the value of HL&H's 50 percent interest in HL&H Timber Holdings at about R500 million.

That values the whole HL&H Timber Holdings operation at about R1 billion Anglo American holds the other 50 percent of the timber company

HL&H Timber has three main operations mining, hardwood chips and softwood

Mondi, an Anglo American subsidiary, was interested in the hardwood business and Sappi made the highest bid for the softwood operations

The competition board was involved because of objections to the sale from independent sawmillers and timber groups They feared that the industry would be dominated by Mondi, Sappi and the state timber group Safcol

Kader Asmal, the minister of water affairs and forestry, also made a submission against the deal

The competition board said last week that its approval was subject to conditions that had been recommended in preliminary discussions with all the parties

The softwood sawmilling businesses, softwood plantations and related businesses could be sold to Sappi if it entered into contracts with lumber millers to buy the softwood waste and continued to operate the Lomati sawmill

Mondi could buy HL&H Timber's hardwood operations, including mining timber, if Mondi sold 17 000ha of hardwood timber plantations to the timber co-operatives and a mining timber pack mill to the Transvaal wattle co-operative Mondi would also have to transfer 3 000ha of leased hardwood plantations to the timber co-operative

The competition board's approval does not mean that the deals between HL&H, Sappi and Mondi are final, because they are still subject to other conditions

Neither Sappi nor Anglo American could comment on Friday Sappi said it had not received official confirmation of the sale and Anglo American said that Tony Trahar, the Mondi chairman, was unavailable

Pierre Brooks, the chairman of the competition board, said the deal would not necessarily make the timber industry more competitive, but that was not the board's primary concern

"The primary concern is that the industry is not going to be markedly less competitive," he said

"It is not an ideal situation and never has been, but it is not our job to restructure the market We look at a set of facts and ensure there is no marked deterioration in the situation," he said

The announcement was delayed because the Mondi and Anglo American aspects of the deal had to be approved together

Brooks said the sawmillers would probably not be entirely happy with the deal's approval, even under these conditions

The sawmillers were particularly concerned about softwood supply, but this was an issue that the competition board could consider after the transaction, he said

Nedlac's role in competition policy clarified

CT(BR) 4/3/96 (232)

STAFF WRITER

Johannesburg — The role the National Economic Development and Labour Council (Nedlac) will play in considering the trade and industry ministry's competition policy proposals was clarified at a meeting between business, labour and the government at the weekend

Friday's meeting was facilitated by the Nedlac secretariat and attended by Trevor Manuel, the minister of trade and industry, business representatives Raymond Parsons, Stef Naude and Mashudu Ramano, Les Kettledas, the deputy director-general of the labour department, Herbert Mkhize, the labour convener in the trade and industry chamber; and Jayendra Naidoo, the executive director of Nedlac; Naidoo chaired the meeting

All parties had committed themselves to "serious and substantive discussion on competition policy", said Lorrin Saayman, a Nedlac spokesman

He said discussion would focus on reaching consensus on the policies to be adopted, including how these policies would be implemented

The parties did not feel it was necessary to engage in line-by-line negotiations to reach consensus on competition policy, although there would be a need to discuss specific legislation

The meeting expressed full confidence in the Nedlac process

The trade and industry ministry is in the process of completing its proposals on competition policy, after which it will obtain a mandate from the government

It was agreed that the government's proposals would then be tabled in Nedlac and discussed at a special meeting

A process for discussing this document in Nedlac and mechanisms for liaising with the parliamentary portfolio committee on trade and industry would be developed

Jayendra Naidoo, the executive director of Nedlac

Trevor Manuel, the trade and industry minister

Raymond Parsons, a business representative

Board clears HL&H's timber deal

Nicola Jenvey (232) BD 4/3/96

DURBAN — The Competition Board has cleared the sale of Hunt Leuchars & Hepburn's timber interests to Sappi and Mondi.

The board, which has been probing the deals since November, said at the weekend that the sales could go ahead, subject to certain conditions relating to the softwood and hardwood divisions.

Sappi could buy HL&H's softwood sawmilling business, plantations and related business, provided it entered into contracts with lumber millers to purchase their softwood waste, and continued operating the Lomati mill.

The board said Mondi could buy the hardwood operations, provided it sold 17 000 hectares of plantations to timber co-operatives, one mining timber pack mill to the Transvaal Wattle Co-operative, and transferred 3 000 hectares of leased hardwood plantations to timber co-operatives.

Board chairman Pierre Brooks said under such conditions there was "no cogent legal reason for the board to stop the transactions".

The global pulp market was characterised by its volatility and Sappi and Mondi were only two SA companies competing against many larger international corporations.

However, the board would launch a formal investigation into parastatal Safcol this week over the supply of sawlogs to independent millers

HL&H said the deals would cut its debts, which stood at R850m.

The group declined to price the deals, though the assets were worth R292m in the six months to last September, contributing R1,8m profit.

Fivaz warned against appointment of whites

Farouk Chothia

BD 5/3/96

DURBAN — The KwaZulu-Natal legislature's safety and security committee warned SAPS commissioner George Fivaz yesterday that he would have a fight on his hands if he pressed ahead with a new round of police appointments in the province.

Committee chairman Bheki Cele (ANC) said the committee was opposed to continued white domination in police structures, and wanted the selection process to be reopened. There was also widespread dissatisfaction in Gauteng and Eastern Cape with police appointments.

Of the 69 posts to be filled in KwaZulu-Natal, 48 had been earmarked for whites, Cele said. The remaining 21 posts would be occupied by 11 Indians, nine blacks and one coloured person.

Cele said all parties on the committee — including the ANC, IFP and NP — had expressed concern at the large number of whites chosen.

He said the committee met national deputy commissioner Morgan Chetty and KwaZulu-Natal commissioner Chris Serfontein yesterday.

There was "fire" at the meeting, and a stand-off had developed.

Fivaz's spokesman Joseph Ngubeni said there would be a delay in making announcements in order to allow for "widespread consultation". He could not comment further.

Visiting experts caution unions on privatisation

(232) BD 5/3/96

Renee Grawitzky

INTERNATIONAL experts yesterday warned Cosatu, Nactu and Fedsal that the real beneficiaries of privatisation, apart from international consultants, were multinational companies contracted to provide services

University of New South Wales public sector research centre executive director Michael Paddon told a Labour Negotiations School funded by the Friedrich Ebert Stiftung that, on a global scale, a small group of multinationals were now doing the work previously done by public services

He said the rhetoric of neo-liberalism was to say that privatisation was a result of competition, but the reality "is about the collaboration and growth of cartels".

Cosatu general secretary Sam Shilowa supported this view and said big businesses' support for restructuring was based on buying into the global community where a group of multinationals had set themselves up as providing the guidelines on how economies should run.

Paddon said outsourcing of labour and the contracting out of services had become the most commonly recognised form of privatisation The sale of state assets had become less significant

Outsourcing and contracting out, or the "privatisation of labour", which resulted in the employment of labour being handed over to the private sector emanated from the view that it saved costs for government Research in the UK found that it resulted in a net cost to government

This move further exacerbated unemployment and "the idea that privatisation can be linked to small to medium-size enterprises is a myth", he said. International experience showed that such businesses either collapsed or were taken over by multinationals.

Michael Schwemmle of the German Telecommunication Workers' Union said more than 60 000 jobs would be lost over the next four years as a result of the privatisation of Germany's posts and telecommunications.

Public enterprises ministry adviser Jeff van Rooyen said government's restructuring plan should not result in massive job losses.

Schwemmle said despite its intense opposition, the union was not able to prevent privatisation. It was able, though, to secure a number of rights for workers including an agreement with the employers that no employee could be dismissed from a job on grounds of privatisation

Labour must monitor the process of privatisation

(232)

Renee Grawitzky

BD 11/3/96

LABOUR had to ensure the motives of multinational companies investing in SA in the form of strategic equity partners were balanced against a real commitment to the provision of universal services, international experts on privatisation said during a recent visit to SA

University of New South Wales Public Sector Research Centre director Michael Paddon and former German Telecommunication Workers' Union official Michael Schwemmle said the move towards restructuring and privatisation posed a number of challenges for labour

They said labour had to entrench safeguards in agreements on state enterprise restructuring to ensure real provision of services to communities and consideration could be given to criteria for choosing strategic equity partners, if such a route was agreed to

Paddon and Schwemmle highlighted the need for safeguards as tensions existed between the need for a fundamental level of provision of services and being engaged in a competitive world market

They stressed that labour in SA had to retain a focus around the different parastatals and should not assume that the solutions would be the same for all

Where capital involvement was unavoidable, they said, it could be necessary for unions to agree to bringing strategic equity partners into the organisation In this instance, they said the terms and obligations of that involvement were crucial and had to be spelt out at the outset

Paddon said the need for capital injection assumed the need to implement new and/or a particular technology

However, before that was agreed to, labour had to investigate the most appropriate technology for SA Schwemmle said in the telecommunications industry, for example, alternative forms of technology were available and could better suit the needs for mass delivery of services

Paddon said with privatisation no longer an issue of principle but rather an issue of timetable, unions could find that 10 years from now multinationals would expect SA to be an open market and the delivery of services would not be a guiding principle

Privatisation was being presented as a universal solution by international consultants

The challenge for labour was to take government up on why privatisation was an inevitability and thereafter the union leadleadership had to lead its membership through the same set of arguments, Paddon said

Privatisation 'will reduce debt'

BD 15/3/96 (232)

Linda Ensor and
Samantha Sharpe

CAPE TOWN — SA would begin to cut its debt mountain of about R311bn only when cash flowed in from privatising state assets, Barlow chairman Warren Clewlow said yesterday

Clewlow told an Old Mutual budget forum that debt would have to be be cut by R180bn, but nothing in the Budget addressed this issue

Deputy Finance Minister Alec Erwin said privatisation had to proceed cautiously to determine value of state assets and bring labour on board.

SA Chamber of Business director-general Raymond Parsons also questioned whether government's "pact" with labour on restructuring of state assets would not limit the benefits to be derived from the exercise

Panellists raised doubts about whether the Budget enhanced government's ability to reach its 1999 growth target of 6% There were also fears that deficit reduction to 5,1% was vulnerable, depending as it did on a once-off transfer from the Central Energy Fund and improved tax collections

Inland revenue commissioner Trevor van Heerden said he was confident that R1,5bn targeted by revamped tax collection would be netted

Meanwhile, tax sources said revenue from the secondary tax on companies could exceed Budget estimates by R500m in financial 1996/97, despite an STC reduction from 25% to 12,5%

Finance Minister Chris Liebenberg said in the Budget that a lower STC was expected to be "revenue neutral"

But Ernst & Young's David Clegg said the move to reduce STC, which had effectively reduced the corporate tax rate from 48% to 42,2%, could spur SA companies to pay more dividends

SA companies had increasingly turned to capitalisation share awards in place of dividends to escape STC and, in the process, reduce their effective corporate tax rate

Nicola Jenvey reports from Durban Frankel Pollak consulting economist Mike Brown said more than 100 000 civil service employees had to be retrenched before government could balance revenue and expenditure.

New team must start from scratch

Manuel scraps competition law proposals

(232)

CT (BR) 20/3/96

By Bruce Cameron

Cape Town — The proposed legislation on anti-competitive industrial behaviour and the size of South Africa's conglomerates has been returned to the drawing board by Trevor Manuel, the trade and industry minister

In an interview yesterday, Manuel said he was putting together a new team to start from the beginning He hoped to have the team in place by next month

Manuel said there was not even a draft at this stage after months of investigation under Pierre Brooks, the chairman of the Competition Board

Brooks, whose contract as chairman was to expire in May, had been asked by Manuel to stay on and he had agreed to do so, at least until the new legislation was ready

The minister said Brooks's job "has been hamstrung by poor legislation"

Manuel was disappointed by the lack of progress He had wanted to have the legislation ready for parliament by the end of the month

He gave notice before the election in 1994 that anti-competitive behaviour was high on the list of the ANC's legislative priorities.

Since then he had been involved in a number of confrontations with big business over the issue

He said in the interview that he considered action on anti-competitive behaviour to be the most important legislation on the agenda of his department "It would give form and character to the policies of trade and industry"

Manuel said the central issue was whether legislation should break down existing monopolies or whether it should be aimed at preventing an abuse of the dominant position of the conglomerates The issue still had to be resolved

Other policy decisions stemmed from this, such as whether action should be taken before or after acquisitions and mergers had been effected

"Sorting out some of these policy issues is not easy I still have an open mind"

Manuel was working towards producing a policy document that would be presented to Nedlac for discussion, but he was adamant that business would not be allowed to negotiate the legislation line by line

"We do not want protected negotiations It is not in everyone's interest"

He questioned whether Business South Africa and Sacob had decided who they were representing on the issue "Are they representing the small family business or are they representing Anglo American?"

Manuel said he did not want to see legislation transposed from the United States or the Far East.

"We have to take account of economic history while not destroying our attempts to make industry internationally competitive We need to construct legislation out of everything that is available, that will be truly South African"

☐ See Business Watch, Page 18

Workers march in protest against dismissals and privatisation

(232) CT (BR) 21/3/96

By James Lamont

Johannesburg — Thousands of municipal workers took to the streets of South Africa's cities yesterday in a solidarity march for workers dismissed last year and to protest against the privatisation of state assets

The South African Municipal Workers' Union (Samwu) called for nationwide marches in solidarity with about 900 members dismissed during a wage strike in September and October

The 110 000-member union took the opportunity to voice its opposition to the privatisation of public utilities and government functions

Marches went ahead in all major provincial centres, said Roger Ronnie, the general secretary of Samwu.

A stayaway was in force in Mpumalanga with marches taking place in Nelspruit and Groblersdal.

Ronnie said that between 3 000 and 4 000 workers had marched in Pietersburg

Stanley Yisaka, the regional secretary of the Western Cape, said that 9 000 workers marched on parliament in Cape Town and handed a memorandum to Tito Mboweni, the minister of labour

Samwu is seeking the reinstatement by April 1 of workers dismissed in Pietersburg, Groblersdal, Sannieshof, Henneman and Umzinto during a dispute over wage demands. The union had demanded a minimum wage of R1 500 a month and a 12,5 percent across-the-board increase.

According to Yisaka, no agreement had been reached in the Western Cape on these demands "We are still waiting for employers to come back to us," he said.

Yisaka said that local councils were adamant they would not take workers back and had employed scabs in their place. He said that further action would take place if demands were not met.

"If people do not come to their senses, we will draw up a plan of action for more than one day," he said Though Samwu was considering a national strike, workplace demonstrations would take place until the end of the month.

Nicolette Howard, the manager of the marketing arm of Pietersburg city council — which fired 600 workers — said the dispute remained in mediation. The mediation began a month ago.

She said that mediation would determine whether workers were reinstated.

Ronnie said that the executive committee of the local council had published a notice in local Pietersburg newspapers saying it had decided to call off the mediation process and had proposed a re-employment package. Ronnie said that the terms of re-employment were unacceptable.

The union also declared its marches were a protest against privatisation.

"Our concern is that public servants are the most affected by the privatisation that is taking place," Yisaka said "We are saying that restructuring of state assets is affecting our members."

Ronnie said the union had "made it clear on many occasions that privatisation has brought nothing but suffering and devastation to the very people it is supposed to benefit."

He said that negotiations were urgently required to reassure public servants of their role in the provision of basic services.

"The government and employers need to set in motion a process of thorough-going negotiation with workers in the public service and local government in particular to seek new ways of revitalising and restructuring public provision of basic services in the interest of the masses of our people," Ronnie said.

Clarke urges SA to press ahead with privatisation

CT (BR) 21/3/96 (23a)

By James Lamont

Johannesburg — Kenneth Clarke, Britain's chancellor of the exchequer, urged the South African government yesterday to press ahead with privatisation and the restructuring of state assets.

Kenneth Clarke, in Johannesburg yesterday

Clarke is on a five-day visit to the country. His visit coincided with a nationwide march yesterday by members of the SA Municipal Workers' Union in protest against moves to privatise public utilities.

He emphasised the importance to the government of taking unions "down the road with you" so that they had an understanding of the economic transformation.

Clarke acknowledged that privatisation was politically controversial, but he said that job losses from public enterprises were easily outweighed by the mobilisation of capital, the creation of jobs in small and medium-sized businesses, and more affordable services.

He said restructuring of state enterprises would open opportunities for foreign investment and job creation. But he said there would also be tangible benefits to the consumer such as cheaper electricity and water, which were key to the success of the process.

Clarke said few in the labour movement in Britain would consider renationalising companies. Workers had benefited from share offers at preferential rates and incentive schemes.

The chancellor is away during a hot debate in Britain over a single European currency. He enjoyed somewhat calmer waters in South Africa, marketing Britain's pioneering experience of privatisation and the City of London's ability to raise investment capital.

Clarke said British industry was now seeing the benefits of privatisation. "Privatisation and its consequences is just one of the reasons that in the British economy unemployment is falling and we are creating jobs all the time," he said.

Joined by a group of British bankers and industrialists, Clarke met government officials and businessmen to market privatisation and seek out opportunities for private capital investment.

He said that his delegation understood that conditions in South Africa were good for investment.

How restructuring of state-owned firms benefited Britain

(232)

KENNETH CLARKE

BD 22/3/96

SA's political transformation has seized the world's imagination Those of us who have watched from afar have also been impressed by the way in which you are managing the economy Your government has rightly been praised for its sensible approach to macroeconomic policy Secure jobs and rising living standards are our economic policy goals

Our own experience shows that control of the public finances and sound money are necessary for sustained growth, jobs, and prosperity

However, there are two other important elements of our modern enterprise economy that I want to dwell on The first is a deliberate, conscious decision to make the UK an attractive destination for foreign capital, the second a radical rethink of the role a modern state should play in promoting enterprise

Restructuring state-owned businesses is central to the political agenda everywhere The phraseology used differs but the questions are the same Is the dividing line between public and private provision that history has thrown up in each country still the right one? Can it best meet demands from customers for better services? Can it generate the speedy investment in infrastructure essential to business and economic development?

Can state ownership or private capital best deliver in a world where competition for trade and investment demands that economies respond speedily to change? The world trend is to define what government should be doing and to seek to do more through use of and in partnership with the private sector

I speak as a strong supporter of government provision for health, education and social welfare But that does not mean that government should also run telecommunications or electricity generation Rather, the reverse The more thinly government spreads its resources, the less it can do what it really needs to do If we pour taxpayers' money into power stations, there is less to spend on hospitals or schools

The worldwide approach today is increasingly to search for ways in which international finance and the private sector can be used to provide more commercially managed services, leaving government free to focus on its core social objectives

In the UK we have gone about this by privatising more than 50 major businesses and utilities We have also used private finances and expertise for major capital projects in our public services

To raise our living standards and quality of life we have transferred economic activity from the public to the private sector In some cases we let go entirely manufacturing and trading firms which have to find customers in competitive markets With major utilities the state uses independent regulation to retain the vital role of protecting the consumer, protecting key social objectives, and making services more affordable by promoting competition

Whatever the precise model, the important thing is to recognise how essential the involvement of international capital and private sector management skills are to modernising our economies Without them even a relatively rich and developed UK could not reconcile apparently conflicting demands of sound public finances, acceptable taxation levels, huge investment in infrastructure and new job creation by competitive business

Since privatisation, British Telecom has invested more than £25bn in extending and modernising its network That would not have happened had British Telecom remained in the public sector, competing for scarce public funds Now its competitors are also contributing to telecoms investment and sharpening the pressure on it to perform

The result is cheaper and better services Prices are 40% lower in real terms and the level of service has improved beyond recognition For the domestic consumer this is apparent in the ease with which telephone lines are now installed or the efficiency with which telephone boxes are maintained Even more important is the effect on industry, for which cheap, state-of-the-art telecommunications is essential

Telecommunications is one example among many The water industry needed to rectify years of inadequate investment and to meet higher quality standards The water companies have invested £15bn since privatisation in 1989 and plan a further £24bn over the next 20 years Such a programme could not have been afforded by the old state-owned industry

The story is the same with electricity, airports, gas and the rest Retention of these industries unchanged in the public sector would have held back the economy There would undoubtedly have been more jobs in the utilities, but many fewer in their customer industries, which are now benefiting from cost cuts

Of course, getting from there to here has not been without its difficulties and controversies While we have sought through wider share ownership and employee participation to bring people along with us, the greatest dividend comes to the population generally through cheaper and improved services In the UK that is not always appreciated Water quality and improved sewage treatment are largely invisible to the consumer In SA's case the manifest need to bring services into your townships and rural areas promises a very visible return from private sector involvement to the mass of your citizens Extending these services can at the same time create new jobs

There are some functions from which the state will never be able to withdraw, however good a regulatory structure can be developed The list varies from country to country

We have been anxious to find new ways of delivering public sector services in partnership with the private sector We have launched a private finance initiative to use private money and management skill to deliver more and better public benefits without the state losing control of the service or its quality

We challenge potential private sector partners to compete for the opportunity to deliver public services over the long term There are contracts in place to deliver services as diverse as kidney dialysis, an automated system for paying traffic fines, or even two BBC satellite television channels in Europe

The private sector partner takes on responsibility for building whatever assets are required for that service and must deliver the service itself over the entire life of the contract Government will pay only when we receive the specified service at the specified standard

This sort of contract recognises the citizen's fundamental interest is benefiting from good public services, not in enabling his government to own roads or buildings

Where the private sector stakes its money in delivering services it will have the right incentives to maximise efficiency, to introduce innovative ideas and to strike the best balance between cost, design and effective operation It will take all these factors into account across the life of the contract, not simply in the course of building something

We leave the private sector to manage the risks under its control — risks associated with construction, operation and performance — while the public sector retains responsibility for the risks it controls

□ **Clarke is the UK Chancellor of the Exchequer. This is an edited excerpt from his address to the SA Foundation on Wednesday.**

Laws governing competition policy expected this year

BD 22/3/96 (232)

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel has predicted that new competition policy laws will be presented to Parliament before the end of the year, despite his decision to institute a drafting team to draw up the legislation.

Manuel predicted last year that legislation would be ready in October, but he subsequently indicated his disapproval of the legislation which had been drawn up by a group of academics.

At the time, Manuel denied that the proposals constituted draft legislation

Manuel suggested the reasons for rejecting the proposals presented by academics, saying the new legislation had to take account of SA's administrative ability to enforce it

The Canadian equivalent of SA's competition board had a staff of more than 300 people which he suggested SA was unlikely to achieve. There had to be a good fit between the intentions of the legislation and its enforceability.

Hence the legislation would be uniquely South African, he said

Although it would be drawn on European or American examples, it would not be a transposition of their positions

He maintained his stance that it would be inappropriate to negotiate the legislation on a "line-by-line" basis in the National Economic, Development and Labour Council (Nedlac)

Instead the drafting team would present a complete draft to the organisation

The reason for this approach was that different groups — even within organisations like the SA Chamber of Business for example — had different perspectives on the issue

Manuel said he expected the drafting team would be decided on soon after Easter.

John Dludlu reports the National Council of Trade Unions (Nactu) this week called for labour to be represented in a team to write new competition law.

This follows Manuel's decision to set up a small team to start from scratch in writing proposals on the new competition policy

Nactu secretary-general Cunningham Ngcukana said labour had to be represented in the minister's team.

Policy proposals should still be tabled, as had been agreed, to Nedlac for discussion.

Ngcukana said Manuel had to explain why he had asked for a complete rewrite of the policy proposals Business sources, which have engaged in a heated media exchange with Manuel over the competition policy, were yesterday not prepared to comment on the reports Nedlac media liaision officer Lomin Saayman said the council had not been informed by Manuel of the new developments, but said the move would only delay the process

Workers' union to challenge Telkom

BD 22/3/96 (232)

Lukanyo Mnyanda

POSTS and Telecommunications Workers Association (Potwa) will challenge Telkom's plan to appoint advisers on restructuring

Potwa claimed this week that the advisers would only rubber-stamp decisions already made

Telkom, which appointed US merchant bank Goldman Sachs to help it find a foreign partner in January, recently advertised for "specialist advisers" to guide its transformation in the months ahead According to the advertisement the parastatal was looking for local specialists to provide advice in the fields of equity ownership and human resource development to allow for the "economic empowerment of previously disadvantaged South Africans"

Potwa general secretary Sikhumbuzo Tyibilika said the union had not been consulted on the proposed appointments which it said was aimed at "beefing up" the team set up with Goldman Sach's appointment

The appointment of the bank sparked a row between Telkom and unions who accused the parastatal of forging ahead with plans without adequately consulting government and labour

"They (Telkom) have not explored all alternatives and they want to use this team to project the view that Telkom needs an equity partner," Tyibilika said

Potwa would appoint its own team of experts and would challenge Telkom's latest move at next month's National Framework Agreement meeting. Telkom Public Affairs group executive Victor Moche said management had not made any decisions, but was looking for specialists to examine the best ways in which Telkom could transform itself The broadening of equity ownership was just one of many alternatives being considered by Telkom

Responding to concerns that the planned appointments might not have been approved by government which was supposed to oversee restructuring of state assets, Moche said "We are only seeking knowledge We haven't made any decisions"

Kenneth Clarke 'South Africa should not reinvent the wheel, but learn from Britain's mistakes'

PHOTOGRAPH CAROLINE SUZMAN

Spotlight on state sell-offs

(232) M+G (BM) 22-28/3/96

Kenneth Clarke came to town to promote privatisation in South Africa, reports **Madeleine Wackernagel**

PRIVATISATION, which warranted barely a mention in last week's Budget, was brought back into the spotlight by Kenneth Clarke, Britain's Chancellor of the Exchequer, this week Selling off state assets would solve the problem of under-investment and output expansion in the public sector, he said in Johannesburg

South Africa, he said, did not have the tax base to finance vital capital outlays, international investment would fill the gap Citing the British experience, he said privatisation had been a huge success those utilities that were once overmanned and unprofitable were now the picture of financial health Nor would privatisation be an emotive election issue again — even the Labour party had given up all ideas of re-nationalisation

Clarke, in typically ebullient form, said South Africa should not reinvent the wheel, but learn from Britain's mistakes Lack of competition had been a problem, he said, as had the issue of pricing As newcomers to the business in the early 1980s, it was an easy mistake to make, some share issues had been undervalued

Accompanied by British businessmen and merchant bankers, Clarke's itinerary included parliamentary briefings as well as private meetings with the deputy presidents, Thabo Mbeki and FW de Klerk, and the finance minister, Chris Liebenberg Discussions were not specifically directed at certain companies, Telkom, for one, was invited by the Ministry of State Enterprises to attend talks about UK investment in general

Privatisation may no longer be an emotive issue in Britain, if Clarke is to be believed, but it raises many hackles in this country

The problem is whether privatisation merely turns a public monopoly into a private one, the UK evidence is not reassuring. And if the proceeds of asset sales are used to offset the public debt, rather than increase investment, the problem is compounded

Dr Vella Pillay, a member of the board of the National Institute for Economic Policy, rejected Clarke's argument outright. "The UK experience is totally irrelevant to South Africa With the scale of unemployment as it is, the state is obliged to use the public sector for job creation Instead of cutting jobs, the state should concentrate on improving efficiencies Funds are available for expansion, the problem is delivery"

Maria Ramos, deputy director general of Finance, stressed the government's holistic approach to privatisation "We are looking at the whole gamut of options and how to deploy state assets more efficiently Some operations would be better kept in the public sector, others may need restructuring to become more efficient.

"Government is committed to job creation, so we are taking all factors into account, particularly concerns raised by the labour movement, and consultations are ongoing"

Clarke, she said, was not here to set up specific deals, but for general discussions on the UK experience "There are plenty of foreign models to choose from," added Ramos, "some more successful than others" list of concerns ranked by respondents

Privatisation can relieve state debt – AHI president

(232) ARG 23/3/96

Business Editor

INCOME from privatisation should be used to repay state debt or to pay for infrastructural expansion, says Afrikaanse Handelsinstituut (AHI) president Mof Terreblanche

In a statement following a meeting with State Enterprises Minister, Stella Sigcau, he said funds from privatisation could lighten the debt and interest burden on the government budget This would create scope for financing current spending (including RDP spending) and capital spending from current income in the future.

The restructuring of state assets would contribute to the redistribution of wealth, affirmative action and black empowerment.

"But it has to be borne in mind that privatisation will not be the solution for the structural problems in the economy," Mr Terreblanche said

NEWS

Privatisation integral to growth, says AHI

(232) CT (BE) 26/3/96

By Roy Cokayne

Pretoria — The government's commitment to the restructuring of state enterprises, which will diminish the state's role in the economy, will undoubtedly have a positive effect on foreign investor confidence, Mof Terreblanche, the president of the Afrikaanse Handelsinstituut (AHI) said last week

"The AHI believes privatisation must form part of an integrated and coherent strategy to put the South African economy on the road to robust and coherent economic growth as soon as possible and to continuously improve the quality of life of all South Africans

"Successful privatisation in South Africa will depend on the extent to which the undertakings concerned will be able to adapt to compete internationally," Terreblanche said

He was commenting after an AHI delegation met Stella Sigcau, the minister of state enterprises, to convey the organisation's views on privatisation last week

Terreblanche said the AHI believed privatisation of state enterprises could result in a number of advantages, some of which included

- ☐ Decision making independent of political approval which would encourage better performance,
- ☐ Improvement in the efficiency and profitability of the enterprises concerned, stimulating economic growth and increasing state revenue directly through their sale and indirectly through tax revenue,
- ☐ Broader ownership in the South African economy, and
- ☐ More productive use of state funds because state funding would no longer be necessary to support unprofitable undertakings

Terreblanche said the AHI believed the income from privatisation should be used to repay state debt or to expand physical infrastructure

Lifting the burden of debt on the budget would create an opportunity to finance expenditure and to fund capital expenditure in the future

"The restructuring of state assets will probably promote the objectives of redistribution of wealth, affirmative action and black empowerment to an extent, but it has to be borne in mind that privatisation will not be the solution to structural problems in the economy," he said

The AHI believed that the government should focus attention exclusively on those functions that could not be delivered profitably by the private sector

An objective evaluation of state structures in view of the value and cost of services delivered was also essential

Terreblanche emphasised that the AHI was aware of the success with which privatisation was carried out in other countries It also realised that privatisation could lead to the loss of jobs

But, he said, the advantage of more effective and more competitive state corporations would ultimately lead to the creation of new job opportunities

"The restructuring of state assets will not take place without certain costs but the advantage to South Africa in the long term is more important

"This can contribute to placing South Africa on the road to sustained high economic growth, which in turn could increase state revenue and thus lower the rate of increase in state debt or even reduce the debt itself," he said

Tourists urged to take steps against malaria

Kathryn Strachan (232)

WITH the sharp increase in the number of malaria cases during the past two months, the health department has urged people to take precautionary measures over the school holidays when travelling to high risk areas.

More than 8 000 cases and 55 deaths have been reported over the last two months. The increase is attributed to the high rainfall in the malaria areas during the previous three months.

Because of the increasing number of reports of people contracting malaria despite taking adequate prophylaxis, the Medical Research Council is appealing to people who have recently contracted malaria in southern Africa to contact the council's centre in Durban.

This will enable it to piece together the geographic distribution of prophylaxis breakthroughs occurring in southern Africa. The highest incidences are being reported in the low altitude areas of Northern Province, Mpumalanga and north-eastern KwaZulu-Natal.

Since the risk of contracting malaria is at present very high, visitors to these areas are urged to protect themselves by taking antimalarial drugs. Since no prophylactic drug is 100% effective, people also need to take measures to prevent mosquito bites.

In the high risk areas chloroquine should be taken together with proguanil, which is available without a prescription. An alternative is mefloquine, which requires a doctor's prescription. The combination of mefloquine and chloroquine is not recommended, as it can give rise to side effects.

Privatisation, public sector cuts essential — De Klerk

(232) (232) BD 26/3/96

Nicola Jenvey

PORT EDWARD — Government had to push ahead with privatisation and public sector cuts in order to ensure funding for social and developmental needs and an internationally competitive SA, Deputy President FW de Klerk said yesterday

Speaking at the Life Pensions Advisers' Institute national convention, de Klerk said government had three possibilities for cutting its debt· higher taxes, privatisation and a reduced public sector.

Raising tax was not "investor-friendly," de Klerk said Public sector salaries and loans accounted for a far higher chunk of the GDP than in other developing nations

"Government must progress with privatisation, ensuring that the capital raised through the sale of state assets either lowers government debt or finances state capital expenditure programmes," he said

De Klerk blamed the unions' imposition of northern European labour standards for the economy's inability to create new jobs, particularly in small and medium businesses.

"These rigid (labour) standards, which make it increasingly difficult for exporters to compete in global markets, are simply not suited for a country rating unemployment as one of its most serious problems," he said

Government had formulated new policies for the retirement industry including a consistent treatment of private and public sector funds, neutrality between forms of retirement provision, minimisation of opportunities for tax arbitrage, and incentives favouring lifetime annuities and taxation of income as it arose and not on payout

Yet finding new revenue sources should not be an excuse not to find better ways to cut government spending.

The economy had improved due to stronger agricultural conditions, the upsurge in exports and export prices, an improvement in the terms of trade, strengthened consumer and business confidence, and higher capacity utilisation due to increased demand.

Also positive had been removal of non-residents' foreign exchange controls and government's undertaking not to raise the general tax burden, to reduce the fiscal deficit and dissaving, and to increase capital expenditure.

Government still needed to improve the investment climate and alleviate balance of payments constraints on growth. The economy's employment-creating capacity, and people's income-generating capacity, had to be boosted.

Labour-nurtured Trevor Manuel's appointment 'good for privatisation'

(232) ARG 30/3/96

JOHANNESBURG – Trevor Manuel, a former socialist, activist and now the new finance minister, will press ahead with building a market-friendly economic strategy for South Africa, economists have predicted

This would include the phased dismantling of remaining foreign exchange controls, a key barrier to South Africa's integration into the world economy, and selective privatisation

Mr Manuel has pledged not to deviate from the policies of his predecessor Chris Liebenberg, from whom he takes over next week.

Economists said Mr Manuel could, if anything, speed up the removal of exchange controls

"There are some concerns in the market that he may go for a more rapid approach But it's unlikely that the finance ministry will ignore the advice of the Reserve Bank for a gradualist policy," said Bruce Donald, economist at SBC Warburg

Another economist, who asked not to be identified, agreed

"There is a bigger risk that Mr Manuel will go faster rather than slower," he said

"If one looks at his performance as trade and industry minister, he was very keen to get rid of tariffs – and tariffs and exchange control are part and parcel of the same thing"

Annelise Peers, a fixed income analyst at Investec Bank, said Mr Manuel might want to act faster, but the cautious hand of Reserve Bank governor Chris Stals would be a constraint.

"The timing will not change with Mr Manuel in charge Any decisions will still have to be taken together with the Reserve Bank," she said

Mr Manuel, with his background in the labour movement, might be able to sponsor the government's privatisation programme more effectively than Mr Liebenberg, analysts argued

"Mr Manuel's appointment is good for the privatisation process as he is closer to labour and he may be able to convince them," Ms Peers said

The government's plans to sell off some non-strategic state enterprises and find strategic equity partners for others, including Telkom, were attacked by trade unions at the end of 1995

This led to the establishment of a consultation process with labour

Old Mutual economist Dave Mohr said

"The agreement reached with labour will dictate the path of privatisation, more than a new minister of finance will"

Financial markets yesterday responded calmly to Mr Manuel's appointment, following the battering of the rand and bond market on speculation of Mr Liebenberg's resignation But, one economist warned "There may be some pressure on the Reserve Bank to do what government wants, rather than to act independently"

Competition Board clears MacSteel deal

(232) (1871)

Nicola Jenvey
and David McKay

BD 1/4/96

THE Competition Board has cleared the controversial export tie-up between Iscor and trader MacSteel, a move which will give the joint operation dominance over Iscor exports worth R4,3bn a year

Sources said at the weekend that outgoing trade and industry minister Trevor Manuel had approved a board report in which the deal was approved, subject to certain conditions. A formal announcement was imminent

It is thought the conditions include phasing in the joint venture's operation to give other traders time to develop alternative business.

One source said the board had also stipulated that more competitive exporters would not be precluded from trading in Iscor steel.

Board chairman Pierre Brooks declined to comment and Iscor's steel division MD Kevin Robertson said he had not been notified However, Robertson said Brooks had asked Iscor for certain preconditions before the deal could be sanctioned.

"These related to various clarifications concerning the deal." MacSteel could not be contacted for comment

The decision follows a long-running investigation into the deal, sparked by other traders who claimed the tie-up would force them out of business

The deal centred on Iscor paying MacSteel R60m for a 50% share in MacSteel International, giving the latter an exclusive marketing right over all its steel exports.

The joint venture would be paid commission on the exports, estimated at R300m a year MacSteel already controlled most of Iscor's exports to the Far East through the Hong Kong-based Trans-Orient Steel

81 61

Draft law 'trips up on unbundling'

(232) CT (BR) 3/4/96

By Christo Volschenk

Cape Town — The government's single biggest problem with the draft legislation on competition policy may have been the absence of mechanisms to force the existing power concentrations in the economy to unbundle, Pierre Brooks said yesterday

Early last year Brooks and Willem Pretorius, a Cape advocate, were asked by Trevor Manuel, then the minister of trade and industry, to prepare draft legislation on competition policy The draft was handed to Manuel late last year

Last month Manuel unexpectedly announced he would assemble a new team of experts before the end of this month to write a second draft He has not yet responded to the first draft other than to say that it is "full of holes" and that he "cannot put his name to it"

He has also not discussed the draft with Brooks and Pretorius. They are therefore not sure what holes Manuel referred to

"My guess is the big issue for the government is whether mechanisms should be included in the new legislation to break up the conglomerates," Brooks said He is opposed to forcing the conglomerates to unbundle

"International experience has shown that it is very difficult to force a break-up

"For instance the break-up of AT&T took many years," he said

"I would rather see South Africa use its meagre resources to police the conglomerates to make sure that they do not abuse their dominant positions in their markets

"Indirect ways to diminish the power of the conglomerates in the economy should rather be employed Conglomerates can, for instance, be given tax incentives to unbundle voluntarily," he said

Iscor-Macsteel get the nod for export

(ΣΕΓ) (ΣΕΓ) (232) ST (BT) 7/4/96

By DON ROBERTSON

THE joint export company between Iscor and R12-billion-a-year steel trader Macsteel has been given the go-ahead by the Competition Board after an extensive investigation.

The new company, Macsteel International, in which each company has a 50% stake, will now export all of Iscor's export production through its international trading network

Iscor paid R60-million for its interest in Macsteel International.

In agreeing to the formation of Macsteel International, the Competition Board has laid down several conditions for implementation over the next two years.

If, during this period, Macsteel International "has not had any discernible negative impact on competition in South Africa, the joint venture company shall be allowed to continue indefinitely, provided Iscor continues to adhere to the (other) terms of this agreement", says the Board.

The Iscor-Macsteel proposal, first mooted last year, drew fierce opposition from smaller steel merchants who claimed they would lose business at the expense of Macsteel. Chief among these was Durban-based MacDonald International, which submitted a 67-page document to the Competition Board.

In approving the joint venture, the board has insisted that Iscor offer steel for sale to all domestic steel merchants at the same price and conditions, subject to volume discounts. It must also provide the board, once a year, with information on all sales and certify that it has complied with the first condition

Iscor will not be allowed to use its market position to prevent any merchant from importing steel by refusing to supply products for the domestic market or to penalise or discriminate against the importer. It may, however, react on a price basis to these imports.

Iscor is also prohibited from giving the local Macsteel operation information on domestic sales which is not available to other merchants.

Argyle executives had cancelled meetings with CSO representatives last week He said further ... purchases and ... some indication that these points were negotiable ... on substantially better terms than the existing contract" ... duction, with an annual output of about 40 million carats

EU hostile towards Lonrho, Gencor platinum merger

(232) ET (BR) 11/4/96

Brussels — European Union officials in charge of regulating competition had been hostile from the start towards the proposed merger of Lonrho's platinum interests with those of Gencor, a Lonrho source said yesterday

The source said the European Commission's merger task force, which investigated deals to determine whether they might harm competition in the EU, was against approving the merger

"It is my understanding that the merger task force have turned it down and I think the advisory committee did as well," he said

The secretive advisory committee, which consists of national competition policy officials, met in Brussels on Tuesday to discuss the case and the view of the merger task force The commission usually follows the opinion of the merger task force but there have been a few cases where it ruled differently

The deadline for a commission decision, to be taken by simple majority in the 20-member executive, is early next month

"The merger task force, as distinct from the commission, have been very hostile towards it because they believe it to be of anti-competitive nature as far as the European consumer is concerned," the Lonrho source said

He said he did not know what the commission's final decision would be

An official at the commission declined all comment on the case, as did a member of the advisory committee

Under the merger deal, Gencor and Lonrho plan to acquire joint control of Impala Platinum Holdings through a share purchase

The merger has already been approved by the shareholders of Lonrho and of Impala, which is 46,5 percent owned by Gencor, and by the Competition Board in South Africa

Gencor-Impala's management approve the merger, but Lonrho platinum operations' management is more negative

The commission announced in December that it had started a detailed investigation of the deal after a routine one-month inquiry, citing concerns that the merged company could have an adverse effect on competition — Reuter

'Don't privatise water assets'

(232) CT (BR) 11/4/96

BY JAMES LAMONT

Johannesburg — Local authorities should not privatise their assets, but rather be allowed to call on the private sector to enhance water supply, Vincent Bath, the chief executive of Rand Water, said yesterday

"What I see is local authorities having the choice of offering the private sector a five-year contract to operate and maintain water infrastructure and carry out maintenance work," he said

He recommended that management contracts should be no longer than five years and that an ombudsman or regulator be appointed

Bath warned against full privatisation, which, he said, usually took place in the developing world where water supply had collapsed

"By all means get people to manage the water supply on a private basis But I would not advise them to sell their assets," he said

He also foresaw private involvement in sanitation and Rand Water, the Gauteng area's bulk water supplier, drawing in the private sector to build capacity in local authorities

Rand Water, which distributed 3 million tons of water a day to about 12 million consumers and had a turnover of R1 billion a year, had held tentative discussions with private water companies

Bath said local authorities were closer to calling for tenders for private sector contracts and that some would be put out before the end of the year Executives from private companies are waiting eagerly for such contracts, arguing that they can deliver to poorly serviced areas

Jean Claude Ambert, the executive director of Lyonnaise Water Southern Africa, said earlier this year that tenders for the managed distribution of South Africa's water could be out before the end of the year

'Interest in SAA — after privatisation'

(232) CT (BR) 12/4/96

BY AUDREY D'ANGELO

Cape Town — A number of foreign airlines, as well as private investors, had shown interest in taking a stake in SAA after privatisation, a spokesman said yesterday.

But discussions "cannot start until accord is reached between the parties to the national framework agreement SAA is not yet in discussion with any party concerning privatisation," said John Hare, the deputy chief executive of SAA.

He was reacting to a wire service report, based on a mistranslation from a German newspaper, that the German national carrier Lufthansa was considering taking a 25 percent stake in SAA.

Juergen Weber, the Lufthansa president and chief executive, said at the time that the agreement was signed in December: "We believe in alliances with other airlines but not in taking shares in them."

Meanwhile, as a result of a new bilateral agreement between South Africa and the United States, SAA has announced the introduction of two additional flights — to New York and Miami — from June.

This brings the total number of return flights to New York to five a week and to Miami to three a week.

The extra flight to Miami will begin on June 14. It will leave Johannesburg on Fridays at 17:40 and Cape Town at 20 55, arriving in Miami at 5:25 local time. The return flight will leave Miami at 18 05 on Saturdays.

The additional nonstop flight from Johannesburg to New York will be introduced on June 17. It will leave Johannesburg on Mondays at 20 00, arriving in New York at 7:30.

SAA is the only airline offering direct flights between this country and the US. But foreign airlines which have benefited from the shortage of seats on direct flights are fighting back. British Airways is offering a free flight on to the west coast of the US to South Africans buying Superpex tickets to London.

Busting giants won't stop the abuse

(232) ST(BT) 14/4/96

THE ECONOMY

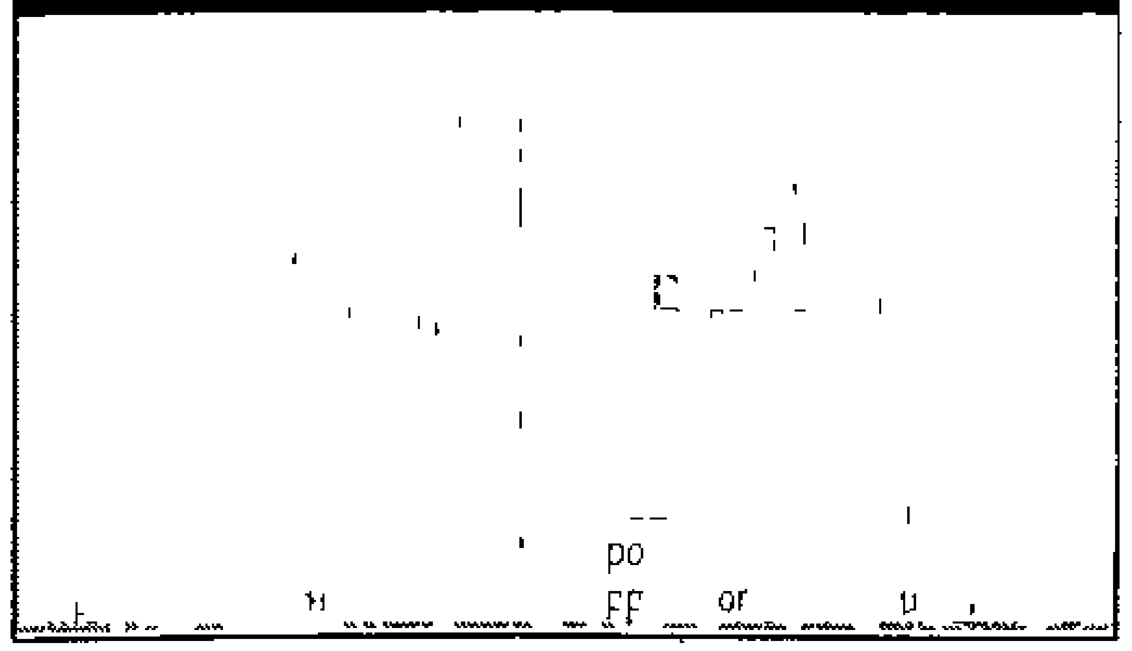
Breaking up conglomerates is often seen as an easy way to de-concentrate the economy, but the debate on the issue is deeply muddled, writes WILLEM PRETORIUS, an authority on Competition Policy.

FOR a long time now government spokesmen have indicated their disenchantment with the hold that conglomerates exercise over the economy They argue that this economic concentration is the result of an unfair system designed to exclude blacks from the accumulation of economic wealth.

Should this situation be allowed to endure, they argue, it will be unrealistic to expect wealth to become more evenly distributed The central issue is perceived to be if legislation should be enacted to break down existing monopolies or be aimed at countering conglomerates' abuse of dominant positions

This perception of the problem highlights the muddled thinking that has marked the debate Conglomerates do not hold dominant or monopoly market positions, individual enterprises do Monopoly and dominant market positions are often held by enterprises (including parastatals) which do not form part of a conglomerate. Breaking up conglomerates and breaking up monopolies are two different issues.

CONSUMER WELFARE TRIANGLE



Competition policy evaluates enterprises in their operation within a relevant market It is traditionally recognised that monopolies can distort the optimal allocation of resources An example is the dead-weight loss to supplier and consumer caused by monopoly pricing as can be seen from the graph.

Similar arguments do not hold for conglomerates If anything, competition policy should be directed at breaking up monopolies, not conglomerates

The implementation of policy aimed at breaking up monopolies or conglomerates requires enormous resources in terms of skilled manpower as well as huge budgetary commitment Even then the scope for success is limited. The table shows that in the US, the AT&T divestiture was the only significant success since the second world war, and the action took 19 years

MONOPOLISATION CASES IN USA

CASES	TIME OF ACTION (years)	OUTCOME
Since 19[illegible]	[illegible]	[illegible]

This is only one side of the coin. The other and more important consequence of such a policy would be the neglect of the enforcement of normal competition policy One can safely assume that the competition authority will have time for little else if occupied with the breaking up of all monopolies or conglomerates in South Africa The plight of small businesses abused by dominant enterprises, a situation which is endemic in this country, will be largely ignored Restrictiv practices such as price fix ing and market-sharin will also not receive the at tention they warran Competition policy direct ed at these issues ha proved to be a far more e ficient use of resource than a policy of breakin up enterprises

It is time for the focus t be shifted from larg structural adjustments t restrictive practices an the abuse of dominant p sitions in business.

This does not mean th government should aba don the goal of de-concer trating the economy Hol ing companies coul unbundle of their own v lition Punitive taxes o dividends declared to hol ing companies may hel as may tax concessions

Grincor chief calls for port privatisation

(232)

By Jon Beverley

CT (BR) 16/4/96

Durban — The privatisation of South Africa's ports could improve efficiency and alleviate congestion, Murray Grindrod, the chairman of Grincor, said in the group's latest annual report.

Efficient movement of goods in and out of the ports is vital to the South African economy, he said, but "certain of our group's operations have been adversely affected by port delays" He said the privatisation of Portnet would create new opportunities for Grincor to establish strategic partnerships

Though Portnet was attempting to alleviate the inefficiency and congestion, "internationally, it has been shown that privatisation improves efficiency and the quality of services, and government should be encouraged to bring this process to fruition as early as possible".

The company expects that first-half earnings are likely to be lower than in the second half In previous years profit had been boosted by the sale of ships, which was not planned for this year

"The outlook for the year is positive, with the prospect of the domestic economy continuing to grow and international trade also looking reasonably buoyant," the report said "The outlook for international shipping is less clear, but with a broader spread of activities developed by the group, Grincor is well positioned."

Grincor has continued its capital investments, mainly for expanding the fleet and for investing in internal infrastructure, the report said.

Certain business units had been re-arranged and the benefits of these rationalisations were expected to materialise in the medium term

Lonrho inquiry is free of 'fear or favour'

CT (BR) 16/4/96 (232)

By John Fraser

Brussels — European Union officials said this week they were operating without fear or favour in investigating the planned merger between the platinum interests of Lonrho and Gencor, a South African mining group

Under the plan, Gencor and Lonrho intend to acquire joint control of Impala Platinum Holdings The merged entity is expected to dominate the platinum market as the world's largest producer

Because of the deal's scale, news of it automatically triggered an EU investigation.

Officials in Brussels were anxious to ensure that the new platinum body did not become a monster that distorted competition on the European market

"It is wrong to say we are hostile to this deal as such," said an EU official commenting on reports that Lonrho believed the EU had been hostile to the plan from the beginning

"If the merger goes above a certain threshold, we are obliged to investigate We have a special merger task force made up of lawyers and business experts who conduct a full economic analysis

"They consult with the firms likely to be affected by a merger and with the 15 EU governments Then a final decision on whether or not the merger can go ahead is taken by the 20-strong European Commission We will make our decision on the basis of economic analysis, without fear or favour"

An EU spokesman said the organisation had said a decision would be taken by May 7 and that would happen "Beyond that, we are not prepared to comment"

EU officials were basing their analysis on the effect the merger would have on the European platinum market

They were anxious to ensure that any resulting reduction in competition would not harm European companies that purchased platinum, either in terms of higher prices or restricted supplies

The EU wants to ensure that the platinum body will not be a monster that distorts competition

The planned merger has won the approval of Lonrho and Impala shareholders, and of South Africa's competition authorities

However, President Nelson Mandela is reported to be opposed to the merger and the Mafikeng tribe is also said to have given evidence against the plan to EU investigators

There have also been reports that Lonrho employees in South Africa oppose the merger, but have been gagged by Lonrho's head office in London.

The EU Commission has the power to block the merger, but could also decide to ask for changes to the deal's terms to make it more compatible with the union's free-competition rules

A Brussels publication on merger policy said the European Commission "is required to satisfy itself that a merger does not create or strengthen a dominant position, as a result of which effective competition would be significantly impeded in the common market or in a substantial part of it"

The commission has already decided that the Lonrho-Gencor deal falls within its competence, and launched a detailed inquiry in December

Evidence has already been heard from the companies involved, from interested third parties and from all the EU governments

If the European Commission's impending decision outrages Lonrho or Gencor, the firms have the right of appeal to the Luxemburg-based European Court of Justice

There is speculation that the commission may decide to block the deal, or will require changes to some of the merger's details — Independent Foreign Service

Antitrust laws must undo inefficiency of conglomerates

(232) BD 18/4/96

RONALD ROBERTS

SA ANTITRUST laws must undo inefficient concentration and conglomeration of ownership. As President Nelson Mandela recently emphasised, "our industry and economy cannot flourish" if "choked by five conglomerates which monopolise industry"

Conglomerate inefficiency has long been internationally recognised For the Economist, SA conglomerates seem "a relic of the 1970s, preserved .. by isolation only to become extinct with the opening up of post-apartheid SA"

SA bosses do not uniformly deny conglomerate inefficiency Brian Gilbertson, chairman of Gencor (which unbundled in 1993), realised "that this diversified conglomerate we had created was not the most efficient way to run a business"

Yet some conglomerate bosses still favour bureaucracy They insist that government cannot "invade" management's prerogatives But such arguments could implausibly forbid all business legislation, not just antitrust

Alternatively, Competition Board chairman Pierre Brooks suggests government eschew deconglomeration policies and rather "use its meagre resources to police the conglomerates to make sure that they do not abuse their dominant positions in their markets" This is rather like eschewing dragon-slaying to have something to hunt And there are further problems

First, this approach, echoing the quaint 1979 SA Competition Act, misunderstands antitrust logic. Antitrust ensures that competitive forces within an industry will achieve what regulatory oversight by government cannot It complements, rather than duplicates, direct government regulation Those sectors where heavy direct regulation is deemed inevitable (such as US electricity) are generally managed outside US antitrust laws

Converting antitrust policy into its opposite — a form of direct regulatory "policing" — is illogical, ineffectual and squanders meagre resources In giving a green light to a transaction by which MacSteel became exclusive exporter of Iscor steel, the Competition Board undertook to "monitor" for any future anti-competitive effects But exactly what resources and mechanisms — and which members of the board's skeleton staff — are executing this alleged monitoring?

Second, it is nearly impossible, in practice, to separate existence of a dominant position from abuse of it Even a brewer increasing prices at a rate below inflation is not necessarily innocent of abuse if the base price, set years ago, was itself hyper-profitable, or if technology has triggered plummeting real costs

Moreover, even if a dominator momentarily forgoes abuse of its position, who knows when this benign mood will pass? Antitrust authorities may usefully rely on industry participants to raise the alarm; but such whistleblowers may themselves be ill informed and they will generally stop grumbling once their narrow needs are met, whether or not this stopping point coincides with industrial efficiency

Third the difference between the existence and the abuse of a dominant position is not merely difficult to spot in practice; rather, the alleged difference is often non-existent A firm can be said to possess market power to the extent that it can price excessively above competitive rates Such a firm need commit no additional "abuses" such as overt price discrimination, blacklisting, etc Competition authorities who were searching only for such scattered abuses would overlook enormous structural anti-competitiveness and inefficiency

The Competition Board says it approved the MacSteel deal because the "actual effect of the joint venture on competition could not be predicted with any degree of certainty", the board would remain vigilant against any future "discernable negative impact on competition"

But these peculiar certainties — "actual effect" and "discernible negative impact" — are elusive in practice, thus the board's toothlessness. Antitrust policy should address systemic inefficiencies of industrial structure and avoid these forays into the unnameable

Brooks further suggests that deconcentration initiatives are "difficult . For instance the break-up of AT&T took many years" So would he prefer overnight dismemberment? The real test is not how long implementation takes (Brooks himself has placed MacSteel on a lengthy two-year watch) but how well the structure works afterwards — without overreliance on costly, ineffectual "policing"

Conglomerate sympathisers often wrongly characterise deconglomeration policy as collectivist dogma But in the US, often presented as liberty's home, antitrust laws have frequently dictated divestment So have other laws: the 1934 McKellar-Black legislation required firms to divest of either air carriers or aircraft manufacturing facilities (General Motors was forced to sell stakes in Eastern, Western, TWA and United Airlines) The 1935 Public Utility Holding Act forced conglomerates to divest either gas or electricity facilities and to sell all non-utility related assets — such as coal mines, bus companies and oil wells The 1906 Hepburn Act made railroads exit the coal and commodity industries The 1932 Glass-Steagall Act forced financial institutions to divest either commercial or investment banking activities.

The 1956 Bank Holding Companies Act forbade affiliations between banking and commercial entities, preventing the soft credit advantages that conglomerate enterprises can get from intraconglomerate banks So involuntary divestiture of unhealthy business conglomeration is as free marketeering as apple pie

Particularly relevant to SA are the US Concentrated Industries Bill (1971) and the Industrial Reorganisation Bills (1973 and 1975).

The Bills' sponsors wanted to remove the excessive burdens that the piecemeal search for abuse of dominant positions, favoured by conservative enforcement officials, placed on meagre antitrust resources "Clearly, even with a many times larger Antitrust Division — and millions more dollars yearly — it would take a couple of centuries of 'behavioural' cases to eradicate the economic concentration that haunts this country"

The sponsors proposed that antitrust focus less on "the intent of the defendant firms" and more on "the result of their actions" The unnecessary search for abuse of a dominant position would definitively be abolished as would — and here is a carrot — the unnecessary criminalisation of antitrust law (Many SA conglomerate bosses, fearing antitrust arrest, still cannot visit the US) Moreover, such measures would safeguard the competitive heart of local industry. companies would be exempted if they could show that deconcentration "would result in substantial loss of economies of scale"

Despite an impressive pedigree (a 1968 presidential commission) and influential sponsors (including Senator Ted Kennedy), these Bills were repeatedly defeated in the US Congress of the early 1970s (the Watergate era), an unseemly period during which an antitrust investigation of International Telephone and Telegraph was abruptly terminated by the Nixon justice department after that conglomerate's hotel chain made a \$400 000 contribution to Richard Nixon's re-election campaign. This question — who really owns governance? — is never far from worldwide antitrust debates

Conglomerate boss Michael Spicer has claimed to detect "strong authoritarian overtones" in Mandela's antitrust policy and has warned that "those who feel that the business community should continue to be diplomatic over this issue are crazy" Does SA governance really tremble when conglomerate war hawks threaten to abandon diplomacy?

□ **Roberts is with Moseneke & Partners, a legal firm active in antitrust reform.**

Clearing a space for some real competition

(232) ST (BT) 21/4/96

Moseneke and Partners' **RONALD ROBERTS** replies to last week's article on competition policy.

WILLEM PRETORIUS ("Busting giants won't stop the abuse", Business Times, April 14) suggests that deconglomeration policy reflects "muddled thinking" because "breaking up conglomerates and breaking up monopolies are two different issues". Murder and theft are different, but both are bad and duly forbidden Since monopolisation and conglomeration are intimately related, antitrust policy cannot ignore either

Mr Pretorius sees deconglomeration policy as driven by a desire for "wealth to become more evenly distributed", implying that deconglomeration elevates egalitarianism above efficiency.

But as Trevor Manuel has noted, conglomerates foster white collar bureaucracies "that are fundamentally and by definition unproductive" at the expense of efficient and broad-based job creation His successor at Trade and Industry has likewise noted the "international criticism of conglomerates" and emphasised that SA antitrust policy is "based on sound economic principles"

Mr Pretorius ignores conglomerate inefficiency. His suggestion that government should provide tax incentives for companies to de-concentrate could lead to new waves of tax-driven transactions, contradicting tax reform which seeks to reduce such distortions

Aside from simple inefficiency, conglomerates create several specifically anti-competitive impacts First, a conglomerate affiliate under siege in its market can get cross-subsidised by head office, enabling it to outspend stand-alone competitors and absorb medium-term losses, eventually capturing the market for itself Second, such tactics also dissuade stand-alone market entrants, raising barriers to entry and reducing efficiency Third, through the leverage of its buying volumes, conglomerate head offices can coerce sellers to buy from affiliates needs, to the disadvantage of stand-alone competitors Fourth, where the private sector contains a few conglomerate fiefdoms, conglomerates easily recognise their interdependence and adopt gentlemanly strategies of "mutual forbearance", never rocking things beyond tacitly agreed turbulence levels Claims that conglomerates compete aggressively are exaggerated With only five major conglomerates, it is simply rational for conglomerate oligopolists to co-operate

RONALD ROBERTS

Fifth, conglomerate banks can give soft loans to conglomerate affiliates and strategically deny finance to actual or potential market rivals Sixth, conglomerate structures frustrate bids for subsidiaries, excluding foreign competition

Ultimately, the alleged distinction between conglomeration and monopolisation itself unravels Mr Pretorius announces that "competition policy evaluates enterprises within relevant markets" and that, since conglomerates by definition straddle markets, conglomeration cannot — by fiat — be part of antitrust analysis But this dogmatism ignores the difficulty (even impossibility) of defining relevant markets This difficulty underlies, for instance, the refrain that SA's local giants are global midgets which need to grow, not shrink, in order to compete (such arguments are seldom bolstered by analyses of minimum efficient scale in particular activities)

Added to these difficulties of defining geographical markets are problems of defining product markets Where a diversified conglomerate within the SA market supplies product X as well as its arguable substitutes, it controls the pricing of relevant benchmarks so that antitrust cops cannot be more than marionettes — their strings pulled by conglomerate pricers

Mr Pretorius ignores the structural impact of US antitrust policies early this century He overlooks the dampening of recent US antitrust enforcement by ideologues who believe that the globe could be "a perfectly satisfactory place if there were only 100 companies" Additionally, since private sector concentration in SA is far greater than in the US, vigorous deconcentration is essential here

Cosatu reiterates opposition to privatisation

CT (BR) 23/4/96 (232)

By James Lamont

Johannesburg — Cosatu reiterated its opposition to privatisation as a means of restructuring the public sector at its Living Wage Conference held at the weekend

"Privatisation is rejected as a form of restructuring," Cosatu said in the conference's resolutions

"Cosatu is opposed to the concepts of 'outsourcing' and 'right sizing', which imply privatisation and the minimising of the role of the state in the interests of capital," Cosatu said

The conference resolved that a social plan be negotiated with public sector unions to cater for job losses resulting from restructuring

But it called on the government not to retrench public sector workers but to consider the redeployment of staff to rural areas as a means of improving delivery at community level

In an emergency resolution, Cosatu also voiced its opposition to the restructuring of the electricity distribution industry

"Cosatu broadly supports the recommendation of the National Electrification Forum tabled to cabinet that there is no need to consolidate and rationalise the Electrification Distribution Industry," said Cosatu

The conference reaffirmed Cosatu's commitment to a 40-hour week, an overtime ban and the introduction of a national living wage

Italian Finance Minister Augusto Fantozzi speaks to Reserve Bank governor Chris Stals at the SA-Italy trade conference at the Sandton Sun in Johannesburg yesterday EU ambassador Erwan Fouere, top right, and Italian journalist Giovanni Buttitta, bottom right, were also there

Pictures ROBERT BOTHA

Privatisation not to be rushed

John Dludlu (232)

BD 24/4/96

TRADE and Industry Minister Alec Erwin told Italian investors yesterday that the SA government was treading cautiously on its path to privatisation

At a conference of Italian and SA businessmen organised by corporate groups, Erwin said government was in the process of attracting strategic partners in the telecommunications field, while other state-owned enterprises would be sold off However, the process would not be rushed.

The economy had started registering growth led by private sector investment

He urged the Italians to forge partnerships with black business and the private sector to take part in government-led infrastructural investment initiatives.

Visiting Italian Finance Minister Augusto Fantozzi said his country could partner SA as the latter sought to reintegrate itself into the global economy.

He was optimistic that Italy, SA's fifth largest trading partner with yearly trade of $4bn, would increase trade with SA.

The purpose of the mission to SA was to buoy direct investments in the two countries. "The Italian businessmen are ready and willing to take the favourable tide in attracting new investments here — thanks to the great potential of this economy," Fantozzi said

He was confident the conference would bolster trade

EU blocks R8,4-bn platinum merger

BRUSSELS – The European Union commission has blocked a proposed two-billion-dollar (R8,4 billion) merger of the platinum interests of British conglomerate Lonrho and South African Gencor, the commission has announced (232)

The merger would have created one of the two biggest platinum producers in the world ARG 25/4/96

It was blocked because of fears that further concentration would aggravate a lack of competition in the sector, leading to higher prices for European car and jewellery producers

Lonrho and Gencor agreed in November to merge their platinum operations under South African Impala Platinum Holdings

The new company would have rivalled Rustenburg Platinum Holdings of South Africa as the world's leading producer of the metal

The commission feared that the two companies would opt not to compete with each other and that other suppliers were incapable of ensuring real competition on prices

Russian output has fallen sharply because of technological and financial problems since the collapse of the Soviet Union – Sapa-AFP

Warning issued to Anglo

(232)

BD 25/4/96

Commission rejects Implats, Lonrho merger

David McKay and Debra Percival

THE European Commission blocked Impala Platinum's merger with Lonrho's platinum operations yesterday, and fired a warning shot at Lonrho stalker Anglo American

The commission, in only its fifth merger rejection to date, said the new company would have stifled competition and enabled Anglo — with its platinum operations and newly acquired effective 29,5% control in Lonrho — to take control of world platinum supply.

Competition commissioner Karel van Miert partially blamed the rejection on Anglo's stakebuilding in Lonrho The commission would block any Anglo bid for Lonrho because of their dominance in platinum, he said

Van Miert claimed SA authorities had also opposed the merger, and would not be surprised by the decision

"Our (SA) contacts revealed a sympathy for what the commission is doing There is clear concern in SA about the extent to which the big conglomerates dominate the economy."

Implats, which said earlier this week it was prepared to reshape the merger to avoid the EC's jurisdiction, said yesterday it would appeal

"This merger is based on the soundest pro-competitive rationale," chairman Mike McMahon said

Parent Gencor is to make a further announcement tomorrow. Lonrho CE Dieter Bock said he was puzzled but would discuss the best strategy with Implats and Gencor.

However, Lonrho SA chairman Terence Wilkinson, who would have headed the merged company, said it was unlikely Lonrho would join Impala's appeal "Litigation is no longer part of the core business of the Lonrho group"

Anglo said Van Miert's statement was "rhetorical" as it had no plans to bid for Lonrho

The corporation ducked the issue of its plans for Lonrho's mining operations, which could lead to it controlling the business when it is demerged from the Lonrho group. Analysts said Anglo could try to persuade Lonrho to sell the platinum business and named Broken Hill Properties as a possible buyer.

Lonrho and Gencor agreed last year to merge operations, producing a group that would control around 28% of the world market, against the 35% taken by Anglo American Platinum.

The commission launched its investigation in November, triggered by the extent of Gencor and Lonrho's combined European turnover

Anglo began building its control in Lonrho in March, and confirmed earlier this month that it held 10,5% and a

Continued on Page 2

Lonrho

Continued from Page 1

call option over Bock's remaining 18,5% stake Van Miert said Anglo's move destroyed arguments that the merger would create a powerful competitor to Anglo American Platinum.

"There was a risk that Anglo American could have gained complete control of platinum production in SA, which represents 90% of the world's platinum potential," he said.

Russian supplies, accounting for 23% of the market, were drying up and offered insufficient competition Buyers in the "inelastic" market would have been left with little room to negotiate prices.

Van Miert said Gencor had offered some meagre concessions, but there was no guarantee these would have been implemented Gencor chairman Brian Gilbertson had also turned down a meeting with Van Miert six weeks ago. "The only option was to take it or leave it," Van Miert said

Analysts said Impala's appeal was likely to be futile. They were divided over the prospect of a reshaped merger

Privatisation 'will bring an underclass as it has in Canada'

(232)

Renee Grawitzky BD 25/4/96

SUPPORT for privatisation was based not on economic imperatives but on ideology which had resulted in a growing "underclass" in Canada, National Education, Health and Allied Workers' Union (Nehawu) general secretary Vusi Nhlapo said yesterday

On his return from a recent visit to Canada, Nhlapo said that, based on the negative effects of privatisation in Canada, SA workers should reinforce their opposition to privatisation

Workers in Canada had always regarded themselves as middle-class However, because of privatisation, including outsourcing and downsizing the public sector, coupled with social security cutbacks, there had been an increase in unemployment and uncertainty, and a rising underclass

The concept of the "American dream" was disintegrating because of conservative economics, he said

Most northern hemisphere countries began privatising during economic boom periods where a number of conditions were prevalent, including economic stability, a wide-ranging social security network, political maturity and stability and jobs The current SA situation did not reflect any of those conditions

Canada had been able to sell its privatisation programme to workers because of the country's wealth and wide social security network However, the government had begun implementing budget cutbacks which were hitting at the heart of Canadian society

In February 150 000 Canadian workers marched against privatisation after Ontario's premier, Mike Morris, announced a number of cuts in spending

The government was planning to cut budgets of school boards, special education, pre-school creches and hospitals

"Over the years, the standard of living of Canadians is being eroded and they are becoming racist in approach", he said This increase in racism was due partly to increasing unemployment, making Canadians resentful of immigrants

Nhlapo warned that if SA's government did not begin talking to — and take account of — the Cosatu leadership, it could find itself talking to a new, more hostile leadership

In Canada the divide between private and public sector unions in Canada was great, with private sector unions blaming public sector unions for helping vote in a conservative government

When the now ousted left-wing party came to power — it included a large number of former unionists — it was confronted with conflicting priorities, including privatisation Public sector cutbacks put it in conflict with former allies in the public sector union which mobilised members against its former allies in the labour-friendly government, to oust them

Gencor loses platinum merger bid

EU threatens Anglo over Lonhro plans

CT(BR) 25/4/96 (232)

By Neil Behrmann

London — The European Commission vetoed the proposed merger of Gencor's and Lonrho's platinum interests yesterday and at the same time issued a warning against Anglo American's attempts to raise its stake in Lonrho from 10 percent to 28 percent

"If ever, and this is a warning, Anglo-American should acquire control of Lonrho, we would have the same problem (as that presented by the proposed merger)," said Karel van Miert, a European competition commissioner

Anglo reacted by saying its arrangements with Dieter Bock, Lonrho's chief executive, "do not constitute control of Lonrho" and reiterated it had no intention of making a general offer for the outstanding Lonrho shares

The EU decision had been widely forecast The Gencor-Lonrho merger would have given each company a 28 percent share of the world market and Anglo American Platinum would have controlled 35 percent of the platinum market, Van Miert said

Bock said that he was puzzled by the decision to block the merger, but Tiny Rowland, his predecessor, expected the veto

"I opposed the merger since it was a poor deal for Lonrho shareholders," said Rowland, who supplied the commission with technical and financial research

The Rowland camp believes that there is little alternative for Lonrho but to float Lonrho Platinum separately A Rowland proposal in 1994 recommended that Tweefontein be used as the listed vehicle for such a flotation

Mike McMahon, the chairman of Impala Platinum, expressed his disappointment over the EU's vote

He said the verdict would be appealed, pointing out that "the commission has ignored compelling evidence that this merger is based on the soundest pro-competitive rationale"

The parties would study the commission's decision and reconsider their options before making further comment Implats said last night it would appeal the decision before the European Court

Independent industry sources said that it was not in the interests of platinum companies to rig prices because such policies encouraged substitution Nevertheless, they thought Impala would probably lose its appeal

Impala and Lonrho sell more than 250 million ecu (about R1,4 billion) a year in platinum to the European motor, jewellery, chemical and glass industries

The commission's decision was not necessarily in the best interests of consumers, economists said

"This (decision against the merger) will deny the increased efficiency that presumably would have been forthcoming from the merger You have no gains and just costs as a result of this decision," said Dan Leach, a business economist at Wits University

☐ See Business Watch, Page 24

Going for the airwaves ... Moribo's Moss Mashishi says the formation of Station of the Nation – a joint venture between his company, an Australian television network and local entertainment group Interleisure – could pave the way for the formation of the first black-controlled television station.

Privatisation to be pushed

(232) Sowetan 26/4/96

By Gerry Reilly

THE Government's programme to restructure state enterprises has not stalled and is set to gain momentum in the next 12 months, says Public Enterprises deputy director-general Professor Sipho Shabalala

In an interview with *Sowetan Business* he stressed that the restructuring, since the Government had given top priority to accelerating the process and the appointing of expert advisers, was going to start quite a bit earlier than the end of the year

The department had advertised internationally for experts in a number of key fields to advise the Government on all aspect of privatisation

"We are looking for people with experience and expertise in merchant banking, commercial law and with other appropriate skills who are sensitive to the politics of the country and have sound understanding of the country's economy," he said

Shabalala said contrary to the view that restructuring would cost jobs, the process would actually create new jobs as it would expand the restructured enterprises

He said there had been a hold-up in the programme last year because of organised labour's opposition and the fear that restructuring could result in job losses

An agreement was reached which included a firm Government commitment to minimise job losses

However, overstaffing in some enterprises could be a problem, but the Government planned to retrain and deploy affected workers to do other work

On the public perception of the speed at which the process was progressing, Shabalala said "There is widespread ignorance of the complexities involved This process is not like an auction sale It has many complicating facets that have to be handled with extreme care," he added

Shabalala said the restructuring of state assets would boost small and medium sized businesses

Part of the plan, he said, was that some of the larger enterprises would be fragmented into a number of smaller ones – a development which could stimulate growth and create jobs

ST 28/4/96 (232) ~~266~~

Parastatal will be restructured

By ELIAS MALULEKE

THE North West government is to restructure its transport company and cancel the management contract the parastatal had with a private company

This follows the recommendations of the Katz commission

Last week, the Sunday Times reported that a document had been sent to the government alleging that the private company, Transport Advisory Services, was involved in huge financial irregularities and had received more than R65-million from the parastatal, North West Transport Investments, over five years

The province's MEC for Transport, Star Vilakazi, said the commission recommended that the parastatal should cancel the R7-million a year contract or negotiate a new one favourable to it

He also said the government would review the R700 000 a year salary package paid to the parastatal's chief executive

Transport Advisory Services was formed by seven of the parastatal's senior managers in 1990

They established the company with an interest-free loan of R1,5-million from the parastatal

When the contract was signed, they resigned from the parastatal to take up their new jobs in the management company

The Transport and General Workers' Union welcomed the government's move and said the parastatal should have its own management company

Pressure to deregulate petrol

(183) (232) . ST(BT) 28/4/96

By CIARAN RYAN

PRESSURE is mounting to deregulate the fuel industry as the only way to spare consumers a runaway petrol price.

The Central Energy Fund on Friday announced a 14c a litre hike in fuel prices from May 1, putting the Reef price at R2,05 a litre If the rand and oil prices remain at current levels, consumers face another 7c a litre price increase in June, pushing the price to R2,12 a litre This means that the price increase of 14c a litre covers only two-thirds of the damage caused by the collapsing rand.

Each 10c devaluation in the rand translates into a 1,8c a litre under-recovery on the fuel price

Not everyone loses, however Because Sasol and Mossgas synthetic fuel support is pegged to the dollar price of oil, both companies will receive higher State protection, but they will not receive the full benefit of the 23% devaluation of the rand since February

More bad news arrived this week when Transport Minister Mac Maharaj proposed a doubling of licence fees and a 14c a litre levy on petrol sales to upgrade roads

Deregulation of the oil industry could save the consumer between 10c and 20c a litre, but many industry spokesmen believe trade union antipathy to a free-for-all in the market makes deregulation unlikely. A free market would mean suspension of State support for Mossgas and Sasol, which are paid from a 6,4c a litre Equalisation Fund. Oil companies would receive lower retailing and wholesaling margins as a result of competitive pressures.

● See Page 5

Manuel drops 'feeble' Bill after criticism

BD 29/4/96

(232)

Greta Steyn

LAW professor Dennis Davis' branding of draft competition legislation as "feeble" had prompted former trade and industry minister Trevor Manuel to shelve the proposed Bill, sources said at the weekend

Davis had urged government to appoint a new team to start from scratch and consider potentially controversial competition policies such as the US, Canadian and Australian models, they said. Davis could not be reached for comment.

Business has indicated it could live with some form of the relatively benign European model, but it completely rejects the US's severe approach.

It is understood Water Affairs Minister Kader Asmal, acting on the advice of Moseneke & Partners lawyer Ronald Roberts, has also advised Manuel to reject the proposed Bill

The sources said Davis had lambasted the work done by the team, consisting of Competition Board chairman Pierre Brooks and Cape advocate Willem Pretorius He criticised the Bill as "badly drafted", for opening up loopholes and failing to address all issues

"The critics viewed it as a feeble version of the European model; the present system with some European features added onto it," a source said

Before Manuel's departure from trade and industry, it was reported that he wanted to appoint a new team Roberts and Davis are in the running, should Manuel's successor, Alec Erwin, decide to follow their advice. Erwin indicated last week he shared Manuel's concerns about the draft, but agreed that "big is not necessarily bad". That was one of the points of departure in the Bill, which targeted the abuse of a dominant position rather than a dominant position per se

Unions challenge Eskom privatisation

(230) (232) BD 29|4|96

Renee Grawitzky

COUNTRYWIDE anti-privatisation marches by thousands of National Union of Miners (NUM) and National Union of Metalworkers of SA (Numsa) members take place today — as part of a prolonged programme of action — to ensure the restructuring of Eskom and the broader electricity supply industry remains in state hands

Joint Numsa and NUM action today is intended to oppose any form of "privatisation in the name of restructuring and to draw attention to the fact that restructuring is going on, on the quiet" at Eskom behind government's back.

This action follows a number of proposals by the national electricity regulator that electricity distribution be taken away from Eskom and that an independent company distribute and ensure payment of electricity.

Numsa said the campaign was to ensure that the electricity supply industry remained a national asset and that Eskom be given a permanent licence to "generate, transmit and distribute electricity throughout SA".

The launch of this campaign comes in the wake of the failure of the national electricity regulator to carry out its mandate from both the Cabinet and the national electrification forum, Numsa said Instead the union said it requested government to appoint the electricity working group of employers to design the future model of the electricity supply industry.

The NUM said "We also want to see an immediate change in the management board of Eskom It is dominated by the 'old guard' and it is time for real change to bring Eskom in line with the new SA."

Meaningful influence by trade unions had been removed, the union said, because conservative elements in the management board and structure had "taken over".

The union said the planned selling of power stations to private owners was being done under "the pretext of introducing competition" If electricity demand warranted recommissioning stations, Eskom should recall thousands of retrenched workers

The selling of all support services should be stopped immediately and restructuring of Eskom should instead focus on "efficient delivery of affordable electricity", the NUM said.

Rival unions unite to protest against Eskom privatisation

232

ARG 30/4/96

Historic event sees former foes march together for a common cause

ESTELLE RANDALL
Labour Reporter

ESKOM workers from rival unions have joined forces for the first time to protest against proposals to privatise the company's electricity distributor.

This comes on the eve of the call by the Congress of South African Trade Unions (Cosatu) for a general strike.

Members of the Cosatu-affiliated National Union of Mineworkers (Num) and the all-white Mineworkers Union (MWU) held a joint protest in the conservative centre Bellville.

The two unions approached the protest quite differently.

Num members gathered early in a nearby car park to prepare last-minute placards and go through the basic procedures to be followed during the march.

"No remarks to the police, comrades – we won't stand for that.

"They are only doing their job," was one of the many instructions the hundred or so marchers got before they were allowed to make the way along Voortrekker Road, Bellville's main thoroughfare.

The march, it turned out, proceeded without incident.

Onlookers peered from the windows of tall office blocks or gathered at shop doorways to watch the procession.

Meanwhile, the MWU had gathered outside the Eskom offices – blue and white banners aloft – chanting the name of their union.

"We support them," explained an MWU member, "but marching is not in our culture."

With encouragement from the Num, the MWU mixed in with the crowd.

In a show of unity, the vivas – which throughout the march had been reserved for the Num and Cosatu – were shared among the two unions.

Mike Goussard, full-time shop steward for the MWU, was ushered to the front to give workers his message.

"It's time we stood together," he said to enthusiastic cheers. If we don't, we will be divided and we can't allow that.

"We all want a better life for our children and we all want to get the best out of Eskom and make Eskom the best," he said.

Soon after the Num's Pius Zondo had read the memorandum outlining the workers' grievances, Cosatu secretary-general Sam Shilowa arrived.

His speech was delayed somewhat by requests that he pose with MWU members for photographs.

In his address Mr Shilowa said the workers' display of unity around a common grievance should translate into unity over Cosatu's dispute over the final constitution.

"Workers are asking one question," he told them. "Whose constitution is it?"

Mr Shilowa said trade unions in the Federation of South Africa Labour Unions (Fesatu) and the National Council of Unions (NCU) and others agreed with Cosatu's concerns.

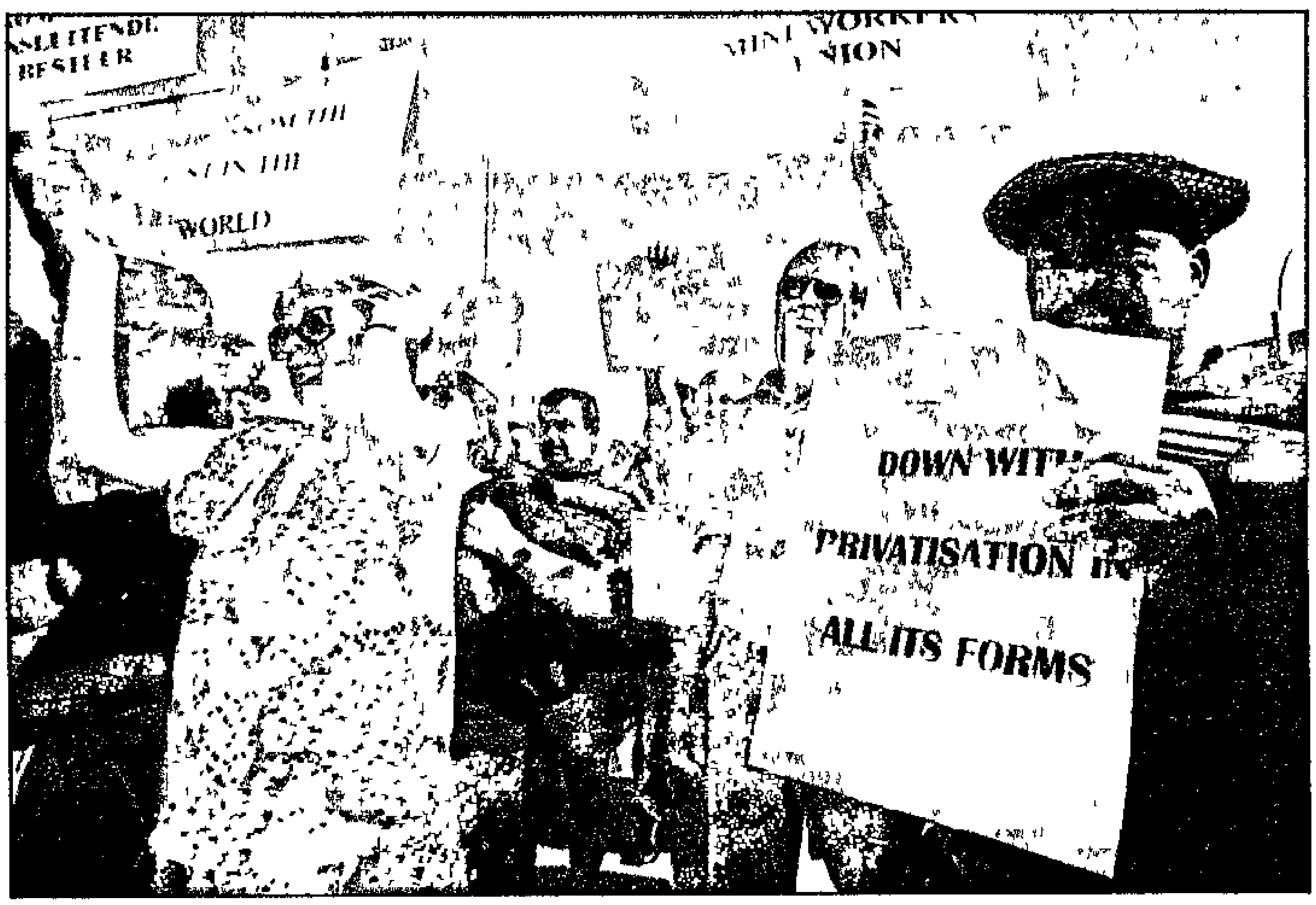
"But the key question is – what are we prepared to do?" he asked.

Developing an air of suspense and confidentiality, he said he was going to share something with the audience that he had not yet discussed with his executive.

He said he planned to meet Freedom Front leader Constand Viljoen to persuade him to support Cosatu's demand that the lock-out clause be dropped from the constitution.

"I'm going to say to him that he was elected by white workers who don't want the lock-out clause in the constitution," said Mr Shilowa.

With the workers of two rival unions standing side by side in the hot sun Mr Shilowa's comments seemed to capture the spirit of the occasion.



CROSSING THE LINE: Members of the all-white Mineworkers' Union join the National Union of Mineworkers in Bellville to protest against plans to privatise Eskom. This was the first time the workers had taken joint action.

Eskom marchers protest over restructuring

Star 30/4/96 (232) (~~250~~)

By Justice Malala
Labour Reporter

Hundreds of electricity workers marched on Eskom offices in Bellville, Cape Town, yesterday to protest against plans they claimed management was making to restructure the parastatal unilaterally, and warned that further mass action on the issue would follow

The action by the National Union of Mineworkers (NUM) and the National Union of Metalworkers of SA (Numsa) was said to be the first salvo in a campaign that will include various actions at Eskom plants across the country

Workers elsewhere in the Cape and in Bloemfontein also marched to Eskom regional offices to present memoranda on the issue

The unions feel that privatisation is going on quietly at the parastatal, despite a freeze being put on such moves by the Government until further consultation has taken place

Numsa said at the weekend that Eskom as a whole had to remain a state-owned enterprise and had to be given a public mandate to take over the entire electricity supply industry in SA

The NUM's Thomas Sedutla said the protests were aimed at resisting any privatisation in the name of restructuring and to draw attention to what was going on "on the quiet" at Eskom.

"We also want to see an immediate change in the management board of Eskom It is still dominated by the 'old guard'," he said

Eskom human resources director Bongani Khumalo said the Government had not given Eskom any mandate to pursue privatisation

"It must be stressed that all and any final decisions to do with the restructuring of public enterprises, including Eskom, are the prerogative of the Government

"We acknowledge the perception around certain 'conservative elements' in the structures of Eskom, especially at the top, who are viewed as obstructing the process," he said

Why Davis declined to help draft competition legislation

CT (BR) 2/5/96 (232)

Staff Writer

CRITICAL *Denis Davis, reported to have called the draft 'feeble'*

Cape Town — When Trevor Manuel was the minister of trade and industry last year, he wanted Denis Davis, the law professor, television personality and member of the Katz commission on tax, to be the third member of the team that wrote the draft competition legislation for him

But the Public Service Commission insisted that the position be advertised and Davis decided not to apply, sources said yesterday

These facts came to light this week as businessmen continued to ask why the government had made no progress with new competition legislation in the last eight months

Early last year Manuel tried to have Davis appointed to the team in a hurry, but the commission insisted that the position be advertised The lengthy administrative process would have kept the team from starting with its work, so Davis decided not to join, sources said.

According to the sources, Manuel had planned to appoint a committee of stakeholders to guide the authors. No committee was ever appointed and the team proceeded with a rough working document as its only term of reference

Indecision about who should be on the committee of stakeholders led to the draft being written without the committee, they said

Later, Manuel asked Davis's opinion of the draft legislation He reportedly called it feeble and badly drafted and said that it failed to address all the issues

Manuel then decided not to release the draft for public debate and to appoint a new team to produce a second draft

Davis could not be reached for comment yesterday The commission declined to comment

Manuel received the draft legislation last September, but kept it under wraps On several occasions he said it was "full of holes" and he "could not put his name to it"

The draft was co-authored by Pierre Brooks, the chairman of the Competition Board, and Willem Pretorius, a Cape Town advocate

Erwin signals competition policy shift

John Dludlu BD 2/5/96 (232)

TRADE and Industry Minister Alec Erwin has opened the door to discussions within the National Economic, Development and Labour Council (Nedlac) over formulating the ground rules for new competition policy, signalling a shift away from the strategy of predecessor Trevor Manuel

Erwin said earlier this week he would launch a process to draw up new competition policy shortly, and would bring the business and labour constituents of Nedlac in from the outset

Manuel had said there would be no detailed discussion on competition policy within Nedlac He also proposed establishing a competition policy task team to draw up policy, just before he was named finance minister.

Erwin, speaking at the UN Conference on Trade and Development, said he would meet Nedlac to discuss the process soon. He hoped an agreement would be struck to allow legislation to go through Parliament this year

Sources said involving Nedlac represented a far more conciliatory approach than that taken by Manuel

Manuel's proposed task team, which was to have presented a complete draft policy to Nedlac, had not been established yet, a department spokesman said

Erwin's guarded comments follow his indications last week that he was also prepared to consider new tax incentives for industry, particularly for "world player type projects". He also wanted to get competition legislation through Parliament as soon as possible, targeting anti-competitive behaviour rather than size

Erwin said he and his deputy had been well briefed by Manuel

See Page 6

Competition Board waits for new chairman

(232) CT (BR) 3/5/96

By Christo Volschenk

ECONOMICS EDITOR

Cape Town — The Competition Board could be thrown into crisis next month

The trade and industry department has not asked Pierre Brooks, its chairman, to stay on after his service contract expires at the end of this month and it has yet to appoint his successor

Trevor Manuel, the previous trade and industry minister, said recently that Brooks would be asked to stay on until new institutions had been established under new competition legislation

Sources said Brooks had informally discussed the possibility of staying on past the end of the month with Manuel

No offer had flowed from the discussion, however

Brooks confirmed yesterday that he had not received a formal request from the trade and industry ministry to stay

He also said he had not been asked for his opinion of candidates considered for his position "I am totally in the dark," he said

"I can only consider whether I want to stay on if I have an offer I have not received an offer and must therefore assume that I will leave at the end of this month"

He did not want to elaborate on his future plans other than to say that he has "a few alternatives lined up"

A spokesman for the department confirmed no successor had been appointed

Alec Erwin, the new trade and industry minister, could not be reached for comment yesterday

Brooks has been at the helm of the Competition Board since June 1 1988

After an initial service period of five years, he was re-appointed by the previous government for a three-year term

Concern is growing in the board that its work may be seriously disrupted because a successor has not been appointed in time to ensure the continuity of its work

Brooks said yesterday that the high profile of the debate on competition policy had increased the board's workload in the past months

"The debate has increased people's awareness of their rights, resulting in a growing number of complaints The cases are also growing in complexity with more legal experts getting involved," he said

☐ See Page 26

After 18 months, policy is still not clear

CT (BL) 3/5/96

Confusion reigns over competition legislation

(232)

Eighteen months after Trevor Manuel, the previous trade and industry minister, started work on new competition legislation, it is still uncertain where government is headed with competition policy. Christo Volschenk pieces together the events that gave rise to the uncertainty

Confusion reared its head shortly after Trevor Manuel started work on a new model to enhance competition in the South African economy at the end of 1994

Since then, indecision and uncertainty have joined confusion to become hallmarks of the process When Alec Erwin took over as trade and industry minister 18 months later, it was still unclear where competition policy was headed

Late in 1994, Manuel requested the parliamentary standing committee on trade and industry to schedule a week of public hearings in February last year on new competition legislation

This was to be the first step in a long process of consultation and negotiation with stakeholders over the new legislation

Manuel had asked Frederick Fourie and Dave Lewis, academics at the universities of the Free State and Cape Town, and Willem Pretorius, a Cape Town advocate, to write a base document for debate at the public hearings

The hearing dates were pushed back several times as the base document took longer to finish than expected When it was eventually debated at a Cape Town conference, it did not provide for the forced dismantling of conglomerates

A few months later the standing committee announced that the hearings had been called off indefinitely No reasons were given at the time

Later it transpired that Manuel had changed his mind He had decided to have draft legislation prepared The draft, rather than the base document, would be debated by the standing committee

He picked a team to write the draft and agreed on a process of negotiation and consultation

The team was to consist of Denis Davis, the law professor, Pierre Brooks, the chairman of the Competition Board, and Willem Pretorius, a Cape Town advocate

A committee of stakeholders was to be appointed by Manuel to direct the team of authors

The Public Service Commission rubber-stamped the appointments of Pretorius and Brooks Davis, however, was told to apply once the position has been advertised He decided not to pursue the matter and never became a member of the team

The committee also never came into existence, leaving the two-man team to work alone with the base document as the only term of reference

Since the base document made no reference to the dismantling of conglomerates, the team decided to leave the issue aside until they received further direction

The draft was finished and handed to Manuel in September

The authors expected the issue of forced unbundling to be addressed after debate by the National Economic Development and Labour Council (Nedlac) and the parliamentary standing committee on trade and industry

Manuel announced the draft was 'full of holes' and not good enough

Pretorius then flew to Australia were he met Australian experts to discuss the draft They suggested a few technical amendments

In the meantime, Manuel had asked others to comment on the draft

This week it was reported that Davis was also asked to comment and that he said the document was "feeble, badly drafted and failed to address all the issues"

Manuel decided not to release the draft and kept it under wraps for six months He caused a furore when he refused to have the draft debated line by line by Nedlac once it was released

Then out of the blue, Manuel announced the draft was "full of holes" and not good enough to be released

It is believed that he may have known at the time of his impending appointment as minister of finance and that he wanted to give his successor a clean slate to work on

A new team would be assembled to write a new draft, he said He never explained where the "holes" in the draft were To date, no explanation has been given

Eighteen months later, the business community still does not know whether the government will opt for the behavioural or the structural approach to competition policy

The structural approach entails the dismantling of conglomerates, but the behavioural approach punishes dominant firms that abuse their positions

It is believed that Erwin may reconsider the idea of a committee of stakeholders to advise and direct a new team of authors

Meanwhile, uncertainty reigns at the Competition Board

No one has been named to replace Brooks when his contract as chairman expires at the end of this month

Brooks has not received an official request to stay on and the work of the board will most certainly be disrupted for a few months while the newcomer finds his feet

Competition boss Brooks to get the axe

ST(BT) 5/5/96 (232)

By SVEN LUNSCHE

COMPETITION Board chairman Pierre Brooks looks set to become the first victim of the government's tougher approach to competition policy

Sources in the Department of Trade and Industry said this week Dr Brooks' contract was not likely to be renewed when it expired at the end of the month

He could, however, be asked to remain as caretaker until a new chairman was appointed, the sources said

Dr Brooks' approach towards competition policy has been described as "too weak" and "not in line with the thinking of the new government"

Dr Brooks and Cape attorney Willem Pretorius drafted the first copy of a revised Competition Act, but the draft was dismissed by former Trade and Industry Minister Trevor Manuel

Mr Manuel was particularly incensed by the absence of measures to address the concentration of economic and financial powers in the hands of a few large conglomerates such as Anglo American.

There has also been criticism of the board's go-ahead for two recent transactions the sale of HLH Timber to paper giants Sappi and Mondi, and approval of the MacSteel-Iscor export venture

The departure of Mr Manuel and the arrival of Alec Erwin at the DTI has added confusion to the policy furore

Mr Erwin has hinted at a more conciliatory procedure by agreeing to submit competition policy to Nedlac, a move resisted by Mr Manuel

The debate at Nedlac, comprising business, government and labour, is likely to be heated and prolonged and could delay the passing of a new Competition Act in the current parliamentary session, which Mr Erwin has indicated is his wish

Dr Brooks said he had not been told whether he would be replaced or asked to stay on as a caretaker He had also not been consulted about changes to his draft Bill since submitting it to Mr Manuel in September last year

"Our draft took existing competition laws significantly further and adjusted them to the current situation," he said

He said the rulings on HLH and Iscor-MacSteel were "legally motivated opinions" and approved by the DTI

"Measures to break-up conglomerates must be target-specific and they fall outside the realm of competition policy It is a political decision whether you want to go that way," Dr Brooks said

Deconglomeration measures are at the heart of an alternative approach suggested to Mr Manuel by Wits law professor Dennis Davis and Moseneke & Partners laywer Ronald Roberts

Both were reportedly asked to be members of a task group to revise the Competition Act They could be asked to stay on as government's team at Nedlac's negotiations on competition policy

Mr Roberts described Dr Brooks' approach as "well intentioned but outdated like a dead man talking"

Deconglomeration proposals by Mr Roberts are based on stiff US anti-trust regulations, such as competitive bidding procedures

Dr Brooks proposed an independent Competition Tribunal, stiffer penalties and limits on the cross-ownership of companies operating in similar markets

Board 'is to consider' Malbak unbundling plans

(232)

Adrienne Gilliomee

BD 7/5/96

SANLAM chairman and Malbak non-executive director Marinus Daling said yesterday Malbak executives would "seriously consider" unbundling the R7bn conglomerate's holdings, which include stakes in Holdains, Ellerines, Foodcorp and SA Druggists.

Sanlam, which is Malbak's main shareholder, said the departure of Malbak CE and chairman Grant Thomas presented an opportunity to look at unbundling. However, Thomas yesterday downplayed suggestions that the group's recent poor performance on the JSE justified Malbak's unbundling.

Thomas, who announced his resignation on Friday, said splitting up Malbak had not made sense for most of his tenure, given that its share price had previously consistently traded at a premium to its net asset value. The share's trading at a discount for the past three months did not necessarily mean unbundling was now justified.

Daling said unbundling could be done on a partial basis to lift value to shareholders, rather than merely attempting to remove the discount to net asset value.

Neither Thomas nor Daling would be drawn on whether Thomas had opposed unbundling plans, though sources close to the company said there had been a major rift over this. Daling said Thomas's resignation was not brought on by Sanlam or investment arm Sankorp. "It was a decision by the Malbak board of directors, even though Sankorp director Tony Routledge and I are part of the board."

New York investment house Smith Barney yesterday released a foreign equity call note in which it viewed Thomas's resignation as "entirely positive" for Malbak's share price.

"At last Sanlam appears determined to correct Malbak's woeful underperformance," the report said. It believed shareholders would be served best by the unbundling of the group.

Competition Board decides to investigate rooibos supplier agreement

232 CT(BR) 8/5/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — Rebel rooibos farmers' efforts to break the stranglehold of the Rooibos company over the processing and marketing of rooibos tea have been bolstered by a Competition Board decision this week to launch a formal investigation into the industry

Pierre Brooks, the chairman of the board, said yesterday that a formal investigation would be launched

The Rooibos company had not indicated whether it would comply with an earlier request by the board to amend a supplier agreement that supposedly stifles competition in the industry

"Rooibos seems to be playing for time so we have decided to go ahead with a formal investigation," Brooks said

Once a formal investigation gets under way, the trade and industry minister may compel the tea producer to change the agreement and free rooibos tea producers to supply their tea to processors and marketers of their choice

A group of 20 rebel farmers has formed an organisation called the South African Rooibos Tea Producers' Association

The association concentrates on the export market, but a shortage of rooibos tea has kept it from increasing its market share

Should the Rooibos company change its agreement, more tea would be supplied to the association, which earns higher prices for tea on the export market

After the demise of the rooibos tea industry's statutory control board in 1993, the Rooibos company became the sole processor and marketer of rooibos tea

Earlier this year, a group of rooibos tea farmers complained to the board that the agreement that suppliers have to sign with the Rooibos company prohibited competing processors and marketers from entering the market

Rooibos was asked to amend the agreement about a month ago after an informal investigation by the Competition Board

"Legal opinion will be sought before we decide whether to comply with the board's request," said Martin Bergh, the chairman of the Rooibos company

He said last week that the supplier agreement did not stifle competition in the industry

"It certainly does not keep any farmer from supplying his tea to another processor"

Competition law revamp welcomed

(232)

John Dludlu

BD 8/5/96

TOP business leaders have welcomed Trade and Industry Minister Alec Erwin's approach to the revamp of SA's impotent competition law, saying his recent comments provided a clear direction on the goals of the policy

Erwin said he would hold discussions with business and labour at the National Economic, Development and Labour Council to discuss the process of drafting the competition policy which has seen heated exchanges in the media between his predecessor, Trevor Manuel, and business leaders

In an interview yesterday Sanlam chairman Marinus Daling said Erwin's comments in the media suggested business could look forward to a more transparent process. The problem in the past was that business did not know what was on the table, except through Press leaks "Clearly in a modern economy, you need a competition dispensation," he said

SA Chamber of Business spokesman Ben van Rensburg said it was particularly impressed by indications the new policy would not focus on structural issues but would tackle classical competition issues of anti-competitive behaviour by corporations. Daling said the structure of the economy did not necessarily stifle competition

Erwin's comments about discussing the process in consultation with Nedlac's partners have been seen as opening the door to a more consultative approach and suggesting a greater and more meaningful role for the council

At the height of the debate on competition policy last year, business complained about uncertainty on whether the draft law would be tabled for discussion at Nedlac or not Business was also worried about what it saw as confusion on the goals of the proposed legislation

However, before his departure from the trade and industry portfolio, Manuel — now finance minister — promised business that he would indeed table the draft for discussion at Nedlac, although he said there would be no line-by-line discussion on it

Another senior business source said "It is good that we now have direction, it would be ideal to involve all stakeholders (in the discussions on the policy)."

It was still unclear whether Erwin would go ahead with Manuel's idea of setting up a small team to draft the law, before presenting it for discussion at Nedlac

Sources canvassed yesterday felt Erwin's intention of obtaining agreement this year was optimistic, given the divergent views held by various stakeholders

Advice to govt on restructuring soon

BD 9/5/96 (232)

Robyn Chalmers

THE sectoral task-teams looking into the restructuring of state assets would advise government on the time frames for restructuring by the beginning of next month, Public Enterprises Office head Sipho Shabalala said yesterday

This follows mounting criticism about the slow progress being made on government's restructuring plans, and indications that six-a-side meetings between the state and labour had become bogged down

There appears to have been little progress on the asset restructuring process since the national framework agreement was signed in February, but Shabalala said that much was being done behind the scenes

"We are trying to create a new culture of co-operation between government, labour and management, which has taken time "

Shabalala said significant work had been done on analysing the effect of restructuring by the various sectoral teams and the restructuring and transformation committees There was generally a poor level of understanding of the complexities involved in restructuring state enterprises

However, Shabalala said, government had given top priority to accelerating the process of restructuring

He expected Public Enterprises Minister Stella Sigcau to make a significant statement on restructuring soon.

It had been agreed at a meeting of the interministerial committee for the restructuring of state assets, held on May 1, that the finance ministry would, during the next three weeks, develop a protocol for the corporate governance of all state-owned enterprises This was to ensure there was accountability and transparency in the management and running of these enterprises

The restructuring process was placed under the spotlight once again this week with the announcement by Posts, Telecommunications and Broadcasting Minister Jay Naidoo that finding a strategic equity partner for Telkom was an urgent priority

Naidoo said it was essential that government now determined the conditions under which investment by a strategic equity partner in Telkom took place

Privatisation is put back on track

(232) MtG (MM) 10-16/5/96

Mungo Soggot

PUBLIC Enterprises Minister Stella Sigcau is to appoint advisers on revamping and privatising state assets early next month, resurrecting the government's privatisation plans that were temporarily buried while negotiations continued with trade unions on the issue

The imminent appointment of these advisers coincides with Post, Telecommunications and Broadcasting Minister Jay Naidoo's comments this week that Telkom is pressing ahead with plans to sell off a 25% stake in Telkom to a strategic equity partner

A representative from Sigcau's department said the advisers should be appointed in the first week of June — about six months after the first deadline to tender for the work.

Sigcau secured a budget of R10-million for the team, who will report to government departments involved in restructuring and privatisation, apart from Posts, Telecommunications and Broadcasting which is to get its own advisers

The restructuring and privatisation drive is expected to be overseen by Deputy President Thabo Mbeki, who announced the first wave of government privatisation targets in December last year to a chorus of union disapproval.

His announcement of plans to sell stakes in Telkom and South African Airways and all of Autonet and Transkei Airways triggered a wave of union protests, which led to government and labour's negotiation of the National Framework Agreement on state asset restructuring — a pact that spelt out basic policy and principles on restructuring and privatisation

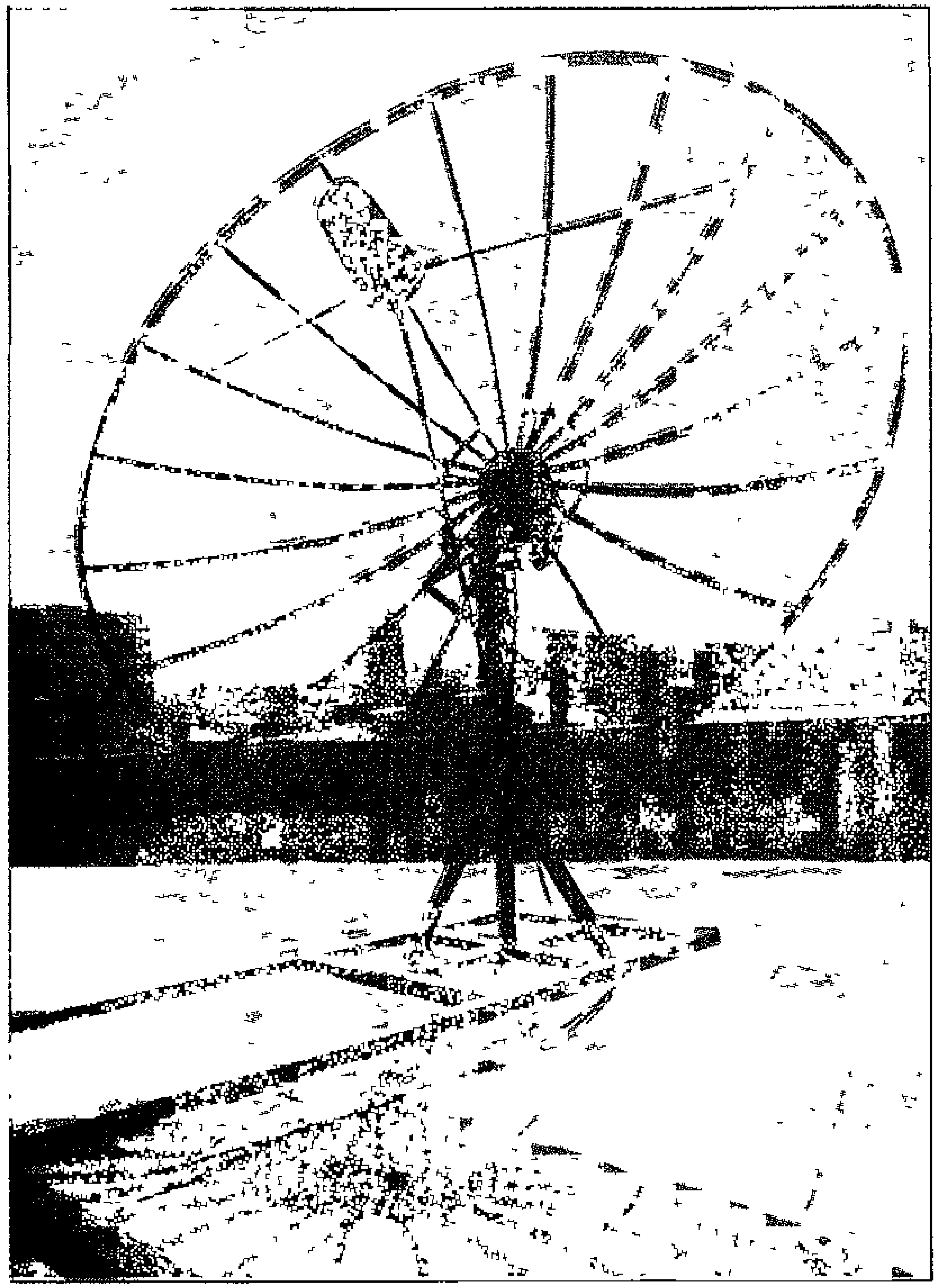
During the negotiations, government agreed to freeze plans for the appointment of its advisers and set aside a further R3-million for additional advisers for labour Sigcau's representative said this money would be handed over soon

Stella Sigcau is to appoint advisers on revamping and privatising state assets

Meanwhile, Naidoo said this week that talks with the unions on the sale of a stake in Telkom were progressing well But Post and Telecommunications Workers Association (Potwa) president Lefty Monyokolo said Potwa remained opposed to any sale of Telkom and would fight the drive to privatise Telkom "He [Naidoo] cannot do it without the unions," he said There were many ways of improving Telkom's equipment and management without bringing in a foreign partner

Although government and Telkom have stressed they have some way to go before selling a stake in Telkom, the identity of the strategic equity partner has been the subject of much speculation in the merchant banking community The latest talk is that it is a consortium of Canadian, American, British and French telecommunications companies A 25% stake would be worth about R7-billion

Naidoo and Sigcau have agreed on the need for separate advisers The Posts, Telecommunications and Broadcasting Department would also tender for a multidisciplinary team that would include a legal expert, a chartered accountant, a technical expert, an economist specialising in black economic empowerment and "someone with merchant banking experience"



Privatising: Telkom is pressing ahead to sell a 25% stake in its business

MAIL & GUARDIAN
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Share and share alike

(232)

M+G 10-16/5/96 (pm)

The present tax system does little to encourage employee share ownership; however, many believe it is important for the economy **Madeleine Wackernagel** reports

AMID all the talk of unbundling and black empowerment, one obvious means of broadening the economic powerbase — employee share ownership programmes (Esops) — is being largely ignored

Not to be confused with share incentive schemes, which are aimed at management Esops are open to all employees, with the employer providing the funding mechanism

Says Loren Braithwaite, head of the public sector division at Msele Corporate and Merchant Bank "The most important role for Esops at this stage in economic development is to deconcentrate share ownership, which is important for access to capital and growth

"Esops are important for employees if they are distributed equitably (to prevent the sort of conflict old-style share incentive schemes provoked), and if the company undertakes an education programme so that employees understand them as an additional form of saving and as an important source of collateral with which they can access additional bank financing

Anglo American was one of the first to launch an Esop in the late 1980s, which was very popular, says Michael Spicer, group public affairs consultant The corporation had envisaged a second phase in the programme, but has since put the project on hold in anticipation of further tax changes

It had been hoped that under the new government, with its emphasis on broadening the economic powerbase, moves would be made to ease the tax burden on employers and employees alike in devising Esops "But the government is being short-sighted," says Spicer "It is more concerned with the loss of potential tax revenue than a long-term vision "

Says Marius van Blerck, Anglo's group tax consultant. "While it is true to say there is nothing in existing legislation that specifically discourages employee share ownership, it is also true to say there is little to encourage it.

"The present tax system places an intolerable administrative burden on any employer who seeks to promote widespread employee share ownership, due to the complexities of administering the fringe benefits system for significant numbers of employees "

The third Katz Commission report on taxation "didn't go even a tenth of the way to what we had in mind", says Van Blerck "Either the employee pays tax on the interest-free loan the company provides to buy the shares, or else he is taxed on the difference between the market value and actual price of the shares It is difficult to explain to employees that they have to pay a tax on a benefit they do not even own yet "

One solution, recommended by the commission but not accepted by government on grounds of administrative difficulties, was for tax to be paid only once the employee sold the shares Michael Katz, however, believes this proposal is still feasible

'Black economic empowerment is very important," says Katz "There is nothing in the present tax system that stands in the way It would be difficult to discriminate against one kind of fringe benefit and not another; for instance, the soft loans given to employees for housing or education "

One successful Esop was launched at the beginning of this month by Premier Fishing, which sold 20% of its South African interests to the staff at a nominal value of 1c per share

Loren Braithwaite. 'Esops are important for employees, if they are distributed equitably' PHOTOGRAPH NAASHON ZALK

Once the company had overcome the hurdle of convincing the unions to support the scheme, it then faced the battle with Revenue, but eventually won through Fringe benefits taxation was not an issue because the company restructured itself consolidating all its South African interests under one roof

Not all companies will want to undergo a restructuring to be able to launch an Esop, however And until the tax structure is changed, there is little incentive to do so, says Van Blerck

Adds Braithwaite "At least if the incentives can't be provided, the obstacles should be removed "

Privatising at snail's pace

(232) ST 12/5/96 (BT)

By SVEN LUNSCHE

THE government's privatisation and restructuring programme is getting out of the starting blocks at a snail's pace

It emerged this week that the Cabinet committee overseeing the programme has agreed to a new layer of advisers to guide the process

Terms of reference for a central adviser to Minister for Public Enterprises Stella Sigcau have been agreed upon and a number of international experts will be flown out to oversee the selection process In addition, each of the six sectoral task teams responsible for the restructuring of about 30 parastatals will appoint their own advisers

Posts and Telecommunications Minister Jay Naidoo also indicated that a new protocol for the corporate governance of state-owned enterprises would be developed within three weeks Meanwhile the National Framework Agreement — a consulting body between government and labour overseeing privatisation — has not met once since its establishment in February

The NFA was the outcome of trade union resistance to a government plan in early December announcing the partial privatisation of Telkom, SAA and the Airports Company.

While the unions do not have veto rights within the NFA, their threat of mass action to resist further privatisation has clearly delayed the process and dampened government enthusiasm for restructuring on a wholesale basis

Instead, Ms Sigcau has focused her efforts on senior affirmative action appointments at key parastatals The appointment of political heavyweights rather than technocrats has already led to costly delays in SAA's R3,5-billion purchase of new Boeings for its ageing fleet

In the process, though, Ms Sigcau, with the support of deputy-president Thabo Mbeki, has regained effective control over most parastatals Earlier this year it was mooted that Ms Sigcau's department would lose some of her centralised powers over the restructuring process and more say would be given to the relevant state departments

Mr Naidoo has a greater opportunity of transforming Telkom as the parastatal reports directly to his ministry However, since the December announcement that the state would sell up to 30% of the group, little progress has been made

: greater efforts --

Privatisation: edge lies with foreigners

(232) Sowetan 13/5/96

THE state's gradual withdrawal from the economy in sub-Saharan African nations has given foreign investors a chance to cash in on a high-yielding market

However, privatisation has generally not satisfied the hunger of local business people for a stake in former state enterprises, according to studies carried out by management institutions in Tanzania, Zambia and Zimbabwe

Researchers from the three countries explained that when state enterprises are auctioned off, foreign bidders have an unbeatable advantage because of their ready capital, technology and managerial competence to revive ailing firms

Indifenous concerns

"The indigenous concerns do not have the money to partake of the benefits accruing from privatising state-owned enterprises," a study in Tanzania and Zimbabwe found

Researchers from Tanzania's Institute of Development Management (IDM), the National Institute of Public Administration (NIPA) of Zambia and the Zimbabwe Institute of Public Administration (ZIPAM) presented their findings at a workshop

ZIPAM pointed out that the need to balance foreign and local investment was crucial in Zimbabwe where a widely held view was that privatisation should "solely benefit the indigenous population"

The general feeling in Tanzania was that "if due care was not taken to maintain a balance, the trend would reflect wholesale foreign ownership of the privatised enterprises," the IDM found

Hard currency

The general thrust of privatisation in sub-Saharan Africa is to attract foreign investment that provides governments with hard currency they need

However, foreign investors have not been in a hurry to buy out state firms In fact the ratio of foreign direct investment to gross domestic product in sub-Saharan Africa decreased by half in 1995
– *Sapa-IPS*

Moseneke calls for more unbundling

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The unbundling of private sector assets was the key to the advancement of black emerging business in the South African economy, Dikgang Moseneke, the chairman of Telkom and the deputy executive chairman of Corporate Africa, said yesterday

"Increased unbundling would increase the opportunity of black business making a meaningful contribution to the economy," Moseneke said

Blacks controlled only 2 percent of shares on the JSE, he said and blamed the slow pace of unbundling, a lack of capital and a poor level of financial management as factors holding up the progress of emerging black business The lack of cooperation from "big" business also contributed, he said

~~25~~ (232) CT (BR) 14/5/96

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Competition Board chairman uncertain if he will stay on at his post

(232) CT (BR) 15/5/96

Pierre Brooks keeping an open mind

By Christo Volschenk & Roy Cokayne

Cape Town — Pierre Brooks, the chairman of the Competition Board, said yesterday that he had not yet committed himself to another career and would consider staying on as chairman it asked to do so by Alec Erwin, the minister of trade and industry

However, he expressed dissatisfaction at the way in which the whole matter had been handled

Brooks' service contract expires at the end of this month, but the government has not yet decided whether to renew his contract or to appoint a successor

"I am keeping an open mind Depending on the conditions under which Erwin wants me to work, I will make a decision to leave or to stay," Brooks said

He was reacting to a statement by a spokesman in the ministry of trade and industry that Erwin would ask Brooks to stay on as caretaker at the board for an undetermined time after the end of the month while the government searched for a suitable successor

The trade and industry department spokesman said a heavy workload had prevented Erwin from attending to the issue earlier

Brooks feared that the government's indecision on his contract might have caused uncertainty among companies in the private sector that had complained about anti-competitive behaviour and whose cases were still being investigated by the board

"Complainants are concerned about what will happen to their cases after the end of the month," he said

Large investigations being undertaken by the board include a probe into the liquor industry encompassing wine, spirits and beer and aspects such as retail licensing, vertical and horizontal integration, the ownership of retailers and excise duties

The board is also involved in a large investigation into whether any restrictive practices or monopoly situations exist in the manufacturing and marketing of paper and paper products

Other investigations being conducted include a probe into the Rooibos tea industry, price leadership in the steel merchants industry, and alleged restrictive practices by the South African Forestry Company, the parastatal to which the state's commercial forestry undertakings have been transferred

Unions adamant on privatisation

(232) CT(BR) 15/5/96

By Thabo Leshilo

Johannesburg — Cosatu and the South African Railway and Harbour Workers' Union repeated their warning yesterday that they would not permit unilateral privatisation of Transnet and other state assets

The two organisations denied that they were debating privatisation strategies at the R40 billion transport parastatal as claimed by Transnet on Monday They also promised to oppose any job losses after restructuring

"We would like to formally dismiss as unfounded the allegation that the government, unions and Transnet are exploring privatisation strategies," the president of Sarhwu Nelson Ndimisa said

Ndimisa and Nowetu Mpati, a spokesman for Cosatu, said that the government and Transnet were forbidden by the national framework agreement reached with labour from exploring any restructuring without consulting the unions

"We are expecting the government and Transnet to come forward in order to create structures which will be charged with restructuring Transnet We would also like to affirm our opposition to privatisation and that we do not see restructuring as a euphemism for privatisation," Ndimisa said

Mpati said the agreement, which the government negotiated with the unions in February, had placed a moratorium on any unilateral restructuring of state assets

Govt 'must not be seen as sole service provider'

(232) BD 15/5/96

Mduduzi ka Harvey

GOVERNMENT should not be looked at as the only available service provider, as there were many alternative ways of catering for public service delivery, visiting US author Ted Gaebler said yesterday.

Addressing Gauteng mayors, councillors and members of the business community, Gaebler, co-author of the book Reinventing Government, said there were some key aspects currently handled by government which could be run for profit These included the printing of money and the collection of taxes.

He said there was no longer a hard and fast rule of what was private and what was public

The public should not be blinded by the fact that government had historically been responsible for certain delivery functions There was a need to explore other avenues, such as partnerships, that would result in effective delivery.

In reinventing government in SA, leaders had to investigate other delivery strategies and look at where they could find alternative funding for revenue generation They should also provide and empower communities to participate in the finding of solutions and breaking of barriers that have hindered delivery This would entail the removal of government red tape

Focus had to be given to promoting competition. Market-related mechanisms had to be introduced so that money was earned instead of spent, said Gaebler Government would work better at less cost through alliances and partnerships formed to search for the best delivery practices The customer had to be put first and employees empowered to get the best results, said Gaebler

Eskom puts sale of stations on hold

BD 16/5/96 (232)

Robyn Chalmers

ESKOM's plans to sell three decommissioned power stations have been put on hold while talks with labour get under way and the possibility of the stations being refurbished is considered.

Fuel and technical services senior GM Mike Deats said yesterday there had been overseas interest in the stations, and a number of proposals from foreign utilities had been received.

The entry of foreign players could signal a major step towards private sector involvement in the generation game. It could also coincide with the looming shake-up in the power distribution sector.

"The possibility of refurbishing the power stations and bringing them back into operation was recently mooted, and we are considering this as an option," he said.

Sources close to Eskom said trade union groupings had objected to the proposed sale and this had delayed the process.

The power stations are Taaibos and Highveld in the Free State, and Ingagane in KwaZulu-Natal.

Eskom said earlier this year it had earmarked the three for possible sale, and the parastatal had set a February 16 deadline for proposals on buying the stations.

Several proposals had been received, but the selection process had been put on hold while the talks continued with labour and on the refurbishment issue.

Deats said Eskom did not need the additional capacity so the timing of the refurbishment would be important. He declined to comment on which foreign utilities had put in proposals, but earlier reports suggested Electricité de France, Germany's Westfälische Elektrizitatswerke and the UK's Midland Electricity were among those interested.

Deats said any successful candidate would have to apply to the national electricity regulator for a licence under the new legislation governing the industry. The new rules would now expose Eskom's operations to regulation.

Sources said options open to foreign buyers would include selling the electricity to Eskom, supplying large customers, exporting to a neighbouring country or exporting the power station.

Union vows to tackle Maharaj

(232)

By Thabo Leshilo

ET (BR) 17/5/96

DRIVING FORCE *Cosatu general secretary Sam Shilowa, left, and Tito Mboweni, the labour minister, at the Transport and General Workers' Union congress in Johannesburg yesterday* PHOTO JOHN WOODROOF

Johannesburg — A commitment to socialism and strong warnings against perceived government tactics to introduce privatisation through the back door marked the opening of the fifth annual congress of the Transport and General Workers' Union yesterday

Alfred Ndlovu, the union's president, blasted the public transport plan proposed by Mac Maharaj, the transport minister, for not advocating nationalisation He said the 74 000-member union would fight it

"We will not accept privatisation and deregulation of such a central social service for our people The lines have been drawn, we will embark on a serious programme of mass action involving Cosatu and communities to change the policy direction," Ndlovu told the 605 delegates

He welcomed the departure of the National Party from the government of national unity, saying the move would better enable the ANC/SACP/Cosatu alliance to speed up the transformation of the country without hindrance and implement the reconstruction and development programme

"Our focus must now be on the economic emancipation of our people as this is ultimately what we engaged in the struggle for — socialism"

Tito Mboweni, the labour minister, called for the strengthening of the tripartite alliance, saying the victories workers scored in the constitution would not have been possible without the united effort of the alliance Mboweni urged the parties at the National Economic Development and Labour Council to meet the deadlines imposed for reaching consensus on policy issues

Sam Shilowa, Cosatu's general secretary, praised the ANC for having sided with the labour movement in its fight to have the lockout clause omitted from the constitution

Shilowa also warned the ANC to be wary of falling into the trap of adopting "right-wing" policies advocated by business for fear of being seen to being manipulated by Cosatu and the South African Communist Party

The congress, whose theme is Socialism the Vision — RDP the Road, is being attended by transport unions from countries including Malawi, Swaziland, Namibia, Uganda, Zimbabwe and Denmark It ends on Sunday

Move will create two new companies

Anglovaal to unbundle its mine interests

CT (BR) 17/5/96 (232)

By John Spira

DEPUTY EDITOR

Johannesburg — The Anglovaal group will consolidate and unbundle its mining interests, creating two new companies that will together have a market capitalisation of more than R12 billion

An announcement by Anglovaal yesterday said that two new major operating companies would be created a diversified mining, development and exploration company, and a single consolidated gold mining, development and exploration company

Middle Wits would provisionally be renamed Avmin and would be used as the vehicle for the first company This would hold all of Anglovaal's strategic mineral and mining investments other than its 21,9 percent stake in Saturn Mining

Avmin should have a market capitalisation in the region of R7 billion It would also hold more than 40 percent of the second new company as well as other exploration interests, such as 50,1 percent of the JSE-listed Associated Manganese

Target Exploration, to be provisionally renamed Avgold, would be used as the vehicle for the second company This would acquire all the mining businesses and management contracts of Hartebeesfontein Gold Mining, Eastern Transvaal Consolidated Mines, Loraine Gold Mines and Village Main Reef

Once the exercise was complete, the listed gold mining companies would be delisted and liquidated

Anglovaal said Avgold would also acquire Anglovaal's exploration interests, which include Sun Prospecting and Oribi Prospecting

Avgold would thus become Anglovaal's vehicle for developing its gold mining interests

Shareholders in the listed companies — including Zandpan, which owns 20 percent of Hartebeesfontein — would receive Avgold shares in the unbundling

Based on the assets it will acquire, Avgold's market capitalisation is likely to exceed R5 billion

When the process is complete, which is expected to take several months, Anglovaal Holdings will own about 60 percent of Avmin, which in turn will own more than 40 percent of Avgold

The terms to be offered to the shareholders in the listed gold mining companies have yet to be completed

Rick Menell, the Anglovaal director, said the purpose of the reorganisation was to create specific, focused, businesses able to accelerate the development of gold and other mining projects within the Anglovaal group and which could access international capital markets on an optimal basis

"We seek to create a gold holding company of significant size, with liquidity for investors and the critical mass necessary to raise the large sums of capital needed for development," he said

In particular, said Menell, Avgold was expected to provide a suitable platform for developing the northern extension of the Free State gold field in the Target, Sun and Oribi exploration areas

These areas contained substantial gold resources, estimated at about 9,7 million ounces in the Target area, at least 18 million ounces in the Sun area and 9,3 million ounces in the Oribi area

"The development of these resources is seen as an important priority," Menell said

No mandate given on Transnet privatisation

BD 17/5/96 ~~259~~ (232)

Business Day Reporter

PUBLIC Enterprises office deputy director-general Sipho Shabalala yesterday backed down from comments he made earlier in the week regarding options under discussion for the restructuring of Transnet.

Shabalala said in a statement yesterday that no mandate had been given to Transnet's board to enter into discussions with labour with a view to consider the privatisation of Transnet

"The restructuring of Transnet, inclusive of all possible restructuring options, is the subject for discussion between labour and management within the National Framework Agreement entered into by government and labour," he said

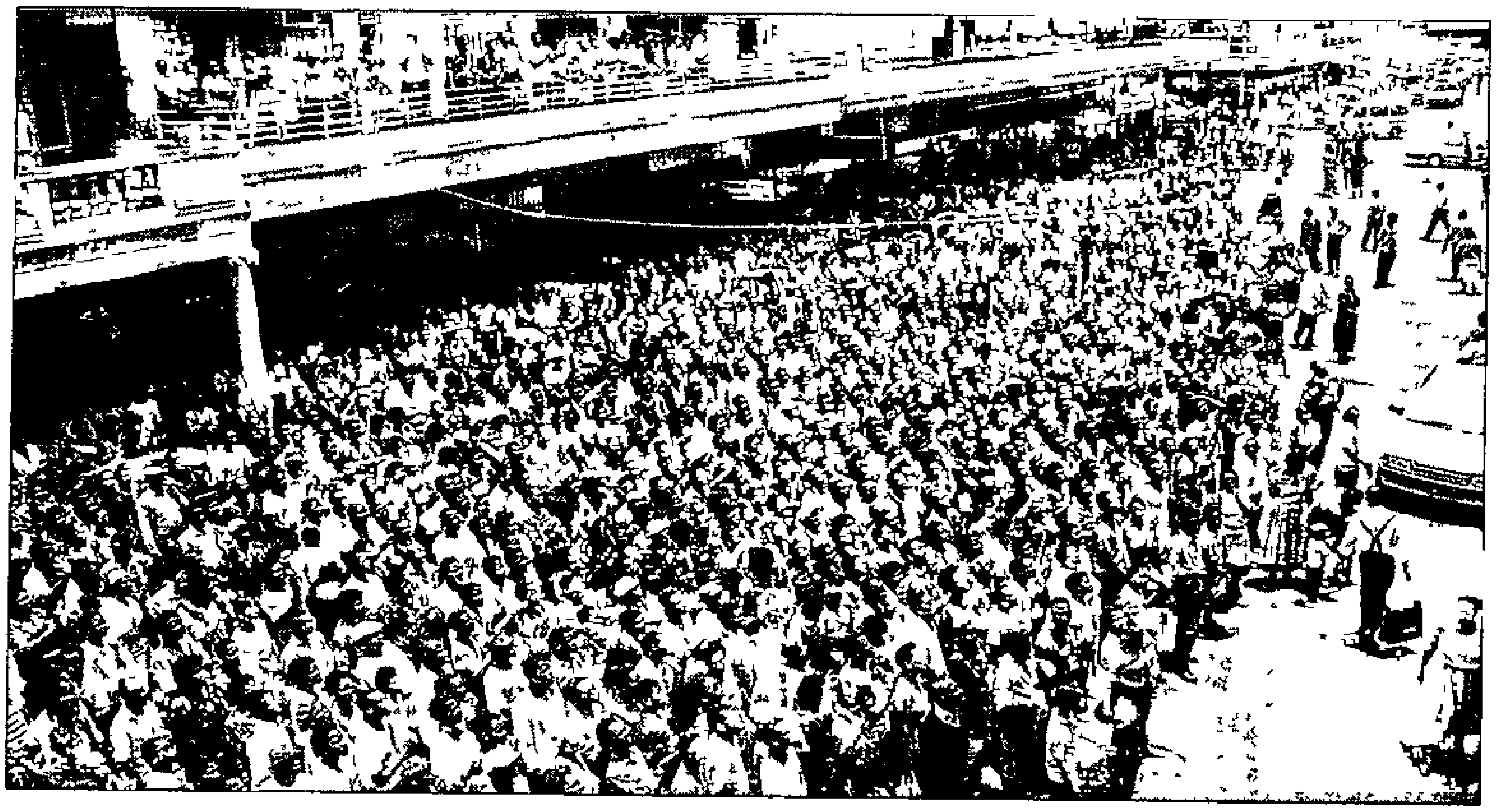
However, earlier in the week Shabalala said that a range of proposals were under discussion with regard to Transnet which included finding a strategic equity partner and privatisation Transnet MD Anton Moolman said other options for the group, which had operating assets of nearly R40bn, included combining units — its operations include SA Airways, Spoornet and Portnet — and splitting up others

Moolman said last week extensive talks were being held within a number of forums to come up with an acceptable restructuring plan Each business unit within Transnet had a spectrum of opportunities, but the parastatal was being looked at holistically

Moolman emphasised Transnet needed a mandate from the national framework agreement on parastatal restructuring before it could move forward Shabalala said no manager of Transnet had been given a mandate to consider the privatisation of Transnet, which also applied to managers of other state enterprises

However, Moolman made it clear that Transnet was going through the correct procedures during its discussions on restructuring, and no one was moving ahead unilaterally

PUBLIC ISSUES



South Africans are becoming more amenable to the idea of privatisation says, Marco Masotti, a United States analyst

Private lives

(232) CT (MR) 17/5/96

John Spira
DEPUTY EDITOR

Given the diversity and health of South Africa's state assets, with patience and foresight the privatisation process promises to offer "rich rewards" to foreign investors said Marco Masotti, a lawyer in the New York office of Paul, Weiss, Rifkind, Wharton & Garrison, and president of the South African American Organisation

Masotti's views on privatisation in South Africa have been given extensive coverage by Connecticut-based Southern African Analysis and Advice, which believes that even the hard-line opposition in South Africa seem resigned to the idea of state-asset restructuring

Masotti said that in recent months he had witnessed a policy shift from neutrality on privatisation — neither privatise nor nationalise but commercialise — to one of accepting "restructuring"

He interpreted this term as a euphemism for privatisation to some, while signifying to others no more than the streamlining of state enterprises through minority positions, partnerships, joint ventures and strategic alliances

"South Africa," he summed up, "seems committed to a process of restructuring of state-owned enterprises in the context of an ambitious reconstruction strategy that addresses the economic imbalances that are

		TOTAL ASSETS R '000	TOTAL LIABILITIES R '000	TOTAL REVENUES R '000	TOTAL PROFIT R '000	TOTAL WORK FORCE
CATEGORY 1						
ESKOM	N5 & N9	49 761 000	30 162 000	18 8941 000	2 601 000	39 173
TELKOM	N3	16 464 387	11 387 603	8 365 412	1 206 032	60 000
SABC	N6	1 285 [illegible]3	467 673	1 393 297	108 461	4 397
SPOORNET	N3	22 321 434	5 204 472	6 941 000	618 261	66 480
SA POST OFFICE	N3	2 576 417	2 316 398	1 457 472	22 704	24 183
PORTNET	N3	4 22 260	2 652 894	2 218 000	687 684	12 541
SARCC	N1	4 788 155	1 370 797	474 228	(1 051 030)	10 815
AIRPORTS CO	N3	846 566	87 575	150 811	33 823	1 531
AIR SERVICES CO	N1	211 556	13 463	89 817	12 706	476
CATEGORY 2						
ARMSCOR	N1	681 700	342 000	311 400	5 000	1 016
ATOMIC ENERGY	N1	515 686	746 319	745 401	15 406	2 623
DENEL	N1	4 078 500	1 337 900	3 014 500	324 900	11 523
MOSSGAS	N1	11 219 840	10 504 026	1 188 276	516 703	1 290
PETRONET	N3	1 432 417	911 504	440 654	141 685	668
SAA	N3	4 430 890	2 377 622	3 272 742	(123 361)	8 766
SFF ASSOCIATION	N1	3 689 233	731 264	2 641 536	1 030 027	320
SOEKOR (PTY) LTD	N1	199 268	1 356 210	5 657	(52 996)	310
CATEGORY 3: PROFITABLE						

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"South Africa," he summed up, "seems committed to a process of restructuring of state-owned enterprises in the context of an ambitious reconstruction strategy that addresses the economic imbalances that are apartheid's legacy, while improving inefficiencies It is caught balancing the objectives of generating revenues to fund its RDP and liberalising the economy

"With up to one in three of the population out of work, it must be done in a way that minimises job losses, appeases its traditional allies in organised labour and deals with historical ideological cross currents"

Masotti acknowledged that the process was likely to be complicated — and more innovative — than elsewhere

"It needs to be structured in a way that fosters economic growth, encourages technology transfers, provides an avenue for foreign investment and boosts black economic empowerment"

Around the world, the privatisation of state enterprises had resulted in job losses, and the prospects of avoiding job losses in most of South Africa's "bloated" state-owned enterprises appeared unlikely

He nevertheless believed that Cosatu would acquiesce to the inevitable

"Cosatu's decision to cancel a strike in January 1996 was in part the result of a realisation that support among its affiliates is wavering Nevertheless, organised labour continues to loudly express its opposition to the privatisation of state-owned enterprises Under a framework agreement between itself and the government, organised labour landed a $2,5 million grant to appoint its own adviser and a guarantee that each proposed restructuring be examined on its merits and through 'consultation' with the unions"

South Africa has an estimated $55 billion portfolio of privatisable assets, of which $7,3 billion could be put up for sale immediately Masotti identified the diverse roster of available assets as including the Atomic Energy Corporation, the SABC, the Post Office, Aventura (leisure resorts), Alexcor (diamond prospecting), Soekor (oil exploration), Safkol (forestry), Foskor (phosphate mining) and Abakor (abattoir operations)

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SOEKOR (PTY) LTD	N1	199 268	1 356 210	5 657	(52 996)	310
CATEGORY 3: PROFITABLE						
ALEXKOR	N10	249 642	19 553	176 083	19 075	1 745
AUTONET	N3	179 520	142 849	360 197	3 664	1 852
SAFCOL	N10 1	691 541	201 307	448 921	56 798	5 433
SUN AIR	N7	86 252	26 597	46 253	(4 047)	257
CATEGORY 3: NON-PROFITABLE						
ABAKOR	N2	314 344	95 060	338 769	(15 429)	2 600
AVENTURA	N8	100 731	54 516	109 586	(6 772)	1 585
PX (PARCEL EXP)	N3	794 513	981 543	569 776	(407 420)	10 572
TRANSKEI AIR	N4	6 743	7 838	9 244	(6 420)	45
TRANSNET - OTHER		6 085 966	3091 116	359 631	194 487	● 47 810
TOTAL		137 235 444	76 590 099	47 929 663	5 930 941	318 002

N1 Financial statements 31 March 1995 • N2 Financial [illegible] 30 June 1994 • N3 Financial statements 31 March 1994
N4 Financial statements 31 March 1993 • N5 Fin[illegible] 30 September 1995, revenues 9 months
N6 Financial statements 31 Au[illegible]st 1995 • N7 Management accounts 31 March 1995 • N8 Financial statements 31 August 1995
N9 Exempt from income tax • N10 Fi[illegible]ts as of 30 June 1995 • N10.1 Financial statements as of 30 June 1995, revenues 15 m[illegible]ths

SOURCE PAUL WEISS RIFKIND WHARTON & GARRISON

"Most of the state-owned enterprises are significantly healthier than the loss-making corrupt enterprises in many other African countries"

He said that while there appeared to be interest among foreign investors, the market had yet to be tested "There are, however, some early indications of the level of interest that might be expected"

As an example, he pointed to the many foreign bidders for the Telkom contract to build a million telephone lines, and the 128 prospective buyers for Mossgas

The appeal of state-owned enterprises to foreign investors was bolstered by the restructuring programmes upon which many had embarked, along with the splitting of several such enterprises into neat divisions

Masotti noted that Telkom and Transnet had slimmed down their payrolls by a third since 1990 "In July 1995, Telkom embarked on a $16 million restructuring programme that will see non-core businesses sold to business partners and employees"

He identified four levels to the restructuring process the cabinet and certain sectoral ministries, the sectoral task teams appointed by the cabinet in August last year, the state-owned enterprises, and organised labour

He warned that the delay and uncertainty on privatisation may prove damaging, but said "Nevertheless, South Africa appears genuinely committed to a process of restructuring that falls within the objectives of its flagship policy, the RDP, and enables foreign participation"

SA doctors who left on one-way tickets

CT 21/5/96 (236)

EXODUS?: This is the 1987 graduating class of doctors from UCT medical school. Only 35 of the group are known to have emigrated (some doctors are absent). Government estimates put the emigration figure at 50%. In this class only 20% of the doctors have left the country. Their faces are circled.

ALTHOUGH the "brain drain" of doctors from South Africa to greener pastures continue some who have left the country are returning. Staff Writer CAROL CAMPBELL reports.

THE "brain drain" of doctors from South Africa to better-paid jobs abroad continued during January when another 15 left the country — further depleting the country's dwindling supply of health professionals.

To assess the severity of the impact of this mass emigration, a random year (1987) was chosen and as many doctors as possible were traced from the group who graduated from the University of Cape Town's medical school that year.

Of the 172 doctors who graduated that year, 35 had emigrated, one had died and 12 could not be found.

The rest were in private practice or working in state hospitals nationwide.

The national Department of Health has estimated it costs the taxpayer R750 000 to train a doctor — over and above the money the individual pays for his or her training.

Yet while doctors continue to flood out of South Africa, many are also coming "home" once they have travelled the world and earned enough overseas to repay crippling student loans.

A doctor who was in the class of '87 went through the graduation photograph taken by the university and identified at least 10 of his friends who had left the country and subsequently returned.

He said these doctors were returning to SA with top-notch experience gained at some of the world's best hospitals and could only be regarded as "major" assets to the country.

Three doctors who have just returned from Canada and England and taken jobs at Groote Schuur and Somerset hospitals were asked why they returned. They cannot be named for professional reasons.

One said: "After six years of heavy studying, I just wanted to escape and travel. The fact that I was a doctor made it easy to get work. Now, after two years I am back to settle down."

He said if doctors were forced to work in rural areas, the emigration rate could increase. This was supported by the Medical Association of South Africa in a statement earlier this year.

Patients in First World countries were also less sick or less traumatised. Doctors seldom dealt with the mass of shootings and stabbings that confronted doctors hourly in South African hospitals.

"When I worked in trauma at an English hospital, we treated dozens of sprained ankles. I think it was all the cobbled streets that had people tripping and falling," he said.

The doctor added that he would sit the required British medical exams "just in case" he needed to emigrate.

Another doctor said: "The temptation to stay is great. The facilities are almost always excellent. As a doctor you are treated like gold and there are enough nurses to give your patients good back-up care."

The hours were better and most hospitals expected doctors to work only 70 or 80 hours a week. "Of course, they love South Africans because we regard a 110-hour week as normal," he said, adding that he would certainly consider emigrating permanently.

"Here the nurses are run off their feet and at Groote Schuur some beds in the Intensive Care Unit have never been opened," said the third doctor.

She added she would be prepared to stay in South Africa and work in rural areas provided the government offered her an incentive.

The chairman of the Federal Council of the Medical Association of South Africa, Dr Bernard Mandell, said it was a "sad reflection" on South Africa that doctors with foreign degrees were being imported to meet the countries medical needs while local doctors were emigrating.

"It is vital that national health policies provide incentives which strengthen the public sector and ensure the continued existence of the private sector."

He said he hoped the July 1 salary increases for doctors and negotiations to improve their working conditions would encourage local doctors to stay.

The national Department of Health estimated that South Africa immediately needed at least 2 000 doctors — mostly in rural areas if it is to provide basic medical care for all.

In a controversial move, Health Minister Dr Nkosazana Zuma recently employed 101 Cuban doctors on three-year contracts to work in South Africa's rural districts.

The department's director-general for policy and planning, Dr Ayanda Ntsaluba, said in an interview earlier this year South Africa would also be looking to Germany and Sweden, as well as countries in Eastern Europe, to recruit doctors.

The profession at a glance

- 2 000 doctors are needed immediately.
- The government estimates it costs R750 000 to train a doctor.
- A major pay increase in July may stem the flow of doctors out of the country.
- Of the 172 doctors who graduated at UCT in 1987, 35 have emigrated.
- Many doctors who do leave, return.
- Doctors working abroad experience less stress.
- They are seldom faced with the violence many SA doctors deal with hourly.
- Young doctors go overseas to earn foreign currency to pay back crippling student loans.
- In January this year 15 emigrated.
- If forced to work in rural areas, more doctors may leave the country.

State to probe 'pact' by cellphone giants

ST 19/5/96 (232)

By PETER De IONNO

THE Competition Board is to investigate possible collusion, at the expense of the public, between cellphone giants Vodacom and MTN

A secret pact signed by executives from the two rival companies in London in 1994 has been branded "prima facie evidence of collusion" by Dr Pierre Brooks, the board's chairman

Called the "London Agreement" the pact was signed by MTN and Vodacom executives and their British shareholders, Vodafone and Cable & Wireless, at a meeting in the British capital on August 9 1994

The document spells out agreements on timing of tariffs sharing of infrastructure, airtime discounts and the money given to service providers, who sell connection contracts to the public One of the possible consequences of the agreement was that South Africans ended up paying more for their cellular handsets

The document has sent shock waves through the R1 5-million a-year industry which has grown in just two years to 450 000 subscribers

Vodacom and MTN this week denied that the document was evidence of collusion and cited disputes over advertising "as proof of competition "among the fiercest in the world"

The document was given to the Sunday Times by Bruce de Kock, a former fraud investigator for Vodac, the service provider owned by Vodacom

If the Competition Board finds proof of collusion, there will be serious consequences

"Proof of collusion could invalidate contracts with the parties" said Dr Brooks

He said "it would constitute criminal activity" if the deals agreed on at the London meeting fell outside of the terms of exemption granted under the anti-cartel Maintenance and Promotion of Competition Act to allow the operators to share their technical infrastructure

Learning of the "London Agreement" for the first time this week, the Postmaster General, Andile Ngcaba, said on Friday: "The document would certainly fall outside the Interconnection Agreements (the agreements which allowed the cellphone industry to be set up in South Africa)."

Breaches of the 1986 anti-cartel Act, which prohibits companies from setting up cartels or colluding to divide up markets or set prices, may be punished with prison terms of up to five years or fines of up to R100 000, or both.

Under the heading "Air Time Discounts" the document says: "The objective is to achieve relative parity between the two networks. Either side can analyse and agree to discuss any perceived disadvantages before proceeding with any change.

"Respective CEOs (chief executives) will exchange Discount Plans and Connection Bonus Plans."

That paragraph and a section detailing how connection bonuses to service providers will be limited to R500 for business tariff users and R250 for low usage tariff users have attracted the attention of the Competition Board.

"We will investigate this document," said the board's chief director, Wouter de Meyer. "It looks like carving up or market-sharing, which is illegal."

John Joffe, group corporate affairs executive at Vodacom, said on Friday the London meeting had not been about airtime tariffs and the question of connection bonuses had had no effect on tariffs. But it had been necessary for the operators to agree on maximum cash incentives.

The operators' arrangement had been considered by the Competition Board in March last year and, when the board took the matter no further, Vodacom had concluded that the agreement did not constitute collusion, she said.

"Connection bonuses are set by Vodacom and MTN independently."

A spokesman for MTN, Jacques Sellschop, said that although MTN believed its actions had been lawful, chief executive Bob Chaphe had this week ordered lawyers to investigate the agreement.

Their preliminary opinion was that there was no contravention that could give rise to criminal liability by MTN or its shareholders, he said.

In an affidavit to the Sunday Times, Mr de Kock says he was offered R60 000 by an MTN representative for three months "covert" work if he handed over the document for destruction.

MTN alleges that Mr de Kock tried to blackmail the company for R100 000 in exchange for the document.

MTN says it has reported this to the police

WHAT THE DOCUMENT SAYS

The objective is to achieve relative parity between the two networks. Either side can analyse and agree to discuss any perceived disadvantages before proceeding with any change. Respective CEO's will exchange Discount Plans and Connection Bonus Plans.

OOOMPH! Australian Bill McKechnie from Surfer's Paradise, Queensland, hits the deck to grab the flag as 2 000 lifesavers from 21 countries battle it out in Durban for top honours in Rescue 96, the World Lifesaving Championships Picture: MICHAEL WALKER

'Privatise hospital laundries'

Sowetan 20/5/96

(232)

THE Democratic Party said yesterday State hospital laundry services should be privatised or sold without delay, rather than have hospitals held to ransom by inefficiency and corruption

DP health spokesman Mr Jack Bloom said the party was "most distressed" that Baragwanath Hospital in Soweto had to suspend all non-emergency admissions as a result of a labour dispute at its laundry services

He said other hospitals in Johannesburg had also regularly experienced the same problem, stretching the waiting lists for surgery even further

"The root cause is the compulsory dependence by Gauteng hospitals on the notorious State laundry services, rather than free choice of private laundries," Bloom said.

Baragwanath Hospital froze admissions of all non-emergency cases on Friday and started to use disposal linen after a go-slow by union members in the laundry section - *Sapa*

Transport workers may block roads

(232) CT (BR) 20/5/96

By Thabo Leshilo

Johannesburg — The opposition by labour to privatisation of public commuter transport may lead to a blockade of the country's major roads in July, the Transport and General Workers' Union warned yesterday

Randal Howard, the general secretary, said the union would embark on a programme of action that included ~~marches~~ to transport department offices and other government bodies to protest against proposed plans to scrap bus subsidies and replace them with a tendered contract system

Mac Maharaj, the transport minister, announced plans in March to scrap subsidies within three years because of a lack of funds

The department has allocated R840 million for bus commuters for the 1996-97 period

Speaking at the end of the union's fifth national congress, Howard said that the union preferred the government to own, operate and regulate public transport provision to safeguard jobs

Howard said tenders and contracts would deepen the crisis in an industry already hit by low profit and job losses

Naidoo looks into alleged cellphone group collusion

BD 20/5/96

(232)

Adrienne Gilliomee

POSTS, Telecommunications and Broadcasting Minister Jay Naidoo has instructed the postmaster-general and the Competition Board to meet Vodacom and MTN this week to investigate alleged collusion between the cellular telephone groups

Postmaster-general Andile Ngcaba said yesterday Naidoo was taking a personal interest in allegations that the network operators had secretly agreed on the maximum bonus they should pay service providers to connect customers, tariff levels, discounts and infrastructure sharing

The allegations, reported yesterday in the Sunday Times, follow complaints from service providers about collusion between the operators on incentive levels It also emerged late last year that Vodacom and MTN had been sharing infrastructure, with the department's permission

Vodacom group executive Joan Joffe yesterday denied any collusion, but said representatives of the shareholders had discussed the issues, and agreed on a maximum connection bonus — a common practice in the cellphone industry worldwide

She claimed the Competition Board had been aware of the agreement MTN said the agreement was in "the long-term interests of the public"

Ngcaba, however, said the department had not been consulted and it would investigate whether the deal fell outside the interconnection agreements — the basis for the establishment of the SA cellphone industry

Board chairman Pierre Brooks said he had no knowledge of the bonus deal, and that the operators could not determine what was in the public interest "Even if their conduct was in the interest of the industry, if it is unlawful, certain measures would have to be taken."

If it did fall outside the scope of the

Continued on Page 2

Collusion

(232)

BD 20/5/96

Continued from Page 1

interconnection agreement, "the law would have to take its course," he said.

Vodacom and MTN both said they were consulting their lawyers. Joffe said the discussions with MTN, in London in 1994, took place when the industry was still in its infancy, with the licence demands carrying "serious financial implications for the investors".

MTN and Vodacom had to "regulate the environment to provide a framework in which the operators could operate successfully so as to provide a proper service to the public". SA legislation at the time failed to act as a source of regulation.

Discussions on connection bonuses followed fraud scams which were a result of connection bonuses being more than R2 000 "The discussion was necessary for the health of the whole industry and for the survival of the service providers," she said

Talks on infrastructure sharing had stemmed from the terms of the operators' licences, she said. "Vodacom and MTN were obliged to reach agreement on and implement selective roaming and the sharing of infrastructure to provide better coverage to the public "

There had been no agreement on airtime discounts following the talks, and no agreement on tariffs "No collusion on tariffs can therefore be said to have occurred "

Business shrugs off Erwin's comments

BD 20/5/96 (232)

John Dludlu

BUSINESS yesterday shrugged off comments by Trade and Industry Minister Alec Erwin that he would follow predecessor Trevor Manuel's policy in writing a new competition law

Erwin said at the weekend that although he would discuss the principles of the policy within the National Economic, Development and Labour Council (Nedlac), there would be no line-by-line negotiations on the proposed Act — a stance Manuel adopted much to business' chagrin

But Sanlam chairman Marinus Daling said he had no problem with discussing broad principles in Nedlac, provided Erwin allowed a consultative forum like Nedlac time to engage in thorough discussion of principles

Another source said it remained to be seen whether the minister would be prepared to consult other stakeholders, like business, at the expert level stage of the drafting

However, it appeared Erwin, who has been seen as taking a more conciliatory approach than Manuel, would consult stakeholders even outside the "paralysing" Nedlac process

Erwin is expected to detail the steps government would take in revising the competition law today

Reuter reports Erwin said government's review of the competition policy would include strengthening the capacity to identify problems and the capacity to enforce regulations on market domination, collusion and price fixing.

The source welcomed Erwin's moves to enhance transparency, rather than "faint echoes of deliberations" on the competition policy which fuelled uncertainty in the business sector.

Business — which has warned the policy should address classical issues of competition such as anticompetitive behaviour — favoured a quick and transparent process

"Let's stop the dithering, and get on with it"

Erwin said new competition legislation could be presented to Parliament toward the end of the year

The first draft of a competition policy was handed to Manuel last September, but he rejected it, claiming he wanted a Bill that contributed to growth and development Erwin also said government would produce a final draft of its economic policy document soon — a detailed integration of policies already announced

"Government will come forward with a more detailed integration setting out how the fiscal policy links with the trade policy, not generally as we did in the RDP but more specifically, and the steps that will be taken"

Cosatu resolves to fight privatisation

(232) BD 20/5/96

Ingrid Salgado

COSATU would reject the establishment of export processing zones, fight privatisation and negotiate longer time frames for tariff reduction, the federation's third national women's conference resolved in Johannesburg yesterday

Privatisation of government assets was already occurring through subcontracting, outsourcing and retrenchments while government's rapid tariff reduction programme had led to massive job losses, Cosatu said. Women in particular bore the brunt of factory closures and retrenchments

The federation resolved that, within Nedlac, it would call for a code of conduct to be followed by multinational companies investing in SA and would ensure the social clause was in trade agreements. The conference called for a gender-biased system that favoured the employment of women in government's public works programme and said male unionists should ensure they negotiated issues during collective bargaining which affected women.

It said women should be encouraged to take jobs traditionally seen as "male jobs" while paid maternity leave of six months or more should be supported.

The establishment of a strong national women's movement with a working class bias was called for. The ANC-SACP-Cosatu alliance should be involved in the processes leading to the movement's establishment in order to develop a "clear policy position". A meeting would be convened by the month end.

Cosatu said it needed to strengthen relationships with parliamentarians so that working class issues would be taken up in Parliament. This would ensure accountability and give a "deeper understanding" of Parliament's workings within Cosatu.

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Exemption key to cellular furore

(232) BD 21/5/96

Edward West

ALLEGATIONS that cellular network operators Vodacom and MTN might have transgressed competition law hinged on whether they had acted outside an exemption in their interconnection agreement with government, Competition Board chairman Pierre Brookes said yesterday

Industry sources said yesterday Vodacom and MTN had been exempted from competition laws in terms of the interconnection agreement with government until the industry was regulated by a new telecommunications Bill

MTN spokesman Jacques Sellschop said the exemption was granted by the Competition Board in 1993 in terms of the interconnection agreement, with the purpose of stimulating the development of the industry At the time there were no legislated protocols for the industry "It was inevitable there would be a levelling of prices between the two operators because the two companies had to pay the same rates to Telkom"

But postmaster-general professional technical services GM Deon van der Hoven said the interconnection agreement exempted only the relationship between Telkom, the regulator, MTN and Vodacom from competition laws, and did not include the business relationship of the latter two companies with their clients

"The question that now arises is whether this latest furore falls inside or outside the interconnection agreement," said Brookes

Newspaper reports alleged that the network operators had secretly agreed in 1994 on the maximum bonus they should pay service providers to connect customers, tariff levels, discounts and infrastructure sharing

Brookes said other aspects of the alleged agreement also had to be determined, such as if it had actually involved the companies or if it was simply shareholders making a recommendation

He also said it should be determined whether infrastructure sharing had, until now, been in the national interest

Vodacom met the Competition Board yesterday over the issue Brookes said further information was being sought from Vodacom MTN and Vodacom were scheduled to meet the board and the postmaster-general on Thursday, Sellschop told Reuters

Banks may face inquiry into 'fixing'

Competition Board to look into rate rise

ET 21/5/96 (232)

By Roy Cokayne

Pretoria — The Competition Board will ask commercial banks for an explanation of last week's 1 percentage point rise in interest rates as a forerunner to a possible formal investigation into the increase

"Depending on their response, we could launch a formal investigation," Pierre Brooks, the chairman of the Competition Board, said yesterday

He said the board usually gave parties an opportunity to explain their actions before launching a formal investigation

"We would like to know why it was necessary for the banks to increase their interest rates on the same date and by the same margin If a decision was taken within an association, such as Cosab (Council of South African Banks), this would fall within the prohibition on price fixing and could be a contravention of that prohibition."

Nico van Loggerenberg, the general manager of the bank council, said its board of directors had met last Thursday and "discussed normal operational issues"

He said interest rates were a competitive issue and could not be discussed

"There is no cartel formation as far as Cosab is concerned," he said

But Derek Cohen, the chief executive of Mercantile Bank Holdings, said last week the banks had informally discussed delinking the prime rate from the Reserve Bank's key rate

Van Loggerenberg said interest rates had been discussed at the regular meetings the council had with Chris Stals, the Reserve Bank governor These meetings had also been used to discuss monetary policy and Stals's views

He said these discussions "(did) not relate in any way" to the setting of interest rates by individual banks

Brooks said the Competition Board had previously taken up the issue of commercial banks raising interest rate rises by the same margin and on the same date. Previously, the rate increases were in direct response to the Reserve Bank's increasing the Bank rate

However, the latest increase in interest rates was not preceded by an increase in the Bank rate Brooks said there was no doubt that the board would take this factor into account He said the various commercial banks should have been in different positions because the Reserve Bank had not increased the Bank rate.

☐ See Business Watch, Page 20

Cosatu opens a door to partial privatisation

(232) CT(BR) 24/5/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — Cosatu yesterday repeated its opposition to the privatisation of state assets central to RDP delivery such as Telkom, Transnet and Eskom, but opened the door to their partial privatisation and the privatisation of smaller entities in the public sector

Addressing about 200 local and foreign businessmen at the economic summit of the World Economic Forum, Sam Shilowa, Cosatu's general secretary, said the union supported the restructuring of state assets for the upliftment of South Africa's people, but not that privatisation should be a central tool of restructuring

Shilowa said Cosatu's approach was not dogmatic

"But both state and the market should be the servants of society rather than society being the servant of either state or the market," he said

Shilowa handed out a six-page explanation why Cosatu was opposed to privatisation of institutions central to the RDP

"We think privatisation will not assist significantly in achieving a better life for all by delivering more phones, better health care and public transport If the state's welfare and service functions are privatised, the government's programmes for water, telephone, electricity and health delivery will inevitably fail

COUNTERPOINT *John Maree, Eskom's chairman and a proponent of privatisation listens to Cosatu's general secretary, Sam Shilowa, in Cape Town yesterday* PHOTO ANDREW BROWN

"Only the wealthy will be able to afford basic services and this will undoubtedly spell disaster for our future," he said

Shilowa said there were better ways of raising revenue Cosatu had recommended that the government implement a 5 percent levy on pre-tax profit and a 5 percent prescribed asset investment rule for the pensions industry to kickstart the housing programme

Speaking at the same session, Stella Sigcau, the public enterprises minister, said the government would meet the six task teams on restructuring on June 15 to decide how to move ahead with the process Business and labour were represented on these task teams

Shilowa said the union and its labour partners had formed teams to develop labour's input on how restructuring could best be done

He said the government should take more interest in the running of state enterprises such as Eskom, Transnet and Telkom There was insufficient transparency in the way they were run, he said

Trevor Manuel, the finance minister, said the government was aware of pressure to restructure, but had to take account of lessons from around the world Zambia, which had privatised 102 entities, had spent the proceeds, he said "Not every South African state-owned corporation is a loss-maker or a drain on the fiscus," he said

☐ See Raymond Parson's article

Board to probe cellphone 'collusion'

BD 24/5/96 (232)

Edward West

THE Competition Board and the Postmaster-General would investigate allegations of collusion between cellular phone network operators MTN and Vodacom, a spokesman for Posts, Telecommunications and Broadcasting Minister Jay Naidoo said after a meeting between the parties yesterday

The meeting followed allegations that the network operators had secretly agreed in London — in the so-called "London agreement" — on the maximum bonus paid to service providers, tariff levels, discounts and infrastructure sharing.

The spokesman said the investigation would include a submission to the Competition Board by the SA Cellular Service Providers' Association.

Association spokesman Steve Burgess confirmed that a subcommittee of the association had made submissions to the board — just days before reports of collusion were published in the weekend Press — on the alleged "non-competitive" behaviour of the network operators He refused to detail the allegations

Meanwhile, telecommunications industry sources have pinned the allegations of collusion on certain parties positioning themselves in a bid for a third network licence A US group was believed to be involved, prompting fears that SA could become a dumping ground for obsolete US analogue systems.

National Black Business Caucus chairman Dupree Vilikazi, also an adviser on black business organisations to the posts, telecommunications and broadcasting department, said the telecommunications draft Bill was due for tabling in Parliament yesterday

Vilikazi said he knew of three or four local black business consortiums — some had teamed up with international telecommunications groups — planning to bid for the licence

A Vodacom spokesman said the company believed there was a market for a third licence, and Vodacom should have an opportunity to bid for it

An MTN spokesman said there was scope for a closed loop network which would generate high-volume sales, but at a slower return than the existing cellular phone system

State signals start of sell-off

(232) ARG 24/5/96

Privatisation under way in June

LLEWELLYN JONES
Business Staff

ACTION on privatising state assets can be expected from the middle of next month, Public Enterprises Minister Stella Sigcau said at the Southern African economic summit in Cape Town yesterday

Ms Sigcau said any apparent procrastination seen in the past was misleading and there had, in fact, been much activity

The Department of Public Enterprises had to go through its own restructuring process before it could tackle the restructuring of state assets This had now been largely accomplished and the public could start "reading of things happening from June 15"

Ms Sigcau said it would also have been meaningless to tackle the restructuring process before sectoral policies had been tabled This was vital if the transformation process was to be meaningful

Finance Minister Trevor Manuel said the government was painfully aware of the enormous pressures surrounding privatisation, and had all kinds of lessons from around the world to learn from

But South Africa had to take a different approach, which took in the element of corporate governance

"The first act must be to put in place the norms of corporate governance which are lacking in major parastatals," Mr Manuel said

The nature and composition of the institutions to be privatised would also have to be looked at closely Mr Manuel said there were elements within the institutions which had been forced together in the past but which quite clearly did not belong together

The state was also aware of the need to follow a strategic approach if privatisation was to be successful "The government is not about to conduct a fire sale, and privatisation will be based on a detailed analysis case by case"

Cosatu secretary-general Sam Shilowa reiterated the federation's opposition to privatisation of state assets

He was well aware of the need for a mixed economy, but said the privatisation of state assets would seek only to perpetuate the effects of apartheid

As private entities, these institutions could not redress the inequitable distribution of services and wealth in South Africa

Picture OBED ZILWA, The Argus

TIME FOR A CUPPA: Paul Berenger, Deputy Prime Minister of Mauritius, and South African Deputy Minister of Foreign Affairs Aziz Pahad take a break at the southern Africa development conference in Cape Town.

INSIDE LABOUR

Arming the unions

CT (BR) 24/5/96 (232)

Terry Bell

Today and tomorrow Cosatu's national executive committee meets in Johannesburg This is the committee that decides on the practical implementation of Cosatu policy The main item on the agenda will be mass action against privatisation

The focus of discussion for this gathering of the country's top trade union chiefs will be the strike action threatened for July 1 by the Transport and General Workers' Union (TGWU)

This focus is assured because Randall Howard, the general-secretary of the TGWU, will bring to the meeting a strong demand for solidarity, especially from other unions fearful of job losses in the wake of privatisation

Several of the union leaders present have already been approached about joining the 74 000 TGWU members on an all-out stoppage Over the past few days feelers have gone out to the railway workers, municipal workers and the newly formed communications workers' union

At grassroots level, the unions in these areas — the South African Railway and Harbours Workers' Union, the South African Municipal Workers' Union and the Communications Workers' Union of South Africa (Cwusa) — have already displayed a strong reaction against proposed privatisation with a number of marches, meetings and other protests

These have often been seen as blanket condemnations of any sale of state assets But while there is certainly a large groundswell which takes this rejectionist position, the official trade union attitude tends to be much more conciliatory

There is an almost unanimous view among the trade union leaderships that some form of restructuring of state assets is probably essential "But the issue is stability And that means jobs," said Howard as he and his executive planned their approach to the Cosatu executive

Officials in Cwusa, which largely comprises former members of the Post and Telecommunications Workers' Association, the Telkom union, have privately admitted that they see a degree of privatisation as inevitable, probably taking the form of joint ventures and the introduction of "strategic partners"

But these officials also emphasise the undertaking given by Pallo Jordan, the former communications minister, that there should be no job losses This is likely to be the refrain which emerges from the Cosatu meeting restructure as you will, provided there is the prospect of more, not fewer, jobs

This formulation seems the only compromise which will be acceptable to all parties "And we will be seeking the support of the ANC, the SACP, Sanco (the South African National Civics Organisation) as well as other groups," said Howard He and the TGWU leadership have made clear that, while their prime argument to date has been about transport, all TGWU members will be called out

There has also been the controversial threat to use truck blockades of major roads, a tactic once condemned by TGWU leaders and which gave rise to the short-lived Turning Wheel union At the TGWU conference last week, Mac Maharaj, the transport minister, expressed the wish that the TGWU would not "use illegal blockades" The response to Maharaj was that with "questions of life and death" the issue of illegality was irrelevant And, with unemployment continuing to grow, the unions regard any further threat to jobs as a life or death matter

In any event, the right to strike is now enshrined in the constitution and the government's much vaunted RDP expressly calls for the creation of jobs Against such a background, and with rising unease among the rank and file, it would take a suicidal or foolishly bold union leader to condemn the use of the labour movement's traditional weapon

But the weapon may not have to come into play, if the government comes up with a deal which guarantees a restructuring programme without job losses Business and right-wing commentators may throw up their hands in horror at such a prospect, but it is not quite what it might seem For no job losses does not mean job retention, let alone job creation

By the process of natural attrition — retirement, illness, death and resignations — jobs may gradually leak away The cost of such a process could easily be written into any sale or joint venture deals And the government may consider this cost worth the effort since it would help to further cement the ANC-led tripartite alliance

SA 'will not rush into privatisation'

BD 24/5/96 (232)

Samantha Sharpe

CAPE TOWN — SA would not succumb to international pressure for rapid privatisation, despite its commitment to restructuring state assets, Finance Minister Trevor Manuel said yesterday.

Manuel told a World Economic Forum briefing privatisation would be decided on a "case-by-case" basis, with government motivated by detailed analysis of individual parastatals.

"Clearly we are not interested in owning holiday camps for middle income earners," he said. But parastatals playing a role in the RDP or which were in the national strategic interest would have to be looked at more carefully in terms of possible privatisation.

"Not every state-owned corporation is a loss-maker ... so unless they are placing a strain on the fiscus we have to evaluate them in terms of jobs and growth, and their ability to assist in deficit reduction."

Public Enterprises Minister Stella Sigcau said government and labour would meet next month to find a way forward for state asset restructuring within the parameters of the national economic framework.

The process had been hampered by government's need to get its house in order and to ensure the calibre of ministerial staff was such that they could articulate policy. "Come June 15 we shall have movement," she said.

Cosatu general secretary Sam Shilowa reiterated the trade union body's opposition to privatisation. "Private ownership has to do with shareholding and where that means layoffs as a means of generating greater profits we cannot support it." However, labour was happy to meet government to find alternatives.

Eskom chairman Johannes Maree said that SA needed privatisation if it wanted to compete internationally.

But privatisation was "a process and not an event".

"There is not much point in transferring a state monopoly into a private monopoly," he said.

Mineral and Energy Affairs Minister Pik Botha said earlier that southern African governments had to stop meddling in business and give free reign to competition if they wanted strong investment flows into the region.

Southern Africa's vast natural resources could not attract investment without the implementation of the fundamental requirements for industrial growth.

The region would have to work towards the consistent and unambiguous support of a market-orientated economic system, with the development of a charter of economic norms in line with other industrial economies.

"The successful, industrialised world does not expect us to achieve the implementation of these objectives overnight. What we must establish is a credible commitment, willingness and capacity to do so."

Southern Africa would have to pool its resources and skills and establish co-operative structures and trading mechanisms to achieve a commercial and trading community of nations, he said.

Anglo American alternative director Michael Spicer said southern Africa stood on the verge of a scramble for new mining opportunities. But it would reap the fruits only if it obeyed market rules and the demands of international competitiveness.

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Unctad learns to love multinationals

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Unctad's ideological shift has embraced privatisation in an attempt to reduce poverty and promote technological change. Mark Tran reports

THE United Nations Conference on Trade and Development plans to consult multinational companies on trade and investment matters, marking a sea change in attitude

In the past, the UN's Centre on Transnational Corporations churned out critical studies of such bodies. But multinational-bashing is no longer in vogue In its 1995 World Investment Report, Unctad said multinationals helped poor countries by providing them with capital, technology, efficient managerial practices and jobs

This view was reinforced at Unctad's Midrand, South Africa, conference The final document spoke of privatisation as an important tool for economic development. Under appropriate conditions, Unctad asserted, privatisation could create new enterprises, reduce public sector deficits and contribute to greater investment flows

This new thinking is part of Unctad's effort to save itself from the chopping block, a very real prospect after last year's G7 summit meeting in Halifax. The G7 leaders cited Unctad as an example of how the UN system duplicated work done elsewhere, such as by the World Bank and the World Trade Organisation

In a remarkable turnaround, Unctad is expected to be hailed at next month's G7 summit in Lyons as a shining example of how the UN system can revitalise itself The question is whether Unctad has embraced free-market orthodoxy to the detriment of its core constituency, the developing countries

Much of the credit for reviving Unctad goes to its secretary-general, Rubens Ricupero A former Brazilian finance minister and trade envoy, Ricupero was appointed last year He has trimmed Unctad's staff of 400 by 10% and narrowed its focus to three areas: trade in goods and services, investment, technology and finance, and enterprise business facilitation and development

Underlining Unctad's ideological shift, the conference document lauded multinationals not only for creating jobs and promoting technological change, but also for contributing to broader social and economic objectives such as reducing poverty and accelerating structural adjustment.

The question is whether Unctad has embraced free-market orthodoxy to the detriment of its core constituency, the developing countries

Moreover, Unctad now considers multinationals as partners in development. Ricupero has broached the idea of creating a "development senate" which would allow business representatives to participate directly in the work of the UN

The organisation is clearly prepared to seek advice from multinationals and other non-governmental organisations as part of its partnership for development.

Although Unctad may have lurched too far in the other direction, its officials insist that it is still the only organisation that looks at global economic issues from a developing country view It maintains that it is different from the World Bank, which is, after all, beholden to its more powerful shareholders, the US and other industrialised countries

There is merit in this argument Unctad has produced studies countering the notion that increased imports from developing countries are a key cause of unemployment of unskilled workers in the industrialised countries

Unctad suggested that the solution to the employment problem in developed countries was for governments and central banks to increase economic growth beyond the 2,5% target. Such arguments are a useful corrective to, for example, the Federal Reserve's line on slow growth.

Unctad has also produced a series of studies questioning the World Bank's interpretation of the "East Asian miracle" While Unctad acknowledges the importance of outward-looking trade and investment policies, it cites the importance of government intervention through prudent controls on capital flows and the judicious use of measures such as limits on borrowing abroad and taxes on foreign exchange transactions

The developing countries could use Unctad's intellectual input in the coming debate over an international investment code In a coup for the organisation, Unctad has been given the task of drawing up a framework for international investment similar to the one for trade set out by the Uruguay round of talks

The Organisation for Economic Co-operation and Development is already drawing up voluntary guidelines for its 24 member countries, but Unctad's proposals will be more comprehensive and will take in the concerns of developing countries They are worried that such a framework would further restrict national policy-makers without adding to the responsibilities and obligations of foreign investors On such key issues, Unctad still has a role to play

Mandela: We are going to privatise

(232) Star 25/5/96

By LYNDA LOXTON

Cape Town – President Nelson Mandela yesterday reaffirmed his government's commitment to privatisation, but critics said mixed signals and slow progress were creating unease among investors.

"Privatisation is the fundamental policy of the ANC and it is going to be implemented," Mandela told reporters after touching down in Cape Town on his return from a state visit to Germany aimed at boosting trade.

"The responsibility for creating an investor- and trade-friendly environment is for us to take," he said, adding that undertakings given by German business could depend on fulfilling these aims.

Earlier at an international economic conference in Cape Town, investors and critics of the Government said the ANC and its allies in the South African trade union movement were undermining Mandela's message.

Loud applause endorsed a complaint by one investor at the World Economic Forum that "some of us (are) very confused, concerned, disappointed and worried".

Deputy President FW de Klerk said the privatisation process was becoming unduly long and opaque.

On Thursday, the conference heard from Finance Minister Trevor Manuel that the Government was pursuing a cautious line.

President Mandela arrives at Ysterplaat

There would be "no fire sale" of state assets, he said.

Sam Shilowa, also a leading ANC member and head of the Congress of South African Trade Unions, voiced strong opposition to privatisation and said several unions had already threatened strikes if selloffs went ahead.

Investors at the Cape Town forum said Shilowa's line contrasted starkly with Mandela's assurances.

De Klerk said his government had carefully prepared state corporations for privatisation by commercialising them.

"If ever there was a situation in a country where privatisation could be easily implemented, it was in South Africa," he said.

Technically, "South Africa was ready, to my mind, already two years ago to move very fast on the issue of privatisation".

De Klerk said the main stumbling block now was union resistance. He called for the development of a five-year socio-economic accord between government, business and labour to provide certainty about future policies.

Deputy President Thabo Mbeki said late last year that the Cabinet had recommended the outright sale of some non-strategic public corporations, including two small airlines.

The sale of a strategic minority stake in telecommunications utility Telkom and South African Airways was also recommended. The announcement was followed by an outcry from labour.

Transport strike looms over state plan

ARG 25/5/96 (232)

■ SA's biggest transport union is threatening to strike over privatisation plans.

WILLIAM-MERVIN GUMEDE
Own Correspondent

JOHANNESBURG – Members of the Transport and General Workers' Union plan to bring the wheels of the economy to a grinding halt in a national strike on July 2

All national roads will be blockaded as part of the mass action campaign by the 60 000 strong union, which will be supported by Cosatu and other transport-related unions

The strike is in protest against Transport Minister Mac Maharaj's decision to privatise the ailing bus industry and contract routes to the private sector

TGWU spokesman Randall Howard said the union was mobilising the ANC, SACP, the civics and other organisations in the mass democratic movement to support the strike

Howard said the union was opposed to criteria set out by Mr Maharaj which said the private sector had to ensure the frequency of service and reliability Instead, the union wanted transportation routes to be controlled centrally by government as this would ensure jobs

Mr Howard charged that the union's proposals were ignored by the transport department when it drafted its white paper on a national transport policy, which would be tabled in Parliament in July

The government argued that the R4-billion bus transport industry should, by means of privatisation, be tendered out and sub-contracted But the TGWU has said transport is "the business of government"

The TGWU feared privatisation would make public bus transport too expensive and would lead to job losses in the transport industry

"It would bring more stress and less job security, particularly as the industry is perceived to be shrinking," Mr Howard said

The government should continue to subsidise public transport The transport department's budget is less than one percent of the gross national product, but we want it to be raised to at least two percent, he said

"Subsidies for public transport have declined dramatically in recent years, without adequate measures being implemented to make transport more affordable to the user "

Transport director-general Ketso Gordhan defended the ministry's plans to put rail transport and bus route concessions out to tenders He said competition would force operators to cut costs and be more efficient

Mr Gordhan said putting bus permits out for tender would have the additional advantage of allowing consortiums of small local operators to tender

Transport services, particular to rural areas, could benefit from a situation where elected government at local and provincial levels determined which routes should be subsidised Currently operators decide which routes they want to serve

The KwaNdebele-Pretoria route, for example, is subsidised at R100 million a year Mr Gordhan said the government could simply not afford it anymore Putco, which had a monopoly on the route and which was a major beneficiary of subsidies, was expected to earn about R2,5 billion in the next 20 years if the subsidy scheme was not abandoned

Breaking the operator's stranglehold would lead to cost-cutting, an increased efficiency and would allow the government to ensure subsidies were related to real costs, he added

Mr Gordhan said the operators were more amiable than the unions to the ministry's cost-cutting proposals Putco had already agreed to surrender its exclusive life-long permits to routes in other areas to allow newcomers to compete with it for contracts

Danie Ackerman, director of commuter transport, said the tender system had been successful in Eldorado Park, Atteridgeville and Mamelodi, Empangeni and Richards Bay since 1987

Howard said the union was not opposed to tendering, provided it met with the criteria proposed by the union Some of these were that tenders be granted to historically disadvantaged operators, that the government should provide training and financial backing for the disadvantaged operators, and that fares should be centrally regulated by transport authorities

Mr Howard said the TGWU's proposals were not "pie in the sky" and were also not based on narrow union

Picture HANNES THIART, Staff Photographer

WELCOME MADIBA: Military officers welcome President Nelson Mandela at Ysterplaat Air Force Base as he returns home from Germany

ANC must get tough with Cosatu – FW

ARG 25/5/96 (232)

TYRONE SEALE
Political Staff

THE Congress of SA Trade Unions (Cosatu) was the greatest stumbling block to the privatisation of State assets, Deputy President F W de Klerk told the Southern Africa Economic Forum in Cape Town yesterday

Mr De Klerk said privatisation would create the capital to service the country's debt burden and provide much-needed basic services

He said it was time the African National Congress made its ally, Cosatu, do what was right for South Africa

That did not mean there was anything wrong with the trade union federation expressing concerns about privatisation, and particularly about potential job-losses

"But then there mustn't be resistance to the extent that it immobilises steps that are actually in the best interests of South Africa"

Mr De Klerk said there were many leading figures in the ANC who realised privatisation had to proceed and that a lot of time had been wasted

But there were also those who feared getting tough with Cosatu A solution to this impasse had to come through strong leadership within the ANC

Speaking at a media conference later, Mr De Klerk said he believed there were major differences between figures within the ANC and Cosatu on aspects of the new constitution

Referring to Cosatu general secretary Sam Shilowa's presence among ANC members of parliament during the closing hours of the constitutional negotiations, Mr De Klerk said it was unhealthy for a trades union federation to have such a close relationship with a political party

Cosatu and the ANC had to create the same distance between them that now existed between Britain's Labour Party and the labour movement there

Mr De Klerk told the summit he was looking forward to the National Party's new role in constructive opposition, adding that the party was confident the ANC was committed sincerely to building on the sound economic foundation that had been established before and during the tenure of the government of national unity

■ **Reports on the economic conference: Page 8**

Mandela: It's our policy to privatise

(232)

ARG 25/5/96

Political Staff

PRESIDENT Nelson Mandela says privatisation is a fundamental policy of the African National Congress and will be implemented by the government

Speaking at Ysterplaat air force base on his return from Germany, Mr Mandela reacted to Deputy President F W de Klerk's statement at the Southern Africa economic summit yesterday that Cosatu was the greatest stumbling block to the government's promised privatisation of state assets

Mr De Klerk had said it was time the ANC made Cosatu do what was right for South Africa

Mr Mandela said Cosatu remained an ally of the ANC

He said privatisation had always been ANC policy, but the organisation had to discuss it with its allies and bring them on board, "and I don't think that's going to be difficult"

Of his German visit, Mr Mandela said political leaders and bankers had pledged support in areas such as investment, development aid, education and aspects of trade

Mr Mandela said he was satisfied the trip had been a success

Why Madiba moved to privatise

(232) ST 26/5/96

By RAY HARTLEY
and CAROL PATON

PRESIDENT Nelson Mandela has begun a personal crusade to kick-start government's moribund privatisation plan — a move which could boost investor confidence and bring billions of rands into state coffers.

Speaking at Ysterplaat air base this weekend on his return from a three-day visit to Germany, Mr Mandela said "Privatisation is the fundamental policy of the ANC and it is going to be implemented"

What lies behind Mr Mandela's move is a growing realisation on his part that the snail-paced talks on privatisation between government and labour were contributing to the uncertainty that is holding back foreign investors

This was brought home to Mr Mandela during his German visit this week, where he was pressed at a meeting of financiers, which included German Finance Minister Theodor Waigel, to clarify his government's position on privatisation

His unambiguous reply — that the selling off of state assets was official government policy — is said to have contributed to the success of his meetings with German businessmen and government officials

Mr Mandela's statement to the bankers apparently took his aides by surprise, but he told them afterwards that it was a deliberate effort to break the deadlock between government and labour over the future of state assets

Presidential aide Joel Netshitenzhe told the Sunday Times yesterday "The emphasis is on speeding up the process in the context of negotiations taking place with Cosatu"

Mr Mandela also deliberately called a press conference in Berlin on Thursday and another on his return to Cape Town on Friday in order to remove any remaining doubt that he is serious about implementing his privatisation initiative

Friday's statement represents the clearest indication to date that government intends pushing ahead with its privatisation plans — despite strong opposition from Cosatu

Speaking at the World Economic Forum meeting in Cape Town this week, Cosatu general secretary Sam Shilowa reiterated the federation's opposition to privatisation

He said several Cosatu-aligned unions had threatened strikes if the sale of state assets went ahead

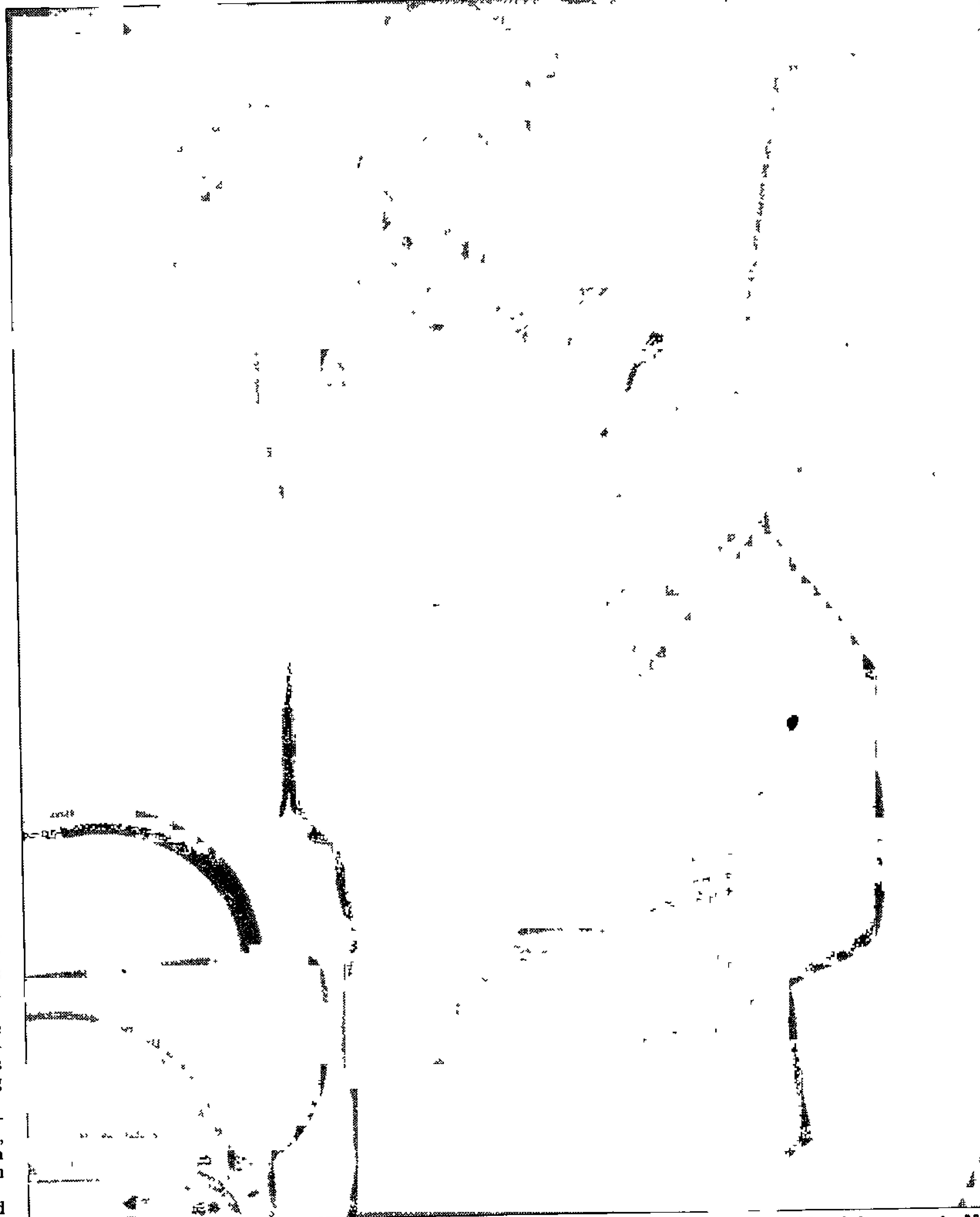
This moved one investor at the meeting — Basil Landau, director of the local arm of French multinational Air Liquide — to complain about the mixed signals that the ANC and its allies were sending out about privatisation

"Some of us are very confused, concerned, disappointed and worried," he said to loud applause

But Mr Mandela expressed confidence that Cosatu could be persuaded to support his non-negotiable position on privatisation

"We have to discuss and bring on board our allies on the matter and I don't think that's going to be difficult," he said

Mr Mandela's announcement came as debate within the ANC over economic strategy heated up, with the organisation's top structures discussing whether or not to adopt a conservative economic policy package



MOMENT OF TRIUMPH . . German President Roman Herzog looks on as President Mandela waves to MPs and spectators following his speech to the German parliament in Bonn this week **Picture: AP**

The policy package, which is being proposed as part of the growth and development strategy, is said to include a loosening up of the labour market, a slowdown in wage increases and a rapid reduction in the deficit

The plan is said to have angered the ANC's Cosatu allies, who are accusing it of "ideological slippage" — betraying its worker allies — a development economist said

By coming out in favour of privatisation, Mr Mandela has tilted the balance within the party in favour of a tougher line on the trade unions

Earlier this week, Labour Minister Tito Mboweni criticised both labour and business for "squabbling" over economic policy instead of seeking consensus

"That both sides have chosen to make their views known in the most strident and aggressive terms imaginable has not helped us arrive at a resolution of these contending viewpoints," he said

He said government would "go it alone" if labour and business could not build a successful partnership

"We cannot afford the luxury of endless to-ing and fro-ing while the country demands urgent change," he said

Mr Mboweni denied that his department wanted to impose a minimum wage on businesses "No member of this house can point to any legislation emanating from the Department of Labour, which proposed a national minimum wage," he said

● On Friday, the central executive of Cosatu resolved that its 19 affiliates would throw their weight behind the call by the Transport and General Workers' Union for national protest action on July 2 against what the union has claimed is privatisation of the passenger bus industry

The union's general secretary, Randall Howard, said that the fight with the government over privatisation "had been postponed for a few months, but it's quite clear that we are now getting to the meat of it"

The union has said it would not compromise on the principle that public transport should be owned by the state

The union is opposed to policy proposals by the Department of Transport to make the bus industry more competitive by putting routes out to tender, and other measures designed to make both publicly and privately owned buses more efficient

The union is also demanding that the government guarantees jobs in the industry

Khetso Gordhan, the Director General of the Department of Transport said the problem needed a political approach and would now be taken up with Cosatu before attempts were made to take it further with the union

"There needs to be some political discussion before we get into any technical discussion," he said

... may get interest-rate case on Wednesday

'Collusion' decision due this week

(232)(...) CT(BR) 27/5/96

By Roy Cokayne

Pretoria — The Competition Board will decide on Wednesday whether to hand the police the case it has built on the commercial banks' recent 1 percentage point increase in interest rates

Pierre Brooks, the Competition Board chairman, confirmed on Friday that the board would make a decision at its meeting on Wednesday

"We have approached the commercial banks for comment and have received replies from one or two of them

"Once we have received replies from all of them, we will assess them and determine what is to be done," he said

Brooks said collusion and price fixing were outlawed and the Competition Board therefore did not have to conduct a formal investigation

"We build up a case and hand the matter over to the police with a view to prosecution

"The Competition Board is not the enforcing party but the initiator where we see the notice on the prohibition of collusion and price fixing has been contravened," he said

Brooks said the Competition Board had co-operated with the police in the past, giving them information and helping them build cases But the board did not decide whether to prosecute, he said

Brooks said one of the matters he would bring before the board meeting on Wednesday was whether a successful prosecution was likely, considering that cases such as these had to be proven beyond a reasonable doubt

After the 1 percentage point increase by the commercial banks, Brooks said the Competition Board wanted to know why the banks had found it necessary to increase their interest rates by the same margin on the same date

He said if a decision had been taken within an association, such as the Council of Southern African Bankers (Cosab), that decision would fall within the prohibition on price fixing and could be a contravention of that prohibition.

Cosab has denied there has been any collusion between the banks

Brooks said that the Competition Board had previously discussed the issue of increasing interest rates by the same margin on the same date with the commercial banks

Interest-rate increases were usually in direct response to an increase in the Bank rate, he said The latest interest-rate increase was not preceded by an increase in the Bank rate

Brooks said there was no doubt the board would take this factor into account

He said the various commercial banks should have been in different positions because there had not been an increase in the Bank rate that would affect them all uniformly

T-bill at 16,10% eases rate pressure

By Nancy Myburgh
MARKETS CORRESPONDENT

The three-month treasury bill rate of 16,10 percent at Friday's treasury bill auction, down from 16,21 percent the previous Friday, reduced the likelihood of a rise in the Bank rate this week, Chris Stals, the Reserve Bank governor, said on Friday

"It certainly will take some of the pressure off the Reserve Bank (to raise the Bank rate)," he said Bank officials said the Bank did not intervene in this week's tender in an attempt to hold the rate lower

Stals had said early last week that a treasury bill rate of 16,25 percent, or a quarter-point above the Bank rate, would put pressure on the Reserve Bank to raise the Bank rate again

It had already raised the Bank rate from 15 to 16 percent on April 29

The Bank rate is the rate at which commercial banks borrow funds from the Reserve Bank overnight

Banking officials said the treasury bill auction to watch for a threat of a rate eclipsing 16,25 percent was not last week's, but the one on May 31

"Too much was made of last week's treasury bill auction in the first place," said John Lloyd, the director of Standard Corporate and Merchant Bank's treasury division

He said there could be more upward pressure on treasury bill rates on May 31 if the money-market shortage was really high

The money-market shortage is the commercial banks' short-

☐ Continued on Page 22

HH 231

SA must privatise to succeed: Simion

(232) Sowetan 27/5/96

By Shadrack Mashalaba

IF SOUTH Africa is to succeed in its economic endeavours, it will have to aggressively follow the privatisation route

Speaking at the 5th international trade meeting at the Africa Trade Centre in Johannesburg over the weekend, Romanian economic counsellor, Dan Simion, said since his country entered a transitional period after political upheavals of the late 1980's, the move towards market-oriented economy was a success

Simion said they had managed to abolish state monopoly on foreign trade; adopted new custom tariffs in accordance with General Agreement on Trade and Tariffs as well as liberalised exchange controls

Number of incentives

Investors had been given a number of incentives including tax holidays and the transfer of profits earned by joint ventures

"Having organised a number of trade missions to South Africa, we feel this country's investors also have a lot to gain in investing in Romania, especially in the oil industry, steel and industrial goods," said Simion

Pakistan's commercial secretary, Tauheed Jan said while his country has an agricultural based economy, trade between Pakistan and South Africa was on the increase, but there was still greater scope for further expansion

'Privatisation achieved success in Romania after the 1980 upheavals'

"The importance in trade relation between our countries is shown in trade figures When the commercial section opened up in 1993, trade went up to R92 million (an increase of 37,31 percent) whereas our exports registered an increase of 74,29 percent," he said

However, by 1995 trade balance went in favour of South Africa to the tune of R158 million, Jan said

"Despite an increase in trade between us,there is still a scope for further cooperation in investment in each other's country," he said

Jan added that in order to boost their exports, Pakistan will be participating at the South African International Trade Exhibition '96 to be held at Nasrec later this year.

He also appeals to South African companies to take advantage of investment opportunities in mining, road construction, telecommunication, power generation, canning, and production of refrigerators (especially those that run on gas)

Call for indaba to discuss privatisation

(232) Sow 28/5/96

By Mondli Makhanya
Political Reporter

Cosatu is to suggest an indaba on the controversy over privatising state assets at an ANC alliance secretariat meeting on Friday

Tensions which have been increasing since the Government announced its privatisation intentions a few months ago, were exacerbated by President Nelson Mandela's categoric statement last week that the ANC would drag allies into accepting

Mandela's statement apparently took Cosatu and senior ANC members by surprise The indaba will have to take place before the June 15 meeting of Government and labour to map out a framework for restructuring state assets

Cosatu has decided "not to allow the reactionary forces to push us into a slanging match with the president or the ANC"

Minister confident of winning over labour

Sigcau unveils plans to drive privatisation

Robyn Chalmers

BD 29/5/96 (232)

CAPE TOWN — Public Enterprises Minister Stella Sigcau threw her weight behind government's commitment to privatisation yesterday, unveiling a string of plans to drive the restructuring programme forward

Sigcau said in an interview that privatisation, as indicated by President Nelson Mandela at the weekend, was a fundamental part of government policy and she was confident the unions could be brought on board.

Telkom and SAA, which were in line for strategic equity partners, were at the forefront of the restructuring drive

The ministry was also examining management across the parastatals, with shake-ups on the cards for arms manufacturer Denel and forestry company Safcol

A Bill would soon be introduced to establish state ownership of Eskom, after which it would be transformed into a corporation Decisions would then be taken on how to move ahead with Eskom's restructuring

"It must be made clear government is committed to the principles embodied in the national framework agreement In-depth discussions will be held with labour, but I am confident that we can bring them on board," she said

The job-loss issue would top the agenda in talks with labour, and a committee was being set up in the ministry to consider training and redeploying resources within parastatals.

The first meeting between stakeholders since the signing of the national framework agreement would be on June 15, when such issues would be fleshed out She said privatisation was one element of government's commitment to restructuring state assets, with outsourcing, strategic partners and concessions as other options.

Talks were continuing on what to do with the proceeds from the sale of state assets, but the issue of state debt would have to be addressed, along with SA's vast infrastructure needs.

Other restructuring objectives included boosting economic growth and employment, meeting the poor's basic

Continued on Page 2

Privatisation (232)

Continued from Page 1

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needs, redeploying assets for growth, developing human resources and improving efficiency at state enterprises

The work of transformation teams and sectoral committees was moving ahead well, and they were close to being able to advise her on how to proceed on restructuring She would give time frames on restructuring after the June 15 meeting

On criticism that the programme had stalled, she said government had been compelled to put a solid economic policy in place before it moved ahead

She cited the recent tabling of the transport green paper as an example, saying Transnet's restructuring could not have moved ahead rapidly in a policy vacuum

MAY 30 1996

Competition Board to stop bank collusion inquiry, sources say

(232) CT (BR) 30/5/96

By Roy Cokayne

Pretoria — The Competition Board is believed to have decided yesterday to halt its investigation into collusion between the four large banks to raise interest rates

On May 17, Absa, Standard, Nedcor and First National all raised their prime rate 1 percentage point to 20,5 percent

The board said yesterday it had taken a decision, but would not release it immediately because it wanted to provide a written justification

Observers said the board was moving slowly to craft an escape from the inevitable criticism it would face from the trade unions and other consumer groups

Market sources said the board had decided to issue a written statement on its decision because it had found insufficient evidence to hand the matter over to the police and feared a public backlash, particularly from Cosatu

The trade union said earlier this week that it intended to lay charges against the banks over the interest rate increases and called for protest marches on July 6

The four largest commercial banks said yesterday the board had not informed them of its decision

The board will also provide a written explanation of its decision into whether Vodacom and MTN have broken any South African anticollusion laws.

Its interest in the cellular phone companies was sparked by a disaffected employee who recently produced a document that apparently revealed a deal between the two companies to co-operate in setting tariffs and controlling costs

Pierre Brooks, the board's chairman, said last week that he would discuss the chances of a successful prosecution at yesterday's board meeting because criminal cases have to be proven beyond a reasonable doubt

He said the board could only recommend the initiation of criminal proceedings if it found the prohibition on collusion or price fixing had been contravened The board builds up a case and then hands it over to the police, but the final decision on whether to prosecute rests with the attorney-general

Brooks has been critical of the lax enforcement of competition laws

He said last year the criminal sanction in competition policy had not worked satisfactorily in the past, largely because it involved a commercial crime that did not appear to have the same priority as other crimes

Brooks also said that the police and prosecuting authorities lacked a culture of antitrust policy enforcement

Stage is set for a decisive move on State sell-offs

(232) ARG 30/5/96

JOHANNESBURG - After months in limbo, South African privatisation policy is crystallising and financial analysts hope for decisive news on steps to sell state assets next month

President Nelson Mandela sent the clearest signal yet that the government would push ahead with privatisation, despite union opposition, on his return from Germany last week

"Privatisation is the fundamental policy of the ANC and it is going to be implemented," he said

Public Enterprises Minister Stella Sigcau underlined the commitment yesterday, adding that telecommunications giant Telkom and South African Airways (SAA) were at the forefront of the programme

Her ministry was also studying shake-ups at arms firm Denel and forestry company Safcol, she told Business Day newspaper

Economists and business leaders believe privatisation is central to restoring investor confidence, badly dented by the rand's sharp fall in the past three months

It also offers refuge from South Africa's mounting debt

The amount that could be raised via saleable state assets may total R100 billion, against current government debt of some R280 billion, according to Standard Bank's economic division

Of that, some R20 billion could probably be sold off immediately without controversy, including stakes in commercial companies like Sasol and aluminium producer Alusaf, plus oddities like resort group Aventura

The Congress of South African Trade Unions, partner with the ANC and the Communist Party in the alliance which swept Mr Mandela to power in 1994, has vowed to fight privatisation tooth and nail, raising the spectre of disruptive strikes

Nonetheless, Ms Sigcau said she was confident the unions would agree in the end "In-depth discussions will be held with labour, but I am confident that we can bring them on board"

All this has stoked expectations of concrete decisions when Ms Sigcau delivers what is billed as a major policy statement on privatisation on June 21, although Finance Minister Trevor Manuel has said there will be no "fire sale of the family silver"

"I think it's likely we will get something substantive, probably in relation to fairly minor privatisation targets like Sunair and Transkei Air, but maybe also something on SAA and Telkom," said Tony Twine of Econometrix consultancy

Telkom has already mandated Goldman Sachs to seek an international equity partner to take 20 to 30 percent of the group, while SAA - part of the Transnet parastatal - has had extensive talks with foreign airlines

The biggest prize in the government's stable is electricity generator Eskom But privatising Eskom is problematic since it is charged with delivering a massive subsidised electrification programme It is also not technically owned by the state

Ms Sigcau said a bill would be introduced soon to establish state ownership of Eskom, after which it would be transformed into a corporation and decisions taken on its restructuring

Analysts noted that unlike Eastern Europe before privatisation, many South African parastals are reasonably lean On the downside, however, they have big pension fund deficits which would cut into their market value

Peter Worthington, emerging market analyst at J P Morgan in London, said the markets will be disappointed if the government does not outline a firm privatisation strategy, not least as a signal of its acceptance of wider, market-friendly reforms

"Overseas investors see privatisation as a sign of commitment to the kind of structural reforms that are hard to sell at home" - Reuter

Hansard

There is no indication in the discussions between Boeing and Transnet that the aircraft manufacturer intends to impose penalties for the delay. To the contrary, Boeing is quite keen to work with Transnet to resolve outstanding problems in order to finalise the deal. Clearly Boeing takes the same view as Transnet, i e that its response to the delay should not be determined by some inflexible legalism but by a business relationship that takes a long term view.

SAA: purchasing of new aircraft

*9. Sen M G E WILEY asked the Minister for Public Enterprises:

Whether South African Airways intends purchasing any new aircraft in the foreseeable future; if not, what is the position in this regard; if so, (a) how many, (b) which types, (c) what will be the cost of such aircraft and (d) when are these aircraft due for delivery? S318E

The MINISTER FOR PUBLIC ENTERPRISES: *(Reply laid upon Table with leave of House)*

Transnet Limited furnished the following reply to the hon Senator's question:

Yes.

(a) Nine.

(b) Seven Boeing 777-200's
(Four firm orders and options for three)
Two Boeing 747-400's
(One firm order and a further option for one)

(c) R3 200 million

(d) Contractual delivery of the five firm orders was scheduled to start in July 1997. New delivery dates are still a subject of negotiation between Boeing and Transnet. Delivery of the aircraft on option was to be effected in the years 1999 and 2000.

Question standing over from Thursday, 9 May 1996.

Recycled cooking oil: persons died/hospitalised

*1. Sen C R REDCLIFFE asked the Minister of Health:

(1) Whether any persons have (a) died or (b) been hospitalised as a result of the use of recycled cooking oil in fast-food outlets; if so, (i) how many in each case and (ii) what were the reasons for hospitalisation in each case;

(2) whether she will make a statement on the matter? S176E

The MINISTER OF HEALTH:

(1) None that the Department of Health is aware of.

(2) No.

Question standing over from Thursday, 16 May 1996.

New State hospitals constructed in Western Cape

*7. Sen W F MNISI asked the Minister of Health:

(1) Whether any new State hospitals have been constructed in the Western Cape since September 1994; if not, why not; if so, (a) where are they located and (b) how many beds are there in each such new hospital;

(2) whether plans exist for the construction of any new State hospitals; if not, why not; if so, (a) where will they be located, (b) when is construction due to commence in each case and (c) how many beds will there be in each such new hospital? S265E

The MINISTER OF HEALTH:

(1) Yes. Michael Mapongwana Day Hospital.

(a) Khayelitsha.

(b) 17 beds of which eight are post-natal and the remainder are short stay or temporary use beds.

(2) No.

(a) However, it is proposed that four small regional hospitals, each of approximately 200 beds, be erected in Philippi, Blue Downs, Mitchells Plain and Macassar.

(b) As soon as sites have been identified, approval obtained and funds are available.

Hansard

(c) Completion of any of these hospitals is unlikely before the year 2001.

Question standing over from Thursday, 23 May 1996.

Western Cape Provincial Legislature: amount for housing

*2. Sen W F MNISI asked the Minister of Housing:

(1) What amount was allocated for housing to the Western Cape Provincial Legislature in the 1994/95 financial year;

(2) whether any portion of this amount was rolled over to the next financial year; if so, (a) what amount was rolled over and (b) why? S275E

The MINISTER OF HEALTH (for the Minister of Housing):

(1) R283,0 million which comprises R137,0 million from the 1994/95 budget allocation for housing and R146,0 million unspent funds from the 1993/94 financial year.

(2) (a) R51,7 million.

(b) Housing is a multi-year process. Although the funds were committed in the 1994/95 financial year to certain housing projects, actual expenditure occurs over a number of years commensurate with progress in the execution of projects.

HIV: test apparatus

*8. Sen C R REDCLIFFE asked the Minister of Health: †

(1) What (a) test and (b) test apparatus is currently being used in South Africa to determine whether persons are infected with HIV;

(2) whether any irregularities in the use of the test/apparatus have occurred in the Republic; if so, (a) in how many cases and (b) what are the further relevant details? S290E

The PRESIDENT OF THE SENATE: Since Senator Redcliffe is not present, the hon the Minister has a choice as to whether to table her reply or reply to the question verbally.

The MINISTER OF HEALTH: I shall table it, Mr President.

Senator A VAN BREDA: Mr President, perhaps the hon the Minister will pay us the courtesy of replying, because she was not here on two consecutive occasions when the senator was here. Unfortunately he cannot be here today.

The MINISTER: Mr President, he is not here to hear the reply, but I shall read it nevertheless.

(1) The *Three Elisa Strategy* tests are being used. This is according to WHO recommendations as was published in South African Medical Journal (SAMJ), September 1995, Volume 85 No 9.

(2) Thus far no irregularities with the *Three Elisa Strategy* have been reported to the National Institute for Virology.

New questions

*1. Sen E K MOORCROFT—Environmental Affairs and Tourism. [Question standing over.]

Drafting of Competition Bill (232)

*2. Sen W F MNISI asked the Minister of Trade and Industry:

(a) What progress has been made with the drafting of the Competition Bill and (b) when is it anticipated that the Bill will be introduced? S301E

The MINISTER OF TRADE AND INDUSTRY: My predecessor, Mr Manuel, had asked a small group to draw up a discussion document on competition policy. This was done. He then asked a small drafting team consisting of Dr Brooks and Adv Pretorius to see whether they could draft a Bill that would encapsulate the key principles and issues set out in the discussion document. That exercise was completed in September. Mr Manuel then took advice from some of the Ministers in Cabinet and other experts, including international experts. His feeling at that time was that we had not sufficiently captured the principles and issues relating to competition policy.

When I took over the position, I familiarised myself with the matter—it took me a bit of time—and I concur with his viewpoint. What I have now done is to ask Dr Brooks to stay on as chairman of the Competition Board and I will be consulting with him and others in an attempt to establish the key issues we should be addressing. Those key issues will then be taken through the Nedlac consultation process in terms of an agreement my predecessor had with Nedlac, that we would not have a detailed line-by-line discussion, but would discuss the main issues. I am proceeding down that track. It is my hope that we shall be able to table this legislation this year, but if not, certainly in the very early part of next year.

In addition to that, I shall soon be announcing the names of four persons who are to come onto the Competition Board to fill existing vacancies on that board. I have had discussions with business leaders on this, and have informed them of the process. I think, therefore, that we are beginning to move forward on what is an important piece of legislation.

Police budget vote: rewards for information

*3. Sen J SELFE asked the Minister for Safety and Security:

(a) What amount was allocated in the Police budget vote for the 1994/95 financial year for rewards for persons coming forward with information and (b) what portion of this allocation was spent in that financial year?

S302E

The DEPUTY MINISTER FOR SAFETY AND SECURITY:

(a) R35 000 000

(b) R43 489 779,88

The excess of R8 489 779 was funded from funds obtained through reprioritisation and scaling down projects of lesser importance as well as the implementing of stringent savings measures.

Establishment of Independent Complaints Directorate

*4. Sen J SELFE asked the Minister for Safety and Security:

(1) Whether the Independent Complaints Directorate provided for in the South African Police Service Act, 1995 (Act No 68 of 1995), has been established; if not, when is it to be established; if so,

(2) whether the Executive Director of the Directorate has been appointed; if not, why not; if so, (a) what is his or her name, (b) what are his or her qualifications and (c) what previous experience does he or she have?

S303E

The DEPUTY MINISTER FOR SAFETY AND SECURITY:

(1) No. The post of the Executive Director of the Directorate was advertised and a short list of applicants has been compiled. The applicants who have been short-listed will be interviewed by a panel on 5 and 6 June 1996. The appointment of the Executive Director and the establishment of the Independent Complaints Directorate will follow as soon as possible thereafter.

(2) (a), (b) and (c) Not applicable.

Free primary health care: impact

*5. Sen W F MNISI asked the Minister of Health:

(1) Whether her Department, prior to the introduction of the free primary health care programme, investigated the probable impact of the programme on the resources and finances of State hospitals and clinics; if not, why not; if so, what (a) was the extent and (b) were the results of the investigation;

(2) whether her Department has made or intends making any provision for financial assistance to State hospitals in this regard; if not, why not; if so, what was or will be the extent of this assistance?

S305E

The MINISTER OF HEALTH:

(1) Yes.

(a) The Department investigated the total costs of providing primary care services to the whole population, based on current utilisation rates. Further estimations were made to allow for possible increases in utilisation once the services were provided free of charge. The cost implications of this were then used to develop a Medium Term Expenditure Framework which detailed the funding requirements of the public health system, including primary, secondary, tertiary care services

and care provided at academic hospitals over the next five years. The calculation was done, taking into account the cost of building new clinics to accommodate the increased utilisation, and training of staff.

(b) The projected expenditure was R5,3 billion for primary health care, and R9,3 billion for the hospital sector for 1996/97. This amount includes the cost of free primary health care at clinics. It also includes the cost of services at academic, provincial general, provincial special and community hospital inpatient services. The current budgetary allocation is largely in line with the cost projections of the Medium Term Expenditure Framework. This suggests that the implementation of the free primary health care policy is adequately funded within the current allocation.

(2) The policy of the Department is to provide free primary health care, not through the public hospitals, but through the designated first-level providers, such as public-sector clinics, health centres and day hospitals. The Department did make provision for the increase in the referrals to the public hospitals, and this is accommodated in the present budget.

Utilisation of training centres

*6. Sen Dr G W KOORNHOF asked the Minister of Labour: †

Whether the Department intends (a) utilising to their full capacity the existing facilities, equipment and infrastructure at 16 training centres under the control of a certain body, the name of which has been furnished to his Department for the purpose of his reply, (b) providing courses of a longer duration on a permanent basis at these centres and/or (c) funding such courses in the longer term (up to and including five years); if not, why not; if so, from what date in each case?

S315E

The MINISTER OF LABOUR:

1. Direct Responses

(a) The Department of Labour is fully committed to using the training capacity of the Regional Training Centres (RTCs) and Training Trusts (TTs).

(b) The provision of longer-term courses will be a requirement of any training institution that is receiving stable long-term funding for training from the Department. The RTCs on their own initiative have begun introducing this longer-term's focus.

(c) The long-term funding of these institutions is presently being assessed by the Department as part of the development of a new human resource development strategy for the country.

2 Future Funding Arrangements for the RTCs and TTs

2.1 There is a need for the Department to secure higher levels of relevance, quality and efficiency in the training that it finances through the RTCs and TTs. It is also essential that the Department facilitates greater access to its funds by private training providers especially emerging training providers.

2.2 To this end the Department is currently assessing the performance of the RTCs and TTs with a view to developing new methods of disbursing the funds for its training programmes. In principle, the Department must balance the total funds available for training between stable disbursements to the RTCs and TTs on an annual basis, and a more competitive disbursement procedure that facilitates access of other providers to these funds. In addition, the Department is developing new forms of accountability which all training providers using public funds will have to adhere to.

2.3 The Department will finalise the new policy, for consultative purposes, by September 1996.

2.4 The Association of Training Providers (ATP) has been kept informed of this process and has been invited by the

Govt needs to spell out its stance on privatisation

(232) BD 30/5/96

ROBYN CHALMERS

FEW observers can claim to have a clear picture of government's position regarding privatisation, and there is a growing sense of urgency that speedy action is needed to bolster local and foreign confidence in the country

There are mutterings in the corridors of Parliament about President Nelson Mandela's statement last week that privatisation is fundamental policy of the ANC Many politicians appear to be surprised that he came out so strongly on this issue, particularly as there has been no "six-a-side" meeting since the signing of the national framework agreement between government and labour in February

There is concern about the effects such a surprise statement has had on government's relations with labour on the privatisation issue

While both Cosatu and the SACP have held back from taking a hard-line stance on privatisation, Cosatu, in particular, has issued a number of confrontational statements on this subject

There will have to be some hard bargaining at the first six-a-side on June 15 in order to bring the trade unions on board

Mandela's motivation for his statement should be seen in the light of the rand's demise and SA's growing economic problems

Attention, and particularly that of international investors, is needed to be diverted away from SA's woes on the economic and financial markets front This appears to have been achieved in part, although it is likely to be only a temporary reprieve, and there is still confusion among local and foreign companies

But the President's sudden shift of focus on to privatisation has without doubt moved the debate forward significantly Indeed, it may have moved it along a little too fast for the likes of Public Enterprises Minister Stella Sigcau and her staff, along with the various sectoral task teams and transformation committees studying the effects of the "restructuring of state assets" — as the privatisation process was dubbed in official circles

Public enterprises office head Sipho Shabalala has been at pains to point out over the past few months that the restructuring of assets cannot be done overnight

The effects have to be examined in detail — not only those on each parastatal but also the sector within which it operates This takes time, but Shabalala has been promised some firm proposals on the table by the beginning of next month

Sigcau, also, is making it absolutely clear that she will not be rushed unnecessarily into making decisions and announcements before she is good and ready

Mandela's initiative may have increased the pressure on her, but she is sticking to her guns, and she has a point

Decisions made on the fate of entities such as Telkom, SA Airways, Transnet and Eskom will have an enormous impact on the lives of almost every South African, and they have to be well thought out and properly investigated

But it must also not be forgotten that the initiative to restructure state assets is part of the process of implementing the RDP

It fits firmly into the "six-pack" programme which sees the reprioritisation of state expenditure, the restructuring the public service, the building of new inter-governmental relations and general belt tightening Movement on the reconstruction programme — which can be called sluggish at best — would receive a huge boost from proceeds of restructuring in whatever form

Efforts to attract a strategic equity partner for Telkom, for example, will greatly assist with its goal of installing five million new telephone lines by the year 2000, at a cost of about R10bn

The national framework agreement outlines four broad processes that need to be undertaken in the run-up to restructuring The first three phases are close to being completed — assessing the various state enterprises in terms of their future role, developing sectoral (such as transport) policy, and looking specifically at how each enterprise is made up, including the composition of the board of directors

The final phase of the process involves making decisions on how to actually restructure

Sigcau says privatisation is only one element of the restructuring of state assets, along with bringing in strategic investors, partial sales, outsourcing and commercialisation

Privatisation is the word that strikes terror into the heart of trade unionists, and Sigcau appears to be paving the way for negotiations with labour to begin in earnest

Mandela has finally set SA firmly on the path towards privatisation Negotiations and compromises are inevitable in coming weeks, but in order to boost foreign and local confidence in SA, it is important that government not be seen to back down to the trade unions on the issue — as it did in the past

LETTERS

Competition Board to look into shoe deal

(232)

By Stuart Rutherford

CT(BR) 31/5/96

Durban — Conshu Holdings, South Africa's largest shoe manufacturer, is again under scrutiny from the Competition Board for a deal involving Badger, the recently closed Port Elizabeth footwear manufacturer

"We are in the process of assessing the situation and will take a decision on whether to investigate in the near future," Pierre Brooks, the chairman of the Competition Board, said yesterday

Brooks said he did not know at this stage whether the transaction between Conshu and Badger constituted an acquisition as defined by the Competition Act

No comment could be obtained from Conshu — whose principal shareholder is South African Breweries — yesterday But Stan Rosen, the divisional director for the Forward Corporation, which owned Badger, said the deal only involved the sale of trademarks to Conshu

Rosen said the sale would not have a significant effect on the market since the factory only produced 600 000 pairs of shoes a year, of which just two-thirds were under the trademarks

Brooks said he had received several complaints about Conshu from manufacturers

"People in the market are concerned about these developments, a lot of firms are going out of business and Conshu seems to be the principal beneficiary of such exits," he said

"The fact that it is Conshu alerts the board, if it had been a smaller entity there would be no cause for concern"

Last year the Competition Board rejected Conshu's application to merge with Bolton Footwear on the grounds that the benefits from the transaction did not outweigh the restraints of competition

The Badger factory was officially closed down yesterday

'Insufficient evidence' of banks' collusion

(232) BD 31/5/96

Adrienne Giliomee

THE Competition Board has decided against investigating alleged collusion between SA's major banks in their recent simultaneous hike in interest rates, ruling there had been "insufficient evidence" to substantiate claims.

The board announced also that it would formally investigate alleged anti-competitive behaviour by cellular phone network operators MTN and Vodacom.

Board chairman Pierre Brooks said yesterday the board could not act on speculation of collusion by the banks, saying there had been "an absence of concrete evidence".

"There is a thin dividing line between unilateral price leadership and collusion, but banks acted on business principles."

He added that individuals or other organisations were free to press charges with the police. The Consumer Council, which had lobbied for the board to probe the rate hike, said it had no plans to press charges.

Brooks said the banks argued that the dynamics of the money market shortage and the currency crisis forced them to raise rates. "Banks were forced to follow Standard Bank's example of lifting prime overdraft rates for competitive reasons."

But he said the banks should have advised and informed consumers of their actions in a more comprehensive manner.

He warned that banks should take note of the perception that the Council of SA Banks and the Association of Mortgage Lenders were used as vehicles for collusion.

"Correspondence between the banks and their clients may on occasion reinforce this perception," he said.

The cellphone investigation covered the agreement between the two operators forged in London in 1994, which covered areas such as bonus connection fees and tariffs. Service providers had made allegations of anti-competitive behaviour.

"The board decided that the relevant issues can best be addressed by undertaking a formal investigation into restrictive practices that exist, or may come into existence, in the industry," Brooks said.

Vodacom and MTN, who have previously denied collusion, said they would co-operate with the investigation.

station at Klein Parys outside Paarl which exploded and disrupted the electricity supply

Ramaphosa warns on privatisation

TYRONE SEALE (232)
Political Staff
ARG 21/5/96

TENSION is mounting between business and the trade union movement because of the failure of the business community to respond sensitively to workers concerns about job losses that could result from the privatisation of state assets

This was African National Congress secretary-general Cyril Ramaphosa's warning yesterday to the International Peace Foundation and Organisation for African Unity's conference in Cape Town on civil society and conflict management in Africa

Mr Ramaphosa said that while the business community wanted immediate privatisation, the trade union movement had ideological difficulties which were not being tackled sensitively The union movement had seen how in other countries privatisation had led to joblessness and suffering

It was natural to vent such concerns in South Africa where there was no effective social security system and where unemployment exceeded 40 percent

Failure to address these issues had led to union opposition

Primary health benefits from funding reallocation

BD 31/5/96

Ingrid Salgado

THE bulk of savings resulting from reduced allocations to Gauteng's eight academic hospitals would be ploughed into primary health care and would finance cuts in this year's health budget, Gauteng health MEC Amos Masondo said yesterday.

The hospitals would receive R200m less this year, down to less than R2bn. This was a drop from more than half of Gauteng's health bill last year to 46% of the budget in 1996/97, he told the provincial legislature during debate on the health budget vote.

He said that R90m of the savings would be used to finance free health care for adults, build new clinics, subsidise primary health care, purchase drugs and equipment for local authorities and start a polio and measles immunisation campaign.

The remainder would finance an R80m reduction in this year's budget while R30m would be spent on improving staffing conditions in previously deprived psychiatric hospitals.

Masondo said he was pleased the R4,033bn health budget would be supplemented by an unspecified amount from central government to cover salary increases.

However, he was concerned at the speed at which funding equity between the provinces was proceeding.

Five-year target allocations for provinces were based on medical aid membership and population estimates adjusted for per capita income. Low population figures had been used for Gauteng (6,9-million people) while a high medical aid membership was ascribed.

The department faced an "onerous" challenge in taking health services to previously deprived people without collapsing other services, considering that its operating budget had declined R259m in real terms and it was faced with a huge capital deficit.

'Privatise hospital laundries' — DP

(232) BD 31/5/96

Ingrid Salgado

THE DP urged the Gauteng government to privatise the province's seven hospital laundry services yesterday and insisted that privatisation could occur without the more than 1 000 employees losing their jobs.

The services, which had a running cost of about R50m a year, were beset by perpetual labour unrest and bad management, leading to glitches in heath care services, Gauteng DP health spokesman Jack Bloom told the provincial legislature.

Already hard-pressed hospitals constantly had to reschedule and delay operations due to shortages of clean linen, he said. "Only last week Baragwanath Hospital (in Soweto) was disrupted for this very reason, to the great distress of patients."

Privatisation of the laundry services had great potential for revenue generation and would improve hospital efficiency. The Gauteng health department was "not in the business of running laundry services but of running health", Bloom said.

ANC member Firoz Cachalia questioned the ability of the private sector to guarantee job retention and to provide laundry services at affordable cost to government.

Cosatu members are misled

(232) BD 31/5/96

THAMI MAZWAI

THANK heavens the President says privatisation is among the many strategies to restructure our economy. The ducking and diving on this issue has been mind-blowing since organised labour confronted government last year.

President Nelson Mandela has taken the bit between his teeth, is moving us forward and has virtually taken the wind out of Cosatu's anti-privatisation stance.

I refer to a letter I received on May 3 which says: "It was so refreshing to read your article this morning. When I could not understand what Cosatu had in mind, I thought maybe I'm beginning to be a liberal and actually forgetting where I am coming from as a South African black. Now I realise I am not alone. I'm seriously concerned about the country we are building. Just thought you were on the mark with your analysis. I hope some people in power do listen. Keep it up."

The writer was referring to my Business Day column which criticised the April 30 national strike. This letter and the many calls I received show that black business people and professionals are concerned about organised labour's attitudes and its recent actions. But because of the past, when to differ was to sign your own death warrant, they are quiet. Much as I understand this, this attitude must not persist. They must speak out instead of waiting for the President to act.

For the record, I am not a member of any political organisation, and have no intention of joining one.

Although I was active in the struggle and had my share of detentions, torture and imprisonment, now that we have one man one vote, I am out of politics. All I now want to be is a good journalist, praising what is good for the country and rejecting what is not.

My comments on Cosatu and the SACP are within this context.

I have to make this clear as some people have expressed disquiet that I am "crossing the floor". There is no floor for me to cross. Things are not right because they come from a black organisation and wrong because they come from whites.

I would be failing in my responsibilities if I did not highlight concerns about the strands of socialism and communism creeping into our economic policy, just as much as I have in the past rejected the Eurocentrism imposed on our nation when we are an African country.

Cosatu activities seem to want to turn SA into a worker dictatorship.

The national dictum now is: "SA must do what Cosatu wants" or we face mass action. That is why banks are being threatened with marches.

Again, let me make it quite clear Cosatu has the right to protest against the rise in bank rates, just as many others voiced their concern. However, why must there be talk of marches? Are we also going to have marches when the price of bread goes up? Must the private sector ask Cosatu's permission before implementing increases?

If our country must be a worker-run state, which is what socialism is about, I repeat my challenge that the SACP must operate openly and on its own instead of using Cosatu.

We have had enough of the SACP using Cosatu members to introduce its socialism by using the most underhand of methods.

This time the SACP is using genuine worker fears of retrenchments to oppose privatisation. SACP policy is that the state must own all means of production, and parastatals are the more vital of these. The poor workers have been told privatisation will lead to job losses and hence their opposition to privatisation.

Now, now, now. The SACP knows full well that retrenchments are not a consequence of privatisation, but a result of costs outstripping income. If costs escalate and there is no stopping the bleeding, retrenchments will follow whoever owns the assets.

Another fallacy being bandied around is that Eskom and Telkom must be government-owned if rural areas must be provided with these services. If the two were owned by private owners, rural areas would suffer as the costs of installing the facilities would be prohibitive.

What logic! If it costs R1m to provide electricity at Gamaleshame in a remote corner of Northwest, it is going to cost R1m whether Eskom is owned by government or the private sector. Government thus has to fork out R1m whether it pays itself as owner of Eskom or pays the amount to a privately owned Eskom.

The point I am making is that blatant propaganda is being bandied around to mislead Cosatu members, many of them hardly literate because of the ravages of apartheid. It is a relief that the President has stepped in.

As I have said in the past, the privatisation of these state assets must be underpinned by the RDP and black economic empowerment.

☐ Mazwai is editor of Enterprise.

Manuel wants assets NP gave away back

(232)

(260)

Wyndham Hartley

BD 31/5/96

CAPE TOWN — State assets sold to Afrikaner Broederbonders in the old order should be returned to the people and those responsible charged with theft, Finance Minister Trevor Manuel said yesterday.

In aggressive mood, Manuel was responding to questions and veiled criticism during the Senate debate on the finance department's performance.

Privatisation had to be looked at "case by case", he said in reply to opposition questions about the state's position on the sale of state assets.

"At some time we must go back and look at .. privatisation that happened in all kinds of strange ways under the NP." The Office for Serious Economic Offences was investigating "baantjies for broeders", Manuel said.

"There was no accountability and the Broederbond got handed the assets of the state — and that is what we must avoid now and at all times. Assets that were handed out in this way should be returned for the national good of the people of SA and those involved should be charged with theft."

On criticism from NP senator Org Marais about his statement that the markets were amorphous, Manuel said: "What is the shape of the market? Is it round, is it square, is it rectangular, is it oblong? Amorphous means that it has no particular shape. That is what the Oxford dictionary says is 'amorphous'. It responds to different signals and there are different markets that require different signals. They have not a particular shape. What is your problem? Do you want an English lesson as well?"

Asked about the recent world competitiveness report, which ranked SA

Continued on Page 2

Manuel

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Continued from Page 1

poorly, Manuel said. "What is total factor productivity? Without a doubt in SA the major let-down is managerial productivity. Workers do not decide when they will be trained, what machinery to buy or work organisation to implement. All of this is a reflection of managerial competence in SA. It is not about being anti-business, it is about recognising what the total problem is."

On exchange controls, he said various reports had crossed his desk, some containing good and others bad advice. "That is all I am going to say about exchange control."

He told Marais he would give him a lesson in Std 6 economics, because he did not get a doctorate from the Broederbond. SA's currency woes were not a matter of confidence. With an appreciating currency and high interest rates, SA had been a haven for short-term capital flows, which had nothing to do with credibility.

"You have to understand we are dealing with a world where money moves at the push of a button.

"I don't believe it is all doom and gloom. The fundamentals are in place. We don't have to bury our heads in the sand because the currency has been through a period of turbulence . I want to caution against these quick-fix mantras," he said.

Manuel said the deficit could be driven down to below 2% next March, but then no services could be provided

Unbundling not for us, Anglo insists

ST(BT) 2/6/96

(232)

By JULIE WALKER

KEEPING IT TIGHT: Anglo boss Julian Ogilvie Thompson Picture: CHRIS COLLINGRIDGE

ANGLO American chairman Julian Ogilvie Thompson cannot see a case for following the unbundling trend because the group's diversity provides swings and good cover against recessions

"The 1996 results attest to the group's successful strategy of geographic and business diversity," he says

The earnings of South Africa's largest company increased by 30% to a record R4,4-billion in the year to end-March This equates to earnings of R18,83 a share The dividend was increased by 24% to 570c

The biggest contributor to earnings was industry and commerce with 39%, followed by financial services (19%), diamonds (16%), gold and uranium (9%), platinum, base metals and other mining (9%) and coal (8%)

Mr Ogilvie Thompson says the discount of Anglo American's share price to net asset value has narrowed considerably since March and is now of the order of 10% At the end of March, net assets totalled R69-billion, or R297,11 a share The current share price is R282

The discount has been compared unfavourably with the premium at which Gencor has been trading since its unbundling

Asked what he would do about eliminating the discount, Mr Ogilvie Thompson says he aims to persuade investors that it is a mistake on their part

He says there is no deadline for bids for Anglo's stake in both JCI Ltd and Johnnic "We read in the papers all the time that various consortia are about to make an offer and we look forward to receiving them"

He expresses little surprise that matters have not gone faster First, legislation needed to be amended, then the bidders had to arrange themselves, then raise the money

The already cash-flush group has secured substantial credit lines at good rates offshore, but Mr Ogilvie Thompson says they await opportunity He ruled out a full bid for Lonrho in which Anglo has built up a 29% holding

Anglo presented its income statement in a more detailed format for the first time. Net income of R7,8-billion before tax was broken down into associates (R6-billion) and other incomes, including provisions against underperforming investments such as Del Monte Royal Foods, Soda Ash Botswana, writedowns in Anglo American properties and losses at Namakwa Sands.

South African privatisation drive predicted

Star 3/6/96 (233)

US diplomat dismisses forecasts that this country is on slippery slope to economic chaos

By Peter Fabricius
Washington

The South African Government will make "substantial" moves on privatisation this month, the US government's top commercial representative in SA has predicted

The resultant tensions with labour would contribute to a period of turbulence in the South African economy, Millard Arnold, US minister counsellor for commercial affairs in the US embassy, said in Washington.

But Arnold, appointed by late US commerce secretary Ron Brown as his personal envoy in SA, dismissed forecasts that the SA economy was heading into chaos and said he believed the current slowdown would not become a recession

"It does help to fasten your seatbelts but I'm not concerned about any crashes or anything serious happening to the South African economy," he told the working group on South and southern Africa of the Centre for Strategic and International Studies in Washington

Arnold noted that President Mandela had made it clear on his return from Germany that the Government's intention was to privatise, regardless of opposition from the unions

Asked what political price he thought the ANC was ready to pay to push through privatisation and other aspects of its expected growth and development plan – and whether it was ready to risk a split with the unions – Arnold said he believed the ANC was ready "to go to the mat".

He said he could understand people predicting chaos in the SA economy after the dramatic events of the past two months, including the 20% fall of the rand, the appointment of the third finance minister in two years, the adoption of a new constitution, the national strike to protest against provisions in the new constitution, and the withdrawal of the NP from the unity government

"That's an awful lot for any country to absorb in 60 days," Arnold said

But those who saw chaos did not realise that SA was already at the start of the transition to the next administration as Deputy President Thabo Mbeki had already begun to consolidate power

He said Mbeki was already more than the heir apparent to the presidency His succession was unlikely to be challenged and the only question now was who would be "Thabo Mbeki's Thabo Mbeki"

He agreed that the Government would have to address the concerns of investors spelt out to Mandela in Germany by Daimler-Benz president Jurgen Shrempp

These included social and political instability, crime and violence, the undue influence of unions over the Government, and the slow pace of privatisation

Hansard

level, facilitation of programmes as part of the National Crime Prevention Strategy), the granting of assistance regarding resources (highway patrol vehicles) and the development of closed circuit television systems in various city centres in South Africa

This partnership is developing and expanding at all levels and receives support from business at the highest level

Since the publication of the National Crime Prevention Strategy document, the Business Against Crime Initiative has decided to align its strategic approach and projects with the objectives and principles of the National Crime Prevention Strategy

*21 Mr A G MOHAMED—Public Works †
[Question standing over]

Abolition of currency control

*22 Mr A H NEL asked the Minister of Finance †

(1) Whether his Department is investigating the abolition of currency control, if so, (a) why and (b) when is a final decision to be taken in this regard,

(2) whether he will make a statement on the matter? N801E

The MINISTER OF FINANCE

(1) It is the policy of the Government to phase out exchange controls gradually My Department is therefore working with the Reserve Bank on possible steps that can be taken as and when the balance of payments situation will justify a further relaxation of controls

(2) A statement will be issued as and when the next steps in the programme of gradual relaxation will be implemented

Land Bank: name change

*23 Mr I D VAN ZYL asked the Minister of Finance †

(1) Whether his Department is considering a name change for the Land Bank as a result of the Strauss Report, if so, (a) when will the new name be known and (b) what are the reasons for the name change;

(2) whether he will make a statement on the matter? N802E

The MINISTER OF FINANCE

(1) No

(a) and (b) Fall away

(2) The Rural Financial Services Commission recommended in its interim report inter alia that a rural financial services section be established The Commission recommended that the Land Bank be transformed to fulfil his function The Commission's recommendations identify a need for the Land Bank to be perceived in a new way, especially by the rural poor The Commission recommended therefore that the name be changed to the Rural Bank of South Africa This recommendation is being considered by Government at present

Privatisation: Telkom/SAA

232

*24 Mrs A VAN WYK asked the Minister for Public Enterprises †

(1) Whether her Department is considering the privatisation of (a) Telkom and (b) the South African Airways, if not, why not, if so, when will a final decision be taken in this regard,

(2) whether he will make a statement on the matter?

N803E

The MINISTER FOR PUBLIC ENTERPRISES

(1) (a) In terms of the Cabinet Directive of 6 December 1995 the Inter-Ministerial Cabinet Committee on the Restructuring of State assets is tasked with ensuring that negotiations should commence with short-listed strategic equity partners, and that the appointment of such partners should coincide with the anticipated timing of the tender awards for the one million line project in June/September 1996, this process to be conducted within the parameters of the NFA between the Government and the relevant trade unions. This process is on track

(b) The Cabinet approved in principle that

(i) the global alliances which were formed amongst the world's major airlines to capture bigger sections of the market as the world continued to move to a more open skies policy had major implications for the SAA It needed to enter into such alliances and it needed to involve a strategic investor that could contribute capital, technology and management input to bolster the SAA,

(ii) the SAA be separated from Transnet as soon as possible with a clean balance sheet This implied removing the SATS portion of the pension fund liability which would later be serviced by equity sales and dividends Further investigation would, however, be required on how best to achieve this As a more independent corporation it would attract and needed to attract a major strategic investor to purchase a portion of its equity Be that as it may the process will be pursued within the parameters of the NFA between Government and the relevant trade unions

(2) No.

Decrease of personal income tax

*25 Mr J W LE ROUX asked the Minister of Finance †

(1) Whether his Department is currently investigating the possible decrease of personal income tax, if not, why not, if so, when will the results of the investigation become available,

(2) whether he will make a statement on the matter?

N804E

The MINISTER OF FINANCE

(1) Yes, in line with the reform objectives identified in the Katz Third Interim Report, the Government is committed to reducing the overall burden of personal income tax, broadening the tax base, reducing the number of tax brackets, lowering the maximum marginal tax rate and the graduation of the marginal rate schedule; raising the tax threshold, and adjusting the tax structure for inflation.

Due to fiscal constraints these objectives cannot all be achieved simultaneously Government has embarked on a gradual approach The achievement of gender equality together with tax relief to lower income groups constituted the first steps in this direction The proposals in the 1996 Budget continued the reform process and were aimed at partially alleviating the fiscal drag, increasing the level of income at which the maximum marginal rate takes effect and providing further relief for lower and middle income earners

With the generation of each year's Budget, proposals flowing from the investigation are made to the Minister for consideration and where possible tax relief is introduced as was the case in the last year's Budget The results are announced in the annual Budget Every effort will be made to continue reforming and streamlining personal income tax so as to meet not only the needs of Government but also those of the taxpayers

(2) A further statement in this regard is not considered to be necessary

Prisoners treated at private hospitals

*26 Dr I M CACHALIA asked the Minister of Correctional Services

(a) How many prisoners were treated at private hospitals (i) in 1995 and (ii) during the period 1 January 1996 up to the latest specified date for which information is available, (b) what was the cost of treating prisoners at private hospitals during the period 1 January 1996 up to the latest specified date for which information is available, (c) what were the main causes of illness pertaining to prisoners who were treated at private hospitals and (d) what is the rationale for treating prisoners at private hospitals?

N805E

The MINISTER OF CORRECTIONAL SERVICES

(a) (i) 4 927 prisoners

Erwin in talks on competition policy

~~EB~~ (532)

John Dludlu BD 6/6/96

TRADE and Industry Minister Alec Erwin held discussions yesterday with key officials in his department and leading competition policy experts in the country to revamp SA's impotent competition laws

Ministerial spokesman Ismail Lagardien confirmed last night that the meeting had taken place It was attended by trade and industry department director-general Zavareh Rustomjee, Competition Board chairman Pierre Brooks, Wits law professor Dennis Davis, academic David Lewis and Cape advocate Willem Pretorius Lagardien declined to give details of the meeting

Brooks, who has been at the helm of the board for eight years, and Pretorius wrote the first draft Bill which was reportedly rejected by Erwin's predecessor, Trevor Manuel, after Davis criticised it as "a feeble version of the European model"

Dennis had criticised the draft, too, as being badly written, and had urged government to go back to the drawing board and consider potentially controversial competition policies such as the US, Canadian and Australian models

Erwin has committed himself to a consultative approach with business and labour

But he said no "line by line" negotiation would take place in Nedlac

Yesterday's meeting came after a recent announcement by Erwin, extending Brooks's term of office until the legislative review process had been completed

Last month, Erwin said government would "approach this complex matter in a responsible manner, taking into account all interests that may be affected by the law"

Erwin's approach does not significantly differ from Manuel's, but business has welcomed the transparent manner in which he has approached the subject to date

MAIL & GUARDIAN
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Unions on board for the privatisation process

(232) M+G 31/5-6/6/96

Gaye Davis and Justin Pearce

GOVERNMENT and labour will square up over privatisation on June 15, at the first meeting of parties under the National Framework Agreement (NFA), signed in January.

President Nelson Mandela's statement on his return from Germany — to the effect that privatisation was "fundamental policy" of the African National Congress and would be implemented — will add impetus to the meeting. Public Enterprises Minister Stella Sigcau followed up this week, saying she was confident the unions could be brought on board

The NFA sets out principles and procedures for restructuring state assets and pulls together government ministries and the three labour federations the Congress of South African Trade Unions (Cosatu), the National Council of Trade Unions (Nactu) and the Federation of South African Labour (Fedsal).

Both sides have been preparing their positions Stephen Rix, a researcher with the National Labour and Economic Development Institute (Naledi), which has been appointed by the union federations as the co-ordinating body for labour's research effort, said state funds had been provided for labour to employ its own advisers

Rix said work had been done by affected unions within each of the federations, but this had to be "massaged and assessed" A key item on the agenda for the meeting was time-frames

Part of the problem with the process, which has been in stop-start mode since government's first announcement on privatisation in June 1994, was it had run ahead of government.

"Entities that wanted strategic equity partners got going, but the government had yet to put a macro-economic framework in place," said one source.

Government was under pressure from "vultures [foreign investors] who want to buy and merchant bankers who want big fees for handling the sales", but government first had to complete the process of maximising the value of the assets it would sell through re-engineering and getting rid of loss-making entities

A source in the Public Enterprises Ministry said it was felt "enough preliminary exploratory discussion analysis" had been done and it was time to get a move on

In an address to the World Economic Forum in Cape Town, Cosatu secretary general Sam Shilowa reiterated the federation's position that it was in favour of restructuring of state assets as a means of achieving upliftment and the goals of reconstruction and development, but was opposed to privatisation being the central tool for doing so.

In the absence of any macro-economic plan, government was looking to selling off state assets to bolster its fiscus when it should be looking at reprioritising spending and investigating what the private sector was prepared to do in terms of dealing with job losses

Naledi economist Ravi Naidoo said Shilowa's speech was indicative of a more flexible position, but he was essentially saying the same thing. "Cosatu is saying to government, if you have a plan, come and show us how it fits into the bigger pie You can't just say that because there's a problem with the economy we have to sell state assets because that's the trend internationally"

The left recognises the bankruptcy of a command economy, but is just as opposed to the neo-liberalism of the Thatcherite model South African Communist Party deputy general secretary and ANC national executive committee member, Jeremy Cronin, told the *Mail & Guardian* of a "confused adherence to neo-liberalism by some within the ANC, who are under the illusion that one can glue neo-liberal economics on to Reconstruction and Development Programme (RDP) aims" But this tendency did not represent a shift to the right by the ANC, he said

The Thatcherite model had "never worked, and least of all in a country emerging from war or from Third-World under-development" But a Stalinist model of wholesale nationalisation was equally misguided, he said, affirming the party's commitment to "the RDP model, growth through development and development through growth".

"We need business in that process We need to find ways of encouraging the private sector into that process."

At the same time, "if the ANC became a centrist, Tony Blair kind of party it would lose its constituency"

Jeremy Cronin: Affirmed the SACP's commitment to the RDP model
PHOTOGRAPH HENNER FRANKENFELD

DTI takes a back seat

(232) M+G (BM) 31/5-6/6/96

Alec Erwin is taking a hands-off approach on the alleged bank collusion, putting the ball in the Competition Board's court, reports **Madeleine Wackernagel**

THE Department of Trade and Industry is keeping a low profile in the growing row over alleged collusion among the banks as part of its new strategy to leave competition policy to the Competition Board

Legislation currently being drafted will put a new emphasis on investigating and penalising collusion, giving the board greater power after years of being blocked by vested interests under the National Party

Competition policy was "toothless" in the past, says an insider, but under Trade and Industry Minister Alec Erwin, the ministry intends to push for a tougher line on anti-competitive practices

That does not entail putting political pressure on the present or future board, however Says Erwin's representative Ismail Lagardien "Pierre Brooks [head of the CB] must be given the opportunity to make independent decisions based on the law before him We have no wish to influence him, or the legal process, but we envisage that in future the board will have more power to act against uncompetitive behaviour Our hands-off approach on the banks is testimony to that."

The department is looking at various practices for regulating competition, but the European model with ultimate power vested in government, is not favoured So far however Brooks is not sure what the new legislation will entail "We know what the basics will be but there may be additional aspects to competition policy that differ from present legislation " he says

The issue of bank collusion over the interest rate hike earlier this month is a tough call however, and at the time of going to press, Brooks had not yet made his decision known The banks were fairly confident the matter would rest there "Where there is no collusion it is very hard to prove," says Denzil Bu[illegible], executive director of Standard Bank

But it is very difficult for the big banks to be out of step with each other. We all faced the same cash crunch, so Standard made the decision to raise its rates, and the next thing we knew the rest had followed suit.

"We couldn't afford not to act and we didn't do it lightly."

Alec Erwin: Intends to push for a tougher line on anti-competitive practices PHOTOGRAPH RUTH MOTAU

Dr Ben van Rensburg of the South African Chamber of Business agreed "The banks do not operate a cartel, there is very strong competition They face the same cost parameters, so it is not surprising that they moved more or less at the same time."

The pie, says Nico van Loggerenberg, general manager of the Council of South African Bankers, is only so big If one moves the others have to adjust their rules accordingly The short-term advantage of boosting market share with a lower interest rate would soon be outweighed by the cost And on the other side of the equation deposit rates would be higher at the competitor banks So the banks really had no option

Van Loggerenberg was confident the investigation would be dismissed He was less optimistic about the effect on foreign investors "This inquiry creates the perception that market forces are not working in South Africa "

Meanwhile, Sasbo — the Finance Union, is embarking on a fence-mending mission, seeking a meeting between the major players — Amalgamated Banks of South Africa (Absa), First National, Standard and Nedbank, as well as the Reserve Bank and Cosatu

Graeme Rowan, general secretary, was hopeful such a discussion could head off the mass action against the banks sought by Cosatu

"We're not insensitive to the public's needs," says Rowan, "but our first priority is to our members. Putting pressure on the banks to cut their margins further could result in accelerated 'downsizing' The last thing we need is more job losses "

Cosatu was unavailable for comment, but Rowan was optimistic a compromise could still be reached before the Cosatu leadership heads for the International Labour Organisation conference in Geneva tomorrow (June 1)

Pierre Brooks. Not sure what the new legislation will entail
PHOTOGRAPH RUTH MOTAU

Judgment day for sell-offs

(232) M+G 7-13/6/96 (BM)

Firm proposals for privatisation will soon be in place, but the going will not be easy as unions and government lock horns, reports
Madeleine Wackernagel

GOVERNMENT is finally realising that actions speak louder than words. Within two weeks South Africa should not only have a growth plan in place but also firm proposals for the restructuring of state assets — three years after the African National Congress made privatisation official policy.

On Wednesday, Deputy President Thabo Mbeki is due to present his long-awaited growth plan, as foreshadowed at the intergovernmental conference in February. Three days later, ministers will meet labour representatives to thrash out a detailed policy for state sell-offs. With the basic guidelines in place, they will consider each industry and how best to go about transforming individual companies. At the same time, the government will announce its team of advisers.

The going may not be easy, however. Cosatu is sticking to its guns, says representative Nowetu Mpati. "We are completely against privatisation, and remain so until we see the data to convince us that it can be done without significant job losses."

But other union representatives believe a softening of Cosatu's stance is possible. "We can no longer afford to put ideology before the good of the country. Even Cosatu must understand that," said one official.

Increased openness has contributed to this view. "The new approach of consultation and transparency has gone a long way to clearing the air. It is no longer a question of them and us."

Despite the new pragmatism, the issue of job losses still looms large. Says Colin Smith, privatisation co-ordinator and bi-lateral task-team negotiator for Fedsal: "We fully support a case-by-case approach to privatisation, we cannot take a blanket decision to sell off every state asset. But we have to use partnerships, joint ventures and retraining to minimise, if not totally avoid, any job cuts."

This view is echoed by Professor Ben Turok, an ANC MP. "Just because we believe in free-market principles does not mean we should privatise willy-nilly. The British experience is a perfect example of the dangers involved.

"Many state institutions are grossly inefficient and misdirecting resources. We have to make sure the taxpayer is not subsidising inefficient use of resources and some form of privatisation could help to get them back on track.

"But worries about possible job losses are valid and all the more reason for taking a case-by-case approach and acting on sound economic principles."

Professor Louise Tager, head of Transnet, is not convinced privatisation is the answer. "Where does it say that the state cannot run a business successfully? We are trying to sort things out internally, improving efficiencies and productivity.

"Certainly, some parts could be sold off, but wholesale privatisation is not a good idea. The country cannot afford it. For every job lost, up to six people lose their support system, we have to be careful not to exacerbate the already serious unemployment problem."

With most of the companies earmarked for restructuring in growth industries such as telecommunications, tourism and airlines, fears of job losses may be overplayed, says an analyst. So far, government has taken an *ad hoc* approach, forging ahead with little consultation and even less focus. But getting the unions on side will take more than just rhetoric and reassurances. It's up to the government to set out its objectives and make them work.

Transnet's chief sets her teeth against privatisation

ST(BT) 9/6/96 (232) (281)

By SVEN LUNSCHE

TRANSNET chairman Louise Tager is adamant that there is "no need at all" at this stage for an equity partner in any of its operations

Instead, the R40-billion parastatal will continue restructuring "to create efficient and profitable enterprises"

Ms Tager could be heading for a clash with the government, which is expected to table privatisation proposals for Transnet companies at this week's National Framework Agreement talks with trade unions

A senior adviser to Minister of Public Enterprises Stella Sigcau said on Friday that the December 6 declaration would be the government's "starting point in the NFA talks"

On December 6 last year Deputy President Thabo Mbeki announced the partial sale of SA Airways and Telkom, as well as full privatisation of Transkei Airways, Sun Air and Autonet SAA and Autonet are Transnet companies

The government has recently adopted a more open approach to privatisation of state assets and a new programme is expected to be outlined by Ms Sigcau in her Budget speech later this month

On Friday financial markets were awash with rumours that both SAA and Telkom were close to finalising deals with Lufthansa and Deutsche Telekom respectively to buy up to 30% of their equity However, spokesmen for both parastatals dismissed the rumours

Ms Tager displays a deep-rooted resistance to wholesale privatisation "Privatisation naturally results in job losses and this is what we have to avoid at all costs We will try to provide job security at Transnet"

She views the NFA, which sees only a limited role for privatisation in the reshaping of state assets, as the starting point for Transnet's restructuring and not the December declaration

The NFA, signed in February, was the outcome of widespread resistance to this declaration

"If you have a business that has great potential for growth, why sell it off," asks Ms Tager

Many analysts doubt, however, if some of the Transnet businesses can survive without a massive cut in jobs or significant cash injections But cash is the one resource that remains scarce at Transnet as it has to devote R1,6-billion a year to fund the massive pension fund deficit

To date, Transnet's restructuring exercise has led to the appointment of six new executive directors The directors have taken direct responsibility for various divisions, a task previously fulfilled by managing director Anton Moolman

Not all divisional managers, mostly white and male, were comfortable with the decision, a fact readily acknowledged by Ms Tager

But she has faith in the new appointees to turn the businesses around, although many of them have limited corporate experience and have been branded as "affirmative action" appointments "I have been very impressed by the skills and insights of the new executive directors," she declares

She also ridicules suggestions that the new appointees will come with a R8-million price tag, reflecting their high salaries and the cost of setting up their offices "Their salaries have yet to be decided by the board's remuneration committee which consists of non-executive directors," Ms Tager says She adds though that there is a price to be paid for good managers, a principle she will apply throughout the group

Ms Tager would not be drawn on the delay in appointing an engine supplier to the recently acquired fleet of nine new Boeings, a delay which by some estimates has escalated costs on the R3,5-billion order by up to 15% "We will soon clarify our position on the deal Our decision will be taken in the best interest of Transnet and the country at large," she comments

ST (BT) 9/6/96

(232)

BLASE: Louise Tager, head of Transnet, says the group is doing just fine

KICK-STARTING PRIVATISATION

(232) FM 10/6/96

Potential overseas investors will welcome Jay Naidoo's announcement that the restructuring of State utilities is firmly on government's agenda and that negotiations with labour over the sale of Telkom will be concluded in the near future

Aiming to reach consensus on this sensitive issue, the new Minister of Posts, Telecommunications & Broadcasting is liaising closely with Telkom, potential investors and unions Continuing with the policies of predecessor Pallo Jordan, he says that for Telkom to achieve its goals it will need a massive injection of funds and transfer of capacity and expertise — something only possible by teaming up with a strategic equity investor Telkom has indicated it may sell up to 30% of its equity to a foreign firm Goldman Sachs will help find a partner

Jay Naidoo

With his strong grass-roots support, Naidoo may be in a better position than Jordan in persuading the unions that partial privatisation is the only way forward Commenting on negotiations with labour under the National Framework Agreement, Naidoo says "There is overall consensus on the goals and the fact that we need strategies that bring in those resources I hope to see the negotiations concluded in the near future, bringing everyone on board "

But given Naidoo's background — 15 years as a unionist and 10 years as a student activist — potential investors should not expect a pushover "I will not be bought off — nor will I will be intimidated " He says government is committed to creating partnerships to address job-creation and has asked industry bodies to provide him with proposals on human resource development and black economic empowerment

The privatisation process could yet become bogged down in red tape No time frames have been finalised and numerous new committees, advisory bodies and tasks teams are being set up to advise government

Following an inter-ministerial committee meeting on the restructuring of State assets on May 1 and a subsequent meeting between Naidoo and Public Enterprises Minister Stella Sicqau, a number of sectoral task teams are being formed These teams will co-ordinate with the Finance Ministry

Naidoo's ministry, meanwhile, has established another team to "interface with the proposed sector adviser " Chaired by Postmaster-General Andile Ngcaba, it will use the services of experts, which will be recruited via an "an urgent tender process "

In parallel with the strategic equity restructuring debate, Naidoo released the draft telecommunications Bill for comment this week Reflecting the key provisions of the White Paper, it provides for the establishment of the SA Telecommunications Regulatory Authority (Satra), the Universal Service Agency, phased liberalisation of the industry and Telkom's six-year period of exclusivity Interested parties have a week in which to comment on the Bill, which will follow normal legislative procedures The regulatory body and Universal Service Agency could be established by early next year

Meanwhile, Naidoo — who is expected to clamp down on excess expenditure by the Independent Broadcasting Authority — has initiated discussions to merge the IBA with Satra "In accordance with the requirements to tighten our belts, and in the light of society's demands for efficiency, we are compelled to seek to merge the two bodies as soon as possible " This will result in a single regulatory authority for telecoms and broadcasting

Naidoo says his ministry — to be renamed the Department of Communication — will focus on policy issues It will not focus on regulatory or operational issues The Postmaster-General's designation will be changed to director-general ■

With his strong grass-roots support, new Minister of Posts, Telecommunications & Broadcasting Jay Naidoo may be in a better position than his predecessor Pallo Jordan in persuading the unions that partial privatisation is the only way forward

BATECOR ACCEPTS THE WISDOM OF SOLOMON

Barely a month after reporting interim losses for the half-year to December, JSE-listed Batecor must give up its 30% stake in Workgroup Holdings, SA's biggest software distributor

Following an 18-month legal dispute with Batecor, independent arbitrator Peter Solomon SC ruled last Friday that full control of Workgroup must revert to the company's management and staff because conditions specified in the purchase agreement were not met

Batecor executive chairman Peter Brereton says he will meet his counsel this week to discuss the issue

He adds that it may be better to live with the arbitrator's decision than to fight it

JSE-listed Batecor may have to give up its 30% shareholding in Workgroup Holdings, SA's biggest software distributor

Workgroup vs Batecor

Technobytes

British Telecom and Cable & Wireless call off merger talks BT says the possibility of working together is still open A merger would create an international telecom powerhouse with 180 000 employees and a turnover of £20bn

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Buy your cellular phones now Prices are poised to leap 20% following the rand's rapid decline

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In 1992, Batecor purchased a 30% interest in Workgroup Holdings with an option to increase total shareholding to 60% over three years

"The fit was never very comfortable," says Workgroup founder and MD Dana Buys "We have disparate corporate cultures developed over the years from operating in different industry sectors "

Meanwhile, Buys says Workgroup will review various options He does not discount the possibility of joining another partner or going for a JSE listing Workgroup's turnover is expected to be in excess of R200m this year

Prominent in the mining sector, Batecor — a subsidiary of JSE engineering group Edward L Bateman — was listed on the JSE's engineering board in November 1994 at an issue price of R4 Its share price rose to a high of about R6 and shares are now trading at R2,40

The company has diversified into the IT arena and owns Computer Alliance, Internode Systems and Coherent Solutions

Computer Alliance was the primary contributor to the loss at Batecor Brereton says the tide has now turned He adds that provision for restructuring was made in the last financial half-year Results and stock control have improved Batecor alternate director and Batetech's head, Frazer Russell, is group MD of Computer Alliance Previous group MD Chris Botha has returned to head Computer Alliance's Midrand branch ■

SA GIVEN TIME TO MAKE TRADE PACT

By taking a decision to extend its telecommunications pact deadline to February 15 next year, the World Trade Organisation (WTO) has ensured SA's participation The pact is aimed at opening WTO members' domestic markets to international competition

The Department of Posts, Telecommunications & Broadcasting says it handed SA's offer

Privatisation race gathers momentum

ET(BR) 10/6/96 (232)

Staff Writer and Reuter

Johannesburg — Officials confirmed last week that Telkom wanted to find an equity partner by the end of the year

They denied speculation that a privatisation deal had been struck with German companies for the parastatal or South African Airways, however

Spokesmen for the two parastatals dismissed speculation in the bond market on Friday that suggested that Germany's Lufthansa had bought half of SAA and Deutsche Telekom had acquired 30 percent of Telkom

"There is no such arrangement with Deutsche Telekom," said Victor Moche, Telkom's group executive for public affairs

Leon Els, an SAA spokesman, also denied a German takeover, saying that privatisation policy had not yet been decided by the government

"There have been no indications from Lufthansa at this stage that they would like to be an equity partner," he said

Privatisation, which is favoured by business but fiercely opposed by labour, has come to the fore in South Africa following President Nelson Mandela's pledge on his return from a state visit to Germany last month to implement the controversial policy

Telkom, viewed as the biggest immediate prize in any privatisation programme, has attracted keen interest from many telecommunications operators worldwide

Connie Malusi, a spokesman for the posts and telecommunications ministry, said "We have plans to meet most of the major telecommunications operators within the next month or two" He said Deutsche Telekom would be one of the operators contacted, among others from Europe, North America and Asia The sale should be finalised towards the end of the year

Analysts have said the sale of 30 percent in Telkom could raise about R10 billion

The 40 000-member strong Communications Workers' Union, in a departure from its previous rejectionist rhetoric, said last week that it was co-operating with the ministry to come up with constructive alternatives to privatisation.

It said it would reconsider its position on an equity partner as long as they met its conditions on the RDP and the guarantee of jobs

Stella Sigcau, the public enterprises minister, is to make what has been billed as a major statement on privatisation on June 21

According to Standard Bank's economics division, privatising saleable state assets could raise R100 billion, against government debt of about R280 billion

Economists believe public offerings could restore investor confidence, which has been badly dented by the fall of the rand

Complaint against Kersaf

(232) BD 11/6/96

Amanda Vermeulen

THE Gauteng branch of the Gaming Association of SA has lodged a complaint with the Competition Board against casino group Kersaf and majority shareholder Old Mutual for having an "unfair monopoly" in the gaming industry

Association acting attorney Hennie de Klerk said yesterday the complaint had been lodged with the board on Thursday, but an acknowledgment from the board had not yet been received

De Klerk said Kersaf and Old Mutual had a monopoly as subsidiary Sun International had been the only gaming company to be granted licences in SA Sun International MD Peter Bacon said the group could not have a monopoly when it was competing with 2 000 illegal casinos around the country

Privatisation debate offering many challenges

(232) BD 11/6/96

RENEE GRAWITZKY

SIX-A-SIDE negotiations on state asset restructuring start this week at a time when the parties are locked in an ideological debate on privatisation. Or are they?

Debate on the definition of privatisation was not resolved during talks on the National Framework Agreement, and it is questionable whether the resolution of this issue is crucial to the process.

Some argue that energies should be directed at ensuring that state asset restructuring — which could include some form of privatisation — achieves agreed-upon objectives outlined in the agreement and a broader macroeconomic policy.

Labour says the debate is not ideological, but based on the best possible way of bringing efficiency and optimum performance to state-owned enterprises to achieve RDP objectives which are intended to improve the quality of life of those people previously marginalised.

The debate has again been derailed by recent statements by national leaders which have put the spotlight on the status and the future of the alliance of the ANC and Cosatu. This theme will remain a feature of the protracted negotiations on state asset restructuring.

It is ironic that the future of the alliance is smugly brought into question by government's opponents when it is perceived that differences in policy exist between labour and the ANC.

At the same time, when the ANC is seen to be supporting labour demands, as was the case during the constitutional process, the ANC is accused of allowing labour to "run the country", which makes investors and business jittery.

Yet statements by the likes of Labour Minister Tito Mboweni that it was government's responsibility "to govern this country in the interest of all our people", should leave no doubts as to who is in power. What could be questioned is how government is receiving advice and direction in policy formulation.

Much time and effort has been given to highlighting capacity problems within organised labour without addressing capacity problems within government.

If government, too, lacks capacity and expertise, it could be manipulated not only by outside (international) consultants and advisers who have their own agenda — separate from government's — but by the managers of state-owned enterprises who, due to their knowledge, are continuing to entrench their power base.

The impression has been created that President Nelson Mandela's statement during his recent visit to Germany and subsequent clarification statements by other ministers and leaders reflected a dramatic shift in ANC thinking towards privatisation. Current ANC policy reflects that privatisation is an aspect of restructuring and restructuring has to take place to service the national interests.

Do recent events truly reflect a shift in ANC thinking, or are these statements merely a very strong signal to both labour and the international community that privatisation is firmly on the agenda and will dominate negotiations on state asset restructuring?

Attempts to pit the ANC against its alliance partner Cosatu inadvertently force labour leaders to adopt a much tougher and "radical" stance on privatisation than is really the case. Labour is not being unrealistic about restructuring. It wants to ensure that if establishing strategic equity partnerships is the route to follow, it is able to achieve the goals of the RDP and objectives agreed upon in the agreement.

"Everyone accepts the need for capital injection in some enterprises. The problem is how we achieve this," says one labour source.

The agreement was seen as government yet again conceding to labour demands, placing privatisation on the backburner and delaying implementation of restructuring plans announced in December by Deputy President Thabo Mbeki.

Alliance sources argue the agreement did not imply a retreat for government on privatisation, although plans might have been delayed slightly. An alternative route, which excluded labour from the equation, would have proved far more costly.

The agreement provides labour with an unusual opportunity to try to influence the direction of this privatisation process.

Labour faces the challenge of helping formulate viable alternatives to government proposals. It will have to view government attempts to "bring senior union officials on board" cautiously, as attempts at co-option may compromise labour's agenda. The new leadership of the Communications Workers' Union — who entered the debate only recently — could consequently find themselves vulnerable to such strategies.

Government's challenges are not only to convince labour of the merits of its restructuring plans, but to convince the people who voted it into power that they will not be worse off after this exercise. This does not only relate to job losses, but to ensuring restructuring brings about affordable and more efficient services.

LETTERS

and it will not exclude any reasonable costs likely to be incurred after this initial period There is also a cap on lost income of up to R2 500 a month, or loss of support up to R1 875 a month

Conversely, the existing cap on benefits to certain categories of passengers, which impacts most on users of public transport, is to be removed, and they will now have the same set of benefits as others

These caps must be understood in the context that they will result in a maximum limit of close to R2 m per claimant

The final area of reduction in state expenditure will be the removal of benefits claimed under the heading of "general damages" These are damages—often extremely costly—related to issues like pain and suffering—and they are essentially financial benefits for non-financial losses

The total package of proposals contained in the draft White Paper will ensure that more benefits flow directly to all victims, it will remove the current discrimination against certain passengers, it will allow for more effective administration of benefits, and it will bring the fund to financial stability with its contingent liabilities covered by the year 2007

(2) Funding the new system will require an annual increase in the fuel levy of 9% This is in nominal and not real term, and assumes a starting level of 12c a litre

(3) An official statement was made on 31 May 1996 when I launched the Draft White Paper on the MMF No further statement is contemplated at this stage

Competition Board: continued existence

*24 Mr F P SMIT asked the Minister of Trade and Industry †

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(1) Whether he or his Department has taken any decision regarding the Competitions Board, if so,

(2) Whether the Board will continue to exist, if so, why, if not,

(3) whether the Board will be replaced by another body, if not, why not, if so, what body,

(4) whether he will make a statement on the matter?

N920E

The MINISTER OF TRADE AND INDUSTRY

(1) No Such a decision can be taken only after greater clarity has emerged on the type of institutions or bodies that will be necessary to implement and enforce the new competition policy that is currently being fashioned In the meanwhile, four additional appointments to the Competition Board will be made in the near future

(2) and (3) A decision on these matters will be governed by the objectives and imperatives of the new competition policy that is eventually adopted

(4) Yes This will be done at the appropriate time

Building of new prisons

*25 Rev M M PHENETHI asked the Minister of Correctional Services †

(1) Whether his Department is considering the building of new prisons, if not, why not, if so, what will be the building cost per prisoner;

(2) whether he will make a statement on the matter?

N921E

The MINISTER OF CORRECTIONAL SERVICES

(1) Yes

(a) Falls away

(b) The building cost per prisoner is dictated by various factors such as the size of the prison complex, the category prisoner in detention, type of supportive structures that have to be erected and whether the prison is being erected on serviced or new land According to the latest figures for the new prison at Goodwood, the building costs amount up to approximately R80 843 per prisoner

(2) No

Decrease in number of apprentices receiving training

*26 Mr M O ROBERTSON asked the Minister of Mineral and Energy Affairs †

(1) Whether there was a decrease in the number of apprentices receiving training in 1995 compared to the number in 1994, if so, what was the decrease,

(2) whether his Department is investigating possibilities of training more apprentices, if not, why not, if so, what are the relevant details,

(3) whether he will make a statement on the matter?

N923E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Yes, in 1994 there were 3 161 apprentices receiving training at the Mining Industry Engineering Trades Training Board (MIETTB), and in 1995 this figure dropped to 3 072, a decline of 2,8% The MIETTB is statutorily accredited to train and test apprentices and to administer the mining industry's apprenticeship system The Chamber of Mines is responsible for the functioning of the MIETTB

(2) and (3) The training of apprentices for the mining industry is entirely industry-driven The mining industry regulates the number of apprentices it requires and it will identify the number of employees which it will have trained through the MIETTB, as well as the course that each apprentice will be learning

The Department of Mineral and Energy Affairs has never been involved in the training of any apprentices The Department of Labour administers the Manpower Training Act, 1981 (Act 56 of 1981), to which all industry training boards, including the MIETTB, are answerable

What is important is not so much the number of apprentices sent for training each year, but rather how many of them are passing exams and becoming qualified artisans In 1994 1 360 apprentices qualified as artisans and in 1995 the figure was 1 119 The pass rate for the two years in question was 74%

Justice officials: accelerated retirement

*27 Mr B C BESTER asked the Minister of Justice †

(1) Whether his Department intends making an offer to officials in regard to accelerated retirement, if not, why not, if so, what are the reasons for the offer,

(2) whether he will make a statement on the matter?

N924E

The MINISTER OF JUSTICE

(1) The Department does not, nor does it intend to make an offer to officials in regard to early retirement In fact the Department is anxious to retain the services of all its personnel, especially professional personnel However, on 22 May 1996 the Department of the Public Service and Administration made an offer to serving officials (not magistrates and attorneys-general) that they could request that their services be terminated on a voluntary basis with appropriate financial packages If employees in my Department make such requests, it should not be assumed that they will be acceded to Each application will be considered on its merit. In addition, the needs of the Department and the interests of the administration of justice will be taken into account and only thereafter will decisions be taken Each decision will be taken in accordance with the prescripts laid down

(2) I am not in a position to make any statement at this stage except to state that on the one hand I am mindful of the need to be fair to employees On the other hand, the efficient functioning of the Department is a priority I shall only be able to make a statement after the receipt of applications, if any

Visas. pro-democratic groups in Nigeria

*28 Dr B L GELDENHUYS asked the Minister of Foreign Affairs †

Union still opposed to privatisation

BD 12/6/96 (232)

Renee Grawitzky

ON THE eve of the start of six-a-side negotiations on state asset restructuring, the leadership of the newly formed Communication Workers' Union reaffirmed their opposition to privatisation and said no shift had taken place within the union on this issue

The union's newly elected general secretary Seleboho Kiti said yesterday the union had appointed a task team to advise the union whether government's proposal to bring in a strategic equity partner was the only route to follow in Telkom's case

The union's leadership was adamant such a consideration did not imply that the new leadership had made a turnabout in its approach to privatisation

The leadership was involved in talks with government and various alternatives to a strategic partner were being considered including the so-called "build operate and transfer" option

This approach implied that an outside company took over the building of infrastructure, which it then operated for a period of time and later transferred back to the original owner

Another option was "build, transfer and operate", where a company built the infrastructure, returned it to Telkom and then entered into a commercial deal

Budget fails to spell out state assets policy

(232)

Linda Ensor

BD 12/6/96

CAPE TOWN — Members of the public enterprises portfolio committee, which met yesterday to consider the departmental budget, expressed confusion over the committee's role in the absence of clear policy guidelines over what was to be done with state assets

The committee was to be briefed by minister Stella Sigcau yesterday evening.

Members expressed frustration at the fact that while the committee's task was to oversee implementing restructuring, it had learned from a presidential announcement in Germany that the ANC's policy was privatisation.

There was also concern that the amount allocated fell far short of what would be required were restructuring to get under way.

Committee chairman Mandla Msomi said the committee had rejected the budget's explanatory memorandum on failing to provide details and failing to articulate policy framework, as was required of budgets.

Personally he felt the budget should send a clear signal both locally and abroad about government's intentions. Instead it was sending out a misleading and poor signal of a dangerous paralysis.

Department deputy director-general Prof Sipho Tshabalala said the department was basing its activities on the restructuring objective outlined last year until the ANC's privatisation policy was adopted by government.

letters of complaint and a similar number of telephone calls

(2) No, my Department has not investigated the matter, since the SABC's response was deemed adequate

Viewers who complained by telephone were given a detailed explanation of the SABC's *Policy on Religious Broadcasting* and the reasons for discontinuation of the CTV programmes In addition, each letter of complaint was responded to with a written résume setting out the reasons and pointing out that, despite the removal of the CTV programmes, a total of more than seven hours of religious broadcasting a week was being retained on the SABC's television channels, and more than 90 hours on the eleven cultural or full-spectrum radio services

(3) For the sake of clarity and general information, I should like to give a brief outline of the situation

The religious broadcasters *Christian Television* (CTV) and *Trinity Broadcasting Network* (TBN)—grouping together the *Rhema Bible Church, the Apostolic Faith Mission of South Africa and the Hatfield Baptist Congregation*—had initially signed a contract for paid air-time on TV1 (now SABC2) In 1993, when the SABC found it necessary to move their broadcasts to NNTV (now SABC3), they accepted this channel swop—provided that air-time was made available to them free of charge

The CTV/TBN air-time consisted of three hours on Sunday mornings plus half an hour on weekdays, making a total of about six hours (360 minutes) a week These broadcasts were in addition to the seven hours and five minutes (425 minutes) a week of religious air-time that the SABC made available, free of charge, to the mainstream Christian churches in the old South Africa as part of its public service obligations (Until late 1994, no religion other than Christianity was given any air-time on SABC TV)

Long before the SABC's TV channels were relaunched in February this year, CTV and TBN were informed that their contracts would not be renewed when they expired on 4 February 1996 Requests for extension of their contracts until such time as CTV and TBN could obtain their own broadcasting licences from the *Independent Broadcasting Authority* (IBA) were refused, since this would have made it impossible to start with a clean slate in revamping the TV channels In addition, the new SABC3 would be profiled as an entertainment channel on which religious programming would not sit comfortably and, for the first time, provision would have to be made for broadcasts in all eleven official languages Therefore, free surplus air-time would not be available any longer

This refusal to extend the contracts gave rise to the concerted campaign mentioned above, with Pastor Ray McCauley of the *Rhema Bible Church* making on-air appeals to supporters to phone or write in to complain to the SABC

About 18 months ago, the SABC Board appointed a *Religious Bradcasting Panel* (RBP), representative of all the major religions to advise it on how religious broadcasting should be dealt with in a fair, professional, comprehensible and interesting manner in the new democratic dispensation The panel (chaired by then Anglican Bishop of Kimberley and now newly-appointed Archbishop of the Anglican Church of South Africa, Archbishop Winston Ndungane) recommended that air-time for the major religions be apportioned more or less in accordance with the support they enjoyed among the population, as reflected in the census figures

Accordingly, the 425 minutes of air-time allocated to religious broadcasts (which were previously all taken up by Christianity) have now been reworked as follows

	%	minutes
Christianity	70	297
Hinduism	5	21
Islam	5	21
Judaism	3	13
African Traditional Religions and Culture	5	21
Free allocation (Interfaith Programmes)	12	52

There has, then, been no reduction in the free air-time made available for religious broadcasts, but the allocation to Christianity has been cut by about 100 minutes or 25% to make room for the other major faiths

It should be clear that once this proportional allocation had been accepted as fair, any additional air-time granted to a particular religion (such as the six hours that CTV and TBN previously enjoyed) would completely skew this fair and equitable apportionment Therefore, the Religious Broadcasting Panel recommended (and this recommendation was subsequently endorsed by the SABC Board) that additional free air-time NOT be allocated to religions that were already enjoying such air-time, since this would be unfair to other groups Selling extra air-time to faiths or groups that could afford it is also not allowed in terms of the SABC's Policy on Religious Broadcasting, since this would create the additional problem of discriminating against less affluent religious groups that lacked the financial resources to supplement their allocated air-time

The SABC has not become anti-Christian—nor anti any other religion, for that matter It accepts that religious broadcasts form part of the needs and wants of the population, and will continue to provide these on radio and television It is also of the opinion that the more than seven hours of air-time allowed for religious broadcasts is sufficient—in fact, despite the non-renewal of the CTV and TBN contracts, the SABC still devotes more time to religion than just about any other public-service broadcaster anywhere in the world However, it cannot be more for Christians, or for any other religious or special-interest group, than its obligations as a public service broadcaster allow The SABC is satisfied that its basis of air-time allocation is fair, and that putting additional time at the disposal of groups such as CTV and TBN would nullify its sincere attempt to treat all religions equitably

Restructuring of State-owned enterprises

*11 Sen H G MAKGOTHI asked the Minister for Public Enterprises

(1) What are the key elements in the Government's programmes to restructure State-owned enterprises,

(2) whether such programme provides for (a) the integration of such enterprises into relevant government departments and (b) corporate governance, if not, what is the position in this regard, if so, what are the relevant details,

(3) whether any steps are envisaged to guide this process of restructuring the said enterprises, if so, what steps,

(4) whether a time-frame has been determined for the achievement of these objectives, if so, what are the relevant details?

S395E

The MINISTER FOR PUBLIC ENTERPRISES

(1) The objectives, principles and process relating to the restructuring of state assets are outlined in guidelines issued by Cabinet during August 1995 These objectives and principles are also included in the National Framework Agreement (NFA) between Government and Labour, signed in February 1996

One of the key objectives is the provisions of affordable, good quality basic services to all South Africans

Also, the restructuring must enhance the economic growth, long-term job creation and more efficient and competitive public enterprises We need to finance the RDP and reduce state debt as far as possible Equally we want to broaden ownership within the economy and to meet the basic needs of the poor and the disadvantaged

Government believes these benefits can only come about if we give our public enterprises access to necessary resources, skills and capital to grow and flourish We recognise the vital role of Labour in achieving these goals and every effort will be made to retain employment Where this is not possible, social plans will be put in place to assist workers who may be negatively affected

(2) (a) No, all the public enterprises operate as commercial entities Where appropriate, the Ministry for Public Enterprises liaises with line Ministries e g

(232)

Hansard

in regard to the restructuring of state enterprises The future of the public enterprises is dependent upon the restructuring process

(b) Yes, the Ministry is presently formalising a protocol on corporate governance This task is being undertaken in consultation with the line Ministries, the Ministry of Trade and Industry and the Ministry of Finance

(3) Yes, the restructuring process is under the direction of Cabinet The Cabinet, in turn, has appointed an Inter Ministerial Committee on Restructuring, chaired by Minister for Public Enterprises, which is guiding the process

(4) No, the restructuring process is complex and dynamic with many variables The time frame is contingent upon the negotiations with key stakeholders, including labour As the process moves forward it will be possible to put some realistic time frames

*12 Sen H G MAKGOTHI—Finance [Question standing over]

The PRESIDENT OF THE SENATE Order! That brings us to the end of the questions on the Question Paper

The MINISTER FOR PUBLIC ENTERPRISES Mr President, what is the final fate of the reply to Question 8?

The PRESIDENT OF THE SENATE That is Senator Beesham's question The hon the Minister may proceed to respond to the question

Senator A K BEESHAM Mr President, I shall be happy if the hon the Minister gives the answer to the first part of the question The answer to the other parts of the question may be tabled

For written reply

Immigrants' Selection Board: members

236

156 Sen W F MNISI asked the Minister of Home Affairs

(1) (a) What are the names of the persons currently serving on the Immigrants' Selection Board, (b) when was each of these members appointed, (c) when do their terms of office expire and (d)(i) what process does his Department intend following in appointing successors to these persons and (ii) when is it intended to appoint such successors,

(2) whether meetings of the Board was open to the public, if not, why not,

(3) what criteria are used by the Board in deciding to whom to issue permanent residence permits?

S244E

The MINISTER OF HOME AFFAIRS

(1) (a) Prof H L Crause (Chairperson)
Dr H J Schutte (Member)
Mr T S Molete (Member)
Mr J E Pokroy (Member)
Vacant (Member)

(b) 1 July 1995

(c) 30 November 1996

(d) (i) They will be appointed by me in accordance with the principles of transparency and openness required by the new appointment procedures introduced by the Aliens Control Amendment Act, 1995 (Act No 76 of 1995), that will come into operation with effect from 1 December 1996, and with due regard to their suitability to serve as members by virtue of qualifications and experience Persons who are in part- or full-time employment of the State are not eligible for appointment Advertisements will be placed and/or interested persons/bodies invited to nominate candidates I have already decided to appoint a selection panel who will screen all applications and who will advise me on the appointment of committee and Board members

(ii) The appointment of the successors will take place as soon as the selection process has been completed but not later than 1 December 1996

(2) No The Aliens Control Act, 1991, does not make provision for public meetings However, the provisions of sections 23 and

24 of the Constitution ensure fair administrative action at such meetings

(3) The South African immigration policy is embodied in the Aliens Control Act, 1991, that prescribes certain requirements which are to be met by an applicant who wishes to immigrate permanently to South Africa The requirements are

- the applicant must be of good character,
- he/she must be a desirable inhabitant,
- he/she must not be likely to be harmful to the welfare of the Republic of South Africa, and, most importantly,
- he/she must not follow an occupation in which there is already a sufficient number of persons available to meet the requirements of the country

Local authorities: outstanding debt

169 Sen L J SWANEPOEL asked the Minister for Provincial Affairs and Constitutional Development †

What did the outstanding debt of local authorities in each of the nine provinces in respect of 1995 amount to as at the latest specified date for which information is available? S257E

The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT

The information is not readily available in the Department In an attempt to be of assistance to the hon member, the following figures in respect of internal debt to local authorities were obtained from the various provinces

Gauteng (as at 31 December 1995)	R2 160 646 120,00
North West (as at 31 March 1996)	R170 274 609,00
Northern Province (as at 31 December 1995)	R30 230 497,00
Mpumalanga	No information received
Free State (as at 31 January 1996)	R101 405 812,00
Northern Cape (as at 30 June 1995)	R68 509 384,00
Western Cape (as at 31 December 1995)	R246 369 314,00
Eastern Cape	No information received
KwaZulu-Natal (as at 31 January 1996)	R87 775 474,93

Talks over asset restructuring

(232) BD 13/6/96

Renee Grawitzky and Robyn Chalmers

GOVERNMENT, business and labour held the first six-a-side meeting on Sunday since the signing of the National Framework Agreement earlier this year in a bid to speed up talks on state asset restructuring.

Government sources said the meeting, initially scheduled for June 15, had been moved forward as it was the only gap in the schedules of the various parties involved.

Reuter reports that Public Enterprises Minister Stella Sigcau told the sub-Saharan oil and minerals conference that a process to carry the restructuring programme forward had been agreed upon at the meeting.

Sigcau said government believed it was necessary to get strategic equity partners in the sale of some state assets, like SA Airways and Telkom. She has pledged to make a major announcement on the restructuring of state assets on June 21 in her budget speech.

Sigcau said yesterday that subcommittees would be established to investigate privatisation in various sectors.

The parties identified five sectors — communication, transport, mineral and energy, trade, industry and defence and water, agriculture and forestry — in which negotiations on restructuring would take place.

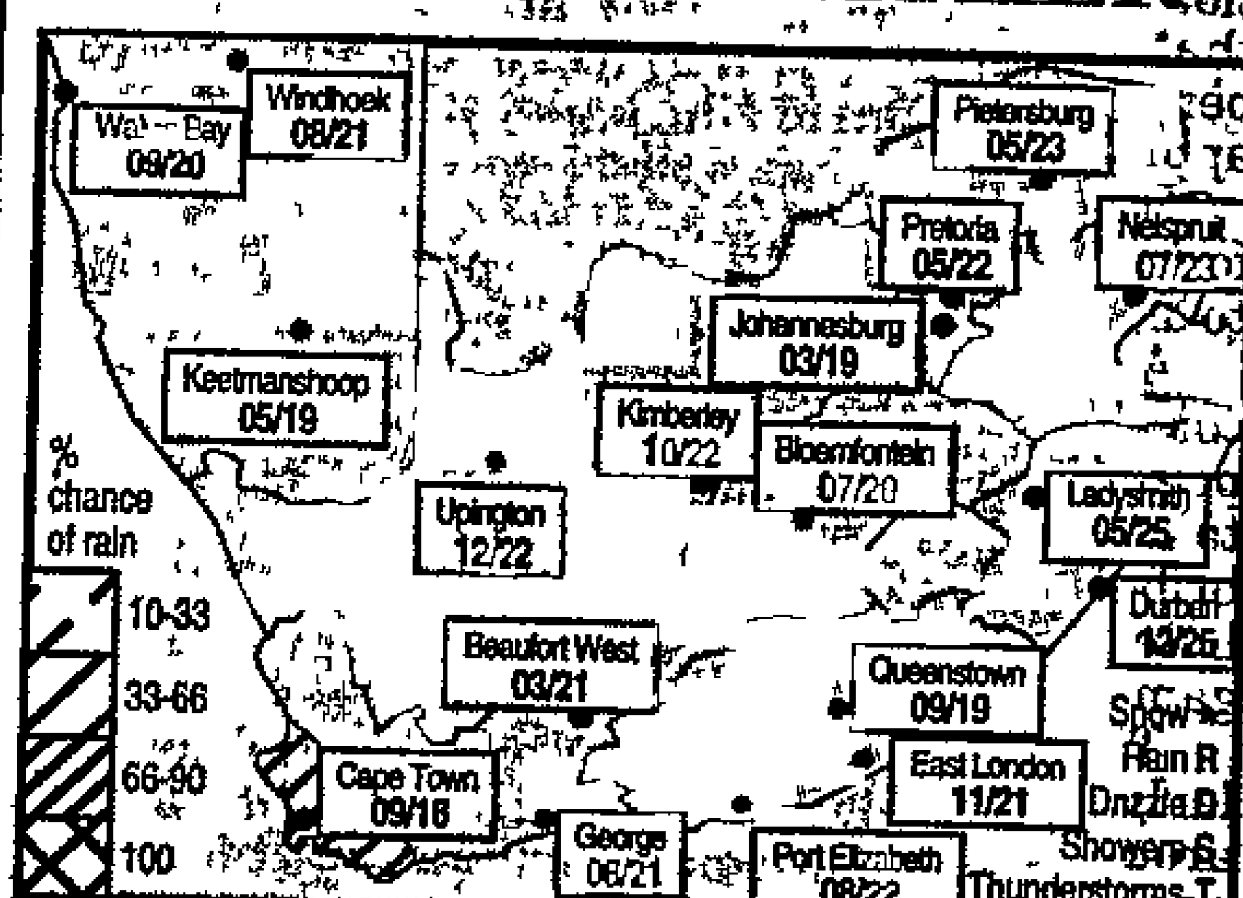
Labour's co-ordinator for state asset restructuring, Vusi Nhlapo, said government had proposed an additional leisure sector, while labour had proposed a sector for housing.

He said labour had proposed a housing sector, as the delivery of low-cost housing had been slow.

Labour's position was not driven by ideology, but by the debate over whether privatisation was correct in a particular instance.

Nhlapo said if strategic equity partners could bring about efficient and affordable services to previously marginalised communities, it would be considered. He said between now and the end of next month, the various parties had to meet on a number of occasions to negotiate each sector's restructuring.

TODAY'S WEATHER



GAUTENG Fine and mild	NORTHERN CAPE
NORTHWEST	EASTERN CAPE
NORTHERN PROVINCE	WESTERN CAPE Partly cloudy and cold with showers.
MPUMALANGA Fine and mild to w	KWAZULU-NATAL
FREE STATE Partly cloudy and mild.	NAMIBIA Partly cloudy and mild to warm.

Global temperatures

	Min	Max		Min	Max		Min	Max
Amsterdam	12	22	Lisbon	17	33	Rome	20	32
Brussels	16	27	London	14	22	Sydney	10	[illegible]

Do you mean you are going to privatise? That seems to be what Num assistant general secretary Gwede Mantashe is whispering to Public Enterprises Minister Stella Sigcau at the Sub-Saharan oil and minerals conference which ended at the Carlton yesterday. PIC MOTLAPELE SEGALE

Move to privatisation must go on, says Sigcau

13/6/96 Sowetan (232)

By Shadrack Mashalaba

THE move towards privatisation of parastatals is on track and should sail forward says Public Enterprises Minister Stella Sigcau.

While the minister stuck to her usual euphemism of calling privatisation [illegible] she said the process will [illegible] in consultation with all [illegible]holders although the Government will have the last say

Foreign investors

She was speaking at the [illegible]-Saharan oil and minerals conference yesterday at Carlton Hotel Johannesburg.

"We need to ask who we are where we want to go and where we fit in the international arena This becomes paramount when we start to entertain the idea of involving the foreign investors as their capital will be [illegible] it to cut state debt, [illegible] jobs and improve the lives of [illegible] people" said Sigcau

There were mischievous people in certain quarters who thought that the recent link of South African Airways with Lufthansa was a takeover of our national airlines That is devoid of the truth"

The perceptions that Government was being held hostage by labour "was the subject of certain people's imagination"

Sigcau hinted that last Sunday they had a two-way discussion with labour as part of the National Framework Agreement forum where it was agreed that the two groups should meet again in July to bring reports back, which will help in taking the process to its final conclusion

Areas of discomfort

"The process of restructuring will be painful and cannot be addressed only through talk-talk, we will also need to address areas of discomfort such as the pension funds in state institutions I have asked the Ministry of Finance to look at that 'monster' that needs to be addressed'" she added

Addressing the same gathering, National Union of Mineworkers assistant secretary-general Gwede Mantashe said privatisation should not be used as the main tool in the restructuring of state assets, but it should rather be one of the alternative instruments that can be used in the implementation of the process

Turned around

"We will refuse a situation where the state plays the role of a night watchman. But when the interests of capitalists are threatened it is active," warned Mantashe

"We have seen how Eskom has been turned around from an old type state-owned asset where workers are generally complacent to a profitable organisation," he said The privatisation of institutions should be done with caution. "It should be remembered that when Eskom was commercialised about 41 percent of labour was shed and we do not want a repetition of that situation"

Sun Air staff agree to privatisation

(232)

CT (BR) 13/6/96

By Audrey d'Angelo

Cape Town — Staff of the state-owned regional airline, Sun Air, have all voted in favour of privatisation and are keen for it to go ahead, Johan Borstlap, the managing director, said this week

Borstlap said he thought Sun Air, which was not part of Transnet, would be privatised soon The government was talking to Cosatu and he hoped for an announcement in about a month

Sun Air started out as Bop Air Its main business for 14 years was ferrying tourists between Johannesburg and Sun City

Since the abolition of the Bophutatswana government it has achieved rapid growth and now offers scheduled services linking the Johannesburg, Cape Town and Durban triangle and carries tourists between Sun City and Victoria Falls

Borstlap believed all the airline's 320 employees, 50 percent of whom are black, would be allocated shares Sun Air is proving a strong competitor to South Africa's second airline, the 50-year old, unlisted Comair

Yesterday, Comair announced a franchise agreement with British Airways

Borstlap said Sun Air might form a similar link with a foreign airline after privatisation

Labour and state reach accord on assets

By James Lamont CT(BR) 13/6/96 (232)

INDUSTRIAL EDITOR

RESTRUCTURING *Stella Sigcau welcomed the labour movement's more positive approach to privatisation*

PHOTO JOHN WOODROOF

Johannesburg — The government and labour agreed last Sunday to form task teams to decide which state assets should be privatised, Stella Sigcau, the public enterprises minister, said yesterday

The move came ahead of the expected release of a new macro-economic package later this week

Addressing the Sub-Saharan Oil and Minerals Conference, she said the task teams were being formed to examine restructuring proposals in each sector, including telecommunications, transport, minerals and energy, trade and industry, and defence The task teams would present their findings next month and in August

The government would consider privatising easy assets that would not have a social effect, such as SunAir and Abacor, she said But she stressed that the restructuring of state assets would have an "appropriate development orientation" and create jobs

She said that debate over the broader telecommunications industry would not rule out Telkom and South African Airways taking strategic equity partners She said that both parastatals needed financial injections and new technology supplied by international partners

Gwede Mantashe, the deputy secretary-general of the NUM, said that the labour movement had persuaded the government to scale down its intended privatisation programme He said the labour movement objected to the government taking a back seat in the provision of public services and falling under the sway of international economic trends

"Our democratically elected government cannot be relegated to the role of nightwatchman for capital," he said

He argued that privatised enterprises would not deal with the ills of post-apartheid society

Sigcau failed to discuss the fate of larger state assets She said decisions would be made once the government had dealt with the macroeconomic policy and regulatory environment

Sigcau said the government had found its hands tied by the commercialisation process, which led to a decrease in jobs for blacks, undertaken by the National Party in the late 1980s

She said that the government's thinking had to be governed by the effect it would have "on the man on the factory floor"

However, she identified a shift in the response to restructuring by the labour movement Its request that privatisation be considered a tool for restructuring state assets and for a macroeconomic policy were positive signs

Sigcau said the government was committed to negotiation on the issue But she warned the 'government is going to have the last word on the issue"

Clash looming on privatisation

Sowetan.14/6/96

(232)

By Abdul Milazi
Labour Reporter

THE DEPARTMENT of Transport and the 67 000-strong Transport and General Workers Union are on a collision course over the privatisation of state assets

The issue of privatisation has pitted the Government against the trade union movement since Deputy President Thabo Mbeki announced the state's intention to privatise loss-making assets late last year

Union general secretary Randall Howard said workers had organised a one-day mass action campaign on July 2, which will include marches to the offices of the Department of Transport to protest against privatisation

The Government's position, adopted in the green paper on transport policy, is unacceptable because it would lead to massive job loss, Howard said

"We don't accept that it isn't the Government's responsibility to provide public transport However, we are not saying that the private sector has no role to play"

'Don't accept that it isn't Government's responsibility to provide public transport'

Although his union has forwarded its views before the drafting of the green paper, it seemed the Government did not take the workers' concerns into consideration

The union's main concerns with the green paper were the proposed tender system for contracts and the granting of subsidies

"The Government is proposing the granting of contracts for a four-year period as opposed to life-long contracts"

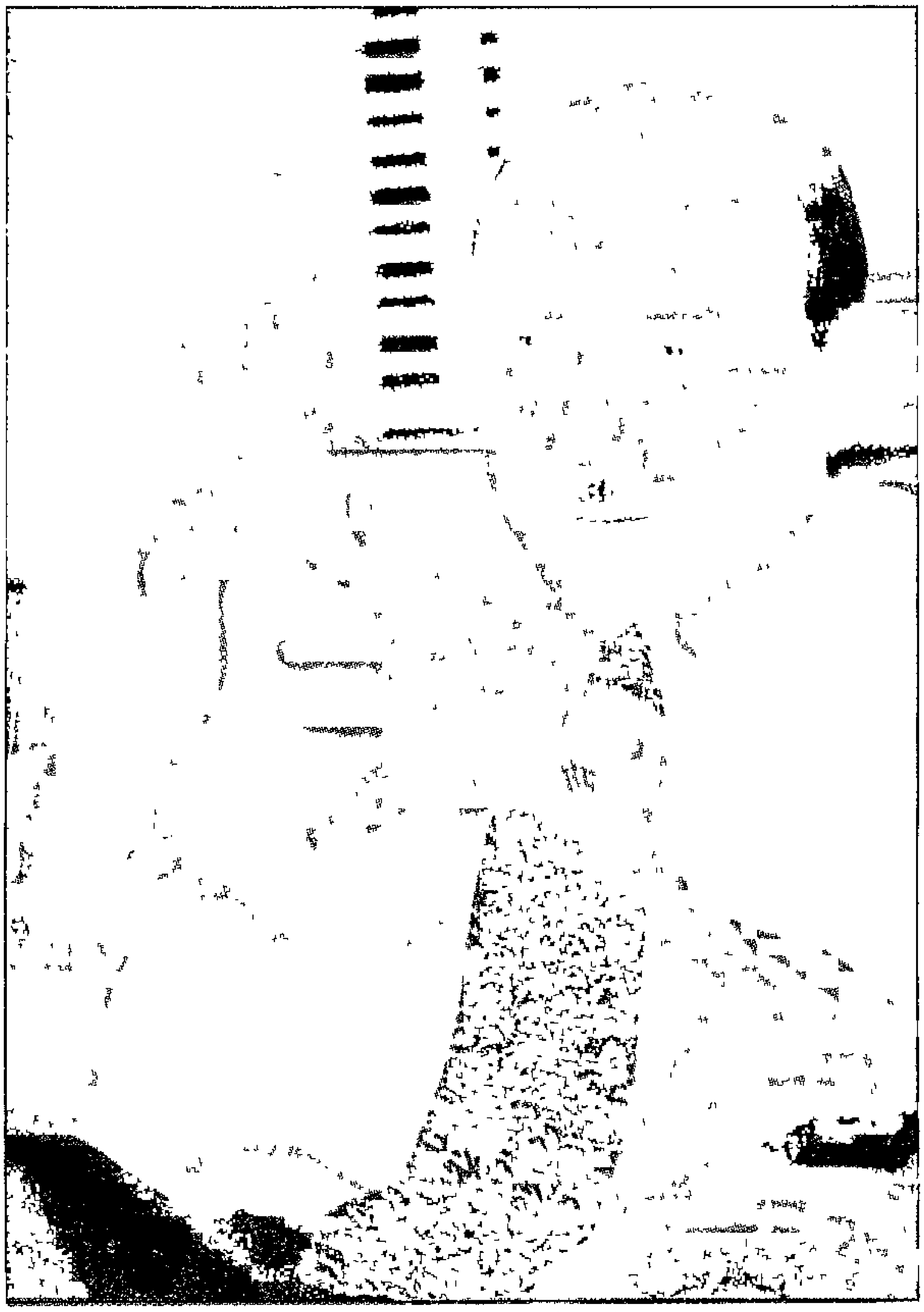
He said the union was opposed to short-term contracts

A representative of the Department of Transport said the green paper was only a discussion paper and the union was free to make its own contribution

Jitters about privatisation sour the mix

(232) ST(BT) 16/6/96

By SVEN LUNSCHE



HOPEFUL: Finance Minister Trevor Manuel strikes an optimistic note

THE lack of a clearly defined privatisation process remains the weak link in the government's economic restructuring programme, analysts said on Friday

Minister of Finance Trevor Manuel confirmed the government's case-by-case approach to the restructuring of parastatals

However, he did not announce details of the programme envisaged for the 27 public entities previously earmarked for restructuring The earlier programme had included full-scale and partial privatisation of parastatals such as SAA and Telkom

Mr Manuel refused to use the dreaded p-word, referring instead to "alienation of state assets"

Public Enterprises Minister Stella Sigcau is expected to announce details of the regulatory environment for privatisation when she delivers her Budget address this week She expressed confidence that government's social partners (business and labour) were on board

"The mood now appears to be an understanding that restructuring and privatisation is a necessary ingredient of our new growth strategy," she said after the first National Framework Agreement meeting with labour representatives this week

It is not only labour that has questioned the necessity of privatising portions of public sector corporations Transnet chairman Louise Tager said last week that there was, at present, no need to consider an equity partner for the group's operations She cited potential job losses and the inherent commercial viability of Transnet companies as the main reasons for her approach

She emphasised that government will set the restructuring framework "Since government is our sole shareholder we will obviously be guided by its policy To say that I am in conflict with government is a total misrepresentation," Ms Tager said

In terms of the agreement reached with the unions this week six, sectoral committees will be established comprising government ministers and labour representatives

Parastatal chiefs support govt's plans for 'restructuring state assets'

(232) BD 18/6/96

Robyn Chalmers

MOST of the heads of SA's parastatals are backing government plans to "restructure state assets" — with the notable exception of Transnet chairman Louise Tager.

Discussions between government, labour and business on restructuring are expected to speed up considerably following recent meetings on the way forward for parties to the national framework agreement

The privatisation debate received further impetus at the weekend when government said negotiations would be completed this year on the sale of a stake in Telkom.

A similar process was expected this year in other sectors including mineral and energy affairs, agriculture, forestry, leisure and transport. Industry advisers said this could mean government was lining up state-owned leisure accommodation group Avontura, the SA Forestry Company (Safcol), SAA, Transnet and Mossgas — along with Telkom.

Tager is the only executive who has expressed outright opposition to privatisation, saying it would lead to job losses and that there was no need for a strategic equity partner in Transnet's operations. Restructuring Transnet was a more viable option which would boost efficiencies and profitability.

SAA MD Mike Myburgh declined to comment on government plans to sell a stake in the airline, but it is understood a number of international airlines have expressed interest in buying into SAA

Telkom chairman Dikgang Moseneke said the group had been working for 18 months to get various stakeholders to agree on restructuring and the need for a strategic equity partner. Such a partner was vital if Telkom was to fulfil its promise of 4-million lines to rural areas.

Post, Telecommunications and Broadcasting Minister Jay Naidoo made it clear at the weekend that government was committed to a strategic equity partner for Telkom

A Safcol spokesman said talks on restructuring and possible privatisation had been held with government, and he was not aware of any opposition from management to such a move

However, Safcol CE Tienie van Vuuren has warned government that Safcol would lose its export potential and commercial viability if split up

Avontura MD Alan Louw estimated at the beginning of this year that the parastatal needed about R40m to get it onto a sound financial footing, so partial privatisation was one option under consideration

Govt pins hopes on earning up to R6bn

Restructuring to be used to cut borrowing

(232)

BD 18/6/96

Greta Steyn

GOVERNMENT is relying on about R5bn-R6bn a year by the turn of the century from the restructuring of state assets to help reduce its borrowing requirement

The amount comprises proceeds from privatisation, as well as dividend payments from parastatals

This figure emerged in an interview yesterday with Finance Minister Trevor Manuel and acting finance director-general Maria Ramos. Manuel made it clear that privatisation would stretch over years, and that it initially would not have a big role to play in reducing government debt "The experience of other countries has shown it is a long-term process"

Manuel's package reassured investors worrying that government was not serious about privatisation

A key tenet of Manuel's macroeconomic framework, unveiled on Friday, is the reduction of government's interest bill As a means to achieve this, government aims to slash the deficit to 4% of GDP in the next fiscal year and to bring it down to 3% by the 1999/2000 year

Asked how the task would be achieved, Manuel said improved revenue from the SA Revenue Services would help "There is a lot out there," he said, referring to the estimated R9bn in uncollected taxes

Ramos said the expenditure evaluation unit had "a big task" on the spending side In addition, the debt and cash management policies would start paying off Central government was already saving R400m from not paying interest on public sector cash balances

The strategy document itself does not foresee higher taxes to reduce the deficit, preferring to place the emphasis on spending cuts The appendices to the plan hint that spending allocations in terms of the RDP fund might be cancelled

Manuel acknowledged that fiscal stringency was difficult to sell, not only to the ANC's allies, but also to the Cabinet and to the provinces. "If there is no confidence in the SA economy, we will eventually have to knock on the IMF's door The result will be structural adjustment and conditionalities That is the story that sells," he said.

He agreed there was still some hard bargaining ahead, especially to achieve the social agreement on wages and prices. "There will have to be some quid pro quos," he said, indicating that business would have to bring something to the table in return for wage moderation from the unions. Talks on price restraint could be expected to fo-

Continued on Page 2

Borrowing

(232)

Continued from Page 1

cus on, among others, banks' prime lending rates "There is so much anger about this issue," he said Banks' positive financial results had not gone unremarked "If there is a bit of a chill, they hike their rates"

Another price that could be up for discussion was the fuel price increase to increase retailers' margins A top level planning meeting of the National Economic, Development and Labour Council partners was scheduled for next week to discuss the social agreement The agreement aims to ensure that the rand's depreciation does not translate into an inflationary spiral

Manuel was sanguine about the markets' unenthusiastic response to the plan, saying they were still digesting the information

The moves to ease exchange controls announced on Friday would come into effect on 24 June Manuel said the granting of permission to institutional investors to invest 3% of their new cash flows offshore would amount to a maximum charge of about R1,5bn against the country's foreign exchange reserves per year He and Ramos were reluctant to be drawn on further moves to ease controls on foreign capital "This move is not a small one What is important is that institutions can now hold 10% of their assets offshore," Ramos said

Ramos said a key element of the plan was the spur the weak rand would give to exports, and investment in fixed capacity to meet export demand "When we first began putting it together, the rand looked too strong"

BD 18/6/96

MANY HAPPY RETURNS *Chris Good, T&N Holdings' financial director, and Ted Waldburger, the chief executive, expect solid growth as the group celebrates its silver jubilee*

See Page 23

Competition Board to brief parliament on CSIR's conduct

(232) CT(BR) 18|6|96

By Roy Cokayne

Pretoria — The parliamentary standing committee on trade and industry will be briefed today by Pierre Brooks, the chairman of the Competition Board, on alleged unfair competition by CSIR against private sector companies

Brooks said on Friday that he had been asked to brief the committee on CSIR, the SA Bureau of Standards and allegations of commercial bank interest rate collusion

Ken Andrew, the Democratic Party spokesman on finance, trade and industry, said documentation about the meeting referred to alleged unfair competition by CSIR involving the company Scientific Design, Plant and Process (SDPP)

The Competition Board previously received a complaint of unfair competition against CSIR from Jeremy Kirsch, the managing director of SDPP

Brooks said the role of all parastatals needed to be redefined and stricter guidelines needed to be drawn up regarding their competition with the private sector

He said the board had "passed the ball" on the SDPP complaint to the trade and industry department because it was responsible for CSIR's administration

Zav Rustomjee, the director-general of trade and industry, said on Friday that the trade and industry minister and his department had been alerted by the board to "the problems which are associated with parastatals and other enterprises controlled by the state entering markets in competition with the private sector"

He said these broader issues, which also affected state-controlled enterprises which did not fall under the auspices of his department, "need further thought by government in view of its declared intention to restructure parastatals

"In particular, the concerns regarding the CSIR have been brought to my attention

"With the aim of investigating the SDPP's complaint, the (trade and industry department) undertook to examine and compare the tenders submitted by SDPP and CSIR licensees

"It is trusted that the findings of such an investigation will indicate the measure of equivalence between the competing tenders regarding level of technology

"For the purpose of compiling the terms of reference for the investigation, the complainant was requested to provide (the department) with the contents of his tender proposals, which were allegedly disadvantaged by unfair competition practices, but with no effect

"If this position prevails, it would be assumed that the allegations have been suspended"

A CSIR spokesman said an executive member of CSIR, probably Adi Paterson, CSIR's executive president for technology and policy, would be in Cape Town on Thursday for discussions with parliament It is unclear if any senior CSIR member will attend today's meeting

ANC tells Cosatu not to give SA a bad image

BD 19/6/96 (#40A) (232)

Wyndham Hartley

CAPE TOWN — The ANC was talking to Cosatu about giving the country a bad image through strikes protesting against privatisation, but would not be rushed in its dealing with its alliance partners, President Nelson Mandela said last night

Closing the debate on his budget vote in the Senate, Mandela reaffirmed that privatisation was indeed the ANC's policy, but said to rush in "is not our style"

Reacting to criticism during the debate on the ANC's relationship with Cosatu over the privatisation issue, Mandela said "You want us to rush with Cosatu" — and reminded senators that he had waited for years for the NP to talk to him over a negotiated future for the country

Cosatu had a powerful, talented and gifted leadership which had the interests of SA at heart, he said Part of the problem was that even in areas where there was parity in earnings, there was no parity because of the legacy of apartheid

Mandela said "we are talking to them, saying don't give the country a bad image"

He said it was pointed out to Cosatu that at least its members were employed and could feed their children and that they should give some thought to the millions who did not have jobs and did not know where their next meal was coming from

The president indicated, after Freedom Front complaints about right-wingers being excluded from amnesty because of the truth commission's cut-off date of December 1993, that the date "is not cast in stone"

He was still prepared in the interests of peace to sit down and discuss the matter

However, Mandela remained steadfast in rejecting "rude" demands for the "unconditional" release of right-winger Willem Ratte, who is on a hunger strike following a five-year sentence for the occupation of Fort Schanskop, near Pretoria

He said he had the clear impression that those campaigning for Ratte's release did not want him to be freed but rather wanted a right-wing martyr

Sapa reports Mandela said this was probably the last time he would personally be accounting to the Senate, which was to be replaced by a council of provinces in terms of the new constitution

The changes would signify a more central role for SA's second house and would resolve the very serious questions of mandates and contact with provincial governments — problems the senators themselves had identified

The president repeated his unequivocal support for Health Minister Nkosazana Zuma He said that the Sarafina II saga was "closed for ever"

He had full confidence in public protector Selby Baqwa's report, which had found no wrongdoing on the part of Zuma

She was, Mandela said, a talented minister doing good things for the reform of health care in SA

He rejected criticism of Education Minister Sibusiso Bengu, also pledging him his support

☐ **Ingrid Salgado** reports that more than 32 000 people in Gauteng had seen 27 performances of Mbongeni Ngema's controversial AIDS play Sarafina II, Gauteng health MEC Amos Masondo said yesterday

The play had resulted in greater AIDS awareness in the province, he said

However, a commissioned study would have to determine whether it had led to behavioural changes, Masondo said

Committee pledges to review banking and competition legislation

BD 19/6/96

(232)

Tim Cohen

CAPE TOWN — The parliamentary trade and industry committee decided yesterday to review banking and competition legislation to prevent collusion between banks following tough questioning of Competition Board chairman Pierre Brooks on recent interest rate increases.

Brooks appeared before the committee, held jointly with the parliamentary housing committee, to answer criticism of his decision that there had been was no evidence of collusion.

Brooks relayed information gleaned during investigations, which included statements that Standard Bank led the rate increase partly because its liquidity was squeezed after the rand's collapse and that banks had approached the Reserve Bank for a rate increase before acting unilaterally.

The committee established a three-person committee to investigate the Banks Act and to make submissions on competition legislation currently under investigation by the trade and industry department.

The committee will now direct questioning directly to banks on allegations of collusion and will report back shortly after Parliament's winter recess.

Brooks said it was important to note that the board had limited powers of investigation and that there was a critical difference between price leadership and price collusion.

Legislation required the board to find that a meeting of minds had taken place, which was often difficult to prove, Brooks said.

Standard had said its decision to increase its rate unilaterally was made because there was a shortage in the overall money supply and the country was suffering from a bout of currency instability, among other things.

Brooks said it was clear the bank's liquidity had been squeezed by foreign borrowings which had suddenly increased because of the rand's collapse.

The other banks had followed because they feared increased revenue on loans would allow Standard to provide benefits to depositors which would lose them customers.

Brooks said he did not call for a commission of inquiry because some might have believed he had strayed outside the board's legal jurisdiction.

He had not called for a police investigation because of the police's poor record of investigating Competition Board complaints.

Without information from insiders, the board had decided against concluding that the banks had colluded, but this did not mean the board had exonerated the banks.

Board cracks down on steel industry

(232)

David McKay

THE Competition Board has cracked down on steel industry price-fixing, imposing heavy restrictions on merchants' pricing policies following a four-year investigation.

Trade and Industry Minister Alec Erwin said in the latest Government Gazette that Anglovaal subsidiary Trident Steel, Dorbyl division Baldwins' Steel and Iscor export partner MacSteel could not lift prices together without justifying them to the board.

A board spokesman said a cartel in the industry could not be proved, but it was clear there were "tacit agreements" between the three — which control 75% of the R4bn-a-year market — to lift prices together.

The three would have to justify their actions to the board, or wait three months before following their rivals in lifting prices, whether they were arguing variable prices or prices for the steel from the mill had risen.

The companies were not allowed to produce identical price lists, or use rival price lists as a guide in compiling their prices.

The industry has long argued that the three dictated domestic prices.

SA Association of Steel Merchants president Michael Hofman said yes-

Continued on Page 2

BD 19/6/96

Steel

BD 19/6/96

Continued from Page 1

terday price leadership was not counterproductive to the steel merchanting market. He said he had not been aware of a cartel.

Baldwins' Steel MD Chris Cronje said the new stipulation would confuse customers used to working out discounts from one price list.

The gazette also detailed the conditions on which the Iscor-MacSteel joint marketing venture, MacSteel International BV, was approved.

These stipulated that discounts offered by MacSteel International to bulk buyers of steel products had to be offered to MacSteel's rivals. Information Iscor shared with MacSteel had to be distributed across the market, the board said.

Banks to be probed for collusion on interest rates

(232)

A SUB-COMMITTEE of parliament's Finance, Housing and Trade and Industry committees is to investigate the Banks and Competition Acts following allegations of collusion between commercial banks on the recent interest rates increases

It must report back to the committees as soon as possible after the winter recess, a joint meeting of the Housing and Trade and Industry committees decided yesterday

Competition Board chairman Pierre Brooks told the meeting he would convey its concerns to bankers at a meeting later this week and urge them to be more sensitive to the issues of the day — Sapa

ARG 19/6/96

Yengeni slams arms industry

sowetan 19/6/96 232

Empowerment of black people 'must be part of privatisation process'

By Rafiq Rohan
Political Correspondent

THE ARMAMENTS INDUSTRY is still run by whites and if the Government plans to privatise some of its parastatals, then the most important part of the restructuring process must be the empowerment of black people.

This must extend to the defence force as well, Mr Tony Yengeni, chairman of the joint standing committee on defence, said at an African National Congress briefing yesterday.

Yengeni was also highly critical of the fact that in the South African National Defence Force ordinary soldiers were black and officers white.

His comments on privatisation were aimed specifically at the Government's planning around the future of Denel, the manufacturing subsidiary of state-owned Armscor.

"If Denel is privatised, it must be done in a way that brings on board ideal black entrepreneurs.

"The breaking down of Denel must lead to the empowerment of disadvantaged black people."

In another dramatic and unusual move, Yengeni called for the establishment of a military ombudsman to look into complaints concerning the integration process of the SANDF.

Serious strain

He said while the process had not completely broken down, there were problems that had placed it under "serious strain".

"Not everything is rosy in the process. We are dealing with numerous complaints including the ranking system, salaries and racism. This means that there is a need to set up a complaints system independent of the SANDF."

The idea of the military ombudsman will come under consideration when Parliament convenes in August after the winter recess.

He also said that there was a misconception about the integration process that only MK and APLA had to justify their integration.

Sale of six SABC radio stations will raise between R332m and R606m

(232) BD 20/6/96

Tim Cohen

CAPE TOWN — Government yesterday said it would raise between R332m and R606m from the sale of six SABC radio stations

Broadcasting Minister Jay Naidoo said yesterday government would amend laws aimed at ensuring transparency in granting broadcasting licences to speed the sale of Radio Jakaranda, Radio Algoa, Highveld Stereo, RMFM, KFM and Radio Oranje

Naidoo said the Cabinet had assented to amendments to the Independent Broadcasting Authority Act which would expedite the granting of licences by the end of August. The existing Act was "cumbersome" and the amendments would give the IBA greater flexibility in dealing with time procedures required for public commentary while ensuring it maintained its transparency and independence.

Government had taken this step to create an environment of certainty for the "massive" financial investment made by the bidders so that there would be as little delay as possible in the completion of the process.

He said the Cabinet had approved the short list of bidders for the six SABC regional radio stations recommended for sale by the IBA.

The short list consists largely of consortiums, and black empowerment is a feature in many of the consortiums with several union federations represented, including the SA Clothing and Textile Workers' Union and the Mineworkers' Investment Company.

Sapa reports that two consortiums — Algoa and Umoya — have made a bid for the Port Elizabeth-based Radio Algoa. A third bidder, P4 Radio, did not submit a final offer.

Durban's East Coast Radio has attracted bids from Dynamo, largely controlled by Oscar Dhlomo, and Moribo Consortium. The other bidders were Newshelf 108, which is controlled by Nail, and New Radio Consortium, whose shareholders include Kagiso Trust and musician Johnny Clegg.

Bidders for Gauteng's Radio Highveld include David Blood Associates

Radio

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Newshelf and bidders for Radio Oranje are Free State Media Holdings and a consortium owned by Kagiso Trust.

Naidoo said the final decision on how the money would be spent would rest with the Cabinet, which would make the final decision on the use of the proceeds of the sale

Two other radio stations were saved from extinction with the announcement that the Cabinet had agreed to appoint Investec Merchant Bank to process bids for Capital Radio Further funding would be made available for the running of the radio station until the sale had been completed and the IBA had completed the licensing process for the prospective new owner

The Cabinet said it would support Channel Africa, "albeit in a more rationalised form" as the external service of the SABC, Naidoo said

The precise format and financing of Channel Africa would be finalised by a subcommittee which would operate under the auspices of Deputy President Thabo Mbeki and would include the foreign affairs, broadcasting, arts and culture and finance ministries.

The committee's report would be submitted to the Cabinet by October and would take into consideration reports from the task group on government communications and further feasibility studies done by the SABC.

Ingrid Salgado reports that Times Media Ltd electronic media GM Neil Jacobsohn said the print media group formed part of a "well-balanced" consortium bidding for Radio Algoa.

Algoa Consortium represented strong black interests in Port Elizabeth, professional broadcast skills, strong financial backers and years of media experience in the form of TML. He was confident the consortium's bid would be successful TML's shareholding in the consortium would conform to cross-media ownership regulations.

and Newshelf G-3, which represents the Mineworkers' Investment Trust and individuals and will be managed by the operators of Radio 702 The third bidder is World-Wide Consortium, whose shareholders include playwright Welcome Msomi

Naledi Media Investments, New Africa Investments and Newshelf are all bidders for Radio Jakaranda

KFM's bidders are Crescent Consortium, Moribo KFM Consortium and

Continued on Page 2

BULLETIN BOARD

Sigcau sees possible sale of parastatals as solution

(23.2) Star 22/6/96

By ADRIAN HADLAND

Cape Town – More than a billion rands was owed to Eskom in outstanding electricity arrears, Public Enterprises Minister Stella Sigcau told Parliament yesterday.

Delivering her departmental budget speech on the last day of the current session of Parliament, she told MPs that non-payment for electricity in certain areas continued to be a source of "grave concern".

While Eskom was in good financial shape, solutions were urgently being sought in a bid to tackle the huge amount of outstanding payments.

"The government at central and local level is working together with all stakeholders and the communities as well as Eskom to seek practical solutions to this problem," she said.

In a speech expected to clarify the Government's position on the privatisation of state assets and corporations, Sigcau failed to unveil any significant new plans. The restructuring of state assets was an "important pillar" of the Government's macro-economic strategy, she said.

Public enterprises under review employed over 300 000 workers, many of whom were "understandably apprehensive" about the future.

STELLA SIGCAU: Told MPs that non-payment of electricity bills in certain areas continued to be a source of concern

"Restructuring should develop the human resource capacities of South Africa through decent employment conditions, efficient use of training and retraining, redressing previous discriminatory practices and enhancing technical and managerial capacity," Sigcau said.

It could involve several options, including the total sale of an asset and the partial sale to strategic equity partners. A special adviser would be appointed next week to draft a final model for the whole programme.

"The restructuring of state assets is not ideologically driven but constitutes a pragmatic economic imperative," she said.

It would aim at boosting economic growth, involving foreign partners in the provision of infrastructure at an estimated cost of R173-billion, reducing debt, and making state corporations more efficient and competitive.

"Significant strides" had been made in plans to find a strategic equity partner for Telkom, and implementation of this plan was expected in the second half of the year.

A change in the ownership of the parastatal Aventura, which provides leisure accommodation and facilities, was also inevitable, with up to a quarter of the shares going to staff

Further decisions on the sale of Sun Air and Transkei Airways, as well as the reactivation of mothballed Eskom power stations – with a view to attracting strategic partners – were expected later in the year

Restructuring "was destined to be a protracted and carefully considered process"

Decision this week on probe into Telkom

ST(BT) 23/6/96

(232)

By ZILLA EFRAT

THE Competition Board will decide this week whether to formally investigate claims of unfair competition made by Internet service providers against Telkom

Competition Board chairman Pierre Brooks says a decision will be made after Telkom responds to allegations made against it by the Internet Service Providers Association (Ispa)

Ispa, which represents over 90% of the SA Internet market, has accused Telkom of abusing its monopoly position, using predatory pricing mechanisms and not being transparent about its internal cross-subsidisation

The claims follow Telkom's launch earlier this month of its Internet service called SA Internet Exchange (SAIX)

According to Ispa, SAIX will provide access to the Internet at all levels, including to end users, which means it will be competing with its first-tier service providers' customers

Joint Ispa chairman Philip Esselaar says "Affidavits from customers indicate that Telkom is abusing its superior access to its own basic services to gain unfair advantage"

He says SAIX is able to bypass a waiting period for Telkom digital leased lines of up to eight weeks It will also not incur the same expenses as other service providers do when getting connected to the Telkom grid

David Frankel, the other chairman, says service providers are legally obliged to buy all telecommunications services from Telkom, including "artificially expensive" international circuits

If unchecked, Telkom will destroy a thriving industry, put some providers out of business and scare off foreign investment, says Mr Frankel

Rikus Matthyser, Telkom's Internet products manager, says SAIX, will operate under the same terms, conditions and prices as other providers

He claims the only end users SAIX has as customers are those testing its non-commercial services and its only cost advantage is through economies of scale

FIGHTING: David Frankel and Philip Esselaar Picture: CATHY PINNOCK

Cabinet backs Naidoo's stance

(232) ST(BT) 23/6/96

By SVEN LUNSCHE

THE Cabinet this week backed Posts and Telecommunications Minister Jay Naidoo's "flexible approach' to the liberalisation of the telecommunications market

In presenting the draft telecoms Bill this week, Mr Naidoo included a new review procedure which allows him to use Telkom's period of exclusivity in negotiations about the parastatal's partial privatisation

The Bill, negotiated by industry players over the past two years, still maintains that the telecoms market will be opened to full competition over six years

However, in terms of the review clause, Mr Naidoo has the right to extend the time frame "if it is to the benefit of the SA telecoms industry', says Postmaster General Andile Ngcaba, Mr Naidoo's right-hand man

Mr Ngcaba stresses the review procedure is not a reversal of the market's liberalisation and the phasing out of Telkom's monopoly "We simply don't want our hands tied in negotiations he says

Changes to the Bill have been criticised by some industry players, who have charged Mr Naidoo with destroying the consensus developed by his predecessor, Pallo Jordan

Mr Ngcaba says that internationally the period of exclusivity and the regulatory environment form a crucial variable in negotiations about the privatisation of state-owned telecoms companies

"It will be no different when we start discussions with future equity partners for Telkom If international telecom giants are willing to offer more if the period of exclusivity is extended, then we will have to consider that carefully," he says

The flexibility will also be crucial as South Africa participates in World Trade Organisations talks about the liberalisation of the global telecoms market, he says

"If we open our market too soon without similar access to other countries, we risk destroying many local industries," Mr Ngcaba warns

He also denies that changes to the Bill will diminish the powers of the regulatory bodies, the Independent Broadcasting Authority (IBA) and the SA Telecommunications Regulatory Authority (Satra) "We merely said Satra's regulations should be published by the minister"

However, Mr Naidoo is known to be unhappy with the IBA's record of formulating policy rather than regulating the broadcasting industry, a mistake he wants to avoid when Satra and the IBA merge next year

CREATE COMPETITION: Peter Mageza, Autonet's new chief executive, is confident of profitability Picture: RUVAN BOSHOFF

Autonet boss backs privatisation

(232) ST (PT) 23/6/96

By THABO KOBOKOANE

PETER Mageza, Autonet's new chief executive, believes privatisation of "non-strategic" utilities such as Autonet should go ahead as they serve no purpose for the state

"The state should not be active in industries which do not provide a service or are not strategic to its social goals

"Privatisation of such institutions will provide further competition Increased competition will result in increased efficiency, which in turn will benefit the country in the long run," he says

Mr Mageza says it will be "possible" for Autonet to look for an equity partner once it is privatised, but that "sensitive" issues like the shareholding base will have to be addressed first

Autonet was one of the Transnet companies earmarked for full privatisation when government first announced its restructuring programme in December last year

Mr Mageza says the group could enter alliances with small businesses, like the taxi industry and other former homelands' transport systems, to create synergies for an efficient transport system

Autonet, with an annual turnover of about R450-million last year, was hived off from Transnet as a business in 1993 and was restructured and downsized to make it profitable after years of losses

New managers were brought in, the size of the labour force cut from about 3 400 to 1 700, new financial systems installed and R140-million invested in upgrading its ageing fleet

The result has been three years of sustainable growth and this year, Mr Mageza says, Autonet will again show a profit

He plans to sustain the turnaround and improve margins "We have gone through the whole restructuring process and now we have to ensure that Autonet remains competent"

Mr Mageza, who was a senior general manager in charge of passenger services at Autonet, envisages that while future growth will come through existing clients, part of the future strategy will involve looking at niche markets, positioning Autonet as a leading passenger and road transportation company in southern Africa through a regional approach to the industry and moving into "seamless-related" business

Translux, a major passenger intercity transport business catering for the upper end of the market, has recently moved into Zambia and Zimbabwe, and Transtate is being repositioned, given the enormous competition from the taxi and rail industry

Autonet's cargo division has been enhanced by the recent acquisition of Mainline Carriers, a troubled subsidiary of Laser Transport Holdings

In the deal, Autonet will acquire 235 vehicles, 60% of which will be sold, and refrigerated and general cargo contracts to the value of R29,5-million

Mr Mageza says the deal will contribute handsomely to the overall profitability of Autonet in the medium- to long-term and will allow "us to deliver a consistent, high quality service to our clients"

Municipal affairs on privatisation list

BD 24/6/96 (232)

Tim Cohen

CAPE TOWN — The inclusion of two new sectors — municipal affairs and housing — in privatisation discussions would hugely expand the pool of assets available for restructuring, the public enterprises department has said.

Public enterprises director Sipho Shabalala said the full range of possible forms of restructuring of municipal assets was under discussion, including outsourcing, equity partnerships and outright sale. He said these discussions would not delay restructuring talks in other sectors.

Shabalala was commenting on announcements by Public Enterprises Minister Stella Sigcau in Parliament on Friday to the effect that restructuring would gather momentum.

Sigcau said in an interview later that she wanted to dispel perceptions that nothing was happening on the privatisation front, and show that negotiations were taking place at many different levels. "We are a department on the move," she said.

Sigcau announced that "sector teams" were discussing restructuring, as agreed between labour and government earlier this year in the National Framework Agreement.

Added to the sectors of transport; minerals and energy; telecommunications; trade, industry and defence; and water affairs, forestry and agriculture, would be municipal affairs. Labour had requested that housing be considered as well.

Negotiations on municipal services would require a lot of provincial and local government participation. National government wanted "some form of consistency" without it taking over provincial or local government author-

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Privatisation

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ity. This suggests that, ultimately, restructuring will take place at the discretion of the municipalities involved.

The housing sector was different in that it was being discussed at labour's request, mainly because many workers stayed in housing owned by public corporations or bonded to the workers by these enterprises. Labour was concerned about what might happen should such a corporation be privatised, Shabalala said. Some parastatals operated housing units and their future was up for discussion.

Shabalala said the appointment of an adviser, scheduled for next week, was intended to "add value to the internal decision-making" and not to take charge of the process.

The adviser would assist government in the evaluation of proposals.

Farouk Chothia reports that Post and Telecommunications Minister Jay Naidoo said government had shortlisted potential buyers of a "significant minority" of Telkom shares. They were all foreign-owned as local companies did not have the required funds. Negotiations on sales were to be completed by the year-end so that the annual delivery of 4-million telephone lines over four years could start next year.

About R32bn was required, about half of which would come from Telkom's internal revenue.

Privatisation may help state reach deficit target

(232) CT (BR) 24/6/96

By Christo Volschenk

Cape Town — The privatisation and partial privatisation of state assets would swell the state coffers this financial year and help the government to stick to the budgeted deficit of 5,1 percent of GDP, Stella Sigcau, the minister of public enterprises, said on Friday

The government budgeted to receive no money from the restructuring of state assets this financial year, but to receive R1,9 billion from the sale of crude oil from the strategic stock pile

On Friday, Sigcau announced in parliament that the sale or partial sale of Sun Air, Transkei Air, Aventura, six SABC radio stations, Mossgas and mothballed Eskom power stations might still swell the state coffers before the end of February next year

Analysts said it seemed possible that up to R1 billion of unbudgeted income could flow to the state this financial year, helping the government reach its deficit target of 5,1 percent of GDP

The target started to slip out of reach when bond market volatility resulted in interest rate increases that pushed the government debt-servicing cost higher and pushed the forecasts for economic growth in the financial year lower

Sigcau said on Friday that an equity partner for Telkom was being sought by international consultants Goldman Sachs, to lead to a strategic share being sold by the end of this year or early next year

The proceeds of the Telkom restructuring will be used to restructure and make it technologically competitive for the future

Sigcau said 25 percent of the debt-ridden resort group Aventura might be sold to employees Sun Air might be sold to employees in full Mossgas employees had submitted a bid to the government to buy the operations

Privatisation in Latin America may aid SA

(232) BD 25/6/96

ANTOINETTE HANDLEY

IN TODAY's global economy, privatisation is widely regarded as an essential component of the economic programme of emerging markets, important as a demonstration of a government's commitment to restructure the economy

In highly unequal societies, the state must consider how to do this without exacerbating the already skewed ownership of property and capital. In a highly politicised society like SA, the state must also consider how to win popular support for economic reform

Privatisation programmes in Chile and the public sale of shares in Peru provide some food for thought Key to the success of these efforts is an attempt to ensure as broad an ownership as possible of previously state-owned assets

It is how privatisation is undertaken that is crucial to its success Chile, the pioneer of privatisation in Latin America, employed a variety of instruments when it first embarked on a programme in the late 1970s However, many of these were badly managed

Some enterprises were sold to buyers who lacked the experience and financial capital to run them. In an unstable macroeconomic environment where economic reform had not yet been consolidated, this led to bankruptcies

The next set of privatisations in Chile was more successful. While the first phase of privatisations consisted mostly of private sales of shares to a few large conglomerates, the basic instrument in the second was the public sale of shares with an emphasis on attaining a wide distribution of ownership

For example, privatisation of Banco de Chile, one of the nation's major commercial banks, took place through the sale of shares to small investors, while the privatisation of ECOM, the government-owned computer firm, was through the sale of shares to employers

In addition, a special effort was made to sell shares to labour and pension funds, and quotas were often reserved for these sectors

Peru's privatisation process began later than Chile's, in 1991, with the establishment of COPRI, a high-powered committee to direct the process The programme began fairly slowly, but has since picked up speed and is now regarded as one of the most radical in Latin America

In 1994 the controlling share of the Peruvian state telecommunications companies CPT and Entel, for example, were sold to Telefonica Internacional Espana for $2bn However, developments in the field of telecommunications have been important for other reasons too

The privatisation of telecommunications forms part of the Citizen's Participation Programme, which hopes to turn 100 000 low and middle-income Peruvians into shareholders by making a portion of the shares being privatised accessible to a broad range of people

It is hoped that this will deepen the process of privatisation and contribute to its irreversibility, offer new mechanisms for public saving and investment and, in the long term, further develop the capital market and promote a free market culture in Peru

The programme began with the privatisation of Cementos Norte Pacasmayo. The principal novelty in this instance was that investors could acquire shares by phone Those who took up the offer included many who had never previously owned shares In addition, 35% of those who bought shares were small investors and 17% were young people between 18 and 25

The recent offer of shares in Telefonica del Peru followed the earlier success Ordinary Peruvians are being offered the chance to buy highly regarded shares at below market prices Telefonica del Peru is the top profit earner in the newly privatised sector Crucially, however, in addition to discounted prices, Peruvians also have the option of buying shares on credit at low interest

Massive publicity accompanied the launch of the share offer, and a 24-hour information centre was set up to respond to queries In the first week, more than 60 000 calls were received Newspapers carried full-page advertisements from the major banks explaining how to buy shares

Shares can be purchased at the branches of major banks or through a stockbroker — on remarkably generous terms a 10% down-payment and a 10% discount for buying on credit Share packages range from a relatively modest $200 to just more than $8 000

There are up to 18 months to pay and if the buyer does not sell any of his or her shares during those 18 months, they are promised one free share for every 20 bought

All of which make the process sound about as complicated as buying toilet rolls from a supermarket

Peru's citizen participation programme supplements standing policy that the workers of privatised firms have preferential rights to acquire up to 10% of the share capital transferred

There is nothing uniform about neo-liberal economic policies in Latin America, as shown by the many different ways of transferring ownership away from the state The experience of both Peru and Chile suggests that in SA we need to broaden the debate a little

□ Handley is the Anglo American and De Beers Chairman's Fund Latin American research fellow at the SA Institute of International Affairs. The views in this article are the author's own.

The debate continues

Sowetan 27/6/96

Former socialist countries have discovered that privatisation is not always what it is cracked up to be. What can be learned from their experience? **Bennie Bunsee** sums it up...

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PRIVATISATION brings into sharp focus the debate between public and private interests The issue is whether the public interest is best served through privatisation, or whether the public sector is best able to serve the people

There are those who contend that this dichotomy is too simplistic and that the private sector also serves the public However, the Congress of South African Trade Unions (representing the public sector) and business are ranged on different sides of the fence

The issue in South Africa, of course, now revolves around how best we can raise the capital to meet our debts and also make it available to meet Reconstruction and Development Programme needs

There is a certain madness about this strain of the argument, and the Government is being misled into believing that privatisation is the best route for its problems of development In lieu of an appropriate economic strategy, the Government is actually clutching at straws

What is interesting about this debate is that members of the National Party, who strongly advocate privatisation, used the public sector – and certainly the state – to strengthen the Afrikaner's own economic position

Now that they are strong economically, they feel it convenient to advocate privatisation to suit their own economic interests

The very public sector which they set up to employ large numbers of Afrikaners (who constituted the bulk of the poor white problem, and which was a vote catcher for them in those days) they now wish to dismantle

Economic resources

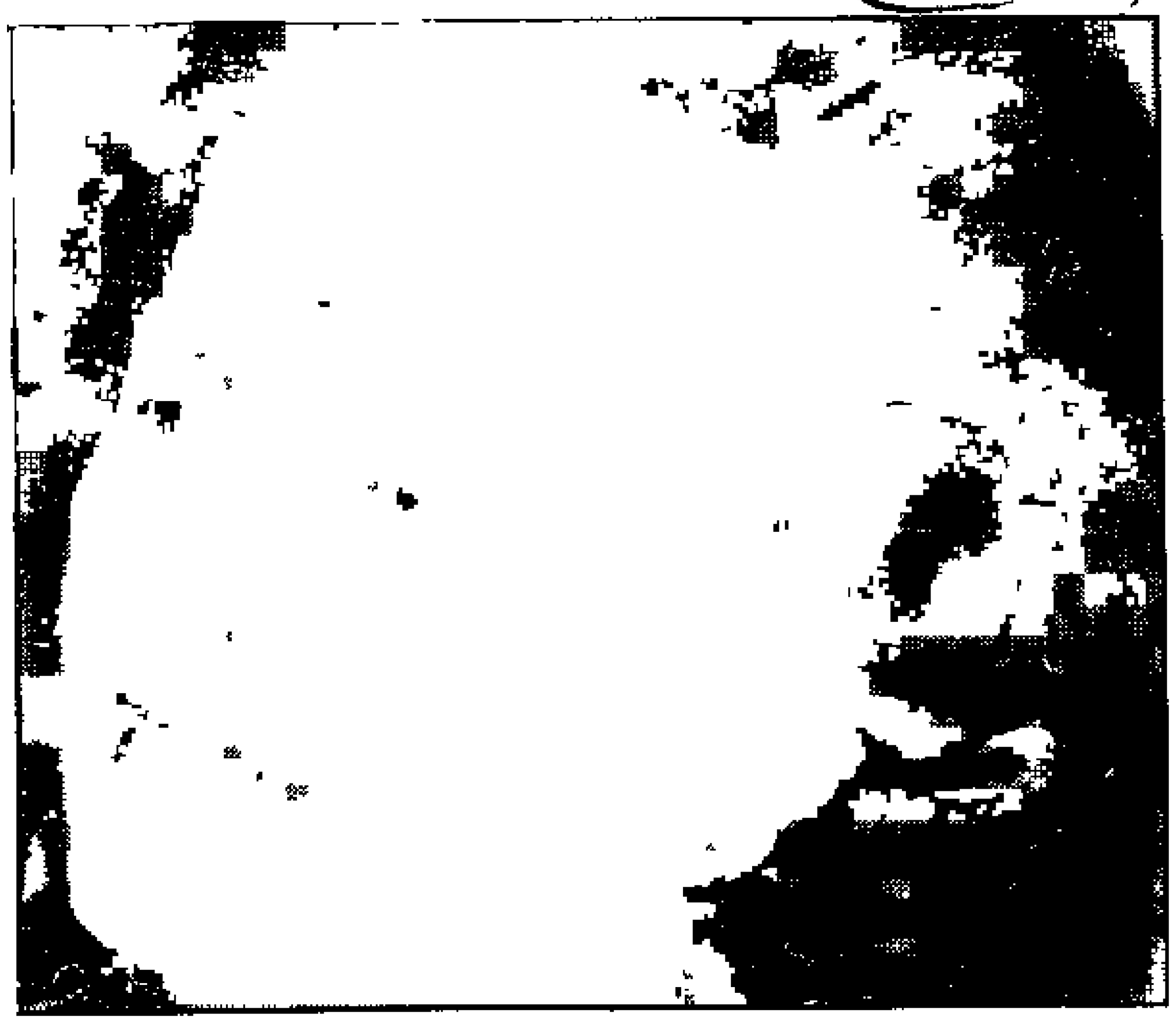
Until recently, it was commonly believed that nationalisation of the economic resources, its wealth-endowing productive forces, should be in the hands of the state to run in the interests of the nation

This is so that water, electricity, steel and mineral resources should remain as the treasures of the nation for the common benefit The idea found general favour and most Third World countries went down this route – until the command economies went into trouble

As a result the idea of nationalisation became discredited – or rather, the discredit into which socialism fell took with it nationalisation and public ownership, which were its main props in its argument against private ownership

At the same time, then prime minister Margaret Thatcher of Britain launched an attack on all forms of socialism and pioneered the road towards privatisation One nationalised industry after another was privatised

Hundreds of millions of pounds were spent to do so, and yet ironically the shares that were supposed to benefit the public were soon gobbled up by private firms via the banks Ultimately it was proved that Thatcher's privatisation was a failure



Britain's Margaret Thatcher ... pioneered the road to privatisation.

"What is interesting about this debate is that members of the NP used the public sector to strengthen the Afrikaner's own economic position"

It aggravated the country's economic problems The rich got richer, and costs and the level of services deteriorated It is now acknowledged that gas, electricity, water and the telephone system were both cheaper and better under the public sector

Nor did privatisation resolve the economic problems of other countries There was a similar tale of woe as in Britain

The former socialist countries, having abandoned nationalisation, suddenly stopped short in their tracks towards the road of privatisation It was, they soon learn, not the panacea they believed it to be

Against privatisation

Indeed, the populace turned against privatisation and favoured public ownership of the key resources

The case for privatisation put forward by business is that lack of competition makes it more costly, bueaucratic and heavy handed Competition, on the other hand, lessens costs (overlooking collusion between competitors)

This argument is partially true Competition does not necessarily lessen costs And what might be lessened in price is not necessarily made up in quality

In South Africa the whole debate essentially revolves around the issue of our economic development and the empowerment of the dispossessed majority of black people

Will privatisation result in the creation of jobs or retrenchment? Will it necessarily mean economic growth and development? Will it also empower black business? Will black business serve the public interest?

And, on the other hand, will there be similar effects from the maintenance of the public sector?

What is needed most in this debate is a clear-cut Government strategy towards privatisation that fits in with the overall aims of economic development and growth, job creation and empowerment of the black majority (with financial, human and technical resources radically shifting towards them)

Means to enrichment

This privatisation should not be a means to the enrichment of a few and overseas investors, who will be quick to buy off these economic treasures for their own profit and gain rather than the country's macro-economic development

Similary, Cosatu need not be blind to the creative use of privatisation as an integral part of the country's economic development But, for this, the Government needs a viable economic programme of growth that will involve both the public and private sector

(The writer is an adviser to the parliamentary caucus of the Pan Africanist Congress)

Smaller not the answer - Anglo

ARG 27/6/96

(232)

Business Reporter

BREAKING up and becoming smaller is not the right answer for Anglo American, Julian Ogilvie Thompson said in the group chairman's statement for 1996

"Like other successful diversified companies we seek to combine all the strengths of a big company - while moving with the speed, flexibility and urgency of a small company," Mr Ogilvie Thompson said

He said it was by no means certain than an unbundling of Anglo American would result in a higher market capitalisation and that many, if not all, the operating companies would lose substantially as a result of not having the skills and resources at the centre to draw or fall back upon, when inevitably, if occasionally, they went through difficult times

"We have said before that within Anglo's broad South African portfolio there are interests that may not be core holdings if circumstances were to change

"But there are two material considerations

"First, exchange controls would have to be abolished, so that willing sellers could be matched by a far greater range of willing buyers

"Secondly, alternative investment opportunities which at least matched the return of the existing assets would need to be identified - it would make no sense to sell good assets for lower yielding projects in the name of some abstract principle '

He said that despite steps towards the abolition of exchange controls, the desirable level of flexibility remained some way off and it would be premature to speculate further about restructuring

'Privatisation must take competition into account'

(232) CT(BR) 27/6/96

By Roy Cokayne

Pretoria — Dan Goyder, the deputy chairman of Britain's Monopolies and Mergers Commission, said yesterday that rules are needed to prevent recently privatised entities from harming their competition, if they have any

Goyder, who was on a five-day private visit to South Africa, said privatisation did not provide total freedom for the privatised entity to act as a commercial enterprise if it was in a dominant or monopoly situation

Goyder, a lawyer specialising in monopolies and competition law, was in South Africa to share information on Britain's experience of controlling market power and privatisation

But he said he did not know enough about South Africa to provide solutions to the country's competition problems

He said Britain and the European Union had developed a system that to a large extent protected small enterprises against large corporations

He said the important changes being contemplated to South Africa's competition laws covering the abuse of monopoly power could make these laws much more effective

He said four things were needed to make good competition legislation effective and comprehensive laws to control cartels, price fixing and the abuse of monopoly positions, capable institutions and people to administer the law, fair procedures, and remedies that are appropriate for particular cases

'Britain's experience of privatisation has largely been successful'

Commenting on competition between parastatals and private-sector companies, he said the essential functions of parastatals were fenced off in Britain before the companies were privatised

This meant they could not allow their essential functions to get mixed up with any other activities

Water and sewerage, for example, were kept totally separate from other activities, he said

If privatised entities wanted to export their know-how to any other country, he said, this had to be done through a separate company

The finances of that company had to be completely separate from its essential functions

"This is so there is no cross-subsidisation and water, for example, does not subsidise a bad business decision"

He said a prospectus needed to be published telling people interested in taking equity in a company about the applicable rules before it could be privatised

He said Britain's experience on privatisation had largely been successful The country has privatised public utilities such as gas, water, airports and telecommunications

'Functions of parastatals were fenced off before privatisation'

He said each former utility had its own structure and a regulator with a degree of discretion on the control of prices, who "drives hard efficiency bargains"

During his visit, he will meet ministerial and political policy-makers, members of the Competition Board and commerce and industry leaders from the private sector

His visit was sponsored by The York Timber Organisation, which has been outspoken about alleged restrictive practices by the South African Forestry Company, the parastatal to which the state's commercial forestry undertakings have been transferred

The Competition Board has launched a formal investigation into these allegations, which is still under way

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FM 28/6/96

FINDING A THREAD

The glimmer of a breakthrough in the Truth & Reconciliation's quest to expose apartheid-era political crimes emerged this week with news that 22 current and former police officers had inquired about amnesty from the commission

The move may have been precipitated by the decision of the National Party to explain its actions as government at a special hearing of that commission in

Cape Town on July 12 The ANC will also present its case during the hearing

Police and military generals have long grumbled that former government leaders may try to deflect responsibility on to them for hit squad and "Third Force" atrocities

Commission deputy chairman Alex Boraine has confirmed that former Police Commissioner Johann van der Merwe and former security Police Chief Basie Smit are among the officers who made the inquiry through a lawyer

Commission chairman Archbishop Desmond Tutu says the lawyer told him that former Law & Order Minister Adriaan Vlok had supported the officers' approach — suggesting that the group may enlarge to include political figures

Johann van der Merwe

At least two political murder trials — that of former Defence Minister Magnus Malan, other former security chiefs and KwaZulu political figures, and former Vlakplaas and alleged hit squad commander Eugene de Kock — may be connected to the police generals' Truth Commission inquiry

AMNESTY

Political crimes for which the police generals reportedly may be willing to accept joint responsibility in exchange for amnesty include the car-bomb destruction of the SA Council of Churches headquarters at Johannesburg's Khotso House in the late Eighties, the 1985 murders of three Port Elizabeth activists known as the Pebco Three and the bombing of a Randburg power station A shadowy group calling itself the "Wit Wolwe" claimed at the time to have carried out the Khotso House bombing

The Truth Commission has to decide whether it will grant amnesty in exchange for collective responsibility or whether it will insist on individual culpability President Mandela, however, has come out in support of collective blame

"There is an advantage," he said on Tuesday, "in political organisations and members of the former government going to the (Truth Commission) and saying 'We take responsibility for having adopted this policy and instructing those who were working under us to commit these offences' " He said many cases would take years to solve if the commission were to rely on individual testimonies ■

The union yodel

CT 28/6/96 (232)

Terry Bell

Ambulance workers — members of the municipal union, Samwu — will be to the fore in the planned anti-privatisation marches organised for Tuesday by the Transport & General Workers' Union The T&GWU decided yesterday to call for mass demonstrations in Pretoria, Johannesburg, Durban and Cape Town So far, it has the active backing of Samwu and the chemical workers' union, CWIU

Together the three unions comprise less than 15 percent of the total Cosatu membership The active support of other unions remains uncertain with the big battalions of the labour movement, the mineworkers' NUM and metalworkers' Numsa otherwise engaged — the NUM in tough wage talks and Numsa in deciding about possible strike action because of a wage talks deadlock

With possible government concessions over the future ownership of Telkom, the communication workers' union, Cwusa, may also feel it more appropriate to provide mainly moral support And T&GWU members in the private sector could be inhibited from joining the protest by an interdict brought against the union by the road freight employers

Under existing labour legislation, it is illegal for workers not directly affected to take strike action The T&GWU protest is about public transport policy

"But there should still be a large turnout," said Harald Harvey, T&GWU's deputy general secretary Details of the venues for the marches and demonstrations were being circulated today to all Cosatu unions

What has ensured the active — and probably angry — support of ambulance workers, especially in Gauteng, is the fact that the Gauteng health department has decided to go ahead with its decision to lease 250 ambulances from private companies This is seen as a deliberate slap in the face to the union, which last week presented Amos Masondo, Gauteng's health minister, with a 10-page discussion document proposing wide-ranging restructuring of the service

The document — A Vision for a Transformed Emergency Medical Services (Ambulance) — is seen by Samwu as providing the outline for emergency medical services throughout the country But it has not been discussed and Masondo noted earlier this week that he had not been given any viable alternative to leasing ambulances

He also pointed out that ambulances were not being handed over to the private sector, tenders had merely been called for to provide ambulances on full-maintenance leases This was because of a crisis in the service

"There is a crisis in the ambulance service," admitted Victor Mhlongo, Samwu's regional secretary, "but it involves much more than leasing ambulances" What was needed was a cost-effective and efficient emergency medical service which would dovetail with the government's primary healthcare programme

This would mean the creation of "a universally accessible, affordable, efficient and effective service" However, the union was convinced that the present approach by the Gauteng health department was "a deliberate ploy" to run down the emergency medical service to justify its full privatisation

"We have outlined the areas that need to be dealt with and given broad suggestions about how this is to be done," Roger Ronnie, Samwu's general secretary, said yesterday He pointed out that the union had only got to hear of the Gauteng leasing proposal in March "and then only through it being leaked by the press"

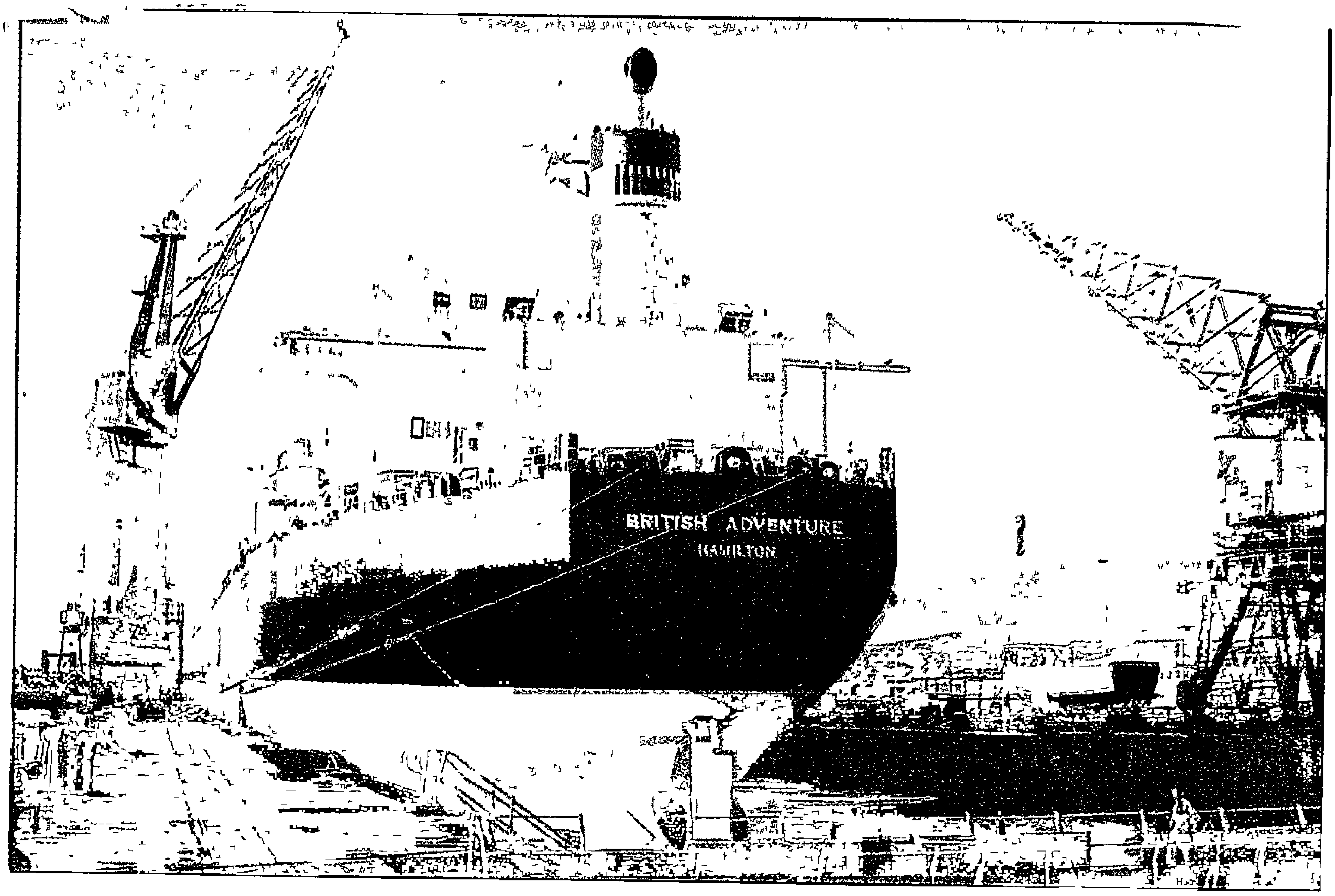
"They were underhand You can't blame us for not trusting them," said a Gauteng union official Assurances by both Masondo and his superintendent-general, Ralph Mgijima, that there would be no job losses as a result of the new arrangement have failed to quell the disquiet

The discussion document, in its preamble, spells out the union's bitterness, referring to "this cloak and dagger approach" to privatisation which "is in bad faith" It maintains that the Gauteng proposals would result in a steady deterioration of the extent and quality of service

On this basis, Samwu has called on the communities to support Tuesday's protests The T&GWU has also turned to commuters for support, warning of higher fares and worse service if present government plans are implemented

However, there seems little likelihood of mass community involvement

Tuesday may, therefore, amount more to a polite yodel of protest than the mighty roar many in the business community feared



❐ **SPICK AND SPAN:** British Adventure gets ready to be floated out of the drydock after a 16-day repair stint Ship repairers want to privatise the drydock to expand its capacity

Privatise drydock, say ship repairers

(232)

ARGT 29/6/96

ALIDE DASNOIS AND IAN SHIFFMAN

DISAPPOINTED at the loss of a lucrative Safmarine contract, ship repairers and Portnet have revived proposals to privatise the Cape Town drydock

Safmarine has decided to take four container ships elsewhere for midlife refitting, because of delays and poor service in the drydock

The contract is said to be worth at least R20 million

Spokesmen for Portnet and for Cape Town's major shipyards, Globe Engineering and Dorbyl Marine, said this week the privatisation of the drydock could raise funds for a much-needed upgrading to increase capacity and attract new business

The joint venture project, in which Portnet and the shipyards would each have shares, was first mooted years ago, but shelved pending possible privatisation of Portnet

Portnet's John Cosnett said R4,5 million would be spent on the drydock this year But this was not nearly enough, he said

The cost of upgrading - including new water pumps, better lighting and power, more cranes and improvements to the drydock's sides - is estimated at between R30 million and R40 million

The Cape Town drydock has only one fixed crane capable of lifting heavy machinery, while competing European yards have four cranes which can lift 50 tons each

At present, the drydock makes a small loss every year But shipyards and Portnet consider that if the facilities were privatised, a joint venture could be profitable

Part of profits could be used to train staff, Mr Cosnett said Shortages of skilled labour are cited by shipyards as one reason why repairs in Cape Town often take longer than in shipyards overseas, keeping ships tied up longer in the drydock

Cape Town's drydock rates start low and increase with the number of days a ship spends in the dock, while rates in European drydocks decrease over time As a result, drydock costs on quick repairs are lower in Cape Town than in Europe, but on longer jobs European yards are less expensive

Safmarine estimates that the container ships to be refitted will each need to spend 20 days in drydock

The work would probably be done in northwest Europe or in Britain, a Safmarine spokesman said this week

Safmarine cited delays to the repair of container ships SA Oranje and Nomzi as reasons to take its repair business elsewhere

Dorbyl's Tom Winkleman and Globe's Brian Bain said their yards were stretched to capacity Globe has just finished work on BP tanker British Adventure and Dorbyl is working on the R18-million conversion of the pipe-laying barge Bos 355

Strikes cause commuter snarl-ups

(2332) (B28) Star 2/7/96

STAFF REPORTERS

Thousands of commuters were forced to make alternative plans to get to work today when Gauteng bus services were disrupted by staff stayaways aimed at highlighting opposition to privatisation.

Trains were running normally said a Spoornet spokesman, and taxis hit the road as usual, but municipal services based at the Village Main depot were slashed by 80% and only 52% of drivers turned up at the Milpark depot.

No buses were running from the Avalon depot which serves Eldorado Park, a spokesman for the Greater Johannesburg Transitional Metropolitan Council said

The Roodepoort service was at full strength and buses from the west were picking up stranded passengers along the route into the city, she said

Putco services were cut to about 20% in northern Pretoria and between 75 and 80% on the Reef, said managing director Michael Oldham.

Tensions were also expected to heighten today in the mining and nursing sectors Transport workers were to embark on marches in most major centres

More than 13 000 miners were dismissed from Rustenburg Platinum Mines where a crippling strike had spread to all shafts yesterday and workers had ignored an ultimatum to return to work, said Anglo American Strikers want PAYE deductions and Unemployment Insurance Fund contributions refunded

In Johannesburg, city bosses have warned that refuse collection may be disrupted and have asked residents to keep garbage on their properties for another week if this happens

With the South African Municipal Workers' Union having thrown its weight behind the Transport and General Workers' Union (TGWU) protest, it is possible that Greater Johannesburg will be seriously affected.

Nurses, who took to the streets yesterday, are to intensify their demands later this month to accelerate the transformation process in health services – Sapa

▶ Anglo fires 13 000

Business Report

Cosatu affiliates to strike against privatisation

BD 27/7/96 (232)

Renee Grawitzky

COMMUTER bus services could be disrupted in various regions today as members of Cosatu's two affiliates — the Transport and General Workers Union (TGWU) and the SA Municipal Workers Union (Samwu) — march in opposition to privatisation.

Transport Minister Mac Maharaj has urged TGWU members not to embark on strike action and instead to allow the parties to continue discussions under the auspices of the National Economic Development and Labour Council.

The TGWU said yesterday that the strike would continue after a meeting with Maharaj deadlocked last week. The union's deputy general secretary Harald Harvey said the minister refused to agree to the development of public ownership for passenger service in line with the RDP Further meetings were held on Friday and facilitated by Nedlac

Maharaj said in a letter to the union progress had been made on some issues which "allows us jointly to move ahead on building a more effective public transport system for our country".

The Greater Johannesburg Transitional Metropolitan Council said bus services and refuse collection could be disrupted as a result of Samwu's participation

'Don't privatise public transport'

Star 3/7/96 (232) ([illegible])

Bus drivers across country go on strike to protest over Government's plans

By Goba Ndhlovu and Xolisa Vapi

Opposition to the proposed privatisation of public assets intensified yesterday when thousands of transport and municipal workers took to the streets of Johannesburg and other centres in support of a nationwide protest action for the retention of a publicly owned transport industry

The Johannesburg march was characterised by transport disruptions, jamming some streets in the CBD

Workers belonging to the South African Municipal Workers' Union, the Transport and General Workers' Union (TGWU) and the Food and Allied Workers' Union marched to the offices of the provincial government to hand over a memorandum to Gauteng transport MEC Paul Mashatile

They called on the Government to write into the White Paper on National Transport Policy the RDP provision which stipulated that an effective publicly owned passenger transport system should be developed

TGWU Gauteng chairman Sam Lefuwa said the approach of the RDP to develop a publicly owned public transport industry should remain the fundamental commitment of the Government in its transport policy

"To subject publicly owned public transport to regulated competition is to pass the death sentence on public ownership," he said

Sapa reports that commuters in Port Elizabeth used taxis to get to work as hundreds of bus drivers joined the one-day protest

In North West, 10 buses ferried about 700 employees of a transport company in Mabopane to a rally in Pretoria

Addressing thousands of cheering workers at Johannesburg Library Gardens, ending the day-long protest action, Cosatu general secretary Sam Shilowa said the Government should take full responsibility for public transport

He said the labour federation would have a special executive meeting next week to discuss the restructuring of state-owned enterprises

Privatisation often makes the rich richer and the poor poorer

(232)

SOL ASMAL

BD 3/7/96

SA MUST exercise extreme caution in the privatisation of state assets in order to avoid massive unemployment and many unforeseen aggravating factors

State economic management and the public sector developed the way they did after the Second World War for sound reasons — to deal with market failure, capture economies of scale and consolidate national independence, among others

But it was not only in the "communist" countries that the levers of state power were abused by privileged interests, and with global economic developments aggravating the problems caused by inefficiency and parasitism, a radical shake-up was long overdue

However, the objective of a fairer distribution of economic resources and political power has been honoured more in the propaganda for privatisation than in its design, which has served an altogether different agenda

A senior official of the US Agency for International Development (USAid), a division of the state department that has been second only to the World Bank in promoting and organising privatisation's global spread, has stated that agenda thus "Industries such as telecommunications, finance and energy are being restructured to respond to the needs of an integrated economy

"The global structure of these industries demands their participation in privatisation"

Never mind about universal access to telecommunications, affordable credit to small businesses and farmers, and developing environmentally sustainable power projects where they are needed to help reverse urbanisation

This is about accelerating the process of globalisation in a way that further strips away the authority of democratic political processes and concentrates power and wealth with the rich and powerful

While the Nestles, the Pepsicos and the De Beers scrambled to grab the Cold War spoils, the former nomenclature and black marketeers legitimised and increased their ill-gotten gains

Even schemes supposedly designed to distribute assets widely have had the opposite effect

In the Czech Republic, for example, one Victor Kozeny made an overnight capital gain of $600m when his investment fund took control of 51 firms

To increase his portfolio's value, he said he would sack about a third of the employees of the enterprises he acquired — about 70 000 workers But before he could do so he left the country amid corruption allegations also involving remnants of the old regime's secret police

This was by no means the only sign of the graft attached to privatisation Latin America's experience has been no better

In Mexico, the 37 businessmen who already owned between them about a quarter of the country's assets were the main buyers in all but one of the sales or liquidations of nearly 1 000 enterprises

A World Bank report reveals that foreign shareholders made $12bn out of the sale of Mexico's telecommunications utility Telmex, and that local telephone tariffs have gone up so much that "the big losers are consumers, worse off by $35bn"

In Chile, the biggest group of stockholders in electricity utility Endasa, which, like its UK counterparts, has built on its own privatisation to expand in other countries, were members of the very armed forces that kicked off the privatisation programme soon after seizing power in a 1973 CIA-backed coup

Bankers Trust of the US acquired Chile's biggest pension fund under a scheme to privatise social security, and used the fund to take stakes in 13 privatised companies

Those pension funds have been perhaps the most brazen way in which privatisation has switched resources from the poor to the rich

Under the state social security scheme, workers and employers shared the cost of superannuating.

After it was scrapped, employees' contributions rose from 6% to 17% of their earnings, which they were forced to pay into one of the private funds Employers' contributions were reduced to zero while the unemployed and "informal sector" workers have no pension

A similar scheme has now been introduced in Peru — following the 1992 putsch — but mass protests prevented its introduction in Argentina, where privatisation is already estimated to have cost 200 000 jobs

In Mexico, the estimate is 400 000 jobs lost

The alliance of multinational businesses and local rich and powerful people has been well served by the World Bank

Privatisation in all its forms is a standard feature of structural adjustment programmes.

Recently, three out of every four structural adjustment programmes specifically included divestiture of state-owned enterprises — frequently without regulation — while World Bank finance for much needed electricity development projects was invariably conditional on an end to all subsidies — including cross-subsidies

Poland has estimated that the average domestic electricity bill will increase sixfold within five years as a result

USAid has also put its money where its ideological mouth is

Particularly telling is that the agency moved into Grenada, Panama and Haiti in the slipstream of Washington's armed forces, presenting governments with privatisation plans within weeks, or even days, of each invasion

In Panama, for instance, a senior USAid official, posted there within 48 hours of Manuel Noriega's ousting, told the new government that the US would pay for the devastation caused by the invasion itself only after receiving "a letter identifying the first public enterprises to be privatised"

Elsewhere in Latin America and the Caribbean, debt has provided Washington's leverage

Meanwhile, the economic improvements which were supposed to make all the sacrifices worthwhile, and eventually to "trickle down", have proved elusive

There has been little detailed research and appraisal, and the World Bank's own study — purporting to show economic welfare gains in 11 out of 12 cases it examined — is deeply flawed

Not only was it based on a sample acknowledged by the researchers to be highly unrepresentative, but the conclusions were the product of dubious methodology which claims an overall welfare improvement if the financial gains of the beneficiaries are greater than the losses of the workers and consumers

□ **Asmal is a lawyer working in Cape Town for a London legal firm.**

No complaints lodged against cement merger

BD 3/7/96 (232)

Lukanyo Mnyanda

THE Competition Board had so far received no formal complaint about the proposed merger of cement companies Alpha and Blue Circle but would continue its investigation, chairman Pierre Brooks said yesterday.

Government — which in 1994 ordered the scrapping of the industry's long-running cartel — had also not made its views on the matter known, Brooks said. Interested parties still had about two weeks to make submissions

Brooks said he did not expect the investigation to take long as the board had investigated the industry prior to recommending the cartel be scrapped and was "familiar with the issues". It would hand its findings to Trade and Industry Minister Alec Erwin "within a month or two," he said.

The proposed merger — which would give the merged company roughly 55% of the R2bn a year market — has received a favourable response from the industry Several sources said it would cut costs and enhance international competitiveness

Building Industries Federation of SA executive director Ian Robinson — who also expressed initial support — said he would discuss the merger with Alpha and Blue Circle this week before making a submission to the board.

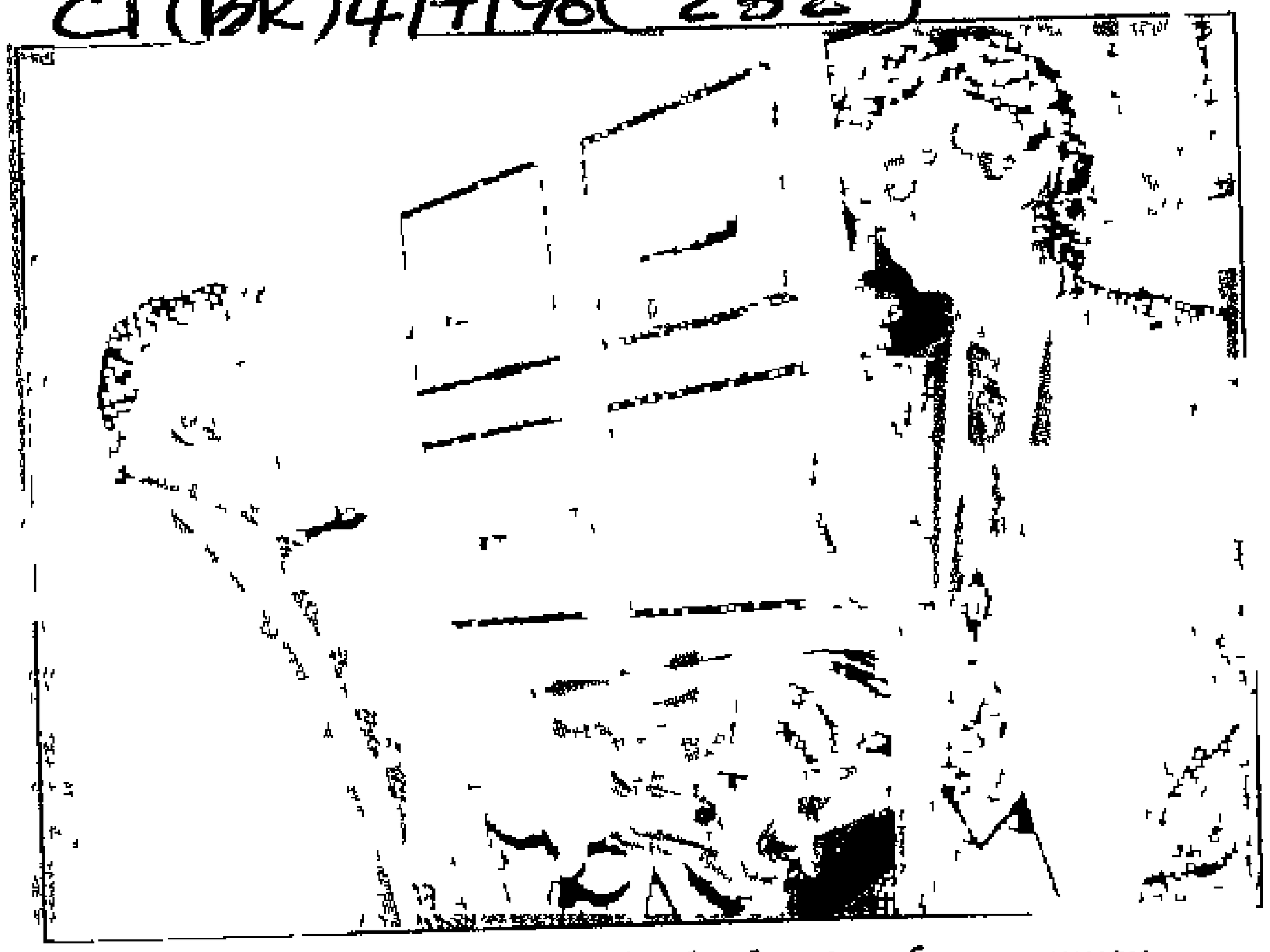
"I view the proposed merger as non-threatening and I expect my submission to be positive," Robinson said

The board would also discuss the proposed merger with industry leader Pretoria Portland Cement but its views would not have a decisive influence on the final decision "We'll look at what the pro- and anti-competitive effects of the deal would be, and we want to hear what the different parties have to say on the matter."

Unions eye privatisation pickings

CT (BR) 4/7/96 (232)

By James Lamont
INDUSTRIAL EDITOR



JOINT VENTURE: *Elias Banda, the director of a new union investment group, and Larry Lipschitz, chief executive of Motolink, plan to take advantage of privatisation* PHOTO JOHN WOODROOF

Johannesburg — Trade union investment groups are breaking ranks with Cosatu's opposition to privatisation to take advantage of the benefits from the sale of state assets and outsourcing of operations

Motolink and Super Group, transport, vehicle rental and motor dealership companies, yesterday announced the merger of their operations to form a new industrial holding company named Motolink

The merged group will have a turnover of about R950 million and a total asset base of R400 million.

Super Group shareholders would receive a total of 80 million Motolink shares valued at R3 a share

An 11 percent shareholding in the merged company will be held by the investment group South African Amalgamated Unions, formed by the Mineworkers Investment Company (MIC) and the South African Textile Workers Union (Sactwu)

This new alignment should put Motolink in a strong position to benefit from the privatisation of government- and parastatal transport services, Larry Lipschitz, Motolink's chief executive, said yesterday

He said Motolink would be the only private listed company in its sector with such a strong black empowerment alliance

He also said the unions would be involved in a joint venture within Motolink, which would give them a majority holding, designed to take advantage of future government contracts

Motolink already manages the Post Office's vehicle fleet, and proposes the outsourcing of Telkom's fleet as an easy approach to privatisation

Lipschitz was speaking days after Tito Mboweni, the labour minister, said that companies with good black empowerment and affirmative action records would find preference in the awarding of government tenders and contracts

The merger, announced yesterday, makes SA Amalgamated Unions, with a shareholding worth R70 million, the second-largest shareholder of Motolink

Elias Banda, the national organiser of Sactwu and a director of its investment group, said that other unions would follow the investment lead taken by Sactwu and the National Union of Mineworkers

He said Cosatu allowed its affiliate unions to take their own decisions "We try to separate the union (Sactwu) from the investment company It would create big problems if we wore two hats," he said

Union rejects Maharaj's mediation appeal

(232) CT (BR) 4/7/96

By Thabo Leshilo

Johannesburg — The Transport and General Workers' Union yesterday questioned the motive behind last week's appeal by Mac Maharaj, the transport minister, that the union abandon its plans to strike over privatisation of public bus transport in favour of mediation.

The transport union turned down the request that the matter be mediated by the National Economic Development and Labour Council (Nedlac), suspecting the move was just a ploy to have it drop its protest. The strike went ahead on Tuesday.

Harald Harvey, the union's assistant general secretary, said the union had felt the mediation would achieve nothing because Maharaj had already said he was "not prepared to give in" to the demand for continued state ownership of public transport.

Elsa Kruger, the minister's spokesman, said the call for mediation was an absolutely genuine attempt to resolve matters.

Eskom target of anti-privatisation protest by union

(232) ([illegible])

By Xolisa Vapi

Star 5/7/96

Opposition to the controversial privatisation of parastatals will intensify today when Eskom workers embark on protest action across the country to demand the Government's full control of the electricity giant

The campaign will include the handing over of memoranda to various Eskom plants and provincial premiers

The protests by the National Union of Metalworkers of SA (Numsa) is the culmination of a campaign which began in April to ensure that the electricity supply industry remained a national asset and that Eskom be given a permanent licence to generate, transmit and distribute electricity in SA

In Johannesburg, traffic is expected to come to a standstill when marchers toyi-toyi down Rissik Street to hand over a petition to Gauteng Premier Tokyo Sexwale before proceeding to Eskom's head office in Braamfontein In Durban, workers are expected to present the same memorandum to the premier of KwaZulu Natal

Numsa said Eskom should remain a state-owned enterprise with a public mandate to take over the industry

Pensions versus privatisation

(232) M+G (BM) 5-11/7/96

Targeting state pension funds rather than state assets would be a more efficient way of addressing the Budget deficit, writes **Ravi Naidoo**

THE direction of macro-economics policy reflects the political agenda being pursued by the government. So the government s belated unveiling of its macro-economic plan is indeed a defining moment. However judging by the cheers and "hallelujahs" of business it seems safe to assume that the government's plan has strayed too far across the fence

But the government is under immense pressure Foreign capital (and undiluted domestic power blocs) are putting pressure on it to follow conservative macro-economic policies as a precondition for new investment. The failure of current conservative macro-economic policies means less economic growth in 1996/97 — and less government revenue and a higher interest bill — squeezing the fiscus

Moving with the times Flexibility on state pensions is the key to fiscal policy PHOTOGRAPH. HENNER FRANKENFELD

Furthermore, the failure of delivery policies seems to have frustrated the government into at least offering reasons for the failure "Slow" consultative processes are a suitable target, even if the government is the one late with a plan.

The macro-economic plan is based on the assumption that a market-driven state-assisted growth strategy is suitable for South Africa The counter-argument for a stronger government role through expansionary policies is summarily dismissed in one paragraph stating the deficit must be reduced

However while the overall stategy is likely to be revisited through negotiation of some form, there are two points worth exploring here

How serious is the debt "problem"? The government debt most of it interest-bearing, stands at R287-billion, 55% of gross domestic product (GDP) The interest payments on this debt are essentially the cause of the Budget deficit (government expenditure exceeding revenue) This deficit is now 5% of GDP

First, and mostly because of sanctions, government s debt is not high by international standards The Organisation for Economic Co-operation and Development (OECD) average debt-to-GDP ratio is 72%, for example However, real interest rates in South Africa are 15% (against 4% in the OECD) making debt expensive

Second, deficits are neither inherently good nor bad The difference is the ability to direct the expenditure to ensure higher future returns so that you can repay the debt Directing expenditure means putting it mostly into capital goods and not consumption At the moment government capital expenditure is low — about 8% of the Budget, and much of that in "fixing thatched roofs" Therefore the government probably does need to redirect its spending before it can increase the deficit.

Third, if a quick deficit increase can be dangerous, a deficit reduction could be worse Deficits, calculated as a percentage of GDP, tend to be counter-cyclical. They increase when the economy slows down but decrease when it grows Therefore, the best way to reduce the deficit may be to increase GDP Accordingly, in an economy with excess capacity (manufacturing capacity utilisation is around 80%) such as South Africa, the fiscally prudent policy is to target the growth rate not the deficit itself

This policy is suggested in the International Labour Organisation report on South Africa Also Malaysia (a "tiger") disregarded International Monetary Fund advice and ran a deficit of over 20% — with good results

Predictably the business community claims that privatisation proceeds can be used to pay off debt. However, privatisation of even most state assets will not dent the national debt, nor the R30-billion annual interest payment.

HOW PAY-AS-YOU-GO PAYS OFF

FISCAL YEAR	ACTUAL DEFICIT (with fully-funded system), % GDP	SIMULATED DEFICIT (with pay-as-you-go)
1985	3,5%	2%
1990	1,5%	-0,6%
1994	6,4%	2,9%
Avg 1985 -94	4,3%	2%

SOURCE. SMITH COMMITTEE, 1995

In fact, assets of most of the largest parastatals (including Transnet and Eskom) once you have subtracted their debts, are not much more than one year's interest payments Moreover, most of the larger parastatals are showing positive net incomes. In sum, privatising to cut the debt is a poor idea.

A better example of unnecessary debt is the government employees pension fund — and its mythical "fully-fundedness" Research has shown that changes to the way the massive R120-billion government pension arrangement is funded can make a big difference both to government debt and the deficit.

In short, there are two ways to fund public servant pensions — and the government is using the wrong one Fully-funded (pre-funded) systems are usually used by private firms, where a separate fund full of assets guarantees workers pensions even if the firm is liquidated Governments which theoretically cannot be liquidated, usually have pay-as-you-go systems (where pensions are paid out of general revenue) While most countries use a pay-as-you-go system to pay their public servants, South Africa uses an expensive fully-funded plan.

Apart from being out of step internationally, the South African government has been filling its 'fully-funded' system with R70-billion of interest-bearing government stocks (basically government promises to pay) — making up a large part of the national debt and deficit. Importantly, the difference for the government between promising to pay pensions out of its annual Budget (pay-as-you-go) or a fund full of promises to pay (the 'fully-funded system) is huge — amounting to an extra R14-billion every year

That is what the government paid last year as interest (R8-billion) on unnecesssary bonds in its pension fund and its normal contributions as employer (R6-billion) Most of this R14-billion (roughly the value of Telkom) is what the government could put aside each year for infrastructural spending if it just changes its funding arrangement

Moreover, it makes no difference to future taxpayers whether an obligation to pay pensions is thrust on them through redeemable government bonds in a trust fund — or an unfunded contractual promise

To confirm this fact, the Smith Committee appointed by the Minister of Finance to examine pension provision concluded that "South Africa s Budget deficit before borrowing would have been much smaller had our civil service pension funds been managed on a pay as-you-go basis — as the majority of our overseas counterparts seem to do "

As the table shows changing to a pay-as-you-go system will halve the deficit — even without resorting to desperate measures such as privatisation or social spending cuts.

However, standing in the way of a pay-as-you-go systems are conservative public servant unions, which are reluctant to give up their influence over the present indebted fund As for their members, a separate fund (even an indebted one) is psychologically more comforting than being paid out of an African National Congress Budget. No doubt, these are difficult issues for the government.

But the government is likely to find changing the pension fund much easier, and more justifiable than privatisation or cutbacks in social spending. Moreover in the former option the government is likely to have the support of progressive public servant unions And even a small fraction of the billions in annual pension savings could be translated into better pay and conditions winning the support of most concerned public servants

In sum, amid all the noise about cutting the deficit, it seems to have been overlooked that privatising and cutting social spending are not the only options Using the pension fund as an example, there are clearly some ways to accommodate an increased role for the government even within a tight fiscal framework "Flexibility" needs to be extended to fiscal policy

Ravi Naidoo is head of the National Labour and Economic Development Institute (Naledi)

PRIVATISATION PROTEST *Bheki Magagula, the Gauteng regional secretary of Numsa, and Jerry Mafereka, a shop steward, at a press conference yesterday* PHOTO JOHN WOODROOF

Eskom accused of covert sell-off

CT(BR) 5/7/96 ([redacted]) ([redacted])([redacted])

232

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — Eskom's management is privatising parts of the national electricity utility behind closed doors, Bheki Magagula, the National Union of Metalworkers' regional secretary in Gauteng, said yesterday

An anti-privatisation protest march takes to the streets of Johannesburg and Durban today

"Eskom management wants to privatise," said Magagula, "If we don't stop them now they are going to privatise all of Eskom"

Magagula said that Eskom had already hived off its housing assets and other strategic areas

Rotek Industries, a multi-million-rand division of Eskom, was also some way down the road to privatisation.

"The government seems to be really moving forward with privatisation and is not addressing delivery," said Jerry Mafereka, a Numsa shop steward at Eskom

The ANC-led government needed to wrest control of the utility from business interests for the good of upgrading the country, Mafereka said

"The debates are taking place in boardrooms while we as unions are taking the issues out and making them public. Very few people understand what is going on"

Numsa was concerned that covert privatisation was being undertaken on a piece-meal basis and neither it, nor the community at large, were having a say

But an Eskom spokesman said the union's fears were unfounded because the utility was not discussing a change of ownership with the government and did not believe it should be privatised.

Numsa calls for action on Eskom 'privatisation'

Renee Grawitzky

BD 5/3/96 (232)

ANTI-privatisation action by Cosatu affiliates is gaining momentum, with the National Union of Metal Workers calling another march on the issue.

Numsa's call follows anti-privatisation marches this week by the Transport and General Workers' Union and the SA Municipal Workers' Union Affiliates have called on Cosatu to co-ordinate protest

Numsa's Witwatersrand leaders said there would be countrywide marches today, to protest against what it believed were plans to privatise Eskom.

At the same time, the Communication Workers' Union restated its opposition to privatisation, amid speculation that the union had been "cowed to accept the notion of privatisation of the parastatals".

Numsa's Wits regional secretary Bheki Magagula said the protest aimed to ensure the electricity supply industry remained a national asset and "must be reclaimed from big business"

The union began to mobilise members at Eskom after the Electricity Working Group, which excluded labour, proposed the restructuring of electricity supply to create independent regional distributors The union views this as a form of privatisation

Eskom chairman Johan Maree said that Eskom had no intention of privatising itself or to be privatised. In line with the National Framework Agreement a process of restructuring had been initiated which involved all unions including Numsa

Competition on hold

(232)

Telkom needs a few monopoly years if it is to benefit us all, argues Posts, Telecommunications and Broadcasting Minister JAY NAIDOO

ST 7/7/96

THE provision of affordable telephones to all South Africans is one of the government's highest priorities.

But in order to deliver four million telephone lines over the next five years, the entire sector must be restructured: there must be a clear policy, legislative reform and the creation of a realistic programme.

The restructuring of Telkom will be the most important vehicle of change. An equity stake will be sold to a reputable operator who will then inject money, new technology and management expertise into the company.

The recent debate in the media has confused the issues of policy, which the government hasn't changed, and procedure — or how to structure the regulations.

In other words, the same policy objectives are to be pursued, but through licensing rather than through legislation

The government is committed to a process of phased liberalisation of the telecommunications sector. Some services, such as paging, are already open to competition, but others will remain the exclusive preserve of Telkom for some time.

A period of exclusivity is needed to provide stability while networks expand rapidly.

Without this stability, the plan to deliver services to our people will remain a dream.

If the telecommunications sector is opened up to competition immediately, Telkom's revenue will be eroded before it has time to adjust itself to its new circumstances.

Another point to consider is that, traditionally, national telecommunications operators subsidise local calls rather than long-distance connections, and residential customers over businesses.

Time is needed to balance these tariffs so that costs and revenues bear more relation to one another

If it doesn't receive protection while restructuring, the operator could fall prey to competitors who take advantage of distorted tariffs and cherry-pick lucrative business

If competitors are allowed to do this, all operators will concentrate on urban areas at the expense of poor rural areas and townships, a legacy of apartheid planning

The practice of granting a period of exclusivity during the restructuring of telecommunications is well established worldwide

For example, Malaysia's telephone operator was closed to competition for 17 years, Peru's for five, Venezuela's for 35, and Hungary's for eight

In 1994 the European Union agreed to the introduction of competition for telephones in 1998. Ireland, Portugal, Spain and Greece have been given five years to adjust

Removing references to the actual length of the monopoly period from the draft telecommunications Bill does not imply that there will be no exclusivity or that it will be indefinite The government remains committed to a period of four to six years for telephones From the examples above, it is clear that this is progressive by world standards.

This government remains firmly in favour of fair competition and liberalisation as a way of lowering prices, improving service, increasing market demand, creating more jobs, stimulating the economy and increasing productivity.

This ministry has established a clear framework and regulatory structures which will provide for:

- The government to set policy,
- An independent regulatory authority to administer government policy; and
- The operational independence of Telkom and other licence holders to run their businesses within their agreed licence terms.

We have found that in other countries, such as the Czech Republic, Spain and Hong Kong, licences, rather than legislation, make provision for periods of exclusivity

In most countries, powers for licensing and setting of policy remain with the minister, while day-to-day regulation of the sector is the responsibility of an independent authority. South Africa's proposed policies are thus progressive by world standards

Using the licence rather than the law allows for greater flexibility, but also for predictability once licence terms have been set, as licence holders will have appropriate protection and remedies

Changes can be made without cumbersome and time-consuming recourse to the legislature

Through phased liberalisation, an appropriate separation of roles and consultation with all stakeholders, the government will be able to deliver affordable, efficient, world-class telephone services to our people and a boost to our economy

CWU takes a stand on privatisation

(232) Sowetan 8/7/96 (288)

By Coudjoe Amankwaa

THE Communication Workers Union has lodged its protest against privatisation of state assets in the communications sector

Privatisation would affect entities like Telkom SA, the South African Post Office and the SABC

Union spokesperson Sizwe Matshikiza said the union's anti-privatisation stance "is a position that acknowledges that the bloated top hierarchy must be trimmed down instead of cutting down the workforce on the lower ranks

"Our stance is aimed at job security, job creation and deepening of provision of services, especially to disadvantaged communities"

The CWU alternative to privatisation include

- The build, operate and transfer option – external sources manage components of the parastatals which revert to the parastatal after a period
- Joint ventures with external sources to build infrastructure
- Hire-purchase option – parastatals buy necessary technology on hire purchase

Posts, Telecommunications and Broadcasting Minister Mr Jay Naidoo was quoted as saying his goal was the creation of a "strategic equity partnership" between stakeholders

Numsa opposes Eskom takeover

Sowetan 8/7/96

(223) (260)

By Noxolo Kweza

TRAFFIC came to a halt in Johannesburg at the weekend when thousands of National Union of Metalworkers of South Africa (Numsa) members marched to protest against the privatisation of Eskom

Memorandums were handed to Gauteng premier Mr Tokyo Sexwale's office and senior officials at Eskom and the National Electrification Forum in Braamfontein.

Numsa general general Bhekie Magagula said Eskom should remain a national asset

He said Eskom should be reclaimed by the Government so as to benefit poor communities

Numsa members also demanded that Eskom accelerate the upgrading of electricity networks and standardisation of domestic tariffs in black townships

Unbundling could lead to leaner, meaner M&R

CT (PR) 8/7/96 (232)

John Spira examines M&R, a likely candidate for unbundling, and shows how the process could provide extra value for shareholders

The major unbundling exercises thus far concluded have all been unqualified successes, with shareholders better off in their wake following the release of value previously locked up in the balance sheet.

Accordingly, in a stock market environment where gains have been hard to come by this year, it makes sense to ferret out the next likely unbundling candidate, since the successes of the past would no doubt induce the market to summarily discount the benefits.

Murray & Roberts has already set the ball in motion by selling off its minority stake in Gypsum Industries and taking a step back from its Blue Circle Cement subsidiary by agreeing to a merger with Alpha.

Full details of the Alpha-Blue Circle deal have yet to materialise, but early indications are that M&R will be a junior partner in the merged operation, thereby releasing management's energy for application elsewhere in the group.

In M&R's case the unbundling process, should it continue, will not only unlock tangible value, but also help focus the group's considerable experience and specialised expertise upon major core businesses — contracting, materials and engineering — instead of dissipating those skills and that energy unproductively.

Lionel Bird, the financial director, has gone on record that M&R is in the process of a total strategic repositioning. This implies assessing a number of smaller business units which do not necessarily dovetail with the group's focus. Further sales (in addition to Gypsum) could be announced this year.

RESTRUCTURING *Lionel Bird, the financial director of M&R*

PHOTO JOHN WOODROOF

Bird was not, understandably, specific. But perusal of M&R's 400-plus subsidiaries pinpoints many potential candidates, businesses which stand in the books at remarkably low valuations but which could be disposed of for handsome sums of money.

M&R has been expanding its alloy-wheels activities, but this does not mean it should not sell off its tyre interests, which are identifiably different in nature.

Were M&R to sell Firestone, Natyre, Quality Tyres, Supa Quick, Trichamp and Performance Tyres, considerable value would be unlocked. They are companies which fail to gel with the specialist engineering strengths which are so characteristic of M&R.

Standard Engineering and Consani Engineering, formerly JSE-listed companies, should yield a handsome profit on disposal, while Unitrans, although successful, is a diversification remote from M&R's core activities.

Looked at in this light, M&R's true net worth is probably way in excess of the share price, whereas the published net worth is only 50 percent thereof.

M&R's diversification strategy over the last two decades was to shareholders' advantage, smoothing out as it did the volatile nature of the construction industry. But things have since changed, as M&R itself has acknowledged by reversing part of the process and focusing on infrastructural activities.

With the world having shrunk dramatically, fluctuations in the domestic gross fixed investment cycle can be offset by internationalisation. M&R is therefore increasingly turning its attention to ventures abroad. In doing so, it dare not retain businesses which sap its strength. Unbundling could channel the group's not inconsiderable human resources into a global engineering force.

In this context, the pointed question is being asked: Was it an absence of necessary focus that forced M&R into providing for more than R125 million, in the dispute over the R500 million Taiwanese contract?

The setback certainly offers food for thought, especially since the provision will trim earnings for the year to June 30 by some 15 percent. This could, however, prove to be a blessing in disguise, primarily because it has depressed the share price to a level nearly 40 percent below its peak in January this year.

The indicated price-earnings multiple is 16,4. What price an unbundled, focused M&R? A guesstimate suggests a multiple of 20-plus, though the final arbiter will be the pace at which unbundling proceeds and the subsidiaries which M&R ultimately decides to unbundle.

PERSONAL VIEW

The entrails of Eskom

(232)

CT (BR) 9/7/96

Tony Twine

One may be forgiven for mistakenly imagining that last week's marches by National Union of Metal Workers members, aimed at delivering a message about the Electricity Supply Commission, had something to do with the electroplating process

But no, they were galvanised into this particular action by a far less specific concern, privatisation

You do not have to be highly skilled in steward-mancy, the art of divining the future by examining the entrails of deceased union officials, to have worked out that Eskom was going to find itself in the privatisation firing-line within a few months

Back in May this year, at a time when far more weighty items were grabbing their fair share of the headlines, such as the 11th hour passing of the Constitution Bill and the withdrawal of the National Party from the government of national unity, a debate took place regarding the restructuring of public assets

This phrase, which now deserves its place in the dictionary of South African English Usage, simply means either the partial or complete privatisation of state assets, and Eskom is, after all, a state asset Maria Ramos, the acting director-general of finance, ruefully pointed out last week that many of these so-called assets neither pay tax nor dividends to their public sector shareholders, but state assets they most certainly remain

At the time of the asset restructuring debate, Sam Shilowa, the head-honcho of Cosatu, came out with a piece of rhetoric that was simultaneously colourful and poignant, and which seemed to leave the gates wide open for rebuttal by those on the other side of the privatisation argument

With great economy of words, but not not necessarily a word of economic sense, he said that he would only ever be in favour of privatisation if it meant that his elderly and unemployed mother, who evidently lives in what South Africans would call the gramadoelas (roughly equivalent to the Australian outback), were guaranteed of receiving electricity

The weakness of this demand lies in its misunderstanding of probability, especially as applied to future events Firstly, there is no such thing as a guarantee, and one can almost guarantee that statement A 100 percent probability for a future event is reserved for scientific laboratories, not the plans of mice and men

The second mistake regarding probabilities that seemed to be contained in comrade Shilowa's argument was his assessment of the relative probabilities of two different outcomes His statement in May this year implied that, if the state maintained ownership of its existing assets, his aged mother would have some reasonably high level of probability of receiving electricity

It was also implicit in his statement that he believed that privatisation of state assets would lead to a lower probability of that happening The boot might, however, be on the other foot.

Although there is no real reason to believe that a privatised Eskom may be altruistically more well-disposed towards providing sub-economic electricity to unemployed old ladies living in the sticks, a national government that has reduced its debt burden by the sale of some of its economically viable assets may well want to do that

If the privatisation proceeds are used to reduce the level of national debt, the resulting reduction of the state's interest burden (already at 20 percent of budgeted expenditure for this year and the next) translates directly into additional discretionary spending power

Among a myriad of competing spending targets, one may well be to subsidise non-economic electricity distribution to areas where it could create an impressive upliftment of the quality of life This is surely a more probable way of getting the benefit of electricity to his mother than is hanging on to the ownership of parastatals in the hope that the retention of government ownership will be the root of sustaining future economies on a grand scale

From this point of view, it seems organised labour is more concerned with keeping their hands on the reins of power of the sixth financial conglomerate in South Africa, the parastatals, than in aiding their indigent rural forebears If the parastatals are all dependent on the Cabinet as a kind of super holding-company board, then Cosatu has seats on that board as long as it remains part of the ANC alliance

But if the Cabinet sells off the family silver, it may open a crack or two in Cosatu's already depleted resolve to be part of the alliance — then the fat will be in the fire, or some other more appropriate electrical metaphor — Reuter

☐ *Tony Twine is an economist at Econometrix financial consultancy*

Restructuring high on agenda at Cosatu talks

BD 9/7/96 (232)

Renee Grawitzky

RESTRUCTURING of state assets, the labour market commission report and government's macroeconomic policy could form the focus of debate during a special Cosatu executive committee meeting over the next three days.

Cosatu general secretary Sam Shilowa said yesterday the special executive would make proposals, sector by sector, on restructuring state assets He said during a march last week that labour had established a number of task groups to report back to the federation on each sector so that labour could respond to government.

Anti-privatisation marches and strikes have been a repeated feature in recent weeks where transport, municipal and metal unions have expressed opposition to government's privatisation plans.

The Communication Workers' Union (CWU), in line with affiliates opposing privatisation, reinforced its opposition to privatisation

The union leadership said last week that, contrary to the perception created in the media, it had not been "cowed to accept the notion of privatisation".

CWU's general secretary Seleboho Kiti said no agreement had been reached with government and Telkom on privatisation. The union had established a number of task groups to consider various options, including strategic equity partners and joint ventures and a decision would be guided by mechanisms that could be used to achieve RDP objectives.

He said the union had agreed to take part in the world trip with Post and Telecommunications Minister Jay Naidoo on the basis of a fact-finding mission

It was not intended to find or approve a strategic equity partner.

Cosatu's initial response to the macro policy was tempered. However, following the release of the commission's report, less hesitant opposition was expressed, especially in the area of wage restraint.

During a march last week Shilowa indicated that although there were some areas of disagreement with the macro policy, some "areas in the document come close to giving expression to some of our positions as labour".

(232) (1980)

Plan to privatise Eskom denied

Star 10/7/96

BY XOLISA VAPI

Neither Eskom nor the Government is considering privatising Eskom, the Department of Public Enterprises said yesterday.

Responding to demands by Eskom workers belonging to the National Union of Metalworkers of SA (Numsa), public enterprises deputy director-general Prof Sipho Shabalala said the Government had not given any mandate to Eskom to pursue privatisation.

This was confirmed by the electricity giant's chairman, Dr John Maree, who said Eskom had no programme of privatisation.

Numsa unleashed nationwide protest action on Friday, demanding that the electricity supplier remain a national asset and be given a public mandate.

Workers demanded the electrification of rural areas, schools, farms and clinics and the takeover of electricity supply from the former homeland and self-governing territories.

They accused Eskom of collaborating with big business to undermine the Government and organised labour, and said service delivery would collapse if Eskom were privatised.

Shabalala said the Government and Eskom recognised the importance electricity played in raising standards of living and that the electrification programme was "far ahead of schedule".

Marchers demand state keeps Eskom

Star (232) (280)

About 1 000 National Union of Metalworkers of SA members marched to the Gauteng legislature and Eskom head office in Johannesburg yesterday to present memoranda demanding the electricity supplier remain a national asset and not be privatised

Numsa regional chairman Joseph Pepu told marchers that some of Eskom's subsidiaries had been sold to private buyers Eskom would therefore not be able to provide cheap electrification to the masses, he said Electricity supply should remain a national asset and be structured as a single integrated generation, transmission and distributor facility, Pepu said

In a memorandum addressed to the premier and the ministers of public enterprises and of mineral and energy affairs, Numsa demanded Eskom be reclaimed by the Government for the electrification and upgrading of the country, especially in rural areas, townships and farms

Social responsibility

Numsa also demanded the mineral and energy affairs minister and the National Electricity Regulator give Eskom a permanent licence to generate, transmit and distribute electricity

In a separate memorandum to Eskom, Numsa demanded Eskom assume its social responsibility for blacks as it had done for whites since 1922

The union also demanded that electrification to rural areas, farms, schools, clinics and townships be speeded up in line with recommendations by the National Electrification Forum

Eskom should also upgrade electrical networks and standardise domestic tariffs in townships Problem areas such as Tembisa on the North Rand, which experienced blackouts every winter, should be addressed, it added – Sapa

POWER PLAY

PASS THE PARCEL: Workers hand over a memorandum protesting against Eskom's privatisation PHOTOGRAPH ANTON HAMMERL

Union slams Masondo

Maria van Daniel Gauteng regional organiser of the South African Municipal Worker's Union, accuses Gauteng department of health of insensitivity to the disadvantaged

Sowetan 10/9/96

(232)

ON JUNE 24, the Gauteng government's Health Department broke off negotiations with the South African Municipal Workers' Union to proceed with the privatisation of ambulance services

Negotiations had started on March 29 after a journalist leaked the privatisation proposal to Samwu

Health MEC Amos Masondo was forced to agree to a moratorium on ambulance privatisation as the union was not consulted, and was given the opportunity to develop an alternative plan to transform the ambulance service

Based on a democratic process involving shop stewards and workers from all Gauteng's ambulance depots, a vision statement was developed to transform the service and was handed to the province on June 20

The vision statement is the first step of a three-phase process The second phase of an emergency plan to save the service from further deterioration will be adoption The third phase will be the implementation of a long-term plan to transform the service

On June 24 the province dismissed Samwu's request to use its vision as a basis to consult the broader community on the transformation of the ambulance service

Samwu believes a principled agreement on strategic goals is necessary before we embark on short-term measures to save the service This will ensure that strategic goals for transformed service are not undermined

Samwu opposes privatisation completely because we are committed to improving the quality of life of historically disadvantaged communities.

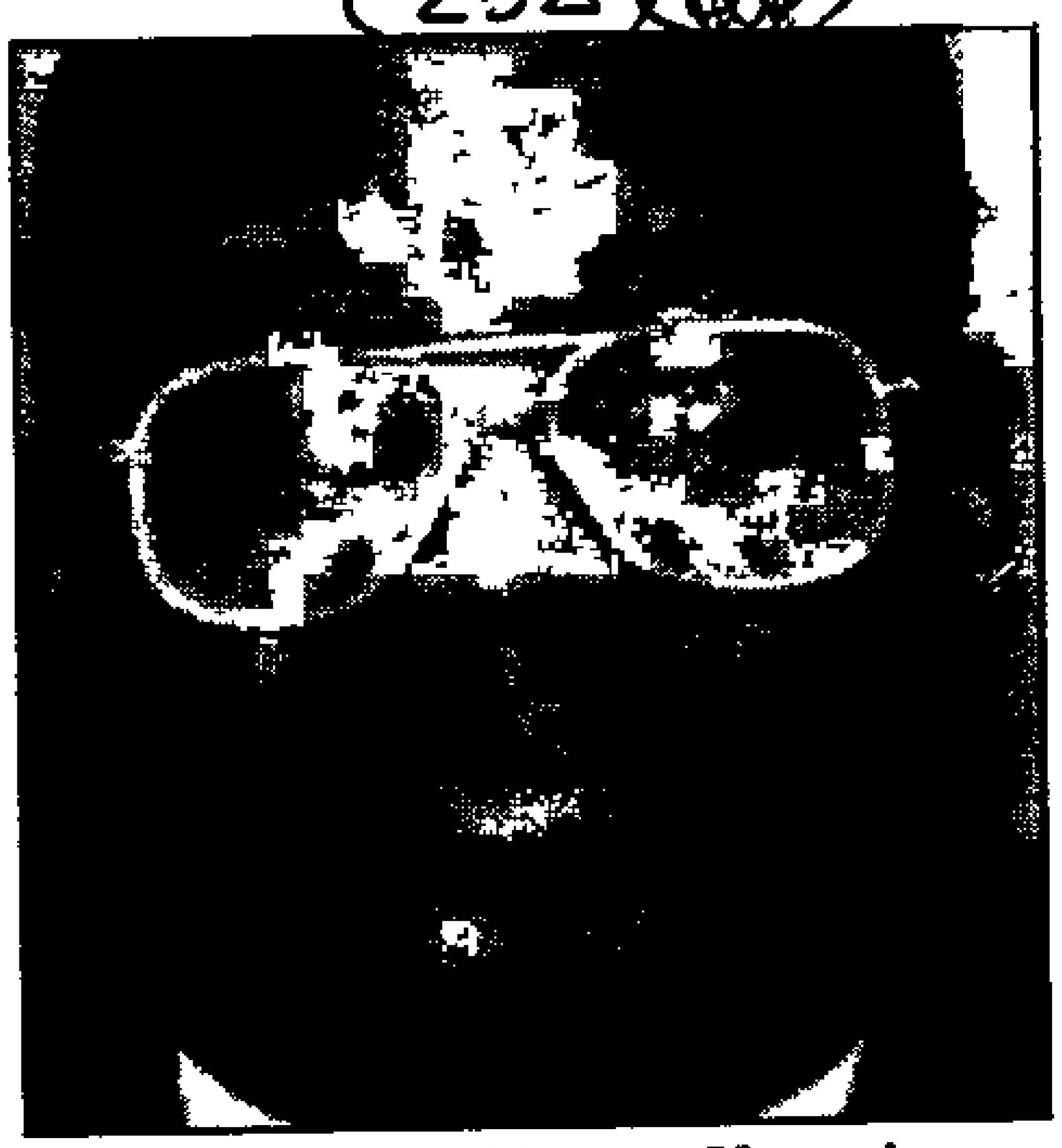
Privatisation cannot address the legacies of the past as private companies are not accountable to communities and are not efficient providers of social services

Only an elite benefits from social services run on a profit basis The examples of the British experience is clear the wealthy become more wealthy while the public suffer inaccessibility and unaffordability of services

Only public ownership of social services can ensure better services for all This is particularly important in South Africa where we need a long-term vision to ensure the extension of a sustained and affordable service

The privatisation of ambulances will also undermine the Government's goal to make health care accessible to all In the new Constitution the right to health care services is guaranteed

It further says the state must take reasonable measures to achieve the progressive realisation of these rights This proposal therefore violates the spirit of the new Constitution.



Gauteng Health MEC Amos Masondo ... under fire for planning to privatise ambulance services.

In its privatisation proposals only one element, the leasing of vehicles, is held up for public scrutiny Other important elements are hidden from the public

Another element of the provincial plan is the lack of consultation with communities and other stakeholders Senior management, like ambulance and fire chiefs, were not consulted

The workers in the service and the unions were also not consulted This is one of the many violations of national health policy

Lack of research

There was also no audit of the ambulance service, no relevant research on users' needs, and no holistic planning to relate this to primary health care (PHC)

The lack of research shows there is no serious consideration of the possible effects of privatisation on people

The situation has deteriorated since 1994, as local government now covers an increased population, including informal settlements, and covers much larger distances

But no additional services have been allocated to the ambulance service and this has caused a severe strain on the service The service has only survived because if its dedicated workforce.

The province proposes a staff freeze, no vacancies will be filled Advanced Life Support (ALS) will be eliminated and handed over to the private sector

The proposal to lease vehicles also shows the province is not committed to building infrastructure and transforming the service

When taken together with the decision to eliminate ALS, it is clear that leasing is the first step towards complete elimination of the ambulance services

Given the exodus of staff that will be triggered by the elimination of ALS, leasing vehicles will ensure the province can easily close down the service

Its point of departure is crude and unmotivated "financial and economic" constraints This approach is even more irresponsible when no attempts were made to achieve savings in the existing service

This is in stark contrast to the spirit of the national health policy on PHC, which Samwu adopted as the basis of its vision for transforming the ambulance service

PHC, which includes ambulances and other health services, must be close to where people live. To promote PHC accessibility, the national Health Department says it must be free and financed through national taxes

This will result in an increased use of the service, leading to overall costs falling Ironic as it may seem, a free service will not only ensure universal access, but will also lower unit costs in the service

In contrast, the province's proposal will not only lead to a cost-inefficient service, but will also impose a higher tax burden on Gauteng residents.

This is because the province's proposal also makes provision for increases in rates and taxes to subsidise private companies

In effect people will be charged twice at the point of service and through increased rates and taxes

The ambulance services need to be more developed and integrated within the PHC

This allows improvement from community and union participation, and represents a progressive attempt to address the legacies of the past

The province has completely ignored national policy and rushed to privatise ambulances.

Sun Air studies deal with Virgin ahead of decision on privatisation

CT (BR) 10/7/96 232

By Audrey d'Angelo

Cape Town — The state-owned regional airline Sun Air has been discussing a possible alliance with Richard Branson's Virgin Atlantic, Johan Borstlap, the airline's managing director, said yesterday

Borstlap confirmed industry speculation that Virgin Atlantic, which is due to start services to Johannesburg in October, was among those he had been talking to about a possible alliance and buying an equity stake in the company

But no deal can be struck until the government decides when to privatise Sun Air, which was inherited by the government when Bophuthatswana ceased to exist

At the time, Bop Air, as it then was, flew only between Johannesburg and Sun City

Sun Air is not part of Transnet and was included in a list of parastatals that the government has said will be privatised Borstlap said his workers, who expected to receive shares, were in favour of privatisation as this would lead to further expansion

But he said: "We cannot get down to serious discussions with anyone until the government makes an announcement and gives a time-frame.

"Until then we are just wishing they would get on with it."

If the deal happens, it will strengthen Virgin's competitive position, particularly against British Airways, of which Comair has become a franchise holder

"We have commercial agreements with almost every foreign airline flying in here, for add-on fares," Borstlap said "Several of them have made approaches to us"

Meanwhile, Borstlap said the recent announcements that Comair had bought a British Airways franchise and that SAA had increased its stake in SA Express were good for the industry.

In addition to introducing more competition it had strengthened public confidence in the domestic airline industry

"Confidence was shaken after the collapse of Phoenix," he said

Since the demise of Bop Air, Sun Air had become a profitable airline with scheduled services connecting the Johannesburg-Cape Town-Durban triangle. It also flies to Victoria Falls

Govt rules out privatisation

(232) (2260) BD 10/7/96

GOVERNMENT, responding to concerns raised by unions, said yesterday it was not considering privatisation of electricity utility Eskom

"The public enterprises ministry would like to emphasise. no privatisation of Eskom is on the cards," the ministry said "Neither Eskom nor the government is considering the privatisation of Eskom. The government has not given any mandate to Eskom to pursue privatisation."

The ministry said it had been in discussions aimed at determining the best restructuring options available to Eskom.

Ministry deputy director-general Sipho Shabalala later said that the statement, responding to concerns raised by unions, did not in fact mean that Eskom assets would definitely not be sold or a strategic equity partner sought.

The ministry appealed to unions to suggest ways of meeting the challenges faced by Eskom —Reuter.

PERSONAL VIEW

Challenge of competition

CT(BR) 11/7/96 (232)

Andile Ngcaba

It would be folly for anyone to argue against the benefits of competition in the trade of goods and services Competition leads to an increased variety of services and products, stable and transparent pricing, efficiency and lower costs for the consumer

It is in this context that the South African telecommunications market should be seen and analysed

Opening the telecommunications market to competition should not only ensure a better-quality service to a privileged few, but also deliver an affordable, universal service to the underprivileged

There is already competition in the provision of several services At the level of cellular service providers, South Africa has licensed more than 17 companies

Six different utilities offer value-added network services and more than 40 Internet providers compete to supply information services

There are more than 50 paging companies, and cellular operators Vodacom and MTN have experienced phenomenal growth over the past two years

The cellular companies have some advantage in that they provide digital wireless communications Telkom, for instance, has to relinquish analogue services first before investing in the more favoured digital and business intelligence communications systems

This task is compounded by the need to invest in ever-changing technology, such as virtual private networks

Cellular operators also compete in long-distance services trunk radio services have operated in a highly deregulated environment

The issue of national and international long-distance voice exclusivity, as stipulated by the White Paper on telecommunications policy, accentuates the need for a period of restructuring and rapid network roll-out

The long-distance voice exclusivity period allows the monopoly operator to rebalance tariffs and disperse its services evenly in the country in line with the need to provide universal service

South Africa, like all other emerging developing economies, faces the pressure to open up the long-distance and local loop service

Experience around the world is that this can only be achieved through internal restructuring in order to meet universal service obligations

It is this issue that regulators, including the United Kingdom's Office of Telecommunications, are grappling with in their efforts to ensure rigorous competition

The history of competition trials in the UK market is interesting, as it clearly demonstrates the difficulties in levelling the playing field to establish full competition

After a protracted period of monopoly by British Telecom, followed by the shift towards duopoly with the licensing of Mercury, the inevitable need to eliminate anti-competitive behaviour was elaborated in the 1991 White Paper.

Fair competition was constrained by a number of factors For example, BT holds shares in its prospective competitors such as cable television and cellular suppliers This form of vertical integration can easily undermine fair competition

Further, BT enjoys the added advantage that all its competitors enter the public network at a fee

Mercury has not embarked on a serious campaign to enter the local telephone services market

Although cable may pose a considerable degree of competition in the market, it still has to interconnect with either BT or Mercury networks at considerable cost

The prospect of increased choice for all is sometimes impeded because cable is concentrated in the major centres and thus unevenly spread throughout the country

Several public reports aptly show that more than 150 new operators are struggling to break BT's 90 percent market domination

The cable industry, together with new entrants in the British telecoms market believes competition policy is not effective This view is confirmed by the succession of disputes between BT and the regulator, the Monopolies and Mergers Commission.

It is not yet clear whether the merger between BT and Cable and Wireless is seen as uncompetitive by the commission

The failure of the April 30 World Trade Organisation deadline on the liberalisation of telecommunications illustrates the predicament the organisation is in

If global players are still experiencing difficulty in achieving international technology standards, this raises the question of how we can set global telecommunications policy and liberalisation standards

Those who argue that there is competition in the UK will have to convince us that you can achieve meaningful competition when one operator holds nearly 90 percent market share

☐ *Andile Ngcaba is the postmaster-general*

Ministry puts a brake on privatisation

ARG 13/7/96

MXOLISI MGXASHE (232)
Staff Reporter

THE privatisation of Eskom and other state assets run by the Ministry for Public Enterprises is definitely not on the government's cards for now, says the ministry's deputy director-general Sipho Shabalala

Professor Shabalala was responding to concerns and demands raised by the National Union of Metal Workers of South Africa in the midst of seemingly contradictory and sometimes confusing government positions on the controversial issue

Numsa's opposition to privatisation has been in line with the general labour movement's protests and resistance to government's proposed sales of some of its assets to the private sector

He said the Ministry for Public Enterprises and Eskom were both bound by the National Framework Agreement and other government guidelines on how to go about the issue of privatisation The Ministry had been encouraged by the quality and the spirit in which the Eskom's Restructuring and Transformation Committe had been conducting its discussions aimed at determining the best restructuring options available to Eskom and the electricity distribution sector, Professorr Shabalala noted

He commended the "valuable contributions" made by the Numsa, the National Union of Mine Workers and the Mine Workers Union in the search for optimal structures and processes within Eskom

The labour movement – led by the Congress of South African Trade Unions (Cosatu), and the National Congress of Trade Unions, Nactu and others not affiliated to any of the two federations, has registered its strong opposition to privatisation of companies which have for years been operating as parastatals

The unions fear that privatising these public enterprises would be tantamount to selling the workers out to the bosses, especially at a time when past conflicts between labour and the bosses are still as unresolved as they have been

Sipho Shabalala

The unions also cite the experiences of other countries in Africa where, they argue, privatisation has brought about more hardship including widespread retrenchments

President Nelson Mandela has, however, told investors during his recent state visit to Germany that his government was committed to privatising That view is likely to be restated during his current visit to England

Taking the cue from the president's position, Minister for Public Enterprises Stella Sigcau came out more unequivocally in May on privatisation, saying it was a "fundamental part of government policy" and she was confident the unions could be brought aboard

But she was mistaken and the unions were not about to give up what they considered was their fundamental struggle against social injustice.

Even former secretary-general of the National Union of Mine Workers Cyril Ramaphosa, who has now opted for a big role in black economic empowerment, has advised the business community to respond "sensitively to workers' concerns" about job losses that could result from privatisation

It is in the wake of all this controversy that Professor Shabalala responded to these concerns with a more cautious approach than was shown in his minister's statement defining privatisation as a "fundamental part of government policy".

"In the event any of the stakeholders like Numsa experiencing problems with the behaviour of any of the stakeholders or about the consultation process, the preferred approach as far as the Ministry for Public Enterprises is concerned, is to raise them with the established consultation structures and processes," Professor Shabalala said

Such an approach would help to legitimise the consultation structure and the processes it entailed "This is the appeal the Ministry for public Enterprises would like to make to Numsa," he said

Eskom had committed itself to referring all issues falling within the ambit of the NFA to the Restructuring and Transformation Committee. This included all options regarding Rotek, Ringfencing, Internal Power Pool, Recreational clubs, Human Resources, Management Board and others

Referring to Eskom's role within the provinces, Professor Shabalala said that the government was concerned that the electricity distribution industry in some of the former so-called "independent states" was not in a healthy condition and required urgent attention to avoid collapse

"The Ministry for Public Enterprises is confident that Numsa will rise to occasion and use the available consultation and negotiation structures as avenues wherein solutions are debated and adopted," Professor Shabalala said

Four contenders on the short list

Deadline for advisers on privatisation

(232)

BD 15/7/96

Beatrix Payne and Robyn Chalmers

LONDON — Government has short-listed four investment houses — two based in London — as possible advisers on privatisation

Public Enterprises Minister Stella Sigcau said at the weekend that Hongkong & Shanghai Banking Corporation/James Capel, Fleming Martin, CS First Boston and National Assets Initiative were competing for the lucrative contract All the contenders had been interviewed and a decision would be taken on Wednesday Government had set aside R10m to fund the advisory process

Advisers should have been appointed late last month, but the decision had been held back by bureaucratic delays at the state tender board, she said.

Industry observers said the National Assets Initiative was a strong contender because of its local links and mix of skills. It is a consortium that includes Standard Corporate and Merchant Bank, Ernst & Young, Merryll Lynch and Tiego Moseneke

Only limited progress can be made on the sale of state-owned enterprises until an independent adviser is appointed to value the assets The adviser will be responsible for guiding government policy on privatisation while mobilising the support of stakeholders in the restructuring process.

But there is a question mark over how many contenders will be willing to continue should there be any restriction on participation in the sale of assets Sigcau said any adviser would not be allowed to participate in the privatisation and a number of the original contenders had dropped out as a result.

Eight international investment banks had initially applied to be advisers but some, including Price Waterhouse, SBC Warburg and Lehman Brothers, had pulled out Thebe chairman Vusi Khanyile said Thebe subsidiary Msele Corporate and Merchant Bank had withdrawn from the National Assets Initiative consortium and that Msele wished to pursue its own interests in the sale of assets.

But HSBC/James Capel international corporate finance MD Arnold Ship said the restrictions on participation in the sale of assets were still "an open question If we were forever banned from participating in the sale we would not go for the role."

Fleming Martin — based in Johannesburg but with strong links to Flemings in the UK — declined to comment, as did National Assets Initiative.

Sigcau met HSBC/James Capel — which owns Johannesburg-based broker Simpson McKie — in London last week to discuss the provision of bridging finance to emerging black-owned companies, among other issues

Govt task team goes back to basics on competition policy legislation

(232) BD 15/7/96

John Dludlu

INITIAL proposals from government's new competition policy task team indicate the legislative process is starting from scratch, with ideas thought to have been ruled out — such as the US anti-trust policy — up for discussion.

A draft document recently drawn up by Trade and Industry Minister Alec Erwin's task team identifies the constraints on drawing up new legislation and potential lessons from overseas, but stays clear of firm policy recommendations. Instead it details policies pursued overseas and says government must decide whether legislation has an exclusive economic focus or should serve political and social goals.

Competition Board chairman and task team member Pierre Brooks emphasised yesterday that the document was an early draft for discussion only, and had not been intended for release.

The intention was to ensure that all options were examined, and the points of view of interested parties taken into account first.

"There is no use making proposals at this stage, since the question of consultation would not come into it. People must not be confronted with a fait accompli," Brooks said.

The draft indicates that the team is starting over, despite months of work by a previous task team. The previous proposals were thrown out by then minister Trevor Manuel.

The document says competition law should promote "consumer welfare and economic efficiency by preserving the freedom of economic action of market participants. One will need to consider whether it is necessary to target excessive conglomeration and/or enterprises in a monopoly situation, what factors are relevant in deciding whether a merger restricts competition to a substantial extent, and under what circumstances mergers that restrict competition or result in market dominance ought to be condoned."

The draft document's possible options to tackle anti-competitive conduct include outright prohibition of price fixing, market-sharing arrangements, resale price maintenance and collusive tendering. Erwin wants new legislation ready before the year-end.

Observers say the makeup of his team — Brooks, Cape advocate Willem Pretorius, Wits law professor Dennis Davis, academic David Lewis and trade department director-general Zavareh Rustomjee — suggests an attempt to balance radical with conservative approaches.

The US law serves as a "charter of economic liberty aimed at preserving free and unfettered competition".

Selection of privatisation adviser stalls

(232) CT(BR) 17/7/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — The appointment of the government's privatisation adviser has been postponed to next month because only two of the eight ministers on the committee arrived at the meeting in Pretoria

The appointment should have been made yesterday by the inter-ministerial committee on the restructuring of state assets

The other committee members either had other local commitments or were in Atlanta for the Olympic Games, a source said

The inter-ministerial committee will select an adviser from a short-list of four bidders The list includes the investment house Hong Kong & Shanghai Banking Corporation-James Capel, Fleming Martin, CS First Boston and a consortium called the National Asset Initiative

The adviser will be appointed on a one-year contract

Meanwhile, the labour movement was about to appoint an expert from the private sector to advise it on the restructuring of state assets, sources close to Cosatu said yesterday

The government and labour will meet next month to evaluate progress made by the five task teams which are identifying the government's options in handling state assets

Cabinet to decide on conflict of interests

BD 17/7/96

(232)

Robyn Chalmers

THE public enterprises ministry would decide whether National Assets Initiative Consortium, with its close relationship to the Telkom chairman, would present a conflict of interests if the consortium became government's adviser on privatisation, a spokesman said yesterday

Legal firm Moseneke & Partners, which has Tiego Moseneke, brother of Telkom chairman Dikgang Moseneke as partner, is a member of the consortium Moseneke co-wrote the Moseneke report on privatisation

Dikgang Moseneke returned this week from a trip abroad to hold talks with potential equity partners in Telkom.

Telkom is at the forefront of government's privatisation drive, and Moseneke & Partners is a key player in the National Assets Initiative

Other consortium partners include Standard Corporate and Merchant Bank, Ernst & Young and Merryl Lynch

Government officials said yesterday although the relationship between the two Moseneke brothers could constitute a conflict of interests, it was premature to speculate as the adviser had yet to be appointed

Tiego Moseneke had said last year at the launch of the National Assets Initiative that the consortium would not bid for Telkom work

However, observers said this could be difficult as government's adviser would be expected to guide policy on privatisation as a whole Government had also made it clear that the chosen adviser would not be allowed to participate in the sale of assets

Public Enterprises Minister Stella Sigcau said the adviser would be announced today, but officials said this could be delayed A number of ministers were abroad, and a Cabinet meeting to approve the appointment had to be convened.

The other contenders for the post were Hong Kong & Shanghai Banking Corporation/James Capel, Fleming Martin and CS First Boston

Numsa opposes partners for Eskom

BD 19/7/96

~~(250)~~ (232)

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) would oppose moves by government to find a strategic equity partner for Eskom as the delivery of electricity was regarded as a key area of strategic state intervention.

Union general secretary Enoch Godongwana said yesterday the union would oppose privatisation of institutions central to the delivery of basic services, and would call for nationalisation of strategic institutions in private hands. These views came from the union's national executive committee meeting at the weekend.

The question of restructuring of state assets is likely to form the basis of intense debate at Cosatu's executive committee meeting today.

Godongwana cautioned that in rejecting privatisation "we should not fall into the trap of adopting a dogmatic position. We have to find the middle ground." The middle ground, he said, supported the view that institutions such as Eskom were critical to the delivery of basic services. Government's election was based on expectation of the delivery of certain services. Its failure to deliver those services would be

Continued on Page 2

Numsa

~~(250)~~ (232)

BD 19/6/96

Continued from Page 1

seen as a betrayal, he said.

Godongwana said government's argument for selling a stake in parastatals was motivated by the need for access to technology and capital for expansion. This was not applicable to Eskom, he said, which had the capacity, knowledge and finance for making electricity available. "Placing it in private hands will derail the process."

He said, however, that "if the absence of a strategic equity partner affected the effectiveness of delivery of services", agreement would have to be reached on a strategic equity partner

Star 20/7/96

Battle lines drawn as unions focus on privatisation issue

(232)

The Congress of SA Trade Unions is trying to cobble together a united response to the Government's new economic direction during a three-day special executive meeting which started yesterday

The gathering was supposed to take place last week, but was postponed after representatives of several affiliates indicated they could not make it

The restructuring of state assets, the labour market commission report – which proposes a ceiling on wage increases – and the Government's macro-economic strategy are the main issues on the meeting's agenda

Heated debate is expected, as the battle lines are drawn between those in favour of privatisation and those opposed to it.

The meeting was preceded by countrywide marches and mass action in which several unions voiced their opposition to the Government's liberal privatisation policy

The federation's transport, municipal, metal and communication unions have all expressed tough opposition against privatisation and have called on the Cosatu leadership not to yield to pressure to accept privatisation.

Move to boost understanding of restructuring parastatals

(232) Star 20/7/96

By ESTELLE RANDALL

Two key government initiatives, to boost labour's capacity and access to information, may help to speed up agreement on restructuring state-owned Transnet, Eskom, Denel, Safcol, Alexkor, Aventura and a myriad parastatals.

The Government has made about R800 000 available for the labour movement to appoint specialist advisers to assist in negotiations about restructuring state assets. Labour was also this week given letters of authority to get information about multibillion-rand parastatals

The appointment of advisers and easier access to crucial information through the letters of authority will boost labour's capacity to formulate coherent strategies for restructuring state enterprises, beyond the principled anti-privatisation stance it has adopted

Besides information it will now be able to garner, labour could also dip into the replies to the Public Enterprises office's request for parastatals to provide information about their ownership, management, asset value and efficiency.

Jeff van Rooyen, special adviser to Minister of State Enterprises Stella Sigcau, acknowledged that capacity and information had been a problem for both the Government and labour.

At the end of this month the Government plans to appoint an adviser from among four shortlisted investment banks – Hong Kong & Shanghai Banking Corporation, James Capel, Fleming Martin, CS First Boston, and the National Asset Initiative consortium

"The ministers were supposed to meet this week to decide on who the Government's adviser would be," Van Rooyen said "But not all were able to make the meeting, which has now been scheduled for July 31."

He said the R800 000 for labour to appoint advisers, and the letters of authority giving them the right to information about parastatals, would do much to "level the playing field" between the Government and labour

"The Government had access to information which labour didn't have and this caused problems. We haven't been negotiating within the same frame of reference," Van Rooyen said.

"Once we're all on board, there's no way that we won't find a solution and compromise There is agreement between the Government and labour on the objectives of restructuring, but the problem has been the strategy to achieve these."

The National Framework Agreement, concluded in January, committed labour and the Government to the provision of affordable, good-quality basic services and situated restructuring within the Reconstruction and Development Programme

It also recognised the legitimacy of the state playing a role in productive sectors of the economy and noted that restructuring was not necessarily geared towards reducing state involvement in economic activity Ownership was not the determining factor for efficient operation of enterprises, it was agreed.

Rather, restructuring objectives were to increase economic growth and employment, re-invest proceeds from restructuring, mobilise and redirect private sector capital to develop infrastructure, reduce state debt, enhance efficiency and competitiveness, and develop human resources.

Ravi Naidoo, a researcher with the National Labour Economic Development Institute – labour's policy unit – said the names of labour's advisers would be announced next week

The list would include local and foreign academics and researchers who were specialists in their field and with insight into workers' concerns and experiences

Labour deal paves way for sale of state assets

(232) ARG 20/9/96

■ The government has a new card up its sleeve to speed up privatisation, writes Staff Reporter **ESTELLE RANDALL**

TWO key government initiatives may speed up agreement on restructuring state-owned Transnet, Eskom, Denel, Safcol, Alexkor, Aventura and a myriad of parastatals

The government has made about R800 000 available for the labour movement to appoint specialist advisers to help in negotiations about restructuring state assets Labour was also given letters of authority this week to get information about multibillion-rand parastatals

The appointment of advisers and easier access to crucial information will boost labour's capacity to formulate coherent strategies for restructuring state enterprises, and take it beyond the principled anti-privatisation stance adopted so far

Labour will also have access to the replies to the Public Enterprises office's request for parastatals to provide detailed information about their ownership, management, current asset value and efficiency Jeff van Rooyen, special adviser to Minister of State Enterprises Stella Sigcau, acknowledged that the incapacity to formulate strategy and lack of information had been a problem for both government and labour.

At the end of this month the government plans to appoint an adviser from among four short-listed investment banks - Hong Kong & Shanghai Banking Corporation James Capel, Fleming Martin, CS First Boston and the National Asset Initiative consortium

"The ministers were supposed to meet this week to decide on who the government's adviser would be," Mr Van Rooyen said "But not all were able to make the meeting, which has now been scheduled for July 31 "

He said the R800 000 for labour to appoint advisers and the letters of authority giving them the right to information about parastatals would do much to level the playing field between government and labour

"Government had access to information which labour didn't have and this caused problems We haven't been negotiating within the same frame of reference," Mr Van Rooyen said "Once we re all on board there's no way that we won't find a solution and compromise," he said

"There is agreement between government and labour on the objectives of restructuring, but the problem has been the strategy to achieve these," he said

The National Framework agreement (NFA), concluded in January this year, committed labour and government to the provision of affordable, good quality basic services and placed restructuring within the reconstruction and development programme

It also recognised the legitimacy of the state's role in productive sectors of the economy and noted restructuring was not necessarily geared towards reducing state involvement in economic activity

Ownership was not the determining factor for efficient operation of enterprises, it was agreed Rather, the aim of restructuring was to increase economic growth and employment, reinvest proceeds from restructuring, and mobilise and redirect private sector capital This would in turn develop infrastructure, reduce state debt, enhance efficiency and competitiveness and develop human resources

Ravi Naidoo, a researcher with the National Labour Economic Development Institute - labour's policy unit - said the names of labour's advisers would be announced next week

The list would include local and foreign academics and researchers who were specialists in their field and had insight into workers' concerns and experiences Mr Naidoo agreed that incapacity to formulate strategy had hampered the talks so far But he believed the government's macro-economic policy, unveiled in June, would help focus proposals

The macro-economic policy called for urgent implementation of the public sector restructuring programme, including guidelines for governance, regulation and financing of public corporations, the sale of non-strategic assets and the creation of public-private partnerships in transport and telecommunications

It reaffirmed government commitment to expanding public infrastructure investment so as to provide adequate and more efficient infrastructure services This would support industrial and regional development and address major backlogs in municipal and rural services

Restructuring, the macro-economic policy reiterated, could involve total sale of assets, partial sale to strategic equity partners or sales with government retaining a strategic interest, and would be a phased process

Although the government-labour task teams had not met in all sectors identified, both Mr Naidoo and Mr Van Rooyen were confident that they would do so soon

"We need more information-sharing between government and labour," Mr Naidoo said He noted there had been hostility in dealing with the issues involved in restructuring

"We need to develop an overall approach in each sector and from there work out what happens with the enterprises in that sector," he said The NFA provided for regular meetings of sectoral teams comprising representatives from the government and labour covering transport, minerals and energy, telecommunications, trade, industry and defence, water, forestry, agriculture, local government and housing

"Discussions in the telecommunications and transport sectors are proceeding well," said Mr Van Rooyen, "and despite disagreements between unions in the transport sector and the government, we are optimistic that we'll reach a compromise "

The National Economic Development and Labour Council (Nedlac) is currently mediating disagreement between the Transport Ministry and labour over what form a public bus transport system should take

The national government-labour team is expected to deal with proposals for restructuring the transport and telecommunications sectors in September

Most progress appears to have been made in the telecommunications sector, with the sale to foreign investors of 20-30 percent Telkom shares The Minister of Post and Telecommunications Jay Naidoo is expected to make a presentation about the sale to all stakeholders of the NFA in August

The cabinet is also expected to decide then on a short-list of foreign equity partners A final decision on who Telkom's foreign equity partner will be is expected by the end of March 1997

In her budget speech Minister of Public Enterprises Stella Sigcau also indicated that Sun Air and Transkei Airlines would be sold off It was also possible that three mothballed Eskom power stations would be sold to foreign investors for about R1 billion and that 25 percent of Aventura shares could be offered for sale to its employees, she said

How long the whole process of restructuring would take remained unclear The government said the process should be "phased" and labour was opposed to a "big bang" approach

"It could take years, if we want something good, or a matter of months if we only concern ourselves with attracting foreign investors We should aim for something in between," Mr Naidoo said

QUOTE

We need more information sharing between government and labour

Ravi Naidoo
Labour's policy researcher

❑ **STELLA SIGCAU:** The Minister of Public Enterprises hinted at the sale of three Eskom power stations for R1 billion.

❑ **JAY NAIDOO:** Making progress in selling Telkom to foreign investors

MTN and Vodacom could face criminal charges of price collusion

(232) ~~(2??)~~ CT (BR) 22/7/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — MTN and Vodacom, South Africa's two cellular phone network operators, seem likely to be charged with price collusion

The Competition Board decided on Friday to hand the operators' London agreement on tariffs and discounts to the attorney-general.

In an unusual step, the board side-stepped the police and took the case directly to the attorney-general Late on Friday, Pierre Brooks, the board's chairman, said he had started discussions with the attorney-general on legal technicalities related to the charge.

The board alleges the London agreement violated a government notice of May 2 1986, which prohibits price fixing The board has successfully prosecuted several companies since then under the notice.

MTN and Vodacom's agreement was signed on August 4 1994 at the head office of Cable & Wireless in London.

The two companies deny that the London agreement constitutes price fixing and have told board officials they will challenge the validity of the 1986 government notice in court.

MTN and Vodacom are said to be unhappy with theboard's decision to hand the case directly to the attorney-general.

The London agreement covers issues such as tariffs charged by the networks and the sharing of infrastructure to minimise the expenditure on both networks.

In terms of the agreement, the chief executive officers of MTN and Vodacom will "exchange plans for discounts and connection bonuses" that they pay to service providers.

It also limits the connection bonuses the network operators pay to the service providers.

One of the legal issues the board discussed with the attorney-general on Friday was whether the signatories to the London agreement should be prosecuted in their personal capacities. A final decision was not taken.

If the signatories are charged and found guilty, they will face maximum fines of R100 000 each or five years' imprisonment.

The MTN agreement was negotiated and signed by John Beck, MTN's previous managing director, Jonty Sandler, New Africa Investments' chief executive, Multichoice's Ian Wilkinson and Cable & Wire's David Foot

Alan Knott-Craig, Vodacom's chief executive, Rembrandt's Dillie Malherbe and British-based David Henning, and Vodacom's Gerry Cowan signed Vodacom's accord

Another question the board discussed with the attorney-general was whether the negotiation of the agreement in London affected the jurisdiction of local courts

Sources said on Friday the case would most likely be brought to a local court

Potential buyers oppose any restructuring of Johnnic

Patrick Wadula

(232)

THE National Empowerment Consortium wanted to be part of any restructuring of Johnnic's assets, the consortium's spokesman Irene Charnely said yesterday

She said the NEC was opposed to Johnnic restructuring its assets ahead of its possible sale to the black empowerment consortium, although she acknowledged that Anglo had a right to do whatever it wanted to with its assets

The consortium was scheduled to meet Anglo in August to continue the negotiations.

A restructuring of Johnnic's assets include the mooted sale of a stake in Times Media Limited's (TML's) financial publications to Pearsons, owners of the London-based Financial Times, a possible sale of Johnnic's 21,4% stake in Toyota SA to the Japanese manufacturer and the merger of Premier Pharmaceuticals and Adcock Ingram

The consortium welcomed the TML staff decision to reject an editorial charter proposed for TML newspapers "If a charter is drawn up it should be discussed with the new owners"

She said Anglo had informed the consortium of talks with Pearsons about acquiring a stake in Business Day and the Financial Mail. Anglo wanted to reduce control over the major publications in the group, which the consortium did not agree to, she said

BD 22/7/96

CWU may pull out of talks

Union threat to Telkom restructuring

(232)

CT (BR) 23/7/96

By Jabulani Sikhakhane
BUSINESS EDITOR

Johannesburg — The restructuring of Telkom's non-core businesses is under threat because the Communications Workers' Union (CWU) is considering withdrawing from the process to evaluate alternatives

Any unilateral decision by Telkom would not be binding on the union and could lead to massive labour unrest.

The union, which has a total membership of 40 000 in the telecommunications industry, represents about 40 percent of Telkom's 58 878 employees

Telkom has identified seven business units as not being core to its operations. The businesses are estimated to be worth several billion rands and have a combined staff of 14 000, or 24 percent of its total workforce

These non-core operations were to be outsourced by March, but the plan was shelved after opposition from trade unions.

Project teams representing management and labour were established to evaluate alternative restructuring vehicles for the non-core businesses

"The national congress of the CWU took a decision to withdraw from the project teams if the process unfolded in a way we do not agree with," Seleboho Kiti, the secretary-general of the union, said yesterday "We are now considering doing so Telkom management was, and is, still not taking unions seriously"

Telkom defines its core business as operating national and international telecommunications networks and information systems, and providing its customers with communications solutions

Non-core businesses are construction services such as the installation, repair and maintenance of equipment, Iuvatek (workshops); FastFleet (transport); Genprint (printing services), restaurants, security; and Omaramba, a convention centre and holiday resort near Rustenburg.

These services are estimated to cost Telkom more than R1 billion a year

Kiti said the management "consults and then takes decisions unilaterally"

"We support the restructuring of non-core business to make them profitable and thus secure jobs But we are opposed to outsourcing.

"Buyers of these businesses will not guarantee jobs and employee benefits," he said

"Outsourcing runs counter to the principle of transforming Telkom to reflect South Africa's demographics The majority of the employees in these non-core businesses are black. Outsourcing will only entrench white domination at Telkom," he said.

Kiti suggested that the non-core businesses should be turned into Telkom subsidiaries. They should render services to parties outside of Telkom to improve profitability

"Its restaurants, for instance, can serve meals to non-Telkom employees," he said.

Jannie Zaaiman, the Telkom group executive in charge of non-core businesses, said outsourcing was only one of the options the project teams were evaluating. He said other options included management and employee buy-outs, the creation of joint ventures and turning the entities into subsidiaries or partially owned businesses

(232) ARG 23/7/96

Erwin unveils schedule for privatisation

The Argus Correspondent

WASHINGTON – Trade and Industry Minister Alec Erwin gave US investors a glimpse of the government's privatisation timetables yesterday, saying the restructuring of Telkom and the selling of radio stations would be followed closely by privatisation in the transport sector, aspects of the petro-chemical industry and then forestry.

He was addressing a lunch given by the US-SA business Council and the Business Development Committee of the US-SA Binational Commission which is holding its second full plenary here today

Answering a question about the slow pace of privatisation, Mr Erwin conceded the government had rushed in at the start to announce that it intended privatising state enterprises and had then realised it would take more time and homework in

- Valuing complex state corporations accurately,
- Clearly establishing the mandate and strategic importance of each state corporation,
- Legislating the correct regulatory environment,
- Bringing the labour movement on board

Mr Erwin said the government would restructure state assets sector by sector The government also aimed to build partnerships with the private sector to build infrastructure

Corporate growth and development consultant Natalie Stoltz shows that women do not have to be witches to get on in the workplace. Picture ROBERT BOTHA

Corporations told: add value

(232)

Business Day Reporter

BD 25/7/96

THE trend towards unbundling in SA is being propelled by the need to take advantage of overseas markets and competition, and by pressure from government to deregulate or eliminate cartels.

This is the view of consultant Jane O'Riordan, a director of Braxton Associates She says international competition has shown that corporations which have not become leaner have not added value to their core businesses

As a result, they are faced with hostile take-overs by groups who regard them as "worth far more in parts than in whole"

In addition to unbundling, there is a need to show how to add value to the "corporate centre", O'Riordan says.

Establishing an appropriate business mix is the key to this

Corporations have to build an overall strategy, which includes developing a business portfolio through mergers and acquisitions However, parent companies do not have external customers, and can influence their market share only through the businesses they control

SA corporations should therefore provide a clear formula for increasing the value of their businesses They should also process the skills, resources and systems which the parent company and its businesses use, and have a coherent understanding of the criteria that define their core business

Braxton Associates has established a framework which supports this corporate outlook It might include cuts if the corporate centre is heavy, but the potential returns from "proper parenting" outweigh the cost of the parent, O'Riordan says

"If senior management is fully committed to the approach and the message is successfully communicated, then the organisation is likely to embrace change rather than entrench against it," she says

PRIVATISATION AND REDISTRIBUTION

(232)

WAREHOUSING PROPOSALS

FM 26/7/96

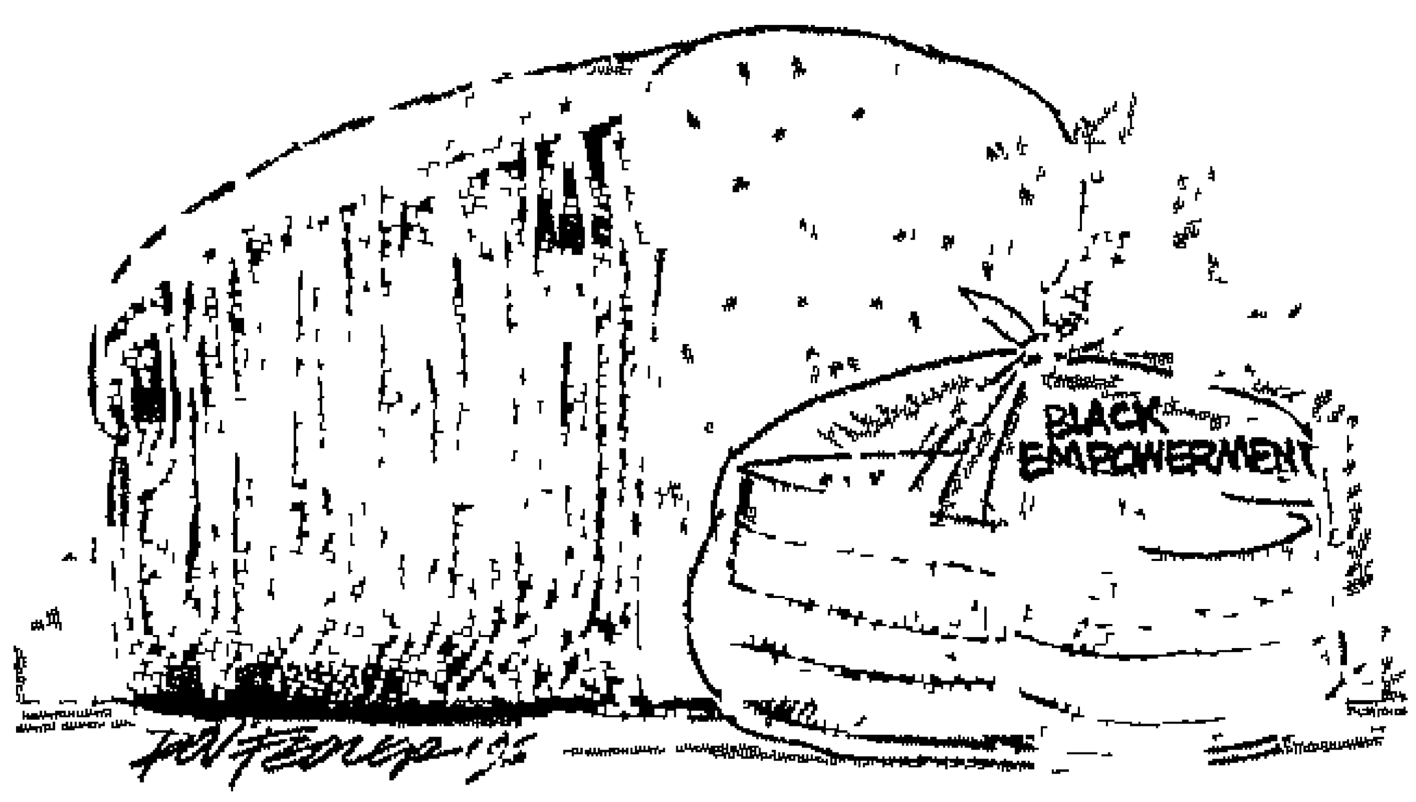
A number of organisations representing black business, including Nafcoc and Fabcos, have proposed a Black Economic Empowerment Fund

Once established, the fund would warehouse shares in privatised State assets, on behalf of black buyers This will give individuals and consortia time to raise the capital to acquire the shares

The proposals rest on three assumptions

- When government sells equity stakes in State-owned companies, it will earmark a percentage of that equity for black buyers,
- Government will make some form of donation to facilitate the transfer of ownership to black buyers, such as low interest loans, cash contributions and discounts, and
- Institutional investors will contribute to the fund's seed capital

Assumption one may or may not be valid, but if it doesn't materialise, the concept could be adapted to other models



A Ministry of Public Enterprises spokesman says it is considering various models for advancing black empowerment If equity is not set aside for black buyers at the time of sale, an alternative would be to sell all the equity to the highest bidder, earmarking some of the proceeds for black buyers

Assumption two is reasonable

Evidence is in the July 1995 ministry discussion document It says "Restructuring must redistribute wealth, boost small and medium enterprise, have substantial affirmative action implications and facilitate genuine black economic empowerment "

Assumption three depends on what's in it for institutional investors

The problem is control, both of the fund and of the equity stakes it holds

As proposed by black business, government will have effective control of the fund It will be managed by an asset management company and by a board of directors — including "a significant number of representatives from the disadvantaged groups (including organised labour) "

Institutions will apparently have no say over when the fund's assets are transferred, but they will receive their share of the fair value of the shares

Some investors, however, may find the rewards implicit in "fair value" too slim to compensate for the risks

To some extent Nafcoc is relying on a sense of social obligation "I think it will be a question of commitment from all the parties — to black empowerment and affirmative action," says acting executive director Phillip Tekane

The rub here is that institutions have an obligation to their investors, many of them pension fund members, to maximise returns

There are incentives for institutions Buying into the fund will give them access to shares which may be earmarked for black buyers — should they want greater exposure to certain State companies

Nafcoc believes, once privatised companies are listed on the JSE, the share price is likely to rise sharply So institutions can make large capital gains if they buy into the fund from the outset

Response to the plan has been mixed The chief objection is that the taxpayer will bear the burden of any contributions to the fund or of privatisation proceeds sacrificed ■

Sanco spells out collusion charges

BD 26/7/96 (232)

Lukanyo Mnyanda

SA's major banks came under attack from the SA National Civic Organisation and Cosatu, who accused them of colluding when they increased their lending rates on the same day in May

The two bodies, appearing before the parliamentary subcommittee investigating alleged collusion in Pretoria, yesterday called for tighter government regulation of the banking industry to prevent what Sanco termed as "ad hoc price increases".

Sanco national housing and services head Sandi Mgidlana called on the Competition Board to take a tougher line on "even the informal collusion" that had led to the rates increase of May.

"The banks admitted they followed the leader (Standard Bank) by raising their rates 1%, even though each of them had different cost considerations and were not affected in the same way by underlying economic conditions."

Government should put pressure on the banks to ensure that they provide lower interest rates for housing-related loans "Banks should be regulated in keeping with the RDP," he said.

He also attacked government for abandoning the RDP and called for a community reinvestment Act, following the "failure" of the record of understanding which was reached without the organisation's participation.

He also attacked the Competition Board for its handling of the controversy and called for its restructuring into a more representative structure.

"One way to wake up the board is replace the non-representative members with those of us from civil society who actually feel the pain of monopoly pricing."

Cosatu parliamentary office head Neil Coleman said the fact that interest rates hike came only a day after a Council of SA Banks meeting provided factual backing for an "inference" that the banks had negotiated an "agreement, arrangement or understanding".

The increase had not been preceded by a Reserve Bank increase and this strengthened suspicions that the banks had colluded

"These events are clear indication of collussion and it would be disingenuous to suggest that they could be assumed to be the result of coincidence," he said.

High interest rates were having a negative effect on growth prospects and their presence suggested "a breakdown in the relationship between the financial sector and SA's broader economic development objectives".

He called for a change in the legislation regulating the Reserve Bank and said its Board of Directors had to be reconstituted to include representatives of trade unions and other organisations.

Parliament should form a commission to investigate the viability of continuing along the path of "separate or independent" monetary policy which he said was increasingly tending towards deregulation and fragmentation

It would be charged with investigating the possible creation of a financial ombudsman to protect consumers against exploitation by financial institutions.

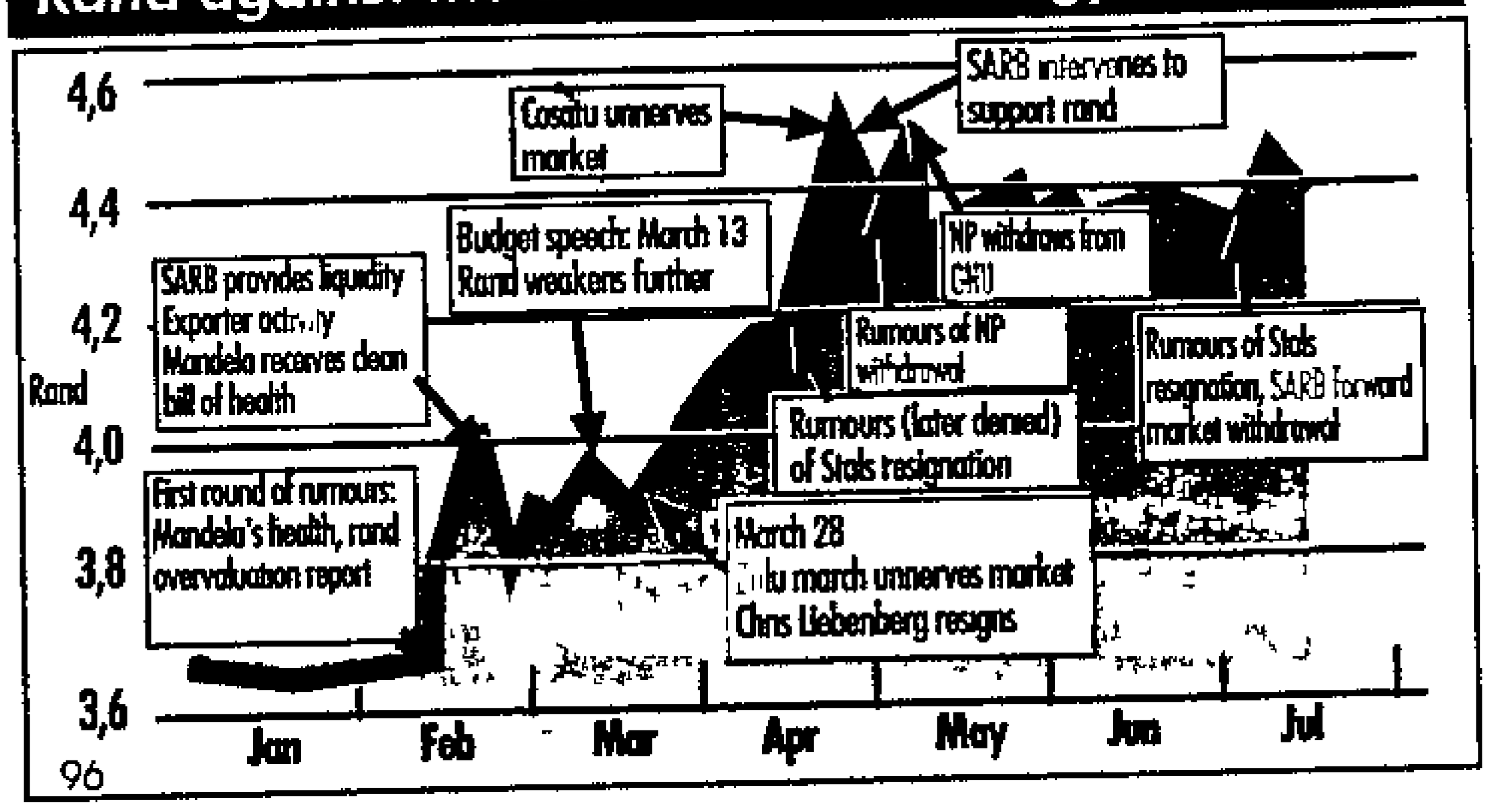
Competition Board chairman Pierre Brooks, also appearing in front of the committee, defended his decision to drop the investigation against the banks and said parties who believed there was a clear case against the banks could press charges independently

Banks unrepentant after probe

CT (PR) 29/7/96 (232)

By Nancy Myburgh
MARKETS CORRESPONDENT

Rand against the dollar - a chronology



Johannesburg — The South African banking industry will make virtually no changes in the way it operates despite the recent furore over alleged collusion between the banks on raising interest rates.

The banks' announcement follows an earlier Competition Board investigation and last week's parliamentary committee inquiry that indicated there was strong prima facie evidence of collusion.

The Council of South African Banks (Cosab), which represents the banking industry, appears unlikely to increase public disclosure of the banks' activities despite the evident concerns of customers and the general public.

On Friday, banking officials again denied the continued accusations of collusion after they raised their prime rates almost simultaneously on May 17 They discounted calls for heavier banking regulation and said none of the accusers had tried to refute the banks' evidence of their innocence

Norman Axten, the chief executive officer of Cosab, said there would be "very little change" to the banking industry after the recent furore over the alleged collusion.

Last week, a special parliamentary portfolio committee of the trade and industry department conducted hearings on the charges

Cosab said the rate increase had been a natural reaction to a crisis in the money market.

"Of all the critics who spoke at the hearings, not one mentioned the money market or market conditions that prevailed at the time They chose to ignore that as an influencing factor," Axten said.

The money market is where banks, large corporations and the government make short-term loans to each other and where banks get much of their cash to balance their books each day

Rates in that market, which determine much of banks' own costs, had risen dramatically between mid-February and mid-May — the time of the rand's nearly 20 percent devaluation.

The outflow of capital from the country during that time had helped cause the banks' scramble for funds in the money market and the escalating money-market rates, Cosab said

None of the banks could afford to keep rates down under those conditions, Axten said

The Congress of South African Trade Unions (Cosatu) charged at the hearings that the Cosab meetings held just before the rate increase were evidence of collusion. Axten said that these had been normally scheduled meetings

The parliamentary committee will file a report from the hearings and make recommendations to the ministers of trade and industry and finance

Banks lash out at civic organisation

(232) BD 29/7/96

Adrienne Giliomee

SA banks hit back at critics of their decision to increase prime overdraft rates on the same day, saying the SA National Civic Organisation (Sanco) did not take into account the effect of money market forces.

The Council of SA Banks (Cosab) on Friday called a news briefing following two days of hearings last week before the parliamentary subcommittee, set up to investigate alleged collusion between SA's four major banks.

Cosab CE Norman Axten said the money market shortage had reached R10,9bn on April 30, making it increasingly difficult for banks to balance their books. A sharp decline in reserves, coupled by the continued rise in bank credit, had severely reduced the liquidity base of banks

It was then becoming increasingly expensive to borrow from the Reserve Bank due to the introduction of penal borrowing rates

Standard Corporate and Merchant Bank director John Louw said difficulty in finding cash to balance the books could have resulted in banks defaulting on statutory requirements had it not been for an efficient overnight interbank market.

Axten said banks were not responsible for high interest rates. "Monetary policy determines whether the interest rate is high or low and is set by the Reserve Bank and the finance minister, not the banks."

Banks were mere intermediaries between consumers and the Bank, he said.

Committee chairman Edna Sethema-Molewa said on Friday there seemed to be strong "prima facie" evidence that banks had colluded. The committee's report will be tabled in Parliament next month

Is British-style privatisation the answer for Eskom?

(232) BD 29/7/96

GROVÉ STEYN and STEVE THOMAS

WHEN it comes to the family silverware, Eskom must rate as the most prized candelabra on the dining room table. Not only does Eskom provide practically the cheapest electricity in the world at international reliability and quality standards, it also spearheads the national electrification programme by connecting 300 000 new domestic consumers a year. Eskom is also an exemplary employer, providing good working conditions and paying above average wages.

Recent suggestions about the possibility of a strategic equity partner for Eskom have therefore raised eyebrows. However, given government attempts to facilitate private investment in SA, restructure and privatise state assets, and raise funds for social programmes, Eskom's privatisation was bound to be raised sooner or later.

In an increasing number of countries, governments are selling off electricity utilities. This is sometimes motivated by pragmatic attempts to reduce public debt, facilitate further electricity investment and improve service, but it is also often driven by pressure from international bankers and ideology.

The pioneering example was the 1990 privatisation and restructuring of the electricity supply industry in Britain, described in the publication The British Electricity Experiment by John Surrey. The analysis presented suggests that SA should concentrate on improving an already good system rather than risk destroying it by adopting an unproven British model.

In Britain, privatisation was informed by a new understanding of the nature of the electricity supply industry, but also by the ideological agenda of the Thatcher government. It was argued that the electricity supply industry consisted of four separable businesses: generation of electricity; high-voltage transmission; low-voltage distribution, and supply of electricity to final consumers, including wholesale power purchasing, marketing and billing.

The UK government believed that generation and supply were potentially competitive businesses and markets for them could be established, while distribution and transmission were natural monopolies which it would be foolish to duplicate. The prices charged for these services must therefore be set by an independent regulator. These four businesses should be owned by different companies, so, for example, a generation company could not use its ownership of the transmission system to gain unfair advantage.

However, an ideal structure in which a large number of companies competed in generation and supply could not be achieved immediately. In an attempt to protect the nuclear power sector, the power stations were to be split between only two privatised companies, National Power and PowerGen, but when the nuclear plants were belatedly found to be unsaleable, a third company, the state-owned Nuclear Electric, was hastily created. The 12 distribution companies, renamed regional electricity companies, were privatised intact without separating the supply and distribution components of their business and leaving them scope to enter the power generation market. The national transmission system was transferred to a new company, National Grid Company, but this was owned by the regional companies.

Competition in generation was to be through a half-hourly spot market known as the Power Pool and consumers were to be allowed to choose a supplier other than their local regional company. But, to protect the system from failure while the new system bedded in, a number of restrictions were placed on these markets. Contracts between the two large generation companies and the regional electricity companies still left little scope for the Power Pool to have any influence on electricity prices, and competition in supply was initially restricted to very large users of electricity — with domestic consumers remaining captive to their local regional electricity company until 1998.

As a result, the new, highly profitable, companies have encountered favourable conditions, and shareholders are understandably delighted, but domestic consumers, who have seen few benefits, are less enthusiastic. However, until markets in generation and supply become effective — there are grounds for believing this will be difficult to achieve — and the regulator is more successful in controlling the profits associated with monopoly services, electricity privatisation on the British model is far from proven. Indeed, in the long term, if competition becomes well established, it is not clear anyone will be able to justify the economic risk of building new power stations, and so the new system could break down at the most basic level of failing to keep the lights on.

While the SA situation is very different, a number of specific lessons can be drawn from British experience. Firstly, privatisation without effective competition is unwise. While a good sales price for the enterprises might be realised, it could prove difficult to subsequently introduce competition. An uncompetitive privatised structure will make it difficult for a regulator to protect consumers.

Secondly, allowing competition for final consumers is dangerous unless all consumers have a real choice. Large consumers will tend to wring very low prices out of the market at the expense of smaller consumers. Thirdly, in a competitive market investors prefer projects with low capital costs and short lead times. High capital options such as coal, nuclear and hydro, which may offer long-term security of supply, stand little chance in such a regime.

Under these circumstances, SA will do well to delay fundamental changes. This is not to say that no changes are needed. The present crises with municipalities defaulting on bulk accounts to Eskom highlights the urgency of rationalising electricity distribution.

A useful effect of the UK privatisation was that it increased the transparency of costs and profits throughout the system. With important decisions about new generating capacity coming up in 1997, SA can certainly do with increased transparency and public debate about Eskom's investment plans and the continued operation of Koeberg nuclear power station.

Eskom's electrification programme, though impressive in scale, should also be exposed to public scrutiny. Eskom effectively cross-subsidises the programme by approximately R1,2bn a year and is left to allocate these public resources with no effective political accountability. The subsidies, paid for by all electricity consumers, are only available to consumers in areas where Eskom has supply rights, mostly in rural areas, and is effectively only available for grid-based supplies, while consumers who could get cheap access to photovoltaic supplies go unsubsidised. These problems can be overcome by channelling subsidy funds through the fiscus.

Much can be done to improve Eskom's governance to meet the challenges of providing greater transparency and increase the pressure on management to further improve efficiency and cut costs. Its antiquated two-tier board structure should be replaced with a unitary board with executive and non-executive directors. The National Electricity Regulator should be beefed up to review critically Eskom's investment plans and measure its performance by benchmarking power stations and other business units.

Given Eskom's strong financial position, it is correctly viewed as a possible source of funding for government social programmes and the reduction of public debt. As a public utility, Eskom finds itself in an exceptional position in that it does not pay taxes or dividends.

Rather than selling off the goose that lays the golden eggs, Eskom's contribution to SA can be increased by subjecting it to company tax and dividend payments, and by improving its governance.

□ **Grové Steyn is programme leader: industry restructuring and governance, at Cape Town University Energy and Development Research Centre. Steve Thomas is a senior fellow at the Science Policy Research Unit at the University of Sussex.**

PERSONAL VIEW

Caring for competition

(232)

CT (?) 30/7/96

By Charles Stark

Issues of divestiture and dissolution go to the historical roots of the US antitrust experience It was popular resentment of monopolies that exerted enormous market power late in the previous century that gave birth to the first US antitrust law, the Sherman Act

Antitrust law is often called competition law or anti-monopoly law in other countries

The US experience with efforts to break up monopolised industries through antitrust has been one of benefits and costs and of continued discussion of complex legal, economic and political questions

When talking about divestiture it refers to the sale by a company of one or some of its components while the original entity survives

The Sherman Act of 1890's basic substantive provisions remain in place today.

It is not illegal under the US antitrust laws simply to have monopoly power if that monopoly was achieved by superior skill, foresight, efficiency and innovation.

Divestiture raises complex issues For example, how does one make sure that the divested entity will be economically viable and competitively vigorous?

How does one assure that it will not frustrate the restoration or maintenance of competition?

If divestiture can only be accomplished at a price lower than the selling firm considers appropriate, how low a price should be required to implement divestiture?

Capital markets work well, diversified companies buy and sell businesses regularly and the companies usually have market-driven incentives to accomplish divestitures

In the first two decades of the century the US justice department brought antitrust suits against Standard Oil, American Tobacco, Eastman Kodak, International Harvester, Du Pont, US Steel, United Shoe Machinery, American Can, Corn Products Refining company and the Lehigh Valley and Reading railroads

These early cases — most of which were won by government — clearly established the authority of the courts to order structural relief in antitrust cases and that authority remains in place today

What conclusions can be drawn about the value of divestiture after more than a century, remembering that this is no prescription for the way divestiture should be handled in South Africa?

There are markets that have come to be monopolised for which divestiture may be the most effective way to restore competition. There are other markets in which this may not hold true There are costs to restructuring and alternatives to divestiture which may restore competition at a lesser cost should be considered

As a general rule, remedies that eliminate excessive power, such as divestiture, yield better results than remedies that seek merely to control the exercise of that power

One must recognise that markets often move faster than the ability of governmental processes to diagnose and remedy complex economic phenomena

In 1969 the justice department sued IBM for monopolising the computer business In 1982, after years of litigation that imposed enormous costs on the government, the courts, IBM and the government abandoned the case, concluding that market conditions on which the case had been brought no longer existed

It is important to be aware of the effect of governmental measures that restrict competition Eliminating import barriers and unwarranted domestic regulations can do more to stimulate competition in some markets than any amount of restructuring

Breaking up a monopoly into several companies does not necessarily create competition. One must also be conscious of scale economies. A small economy might not be able to support a large number of competitors in an industry in which efficiency requires very large scale It is in these industries, especially that low import barriers keep markets competitive

A remedy may be successful in one industry, but have little application in another

Sound, effective and constant antitrust enforcement is vital

These remarks have focused on issues of monopoly, but that is only part of the picture Collusion among competitors such as price fixing, bid rigging and market division can give rise to monopoly outcomes even in markets that appear from the number of firms to be competitive

☐ *Charles Stark is the chief of the antitrust division of the US justice department, which enforces the country's antitrust legislation This is an extract of a paper delivered at a one-day seminar sponsored by the Afrikaanse Handelsinstituut on the forced unbundling of conglomerates*

Stocks & Stocks plans unbundling

BD 30/7/96 (232)

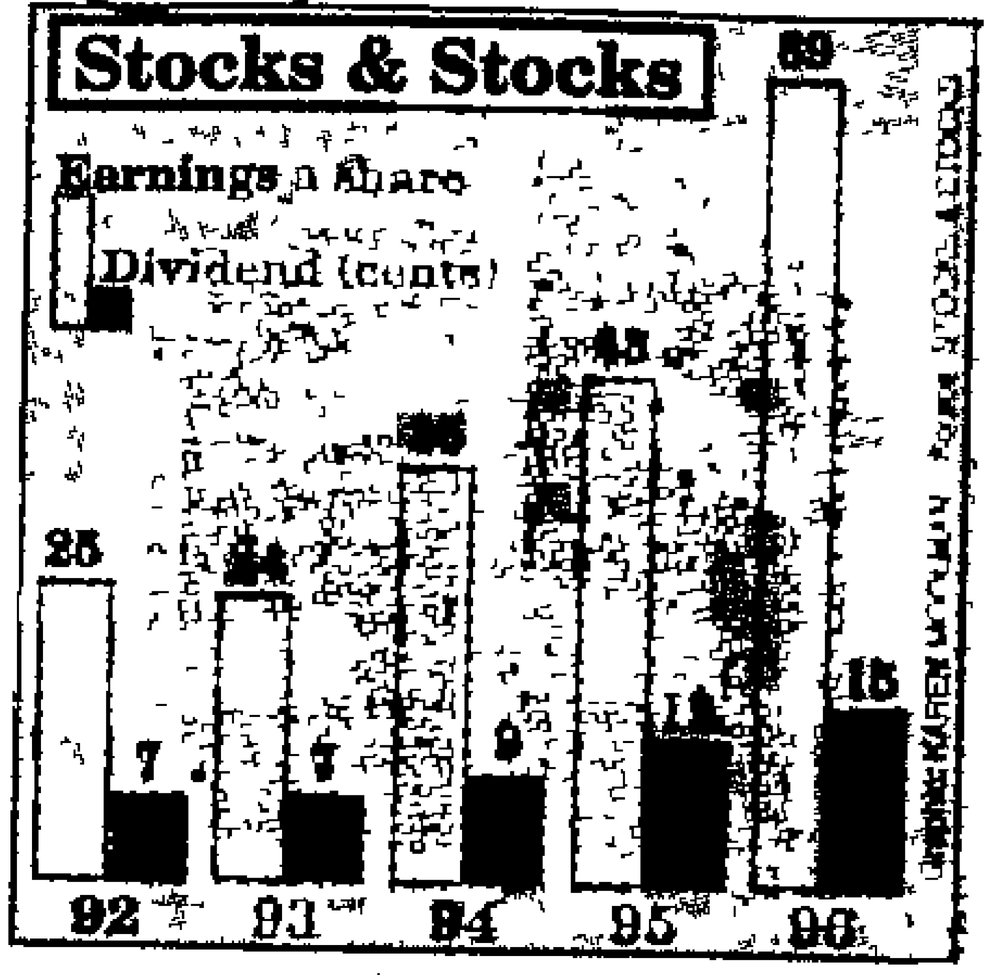
Robyn Chalmers

CONSTRUCTION group Stocks & Stocks lifted attributable income 61% to R55,8m for the year to April but was forced to fund much of the work itself amid a dearth of public sector projects.

Stocks said yesterday it was considering unbundling and separately listing its property and leisure interests to help cut borrowings. The interests — potentially holding assets of more than R750m — accounted for nearly 60% of the group's profit for the year.

The self-generation of work and investment in long-term property developments helped lift total borrowings to R208,5m, from R185,8m the previous year, despite last year's R77m rights issue. Finance charges jumped to R24,4m from R8m, more than halving its interest cover.

Group turnover rose to R1,6bn (R1,5bn), while operating income jumped to R85,3m (R62,9m), with operating margins rising to 5,5% (4,2%).



Higher finance charges brought pre-tax profit growth back to 11% to R60,1m. But the bottom line was lifted

Continued on Page 2

Stocks

(232)

Continued from Page 1

BD 30/7/96

by a policy change on deferred tax to comprehensive from partial. The move helped bring the tax charge in at just R2,3m (R17,25m).

Share earnings were 69c (43c), while the dividend was 15c (12c).

CEO Bart Dorrestein said the property division was the top performer, contributing 48% to earnings and the recent joint venture with the listed Samrand Development group was well placed to capitalise on opportunities.

Slow progress by the RDP and heavy rains contributed to the construction group's contribution to total profits declining to 31,6% (44,2%), although the division raised turnover and profit. This was assisted by the civils and roads division, which was involved in a number of major projects.

Dorrestein said the hotels and leisure group's contribution to group profit rose to 10,7% (9,5%) despite start-up costs and it had huge growth potential with two hotels to be built this year.

Unbundling and listing the property and leisure interests would cut debt and position the businesses for continued growth. It would also help the construction group achieve acceptable levels of business and boost the group's equity base, unlock value and open the doors for smaller, entrepreneurial groups to invest in Stocks.

The group had entered the current year with an order book of more than R1,5bn, and Dorrestein was hopeful that government expenditure on infrastructure, roads and housing would take off. This would lead to real growth in the construction sector of the group towards the second half of the year.

The steel fabricating and trading division as well as the recently established information technology operation were well placed for growth during the current year, he said.

Stocks chairman Reg Edwards said the group was looking at expanding into Africa, and was considering construction and leisure possibilities in Zaire and Zambia among others.

Privatisation adviser named soon

Robyn Chalmers

BD 31/7/96 (232)

GOVERNMENT is expected to announce its adviser on restructuring state assets this week, after a delay of more than six weeks

The public enterprises ministry said yesterday that an adviser would be recommended to Cabinet at its meeting today, and an announcement could be expected later this week or early next week

"There have been a few delays to the announcement, but the final decision has been held back by bureaucratic delays at the state tender board. In addition, a number of ministers have been abroad on trips which has led to further setbacks," a spokesman said

Four investment houses have been shortlisted for the position. They are HSBC/James Capel, Fleming Martin, CS First Boston and National Assets Initiative.

The latter is a consortium that was formed late last year to bid for the role, and is believed to be a front runner It includes Standard Corporate and Merchant Bank, Ernst & Young, Merrill Lynch and Moseneke & Partners

Thebe subsidiary Msele Corporate and Merchant Bank withdrew from the consortium last month as Thebe said it wanted to pursue its own interests in the sale of state assets.

Public Enterprises Minister Stella Sigcau has said the chosen adviser would not be allowed to participate in the sale of assets, and a number of the original contenders dropped out.

The adviser will be responsible for guiding government policy on privatisation while mobilising the support of stakeholders in the restructuring process. Only limited progress can be made on the sale of state-owned enterprises until an independent adviser is appointed to value the assets.

OWNERSHIP AND CONTROL

1996

AUGUST — DEC.

Showdown looms over horse racing privatision

(232)

ST (BE) 1/8/96

By Jabulani Sikhakhane

Johannesburg — There will be a showdown between the government and the Gauteng horse racing industry next month when the industry's privatisation is discussed. The dispute will involve the ownership of the industry's R300 million of assets

The assets involved include the three racecourses — Gosforth Park Turf Club, Newmarket Turf Club and Turffontein Racing Club — transport operations, technical services and training centres The technical services include the closed-circuit television system used to monitor races

The Gauteng government has already sought legal advice on the issue, Stan Matsebula, its chief director for economic affairs, said yesterday

"The (clubs') approach is that assets belong to the club, but club members are not entitled to those assets We have solicited legal opinion on the matter However, the matter is up for negotiation and I would not want to speculate on what solution will be arrived at," he said

He said the Gauteng government would like to encourage broader participation in the industry and it hoped that privatisation would help achieve that

The industry's privatisation follows a directive from Jabu Moleketi, the MEC for finance and economic affairs, that the industry be placed "in the same proprietary position (vested ownership) as any other business, thereby ensuring the necessary accountability"

The negotiations will also focus on how the members of the industry would like to privatise it A business plan with details of their views has already been submitted to the government

Barry Walters, the chairman of the Highveld Racing Authority, said that the assets belonged to the industry

He also said that any proceeds from their sale could only be held in trust or used to develop the industry

In terms of the present structure, the three racing clubs are nominally owned by the members of each club. They elect stewards from their ranks who administer the clubs.

Another issue to be negotiated is the industry's tax structure At present, the tax on betting turnover ranges from 17,5 percent to 25 percent.

Walters said the industry would find it difficult to survive if this tax structure were maintained, particularly because competition from other forms of gambling was increasing

The Gauteng racing industry has a turnover of about R1,5 billion a year from betting It pays about R135 million in taxes to the provincial government and a further R20 million in VAT to the national government.

☐ See Business Watch, Page 18

COMPETITION POLICY (232)

EXIT BARRIERS

FM 2/8/96

Competition authorities in Europe and the US have learnt giant conglomerates are not necessarily bad Market dominance is not a crime, abuse of that dominance is

A conference hosted by the Afrikaanse Handelsinstituut last week asked why companies become the size they are

In SA, one reason is that conglomerates diversified horizontally as there was no other outlet for investment

Anglo American's Stephan Malherbe identified four other reasons

- ❑ Economies of scale — bigger production runs mean lower average costs,
- ❑ Economies of scope — a holding company may have a capacity or resource that is of special value to all its subsidiaries, even if they are in seemingly unconnected industries,
- ❑ Transaction costs — for reasons like trust, or the costs of information associated with conducting certain transactions outside the group, it may be better to transact within it, and
- ❑ Monopoly rents — size allows the company to exert its market power to earn monopolistic profits

Obviously, if a firm is big for the first three reasons, there is nothing bad about it For a country to compete internationally, it needs big corporate players

Pierre Brooks

Michael Spicer

But the fourth reason, monopoly, is where competition policy has a role Says Malherbe "Competition policy tries to address three elements that occur with the abuse of market dominance

- ❑ A monopolist drives the price up by supplying less This results in a loss of allocative efficiency,
- ❑ Dynamic losses — competition and innovation are stifled, and
- ❑ A transfer effect — consumers end up poorer, monopolists enrich themselves "

Does SA have a monopoly problem? "We need a better definition of monopoly," says Anglo executive Michael Spicer "Often it is just a term of opprobrium used by politicians for any company with which they have differences — nothing to do with market dominance

"There are few private monopolies but several in the public sector Historically in SA, capitalism has co-existed with a form of State socialism Even now, the State owns 50% of total fixed assets We can't have one set of policies for the private sector and ignore the public "

But international business law professor Mark Warner says "By US standards, SA's private sector has a high degree of market concentration "

What is the remedy for market dominance? The most radical measure is divestiture — breaking companies up into smaller parts, by sale or dissolution

Says Warner "Divestiture can be used in cases of abuse But the first policy tool is looking at the source of companies' market power and remedying that

"For example, if the source of the dominance is standard-setting or government regulation, bring down trade barriers, and see how well conglomerates perform against the big international players Get the rules right across the board — the principles of transparency and competition have to be apparent in your trade policy "

Warner says some of the necessary elements are in place

- ❑ Fair, transparent markets, especially the JSE,
- ❑ Clear, enforceable rules against insider trading,
- ❑ Dismantling of tariff and nontariff barriers, and
- ❑ An investment policy that is seen to be open by foreign investors

Ultimately, says Warner, competition means removing all exchange controls

Competition Board chairman Pierre Brooks says conglomerates can divest themselves of their own subsidiaries

But the problem, as we are seeing with the JCI unbundling, is finding people to buy up companies at a market-related price So, while would-be competitors complain of barriers to entry, conglomerates often argue they are facing insurmountable barriers to exit

Experience has shown divestiture by the authorities to be a last resort, as a penalty for monopolistic behaviour "The key to many of these issues is liberalisation," says Spicer "Once you've removed trade barriers, a lot of the current questions will fall away altogether " ■

US specialist warns against unbundling

(232) MHG (BM) 2-8/8/96

Tebello Radebe

DO not unbundle or break up South African conglomerates; rather hit them with heavy fines if they abuse their power, says a United States specialist.

"Breaking up a monopolist does not necessarily create competition. A small economy might not be able to support a large number of competitors in an industry which requires very large scales to be efficient It is in these industries especially that low import barriers play an important role," says Charles Stark of the US Government Anti-trust Division.

This controversial advice emerged at a conference on Competition Policy organised by the Afrikaanse Handelsinstituut (AHI). Stark said there is a cost to breaking up or restructuring, even though the result will always be different for different markets, so it is important to consider alternatives that might be effective in restoring competition at a lesser cost.

But, he warned, effective and ongoing anti-trust enforcement is vital. "Collusion among competitors, price fixing, bid rigging or market division can give rise to monopoly outcomes even in markets that appear from the number of firms to be competitive."

Tony Twine of Econometrix was suspicious of any legislation aimed at sorting out a complex problem. "It's so easy to duck and dive. No country has ever relied on the use of any one mechanism; it is often the combination of different approaches that works the best," he said.

But he welcomed the possible further liberalisation of exchange controls as having far-reaching potential in levelling the playing field by enabling foreign companies to challenge the domination of the South African economy by a few.

But, historically, it has been very difficult for a foreign company to buy into a local pyramid structure and at the same time there are not as many local interests (including blacks) who can buy into these pyramids at market value, says Dr Pierre Brooks, South African Competition Board chair.

"In the context of both the re-integration into the world economy and the need for new competition laws in line with the rest of the world, we must aim to prevent the concentration and abuse of power which can subvert free enterprise."

He supports the broad range of internationally accepted competition and anti-trust measures, as well as the concept of imposing huge fines to curb the abuse of power by dominant entities in the market place.

But he added that opinions were sure to differ on whether competition law should take cognisance of or address important ethical, social and political issues

One such difference of opinion was aired by National African Federated Chambers of Commerce (Nafcoc) executive secretary general Mashudu Ramano, who said: "From our perspective we want to be co-owners, co-producers, co-creators and co-sharers in the wealth that we jointly own and produce "

Ramano said competition policy should be more vigorous, pro-active, robust and strong and should meet the following tests:

- It should deter negative trends, but not discourage beneficial competition and co-operation;
- Be easy to administer and not impose excessive burdens on industries;
- Provide swift, effective and fair remedies to injured parties;
- Provide strong punitive measures to serve as deterrents.

Michael Spicer of Anglo American, meanwhile, called for an holistic policy to ensure that the state's dominance of the economy through the monopolies it controls is also changed. Markets are more effective in resolving most problems.

But Thebe Investment chair Vusi Khanyile called for South Africa's new laws to be structured to benefit the stimulation of the growth of small, medium and micro-enterprises. He maintained the present trend tended only to create new small black conglomerates such as Rail, New Africa Investments Limited (Nail) and others.

He said even the company he headed had already become a small conglomerate, although this was not the intention "We have had to keep some companies in our stable alive beyond their actual lifespans just to protect the reputation of Thebe, typical of one of the ways conglomerates add to anti-competitiveness."

Cabinet gives HSBC 'open brief'

CT (BE) 13/8/96 (232)

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The government would have to lift exchange controls before the privatisation of any large state asset dependent on large-scale foreign investment could go ahead, Chris Niehaus, a director of Simpson McKie James Capel, the investment house appointed to advise the state on privatisation, said yesterday

In a one-year contract estimated to be worth R10 million, the Cabinet last week chose the HSBC Investment Bank, whose local subsidiary is Simpson McKie James Capel, to advise it on a programme of asset sales that could raise more than R100 billion

Niehaus said that the complete relaxation of foreign-exchange controls could take up to two years and that it was essential to attract foreign investment in the restructuring of state assets

"I doubt whether we will see a conventional, high-profile JSE listing of a former state asset within the next year," he said

Arnold Shipp, the managing director of HSBC's international corporate finance division, said that the state-owned transport and telecommunications sectors were already well on the road to restructuring

But both he and Niehaus said that the sale of non-strategic companies, such as its Aventura resorts and Alexcor, its small mining concern, could be sold quickly, possibly within the next year

HSBC, as adviser to the government over the restructuring of state assets, had an "open brief", Niehaus said

"The bank has a blank sheet of paper" on which to make its proposals Privatisation was only one means of restructuring under consideration

He said "a broad base of interests need to be addressed" under the brief and that the bank's job would be to co-ordinate strategy between the different sectors of public enterprise He said that until now state-owned companies had "all been doing their own thing"

"Our brief is to see what has been done to date, to advise on the process of restructuring and then steer it," added Andrew Moir, a director at Simpson McKie James Capel.

The government has asked HSBC to review the work accomplished by seven government-appointed task teams charged with overseeing the privatisation of parastatals earmarked for full or partial sale

The bank would assist in the rewriting of the task teams' suggestions and would help develop a regulatory framework Jeff van Rooyen, a senior adviser to Stella Sigcau, the public enterprises minister, said "I think it is a very clear brief"

Shipp said the bank would "produce, following extensive consultation, a detailed strategy for restructuring in key sectors" But he said that no form of briefing beyond this restructuring had emerged as terms of reference

Niehaus said that the restructuring process would not only raise money for government, but should also address the skewed nature of wealth distribution in the country over a period of between 10 and 15 years

Simpson McKie James Capel and black business associations had presented the government with a Black Economic Empowerment Fund designed for this very purpose

The proposed structure envisaged a fund into which the government would initially place those portions of public enterprises that it wished to see transferred to members of disadvantaged groups in South Africa

Shilowa hints at more pragmatic approach

(232) ST (BT) 4/8/96

COSATU general secretary Sam Shilowa has vowed that his union federation will fight the wholesale privatisation of basic services — but says it understands that strategic equity partners may be needed in certain areas

In an interview in his Johannesburg office this week, Shilowa said Cosatu would oppose the state's withdrawing totally from key basic services to prevent them from falling entirely into private hands

"We would obviously resist any attempt to try to move the government away from particular areas, to leave them (basic services) to the private sector," he said, using railways and electricity as examples

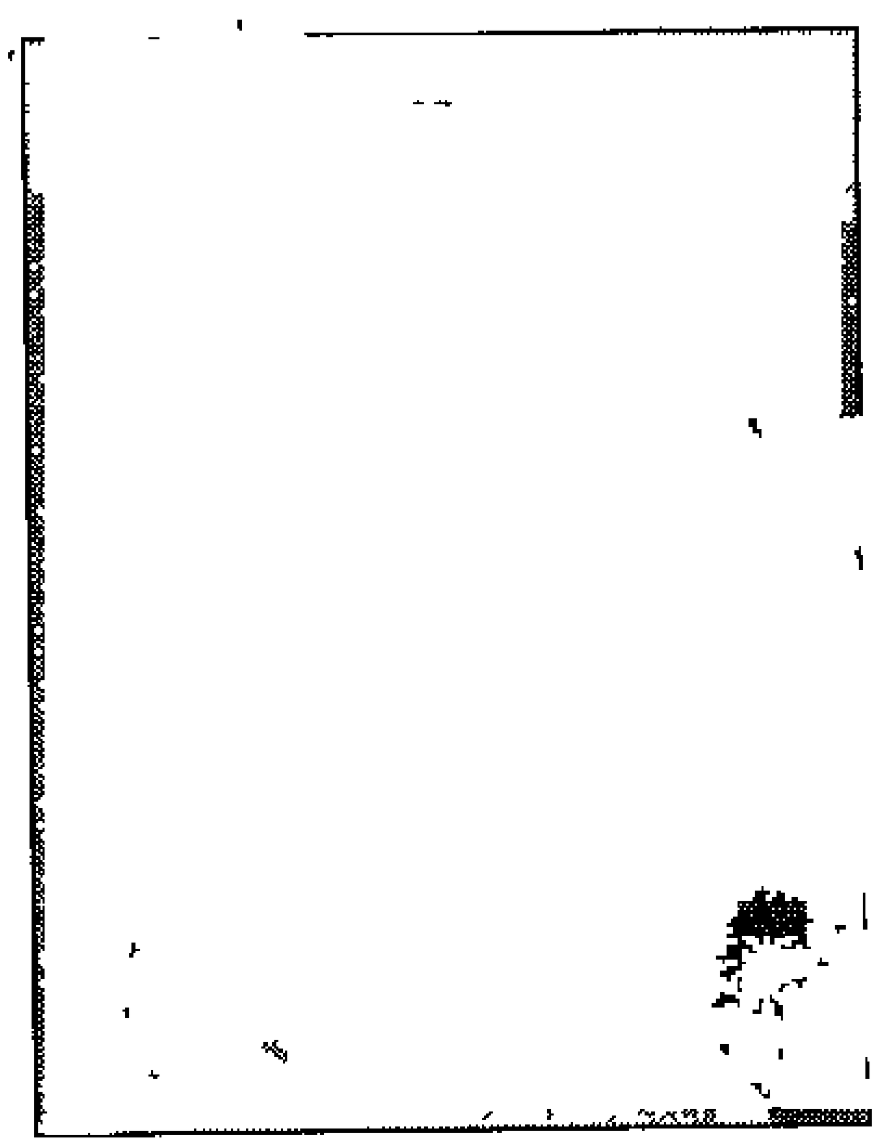
In its macroeconomic package, unveiled on June 14, the government endorsed the full or partial privatisation of state assets, including transport, telecommunications and power utilities

Shilowa emphasised that the privatisation debate in South Africa was a complicated one He said each parastatal would have to be individually assessed "The debate has been turned into a pro- and anti-privatisation one, one devoid of all content I don't think the debate is that simple It's about how the state can best provide certain basic provisions "

He said the debate so far had taken the form of theoretical "shadow boxing" Real focus was now needed

"We need to ask is it better to have (basic services) in government or private hands?" Shilowa said

Labour was not steadfastly against privatisation "Labour cannot turn a blind eye to the State's lack of finance, expertise (to run certain services)," he said, adding that Cosatu understood that strategic equity partners might be required for some services



SAM SHILOWA

Shilowa said the government should identify certain areas of the economy for its involvement and should use regulation or legislation to deal with services it was not involved in

Asked whether the government's macroeconomic plan was realistic, Shilowa said "I don't know We have misgivings about that We do not believe that fiscal targets should be set out arbitrarily "

The government set itself a target of reducing the budget deficit to 3% of GDP by 2000 in its strategy document It envisaged that about 400 000 jobs would be created at the same time

Last week Shilowa said Cosatu was concerned that some aspects of the macroeconomic strategy flew in the face of the RDP

Those comments sparked theories that cracks were beginning to appear in the alliance between the ANC, Cosatu and the SA Communist Party, which saw the ANC win the 1994 general election

Asked to comment on the speculation, Shilowa stressed that Cosatu was simply in alliance with the ANC-led government and was not one and the same organisation

He said Cosatu was entitled to disagree with certain issues raised by the government

Responding to criticism that South Africa, the labour movement and the ANC were "strike prone", making the country taboo to investors, Shilowa said that such a negative picture was painted by "mischievous" players

"We should not play into their hands It's pure propaganda It's the fault of the local investor who doesn't know how to deal with labour With this perception, he plans to weaken the labour movement," Shilowa said — *Reuter*

'Rebundling' option under the spotlight at Amplats

(232)

By JULIE WALKER

ST(BT) 4/8/96

GETTING IT TOGETHER Amplats managing director Barry Davison Picture RUVAN BOSHOFF

IT WOULD be "desirable" if Anglo American Platinum could consolidate its holdings in the Rustenburg, Potgietersrust and Lebowa mines, according to Amplats managing director Barry Davison

Asked this week whether there would be a "rebundling" of the mines, Davison said no decision had been taken, but the matter was being investigated He saw rebundling as the desirable outcome If this transpires, Amplats looks expensive in relation to the value of its holdings in the mines

Amplats was formed last year when Johannesburg Consolidated Investments was split into three Industrial holding company Johnnic and gold and other mining company JCI Ltd have been made available as black economic empowerment vehicles, but major shareholder Anglo American chose to retain its platinum investments via Amplats Amplats also houses the old Johnnies' diamond holdings, a significant contributor to earnings

In the year to June, Amplats earned R320-million after tax, against last year's R265-million, with diamonds contributing R113,2-million Earnings a share at Rusplats climbed by 4% to 314,4c and by 7% at PPRust to 116,2c But Lebowa Plats' profit fell by three quarters to 5,5c Wages were brought into line with those at the other Amplats mines but there was no improvement in productivity, particularly in the first half

Expansion plans for Lebowa are on ice now that a contingent liability has arisen following the outcome of the appeal by Trojan Exploration The Appeal Court awarded Trojan's company, Pyramid Platinum, co-ownership of the ore on Umkoanestad, the Lebowa Plats' farm Lebowa has provided R200 000 for legal costs and warns it will be misleading to speculate on the extent of the liability

Following last month's illegal strike and dismissal of 28 000 workers at Rusplats, production is at 95% of previous levels Davison warns the situation is still volatile and he cannot say Rusplats is out of the woods yet The strike resulted in a 97 000 ounce loss in platinum production worth R255-million

Platinum supply exceeded demand by only 190 000 ounces last year The price appears to be firming because of the production loss in South Africa and talk — dismissed by Davidson — that Russia's stockpile is nearing exhaustion

Questions over cigarette price hikes

(232)

STAFF REPORTER

Star 7/8/96

The Competition Board may look into price increases of about 8% by South Africa's major cigarette companies within days of each other.

A box of 20 cigarettes will now cost R4,30 on average, up about 30c, and a pack of 30 will cost about R6,45, an increase of about 45c.

Although many small retailers adjusted their prices yesterday, smokers who buy from major stores can expect to only pay the higher prices once the old stock has run out.

Rembrandt Tobacco Corporation increased its cigarette prices by 8,1% on Friday. A United Tobacco Company spokesman said it had decided to follow suit on Monday.

Dr Pierre Brooks, chairman of the Competitions Board, said it was often very difficult to prove collusion.

"Unilateral independent movement does not necessarily mean collusion, but the case may warrant further attention from the board once we have the facts," he added.

HSBC gets the nod as government's privatisation advisor

~~35~~ (232) CT(BR) 9/8/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — The government has appointed the Hong Kong and Shanghai Banking Corporation (HSBC), the richest banking group in the world, as its special advisor on the privatisation and restructuring of state assets

The bank controls James Capel, the stockbroker, Samuel Montague, the merchant bank, and the Midland Bank in the UK and Marine Midland in the US

The privatisation mandate has been awarded directly to HSBC Investment Bank and Simpson McKie James Capel, its South African subsidiary The decision was made on Wednesday and released yesterday It is a key step on the road to a serious and programmed selloff of state assets

The bank fought off opposition for the multimillion-rand mandate from local and foreign competitors including CS First Boston, Merrill Lynch and Fleming Martin.

Investment-banking analysts said that the appointment as overall advisor would strictly limit the banking group's involvement in privatisation. It would not be able to act as the global co-ordinator in any of the separate restructurings, or privatisations, that arise and would only be able to involve itself in individual sell-offs after its one-year mandate had expired

In London analysts suggested HSBC Investment Bank did not rank among the most powerful of institutions involved in privatisation efforts around the world They believed that bigger players would emerge to pick up individual mandates as they began to come on to the market once HSBC and the government set a programme in motion.

They also said, however, that the mandate given to HSBC Investment Bank yesterday meant it would be well placed to network throughout state bodies, which should give it unique strengths should it ever retire the mandate

HSBC would help the government to review and assess the restructuring options presented to it by the seven government-appointed sectoral task teams These teams were charged with overseeing the privatisation in each of the sectors in which parastatals have been earmarked for full or partial sale

It would also assist the government to rewrite the task teams' suggestions into a coherent restructuring programme, a spokesman for the public enterprises ministry said last night It would also help develop the existing regulatory framework, they said

The task teams for telecommunications and transport would be the first to present their options for restructuring, when the government and labour meet later this month

A team of local and international experts led by Arnold Shipp, the managing director of the HSBC Investment Bank's international corporate finance division, would permanently move into the office of the ministry of public enterprises

Privatisation audit ready in three months

(232) BD 12/8/96

Amanda Vermeulen

HSBC Investment Bank and local subsidiary, Simpson McKie James Capel, recently appointed government advisers on privatisation, plan to present the Cabinet with a preliminary evaluation of the restructuring of state assets within three months

The Cabinet was expected to shortlist three candidates to privatise Telkom by the end of this month, but this could be delayed pending a privatisation audit by HSBC, Simpson McKie James Capel executive director Chris Niehaus said at the weekend However, because of the advanced nature of Telkom's restructuring, the parastatal could fall outside the ambit of the audit, he said.

Auditing restructuring initiatives within all parastatals would be the first priority "Government needs a better understanding of the privatisation status quo. It has been difficult to implement a coherent privatisation policy as the assets fall under various departments." It appeared that some changes were traumatic HSBC and Simpson McKie James Capel would have to educate government and parastatals on the privatisation process

HSBC and its subsidiary would help government draw up restructuring policy. Options would include a revised role for public ownership of state assets and all forms of privatisation, competitive trade sales, management and employee buyouts, sale of minority shareholdings to strategic partners, institutional placing of shares locally and internationally, and retail share offers

Niehaus said HSBC could also act as a conduit for foreign bids for stakes and would play a major role in negotiating with unions. If the process proceeded according to plan, privatisation could be complete within eight years.

HANSARD

where there are no clinics available, including services such as free health care For that reason the Department has embarked on the clinic upgrading and building programme to provide the necessary clinics at which these services can be made available The primary concern of the Department is the large number of people being seen at hospitals who should actually be attending clinics, and for that reason there are no plans to open wings at hospitals to provide free health care

(2) No

Madlala people of Emzumbe district: chief appointed

*32 Ms N C ROUTLEDGE asked the Minister for Provincial Affairs and Constitutional Development

(1) Whether a certain person, whose name has been furnished to his Department for the purposes of his reply, has been appointed as chief of the Madlala people of the Emzumbe district near Port Shepstone, if so, in terms of what statutory and/or other provisions,

(2) whether it has been established whether such appointment and the manner in which the said person was appointed is consistent with tradition and the Constitution, if not, why not, if so, what are the relevant details,

(3) whether he will consider taking steps to review (a) the relevant laws and provisions pertaining to such appointments and (b) all appointments based on such laws and provisions; if not, why not, if so, what steps?

N1119E

The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT

The information is not readily available in the Department In an attempt to be of assistance to the hon member, the following information was obtained from the KwaZulu-Natal Province

(1) Yes Ngamzizwe Moses Madlala has been appointed as Inkosi of the Madlala tribe in terms of a resolution of the Provincial Executive Council of KwaZulu-Natal, No 130 of 1994, and in terms of section 12 of the Amakhosi and Iziphakanyiswa Act, 1990 (Act No 9 of 1990)

(2) and (3) The appointment was made in terms of the Amakhosi and Iziphakanyiswa Act, 1990, which is now being adminstered by the KwaZulu-Natal Provincial Government It is not within my jurisdiction to review this Act or appointments made under the Act

Privatisation of Armscor/Denel

X *33 Mr M T MAFOLO asked the Minister of Defence (232)

(1) Whether it is the intention to privatise Armscor and/or Denel, if not, what is the position in this regard, if so, what are the relevant details in respect of (a) timeframes and (b) guidelines that will be followed in this regard,

(2) whether the interests and security of the country have been considered in this regard, if not, why not, if so, what are the relevant details,

(3) whether there are any contingency plans to deal with any adverse effects on the security of the country, if not, what is the position in this regard, if so, what are the relevant details?

N1120E

The MINISTER OF DEFENCE

(1) When discussing Armscor and Denel it is necessary to draw a clear distinction between them Denel used to be part of Armscor The Armscor Act requires Armscor to concentrate on meeting the Defence needs of the RSA With the decline in the defence budget, it was felt that Armscor's subsidiaries should be allowed to expand into the commercial sector They could not do this while under Armscor As a consequence Denel was established in 1992 consisting of the various Armscor subsidiaries and reporting to the Minister of Public Enterprises

Whether Denel should be privatised or not is a decision for the Minister of Public Enterprises

As far as Armscor is concerned I would like to make the following points

Firstly, Armscor's main function is to be the acquisition agency for the SA National Defence Force. In other countries this function is carried out by different institutions For example the UK has the Procurement Executive which is part of the Department of Defence The Swedes have a structure called the FMV, which is an independent government owned structure In some cases the services carry out their own procurement Armscor has an almost five decades history It has certain features which the acquisition organisations of many democratic countries are beginning to develop now These include being small, but having a high-powered technical capability It is independent of both the supplier (the defence industry) as well as the end-user (the National Defence Force)

The second point to be made is that the Armscor Board of Directors act as the independent state tender board They are appointed by the Minister of Defence and are required to adjudicate on the awarding of defence contracts It is clear, therefore, that Armscor is not a commercial undertaking and there is no value in privatising it

In 1994 I appointed a work-group called the Ministry of Defence Acquisition (MODAC) work-group The MODAC work-group consists of representatives from the Defence Industry, Defence Secretariat, Defence Force and Armscor In its most recent report presented to me on 31 May 1996 it recommended the maintenance of Armscor as a statutory state corporation responsible for acquisition I have accepted the report and its recommendations and have asked the Armscor Chairman, Mr Ron Haywood, to investigate Armscor's other function, namely the international marketing of South Africa's defence industry

The marketing of South Africa's defence industrial capabilities has been very successfully conducted by Armscor Big corporations like Denel are quite capable of doing this themselves However, the hundreds of other firms which have a place in South Africa's Defence Industry need assistance Whilst not discriminating against the larger corporations, Armscor facilitates the marketing of our goods and services overseas

That is the status quo as it prevails today I have asked Mr Haywood to head a team to recommend how best the international marketing function can be executed

(2) On the second part of this question, we believe that the security needs of our country can best be met by Armscor under the Ministry of Defence

(3) Falls away

Local authorities in Republic

*34 Mr M T MAFOLO asked the Minister for Provincial Affairs and Constitutional Development

(a) How many local authorities are there currently in the Republic, (b) how many of these authorities are financially viable, (c) which of these local authorities have the capacity to undertake (i) service delivery and (ii) housebuilding programmes and (d) in respect of what date is this information furnished?

N1121E

The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT

(a) There are 811 municipalities (local authorities) in the Republic, consisting of metropolitan councils, metropolitan local councils, local councils, rural councils, representative councils and district councils

(b) My Department, in conjunction with the Institute for Municipal Treasurers and Accountants, measures the financial viability of local authorities through a project, called the Project Liquidity, on a monthly and quarterly basis

In general, most of the local authorities are financially viable There are however a number of local authorities currently experiencing serious financial problems which have resulted in defaults on loan payments as well as bulk accounts such as water and electricity My Department is attending to these problems in conjunction with the various provincial governments

(c) (i) The newly established rural and representative councils do not have the

Govt might boost budget for advisers

(232)

Robyn Chalmers

BD 14/8/96

THE public enterprises department might seek further funds from Cabinet to boost the estimated R10m budget for the advisory process on privatisation.

Government and industry sources said yesterday the restructuring of state assets — HSBC/Simpson McKie James Capel had been handed the advisory contract — was a huge undertaking. The R10m set aside was comparatively little.

Consultants were thought to have been paid at least R6,5m merely to advise on the sale of Mossgas.

The ministry said yesterday it was investigating whether more funds would be needed and that it would approach the Cabinet.

However, it retracted its statement last night, saying only that the option to seek more funds was available.

Industry sources said HSBC/Simpson McKie James Capel was likely to have agreed to a fee prior to being appointed adviser.

The fee negotiated could be below the normal market price as the company was looking to reap the rewards of playing a key role in SA's privatisation process.

The adviser's first task was likely to be preliminary evaluation of the status of the restructuring process. This was expected to take three to four months.

Draft competition policy ready for discussion by Nedlac

CT (BR) 14/8/96 (232)

By Jabulani Sikhakhane

Johannesburg — The draft legislation on competition policy is finally ready and will be discussed by the National Economic Development and Labour Council (Nedlac) next month, Alec Erwin, the minister of trade and industry, said yesterday

This follows months of confusion, indecision and uncertainty after Trevor Manuel, the then trade and industry minister, kept the initial draft legislation under wraps, eventually announcing that it was full of holes and not good enough to be released for debate It had been drawn up by Pierre Brooks, the chairman of the Competition Board, and Willem Pretorius, a Cape Town advocate

A new team was appointed and the draft legislation is almost ready for debate

Speaking at a conference on black economic empowerment in Johannesburg, Erwin said that the trade and industry department was conducting a large review of various legislation, including competition law and contract law

"We will also be upgrading the resources of the Competition Board and the business practices committee," he said

Erwin said yesterday that some amendments had been made to the Competition Bill, which would be discussed at Nedlac next month

Jayendra Naidoo, the executive director of Nedlac, said yesterday "I hope the Bill will be discussed soon Everything depends on the tabling of documentation by government We have not received anything yet"

He said once the documentation had been tabled, Nedlac would convene a senior-level meeting to map the way forward Naidoo expected the first discussions to be some time around next month

Erwin said black economic empowerment was a fundamental part of the government's economic policy

"If we do not implement black empowerment, our economic policy will not succeed We need to generate economic growth and create job opportunities Big corporations cannot provide the employment levels we need to reduce unemployment

"Big business also does not have the economic redistributive effects that small, medium and micro enterprises have," he said

Erwin said that to facilitate easier access for small medium and micro enterprises to the state tender contracts, government had overhauled its procurement system The effect of the overhaul of the state-tender process was that small enterprises could receive a 17 percent premium on tender contracts

Erwin said trade and industry would announce a new initiative for empowering small enterprises later this year

He would not give details of the initiative, saying only that it would be "a package"

Nedlac observer status sought

BD 15/8/96

Tim Cohen (232)

CAPE TOWN — The parliamentary trade and industry committee yesterday indicated it would be seeking observer status at the National Economic, Development and Labour Council (Nedlac) and would be particularly keen to be present during the debate on competition policy

Committee chairman Edna Molewa made the proposal at a meeting between Nedlac representatives and committee members yesterday, which was designed to improve at times strained relations between Parliament and Nedlac.

Molewa suggested that more formal links between the committee and Nedlac were necessary.

Nedlac executive director Jayendra Naidoo said the main way accountability had been ensured in the past was through the structures of the different sectors represented at Nedlac.

Naidoo suggested other methods should also be considered to bring about a more formal relationship between Nedlac and Parliament. These included more regular Nedlac briefings of parliamentary bodies

Committee members endorsed this idea, and suggested that the convenors of Nedlac substructures might also brief parliamentary bodies when the need arose

BD 15/8/96

Board launches a new probe of Kolosus deal

BD 16/8/96

(232)

Jacqueline Zaina

THE Competition Board has launched a formal investigation of food and tanning group Kolosus Holdings' takeover of Silveroak Industries — almost nine months after approving the deal

Group MD Tito Vorster said yesterday it was disconcerting that the board had not requested his response before launching the investigation, particularly as it had approved the deal in January, after a four-month probe.

He said that the takeover was now "irreversible" with businesses merged, plants closed, and almost 600 employees retrenched.

"The board's decision is surprising considering its initial judgment that the deal did not unduly impede competition," he said

The regulator had given Vorster 30 days to respond, but had failed to forward a copy of the complaint, which had come from a player in the automotive leather industry

The board said it would look into whether Kolosus constituted a monopoly and whether any act or omission on the part of the group subsequent to the takeover — involving actual or potential competitors — could be regarded as restrictive practice in terms of the Competition Act.

It invited the public to submit written representation on the matter within 30 days

Vorster said he failed to see how the situation could be remedied if the board now reached a different finding

He said it was odd that the complaint should have emanated from the automotive leather industry, which was one sector to have remained unaffected by the takeover

Vorster suspected, however, that the complaint had been lodged by a disgruntled business partner within the industry.

The group was one of six players in the sector, and although it had recently decided to increase its production of car seat leather, could not be said to enjoy an unfair competitive advantage in this area, said Vorster

It expected to earn 60% of income from its leather business in the current financial year, after having divested itself of its fresh carcass business

Kolosus's attributable earnings slipped to R14m (R46,3m) for the year to May, on sales of R1,8bn (R1,4bn)

THE OUTSIDER

FM 16/8/96

The appointment of Hong Kong & Shanghai Bank and its SA subsidiary, Simpson McKie James Capel, to advise government on the restructuring of State assets was unexpected

Considered by many as the outsider in the shortlist of four, selected from nearly 100 candidates, Simpson McKie beat off strong competition from Credit Suisse First Boston, Fleming Martin and the National Assets Initiative (a loose consortium including Standard Bank, Ernst & Young, Moseneke & Partners and Thebe)

Stella Sigcau

The appointment is for a year Simpson McKie executive director Chris Niehaus won't be drawn on how much is involved or what his firm stands to earn, though he concedes a number of R10m has been bandied about

The interest in the appointment — competitive advantage aside — is that privatisation (considered a key element of restructuring) is perceived to be the launch pad for SA's economic revival

Pressed to indicate which area may be treated first, Niehaus says the exercise is a blank sheet "As a first step, we have to determine what's been undertaken so far and what progress has been made "

The essential problem is that, though restructuring falls under Stella Sigcau's ministry, the assets are spread around government in general Pulling together the initiatives launched through a variety of departments is likely to be a tall order in itself, Niehaus estimates it could take as long as four months before the HKSB Simpson task team is able to map the early developments And only then will it be possible to move to the second stage of determining future action

All in all, it seems privatisation is likely to be a process of indeterminate duration Simpson corporate finance and marketing director Andrew Moir says the process has lasted indefinitely in other countries For example, 13 years after it was launched in the UK by then Prime Minister Margaret Thatcher, it still trundles along

Hong Kong & Shanghai Bank is the world's biggest measured by Tier 1 assets (*Euromoney* June) and its attributable profit for first-half 1996 came in at £1,6bn

It has been involved in a wide range of recent privatisation exercises, including Ashanti Gold Fields, British Gas, and Entel, the Argentinian State-owned telephone monopoly

Privatisation urgency is one thing — and the *FM* among others is anxious for the process to start moving after years of stasis — but achieving much in a year is probably akin to expecting a miracle The trouble is that's what the country needs *David Gleason*

Privatisation of local airports interests BAA

BD 20/8/96 (232) (~~[illegible]~~)

John Cavill

LONDON — The strong interest by BAA in the potential privatisation of SA's Airports Company is part of its global strategy for expansion

BAA (formerly British Airports Authority before being floated off in 1987) is the world's biggest commercial operator of airports. After winning the bid to run Indianapolis in the US last year and adding it to the seven UK airports, BAA was able to boast handling over 100-million passengers — nearly double the 55,3-million of 1987.

Now it is in the running for Naples, the first continental airport likely to move into the private sector, and is looking for opportunities in the Asia-Pacific region. In a recent interview CE Sir John Egan said "The airport industry is under-exploited compared to other businesses in the global economy

"When more governments realise the benefits of privatisation, of improved quality and services at no cost to the taxpayer, then a massive potential will be released"

But he was not expecting a tidal wave of change because "many countries still think they are rich enough to afford to subsidise these businesses".

Since privatisation BAA has evolved into new dimensions — an operation in which charges for traffic (such as landing fees) have been dwarfed by other income.

In 1987 out of total revenues of nearly £439m, about £212m was "traffic" and £227m "commercial".

Inflation

The latest accounts (to March this year) show that turnover of £1,25bn was broken down into traffic charges of £434m, retail of £556m, property income £213m and "other" of £50m Traffic's share has thus shrunk from 48% to 35% of a growing total

During the same period air transport movements climbed from 626 000 to 931 000 while cargo and mail has grown from 864 000 tons to 1,6-million tons In real terms it means that the cost to airlines in traffic charges has run below the rate of UK inflation

This has meant that BAA's two premier airports, Heathrow (the biggest international in the world with 47-million passengers) and Gatwick, are now ranked as the among the cheapest in Europe by an independent survey

At the same time BAA's profit has blossomed in the last four years Pre tax earnings climbed steadily from £122m in 1987 to £255m three years later. But when passenger traffic growth flattened out after the Gulf war and the subsequent recession the surplus fell to £191m in 1992.

Since then, however, profit has more than doubled to £418m, helped by rising retail spending in BAA's airport shopping centres, the average passenger spent £4 last year, and a 45% improvement in productivity since 1991.

In the US, the group runs the shopping mall at Pittsburgh airport — as well as the whole of Indianapolis's operations. In both cases BAA set out to be price competitive. At Pittsburgh it cut the price of coffee from \$1,05 to 49c and sales soared — the average "passenger spend" rose 178% — so that the retail operation made profits of £1m on turnover of £6m last year. It did the same at Indianapolis

Answering the argument that rising profits must mean the money is coming out of someone's pocket, such as the airlines, Gordon Eddington, chairman of BAA International, rebutted the point "They are not," he said "They are coming from additional value created through reduced cost and increased revenue."

Expenditure

BAA's growth has involved massive capital expenditure. The value of fixed assets has risen nearly fivefold to £4,5bn in the last nine years and the group has a £4,4bn spending programme over the next decade.

In the domestic market, where it is a virtual monopoly with 71% of UK passenger traffic and 81%c of cargo, BAA faces potential problems. The first is obtaining planning permission to build a fifth terminal at Heathrow which could be faced with "overload".

BAA argues that it is not a true monopoly because it competes with Frankfurt, Paris and Amsterdam as Europe's "hub" airport — about 30%-40% of its Heathrow passengers are connecting with an onward flight.

But Terminal 5, which has been three and a half years in the preparation stage, faces a public inquiry which could last two and a half years followed by another 12 month wait for a decision. The other threat is the prospect in 1999 that duty free sales to intra-European Union passengers will be abolished Last year £368m of BAA's retail revenues came from duty free shops

This could affect future traffic charges which are regulated At Heathrow, Gatwick and Stansted, the three main London airports, BAA charge increases are limited to the change in the retail price index (2,5%) minus 1%. A recent inquiry by the monopolies and mergers commission which decided there was no "public interest" in demerging the three London terminals, also proposed a change in the pricing formula For Heathrow and Gatwick it would be the retail price index minus 3% but plus 1% in the case of Gatwick, for the five years starting next year However a 15% increase in aeronautical traffic charges will be allowed over two years if the duty free business is hit by the EU ruling

Privatisation, lack of control explosive — report

BD 21/8/96 (232)

KEVIN O'GRADY

THE report by a committee of inquiry — headed by attorney Tiego Moseneke — into the July 31 disaster at Tembisa railway station on the East Rand highlights both the dangers and potential benefits of private sector involvement in SA's commuter rail system

While advocating greater private sector participation as a possible method of providing a safe, affordable service to SA's rail commuters, the report sounds a warning that it "should not be seen as a panacea Some of the key players in the tragic events were privately owned

"Inadequate regulation and private sector participation can be an explosive combination," the report said in support of its finding that the use of electric batons by inadequately trained security guards was one of the key causes of the station stampede that left several people dead and injured

The committee also singled out the lack of infrastructural development — Tembisa station was built about 36 years ago with no subsequent improvement to its infrastructure — as one of the underlying reasons for incidents such as the stampede "Excessive reliance on the state's already overburdened fiscal and managerial resources is at the root of the present tragedy "

The SA Rail Commuter Corporation had in the past three years spent an average of 70% of its budget for capital expenditure, primarily because of a lack of in-house capacity to plan, administer and execute expansion programmes

The report also recommended further expenditure on infrastructure at stations be approved and said "large sums" were needed for the maintenance and operation of Tembisa and other stations

It recognised that the fiscus would be unable to fund the additional spending because of competing demands on its resources — hence the recommended "aggressive and creative" mobilisation of private sector finance to achieve what the railway corporation seemingly cannot achieve alone

The committee's general recommendations for private sector involvement confirm and lend weight to plans by the corporation — which have been in the pipeline for more than a year already — to allow private operators to compete with Metro Rail in providing commuter rail services, according to spokesman Connie Nkosi

However, it is in the specifics that they differ, with the committee recommending varying degrees of outright privatisation and mobilisation of private sector finance as well as the option the SA Rail Commuter Corporation is considering — concessioning, or franchising

The committee included the corporation's preferred option, saying there should be wider use of management contracts, in terms of which private operators would bid for the opportunity to manage component parts of the commuter rail system But it also suggested wider use of a range of lease-and-operate arrangements.

"The actual and potential revenues generated by stations such as Tembisa are substantial Properly managed, these operations should be able to move towards a reduced reliance on the enormous state subsidies that are now in place and even, potentially, towards a degree of commercial sustainability," the report said

Wider use, the report said, should also be made of project finance mechanisms such as build-operate-transfer arrangements in which private investors fund the expansion of the rail commuter network and transfer them to the state after a number of years sufficient to recoup their investment.

A variant, rehabilitate-own-operate arrangements, could be used for stations such as Tembisa where the need was more for rehabilitation than for new buildings

"These rehabilitate-own-operate techniques clearly deserve consideration as a solution to the problems at Tembisa and similar stations across the country," the report said

The implementation of any of the options should maximise the involvement of local communities and ensure that emerging businesses be empowered to participate in the arrangements

"This feeling of equitable ownership of the infrastructure could possibly go some way towards reducing one of the most disturbing aspects of the Tembisa tragedy and its aftermath — fare evasion and the fact that residents 'retaliated' by burning trains and other property of the SA Rail Commuter Corporation "

The committee's suggestion of the need for private involvement is echoed by an announcement by SA Rail Commuter Corporation's MD Wynand Burger this week that an investigation into the restructuring of commuter rail services in Argentina has been under way since 1993

"What is happening in that country with a rail service and commuters not unlike our own is a radical turnaround as a result of the concessioning of routes to different operators," he said

"We are now ready to begin debating how we might take the lessons of Argentina's commuter rail network and apply it to our particular situation "

The Argentinian government remained as owner of the infrastructure but invited private consortiums to bid for the concession to operate and maintain specific routes, a move which resulted in a 75% cut in the subsidy paid by government, a 71% increase in the number of paying passengers, a 228% increase in productivity and a substantial increase in the salaries of about staff who were retained — about 25% of the original number.

"What we saw in Argentina convinced us that if they could have the success they are having, concessioning was a system to look at seriously," Burger said

LETTERS

US partner Seaton instigates probe into Kolosus

CT (BR) 21/8/96 (232) (~~192~~)

By Stuart Rutherford

Durban — Seaton, a US-based company, is responsible for initiating the Competition Board's investigation into Kolosus Holdings over the group's R106 million acquisition of Silveroak Industries, the leather tanner and manufacturer

Robert Appelbaum, Seaton's local attorney, said yesterday that the company had decided to lay the complaint after the alleged "crippling" of Ladysmith Leathers by Kolosus Kolosus acquired a 50 percent stake in Ladysmith Leathers when it took over Silveroak Ladysmith Leathers is jointly owned by Seaton

Appelbaum claimed Kolosus wanted to kill Ladysmith Leathers so that King Tanning, another Kolosus-owned company, could take its share of the automotive upholstery hide business

Tito Vorster, the managing director of Kolosus, denied the allegations

"If you look at the client base, the two companies are materially different and if we could resolve the dispute the two could be a strong marketing force within the industry," he said

The investigation came nine months after Kolosus acquired Silveroak, a deal the Competition Board decided not to investigate formally at the time.

"That particular part of the business was not something we considered, we were looking mainly at Silveroak," said Pierre Brooks, the chairman of the Competition Board

Vorster said the companies were still talking and that Seaton had lodged the complaint as a negotiating tactic.

"I only received a notice from the Competition Board the day they decided to do the investigation. If I had been given the opportunity to reply to the complaint, this investigation would not have taken place"

Vorster said the acquisition would not result in a monopoly

"At best the two tanneries would have a 45 percent share of the automotive market and there are three other competitors in South Africa These five companies supply 70 percent of the local requirements and the other 30 percent is imported," he said

COMMUNICATION

A union's grasp of business is a boon to privatisation

CT (PM) 21/8/96 (232)

John Spira

DEPUTY EDITOR

One of the key elements in the successful privatisation of British Telecommunications was trade unions' ability to read and understand balance sheets

That is the view is of Patricia Vas, the supply management director of British Telecom, who is in Johannesburg to deliver the keynote address at tonight's Businesswoman of the Year banquet.

Vas was Britain's Businesswoman of the Year last year

She began her career at British Telecom 21 years ago as a clerical officer in the personnel department, and was a first-hand observer of the company's privatisation process after having risen to its top echelons

"The unions did not oppose privatisation Indeed, they co-operated in the knowledge that the step was inevitable and that their members' interests would be best served by being part of the process. They appreciated that opposition would bring no more than short-term benefits," Vas said yesterday.

While British Telecom was being privatised, it consulted the unions on retrenchment matters and the counselling of workers on retrenchment packages and alternative employment.

Vas said that British Telecom had kept track of the employees who lost their jobs in the wake of privatisation

"Although the numbers had been reduced by nearly half between 1984 and 1990, 80 percent of those had found employment in the same industry Bear in mind that deregulation had created fierce competition for British Telecom — so much so that it now has 150 competitors in the UK."

AT THE TOP *Patricia Vas, last year's British Business Woman of the Year*

> **'Deregulation created fierce competition for British Telecom. The company now has 150 competitors'**

She emphasised that privatisation had not only generated better efficiencies at British Telecom, it had benefited consumers by creating scope for price reductions against the background of higher service levels

"These advantages," she said, "would not have materialised in the absence of privatisation True, deregulation would have eliminated British Telecom's former monopolistic position. But without privatisation the drive to deliver value to shareholders would have been absent"

Further, the fact that 80 percent of British Telecom's employees were company shareholders had boosted motivation and morale

Vas believed women were not assertive enough in the business world, "which is why only 2 percent of the directors of the top 100 listed companies in Britain are women"

She felt that women gave up too easily when faced with barriers to corporate advancement "When I started working at British Telecom I made up my mind that I wasn't going to be a clerical officer for the rest of my life I wanted to make big money and I was therefore determined to make it to the top Very little was offered to me without my having to make it happen."

Is it possible to combine a successful career with the demanding twin roles of wife and mother?

"Very definitely, yes But you have to work hard at it I've been happily married for 30 years and I have a son of 29, who, I believe, is happy, well-balanced and has sound values

"It hasn't been easy, especially for someone who travels as extensively as I do But if you set your mind to it, it can certainly be achieved"

Vas rose to national prominence in Britain in 1990, when she became the director responsible for British Telecom payphones, one of the most challenging jobs in the British telecommunications industry with a turnover of £400 million a year

She has recently held senior directorships linked to British Telecom's corporate renewal strategy and in January became the director of supply management

Privatisation of SA rail service well on track

ARG 22/8/96

Staff Reporter (232) (249)

THE privatisation of South Africa's rail service nears, with far-reaching changes proposed by the South African Rail Commuter Corporation (SARCC) to ensure the survival and profitability of the industry.

SARCC managing-director Wynand Burger said that within the next three to five years local and international companies were poised to become shareholders in the rail service.

The proposed decentralisation of services to metropolitan authorities may also result in the concessioning of routes to different operators.

According to Mr Burger, a similar system in Argentina resulted in an amazing turn-around.

He said: "Before concessioning, the government of Argentina was paying R2 billion a year in subsidies just to cover operational costs.

"Within two years the subsidy was cut by 75 percent, there was a 71 percent increase in paying passengers and a huge increase in productivity, although staff was cut to a quarter of the original number.

"At the moment the government subsidises 35 percent of our costs. We cannot however rely on this subsidy, as the government must fund other sectors as well.

"It is up to us to become self-sufficient."

He said the industry had also begun investigating the innovative approaches to restructuring commuter rail services taken by the Argentinians.

Argentina had faced the collapse of its rail services in the early 1990s as a result of poor service, ageing and inefficient infrastructure, declining staff morale, corruption and fare evasion.

Although Mr Burger described South Africa's railway service as being "far from down and out", similar problems existed.

"What happened in Argentina is that the government, which remained as owner of the infrastructure, invited private consortiums to bid for the concession to operate and maintain specific routes.

"These concessions were awarded on the basis of technical competence, sound asset base, the ability to deliver service, and on the level of subsidy required," he said.

Labour blocks multinational contracts

(BM) M+G 23-29/8/96 (232)

Marion Edmunds

THE dispute over privatisation has shifted to the Department of Constitutional Development, with labour determined to block the contracting-out of basic municipal services to large multinational companies

Sensitive discussions are taking place between the department, provincial and national politicians, the South African Municipal Workers Union (Samwu) and representatives of the multinationals. Lyonnaise des Eaux — the largest multinational — has already secured a handful of water delivery contracts with municipalities in KwaZulu-Natal, the Eastern and Western Cape. These include Queenstown, Stutterheim and Khayelitsha.

The French-based international company, with an R85-billion annual turnover, is in partnership with the South African-based Group Five, and has contracts all over the developing world, specialising in the delivery of water and water-based sanitation systems.

Lyonnaise des Eaux representative Jean-Claude Ambert said this week that the South African venture, Lyonnaise Water Southern Africa, could provide services at a time when many local governments are in disarray and not functioning efficiently as a result of the merging of previously racially separated authorities.

"We can facilitate a quicker response to the expectations of people and we can bring finance for investment in infrastructure needed for the delivery of services, if necessary. For example, in Buenos Aires we invested $4-billion in infrastructure, bringing money to projects that do not usually attract investors," said Ambert.

His company is pushing for lengthy contracts that would provide "delegated management" of water delivery and sanitation systems.

"We have to look at about 25 years as we would be putting infrastructure in place and we need to get some revenue and reward for that venture".

Department of Constitutional Development director general Andrew Boraine said it was approaching proposals cautiously. However, he said Minmec — the forum of officials and political decision-makers involved in local government development — would be discussing draft guidelines to regulate such contracts on September 19.

Boraine said the government would insist on a number of pilot projects before encouraging wholesale outsourcing of delivery, and these should be monitored for a year, hopefully with labour providing their own experts to evaluate the project's success.

However, he sees such contracts as part of the public-private partnership that lies at the heart of the Municipal Infrastructure Investment Framework, which the government hopes will put service delivery back on track.

■ To PAGE B2

Labour blocks multinationals

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■ From PAGE B1

Boraine and his department are in a particularly tight corner, because they cannot instruct municipalities one way or the other, as local government is, at this stage, a provincial function and municipalities have a degree of financial autonomy.

Furthermore, the debate on privatisation has become such a hot potato on a national level, that it is difficult to introduce it in a neutral environment for adaptation at local level And while the national debate rages, delivery problems on the ground in many areas, particularly the poorer ones, are in crisis, and the Masakhane campaign fails to stimulate payment of rates and taxes.

Meanwhile, the secretary general of Samwu, Roger Ronalds, said labour was totally opposed to the concept of handing over service delivery to business concerns

"We are opposed to the ideology underpinning the plan in the first place . we are opposed to privatisation. It removes accountability and democratic control of services by handing them over to private companies," he said this week.

Ronalds said the boasts made by the companies that they bring with them finance for investment and better conditions for workers was untrue and quoted one — a water purification firm — as an example.

"This firm delivers water and the condition of the workers has deteriorated under them, nor have they followed up promises of training and promotion Workers are earning between R600 and R1 500 gross a month, whereas the minimum wage in the municipalities in Cape Town, for example, is R1 600."

Ronalds believes the solution lies in reorganising the municipal workforce and operations from within, but still tackling delivery as an agent of government

All parties are committed to continuing discussions

KOLOSUS IN AUTO LEATHER INDUSTRY FURORE

SKINNED ALIVE?

FM 23/8/96 (232)

Silveroak, the company acquired last year by meat and leather group Kolosus, faces a US$100m-plus claim for breach of contract in a bitter row for dominance in SA's R900m/year automotive leather industry.

The action is being brought by US automotive leather giant Seton at the International Court of Arbitration in Paris. The major portion of Seton's annual revenue (projected $450m in financial 1996) comes from the sale of automotive leather. One of the two biggest players in the world, the company supplies all global leather requirements for Chrysler. Other customers include General Motors, Mercedes-Benz, BMW and Nissan.

Pennsylvania-based Seton bought into a 50-50 joint venture in SA in 1994 but found itself in a nightmare situation when the joint venture's parent, Silveroak, was sold to JSE-listed Kolosus last September. Kolosus owns 100% of one of Seton's main SA competitors, King Tanning.

Seton is also preparing an action against Kolosus in the US courts.

Seton came to SA in September 1994. Four months earlier, the company entered the European automotive upholstery business with the acquisition of Lindgens, a German company which is one of the largest upholstery suppliers to Mercedes-Benz. Mercedes, hit by 61% duty on vehicles it imports into SA, wanted to reduce this by building up export credits from components made in SA. In the 50-50 joint venture, Seton bought into Silveroak's upholstery facility, Ladysmith Leathers, spending $5m in its purchase and upgrading.

When the venture was formed, Silveroak and Seton signed reciprocal covenants restraining them from competing with each other.

However, in a bombshell development in late August 1995, German investor Claas Daun sold his 89,9% stake in Silveroak to Kolosus for R94,6m.

Kolosus Group MD Tito Vorster and King Tanning MD Pieter Brand were appointed to the Ladysmith board. Both are also on the board of Ladysmith's rival, King Tanning.

At the time, the Competition Board approved the takeover. But last week the board announced it was launching a new investigation to establish whether the Kolosus acquisition of Silveroak had created a monopoly.

In a separate action, Seton has filed affidavits in the Transvaal Supreme Court, charging Vorster and Brand with being in breach of their fiduciary duties, by sitting on the boards of competing companies.

Seton is applying to the court for an order to prevent Kolosus from:

- Passing on confidential Ladysmith pricing and cost structure information to King Tanning;
- Operating a secret two-tier price structure whereby hides supplied by a Silveroak subsidiary were sold to King Tanning cheaper than to Ladysmith.

Tito Vorster ... won't be bullied

Seton vice-president and Ladysmith director Robert DeMajistre says: "Despite assurances by Vorster that he would never compete with the joint venture, King Tanning started engaging in various restrictive practices which amount to unlawful competition. These intensified, involving the main customers and prospective customers of Ladysmith such as Mercedes-Benz, BMW, Opel and Rover."

Papers filed by Seton with the Supreme Court recount how Ladysmith's marketing director was instructed by Vorster to share confidential price information relating to its major customer, Mercedes-Benz, with King Tanning. This, claims Seton, enabled King Tanning to put in a lower quote for Mercedes business.

In Germany, Claas Daun, who chairs furniture group Morkels, reveals that he has had a "bit of a struggle" getting the R94,6m payment for his Silveroak shares from Kolosus. "We tried to settle this fight outside the courts and only a small amount is still outstanding."

In a final twist, it appears that Kolosus has quietly disposed of Silveroak. When they met in Paris at the start of the arbitration case on July 30, Vorster told DeMajistre that Silveroak, whose only asset is the Ladysmith joint venture, had been sold to an unidentified group of investors that includes Tito Vorster's brother, Henry, who apart from chairing Mercantile Bank, is attorney to Kolosus.

Though much was made of the Silveroak takeover by Kolosus when it announced disappointing results on August 5, news of its apparent disposal was not imparted to shareholders.

As the *FM* went to press, Tito Vorster maintained that Kolosus sold Silveroak to an investment group in May. "Silveroak is not a subsidiary company of Kolosus and Kolosus is not affected by this $100m claim," he says.

Why was the sale not disclosed to shareholders or mentioned in the Kolosus results? "It was a small transaction. We had stripped all the businesses out of Silveroak, apart from the joint venture, and incorporated them into our own businesses."

Vorster declares that Seton's allegations filed in the Supreme Court are "patently untrue" and of "no substance." He adds: "They want to take a controlling interest in our business in the automotive industry in SA and they're trying to prevent the joint venture from competing against them worldwide. I'm not going to be bullied by these people."

Seton responds: "As far as we are concerned, Silveroak was and remains a subsidiary of Kolosus." *Jack Lundin*

Anti-trust battle rages

(232) M+G (MM) 23-29/8/96

After two years of political bickering over competition legislation, a quick settlement from Nedlac appears unlikely, reports Mungo Soggot

A CLASH between old- and new-guard lawyers is set to hang over the latest round of the anti-trust legislation debate, which will soon be taken on by the National Economic Development and Labour Council (Nedlac) — and it appears the old guard has the upper hand

Although it is almost two years since the government signalled its intention to tighten South Africa's flaccid competition legislation, the combination of putting the discussion before Nedlac and the divergent stances of the men charged with drawing up new legislation should rule out a quick settlement

Pierre Brooks, long-time chairman of the Competition Board, is still involved in shaping new legislation, despite coming up against former trade and industry minister Trevor Manuel, who spiked Brooks s first draft of the Competition Bill earlier this year

Manuel reportedly almost fired Brooks for taking an overly lenient approach that was at odds with government thinking But until now the details of what Brooks suggested have never been disclosed as the Bill itself was kept secret

In an accompanying memorandum to the Bill, Brooks says "The draft Bill does not provide for the coercive dissolution of conglomerates [This process] is fraught with pitfalls and should preferably be done on a voluntary basis "

He adds· "One of the intended consequences of this approach is to enhance competition between the conglomerates "

One lawyer described this statement as "naive", another said it appeared Brooks felt the only players in the South African economy were conglomerates

When Trade and Industry Minister Alec Erwin took over he kept Brooks on after the Cabinet shake-up in April — a move that has puzzled some in progressive legal circles

Both Brooks and Willem Pretorius a Cape Town advocate who helped pen the first draft, were then charged with taking the debate back to square one by compiling a discussion document on all the options open to the government — including more severe measures, such as provisions for actively splitting up conglomerates, which were absent from the ditched first draft It is this discussion document that will go to Nedlac in September

Pierre Brooks: Still involved in shaping new anti-trust legislation

Although Brooks has repeatedly called for more powers — the board has had few successful prosecutions — some believe it is inappropriate for him to be involved in the wholesale revamp of legislation that is required as he has nailed his colours so firmly to the mast.

Meanwhile, Erwin appointed Professor Dennis Davis to help out, in an apparent bid to bring new blood into the debate However, it is understood Davis has had nothing to do with compiling the Nedlac document, although he has seen it. While it is only a discussion document, some observers suspect Davis has been sidelined

It is noteworthy that Erwin wants the issue to be taken up at Nedlac, where business will have a chance to shoot down ideas it does not like Questions have been asked as to why the government's macro-economic framework policy document should leapfrog Nedlac — to avoid a showdown with the unions — whereas the framework for competition legislation will now be exposed to Anglo American (and other big business) firepower in the tripartite chamber

Brooks's heavy role under Erwin is understood to have brought Erwin into conflict with some in the government alliance who are keen for swift implementation of tightened anti-trust legislation

The Nedlac discussion document examines the approach taken in the United States, which bars executives from Anglo American and De Beers from its shores because of the De Beers diamond cartel The US legislation includes measures to break up conglomerates Although US companies face criminal liability and attacks from the state and other companies if they fall foul of the legislation, there are only a couple of cases of conglomerates actually being split up Some local lawyers argue that merely having stringent legislation on the statute books sends out the right signal

Most European jurisdictions do not allow for the active break-up of conglomerates Instead they examine abuses of dominant positions and then impose fines or set aside agreements

In Europe therefore South African Breweries would not be torpedoed simply because it is a monopoly — or "temporary sole supplier" as it once called itself Instead, its behaviour in the market would be examined before any action was taken

Many European countries' competition laws are, however, focused on forging a common market, underpinning the need for South Africa to concoct a hybrid model by borrowing from a variety of jurisdictions South Africa is one of the most concentrated economies in the world — conglomerates control more than 70% of the Johannesburg Stock Exchange

Whichever route the legislature takes, most local lawyers in the field feel it is crucial that it tap a wide range of legal minds and not rely exclusively on the lawyers who penned the spiked, lenient draft Bill Two years of political bickering, several committees, and one draft later the only winners are the conglomerates who could come under fire from a real Competition Act

Telkom sets privatisation date

(232)

By BRENDAN BOYLE

POSTS and Telecommunications Minister Jay Naidoo has set March 1997 as the deadline for South Africa's first significant privatisation move.

He told Parliament on Friday that by mid-March government hoped to decide on an international consortium to take over a minority share of Telkom Naidoo said the long-awaited deal, which is expected to spearhead the privatisation drive, could begin to take shape after a progress report to the Cabinet in September.

"The timetable is that we hope to get into active negotiations towards the end of this year."

The ministry would report to the Cabinet next month on the progress made in talks with the Telkom board, trade unions and eight potential foreign equity partners

"Our view is that a partner for Telkom wouldn't be a single operator We're encouraging a consortium approach that brings in different forms of expertise"

Naidoo expected a formal short list to be finalised by Cabinet towards the end of the year

He identified the potential partners as France Telecom, Deutsche Telkom, British Telecom, Stet Spa in Italy, a Dutch and Swedish consortium of KPN and Telia as well as US corporations Bell Atlantic and South Western Bell

Naidoo said the equity stake on offer was still subject to negotiation, but that a 30% shareholding was within the range of discussion

He said the period of exclusivity that would be granted to Telkom before direct competition was allowed would also be open to negotiation with potential buyers

He reaffirmed that he would not include the exclusivity guarantee in legislation, but make it part of the licence conditions and said the guaranteed monopoly would be "in the ballpark of" the five to seven years proposed in a policy white paper earlier this year — *Reuter*

ST (BT) 25/8/96

Airports close to privatising

ST(BT) 25/8/96 (2-2)

By THABO KOBOKOANE

PRIVATISATION of the Airports Company, which manages six national and three international airports, will start once an agreement with unions has been reached

Dirk Ackerman, managing director of the Airports Company, says talks are being held with unions on strategic equity partners Initial discussions have been conducted with major international airport authorities

"Once there is agreement with unions at national level, we will move forward and set the criteria for strategic equity partners," he says

In December, Deputy President Thabo Mbeki outlined a plan for the privatisation of state assets, but the process ground to a halt after labour movements threatened disruption because they felt they had been left out An agreement was later reached with unions, resulting in the National Framework Agreement

Ackerman says the challenge is for the Airports Company to stay on the current growth phase. He is confident that a strategic equity partner will play an important role in sustaining growth

"We are looking for a strategic alliance that will not only give us financial muscle, but also help us to equip our company in its vision to become a true global competitor," says Ackerman

The increased number of airlines flying to and from SA, now almost 80 compared with 20 three years ago, and the substantial growth in passenger numbers as well as air traffic has forced the company to accelerate long-term developments to ensure safety and service quality

Ackerman estimates that in the next four years the Airports Company will spend at least R1,2-billion to meet the expected increase in passenger demands He says he remains hopeful this will be financed from the company's resources

The Airports Company, which was commercialised three years ago, reported pre-tax profits of R223-million in the year to March, up from a R53-million deficit three years ago

Ackerman attributes the improved results to better service levels, greater efficiency and reduced costs. During the year, the three international airports saw about 14-million passengers pass through their gates. Earlier this year, the company was restructured into three core business units: property, aviation and retail, in line with international trends.

Ackerman notes that some international airport operators earn more than "half their income from the retail division". He expects both retail and property to contribute significant revenue to the company, which will in turn benefit airlines through lower airport costs

ST(BT) 25/8/96 (232) (   )

Police probe 'deal' among big insurers

By ZILLA EFRAT

POLICE are investigating allegations of collusion between four short-term insurance companies.

According to superintendent Trevor Johnstone of the commercial crime branch in Johannesburg, the allegations relate to a formal "non-aggression pact" between Commercial Union, SA Eagle, Gaurdian National and Mutual & Federal. The companies allegedly agreed not to poach customers from each other on commercial lines and not to undercut one another's prices

The charges were handed over to the police by the Competition Board earlier this year Chairman Pierre Brooks confirms that the Competition Board began an investigation of the companies a year ago after receiving several formal complaints from all over the country

David Hersch, managing director of Compuquote, which provides comparative insurance quotes and information via Beltel, says the "non-aggression pact" has been an open secret in the insurance industry for many years.

He claims that since the Competition Board began looking at their activities the four companies have abandoned their formal pact, but have maintained their arrangement on an informal basis.

Malbak to unbundle its R6,5bn empire

BD 26/8/96

(232)

Edward West

MALBAK had given the go-ahead for a full unbundling of its R6,5bn empire, it said at the weekend.

The industrial conglomerate's major shareholder, Sankorp, is to reduce or dispose of its investments in the unbundled listed companies, with the possible exception of SA Druggists

Malbak, whose subsidiaries include Holdains, Ellerines, SA Druggists and Foodcorp, said that after considering a range of alternatives, shareholder interests would be best served by unbundling.

A distribution from listed and unlisted investments would be made in the first quarter of next year

A cash offer would be made, but shareholders would be given the option to participate in remaining investments over time.

The Malbak board has been studying the unbundling proposals since May, following the departure of CE and chairman Grant Thomas. SA Druggists CE Peter Beningfield, appointed acting Malbak CE, has been leading the unbundling investigation

Thomas was thought to have been opposed to the unbundling plans, but investors had been impatient with the group's underperformance relative to its net asset value.

Malbak said unlisted investments, including Defy, Tedelex, Malbak Motor Holdings and Eagle Freight, would be listed or sold, as it was not practical to distribute unlisted securities to investors. The unbundling would be influenced by pre-emptive rights in some of the group's companies

Exchange regulations prohibited the distribution of shares in MY Holdings, Malbak's packaging company listed on the London Stock Exchange, but alternatives were being sought.

Continued on Page 2

Malbak

(232)

Continued from Page 1

BD 26/8/96

Beningfield said yesterday the unbundling had been a difficult decision to make, but the worldwide trend of investors favouring focused companies instead of conglomerates had been a deciding factor.

In another announcement, Sankorp said it would become a direct stakeholder in the listed companies distributed to Malbak shareholders through unbundling but the shareholdings would be sold or reduced, with the possible exception of SA Druggists.

In cases where shareholdings were reduced, the shares would be held as portfolio investments and not as strategic investments.

Malbak closed at R19,10 on the JSE at the weekend, against a R26,87 net asset value at the time of its interim results for the six months to February.

The share peaked at a R28,50 year high in January, which gave it a R9,6bn market value.

Last month, Malbak persuaded Gencor to sell its 15,3% stake in the company to allow the establishment of a market-related price for the share. Beningfield had argued that the Gencor shareholding, a throwback to the mining house's 1993 unbundling, was overhanging the market and depressing the price.

Gencor raised more than R1bn with the sale, offloading the shares at R20,50 each. The Malbak share price bottomed at R18 less than two weeks after the Gencor sale was announced.

Malbak said a final dividend would be declared for the year to August, but as a result of the restructuring, no interim dividend would be paid in the 1997 financial year

Computicket to be investigated

BD 26/8/96 (232)

Jacqueline Zaina

THE Competition Board has launched a formal investigation into Interleisure subsidiary Computicket after a complaint relating to the company's fee structure was lodged by the local producer of hit musical Les Miserables, Pieter Toerien Productions

Board chairman Pierre Brooks said at the weekend that local producer Pieter Toerien had alleged that Computicket was charging higher booking fees on Les Miserables than were generally levied for blockbuster concerts

He felt the conditions which Computicket had stipulated relating to its services rendered — which included the accrual of interest on takings until the performance date — were unfair

Toerien said it was premature to comment on the matter.

The Competition Board gazetted its intention to conduct a probe into Computicket on Friday in terms of the maintenance and promotion of the Competition Act (1979)

Brooks said the board would look at whether the company was a monopoly and whether its pricing policy or conditions of service resulted in abuse of consumers or constituted discriminatory or restrictive practice

Computicket MD Graeme Victor has denied that Computicket was charging booking fees on the Les Miserables show

He said the company usually relied on three main sources of revenue, namely a booking fee paid by the consumer over and above the ticket price, a commission or percentage of sales paid by the producer or promoter, and interest on sales up until the performance date

Based on the commission structure contracted with Les Miserables' management, Computicket had decided to forgo booking fees

Victor said a reduced commission structure had also been negotiated, but would not have been possible had the producer's claim on the interest from ticket sales been tabled upfront He said "There would not be any profits in the deal for us if we were to hand over the interest earnings"

By retaining the funds from ticket sales in its own bank until the performance date, the company was afforded a form of security in the event that a performance was cancelled and it was necessary to refund customers, he said

Computicket is the second Interleisure company to be investigated by the Competition Board in two years

The 1994 probe into Ster Kinekor was based on allegations by independent cinema operator Moosa Moosa of Durban's Avalon Cinema that Ster Kinekor had conducted unfair business practice and restrictive trading in its exhibition and distribution business The case is continuing

‘Coupon companies’ will ensure equitable wealth redistribution

(232) BD 28/8/96

JOHN ROEMER

RECENTLY Duncan Reekie has argued, in these pages, for privatising state-owned firms by distributing shares, gratis, to all adult citizens on an equal per capita basis Citizens would then be able to sell or trade these shares on a stock market in which the valuation of shares would be set by supply and demand

Reekie argues that such a privatisation scheme would accomplish two goals it would force the (former) state-owned firms to operate efficiently, by replacing government ownership with the ownership of individual citizens who would be interested in maximising profit, and it would distribute the profit from these enterprises in a (roughly) egalitarian way among the citizenry Thus, both efficiency and equity goals would be achieved

Seeking these twin goals is surely desirable, but I shall argue that Reekie's proposal will accomplish neither of them I will propose an alternative to privatisation that would, I believe, be preferable on both efficiency and equity grounds

There is an important distinction between privatising and restructuring Privatising is a legal process, in which property rights are transferred from one actor — the state — to others — individual citizens Restructuring the firm comprises changing the ways in which the firm operates — its production methods, its marketing strategies, the relationship between management and workers

It is necessary to restructure inefficient firms to render them efficient and profitable The tacit premise of those who advocate privatisation is that privatisation will force firms to restructure But the Eastern European experience has shown this is far from the case

Russia is a case in point many formerly state-owned firms have been privatised but continue to operate just as they did before — inefficiently Indeed, the government continues to bail out these firms

Furthermore, the privatisation advocated by Reekie will not accomplish the equity goal either. For if citizens are free to sell their shares many poor citizens will sell their shares to the rich, and a sharp concentration of share ownership in the hands of the wealthy will ensue.

Some poor citizens who do this will invest the lump of capital they thereby acquire wisely (say, in small business which succeeds through dint of hard work), but many will not In consequence, in 20 years, the children of the latter group, who use their one-time capital lump sum imprudently, will receive nothing

It is very likely that a one-time privatisation scheme, therefore, will alter the distribution of income and wealth, 20 years hence, in only a small degree.

I propose, in lieu of privatisation of state firms, a two-stage procedure: first, introducing institutional changes which will restructure these firms, and second, transforming them into corporations whose shares are owned by three groups — the state, institutions such as worker pension funds, and citizens.

But the citizens shall hold their shares in a form which will ensure that not only they, but their children, shall benefit

Restructuring should include at least these four elements

□ Breaking up state monopolies, unless they are "natural" monopolies, i e enjoy economies from operating on a very large scale,

□ A calendar which will, over several years, withdraw "infant industry" tariff protection which has become "geriatric" protection of badly managed firms;

□ A procedure of hiring managers on a competitive managerial labour market, instead of appointing them via a political process; and

□ Ending preferential tax and credit treatment of state firms.

These four actions are key to putting firms on a profit-maximising basis They are all intended to force firms, which have been sheltered from competition, to compete It is through competition that firms will be forced to innovate, cut costs, and become profit-makers

If privatisation were to occur before this kind of restructuring is begun, then the newly privatised firms will continue to operate just as they did before. Changing the property rights will not, alone, suffice to force the firms to operate competitively

Indeed, shareholders will want to retain monopoly power and tariff protection, if they can. This would be fine for them (as owners), but bad for the rest of society which will continue to pay higher prices.

After restructuring has begun, denationalisation should be started

This will entail issuing shares in the firms to the state, to institutions such as pension funds, and to citizens But there is one important qualification on citizens' shares they will be transferable for shares of other firms but will not be able to be sold for cash.

Each adult citizen will be issued with coupons which can be used to purchase shares in firms being denationalised Share prices will be denominated in the coupon currency, not in rands. These shareholders will receive dividends from the firm, but can never cash in the shares or transfer them to other individuals

When a person dies, the coupon shares escheat to the state treasury, and each young person, on reaching adulthood, receives an endowment of coupons from the treasury

Thus, each adult citizen is entitled, as a right of citizenship, to a share of the profit stream from firms in the "coupon sector"

Guaranteeing the right to future generations requires restrictions on the right of citizens in the present generation to sell their stream of profit to other citizens (by cashing out their coupon shares)

In my plan, none of the three classes of owners of these firms — the state, pension funds and other such institutions, or coupon holding citizens — will own a majority of the shares of a firm These three classes will all have somewhat different goals, and balancing the ownership by assigning no one class a majority of shares will prevent the firm from behaving perversely Because pension funds and citizens are both interested in earning profit, the state will not be able to induce the firm to engage in inefficient practices which may suit political interests

The proposed denationalisation strategy will not provide today's citizens with the immediate potential cash benefit that Reekie's privatisation scheme would In my proposal, for a citizen would receive a constant stream of profit over a lifetime, rather than the lump sum from cashing out the shares from a straight privatisation scheme

The citizen would, in my proposal, benefit from the increased efficiency of firms that restructuring would bring about, and would also benefit from the state-provided goods that would be financed with state revenues from firms, as well as from the augmentation of pensions brought about by the pension funds' income form these firms

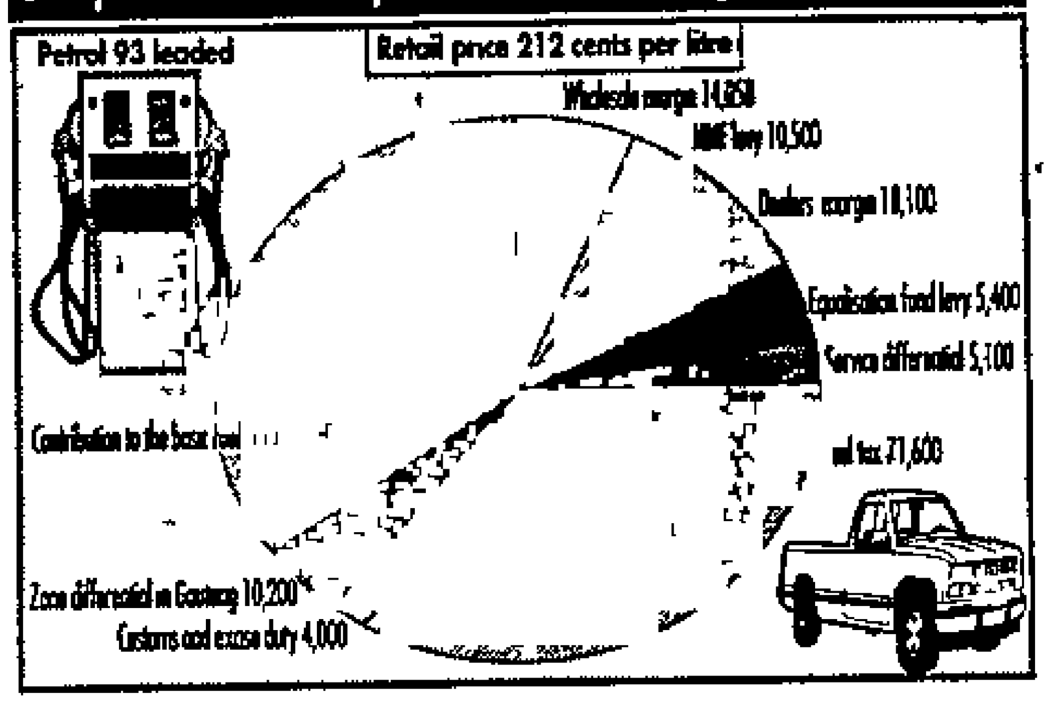
If this strategy of denationalisation is successful, firms in the "coupon sector" will grow, and will purchase other firms in the economy Thus, citizens' incomes from coupon shares will increase Moreover, I would advocate transforming large privately owned firms into "coupon firms" as well, thus augmenting the scope of the coupon sector in the economy

This could be done by requiring large transnational firms and conglomerates to auction off some of their subsidiaries to firms in the sector, perhaps after a certain number of years of private ownership, as a condition of investing in SA

In this way, citizens, through their coupon holdings, would receive an increasingly significant stream of income as their property right in the nation's firms

□ Roemer is professor of economics at the University of California at Davis.

Composition of fuel price in the Gauteng region



Petrol attendants 'threatened by oil deregulation'

~~(183)~~ (232)

By James Lamont

INDUSTRIAL EDITOR

CT(BR) 28/8/96

Maseru — One of the biggest challenges facing the government's deregulation of the oil industry in South Africa is the fate of petrol pump attendants if self-service becomes the norm at fuel stations, Penuell Maduna, the minister of energy affairs, said at the weekend

Maduna said he would have to convince the unions that represent the 45 000 forecourt workers in South Africa that the deregulation of the state-sanctioned oil industry would benefit the wider economy

The government regulates the retail price of petrol and oil Maduna argued that this was a hangover from when South Africa maintained a siege economy against international sanctions.

The minister said deregulation would bring new suppliers and new products into South Africa, which could include self-service pumps

Self-service pumps are forbidden on the nation's forecourts under the service station rationalisation plan, which controls the number of service stations in the country

He said he would urge the unions and their oil industry members not to profit from the incentives given to international oil companies to participate in the South African industry during the apartheid era

Maduna said oil companies had invested heavily in the petrol stations and the introduction of labour-saving technology could take years

Last week, Maduna said that the abolition of the pricing mechanism for petrol would make petrol cheaper in South Africa and bring about greater economic efficiency

The pricing mechanism is based on a basket of refined products from Bahrain and Singapore and includes fixed margins for wholesalers, which have little significance in the post-apartheid market

Union debate on investment role

BD 29/8/96. (232)

Reneé Grawitzky

COSATU affiliates appeared divided on the establishment of union-controlled investment companies, especially because such companies had been bidding for radio stations, and this could undermine labour's broad opposition to privatisation

Unionists opposed to investment companies have questioned the strategy of unions effectively going into business, the motivation of those involved and the ultimate impact on the labour movement.

Such concerns come in the wake of a joint bid by Primedia and a number of consortium partners including the Mineworkers Investment Company and SA Clothing and Textile Workers Union (Sactwu) Investment Company

An increasing number of unions in recent months have formed investment companies including the Food and Allied Workers Union, SA Railway and Harbour Workers Union, National Union of Metalworkers of SA, Communication Workers Union and the SA Commercial, Catering and Allied Workers Union.

Cosatu itself is in the process of forming an investment company, but was not prepared to comment on this development

Unions including the Transport and General Workers Union (TGWU), SA Municipal Workers Union and the Chemical Workers Union were presently debating the issue with some reservations.

One union source said he wondered how such a move would be reconciled with the labour movement's mission

"As a labour movement we should be servicing our members and we would not be achieving this if we were sitting in boardrooms the whole day."

But another union source whose union had formed an investment company said there was nothing wrong with establishing investment vehicles as long as there were clear guidelines as to how workers would benefit, and which would safeguard against the move benefiting an elite.

TGWU assistant general secretary Harold Harvey said yesterday that the union was looking at its long term investment strategy. An investment company was only one of a number of options which could include establishing an asset management company to manage excess union funds.

Private sector eager to play a role with Transnet

BD 29/8/96 (232) ([illegible])

Robyn Chalmers
and Adrienne Giliomee

PRIVATE sector organisations have shown keen interest in Transnet's announcement this week that it would be seeking private sector involvement in the financing, rehabilitation and operation of infrastructure.

Standard Corporate and Merchant Bank public finance division head Colin Coleman said yesterday that talks would be held with Transnet soon about ways to assist in promoting private sector partnerships.

Coleman said the SA Infrastructure Fund — a fund in excess of R500m which would take equity stakes in infrastructure projects — was established to encourage such developments It would also consider providing private equity risk capital to undertake such transactions.

"This includes Spoornet's requirements to rehabilitate railway infrastructure, SA Airway's search for a strategic equity partner and Portnet's needs to enter into joint ventures to undertake rehabilitation and greenfield expansions of ports."

Transnet's new strategy would in the long term support job creation and the expansion of SA's infrastructure while providing opportunities for black economic empowerment, he said Sanlam GM Nick Christodoulou, who manages the group's Development Fund, said yesterday that it was encouraging that parastatals were coming forward to seek private sector involvement for infrastructure development

He said although there had been no discussions with Transnet on the matter, they looked forward to future relationships with the parastatal

Futuregrowth co-ordinator Michael Leeman welcomed the move by Transnet and saw the news as "very positive". The fund would look to providing finance on a project-specific basis, with scope for managing the risks involved in some of the projects.

Transnet MD Saki Macozoma said this week that motivating factors behind the new strategy included a need to reduce the parastatal's reliance on the state and capital constraints. More than R3bn was needed to be invested in Spoornet's infrastructure to replace old trains and tracks, and R2bn was required to revitalise SA's ports.

Macozoma said Transnet's role as an infrastructure owner would gradually diminish, with the construction of new infrastructure largely undertaken with the private sector, but stressed the new strategy still had to be thrashed out with all stakeholders

Cosatu affiliates urged to take stand on privatisation

BD 30/8/96 (232)

Reneé Grawitzky

COSATU affiliates have been warned that a failure to take positions on privatisation could result in their exclusion from processes under way.

This message was conveyed in a discussion document on state asset restructuring being circulated by Cosatu to affiliates to assist them in formulating mandates before the next Cosatu central executive committee meeting in September

Over the past two months several special executive committee meetings to discuss the issue have been cancelled due to lack of attendance by Cosatu affiliates This has delayed adoption of a broad Cosatu position

Union sources said yesterday a reluctance to formulate concrete positions could be based partly on the apathy of affiliates and unwillingness to formulate policies which might indicate a shift in thinking.

Proposals in the document ranged from considering all options during restructuring, including private sector investment and strategic equity partners. For example, it said where an equity partner was agreed to in telecommunications, such a partner had to provide services beyond fixed lines

Other proposals relate to industrial strategies, agreement on employment levels and creation and legislation and regulatory mechanisms to protect workers and consumers, "particularly in areas where the state withdraws or holds a minority share".

The discussion paper stressed that if Cosatu wished to influence restructuring it had to develop positions and respond effectively

The document indicates that anti-privatisation stances were adopted to challenge the old government.

Affiliates were called on to interpret Cosatu resolutions "under present political and economic conditions" which could lead them not to oppose restructuring under the "new government".

Board alters the focus of Kolosus study

(232) CT (BR) 30/8/96

By Stuart Rutherford

Durban — The Competition Board announced this week that it would not formally investigate Kolosus Holding's recent R106 million purchase of Silveroak Industries, but would rather look at the implications of the deal

Pierre Brooks, the chairman of the Competition Board, said the issues relating to possible anti-competitive practices in the supply of products to Lindgens Ladysmith Trimming and Ladysmith Lindgens Leather by other companies within the Kolosus group would be considered

The investigation stemmed from Seton's allegations that Kolosus-owned King Tanning was deliberately destroying Lindgens Ladysmith Trimming and Ladysmith Lindgens Leather, to take its share of the automotive leather industry

Seton, a US-based producer of automotive leather, and Kolosus, co-own Lindgens Ladysmith Trimming and Ladysmith Lindgens Leather

Brooks said the Board had cleared the acquisition of Silveroak and its subsidiaries The deal did not warrant a formal re-evaluation, although it was a "causal factor" in the present investigation

Tito Vorster, the managing director of Kolosus, said he was satisfied that the purchase of Silveroak had been put to bed, though he was not happy with the board's decision to investigate the deal's implications He said he had seen Seton's complaint Its claim that Kolosus controlled 90 percent of the raw material in South Africa suitable for automotive leather was incorrect He said Kolosus controlled only 50 percent Vorster said they did not prejudice Lindgens Ladysmith Trimming and Ladysmith Lindgens Leather in product supply "I have no doubt that once the Competition Board receives my reply it will just die away"

Robert Appelbaum, Seton's local attorney, said the company wanted equal attention paid to the Silveroak take-over, the possible monopolistic situation and any restrictive practices The Southern African Clothing and Textile Workers Union, which represents most of the affected workers, complained that Kolosus did not consult it before the acquisition

Hansard

coughs and sneezes around me, I will say that there is nothing that I can do about the matter

That is not what we want We should give correct information which is useful and is going to help to control this epidemic

Research shows that it is safer to use a condom One gets more protection using a condom than not using one This is important information The Aids message is very simple There are really only three things Firstly, one abstains from having sexual intercourse which most people do not do Secondly, one is faithful to one uninfected partner Thirdly, if one cannot be sure of that, one uses a condom There is no other way [Applause]

The SPEAKER Order! Hon members, we have overextended question time I would also want to draw your attention to the following Because of the importance of this issue, the importance of public information and the importance of what one called prominent public profile people being seen to be discussing and addressing this issue I permitted a great deal of leeway in the response of the Minister I would urge Ministers not to take any example from that Long answers on other subjects will not receive the same tolerance from me

Business interrupted in terms of Rule 199(3) of the Standing Rules of the National Assembly

Parliamentary villages' unpaid rentals

*41 Mr J A JORDAAN asked the Minister of Public Works

(1) Whether any persons residing in the villages Acacia Park, Pelican Park or Laboria Park owed any amounts in unpaid rentals to his Department as at 31 July 1997, if so, in each case, (a) what is the (i) name and (ii) position of the person concerned (b) what amount was owed and (c) over what period did such amount accumulate,

(2) whether any action is being taken to recover the outstanding amounts, if not, what is the position in this regard, if so, what action? N1625E

The MINISTER OF PUBLIC WORKS

(1) Yes, attached is a list of outstanding rentals indicating the name, Department, amount, outstanding and period for such amounts (*List bound in Annexures of House – see M 414/97*)

I should indicate that in most cases non-payment is the result of technical delays in processing payments rather than a conscious desire not to pay The individuals who have cleared their arrears already are indicated with a• on the attached list

(2) The Director-General of this Department addressed a personal letter to his colleagues requesting them to give immediate instructions to their officials who were still in arrears with the rentals Twenty Departments have indicated that their officials have signed stop orders against their salaries for the payment of rentals

Letters have been forwarded to the Heads of Departments which have not made arrangements to address the question of arrear rentals indicating that if officials are still in arrears by 20 September 1997, they will be evicted from the accommodation that they currently occupy Any future applications for accommodation shall also only be considered upon complete settlement of arrear rentals

Questions standing over from Wednesday, 20 August 1997 (transferred for oral reply in accordance with Rule 202)

Privatisation of buildings investigated

*3 Mr L D CHUENYANE asked the Minister of Public Works [Written Question No 64] 232

(1) Whether his Department is currently investigating the privatisation of buildings under the control of his Department, if so, (a) why and (b) when a decision will be taken in this regard,

(2) whether he will make a statement on the matter? N120E

The MINISTER OF PUBLIC WORKS

(a) The department is currently engaged in the compilation of a national register of all state assets, including vacant land,

property and buildings Provincial administrations are assisting and cooperating in the exercise Part of the exercise is geared towards identifying mechanisms to regulate the disposal of redundant state property, including buildings In these cases, redundancy is determined after consultation with government user departments, provincial administrations and local authorities Re-use or outright sale of redundant properties will take place within the overall reconstruction and development priorities of the government

The major reasons for consideration of disposal include the high cost factor to the state of an unrationalised property portfolio as well as the large maintenance backlog which government has inherited from previous years

(b) The asset register will be completed during the course of 1998 In the meantime, I can announce that Cabinet has approved certain proposals from the Public Works MinMec regarding the disposal of residences no longer required for use as official quarters, mainly in former homeland areas

1 In terms of the cabinet's decision, the following policy guidelines will operate

* state-owned residences occupied by public servants who are required to reside in state housing should not be sold,

* public servants, who, by the nature of their responsibilities and duties, are required to reside in official housing, should not be given an option to purchase the residences they occupy, as accommodation for their successors will still be required,

* public servants who currently occupy state-owned residences, although they are not eligible for state housing, should be given an option to purchase such residences at market value Public servants who do not wish to exercise this option should be given a reasonable notice period [maximum 6 months] to vacate the residence, after which it will be sold,

* The National and Provincial Departments of Public Works should continually consider one another's accommodation needs in order to prevent the injudicious disposal of residences where such accommodation is urgently required for the purposes of national or provincial governments,

* all redundant state-owned residences should be disposed of by the National Department of Public Works,

* The disposal or redundant residences should proceed in a manner which [a] prevents prospecting, [b] promotes the participation by those sections of South African society who have previously been disadvantaged, both in the selling and the purchasing of redundant residences, and [c] fosters the integration of South African society by enabling access to individuals who were previously excluded from residing in "group areas",

* the national department of public works shall develop the criteria which will be used in the adjudication process when disposing of redundant state owned residences

The Minister of Public Works will consult with the Minister of Health and for Welfare and Population Development on the possible utilisation of state-owned accommodation for, *inter alia,* certain categories of health workers and victims of child and/or sexual abuse respectively The Department will also extend its current investigation to ensure that the existence of state-owned farms, guest houses, flats and residences also receive attention At all times sensitivity will be shown when dealing with residences located on land which is in dispute Discussions are taking place with the Department of Finance to ensure that the funds received by the central exchequer from these sales is channelled to the most appropriate areas of state funding

Cabinet has approved the disposal as a first step and subject to the above considerations and guidelines, of 834 redundant residences out of a total of 63 738 state owned residences of which 44 985 were national and 17 000 provincial The distribution of residences, per province, is as follows

1 450 in the Eastern Cape [2 804 national and 1 100 provincial residences identified so far],

2 291 in the Free State [thus far, 3 981 national and 0 provincial residences],

3 38 in Gauteng [17 145 national and 7 190 provincial residences identified so far],

4 3 in Mpumalanga [2 320 national and 1 175 provincial residences identified so far],

5 3 924 in the North West Province [2 638 national and 1 286 provincial residences identified so far],

6 2 298 in the Northern Cape [1 856 national and 442 provincial residences identified so far],

7 In the Northern Province there is no asset register as yet, but 35 residences are identified for disposal [2 995 national and 1 890 provincial residences identified so far],

8 17 in the Western Cape [7 309 national and 4 540 provincial residences identified so far], and

9 No redundant residences have been identified in KwaZulu-Natal [4 936 national residences identified]

Department: losses resulting from corruption

*19 Mr L D CHUENYANE asked the Minister of Public Works [Written Question No 399]

(1) Whether he or his Department has any statistics on the loss of income suffered by his Department as a result of corruption, if so, (a) how many cases of corruption were reported during the latest specified period of 12 months for which information is available and (b) what was the total loss of income suffered by his Department during that period,

(2) whether he or his Department is contemplating taking any steps to combat corruption, if not, why not, if so, what steps,

(3) whether he will make a statement on the matter? N644E

The MINISTER OF PUBLIC WORKS

(1) The Department of Public Works has no statistics available on the loss of income suffered by the Department since no losses of income were reported

(2) The Department of Public Works is committed to combating corruption In order to minimise corruption and to identify such cases at an early stage, the Department is in the process of establishing an Internal Audit component This component will not only identify cases of corruption, but also recommend improvements in present systems and procedures, so as to eliminate the opportunity for corruption

Question standing over from Wednesday, 27 August 1997

Parliament in Cape Town: costs /benefits

*22 Mr J A JORDAAN asked the Minister of Public Works

(1) Whether the Government has commissioned a group of independent auditors to conduct a study into costs and benefits associated with keeping Parliament in Cape Town, if so, who conducted the study,

(2) whether this group has completed its report, if so, (a) when and (b) what are the findings contained in the report,

(3) whether the report has been made public, if not, why not, if so, what are the relevant details? N1783E

The MINISTER OF PUBLIC WORKS

(1) The Departments of Provincial Affairs and Constitutional Development, Finance, Transport and Public Works were instructed by Cabinet to prepare reports on certain aspects relating to the short and long term costs of the current constitutional status of Cape Town as seat of Parliament and Pretoria as seat of the executive and administrative headquarters of government departments To this end, KPMG were commissioned by Constitutional Development to investigate [1] the comparison of Cape Town with Gauteng as location for the seat of the legislative authority, and [2] the economic impact on the Cape Town region should parliament be relocated away from Cape Town The Department of Public Works has commissioned KPMG to report on the financial and related implications of the relocation of central government department head offices from Pretoria to Cape Town

(2) (a) The two reports commissioned by the Department of Provincial Affairs and Constitutional Development were completed in November 1995 and January 1997 respectively Department of Public Works has so far received only a draft report from KPMG

(b) Given the sensitivity of the issue, as pointed out by the President on many occasions and most recently in his address to the NCOP, government does not believe that sensible public debate will be enhanced if the reports are released for public discussion on an *ad hoc* basis or simply when they are completed Rather, we believe that it would be more appropriate to release details of the findings once all commissioned reports are completed

(3) No, for reasons I have outlined above However, government is committed to releasing the commissioned reports as public information as soon as possible to assist in a serious and sober consideration of this very important matter

Questions standing over from Wednesday, 3 September 1997

Prosecutors involved in monitoring investigations

*3 Mr D H M GIBSON asked the Minister of Justice

(1) Whether, in the light of evidence that deficiencies in police investigations are hampering the ability of the public prosecution system to bring about successful prosecutions, he is considering permitting prosecutors to become involved in monitoring investigations so as to ensure the-preparation of good quality dockets, if not, why not, if so, what are the relevant details,

(2) whether he is considering any other means to solve this problem, if so, what means? N1840E

The MINISTER OF JUSTICE

(1) I appreciate the concern raised In the light of pending legislation to establish a single National Prosecutorial Authority in South Africa, the Department is also critically examining the current system In terms of the current system – one which has many positive aspects – investigation into crime is essentially the function of the police If a strict line of demarcation were to be drawn, the position is that the police should hand a completed docket, ready for prosecution, to the prosecutor

Discussions have taken place between the Director-General and the Commissioner of Police in an endeavour to ensure that property completed dockets reach prosecutors so as to enable prosecutors to proceed with prosecutions effectively, efficiently and speedily Similar discussions have taken place within the structures of the National Crime Prevention Strategy

Clearly there needs to be high level and effective co-operation between police investigators and prosecutors This indeed does take place and in practice public prosecutors examine the dockets and evidence submitted to them for the purpose of taking a decision on whether to institute a prosecution and also for preparation of charge sheets and for trial This also often leads to instructions being given to investigating officers, for example to conduct further investigations or to obtain further statements Hence there has been some degree of monitoring by prosecutors in the exercise of their duties In cases identified specifically by the Attorneys-General, prosecutors are at times assigned to assist the police during the course of the latter s investigation and from an early stage, so as to compile a docket fit for prosecution

Entrenched privatisation dangerous, says Manuel

(232) BD 3/9/96

Nicola Jenvey

DURBAN — Privatisation should be motivated by a constitutionally entrenched mandate, IFP leader and Home Affairs Minister Mangosuthu Buthelezi said yesterday.

He told the National African Federated Chamber of Commerce that privatisation policy lacked direction and SA had not "found the strength and determination" for a clear course of economic growth.

Finance Minister Trevor Manuel described Buthelezi's plan as "very dangerous".

It was dangerous to entrench policy instruments because management and leadership styles could change. Downsizing was an example — it had been fashionable until recently but was currently inappropriate, he said.

Government was considering a range of restructuring options which would "guarantee" the best value in the long term. Contemporary examples such as Mexico, where corruption had been rampant, and Zambia, where, despite 102 entities being privatised last year, the people were worse off — were not viable, said Manuel.

Buthelezi argued that should privatisation and deregulation principles appear in the national constitution — as in the KwaZulu-Natal provincial constitution — many uncertainties undermining government's macroeconomic strategies would be removed.

He said liberalising the economy through antitrust legislation would stimulate small, medium- and micro-sized enterprise development. Competition would be promoted and effectiveness in world markets strengthened.

Nafcoc president Joe Hlongwane said small business development had created employment opportunities worldwide, but realising the same in SA demanded more vigorous competition policy.

This included forcing big business to procure goods and services from small, predominantly black businesses and to encourage higher productivity among the workforce. Tax rates which inhibited growth of smaller businesses also needed reviewing, he said.

Effective black economic empowerment required that 30% of board seats in quoted companies, 40% of equity, 50% of inputs and 60% of managerial posts be held by blacks by 2000.

Government also needed to review business regulations.

Nafcoc demanded action to stop escalating crime and called for "investor-friendly" taxation.

Hlongwane called on government to introduce affirmative action legislation and to facilitate the creation of a black economic empowerment investment fund through private investors.

Public Works Minister Jeff Radebe said government would waive the sureties requirement on any public works building and civil contracts — the single largest entry barrier to the building industry — to facilitate the immediate entry of emerging small-scale entrepreneurs.

Public works contracts would be broken into as many parts as possible without negatively affecting quality, time and costs to increase the share of procurements.

The principle had already been applied to the R150m Malmesbury prison.

He said future contracts would be awarded to the lowest "responsible and responsive" bidder with price being only one consideration. Large-scale construction projects would demand joint ventures, subcontracting or employer-employee relationships.

Radebe said the state had also reconsidered its roster system to widen the consultancy network to black-owned practices.

SA currently faced a R170bn infrastructural backlog and Radebe said innovative financial strategies, careful prioritisation and private sector investment were essential for progress.

17 chasing casino permits

BD 3/9/96

Amanda Vermeulen

THE Mpumalanga Gaming Board has received 17 casino resort proposals competing for the province's four gambling licences, which will be issued by March next year.

The board said yesterday it had amended its original request-for-proposal document, and would not call on bidders to submit a confidential exclusivity fee until the licences had been issued, taking the fee out of the evaluation process.

In addition, Gaming Board CE Andre Wilsenach said the board would be willing to negotiate with the successful applicants on the length of the exclusivity period, previously set at 10 years in the request document.

The board said in July that it would ask applicants to volunteer a fee to ensure that no new licence was issued for 10 years in the region in which the licence winner had been granted permission to open a casino.

However, Wilsenach said yesterday there had been some confusion among applicants who believed that the size of the fee would determine which company would get a licence.

"We amended the legislation to prevent the exclusivity fee from interfering with the board's evaluation. We have told the applicants that the best proposal will win the licence, not the size of the exclusivity fee."

In addition, although the fee was originally planned to secure an exclusive licence for 10 years, Wilsenach said the board would be willing to negotiate the exclusivity period with the eventual licensee.

The board received 35 submissions from potential casino operators last month expressing their intention to bid for a licence in Mpumalanga.

The board is expected to announce the successful bidders by March 27 next year.

Wage talks for 18 000 deadlock

Renee Grawitzky

BD 3/9/96

WAGE talks covering 18 000 workers deadlocked on Friday as employers and the Chemical Workers' Industrial Union (CWIU) were unable to resolve differences on across-the-board increases and hours of work.

The union intended applying for a conciliation board. At the meeting both parties revised their positions with employers offering 10% across the board and a maximum [illegible]-hour week. The union revised its demand from 14% to 12% and demanded a reduction in hours of work to 40 over two years.

CWIU president Abraham Agulhas said countrywide report-back meetings were taking place. Future action would depend on the outcome of the conciliation board meeting.

DEREGULATION

Maduna adds fire to fuel

(232) CT (BR) 6/9/96

James Lamont
INDUSTRIAL EDITOR

When Penuell Maduna, the mineral and energy affairs minister, took over the portfolio in July, after the National Party's withdrawal from the government of national unity, he understood deregulation as synonymous with the slaughter between rival taxi groups. He argued for the government's intervention in the market and staked his priority as increasing black equity in the industry

Goaded by a department he believes has made few steps to reflect the new dispensation in South Africa since the 1994 elections, he has questioned the maintenance of the retail petrol price, the pillar of the state's intervention in the sector.

Maduna says petrol would be cheaper if the government-controlled pricing mechanism was abolished. His ministry's calculations have found that if the in-land bonded cost pricing mechanism and the fixed margins set for wholesalers by the government were abandoned, the petrol price would fall New products and new entrants would come into the market.

He says the state regulation — retail price fixing, controlled wholesale margins and restrictions on competition — was introduced as an incentive to secure the international oil companies' services during apartheid and guarantee them a return on their investment

Penuell Maduna, the mineral and energy affairs minister
PHOTO JOHN WOODROOF

Deregulation is inevitable and would benefit the economy, he says He also intends to shake up the oil supply arrangements that have made South Africa dependent on Iran since the Shah's imperial days

Experts have criticised state-sanctioned arrangements between refiners, wholesalers and marketers before Refinery output is sold to wholesale marketers at a price based on a monthly average of a basket of prices for products refined in Singapore and Bahrain, as if they were delivered to South Africa The government has defended this derived price formula as an incentive to efficiency Critics argue that petrol prices in Bahrain and Singapore have little to do with South Africa Prices should reflect the import parity prices paid by the oil companies

Colin McClelland, the director of the South African Petroleum Industry Association, a representative body of international oil companies, says the consequences of deregulation on the petrol price are difficult to predict. He forecasts that in large urban areas the price would fall, but rural areas would have higher prices

Increased margin pressure would knock out less efficient service stations, whose prosperity is guaranteed by the service station rationalisation plan (Ratplan) that restricts the number of service stations and their marketing policies.

McClelland says it would be difficult for a new entrant, especially in refining, to gain a significant stake unless it followed the Petronas example of buying a stake in existing assets The debate hangs on whether the government's macroeconomic thinking is for long-term efficiency in the economy, or jobs here and now

Maduna's comments are not new, only more forthright His predecessor, Pik Botha, averred over the issue and ended up in a confrontation with the foreign oil companies over the subsidies for synthetic fuel producers, Sasol and Mossgas Because of this, they say he will not deregulate the industry faster than the Stellenbosch University report's suggested three to five years

Maduna has identified the unions and not the synthetic fuel producers as one of the biggest obstacles to reform.

He says that he has yet to convince the unions, representing the nation's 45 000 forecourt workers, not to continue to benefit from measures put in place to maintain the services of international oil companies, when South Africa developed a siege economy during apartheid One of the new products that might emerge is self-service pumps, outlawed by the Ratplan, which would threaten the unskilled petrol-pump jobs.

The price of deregulation, Maduna says, would be job losses, state subsidies to the synfuel industry and a resolution on how to distribute the 195 000 barrels a day of synthetic fuels lifted by the oil companies Sasol would have to consider retailing its products or merging its coal-to-oil interests with an oil company

The oil companies have welcomed moves towards the deregulation of the fuel price, because it promises the possibility margins greater than 14c a litre But they oppose Sasol's protection Maduna has his own ideas about the future of the state-owned Mossgas And if he can cut the Mossgas Gordian knot, perhaps deregulation of the rest of the industry might not be so daunting

Aventura likely to be privatised by year-end

BD 9/9/96 (232)

Robyn Chalmers

STATE-owned Aventura Resorts is likely to be among the first parastatals to be privatised, with a recommendation before government that the organisation be sold in its entirety before the end of this year.

Public Enterprise Minister Stella Sigcau had flagged Aventura for possible privatisation, and a ministry spokesman said yesterday top priority was being given to the recommendations

"A team has been set up to study the proposals . and government is planning to move ahead swiftly Government does not believe it should be in the leisure business," the spokesman said.

Aventura MD Alan Louw said recommendations on Aventura's full privatisation could go to the cabinet before the end of this month, depending on how government reacts to the proposals

Louw said the company's debt had risen to an unsustainable level of R34m in the year ended August last year while recording an estimated loss of R8,6m against a R13m loss for the previous year This was largely the result of inefficient cost structures and a number of loss-making resorts

He said management had implemented a resort rationalisation and employee re-organisation programme during the 1995 financial year and the effects of this would become evident in 1996 The company was budgeting for a break-even situation before providing for interest on its debt

"It has become clear that Aventura requires recapitalisation in order to reduce its significant debt level, to refurbish and optimise its resorts and to be competitive in the leisure industry," he said

Louw said there were local as well as overseas organisations which had expressed interest in buying Aventura He believed government could realise about R50m from any sale, but said that the final decision on privatisation would rest with the state.

The company's 1 500-strong staff had been consulted on the issue, as well as representative unions including the SA Commercial, Catering and Allied Workers' Union and Hotelica, which agreed in principle with the proposals.

Aventura has submitted proposals for two casino licences in Mpumalanga despite national and provincial legislation prohibiting state-owned gambling operations. Louw said government would have to make a decision on Aventura's privatisation before December as a decision on casino licences would be made towards the end of this year

The company owns 15 resorts in six provinces with turnover of about R110m a year. It provides hotel accommodation at its two main resorts Warmbaths and Badplaas, but its operations focus on providing self-catering accommodation and camping and caravanning facilities

Labour names five privatisation advisers

CT(BR) 10/9/96 (232)

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — After the recent high-stakes race by international investment houses to advise the government on privatisation, South Africa's main labour federations introduced an element of modesty to the process yesterday by naming a team of largely unknown consultants to advise them on the restructuring of state assets

Cosatu, the Federation of South African Labour Unions and the National Council of Trade Unions, who negotiated the national framework agreement on the restructuring of state assets with the government in January, named five of the eight consultants they have appointed to advise them yesterday

"The advisers have been commissioned to do research which will strengthen the hand of labour in future negotiations with government," said Vusi Nhlapu, the president of the National Education, Health and Allied Workers' Union and the manager of the appointment process

Patrick Bond, a senior researcher at the National Institute for Economic Policy, will advise on housing He would advise labour to push for greater involvement of parastatals.

Tessa Marcus, an academic at the University of Durban-Westville and a researcher for the Community Agency for Social Enquiries, will advise on agriculture

Patrick Brennan, the principal researcher at the Cape Town based research firm Builder's Design Matter, was appointed adviser on trade and industry

Simon Roberts, an economics lecturer at the University of Witwatersrand, will advise on transport

Michael Schwemmle, a German citizen advising trade unions on the restructuring of the German telecommunications industry, will also advise the local trade union movement on this topic

The appointments of three advisers for forestry and water, tourism and local government have not yet been confirmed

The government recently named Hong Kong Shanghai Banking Corporation as its adviser and gave labour R750 000 to pay for its own advisers

"The R750 000 must last for nine months Then the government will decide whether labour needs more money," said Nhlapu

Parastatals prepare for privatisation

BD 10/9/96 (232) ~~250~~

Reports by Jacqueline Zaina

THE imminent privatisation of a number of parastatal organisations — including Sun Air and Aventura — has been facilitated by concerted marketing efforts which have smoothed their transition to commercial enterprises

Sun Air had increased its advertising expenditure fourfold over the past two years, achieving greater visibility in the marketplace and making it more marketable, said marketing manager Hennie Smit.

Industry sources said the airline was expected to be one of the first parastatals to be sold by the state. The airline is also negotiating with Virgin Atlantic's Richard Branson to offer two daily flights to Cape Town and Durban in competition with SAA and Comair, which already have an agreement with Virgin's arch rival, British Airways.

Smit said an extensive marketing campaign had been launched early last year — including television advertising for the first time — to position Sun Air as a "superior flying experience".

A spokesman for its agency, Grey Advertising, said that the image the airline wanted to develop was one of a blue chip company — but also maverick and unconventional

"We realised that to compete in the larger arena with the likes of SA Airways, we would have to increase our visibility," said Smit

Sun Air had "out-marketed" Comair, its main competitor in the domestic sector, and this had contributed to its increase in monthly passengers to 62 000 by May 1996, from 7 800 two years ago, he said.

Delays in the decision-making process due to the need for government approval of its projects had made it difficult for the airline to operate successfully in such a fast-moving industry, where flexibility and the ability to respond quickly constituted a competitive advantage.

Aventura — which was incorporated in 1993 out of the old Overvaal Resorts — is also expected to be privatised shortly. While the objective of its marketing efforts — to sell its product in a competitive market and generate operating profits — had had a positive effect on the company's intrinsic value, the extent to which it could be marketed was limited, said marketing manager Fred Koch.

Its infrastructure was in urgent need of refurbishment, requiring substantial capital which was not available from government.

Against the background of National Party government policies, the company had swiftly adapted to new market forces, he said. Prior to 1993 very little advertising was done as the marketing emphasis was on loyalty programmes designed to retain existing clients rather than attract new business.

Early market research indicated that except for a small section of the population — largely Transvaal-based white Afrikaners — there was little awareness of Overvaal

So as to commercialise the organisation successfully — the state was no longer in a position to subsidise it — awareness levels had to be raised dramatically across the entire market spectrum, he said

A campaign was launched encompassing television, radio and print advertising in order to generate a broad-based awareness of the extent of Aventura resorts and its positioning as a family destination, said Koch

This included a name change from Overvaal to Aventura which had extended to staff uniforms, resort signage and stationery.

Budget constraints did not, however, allow for separate campaigns to be developed for each resort.

In order to differentiate the resorts it was therefore decided to create sub brands, dividing the organisation into three operating groups; Aventura Spa, Aventura Eco and Aventura.

The Spa brand, comprising resorts which include hydro spa facilities, was relaunched in February and the Eco brand, encompassing resorts surrounded by nature conservation areas, is being launched this month to coincide with the World Eco Symposium, which Aventura is sponsoring

Since the formation of Aventura, advertising budgets have been determined as a percentage of accommodation income

In contrast to the situation prior to 1994, these guidelines were now strictly adhered to in the organisation's communication with a broader and emerging market, said Koch

To make allowance for budget constraints, Aventura had also explored alternative methods to market the company, including trade exchanges and sponsorships.

While Aventura's previous client base had been in line with government policy at the time, the removal of apartheid had opened up tremendous opportunities to market the company to a culturally diverse client base.

However, this had resulted in a surge in numbers, particularly in the day visitor market, for which there were inadequate facilities.

The company had introduced crowd control measures and expanded its service criteria in order to accommodate the additional visitors, said Koch

Mbeki attacks industrial conglomerates

BD 11/9/96 (232)

Simon Barber

WASHINGTON — The unwillingness of SA's biggest industrial conglomerates to compete was a greater obstacle to increased inflows of foreign direct investment than crime or fears about the country's prospects after President Nelson Mandela's departure, Deputy President Thabo Mbeki said in an interview published in this week's international edition of Newsweek.

At the same time, Mbeki did not sound concerned by what is widely considered to be the disappointing level of foreign fixed investment — as opposed to "fickle" portfolio flows — in SA. "There has not been too much hesitation among direct investors; the ones who come and open up factories," he said

Some, he said, were hanging back "because they simply find it is difficult to access the SA market, which is dominated by big conglomerates that are not too friendly to competitors"

Asked where SA was looking for markets, Mbeki left the US off the list while emphasing Western Europe and the developing "Africa, Asia and to some extent Latin America"

Mbeki blamed SA's crime woes on the past and on the poor quality of the police The new government had not been prepared for the level of corruption it found in the service "We knew there were some rotten officers, but we did not know just how wide the malaise had spread"

Nonetheless, he was confident that "the crime issue is part of the transitional phase we are in and will soon go down significantly". He did not elaborate on the reasons for his confidence

Union militancy was "misunderstood". The unions posed "no threat to the state". "The first thing that hit Jacques Chirac as French prime minister was a wave of strikes No one said France was collapsing." The real story of SA unions was not strikes but their "sophistication".

"Agreements reached between the National Union of Metalworkers in the automotive industry, for instance, are tied to productivity and the profitability of the companies They include provisions for training to raise skills levels and discussion between union and management to achieve greater international competitiveness," Mbeki said

Asked to assess government's performance since May 1994, Mbeki cited progress on the "political constitutional front", declining political violence and economic recovery But government had had to revise its expectations of what it could do in terms of social upliftment "We found the capacity for spending on development was not as big as we thought it was"

Looking to the future, Mbeki waxed enthusiastic on the possibilities of the "information superhighway" and the potential of "properly developed communications systems" to offset SA's distance from the industrialised world's markets. "We will also use the technical route not only to educate our people but to take specialist services to them

"I think SA is positioned to occupy the cutting edge in terms of the creation of modern societies."

Cosatu meets to formulate privatisation stance

(232) CT(BR) 17/9/96

By Guy Oliver
LABOUR EDITOR

Johannesburg — Cosatu is expected to cross its ideological Rubicon today when its central executive committee begins its second and last meeting of the year

The three-day meeting, which will be attended by national office bearers, regional representatives and four delegates from each of Cosatu's 20 affiliates, will discuss the divisive issue of state restructuring, among other things

The discussion paper on restructuring state assets prepared by Cosatu's national office-holders for the conference says labour and Cosatu have no specific strategy position "The only position that we have is one against privatisation," it says "Whether or not our position is flexible remains an area of discussion and debate"

The paper will also act as a barometer to the divide between leadership and the rank and file, if there is one According to union sources, the federation has been warned by the government to accept privatisation or risk splitting their alliance Moreover, some affiliates have yet to formulate a position on privatisation

Cosatu, by its own admission, has been caught napping and has to broaden the debate As the paper says, "most unions have not participated in sectoral meetings called by the federation In some cases it has been ad hoc This trend needs to be reversed if we want to make any impact on the process"

Enoch Godongwana, the National Union of Metalworkers' general secretary, said last week that the movement had not been caught unawares He said the unions were asking questions and the ANC was becoming more amiable to their way of thinking

Using a basic-needs approach, he hinted at reservations towards a total privatisation strategy He cited Eskom, one of the world's most efficient providers of electricity, as an example of the issues involved "About 72 percent of the Eastern Cape's population does not have access to electricity A privatised Eskom will be unlikely to (extend electrification to them) We are beginning to find each other those kinds of issues"

When the ANC announced its plans for partial or complete privatisation of bodies including Sun Air, Transkei Airlines, Telkom and SAA in December, the unions held a one-day stayaway in protest

The paper said Cosatu had reacted so militantly because of ideology, the fear of job losses and the lack of consultation Labour and the government have since negotiated the National Framework Agreement, which provides guidelines and principles under which privatisation can take place

Shading in the areas between privatisation and restructuring

(232) BD 12/9/96

There are different routes to privatisation, not all of them equitable or efficient, writes **Henry Kenny** of Wits University's Business Economics Department

LIVING in the late 20th-century must be quite trying for Marxists and all the other varieties of socialists. Seldom have utopian expectations been more truly dashed than by a confrontation with reality, even if the will to believe is taking an unconscionable time dying. Indeed, the old-time religion is still alive, in places, even if not exactly well.

A recent sighting has been the attempt by John Roemer of the University of California at Davis (Business Day, August 28) to present encompassing state intervention as a viable alternative to privatisation.

According to Roemer, what is decisive is not privatising state firms but restructuring them.

This has little to do with transferring property rights from the state to individual citizens; a mere "legal process". Restructuring is about making sure that state firms face competitive environments before being privatised. State monopolies must be broken up, state firms must no longer benefit from tariff protection and preferential tax and credit treatment, and managers must be hired on a competitive labour market.

Now all this is unexceptionable. There are different routes to privatisation. One way to go is to convert public monopolies into private monopolies, which will maximise state revenues from the sale of public assets and will ensure monopoly rents for the happy new owners.

But on equity and efficiency grounds it leaves a lot to be desired.

Those who support privatisation for these reasons will have no problems endorsing Roemer's proposals.

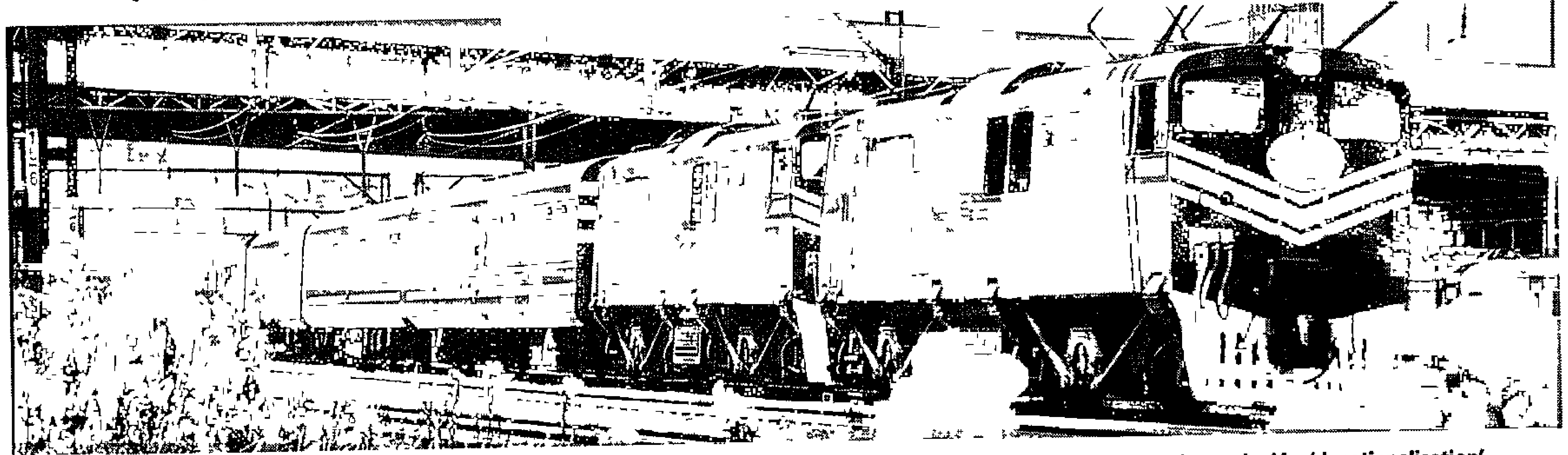
It should be a prerequisite for privatisation that former state firms operate in a competitive world. The plain sailing enters choppy waters when we look at what comes next in Roemer's scheme of corporate governance. Difficulties accumulate thick and fast and refuse to go away.

Roemer shares the familiar socialist distrust of the poor, which is why the shares of state-owned firms cannot be distributed free to all adult citizens on a per capita basis. If they new owners can sell their assets, "many poor citizens will sell these shares to the rich, and a sharp concentration of share ownership in the hands of the wealthy will ensue".

What is more, the recipients of such one-time capital lump sums will not always invest them "wisely" and their children "will receive nothing". This paternalist belief that many of the poor are not really adult and need protection, in fact guidance, reminds one of the old apartheid laws which forbade the sale of liquor to Africans.

Just as the members of Rousseau's ideal state were to be "forced to be free", so under Roemer's precept citizens will be forced to be equal, whether they like it or not. All adult citizens will receive coupons which they can use to purchase shares in firms being denationalised.

They cannot sell them.



Transnet is among the parastatal corporations that the government has been planning to put on the list of state assets to be readied for 'denationalisation'.

lar institutions, and the state. His justification is that these "three classes will all have somewhat different goals, and balancing the ownership by assigning no one class a majority of shares will prevent the firm from behaving perversely".

He points out, plausibly enough, that as pension funds and citizens are mainly interested in profits, "the state will not be able to induce the firm to engage in inefficient practices which may suit political interests". The obvious next question is how the state will prevent the other two classes from behaving perversely.

To this there is no answer, which appears extraordinary — at first. On reflection, it is not so very odd.

The state presence can only make itself felt by inhibiting the pursuit of profit, w[illegible] o[illegible] course izen "would benefit from the state-provided goods that would be financed with state revenues from firms". So state expenditure would in fact increase under Roemer's scheme.

And not only because denationalisation would be incomplete. He proposes "transforming large privately owned firms into "coupon firms" as well, thus augmenting the scope of the coupon sector in the economy". But we know that he is only being coy.

Roemer in fact means augmenting the scope of the public sector. That is what "restructuring" is a euphemism for.

Perhaps the strangest thing about Roemer's article is that he so totally ignores the findings of the theory of public choice, or the economic theory of politics.

It is strange because one would have expected a US economist to be [illegible]

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BP 12/7/96

or transfer them to others. They will receive dividends but when they die the shares will revert to the state, which will then distribute them to a new batch of recipients.

This seems much too simple. It is. He doesn't face up to his own logic

What about those holders who make "imprudent" investments by purchasing shares in firms which are unprofitable? Their incomes will decline against profitable investments and inequalities will widen

If we accept Roemer's premises it follows that the state will have to intervene to prevent the process from getting out of hand When will it start doing so and where will it stop?

But this is not the worst of it, not by a long shot Public firms will not be fully denationalised, the state will be there all the time Roemer proposes three classes of owners of "denationalised" firms coupon-holding citizens, pension funds and similar … is the main justification for privatisation. And if the state actually were to promote the pursuit of profit, it is difficult to see why its presence is required in the first place

In short, there is no economic rationale for continued state involvement with denationalised firms

All we have is the traditional socialist distrust of market processes

Just as socialists have doubted the ability of the poor to make sensible decisions on their own behalf, so they have had an uncritical faith in the ability of wise and benevolent politicians and bureaucrats to know what's good for others.

This is the clear thrust of Roemer's article He cannot bring himself to accept that state firms will be turned over to the private sector

So he comes up with an ingenious scheme for a continued state presence, just call it "restructuring" Roemer gives the game away when he talks about how the cit… with a discipline pioneered by his own countrymen

The central conclusion of public choice analysis is that the state sector does not consist of well-informed and altruistic individuals who impersonally pursue the public interest

Like businessmen, politicians and bureaucrats do the best they can for themselves Unlike businessmen, they are not subject to the discipline of the market and find it easier to promote their own interests at the expense of the public

What we see around us in SA today does little to refute the economic theory of politics

It seems as if the main change has been in the complexion of the parasites. We can only tremble at what they would do with increased state revenues from the "coupon sector"

Prof Roemer has done us a huge favour.

He has shown that for privatisation there is no alternative

Nedlac talks on competition policy take off

(232) M+G(BM) 13-19/9/96

Madeleine Wackernagel

TRADE and Industry Minister Alec Erwin has confirmed that long-awaited discussions over the new competition legislation begin in the National Economic Development and Labour Council (Nedlac) today (Friday), two years after the government first drew up plans for a new framework.

Says Erwin: "In terms of an agreement reached between Nedlac and [former trade minister] Trevor Manuel, the basic policy framework of competition policy will be discussed in Nedlac, starting today. To the extent that consensus can be reached, this will be incorporated in the draft Bill.

"The Bill itself would then go through the parliamentary process. It is the government's responsibility in Nedlac to represent its policy position. The strength of Nedlac is that crucial constituencies influenced by legislation can provide input to that legislation — which invariably improves its efficacy."

Negotiations are bound to be sensitive, with the business constituency particularly keen to protect its interests. "It would be naive [for us] to think that business will not try to influence or hamper the process since competition policy — as a body of laws — affects them directly," says Department of Trade and Industry representative Ismail Lagardien.

Nevertheless, the department is determined to open up the economy to greater competition, in a bid to encourage greater dynamism and adaptability. Its watchwords are transparency and accessibility, removing red-tape and over-regulation.

So much for the broad goals; the detail was left very much up to Erwin himself, with some input from outside the department. Erwin is keen to emphasise measures to bring in new competition — as are key unions.

And while there is no fundamental difference in the objectives set out by Manuel and Erwin, it was hoped that this time the policy would take a more holistic approach, incorporating a range of associated issues, including small business and taxation, for example.

But negotiation is very much key to the process. Says Erwin: "It is now possible through the system of public hearings in Parliament for all viewpoints to be heard in a very transparent manner.

"Accordingly, we get the benefits of hindsight of those directly affected by legislation interacting with the government, and Parliament retains its role as the guardian of all possible interests in the legislation."

But too much talk could delay action further. Amid speculation of battles between the old and new guards, there is a school of thought that believes the government should have gone ahead and implemented its plan as it did with the macro-economic strategy.

Erwin disagrees: "Competition policy is not a macro-economic issue, but an institutional matter that is part of broader economic policy."

Says Lagardien: "Competition policy is a very broad, very delicate and extremely complex process, which needs a thorough approach to achieve maximum efficacy." And besides, the Nedlac Act of 1994 stipulates that Nedlac consider all significant changes to social and economic policy before it is implemented and introduced to Parliament.

Unions lag as Telkom goes ahead with privatisation

(232)

STATE ASSETS

ST (BT) 15/9/96

BY SVEN LUNSCHE

TRADE unions have not yet agreed to the partial privatisation of Telkom, Dikgang Moseneke, the parastatal's chairman, said on Friday

Posts and Telecommunications Minister Jay Naidoo is expected to announce a shortlist of three to four potential equity partners for Telkom this week after the Cabinet backed his proposals on Wednesday

Naidoo told parliament last month that an equity partner, holding 30% of Telkom's equity, would be in place by March next year.

In an interview Moseneke said negotiations were continuing with Telkom's unions on the role of a future equity partner and that labour's concerns would be addressed, where possible. "However, our plans as regards the equity partner are firm We need the technology, management and funding such a partner can provide in order to achieve universal access to telephony "

He said negotiations on the financial details of accommodating an equity partner were continuing. As the sole shareholder, government has to decide whether to sell its stake or enlarge Telkom's capital base.

Telkom has an authorised share capital of 5-billion shares at 100c each, but only 3,9-billion shares have been issued to date The 25 to 30% stake that is to be sold is expected to be valued at well over R5-billion.

Moseneke also disclosed "a possible public flotation of Telkom in the distant future" as part of a restructuring of its capital base

The allocation of funds from Telkom's privatisation appears to be a bone of contention between the parastatal and the government Telkom is keen to have the money allocated to a special fund which will be used to finance its 4-million telephone line expansion programme Moseneke said this would prevent the money from being absorbed for day-to-day state expenses Naidoo has indicated that the funds will flow to the central revenue account, administered by the Department of Finance

The government has been tight-lipped about its favoured equity partner, but Naidoo has indicated it is likely to be a consortium of two to three telecommunications operators Deutsche Telekom and SBC Communications have been tipped as two of the more likely successful candidates

Competition Board ruling blocks cement industry merger

(232)

The board's decision hints at tougher competition policy approach by the government, writes MARCIA KLEIN

ST(BT) 15/9/96

THE proposed merger between Alpha and Murray & Roberts Holdings' Blue Circle had a major setback on Friday when the deal was blocked by the Competition Board

The board said it would recommend to Trade and Industry Minister Alec Erwin that he not allow the merger to go ahead The board's action is the first in some time that has blocked a deal in its entirety Previously, it preferred to attach conditions to a deal rather than throw it out completely

Analysts see the move as a precursor to a tougher competition policy stance by the government, which is currently drafting new competition legislation If Erwin decides to follow the board's recommendation it will be a second major blow to the cement industry

The 25-year-old cement cartel, which includes Blue Circle, Anglo Alpha and their major rival Pretoria Portland Cement, disbands on September 30 following a Competition Board recommendation in September 1994

The two companies were hoping their merger would be ratified by the board beforehand They announced in June that they wanted to merge their cement businesses into a new group which would have 55% of the R2-billion-a-year market

The board said on Friday that "after careful consideration of all the relevant facts and arguments it was decided to recommend to the minister that the merger should not be allowed".

"The board concluded that with little prospect of new rivals entering the market as well as the negligible threat of imports, there were insufficient market pressures after the merger to ensure that these efficiencies would filter through to benefit end users of cement "

Alpha managing director Johan Pretorius said on Friday he was surprised and disappointed by the board's recommendation "We do not agree with it, but it is not the end of the world For years we have been preparing for the cartel to break up and without the deal we will carry on as we had prepared to do "

However, he said Alpha still intended to fight the decision The full recommendation would reach the minister only towards the end of next week, after which the companies would be allowed to give a final presentation on the matter

Blue Circle chief executive Carl Grim said it was at this stage only a recommendation and the minister would have to make the final decision "We are still firmly of the view that two equally sized cement companies will provide a more efficient industry and a competitive environment which will be better for the consumer "

> *'We do not agree with it, but it is not the end of the world. For years we have been preparing for the cartel to break up'*

According to the board, it was not convinced that the merger would be in the interests of the public The two companies had not satisfied it that on balance the potential public interest benefits outweighed the anti-competitive effects of the merger.

Under the cartel agreement, cement was distributed through Cement Distributors of SA, owned by the three producers After the company stopped operating in December last year, pricing was done independently but a delivery quota system remained in place

Merger talks between Alpha and Blue Circle centered largely around distribution synergies as distribution was expected to be a major problem when the cartel disbanded The companies said the merger would increase competition by allowing them to increase efficiencies.

At a press conference on Friday, Erwin said new competition policy would be tabled at the National Economic, Development and Labour Council in mid-October.

His said his department would attempt at the meeting to achieve consensus on policy, so that Nedlac negotiations could be completed by the end of January and legislation tabled in Parliament during the first part of the 1997 session

Erwin said the government was under a "tremendous amount of pressure" to get competition policy legislation passed as soon as possible

Little information has to date emerged on whether Erwin will include tougher anti-trust measures as part of the package.

Cosatu backs sell-off

Shilowa backs partial privatisation as economy gets R68bn boost

ST 15/9/96 (232)

By CAROL PATON and RAY HARTLEY

IN A MAJOR boost to the economy, Cosatu general secretary Sam Shilowa has said his 1,5 million-member federation will back the government's plans to privatise large parastatal companies — provided the state remains the major shareholder.

The announcement came as the Department of Trade and Industry said South Africa could expect R68-billion in new investment in the next four years This included projects worth about R34-billion which were already under way or had been approved for construction

Shilowa's announcement signals a major shift in Cosatu's position on privatisation It was originally harshly critical of the government's new macro-economic strategy, which came out in favour of privatisation, saying it would lead to job losses

This led to a year of wrangling during which little progress was made on privatisation, giving rise to fears the government had caved in to its trade union ally

At a press conference yesterday, Shilowa said. "It's not a question of being anti or pro privatisation The debate is now over the best way of restructuring state assets and the role of the state in production"

Shilowa's announcement comes at a time when the government is about to announce the short list of three companies in the running for a 30 percent stake in telecommunications enterprise Telkom The sale is expected to net between R5-billion and R7-billion

The government also plans to sell off part of South African Airways, the South African Airports Company, Sun Air, Eastern Airlines and the Aventura resorts

Shilowa said Cosatu was still opposed to wholesale privatisation of all state enterprises but there was a need to open up the debate

"It should consider all forms of ownership — nationalisation, privatisation, joint ventures, opening of new entities and partnerships between the state and private sector," Shilowa said

State-owned companies that were not involved in the delivery of basic services should be identified and sold

But those involved in delivering basic services should remain under the state's control However, he added, many of these "may require the involvement of private-sector capital to enhance delivery"

The labour federation also called for greater state involvement in health and housing, calling on the government to consider the creation of new state enterprises or "strategic nationalisation" to boost the delivery of services

The Minister of Trade and Industry, Alec Erwin, said yesterday that the envisaged investment surge was "evidence of why we feel so confident that we can achieve six percent growth" by the year 2000

Erwin said the growing list of investments would be augmented by new projects in Kwazulu Natal and the Eastern Cape early next year

He said that while negative public perceptions had been generated by the volatile currency markets, "serious analysts and the government have always been much more confident"

Erwin's upbeat attitude was confirmed by Standard Corporate Merchant Bank's public finance director, Colin Coleman, who said substantial investment in power plants, toll roads, harbours and dams was in the offing

The Department of Trade and Industry's list of investments includes operating projects, those under construction and those for which feasibility studies are being conducted

Heading the list is the R9-billion Alusaf project at Richards Bay undertaken by Gencor and the Industrial Development Corporation

Other projects listed as worth more than $1-billion (R4,5-billion) include Gencor's Columbus Stainless Steel plant and Iscor's Saldanha Steel Mill

The motor industry features prominently on the list with investment in plant upgrades, totalling R3,15-billion, planned for between 1998 and 2000 Plans for Delta, Toyota, Nissan and BMW are described in the document as already "under construction"

Improvements to the N1, N2, N3 and N4 to the tune of R3,15-billion were under construction or had already been approved, while feasibility studies were being conducted for improving harbours

Cosatu stands firm on privatisation

CP 15/9/96 (232)

THE CONGRESS of South African Trade Unions has reaffirmed its opposition to wholesale privatisation, and reasserted its position that "strategic nationalisation" be considered where appropriate in restructuring state assets.

At its two-day meeting ending on Friday, Cosatu's decision-making body, the central executive committee (CEC), said the restructuring debate should consider all forms of ownership.

"The meeting reiterated its opposition to wholesale privatisation of state assests," Cosatu general secretary Sam Shilowa told a news conference yesterday

Such privatisation, Shilowa said, was usually driven by greed and the need to push the state out of production and would subject delivery of certain services as outlined in the Reconstruction and Development Programme to the laws of profit

He said the 110-member CEC had identified the Post Office and telecommunication, electricity, public transport, housing, health, water, state forests, municipal services, education and roads as sectors which should remain in state hands

"The debate shall focus on the role of the state in the productive sector rather than its withdrawal," Shilowa said

The meeting agreed on selling off state assets which should never have belonged to the state and whose retention did not benefit the majority of the people

But the state should remain the majority shareholder in cases which might require the involvement of private sector capital

The meeting also agreed that to involve the state in production, new enterprises and sectors needed to be established

But in cases where evidence pointed to the need for "strategic nationalisation", there had to be political willingness to take the route.

The meeting restated its opposition to the government's macro-economic framework

"The executive resolved that despite our positions, we should continue our interaction with the government and our allies on this matter," Shilowa said

"Our approach will be to concentrate on targeted strategic areas that are of importance and concern to the working class " – Sapa

Iron man Sam 'is softening'

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — Government sources said yesterday they were "most encouraged" with the support given by Sam Shilowa, the general secretary of Cosatu, for partial privatisation as one way of restructuring state assets

Shilowa's comments came after a Cosatu central executive committee meeting held over the weekend

The government officials said Cosatu's position on privatisation had been "softening" and becoming "gradually more pragmatic" in past months

The sources said ministers Stella Sigcau, Mac Maharaj, Alec Erwin and Jay Naidoo deserved a pat on the back for the way they had "helped Cosatu to turn"

Labour spokesmen said, however, that the sale of minority shareholdings in state enterprises should not be confused with privatisation

State assets are to be privatised when control of the assets passes from the state to the private sector, which is not what labour is advocating At present the full-scale privatisation of only a limited number of state assets is in the offing, including Sun Air, Transkei Air and six radio stations

The government has also investigated the feasibility of selling Mossgas, but says no suitable offer could be attracted

In most cases labour will only give its blessing to restructuring that entails the sale of minority stakes — of up to 30 percent — to private interests to ensure the state retains control of the assets

The sources suggest the unofficial strategy may be to improve the efficiency and profitability of state assets by harnessing private capital and management expertise and later selling bigger stakes of the more profitable asset at higher prices

The first state enterprise to be restructured in this way will most probably be Telkom The government is expected to announce soon a shortlist of three companies in the running for a stake of 30 percent in the parastatal

In January this year the government and labour agreed to a blueprint for the restructuring of state assets that would ensure all restructuring plans are agreed to by labour before they are implemented

Since then several meetings have been held between the government and labour Labour agreed to the sale of minority stakes in several state assets — most of them in the telecommunications and transport industries

ET (BR) 16/9/96 (232)

Appeal to minister to overturn board's ruling on cement merger

BD 16/9/96 (232)

Robyn Chalmers

CEMENT companies Alpha and Blue Circle will call on government to overrule the Competition Board's recommendation to block their merger.

Alpha MD Johan Pretorius said at the weekend he was "surprised and disappointed" by the board's decision and hoped for a more sympathetic hearing from Trade and Industry Minister Alec Erwin this week

The board said it had rejected the merger as there was little prospect of new market entrants and a negligible threat of imports There would have been insufficient market pressures after the merger to ensure the consumer benefited, it said

The merger, announced in June, would have given the company about 55% of the R2bn-a-year market. Barlow's Pretoria Portland Cement (PPC) has about 45% of the market

Pretorius said the board's argument was not convincing, as the merger would have created two companies of almost equal strength competing in the marketplace Any threat of collusion was unlikely because of close scrutiny and heavy fines

Blue Circle said the board could be accurate in the short term, but it was not in the longer-term interests of the industry to block the merger.

"SA needs to have an internationally competitive cement industry in the long term if it wishes to compete on an equal footing with global cement companies. To do that needs companies with muscle," a spokesman said.

The companies had said the merger offered synergies between the two organisations, particularly on the issue of distribution.

The Building Industries' Federation of SA, which made a submission to the board, also backed the proposed merger, and PPC had said it did not see the merger as a threat.

The recommendation represents the second time the board has taken major action within the cement industry It recommended in 1994 that the sector's 25-year-old cartel be disbanded — a finding government backed.

The pricing ring is to be scrapped formally this month

The companies said they would continue with plans laid out before the proposed merger should Erwin agree with the board's findings

The plans are partially driven by the cartel's scrapping. Alpha is looking to expand to Saldanha Bay, Namibia, Western Cape and Mpumalanga, while Blue Circle is considering Lichtenberg and the Eastern Cape

Comment: Page 9

Privatisation shift is welcomed

BD 16/9/96 (232)

Wyndham Hartley

CAPE TOWN — Opposition parties have welcomed Cosatu's "major shift" on privatisation and have urged government to speed up the process before valuable opportunities are lost

President Nelson Mandela's spokesman Parks Mankahlana said, however, that it was Mandela's view that the Cosatu statement did not represent a change in Cosatu's views on privatisation and that it was simply another step in the process of discussion within the ANC/Cosatu/SACP alliance

On Saturday Cosatu said it now backed the sale of some parastatals if the State remained the majority shareholder Cosatu noted that the State was involved in some areas it should never have been involved in. The retention of these "does not benefit the majority of the people or helps to perpetuate the apartheid divide", it said.

However, while Cosatu agreed to the selling of some state assets it also urged greater involvement in state assets delivering basic services such as health and housing

Former NP public enterprises minister and now party spokesman Dawie de Villiers said his party welcomed the shift He said that while the Cosatu statement was a bit "woolly", he hoped it would spur government to take "tough" decisions.

South African Chamber of Commerce economic policy director Ben van Rensburg said it was business's advice to government to "get on with privatisation as quickly as possible".

Privatisation would reduce the deficit before borrowings, lower the interest burden and increase efficiency in SA's overall economy, he said

DP public enterprises spokesman James Selfe said there was an urgent need to liquidate "the huge debt bequeathed by the last government, to meet the basic objectives of the macroeconomic strategy", and that the debt repayment burden remained the single largest budget item hampering government's ability to invest in education and other areas

Cosatu makes about-face

(232) Sowetan 16/9/96

Abdul Milazi
Labour Reporter

THE Congress of South African Trade Unions caused ripples at the weekend when it announced its intentions to support partial privatisation of state parastatals after a year of fierce opposition to the move

Cosatu general secretary Mr Sam Shilowa told bewildered journalists that it was not a question of supporting or opposing privatisation, but how best to restructure state assets and the role of the state in production

Cosatu's announcement came shortly after the Government announced a possible R68 billion in new investment [illegible] which included R34 billion in projects already approved

The move also follows Minister of Posts and Telecommunication Mr Jay Naidoo's announcement that a partner, holding 30 percent of Telkom's equity, would be in place early next year

Telkom has a share capital of five billion shares, with about 3,9 billion shares issued to date

Equity partner

The value of the 30 percent to be sold to the equity partner is estimated to be between R5 billion and R7 billion

Cosatu earlier criticised the Government's macro-economic [illegible] would lead to massive job loss due to its strong support for privatisation as a remedy to the country's economy

Shilowa said Cosatu was still opposed to wholesale privatisation of state assets, but supported the need for the reopening of the debate on the issue

"The debate should look at all forms of ownership like nationalisation, privatisation, joint ventures and opening of new partnerships between state and the private sector"

He maintained that the state should remain a major stakeholder in any privatisation deal and that state-owned companies not involved in delivering basic services should be identified and sold

Erwin foresees dispute on competition policy

BD 16/9/96 (232)

Greta Steyn

TRADE and Industry Minister Alec Erwin signalled on Friday that he expected major disagreements with business on competition policy

Erwin was speaking at a briefing arranged by the National Economic, Development and Labour Council (Nedlac). The briefing was held after a session between government, labour and business on industrial policy.

Erwin said government would attempt to reach consensus in Nedlac on competition policy principles "We may not be able to reach full consensus but we will try."

He also spelled out a timetable for changing competition legislation and acknowledged that government had been dragging its heels on the issue.

In mid-October a policy discussion document would be put on the table for negotiations in Nedlac. Legal experts would also be drafting legislative changes, to be completed by January,

Continued on Page 2

Competition

(232)

Continued from Page 1

BD 16/9/96

and new legislation would be tabled in Parliament early next year. Public hearings would be held by the trade and industry portfolio committee

Trade and industry business convener Stef Naudé said that once discussions began to focus on detail rather than process and broad direction, disagreements would emerge. Not only competition policy, but other aspects of trade and industry strategy — such as the social plan to cushion workers from restructuring — would be resisted.

The business sector also had problems with aspects of the trade and industry department's plans for industrial clusters.

Labour signalled that it had shifted its stance on productivity Convener Herbert Mkhize said: "We have always associated productivity with ugly things, with the result that the debate has been polarised, but labour is beginning to shift its mindset."

Workshops were being planned for next month to sensitise workers to what productivity was, how it could be improved and how it could help enhance SA's competitive advantage.

Problems with capacity in Nedlac, especially on the labour side, were also addressed. Erwin said it was not a case of "government lecturing to labour", but unions had to improve capacity to make a contribution to policy making

Sigcau welcomes Cosatu stand on privatisation

(232)

ARGT 18/9/96

Cape Town – Public Enterprises Minister Stella Sigcau has welcomed the Congress of South African Trade Union statement endorsing partial privatisation of state assets.

Cosatu general secretary Sam Shilowa's statement was an encouraging development in line with the investment trends announced by Trade and Industry Minister Alec Erwin and the macro-economic strategy released by Finance Minister Trevor Manuel, she said in a statement

"The announcement is an exciting step forward in developing a rigorous growth-oriented approach to the economy with a broad national consensus on generating economic opportunities and job creation," Ms Sigcau said

"In line with the recent pronouncements by Transnet MD Saki Macozoma on the need for private sector finance to underpin greater infrastructural development and utilisation, the Cosatu statement paves the way for parastatals to seek substantial private sector investment and long-term commitment" – Sapa

Saldanha cement project faces the axe

Alpha warns it may kill R800m plant

(232) CT (BR) 18/9/96

By Jonathan Rosenthal

Johannesburg — Alpha, the cement and building supplies group, has significantly raised the stakes in its bid to rescue its planned merger with Blue Circle from a Competition Board veto by threatening to drop its plans to build a R800 million cement plant in Saldanha.

Rowan Dent, Alpha's director of corporate communications, said the board's finding that the merger should be blocked "had cast the Saldanha plans in a different light".

"In a merged situation, the Saldanha plant was almost definitely going to go ahead, but now we may have to change the configuration of our entry into that market," he said.

Alpha and Blue Circle will make a joint submission in support of the merger to Alec Erwin, the trade and industry minister, in the next two weeks.

Dent said the companies would argue that a merger would increase competition in the market and would be in the interests of the consumer, despite the Competition Board's findings to the contrary.

"Competition between two strong companies would be better than the fragmented competition of two smaller companies against PPC, the other major player, which currently has 45 percent of the market.

"We also believe that it would be in the interests of the consumer to break PPC's monopoly in the Western Cape."

The proposed plant, which would have a capacity of 700 000 tons of cement a year, would challenge the dominant position held by PPC in the Western Cape, Dent said.

PPC is the biggest cement producer in the country.

The merged group would have a market share of 55 percent and would probably gain control of Natal Portland Cement, a joint venture between all three producers.

If Alpha and Blue Circle merge, the new company would have the financial muscle to fund the project and the region would be opened to greater competition.

Dent said there were potential synergies between Alpha and Blue Circle in the areas of distribution and limestone reserves. The merged group would also be in a position to challenge PPC in the Eastern Cape through the construction of a plant in East London.

He said a merged company would be in a strong position because economies of scale dictated the building of larger, more efficient kilns, which would lower production costs.

Studies conducted by Alpha have found that it could achieve capital savings of R200 million by building a single 1,8 million ton-a-year kiln, rather than two kilns of half the size, which will probably happen if the merger does not go ahead.

"We don't understand the Competition Board's reluctance to have only two producers when Coke and Pepsi have demonstrated what competition you can get from two major players," Dent said.

He said Alpha was continuing with an environmental-impact assessment on the Saldanha plant and it would take a final decision towards the end of the year or early next year.

Merger will cement top position

(232) BD 18/9/96

David McKay

THE expected merger of granite producers Kelgran and Kudu would create an operation with a turnover of more than R500m, more than three times that of nearest rival Marlin Granite

This is based on figures presented in the 1995 annual reports of Kelgran, Kudu and Ketter Granite, which was acquired by Kelgran for about R40m earlier this year

Industry analysts said yesterday the granite industry was undergoing a "classic period of consolidation" In keeping pace with an international market uptick, granite producers were merging to extend their market penetration and product ranges One analyst said profit margins were low in the granite industry, so stone tonnages had to be high, which encouraged producers to maximise output

The move to consolidation was reflected in the recent spate of strategic buys, he said

These included Kelgran's Ketter Granite acquisition and Malaysian company Mycom Berhad's purchase of a 57,4% stake in Kelgran from Gencor for R160m.

Marlin Granite financial director Ian Macmillan said yesterday the company had bought the quarrying and beneficiation arms of Everite Holdings, in which Group Five is a major shareholder, for about R14m payable over five years

Marlin had no intention of appealing to the Competition Board about the intended merger of Kudu and Kelgran

"We believe the merger would not be considered by the Competition Board as 90% of the market for granite is located overseas," he said

Another analyst said the merger was a necessity for Pretoria-based Kudu. It had a heavy debt-burden and would not survive with its current small product range.

"It mainly produces greystone, which has a limited market appeal Kelgran has a larger product output," he said

Kelgran and Kudu issued a cautionary announcement yesterday warning investors that their controlling shareholders were in negotiations which could affect their share prices

Kudu is 56% owned by Germany's Deutsche Steinindustrie and Kelgran is controlled by Mycom Berhad

The equities market signalled its approval of the intended merger yesterday, pushing up the prices of both counters Kelgran ended 5c higher at 445c and Kudu gained 8c to 154c

Nactu supports part privatisation

(232) Sowetan 18/9/96

Union is against exploitation of raw materials and sending them abroad

Softening the stance on privatisation...Nactu's Cunningham Ngcukana says there should be job guarantees when parastatals are privatised.

By Abdul Milazi
Labour Reporter

THE NATIONAL COUNCIL of Trade Unions (Nactu) yesterday said it supported partial privatisation provided jobs and the use of local material were guaranteed

Natcu's general secretary Cunningham Ngcukana said his federation believed that state intervention in the economy was crucial, but it was also aware of the country's need to service its R280 billion debt and deliver basic services

Like Cosatu, Nactu wants the Government to remain a major shareholder in parastatals where the private sector is involved – particularly in state corporations that render basic services

"When the Government looks for equity partners for services like telecommunications and electricity, it has to give us certain guarantees"

He said there should be a guarantee that the equity partners would use local materials, labour and that they would not change their equipment requirements which would force them to source their supplies from foreign sources

"If a foreign equity partner in telecommunications changes from using copper to fibreoptic, workers in the copper producing sector would lose their jobs as South Africa is a major producer of the metal," said Ngcukana

> ‘The Government should encourage a policy where the manufacturing sector developed facilities to produce their own finished products’

Guarantee jobs

The Government needed a balanced programme which would guarantee jobs while promoting economic growth and improving the rendering of basic services

"We are aware that R70 billion of the total national debt goes into salaries and less is going into basic service delivery We are also aware that the Government is looking at reducing its debt and increase its foreign currency reserves," Ngcukana said.

Although the Government needed to improve the economy, it, however, should not leave the delivery of services that were meant to make a difference in the lives of the poor to the private sector

He also called for an end to the exploitation of the country's mineral resources and shipping them abroad for processing

"South Africa is one of the greatest mining countries in the world, but our raw materials are treated outside the country"

The Government should encourage a policy where the manufacturing sector developed facilities to produce their own finished products so that the money remained in the country

"The Government should stop paying lip-service to a public works programme and strive to reach an agreement with all social partners on housing in order to create jobs in the construction, manufacturing and engineering sectors"

Ngcukana said there was a need for the intensification of the Reconstruction and Development Programme and warned against the pending retrenchment of civil servants in former "homelands" which he said would create massive social problems.

EWS

Privatisation not accepted by all

(232)

By Mondli Makhanya
Political Reporter

Star 18/9/96

Despite widespread approval from the business community and sections of the Government, the Congress of South African Trade Unions' apparent softening of its anti-privatisation stance has not been as well received by political parties on the left of the political spectrum.

In a move that seemed to surprise many, Cosatu announced at the weekend that it would support partial privatisation on condition that the Government retained its majority shareholding in such enterprises and provided this did not lead to job losses.

The Communist Party's Jeremy Cronin said that the party stood by Cosatu's position to accept partial privatisation conditionally. PAC deputy president Dr Motsoko Pheko said the organisation was fundamentally opposed to privatisation and would not accept it. And Azapo spokesman David Lebethe said it would need hard convincing.

New competition policy in wings

BD 19/9/96 (232)

Greta Steyn

THE team working on SA's new competition legislation is expected to recommend that political control by the minister of trade and industry be brought to an end

Such a move, if implemented, will mean that the Competition Board's decisions will be final At present the minister can intervene, which is why cement group Alpha is hoping Alec Erwin will overturn the Board's decision to block its proposed merger with Blue Circle

Erwin's predecessor Trevor Manuel backed the idea that the competition authority's say should be final

While Erwin's spokesman could not say yesterday whether Erwin agreed with Manuel, another source said it was highly likely Erwin's view on the topic coincided with Manuel's. "The thinking last year was that the integrity of the Competition Board must be intact and the minister should not influence it I would be surprised if that had changed"

Another source close to the team drafting the new policy said it believed political interference should be removed and that he could not imagine Erwin taking a radically different view But he pointed out that the removal of ministerial control presupposed a well regulated, effective Competition Board "One could not give that kind of authority to the existing institution," he warned.

Manuel said last year the adjudication of anti-competitive behaviour should not be left to "ministerial whim — a special tribunal must be established. Such a tribunal can only reach a decision on the basis of objective tests".

Erwin has said the principles of new competition policy will be presented to the National Economic, Development and Labour Council by the middle of next month

There are indications that the policy will be approached through looking at a range of laws and regulations, not just by writing a new Promotion of Competition Act.

Consumer protection legislation, usury legislation, the JSE rules, licensing rules and others will come under scrutiny and could be changed

It is understood that the key change to be introduced to competition legislation remains the outlawing of the "abuse of a dominant position" rather than the present narrow "monopoly"

Business has signalled it is ready to fight over definitions on what constitutes a dominant position and how abuse is described

No shift in Cosatu's policy on privatisation, says angry Shilowa

Atan 19/9/96 (232)

By Goba Ndhlovu

The Congress of South African Trade Unions (Cosatu) has denied changing its stance on privatisation

Speaking from his Cape Town office, Cosatu general secretary Sam Shilowa angrily accused some media reports of "going overboard" He said the tripartite alliance, involving Cosatu, the ANC and SACP, was still discussing the issue

"I am very angry with the weekend press reports Some journalists were not even present at the press conference, but they wrote so much Comrade Parks Mankahlana has interpreted our position correctly when he said our statement did not represent a change of view," Shilowa said

Shilowa was reacting to news reports at the weekend and early this week in which his comments raised hopes of increased privatisation of state assets Some newspapers described his statement as a "major shift" in Cosatu policy, while others called it an "about-face"

Accuses press ... Cosatu general secretary Sam Shilowa.

The country's main opposition parties applauded the "shift", saying it augured well for the economy Others called on the ANC-led Government to take full advantage of the "favourable change" and to act decisively on privatisation.

Shilowa said Cosatu had always believed there was a need for restructuring state assets But what sometimes caused differences in debates was the "content" of such restructuring

He said Cosatu had been asked to provide comment on the "substance" of the restructuring At the weekend it did exactly that in its statement on decisions of the Central Executive Committee The committee mainly restated Cosatu's opposition to "wholesale" privatisation similar to that in fully capitalistic countries, he said

Therefore, he added, the debate over privatisation should consider all forms of ownership, including nationalisation, privatisation (where necessary), joint ventures, the opening of new entities and a partnership between the public and private sectors

Local authorities lead restructuring

MtG 20-26/9/96 (232)

WHILE central government and labour squabble over restructuring state assets and privatisation, local authorities are leading the way in contracting out municipal services to the private sector.

As early as 1991, the Benoni Town Council started contracting out its fire and ambulance services to Fire and Emergency Service Holdings, while many townships are also privatising their waste removal in an effort to create employment and provide services that were previously lacking.

According to Philip van den Heever, director of First National Bank's Local Government and Privatisation Unit, the debate surrounding restructuring of state assets has highlighted two areas of conflict between the government and the unions.

The first is the issue of job security versus improved efficiency. The second concerns broad public ownership versus a commercially accountable management "Contracting out of government services could satisfy both sides, without removing the responsibility of service provision from the local authority," said Heever.

'Contracting out of government services could satisfy both sides'

The process is simply that the government agency enters into a contract with an agent or service provider to perform the necessary task on its behalf. "In this way, broad public ownership is retained for the right reasons and the maintenance of public interest is ensured. Elected public officials retain accountability for the delivery and quality of service," he said.

Taxes, rates and tariffs are still paid directly to the government body, which can cancel or replace the services provided by the private sector.

This could mean appropriate levels of service at an affordable rate, with uneconomic areas being subsidised initially and developed areas being run by the service provider at a profit to the council.

Stephen Barber, managing director of Fire and Emergency Service Holdings, says its operation has already resulted in savings topping R16-million for the Benoni authorities and a 25% annual reduction in expenditure on fire and ambulance services.

The Benoni subsidiary achieved a R14-million turnover for the financial year 1995/96. This success has allowed the holding company to start vertically integrating into the manufacture and retail of fire engines, emergency control and rescue ambulance services

"This allows cost savings to be directly passed on to the local authorities," Barber said.

According to Barber, local authorities throughout South Africa are increasingly looking at contracting out services as shown by the company's recently acquired contract for the provision of emergency services in the Natal Midlands region.

The group is expecting to achieve a R50-million turnover at financial year-end. "But we still face opposition from certain quarters to our operation," Barber says.

He believes this stems from the misconceptions that contracting out is a job destroyer. "We are actually job creators There were no retrenchments from the 178 personnel at the Benoni emergency services when we took over, in fact the holding company now employs 500 people."

Barber argues that if the government had to contract out all its emergency services it could achieve savings of R1-billion over the next five years.

According to Van den Heever, new efficiencies are evident within the Benoni emergency services as the company strives to ensure the renewal of its contract with the council.

This bid for efficiency is seen in several townships that have employed a private waste-management consultancy for domestic waste removal. "The concept embraces the principles of the Reconstruction and Development Programme by training unemployed people to establish and run privately owned waste management operations in their own communities," said Billy Hattingh, owner of Billy Hattingh & Associates.

A contractual agreement is negotiated between a newly trained entrepreneur and the local authority, under the terms of which the entrepreneur is expected to carry out waste removal from an agreed area for remuneration

This contract varies in size from R24 000 to R26 000 and each area is allocated up to a 1 000 houses a day to service. The concept was first introduced in KwaNdebele and has proved so successful it has been implemented in Orange Farm, Ivory Park and Shosanguwe. Port Elizabeth, Welkom and Kimberley are set to follow soon.

"We have seen an increase in the payment of services in the communities where we have been operating," Hattingh said.

While the great privatisation debate rages on, changes are taking place at grassroots level, writes **Max Gebhardt**

Business hails Cosatu 'compromise'

MtG 20-26/9/96 (232)

THE apparent change of heart by the Congress of South African Trade Unions (Cosatu) on privatisation has been greeted as a positive move by both business and the government Sam Shilowa, general secretary of Cosatu, endorsed partial privatisation as one way of restructuring state assets after last weekend's meeting of the union's central executive committee (CEC)

Business now feels negotiations on privatisation can finally begin in earnest

Public Enterprise Minister Stella Sigcau said the decision marks a constructive milestone in the government's evolving economic strategy

"This is an exciting step forward in developing a rigorous growth-oriented approach to the economy with a broad national consensus on generating economic opportunities and job creation," said Sigcau

"The warm reception by the international money markets and potential investors, both domestic and foreign, speaks for itself"

Colin Coleman, public finance director of Standard Corporate Merchant Bank, feels Cosatu's statement may be seen as vague and tentative, but it is nonetheless a positive step forward

"It is a document of compromise," Coleman said

"Cosatu fears the initiative is slipping away from them They have had to change their attitude to privatisation if they plan to have a say in the restructuring of the economy

"I don't think the government and labour are that far apart from each other anymore," says Coleman

The CEC did reiterate its opposition to "wholesale privatisation of state assets" and remains opposed to the basic thrust of the government's macro-economic framework — Growth, employment and redistribution (Gear)

But it said there may be "state assets which should have never belonged to the state sector in the first place"

Cosatu doesn't appear willing to lose the commanding heights of the economy controlled by the state, arguing that certain sectors should remain in public hands These include posts and telecommunications, electricity, public transport, housing, health, water, state forests, municipal services, education and roads

"We acknowledge that the Reconstruction and Development Programme envisages a role for the private sector But equally it envisages a role for the state in production," the CEC said

Where there is a compelling case for private sector capital (in limited form), the union feels the state should remain the majority shareholder

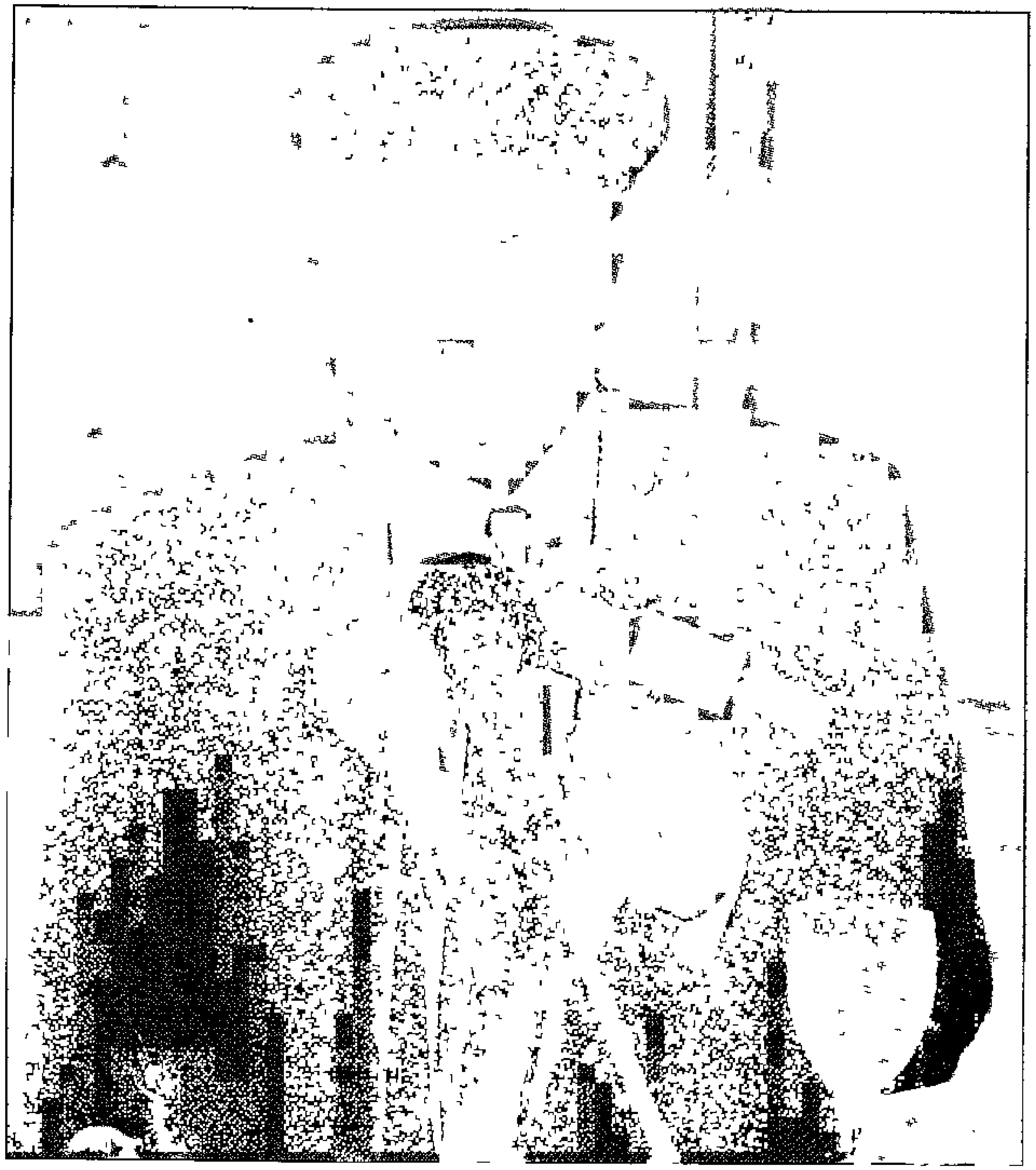
Bill Lacey, senior economist of the South African Chamber of Business, believes opposition to Gear will undermine the government's 6% growth strategy

"Privatisation is one of the essential cornerstones of Gear If they [Cosatu] don't take it completely on board it will put the pressure back on monetary and fiscal policy," Lacey said

Chris Lloyd, national official with the National Union of Metalworkers of South Africa (Numsa), said the larger unions within the federation had for quite a while adopted a pragmatic opinion on partial privatisation

"Ourselves, along with the more pragmatic unions like the National Union of Mineworkers, were the architects behind the shift in policy," Lloyd said

According to Lloyd there will be inevitable back-street fighting among the unions, especially from the public sector unions, which he says are still fundamentally opposed to privatisation



Sam Shilowa: Endorsed partial privatisation as one way of restructuring state assets

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He says the positive impact of the IDC report includes the formation of a Naacam raw materials subcommittee and the fact that cluster participants are now listening to one another's problems

Adds Panzer "We are all being brought into the real world, especially as we have to face up to the fact that local vehicle manufacturers are importing increasing volumes of completed components The challenge is to prove we can compete not only on quality and delivery but also on price " ■

NOT SET IN STONE

232 Fm 20/9/96

The Competition Board's decision to reject a merger between cement producers Alpha and Blue Circle has been met with disappointment among major users, who believe it would have fostered competition and kept prices on a leash

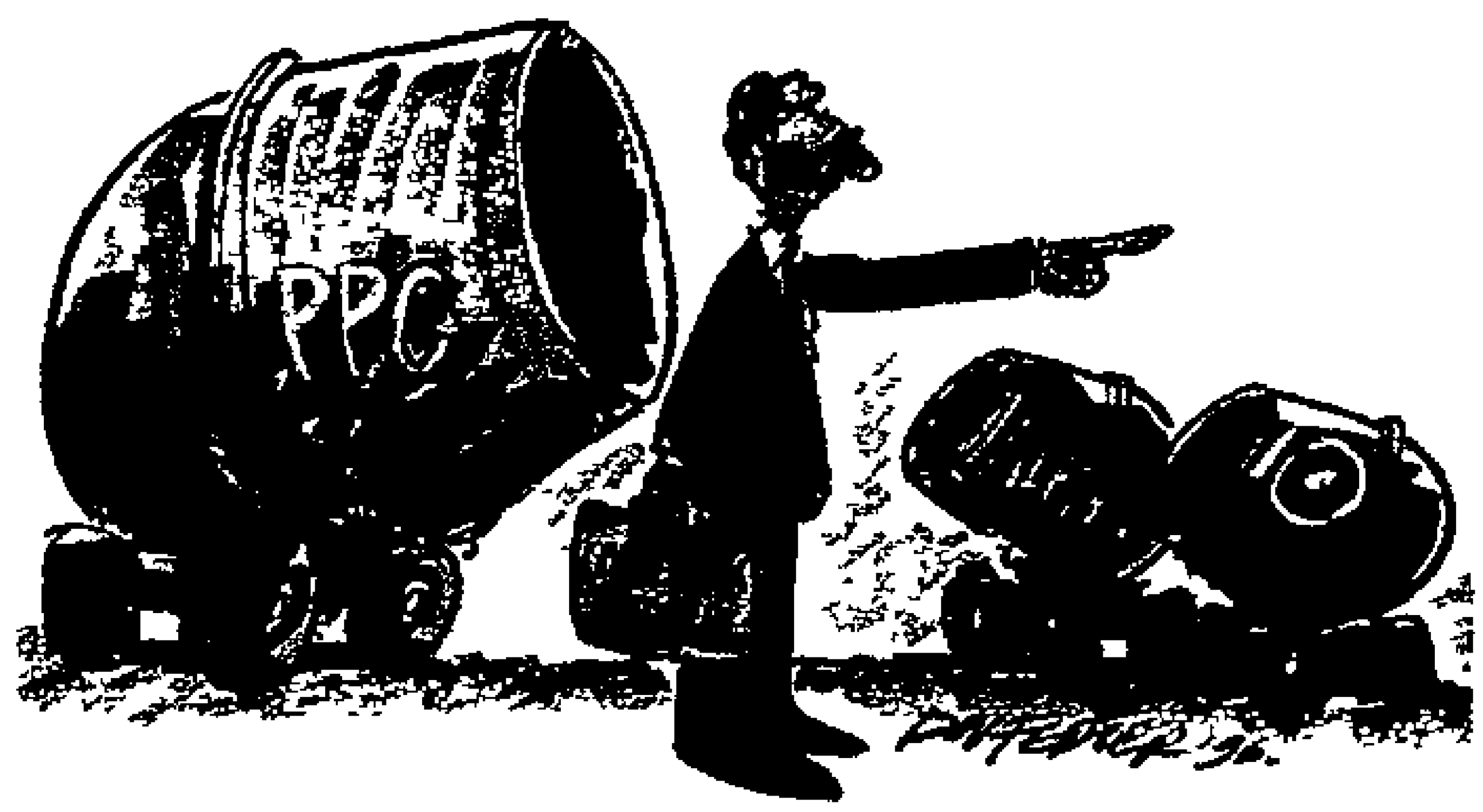
But market leader PPC (Pretoria Portland Cement) MD John Gomersall says the decision was to be expected "I would have been surprised had the board agreed to the merger, considering the way it deregulated the industry and abolished the cement cartel " This will disband at the end of this month

The board felt the government-sponsored protection enjoyed by the cartel was the main reason for the industry's healthy margins and solid returns on shareholders' funds

Though a merger would have created a rival potentially bigger than PPC — which now has 43% of the SA market — Gomersall adds "It would have been business as usual had the Competition Board allowed the merger, and it's still business as usual now that it hasn't "

Building Industries Federation of SA (Bifsa) president Stephen Jones says more than half its 5 000 members favoured the merger Jones — who does business in the Western Cape, where PPC is the only supplier — says "The merger would have been a better option Competition from another supplier would possibly have forced prices down "

SA Federation of Civil Engineering Contractors executive director Ricki Valente also says there were benefits in a merger "Large isn't necessarily ugly If there are good business reasons, and the product has to be competitive internationally, I'd say yes If it makes the industry more viable because of economies of scale, it's in everyone's favour I would have been against the merger only if it meant creating another cartel "



Alpha finance and administration director Trevor Wagner says rejection of the merger, if it stands, will add substantially to costs — both for the suitors and their customers

"Before talk of a merger we were planning to increase production by 1,2m t/year and Blue Circle was considering increasing its production by 600 000 t/year Had we merged we could have built one plant to produce 1,8m t/year at either our Dudfield factory or at Blue Circle's Lichtenberg factory, which is 20 km away We could have saved more than R200m — or 30% — had we built one big unit instead of two A bigger kiln is more efficient in terms of energy and fixed costs "

Blue Circle chairman Carl Grim adds that all is not lost, and Trade & Industry Minister Alec Irwin may see matters differently Grim says "The Competition Board made a recommendation to the Minister, who will allow us to state our case From the executive summary, it seems the board may have misinterpreted some of the points we made and we'll correct that with the Minister "

The board, in rejecting the merger, says that it's "not satisfied that, on balance, the potential public interest benefits outweigh the anticompetitive effects of the merger " It's also concerned that, had the merger been allowed, the new company would have dominated the inland market (68%, according to PPC) and its position in KwaZulu-Natal would have been entrenched This despite the fact that there are already de facto monopolies elsewhere in SA

The only producer in the province — Natal Portland Cement, owned by Alpha, PPC and Blue Circle — would have been controlled by the new entity "But," says Grim, "we told the board we were flexible about dealing with Natal Portland Cement It never gave us an opportunity to demonstrate our flexibility, which concerns us " ■

ENVIRONMENTAL REPORTING

WORK ON THE WILD SIDE

[illegible]

Frame, Romatex merger gets nod

ST(BT) 22/9/96

(232)

COMPETITION

By JEREMY WOODS

THE Competition Board on Friday gave the go-ahead for the R1,25-billion textile merger between the Frame group and Romatex, clearing the way for the rationalisation of the largest two listed textile companies in South Africa.

Frame announced this week it was buying almost 60% of Romatex from CG Smith

Analysts estimate the combined turnover of the group will be in excess of R1,2-billion, though significantly for the Competition Board, over 60% of Romatex's turnover is in worsted fabrics and carpets, which Frame does not manufacture.

Board chairman Pierre Brooks said on Friday: "The acquisition does not restrict competition in those markets"

While both companies manufacture cotton-based woven fabrics and bed linen — with an estimated joint share of the two markets of 18% and 22% respectively — this was offset by the substantial level of imported goods, Brooks said

Romatex shares have been on a roller-coaster ride on the JSE all week since news leaked about the takeover negotiations

Some analysts put a likely bid price at between 600c and 700c, based on Romatex's net asset value of close to R10 a share The shares surged to 550c but retreated sharply once Romatex notified the market that the deal was being negotiated at below 330c On Friday the share closed at 330c

"Putting a price of 600c on this deal was just plain irresponsible It was misleading guesswork that, for a while, created a false market in Romatex shares," complained one market dealer

Meanwhile Anglo Alpha and Murray & Roberts confirmed on Friday they would appeal the Competition Board's rejection of the proposed merger of Alpha with M&R's Blue Circle cement business The Board said last week the merger was not necessarily in the public interest

ST(BT) 22/9/96

Cosatu's small print on privatisation

(232)

UNION VIEW

By CAROL PATON

AS THE man driving Cosatu's policy on privatisation, trade unionist Vusi Nhlapo has had to do some hard talking — both to government, and more recently, to trade union members as well

Cosatu's new perspective on privatisation is a hard-fought position in union circles Nhlapo, convenor of the Cosatu caucus on restructuring state assets and president of the National Education Health and Allied Workers Union, says privatisation is essential if unions are to avoid "dealing themselves out of the process"

Cosatu's new policy is that restructuring should lead to the expansion of basic services

When it comes to expansion, says Nhlapo, most state enterprises are faced with two options "They can borrow or they can find a partner to buy in Looking at the possibilities, realistically, very few would be able to borrow Therefore, the option they face is to open up and sell equity

"From Cosatu's perspective, the aim of doing that must be driven by the provision of basic services, efficiency, expansion and the creation of more jobs"

NEW PRESSURES ... Vusi Nhlapo, setting worker agendas

Nhlapo believes Cosatu's new stance, which was adopted last weekend after a difficult meeting of the central executive committee, will position labour to achieve its objectives more effectively than if it maintained a blanket objection to privatisation

"This thrust by Cosatu is a deal which says to members if privatisation arises in your factory, these are the principles to follow to ensure that jobs are not lost or that the employer does not shirk its responsibilities

"It's a strategy to minimise the negative part of privatisation"

The state enterprise most likely to embody Cosatu's new view is Telkom, where there is a need for capital and technology

But the requirements that unions are likely to place on the table will be stringent

"For instance, from where I sit, one of the conditions of buying a percentage stake in Telkom would be to train 1 000 artisans a year in various fields"

The nitty-gritty of negotiating the detail of what is meant by basic services and human resources development — the two objectives labour would most like to see achieved in the restructuring process — also still lies ahead

While unions and the state are moving broadly in the same direction in telecommunications, the same cannot be said for transport The Cabinet this week endorsed Mac Maharaj's white paper on transport, agreeing that the state should seek to decrease its direct involvement in the provision of transport, but the Transport and Allied Workers' Union is moving in the opposite direction, lobbying for guaranteed state support, Nhlapo says

Riddle of who gets the bounty from radio privatisation

ST (BT) 22/9/96

The IBA wants the cash-strapped SABC — and not the government — to get the biggest slice of the pie, writes THABO KOBOKOANE

(232)

THE government has taken its first, tentative step into privatisation with the R520-million sale of six SABC regional radio stations. But it has not yet decided who will get the proceeds.

The government has said money flowing from the sale of parastatals should go into its coffers, while the SABC maintains it should be the beneficiary. The Independent Broadcasting Authority, which announced the sales over the past two weeks, has recommended that proceeds should go to the cash-strapped public broadcaster. A spokesman for broadcasting minister Jay Naidoo said the issue had "not come up yet".

However, the SABC's Enoch Sithole expects that the corporation will get most of the money from the sale. Sithole says irrespective of whether it receives the funds, the broadcaster will still need money to fulfil its public broadcasting mandate.

"The sale of the six stations and new competition as a result of deregulation will rob us of income in the coming years," he says.

'The sale and new competition as a result of deregulation will rob us of income in the coming years'

Sithole estimates that the SABC will lose R90-million in income every year as result of the sale. The new-look SABC could be "crippled" by intensified competition for adspend.

"We expect government to fund up to 40% of our costs," Sithole says. Naidoo is believed to be planning legislation next year aimed at facilitating public funding for the broadcaster.

The SABC's poor financial state clearly played a role in the IBA's deliberations as all but three licences went to the highest bidder — in accordance with the wishes of both the government and the SABC. All the bidders fulfilled the IBA's empowerment and programming criteria.

The plum Radio Highveld went to Africa On Air, formerly Newshelf 63; Radio Jacaranda went to Newshelf 71, which includes Nthato Motlana's New Africa Investments; East Coast went to the New Radio Consortium which also won control of Radio Oranje, Crescent Consortium pipped Africa On Air for Western Cape's KFM, and Radio Algoa went to Umoya Communication.

The most controversial deal involves Africa On Air, formerly Newshelf 63, which was granted Highveld for R320-million. Africa On Air is 40%-controlled by Primedia, owners of Radio 702, and 60% by Zerilda Investments, comprising Women's Investment Portfolio, the Mineworkers Investment Company and SA Clothing and Textile Workers Investment Company.

The bid raised concerns about the concentration of the airwaves in Gauteng.

At public hearings fears were expressed that Primedia would gain up to 50% of adspend in Gauteng if it was granted the Highveld licence — with negative implications for the concept of ownership diversity.

Despite its lower bid, Newshelf 71 was granted Radio Jacaranda. The IBA says it selected the group because of its financial strength and the successful business team involved in the consortium, comprising Nasionale Media, foreign broadcaster Europe Development International and New Africa Investments. Nail also holds an indirect 5% of Times Media, publisher of the Sunday Times

NEW OWNERS OF THE AIRWAVES

STATION	SUCCESSFUL BIDDER (main consortium members)	PRICE
Highveld	Africa On Air (Primedia, MIC, [illegible] Investment Company)	R320m
Jacaranda	Newshelf 71 (Nail, Nasionale Media, European Development International)	R[illegible]m
KFM	Crescent (First Corp, [illegible])	R65m
East Coast	New Radio Consortium (Kagiso, Publico, Nedbank, Johnny Clegg)	R[illegible]m
Algoa	Umoya Communication ([illegible])	R10m
Oranje	New Radio Consortium (Kagiso, Publico, Nedbank, Johnny Clegg)	R11m

Graphic FIONA KRISCH

Guidelines for private water services released

(232) BD 23/9/96

Robyn Chalmers

THE water affairs and forestry department will issue guidelines this week for greater private-sector involvement in water services provision.

Department deputy director-general Mike Muller said some local governments were considering handing responsibility for the management and development of water services to a private contractor for lengthy periods.

This was typically 20 to 30 years under contracts for delegated management, concessional operation or full privatisation

The guidelines were being issued to local authorities and provincial governments to ensure private-sector capacities were used in a way that achieved government's goals. These included lower tariffs, expanding services and facilitating access to finance for the expansion of services

"We want to make sure that local authorities, some of which have little experience of contracts of this nature, are properly equipped when entering into negotiations," he said

Three criteria to govern private-sector involvement in water services have been identified. The first was competition, with international experience showing that competitive bidding was essential to reap the full benefits of private-sector involvement.

The second was transparency, with consumers and workers to be kept up to date with events to avoid unnecessary conflict between labour and management. The third was coverage as it was important to ensure that poorer and problem areas were included with more attractive regions

The guidelines were an interim measure, as a government-led task team was developing draft legislation for the water services which would provide a framework for private-sector involvement

One regulation being considered was that all water service providers produced a development and operational plan for the services to ensure their approach met the basic goals of public policy.

Muller said that it was impossible to estimate the extent of possible private-sector involvement in water and sanitation services provision as it would depend on the decisions of individual local authorities

This follows comments from Umgeni Water former CE Graham Atkinson, who last week said the privatisation of water facilities would spell disaster for the more than 11-million South Africans who did not have more than a rudimentary access to water "Water supply predators from European corporate jungles have been stalking the South American continent and parts of Asia for years. They have now set their sights on SA, where they see rich pickings," he said

Transport sector restructuring agreement close

BD 23/9/96

Tim Cohen

(232)

CAPE TOWN — The transport department and unions are close to agreement on six priority institutions in the transport sector in which "restructuring" would begin this year, indicating an increase in the urgency of negotiations

Sources close to the negotiations say the six institutions include some that are well-known restructuring candidates. Sun Air and the Airports Company are included on the list.

But industry expectations are that the list also includes SAA, which transport department officials fear might lose out on major changes that are taking place in the aviation industry if negotiations on its restructuring are not initiated soon

SAA, which has been operating at a profit for a number of years, plunged into the red this year as a result of currency fluctuations, fiercer competition and increased deregulation

Although the list includes the outright privatisation of Sun Air, following an agreement between the company and its employees, outright privatisation is not immediately foreseen for the other candidates.

The transport department is adopting a step-by-step policy as regards many of the candidates, preferring to experiment before launching on whole-scale restructuring.

One such candidate is Metro Rail, which may experiment with the idea of concessioning some commuter rail lines, in terms of which the right to run and profit from a particular route will be sold

Transnet has already expressed its preference to limit its involvement with commuter rail transport, which forms a small part of its rail business which is dominated by bulk rail cartage

Other candidates include Autonet, Transnet's road carrier and the sale of bus routes operated by a combination of government and private contractors.

The involvement of a strategic equity partner is the most likely route with the Airports Company, which manages SA's major airports The company operates at a profit and transport department officials see negotiations on the inclusion of a strategic equity partner as the most likely to result in win-win scenario for workers, the company and government

Reneé Grawitzky reports that the SA Railway and Harbour Workers' Union said that discussion around potential strategic equity partners would have to be discussed within a certain context The union in principle, would not like to see the dismantlement of Transnet as a whole, which was still open to discussion.

Hilary Joffe

Questions asked about board's rulings

(232) BD 23/9/96

IS THE Competition Board consistent in applying its criteria?

Board chairman Pierre Brooks says there is no doubt there is substantial competition from imports in the textile industry This was one of a host of factors it took into account when giving a preliminary all-clear for Consolidated Frame's acquisition of Romatex

The board cited limited scope for imports as a factor restricting competition in the cement industry when it rejected an Alpha-Blue Circle merger

But it also blocked a merger last year in the footwear industry, where a deluge of imports has led to extensive factory closures and job losses The proposed tie-up between Conshu and Bolton Footwear was rejected despite evidence of substantial import penetration

Footwear Manufacturers' Association figures show imports' market share rose to 52% last year, from 36% in 1994 Total imported pairs were up 77% to 63,4-million. Conshu, SA's largest producer, made about 9-million pairs in its year to March

Brooks said, however, that the issue in the Conshu-Bolton deal was not competition from imports as such but competition in a particular market segment. The board's view was that competition was mainly in the lower end of the market, dominated by cheap footwear from the Far East; it was not convinced of imports' impact in the middle- to upper-end men's footwear market, which would have been affected by the merger.

Conshu and Bolton had argued they needed economies of scale and critical mass to survive in a globally competitive industry Frame and Romatex possibly made a similar case

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IT IS hard to believe the minority shareholders reported to be considering legal action against Perskor made that much fuss about the price paid for Kagiso Publishing It is easier to see grounds for dissatisfaction with the deal's benefits for the Dagbreek Trust, originally a Broederbond creation, which has controlled Perskor for years through a collection of special voting shares

Dagbreek is to be paid a premium (described by merchant banker to the deal Rand Merchant as "substantial") for giving up absolute control of the group to join a three-way controlling consortium with the Rembrandt Group and Kagiso Trust Investments The Dagbreek Trust will also receive Perskor's half of Rapport (Nasionale Pers owns the other half) for an apparently inexpensive R19m

In the existing structure, Dagbreek holds an effective 7% of Perskor but exercises control through special voting shares in Persbel and another vehicle, Dagbreek Trust Limited These shares will be converted so that, after the deal, it will hold an effective 11,6% of Perskor all other shareholders' holdings will be diluted The value of the ordinary shares it receives in the conversion is about R112m

Payment for Kagiso Publishers (of which Kagiso Trust Investments owns 50%) is in shares worth R241m Of this, 41% buys the publishing house's share capital The rest covers its trade names and trademarks, and payment for a three-year restraint of trade by Kagiso Trust Investments

On Kagiso Publishers' earnings of R17m last year, the deal is being done on a p e ratio of 13,8 — or 10-11 on this year's earnings of R20m This compares with a p:e of 16 for the JSE's printing and publishing index, though as an unlisted company Kagiso would not attract that kind of rating

The deal is widely seen as a good one for the group an analyst notes it is buying market share in a business in which it has shown it can make money Haum, the core of Kagiso Publishers, has about 20% of the educational book publishing market, which has high growth potential With new syllabuses coming into effect in 1998, its new partner positions Perskor to secure contracts

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WORTH noting is the logic used by the Securities Regulation Panel when it waived the requirement of an offer to minorities in the Perskor/Kagiso deal The panel will be asked for a similar ruling soon on the deal between the National Empowerment Consortium and Anglo American in which the NEC takes control of 35% of Johnnic

At Perskor, the panel appears to have taken the view that the change of control was not so fundamental as to require an offer to minorities

According to the circular issued by Perskor detailing the deal, the panel had ruled that a concert party arrangement existed between the Dagbreek Trust and Remgro in terms of the deal Kagiso Trust Investments would join the existing concert parties in control of Perskor, but not as a dominant member of the new grouping

It ruled this was an "affected transaction" in terms of the rules, but invoked its discretion to waive the requirement of an offer to minorities

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WITH Sasol's synthetic fuels and oil operations reaping the benefits of a weak rand and high international refining margins, the group's profit mix is not moving quite in the direction it had planned

A year ago, then MD Paul Kruger said by 2000 Sasol Chemicals would contribute half the group's profit, with the other half coming from energy Instead, in the year to June, chemicals' contribution to operating profit fell to 28%, from 31% in financial 1995, while Synfuels' increased to almost 48% (44%) and that of Sasol Oil to 15,5% (14%) With the group spending R4bn on new chemical projects, the balance should shift in the next couple of years

Sasol Synfuels has responded to government's decision last year to phase out its subsidy (the group prefers to call it tariff protection) by 1999 with a transformation project aimed at cutting costs by 25% — or R1bn on the cost figure for financial 1995, when the subsidy totalled a similar amount

Cost containment and the weaker rand boosted Synfuels' profits 23% to R1,5bn despite a reduced subsidy (the oil price floor at which it kicks in was cut from \$21,40 a barrel to \$19 it falls to \$16 by July 1999)

New MD Pieter Cox estimates each \$1 cut costs R200m in profits But each 10c fall in the rand's value against the dollar adds R160m The group forecasts the exchange rate will average R4,50 to the dollar in the current year, against R3,68 in the year to June — potentially an extra R1,3bn from synfuels

Synfuels' success had an impact, too, at Sasol Oil Sales from crude oil refinery Natref to the other oil companies in terms of Sasol's supply agreement with them declined to less than half of the refinery's production, from 60% in financial 1995 The oil companies are committed to buying a maximum volume of fuel, including output from Natref and from the synfuels plant at Secunda An oversupply from Secunda was compensated for by a decline from Natref, which sold the rest of its output on export markets or directly to the local market

With deregulation, Sasol Oil wants to enter the fuel retail market in its own right — on its own or with partners It cannot do so without the consent of the other oil companies the supply agreement limits it to retailing via its "blue pumps". And it needs to normalise relations with the others after the acrimony which surrounded the subsidy debate Negotiations are going on at present

A 'competition tribunal' might police business

John Dludlu

BD 26/9/96

(232)

THE task team responsible for rewriting SA's competition policy appears to have thrown out the US antitrust model in favour of a mixture of British and Canadian competition laws, sources close to the team say.

The strongly antitrust US model, considered by local business to be inappropriate for SA's economy, was "definitely off the table" because "we are a developing economy", a source said yesterday.

Instead, the team, which would submit its proposals to Trade and Industry Minister Alec Erwin, favoured aspects of Canadian law and UK policy based on the EU model.

In terms of proposals before the team, a competition tribunal — with "more decisive powers" than the current Competition Board — would be set up to adjudicate on corporate anti-competitive behaviour such as abuse of dominant position and collusion.

The tribunal, similar to the UK's mergers and monopolies commission, would be set up in consultation with interested parties such as labour, business and government. It would also examine proposed mergers.

Current thinking in the team was not to outlaw conglomeration but to look at its effects. This meant a merger would be blocked if it hindered competition and harmed consumers.

However, it was unclear how existing conglomerates would be dealt with. "We are looking more at regulation," the source said.

The team favoured stiffer penalties for guilty parties, but these had yet to be determined. Parties would have the right to appeal against decisions of the tribunal.

Last week it emerged that the team favoured a proposal to take away the minister's powers to override decisions. A draft document was expected to be submitted to the National Economic, Development and Labour Council for discussion next month. The policy would also be discussed in the parliamentary portfolio committee on trade and industry.

Don't misjudge Cosatu's willingness to enter new era

Recent decisions on privatisation took courage, and sniping from some sections of the business press suggesting it was getting 'soft' were harmful

(232)

Star 26/9/96

Cosatu's acceptance last week of the partial privatisation of some parastatal companies is a cautious but crucial step towards a new labour relations compact that can help South Africa cope with the formidable challenges of global competition.

Some elements of the business press have described the policy shift as a sign that the labour federation is going soft. One headline said so in as many words. It was an observation as harmful as inaccurate.

The decision in fact required considerable courage. Both business and unions have to move away from old, fixed positions if the accord is to be reached, and given our history of the racist exploitation of labour, that is particularly difficult for the union leaders.

They may themselves be convinced of the need for pragmatism, but carrying their members with them is another matter. To mock them publicly for "going soft" every time they move is not going to make their task easier.

In fact the throw-away carelessness of that headline told one more about some ideological fixations still prevalent in the business community than it did about Cosatu's leadership.

Most business leaders are also undergoing a transformation and are growing in their understanding of the need for pragmatism and compromise. But there are still some whose ideas are set in Thatcherite concrete.

One such persistent notion is that the only way to compete effectively in the global market is to emulate the newly industrialised South-east Asian "tigers", and keep wages low so that our exports will be competitively priced. This, it is said, will produce a steep growth rate and prosperity for all at a later stage.

That's fine if you are a dictatorship like South Korea, China or Pinochet's Chile, and can call out the army to suppress any industrial unrest. But we are a new-born democracy in which such action is now unthinkable, not to say unconstitutional, and we have to take account of political practicalities.

To begin with, there is simply no way we could cut wages below the sweatshop levels paid in some of the Asian countries, China particularly, where workers from peasant villages are drilled like military conscripts and paid Dickensian wages. So we could never undercut their exports.

Even more to the point, given our own long history of sweated labour on our farms and in our mines and factories – with the pass laws, the compound system, the Land Act, the Job Reservation Act and the whole conglomeration of institutionalised exploitation – it is the height of political naivety to imagine that the black unions might accept real wage cuts now in their hour of liberation. Or that a newly elected black liberation government could consider imposing them.

Any such attempt would provoke such a massive backlash that it would shatter investor confidence. No, there is only one practical option as we face the challenges of the global market, and that is to win the co-operation of the unions.

Through careful and continuous negotiations, Government, business and the unions must build a social compact in which wage restraints are traded for price restraints – at least on some non-export consumer items – and investment incentives to create more jobs.

It will be a difficult and probably a slow task. All social transformation is slow and in this case we have to move a long way from an adversarial past to a future of engagement and trust.

But we have made an encouraging start. The new Labour Relations Act, which will come into force on November 11, and the formation of the National Economic Development and Labour Council (Nedlac) establish the framework for an institutionalised process of continuous negotiation. And now we have the evidence of an emerging spirit of pragmatism.

There are those who say it is an impossible task, and who point to the failure of Harold Wilson's attempts to implement such an incomes policy, balancing wage and price restraints, in Britain during the 1970s. But several European countries succeeded where Wilson failed, as did Israel and Mexico. Not least of the advantages it brought them was that the negotiated restraints helped keep down the inflation rate, so that they did not have to use monetary policy as the sole control mechanism.

As this column has noted before, our excessive reliance on monetary policy to control inflation is making our already dangerous level of unemployment worse by keeping interest rates so high that they are deterring risk investment and slowing down job creation. Which is a further compelling reason why a social compact is our only way forward.

CAPE ARGUS, **FRIDAY,** SEPTEMBER 27, 1996

NEWS

State, trade unions close to deal on Telkom sell-off

Revamp package in place next month

(232)

ARG 27/9/96

Jay Naidoo: 'No preferred bidders'

ESTELLE RANDALL
LABOUR REPORTER

The government and trade unions are close to agreeing on the sale of up to 30 percent of state-owned Telkom.

Minister of Posts, Telecommunications and Broadcasting Jay Naidoo said at a seminar in Johannesburg yesterday that final agreement with trade unions on Telkom's restructuring for presentation to foreign investors would be in place by next month

By November, strategic equity partners would submit proposals to buy between 20 percent and 30 percent of Telkom By February, the Cabinet would get a final short-list of possible Telkom partners and decide finally on a partner by the end of March

"There are no preferred bidders," said Mr Naidoo. "We'll examine what they have to offer when they make their proposals."

Potential partners include France Telecom, US groups Bell Atlantic and South Western Bell, British Telecom, Italy's Stet Spa and Deutsche Telekom

Besides money, a strategic equity partner should offer advanced technology, management skills and commitment to train and retrain workers in the telecommunications sector, Mr Naidoo said.

He said the Government believed investors would pay more for Telkom shares if the company's monopoly as a telecommunications service supplier was protected for five to seven years

The period of exclusivity was not contained in the Telecommunications Bill – to be tabled during the next session of Parliament – but Telkom's monopoly would be protected for five to seven years in a licence ,for which it must apply when the bill becomes law

The licence would also set targets and penalties, Mr Naidoo said

Scrap metal collusion judgment upheld

(232) BD 27/9/96

BLOEMFONTEIN — The Bloemfontein Appeal Court has found that the Cape Supreme Court correctly held that a contract among scrap metal dealers constituted "horizontal price collusion" and "horizontal collusion on conditions of supply"

Yesterday the court dismissed, with costs, an appeal by SA Metal and Machinery of Epping, Cape Town, against a judgment in favour of Cape Town Iron & Steel Works of Kuils River

The case was based on a 1989 contract regulating supply of scrap metal by suppliers to Cape Town consumers.

SA Metal claimed millions in damages for alleged underpayments on light steel scrap delivered to the iron and steel works, and on maximum railage subsidies owed, along with an alleged underpayment for scrap metal

Cape Town Iron & Steel entered a special defence that the agreement on which the claim was based was unenforceable It constituted horizontal collusion on price and conditions of sale, as defined in a government notice of May 2 1986 Judge HL Berman upheld this defence in the Cape Supreme Court on January 20 last year

Appeal Judge Vivier said that *ex facie* the contract constituted both types of collusion, as defined in the notice He said the contract also clearly constituted a restrictive practice as defined in the Maintenance and Promotion of Competition Act

The Act defined the expression as including any agreement or understanding restricting competition directly or indirectly by having, or being likely to have, the effect to enhance or maintain the price of, of any other consideration for, any commodity, or to prevent or restrict the entry of new producers or distributors into any branch of trade or industry

With the concurrence of Appeal Judges Hefer, Eksteen, Howie and Scott, Judge Vivier said the contract had the effect of enhancing or maintaining scrap metal prices, and also of preventing or restricting newcomers' entry into the market — Sapa

Unions shape up for the new challenge

(232)

ST (BT) 29/9/96

COSATU's about-turn on privatisation clears the way for Telkom to proceed with plans to bring in a strategic equity partner (Sep) in 1997

Cosatu-aligned unions within Telkom previously opposed the Sep, fearing the pursuit of business efficiency and the dilution of state ownership would result in large-scale redundancies

Eugene Martin, human resources executive at Telkom, says Cosatu's recent change of heart over privatisation "takes the debate over the acquisition of a Sep to a much higher level. The implications must still be debated with the trade unions, but I expect by March 1997 the whole process will be complete"

A government announcement on the Sep short-list is imminent The sale of a 30% stake in Telkom could generate up to R7-billion for the group, which needs R30- to R40-billion to fund the roll-out of 4-million lines under its Vision 2000 programme. But it will also require substantial improvements in business efficiency along with huge retraining and skills upgrades to prepare the group for competition

Martin says the Sep issue is likely to dominate negotiations with the trade unions over the coming months The possibility of staff redundancies will be the subject of tough negotiations, and none of the unions are likely to give ground

The six largest trade unions in Telkom have formed themselves into two major alliances, split along broadly racial lines Potwa, the Cosatu-aligned and predominantly black trade union, joined forces with Peasa (predominantly coloured) and Saptea (Asian) earlier this year to form the Communications Workers' Union (CWU), representing 26 000 of Telkom's 59 900 employees CWU members constitute 42% of the Telkom bargaining unit Some 4% of CWU's members chose to join the ranks of the non-unionised workers following the merger The reasons are unclear but it is thought some members were uncomfortable with the CWU's close association with Cosatu

The three largest white trade unions — the SA Telecommunications Association, the Posts and Telecommunications Association and the Mineworkers' Union — banded together under the Alliance of Telkom Unions (ATU), representing 32% of Telkom's workforce, after management indicated that for trade unions to enjoy continued recognition for collective bargaining, they would have to represent at least 30% of the unionised workforce

With just two trade union alliances to deal with, the negotiating lines are more clearly drawn, says Martin "It was often difficult to deal with six trade unions, and we found that some of the smaller unions were obdurate as a way of self-assertion. Now it may still take us a long time to reach an agreement, but when we do it sticks."

QUOTE: It may still take us a long time to reach an agreement, but when we do it sticks

Resistance to affirmative action from white trade unions has softened, leaving it to management and the black trade unions to fight over the detail The CWU objected to management plans to dismantle head office affirmative action structures, formed as a monitoring function to ensure that targets and processes were duly applied

"These structures have outlived their usefulness," says Martin "They were put there to supervise affirmative action programmes, but this meant they came onto the scene after the event Initially, affirmative action was an appendage to the business process, not integral to it Now we want to take the next step forward and integrate it with the business process "

Stark differences have emerged between unions negotiating at head office and business unit level Decentralising affirmative action to the business unit level implies a loss of control at head office, a disconcerting prospect to some unions

Telkom's transformation programme, designed to elevate business efficiency and prepare it for international competition, poses considerable danger for black employees, most of whom are in low-skill jobs and support functions such as catering and administration Some of these may be spun off, creating an uncertain future for unskilled employees

(232) CT (BR) 30/9/96

Competition law will help small business

STUART RUTHERFORD

Durban — The National Economic Development and Labour Council (Nedlac) is expected to discuss basic policy approaches for new competition legislation towards the end of October The process should be complete by mid-February, Alec Erwin, the trade and industry minister, said last week

He said once that had been completed Nedlac would instruct legal drafters to construct draft legislation based on these policies He doubted, however, that consensus would be reached in all areas

Erwin said the draft legislation would then go through the normal political process and all parties would have the opportunity to make representation

Speaking at the Association for the Advancement of Black Accountants of Southern Africa's annual convention at the Wild Coast, Erwin stressed the importance to the South African economy of promoting small enterprises and training

He said the level of training that existed was inadequate for a growth rate above 3 percent, though the government was convinced that 6 percent growth was attainable Skills were also increasingly moving to the upper end of the workforce not to the lower end

"Anyone that is not spending a lot of money on training a lot of people will not keep up, and the majority of people you will have to train are so-called black," he said

He said the training of accountants needed to be accelerated, to ensure that international standards were met and to support growth in small businesses

"I envisage that the profession will enjoy very rapid growth We are nowhere near an adequate position in the training of black accountants," Erwin said

'Small operators can take on Transnet'

Deregulation favours private transport firms

(232) CT(BR) 10/10/96

Thabo Leshilo

Johannesburg — Private haulage companies are benefiting from the recent deregulation of the industry and the resultant increased competition with Transnet, operators say. Volumes have increased and vehicles spend less time idle.

Deon Blignaut, the chief executive officer of Trencor's transport division, said this week that the relaxation of road transport regulations last year, such as the increase in the maximum permissible payload on trucks from 35 tons to 38 tons, had helped make road freight slightly more competitive than rail

Figures from the Central Statistical Service (CSS) show that private companies carried 36,4 million tons of goods in June this year compared with 34,6 million in June last year The number of days their vehicles stood idle fell 9,2 percent, and their total earnings rose 11,6 percent to R735,7 million from R659,1 million during the same period from the previous year

"Although the number of people employed by private undertakings increased only slightly when June 1996 is compared with June 1995, the average salaries and wages at current prices rose by 16 percent (from R2 399 to R2 784)," the CSS said

Dennis Beech, a spokesman for PX, Transnet's container shipment and consignment division, said the company had suffered a 14,5 percent reduction in tonnage carried during the period under review He attributed the fall to PX's shift in focus from high weight-low income bulk cargo to more profitable parcels

Peggy Drodskie, the manager for infrastructure at the South African Chamber of Business, said the statistics probably indicated a rise in competition resulting from the recent deregulation of the goods transport industry

"Competitive forces are now coming into play and customers are getting a wider choice."

Whereas restrictions had made it difficult to compete with Transnet in the past, deregulation, coupled with the low capital requirements, now made it possible for even small operators to take on the transport parastatal.

Roger Naisby, a Unitrans director, said his company had increased its volume of cane sugar, other agricultural products and fuel However, the transport of cement and other construction materials had stabilised after some improvement in the latter part of last year

On the road to privatisation

(232) MtG (Bm) 11-17/10/96

Travel and leisure company Aventura looks set to be the first model for restructuring, writes **Eddie Koch**

AVENTURA, the state-owned travel and leisure company, is being primed for privatisation, the culmination of three years of transformation from a loss-maker to a streamlined commercial enterprise.

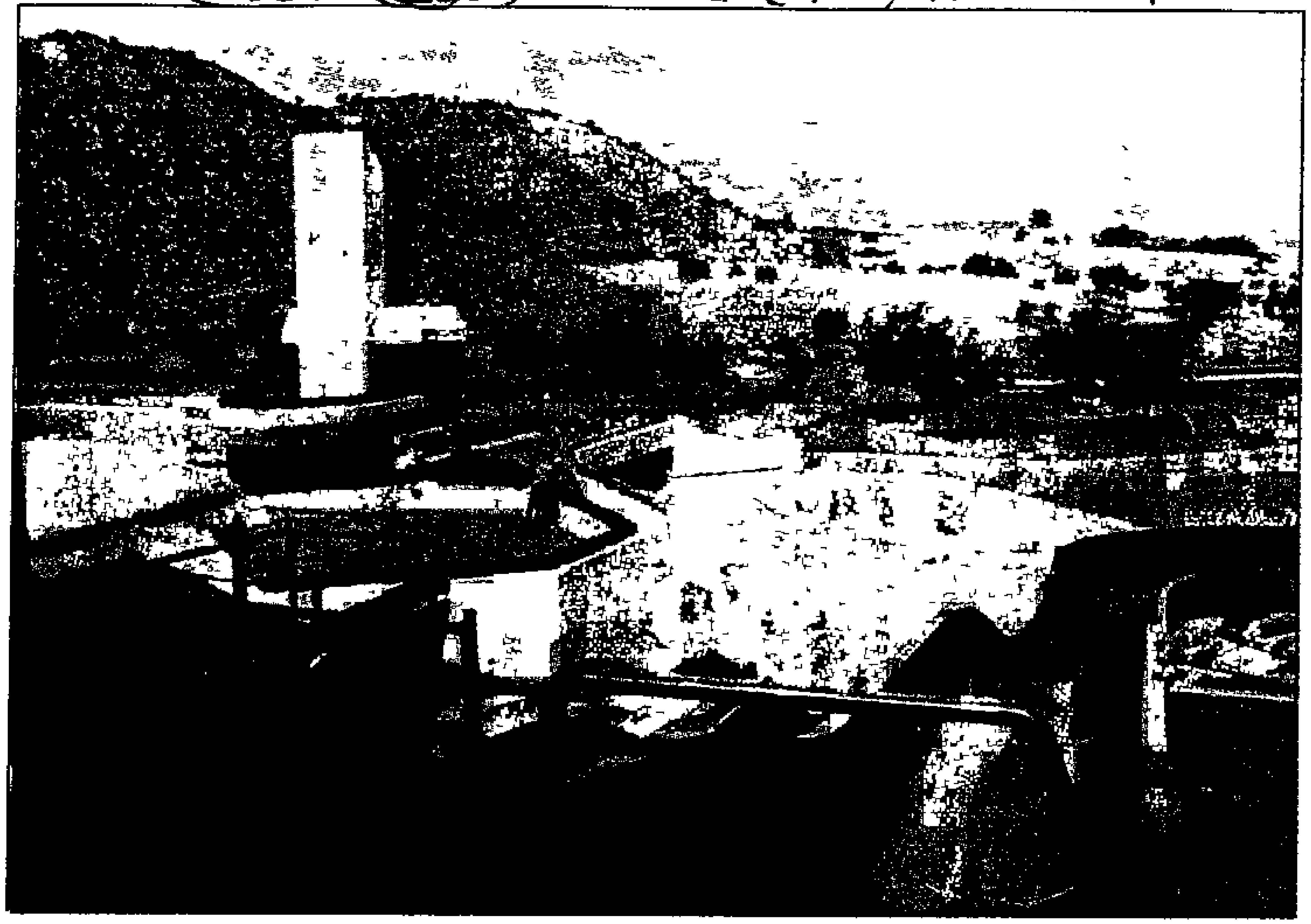
The Department of State Enterprises is planning to complete a draft tender document by the end of this month and potential investors should have their bids in by the end of November

Top of the list of potential bidders is the Congress of South African Trade Unions (Cosatu), although a Dutch airline with an associated hotel chain has also expressed interest, as has a local mining house in association with black partners

With tourism set to become the next big business in South Africa, the timing could not be better The boom in the hospitality industry is being hampered by a lack of beds on offer to local and foreign tourists from the major hotel chains

Aventura also occupies a crucial niche in the travel industry because it offers affordable accommodation to local tourists — including the emerging black middle class with new amounts of leisure time and cash to spend on holidays — when the cost of staying in the leading hotels and game lodges is spiralling beyond the reach of most South African holiday-makers

Research shows that although most hotel and lodge chains target the lucrative foreign tourist market, more than 60% of the demand for leisure accommodation is generated from inside the country — and is likely to escalate as the leisure classes expand



Taking a break. Aventura will be taking a permanent vacation away from state-ownership

With the pressure on the Ministry of State Enterprises to come up with a standard tendering procedure for the "restructuring" of state companies, it is likely that Aventura, which is not a profit-making or strategic corporation, will provide the first model for privatisation

Aventura is likely to be followed by the sale of Sun Air, the South African Forestry Company (Safcol) and the state's diamond cutting industry

The South African Commercial Catering and Allied Workers Union (Saccawu), a Cosatu affiliate which organises at a number of Aventura resorts has recently come out against the privatisation of the corporation.

This will add an interesting dynamic to the tender process as — regardless of whether this consortium is awarded the tender — it will indicate whether organised labour will drop its principled stance against privatisation in return for the opportunity to gain some control over state-owned enterprises by investing members provident funds in them

As part of its restructuring programme Aventura is discussing a share-ownership scheme with its staff of 1 500 On the table are proposals that 2% of the shares be allocated across the board according to a formula that emphasises length of service Another 23% of shares will be held in reserve for staff to acquire through purchases or other finance schemes — leading to an eventual 25% ownership of the corporation by employees

Created in 1993 out of the former government's Overvaal Resorts, Aventura adopted a new name and a new image Under a new board of directors, led by Alan Louw, Aventura has been undergoing a steady transformation State subsidies have been replaced by bank loans although the debt burden is still heavy at R34-million.

Cuts have been made to staffing levels but privatisation will not mean further retrenchments, says an insider; indeed the company is looking to expand its operations

The turnaround has been dramatic from an operating loss of R15-million in 1993 Aventura is now breaking even, turnover and revenue have risen substantially And with occupation rates growing at 10%, it can look forward to greater increases Its 14 resorts, traditionally venues for middle- to lower-income white holiday-makers, but fast becoming popular among other racial groups moving into these income categories, generate a turnover of about R110-million a year

Aventura provides hotel accommodation at its two main resorts, Warmbaths and Badplaas, but its operations are primarily aimed at self-catering and caravan and camping facilities

Aventura has not relied on the buoyant tourism market alone to boost its income, facilities have been upgraded and refurbished, with new product ranges, such as the holiday clubs, akin to timeshare schemes, helping to attract clients.

In line with its bid to appeal primarily to South African tourists who want a "quality holiday experience or breakaway experience at realistic cost", Aventura is promoting resorts that are either located near prime wildlife areas or at mineral springs Its Warmbaths and Badplaas resorts are being billed as places where people can spend healthy leisure time with extensive recreation facilities

Five other resorts — Eland Swadini, Blyde Canyon, Loskop Dam and Plettenberg — are taking advantage of the current vogue for nature travel and are being aggressively marketed as eco-tourism destinations

Nor has the community been forgotten Aventura plans to involve rural communities in various aspects of its business by offering cultural groups from villages or townships near its resorts the opportunity to make money from their performances for tourists

CORPORATE POWER AND UNBUNDLING

COUNTING THE COSTS AND THE BENEFITS OF SIZING DOWN

(232) FM 11|10|96

Nothing inherently good or bad about size

If anything needs to be unbundled, it is the debate over the extent and consequences of corporate power in SA — and whether steps should be taken to reduce it. The issues raised include economic concentration, black empowerment, pyramid control of companies, unwieldy structures, sectoral dominance and abuses in the marketplace.

Opponents of big business argue unbundling will open the economy and create opportunities for black business, protect minority shareholders, improve corporate governance, enhance efficiency and benefit consumers. And they are lobbying for legislation to force all giant conglomerates to unbundle.

Brian Kantor

Unfortunately, the failure to distinguish between these issues has created confusion which might lead people to draw the wrong conclusion from the evidence. The issues must be separated.

In a working paper on the reform of competition policy, published last year, economists Frederick Fourie and David Lewis and advocate Willem Pretorius say: "It is important not to assume any direct or automatic link between positions of dominance and undesirable behaviour."

They say there are distinctions to be made between:

- Economic concentration in the sense of dominance of a particular market or subsector, for example clothing or cement — seller or buyer concentration;
- Aggregate control of economic assets in the economy as a whole. This goes beyond the sphere of competition policy (though the activities of a conglomerate do create the potential for abuse), and
- Concentration of owership in the hands of a limited number of wealthy shareholders. This is a more fundamental issue and concerns corporate law and corporate governance.

They concede: "A respectable argument can be made that for SA businesses to be able to compete in international markets — and defend their local markets — they have to be large enough to reap economies of scale. This may be reason to live with a position of dominance in a domestic market segment, to promote exports or compete against imports — which obviously has an impact on employment creation."

Another issue which must be separated from the overall debate is that of pyramid control. It doesn't work only in favour of white owners. Pyramids allow black owners to use their capital more effectively and obtain an important foothold in the economy — as in the case of New Africa Investments, for example.

Nor does unbundling necessarily change ownership. In the case of Gencor and others, the unbundled assets were parcelled out to exactly the same people who held them previously.

Sir Alan Walters

The answer to whether unbundling is desirable or not, is: it all depends. There is always a trade-off involved and it depends on the companies concerned where the balance of benefit lies.

Originally, the rationale for unbundling was clear. Standard Equities consultant James Picton explains: "If one has exciting, large, unquoted earnings sources within the maw of a company, perceived to be ex-growth due to the fading image of its main historic earnings base and a consequently low p e ratio, then there is scope to, say, double values by unbundling." But he argues such cases are probably rare due to a vigilant market's eager search for value.

Moreover, in the SA context, the subsidiaries are often listed and their value thus already unlocked.

The term unbundling was coined in 1989 by UK financier Sir James Goldsmith, then attempting the takeover of BAT Industries. His aim was to sell off some or all of its subsidiaries to unlock their value. Says Picton: "So novel was the word at the time that the *Financial Times* put it in quotation marks." Though his Hoylake consortium bid failed, the concept thrived. The term is now in common usage and appears in the *Oxford Business Dictionary*.

Unbundling Sir James Goldsmith-style makes sense. But there is nothing wrong with size, as such. The point was made last week, in the *Financial Times*. On the dissolution of the Hanson empire, it said: "In today's competitive climate, we are told companies need to be focused. Conglomerates have had their day. But there is a growing consensus among academics, analysts and managers that this argument is becoming sterile. Focus and diversity can work, provided the circumstances are right."

There has always been a political dimension to corporate size. In the US in the Thirties, President Franklin Delano Roosevelt spoke bitterly of "a very few who, by devices such as holding companies, have taken for themselves unwarranted economic power."

"I am against private socialism of concentrated economic power as thoroughly as I am against government socialism. The one is equally as dangerous as the other, and destruction of private socialism is utterly essential to avoid government socialism."

However, the main divide in the debate

is that which runs between proponents of free markets Says Smith Borkum Hare analyst Jos Gerson "Now that the failure of socialism is so widely acknowledged, the quest for superior forms of capitalism is gaining momentum "

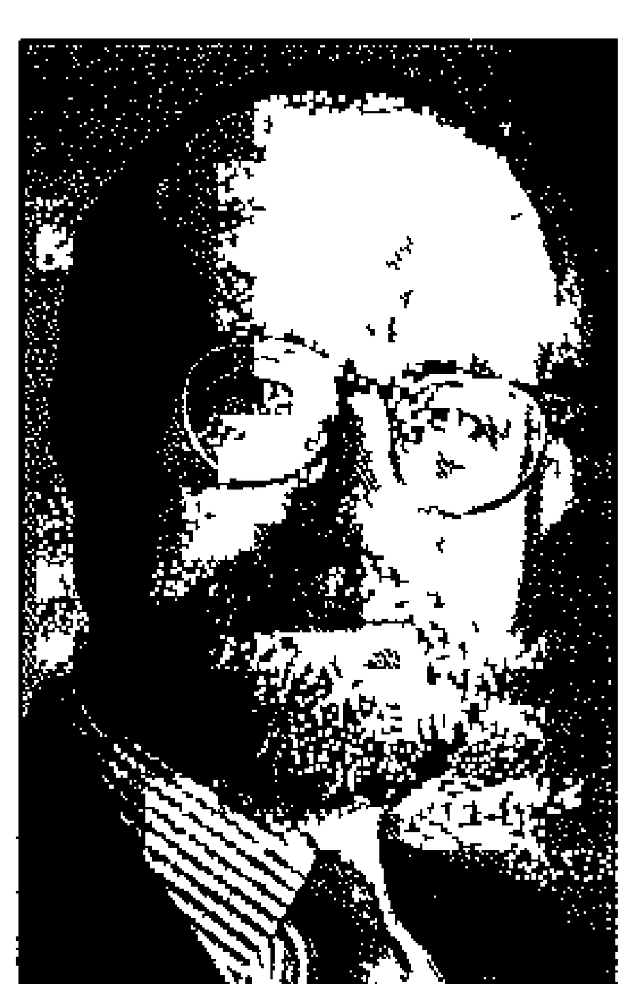
Thus Sir Alan Walters, formerly economic adviser to former Margaret Thatcher, says a major "inhibitor to foreign direct investment is the stranglehold over SA business, held by a small group of management cliques at the head of takeover-proof conglomerates

"No less than 85% of the market capitalisation of the JSE is under the control of fewer than 10 boards of directors, many of whom have directors in common With no capital market for corporate control, a foreign investor must participate in existing companies or enter joint ventures with them In Australia, Canada or the US, there are countless independent projects hungry for capital "

He identifies another problem "If a company is safe from a hostile takeover, management will grow complacent " And, by implication, inefficient

But Picton says "Large, diversified companies with a wide mix of intellectual skills, business experience and financial clout are the ones whose sword will best cleave abroad and whose substantial home base will be a magnet for investors from abroad "

Whether or not a group could usefully be unbundled depends, to an extent, on how it came to be bundled in the first place Picton says "If its growth was largely through greenfields projects, then the business logic is consistent and clear If growth was driven by relentless acquisition, some of the purchases may have been inappropriate and there may be room for reorganisation "


Jos Gerson

UCT economics professor Brian Kantor distinguishes between companies where "the controlling shareholders are the family that founded the enterprises that constitute the operating heart of the group" and others

"Thus the Oppenheimers continue to control the Anglo group, the Ruperts the Rembrandt group, Donald Gordon the Liberty alliance with Standard Bank and the Menells and the Hersovs control Anglovaal Family businesses need complicated structures to keep control while raising capital for expansion

"Minority shareholders know their influence will be limited or negligible What they gain is the effort a major shareholder puts into running the business "

The downside is there can be no threat of a hostile takeover, which, it is argued, keeps wayward managers in line "In the UK or US context," says Gerson, "this might be unwise, if not disastrous, because the threat of a hostile takeover is the only consideration (other than bankruptcy) that keeps wayward managers in line


James Picton

"When shareholders' votes are too thinly spread, every shareholder is tempted to free-ride on the vigilance of the next shareholder And the interests of the shareholders and the performance of the company are put at risk

"By contrast, in Europe and SA, though hostile takeovers are rarely possible, they are needed much less Management can be held accountable to powerful shareholders "

Separate from the question of whether corporate control should be deconcentrated is the question of whether it is over-concentrated Leon Louw of the Freemarket Foundation argues that the 12 top companies "can hardly be said to dominate the JSE, let alone the economy " There are a number of other major players

- ❑ The government sector, apart from listed public corporations, is many times bigger than all the big corporations combined,
- ❑ Public corporations, for example the IDC, Eskom, Post Office, Telkom, SAA, the SBDC, Spoornet,
- ❑ Old Mutual and Sanlam, both mutuals, have a controlling shareholding in some of the biggest listed companies,
- ❑ Foreign investors include giants like electronic companies (Philips and Siemens), auto manufacturers (Mercedes and BMW), pharmaceutical and chemical companies (ICI, Hoechst and Eli Lilly), airlines (BA and Lufthansa),
- ❑ The agricultural sector,
- ❑ Billions of rand of unlisted public companies, partnerships, co-operatives and owner-operated enterprises,
- ❑ Professions, independent tradesmen, and
- ❑ The unrecorded informal sector

"The taxi industry alone," says Louw, "built up in only 10 years, provides directly and indirectly as much employment as the gold mines and accounts for half as much capital formation as the Anglo American conglomerate "

In SA, unbundling was first mooted in 1990 Since then, the private sector has made far greater advances in this area than has government with privatisation

Gencor was unbundled in 1993 Its holding company was dismantled and it spun off its non mining assets

It was followed, a few months later, by Barlow Rand which split into three units consumer, electronic & electrical, and the rump of industrial interests

In 1995, JCI was unbundled by Anglo American and split into three mining house, industrial finance, and platinum

So far, the market has responded positively, narrowing the discount to NAV dramatically "This happened despite an upward revaluation, by managements, of the non-listed operations," says an analyst "If not for the revaluation, JCI would have been trading at a premium "

Says the analyst "Typically mining companies rely on their industrial interests to smooth out cash flows A smaller company, a slimmed down JCI for example, would have a smaller cash flow than previously

"To raise expansion capital, managements have been obliged to open their hearts to the market which has enhanced the marketability of their shares — especially to foreign investors "

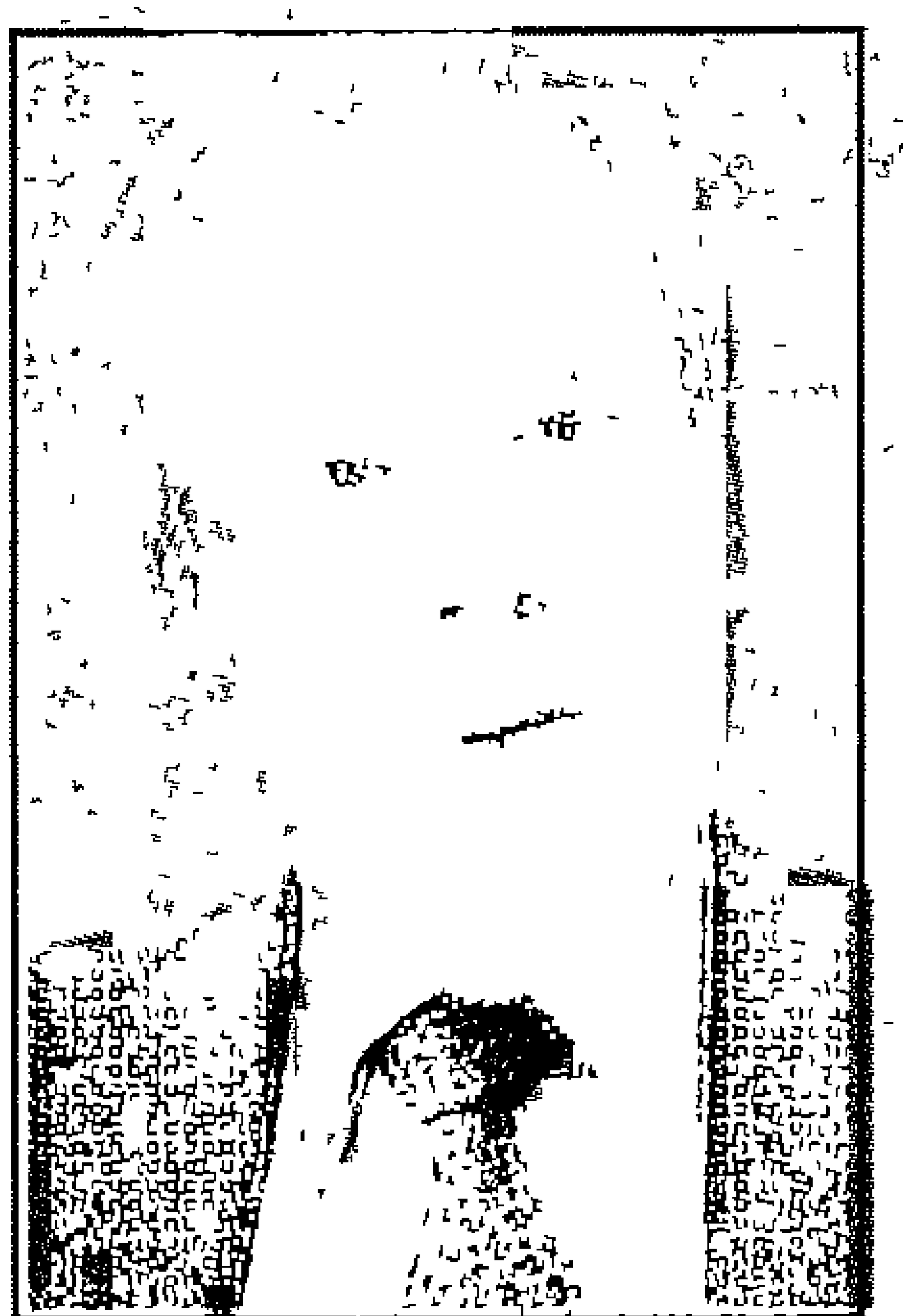
This proves something unbundling can be beneficial But it proves no more

A final point is that the perceived problem of concentration of economic power will go away when exchange controls on residents are finally removed As domestic institutions invest abroad and foreigners take major stakes in SA, control will automatically diversify

The real issue at stake is that though governments have a duty to encourage competition, this does not include determining the optimal size of a business That is best left to the markets ■

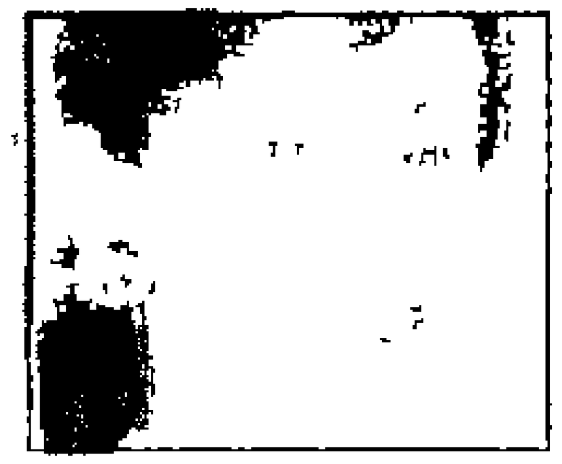
Competition must be the name of the game

(232) Star 12/10/96



CHECKING COMPETITION: Pierre Brooks

IN THE SPOTLIGHT



CHARLOTTE **Mathews**

This is the fourth in a series of interviews with industry and government spokesmen about consumer protection issues.

The tricky job of safeguarding competition in South Africa sits squarely in the lap of Pierre Brooks, an emeritus professor of mercantile law from Unisa. He heads the Competition Board's modest 10-person team, which handles between 15 and 20 complaints a month across every sector of the economy.

"An effective body of competition law is increasingly important to improving the overall performance and efficiency of any economy and or creating a consumer-friendly society," Alec Erwin, the Minister of Trade and Industry, said in May this year.

The Competition Board undertakes both informal investigations, where a phone call or a letter is sufficient to settle the matter, and formal investigations, which can take several months and conclude with a report submitted to the Minister of Trade and Industry

The Board has no punitive powers. If the Minister decrees that a practice is unlawful because it is uncompetitive, and the guilty party ignores the decree, then the Competition Board may request the police to investigate the matter and the offender could face a criminal charge.

South Africa's competition policy is weak compared to that of other developed countries. The policy has been under review for the last couple of years, but the process is taking longer than it should because an initial draft was rejected by Trevor Manuel, former Minister of Trade and Industry. Another drag on formulation of a policy has been that competition policy has to be harmonised with various other areas – company law and consumer protection, for example

Brooks – whose contract ended in May – has been asked to stay on as chairman of the Competition Board until the new competition law régime can be implemented.

Formal investigations being undertaken by the Board include the short-term insurance industry, Internet service providers vs Telkom, the cellphone industry, rooibos tea, paper and packaging, liquor and, most recently, Computicket.

Brooks said the common complaint that South Africa has a number of monopolies confuses the issue of monopolies and cartels

Monopolies are not necessarily against the public interest and can in some cases be effectively neutralised by imports

Monopolies in South Africa can arise from statute, from economies of scale, superior products, skills or takeovers The primary concern of the Competition Board is monopolies arising from takeovers or by arrangements between firms – such as the cartel in the cement industry, which the Competition Board forced to disband

"When people look at monopolies they tend to look only at the adverse pricing implications," Brooks said

"Pricing is certainly an important aspect, but you have to look at services as well For example, it is frequently said that competition introduced on domestic flight routes resulted in better service from SAA, which previously held the monopoly on domestic routes," Brooks said

COMMUNICATIONS *Obligations 'unfulfilled'*

Row brewing over cellphone report

(232)

Jonathan Rosenthal and Christo Volschenk

Johannesburg — A row is brewing between the regulator of the posts and telecommunications department and South Africa's two cellular telephone network operators, Mobile Telephone Network (MTN) and Vodacom, over a controversial report which claims the operators have failed to meet their licence obligations of providing a set number of community service phones

The unreleased report, which contains the results of a regulator's audit, said many of the community phones installed by the operators were no longer functional, a claim disputed by the operators.

The network licence, issued in June 1994, obliges MTN to provide 7 500 and Vodacom 22 000 community service phones in designated rural or underserviced areas over five years A timetable was agreed which required MTN to install 3 000 phones and Vodacom 7 000 phones by June 1 this year.

Sudheer Sukumaran, who worked on the audit for the posts and telecommunications department, said in a paper at a recent conference that at the time of the audit only 30 percent of the phones installed by MTN were operating, and many of the phones installed by the two operators were outside the designated rural areas.

Phones were also apparently distributed in bulk to lecturers at the universities of Fort Hare and Grahamstown, both outside the rural areas defined in the licence agreement.

Jacques Sellschop, MTN's group executive for corporate relations, disputed the allegations, and said MTN had already provided 3 050 phones He said MTN had dismissed the claims as misinformed and the matter was being investigated by the parties concerned.

Another source within the cellular telephone industry questioned the methodology of the regulator's audit. He said the audit was unable to distinguish between phones which were busy, switched off by the operators, or not operational.

André Nel, a senior engineer in the posts and telecommunications department who was involved in the audit, said he was satisfied with the audit's methodology. He said the six-month audit had verification processes built into it, but the report was one-sided and did not consider the views of the network operators. He said the operators had been approached for comment before a final version of the report would be handed to the posts and telecommunications minister.

Sukumaran said the department was considering measures to ensure the licensees "take their obligations seriously"

Privatisation amounts to selling off state resources for 'quick cash' and will weaken Government, says SACP

(232) Star 25/10/96

By Mondli Makhanya
Political Reporter

The South African Communist Party has slammed the Government's plans on privatisation, saying this strategy amounted to forfeiting state resources "for quick cash".

In the latest issue of its journal Umsebenzi, the party differs with the Government's privatisation programme and takes the side of the Congress of South African Trade Unions, which says that only partial privatisation would be acceptable

"The SACP position is that while we don't advocate wholesale nationalisation, we don't agree with wholesale privatisation either," says the SACP

It says that those state assets which were used by former governments to perpetuate apartheid and whose retention would not benefit the "majority of the people" should be identified and sold

The Umsebenzi article says that once the state sells its assets, it would give up the possibility of using profits from viable state companies

It adds that private companies would not even bid for a company unless they are sure that profits can be made from it

"Even if the state keeps a controlling interest, the profits from whatever is sold will be lost for ever to the people of South Africa, and lost to transformation

"The Government will get the 'revenue of privatisation', that is the price for the sale, but that payment is a one-off while profits go on year after year "

The SACP says the sale of these assets would put the Government at the mercy of multinationals such as Anglo American and thus would hamper transformation.

"Our Government is financially less powerful than Anglo American, but Anglo American has never had the aim of transforming South Africa Of all institutions interested in transformation, the Government has by far the most resources – that is, unless it forfeits those resources for quick cash," says the party

Cartel break-up 'will hit PPC's bottom line'

(232) BD 4/11/96

Robyn Chalmers

PRETORIA Portland Cement (PPC) is expected to produce either static share earnings or a marginal increase to 500c (464,4c) for the year ended September as the break-up of the cartel hits the group's bottom line

Analysts' expectations of static to slower earnings growth when the results are released on Thursday are reflected in PPC's share price which has lost R5,50 over the past month and closed 25c lower on Friday at R69.

Higher costs associated with the termination of the cartel include the acquisition of distribution businesses, increased distribution costs and marketing costs

One analyst said PPC was likely to be less affected than rivals Alpha and Blue Circle as the organisation had between 36% and 40% of the market, allowing it to benefit from economies of scale

"PPC has a virtual monopoly in the Western Cape which should help it weather the breakup However, we expect that next year will be difficult for all cement groups "

Another analyst said poor RDP progress and a slowdown in construction had affected cement sales and volumes were static.

The SA Cement Producers' Association recently downgraded its growth forecast in total cement sales for this year to 2%-3% against 6% growth last year

PPC restructured during the year to September last year to position it for a post-cartel environment. The cement businesses were reorganised into regional business units and teams were put in place with responsibility for the performance of these units.

During that year, PPC increased share earnings 24% to 464,4c on a 22% rise in turnover to R1,2bn, while the dividend was raised 14% to 285c. Analysts said it was expected to produce a dividend of around 300c this year.

They said they expected further information to be released on PPC's plans to build new cement plants. These could include an update on the R100m plant at Saldanha Steel, a possible R700m plant at Grassridge in the Eastern Cape and feasibility studies on new plants in Gauteng and the Northern Province.

Board faces investigation over Denel

BD 4/11/96 (232)

Patrick Wadula

ALLEGATIONS of irregularities in the driving licence tender that the Tender Board awarded to a Denel subsidiary are being investigated by the Competition Board and trade and industry department (DTI)

DTI policy and strategy director Themba Mhlongo said the matter had been referred to the competition board, which would look into the possibility that rules regulating competition between private and public sector companies had been violated

It was announced in October that the board had awarded the production of credit card-sized driving licences to Denel subsidiary Image Database Technologies Swedish company ID Kort, which tendered for the contract with partner Thebe Investments has contested the award

Public protector asked to investigate Transnet deal

(232) BD 4/11/96

Edward West

THE Metal Merchants' Association has approached the public protector to investigate Transnet's waiving of normal tender procedures in a lucrative scrap metal contract award to a new company owned by a trade union and a private dealer.

The approach followed the Transnet award of a four-year contract, believed to be worth more than R100m, to Xisaka, a new company owned by Merkel Import Export and SA Railways and Harbour Workers Union (Sarhwu)

Transnet justified waiving normal tendering procedures in the interests of curbing theft and the promotion of black empowerment "Everything was above board and approved by Transnet's executive committee," Transnet chairman Louise Tager said.

The association's chairman Len Davis said the contract could establish a precedent for the private award of contracts by parastatals and government departments, which could lead to massive fraud.

Last week Transnet executive director Gloria Serobe claimed a "whites-only cabal," was profiteering from theft and fraud of Transnet's scrap metal.

"Serobe has, by allowing her emotions to enter into the matter, refused to meet with our Association to discuss this serious matter, and will only communicate with us through the press," he said in a letter to Tager The public protector could not be reached for comment on Friday

Sarhwu deputy secretary-general Tshidiso Moshao said the union "fully agreed" with Transnet's decision not to hold a public tender "The government must do something so the historically disadvantaged can compete with those who have financial muscle. It was a fair, black empowerment process"

Sigcau wants privatisation to fund expenditure

CT (BR) 5/11/96 (232)

Christo Volschenk
Economics Editor

Cape Town — Stella Sigcau, the public enterprises minister, has come out in support of using part of the proceeds of privatisation to finance current expenditure, an option that has always been vehemently opposed by senior spokesmen in the government until now

She said yesterday that her ministry considered it a large challenge to spend part of the privatisation proceeds of Sun Air on the establishment of a pilot training school

Until recently, government spokesmen such as Trevor Manuel, the finance minister, and Gill Marcus, his deputy, were adamant that the proceeds of privatisation would be used either to lower state debt or to invest in new productive capacity in the economy

It was often repeated that the proceeds of privatisation would not be used to finance current expenditure

But yesterday Sigcau seemed to be swimming against the tide At a briefing session in parliament she said a local pilot training school set up in partnership with the private sector was one worthwhile way the proceeds of the Sun Air privatisation, scheduled for next year, could be used

Erwin springs Competition Board surprise

(232) CT (BR) 6/11/96

CHRISTO VOLSCHENK AND REUTER

Cape Town — Alec Erwin, the trade and industry minister, appointed two outspoken critics of conglomerates and monopolies to the Competition Board yesterday in a move that could bring about a radical change in the way in which competition policy is dealt with

Robin McGregor of McGregor's Online and McGregor's Research Services, and Christine Qunta, a Cape Town lawyer, have been appointed to the Competition Board

McGregor is critical of what he calls the excessive concentration of economic power in a few hands

Sources described Qunta yesterday as a "rather radical lawyer with PAC leanings"

In another development, Trevor Manuel, the finance minister, reaffirmed his commitment to the abolition of foreign exchange controls yesterday, but said he would consider prudential requirements for the savings industry

Clarifying remarks made earlier at a news briefing, Manuel said South Africa had to examine the options exercised by other countries in their capital account liberalisation

Manuel told the news briefing South Africa had not decided finally whether to go the route of Mexico and abolish all its foreign exchange controls or whether, like Chile, to retain some of the controls

He cited the example of France, which imposed limits on companies investing abroad

"What the end product will be is still up in the air Whether we retain a modicum of control, as in Chile, or go the Mexican route has not finally been settled," he said

But his spokesman said he was referring only to the possibility of a prudential requirement for institutions, such as the 10 percent limit on the foreign investment of savings applied by many countries

And Gill Marcus, the deputy finance minister, said yesterday that she was investigating the feasibility of establishing an actuarial unit in the finance department The purpose of this unit would be to cost every change to economic policy that the government considered

Privatisation 'has crucial role'

BD 8/11/96

(232)

Lukanyo Mnyanda

STATE Enterprises were inherently inefficient and privatisation crucial to promoting productivity and sustainable regional growth, Southern African Development Community executive secretary Kaire Mbuende said yesterday

He told a conference organised by the French embassy privatisation was crucial to the rationalisation of governments' duties to enable them to promote stability and the economic conditions needed to attract investment

Mbuende said increased foreign and regional investment was crucial to development and privatisation was one way of ensuring private sector participation in the promotion of peace and stability

The Maputo corridor — with its strong emphasis on private sector participation— was one example of the change in government thinking within SADC countries

However, privatisation programmes had to make room for social responsibility and integrate strategies aimed at empowering the disadvantaged

There was nothing wrong with foreign companies buying into state companies as long as there was provision for increased participation by local people

It also had to be done in a transparent manner and it was crucial to get labour unions' support, as their members were the first to feel the effect of privatisation

French development bank Caisse Francaise de Development central and southern Africa head Guy Terracol said privatisation of state enterprises had to be seen as part of a broader development process in the sector of the economy where the companies operated

Paris-based Maison Lazard et Compagnie director Dominique de Guerre stressed the need for transparency

Sapa reports that public enterprises ministry special adviser Kennedy Memani told the conference government's plans to restructure and privatise some parastatal companies was already at the implementation stage

The ordinary man in the street, Memani said, would be able to secure a stake in them by buying shares across the counter at the post office

Competition Board opens inquiry into claims against SAB

CT(BR) 12/11/96 (232)

Roy Cokayne

Pretoria — The Competition Board has launched an independent offshore inquiry before deciding whether to mount a formal investigation into allegations that South African Breweries (SAB) employees influenced an international equipment supplier to grant its agency to one of their colleagues

Pierre Brooks, the Competition Board chairman, said yesterday that the inquiry followed a complaint by Dispense Systems International, the local agency which had supplied SAB with imported draughting equipment until June last year It also claimed SAB staff had put pressure on the international supplier to grant the agency to one of their colleagues

The loss of the agency put Dispense Systems International out of business

Brooks said the board had exhausted its investigations internally and had now launched an independent inquiry into the foreign equipment company

He said the board would attempt to determine why the foreign company had decided to change its agency agreement from one party to another, and if it had been coerced to do so

He said there was nothing in the documents about the change of agency to suggest the company had acted improperly

He said SAB had responded to the allegations and informed the board it had conducted two separate inquiries but could not find anything that was improper or involved interference on the part of its officials

He said the board would be in a better position to judge where the solution to the matter lay once it had received a response from the foreign company

But he emphasised the actions of the foreign company in substituting an exclusive agreement with one company for another company did not have any competition law implications However, he said it might have common law implications and there was a common law remedy for a third party interfering in the contractual relationship between two parties

He said that if this proved to be the case, the company would have to look for a civil remedy to the issue He said it would be some time before the inquiry was concluded

☐ **Business Watch, Page 16**

Seton wants delay for Silveroak claim fee

(232) ~~(188)~~ ~~(198)~~ Nov?96

STUART RUTHERFORD

Durban — Kolosus, the South African food group, said yesterday that Seton, the US motor leather company, had asked for an extension of the deadline to pay US$515 000 to the International Chamber of Commerce for the arbitration action against Silveroak Industries

Tito Vorster, the managing director of Kolosus, said he believed the extension would not be granted since Seton had only paid US$257 500 by the October 31 deadline, and the claim would be chucked out

Seton refused to comment on these claims yesterday, other than to voice "general disagreement" with the statements made by Kolosus

Vorster said Kolosus had refused to pay half the costs of the action and had been under no obligation to do so, thus leaving Seton with the total bill

Seton had initiated the proceedings earlier this year, claiming Silveroak had breached a competition agreement with it, because its majority shareholder had sold its shares to competitor Kolosus. The sale effectively gave Kolosus and Seton joint control of Ladysmith Leathers, a leather tanner and manufacturer in competition with Kolosus-owned King Tanning

Seton was then requested to submit briefs on this alleged breach and damages incurred thereby and to pay the necessary advance on costs

A spokesman for the Secretariat of the International Court of Arbitration refused to comment on the state of the action yesterday, saying this was a confidential matter

A recent letter addressed to Seton from Fernando Mantilla-Serrano, counsel for the Secretariat of the International Court of Arbitration, said that if Seton did not pay the remaining portion of the advance on costs it should withdraw the claims

Vorster said he was confident that if the action did go ahead and Kolosus was given an opportunity to respond, then the dispute would be dismissed

He maintained the action was part of Seton's game plan to force Kolosus into accepting an unfavourable compromise and sign an international non-competing agreement with Seton

"Since we took over Silveroak, our throughput at the two automotive tanneries (King Tanning and Ladysmith Leathers) has grown by 40 percent. And it is all exported so we are directly competing with one of Kolosus's subsidiaries in Germany," said Vorster

Seton is one of the two biggest suppliers in the world of car leather Its projected turnover for this financial year is $450 million.

Public Works to privatise essential services

BD 21/11/96 (232)

BARRY STREEK
POLITICAL WRITER

THE management of government-owned properties and provision of essential services, such as cleaning, gardening and maintenance of these properties, are to be commercialised, Public Works Minister Mr Jeff Radebe said yesterday

Staff would be given an opportunity to either take over these functions or form joint ventures with existing firms in related industries, he said in reply to a question tabled in the National Assembly by Mr Ken Andrew (DP)

Radebe's statement is one of the most emphatic by the government on the commercialisation/privatisation of government services

He had stated earlier that the number of employees in his department would be reduced from 8 000 to 3 000, and clearly believes some essential services could be done better and cheaper by the private sector

This move could lead to a major transformation of the civil service

"Property management/administration and the provision of associated essential services, such as cleaning, horticultural services and maintenance, will be commercialised by the department"

Two avenues were being explored in commercialising these services

"First, individual units (for example, cleaning in the Western Cape) will be transformed into business units Over time, as entrepreneurial skills are developed, these units will be commercialised

"Staff will be given an opportunity to either take over these units or form joint ventures with existing firms operating in the respective industries"

Radebe said his department would consider entering into longer-term contracts with these individuals or firms, both as an incentive and to ensure their economic viability

"A second option is to outsource, on a contract basis, the procurement of property management/administration and the associated essential services from existing, market-driven and competitive firms

"These options are not mutually exclusive The department will utilise both options to ensure efficient, cost-effective delivery of its core functions"

FEATURE

PRIVATISATION

SLOW BOAT TO CHINA?

FM 22/11/96 (232)

Portnet, which contributed a massive R1,4bn to Transnet's net profits during the 1996 financial year, seems an obvious candidate for privatisation.

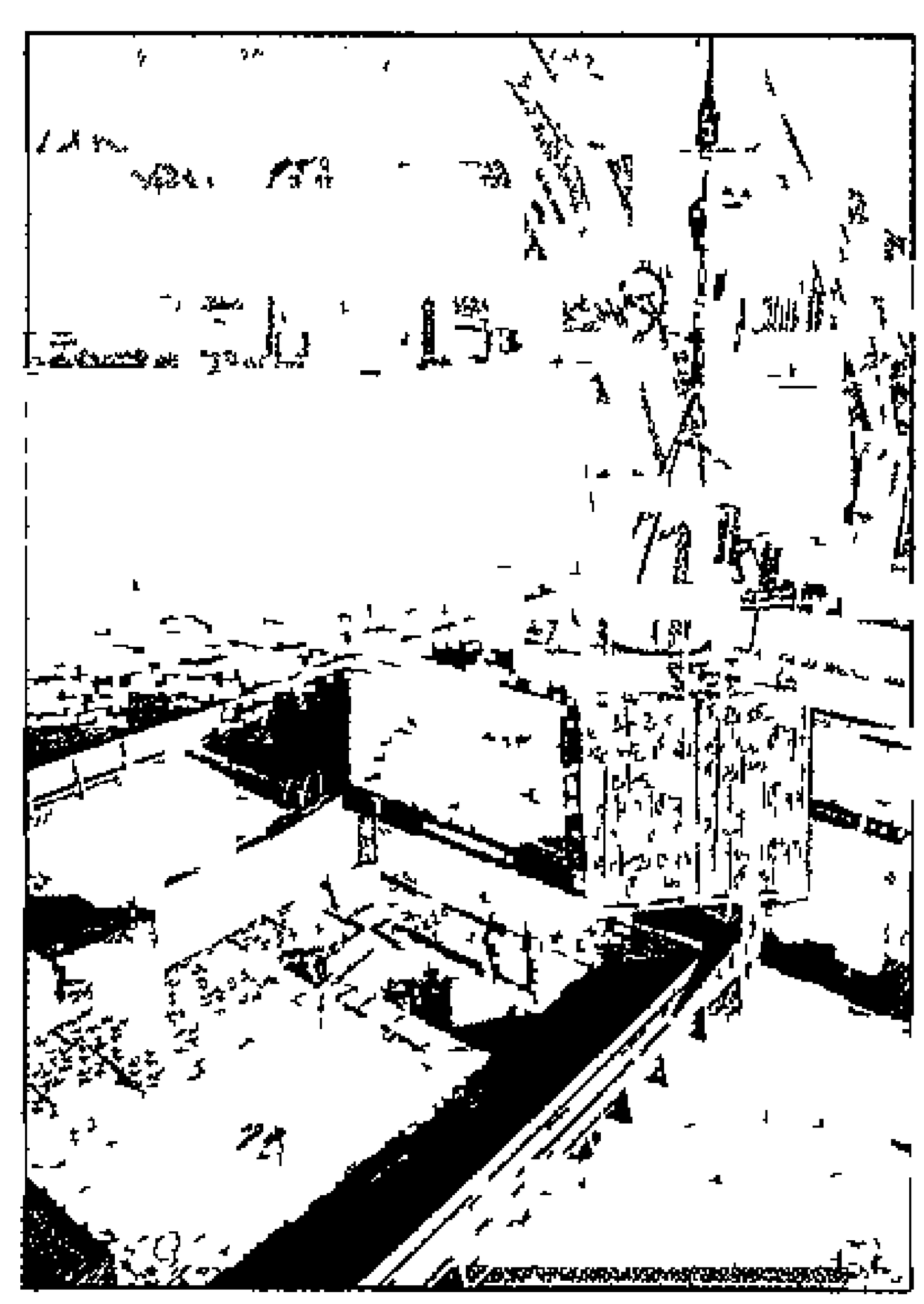
Yet appearances can be deceptive. Many factors militate against such a move, the main one being the status accorded Portnet — that of cash cow. This does not augur well for an early sell-off, for, without Portnet, the transport giant is in danger of slumping into calamitous loss-making.

The position is exacerbated by the remaining R3,2bn deficit on the public corporation's pension fund. Until this is eliminated, Transnet will not support the sell-off of highly profitable Portnet which owns and manages SA's major ports.

Transnet's 1996 results spell it out — Portnet's R1,397bn net profit constituted a huge 78% of total group net profit of R1,798bn after finance costs. And, after Transnet paid another R1,988bn tranche into the pension fund black hole, the group was left with a 1996 net loss of R253m. Portnet's sparkling results were achieved from an asset base of only R4,4bn, compared with total Transnet group operating assets of R40bn. So Portnet is worth its weight in gold to Transnet.

Public Enterprises Minister Stella Sigcau says Transnet's pension fund is being investigated by both her department and the Ministry of Finance — and it is also being scrutinised by HSBC Investment Bank. "We're on top of the situation," she says. Cold comfort for those who have heard the same song in the past.

But, by early next year, government should indicate its fiscal solutions for the pension fund dilemma. Analysts say government should take over the deficit, do away with cross-subsidisation between profitable and loss-making Transnet divisions, and start preparing existing and potential profit centres like the oil pipeline, SA Airways and Autonet for a sell-off. It should also take responsibility for social services such as the loss-making passenger rail service.



Cape Town harbour ... firmly anchored in Portnet portfolio

Portnet executive manager (commercial) Jan Mors says Portnet might be privatised within the next five years — but this should only include operations such as tugboat, stevedoring and other services. Port infrastructure, management and profits would remain firmly under State control.

But, responds a Safmarine spokesman, private-sector investors are after cargo terminals like container and other dedicated facilities. "Privatising tugs is nothing, it is the terminals that we are all interested in," he says. With even this possibility remote, a sell-off of individual ports remains a pipe dream.

Potential shareholders point to the benefits which were derived for taxpayers and shareholders after the 1983 privatisation of Associated British Ports (ABP). Since the UK ports sell-off, says MD Alistair Channing, ABP share prices on the London Stock Exchange surged fifteenfold in value, while profits soared from £5,5m in 1982 to £88,4m in 1995.

"ABP employees also benefit from the employee share ownership scheme, while productivity, accountability and service levels all improved."

Mors says the status quo also robs Portnet itself of potential growth. But, he admits, the situation has improved markedly in recent years. Though Portnet did not receive its rightful share of capex from Transnet during the Eighties — group capex for 1995-1996 stood at about R2bn, with Portnet's share only R416m — the harbour facility capex in the current financial year will shoot up to about R1bn.

"But container facilities at Durban harbour are still over-utilised and need to be upgraded urgently," he says.

A Safmarine source says the eight-ship Safari Far East trade shipping association has — for the past two years — been forced to bypass Durban and use Port Elizabeth harbour as its preferred container terminal facility.

Other essential infrastructural developments such as the new R2bn Coega harbour near Port Elizabeth — to be linked to a potential multibillion rand industrial complex (*Business* November 1) — could also fall off the investment bus unless Transnet executives start getting their act together, fast.

Mors says an interim solution would be to create an autonomous port authority — the statutory National Ports Company (NPC) — which would generate (and retain) its own profits and capital for essential capex. This suggestion is in line with the recent White Paper on Transport policy.

"The NPC, with the State as sole shareholder, would be responsible for ports infrastructure, land use, trading and shipping facilities and monitoring individual port performance. A regulatory body would oversee tariff and service levels, as Portnet constitutes a natural monopoly and we have no Harbours Act."

A shipping source says such a regulatory body should also scrutinise Portnet's "iniquitous" ad valorem wharfage tariff policy, based on the value of cargo and not the value of services. "The source of Portnet's massive profits is the ad valorem charge or tax. Port charges in SA are modest by world standards and would generate little profit for Portnet. It is the importers and exporters who generate the huge profits — not the ship owners."

Mors says a board of directors — made up equally of public and private-sector representatives with a good understanding of shipping, trade and ports issues — should be in charge of the NPC. "The NPC could sell shares to local and international operators, with employee shareholding and black empowerment schemes as part of the package." ■

March the target for privatisation of state airline

(232)

Lukanyo Mnyanda

BD 22/11/96

GOVERNMENT had made progress towards the full privatisation of Sun Air and cash-strapped state-owned resort company Aventura, and both should be in private hands by March, Public Enterprises Minister Stella Sigcau said yesterday

She told a British/SA Trade Association luncheon in Johannesburg that plans to find an equity partner for loss-making SA Airways (SAA) were at an advanced stage and the matter was already being discussed with labour.

However, there was no timetable for the partial privatisation of SAA as the operation needed to be "repositioned" as an efficient, viable entity to attract potential partners

Sigcau declined to name potential buyers for Sun Air, saying their identities would disclosed only once the airline had been bought, which was expected to occur between February and March. Aventura could be sold before then, she said

Aventura, caught in a cash flow crisis, has asked government to guarantee a R6m bridging loan to cover capital and operating costs

Sigcau said government was fully committed to privatisation The release of its macroeconomic strategy earlier in the year had provided a policy framework which would guide future steps.

Other state-owned institutions which were in line for full or partial privatisation in the near future included the Airports Company — which was holding talks with possible strategic equity partners — Metrorail and Autonet. A decision on an equity partner for Telkom was expected early in the new year.

She challenged the view that privatisation constituted a threat to existing jobs, saying it could be a vehicle to promote sustainable growth and create even more employment opportunities.

Economic empowerment would remain the cornerstone of the privatisation process and possible strategic partners for state enterprises would also be judged on this basis

"Disadvantaged people must be made part of the process. Any partnership will have to lead to economic growth and the creation of jobs "

Government stubbornly resisting global tidal wave of privatisation

(232) ST (Cpt) 24/11/96

Government has failed to get its privatisation drive out of first gear but there are signs of movement, writes SVEN LUNSCHE

THE government refuses to be swept along by the global tidal wave of privatising public companies It had to be dragged kicking and screaming into the process and is doing a lot of fancy footwork to avoid taking some crucial decisions Only one set of privatisations has taken place so far — the SABC's sale of six radio stations, raising about R500-million

Governments to the north are showing the way. Zambia has set up a private-sector controlled privatisation agency which has already sold off 130 of the 150 state-controlled enterprises, in the process bringing in much-needed foreign investment and skills

Almost a year ago, Deputy President Thabo Mbeki appeared to set the local process in motion when he announced a broad privatisation and restructuring agenda for the country's major parastatals (see table)

But amid an outcry by its trade union allies, the government backed down and started a long and tedious process of negotiation to establish a framework in which all future decisions on parastatals are to be negotiated

The National Framework Agreement took effect in June but there are few signs that it has helped much

Eskom is battling to sell three mothballed power stations to interested foreign bidders because of union resistance even though it could lead to new jobs Furthermore, the Eastern Cape government was blamed for undermining the NFA process after it placed heavily indebted Transkei Air into liquidation

Two issues, say analysts, lie at the heart of the slow pace of progress Stella Sigcau, Minister of Public Enterprises, who is charged with overseeing the process, is described as extremely weak but unshakeable in her position because she has Mbeki's backing

Her preoccupation with affirmative action has been to the detriment of creating viable and profitable public sector companies She has repeatedly berated white managers for not giving up their posts to affirmative action appointments at a time when the pool of skilled black managers is not yet large enough to fill even a small number of these positions

Furthermore, a divided chain of command over a number of parastatals — between Sigcau and a line ministry, such as Transport in the case of Transnet — has led to bitter cabinet infighting over who gets to manage their sale and restructuring

Behind closed doors and off the record, senior government technocrats are weighing up the merits of disbanding the Ministry of Public Enterprises

Amid the endless consultation there are, however, signs that the policy is picking up momentum Two months ago Sigcau appointed merchant bank HSBC, in conjunction with local stockbrokers Simpson McKie James Capel, as her adviser Both HSBC, and SBC Warburg — advisers to Telkom and SA Airways — have solid international experience in privatisation and should be able to clarify the issues the government has to tackle to speed up the process

However, they need government's political willingness to implement privatisation

A second encouraging sign is the progress made at Telkom, which is clearly at the forefront of privatisation Telkom has been mandated to establish 4-million new telephone lines in impoverished areas, a programme that will cost more than R30-billion and requires foreign funding, management and technology The cabinet recently backed a shortlist of seven international telecommunication companies to take a 30% stake in Telkom, an interest that may net more than R6-billion

The sale will be completed by March next year

A further 10% of Telkom will be made available for "the economic empowerment of a wide spread of communities and staff"

This appears to be a precedent for future privatisations and government is currently asking its advisers how these funds would best be used to facilitate empowerment

Another ministry that is reporting some progress is the Department of Transport which earlier this month announced a range of measures to liberalise the transport economy

Measures announced to date by Transport Minister Mac Maharaj are

□ A phasing out of the commuter bus subsidy over the next three years The subsidy system, of which bus company Putco is the biggest beneficiary, will be replaced by a system in which operators will tender for routes

□ Restructuring Metro Rail as an independent business unit within Transnet and granting it a concession to run commuter rail until 2001 After that, regional commuter rail networks will be handed over to private operators on concession A pilot study is ready to get off the ground over the next 12 to 18 months

□ The establishment of a National Road Agency which will look after the national road network and be funded independently either via income from toll roads or a dedicated fuel price levy.

The department has already asked private sector companies for tenders to run the N3 and N4 on a build-operate-transfer basis which hands the construction and running of a road to a private sector firm which will recoup its investments through tolls After 20 to 25 years, the road will be transferred back to the state

The system is gaining prominence in other departments, such as Public Works

Limited attention has been given to the privatisation of Transnet, the transport monolith that dominates much of the local transport economy Transnet itself, led by chairman Louise Tager, is resisting privatisation in the short term, pointing to the huge pension fund deficit which stood at R3,2-billion at the end of March

IN THE BALANCE . . . Minister of Public Enterprises Stella Sigcau

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ST (PDT)
24/11/96

RESTRUCTURING OF STATE

Clear public policy	Public policy dimensions/strategic	No public policy: Profitable	No public policy: Unprofitable
ESKOM	DENEL	SUN AIR	TRANSKEI AIRWAYS
TELKOM	**PETRONET**	**AUTONET**	**AVENTURA**
SPOORNET	ATOMIC ENERGY BOARD	SAFCOL	PARCEL EXPRESS
SA POST OFFICE	**ARMSCOR**	**ALEXKOR**	**ABAKOR**
SABC	MOSSGAS		
PORTNET	**SAA**		
SARCC	STRATEGIC FUEL FUND		
AIRPORTS COMPANY	**SOEKOR**		
AIR TRAFFIC			

Long arm of the law will stretch into boardrooms

(232)

Planned new competition legislation will probably be delayed until 1998, writes CIARAN RYAN

ST(BT) 24/11/96

THE outlawing of cross-directorships and cross-shareholdings between competing firms is likely to make it into law only by 1998, says Competition Board chairman Dr Pierre Brooks

A competition discussion document will be presented to the National Economic Development and Labour Council only early in the new year. Nedlac executive director Jayendra Naidoo says the draft law is likely to be "sensible and practical" which should enable consensus to be reached quickly.

A government source says it is also likely to de-emphasise the anti-trust bogeyman which many South African corporations feared Companies like Anglo American and Malbak have moved some way towards deconglomeration, mollifying the more strident anti-trust voices within the government

But South Africa's mega-corporations are likely to find themselves under fresh scrutiny once the law is enacted Central to the new legislation is the concept of market dominance

"The question is not what percentage of the market a company controls, but how it exercises that control," says Brooks. "There are many other factors which influence dominance, such as barriers to entry and the availability of imports

"In the beer, steel and cement industries, for example, the barriers to entry are high in the form of capital requirements Therefore we would need to take a close look at what competition exists in these markets, and how companies behave in terms of pricing and other competitive factors

"In some countries a company is deemed to have a dominant position with 35% of the market," he says "In Russia a dominant company found to be breaching competition rules more than twice could be forced to break up"

The Competition Board's workload has picked up noticeably since the 1994 elections as companies increasingly turn to it as an alternative to the courts Brooks says there is a greater awareness among consumers and companies of their rights under the Maintenance and Promotion of Competition Act

The board receives an average of 100 complaints of restrictive practices by companies each year, a further 30 to 40 relating to takeovers and acquisitions and a further four or five alleging monopoly malpractice. Many of the cases are resolved at the preliminary stages of investigation

There is a noticeable increase in complaints from black-owned firms alleging unfair tendering procedures and discrimination, while MPs are being roped into lobbying the board on behalf of the aggrieved

"We place a very high premium on independence, and unfortunately that means we often please no one," says Brooks.

Another trend is the surge in complaints against state-owned corporations using their tax-payer-funded balance sheets to launch in new markets or extend market share

Sawmillers have complained of unfair competition by state-owned forestry group Safcol, while Internet service providers have complained about Telkom's entry into their market

Brooks says "The competitive interface between parastatals and the private sector is clearly an area that warrants attention."

'The question is not what percentage of the market a company controls, but how it exercises that control'

Trade and Industry Minister Alec Erwin is expected to rule soon on Durban-based Avalon Cinemas' complaint against Ster-Kinekor.

This case has attracted international interest because of its racial undertones, with Avalon complaining that apartheid laws forced it to close cinemas in white areas while Ster-Kinekor opened in the Indian township of Chatsworth.

Another case relates to the liquor industry, licensing requirements, vertical integration (KWV has substantial stakes in JSE-listed SFW and Distillers) and distribution of liquor The case is complicated by the fact that KWV is empowered by an Act of Parliament

New technology is proving to be a tricky area for competition law Service providers in the cellphone market have complained of unfair competition by Vodacom and MTN, which are vertically integrated through their ownership of Vodac, Teljoy and M-Cell. Vodacom refutes the charges, saying all service providers are treated equally

Deliver or be sold, Post Office told

ST(BT) 24/11/96

(232)

PRIVATISATION

By THABO KOBOKOANE

THE Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, has raised the prospect of a privatised Post Office if restructuring fails to return it to profitability.

His statement comes in a week in which the government announced further details of its restructuring and privatisation package for parastatals.

Naidoo, who is also overseeing Telkom's partial privatisation, said at the National Postal Forum on Friday: "Privatisation is something we will not rule out, but this would entail bringing in a strategic equity partner to provide new capital, new technology, management expertise and access to global markets."

He said he would "consider the privatisation of the postal services if the restructuring of the services is not seen to be delivering the goods. "The restructured Post Office will have to be efficient, reliable and give accessible service. If we are not equipped to do this we will bring in an equity partner."

In September, Naidoo initiated a review of the postal services by appointing a technical task team to draft a discussion document which will lead to a draft White Paper by April next year and draft legislation by the second half of 1997.

Naidoo also indicated he would seek to maintain the "exclusivity" of the Post Office in the letter business, in the face of stiff competition from courier services and express parcels

He warned companies operating in contravention of the existing Act, which gives the Post Office complete monopoly over letters below 2kg, but did not indicate what measures would be taken against them.

He also indicated the Post Office was close to finalising its proposal to bid for the lottery licence, which is expected to be launched in 1998.

Stella Sigcau, the Minister for Public Enterprises, this week reiterated the government's commitment to privatisation. She told the Deloitte & Touche annual general meeting on Friday that the full privatisation of transport company Autonet and mining concern Alexkor was on the cards and discussions with labour would take place next month with a view to finding a strategic equity partner for The Airports Company.

Sigcau said the cash-strapped state-owned resort company Aventura "will be in private hands" by next year Other state-owned parastatals in line for partial or full privatisation include Metro Rail and SAA. Sun Air could be sold by April next year.

State overvalues Aventura Resorts ahead of sale

(232)

CT (BR) 27/11/96

JONATHAN ROSENTHAL

Johannesburg — The government may realise less than half the R80 million it hopes to raise from the sale of Aventura Resorts when the leisure company is privatised early next year, sources close to the privatisation process said yesterday

A source said private-sector buyers, who would be asked to tender early next year, had valued Aventura at about R60 million This took into account the group's debt burden of about R30 million and its maintenance and refurbishment backlog of another R30 million to R45 million

Aventura's value could be further dented by a controversial deal brokered by the Mpumalanga Parks Board believed to entail the sale of development rights for the parks to Saudi investors

Potential investors are concerned about the status of Aventura's commercial rights in the parks Its main selling point is access to Mpumalanga's flagship parks, which are in malaria-free areas and closer to Gauteng than the Kruger National Park If the Mpumalanga Parks Board sold exclusive commercial rights to the parks, Aventura could be worth less than R30 million, the source said

The board would not disclose details of the deal, but would make a full announcement tomorrow A source in the office of Stella Sigcau, the public enterprises minister, said the government was concerned about the effect the deal could have on the value of Aventura and had arranged meetings with Aventura and the Mpumalanga Parks Board to minimise the impact

Privatisation 'is a process'

BD 27/11/96

(232)

Lukanyo Mnyanda

PERCEPTIONS that government was not moving speedily enough on the privatisation of public enterprises were based on misinformation and insensitivity to the "unique" situation that SA found itself in, Public Enterprises Minister Stella Sigcau said yesterday

"The restructuring of state assets is a process and not an event, as many people seem to think," she told a conference on the restructuring of public enterprises

Privatisation was a complex process and this was made more obvious by the fact that developed countries like the UK had still not completed their own programmes, which had been launched years before those of SA, she said

Although government was in charge of restructuring, there were other role players like labour and business whose views had to be taken into account for the privatisation process to gain credibility

The national framework agreement with labour, which had been criticised for slowing down privatisation, represented a major breakthrough and had largely succeeded in addressing workers' concerns and fears "They (labour) are on board, instead of criticising from the outside "

Sigcau said Telkom, with the sale of a 30% stake worth about R6bn, would probably be the first parastatal to complete the privatisation process early next year A 10% stake would be made available for the empowering of black business and worker organisations

Sigcau said labour and management at state-owned resort company Aventura had agreed that full privatisation was the only option left for the cash-strapped company and this would happen "sooner rather than later"

The finance ministry said the company's request that government guarantee bridging finance of R6m was still being considered and it was not clear when a decision would be made

Sigcau dismissed media accusations that she was too preoccupied with affirmative action at parastatals which were being restructured She said this was necessary if the privatisation process was going to win credibility among the majority of workers

Advisers' differences delaying competition policy

John Dludlu

(232) BD 4/12/96

THE task team advising government on reshaping its competition policy appears to be facing the spectre of disintegrating — fuelling speculation of further delays in revamping SA's impotent competition law, sources close to the team have said

Sources close to the "informal" team confirmed yesterday that it had not met in a long time — a reason which explained the delay in the process to next year

Disagreements among members had thrown more hurdles on to the road ahead, a source said

The team, appointed by Trade and Industry Minister Alec Erwin, includes Competition Board chairman Pierre Brooks, law professor Dennis Davis, ANC parliamentarian Tseliso Ntaopane and Cape advocate Willem Pretorius.

A source said that within months of being convened the team had yet to produce a coherent set of proposals for the minister "The expectation now is that we'll have a draft early next year"

Two previous timetables for discussion at the National Economic, Development and Labour Council had been postponed.

However, Brooks denied the suggestion that the team was in a state of disarray, saying the lack of activity was attributable to the minister's punishing schedule and the busy programmes of the team's members

Underplaying the delays, Brooks said Erwin wanted to avoid unveiling "half-baked" proposals for discussion at Nedlac.

On the differences among members, he said "In the field of competition law, there'll always be differences People will emphasise different aspects of the competition policy".

It was understood that a two-man subcommittee given the task of drawing up a draft had yet to produce one

One of the issues hampering progress was the feeling of some members that a competition policy should follow a "coherent trade and industrial policy"

Erwin has said competition policy should be seen as one component of a package enhancing economic efficiency

Another observer dismissed suggestions of lack of progress, saying the team was driven by Erwin "I have not attached any significance to the fact that there has not been a meeting in a while".

Foodcorp facing challenges from deregulation of agriculture

(232) BD 4/12/96

Edward West

FOODCORP, which is to be unbundled from the Malbak stable, has predicted a 12% to 15% rise in earnings for the year to August next year, despite signs that the economy is losing momentum

CE Dave Kennealy said in the group's current annual report that the main challenge to the food industry would be in how it handled the further deregulation of the agriculture industry.

Chairman Peter Joubert said the deregulation of the maize industry had caused a year of uncertainty for the food sector, and the wheat milling industry was likely to be deregulated next However, the process had to continue so that market forces could shape the future

Pelagic fishing industry marketing body Federal Marine had been scrutinised by the Competition Board and its members — including Foodcorp's Marine Products — had decided to disband the organisation

Joubert said the proposed unbundling of Malbak had led to speculation that PepsiCo Foods International (PFI) would exercise its pre-emptive right over the 50% shareholding in Simba held by Foodcorp

However, the group had been advised by legal counsel that a pre-emptive right would only exist if Foodcorp Operations, the company which holds the shares in Simba, were to become a subsidiary of another company outside of the Foodcorp Group

"Although PFI has stated that it would like to own 100% of Simba, the group is not prepared to sell its holding in this dynamic and highly profitable operation," Joubert said

Kennealy said steps had been taken to reduce the group's exposure to the baking industry and the benefits of this would be felt during the next financial year.

The red meat businesses had been cut to the point where it was a focused supplier of fresh meat and value added products to a limited range of prime clients

Africa had been targeted as a medium to long term strategic opportunity, he said

Zambia Horticultural Products had been acquired from the Zambia Privatisation Agency, a "small but world class facility" producing fruit pulps, pastes, jams and juices Investment opportunities were also being investigated in Ghana, Tanzania and Zimbabwe

Bus privatisation attracts 12 prospective buyers

(232) CT (DR) 5/12/96

Thabo Leshilo

Johannesburg — Moves by the North West Province government to privatise Vaal Transport Corporation and Eastern Express, two of its commuter bus services, have attracted 12 prospective buyers,Northwest Transport Investments said yesterday

The North West government said last month it they would sell the companies

Sello Rasethaba, who represents Northwest Transport Investment's board of directors, said interest in the two companies had come from parties including Putco, the Transport and General Workers' Union, the Transport and Allied Workers' Union and minibus-taxi operators.

Rasethaba said a meeting would be held with all bidders this month The parties would receive details of the companies to enable them to prepare bids He said the winning bids would be announced towards the end of next month

Vaal Transport operates commuter and long-distance services in and from the Vaal Triangle and has 184 buses Eastern Express provides passenger transport in Mpumalanga and has 34 buses.

The sale of the companies, which employ 698 people, is being conducted within the guidelines set out in the national framework agreement on the restructuring of state assets These include increasing economic growth and employment, meeting basic needs, reducing state debts and developing human resources

Rasethaba said the companies and unions were discussing the appointment of union representatives to the enterprise restructuring committee

Government ready to pull Eskom under its wing

(232) ~~(850)~~ BD 5/12/96

Robyn Chalmers

THE public enterprises ministry will introduce a bill to Parliament early next year to take full control of Eskom, paving the way for the parastatal to be taxed and restructured to pay dividends

Public Enterprises Minister Stella Sigcau said yesterday that it was necessary to secure government's position as the major shareholder of Eskom

"At present, Eskom is in a unique situation whereby government has no say over it. The bill will seek to change this situation and ensure that control of Eskom is vested with government"

Eskom is currently a separate legal entity which operates under the Eskom Act of 1987 and the Electricity Act of 1987

The need to implement acceptable corporate governance policies at Eskom along with other parastatals, with full accountability and a mission statement, are also understood to have played a factor in government's move

Government control would become particularly important in the run-up to any talks on Eskom's privatisation, which were at a preliminary stage with a wide range of options being considered.

No decision had been made on whether or not Eskom would be taxed and restructured to pay dividends. Sigcau said should this materialise, any funds garnered could be used for the reconstruction and development programme electrification programme, which is aimed at making 2,5-million connections between to 1999

Sigcau said she had asked the finance ministry to draw up recommended guidelines on the introduction of a tax and dividend policy for Eskom

A finance ministry spokesman said consideration was being given to recommended guidelines for such a policy

"There is a decision in principle that Eskom should be seen as state-owned, and it should be a tax and dividend issue"

The spokesman said, however, that any tax and dividend policy for Eskom should not be viewed in isolation from discussions taking place within the energy task team on the restructuring of the sector

Eskom chairman John Maree could not be reached for comment yesterday, but in last year's annual report he said Eskom's ability to finance its portion of the electrification programme could be affected by the proposals "In-depth consideration will have to be given to the treatment of monies spent on electrification under a different tax and dividend dispensation so that this important programme continues as planned," he said

A public enterprises spokesman said a decision could be expected early next year on the restructuring of the electricity council with new members and a chairman under consideration.

Dr John Maree 'Investors could probably call in their loans if Eskom's present position is fundamentally changed'

Stella Sigcau 'Legislation is necessary to place Eskom under government control' PHOTOGRAPH RODGER BOSCH

Eskom equity fears

mt G (Am) 6-12/12/96 (232)

The Minister of Public Enterprises is seeking direct control over Eskom's equity, raising concerns of a backdoor attempt at nationalisation Max Gebhardt reports

THE Ministry of Public Enterprises has set the ball in motion to bring Eskom under direct government control, despite admitting that such a move could raise doubts among foreign investors over the government's commitment to privatisation

Documents leaked to the *Mail & Guardian* reveal that Minister of Public Enterprises Stella Sigcau plans to amend the Eskom Act early next year to allow her ministry to gain direct control of Eskom's equity

In a memorandum prepared by the ministry for Cabinet, Sigcau, together with the ministries of Finance and Mineral and Energy Affairs, seeks to amend the Eskom Act in the second quarter of the 1997 parliamentary session to finalise the ownership issue

She maintains that the ownership of the equity rests with the government, which is entitled to receive payments from Eskom out of the accumulated reserves

According to the minister's memorandum the ministries of Public Enterprises and Finance are in agreement with "the minister's [Sigcau] policy to convert Eskom into a limited liability company and [to remove] the tax exemption"

The ownership of net equity, payment of dividends and taxation will be dealt with simultaneously through the incorporation of Eskom into a limited liability company, the memorandum states

Eskom does not have share capital and as a result equity consists of accumulated reserves through retained earnings from the sale of electricity At the 1995 financial year-end, Eskom's accumulated reserves stood at R18-billion

The present Eskom Act, according to Sigcau, is not clear as to what the state is entitled to in respect of this equity

"It's necessary [to change the Act] because as things stand at the moment, Eskom is not vested within the government Therefore legislation is necessary to place the entity under government control and this should happen early next year" Sigcau told the *M&G*

Eskom's equity, she said, will not go into government coffers, instead it will be left to act as a cover for Eskom's international debt According to Eskom's annual report, its net interest-bearing debt stood at R27-billion at the 1995 financial year-end, of which R5 6-billion is foreign debt

"There's no backtracking on privatisation, this is part of the commercialisation of Eskom to make it more competitive," says Sigcau

The minister said this was not a move by government to nationalise Eskom, therefore foreign investors have nothing to fear

"We can guarantee that in writing if necessary," she adds

However her memorandum acknowledges that although there is nothing technically wrong with the plans to amend the Act, there are certain problems associated with such an approach

"By emphasising ownership and taxation, the government could send the wrong signals about its transformation objectives for Eskom This could be misunderstood by Eskom's foreign lenders as a move towards nationalisation which could potentially bring certain foreign loans into jeopardy," the memorandum says

This view is echoed in a letter to the minister from Eskom chairman Dr John Maree He says that although the Eskom Act is silent on the issue of ownership of Eskom's net equity it could be argued that the state would be able to lay claim to its equity under the principle of "owner of last resort"

'By emphasising ownership and taxation, the government could send the wrong signals about its transformation objectives for Eskom'

But, Maree warns, any legislation to make this claim more transparent will in reality be viewed as nationalisation and would in all probability solicit negative responses not only from large consumers and stockholders in South Africa, but also from the international investor community

"Investors could probably call in their loans if Eskom's present position is fundamentally changed," Maree writes

Sigcau is also seeking to bring Eskom's tax status into line with that of other state enterprises The electricity generator is presently exempted from paying companies tax

This amendment will be addressed by incorporating Eskom into a limited liability company in terms of the Companies Act, according to the minister's memorandum

But Sigcau says this is being done purely to introduce a proper system of corporate governance at Eskom She says no decision has yet been taken as to what the dividends received will be used for — though in all likelihood funds will be channelled back into the industry and not the fiscus

Eskom, she adds, would pay tax like any other company

Adding to the confusion surrounding the interpretation of any amendments to the Eskom Act, a senior government insider says this move by the minister could be seen as the forerunner to selling off sections of Eskom next year to boost foreign confidence in the privatisation process.

But a representative for the ministry said any talk about the privatisation of Eskom was premature at this stage.

The prevailing sentiment, however, is one of concern at the direction the minister is taking. One industry insider who has been privy to the process believes there are serious worries at the difficulty the government will have in convincing overseas investors that this is not an attempt at nationalisation.

He said Eskom management is also concerned that by being forced to pay tax and dividends it could hamper its electrification projects and any added costs would have to be passed on to consumers in the form of higher tariffs

"Eskom doesn't want any of these changes, it is willing to go forward but only within specifically laid-down rules," he adds

Eskom had not responded to *M&G's* questions at the time of going to press

Government ready to pull Eskom under its wing

(232) BD 8/12/96

Robyn Chalmers

THE public enterprises ministry will introduce a bill to Parliament early next year to take full control of Eskom, paving the way for the parastatal to be taxed and restructured to pay dividends

Public Enterprises Minister Stella Sigcau said yesterday that it was necessary to secure government's position as the major shareholder of Eskom

"At present, Eskom is in a unique situation whereby government has no say over it The bill will seek to change this situation and ensure that control of Eskom is vested with government "

Eskom is currently a separate legal entity which operates under the Eskom Act of 1987 and the Electricity Act of 1987

The need to implement acceptable corporate governance policies at Eskom along with other parastatals, with full accountability and a mission statement, are also understood to have played a factor in government's move

Government control would become particularly important in the run-up to any talks on Eskom's privatisation, which were at a preliminary stage with a wide range of options being considered

No decision had been made on whether or not Eskom would be taxed and restructured to pay dividends Sigcau said should this materialise, any funds garnered could be used for the reconstruction and development programme electrification programme, which is aimed at making 2,5-million connections between to 1999

Sigcau said she had asked the finance ministry to draw up recommended guidelines on the introduction of a tax and dividend policy for Eskom

A finance ministry spokesman said consideration was being given to recommended guidelines for such a policy

"There is a decision in principle that Eskom should be seen as state-owned, and it should be a tax and dividend issue "

The spokesman said, however, that any tax and dividend policy for Eskom should not be viewed in isolation from discussions taking place within the energy task team on the restructuring of the sector

Eskom chairman John Maree could not be reached for comment yesterday, but in last year's annual report he said Eskom's ability to finance its portion of the electrification pr[illegible] could be affected by the proposals "In-depth consideration will have to be given to the treatment of monies spent on electrification under a different tax and dividend dispensation so that this important programme continues as planned," he said

A public enterprises spokesman said a decision could be expected early next year on the restructuring of the electricity council with new members and a chairman under consideration

Transnet's R2bn a year pension burden

(232)([redacted]) BD 18/12/96

Robyn Chalmers

TRANSNET will be burdened with payments of R2bn a year for the next nine years as a result of its underfunded pension and medical aid funds, raising questions about the future privatisation of the parastatal

Transnet finance director Eugene Kruger said yesterday that Transnet was paying 16,5% interest — or R1,4bn a year — on the stock it had issued to reduce the pension fund's deficit The parastatal was also paying an additional R200m to the pension fund and R400m to the medical aid scheme

"We estimate it will take about nine years before the pension fund is fully funded, but this could be significantly reduced should our investments in the JSE perform well We are satisfied with the way in which the fund is being managed at present," he said

Transport director-general Ketso Gordhan, who also heads up the task team investigating the restructuring of the transport sector, said recently the first concrete decision on the restructuring of Transnet could be expected in the first quarter of 1997

However, sources close to the process said unless government took concrete decisions on lightening the burden of the pension fund, Transnet's restructuring options within the 18-month period would be limited

The finance department is investigating how the pension fund burden can be addressed in such a way that it does not detract from the value of Transnet's assets

The effect of the pension fund was evident in Transnet's interim results to September 30, announced last week. MD Saki Macozoma reported a 20% decrease in profit to R64m from R80m for the previous comparable period on higher turnover of R9,99bn (R8,84bn)

Profit before pension and medical aid liabilities was R1,09bn (R1,1bn), but R1,026bn was taken out of operating profit to help fund the pension fund and medical aid scheme

Transnet's 1996 annual report said during the year ended March 31, the fund's actuarial assessed deficit was reduced to R3,2bn from R4,2bn for the previous financial year This represented a funding level of 89,5% compared with 64,2% a few years ago

Former Transnet MD Anton Moolman said in the report that if government could lighten the burden of the pension fund, it would be possible for Transnet gradually to restructure PX and Spoornet

SA should tap into proceeds of privatisation — bank

(232) BD 19/12/96

John Dludlu

SA COULD tap into the proceeds of privatisation to finance the current account deficit before turning to the International Monetary Fund (IMF) for assistance, the Union Bank of Switzerland said in its latest report.

The Nelson Mandela administration owned extensive interests, ranging from broadcasting, airlines and electricity to telecommunications and holiday resorts, it said.

However, in this year's fourth-quarter report, the bank said "given the right policy framework (on privatisation), there would be a flow of foreign capital to acquire stakes in these assets". Privatisation was "politically sensitive" in SA, it noted.

SA would qualify for an IMF standby facility of about \$2bn at current rates and would have to negotiate a macroeconomic programme with the fund. "It is difficult to imagine that privatisation would not form part of that agenda."

The research note said improved fundamentals, a restructuring economy, and better growth prospects in the main industrial countries, as well as the expected boost from government's development programme, should allow for "a more sustainable growth environment in 1997/98, unlike the boom-bust years of the eighties".

The bank forecast average consumer price inflation of 7,5% this year and next.

Turning to Kenya, the bank said the IMF agreement should improve confidence in the economy. "Various policy measures and structural reforms make an average 5% growth rate over the next two years plausible."

However, 5% gross domestic product growth would not bail the country out of rising unemployment. Inflation was expected to be higher due to factors such as higher money supply and the technical effects resulting from several months of negative inflation in 1995.

In Ghana, as new mining facilities came on stream, gold output would rise, boosting the country's small but growing manufacturing sector, the report said.

Privatise or bust as Sigcau puts neck on line

ST (BT) 22|12|96

(232)

Consensus with stakeholders seems to have cleared the way, writes SVEN LUNSCHE

STELLA SIGCAU Minister of Public Enterprises, is putting her neck on the line — this week she named eight public sector corporations which will be in private hands by the end of next year

In an interview Sigcau showed clear irritation at sustained criticism of the way she has handled the difficult task of restructuring and privatising the many companies owned by the government

"There is no understanding of the complexity of the process involved We have to tread carefully to ensure consensus on the process, which has now been achieved," she says

Sigcau expects a rapid acceleration of the restructuring process and has committed herself to a detailed report, to be tabled by mid-March.

Partial and full privatisation will be a crucial part of this process, she says

Extensive consultation with the trade unions has resulted in meaningful consensus about the restructuring process

"We will continue to consult but are now primarily looking at ways of fast-tracking the privatisation process."

By the end of 1997 she expects resort group Aventura, mining group Alexkor, Sun Air and Transnet's Autonet division to be fully privatised.

Telkom, the Airports Company and forestry group Safcol should have strategic equity partners by December 1997

Furthermore, three mothballed power stations owned by Eskom will be sold to foreign utilities, she says

Sigcau also indicated that SA Airways would seek a foreign equity partner by mid-1998, "after putting the airline in better shape so we can raise more funds than we would get at present"

SAA is facing losses totalling hundreds of millions of rands in its current financial year after a slowdown in business and tourist travel as well as a higher oil price, which is pushing its fuel bill to R1,4-billion

It is also involved in negotiations with US manufacturer Boeing to buy seven new aircraft at an original cost of R3,5-billion.

"We clearly need a financial and technical partner to help SAA achieve its international and local expansion plans," says Sigcau.

Analysts believe that the first two groups on the block — March is widely cited as the date — will be the two most profitable companies in the public sector, Sun Air and The Airports Company

Both fall under the jurisdiction of the Department of Transport

Sun Air will be fully sold, a deal that has secured the backing of staff Richard Branson's Virgin Airlines, with whom Sun Air has a strategic alliance is favoured to take the 25% shareholding that can be sold to foreign investors.

Another profitable operation is Autonet, a division of Transnet, which falls under the jurisdiction of Sigcau's ministry Sigcau says that there is a commitment to sell Autonet although it still has to be decided whether to sell it as a going operation or sell off its individual divisions to private companies

Transnet has proved the major headache for Sigcau. Management appears reluctant to commit itself to a widespread sell-off of its operations before overhauling its personnel structure, including an extensive affirmative action programme.

Analysts have suggested that the government is wary following recent Transnet developments and is undertaking a thorough assessment of the performance of both executive and non-executive directors

Another company reporting directly to Public Enterprises is Denel, which houses the former manufacturing divisions of Armscor

Sigcau recently lambasted Denel management for lack of affirmative action but this week she took a more lenient stance She suggests that it is important to retain management skills at the group, which will be undergoing a comprehensive audit of its operations over the next few weeks. She says she has asked the Ministry's advisers, merchant bank HSBC Simpson McKie, to conclude the investigation by March next year Negotiations on the process of restructuring between government and the trade unions are conducted under the National Framework Agreement, established earlier this year The business sector will initiate discussions at Nedlac next month, to be included in the NFA talks.

'We will continue to consult but are primarily looking at ways of fast-tracking the process'

However, Sigcau says that broadening the consultations will not speed up the process and suggests instead that the business sector actively involve itself in the development of infrastructure by the parastatal sector

Picture: RAYMOND PRESTON

CLEARLY IRRITATED . . . Stella Sigcau, who sees her way clear to privatisation

Eskom lines up to generate tax

THE government is modelling the structure of electricity utility Eskom on that of fellow-parastatal Telkom.

Public Enterprises Minister Stella Sigcau said this week that legislation planned for 1997 looked set to transform Eskom into a public-sector corporation under direct government control, paying both taxes and dividends.

But in a new twist, Sigcau said Eskom would be following Telkom's lead in separating its non-core activities from its core of generating, transmitting and distributing electricity

Telkom has housed its non-core businesses in a separate company and is looking at ways of either selling them, contracting out these activities or entering into joint venture operations with the private sector

Sigcau stressed that the changes to Eskom's structure would be implemented only once the government finalised a code of corporate governance for the public sector

Eskom currently reports to the Electricity Council, which is appointed by government.

John Maree, chairman of the council, says the ability of Eskom to deliver cheap electricity will not be affected by the restructuring moves, "provided the tax and dividend regime is a reasonable one"

Earlier this month the council approved the establishment of three separate divisions — generation, transmission and distribution — ahead of the planned shake-up of the electricity supply industry