

~~TELECOMMUNICATION~~

PUBLIC SECTOR - TELECOMMUNICATIONS - GENERAL

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JANUARY

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JUNE  
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# PO: Selling details a service

267

CTI 1/1/95

By CLAIRE BISSEKER

THERE is no such thing as a private life in South Africa where state-controlled organisations like the Post Office, Telkom and even municipalities, sell customers' personal details to "junk mail" listings with impunity. Telkom admitted yesterday that it has been selling address lists to private brokers since July 1992, but refused to disclose the fee received.

The Post Office revealed that it sells address lists for R50 per 100 names, but still makes a loss as it costs R2 to retrieve each address manually.

A spokesman said that although not economically viable, the lists were provided mainly as a service to bulk mailers.

Until last year the City Council also made its billing lists available to direct mailing companies,

## Addresses for sale since 1992

said city treasurer Mr Eddie Lansberg.

"Some months ago a public complaint was brought before exco which then decided to stop the practice," he said.

A marketing consultant for Sales House yesterday revealed that lists of account holders' addresses were rented to insurance companies wanting to make inroads into the black market, which was poorly represented on direct mailing lists.

A Telkom spokesman said customers could request that their

particulars did not appear on the lists, but that only the privacy of customers with unlisted numbers was automatically guaranteed.

But when Wynberg resident Mr Simon Norton refused to furnish detailed personal information on a controversial new post office address form last month, the Kenilworth post office refused to renew his private box.

"The manager said it was a directive from Pretoria and refused to accept my rent payment. As I was walking out of the door he relented," he said.

Mr Rufus Papenfus of Platteklouf Glen said he had the same experience at N1 City post office and eventually signed the form in order to renew his box.

The DP yesterday called on the Minister of Posts, Telecommunications and Broadcasting, Dr Pallo Jordan, to intervene urgently in the systematic "invasion of privacy" by state-controlled organisations.

# Rates increase angers postbox renters

Star 5/11/95 (267)

■ BY ABDUL MILAZI

A Post Office decision to increase private postbox rentals by R20 this year has stirred up a hornet's nest in many of Gauteng's suburbs, with some owners threatening not to pay the new rate.

Private postbox rentals have been increased from R30 to R50.

Theo Langem of Yeoville said the Post Office would have to lock his

box because he would not pay the new rate.

This is the third rental increase in three years. In 1992 rentals increased from R12 to R20, and 1993 saw a R10 rise

Frank Lewis of Johannesburg said the increase was unjustified because the mail delivery service had not improved.

He said although it might be argued that R50 a year was not much, paying the lump sum was a strain on box-owners.

Theresa Webb of Walkerville said owners who did not have a street delivery service would not be able to receive mail because the new rate placed the service out of reach of people in the low-income bracket.

Steve Lines, also of Walkerville, said residents in his area had drawn up a petition to campaign against the implementation of the new rate. He said they had already secured more than

200 signatures.

Post Office corporate group communications manager Ben Rootman said local postal rates had lagged behind those of other countries for some time and their running had become costly

## Political

He added that because of the past political situation, the Post Office had for many years offered its services far below the in-

flation rate and had to put the rates up to offer a more equitable mail delivery service.

Installing a single cluster of transportable postbox lobbies would cost more than R23 000 and in just over a year more than 500 000 had been installed.

Rootman said the Post Office delivered mail to about 5 million addresses, of which more than 3 million were street addresses

# PO forms 'invade privacy'

*AL Star 9/11/95*

■ BY TARYN LAMBERTI

The Star has been inundated with complaints about a form the Post Office has sent to all box holders asking for telephone numbers and other personal details

The form includes conditions, which, when the form is signed, gives the Post Office permission to furnish other organisations with the information.

Johannesburg resident Roger Hem told The Star he was asked to fill in the form when he tried to renew his postbox on Friday.

"I feel very strongly about not signing the form. It's worse than communist countries used to be. They want to know everything

about you and they say they'll give the information to other organisations. It's frightening!"

Post office public relations officer Juhana Nel said "The Post Office needs the information to ensure that mail is delivered at the correct addresses"

**Notify**

**(2b7)**

Nel cited the fact that 35 percent of households in SA move each year and up to 50 percent of these households take up to two months to notify the Post Office of their change of address

She said the information was also useful for statistical gathering of information for marketing purposes and to determine

shortfalls

Another caller who complained to The Star, Von Ruediger said: "We were notified in November last year that postbox fees would be R33 for 1995

"The covering letter we received with the form said the fee had gone up to R50

"When I asked a Parkhurst Post Office clerk about the increase she said it was because the forms were expensive to print."

The forms were printed in duplicate on multicoloured paper.

Nel demed this was the reason for the increase, saying it was a standard increase that happened every year

## Crime 'hampering Telkom's RDP efforts'

TELKOM's service levels and ability to deliver its reconstruction and development programme commitments are being hampered by sabotage, theft and violence, the state telecommunications company says.

A cable was sabotaged early yesterday, leaving 6 300 subscribers at Boksburg on the East Rand without a service.

The cable had been cut at a manhole and might be repaired only by Saturday, Telkom said.

Cable theft had left another 1 500 customers at Orange Farm, south of Johannesburg, without a service since Tuesday.

At Alexandra in Sandton, cables had been sabotaged 11 times in the past three months (267)

"A new cable being laid to provide an extra 2 000 residents with a telephone service has been sabotaged seven times and five of the contractors' vehicles have been stolen," Telkom said. Cable replacement on

the Witwatersrand last year had cost Telkom R3,3m. There had been 592 incidents of cable sabotage in the region.

On Tuesday, at Zola in Soweto, Telkom employee Jeffrey Makhubela had been shot in the leg. Last year four Telkom employees had been murdered.

Last year Telkom had lost 206 vehicles to hijackers. In the first 10 days of this year four more vehicles had been stolen. — Sapa

BD12/1/95

## Telkom strikes back: 'Increase is just 10%'

ARL 7/2/95 (267)

JOHANNESBURG — Telkom on Tuesday said the new telephone tariff increase was on average only 10 percent and not 50 percent as indicated by the Johannesburg Chamber of Commerce and Industries.

Telkom spokeswoman Ingrid Krige said single tariffs should not be considered in isolation.

The JCCI yesterday accused Telkom of hiding the real cost of the tariffs from consumers.

JCCI chief executive Marius de Jager had said "draconian" increases had been disguised by reduced metering periods while the real cost to business was more than 50 percent since longer calls were the norm for businesses.

Ms Krige said Telkom had

inherited an unbalanced tariff structure.

Long-distance national calls had been too expensive and local calls cheap. The change from five to three minutes — the established average conversation time — for local calls was the first step in the rebalancing process.

Telkom realized that to reduce the unit time only would not benefit clients and had decided to also reduce the unit charge.

Mr De Jager said unit times had been reduced by 40 percent but unit costs had been reduced by only 5,8 percent.

Ms Krige said long distance calls had been reduced about 11,6 percent. — Sapa

# Telkom 'hid real cost of price rise'

CT 7/2/95 (267) 73

Staff Reporter

TELKOM had hidden the real cost of its recent tariff rises from consumers, the Johannesburg Chamber of Commerce and Industry (JCCI) said yesterday

JCCI chief executive Mr Marius de Jager said the tariff rise for businesses was effectively more than 50% and the chamber was worried about its effect on commerce

"Draconian" increases had been disguised by reduced metering periods and the JCCI was to take up the matter with Telkom, Mr De Jager said

"We are reacting to complaints from our members who are just waking up to the significant increases after having received their first accounts since the increases were made effective on January 2

"We want to ask why Telkom could not have applied inflation-related increases without recourse to methods that have hidden the real cost increases

## Effect on commerce 'worrying'

from consumers"

Mr de Jager said Telkom had not spelt out the consequences of reducing the minimum billing period from five minutes to three minutes "This was apparently based on the assumption that this was the average call period." Experience had shown this was not the case in most businesses

Mr de Jager said Telkom had announced call unit charges would fall by 5,88%, from 20,4c to 19,2c excluding VAT, and the metering period would be reduced by 40%, from 300 seconds (five minutes) to 180 seconds (three minutes).

Mr De Jager said the result of the new tariffs was that calls longer than three minutes cost up to 88% more. Calls of this length were common in business and firms were finding their telephone bills had gone up by more than 50%, he said

A Telkom spokeswoman said last night the company's reasoning had been that the average conversation time for local calls, measured over millions of calls, was 140 seconds. The average call would thus cost less than before and benefit the "man in the street".

She pointed out that the charge for calls over a distance of more than 800km, which generated a major portion of Telkom's income, had been reduced by about 11,6c (7%) per minute.

Telkom had inherited an unbalanced tariff structure, with long-distance calls being too expensive and local calls being too cheap. The latest tariff increase was the first step in their rebalancing programme

Phone bills up 80%, says chamber

267  
stars 8/2/95

# Telkom denies hiding call costs

BY BOBBY BROWN

Telkom yesterday denied hiding the real cost of its recent tariff increases from consumers, saying the effective increase in charges was 10 percent, and not 50 percent as claimed by the Johannesburg Chamber of Commerce and Industry (JCCI) this week.

Telkom spokesman Ingrid Krige said yesterday Telkom had spent several months researching millions of local and international telephone calls and learnt that the average time people spent on the phone was 140 seconds.

Telkom announced a drop in call unit charges by 5,88 percent to 19,2 percent, but also reduced

its metering from 300 to 180 seconds in January

The JCCI accused Telkom of hiding the real cost of its tariffs from consumers by also reducing the metering.

JCCI chief executive Marius de Jager said the cost to businesses, many of which often made international calls and calls lasting longer than three minutes, was more than 50 percent higher than before.

"The three-minute limit on local calls is causing companies to have bills that are up to 88 percent higher," he said.

Krige said Telkom realised that long-distance national calls were too expensive and local calls too cheap. She said Telkom had inherited an unbalanced tariff structure and that changing

the local unit times from five to three minutes was the first step in the rebalancing process.

"We changed the unit time as well as the unit charge in order to reduce the cost of local calls."

She reported that Telkom had also reduced its cost of national calls in excess of 800 km by 11,6 percent. These calls generated a major portion of Telkom's income.

Krige said international calls were not the issue and Telkom had not drastically changed many of those tariffs. She said calls to African countries had increased slightly, but calls to other continents had been reduced.

She could not provide figures for these changes.



(267) BD 9/2/95

## SA cellular industry bucks trend

SA's booming cellular phone industry is surprising even overseas markets.

Subscriber numbers are expected to top 1-million within five years, having already bucked world trends by reaching well over 240 000 users within six months of switch-on.

Speaking at the GSM world congress in Madrid yesterday, Vodacom CE Alan Knott-Craig said: "SA is the largest GSM market after Germany and by far the fastest growing in the world."

"The roll-out of SA's two networks gave 70% of the population access to GSM cellular technology, and the

coverage extends to the six major metropolitan areas and the most densely populated areas in SA. The national road network of almost 13 000km linking SA's major cities and towns is also mostly covered.

"A reason for the spectacular growth is that the retail price of cellular handsets is among the lowest in the world. Price discounting by the retail sector has brought cellular phones within reach of the mass market. SA is also the first GSM market where the retail channel developed so early in the growth of the industry."

Given a number of strong

retailers linked to Vodacom, he said the company had captured two-thirds of the market. Vodacom's network alone routinely carried almost 2-million call-minutes a day.

Knott-Craig said: "According to the call traffic profile, 49% of calls are from cellular users to other networks, 33% are incoming calls from other networks, 9% are calls to Vodamail and 5% are mobile to mobile calls."

"With 64% of Vodacom's call traffic generated in Gauteng, the network capacity in this region had quadrupled at the end of last year."

# Call to end monopoly as phone bills rocket

ARG 11/2/95 (267)

**DAVID BREIER**  
Weekend Argus Reporter

A COMMISSION has been suggested to examine whether South Africa's telephone system should be thrown open to competition to cut tariffs

This follows the uproar over huge increases in Telkom phone bills following the reduction in the metering period from five minutes to three minutes

Telkom recently cut its trunk call rates to meet competition from the cellular phone companies MTN and Vodacom

But Telkom recouped this by increasing its income on local

calls by reducing the length of the unit, leading to protest especially from businesses whose telephone bills went up by as much as 50 percent

Now there are suggestions that competition should also be allowed in the conventional telephone system, as in countries such as the United States, which could lead to a reduction in local call tariffs as well

Kobus Jordaan, Democratic Party spokesman on Telkom, said he believed in free competition — provided the playing fields were level

He said that if competition was allowed in the non-cellular telephone system, Telkom could be at a disadvantage as

it was obliged to provide less economic services to rural and disadvantaged areas.

New operators allowed to compete would tend to cream off the most lucrative operations such as microwave links to affluent urban areas, leaving Telkom with the loss-making social services in poor and rural areas

For this reason, a proper study would have to be made before any decision could be taken on whether to open the ordinary telephone to competition

For example, Mr Jordaan said, there could be four or five telephone companies, possibly on a regional basis

But before the telephone system could be opened to "all and sundry", there would have to be a proper investigation of the industry to ensure Telkom was not left holding only the unprofitable side of the service

Mr Jordaan said that in view of Telkom's social responsibilities to provide services to disadvantaged areas, its increased rate was "not unjustified".

He said his main gripe against Telkom and other parastatals was their lack of transparency in disclosing their earnings

Mr Jordaan said this also applied to the Post Office and the SABC

# PO privatisation decision this year

By BARRY STREEK,  
Political Staff

(267)  
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ET 24/24/2195

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

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

The state would probably retain a majority shareholding, however

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

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

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

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

AT&T

# Competition on the line

FM 17/2/95 (267)

**State-owned Telkom** is under threat from US\$75bn AT&T, America's largest long distance telecommunications operator, which has embarked on a global expansion programme that includes Africa

Presenting its US\$2bn "Africa One" project this week, AT&T outlined plans to build an undersea optic fibre cable network circumventing the continent. This will link coastal countries to one another and to AT&T's global network under construction. More than 60 countries are already plugged into this global highway. The network will support basic telephony and emerging broadband technologies needed to transmit voice, data and video. "This initiative is critical in getting Africa on to the Information Highway," says AT&T SA president Frank Coleman (see page 86)

It will involve the partnership of governments, international and domestic telecom carriers, multinational corporations, lending institutions and other investors. Together they will finance and control the venture.

"This is not an AT&T project. We are just the facilitator," says Africa One MD Patricia Bagnell. African countries will be encouraged to set up links with each other and to invest in, or lease space on, Africa One for overseas communications.

Agreements have been signed with regional satellite and telecommunication bodies Rascom and Panatel. Construction starts early next year and will be completed by 1999.

AT&T believes SA could become a hub for telecom traffic in the southern hemisphere, earning as much as R120bn a year. Coleman says Telkom would be able to redirect traffic to the rest of the world via its satellite and undersea cable links. Excess traffic could be moved on to the Africa One network.

Despite AT&T's assurances that it will not bypass Telkom, the corporation is suspicious and has indicated it won't join Africa One.

"We have our own undersea cable, SAT-2, from Cape Town to Europe and are capable of adding capacity from the rest of southern Africa. We are also planning a new cable to the Far East," says Telkom senior marketing GM Rhynie Greeff. "How can Africa One be a success without Telkom? We transport 40% of voice and up to 80% of data traffic in Africa," he says.

Telkom's concern is that competitors will skim its lucrative corporate business, leaving it to provide uneconomical phone services to the masses.

Some local suppliers are also concerned. They regard the project as a cosy US club

and say smaller outsiders will not be able to compete. But AT&T, which is also a major equipment supplier, says the project will create massive cable manufacturing and employment opportunities.

Meanwhile, new legislation for the industry is taking longer than expected. Government blames the delay on the need to be transparent but it could be that it does not yet have a policy on competition and the privatisation of Telkom.

It is likely that AT&T will continue to attempt to engage Telkom in a partnership while legislation remains in place to share the latter's monopolistic position. However, with the new satellite and the cable technologies which will soon be in place in neighbouring states, Telkom will find it impossible to keep competitors out.

But AT&T is not leaving anything to chance. It took the opportunity to host a high level government and industry delegation — which included Minister of Broadcasting and Posts & Telecommunications Pallo Jordan — for a day in December. The delegation was sponsored by the US Department of Commerce.

# Telkom considers partial privatisation

BD 24/2/95

DREW FORREST

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

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

Describing the move as a "strategic partnership", he said the idea would be to put some Telkom shares on the market for purchase by local and foreign private sector operators. "We are actively exploring a range of possibilities — liberalisation, deregulation and partial privatisation — as a means of funding the modernisation of our system," he said. "We must position ourselves so that in the 21st century we are not telecommunications have-nots."

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

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

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

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

Turning to the Post Office, Jordan

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

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

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

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

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

He said services were not affected. On the East Rand, 350 members were on strike in Brakpan and 50 at Edenvale, while 50 were on strike in Kensington, Johannesburg.

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

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# Take us along. Mbeki tells G7

By CHERILYN IRETON  
Brussels

MORE than half of humanity had never made a telephone call, Deputy President Thabo Mbeki reminded world leaders in Brussels this weekend.

Mr Mbeki, who was addressing the first major political conference on the impact of the technological revolution sweeping the developed world, said that access to the information superhighway should not be limited to the industrialised world, as this would increase the gap between rich and poor nations.

He told the delegates from the Group of Seven industrialised nations — the US, Canada, Britain, France, Germany, Italy and Japan — and the elite of the global communications industry that South Africa wanted to be part of the information society.

As proof, he said, the government was considering concrete proposals to lay a fibre optic cable network across the continent of Africa.

Mr Mbeki was invited to the conference to emphasise that entry to the information superhighway should not be restricted to industrialised nations.

He said developed countries that were enjoying the multimedia boom had to share the benefits.

"Basic telephony is far from a reality in many places. The reality is that there are more telephone lines in Manhattan than the whole of sub-Saharan Africa," he said.

(267) ST 26/2/95

TELKOM

# Tenderised stake

**With the** multimillion rand 15-year exclusive infrastructure tender contracts with Siemens and Altech completed in September, local and international companies now have a chance to provide the R10bn-plus State-owned telecommunications operator Telkom with equipment

The cosy agreements of yesteryear have certainly created large profits for the chosen suppliers. "These agreements were based on a cost plus arrangement, with fixed margins and were well within industry norms," says Telkom professional services senior GM Nic van Rooyen

Now international telecommunications companies are breathing down its neck and looking to steal lucrative corporate business. At the same time, Telkom must provide "universal access to telephone services" The only way in which Telkom can possibly balance the two opposing objectives is by becoming world competitive. Opening the supply contracts will help

"We announce major tenders in the Telkom Tender Bulletin virtually every week and our purchasing budget for the year is R1,8bn," says Van Rooyen

He says 11 applications were received for the first tender (for TMDA transmission equipment) and eight for the second tender (HDSL transmission equipment). Both tenders are still being adjudicated

The largest tenders involve the supply of switching and transmission equipment for rural and urban networks. Besides catering for the corporate market (which demands sophisticated networks like ISDN for high speed voice, data and video transmission), a major part of Telkom's business will also be to provide basic telephone infrastructure to previously unserved areas

Statistics show that, in white areas, some 80% of people have access to phones. In rural areas of the former independent homelands the service is available to fewer than 1% of the people

Because access to telephones correlates directly to economic development and social upliftment, government wants Telkom to provide an extensive, effective telecommunication network as part of its RDP commitment

Last year, Telkom announced an RDP expenditure plan in excess of R6bn. It intends to place telephones in all SA's schools and clinics by the end of 1996 and plans to provide services to 40% of all underdeveloped urban households before the year 2000

While Telkom will find it hard to balance its RDP commitments with needs of corporates, both areas will provide new opportunities for equipment suppliers and

business partners

Providing a telecommunications network is an expensive process. The average cost of an urban exchange service is R6 000. This can increase to R50 000 in rural areas

To reach its goals, Telkom will have to use the best mix of technologies from the most competitive suppliers. Rural telephone systems are likely to include variants of wireless solutions (like wireless local loop or point-to-multipoint systems), which use radio, microwave, cellular and fixed line technologies

"Wireless systems are the most effective way to overcome barriers like geographic obstacles and a population scattered over wide and variant terrain," says Philips network systems GM Alan Sparks. He says using fixed line in such areas is prohibitively expensive

Philips is one of at least eight contenders for Telkom's estimated R350m three-year rural requirements. Its microwave-based IRT2000 system is designed to connect up to 480 scattered subscribers to Telkom's main telephone network without hundreds of kilometres of poles and copper wire

Wireless infrastructure like Philips's system make use of line-of-sight repeater stations, located on high points like mountain tops, to boost the signal between the subscribers and Telkom's network. Public phones and standard Telkom phones are linked into the system

Such systems indeed have potential for areas lacking in telecommunications infrastructure because of violence and copper cable theft. Telkom's cable replacement costs in Gauteng, excluding Pretoria, came to R3,3m in the past year. There were 592 incidents of cable sabotage in the region

Other competitors for this rural tender will probably include SEC Alcatel, Plessey Telumat and DR Mass, a Plessey/NEC venture. These companies were contracted to supply rural infrastructure for last year's general election

Rural telephony systems — which use a combination of complementary technologies from conventional copper wire-based systems to satellite, microwave and cellular systems — are widely used in Australia, New Zealand, China, Malaysia, Mexico and other African countries

Though some believe that cellular may be

(267) FM 3/3/95



**Sparks** wireless systems for rural communications

too expensive to provide basic telephony in under-served areas — cellular was designed to provide communications while on the move, they say. Siemens Telecommunications MD Geoff Hamebach disagrees. He says microwave links can cost on average R20 000 per connection and that using a technology like GSM (the cellular system used in SA) is much cheaper

Cellular companies MTN and Vodacom (half owned by Telkom) are obliged by their licence conditions to provide subsidised community phones and they are installing 30 000 custom-made fixed (not mobile) cellular phones in townships

Meanwhile, the major local and international suppliers, including AT&T, Philips, Siemens, Alcatel, Plessey, Motorola, ATC, NEC, Fujitsu, Vodacom, MTN, DiData, Grinaker, NZ Telecoms and Ericssons will vie for Telkom's attention at the biennial telecommunications conference, Telkom 95, at month end

## PROPERTY SALES

### Selling in Cyberspace

**Estate agent** Pam Golding Properties (PGP) has been quick to seize a global marketing opportunity and develop an electronic catalogue of upmarket houses which can be browsed by anybody in the world via Internet

The service runs on Internet's most user-friendly system, World Wide Web. The Web allows companies to market products with the aid of sound and graphics

By pointing and clicking with "a mouse" on highlighted text or graphical icons, potential customers can navigate through a series of computer screens listing different geographical areas and price ranges. If the description of a property takes their fancy, customers can download a photograph

The company plans to start showing more of SA to foreigners via good photographic material and general text. PGP's financial director Graham Paterson says the service has not generated any sales, but leads are flooding in. He says the service costs about R3 000 a month, making it cost effective

# Tellumat in hi-tech export deal

BY MAGGIE ROWLEY

CT (BR) 7/3/95 STAFF REPORTER

Tellumat (PTSA) is to manufacture rural communications systems for the global market which have been developed by NEC Corporation, Japan's largest telecommunications manufacturer

The agreement is expected to significantly enhance export opportunities for PTSA and meet local manufacturing opportunities afforded by the implementation of Telkom's RDP programmes, says Plessey Group MD John Temple.

Further manufacturing arrangements with NEC are on the cards, which could boost PTSA's turnover by at least 20 percent a year from the current level of around R500 million, with much of this being generated by exports.

PTSA will invest more than R20 million in setting up the production facility for digital radio multiple access subscriber systems (DRMASS) in its factory in Retreat, Cape Town, with the first systems due to come off the production line towards the end of the year

"The systems we will be manufacturing are the very latest model of NEC's highly successful DRMASS system which has been used around the world to bring telecommunication services to both urban and rural communities in a very cost-effective manner."



# Container depot chaos puts exports at risk

CT(BR) 7/3/95

(267) (7/3/95)

BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

A bottleneck at Spoornet's City Deep container terminal in Johannesburg is causing delays that are pushing up costs, threatening jobs and endangering export orders, says Alan Cowell, executive director of the SA Association of Freight Forwarders.

A dispute between Spoornet and private company drivers is on hold while Public Enterprises Minister Stella Sigcau considers a report from a task force set up to investigate the situation.

But, Cowell says, although the drivers are at work, productivity is so low that only 300 containers a day are being moved when there is a need for 900.

"There are 700 containers on

**Labour troubles at Spoornet's City Deep container terminal are worsening delays caused by a surge in imports and exports.**

their way to City Deep from Cape Town, Durban and Port Elizabeth and 1 220 already waiting to be moved

"These include goods urgently needed for production by factories

"Some companies are going to the expense of bringing in goods by air which are normally sent by sea. This is pushing up costs and fuelling inflation"

Cowell said the labour troubles had worsened a situation caused by a tremendous surge in exports and imports following the election last year, which took shipping companies and Portnet by surprise

"The volume of imports has increased by 20 percent in the past year. But the shipping companies

forecast an increase of 3 to 5 percent, and Portnet allowed for 8 percent. This caused logistical problems, particularly at Durban and Cape Town, which are overutilised

"They are trying to get additional straddle carriers and gantry cranes as quickly as possible, and Durban is developing new container berths. But these things take time"

Heini Rapp, public relations manager at City Deep, said the depot had coped with the increase in imports by opening satellite depots for goods not travelling by sea

Ronnie Holtshausen, marketing manager at the port of Durban, said it had handled 777 000 containers

in 1994, a 20 percent rise in volume. This reflected the 49 percent rise in the value of imports year-on-year reported by customs and excise in January.

To cope with the increase, two gantry cranes costing R20 million each were being erected and would be in operation by August and 14 straddle carriers had been bought.

"We are developing a R100-million container terminal which will be ready by mid-1996."

Cape Town port manager Neels Hubinger said there had been an 18 percent increase in the tonnage handled in 1994, which rose to 6 972 924 tons

This was expected to rise to 7,8 million tons this year. Portnet was spending R131 million to increase the capacity of the port over the next two years

# Plundered mail hidden in docks

**JEAN LE MAY**  
Weekend Argus Reporter

MAILBAGS, including Christmas parcels which arrived at Cape Town docks by sea from Europe over the past few months, were found by the Post Office to have been opened and plundered

But everyone denies responsibility — the Portnet authorities who control the docks, the shipping lines and the Post Office

"Miraculously" only one parcel of second-hand clothing addressed to "somebody in Matatiele" was missing, according to the Post Office

However, a Cape Town woman has told Weekend Argus that her own parcel was missing "and it cer-

■ Christmas parcels from Europe disappeared mysteriously on the way to Cape Town — but nobody will accept responsibility for the loss.

tainly did not contain second-hand clothes"

She said she had been told when she investigated that the containers had been broken into in the container stacking area of the docks and "they looked as if a hurricane had hit them"

She had also been told that the thieves had rowed across to the container stacking area from another quay

However, port captain John Woodend said that security at the docks

ARG 11/3/95

was first-class and that the containers could have been broken open at the port from which they were shipped or during the voyage

He said that two security guards were on duty day and night in the stacking area and that entry to and exit from the area was restricted

Containers leaving the area on vehicles were carefully checked

He admitted that "it might be possible" for somebody to row across to the stacking area from another quay

Weekend Argus has established that the breached containers and the theft had not been reported to the police at the docks

And Richard Warnes of Safmarine shipping lines said that every container had its unique seal which was checked when the container

(267) ARG

was loaded and unloaded. A broken seal would be spotted immediately, he said

Mr Warnes, on whose ship SA Cedarberg one of the containers arrived on December 20, said the line's responsibility ended the moment the container was landed

A spokesman for Mediterranean Shipping Company, on whose ship Maria Laura the other container arrived on January 25, was outspoken about security problems and theft "at all South African ports"

Goods were unloaded using Portnet cranes and placed in holding areas controlled by Portnet for delivery by Portnet vehicles, he said.

"We would love to run the whole operation ourselves, with our own holding areas and delivery trucks, but Portnet will not allow that," he said

# Postal rates rocket

□ Standard letters to cost 10 cents more with increases of up to 20 percent

267 18/3/95

ARG 13/3/95

267

## The Argus Correspondent

PRETORIA — Postal rates will be increased by up to 20 percent from April 1.

Post Office chief executive Donald Masson said today that although an effort had been made to ensure an average increase below the inflation rate, some rates which previously were not cost-related had been adjusted by a higher percentage

Mr Masson said the standard letter rate would increase by 10 cents to 60 cents

'Speed Services' rates will be increased by 10 percent on average while rates on parcels and Fastmail will increase by an average 15 percent

Mr Masson said it was intended to introduce further rebates to compensate bulk mail users for work done on behalf of the Post Office, resulting in savings for companies.

Although the introduction of a system whereby postage rates were determined by size rather than mass would be negotiated with clients and gradually phased in, the net result of these actions on income would amount to an increase of about 14,5 percent

Mr Masson said at present it cost the Post Office 75 cents to handle a single postal article at current volume levels. Users pay 50 cents for this (VAT included)

He said it should be borne in mind that after the Post Office became a company in 1991, its business plan made provision for a rate increase of 100 percent during the first year or an increase of 33 percent a year over three years. The previous actual increases regarding standard letters had amounted to 33 percent, 28 percent and 10 percent (postponed to 1994) — considerably less than the total of 100 percent.

● See page 4

# Postal rates up from April 1

SNOW 14/3/95

(267)

■ BY NIKKI WHITFIELD  
CONSUMER REPORTER

Posting a letter will cost 10c more from April 1 when the Post Office's postage rate increases come into effect

At a news conference yesterday the Post Office's chief executive, Donald Masson, said that although every effort had been made to ensure an average rate increase of below inflation, some rates that had previously not been cost-related were adjusted by a higher percentage.

Standard letter rates will increase from 50c to 60c. Speed Service rates will go up by 10% on average, while rates on parcels and Fastmail will increase by 15% on average.

But consumers can delay the standard letter rate increase by

stocking up on postage stamps without face value. These stamps will still be valid after the increase, Masson said.

He said the Post Office intended to introduce further rebates to compensate bulk mail users for work done on behalf of the Post Office.

## Significant

Some of the more significant increases are.

■ Standard letters and postcards up from 50c to 60c

■ Postage paid envelopes Ithuba up from 55c to 65c; 110 x 175mm up from 55c to 65c; DL 110 x 220mm window and DL 110 x 220mm non-window both up from 60c to 70c.

■ Postage-paid postcards up from 50c to 65c.

■ Registration of a postal item up from R3,50 to R3,75

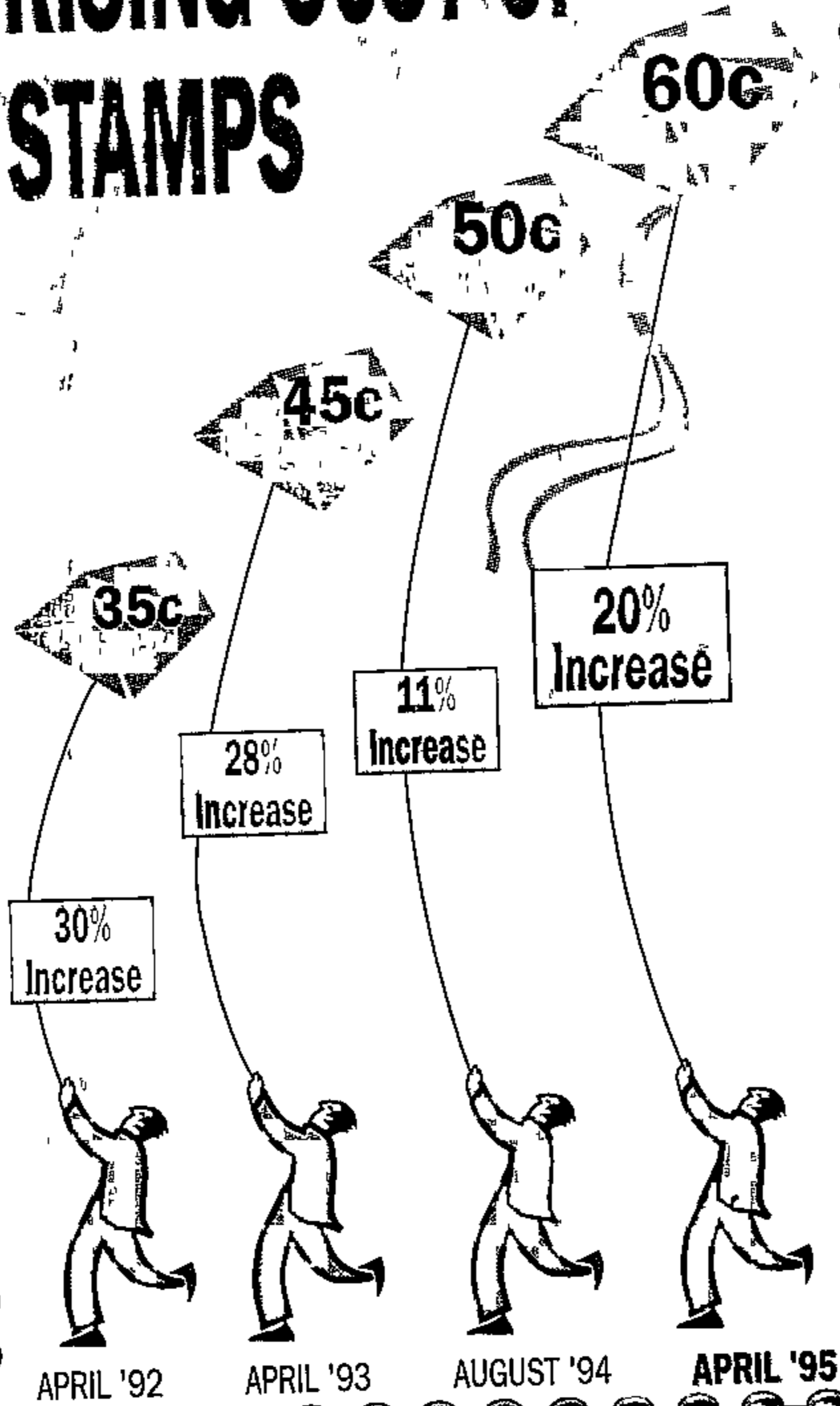
■ Certification of a postal item up from R1,70 to R2,45

The maximum mass of parcels accepted by the Post Office is to be doubled. Parcels up to a maximum mass of 20kg will be accepted and from June packages weighing up to 30kg will be accepted. Some of the new rates for parcels are

■ Parcels of up to 1kg increased from R5,50 to R6,50, up to 2kg increased from R7,10 to R8,40; from 5,1kg to 10kg up from R19,70 to R23,70, parcels weighing from 10,1kg to 15kg will cost R27,60 and those between 15,1kg and 20kg will cost R31,60

Cash on delivery parcels will increase from R6,50 a parcel plus 2% of value of the trade charge to R7,80 plus 2%

# RISING COST OF STAMPS



**GOING UP:** The stamp price has risen dramatically since 1992

## Postage rates up over 100% in three years

(267)

STAFF REPORTER

CT 14/3/95

THE Post Office's 20% hike in the price of a standard postage stamp from April 1 brings the overall cumulative increase in the cost of stamps to 122% in just three years.

In March 1992, it cost 27c to post an ordinary letter. The price went up 30% to 35c in April 1992, up another 28% to 45c a year later, up 11% to 50c in August last year, and it will go up 20% to 60c from next month.

However, "standard mail" postage stamps that do not have a set value printed on them, if bought now at the old price, will still be valid indefinitely.

Further increases may be in store unless increased volumes bring down the loss that the Post Office apportions to each item of standard mail it handles.

Chief executive Mr Donald Masson said yesterday it cost 75c, on average, to handle each article at present volumes.

Presuming the handling volume stays much the same between now and next month, the Post Office will still be losing 15c per article. The difference is made up by the taxpayer.

Mr Masson said it was not fair to expect the taxpayer to subsidise postal services.

## Call for million more rural phones

Telkom has asked local and international companies to produce proposals for the provision of an extra 1-million telephone lines in South Africa's rural areas, Telkom

chairman Dikgang Moseneké said in Pretoria yesterday (267)

He said submissions had to include proposals for the funding of the project, which would cost

about R6-billion *17/3/88*

"If a suitable offer is found, we believe that the spin-offs within Telkom and in local industries will be massive," Moseneké said. —Sapa.

# Anger at poor city bus service

(269)

Star 20/3/95

■ BY BONGIWE MLANGENI  
CITY REPORTER

Johannesburg bus commuters are planning to take action against the poor municipal bus service and the negative attitude displayed by some drivers towards passengers, according to commuter Colleen Werth.

She said a petition would be distributed among bus passengers this month and would be forwarded to the minister of transport.

"The drivers have become so disdainful and contemptuous towards passengers that we can no longer live according to their whims. They come late, or do not come at all, and we are not supposed to ask any questions," she said.

She had visited the Johannesburg Transporta-

tion Department (JTD) several times in an attempt to address the matter. However, there had been a lack of communication and no improvement, she said.

In the past, The Star has received letters from several readers who complained about the municipal bus service.

In response, acting executive director of transportation Deon Venter said the JTD was continuously looking at ways to improve the municipal bus service.

"A planned approach, including people-focused processes such as human resource development and training programmes, has been implemented, with the introduction of new trips to accommodate the increased number of commuters."

# Telkom can't meet RDP goal

CT(BR)1713195 (267)

By ROSS HERBERT

STAFF WRITER

Dikgang Moseneke, Telkom's chairman of the board, said yesterday that the company would be unable to meet the RDP goal of 5 million new telephone lines in five years, given Telkom's already high level of debt.

To bolster its capacity, Telkom requested proposals from other telecommunications companies to deliver one million new lines in the next year. Moseneke said Telkom did not want to take on additional debt and interested companies must offer proposals on how the new lines could be financed, possibly taking advantage of international aid and grants.

Telkom installed about 150 000 new lines in the past year and can continue to deliver about 200 000 lines per year for the rest of the decade, far short of what

the government would like. Moseneke said the cost per line averaged about R6 000.

Nic van Rooyen, senior general manager for support services, said Telkom's current debt to equity ratio was about 1,6 to one.

"We are not going to borrow any more because our debt ratio is too high. You can't just raise R10 billion overnight, so we are looking for innovative ways to finance new lines," he said.

The one million phones will be targeted at rural areas where fewer than five percent of people have phones. The target areas are in KwaZulu/Natal, the Orange Free State and Northern Transvaal predominantly.

Van Rooyen said the Swedish telephone company Ericson had already shown interest in the project. The proposal period closes on June 2.



# US phone giant plans R7 b system for Africa

NEW YORK. — AT & T Corp said it was seeking US government backing for a plan to lay a \$1,9 billion (R6,8 billion) undersea fiberoptic cable around Africa.

The 33 600 km cable would have landing points in 41 African countries, plus Italy and Saudi Arabia, and be aimed at revolutionising business telecommunications on the continent

William Carter, president of AT & T Submarine Systems, said he had a good response when he presented the idea to congressional subcommittees on Africa and trade in Washington, earlier this month.

"The reception I got was very enthusiastic, and the reception I got all over Africa has been very enthusiastic," Mr Carter said

Most of Africa's phone network is antiquated and unreliable, hindering business on the continent

Calls between adjoining African countries are often routed

through former colonial centres such as Paris or Brussels. Connections are expensive.

The plan, dubbed Africa One, was developed by AT & T in response to a request in October 1993 from the International Telecommunications Union, to close the telecommunications gap between Africa and the rest of the world

The ITU is an international body responsible for the development of global telecommunications policy

AT & T is working on the project alone, but would welcome other companies joining. France's Alcatel Cable is working on a rival project to link countries in parts of Africa

Mr Carter said that if the US government, which currently spends \$800 million (R2,8 billion) on aid to Africa, were to endorse the plan, then financing from the World Bank and from industry would be forthcoming. He said he hoped to have the cable installed by 1999 — Sapa-Reuter

(267) ARG 22/3/95

# Postal services to show R44m profit

CT(BR)22/3/95 (267)

BY BRUCE CAMERON

POLITICAL EDITOR

The Posts and Telecommunications Department, which announced hikes in postal rates earlier this month, expects to make a profit of at least R44,6 million for the year ended March 1996.

In a report to parliament, the department, which operates as a wholly owned government company, gave extensive details of expenditure but few details on revenue for the forthcoming year.

The R44,6 million in profit will be transferred to the national revenue fund to be used as the Cabinet deems fit.

The amount to be transferred to the national revenue account from the operating surplus is 11,5 percent up on the estimated amount of R40 million for the previous year.

The department also submitted its audited results for the year ended March 1994 which showed a profit of R34 million.

The results also reflect a paucity of information on revenue generated during the year.

Total operating expenditure is expected to increase by 12 percent to R51 million for the forthcoming year, while capital expenditure is to drop by more than 30 percent to R10 million.

The department, which is

responsible for postal services and controlling and licensing the airwaves, expects to receive R116 million from its private radio communication service revenues — up by 38 percent.

The increased revenue is likely to have been generated by the popularity of cellular telephones.

In its balance sheet for the year ended March 1994 the department is shown to have increased its capital reserves by R62 million to R4,2 billion — the value of government's equity holding.

Net current assets stood at R45 million, with R4,1 billion in investments and loans and a further R17 million in fixed assets.

# African disaster

LEFT BEHIND Africa's communication failure:

**S**UB-SAHARAN Africa has about the same number of phones as Tokyo and is in danger of being left even further behind as the industrialised world cruises on to the information superhighway. Even though the role of telecommunications

has often been left out of the development debate, studies by the Geneva-based International Telecommunications Union and the World Bank show a direct link between telecommunications and economic growth.

Zambian minister for the western province Mr Leonard Subulwa points out that to communicate with officials in his constituency, "I have to drive 250 kilometres because the country's telecommunications network does not serve this district."

A World Bank study in Uganda in 1983 showed that 2000 local government officials made 40 000 trips a year to handle administrative matters that could have been dealt with by mail or telephone, if these services had been available. The study estimated that about 250 person-years of government time were wasted every year. Twelve years later, the situation is no better. Africa's telecommunications institutions have failed to develop coherent strategies. This is partly because Panafiel, the continental body created by the ITU, has been headquartered in Zaire — a country that has been in virtual anarchy for years. Furthermore, decades of under-investment have caused the deterioration of existing systems, which in any case are hardly available outside towns.

Most national telecommunications organisations run at a loss because of corrupt practices. Almost all telecommunications equipment is imported and technical assistance is uncoordinated. The failure of telecommunications monopolies to meet even basic needs has resulted in a huge unmet demand for phones.

Ausaka resident Irene Phiri has a child with cerebral palsy and an invalid mother, both of whom are totally paralysed and need emergency medical treatment. Yet she has been unable to get a phone, and so has to make frequent trips home during office hours.

"I've applied for a telephone since 1991," she says. "Whenever I chase up my application I'm told: 'Well madam, there are people living in your area who have been waiting for a phone since 1977. So why are you so impatient?'" The situation is repeated elsewhere in Africa. Ghanaian businessman Kwabena Akumtor says his business associates have no phones, so he is forced to drive to their offices in Accra on the off-chance that they will be there. To the World Bank, the root of the problem is clear: state monopoly. And its answer is equally clear: privatisation.

Already the supply of handsets by private companies has been introduced in many African countries.

The Bank is the largest multilateral financier of telecommunications projects in Africa, and has made reforms and restructuring of the sector a condition for lending.

"Telecommunications is increasingly seen as a vital component of the structural adjustment process," says the Bank. "Efficient information flows are essential to the success of efforts to liberalise and consequently to expand."

Restructuring includes separation of the postal and telecommunications services into independent business entities. For instance, Ghana's former Posts and Telecommunications Corporation is now two organisations — Ghana Posts and Ghana Telecoms. But though restructuring is geared towards enhancing competition, efficiency and attracting foreign investment, it's proving a turbulent process.

For a start, there is no guarantee that foreign investment will increase because Africa is competing with Asia, Latin America and Eastern Europe. The continent's debt burden discourages capital inflow, and in any case, most African states have weak, or non-existent, capital markets.

In addition, restructuring needs to be supervised by an independent body capable of developing effective regulatory mechanisms. Many countries are still grappling to establish such a regulatory framework, which requires a delicate balance of technical, economic and legal factors. But multi-disciplinary expertise is exactly what Africa lacks. *Gemini News Service.*



# Telkom makes call for help

(267)  
BD 23/3/95

TELKOM can no longer go it alone, and to bolster its rollout of lines to rural areas is calling for third parties to put in 1-million new phone lines covering vast tracts of SA.

Seen by Siemens joint MD Geoff Hainebach as an extension of Telkom's recent end to its closed tendering system, the four-year project is calling on suppliers to provide the equipment — and the finance.

In the proposal, Telkom is asking for "innovative funding" to ensure that its debt to equity ratio is not materially affected.

Hainebach does not view the bid as an offer by Telkom to introduce a second operator situation, although this is queried by Plescorp CE John Temple, who sees the bid as an invitation by Telkom to form strategic equity partnerships.

Temple says: "If this is the case, it's to be welcomed, as it will bring rapid growth and some very necessary equity funding into Telkom.

"I would hope the operators will form alliances with SA investors."

But the proposal document seems to be aimed also at suppliers. Temple says: "I have never believed suppliers and operators should be in the same consortiums, and trust this does not lead to such an arrangement.

"Hopefully, this will not take over from the other projects Telkom has on its books, for example with regard to the supply of 5-million extra lines in the next five years."

Temple says the document is wide open and broad, with no set criteria. "If it's a wide net with which Telkom is keen to bring in capital and expertise, it makes good sense, but we hope it's not replacing the supply of equipment already planned."

AT&T's Roberta Coleman says: "We will be offering a proposal. It's likely we would offer a hybrid solution using appropriate technologies, with the ability to interconnect and build onto existing infrastructure."

She says AT&T reads the proposal as one where Telkom would be responsible for operating and managing the network.

As for linking up with local investors: "One of our strategies for entering the SA market has involved the formation of partnerships with SA firms for the distribution of products and services, so while we have not yet looked at partnerships for this project, such a move would not be inconsistent with our strategies."

Telkom's proposal covers rural areas where phone density is below 5%, and aims to improve density to 10 phones per 100 people.

Technologies which Telkom is expecting to see deployed must be digital, and include wireless-based technologies such as Time Division Multiple Access (TDMA) and Code Division Multiple Access (CDMA). If radio systems are used then frequency spectrum availability must be taken into account.

With its eye on providing access to the information superhighway and facets like distance education, Telkom wants indications also of how multimedia products and services can be provided.



Picture NIC BOTHMA

**LAST POST:** Tanla Mclean and her dog Zorrit, from Australia, post a letter home in one of Cape Town's old postboxes. About 600 of these boxes will be removed by the Post Office soon.

## 600 street postboxes withdrawn to save costs

ARLT 24/3/95 (267)

### Staff Reporter

THE Post Office is getting rid of 600 of its 1 300 street postboxes in the Peninsula and surrounding area as part of a cost-cutting initiative

Spokesman John Sadie said the company was obliged to re-evaluate some of the uneconomic products and services, and to adapt them to the clients' needs

"Where the products and services have not been cost-effective, we have decided to phase them out

"A study showed that the boxes were completely under-utilised and given the company's operational loss of approximately R350 million, it was decided not to continue providing the uneconomical service"

The 600 street postboxes will be removed from streets across the Peninsula and the towns of Stellenbosch, Paarl, Somerset West and the Strand. Some of the boxes will be moved to

areas where there is a need for them and new letter boxes will be put up in appropriate areas

In the coming financial year the Post Office intends to install about 65 transportable postbox lobbies — cluster letterboxes in new areas where there are no street deliveries — and permanent mail collection points which will provide some 76 000 additional households with postal addresses

Mr Sadie said all zebra postboxes with the characteristic yellow and black, or red and white stripes used for local mail, would also be withdrawn

"These boxes have become redundant with the streamlining of mail in the Peninsula after the opening of the new Capemail Centre in Goodwood

"To ensure the least possible inconvenience to clients, notices will be put on all street postboxes that are to be withdrawn or moved," he said

TELKOM

**Ringling the changes**

(267)  
FM 24/3/95

**Telkom chairman** Dikgang Moseneke's call for proposals on how to provide 1m telephone lines to areas which have little or no telecom infrastructure, represents a new era for the State-owned company. Consultation and more open relationships with outside companies have become vital for Telkom to survive in an increasingly competitive environment.

Government wants Telkom to add 5m lines to the existing network within the next five years — there are only 3,8m lines now — and an additional 150 000 payphones to be connected by 1998. Most of this new infrastructure will be placed in the former black homelands where, because of skewed apartheid planning, there is less than one phone per 100 people. To achieve its target Telkom will have to increase its network growth six fold.

It is with this in mind that Moseneke has requested proposals from local and international companies for the provision of 1m lines (see map). "We need to right past imbalances," says Moseneke, who believes the R10bn project will spin off massive job creation in Telkom and local industries.

The contract will see Telkom outsource

the supply and installation of infrastructure. "Once the network has been installed, we will take over the operation."

He has also asked applicants to make specific proposals on how to fund the project. The closing date for submissions is June 2, 1995.

"No single company can handle a project of this size. We anticipate a number of joint ventures," says Telkom professional services senior GM Nic van Rooyen. He says Telkom's choice will be based on the best technology for the area and rules out GSM cellular technology as too expensive.

"The solution requires a combination of technologies," says AT&T SA president and MD Frank Coleman. A hybrid solution would seek to minimise cost while expanding the capacity of existing infrastructure by integrating it with new tech-

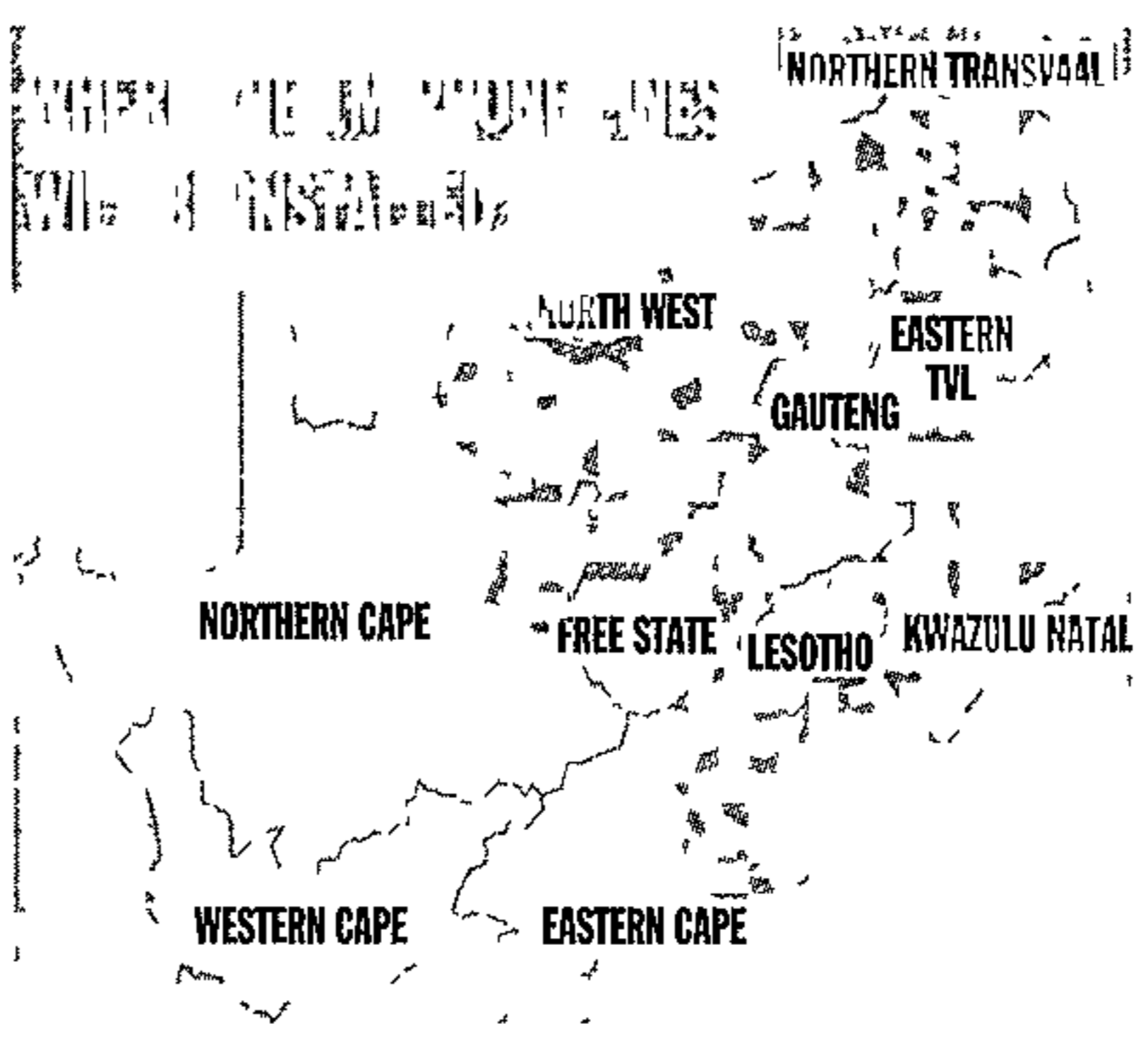
nologies such as wireless networks.

Telkom's open door policy to the world's most competitive telecommunications suppliers is a far cry from the completed multimillion rand 15-year supply contracts with Siemens and Altech. Smaller procurement contracts with Telephone Manufacturers and Plessey Telumat also ended recently.

Companies such as AT&T, Ericsson, Siemens, Alcatel, Philips, Northern Telecom, Grinaker, Plessey and

Marconi — which are competing for Telkom's R1,8bn purchasing budget for 1995 — will help it grow its network. They will also help meet the needs of corporates, who demand modern services that give them access to the emerging information highway.

Earlier this month Philips won R1,36m



**INFORMATION TECHNOLOGY**

worth of Telkom's Integrated Services Digital Network pilot network — which will facilitate the high speed transmission of data, video and text. Atlantic Telecoms (R1,1m), Centera (R859 000) and Alcatel/Altech (R245 000) won the rest of the contract.

But international suppliers complain that Telkom favours incumbent Alcatel/Altech and Siemens equipment for its four-year "Category A" countrywide public network switching systems.

"Extensions or attachments to existing exchanges will be bought from current suppliers at the base price plus escalation," states a Telkom procurement document. "Telkom won't consider other offers," says the head of a large European supplier. "We can only tender for new equipment and technologies." Telkom says this is justified because it must protect existing investments.

Following government's recent announcement that partial privatisation of Telkom is on the cards and that the utility is actively looking for a possible strategic international partner, some local suppliers fear a partnership with US giant AT&T (*Leaders* March 10).

They say such a deal would be detrimental to local industry because US telecom standards differ from the European ETSI standards used in SA.

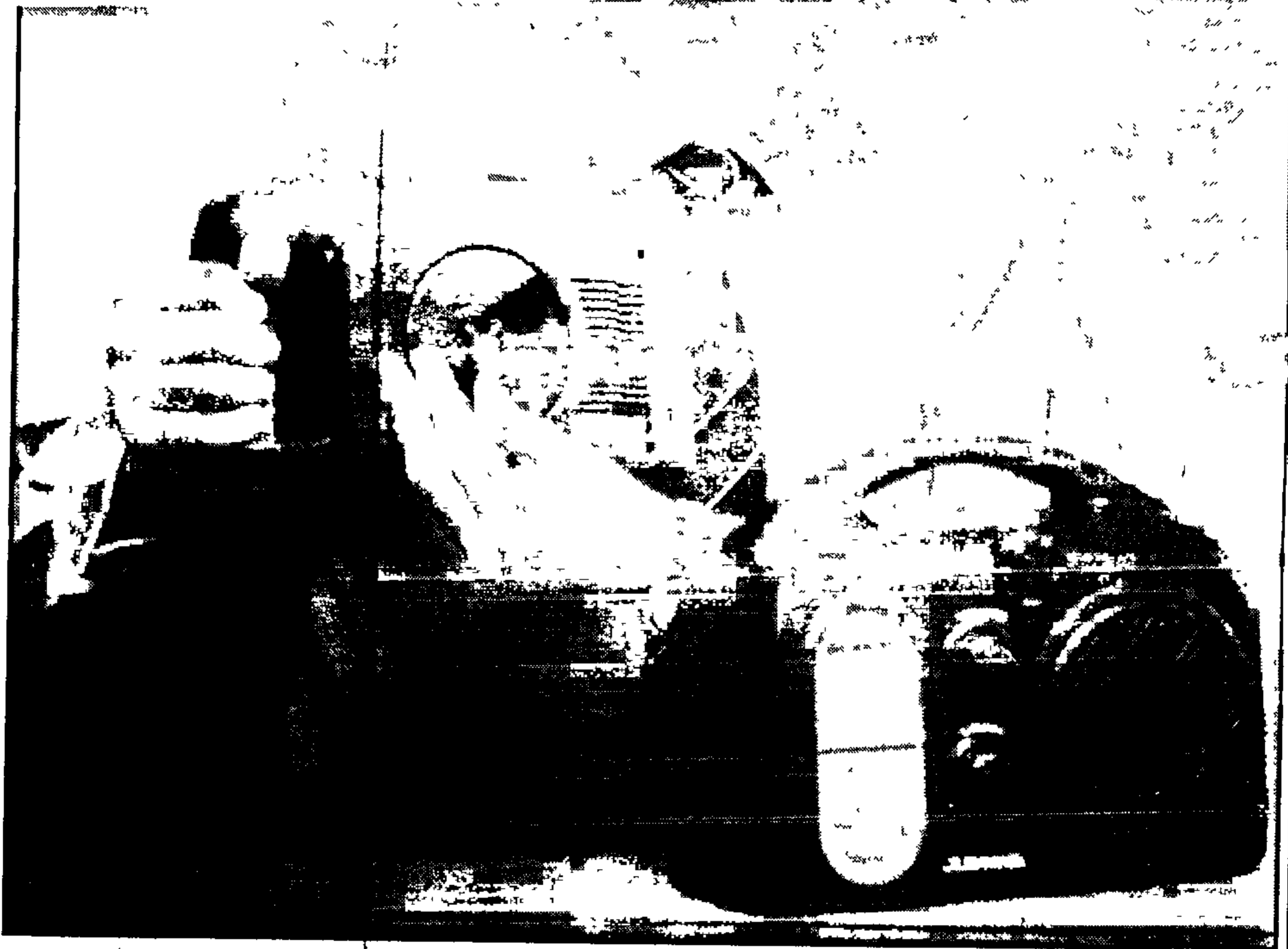
Added to this, US\$75bn AT&T is both an operator and an equipment supplier and "it could simply buy its own equipment instead of tendering."

But this is an unlikely scenario because, irrespective of who will partner Telkom, all equipment and services will have to comply with Telkom specifications and fit in with the existing standards, says Moseneke.

Coleman adds AT&T is a provider of both European and US standard systems. "A partnership with a telecommunications operator does not include a mandate for the exclusive use of AT&T equipment and products."

"We compete with AT&T around the world, including in the US," says Ericsson SA MD Christer Hohenthal. "We win some contracts, they win some." He says it will be up to the independent telecommunications authority, which will be legislated this year, to ensure that free and fair competition is allowed.

Tenders will be evaluated on a host of criteria including price, quality, job creation, local content, the ability to maintain the systems, the life cycle of the proposed solution, skilled staff, the company's sustainability and a past track record for similar projects. Cash-flush overseas companies, intending to dump equipment on SA, will not win contracts by cut-throat pricing alone.



□ **WORLD FIRST:** Rory Stear with the first wind-up radios.

**IRVING STEYN**  
Weekend Argus Reporter.

**THERE** is a starkly empty warehouse in the Montagu Gardens industrial area of Milnerton being prepared for what is destined to be monument to a communications revolution in Africa — where the world's first wind-up radios will be made.

The technology is the brain-child of British inventor Trevor Bayliss, but through a circuitous route it has become a South African project, with Rory Stear, former head of Seeff Corporate Finance, taking a keen interest.

To cut a long story short, Mr Stear, who initially had difficulty getting financial support for research in South Africa, got the interest of the British Overseas Development Administration, and the wind-up radio was in business.

A key figure in the research and development of the radio is David Buthon, formerly a General Motors executive in Port Elizabeth and a friend of Mr Stear. He is co-ordinating the project at Montagu Gardens.

Finally, an executive di-

# Wind-up radios: Communication revolution about to begin

rector of Liberty Life, Hylton Applebaum, who also heads the Liberty Life Foundation, was shown a prototype.

A company called Baygen Power Company was formed, with Mr Stear as chief executive and another company called Baygen Power Manufacturing followed, involving the six national organisations for the disabled, with Mr Buthon as managing director.

These organisations, funded by Liberty Life, are recruiting and will train 150 disabled people to produce the wind-up radios at the Montagu Gardens factory.

Right now the factory is an empty shell, but Mr Buthon is trying to ensure that

production gets under way in six weeks.

The company is in partnership with the Handicapped Association of South Africa. They will share in the profits and have three members on the company's board.

The technology is in place. Basically, it involves a spring which, when wound 45 times, will give 45 minutes of listening time.

Once trained, the disabled workers should be able to assemble the radios in about 20 minutes. Local content will be between 70 and 80 percent

The factory hopes to produce 300 000 sets in the first year and there is huge inter-

est all over the world for the new product, which will sell from the factory at about R90 a set.

The benefits are enormous. For instance, Rwanda would never have been the disaster it was had the wind-up radio been around.

Up to now batteries have been the key to communication in the Third World. Without them there is no communication. Once they are dead, so is the radio.

Relief agencies had terrible problems finding out where the scattered Rwandan population was, and the population, without radios, had no idea where they could get food or medical treatment or what places to avoid. With wind-up radio, that would have been eliminated.

In fact, the first 60 000 radios are destined for Rwanda *ARG 25/3/95*

That is but one example. Education will benefit immeasurably from the new radio, which will have a lifespan of about 6 000 hours, or about three years of playing five hours every day.

Once worn out, the spring can be replaced for about R20

(26) (267)

'Privatisation key to transformation'

# Telkom plans R7bn sell-off of its assets

BD 27/3/95

(267)

A SENIOR Telkom official has said the telecommunications utility is gearing up for the sale of about half of its R14bn in assets — the first indication that concrete plans for major privatisation are afoot.

Telkom GM Willie Landman told a capital market conference in Johannesburg on Friday that Telkom was currently restructuring to prepare for a sale worth about R6bn or R7bn.

Landman did not say when the sale would take place, but he said it meant the parastatal would hold back from the international capital markets this year.

"Our priority now is to work on the restructuring. We are going through a transformation process to squeeze as much cash as possible out of Telkom to meet our refinancing needs."

The assets would be sold to a consortium of partners, he said.

Telkom was a "reasonably profitable" company which would chalk up profit of about R1,6bn this year. It had assets worth about R14bn. He told the conference Telkom had also decided to hold off taking out a three-year syndicated loan as it appeared other borrowers "had not had the success they wanted".

Landman's comments follow Post and Telecommunications Minister Pahló Jordan's announcement last month that a decision on the partial privatisation of the parastatal would have to be made this year. The partial privatisation would be a "strategic partnership" with Telkom shares being offered to both local and foreign private sector operators.

MELANIE SERGEANT reports Telkom

MUNGO SOGGOT

MD Danié du Toit, approached for comment, said Landman was not a board member and could not make statements on behalf of the company. He said it was premature to talk of privatisation, which was ultimately a government decision.

Jordan is expected to make a statement on the issue today when he opens the Telkom '95 conference in Midrand.

Government gave the first signal that privatisation was on the cards last October when it announced a six-point economic plan.

Since then government has given mixed signals on whether it intends to use the proceeds from privatisation to raise as much money as possible for the RDP, to reduce state debt, or as a tool for redistribution of economic power.

Public Enterprises Minister Stella Sigcau is expected to soon announce guidelines which will shape the privatisation process. Government plans to publish a White Paper after studying a report drawn up by an unnamed task team.

Finance Minister Chris Liebenberg, in his Budget speech this month, said the restructuring of public assets could unlock underutilised resources and should contribute to empowerment of communities.

There has been speculation that government would be more likely to first sell off less important assets such as its Aventura holiday resort chain, particularly since some have voiced opposition to selling state assets such as parastatals, which could be pivotal for the RDP.

● See Page 6





Gadgets galore . . . Anna-Li van der Merwe demonstrates a video telephone, an item on show at Telkom's Biennial Conference and Exhibition on Telecommunications at Gallagher Estate in Midrand, which runs until tomorrow. PICTURE ETIENNE ROTHBART

## Telecommunications growth policy urged

BY SELBY BOKABA

South Africa needs to speedily address the imbalances caused by the legacy of apartheid and identify a strategy for its relatively developed telecommunications sector to grow, Post, Telecommunications and Broadcasting Minister Pallo Jordan said yesterday.

Addressing Telkom's biennial conference and exhibition on

telecommunications at Gallagher Estate, Midrand, Jordan said the formulation of telecommunications policy and regulation was the ideal starting point.

A great deal of work had been done on communications policy during the transition to democracy over the past few years, with the National Telecommunications Forum playing a pivotal role in that process.

The ministry would soon pub-

(267) 4/28/95

lish a Green Paper on telecommunications policy and regulation which would be a consultative document and "would pose a set of questions which my ministry feels need to be answered in order to formulate telecommunications policy".

The Green Paper was the first phase of consultation on policy development. Once that phase was completed, the ministry "will publish a draft White Paper and a set of draft legislation".

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# Telecommunications policy 'ready in a year'

LEGISLATION is expected to be ready in a year's time which will put in place a far-reaching new telecommunications policy, says Posts, Telecommunications and Broadcasting Minister Pallo Jordan.

In his opening address at the Telkom-95 conference in Midrand yesterday, Jordan said a Green Paper would be published soon calling for input on the new legislation.

After the Green Paper, there would be a draft White Paper and draft legislation for the parliamentary select committee on communications

MELANIE SERGEANT

Public hearings would be held and the proposed legislation was expected to be ready within a year

The Green Paper was designed to serve as a forum for dialogue to formulate telecommunications policy, and Jordan said that all role players could put forward their views for coherent policy on telecommunications, including as individuals.

National Telecommunications Forum chairman Velleng Sekha said that if participation was good, the

Green Paper could be expected by end-April, and the White Paper by July. "The final documents could be completed by year-end," she said

The Centre for the Development of Information and Telecommunications Policy's Andile Ngava said the call was for the establishment of an independent regulatory authority for voice and data. (267)

US information superhighway guru and chairman and CE of Silicon Graphics ED McCracken said countries that were behind could leapfrog older generation technologies.

to the fact that each spouse has an undivided half share in the joint estate, income accrues to the joint estate and the income should therefore be taxed equally in the hands of the spouses. It was decided to introduce specific rules into the Income Tax Act in this regard to eliminate any further uncertainty as well as to facilitate and simplify the administration of the Act.

From the 1992 year of assessment, investment income of spouses who are married in community of property is taxed in equal shares in their hands. In cases where a donor or testator donated or bequeathed an asset to a spouse married in community of property on condition that the asset does not form part of the joint estate, the taxation of the income is also regulated. Should the donor or testator also provide that the fruits (income) of the asset do not form part of the joint estate, such income is taxed only in the hands of the spouse who is the owner of the asset. Where the donor or testator has not mentioned the accrual of the fruits (income) of the assets at all, the income is taxed in equal shares in the hands of the spouses. The effect of this was mainly to the benefit of the taxpayers. Both spouses are entitled to the R2 000 interest exemption, while the marginal rate of the tax payable on the interest income is 20% lower as a result of the apportionment. No further amendments are under consideration.

**Maternity benefits for members of Public Service**  
\*15 Ms M SMUTS asked the Minister for the Public Service and Administration

- (1) Whether any maternity benefits are available to members of the public service, if not, why not, if so, what conditions are attached to the granting of these benefits,
- (2) whether any (a) male and (b) female members of the public service have been refused maternity benefits since 1 January 1994, if so, for what reasons,
- (3) whether unmarried members of the public service equally qualify for any maternity benefits; if not, why not, if so, for what benefits,
- (4) whether he intends changing the maternity benefits provided to members of the public service, if not, why not, if so, what changes are contemplated?

N239E

**The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION**

- (1) Yes, female officers and employees may on two occasions be granted a maximum period of 84 days special leave with full pay for purposes of confinement. A qualifying period of 12 calendar months uninterrupted service must be completed before this provision may be utilised.
- (2) (a) the maternity leave provisions do not apply to male members of the Public Service and (b) as from 1 November 1993 a head of department is compelled to grant the maternity leave applied for up to a maximum of 84 days, on condition that the applicant complies with the qualifying requirement, as set out in (1) above. Prior to the aforementioned date a head of department had the discretionary power to grant less maternity leave than the stipulated 84 days.
- (3) no distinction is made between married or unmarried female personnel in applying the relevant measures,
- (4) maternity leave is one of the conditions of service which is termed a matter of mutual interest between employer and employee, as defined in the Public Service Labour Relations Act, 1994. As such, any amendment to the prescripts cannot be effected unilaterally, but only if agreement is reached thereon between representatives of the employer and the admitted employee organisations in the Chamber of the Public Service Bargaining Council at central level.

**Figures for number of Grade 1/Sub A pupils enrolled in schools**

\*16 Mr M J ELLIS asked the Minister of Education

- (1) With reference to his reply to Question No 13 on 15 March 1995, (a) when is it anticipated that figures will be available in respect of the number of first grade/Sub A pupils enrolled in schools in the Republic for the 1995 school year and (b) what is the reason for the delay in making these figures available,
- (2) whether his Department, in budgeting for one year of free education for the 1995 school year, did any calculations in re-

spect of the estimated number of pupils who will seek enrolment in schools, if not, why not, if so, (a) what was the result, (b) how was this estimate arrived at and (c) what amount was budgeted?

N214E

**The MINISTER OF EDUCATION**

- (1) (a) It is expected that the information will only be available at the end of June 1995.
- (b) The information must be collected and processed by the Provincial Education Departments. These Departments are currently experiencing certain problems regarding the establishment of the necessary infrastructure as well as with the filling of posts.
- (2) Yes
- (a) It was estimated that between 150 000 and 350 000 additional Grade 1 pupils would be seeking enrolment. The total number of pupils in Grade 1 was therefore estimated to be between 1,8 million and 2 million.
- (b) This estimate was based on demographic considerations.
- (c) No specific amount was budgeted for.

**Murder of Dennis Marock. State to reinstate prosecution against accused**

\*17 Mr D H M GIBSON asked the Minister of Justice

- (1) Whether, with reference to certain information which has been furnished to his Department for the purpose of his reply, the State intends reconstituting a prosecution against the accused in the murder of Dennis Marock, if so, when, if not, why not,
- (2) whether a lack of resources on the part of the State is inhibiting the effective administration of justice in the Republic, if so, what is the extent of the problem,
- (3) whether any action is being taken or contemplated in this regard, if not, why not, if so, what action,

(4) whether he will make a statement on the matter? N242E

**The MINISTER OF JUSTICE**

- (1) Yes, I am informed by the Attorney-General of the Western Cape that it is expected that the investigation will be completed in the near future whereafter the accused will stand trial in the Cape of Good Hope Provincial Division of the Supreme Court of South Africa.
- (2) No, the administration of justice is still efficient. A general shortage of funds has however a negative effect particularly on the provision of sufficient experienced legal personnel which again inhibits expeditious administration of justice in certain areas of high population density.
- (3) and (4) The Department of Justice is constantly endeavouring, within the available budget to keep its establishment at such levels as to ensure the proper administration of justice. I am at present again approaching Cabinet in connection with the remuneration of judicial officers and legal personnel.

**Provision/administration of telephone services: responsibility of Telkom (267)**

\*18 Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting

- (1) Whether the provision and/or administration of telephone services in any areas of the Republic are not the responsibility of Telkom, if so, (a) which areas are involved, (b) why and (c) who is responsible therefor in these areas,
- (2) whether any action is being planned to bring all telephone services in the Republic under the control of Telkom, if so, when, if not, why not,
- (3) whether any complaints have been received during the latest specified period of 12 months of which information is available, in regard to the failure of authorities to send regular accounts to subscribers, if so, what are the relevant details?

N243E

*Hansaid 29/3/95*

**The MINISTER FOR POSTS, TELECOMMUNICATIONS AND FROADCASTING**

- (1) (a) At present Telkom is not responsible for the administration and provision of telecommunication services in the former TBV areas
- (b) There are certain legal, financial and staff related matters which must first be addressed before the telecommunication functions in these areas can be incorporated with Telkom
- (c) A separate Department of Posts and Telecommunication still exists in each of these territories, and these Departments are currently responsible for the administration and provision of telecommunication services
- (2) The necessary investigations in this regard have already been launched and the telecommunication functions of the former TBVC areas will be incorporated with Telkom with the least possible delay after the completion of the relevant investigations
- (3) Since Telkom has no jurisdiction regarding the administrative aspects of these former TBVC areas, they can unfortunately not offer any meaningful comment in this regard

**Director-General travel to Cape Town on Blue Train**

\*19 Mr J A JORDAAN asked the Minister for Public Enterprises

- (1) Whether the Director-General of her Department travelled to Cape Town on the Blue Train to attend the current session of Parliament, if not, what is the position in this regard, if so, why,
- (2) whether he was accompanied by any other departmental officials, if so, which specified officials,
- (3) whether her Department incurred any expenditure as a result of this trip, if not, who paid the costs thereof, if so, what total costs were incurred,
- (4) whether any non-State body or organisation contributed to any of the costs in

respect of this trip, if so, which bodies or organisations,

- (5) whether she approved this trip, if so, why, if not, who gave such approval? N224E

**The MINISTER FOR PUBLIC ENTERPRISES**

- (1) The Head of the Office for Public Enterprises was invited to travel on the Blue Train on 15 February 1995. Approximately one hundred foreign investors, bankers and fund advisers attending an investment conference participated in the journey. The purpose of the journey was, inter alia, to allow for extensive interaction and opinion exchange between the bankers etc and South African business people and government officials. The Head attended the opening session of Parliament on 17 February 1995
- (2) The Head was accompanied by Dr EP van Eeden and Mr ETJ van Rensburg
- (3) No, the trip was sponsored by Messrs Donaldson, Lufkin and Jenrette of New York and Messrs Yamachi International (Europe) Ltd
- (4) No
- (5) Yes. The opportunity for the exchange of views and influencing overseas investors positively in the interests of South Africa was deemed beneficial

**Fluoride added to public water supply**

\*20 Mr M J ELLIS asked the Minister for Health

- (1) Whether any fluoride is currently being added to the public water supply, if so, what are the relevant details, if not,
- (2) whether her Department has been approached in regard to the artificial fluoridation of the public water supply, if so, what are the relevant details,
- (3) whether she has taken or intends taking any action to prevent the artificial fluoridation of the public water supply, if not, why not, if so, why,
- (4) whether she will make a statement on the matter? N245E

**The MINISTER FOR HEALTH**

- (1) No
- (2) Yes. Representations were received from different quarters on the artificial fluoridation of public water supplies
- (3) No. The possibility to fluoridate public water supplies artificially is still being investigated. A final decision can only be taken after the completion of the investigation or after the comments and representations on the proposed regulations to be published in the future, have been considered
- (4) No

**Road accidents: persons died**

\*21 Mr D H M GIBSON asked the Minister of Transport

- (1) (a) How many persons died in road accidents in the Republic in 1994 and (b) what was the estimated cost to the economy of these accidents,
- (2) whether, with reference to his reply to Question No 19 standing over from 14 September 1994 and replied to on 19 October 1994, the Joint Task Group has been established together with the South African Police Service, if so, (a) who are the members of this group, (b) what are their qualifications in this regard and (c) what matters are they addressing? N246E

**The MINISTER OF TRANSPORT**

- (1) (a) The Department of Transport receives all statistics from the Central Statistical Services. Due to the lengthy process of compiling these statistics the 1994 figures are not yet available. Of the total number of fatalities of 9 470 for 1993, fatalities for the different road user groups are: drivers 2 543, passengers 2 812 and pedestrians 4 115. 4 823 of the total number of fatalities were in urban and 4 647 in rural areas
- (b) The estimated costs of collisions, which are provided by the Division for Road and Transport Technology of the CSIR, for 1994, are not yet available. The estimated costs of col-

lisions for the economy in 1993 were R9,168 billion. According to the degree of seriousness of the collisions, the cost per collision for a fatal collision is R230 715, for a serious collision R68 962, for a slight collision R19 634 and for a collision with damage only R13 881

- (2) Yes. The Joint Task Group was formed on 13 July 1994. The proposals were made that the Joint Task Group (JTG) should comprise of a small Core Group that will act as an extended secretariat, and a Consultative Committee with a wide spectrum of representation. The Core Group will comprise the following

- (a) (1) Department of Transport—Mr G J Botha and Mrs G I Hoch
- (2) SA Police Service (SAPS)/International Advisory Team (IAT) of the Minister of Safety and Security—Capt R S Askew and Lt-Gen M C Gelese
- (3) Four persons representing the Provinces, to be nominated jointly by the nine Provincial representatives in the JTG Consultative Group—Lt-Col A P Mangope, Mr S S Botha, Mr R L N Bulu and Mr L B Fourné
- (4) The Institute of Traffic Officers (ITO)—Mr A P L Portelli
- (5) The United Municipal Executive (UME)—Mr T R Grimbeek
- (6) A Metropolitan Representative—Mr M J C J van Rensburg
- The Consultative Committee comprise the following role-players
- The Committee for Road Traffic Law Enforcement (CRL). This will mean that the following parties will be part of the Consultative Committee
- The Department of Transport
- Directorate Traffic Control—Mr G J Botha and Mrs G I Hoch
- Directorate Traffic Legislation—Mr F C L Loots
- Directorate Traffic Safety—Mr E Wise

# Fuel levy, tolls needed to stop roads falling apart

JOSEPH ARANES  
Municipal Staff

IF immediate steps are not taken to maintain and upgrade South Africa's roads, the vehicular transport sector could be brought to a standstill, warns SA Bitumen and Tar Association chairman Dave Orton.

At the organisation's annual meeting, he said a dedicated fuel levy and more toll roads needed to be introduced to help finance the roads, which were falling apart and in urgent need of repair.

Mr Orton said road maintenance last year reached its lowest level in two decades, while the need for road upgrading and maintenance

projects doubled.

"The situation is made doubly precarious with the Council for Scientific and Industrial Research's recent discovery of some 200 000 km of unmapped roads.

"These entirely unmaintained and unmanaged roads in neglected areas in effect double the scope of the country's roads crisis.

"The increase in traffic — volumes increased more than 300 percent in the same period — coupled with the sharp decline in maintenance does not bode well for the medium-term prospect of our physical infrastructure.

(267) AR 630 398

to the fact that each spouse has an undivided half share in the joint estate, income accrues to the joint estate and the income should therefore be taxed equally in the hands of the spouses. It was decided to introduce specific rules into the Income Tax Act in this regard to eliminate any further uncertainty as well as to facilitate and simplify the administration of the Act

From the 1992 year of assessment, investment income of spouses who are married in community of property is taxed in equal shares in their hands. In cases where a donor or testator donated or bequeathed an asset to a spouse married in community of property on condition that the asset does not form part of the joint estate, the taxation of the income is also regulated. Should the donor or testator also provide that the fruits (income) of the asset do not form part of the joint estate, such income is taxed only in the hands of the spouse who is the owner of the asset. Where the donor or testator has not mentioned the accrual of the fruits (income) of the asset, at all, the income is taxed in equal shares in the hands of the spouses. The effect of this was mainly to the benefit of the taxpayer. Both spouses are entitled to the R2 000 interest exemption, while the marginal rate of the tax payable on the interest income is also lower as a result of the apportionment. No further amendments are under consideration.

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N239E

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N214E

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N243E

*Hansard 29/3/95*

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- Directorate Traffic Safety—Mr E Wise

# Phone monopoly in spotlight

ET(BR)28/3/95(267)

By ROSS HERBERT

STAFF WRITER

Deregulation and the RDP were the topics of choice yesterday at Telkom '95, where the world's largest telecommunications companies displayed their wares and eyed the South African market.

The posts, telecommunications and broadcasting minister, Pallo Jordan, said rapid advances in information technology should not become "just a high-tech scam to rip everyone off with a lot of expensive, inappropriate technology".

While he did not comment on reports that Telkom was gearing up for the sale of about half its R14 bil-

lion assets, Jordan disclosed that a government green paper dealing with the future role of parastatals would be published soon.

Telkom's invitation for proposals to provide a million homes with telephones drew strong attention from the vendors assembled for the conference in Midrand.

Telkom said it could not meet the RDP goal of 5 million telephones in five years.

Vendors seemed to be in agreement that the government should at least partly deregulate if it hoped to gain international technical and financial assistance in connecting underserved areas to the telephone system.



TELKOM

# Strangled by red tape

(267) FM 31/3/95

Government plans to devise a transparent and democratic telecommunications policy may come too late for State-owned Telkom to hang on to its lucrative business services. The policy commitment was announced by Minister of Posts, Telecommunications and Broadcasting Pallo Jordan.

But while government fiddles with the details of legislating and regulating telecommunications — a process expected to take a year — the industry is moving ahead at breakneck speed.

Telecommunications operators and suppliers from 10 countries worldwide — including AT&T, Sprint, Motorola, Siemens, Cable & Wireless, Philips, Ericsson, France Telecom, Deutsche Telekom, Marconi, NEC, Nokia, Plessey, NZ Telecoms and Alcatel — attended the Telkom 95 expo and conference in Midrand this week. All were looking for new business opportunities.

Anthony Gerada, MD of Internet service provider PiX, says he used the conference to sign up with US-based Sprint. "While we are still forced to use Telkom locally, we chose Sprint's fibre optic cable to carry our Internet data on the international leg. Telkom will miss the boat. Instead of trying to compete effectively, it is trying to eliminate competitors through regulation."

Telkom is concerned that competitors are skimming its lucrative business market, leaving it to provide uneconomical telephone services in line with its commitment to the RDP.

"We are working in a regulatory vacuum. Our competitors are exploiting this situation," says Telkom operations senior GM Ben Bets. Even without official deregulation, Telkom's monopoly has been eroded by new cellular, radio trunking and satellite technologies.

Besides confirming that government still lacks a telecommunications policy, Jordan's Telkom 95 speech also suggests there may be problems in his department. Postmaster-general Ters Oosthuizen, who became director-general for Jordan's department after last year's elections, has been working on draft telecommunications legislation since the end of 1993. He was expected to put this before parliament last year.

Now, it seems his input is being used only as background material. It is interesting to note that Oosthuizen was on holiday overseas during Telkom 95 — the most influential telecommunications conference and exhibition on the continent, which attracted 83 exhibitors and 108 speakers from around the world. Over 1 400 delegates attended the conference.

Jordan says the policy debate has been largely confined to the telecom sector. He now wants to extend it to the public.

A Green Paper will be published soon calling for input on the new telecommunications policy and regulation. It will pose questions "which my Ministry feels needs to be answered in order to formulate telecommunications policy," says Jordan. These will include questions on the role of telecommunications in the RDP and policy on competition.

This will be followed by a draft White Paper and draft legislation for parliament. Jordan says the process can be completed within a year — which would eventually be more than a year later than originally



expected.

Some fear that, much like the Independent Broadcasting Authority, the telecommunications regulatory process will become bogged down in paperwork. To complicate matters, members of the National Telecommunications Forum (NTF) — a consultative body including unions, government, business, academics and Telkom, which was formed in 1993 to develop telecom policy proposals for government — have often clashed when weighing up the demands for business services against "universal access to telephones."

The NTF was close to breaking up last November, says outgoing chairman Maurice Reznik. He resigned after only three months in the job and has been replaced by Felling Sekha of the Centre for the Development of Information and Telecommunications Policy.

The view which she presumably represents was outlined in the centre's quarterly publication newsletter. "Telkom's monopoly must be unconditionally protected to ensure that the service inequalities that were created by apartheid are rectified. Any move to compromise this position

would be tantamount to depriving the historically disadvantaged people of universal service."

There have been no official statements since Jordan's announcement that government is investigating plans to privatise Telkom, align it with a strategic partner and possibly liberalise the market. Telkom chairman Dikgang Moseneke denies as speculation a report by a Telkom GM that the utility will sell about half its R14bn assets to a consortium of partners.

While this may indeed be premature, many maintain it would make sense for Telkom to sell some of its noncore assets. By putting some shares on the market for purchase by local and foreign sector operators, SA could raise the money needed to modernise and extend its services to areas lacking in infrastructure.

Meanwhile, confusing signals are continuing to emerge. Even while paying lip service to the economic competitiveness that a modern telecommunications infrastructure helps engender, Jordan states Telkom is a national asset that must be protected. He says it is important to "realise greater co-ordination among the networks of semi-State firms so as to prevent wasteful duplication."

But rather than being detrimental as Telkom and government claim, competition has been used to extend service in Australia, Britain, south-east Asia and elsewhere in the world (*Leaders* March 3).

Telkom 95 keynote speaker Ben Verwaayen, who is CE of the Netherlands' R25bn PTT Telecom, says there is no recipe for privatising and liberalising markets. His company, the most profitable telecom operator in Europe, is a subsidiary of previously State-owned Koninklijke PTT Netherlands, listed on the Amsterdam stock exchange last year, raising US\$3,47bn. A second round will be floated this year.

He says telecommunications have rendered regional borders meaningless because multinationals, scattered around the globe, work together as "virtual companies" and demand world-class service.

As a result the world's telephone operators are forming global alliances to win business from multinational customers.

Telkom understands that if it intends to retain multinational customers — and a vital source of revenue — it must form a tight partnership with one or more international telephone operators. With a strategic alliance and partial privatisation on the cards for this year, don't expect full market deregulation to happen soon. ■

# Glowing report on Telkom sell-off

TELKOM's privatisation could attract up to R10bn in foreign investment and it could be listed on the JSE within two years, stockbrokers Fleming Martin say in an investment report on the parastatal

Telkom should be capable of earnings growth of more than 20% for the rest of this decade — excluding the effect of an offering of new shares, the report said.

Telkom's underlying profitability, the report said, was by no means poor. With a market value of more than R30bn, it would be one of the five largest companies on the JSE. Although investors would be anxious that government's intention to expand Telkom's network might affect its ability to

MUNGO SOGGOT

provide acceptable returns, rapid expansion would not necessarily be uneconomic.

Telkom could set up separate bodies to handle network expansion in areas where returns were in doubt. These could be re-incorporated when profitable.

The demand for network expansion meant compulsory redundancies were unlikely. Its gearing — 181% at the end of 1993/94 — could be cut to an acceptable level with a "modest injection" of equity from the sale of a stake to a strategic investor. Its pension fund deficit — R1,14bn at the end of March last year — could be

□ To Page 2

## Telkom

(267)

BD 3/4/95

□ From Page 1

wiped out if Telkom's privatisation raised new equity

Privatisation could help establish strategic partnerships, possibly through shareholdings, to beef up Telkom's local and international positions. Investors could welcome the introduction of competition as this would alleviate some of the pressure on Telkom to expand in areas where returns were in doubt.

Telkom was unlikely to lose its monopoly on long-distance and international infra-

structure for some time. The regulatory authorities' desire to shield Telkom from competition in the near term would probably protect it from companies providing data and private voice networks to multinationals. Its "relatively satisfactory financial situation and the pattern of privatisations elsewhere" meant that it was likely to be the first major state company to be privatised.

A senior Telkom official recently said the parastatal was restructuring its assets to prepare for privatisation

(c) The following is the capacity of each exchange in the areas under consideration

Office	Full capacity	Full capacity	Spare capacity	Office	Full capacity	Full capacity	Spare capacity
Mt Ayliff	1-160	118	42	Mt Fletcher	1-100	91	9
Maluti	1-100	64	36	Mt Freere	1-240	203	37
				Tabankulu	1-100	76	24
				Umzimkulu	1-260	175	85

### INTERPELLATIONS UNDER NAME OF MEMBER

Breytenbach, Mr W N— Defence, 58	Jacobsz, Dr F P— Welfare and Population Development, 382
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Geldenhuis, Dr B L— Foreign Affairs, 2, 479	Nzimande, Dr B E— Provincial Affairs and Constitutional Development, 377
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Groenewald, Mr P J— Safety and Security, 210	Smuts, Ms M— Home Affairs, 393

ceedings in the Province of KwaZulu-Natal,

- (2) whether he is in a position to furnish the names of the directors of the said companies, if not, why not, if so, what are their names,
- (3) whether these contracts were put out to tender, if not, why not, if so, when did each contract commence,
- (4) whether such successful contract was awarded to the lowest tenderer in each case, if not, (a) why was the lowest tender not accepted and (b) what was the price difference involved in each case,
- (5) whether any contracts were extended or renegotiated without being put out to tender, if so, (a) which contracts, (b) when and (c) why, in each case?

N202E

**The MINISTER OF JUSTICE**

- (1) The firms presently holding the contracts for the transcription of court proceedings in the Province of KwaZulu-Natal are as follows
  - (i) Secretarial Services, Durban, and
  - (ii) Sneller Recordings (Pty) Ltd, Durban
- (2) (i) Secretarial Services Mrs C V Gardner—owner
- (ii) Sneller Recordings (Pty) Ltd Messrs L G V Tonder and C J van Tonder—Directors
- (3) I am informed that the tenders were called for and the successful tenders were awarded by the State Tender Board. The contracts commenced on 1 September 1989
- (4) I am informed that the contracts in both instances were awarded as follows by the State Tender Board
  - (a) (i) In respect of the area of the Durban and Coast Local Division of the Supreme Court of South Africa and the magistrate's offices under its jurisdiction, the lowest tender was attached to Secretarial Services, Durban

(ii) In respect of the area, the Natal Provincial Division of the Supreme Court of South Africa and the magistrate's offices under its jurisdiction, the lowest tender in some respects was received from, Datayf (Pty) Ltd, Pretoria. The tender however was not awarded to the said firm. The Department, I am told, did not wish to lose the expertise of the previous contractor and some of Sneller Recordings' price components were lower than that of Datayf as shown in paragraph (4)(b) below. The contract was awarded to the previous contractor, Sneller Recordings (Pty) Ltd

(b) The difference in price tendered by the tenderers is as follows

Type of service	Transcription requested by judicial officer	Copy of transcription	Running transcription (additional costs)	Control of Re-corder
Sneller Recordings	R3,30	R0,35	R1,75	R54,00
Datayf	R2,92	R1,50	R2,29	R39,98
Difference	R0,38	-R1,15	-R1,17	R14,02

- (5) (a) All contracts for the transcription of court proceedings of the former Republic of South Africa were renegotiated and extended with the approval of the State Tender Board
  - (b) The contracts were extended for a period of four years with effect from 1 July 1993
  - (c) The curtailment of funds on the Department budget for 1992/93 necessarily compelled that savings had to be effected. In the process certain services were suspended and simultaneously an investigation took place on which other services of the Department savings could be effected

Due to the importance of court recording equipment and transcription services to ensure the effective operation of courts the service could not be suspended. Each of the contractors were approached with the request (as their contribution to the curtailment of departmental expenditure) to accept only 50% of the approved annual tariff increase. All the contractors accepted the proposal and the State Tender Board authorised the extension of the contracts concerned

**Monitoring of telephone lines: applications made/ granted**

116 Mr D H M GIBSON asked the Minister of Justice  
Whether, since his reply to Question No 81 on 19 August 1994, any applications to monitor telephone and/or telecommunication lines were (a) made and (b) granted in terms of the Interception and Monitoring Prohibition Act, 1992 (Act No 127 of 1992), if so, how many in each case?

N207E

**The MINISTER OF JUSTICE**

The hon member is referred to my answer to Question No 57 (written), a copy of which is attached for his convenience

*Reply to Written Question No 57*

- (a) Only 17 are still in force
- (b) (i) 386 new applications were received
- (ii) 378 were granted
- (c) On 28 February 1995, 65 of the applications granted in 1994 were still in force

**Local government institutions: outstanding debts**

117 Mr P J GROENEWALD asked the Minister for Provincial Affairs and Constitutional Development  
What was the outstanding debt of each traditionally (a) Black and (b) White local government institution as at 28 February 1995?

N208E

**The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT**

The information is unfortunately not available. Since the promulgation of transitional councils in November 1994, a single set of books is kept for all residents. The nine provinces are collating the external debt of all local authorities up to the promulgation of transitional councils

**Collapse of telecommunication system in former Transkei**

Transkei (267)

137 Mr G O M DOIDGE asked the Minister for Posts, Telecommunications and Broadcasting

- (1) Whether he will make a statement in regard to the alleged collapse of the telecommunication system in the former Transkei, *Hansard 6/14/95*
- (2) whether the department responsible for posts and telecommunications in the former Transkei has been incorporated into his Department, if not, why not, if so, when,
- (3) whether as at the latest specified date for which information is available, any (a) telephones, (b) district all offices and (c) party lines were out of order in the districts of (i) Mount Ayliff, (ii) Mount Frere, (iii) Tabankulu, (iv) Mahuti, (v) Mount Fletcher and (vi) Umzimkulu, if so, (aa) how many and (bbb) why in each case and (bb) what maintenance work has been carried out since that date,
- (4) whether regular monthly telephone accounts are being sent to subscribers in these areas, if so, what are the relevant details, if not, (a) why not, (b) in what manner are accounts being paid and (c) (i) how many telephones of subscribers in these areas have been suspended following the non-payment of accounts and (ii) in respect of what period is this information furnished,
- (5) (a) (i) how many applications for telephone services in these areas have been received and (ii) in respect of what period is this information furnished, (b) what

was the average waiting period in respect of these applications and (c) at what capacity are telephone exchanges in these areas currently functioning?

N251E

**THE MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING**

(1) The purported collapse of telecommunications services in the erstwhile Transkei can be directly attributed to unavailability of transport, lack of fuel and antiquated equipment in the majority of towns or districts - that are still being served by manual telephone exchanges.

**(1.1) Transport**

The repeated failure, over the years, to obtain the required quota of vehicles, due to austerity measures imposed by Central Government on expenditure, has adversely impacted the expansion of telecommunications infrastructural development. The maintenance of the existing telecommunications network was equally progressively affected. During the previous financial year, there has been no vehicle allocation to the Department and the Regional Government has already informed that they can again expect no vehicle relief for the 1995/96 financial year. In the circumstances, a complete breakdown of the telecommunications services becomes an inevitable result.

**(1.2) Funding**

The Department has been dependent on the Development Bank of Southern Africa for project funding on all its development activities. It is considered significant to inform that the last funding from the afore-mentioned institution was made during the 1988/89 financial year. Obviously, without funding there is little or nothing that could be done to improve the standards and levels of services let alone effecting the desired and overdue upgrading thereof.

**(1.3) Antiquated equipment**

Out of 28 towns or districts, comprising the former Transkei, only six have automatic telephone exchanges. The rest are still provided with manually operated telephone exchanges with obsolete equipment. Maintenance is extremely difficult because spares are no longer manufactured. The situation is further exacerbated by the theft of copper wire from the open wire routes which feed these towns. The routes themselves are very old and many were built more than 40 years ago. Consequently, most if not all district call offices and party lines have been without service for a considerable period of time and in some cases for as long as ten years. Manual exchanges that are working at full capacity cannot be expanded because the switchboards in use are no longer made and their salvation lies at automation.

(2) The integration of the former Transkei Department of Posts and Telecommunications and, indeed, all former TBVC territories into Telkom SA Ltd and SA Post Office Ltd is an ongoing process. It is expected that this exercise will be completed within a period of eight months from to date or soon thereafter.

(3) The statistical data regarding faulty telephone line connections for the areas under question is enumerated below.

	(i) Mount Ayliff (a) (aaa)	(ii) Mount Fletcher (aa) (aaa)	(iii) Tabankulu (aa) (aaa)	(iv) Maluti (aa) (aaa)	(v) Mount Fletcher (aa) (aaa)	(vi) Umzimkulu (aa) (aaa)	TOTAL
(a) Telephones	25	39	20	13	10	25	132
Locals	5	18	8	3	8	10	52
Trunks							

	(i) Mount Ayliff	(ii) Mount Frere	(iii) Tabankulu	(iv) Maluti	(v) Mount Fletcher	(vi) Umzimkulu	TOTAL
(b) District Call Offices (Acos)	0	23	1	1	11	31	67
(c) Party Lines	1	9	6	6	3	21	46
Total	31	89	35	23	32	87	297

**(bbb) and (bb)(i) Telephones**

Local subscriber telephone faults for all the abovementioned areas have since the previous financial year remained unclear due to an assortment of problems which included the unavailability of transport and the inability to secure the necessary spares to effect the envisaged repairs.

**(bbb) and (bb)(ii) District Call Offices (ACOS)**

The rampant theft of copper wire and the lack of funds to refurbish or rebuild these routes in between the Post Offices and the district call offices has resulted in some of these routes being out of order for periods of almost ten years to date. The situation has, naturally, progressively deteriorated over the years until the prevalent public outcry.

**(bbb) and (bb)(iii) Party-lines**

The situation obtained in this case is identical to the one that has already been presented in (bbb) and (b)(ii) above.

**(4) No**

(a) Accounts were last sent to subscribers during November 1994. The delay is due to stationery problems.

Stationery for telephone statements and all other stationery requirements for the Department were printed by the local Government Printers. The Department, at a short notice, was advised that stationery will no longer be printed by the Government Printers as directed by the Department of Home Affairs which has since taken charge of the Government Printers.

Alternative arrangements are made by the Department to print the statements. Various printers have been called to tender.

(b) Subscribers are unable to pay without telephone statements. Accounts are therefore not paid at present.

(c) The following is the number of telephones suspended in the areas in question.

Office	(i) Telephones suspended	(ii) Period
Maluti	48	August 1994
Mt Ayliff	37	October 1994
Mt Fletcher	40	October 1994
Mt Frere	78	October 1994
Tabankulu	6	October 1994
Umzimkulu	65	October 1994

Office	(i) No of waiting applicants	(ii) Period
Maluti	103	Urban 1986-1994
Mt Ayliff	97	Rural 1977-1994
	42	Urban 1985-1994
Mt Fletcher	73	Rural 1975-1994
	34	Urban 1987-1994
Mt Frere	223	Rural 1970-1994
	204	Urban 1985-1994
Tabankulu	429	Rural 1973-1995
	42	Urban 1985-1994
Umzimkulu	95	Rural 1977-1994
	143	Urban 1985-1994
	223	Rural 1977-1994

# Telkom urges public to help catch cable thieves

Star 10/4/95

(267)

## ■ CITY REPORTER

Telkom has warned that telephone cut-offs will happen regularly in Greater Soweto and Lenasia South as there is a large crime syndicate operating in these areas stealing telephone cables.

Communication manager Gert Schoeman said Telkom had lost more than R3-million worth of cables around Greater Johannesburg since last year, despite alarms

being set up on all cable routes.

He was responding to complaints made to The Star at the weekend by Lenasia residents who claimed that phones in the area had been cut off eight times last year, with two cut-offs so far this year.

A Lenasia South businessman, who did not want to be named, said he had been "forced to go out and buy a cellular

phone" after being without a telephone for a week. Last week, he said, was the longest period without telephone lines.

However, Schoeman said there was not much Telkom could do to prevent cut-offs in the area because of the crime syndicate that existed in Lenasia South and Greater Soweto.

"The community will have to help us stop this criminal act. We have in-

stalled alarms on all cables routes and have special manhole covers for underground cables, but thieves steal the cables anyway," he said.

Schoeman said four cables were stolen in Soweto last week and more than 500 had been stolen around Greater Johannesburg this year.

"We are losing a lot of money but the community is losing more. It's time they began supporting us."

## Motlana's firm joins consortium

# New group in race for R6bn Telkom deal

B0 12/4 195 (267)

US telecommunications giant Southwestern Bell has teamed up with Nthato Motlana's Corporate Africa and the UK's Cable & Wireless in a bid to win Telkom's R6bn tender for 1-million new phone lines to be installed within four years.

The move is timed to coincide with Telkom's recent announcement on partial privatisation, although the new consortium — New Africa Communications — has said it wishes to partner Telkom in any ventures offered, including equity involvement.

The new consortium believes it has a lead over the African Global group formed just two weeks ago by Bell Atlantic Corporation, Alcatel CIT, Philips, Matra Marconi Space and other companies.

A New Africa Communications spokesman said it believed its equal shareholder split, which involves equal equity for the black-owned Corporate Africa, has definite advantages.

African Global, masterminded by French-based LCC Rothschild, has similar aims to the new consortium, with initial plans to flight a satellite over Africa as well as competing for the 1-million telephone lines project.

Motlana said New Africa Communications had started work on the phone line proposal, but its main aim was to partner Telkom "in developing this strategic industry for the benefit of all South Africans". New Africa's expertise meant it was well placed to "play a constructive role with all the stakeholders in the SA telecommunications industry".

So far, almost 30 interested parties have collected Telkom's 1-million line tender

MELANIE SERGEANT

proposal form, but one industry analyst believed that only about five would submit concrete proposals. Apart from New Africa and African Global, AT&T was keen, along with a consortium of SA financial institutions and technology groups.

Industry sources believe that groups such as Sanlam could be interested in forming an SA group to ensure as much local capital as possible is invested in the phone lines project, and that local products are used. Telkom has stipulated that the project must not affect its own debt-equity ratio and must be fully self-funding.

Meanwhile, Motlana said another objective for the new consortium was to enter government's one-year "Green Paper" debate surrounding the establishment of new laws and regulatory structures for the telecommunications industry. The consortium, with combined assets of \$30bn, had the expertise to help develop grassroots telecommunications in SA and provide advanced services for business use.

At this stage the new consortium is unable to estimate the amount of capital it could bring into the country.

Southwestern Bell is the US's fourth largest telecommunications operator, and an investing partner in Mexico's Telmex which has installed 4-million lines in five years. Cable & Wireless, with an existing 25% investment in SA's cellular operator MTN and in-service provider M-Tel, owns and operates one of the world's largest global networks — the Global Digital Highway, which connects the world's major business centres.

# Transkei telephone trauma

**CLIVE SAWYER**  
Political Correspondent

TELEPHONE subscribers in the Transkei are not paying their accounts — because none have been sent for six months

This was disclosed in the national assembly by Minister of Posts and Telecommunications Pallo Jordan.

Some telephone services had been out of order for 10 years because of theft of copper wire and lack of funds for repairs

Dr Jordan said the purported collapse of telecommunication services was because of a lack of transport, lack of funding and antiquated equipment

There had been a repeated failure over the years to get enough vehicles to maintain and expand the network.

No money had been set aside for vehicles in the previous financial year

ARG 7/4/95 (267)

The Eastern Cape government had said there would be no "vehicle relief" in the next financial year

"A complete breakdown of the telecommunications services becomes an inevitable result," said Dr Jordan

The Transkei Department of Posts and Telecommunications had been dependent on the Development Bank for funding for development

No money had been given since the 1998/89 financial year.

"Without funding there is little or nothing that can be done to improve standards and levels of services, let alone effecting the desired and overdue upgrading thereof."

Dr Jordan said integration of the former homelands telecommunications departments into Telkom was expected to take about another eight months



# Telkom 'needs consortium'

CT(BR)13/4/95 (267)

By CHARLOTTE MATHEWS  
AND ROSS HERBERT

The magnitude of Telkom's call for proposals for the installation of a million new telephone lines over the next four years would require a consortium rather than an individual company and one with the resources to support Telkom in the long term, industry spokesmen said yesterday.

A newspaper reported yesterday that Africa Global had requested proposal forms for the "mega-line" project.

However, Peter Watt, deputy chairman of Altron-Alcatel, which is part of Africa Global, said yesterday that Africa Global had nothing to do with this particular project. It had been announced at the same time as Telkom 1995 and the mega-line project was a separate issue.

There was no agreement between the parties mentioned in connection with Africa Global — they had contributed to the discussions — and they were not an indication of any consortium that might be formed, he said.

The chairman of Corporate Africa, Nthato Motlana, confirmed that a consortium, New Africa Communications, had been formed with Southwestern Bell of the United States, Cable & Wireless of the United Kingdom and Corporate Africa.

"Telkom should take its rightful place in telecommunications in the world. Hopefully this could be the first step in a very long-term time frame, where Telkom could look at telecommunications in southern Africa," he said.

Motlana said the target was not unreasonable and one of the members of the consortium, Southwestern Bell, had successfully installed 4 million lines in Mexico in four years.

Telkom said that proposals were due by June 2, many of which were likely to be based on various forms of radio telephones, which are far cheaper and faster to deploy in isolated areas than fixed-wire phones.

However, Motlana said the key issue would be who paid for the equipment.

(267) ST(B) 16/4/95

# Telkom goes shopping

TELKOM's R6-billion contract places a heavy emphasis on technological specifications but also includes a number of conditions relating to the training and employment of local labour and service to the community.

"We wish to improve the density in the areas to 10 telephones per 100 people," the tender document states. At present the density in these areas, which include the former TBVC states, is below 5%.

"The lines will be provided for the specific intent of promoting economic activity and upliftment," it says.

Telkom calls for a detailed breakdown of tenders' capital costs as well as details on how the project would be reflected in Telkom's financial statements.

It stresses that "the provision of the

required infrastructure shall not materially affect Telkom's debt equity ratio".

The bidders have to provide "innovative means of minimising late payment and/or bad debt risk due to late or non-payment of telephone accounts".

Telkom says it may enter into a four-year "turnkey" contract for the project.

Bidders also have to indicate to what extent local contractors and labour will be utilised, detail utilisation of local content and provide a breakdown of training facilities for local staff.

On the technical side the contract calls for the provision of 21 digital switching units, 1 300 exchange concentrator units, 42 STM transmission systems and 1 000 low-capacity transmission systems.

# NAC phone bid 'can call on \$2bn'

(267) ST(BT) 16/4/95

Reports by SVEN LUNSCHE

NEW Africa Communications — the consortium formed this week between Nthato Motlana's Corporate Africa and telecommunication giants Cable & Wireless and Southwestern Bell of the US — could raise up to \$2-billion to fund the expansion of South Africa's telephone service.

The consortium has also indicated that it could provide telephone lines at about a third of the R12 000 a line it currently costs Telkom.

NAC's salvo is the latest in the battle for Telkom's R6-billion contract to provide 1-million rural telephone lines over the next four years.

But at stake is not only the new South Africa's most lucrative government contract yet but also an opportunity to become a significant stakeholder in a privatised Telkom.

Pallo Jordan, Minister of Posts and Telecommunications, said in February that the government had decided in principle to sell off at least part of Telkom to help expand and modernise the country's telecommunications network.

The preliminary stages of the parastatal's sale will be the subject of a board meeting later this month. Mr Jordan is also expected to release a Green Paper on telecommunications soon.

Sources indicate that up to 30% of Telkom, a holding valued at about R9-billion, could be sold to a "strategic global equity partner".

Not only would an equity

injection fund rural expansion, it would also help bring down Telkom's high debt levels — in the 1993/4 financial year its gearing was 181%.

NAC makes it clear that it sees for itself a major role in both the R6-billion contract and the privatisation of Telkom.

In an interview, Dr Motlana, who is likely to become chairman of NAC, said the deal was aimed at forging closer co-operation with Telkom in the future, including possible equity involvement.

The key element in NAC's bid is likely to be low costs and substantial financial resources.

With a combined asset

base of \$30-billion, "we could raise between \$1- to \$2-billion with ease to fund the expansion of telecommunications in South Africa," says C&W's Tim Lowry.

Mr Lowry says the consortium has no links with manufacturers and could thus pick the most cost-effective technology.

"While the costs depend on a number of factors still to be worked out, we estimate we can provide the lines at R4 000 to R5 000 a line."

Jim Myers, Southwestern Bell's vice-president for international development, says its costs in providing 4-million lines in Mexico fell by almost half six months into the project.

Dr Motlana admits that Corporate Africa's role in the venture is one of political leverage.

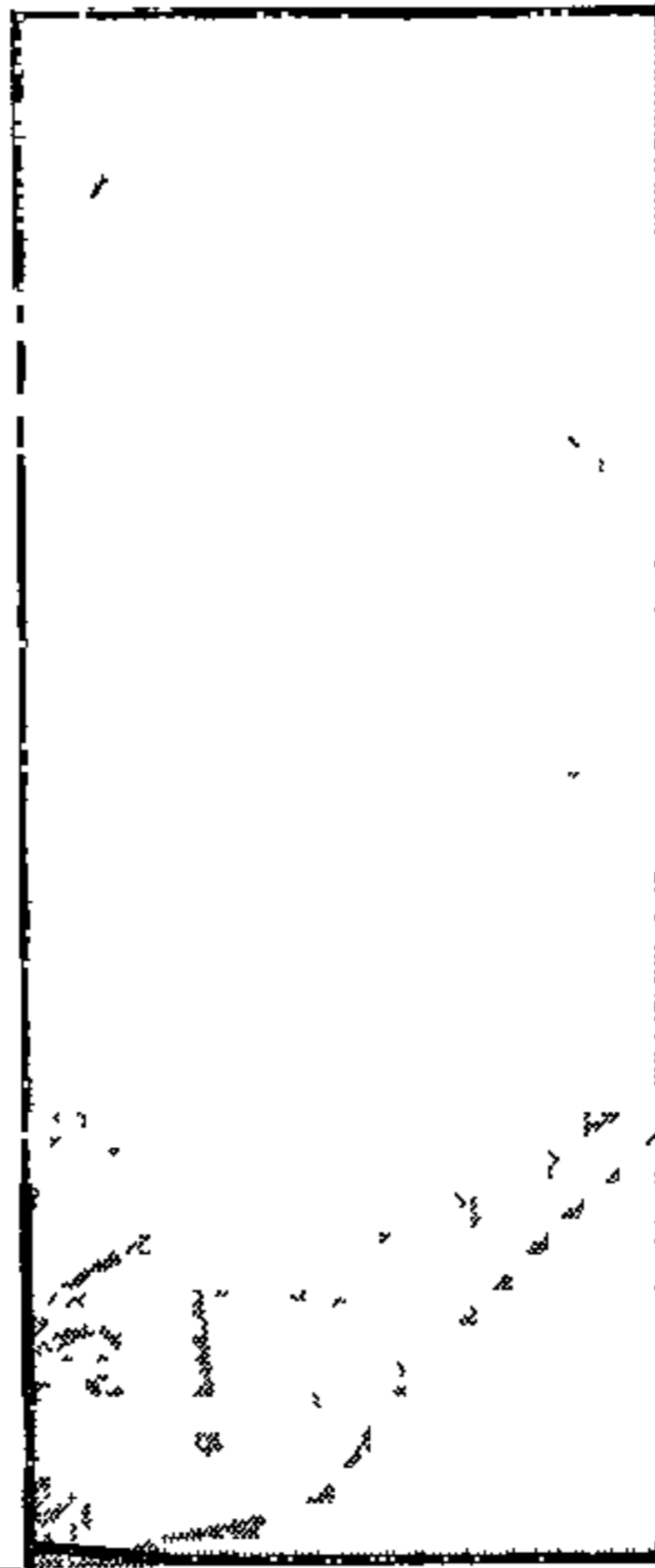
"The presence of a black group will, of course, give us a head start in the bidding."

The three groups will be equal partners in NAC. If the company wins the bid it could go to the JSE for additional funds.

NAC's bid follows the recent announcement by African Global, a group formed among others by Bell Atlantic, Alcatel CIT and Philips, that it would help develop local telecommunications ahead of Telkom's privatisation.

Other firms that have met the government include Japan's Nippon Telephone and Telegraph and AT&T of the US.

A local AT&T spokeswoman confirmed that the group would be making a bid once details of the proposals were known.



NTHATO MOTLANA

# W Cape roads to get cleaner

(267)

OKT 25/49S

## Environment Reporter

AN INTENSIVE three-week clean-up of major roads in the metropolitan area gets going next week — in good time for the Rugby World Cup

The clean-up — phase one of the "Clean and Green Campaign" of the Western Cape regional government — will cost R1,57 million and provide about 500 temporary jobs

Most of the money — R350 000 — will be spent on roads in the Nyanga, Guguletu and Langa areas, while other major expenses include the Stellenbosch arterial road (R122 000), the triangle between Klipfontein and Eisleben roads (R190 000), Macassar Road (R105 000) and Strandfontein Road (R88 000)

Announcing the initiative today, regional Minister of Transport and Public Works Leonard Ramatlakane said it

would provide valuable experience for phase two of the campaign, which would last more than four months and provide 8 113 temporary jobs at a cost of R7,6 million.

This would involve the removal of debris and alien vegetation, slope stabilisation and greening through the planting of trees and other landscaping throughout the region

The campaign is in line with the government's reconstruction and development programme

Hennie du Plessis, deputy chief engineer of the provincial department of housing and infrastructure, said the short-term aim of the "Clean and Green Campaign" was a clean-up associated with the expected increase in tourism relating to the Rugby World Cup

# W Cape jobs <sup>267</sup> bonanza <sup>CI 26/4/95</sup>

**CHRIS BATEMAN**  
POLITICAL STAFF

A UNIQUE R2 million Peninsula "clean-up" of main transport routes kicks off in preparation for the World Cup Rugby tournament next month. It forms part of a broader R8 million "Clean and Green" campaign aimed at creating 8 613 jobs and improving township environment.

Western Cape Transport and Public Works minister Mr Leonard Ramatlakane said the first stage, beginning on May 3, would focus on removing debris from major transport arteries, creating 500 jobs with local authorities and matching the RDP funding on a rand-for-rand basis.

The second stage included debris and alien vegetation removal, slope stabilisation and the greening of suburbs and townships through tree planting.

## **Awareness**

This stage would also involve providing recycling depots, mounting public awareness campaigns and civic education with 25 identified communities and non-governmental-driven projects.

Many of the Peninsula's squatter areas are either on old rubbish dumps or are surrounded by dumped builders' rubble and non-collected refuse.

One project's aim is to generate environmental pride, helping to promote a culture of payment for services in the townships.

Mr Ramatlakane appealed to the private sector to "get involved" by helping prevent indiscriminate dumping of rubble and contacting his office to see where they could help.

Although job-creation would only last for 4½ months, it was hoped emerging local authorities would absorb workers on a more permanent basis.

"A clean and healthy environment will help our tourist industry, especially in the context of the upcoming World Cup Rugby tournament," Mr Ramatlakane said.

# Post offices close down

□ Postal service cuts in 'older' suburbs

(267)

ARLT 3/5/95

GILL TURNBULL  
Staff Reporter

POST OFFICES in Diep River, Tamboerskloof, St James and Westlake closed down permanently at the weekend in spite of angry protests by mainly elderly people in the areas they had served for many years

The latest closures follow last year's closing of post offices in Regent Road, Sea Point, and Somerset Road, Albert Road and Camp Ground Road, Newlands as part of a Western Cape strategy to "streamline" the postal service, which is losing about R350 million year

The move to close post offices in the older suburbs is also part of a new strategy to serve areas "which in the past did not have easy access to a postal service", according to an official announcement from post office public relations officer, John Sadie

"More than 600 of the existing 1 300 street postboxes in the Peninsula and surrounding towns, Stellenbosch, Paarl, Somerset West and Strand, will be withdrawn or moved. This is the result of a study which showed these boxes were completely under-utilised."

Mr Sadie said all zebra letter boxes used for local mail would be withdrawn now that the postal service had been "streamlined" with the establishment of the new Cape mail centre in Goodwood

"Some streetboxes will be moved to areas where there is a need for them and new street letter boxes will be installed at all new transportable postbox lobbies and mail collection points

In the coming financial year the company intends installing about 65 transportable postbox lobbies and permanent mail collection points in the Western Cape to provide 75 000 additional households with postal addresses"

Postal authorities would put up notices on all street letter-



Picture GILL TURNBULL, The Argus

**LAST OUTPOST:** Hout Bay children, Jenny Williamson, 9, and her brother Kyle, 6, admire one of three remaining royal mail boxes in the Peninsula. This one in Hout Bay bearing the George Rex crown and insignia has been re-instated on a new post office site. It was made by London and Derby founders, A Handyside & Co, but its date is unknown. As far as is known there is another Georgian mailbox in St James and an Edwardian one in Diep River where both post offices are now defunct

boxes to be removed, notifying customers of the nearest street box to the one being removed, Mr Sadie said

He said the company had

been obliged to re-evaluate some of the uneconomic services and products, and to phase them out where they had not been cost-effective

The Independent Broadcasting Authority's granting of 16 community radio station licences last week is sure to increase demand for the wind-up radio in poorer areas ■

**TELKOM (267)**  
**(S)tone deaf**

*FM 5/5/95*  
Telephone bills have risen by more than 50% since Telkom shortened its metering period in January, according to a poll by the Johannesburg Chamber of Commerce & Industry (JCCI)

The chamber asked its members for copies of their telephone accounts following a dispute with Telkom over the effect of changing the metering period from five minutes to three

Telkom claimed the increase would be about 10%, but the chamber says its members' accounts over the past three months validate its claim that the increase is far higher

In February, Telkom offered to investigate claims by analysing the phone bills of a representative group of the chamber's members. But Telkom has refused to start its investigation because the chamber's submission did not include written permission from the companies it nominated to take part in the survey. JCCI says it is in the process of getting the required documentation for the survey to proceed

The new metering system has also raised the ire of the SA Chamber of Commerce & Business (Sacob), which has "expressed

concern" to Posts, Telecommunications & Broadcasting Minister Pallo Jordan

Sacob and JCCI are calling for the metering period to be changed back to five minutes, saying they would prefer an increase in the unit cost in preference to the new metering system

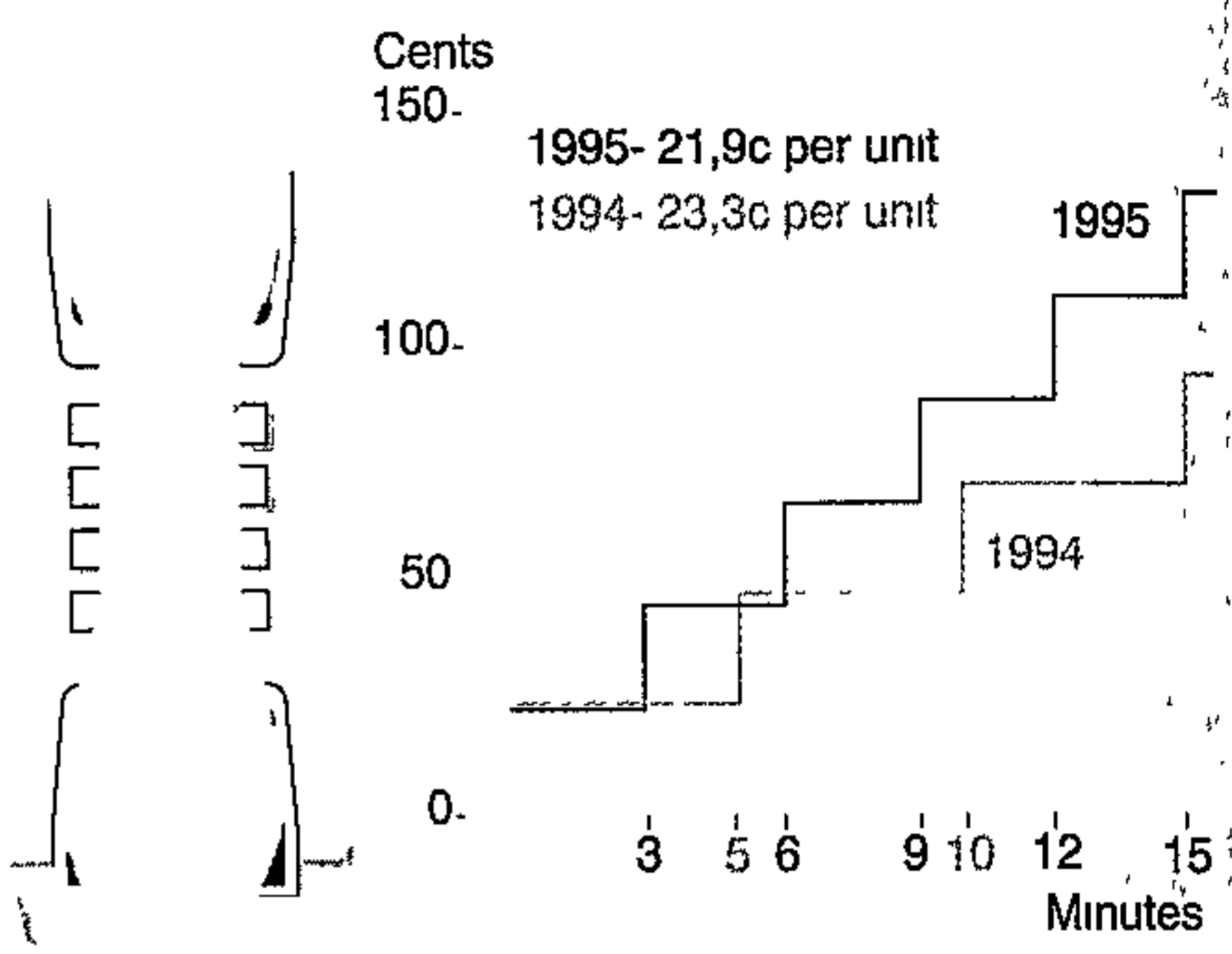
When Telkom notified clients of the telephone tariff increase, it claimed "Our records show that most calls within a 50 km radius are about 140 seconds long. Though the metering period is now shorter (180 as opposed to 300 seconds), it has become possible to make cheaper phone calls"

The new metering system causes the cost of calls under three minutes to drop by 5.9% because the per unit charge was reduced from 23,3c to 21,9c (see graph). The faster metering period causes the price to drop again for calls between five and six minutes, but from there onwards calls are more expensive

The final increase hinges on the length of an average local call. Commerce and industry are sceptical of Telkom's figure of 140 seconds

To arrive at this figure, Telkom bundled together all types of calls: telephone conversations, fax transmissions and computer

**COST OF LOCAL PHONE CALLS**



data sent via modem. Faxes and dial-up electronic data interchange (EDI) are quicker than most business conversations. But FirstNet MD and deputy-chairman of the National Telecommunications Forum (NTF) Mike van den Bergh doubts the percentage of computer or fax calls are high enough to affect the national average

An increasing number of short calls are being made by "SpeedPoint" and other electronic terminals to verify credit card transactions over a certain limit, but again Van den Bergh says these are unlikely to bring the average local call down to the time indicated by Telkom

Telkom's calculation cannot be independently verified because the State telephone utility has refused access to the figures it used

Telkom justifies the new metering system by saying it needs to "rebalance" its tariff structure. It cites the fact that 76% of calls are local, but these only contribute 26% of its revenue

Whether this justifies increasing the cost of local calls is debatable. If the telecommunication companies in New Zealand and Canada can afford to offer their clients free local calls, why can't Telkom?

The increase in phone tariffs may cause Telkom's line usage to drop by prompting business to look at ways of reducing the number of outgoing calls

According to a survey by US business magazine *Fortune*, calls are missed 85% of the time because staff are away from their desks

TR Services CE Ian Macfarlane says "When a call is missed, a return call must be made at the company's expense — a cost business can do without. By using on-site paging, a company can ensure staff are contactable immediately"

Another option is e-mail. Companies can peg communications costs by signing up with an Internet service provider which charges a fixed rate and renting dedicated data line ■

**COMPUTER MAIL BACK**

The *Financial Mail* has increased its editorial coverage of information technology (IT) substantially in recent months in what is now a three-page section

Written by Marina Bidoli and Robert Laing, these pages are proving to be very successful and are attracting increasing business interest

The reason the *FM* has devoted increasing resources and substantially more space to IT is that no other publication has concentrated on providing the top level of the business market with appropriate, understandable and intelligent news and appraisals of IT developments

The *FM*'s IT pages are not intended primarily for manufacturers and suppliers of IT equipment. They are aimed at executives who need IT expertise and recognise its potential, but who do not necessarily use the equipment themselves

Until two years ago, this coverage was

contained in a monthly *FM* supplement, *Computer Mail (CM)*. At that time it was felt that *CM* would be given more appropriate direction by the Thomson group, which is owned by our proprietors, Times Media Ltd, and publishes trade journals. The plan was to sell advertising in *CM* in conjunction with that of other computer publications owned by Thomson and to distribute it with the *FM*

The outcome was not salutary, either editorially or commercially, and *CM* has been returned in full to *FM* control. Accordingly, *CM* will in future enhance the *FM*'s weekly IT coverage. It will continue to expand and initially be published as special-interest supplements to incorporate the *Software Buyers' Guide*

*FM* editorial standards, approach to news and interpretation and special focus will apply in future to *CM*, which is being redesigned for greater reader utility and interest

*No clear plan for local elections*

# Gauteng falters on demarcation

Star 9/5/95 (267)

BY JO-ANNE COLLINGE

The Gauteng Demarcation Board has failed to come up with a clear plan for dividing the Johannesburg metropolitan area into primary local authorities for the November 1 local government elections.

A well-placed source told The Star that the Gauteng cabinet was under pressure to finalise the boundaries of local authorities this week. But, when it came to Johannesburg, the best the demarcation board could do to guide the cabinet was to offer it five different models.

Provincial MECs considered

the options placed before them at Wednesday's cabinet meeting but were unable to make any decision.

It is understood that the present interim configuration of seven metropolitan substructures under the Greater Johannesburg Transitional Metropolitan Council is highly unlikely to be confirmed by the cabinet.

The model for the elections is likely to include fewer substructures, although not as few as the ANC punted for in negotiations for the transitional period.

It also seems likely that the vast site-and-service development of Orange Farm will be in-

cluded in the Johannesburg metropolitan area, rather than in the Vaal.

If MEC for Local Government Dan Mofokeng and his cabinet colleagues do not act decisively to determine a plan for Johannesburg within days, the entire timetable for the elections could be thrown into disarray.

The national Local Government Elections Task Group has reckoned on starting the demarcation of wards in about a week.

This will start as soon as data on population distribution becomes available from Central Statistical Services and the Department of Home Affairs.

## VE Day cards

The Post Office yesterday issued a set of six postcards to commemorate the end of World War 2.

They are based on wartime propaganda posters at Johannesburg's National Museum of Military History.

Sets cost R10,80 each from post offices or from Philatelic Services, Private Bag X505, Pretoria 0001.

For details, phone (012) 328-7911 or fax (012) 311-6042 — Sapa

► **More VE Day reports — Page 4 and 17**

## Eskom grant for Soweto

BY PAULA FRAY

The Soweto Civic Association recently received a powerful boost for its From Resistance to Development campaign. Eskom donated R100 000 to the project, aimed at facilitating the back-to-payment drive.

SCA president Isaac Mogase said the utility's contribution was one of several from companies supporting the organisation's serious message underlying its 10th anniversary celebrations.

"The SCA council decided in October that these celebrations would not just call people to party, but would mean some-

thing. We decided to address the issues of voter registration and the payment of services, and look at development of the organisation and of Soweto under the theme From Resistance to Development," he said.

Mogase said SCA and Eskom negotiations to resume payments had pre-empted Campaign Masakhane, bringing payments up from a lowly 20% to almost 70%.

Eskom's acting executive director (growth and development) Dawn Mokhobo said the corporation would like to join forces with the SCA to explore constructive ways to encourage people to pay for services.

CV d tr e te cl u st bt st yf re su



# US phone giant Sprint sets up shop

CT(BR) 11/5/95 (267)

By ROSS HERBERT

STAFF WRITER

Sprint International, the American telephone giant, announced yesterday that it was setting up shop in South Africa and intended to compete in the local telephone market as soon as deregulation allowed.

Sprint has formed a joint venture with Publico called Sprint South Africa. It will be 60 percent owned by Sprint and 40 percent by Publico.

"The new company is poised to become a significant player in the South African telecommunications industry, marketing Sprint's range of services and taking full advantage of the likely deregulation of telecommunications," the companies said.

Sprint's turnover last year was R36 billion. It has the world's largest fibre optic network. Publico has been marketing Sprint's consumer international telephone charge cards in South Africa for the

past three years. According to Stan Ruben, Publico's financial director, the joint venture will initially market Sprint video-conferencing, electronic mail, multimedia applications, digital private lines and data transfer services, when regulations allow.

In the past year, Publico's stock has moved from 120c per share to 210c in yesterday's trading. And it has jumped 35 points in the last three days.

Ruben said Sprint had a partnership with Telkom on the SAT-2 international telephone cable and would not violate its agreements with Telkom.

The Publico-Sprint venture is part of a thrust by Publico to diversify from printing and publications to become a communications company. Ruben said Publico was also the largest shareholder in a consortium — including the Kagiso Trust, the Weekly Mail and Anant Singh — that would bid for an FM radio licence in conjunction with the BBC World Service.

(267) CT(BR) 11/5/95  
**Telephone giant for SA:** Sprint International, the US telephone giant, announced that it is setting up shop in South Africa and intends to compete in the local telephone market as soon as deregulation allows. Sprint formed a joint venture with Publico, Sprint SA, which will be 60 percent owned by Sprint and 40 percent by Publico. Sprint's turnover last year was R36 billion. See over.

## Communications team named

(267) CT 16/5/95

POSTS and telecommunications minister Dr Pallo Jordan gave the names yesterday of the team who will draft a Green Paper on telecommunications policy

His special adviser, Mr Willie Currie, will direct the team. Mr Andile Ngcaba and Dr Robin Braun will be the technical team and Professor David Kaplan, Ms Felling Sekha, Mr Andre Van der Westhuizen and Professor Mike Morris the advisory panel.

## Steel mill: Minister 'has no jurisdiction'

~~15/5~~ ~~26~~ (267)  
Political Correspondent

ENVIRONMENTAL Affairs Minister Dawie de Vilhiers says he has no jurisdiction over whether the Saldanha steel project will go ahead

He was asked in the senate by Errol Moorcroft (DP) whether he had given permission for the project

ARG 17/5/95  
"I have no jurisdiction with regard to this matter," Dr De Vilhiers said in a written reply yesterday

He said an application by VKE Consulting Engineers, on behalf of Iscor, for the rezoning of farmland on the West Coast for industrial purposes was being considered by the Provincial Administration of the Western Cape

● Posts, Telecommunications and Broadcasting Minister Pallo Jordan has ordered a probe into the restructuring of Telkom

He told the national assembly he had ordered Telkom's board to look into options "of totally transforming the company into a world-class, customer-driven company."

Replying to a question by Kobus Jordaan (DP) about whether Telkom was to be privatised, Dr Jordan said a dimension of its transformation would be the restructuring of Telkom's equity

"The process of identifying suitable opportunities for equity restructuring is guided by the board, in close liaison with myself, relevant cabinet committees and other significant stakeholders

"The process of identifying an adviser will be transparent and will involve competitive bidding"

Dr Jordan said he would make a statement on the issue "in due course"

(267) CT(BR)17/5/95

**Telkom told to consider options:** The telecommunications minister, Pallo Jordan, has instructed Telkom to consider options to transform the company into a world-class, customer-driven company, including possible privatisation. Jordan said in parliament that the process of "identifying suitable opportunities for equity restructuring" was being guided by the Telkom board in liaison with himself, relevant cabinet committees and other stakeholders. No negotiations on equity restructuring were taking place yet.

**Miners to mourn:** All Gengold's miners will be given today off on full pay to mourn the victims of the Vaal Reefs disaster last week. Memorial services will be held on all the group's mines.

**Safety achievement:** The Union Section at Rustenburg Platinum Mines is celebrating the achievement of 1 million death-free shifts. This is the third time the mine has achieved millionaire status.

**Labour Relations Bill 'this year':** The minister of labour, Tito Mboweni, has told the senate that he intends to get the draft Labour Relations Bill, currently being considered by Nedlac, before parliament this year despite pressing demands on time.

## COMPANIES

(BR)17/5/95

**Tiger shows its oats:** Tiger Oats has lifted earnings by 25 percent to R222,7 million in the six months to March 1995, according to figures released yesterday. Turnover was 12 percent higher at R6,1 billion, showing volume growth of only 3 percent, but operating income grew by 17 percent to R394,5 million. On earnings a share of 148c (118,6c), the dividend rose to 38,5c from 31c. See next page

**Medi-Clinic earnings rise:** Medi-Clinic Corporation reported yesterday a 34 percent improvement in attributable earnings to R39,3 million (R29,4 million) for the year ended March 1995. Turnover rose 35 percent to R385,4 million (R284,7 million). Earnings a share grew by 26 percent to 27,4c a share (21,8c) while the group declared a final dividend of 6c a share (5,05c) resulting in a higher annual dividend of 8,5c (7,25c). See next page

**Lufthansa halves losses:** Deutsche Lufthansa, the parent company of the German airline, halved pre-tax losses to \$26,3 million in the first quarter and said the outlook was bright except for the strength of the mark. The company also announced a dividend for last year, the first since 1989.

**Sun in joint hotel venture:** Southern Sun has formed a joint venture with the huge Intercontinental group to run hotels throughout Africa. From now on three hotels in the Southern Sun group — the Cape Sun, the Sandton Sun and Towers and the Beverly Hills Sun — will carry joint branding as Southern Sun-Intercontinental Hotels Africa. Intercontinental would put its nine hotels in Africa, including those in Nairobi and the Ivory Coast, into the joint venture. See next page

CT(BR)17/5/95

## Postal unity delay slated

Bonile Ngqiyaza

(207) B025/95

DELAYS in integrating former homeland post and telecommunications structures by Telkom and the South African Post Office (Sapo), were veiled at attempts to privatise the industry, a Post and Telecommunications (Potwa) spokesman said yesterday.

Potwa general secretary Sikhumbuzo Tyibilika said the delay was a dereliction of duty by the two organisations. It would cost R6bn to complete the process.

The delay further worsened the already critical situation in those areas, he said.

He said the "insensitive" Sapo and Telkom approach had led to deterioration of services, citing Transkei, where in desperation workers had "chased away the useless managers".

He also criticised Telkom's plan — called the Request For Proposal plan — of delivering 5-million lines in five years and said it was vague on the future of workers.

Neither Telkom nor Sapo were available for comment yesterday.

# Satellite group can't dish up on promised launch date

Staff Reporter

SATELLITE transmission to Southern Africa via the Intelsat 704 satellite has been delayed "until clarity can be sought on the issue of satellite broadcasting", said the African Satellite Entertainment Corporation (ASEC)

It said its board decided to delay its broadcasts — scheduled to start last Saturday — "in light of the statement issued by the Independent Broadcasting Authority (IBA) on May 17, and the public interest"

The corporation plans to start broadcasting "by June 1"

It said although it was registered in Swaziland, "this does not mean that the kingdom is being used as a springboard into South Africa and thus will operate as a pirate broadcaster".

"ASEC has made it clear it will not broadcast into any territory unless the necessary regulatory authorities are aware of and agreeable to the transmissions," the company added

It pointed out, however, that "satel-

lite footprints are such that the beam will spill into other territories"

The IBA said earlier this month that although it was "extremely excited by the challenges and opportunities of satellite broadcasting", it wanted to "ensure that ultimately satellite broadcasting benefits all South Africans"

The IBA is sitting to establish a framework for a public inquiry into satellite broadcasting, specifically "to determine the manner and form of satellite regulation and particularly the nature of the public service obligations to be undertaken by satellite broadcasters"

ASEC will initially broadcast in analogue, with ASEC Sports as its first channel, followed by ASEC Family Channel, News, Music and Education

"All analogue channels will be operational no later than mid-August, subject to clarity from the IBA," ASEC said

(267) ARG 26/5/95

## TELECOMMUNICATIONS

# Ringling the changes

**Government plans** to devise a transparent and democratic telecommunications policy are finally under way

But there are fears that the process could take years to carry out, allowing competitors to skim Telkom's lucrative business sector and leaving it to provide uneconomic telephone services in the former homelands and under-serviced townships

Post, Telecommunications & Broadcasting Minister Pallo Jordan announced in March that a Green Paper would be prepared on telecommunications policy and regulation, followed by a White Paper and new legislation

However, only last week did he announce details of the Green Paper's drafting. Though Jordan is still aiming for the paper's publication by end-June, many expect it to take longer

The privatisation of Telkom hinges heavily on the future of telecommunications legislation and regulation

Critics point out that though Telkom is searching for an overseas partner, foreign investors are unlikely to take an equity stake in the company unless they have a clear indication of future legislation

Some already fear that government's objective of "universal access to telephone services" could overwhelm Telkom's ability to provide acceptable returns to shareholders. They also need to know how this will be balanced with the corporation's First World commitments. Companies, which provide most of Telkom's revenue, want world-class services and access to the "information superhighway"

Thus it seems likely that private equity investors will want government to protect Telkom's monopoly on long-distance and national infrastructure for the short term

"The opportunity to operate in a protected environment is an important carrot for a potential investor," says Lehman Brothers corporate finance executive director Kofi Bucknor

Infrastructure suppliers interested in tendering for Telkom's proposed R6bn-plus contract to provide 1m lines a year in the former TBVC states are also concerned by the delay in policy legislation. They say the project is a mammoth logistical challenge

(267) FM 26/5/95  
because of inhospitable and sparsely populated terrain which lacks infrastructure such as electricity and roads. As a result, suppliers want a commitment from government that their investments will be protected irrespective of future legislation

Denis Smit, a member of the committee appointed to draft the Green Paper, says "It could extend to R20bn with imports and

have their own telecommunications networks. It will also gather views on creating conditions of security for investors, the design of tariff structures to achieve economic and social objectives, affirmative action and regional and international issues

Sponsored by the Canadian-based International Development Research Centre and the Canadian International Development Agency, the drafting of the Green Paper will be co-ordinated by Currie, who was largely responsible for setting up policy which led to the formation of the Independent Broadcasting Authority (IBA)

He says "We have learnt some lessons from the IBA's formation"

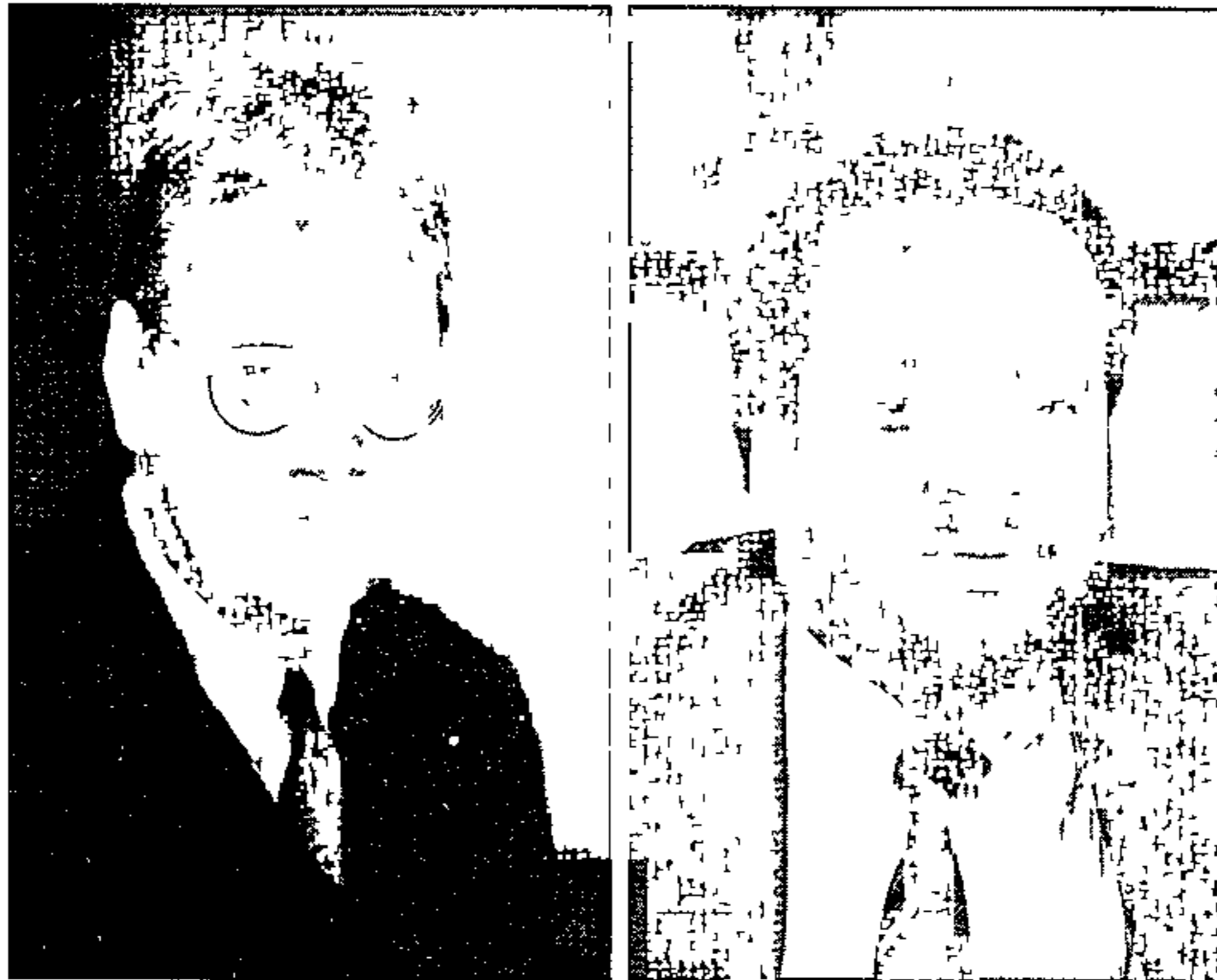
Despite public disquiet about the activities and role of the IBA, there appears to be official support for the early formation of a parallel telecom body — the Independent Telecommunications Authority — to examine the recommendations from the public hearings and bring these into a White Paper. The potential similarity between the two bodies is likely to send a shiver down the spine of anyone who has seen the IBA in action

Supporters of the idea, however, argue that an independent telecommunications body would not only

save time by getting the regulators involved in the industry at an early stage but would also sort out many of the day-to-day regulatory issues such as allocation of frequency spectrum to the cellular phone companies. In this way, it would not repeat the mistakes of the IBA

Government will also have to reveal some of its thinking on privatisation and deregulation of the market at an early stage

If it does not, it is unlikely we will see a major investment in Telkom or in large infrastructural projects



**Currie** recognises the urgency of telecom policy regulation

**Jordan** aims to publish the Green Paper by end-June

countertrade agreements"

Government has indicated it wants Telkom to add 5m lines to the existing domestic network (which consists of only 3,8m lines) within the next five years

"We recognise the urgency of the situation and are concerned that there is a short window of opportunity because of technological development," says Wilhe Currie, special adviser to Jordan

He says the multimillion-rand telecom projects will have to continue in parallel with government's legislation process

But, because some stability is needed, a short-term regulatory mechanism may be set up in the interim

The Green Paper, a consultative document designed to elicit the public's view on the best policy framework for telecommunications and its regulation, will be followed by hearings. These will lead to the drafting of a White Paper which will go to parliament for approval, says Currie

The Green Paper will help gather opinion on issues such as the role of telecommunications in the RDP, policy on regulation, competition, spectrum management and universal service, and the role of Telkom and Transnet's Transtel and Eskom, which

## NEW COMPANIES

### User-friendly

**To gain** competitive edge, companies need to base decisions on the best and most timely information available. Many are unable to do this, however, because their computer systems are not geared to deliver up-to-date information that can be easily interpreted by nontechnical managers

"The enterprise-wide information delivery process in many organisations is too



## INFORMATION TECHNOLOGY

complex and slow," says MD of SAS Institute's recently established local office Jost Dorken

He believes it is important that corporate systems integrate data — whether located on internal or external computer systems and networks. This must then be transformed into useful information and delivered to the right people at the right time "so that they are able to make better, more informed decisions"

An efficient enterprise-wide system must also prevent data overload. Too often, managers waste hours learning to use a new computer system, only to access irrelevant and unusable data. A leading developer of "information delivery" systems, SAS Institute is working on emerging technologies, such as object-orientated application development, data warehousing and data visualisation (imaging and multimedia) in order to turn complex data into graphical, user-friendly information.

The world's eighth largest independent



Dorken more informed decisions

software company, SAS was founded by Professor James Goodnight in Cary, North Carolina, 18 years ago. As president and CEO, Goodnight has built SAS into a US\$482m multinational with offices in more than 60 countries.

By investing 31% of revenue into research and development and forming strategic partnerships with all the major hardware companies — including IBM, Digital

Equipment Corp, Sun and Apple — and value-added software developers, SAS has stayed at the technological leading edge.

Installed in 29 000 sites and used by 3,5m users, the flagship SAS System for Information Delivery continues to gain market share. This hardware independent system — which can be used on 95% of the world's installed computers, from notebooks to mainframes — allows users to access enterprise-wide data from all the popular database systems (including Oracle, Sybase and Informix) and virtually any external file.

It serves as a "virtual information warehouse, in which all data, regardless of its source or format, becomes easily accessible and turned into meaningful information," says Dorken, who previously headed the company's German operation. Since investing R2m in setting up a local office in February, SAS has sold more systems in SA. "We expect a turnover of more than R17m for this year."

He adds that the SA subsidiary was formed to offer better service to 245 clients in the corporate, government and technical research arena. SAS has 23 staff in Johannesburg and three in Cape Town, most of whom worked for its former distributor, Decision Support Services.

## TECHNOBYTES

- **Microsoft will** not appeal against the US Justice Department's decision to block its proposed US\$2bn takeover of Intuit. Microsoft chooses to pay Intuit a cancellation penalty of \$46m rather than pursue months of antitrust litigation. The department contends Microsoft's takeover of Intuit would have caused higher prices and less innovation in the growing market for personal finance software.

- **Novell, which** was to be given Microsoft's Money software package as part of the Intuit takeover, will not receive the product or any compensation. That transfer was contingent on completion of the Intuit merger, and no penalty will be paid to Novell, Microsoft says.

- **Nations Bank** and Bank of America steal a march on Microsoft by acquiring MECA and its product Managing Your Money, a rival of Intuit in developing on-line banking services for home computer users.

- **Cellular telephony** could help address low telephone penetration in Africa but only if regulatory policy is overhauled, says a BMI-TechKnowledge report on communication technologies. However, the patchwork of different cellular standards will hinder the chances of Africa securing a place in the global telecom-

munications market.

The report says the adoption of GSM — the global cellular standard used in SA — would mean benefits of scale for manufacturers, which are gearing production and research capacities to new digital technologies, and end-users, who would benefit from lower handset prices.

- **CSIR Information Services** will provide Rugby World Cup '95 information on more than 70 interactive, multimedia touch-screen kiosks in airports, hotel lobbies and shopping centres.

- **US research firm Dataquest** expects sales of multimedia PCs to increase from around 4m units in 1994 to almost 14m units by 1996. Of these, 60% will go into the home market, 10% to corporates, 10% to the small-office/home-office (Soho) and 20% to educational institutions.

- **An average** of 150 PCs a day roll off AcerAfrica assembly line in the first month of production. The Midrand plant, which was designed to produce 180 units a day, is gearing up to supply Africa. Acer International is based in Taiwan.

- **Internet users** can now access documents being considered by government in drafting the new constitution. Julien Hofman, of UCT's law faculty, will co-

ordinate this database.

- **Midrand-based** company AMS beats rivals such as Altech and Siemens in winning Telkom's R75m-plus contract for computerised subscriber line-testing equipment.

- **Database company Sybase** is expected to follow rivals Oracle and Informix by setting up a local subsidiary.

- **SA may** be the star telecommunications performer in Africa but with only 3,8m access telephone lines installed (these can serve more than one phone, fax machine or computer modem simultaneously), it lags far behind the US. In 1993, the latest year for statistics, the State of California reported 20m access lines and New York 11,2m access lines.

- **US\$105m leading** computer training company ExecuTrain invests R1,5m on setting up a subsidiary in Sandton. Based in Atlanta, Georgia, the company spends over R5m on course development each year and has franchise operations in 17 countries. It will soon appoint a nationwide network of 15 independent franchise training centres in southern Africa. "We have a close relationship with the major software publishers and will have a pre-release training course of Windows 95 in July," says ExecuTrain SA MD Nick Story.

# Telkom taken to task over tender

By Mzinikuli Malunga

**S**OUTH AFRICA'S telecommunications giant Telkom is embroiled in a behind-the-scenes controversy over the cancellation of a tender.

A few months ago Telkom invited tenders to supply equipment for the company's customer billing system — which would enable Telkom to provide details on how it bills its customers.

What normally happens with a tender is that various parties bid for the account and the institution that invited the tenders chooses the best offer. Issues such as price and ability to deliver on time play a major role in winning a tender.

In this case, those putting forward tenders were asked to hold on to the initial prices — after submitting their tenders — for a month. There was nothing unusual with this request as this is normal procedure.

However, they were then asked to hold on to their initial prices for an additional two weeks — which is not usual procedure. Subsequently, they were told that the tender had been

## ■ CANCELLATION DISPUTE

### Firms 'misunderstood' requirements;

cancelled. A second tender was issued and they were told to submit again.

Telkom claims the first tender had to be cancelled because it appeared that the companies that put forward offers had misunderstood what was required.

Also, says company chairman Advocate Dikgang Moseneke, at the time of the close of the first tender, the product code was not yet available, a factor which meant the company could have inherited old technology which they would have had to upgrade at the cost of almost half a million.

"If we had proceeded with the tender at that stage, we would have ended up with equipment that we would not use or would have had to upgrade at substantial cost," he says. However, one of the companies that put forward a tender, Bhekisizwe Computers, disputes the claims that those who put forward tenders had misunderstood the requirements and that Telkom would have been unable to use the equipment.

Managing director Arthur Mashatsihle argues: "There is no way

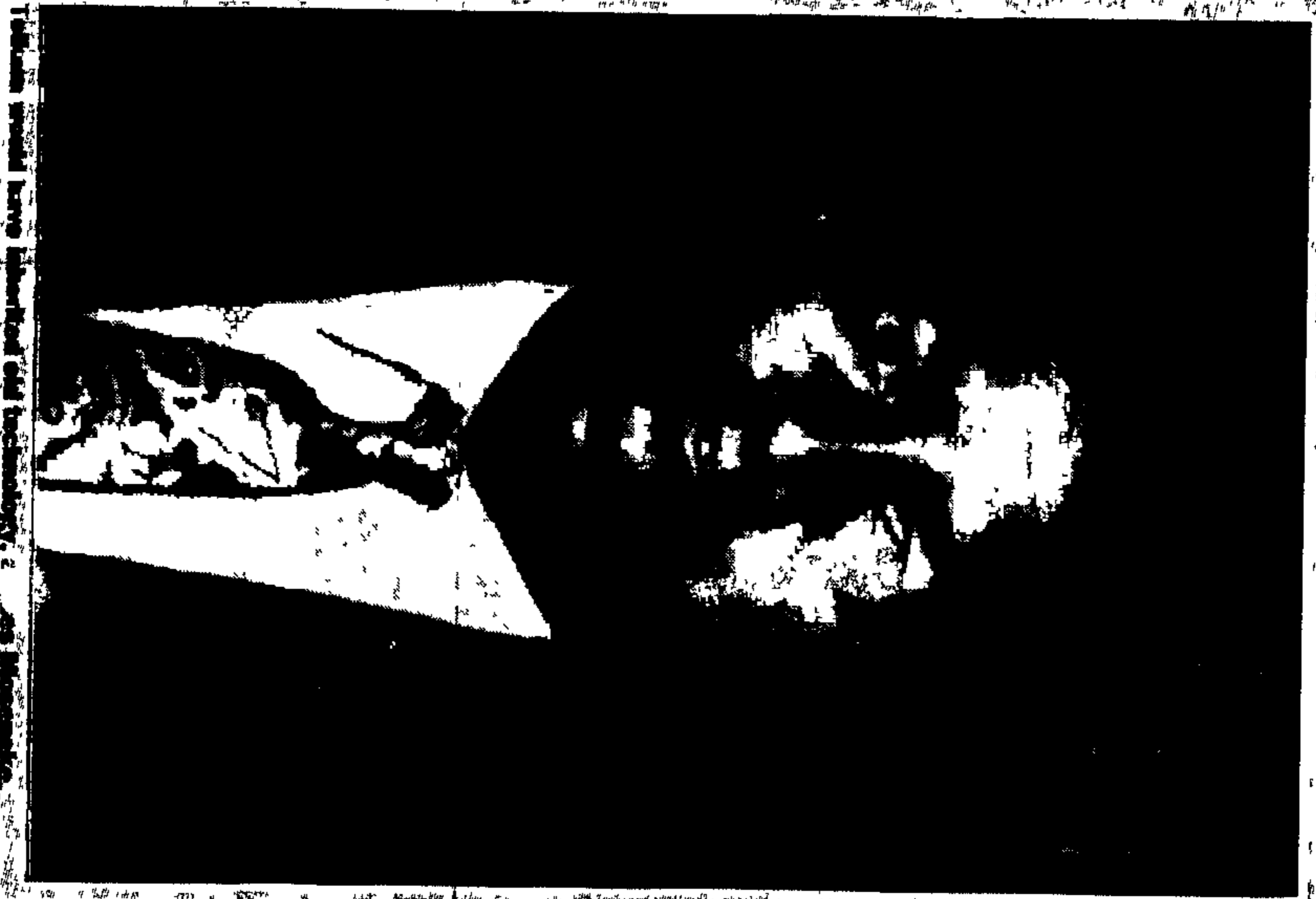
*Printer 25/5/95*  
**(267)**

one could make a mistake about the requirements of the tender, because it specified equipment for which you had to supply a price and technical information. My argument is that there does not seem to be sufficient reason why the first tender was cancelled," adds Mashatsihle.

He says there was no substantial difference between the first and the second tender. The only difference, he says, is the second tender requires additional equipment and "this does not mean you have to cancel the original tender," says Mashatsihle.

Moseneke says he has written a letter to Bhekisizwe explaining the reasons for the cancellation of the first tender. On the other hand, Mr Alan Peters, MD of Digital SA — another company that tendered — says the company was told that there had been a "substantial change in configuration," which necessitated the amendment of the first tender.

Peters says the amendment that one of the reasons the first tender was cancelled was because of a misunderstanding of its requirements.



Telkom would have cancelled the tender...

# Telkom is absorbing all structures

Bonile Ngqiyaza

(267)

DD 29/5/95

THE staggered incorporation of post and telecommunication structures in former homelands had already been started by Telkom and its partners in the strategic management committee

Telkom external communications manager Ingrid Krige said personnel in the affected territories had been assured that they

would "all be absorbed into the relevant structure".

Krige was responding to criticism by the Post and Telecommunications Workers' Association that the company's silence on the future of TBVC staff amounted to "privatisation through the back door".

Krige could not specify the cost of integrating the homeland territories. The final date for submissions was July 14.

# 'The bombed bomb ANC offices'

(267) AR 7/16/95

## Ex-Posts man admits dirty tricks campaign

The Argus Correspondent

PRETORIA. — A former head of intelligence in the old Department of Posts and Telecommunications today claimed that he was involved in the bombing of the ANC London offices in 1982 and that the department ran a dirty tricks campaign against opponents of the P W Botha government.

In an interview on SAfm's AM Live programme Mike Leach, 38, who ran the security section of the department which later split in to Telkom and the Post Office, said he helped former security agents Craig Williamson and Vic McPherson assemble the bomb

He said it was planned to go off while the entire ANC hierarchy in exile was attending a meeting at the offices but the timing of the explosion was an hour out

He alleged that George Alton, head of security for British Telecom in Northern Ireland and believed to be attached to MI5, was an important link-man who helped tap the ANC's telephones in the London offices and undertook to get explosives from "the Orangemen in Ulster"

He said the department ran a dirty tricks campaign which involved intercepting mail, bugging telephones and internal spying. Targets were opponents of the previous government, including trade unions and clergy. Millions of rands in union funds contained in intercepted mail was stolen.

Mr Leach said he was making the disclosures in the hope of being granted amnesty by the Truth Commission

Reacting, divisional head of the police National Crime Investigation Service Wouter Grove called for a transcript of the interview

"At the moment there is uncertainty whether this is a case for the Truth Commission or for the police to investigate"

The disclosures also set off a flurry of activity at the British High Commission and the Department of Posts, Telecommunications and Broadcasting, both of whom promised to comment as soon as they were fully aware of the allegations

Mr Leach claimed he personally mailed the bomb in a diplomatic pouch at Jan Smuts airport and alleged that the security police had supplied the timing devices

Mr Leach said that later Mr McPherson told him that he and Mr Williamson had flown to London and on to West Germany where they acquired German passports identifying them as publishers. They entered Britain on these passports, placed the bomb outside the ANC offices and were on their way back to West Germany when it went off.

He claimed tapping of telephones was a common practice in the department

Telkom said today that in terms of legislation promulgated in 1992, only the chief justice could authorise a tap

But, under the Post Office Act of 1958, the old department of Posts and Telecommunications had "been obliged" to provide telephone tapping facilities at the request of the minister who administered the National Intelligence Service, the Minister of Law and Order or the Minister of Defence, or a police officer authorised by one of the ministers

# INNOVATION

## Transtel takes it sky-ways

By Ross HERBERT

If fully-fledged telecommunications deregulation comes to South Africa, Telkom could find its most significant competitor not in foreign telecommunications grants but right here — in the form of Transtel.

Transtel announced earlier in the week the acquisition of a R36 million digital satellite communications system that will give it the ability to relay traditional voice telephone signals, fax, electronic mail and data anywhere from Cape Town to Rome.

Transtel is the internal communications arm of Transnet, which operates South African Airways, Spoornet (rail services), Portnet (port and cargo services), Autonet (road transport), and Petronet (pipeline services).

Although it was not created to offer retail telephony, Transtel now operates the largest telecommunications network in the country after Telkom

In addition to 50 000 telephones on its own network, it supports its own network of about 35 000 mobile radios for two-way communication and thousands of kilometres of telecommunications land lines.

Nine months ago it applied to the Postmaster-General for the right to transmit data commercially within South Africa, which would put it in direct competition with Telkom for the transmission of computer data or automatic banking networks.

So far the application has not been approved, but Transtel has won the right to transmit voice and data across international borders, which may be far more significant.

With its satellite system, Transtel could compete directly with Telkom in relaying international telephone traffic. The technological capability now exists for companies to begin creaming off Telkom's most lucrative international telephone business. And in many

African countries, private business is not waiting for regulators and is setting up its own networks like Transtel's.

"In addition to providing services for our fellow Transnet companies, we're already negotiating to provide service in neighbouring countries. Africa has the potential for explosive growth for us as a provider of communications services," said Peter Gibbons, deputy chief executive of Transtel.

Initially the network will provide telephone service, electronic mail, airline reservations and freight tracking. In addition, Gibbons said it plans to install "data and voice networks in neighbouring countries as well as network backup and disaster recovery services for networks in South Africa and other countries.

"The new network's voice capabilities also will provide much welcomed relief to businesses in Africa that often wait hours to get an available voice phone line."

"Telecommunications monopolies are very sticky about these (satellite) networks because they are scared of it," said André du Toit, chief executive of the satellite communications division.

"In all those cases where they did deregulate the telecommunications market, people came into the market. You find that the original provider carries on quite well and actually sharpens up its services. But because they come from a monopolistic environment they are scared about it. The bottom line is that Telkom at this point just can't cope. They are growing at about 6 percent and I think they could grow at around 12 percent easily."

Transtel will rent two transponders on the PanAmSat 4 satellite providing transmission to nearly all of Africa, most of Europe and the Middle East on the "C" band and transmission within South Africa on the "Ku" band. The US-based Scientific-Atlanta will provide the network.

phone lines, allowing them to compete with dedicated links feeding electronic data between computers

Unlike normal telephone lines, ISDN can carry several "pipes" of information at the same time. Users can simultaneously download computer files from Internet while talking on the phone — all through the same telephone jack.

Telkom is offering two ISDN services at different rates (see table) basic and primary. The basic service carries two streams of electronic information at 64.4 kilobits per second (kbps), or one data stream at 128.8 kbps. The "primary" service ranges between 30 data streams at 64.4 kbps to one at 2 Mbps.

Video-conferencing is the main driving force behind the basic ISDN service, with one data stream handling voice and the other picture data. At prices ranging from R18 000 to R350 000, personal computers can be upgraded to enable users to see each other during telephone conversations.

Telkom is offering video-conferencing at an installation cost of R269, plus R145 an hour.

For Internet and bulletin board service users, ISDN lines offer a means to download computer files ten times faster than over a normal telephone line.

ISDN is not being pushed as a residential service. Besides the high monthly rental and installation fees, the cost of ISDN modems is high — IBM's new US\$500 ISDN modem is considered a breakthrough.

But in a few years, ISDN may become the standard for domestic telephone lines. Cable TV companies viewed ISDN as a transient technology which would be replaced by their data connections, but aggressive marketing by telecommunication companies makes ISDN look like the route through which "video on demand" and "pay per view" may enter the home.

Telkom is avoiding marketing ISDN as a competitor to its Dignet service, which carries Reuters news wires and other data transmission services. According to Telkom, Dignet lines are cheaper for companies using more than four hours a day in connection time. Dignet also has the advantage of being billed at a fixed monthly rate, as opposed to a per minute rate.

However, ISDN may also supplant Dignet as the standard method of linking computers with the growth of a new networking technology, Asynchronous Transfer Mode (ATM). This is a system of linking PCs and other computers in a local area network via ISDN lines, and industry

experts believe ATM will replace Ethernet and Token-ring to become the dominant networking standard.

Telkom is still debating its billing method for ISDN. It is currently charging standard phone rates, but it may

change this to its standard telephone rate, multiplied by the number of data streams being used (the basic line could theoretically carry two telephone conversations at the same time). ■

TELKOM (267)

## Better connection?

FM 9/6/95

Once considered spurious by international telephone companies, integrated services digital network (ISDN) has taken off worldwide, and the service is now being offered locally by Telkom.

The technology boosts standard tele-

### LINE CHOICES

	Monthly rental	Rate	Speed	Factor
Telephone	R265,62	R44,23	14,4Kbps	1x
Basic ISDN	R265,62	R298,68	128Kbps	2x
Primary ISDN	R20 433,36	R1 687,20	2Mbps	30x
Dignet	R1 086,78	R842-R5	per km	64Kbps

FM 9/6/95  
COMMUNICATIONS (267)  
**African odyssey**

**Nigerian companies** have begun using satellite communications through a hub sited near Pretoria to exchange computer data among themselves

The move signals the start of a trend which should see SA taking advantage of a more robust telecommunications infrastructure in Africa

Dimension Data telecommunications technical director Roy Kruger says the provision of a satellite communication infrastructure to the region will open up Africa for local consultants and service companies

"Computer companies wanting to implement and customise large computer systems can do it from the comfort of their Johannesburg office, rather than spending months away from home," he says

Kruger believes private companies should

be allowed to set up their own satellite links with customers in African countries, using Telkom as an intermediary if necessary

Steve Lamb, manager of Telkom's international satellite service, says Telkom is willing to provide access to a satellite link across SA's borders, provided other telecommunications authorities are willing

"We don't want to go into other countries and tell them what they should do. We see this as a 50-50 partnership and we respect the rights of other countries who may not want voice to be part of the service"

Telkom is negotiating with 16 countries on the continent with a view to setting up services similar to the Nigerian operation

Lamb says the main advantages of satellite communication are a quicker roll-out time, improved reliability and lower maintenance costs "Satellite communication knows no boundaries. You can site it anywhere, and you can communicate"

But the introduction of cross-border satellite services may be construed as a threat by some of the countries involved

### **INFORMATION TECHNOLOGY**

that the hiccups are due to the faster than expected growth of cellular users

And the new multimillion rand investments in new transmitter/receiver bases, upgraded network management software and other aspects of the system — by both MTN and Vodacom — should see cellular coverage, quality and reliability improve ■

# 'Mail theft goes on right under officials' noses'

Star 12/6/95

(267)

■ BY NIKKI WHITFIELD  
CONSUMER REPORTER

A Germiston importer claims her livelihood is being threatened because parcels destined for her business are either being lost or tampered with by Post Office workers — right under the noses of officials

The woman begged that her name be kept secret because, in her opinion, people who complain too often and too loudly "tend to be victimised by the Post Office"

"I'm having a bad enough time as it is with them at the moment," she said "I don't need it to get any worse"

The woman has been importing toys and magazines from Europe and the United States for the past 10 years. She never had much trouble, she said, until this year when parcels began to go missing, started arriving hopelessly late and showed evidence of being tampered with.

"When I complained to the Germiston Post Office, I was told I could come in and fill in complaint forms, but basically (the woman I spoke to) said the situation was hopeless

"She said parcels were disappearing right under their noses and it was very hard to catch the culprits, even though

everybody knew what was going on

"And I'm not the only one who's having problems — I've heard of other people in similar positions who've had things disappear"

The woman was told that a system called the Hub, which had come into effect at the beginning of the year, had caused much of the chaos

But according to Post Office spokesman Flip Eksteen, the Hub system was introduced with the intention of streamlining the mail system in South Africa.

"Germiston Post Office is the Hub that serves the spokes — smaller post offices — on the East Rand," he said

Mail destined for smaller post offices arrives at the Germiston Hub for sorting. Eksteen said a new building to be opened on July 15 in Ormonde would hopefully eliminate many of the current problems experienced by customers.

"The building is huge and has been built mainly so that as much as possible can be done to the mail under one roof before it goes out. It will be handled as little as possible, which will hopefully prevent parcels from being tampered with"



erful than notebook PCs and were generally of higher quality. But notebooks still managed to command a higher price on the strength of convenience and novelty.

The price differential is still there. A notebook PC will cost 25%-50% more than a similarly specified desktop machine but at least the technology has caught up. There is now practically nothing a desktop machine can do that a notebook cannot. So, if you are thinking of buying a PC for personal use, consider a notebook.

Most surveys claim the main problem with today's notebook is battery life.

Though the old nickel cadmium batteries are a thing of the past, most machines use only marginally better nickel metal hydride batteries. These may allow your notebook PC to stagger along an extra two hours but will not get it much further. Now the cavalry may have arrived in the shape of lithium ion battery technology which can drive a notebook for up to twice as long as any other commercially available battery technology. The most notable supporter of lithium ion to date is market leader Toshiba.

Notebook screen technology has developed at a startling pace and the screens now available are excellent. The best you can go for is the thin film transistor (TFT) screen which is brighter than the average desktop PC screen and easier on the eye. But the sting comes in the price, with suppliers charging a huge mark-up for TFT-equipped notebooks. The colour screen technology that is establishing itself as the standard for most reasonably priced notebooks is dual scan technology. The colours are slightly more washed out than on the more expensive TFT screens but the price saving makes it attractive.

All you need to worry about now are minor details such as the processor, the amount of memory and the hard disk your computer will need. The hard disk is the computer's equivalent of a filing cabinet and will store all of your software. To be on the safe side, you will probably have to look at buying a notebook with a hard drive capacity of no less than 400 megabytes.

The memory of the computer is, confusingly, also measured in the same unit as the hard drive — megabytes — but in this context it performs a different function. It works in conjunction with the processor, which is really the engine of the computer, to determine how fast your machine will operate.

Many fundis say they will run on just four megabytes of memory but it would be safer to start with eight.

Most notebook PCs will have a processor made by Intel and they'll be called either a 486 something (486DX/2, DX/4) or a Pentium. The Pentium is the latest and fastest processor at this end of the market but is probably overkill for most users. Right now DX2 processor prices are low, so there may be bargains to be had.

Equipped with this knowledge, you will now have to start working your way

through the slick world of computer sales.

But ask lots of questions and if you don't think the salesman is giving you satisfactory answers, shop elsewhere. The competition is fierce and, after all, it's your money. ■

**COMMUNICATIONS**

(267)

**Bush telegraph**

*FM 16/6/95*

It's no small wonder that the world's largest telecommunications operators are eyeing the African market hungrily. As the number of opportunities in other countries are taken up, so new markets must be sought for the global players.

Seventeen of the world's fastest growing phone networks are African, and 35 of the world's 49 countries with the least developed telecommunications systems are on the Dark Continent.

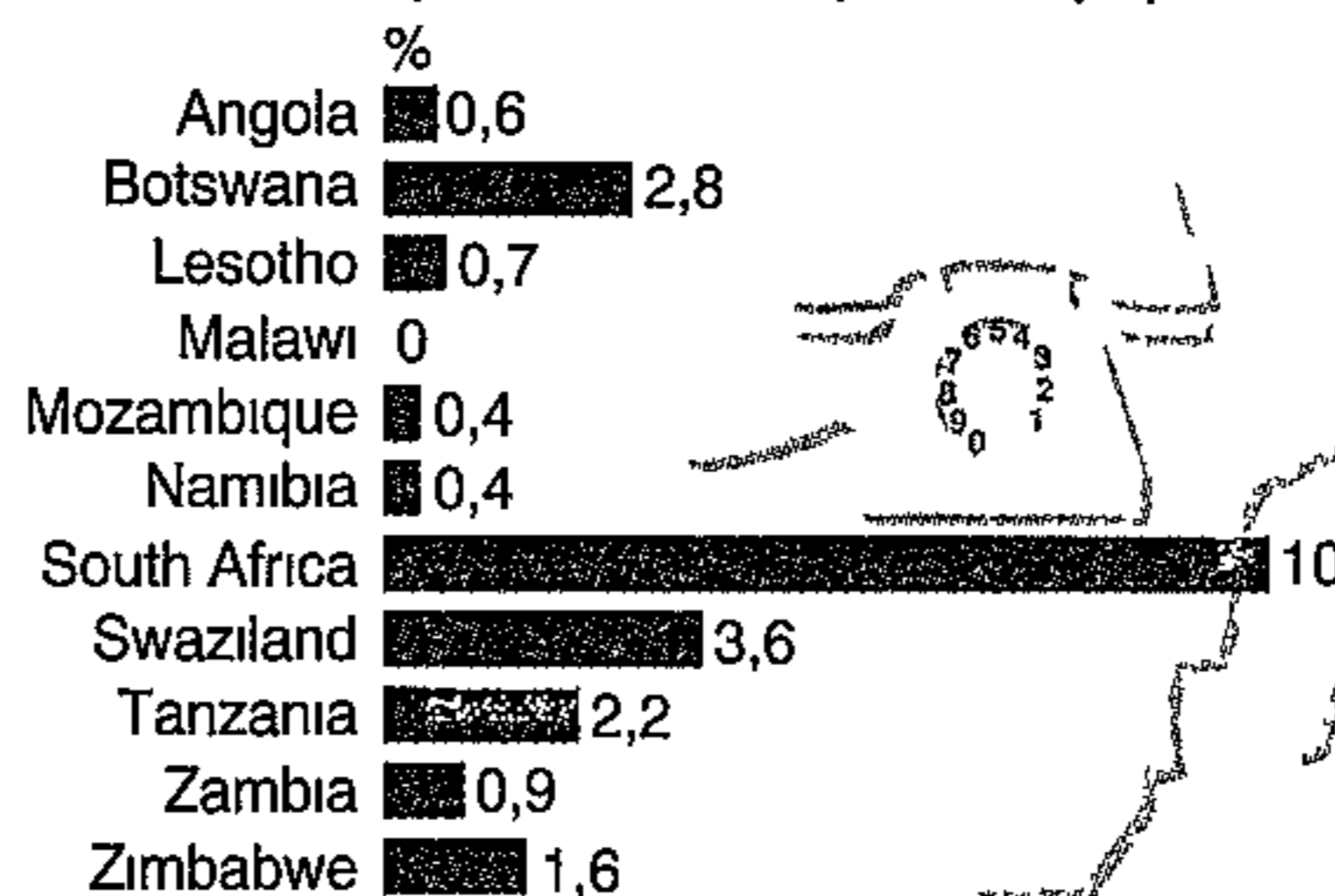
The number of subscriber lines installed worldwide in the last decade has been second highest in Africa — and Africa also holds the global record for the fastest growing population, hence the inability of operators to keep up with the ever-growing demand.

It is obviously with this in mind that Telkom is keenly selling its know-how and other services into Africa — along with other network operators and equipment suppliers from around the world who are vying for more markets as the global village becomes a reality.

In the latest BMI-TechKnowledge Communications Technologies Handbook 1995, it's clear that African public telecommunications operators (PTOs) are doing their utmost to hang on to the apron strings of the emerging global information infrastructure.

**TELEPHONES FOR AFRICA**

Penetration of phone service per 100 population



Governments throughout the continent are realising that without good communications networks they will find it increasingly difficult to attract foreign investment — and to use new technologies to deliver health, education, government and other services.

The size of the overall African telecommunications market is relatively small, but

the potential market is huge. For example, if sub-Saharan Africa raised its teledensity to five per 100 population, which is less than half the world average and just one-tenth that of a developed country, it would become the fourth largest telecomms market worldwide.

And given the fact that most African PTOs derive more than 90% of their revenues from phone services, when the world average is 75%, there's clearly potential to add extra services, such as data communications, value-added services and entertainment. The handbook argues in favour of linking new telecomms services to cable television services.

On the downside, the lack of policies or strategies from African governments is holding back the development of an African information infrastructure — and allowing it to be developed piecemeal by entrepreneurs on the Pay-TV side, or by foreign groups keen to build undersea fibre-optic cables.

In SA, the handbook points to rapid change and an increased dynamism during the next couple of years, even though the regulatory environment is still in a state of "protracted hiatus".

Looking at possible regulatory frameworks for SA, the formation of an independent regulatory body focusing on impartial interpretation of policies is possible.

The focus would be on having a "living" regulatory environment to cope with the fast-changing telecommunications environment.

Greater competition would be encouraged in general. New services — and even new operators — could be licensed, but the focus would be on RDP and other development projects.

Given the need to "level playing fields," in so far as Telkom's debt burden goes the authors believe that, with new competition, Telkom "justifiably would argue for some debt relief dispensation of some sort. This could take the form of privatisation and the inclusion of new international partners."

Overall, the handbook provides a useful guide for anyone interested in the big picture of telecommunications development in Africa, as well as specific information about many countries, ranging from Botswana and Cote D'Ivoire, Tanzania and Nigeria.

In a market virtually devoid of statistics, it's probably the only guide of its kind, and its value is heightened by the number of contact names and numbers which are included wherever possible.

The book points out areas in need of development in individual countries, as well as evaluating the broader policy and regulatory issues which would obviously affect potential developments. ■

(267)  
POSTAL SERVICES

## Par avion, adieu?

FM 16/6/95

**SA Airways** could soon lose its monopoly to transport the Post Office's courier mail, Speed Services. Tenders for the contract have already closed.

It's the first time the PO has called for tenders for its service and the move is sure to have come as a shock to SAA — the country's traditional airmail carrier.

Says PO chairman Donald Masson "I believe the decision to call for tenders for a dedicated air carrier will benefit our customers. To serve the needs of Speed Services' 5 000 corporate customers and the general public's increased use of the service, time-sensitive deliveries are essential. Any business undertaking that unilaterally decides what customer needs are will soon be dead. We will pursue all possible measures to meet customer demands."

Speed Services GM Doug Smit says his company has doubled turnover in the past year and needs more guaranteed air capacity to transport mail efficiently.

Though Smit confirms several suitable tenders have been received — including a foreign bid — he won't reveal who the applicants are.

FINANCIAL MAIL • JUNE • 16 • 1995 • 93

FOX

"To retain a competitive edge, it is essential for us to appoint a dedicated air carrier whose chief priority is to transport our mail as quickly and efficiently as possible," Smit says.

"A third-party air carrier has many customers and despite strict contractual undertakings and a good relationship with SAA, we find that some of our items are just not meeting delivery deadlines since consignments are not being moved within contract specifications"

Smit explains that there is limited space available on existing commercial flights — especially since the demise of Fltstar and the withdrawal of Safair

"Because of the tremendous demand for our services, we are no longer able to wait in line for services that are determined according to passenger needs. We need to be in a position to control our destiny to a greater extent," he adds

The call for tenders echoes the PO's move from rail to a dedicated road transport carrier in the late Eighties

Explains Smit. "When Spoornet started transporting mail in containers on goods trains rather than placing them on passenger trains, delivery times became a nightmare. So we called for the services of a dedicated road transport operator."

Trencor and Retief (a furniture mover) used a fleet of trucks specifically to transport the PO's mail. Delivery times improved dramatically.

SAA spokesman Leon Els comments. "SAA would like to continue rendering the service and we believe we are able to meet the PO's requirements." — Mirryna Deeb

# Post for the pandok

**PALLO JORDAN** occupies a second floor office just above the Stalplein Post Office on the perimeter of the parliamentary precinct. It's an apt location for the minister of posts, telecommunications and broadcasting and as good as any from which to politically direct the telecommunications revolution the minister is hoping to unleash on the masses who haven't as yet got any connection.

In attempting to do so, the minister faces a grand paradox. All about him (including one in every seven, usually white, South Africans) is all the gadgetary of the technological age.

Faxes, cellphones, computers and E-mail have many of humankind engaged in numbing babble.

Jordan, who is never without cellphone, finds it ironic and "quite shocking" that he is able to call a friend in the Arctic Circle — Sweden, he explains — but can't call someone in Bonteheuvel or Alexandra because they don't have a telephone in their home or a cellphone in their hands.

Similarly South Africa has a sophisticated postal service. But the townships and rural areas are postal deserts. Even if there were a postman

**PATRICK BULGER** of the Political Staff spoke to minister of posts, telecommunications and broadcasting Pallo Jordan on his plans to provide his department's services to all.

to bring a letter, there's often no identifiable address to bring it to.

Partly in an attempt to keep the bulkmailers that pay the post office's overheads from "migrating" to another system, the minister resorts instead to raising the costs paid by the stamp-licking public.

The only way, then, for him to get a decent dialling tone out of the whole mess is to tap into the new post office client base which is out there and waiting for the minister's collect call.

By substituting the post office's "quality" income derived from bulkmailing with "quantity" income derived from extending postal services to the otherwise neglected 85 percent of the population, the institution could earn as much and be socially useful.

And the new cost structure means costs would tend downwards on economies of scale rather than ever-upwards for fear that the bulkmailers will go electronic.

Rationalisation is the least pleasurable part of the minister's job, involving as it does the

integration of former homeland telecommunications structures and the inevitable shift in emphasis from white to black and from city to urban area.

But the rationalisation of resources to spread the benefits wider is needed to bring the new client base online and into the picture.

And because the apartheid cit-ies can't be rebuilt it makes sense to take the telephone to the township and the post office to the pondok.

In the process some "underutilised" post offices will be closed down Jordan says, but not where this would cause "undue hardship."

And while it is certainly unrealistic to expect a telephone in every home overnight, there's no reason why a mobile unit — a trailer or even a boat — shouldn't be rolling in an all-purpose telecommunications centre to a village near you, soon.

Cabinet ministers, like housewives, never tire of the cost of living. In his case, Jordan needs about R6-billion over the next five years to meet the ANC telecommunications RDP promises

(267) AAT 20/6/95

he so effectively sold as head of the ANC's department of information and publicity before and during the 1994 election.

Privatisation — not a word the minister himself uses — is out because the social demands that will be made of the state telecommunications corporate cannot easily be made of private entities.

Not that it's even that easy in a State-owned corporate, Jordan remarks. But he is open to "hard-nosed pragmatism" and thinks joint ventures with the private sector might even be "attractive."

Having determined how, broadly speaking, the post office and Telkom are going to be harnessed to upliftment, Jordan can't help but notice a difference between them and the third leg of his portfolio, broadcasting.

Where posts and telecommunications are deemed to have ill-served their shareholders, the public, by their absence, the SABC has ill-served by its presence, indeed omnipresence.

Jordan, who spent some of his time in exile in the UK, allows himself a chuckle about the ac-

cents used on the former Radio RSA, saying "you would look long and hard through the streets of England to find people who speak English like that and I doubt whether you would find anyone."

Now English is spoken as she is spoken in South Africa which, he observes, "might be a culture shock to some."

Even more amusing, he finds, are the bumper stickers saying the SABC is the voice of the ANC. He defends changes at the SABC but has recently come out against a proposal to give government television and radio slots to say its piece.

A tough media critic in his own right, Jordan muses that the visible and audible changes on TV and radio have not necessarily been matched by a "quantum leap" in programming quality.

A recent documentary on the late Bram Fischer who is revered in ANC ranks, he ventures, was "totally unimaginative, boring and one talking head after another."

"They have such a huge staff complement. In my view the featherbedding took place over the years and not all those huge numbers are even involved in broadcasting — I don't know what the Dickens they're doing."

# Price of local calls 'will double'

(267) CT (PR) 21/6/95

By JOHN SPIRA

GAUTENG BUSINESS EDITOR

The telephone tariff honeymoon is coming to an end. In the next three years, the cost of a local call is likely to double.

It's a prospective development for which you should brace yourself, says Alan Knott-Craig, Vodacom managing director, who points out that almost every local call made through Telkom generates a loss for the fixed-line operator.

"Local calls are subsidised by long-distance Telkom calls. The only time Telkom makes a profit on a local call is via big business units or places like blocks of flats, where the cost per unit of installing a phone is low.

"To make a profit on local calls, Telkom has to virtually double its charge for such calls."

In the process, Knott-Craig sees the disparity between Telkom rates and cellular phone rates narrowing.

"At present, Telkom charges between 20c and 25c a minute for a local call. We charge R1,10, going up to R1,20 from July 1. On long-distance calls, Telkom charges about R1,60, we charge R1,30.

"We'd love to charge less on long-distance calls, but are precluded from doing so in terms of our licence agreement — a clause designed to protect Telkom's business."

Telkom could be using Vodacom and MTN as leverage to persuade the govern-

ment to allow it to charge more for local calls.

Knott-Craig is certain that this is the only way out for Telkom, which has no option but to reduce its tariff on long-distance calls, and especially international calls, since otherwise it would lose out to international players like Sprint.

"Telkom is already losing out on international calls. But what they're losing now is nothing compared to what they could lose in the future.

"And if it loses that business, it's going to lose its profit. Telkom has to become internationally competitive and the only way it can do so is to cost properly on its local calls.

"So the big difference

between cellular and local calls we see today is only temporary.

"I'd be surprised if by 1998 Telkom's local tariffs weren't double what they are now."

Knott-Craig stresses that Vodacom's tariffs are below international cellphone averages — a comparison based on purchasing power parities.

"It's a remarkable achievement to have kept our rates as low as we have, bearing mind that we do not have the numbers that, for instance, the United States has.

"And only one network — Hong Kong — has a better-quality network than South Africa's."

Improving communications is not simple.  
Political Correspondent Patrick Bulger  
puts the spotlight on maverick ANC  
Minister Dr Pallo Jordan.

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19/6/95

Star # 19/6/95

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# Man with a million lines

Dr Pallo Jordan occupies a second floor office just above the Stalplein Post Office on the perimeter of the parliamentary precinct.

It's an apt location for the Minister of Posts, Telecommunications and Broadcasting, and as good as any from which to politically direct the telecommunications revolution the Minister is hoping to unleash on the masses who haven't any connection in attempting to do so, the Minister faces a paradox.

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Jordan, who is never without a cellphone, finds it ironic and "quite shocking" that he is able to call a friend in the Arctic Circle — Sweden, he explains — but can't call someone in Bhebeheuwel or Alexandra because they don't have a telephone at their home or a cellphone in their hands.

Similarly, South Africa's sophisticated postal service in the townships and rural areas are postal deserts. Even if there were a postman to bring a letter, there's often no identifiable address to bring it to.

Partly in an attempt to keep the bulkmailers that pay the Post Office's overheads from "migrating" to another system, the Minister resorts instead to raising the costs paid by the stamp-licking public.

The only way, then, to get a decent dialling tone, the whole mess is to tap into the new post office client base that is out there and waiting for the Minister's collect call.

By substituting the Post Office's "quality" income derived from bulkmailing with "quantity" income derived from extending postal services to the otherwise neglected 85% of the population,

the institution could be much and be socially useful.

And the new cost means costs would tend towards economies of scale rather than ever-upward. But the bulkmailers' electronic

Rationalisation is the pleasurable part of the Minister's job, involving the integration of former telecommunications and the inevitable emphasis from white to black in city to urban.

But the rationalisation of resources to spread wider is needed to reach a client base on the picture. And black and white cities can make sense to take a phone to the township, a post office to the post office.

In the process some "utilised" post offices will be closed, Jordan says, but where this would cause hardship.

And while it is certainly unrealistic to expect a telephone at every home overnight, there's a reason why a mobile unit on a trailer or even a boat shouldn't be rolling in an all-purpose telecommunications unit to a village near you, soon.

Cabinet ministers, like his wives, never tire of the job. In his case, Jordan needs about R6 billion over the next five years to meet the ANC's telecommunications RDP programme. He so effectively sold as head of the ANC's department of information and publicity before the 1994 election.

Privatisation — not the minister himself uses it — but because the social debt that will be made of the telecommunications company cannot easily be made of private entities. Not that it's easy in a State-owned company, Jordan remarks.

But he is open to "having



pragmatism" and thinks joint ventures with the private sector might even be "attractive". Having determined how, broadly speaking, the Post Office and Telkom are going to be harnessed to upliftment, Jordan can't help but notice a difference between them and the third leg of his portfolio, broadcasting.

Where posts and telecommunications are deemed to have ill-served their shareholders — the public — by their absence, the SABC has been ill-served by its presence, indeed omnipresence.

Jordan, who spent some of his time in exile in the UK, allows himself a chuckle about the accents used on the former Radio RSA, saying "You would look long and hard through the streets of England to find people who speak English like that and I doubt whether you would find anyone."

Now English is spoken as she is spoken in South Africa which, he observes, "might be a culture shock to some". Even more amusing, he finds, are the bumper stickers saying the SABC is the voice of the ANC.

He defends changes at the SABC but has recently come out against a proposal to give the Government television and radio slots to say its piece.

A tough media critic in his own right, Jordan muses that the visible and audible changes on TV and radio have not necessarily been matched by a "quantum leap" in programming quality.

A recent documentary on the late Braam Fischer who is revered in ANC ranks, he ventures, was "totally unimaginative, boring and one talking head after another".

"They have such a huge staff complement. In my view the featherbedding took place over the years and not all those huge numbers are even involved in broadcasting. I don't know what the Dickens they're doing," he said.

Determined . . . Pallo Jordan knows that he cannot provide a telephone for every home overnight, but nevertheless believes that township services can be improved.

# Telkom's partner gets a date

(267)

ST(BT)25/6/95

TELKOM would brief government on "a minority strategic equity partner" within two months, the parastatal's chairman Dikgang Moseneke said on Friday

The strategic holding would be between 15% and 20% of Telkom's share capital, Mr Moseneke said on Friday at a presentation in Pretoria of the group's 1994/5 financial results

Telkom is 100% owned by the government

A 20% stake in Telkom is worth about R3-billion if total assets of R15-billion are used to value the group

However, Telkom also has debts

By SVEN LUNSCHÉ

of about R8,4-billion which cost R1,4-billion a year in interest payments

Mr Moseneke said bringing in an equity partner did not amount to privatisation.

"The partnership serves our own needs. Privatisation is a separate matter and dealt with by the government"

He said there was no link between the equity stake and Telkom's R6-billion tender for 1-million rural telephone lines

The tender closes in mid-July

and Mr Moseneke said the group had already received tender documents from 22 global consortia

He added, however, that the strategic partner and the winning consortium would have to meet similar requirements

These were access to substantial capital resources and the latest technology, a commitment to develop underserved areas and a partnership with local businesses

Adding financial strength appears to be the main priority for Telkom, as it has had limited resources available to service its huge debt.

"Most of our income goes to extending the telephone network in line with RDP commitments," Mr Moseneke said

In 1994/5 Telkom lifted turnover by 18% to R9,9-billion and net income before taxation by 10,1% to R1,3-billion

The increase in income would have been about 20% had it not been for Telkom's 50% share of Vodacom's development costs and losses

The group paid R725-million (1993/4 R440-million) in taxes and dividends to government, leaving earnings 6,4% higher at 21,7c a share.

## Telkom set to announce sale plans soon

Mungo Soggot

TELKOM would release plans for the sale of a stake in the parastatal to a minority equity partner within two months, chairman Dikgang Moseneke said on Friday.

Telkom, which has government as its sole shareholder, is tipped to be the first parastatal to be partially sold off under government's privatisation programme.

"Our shareholder is considering the acquisition of a minority strategic equity partner to add financial and technological

strength to the achievement of global access," Moseneke said at a briefing on Telkom's annual results.

But he said the term privatisation was not appropriate to describe this process. At this stage there were no plans to list the parastatal. Its privatisation would be up to government and the Cabinet was close to finalising guidelines, he said.

Moseneke would not say how much would be sold. Earlier this year a senior

Continued on Page 2

## Telkom

Continued from Page 1

Telkom official said it was preparing to sell a stake worth about R6bn or R7bn from a potential market capitalisation of R30bn. The board did not confirm this.

Under the guidance of newly appointed MD and CEO Brian Clark Telkom was currently restructuring, Moseneke said.

Telkom lifted net income before tax 10% to R1,3bn on turnover up 18% at R9,9bn. It said net income would have been up 20% had it not been for its share in the start-up losses of 50%-held Vodacom. The cell

phone company was now profitable.

It had cut its debt 2,7% to R8,4bn, on which it paid interest of R1,3bn. Its gearing was 1,6:1 (1,8:1).

Senior GM finance Stoffel Erasmus said that if Telkom sought foreign funding this year it would try for terms of more than three years. Other SA borrowers had opted for three-year syndicated loans as longer term ones were difficult to obtain. He did not indicate the amount of funding sought.

Moseneke said a major challenge for the year would be to extend Telkom's network to rural areas.

# New technology, not regulation, will provide telecoms to all

(267) CT(BR) 28/6/95

By ROSS HERBERT

INNOVATION EDITOR

Will South Africa's underprivileged, who largely lack access to telecommunications, be better served by competition or state regulation?

The answer will come on July 7, the date Pallo Jordan, the posts, telecommunication and broadcast minister, intends to release a "green paper" — a discussion document that will give the first clear glimpse of government plans for telecommunications

The subject has profound implications for South African businesses and consumers. It also comes at a crucial time internationally

The United States, which began a deregulatory revolution with the break up of AT&T, is now embarking on a second wave of radical deregulation that promises to rewrite the rules of competition and wipe out most of the barriers between the computer, telecom, television, radio and newspaper markets

The signs are that South Africa's planners are thinking far more conservatively. The go-slow thinking runs like this: expanding telephone access to rural areas is fundamentally a money-losing proposition. If competition is allowed, Telkom will be stripped of its more lucrative corporate and private accounts and will thus have no one to overcharge to subsidise service at the low end

That reasoning, however, misses several crucial points. If most of the new phones envisioned under the reconstruction and development programme are truly money losers, we are effectively creating a subsidy stream, a permanent leak in the fiscal boat

The only thing a Telkom monopoly provides is camouflage for the extent of the subsidy. Moreover, investing in expensive rural telephones means we are silently deciding not to invest money in schools, health clinics and other worthy projects

Monopoly also masks huge cost inefficiencies, which represent an indirect transfer from schools and clinics to bureaucracy.

Sometimes it takes months to get a new phone line in South Africa, compared to one or two days in Britain or America. Itemised phone bills are standard in other countries as are services to help businesses analyse their calling patterns. Competition in basic phone services would improve service and lower prices, which would make telephones more affordable to all

The most important factor, however, is the increasing pace of technological change

Like South Africans, the American public demands a cheap phone service for its poor. But regulators and monopoly-orientated firms are too slow to realise how technology could be applied imaginatively to provide broader access.

For example, in many countries deregulated telephone and electrical companies now share the same set of transmission towers and poles. When new communities spring up or service is brought to new areas, it is cheaper for electricity and telephone cables to be laid simultaneously. The logic behind such a common network is



what underlies the move in the US Congress to allow cable television and telephone companies to compete. Fibre-optic cables can carry telephone signals and telephone networks, with new technology, can carry television signals

Some electricity companies have taken the idea further, offering their own telephone service. And a few water and natural gas pipeline companies have taken on the job of laying electricity, telephone and television cables at the same time they provide new services

Such a strategy, common in the private sector and rare among parastatals, could bring services to the poor more cost-effectively to more communities

Deregulation planners should not stop there. Several companies have come to South Africa proposing systems for a national lottery. Lotteries, as they operate in dozens of countries, install sales machines at thousands of cafés and mom-and-pop stores. To prevent fraud and keep track of the winning numbers, each retail outlet

is tied to a central computer via a fixed-wire telephone link or a form of radio telephony, similar to many of the schemes proposed to bring telephone service to rural areas

In a deregulated South Africa, lottery companies could offer a rural phone service, lottery tickets, and perhaps even the backbone for transmitting video classroom instruction and long-distance medical diagnosis

Next-generation mobile paging technology will allow text messages to be sent directly from pager to pager without the need of telephones. Or inexpensive radio communications could be adapted to the 150-year-old model of the telegraph station. Each station could be run by an entrepreneur who could provide a community communication centre where notes are posted or, in emergencies, messengers dispatched to rural villages

Advances in satellite technology also promise to rock the telecommunications boat. It is only a matter of years before direct satellite telephone services or simple message services will be available cheaply

Rather than sink billions into unprofitable rural telephones, Telkom should focus on cutting costs and making massive improvements in efficiency now. The money saved should be ploughed into strategically placed, profitable phones

Delaying deregulation will not insulate South Africa from technological change or force wealthy customers to subsidise Telkom's rates to the masses. Already its long-distance charges are higher than Vodacom's or MTN's

Computer networking companies are trimming away the transmitting data business. Sprint International has announced it will begin offering a variety of data transmission services. And Transtel, which has the second biggest telephone network after Telkom, is using its satellite and in-house phone system to sell international data and fleet communication services

As technology advances and Telkom costs stay high behind their regulatory wall, more businesses will disappear and more opportunities will be lost to assist reconstruction and development projects

South Africa would be better off if the whole realm of communications and broadcasting were opened to competition. The job of providing communications in money-losing areas should then be debated and funded by government alongside society's other pressing needs



<p>2 Rationalisation in terms of the Constitution</p> <p>2 1 Absorption measures</p> <p>2 2 Rationalised regulations</p> <p>2 3 Rationalisation of other conditions of service</p> <p>2 4 Amendment of the Educators' Employment Act</p> <p>2 5 Review of Retirement Provision in South Africa</p> <p>2 6 Payment of Foreign Allowances</p> <p>3 Improvement plan for 1996/97 and 1997/98</p> <p>3 1 Reports by research committees</p> <p>4 Provisioning of educators' staff</p> <p>4 1 Pupil teacher ratio</p> <p>4 2 Staffing formula and class size</p> <p>5 Levies for the Education Labour Relations Council</p> <p>6 Time off for union matters</p> <p>7 Teacher appraisal</p> <p>8 Structures for consultation at national level</p> <p>9 Procedure for advertising and filling posts</p> <p>(2) Yes, the Government made a last offer to the employee organisations. The salary increase which will be implemented as of 1 July 1995 <del>amounts to R817,8 million for the 1995/96 financial year.</del></p> <p>(3) No</p> <p>(4) A statement on this matter has already been made</p>	<p>(2) whether the appointment of persons to the Board will be held in abeyance until this investigation is concluded, if not, why not, if so, what are the relevant details?</p> <p>N876E</p> <p><b>THE MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING</b></p> <p>The nomination of additional members to the Board of the SABC has occasioned widespread comment and discussion on the status and composition of the Board</p> <p>Much of this, however well intentioned and intended to protect the integrity and independence of the SABC Board, has been misdirected and based on a fundamental misunderstanding of the selection procedure by which the current SABC Board was chosen</p> <p>The appointment process, carried out in early 1993, was agreed to by most major South African parties—the exceptions being the Freedom Front and the African Christian Democratic Party, which were not in existence at the time</p> <p>The body responsible for selection, the Selection Panel, was, similarly, accepted by all major parties then in existence</p> <p>Criticism of the outcome of the process by any other than these parties must be viewed against this background</p> <p>The process involved the establishment of a selection panel jointly chaired by two judges and including several eminent legal figures, which then called for public nominations for the new SABC Board</p> <p>From the several hundred nominations, the Panel used an agreed set of criteria—based broadly on the need to establish a Board which was generally representative of the South African public and whose composition generally reflected the composition of the South African public—to draw up a short-list of 88 (check this number) individuals</p> <p>These individuals were then interviewed in a series of public hearings</p> <p>Based on these interviews, the Panel selected 25 individuals</p> <p>The process was and remains among the most transparent and publicly accountable of any for the appointment of the controlling body of a public corporation in South Africa—or, indeed, anywhere in the world</p>
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\*23 Mr J J DOWRY asked the Minister for Posts, Telecommunications and Broadcasting +

- (1) Whether the Government intends substituting any investigation into the decision of the Portfolio Committee on Communication to appoint persons to the Board of the South African Broadcasting Corporation, if not, why not, if so, what are the relevant details,

(267) *HANSARD 28/6/95*

This is an indisputable fact, acknowledged nationally and internationally. The process was widely praised by many prominent figures involved in public broadcasting in many countries

The process has been adopted, with only minor variations, for subsequent selection procedures for public office, notably in the selection of members of the Constitutional Court

Seven of the 25 individuals originally nominated by the Selection Panel were subsequently removed from the nominations list at the insistence of the state president

This was unilateral decision and was widely criticised by political and civil society representatives alike, including several of those organisations now criticising the resulting Board and the two recent additional nominees

Given the consensus over the process and the high degree of transparency and public involvement, it would be inconceivable that the Board appointed through this process was, as several parliamentarians have suggested, "ANC-dominated" or politically biased in any other way

The current SABC Board has for the past two years sought consistently to move the SABC out of the arena of political dispute. They have done so together, as a collective initiative, irrespective of our personal views and backgrounds

It does not serve the interests of the country or of the public SABC exists to serve to attempt to drag the SABC back into the arena of political dispute through political point-scoring across the parliamentary floor

Whether or not it is intended, the result of these groundless attacks on the integrity of the Board is to undermine the initiative by the Board and its management to remove the SABC from the political arena

This is particularly inappropriate at this point in South Africa's history, both because the process which appointed the Board was one over which extensive consensus was achieved and because the development of South African democracy requires an authoritative, impartial media voice of the sort which can only be provided by an independent public broadcasting system

As far as I am aware, given the separation of powers between the executive and the legislature, it would be a gross violation of the spirit of our Interim Constitution if government were to order an investigation into the proceedings of any of the committees of the legislature

The decision of the Portfolio Committee on Communications to make recommendations to the State President regarding his power to appoint members of the SABC Board arose from a motion in this House which passed unopposed, that the Portfolio Committee on Communications be seized with that matter

There does not appear to be anything irregular about the manner in which the matter was placed before the Portfolio Committee. I have been advised that the State President is giving serious consideration to the recommendations of the Portfolio Committee

\*24 Mr M VAN S HAMMAN—Trade and Industry [Question standing over]

**Persons detained for long periods**

\*25 Mr R H GROENEWALD asked the Minister of Justice +

- (1) Whether a certain person, whose name has been furnished to his Department for the purpose of his reply, was detained in prison for seven months without the charge of murder for which he would have stood trial being disposed of, if so,
  - (2) whether this person was released on bail of R500 in the magistrate's court in the district of Vereeniging without any bail conditions having been set, if so,
  - (3) whether the South African Police Service has been informed of the application for bail, if not, why not, if so, what are the relevant details,
  - (4) whether his Department intends taking any steps to prevent persons from being detained for long periods before their cases are disposed of, if not, why not, if so, what steps?
- N878E
- THE MINISTER OF JUSTICE**
- (1) Yes
  - (2) The accused was released on bail on 21 February 1995 on condition that he has to attend Court on 31 March 1995
  - (3) No. When the case was postponed on 20 January 1995 the Magistrate who did not preside in the case on previous occa-

1327

THURSDAY, 29 JUNE 1995

**Volkstaat Council**

371 Mr A S BEYERS asked the Minister for Provincial Affairs and Constitutional Development

Whether the Volkstaat Council has arranged any public meetings where members of the public were allowed to make inputs, if not, what is the position in this regard, if so, (a) how many, (b) what was the average attendance at these meetings, (c) what the (1) advertising, (ii) travel and (iii) other costs in respect of these meetings amounted to and (d) in respect of what date or dates is this information furnished?

N771E

**THE MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT**

Yes

(a) Fourteen public meetings were held in Pretoria and ten meetings in the various provinces

(b) The attendances varied from 15 to 30 persons per meeting

(c) (i) R178 799,88  
(ii) R1 423,55

(d) The period 16 June 1994 to 15 June 1995

**Official vehicles allocated to Ministers/Deputy Ministers**

375 Mr A J LEON asked the Minister of Transport

(1) Whether any official vehicles allocated to Ministers and Deputy Ministers were involved in accident during the period 1 January 1995 up to the latest specified date for which information is available, if so, (a) how many, (b) what was the total cost of repairing or replacing these vehicles and (c) what was the total cost of the damage caused to other vehicles involved in these accidents,  
(2) whether any persons were (a) killed or (b) injured as a result of these accidents, if so, how many in each case?

N775E

1328

**The MINISTER OF TRANSPORT**

On behalf of the Minister of Transport, the Department of Transport in co-operation with the Provincial Government of Gauteng, has gathered and prepared the information as requested

(1) Yes

(a) Four vehicles were involved in accidents for the period 1 January 1995 to 9 June 1995

(b) Although no vehicles were replaced, the repair costs currently amounts to R22 940,00 The repair costs of two of the vehicles is still awaited

(c) Only one claim was received in the amount of R1 457,32

(2) (a) and (b) To our knowledge, nobody was killed or injured as a result of these accidents

**Theft of cheques by post office workers**

377 Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting

(1) Whether any investigation has been undertaken by the South African Police Service into the alleged theft of mailed cheques by post office workers, if so, (a) what were the findings and (b) what was the total amount of money involved,

(2) whether any postal workers were dismissed or suspended in connection with the theft of mailed cheques during the period 1 January 1995 up to the latest specified date for which information is available, if so, (a) how many and (b) what are the relevant details in each case,  
(3) whether any of these persons have been arrested in connection with the matter, if not, why not, if so, how many,  
(4) whether any of these persons have been charged in connection with the matter, if not, why not, if so, what were the charges,  
(5) whether he will make a statement on the matter?

N777E

1329

THURSDAY, 29 JUNE 1995

**The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING**

The Chief Executive of the South African Post Office Limited has informed me as follows

(1) Yes

(a) The South African Police Service arrested and charged 13 Post Office employees

(b) The total amount of money involved cannot be determined yet

(2) Yes

(a) Thirteen Post Office employees have been suspended of which three have been dismissed Disciplinary hearings are pending in respect of the remaining 10 employees

(b) As these cases are still under investigation and of a sensitive nature, information cannot be made available at this stage

(3) Yes Thirteen

(4) Yes Thirteen employees have been charged criminally These employees have been charged with fraud, possession of stolen property as well as charges under the Post Office Act

(5) No

**Postal deliverers currently employed by post office**

378 Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting

(1) How many postal deliverers are currently employed by the Post Office,  
(2) whether his Department is planning to replace street deliverers with deliveries to post boxes at entrances to suburbs, if so, (a) when is it anticipated that this plan will be implemented and (b) what are the further relevant details,  
(3) whether an investigation has been undertaken to determine the savings that this plan will effect for the Post Office, if so, (a) what will the estimated savings amount to and (b) in what areas will they be made,

267

JAMSAVD 29/6/95

1330

(4) whether any postal deliverers are to lose their jobs as a result of this scheme, if so, how many,

(5) whether it is the intention to unhse these postal deliverers elsewhere, if not, why not, if so, what are the relevant details?

N778E

**The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING**

The Chief Executive of the SA Post Office Limited has informed me as follows

(1) Not applicable

(2) Although the present delivery policy stipulates that street deliveries will not be extended to new suburbs and developing areas, existing street delivery services will not be withdrawn New suburbs and developing areas will be serviced by means of Address Boxes conveniently situated

(3) Not applicable

(4) Not applicable

(5) Not applicable

**Teachers' strikes**

381 Mr M J ELLIS asked the Minister of Education

(a) How many teachers' strikes took place in (i) 1993 and (ii) 1994 and (b) in each case, (i) which organisations were involved, (ii) how many school-days were lost as a result, (iii) how many pupils were affected and (iv) what was the outcome of the strike?

N781E

**The MINISTER OF EDUCATION**

(a)	(i)	12
	(ii)	05
(b)	(i)	1993 SADTU
	(ii)	1994 SADTU
	(iii)	1993 Approximately 27 school days
	(iv)	1994 Approximately 12 school days
	(i)	1993 Approximately 25 700 pupils
	(ii)	1994 Approximately 10 700 pupils

# Telkom silent on bugging

ARG 29/6/95 (267)

Political Correspondent

THE Post Office and Telkom have been unable to comment on allegations by a former employee about interception of post and bugging for the security services

All senior post office employees at the time of the alleged interception have since left, while the alleged telecommunications interception occurred before the 1991 restructuring of the service

Meanwhile, Telkom is instituting regular checks to review phone-tapping operations

This was said in the national assembly by Posts, Telecom-

munications and Broadcasting Minister Pallo Jordan

He was replying to questions by Luwellyn Landers (ANC) about statements by former postal employee Mike Leach, quoted in The Argus on June 7 and 8

"The events referred to by Mr Leach regarding the interception of posts and telecommunications apparently occurred under the then legal provisions of the Post Office Act of 1958," said Dr Jordan.

These provisions had been repealed in 1993 and replaced with the Interception and Monitoring Prohibition Act

This act authorised security services to apply to the Supreme Court for warrants empowering them to intercept post or telecommunications

Dr Jordan said he had raised the issue of the legislation in cabinet soon after taking office

The cabinet was satisfied the legislation was in line with international practice and did not violate the interim constitution

At present, Telkom was operating a "limited number" of interceptions on the strength of warrants issued by a Supreme Court judge

## Mail bugging to be probed

(267) CT 29/6/95

ALLEGATIONS by former posts and telecommunications department intelligence chief Mr Mike Leach regarding mail interception and telephone bugging would be investigated, Posts and Telecommunications Minister Dr Pallo Jordan said yesterday.

All senior post office staff at the time of the alleged interception had since left the service and the South African Post Office was not in a position to comment on Mr Leach's claims, he said in written reply to Mr Luwellyn Landers (ANC).

Inquiries from personnel still in service had not yielded results — Sapa

## Keyboard capers

*PM 30/6/95*  
**Competition from** State-owned information technology organisations has raised the ire of private sector companies which claim they are being undercut on contracts

Ernst & Young Management Consulting Services and other organisations share a concern that there is unfair competition from public corporations. Ernst & Young is compiling a petition to present to the Department of Trade & Industry

The commercialisation of public corporations and government's Budget cuts to research organisations have seen State outfits competing aggressively for a slice of private sector IT business.

Several computer companies grumbled when Denel Informatics was created out of Armscor's IT interests, but competitors

failed to prove that the State's wholly owned computer company was being subsidised by the taxpayer. Companies claim the CSIR is using its State funding to undercut their bids for IT contracts

Ernst & Young director Andre van den Berg says "We are not fighting the CSIR. We think it has a vital role in conducting scientific research for SA and would like to see it compete and outdo similar institutions in other countries

"But the process is wrong when the CSIR uses its funds to compete for normal commercial contracts"

The CSIR denies the charge, saying the problem arose when it competed for businesses in a market where it did not realise a commercial product already existed ■

TELKOM

# White knight on the horizon

FM 30/6/95 (267)

**Though profitable,** Telkom looks increasingly unlikely to meet its RDP targets, service its debt and hold on to its business clients in the face of growing competition.

This year it faces an additional strain on its already stretched financial resources — reintegration with the telecommunications companies of the former TVBC states. This alone, say analysts, will make private sector investors wary of jumping into bed with the already debt-laden corporation.

Chairman Dikgang Moseneke confirms an outside investor will reduce the State's 100% holding in the R15bn telecommunications utility by 15%-20% in the next two months. Further private investment will

depend on government's telecommunications policy, which will be published in a Green Paper within weeks.

Telkom's group turnover (including its subsidiaries Vodacom and Q-Trunk) increased 18% to R9,9bn for the year to end-March. The telephone utility's biggest contributor to turnover was its voice service and products business, which grew 16% to R7,6bn. This was followed by international services, which grew 15% to R1,3bn. Rapid growth in the cellular industry saw its subsidiaries' contribution rocket more than 16-fold to R283m. Revenue from its Telematics data service increased 7% to R527 while Informatics shrank 1% to R156m.

Though turnover beat inflation, Telkom's operating margin slipped from 30% to 27%, leaving a 4,35% increase in net income of R2,7bn before finance charges.

The albatross of R10,2bn gross long-term debt Telkom inherited from government when it was incorporated in October 1991 hangs heavy. The corporation paid R1,3bn interest on its debt of R8,5bn and made a marginal inroad on its borrowings, bringing its debt-equity ratio to 1,6 from 1,8. On top of R483m tax, the State paid itself a dividend of R225m — 78% higher than last year. Retained income was down 2% to R616m.

Maintenance costs included R2bn for its

network, R55m for computers and R30m for equipment rented to customers. New capital investment on the network was limited to R4m, while R78m was spent on new support equipment.

Introducing a detailed billing system meant spending R219m on computers, which formed the bulk of investment in new equipment. New rental equipment, including video-conferencing terminals for the integrated services digital network (ISDN), cost R12m.

Last year Telkom put out a tender for an intelligent network system which will allow it to offer toll-free televoting and universal number services to private networks.

Senior finance GM Stoffel Erasmus says Vodacom is now profitable, but Telkom's 50% share in the fledgling cellular network provider incurred a loss of R122m for the year under review. Telkom increased its working lines by 5% to 3,8m as part of its RDP drive, but checking the creditworthiness of new customers is a problem judging from a R207m write-off to bad debts.

At the time of incorporation, Telkom had a shortfall in its pension fund of R1,5bn which now stands at R1,3bn. A major hurdle Telkom faces this year is

reintegrating the telecommunications services of the former TVBC areas, now operated by their respective departments of posts and telecommunications.

In terms of its RDP obligations, Telkom must provide one payphone per 1 000 people in rural areas and at least two payphones per 1 000 people in urban areas.

It also has to provide one basic telephone

service and one payphone to all existing schools, clinics and hospitals by 1997. Excluding former TBVC areas, it must still bring phones to 55% of schools and 30% of clinics and hospitals.

To help solve the problem, Telkom invited telecommunications vendors to submit proposals for providing 1m rural telephones. Besides technical solutions, the companies are expected to offer ways of financing the new infrastructure without increasing Telkom's debt burden.

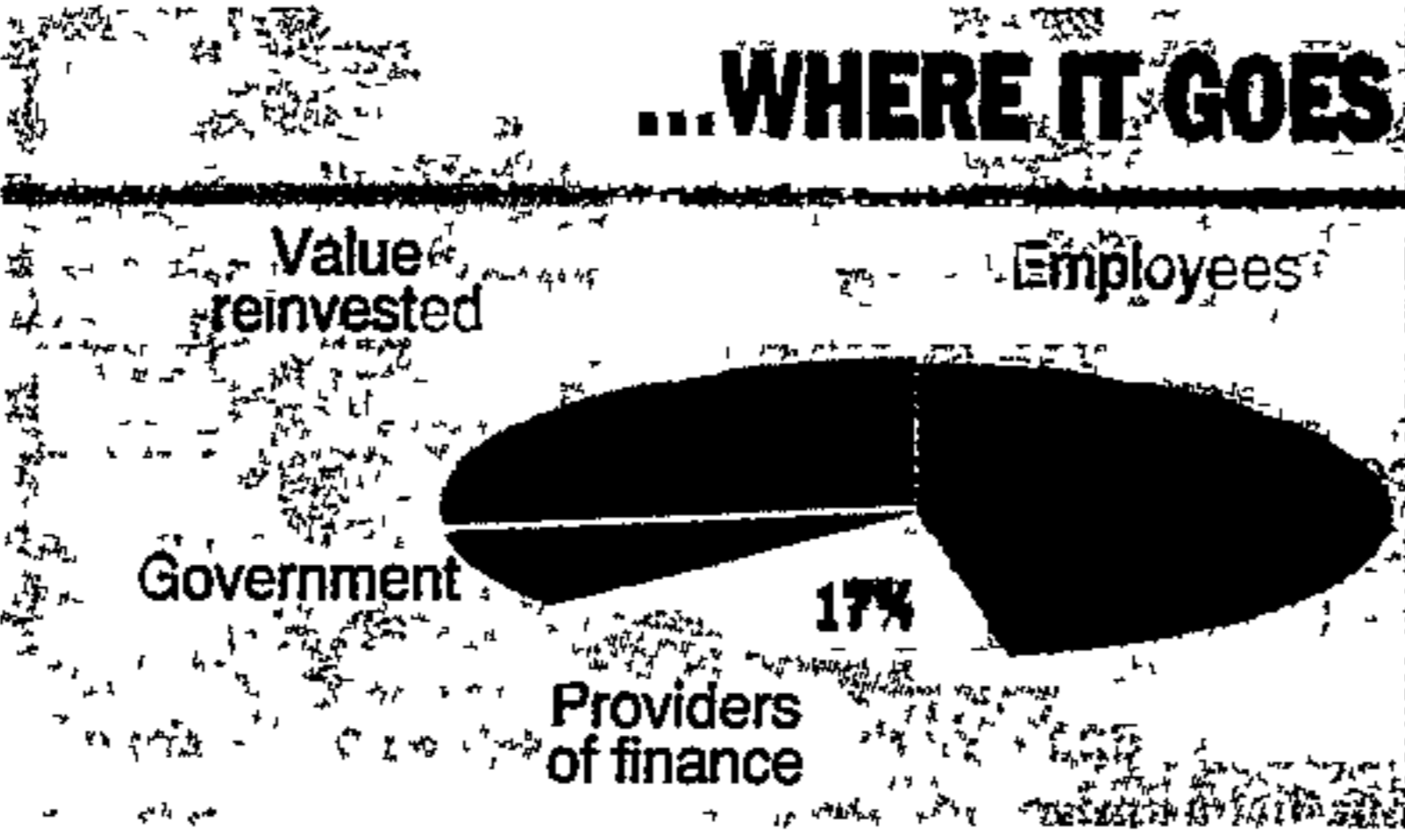
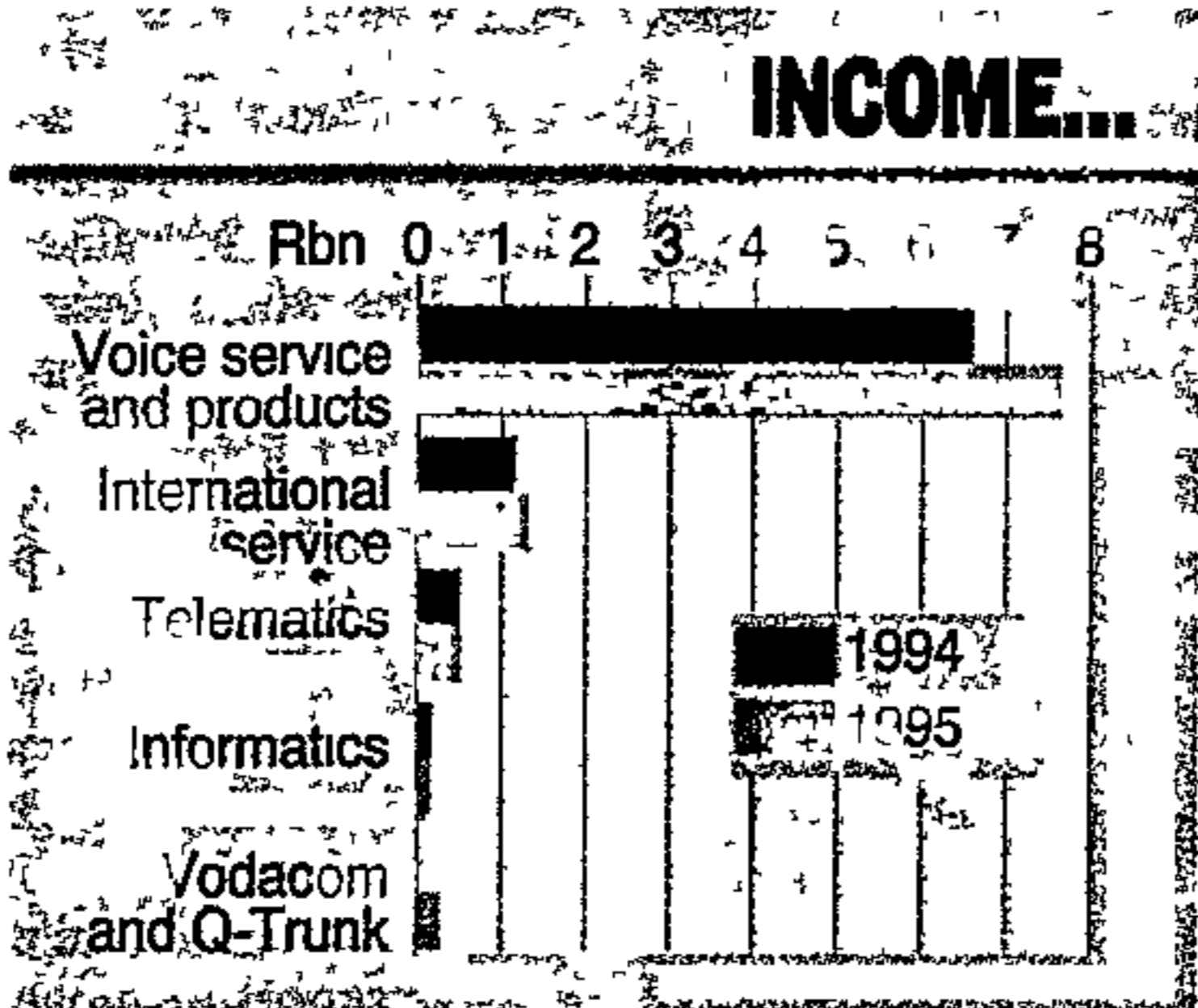
The 67 667 employees it had in October 1991 have been reduced to 58 793 through natural attrition and voluntary retirement. While battling to improve its staff-per-line ratio, it is recruiting and training black employees. It spent R22m on its affirmative action programme, including bursaries and management training.

Erasmus says internal efficiency has increased 18%, yielding an average turnover per employee per day of R444,13.

In addition to its 50% holding in Vodacom, Telkom took a 70% stake in a radio-trunking company, Q-Trunk. MD Brian Clark says the company launched its services in "the Cape" this year and is now expanding to Gauteng. Its service allows large mobile fleets and long-distance road carriers to communicate at a flat rate, irrespective of the number of calls made.

Telkom is taking up a 60% interest in a wireless data service venture with black business partners. Its initial contribution is expected to be R16m and it says it will give more details this week.

Low earth orbital satellites, a new technology deployed by consortiums including US billionaire Bill Gates and Motorola, are seen as a growing threat to fixed line telephone utilities in the next decade. Telkom is investing in a scheme led by European consortium Inmarsat, I-CO Global Communications, taking a 1,4% share valued at R7,2m. Telkom already owns portions of satellite companies Intelsat and Inmarsat.



## G-STRING ON THE AIR

US Senate House Speaker Newt Gingrich has attacked legislation aimed at blocking obscenity on Internet. "It's clearly a violation of free speech," Gingrich said. The Senate amendment was "very badly thought out." He is an enthusiast of new communications technologies and is said to be an inveterate Internet user.

PUBLIC SECTOR - TELECOMMUNICATION - GENERAL

1995

JULY - DEC.

# PO's Track, Trace system (267) STAN 4/7/95 has taken off

## ■ CONSUMER REPORTER

The Post Office's new Track and Trace monitoring and inquiry service, as well as the new insured letter service and the streamlined registered letter service, became available at the weekend.

The Track and Trace bar code and laser scanner monitoring system for parcels, registered and insured items is designed to result in fewer items going astray and being tampered with. People can also make use of the new speedy response mechanism by phoning the national toll-free inquiry number 0800-111-502.

In another new approach, letters with a mass of up to 2kg which are no thicker than 100mm will be defined as flat postal items. Items that are larger than this will be handled as parcels.

The insured letter service can be used to dispatch articles such as securities, postal orders and cheques, valuable

and important documents such as contracts, building plans, policy and legal papers; and even photographs and works of art.

Customers will be able to take out insurance of up to R2 000 on them, and will be compensated if the items are lost. The cost of an insured letter is R5,90 plus the insurance fee and applicable postage.

Track and Trace equipment is available from acceptance to delivery. To find out where it can be found, call the toll-free number.

The registration service for letters has also been streamlined. Letters that contain, for example, important documents that have no monetary value may be sent with this service.

A registered letter must always be handed in at a post office counter and no compensation will be paid if it gets lost. The cost of this service will be R3,75 plus the applicable postage — the same as for registered letters now.



POLICY

(267)  
FM 7/7/95  
**Document on line**

**Government's** Green Paper outlining issues to be tackled in the formulation of new telecommunications regulations is scheduled for publication this week

Willie Currie, an adviser to Posts, Telecommunications and Broadcasting Minister Pallo Jordan says the Green Paper will call for as much input as possible on areas ranging from telecommunications and development in SA to market structures, ownership investment and empowerment, regulation of the sector and radio frequency spectrum, tariff setting, human resource development for the sector, as well as legislative reforms and regional and international co-operation

Responses are being called for submission by September 15, so that a White Paper can be formulated for submission to government

According to Currie, the document is 80 pages long, is "very descriptive and reader friendly, and includes a glossary of terms"

There will be 8 000 copies issued with the *Government Gazette*, and an initial 5 000 each printed in English, Afrikaans,



**Currie** wants input  
from industry

South Sotho and Zulu

"It will also be available on Internet, and there will be a hypertext version on disk," he says (Hypertext is a computer text system which allows readers to click on highlighted keywords to expand various topics)

Currie says extensive consultations with the telecommunications sector were central to the paper's production ■

# Telkom policy being formed

By **ESTHER WAUGH**  
POLITICAL CORRESPONDENT

Posts, Telecommunications and Broadcasting Minister Dr Pallo Jordan said yesterday competition in the telecommunications field could be "subversive".

Speaking at the launch of a consultation document on telecommunications, he said Telkom stood on "very unstable, narrow stilts which are the white population of Gauteng," who formed the bulk of Telkom's clients. Competitive companies would "cherry-pick" by targeting Telkom's main client base.

On ownership, Jordan said: "Telkom is the collective prop-

erty of South Africa Incorporated." Until now, it had at best been shared by 15% of the population, he said.

## Possible sale

The minister indicated that a decision on the possible sale of Telkom, or a part of it, was likely only after a telecommunications policy document was finalised in November.

But he added that the sale of state assets was dependent on Government policy.

The discussion document outlined four options: a state-owned monopoly, a "commercialised" parastatal monopoly under regulation, a private, profit-oriented monopoly under

regulation, or privatisation.

The public can make written comments on the consultative document until September 15. Describing the document as "one more giant step along the road to full democratisation of our society", Jordan said it marked a decisive departure from past practice.

Apartheid had blighted all facets of South Africans' lives. "Such systems have invariably sought to employ modern communications as an instrument to manipulate and control the citizen, while denying ordinary people the means of communicating with each other, independently of the institutions of the state," he said.

STAV 8/7/95

(267)

# Jordan hangs up the phone on Telkom's foreign callers

ST917/95 (BT)

(267)

POSTS and Telecom-  
munications Minister  
Pallo Jordan has  
snubbed foreign invest-  
ors seeking to enter  
South Africa's telecom-  
munications industry.

Presenting the Green  
Paper for telecommunications  
policy on Friday, he  
said opening up the market  
"would be subversive of  
our country's interest".

He ruled out a decision  
on a possible 20% sale of  
Telkom and the awarding  
of a R6-billion telephone  
tender until the White  
Paper was accepted by  
Parliament at the begin-  
ning of next year at the  
earliest.

In a surprisingly hard-  
line approach Mr Jordan  
said South Africa's tele-  
communications "rested  
on the narrow skills of Gar-  
rang whites".

He added: "If we allowed  
foreign companies such as  
AT&T to compete they  
would cherry-pick the  
skills. Telkom wouldn't last  
a week."

Frank Coleman, pres-  
ident of AT&T South Africa,  
was at the launch and told  
Reuters Mr Jordan's per-  
ception of his company's  
plans were "unfortunate".  
It is not a priority of  
ours to start a business  
that's in complete competi-  
tion with Telkom. In fact,  
we're looking to support  
Telkom.

But Mr Jordan said  
"The role of foreign invest-  
ors is up for debate like  
everything else in the  
paper."

Mr Jordan's comments  
are at odds with recent ap-  
proaches by Telkom, which  
has been seeking the finan-  
cial and technological co-

operation of global indus-  
try giants.

Telkom's R6-billion ten-  
der for 1-million new tele-  
phone lines in rural areas  
announced this week and in-  
cludes the chairman Dikgang Moseneke that 22 consortia have  
submitted documents.

The list of consortia in-  
cludes most of the world's  
top telecommunications  
companies, such as British  
Telecom, AT&T and  
several Japanese com-  
panies.

Mr Moseneke said re-  
cently that by the end of  
August Telkom would brief  
government on a minority  
strategic equity partner,  
who could take a holding of  
up to a 20%.

Telkom has assets of  
R15-billion but is saddled  
with debts of about R4.4-  
billion. A strategic partner  
with access to local and  
overseas borrowings is  
seen as essential.

Mr Jordan's comments  
give a greater indication of  
his department's future  
policy than the 70-page  
Green Paper, which avoids  
clear pointers to the indus-  
try's future market and  
ownership structures.

On ownership the paper  
says "the global trend is  
away from direct govern-  
ment ownership of tele-  
communications com-  
panies, and away from  
monopoly towards com-  
petition".

This statement is fol-  
lowed with the caveat that  
government should always  
play a promotional role to fa-  
cilitate and ensure the flow  
of investment funds to the  
sector. Irrespective of

ownership, government  
has a fundamental public  
service obligation to ex-  
tend the network and ser-  
vices to all areas.

The paper emphasises  
that these services should  
be provided "not necessar-  
ily at cost-determined but  
possible at affordable  
rates", and suggests sub-  
sidies.

In trying to balance the  
need to fulfil broader so-  
cio-economic obligations  
with the need to promote  
cheaper costs through  
competition, the paper  
clearly leans towards the  
former.

Its main goal is "putting  
a telecommunications line  
in every household at af-  
fordable prices". This  
would correct the imbal-  
ances between while and  
black service provision,  
says the report, which cor-  
trasts the average tele-  
phone penetration of 25  
lines per 100 people in  
white areas with 0.1 lines in  
some black rural regions.

"Competition in the sec-  
tor can bring costs down  
and... thus increase affor-  
dability."

But the benefits that  
competition can bring are  
not without risk, the paper  
says, listing the elimina-  
tion of incentives to fulfil  
public service obligations  
as the major disadvantage.

The paper says it is cr-  
ucial to find the proper bal-  
ance between competition  
and the maintenance of a  
state-owned telecommuni-  
cations monopoly.

The report also backs  
the existing "unbalances in  
the tariff structure", which  
allows the long-distance  
and international services  
to cross-subsidise the pro-  
vision of telephones and  
local calls at low tariffs.



WRONG NUMBER Pallo Jordan, who says opening up the telecommunications market would be 'subversive of our country's interest'



MR BIG Eric Samson, chairman and chief executive of Macsteel

## Steel venture approved

ST917/95

BY DON ROBERTSON

THE Competition Board has given  
Macsteel and Iscor "provisional  
clearance" for the formation of a  
joint export company to handle all  
Iscor's international sales.

Pierre Brooks, chairman of the  
Competition Board, said on Friday  
the board decided not to carry out  
a formal investigation into the  
agreement as it related only to  
export sales and should not affect  
the domestic market.

"We had some queries on cer-  
tain aspects of the agreement and  
we were provided with more in-  
formation and assurances by the  
two steel companies which re-  
solved these problems to our satis-  
faction," Mr Brooks said.

"We were concerned that some  
local agents might be aggrieved  
by the formation of the new com-  
pany and, in fact, one party will  
discuss this with the board this  
week. By giving provisional clear-

ance only, it means that should  
anybody have a valid complaint  
against the export agreement, we  
will be able to look into it," he  
says.

The new company, Macsteel In-  
ternational, in which Iscor has in-  
vested R50-million as working  
capital, will incorporate all Mac-  
steel's international distribution  
outlets in 26 countries. Before the  
agreement, Macsteel distributed  
about 50% of Iscor's overseas  
sales, mainly to the Far East.

Macsteel International will now  
distribute about 2-million tons of  
Iscor steel a year.

Next year Macsteel Interna-  
tional will distribute about 6-mil-  
lion tons of steel on international  
markets plus 5-million tons of pig  
iron and iron ore.

In April, on the recommen-  
dation of the Competition Board, the  
Department of Trade and Indus-  
try outlawed certain restrictive  
practices carried out by steel mer-  
chants Macsteel, Baldwin's Steel  
and Trident Steel. These related to  
the refusal to supply certain cus-  
tomers and collective purchasing  
of non-ferrous scrap.

The board also found the mer-  
chants conducted business by us-  
ing a common price list, referred  
to as "price leadership". This prac-  
tice was not outlawed and the  
merchants were asked to resolve  
these issues with the board.

Dr Brooks says that two meet-  
ings with the trade have since tak-  
en place and certain proposals  
have been made.

"There is one last aspect with  
which we have a problem... but I  
have given them until the end of  
the month," says Dr Brooks.



**HALLO, CAN YOU HEAR ME? . . . Pallo Jordan wants a phone in every home.**

# LET SA RING!

## Jordan's phone call just needs unscrambling . . .

SP 9/7/95

(267)

in the residential sector, ■ Servicing the emerging informal business sector, and ■ Providing business value-added services "in voice and data"

DEREK HANEKOM is out to get land for the landless, Sankie Mthembi-Nkondo is striving to put houses on that land — and now Pallo Jordan is out to ensure that all those houses have their own, private telephones.

The minister of posts and telecommunications is sitting with an almighty headache — one that will probably only go away once everyone has had a say on the Green Paper he released on Friday.

Problem is, the green paper speaks FOR the "historically disadvantaged" but not TO the "historically disadvantaged"

You just might need to engage the services of a translator to understand the paper — not a translator from one language to another, because that's already there. The paper is available in Afrikaans, Southern Sotho and Zulu. You'd need someone to help you wade through a minefield of incomprehensible terms and catch-phrases like "oligopoly", "duopoly", "bandwidth-intensive", "intellectual property rights", "wireless cellular telephony" and so on. ■ Another factor that Jordan's ministry has in common with others like housing and land affairs, is that he needs a

**THE apartheid legacy left most South Africans without telephones. Now the ministry of posts, telecommunications and broadcasting is trying to link everyone up with the world. Parliamentary correspondent RAFIQ ROHAN reports.**

lot more money. Should telecommunications companies be taken out of government hands and given over to private companies to own? If this were done, would it solve the huge discrepancy in access to telephones by household occupants? These are but some of the many important questions the minister tries to come to grips with in the document.

It should come as no surprise to anyone — as Jordan's paper reveals — that black people have been seriously short-changed by the successive apartheid-controlled telecommunications authorities of the past.

In 1994 telephone services were provided, on average, at a rate of 9,8 lines for each 100 people. "The penetration rate was as high as 25 in white urban areas and as low as 0,1 in rural TBVC areas," the paper's shocking figures reveal. Jordan points out: "South Africa needs a new policy on telecommunications because policy during the apartheid era systematically discriminated against the majority of South African citizens."

The existing telecommunications system "hopelessly failed" to provide everyone access to it. These historic imbalances needed to be addressed immediately if South Africans want to be part of the information revolution that is

sweeping the world, he said. "There are changes occurring in technology . . . bringing enormous changes to how economies and societies are organised across the world. We have to adapt our telecommunications policy to meet this challenge if we are to be a successful nation in this new global environment."

For this to happen, South Africa needs to invest large sums of money.

South Africa's telecommunications sector was taken out of the hands of the Department of Posts and Telecommunications and placed under the control of the state-owned Telkom SA Limited.

To play a significant role in achieving its development goals, telecommunications will have to fulfil the four most important demands:

- Providing the facility to those who never had access in the past, especially in the rural areas;
- Equalising the racial divide

"The long-term goal of universal service is a telecommunications line in every household at affordable prices"

While the paper explains the advantages of Telkom's monopolistic controls over telecommunications, it points out, too, that competition might remedy the inefficiencies of a monopoly — as international trends prove

"Competition in the telecommunications sector can bring down costs and hence prices to customers, and thus increase affordability"

The risks of competition are job losses, eliminating incentives to fulfil public service obligations, and international competitors might marginalise the domestic industry.

"Competition is not an end in itself, but a means to an end — that is, a tool that can be used to achieve certain objectives"

The Green Paper raises a number of questions to which the public can respond to in writing by September 15 1995.

PHOTO PETER MCKENZIE

summer spending in South Africa.

# Jordan out to protect Telkom

ET (BR) 10/7/95

(267)

By ROSS HERBERT

STAFF WRITER

The long-awaited "green paper" discussion document on the future of telecommunications in South Africa was unveiled on Friday with Pallo Jordan, the minister of posts, telecommunications and broadcasting, saying he "would not even think about" allowing other firms to compete with Telkom.

The green paper offered no recommendations on the industry but asked a series of questions that Jordan said he hoped would be answered through public debate during the next 10 weeks.

Jordan refused to offer his or the ANC's position on any of the issues raised, which made his unequivocal denunciation of competition particularly pointed. How the government handles the issue of competition against Telkom promises to set the tone for decisions on competition and privatisation throughout the economy.

"Telkom stands on very unstable, narrow legs, which is the white population of Gauteng. If we allow international competition in, they will cherry pick and there would be no more Telkom. It would be very subversive," Jordan said.

However, he added that the decision would ultimately be up to the whole Cabinet and if citizens wanted competition they must convince politicians of its efficacy during the debate phase.

In October, a conference will be held to analyse public comment on the green paper and to appoint a panel to draft a white paper, due one month later, which will be the basis for legislation to be introduced early next year.

Jordan said he would only consider competition if Telkom got "so fat and bloated" it was uncompetitive, a remark that evoked murmurs and chuckles from the crowd assembled for the unveiling.

Compared with US telephone companies, Telkom operates with

five times the staff, earns three times the return on assets and takes as much as 30 times as long to provide service to new customers.

"You give us far more credit than we deserve," quipped Frank Coleman, president of AT&T South Africa, who attended the unveiling and made no secret of his desire to compete with Telkom. Coleman said there were a number of regulatory options to direct more telephones into under-served areas, adding that lower prices, better service and more innovation were among the benefits of competition.

Jordan said many other telecommunications issues needed to be debated, including whether and how the government should be allowed to intercept telephone traffic, whether tariff protection should be given to local telecommunications equipment suppliers, what structure a regulatory authority should have and Telkom's role in setting regulations.

□ See Forum

# Hoechst optimism

ET (BR) 10/7/95

By THABO LESHILO

STAFF WRITER

Pharmaceutical and chemical company Hoechst SA's recent offer of 12,2 million shares to the public had been over-subscribed 3,6 times, attracting a response of R230,9 million for the R62,8 million on offer, Reinhard Traub, the company's managing director, said yesterday.

The shares were offered at 5,15 cents each.

Traub said the company's private placing of 24,5 million shares - at the same price to financial institutions was fully subscribed and 92,6 percent of the 1,5 million preferential offer was taken up. The remaining preferential shares were added to the public offer.

At its price of 5,15 cents, Hoechst has a 13,1 times forecast earnings ratio, forecast earnings of 7,7 percent and a forecast dividend yield of 2,5 percent.

UNIT TRUST RETURNS

# Competition will succeed where Telkom fails down

By ROSS HERBERT

STAFF WRITER

It is a truism that competition improves service, innovation and efficiency, and reduces prices, which extends access to products and services to people further down the economic ladder. Competition also can force businesses to cut deeply into bloated staffs. South Africa faces a choice the egalitarian benefits of competition or the guaranteed jobs and control of monopoly and government regulation.

On Friday, Pello Jordan, the minister of posts and telecommunications, unequivocally declared his opposition to competition against Telkom. The logic in favour of monopoly is, however, deeply flawed. How business responds to Jordan's position will have far-reaching consequences for future economic policy in South Africa.

The telecommunications "green paper" Jordan unveiled will be the centrepiece of 10 weeks of public discussion of telecommunica-

tions policy after which a telecommunications white paper, the basis of future legislation, will be drafted in November. Jordan was clear that convincing him to change his mind on competition would be an uphill battle, but such a decision would be up to the Cabinet as a whole. He invited all interested parties to join the public debate and try to persuade politicians of the virtues of competition.

## Strains

Jordan's worry is that direct competition with Telkom would lead to "cherry picking" of the most lucrative telephone customers, leaving Telkom saddled with the unprofitable bottom of the market. Such an argument has been made by every monopolist the world over and will surely be trumpeted by South Africa's many monopolies and oligopolies facing competition for the first time in a post-Gat world.

Jordan said he would favour direct competition if Telkom became so "fat and bloated" that it was uncompetitive.

Telkom is nothing if not uncompetitive and bloated. It boasts 15.5 percent return on equity. The comparable figure for Pacific Bell, which provides phone service in California, is 6.55 percent, about average for American phone companies.

And that level of profitability is sustained despite the fact that most local phone calls are free in the United States with a monthly bill of \$8 to \$15. The seven regional telephone companies in the United States provide 122.3 million phone lines at a rate of 309 an employee. Telkom only handles 61 telephones per employee, in other words it is five times as fat.

In its annual report, Telkom states proudly that its goal is provide telephone service within 90 days of a customer order (a goal it fails to meet 8 percent of the time). Most American customers receive a new telephone service within two to three days.

Telkom, in announcing its request for bids to install 1 million phone lines by 2000, stated it would not take on any further debt to finance construction of new phone lines beyond the

185 000 or so it intends adding annually for the foreseeable future. Last year only 30 000 of those new lines went to under-served areas. By issuing the request for proposals, Telkom is effectively conceding that extending telephone service into rural areas — given the high cost of running trunk lines and extremely low rural spending power — is simply uneconomical.

## Proposals

The request for proposals is not an offer to buy installation services from other firms. It is saying other firms must both build the new lines and pay for their construction. If other firms are ingenious enough to make this economically feasible, Telkom will take a cut of the profit and still retain its monopoly control.

That is a neat trick for Telkom if anyone takes the bait. But it amounts in my mind to an admission of failure by Telkom. If it cannot do the job of providing telephones to underserved areas because it is uneconomical, then why should it be allowed to retain its monopoly on profitable,



**FLAWED LOGIC** Pello Jordan, telecommunications minister, says no to competition

PHOTO: ANTON HAMMERS

into the First World. Jordan desires and pushes South Africa fully into the First World. He wants to see the telecommunications industry in South Africa fully competitive. He wants to see the telecommunications industry in South Africa fully competitive. He wants to see the telecommunications industry in South Africa fully competitive.

Jordan said he would favour direct competition if Telkom became so "fat and bloated" that it was uncompetitive. He wants to see the telecommunications industry in South Africa fully competitive. He wants to see the telecommunications industry in South Africa fully competitive. He wants to see the telecommunications industry in South Africa fully competitive.

Competition does not have to be unregulated. In many cases, competition does not have to be unregulated. In many cases, competition does not have to be unregulated. In many cases, competition does not have to be unregulated. In many cases, competition does not have to be unregulated.

# Senior GM suspended at Telkom

Molango Sergeant (267)

BO # 117195  
TELKOM had suspended senior GM Nic van Rooyen "to facilitate an investigation by the company's internal audit division", senior GM Johan Adler said yesterday.

He would not comment further on the suspension of Van Rooyen, who handles central procurement and logistics as well as information technology systems.

Caught unawares by news of his suspension while on holiday, Van Rooyen said "I don't know what you are talking about. The last query we had was in September last year, and I have been proud of our record."

Later, he commented that he had been "brow-beaten and coerced" to such a degree that he felt "like an alien", and that colleagues of his had been made to feel "second class" at Telkom.

A senior Telkom source pointed out that "many" Telkom employees are suspended by the group's internal auditors on a regular basis.

However, a suspension at Van Rooyen's level of seniority was "unheard of." Van Rooyen is one of eight members on Telkom's executive management committee.

The source said a statement from the auditors was expected within weeks and no disciplinary action had yet been taken. "Any action which is taken will depend on the findings of the investigation."

Van Rooyen, 48, has worked his way up the ranks in Telkom for the past 32 years.

Another source pointed out that with a "new guard" in place at Telkom under new chairman Dikgang Moseneke and CEO Brian Clark, "the place is in turmoil, with many changes under way."

Government sources have claimed that Telkom has, in the past, paid heavy premiums for goods and services and has favoured certain companies, but Telkom maintained that this was necessary under sanctions when certain goods were difficult to procure.

More recently, studies have found that Telkom could pay about 30% less because its system of having 15-year tender agreements with certain key suppliers ended last year.

# Telkom cash hunt continues

(267) 20/12/95

ROGER MATTHEWS

SOUTH Africans have been given 10 weeks to respond to 149 questions, the answers to which will shape the future of the telecommunications industry and influence the debate on privatisation and competition.

The so-called consultative process launched on Friday by Posts, Telecommunications and Broadcasting Minister Pallo Jordan touches the core of government's dilemma on how to achieve sustainable economic growth of at least 5% a year while finding the money to redress the costly legacies of the apartheid system.

In the case of telecommunications, the challenge is posed by government's estimate that, based on the old segregated residential areas, there is fewer than one telephone line per 100 black people, and about 60 lines per 100 whites. The aim is to provide "universal, affordable access for all as rapidly as possible".

But, as Finance Minister Chris Liebenberg reminded businessmen last week, "91% of government revenues go on salaries, interest payments and welfare, leaving just 9% for everything else".

Jordan had appeared to recognise that financial constraint in February when he announced that Telkom — the state monopoly — would be seeking strategic partnerships with SA and offshore private sector op-

erators. This would "probably entail putting some of the shares of Telkom on the market". His statement was viewed widely as a milestone on the long march by the ANC towards more market-oriented policies.

However, it was a rather less prescriptive Jordan who told industry representatives last week that a partial sale of Telkom was just one of many options being considered, and ruled out open competition for the state monopoly in the foreseeable future. When the "access gap" had been closed and Telkom started getting "fat and lazy", would be the moment to start looking at more open competition, the minister said.

"My view is that Telkom is the collective property of SA Incorporated. Until now it has only served 15% of the population, and it must become accountable to the other 85%." The issue of whether to sell off part of Telkom could not be decided before government had agreed on its overall objectives — a reflection of the divisions within the Cabinet on what was described officially as "the restructuring of state assets". Cosatu, closely allied to the ANC,

is lobbying hard to kill off any moves towards privatisation and Jordan, while declaring that he has an open mind over the best path for Telkom to follow, made clear that he believed it must first "serve the needs of all South Africans and not merely a privileged few".

Many of the 149 main questions (and extensive supplementary ones) posed in the consultative document — designed to draw responses from individuals as much as from organisations — are impossible to answer without some familiarity with the industry. Others involving more simple political judgments seem certain to elicit responses that would favour keeping tight state control over Telkom.

Jordan plans to take all the answers to an "evaluation colloquium" in mid-September. After that process, an as yet unnamed group of eminent persons representing the main stakeholders in the industry will sit down with the minister to produce a White Paper to be put before the

Cabinet by the end of the year, it is optimistically hoped.

The more cheering news for international companies seeking to become involved in SA's telecommunications expansion is that the evaluation of bids for the 5-million new lines the government wishes to install in poorer areas by 2000 — at an estimated cost of R6bn — will go ahead parallel with the consultative exercise. "There will not be any delay because of the consultative process," Jordan said. "We would not have been able to finish evaluating the bids until towards the end of the year anyway. At some point the two processes will dovetail."

But what will not dovetail for many years are SA's urgent social needs and its ability to pay for them. Government spends six times more a year on servicing its debt than it does on the RDP, of which the provision of telephones is just one small part. Telkom itself owes about R9bn, has a pensions fund shortfall to make up, and is not in a strong position to borrow more.

Without a substantial injection of capital — almost certainly foreign —

Telkom will be unable to meet the demands placed on it by the ANC. To that extent the issue of foreign participation is already decided.

The key question still to be answered is the manner of that involvement, and the regulatory framework under which it will operate — Financial Times



JORDAN

## LETTERS



# Bid to narrow gaps in telephone services

LONDON — The Geneva-based International Telecommunication Union said it was launching a programme to narrow the huge gaps developing between the telephone services of the world's richest and poorest nations

But the 184-country organisation said yesterday the programme would concentrate on offering training and technology workshops to telecommunication engineers and executives from developing countries rather than significant financial aid

"This is a one-off event costing a few hundred thousand dollars, whereas perhaps dozens of billions of dollars are needed in those developing countries in the coming years," secretary-general Pekka Tarjanne told a news briefing.

Over half the world's population is estimated never to have made a telephone call, let alone to have access to more advanced services like facsimile machines, mobile telephones and the plethora of emerging "information superhighway" products.

Addressing journalists in London, New York and Geneva using a video-conferencing system from Helsinki, Mr Tarjanne said the problem was worst in the 48 UN-designated least developed countries, largely in Africa and the Asia Pacific region.

"But it is possible for them to leapfrog (existing telecommunications

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technology in the richer countries) and that is the reason for my optimism."

He said he hoped the effect of the workshop and technology programme, which will take place during the unionTelecom '95 conference in Geneva this October, would be catalytic.

Union statistics reveal a shortage of basic telecommunications infrastructure within reach of most of the world

Least developed and low-income countries have 77 percent of the world's population but only five percent of telephone lines. The least developed countries have an average of one telephone for 350 people

But where such countries have built telephone networks, they are often the latest digital technology

The cost of building telephone networks from scratch is also falling rapidly

Mr Tarjanne said the often quoted cost of \$1 500 (R5 400) a line was now falling to around \$1 000 (R3 600) and could soon go as low as \$500 (R1 800) in some areas

He said that meant many countries in Africa could now offer commercial returns to privately-owned telecommunications groups but added that the success of telecommunications development in China showed the public sector was also capable of leading such projects — Reuter

# Telkom's new hi-tech bouquet

**Leon Perlman reports**  
on Telkom's new range of high-tech services

**S**TATE telecommunications monopoly, Telkom, is discovering the joys of high-tech innovation and marriage with the Reconstruction and Development Programme

But it had to be dragged to the altar. SwiftNet, formed last month to run the FastNet service, is touted by Telkom insiders as the beginning of many RDP-related strategic alliances. FastNet is Southern Africa's first wireless data network to provide critical data communications facilities to businesses and organisations in lineless areas of the country.

Telkom owns 60 percent of SwiftNet with Thebe Investments and Western Cape unknown Hoerikwagga each owning 20 percent.

Hoerikwagga approached Telkom from the premise that there should be more than one partner and that the "historically ignored" Western

Cape should also be represented. As a consortium of grassroots organisations, it had the right RDP credentials.

Hoerikwagga's investment is around R6,7-million which, says SwiftNet director and Hoerikwagga head Ragavan Moonsamy, it is hoped will be recouped by year two. FastNet offers that possibility, backed as it is by Telkom and prominent banks.

The system uses special Radio Pad transmitters for wireless access via a network of base stations country-wide, to Telkom's fixed-line data network. FastNet technology, for example, allows businesses — even taxis — without fixed telephone lines to obtain almost instant credit card and cheque verification using PCs or card-cheque readers plugged into a FastNet Radio Pad. Connect costs of single verification are similar to those of fixed-line calls.

Says Telkom managing director and chief executive officer, Brian Clark, "FastNet puts businesses in informal settlements on a competitive par with businesses in more formal (fixed-line) areas." The Radio Pads can be bought

(1994) GSM 14-20/7/95

(267)

## THE BOTTOM LINE(S)

MAIN TELEPHONE SERVICES	3 597 23	
METERED CALL UNITS (BILLIONS)	27	
AUTOMATIC EXCHANGE UNITS & MANUAL EXCHANGES	20	1995
DIGITAL EXCHANGES	4	1994

**Telkom's progress — or not — in a nutshell. A few thousand more lines, but more digital exchanges**

outright for around R3 400 or rented monthly for R50

Another application is that of burglar-alarm notification. Chubb, for example, has a number of sites linked via FastNet to its control centre where alert messages are sent to either pagers or SMS-capable cell-phones. FastNet is also poised to facilitate transactions for a national lottery as well as for the upcoming municipal elections

Telkom is also set to launch a number of other innovative services. It has entered the final phase of a voice-messaging system (VM) pilot programme, and is set to launch it commercially later this year. The as-yet-unnamed VM service is aimed primarily at rural users now without their own fixed-line phones. It is touted to provide virtual telephone and voice- and fax-mail boxes based on a new 088 prefix, where users will

be able to retrieve their PIN-secured messages stored on the system using any touch-tone phone. Users will initially be offered a choice of voice prompts in Nguni, Sotho, English and Afrikaans. There are indications that VM costs will be well below that of phone line rental.

A pilot programme of some 2 000 users in the Gauteng area has been underway since April. Of these, some 500 are residential users using Telkom's Plus facilities who simply forward their messages to the 088-preferred VM mailbox number. Telkom, however, warns that not all digital exchanges serving residential VM users will have the full range of VM facilities, like divert on busy or no answer. The line-less remainder are piloting the 088-based virtual mailbox facility.

Telkom is also set to launch its own Internet Service as well as a fax broadcast facility later this month. The Internet service will reportedly offer a standard bouquet of facilities, while the fax broadcast service will allow users to use Telkom as a conduit for disseminating hundreds of different or identical faxes to multiple recipients in a fraction of the time it would take subscribers to do. Users simply send the pages to be sent, as well as the distribution list, to the Telkom fax broadcast facility which then does the rest.

## TELECOMMUNICATIONS POLICY

# Green Paper, but pallid prospects

FAM 14/7/95 (267)

**Pallo Jordan** has no time for "subversive" attempts to immediately weaken Telkom's monopoly in the local telecommunications industry

Comments by the Minister of Posts, Telecommunications & Broadcasting suggest he has already made up his mind on the short-term nature of a future industry policy — despite the appearance of a government Green Paper ostensibly seeking national debate on a future policy and regulatory framework for the telecom industry.

It seems Jordan is determined to protect Telkom from global competitors. Fearing they will "cherry-pick" Telkom's lucrative services, leaving it unable to meet its RDP commitments, he says the utility is a national asset which until now has at best been shared by 15% of the population

"SA's telecommunications rests on the unstable, narrow stilts of the white population of Gauteng. If we allowed foreign companies such as British Telecom and AT&T (to compete), they would wipe Telkom out within a week," states Jordan

Many industry players view this stance with concern "This is not a good starting point," says FirstNet MD Mike van den Bergh "Protecting a State monopoly is contrary to global trends Even in developing countries the drive is to increase telephone penetration by enabling competition"

In the US, Britain, Australia, New Zealand, India, Philippines, Czech Republic and other Asian and East European countries, the opening of State monopolies to competition has helped increase telephone penetration, improve service and slash costs Often the incumbent telephone utility has become leaner.

In the UK, British Telecom (BT) has thrived financially despite deregulation Since it was privatised 10 years ago and Mercury first started competing with it, the number of telephone lines has increased dramatically The abolition of the BT/Mercury duopoly in 1991 has seen the number of lines and services increase because of the entry of the cable TV companies The UK operates Europe's most liberal market, facing competition from 40 licensed operators

The UK example and the profits enjoyed by a privatised BT encouraged other formerly closed telecom markets to open European Union governments plan to sweep

away protection in less than three years

Jordan, however, indicates he is prepared to deregulate the market only once most South Africans have affordable access to phones There are 25 lines for every 100 people in white areas compared with 0,1 lines for 100 people in some rural areas

His reluctance to follow overseas trends may be the result of increasing pressure from unions fearing large-scale redundancies With almost 59 000 employees, Telkom has five times as many staff as an equivalent US telephone company

But modern technology is increasingly making a mockery of the regulated telecom environment Already Telkom is under pressure from new satellite services, call-

Africa is a further threat This cable will link coastal countries to one another and to AT&T's global network under construction Landlocked countries can plug into this global highway via satellite While Telkom, which has its own cable between Cape Town and Europe, has indicated it will not join "Africa One," it will be impossible to stop local corporates from linking into it via neighbouring states and satellite links

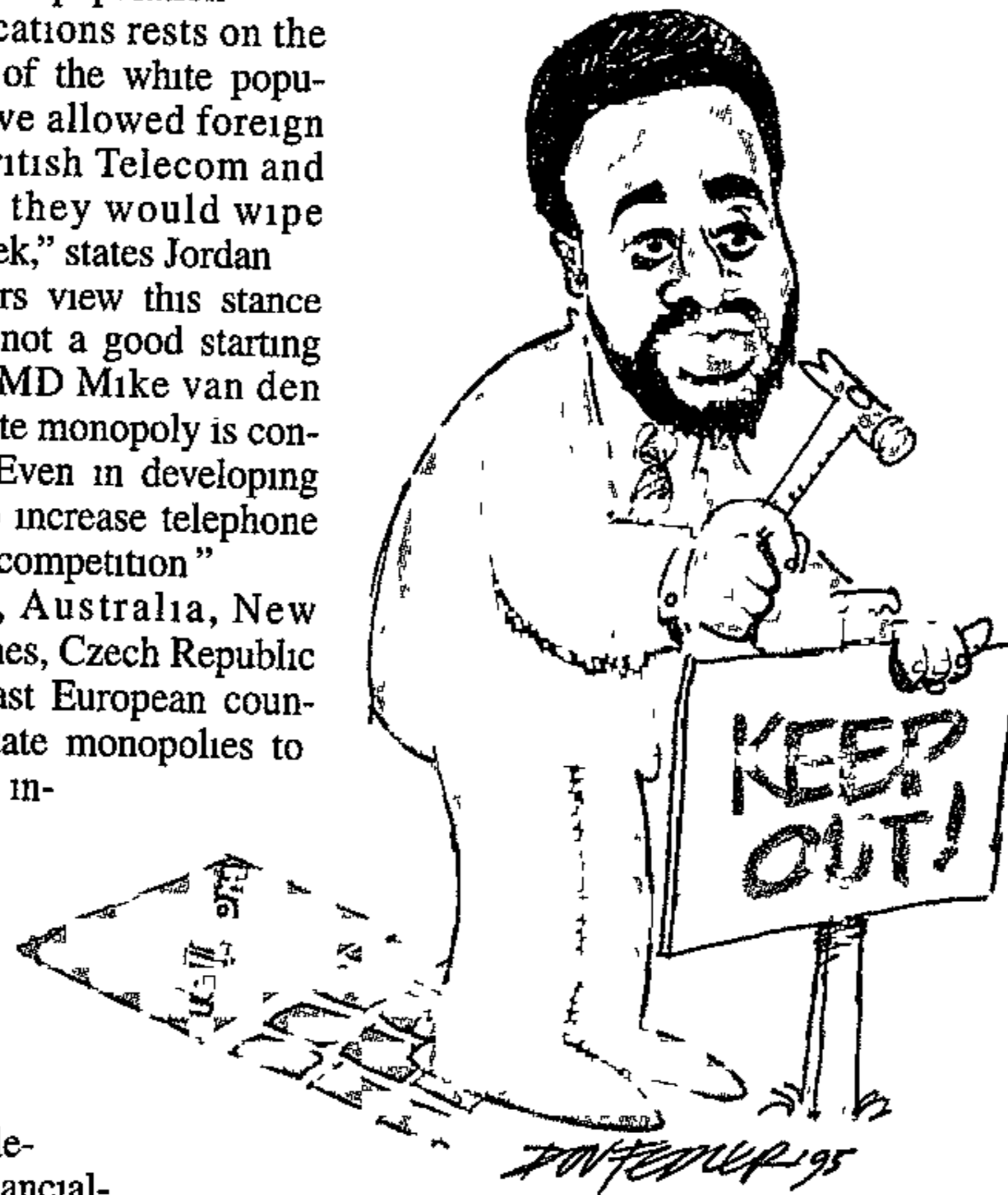
With government's move away from nationalisation, Jordan announced in February that Telkom was on the cards for partial privatisation He declines to comment on the progress of this process — "the sale of State assets cannot be left to an individual Minister and is dependent on government policy" He says no project or plan — including Telkom's R6bn tender for 1m lines into rural areas — will be deferred These initiatives will continue in parallel with government's legislation process

As a result, Telkom is preparing itself for a joint-equity partnership with a global player Telkom chairman Dikgang Moseneke recently confirmed an outside investor would reduce the State's 100% holding in the R15bn telecommunications utility by 15%-20% (*Infotech* June 30)

Meanwhile, Telkom's call for proposals on how to implement 1m lines in rural areas closes on Friday Besides technical solutions, contenders are expected to offer ways to finance the new infrastructure without increasing Telkom's debt of R10,2bn. About 23 consortia are expected to submit documents Many of the bids are likely to be prescriptive companies planning to tender will want a commitment from government that their investments will be protected irrespective of future legislation It could be for this reason that Jordan says a decision on the partial privatisation of Telkom and the awarding of the R6bn rural telephone tender will happen after the policy documents are finalised

The public can make written comments on the Green Paper until September 15 A "group of eminent persons" will then examine the recommendations and shape them into a draft White Paper in November These will be tabled in parliament and a special parliamentary committee may take the discussion further Jordan expects legislation in early 1996

Many fear the process will repeat the mistakes of the IBA and become bogged down in paperwork and never-ending hearings In other countries similar processes have taken up to four years



back operators — which circumvent Telkom's network by using US carrier companies to make cheap international connections — Internet service providers and value-added network companies which manage sophisticated data networks for multinationals Some multinationals are thought to be surreptitiously using data lines to transmit voice calls to associate offices around the world

US telecom giant AT&T's plans to build a \$2bn undersea optic-fibre cable around

## SURVIVAL

US software firm... buy... WinFax's publisher Delrina for US\$415m. Delrina president Mark Skapinker says he agreed because he predicts only 10 major players will survive. Both firms are represented in SA

## COMPUSERVE

### Satellite bypass?

The days of paying 78c-a-minute satellite charges to gain access to CompuServe may soon be over. The US commercial on-line service provider has announced that its service to SA and other countries is about to be enhanced by an alliance with Scitor, a subsidiary of European-based, value-added network multinational Sita Group.

CompuServe offers subscribers services such as financial newsletters, current share prices and electronic editions of magazines such as *Time*.

CompuServe spokesman Andy Boyer says the deal allows access to CompuServe in more than 150 countries through the Sita dial-up network. Sita is a joint venture of the airline industry. Airlines still form the bulk of its customer base but the group is trying to expand into other markets.

CompuServe's local agent is a CSIR division. The service is cheap in the US and Europe — costing US\$9,95 a month — but the added local satellite connection fees put it out of the reach of most South Africans.

The extent to which access from Sita's network will lower costs is not yet clear. Sita Johannesburg manager Serge Adjovi says his head office has not advised him what the local repercussions will be.

The CSIR says it is already possible to bypass satellite charges by using Internet. Local Internet users who gain access to CompuServe are still billed by the CSIR.

CompuServe says the deal extends its reach to 18 new countries: Angola, Aruba, Bulgaria, Cameroon, Czech Republic, Iceland, India, Ivory Coast, Malta, the Netherlands, Antilles, Nigeria, Peru, Poland, Saipan, Sri Lanka, Turkey and Venezuela.

Those countries with enhanced access include Bolivia, Chile, Egypt, Finland, Greece, Hungary, Italy, Luxembourg, Norway, the Philippines, Portugal, Russia, SA and Taiwan.

The aim of the deal with Scitor is to allow global access to the main on-line services as well as Internet. Most of western Europe and North America have easy access to Internet but other countries are often not so lucky. ■

## HELP LINES

### Emergency 911

The US TV programme *Rescue 911* ends with an announcement that the 911 emergency service operates only in the US. This is no longer true. But while a 911 emergency rescue number is now available from cellular phone company Teljoy, there is no single national emergency number for both cellular and fixed-line users.

In May 1993, Cabinet passed a resolution that a committee, under the old Department of Local Government and National Housing, should lay down guidelines for a national emergency service. The committee divided SA into 38 regions with the intention that each would eventually have its own emergency centre. But since then there has been little progress. The reason for this is that prior to Telkom being able to route emergency service calls in an area, the local authorities operating the regional centres would have to co-ordinate services from police, ambulance, fire brigade and traffic authorities. "Our job is to route the emergency calls once these reporting centres have been established," says Telkom GM Geurt van Dijk.

Because of changes in government and pressing priorities of the new department (which replaced the Department of Local Government) only the West Rand region is currently on-line with Telkom's emergency service.

Instead of 911, Telkom opted for 107 as the national emergency number. It says choosing 911 would have meant changing "hundreds of thousands of telephone numbers" that start with 9.

Telkom picked 107 as most numbers were already taken.

It is unlikely now that we will see a national emergency number soon. For now the national police emergency number 10111 will have to suffice.

The cellular phone companies, meanwhile, have introduced their own emergency numbers.

With the Teljoy service, subscribers, can for an additional fee, supply personal details, enabling the service provider to compile a personal electronic database for each customer.

When a subscriber dials 911, his/her name, doctors, next of kin, preferred hospital, medical history, allergies and blood

group are instantly displayed on Teljoy's customer service computer screen. Another screen shows the caller's approximate location on a map.

The emergency service is then able to connect the caller to the nearest police, rescue or ambulance service.

Even if the call is lost, the operator can reconnect the caller at the touch of a button. The operator can also give the emergency services information about the subscriber and his family. "We chose 911 because of its strong international branding as an emergency service," says Teljoy chairman Theo Rutstein.

While similar services are available from other cellular phone companies, 911 can be used only on the Vodacom network.

"Teljoy has taken exclusive rights for the number 911," says Vodacom marketing GM Joan Joffe.

She says that any other Vodacom subscriber dialling 911 will be put through to Vodacom's standard 112 cellular phone emergency service.

The 112 number is available to all GSM cellular phone users worldwide free of charge.

GSM — or global system for mobile communications — is the cellular technology used in SA.

Users on the rival MTN cellular network can access a host of value-added emergency service by dialling 112. ■



Emergency more complicated than *Rescue 911*

## IBM

### Not-so-Big Blue

IBM's return to SA and subsequent incorporation of ISG's 25 largely autonomous business units have given the computer group much-needed focus.

However, as a result of the restructuring, some products and services no longer fit in the Big Blue fold.

Last week 12 IBM staffers — several from ISG Base 4, which was incorporated

# Telkom's customer relations found wanting

WMM (BMM) 14-20/7/98 (267)

**Reg Rumney**

ONE of the basic precepts of marketing is not to promise what you cannot deliver.

Telkom's marketing of itself as a caring company has improved its image tremendously, proof positive that corporate image advertising does pay. Telkom is aware of this "The public perceives Telkom as being the twelfth most caring company."

My own personal experience of Telkom's service this week means that claims of better customer relations ring as hollow as the Ostrich egg the smiling Bushman gives the Eskimo in their ad.

When I received a phone bill for around R1 300, more than four times higher than usual, Telkom employees were neither sympathetic nor helpful, insinuating, in time-honoured South African fashion, that the maid must be to blame.

Eventually, an employee at the metering department brusquely told me he would have to "put in a query", which would take four to six weeks to process.

What do I do in the meantime? The answer is, again in time-honoured South African fashion, that I pay up while the query is being sorted out,

the presumption being that the customer is wrong until proven right.

Because my exchange is not digital, there is no way I can establish what calls contributed to the unusually high bill and when they were made.

Telkom's annual report says that all the electromechanical exchanges will be replaced by digital exchanges by the year 2005. Until then, the only sort-of competitor to Telkom is the cellular phone service, which automatically issues itemised bills, but where a R1 300 bill, thanks to the high cost of cellphone calls, should not raise an eyebrow.

I note too, that at an estimated 65 lines per employee, Telkom's basic level of efficiency has some way to go. Mexico, for instance, has at least 138 lines per employee.

Telecommunications and Broadcasting Minister Pallo Jordan thinks privatisation is not the way to go. Jordan has been quoted as saying that no one would be allowed to compete with Telkom until it became "fat and lazy". He is also supposed to have said that Telkom should "serve the needs of all South Africans and not merely a privileged few".

For Telkom properly to serve the needs of the privileged few would be a good start.

# World firms bid for Telkom contract

Melanie Sergeant

25 (267)

BD 17/7/95

AT LEAST 45 companies in the telecommunications and financial services arenas are bidding for Telkom's R6bn contract to install 1-million telephone lines in rural areas by 1998. Twenty tenders had been received by Friday.

Bidding with large firms such as AT&T, Alcatel Altech Telecoms and Sweden's Telia and Ericsson, are Japan's Mitsubishi and a consortium in which Marples Communication Technologies has teamed up with Worldwide Africa Investment Holdings, Marubeni, Plessey and NEC.

Siemens and Motorola have opted to go it alone, as have Mobile Data Systems, Datagenics, Vulindlela Bulatsela Corporation and Falcon Electronics.

The tender has called for the bidders to provide their own financial backing, and Nedbank Investment Bank is bidding with the ATC/Telephone Manufacturers team as well as with Afritel Telecom and a consortium comprising Qualcomm and Kunene Bros Holdings.

Rand Merchant Bank is backing the joint venture proposal put together by Motorola, the Kagiso Trust and Motswedi.

Grinaker Electronics and Nortel Europe are working with Mitsubishi Corporation and Fujitsu, as well as with Telephone Manufacturers of SA.

The most substantial tender was that from Alcatel Altech Telecoms which consisted of 21 files, while one of the tenders was submitted on just two A4 pages.

Despite expectations that AT&T would team up with local players, the group has tendered alone.

The request for proposals is valid for 90 days and will be vetted by technical and financial evaluation committees at Telkom. Their recommendations will reach Telkom's board by end-August, and it is then expected that finalists will be asked to tender formally for the job, which could start its roll-out by year-end.

Missing from the list of tenderers is the African Global group formed in March by Bell Atlantic Corp, Alcatel CIT, Philips and Matra Marcom Space. Instead, Philips Communication Systems is listed alone, as is Altech Alcatel which is pulling in sister companies including Alcatel Contracting and Spain-based Standard Eltrica.

The consortium launched in mid-April, New Africa Communications, is bidding and comprises New Africa Investments, UK-based Cable & Wireless and US-based Southwestern Bell.

British Telecom's telecommunications consulting arm will be teaming up with the Dimension Data Telecommunications bid along with National Entrepreneurial Franchise and Ernst & Young.

# Telkom launches retail chain

Star 20/9/95

(267)

■ BY ROY COKAYNE  
PRETORIA BUSINESS EDITOR

Telkom has for the first time entered the retail market for products such as telephone answering machines, fax machines and cordless telephones.

It operates three retail outlets under the banner, The Connection, and intends having one shop in each of its six regions by the end of this year.

A Telkom spokesman said these outlets would be supplemented by a mail order facility enabling the company to get its products to any customer on a national basis.

Writing in the latest annual report, Brian Clark, Telkom's managing director and chief executive officer, said Telkom had also become a retail agent for cellular telephones.

The spokesman said the introduction of retail telecom shops had been used by a num-



**SALES CONNECTION** Sonja Van Wyk displays new telcom goods

ber of telecom operators worldwide since the early 1980s.

The spokesman said Telkom opened a number of shops on a trial basis last July.

"The shops were established to provide the customer with a one-stop service cater-

ing for all their telecommunications needs. But the shops will have to pay their own way," the spokesman said.

Telkom said it was unable to supply any turnover figures for The Connection chain at this stage.

# Telkom sets up shop and sells by mail

CT(2R) 20/1/95 (267)

By Roy Cokayne  
PRETORIA BUSINESS EDITOR

Telkom has for the first time entered the retail market for products such as telephone answering machines, fax machines and cordless telephones.

It operates three retail outlets under the banner, The Connection, and intends having one shop in each of its six regions towards the end of this year.

A Telkom spokesman said these outlets would be supplemented by a mail order facility enabling the company to get its products to any customer on a national basis.

"A number of other options are also being investigated. We have only recently started this line of business and the number of outlets are rather limited at the moment. We do intend providing a national mail-order facility towards the end of this year and the products will also be sold — but to a lesser extent — by our sales force," the spokesman said.



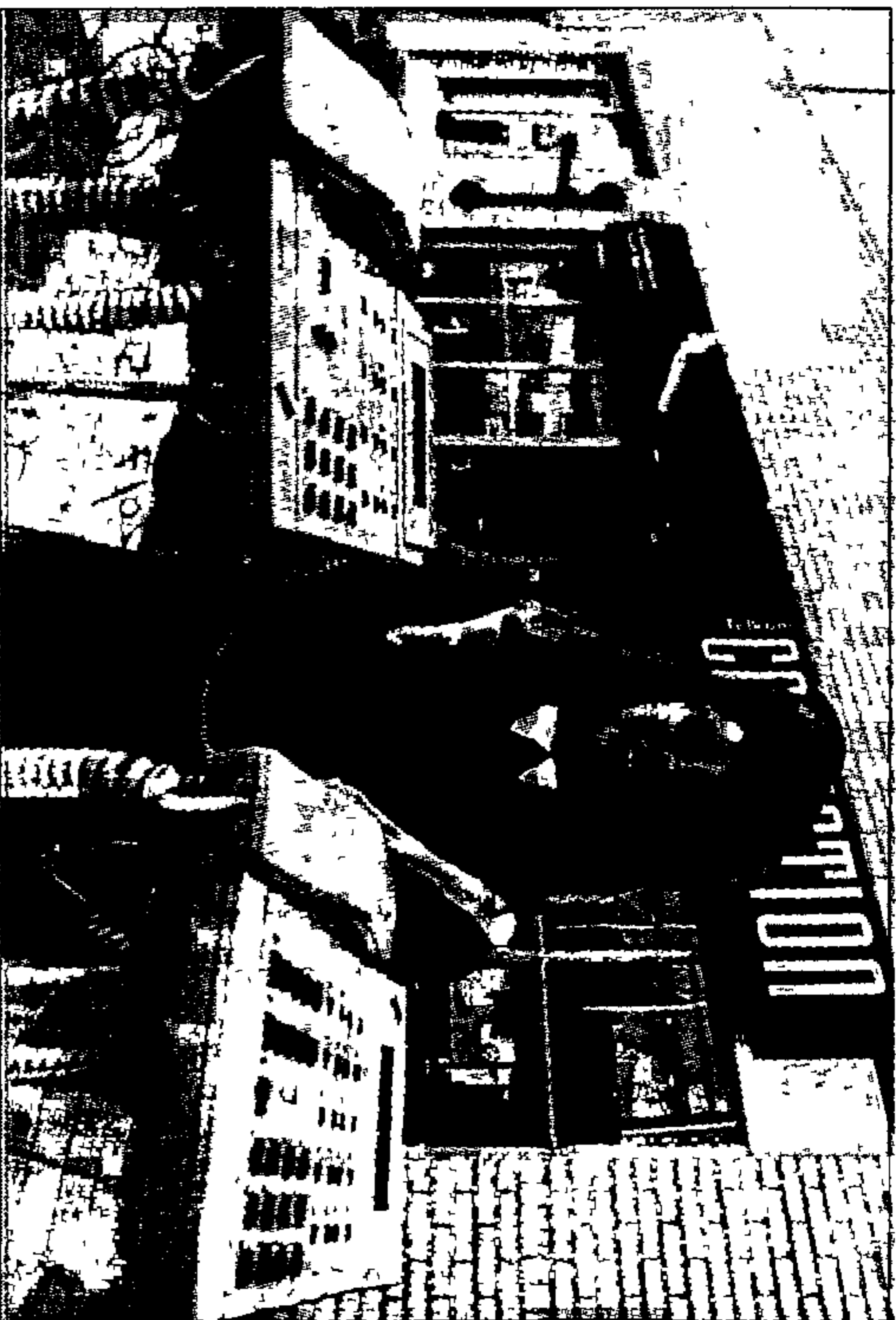
Writing in his latest annual report, Brian Clark, Telkom's managing director and chief executive officer, said Telkom had also become a retail agent for cellular telephones.

The spokesman said the introduction of retail telecom shops had been used by a number of telecom operators worldwide since the early 1980s.

The spokesman said Telkom opened a number of shops on a trial basis last July. Telkom operated shops in Sammy Marks Square in Pretoria, Thrupps Building in Rosebank, Johannesburg, and in the Sanlam Plaza in Bloemfontein.

"The shops were established to provide the customer with a one-stop service catering for all their telecommunications needs — all of which are not always so profitable.

"But the shops will have to pay their own way," the spokesman said. Telkom said it was unable at this stage to supply any turnover figures for 'The Connection chain



**SALES CONNECTION** Sales consultant Sonia van Wyk displays Telkom goods outside the company's new retail outlet in Rosebank.

PHOTO JOHN WOODROOF

## Telkom choosing its route on rural lines

By Andy Duffry

STAFF WRITER

Telkom's R6 billion contract to lay one million rural telephone lines could be split among several suppliers, the organisation said yesterday.

The operator, which is appraising 20 proposals for the contract, said it still had to decide whether the whole contract could be given to just one group, or whether it should be carved up. More than 40 companies had

submitted proposals for the contract by last Friday's deadline, with bidders including AT&T, Mitsubishi, Ericsson and the Kagiso Trust.

A Telkom spokesman said the organisation's board would decide by October which companies it would want to submit formal tenders.

"We don't know what the board's decision will be, but it is possible that the contract will be split," the spokesman said. Technical and financial evalu-

ative committees were checking the various proposals.

Telkom has made it clear that the work must be self-funding, without affecting its finances.

The committees would make their recommendations to the Telkom board by the end of next month.

Telkom is seeking to award the contract by the end of this year, with work to lay the lines starting almost immediately after. The project is to be completed by 1988.



# Telkom's sheltered days are numbered

WIM (13m) 21-27/7/95 (267)

Leon Perlman

**D**ESPITE Post and Telecommunications Minister Pallo Jordan's *nyet* to allowing competition with state telecommunications monopoly Telkom, insiders say it's now not a matter of whether, but rather when and how much.

The recently released Green Paper on Telecommunications is the initial step to formulating a White Paper on telecommunications policy and eventual legislation, which is expected to go through Parliament early in 1996.

It is designed to elicit the public's views on the best policy framework for telecommunications and its regulation, and so asks more questions than it answers. Jordan, however, provided some answers when he released the Green Paper at the Carlton Hotel in Johannesburg.

His comment that, "it is not in the national interest to bring competition against Telkom," at first seemed slightly out of sync with international trends and even with his own Green Paper which states: "Competition in the telecommunications sector can bring costs down and hence prices to customers. New operators can bring additional investment into the sector."

Jordan seemed to be warning off United States Telecommunications giant AT&T, which is eager to be that "new operator" "AT&T and other international competitors will be cherry-picking. There will be no Telkom left. It will be subversive to the interests of the country, so I will not even think about it."

Observers believe Jordan is being pressured by elements within the African National Congress and the South African Communist Party to keep Telkom's monopoly intact. "Telkom is the collective property of the people of the country. We must involve the millions of South Africans who are its principal beneficiaries," he said.

The apparently bemused head of AT&T South Africa, Frank Coleman, who was in the audience while Jordan expressed his forebodings, responded by saying: "You give us far more credit than we deserve."

That is too modest. AT&T is a major player in the Southern African telecommunications sector. It is the progenitor of the Africa ONE initiative to ring the African continent with a high-capacity, fibre-optic cable. Observers believe AT&T is poised to clinch the major portion of the R6-billion "MegaLine" tender to supply some one million new lines to (mainly) rural areas. That puts Jordan's comments into context.

Insiders say Jordan's caveat about the "danger of competition" is directed more at concerns about the degree of the direct competition for Telkom's fixed-line service, than a categorical dismissal of the possibility of any competition.

Before a formal decision on the equity of Telkom can be made, the objectives and visions that will emerge from public and parliamentary discussion on the Green Paper will have to be studied.

Jordan gave the assurance that competition would be welcomed once telecommunications were accessible to all South Africans. With the MegaLine initiative promising to do just that, the long-awaited competition for Telkom could be here sooner than some would like.

Comment and proposals about the Green Paper must be made in writing by September 15. Jordan will hold a live Internet discussion, via the Internet Relay Chat facility, on the Green Paper on August 15.

TELKOM

(267)  
Amal/9/95  
**Calling Sishen**

**One of the** chinks in Telkom's telecommunications monopoly is that current regulations allow three other public corporations — Transnet, Eskom and the SABC — to operate their own networks

Even this limited competition is under threat as the telecommunications Green Paper calls for submissions on whether Telkom should take over rival public networks

The extent to which the regulations entrench Telkom's monopoly can be seen in the obstacles which Transnet faces in an attempt to accept Eskom's telecommunications business in Sishen

Telkom has no competing lines serving the sparsely populated area and Transnet has spare capacity on its communications network for the railway line between Sishen and Saldanha. Despite being a good technological and economic solution, Eskom and Transnet may not make a deal to share telecommunication infrastructure without Telkom's approval

The two groups have approached the Postmaster-General, whose office regulates the telecommunications industry, for permission. But the decision is not up to him or any other independent authority. Final authority rests with Telkom.

The Green Paper says "The Postmaster-General has no regulatory authority over Telkom and cannot set or enforce interconnect requirements or protect Telkom's customers against unfair pricing, insufficient or inadequate quality service"

Yet the other public corporations are heavily regulated by the Postmaster-General who must get anything that hints at competition rubber-stamped by Telkom.

Eskom's telecommunications manager Allan Bester says Telkom has not refused the request to use Transnet's Sishen infrastructure. But Telkom has shown no hurry to resolve the issue and the two groups involved can only wait for its decision. Bester says the networks of other public corporations are not likely to be taken over by Telkom. ■

POSTMASTER-GENERAL

**Out to pasture** (267)

PM 21/7/95  
An official announcement that Postmaster-General Ters Oosthuizen will retire on August 31, nine months before the expiry of his three-year contract, comes as no surprise to the industry

Oosthuizen, who heads the Department of Post & Telecommunications, has been noticeable by his absence from important industry functions and government processes like Telkom 95 and the drafting and launch of government's Green Paper on telecommunications

Appointed by the old government to oversee the issuing of the cellular phone licences, to keep an eye on the telecommunications industry and help prepare for new industry legislation, Oosthuizen's role has become redundant.

Minister of Posts, Telecommunications & Broadcasting Pallo Jordan brought in an outside team of local and international specialists to help draft the Green Paper.

Oosthuizen's decision to retire was "reached through mutual agreement" between himself and the Minister, says a government press release. It says Oosthuizen "is satisfied he completed the tasks for which he was appointed" and that "he feels

this would be the most suitable time for a successor to become involved in the process of legislation, which will start soon."

That successor, however, might not be Postmaster-General but director-general of Jordan's department

While the role of the Department of Post & Telecommunications is also in question, Jordan recently indicated that key staff would be incorporated into his Ministry. Oosthuizen was unavailable for comment. ■

## Sigcau dismisses rumour of tussle

Mungo Soggot

BD 21/7/95 (267)  
PUBLIC Enterprises Minister Stella Sigcau yesterday dismissed talk that she had crossed swords with Transport Minister Mac Maharaj over Transnet policy.

"I deny any tussle with Mac Maharaj I don't remember a single instance where we have had a tussle over policy matters"

She said her department was not a "policy" department but an "operational department" which ran businesses like Transnet and Eskom. The two departments had recently agreed to co-ordinate future efforts and to have "direct contact".

It was reported this week that Maharaj called for Transnet policy matters to be brought under his control, but that Sigcau was "displaying a lot of animosity" towards the idea.

Meanwhile, Sigcau said she was confident that the Cabinet would approve her department's guidelines on restructuring state assets next week.

Sigcau denied the guidelines had taken a

long time to prepare — six months — as they dealt with very sensitive issues. Sources have said that the main reason for the many delays of publication was tensions between the departments concerned — public enterprises, finance, post and telecommunications and transport.

Sigcau said privatisation was not on the agenda — "that word is not part of my vocabulary at the moment" — but said that the restructuring of state assets could result in sales to the private sector. "If privatisation should come it should be one of the end results of restructuring".

It is understood the guidelines have moved from using privatisation mainly to rapidly cut debt and towards restructuring state assets to improve competitiveness and overall economic efficiency.

Sigcau said the National Economic Development and Labour Council and other interest groups would have to approve the guidelines before they became final. Some restructuring legislation might be passed in the next parliamentary session.

# Corporate call to arms in war on runaway crime

GAUTENG business executives are at their wits' end. The soaring crime rate, especially car hijackings, has become a major topic of discussion in board rooms.

Crime has emerged as one of the most crippling problems facing business, says Ken Warren, Sacob's director of legal affairs.

One well-known businessman has been so distressed by associates and friends being hijacked that he has approached attorneys Hofmeyer Inc to assess what constitutional remedies are open to him. An option being considered is not paying tax.

**By ZILLA EFRAT**

The attorneys' brief is to see whether government, or any other body, has a constitutional duty to ensure society remains relatively crime free so that citizens can exercise the freedoms and rights entrenched in the constitution.

The lawyers are assessing whether their client can refuse to pay taxes if this duty is not fulfilled.

Prominent businessmen recently hijacked include Alan Romanis, Liberty Life's managing director; Alan Wright, Gold Field's

chief executive-designate; and Hans Enderle, chairman of City Lodge

A host of conferences and workshops on crime are now taking place. The most important one will be hosted by Business South Africa and the Council of Southern African Bankers, who have invited business leaders to a workshop on August 15 to flesh out an action plan against crime.

Nedcor has also initiated a project to study the effects of crime and violence on the economy.

Mr Warren says rising crime levels have affected tourism and investment. Without exception, foreign

delegations always question Sacob on crime, violence and stability.

Piet Liebenberg, Cosab's chief executive, says rising crime levels have meant foreign companies have not come to South Africa in the size, volume and commitment they may otherwise have.

If drastic steps are not taken, he warns, South Africa may also witness a rise in the brain drain.

Mr Warren says rising insurance premiums and the cost of providing non-productive security systems are resulting in job losses as businesses strive to cut overheads.

ST (BT) 23/7/95

## Bell, BBC seek SA projects

A CONSORTIUM including telecommunications giant Bell Atlantic and the British Broadcasting Corporation has announced formal proposals for 10 communications projects in South Africa.

The consortium, African Global, also indicated that it would seek a 10% to 20% stake in Telkom, if the parastatal's privatisation is approved by the government.

A spokesman for Bell Atlantic said from Arlington, Virginia: "We made a pitch at Cabinet level on June 1 and

at deputy president level on June 2. We are now working on a formal proposal ready for September."

He said other partners in the consortium include Philips South Africa, Matra Marconi Space, Alcatel CIT and the Commonwealth of Learning, an educational group established by Commonwealth governments. The partners had been brought together by merchant bank LCC Rothschild.

The spokesman said each of the 10 projects would have "natural leaders" within the consortium.

"Bell Atlantic is looking at a possible strategic alliance with Telkom, so that if privatisation became an option further down the road, we would both benefit," he said.

African Global had not participated in bidding for Telkom's R6-billion contract to provide a million rural telephone lines, he said.

"We saw that as a piecemeal approach to a larger problem," he said, adding that African Global hoped South Africa would favour the "synergy" of its proposal. — Reuter.

ST (BT) 23/7/95

(267)

Union. Financially, before the... matches in the three...

MONDAY, JULY 24 1995

## Union protests privatisation

FROM SAPA

(267) (BR)

Telkom is expected to officially announce its privatisation plans this week, while a major trade union has warned it will stage industrial action in protest.

The union, South African Telecommunications Association (Sata), said the plans were confirmed by Telkom's senior general manager, Jannie Zaaman, at a meeting with union leadership on Friday.

"This announcement may cause major industrial conflict as it is not likely that employees will accept a unilateral decision regarding their future," A F Dreyer, Sata's general secretary, said in a statement.

He said Zaaman had said Telkom would make its privatisation plans public on Wednesday.

Dreyer said that about 14 000 of Telkom's existing 54 000 employees would be affected.

ET(BR) 24/7/95

# Protest if Telkom privatises

(267) 260

JOHANNESBURG Telkom will officially announce its privatisation plans next week, says the SA Telecommunications Association.

General secretary Mr A F Dreyer said employees would protest at "a unilateral and unprocedural decision regarding their future".

CT 24/7/95  
Staff Reporter, Special Correspondent

# Telkom privatisation plans 'ready'

Telkom will officially announce its privatisation plans next week and a 12 000-member trade union warned on Saturday it will stage major industrial action in protest.

The South African Telecommunications Association (Sata) said the plans were confirmed by Telkom senior general manager Dr Janne Zaaman at a meeting with its leadership on Friday.

"This announcement may cause major industrial conflict as it is not likely that employees will accept a unilateral and

unprocedural decision regarding their future," Sata general secretary A F Dreyer warned in a statement on Saturday.

He said Zaaman told the bilateral meeting on Friday that Telkom would make the plans on the privatisation of its business units public on Wednesday.

"This implies the sell-off of 25% of the employees of Telkom. This includes employees in activities such as civil construction, workshops, security, restaurants," Dreyer said, adding that about 14 000 of the

54 000 employees would be affected.

Dreyer said Sata would mobilise its members for action, adding privatisation would negatively affect the membership.

"Sata is extremely concerned with this announcement as it contemplates a breach of assurances and agreements in terms of which Telkom undertook to negotiate each phase of the restructuring process," he said. Negotiations had only reached phase two of the seven identified, he added - Sapa

Star 24/7/95 (267)



# African Global is ready for work

Scan 24/7/95 (267)

International telecommunications consortium African Global expects to make formal proposals on 10 projects in South Africa by early September, a spokesman for one of the participants said

The spokesman for Bell Atlantic Corp said in an interview from Arlington, Virginia. "We made a pitch at Cabinet level on June 1 and at deputy president level on June 2. We are now working on a formal proposal. We expect to get back to them by late August or early September."

He said other partners in the consortium included Philips South Africa Ltd, the British Broadcasting Corporation (BBC), Matra Marconi Space, Alcatel CIT and the Commonwealth of Learning, a Vancouver-based educational cooperation organisation established by Commonwealth governments.

The partners had been brought together by LCC

## **INTERNATIONAL communications makes a pitch to launch local programmes**

Rothschild (M-naco).

The spokesman said each of the 10 projects would have "natural leaders" within the consortium.

"Bell Atlantic is looking at a possible strategic alliance with Telkom. We would then grow the value of the company so that if privatisation became an option further down the road, we would both benefit," he said.

He said Bell Atlantic, focusing on helping to provide universal access to telephones, was considering a 10 to 20% interest in Telkom but gave no dollar figures.

Telkom recently indicated it was seeking a strategic international equity partner. African

Global had not participated in bidding for Tel-kom's R6-billion rand contract to provide a million rural telephone lines.

"We saw that as a piecemeal approach to a larger problem," he said, adding that African Global hoped South Africa would favour the "synergy" of its proposal.

He said the consortium pitch included proposals by the BBC and the Commonwealth of Learning to provide education services through personal computers at mobile telephone banks in rural areas.

"Mobile phones provide a quick service to rural areas but then the BBC with their educational content say why limit it - put PCs in and then you have a learning centre."

The spokesman said if the consortium became established in South Africa, expansion into neighbouring countries with small markets like Botswana would probably become feasible - Reuter

# Phones cut by cable snatchers

(267)

SPW 25/4/95

More than 2 100 subscribers of Mohlakeng on the West Rand and 600 homes in Dube, Soweto, were without telephone services after the theft of copper cables, Telkom said yesterday.

It would take technicians a week to replace the cables, the corporation said.

Stolen cables are sold to scrap-metal and recycling companies.

About 700 subscribers were without telephone services in Midrand after cables were sabotaged for the sixth time in less than a month. It will take two weeks to repair the damage in this area.

"We have had a number of problems with cable theft in the past, but in this case, the cable was cut and left there," Telkom spokesman Gert Schoeman said.

Telkom said there had been a marked rise in theft and sabotage of telephone cables since the start of the year, with more than 430 incidents reported. Replacing cables on the Witwatersrand alone had cost the company more than R3,6-million this year.

Telkom said it would soon begin an advertising campaign to gain public support in its fight against cable thieves.

It said cable thefts should be reported to the company on the toll-free number 0800 11 5506. Callers could re-

## PLANS for better security, but copper thieves are putting services on the line

man, anonymous and stood to be rewarded.

■ Telkom would be investing about R30-million to prevent service breaks caused by rain and lightning, Telkom Witwatersrand said in a statement yesterday.

Schoeman said Highveld thunderstorms caused hundreds of breaks every summer, which affected services to tens of thousands of Telkom customers.

The project, which will be completed over three years, has been launched in the Witwatersrand, in which about 2 500 main telecommunication routes served by copper cables will be inflated with dry air and kept under constant pressure.

The cables will be monitored for leaks and holes caused by lightning by means of more than 22 000 computer-linked sensors, Schoeman said.

The system will enable speedy, accurate detection and repair work. Nearly 15% of the project, launched at the year's beginning, had been completed — Sapa.

# Cable thieves strike

MORE than 2 100 subscribers at Mohlakeng on the West Rand and 600 in Dube, Soweto, are without telephone services after the theft of copper cables, Telkom said yesterday

It would take technicians a week to replace the cables, it said. Stolen cables are sold to scrap-metal and recycling companies

Earlier yesterday Telkom said about 700 subscribers were without telephone services in Midrand, Gauteng, after cables were

(267)  
sabotaged for the sixth time in less than a month. It would take two weeks to repair the damage

*Sowetan*  
Public support 25/7/95

Telkom said it would soon begin an advertising campaign to gain public support in its fight against cable thieves

It said cable thefts should be reported to the company on the toll-free number 0800 115506. Callers could remain anonymous and stood to be rewarded — Sapa

*Huge loss forces restructuring*

# 41 Gauteng post offices to close

(267)

SPAN 26/7/95

■ BY ANNA COX

The South African postal service is to close 41 post offices in Gauteng from September 1.

Post Office Witwatersrand regional public relations officer Flip Eksteen yesterday said a R350-million operational loss had forced the Post Office to rationalise its services.

He said the Post Office was committed to providing an efficient postal service for the entire population, including communities which in the past did not have easy access to postal services in the country.

Out of about 290 post offices in the Witwatersrand region, more than 240 were in the traditional-

ly white areas and less than 50 in the traditionally black, Asian and coloured areas, he said.

"To achieve this objective, the company has been obliged to evaluate some of its uneconomic services which are currently running at an operational loss of about R350-million."

Eksteen said the Post Office aimed to install about 1 000 post-points countrywide, which were fully fledged postal services run from shopping or business premises.

About 1 500 retail postal agencies, designed to offer only certain postal services, would also be established.

The post offices which are to be closed are all within a 3km range of neighbouring post of-

fices. Postbox holders will keep their present postbox addresses.

■ The post offices to be closed by July 31 are in Boiketlo, Ekhayalile, Mojankhulu and Motebong.

Those to be closed by August 31 are Benoni West, Benoni South, Boksburg, Broadway, Bromhof, Daggafontein, Delmenville, Ferreirasdorp, Fisher's Hill, Germiston South, Grand Park, Hamberg, Helling, Horison, Hurlyvale, Impala Park, Kengray, Krugersdorp North, Lawley, Lekkerplaas, Luipaardsvlei, Mayfair, Motortown, Northcliff, Parkhurst, Petersfield, Primrose Hill, Putfontein, Regents Park, Ronginia, Senderwood, Symridge, Trekker, Veganview, Vrededorp and Westhoven.

TELECOMMUNICATIONS

(267) FM 28/7/95

# New bureaucracy in the offing

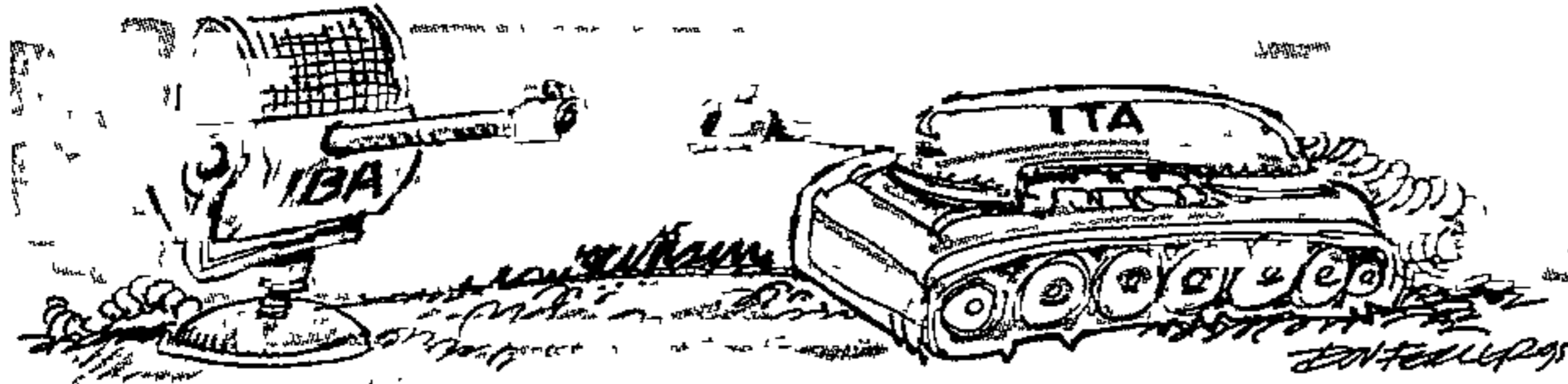
The Postmaster-General's office is likely to be transformed into a new bureaucracy modelled on the Independent Broadcasting Authority (IBA), possibly called the Independent Telecommunications Authority (ITA)

Government's telecommunication Green Paper calls for public input on creating a new regulator. The Postmaster-General's main responsibilities — radio frequency management and authorising radio and telecommunication equipment — are untenable as, observers noted, he was continually

anachronism because he has little to do with the Post Office since its split from Telkom) or the name of his office

One suggestion is that the Postmaster-General's staff of 247 people be moved into a new government department, perhaps called the Department of Communication & Networks

Jordan's adviser, Willie Currie, concedes that the present regulatory system is unacceptable. But before a new regulator can be created, the issue of whether Telkom will retain its monopoly over domestic telecom-



left uninformed as to future plans

Through the creation of the IBA, the State split radio frequency spectrum management into two bureaucracies: the IBA allocates those frequencies used for commercial radio and TV broadcasting and the Postmaster-General allocates the remaining spectrum

Creating the IBA has already cost the national budget R20m, raising doubts as to whether SA has the wealth or qualified technicians to run two frequency management agencies. Much of the frequency monitoring equipment that the Postmaster-General's office has in place will need to be duplicated by the IBA. Unlike its US counterpart, which has raised a fortune for the Treasury by auctioning frequencies, the IBA has been giving this scarce resource away

The Postmaster-General's second function, authorising equipment, has been made untenable by the ease with which grey market importers smuggle equipment through customs. For instance, unauthorised cordless phones made six frequencies allocated to the cellular industry useless

Given these conditions, Postmaster-General Ters Oosthuizen's recent announcement that he will leave his position at the end of next month was inevitable

Posts, Telecommunications & Broadcasting Minister Pallo Jordan's spokesman Muff Andersson says the post will probably be advertised. She says no decision has been made on whether to change the title of Postmaster-General (which has become an

munication has to be resolved

The Postmaster-General has no regulatory authority over Telkom and cannot protect Telkom's customers against unfair pricing and bad service

The Green Paper suggests that if Telkom retains its monopoly, the regulator be given the power to set targets that the operator must achieve and to ensure these are met. "These could be the rate of network expansion, universal service targets, quality of performance and tariff structures" ■

## R4m social spending

ARG 29/7/95

PRETORIA — Telkom spent R4 million on social projects in the year ended March 31, against R280,000 in 1993, according to its annual report. Managing director and chief executive Brian Clark said more than 200 community organisations had been helped.

— Sapa (267)

THE question of the privatisation of Telkom has been evaded safely by the posts, telecommunications and broadcasting department in its recent White Paper on telecommunications policy. It lists issues to be answered, but makes no attempt to tackle any of the issues.

Admittedly, the White Paper is only a document for public discussion, but for all that it contributes to the debate the department might as well have saved the paper. Despite claims to the contrary, our new government appears to be as reluctant as the old to take concrete steps towards privatisation, and it is again left to others to keep the issue alive.

According to classical economic thought, state-run enterprises suffer from sluggish performance and inefficiency because there are no incentives to turbo-boost their performance. But even in SA, where the NP government has not been able to list its dynamic and innovative approach to running its businesses among its many other claims to fame, there are examples of efficient state-owned enterprises.

Elskom produces the second-lowest cost electricity supply in the world. It increased prices 4% this year, way below the inflation rate, and increased income 11,8%. It appears to be well on its way to becoming the world's lowest-cost electricity producer. The organisation is making impressive efforts to make electricity accessible and affordable to the poor. Even a squatter, for the relatively small sum of R35, can now get an electrical connection together with a pre-paid metering system and a facility for plugging in appliances. About 254 383 homes were electrified in 1994 and there are now comprehensive programmes in place for the rural areas. Service is generally prompt and efficient.

On the other hand, Telkom demonstrates all the worst vices of state-controlled organisations, and it is a treasure trove for supporters of privatisation. It has five-and-a-half times the number of employees as a comparable US company. It has no plans for retrenchment. It gave

# Privatisation of greedy Telkom is long overdue

KOBUS JORDAAN

BD 28/9/95

(267)

its employees a 16% increase in the year ending March 1994 and its profit as a percentage of sales is about 10 times that of our super-market industry or of a typical US telephone company.

The cost a minute of local calls is sufficient to keep thousands of electric lights on simultaneously. In addition to this cost, a telephone installation costs R265,62 and rental amounts to substantially more than R500 a year. It is no wonder that such a small percentage of our population has telephones. The expense involved in running this most basic of communication systems will continue to act as a deterrent to entrepreneurship and small businesses as well as to job creation. Telephones have to become affordable for the majority.

At the same time, Telkom will not support measures aimed at reducing costs. It is the main objector to a scheme by AT&T to revolutionise communications in SA with a high-tech fibre optic cable around Africa which would reduce the price of international telephone calls considerably and enable SA to keep pace with global telecommunications developments. If we do not adopt this and other new technology our country will fall further and further behind global standards and will be less and less able to reduce its telecommunications costs. Yet

Telkom, for the sake of not having to adapt, is willing to keep the country in the dark ages of technology.

Furthermore, notwithstanding its indecent profit level, Telkom increased rentals and reduced metering periods last year, partly to fund a marketing campaign telling the public how good it was.

Perhaps all this would be acceptable if the service were outstanding. However, complaints about poor service would fill volumes and the DP has access to a long list of complaints which have been accumulated from just a small number of subscribers in Cape Town. Most subscribers would have no difficulty imagining what complaints would amount to on a national level.

Telkom is a particularly badly run state enterprise and it is clearly acting against the public interest and the goals of the reconstruction and development programme. In other hands the organisation should be able to provide a far better and cheaper service with consequent benefits for the whole economy.

If Public Enterprises Minister Stella Sigcau's budget speech is to be believed, the issue of privatisation is on hold for the moment. All state enterprises are different, and privatisation will have to be tackled

differently in each case. They are not all self-supporting and independently viable to the same extent, and the government is to be applauded for approaching the issue with such diligence and thoroughness. But the delay is beginning to seem like reluctance to let go of the family jewels. The DP believes that the process has been held back for long enough.

Furthermore, the unsatisfactory performance of Telkom demands immediate attention and makes it an ideal candidate for privatisation.

Of course, privatisation would be of little use if obscene profit levels and excessive tariffs continued to make the telephone an out-of-reach luxury for the poor. But there are alternatives, and the debate around privatisation must move away from whether it is a viable option and towards finding and exploring these alternatives. One possibility would be an auction in which bidders would have to submit not only the price they are willing to pay but also a schedule of tariffs.

But the government needs to look at Telkom not as an end in itself but as a means towards social and economic reconstruction. Subscribers are being milked so that Telkom can contribute to the RDP by channeling vast amounts of money into the pockets of its employees and the government. The absurd statement

by Post and Telecommunications Minister Pello Jordan... that for "strategic" reasons we cannot privatise Telkom, reflects an outdated and outmoded approach to modern telecommunications which is freightening coming from the person who probably has the most influence over the question. The focus needs to change.

Telkom is reputedly viewed by the outside world as being worth about R18bn, and its sale would not only set a dramatic example for others who are hesitating to invest in SA, but would also be of unimaginable benefit to the RDP.

There are various possibilities for its sale. Its purchase by a consortium of internationals, such as AT&T or Sprint, would be by far the most significant investment yet made in SA and the infusion of such a sum into the treasury would for the first time make the promises of the RDP appear achievable. Moreover, the experience of international telecommunications firms might make telephones for everyone, not to mention efficient telephones, for everyone, a reality.

Telkom chairman Dikgang Mosenke has requested proposals for local and overseas companies to provide 1-million telephone lines in areas where there are very few. However, this is not, as it may seem, an enlightened approach to relinquishing the state stranglehold over telecommunications, as he says, "Once this network is established, we will take over the operation."

In view of Telkom's performance record, this is not what the country needs. On the other hand, if a bidder were to offer an alternative through which it offered a package to take over Telkom altogether, SA might gain an opportunity for communications improvement which would be exceptional. Instead of facing the prospect of using billions of RDP funds for the expansion of telecommunications required over the next five years, there would be a massive inflow of cash and expertise at no loss to the state.

□ Jordaan is DP spokesman on mineral and energy affairs.





Clive Simpkins

## Post Office service <sup>(26A)</sup> reaches new low

**P**ALLO JORDAN is emphatic about not privatising Telkom, yet the Post Office — its sister megalith in our communications industry — is an example of monopolistic and bureaucratic business at its worst.

I wrote recently that the mail service was degenerating into a non-service. It's actually got worse. I received no mail in my Sandton City post box for a week. When I asked why, some naive official was dumb enough to lead me backstage into the post box section to see if there was bundled mail above my post box. Letters were piled a metre-deep on the floor. Seeing my astonished expression he hastily said there had been "problems with sorters" and they had called in Johannesburg post office people to help.

The terrifying thought was that my business cash-flow for the month was lying somewhere in that tidal wave of mail. As it turned out, there was no bundle of mail for me; it had simply not yet been sorted. The mail has continued to trickle through, and a letter we mailed in Cape Town a week-and-a-half ago as an experiment has still not arrived in my box. It is nothing short of a disgrace that a public service — a not inexpensive one at that — should be so close to total collapse.

The Post Office has a neat marketing trick. Whenever a service fails, it starts a new one in competition to the old and charges a relative fortune for the privilege of using it. For example, to get a standard letter delivered in a day or two — it will seldom be delivered the next day — you will pay R10,60.

Want something delivered by the Speed Services courier service? The chances of it arriving on time are pretty remote. There are numerous instances where a letter handed over the Speed Services counter has failed to make a one-day delivery. Most post offices don't even have dedicated, Speed-Services-only counters.

Now the vanishing parcel rate has got out of hand. The Post Office has implemented a new bar-coded tagging system which will theoretically make parcel post safer, but you're going to pay private service rates.

The whole set-up is a sham and a disgrace. Someone from the private sector should be brought in to shake up the system. The Post Office must be contributing more to business inefficiency and lack of productivity than any service, other than Telkom, in South Africa.

Telkom, at least, has the marvelous benefit of youthful, former Council for Scientific and Industrial Research (CSIR) president Dr Brian Clarke as its new chief executive. He will no doubt get that ocean liner of an organisation to turn around, come hell or high water. So will another Brian Clarke please stand up and get the Post Office sorted out?

Coincidentally, the Post Office now uses Speed Services to deliver its own courier invoices! That should tell us something about the "regular" service.

**K**OBUS Jordaan's article — "Privatisation of greedy Telkom is long overdue" (Business Day, July 28) — displayed a glaring disregard for the facts as well as a flawed understanding of competition, regulation and the future of telecommunications policy.

Jordaan, a DP MP and spokesman on mineral and energy affairs, confuses two distinct phases of the legislative process. It is little wonder SA citizens are frustrated by the tenor of current policy debates.

If Jordaan reads the Green Paper on Telecommunications Policy (which he twice mistakenly refers to as a White Paper) he will note, "A Green Paper is a consultative document. It is designed to pose questions that need to be answered in order for government to formulate policy. A White Paper formulates government policy."

It should cause public concern when an MP publicly criticises an important government discussion document without reading it first.

In fact the Green Paper, which forms part of an open and consultative process, seeks answers to all the DP's missives against Telkom, the department and Post, Telecommunications and Broadcasting Minister Pallo Jordan.

It is widely accepted that Telkom, the SABC and many of the state enterprises have abused their monopolistic positions and continue to pursue anti-competitive practices. Moreover, it is common cause among all the players in this debate, including Telkom, that competition is necessary and the days of total state monopoly are over.

But it is also clear that the denial of basic telecommunications services to the majority of the population has to be addressed. Hence, the need to establish universal access and universal service obligations as essential components of any regulated and competitive telecommunications sector.

The issue of Telkom's partial or wholesale privatisation — only one leg of competition policy — cannot be seen in isolation from the creation of a new regulatory telecommunications framework. And it is precisely the main object of the Green Paper to facilitate the formation of this framework.

# Telkom's solution lies in regulated competition

DAVID DISON and MICHAEL MARKOVITZ

Jordaan's critique of the Green Paper is not only factually incorrect but is based on a discredited Thatcherite vision of competition policy which does the DP no justice. Jordaan's philosophy is that privatisation of public monopolies can take place without a regulated framework which seeks the protection of public interest.

Although Jordaan presents government's view on competition policy as a fait accompli, in reality the debate is far from over. A recent discussion paper, "Towards Competition Policy Reform in SA," has proposed "amendments to the current legislation, institutional framework and policy approach to enhance the efficiency and effectiveness of competition policy; bring the SA system more in line with international experience; and produce a framework appropriate for SA conditions and, in particular, the objectives of reconstruction and development".

But this paper, prepared in January 1995 by Prof. Frederick Fourie, David Lewis and advocate Willem Pretorius, also warns against making competition policy the deus ex machina of economic growth, reconstruction and development.

BD 4/8/95  
(267)

"It is important to place competition policy within the context of a range of policy instruments (fiscal, monetary, labour, industrial, trade, tariff, land, development policy, etc) that address various (often inter-related) dimensions of social and economic problems in a complementary fashion."

It says policies pursued in isolation can often contradict each other. "One should always consider policy reform in a consistent and systematic fashion. (This also implies the need for some institutional mechanisms to co-ordinate competition policy with other areas of policy)," it says.

Jordaan's article separates the issue of competition policy from the realm of telecommunications regulation. He also regards the privatisation of public sector monopolies as the only element of modern, international competition policy. In fact, privatisation is only one element and it is recognised in many OECD countries that the restructuring or the unbundling of public monopolies is very different from their "wholesale" privatisation.

In addition to the legislative and regulatory changes which flow from government policy, related elements of competition policy include

separating the commercial and regulatory functions of state enterprises, the imposition of general or industry-specific conduct rules designed to promote competitive practices; the identification and regulation of natural monopolies, network access issues; and economic and tariff regulation.

But contrary to the Thatcherite myth, developed countries have not introduced competition reform on a "free-for-all" basis. In the US, the UK and Australia, the restructuring of telecommunications took place within a policy-driven, regulated context. As a recent Australian inquiry into national competition policy indicated, competition policy can accommodate "situations where competition does not achieve efficiency or conflicts with other social objectives".

Australian legislation now provides that any Australian entity which wished to justify "conduct with anti-competitive potential said to be in the public interest" would have to "demonstrate the nature and incidence of the benefits claimed". In other words, the Australians have distinguished the freedom attached to private property in a market economy with the principle that "this freedom may require qualification on public interest grounds".

Any new policy governing competition in the SA telecommunications sector must also take into account the size of our economy. In 1992 an International Chamber of Commerce (ICC) report made special mention of developing countries.

"The evolution of the basic drive towards the provision of universal service .. requires careful and sensitive management in the developing countries .. The concerns for universal service and national economic growth in general must be blended with the needs of specific user groups for access to telecommunications services and facilities."

The ICC report recommended that pricing structures in developing countries must "ensure the long-term financial viability of the network operator and encourage widespread use", while at the same time not stimulating "demand above management levels nor motivate inefficient use."

Government is not averse to ending state monopolies. The Independent Broadcasting Authority Act, for example, is essentially a pro-competition law, despite the IBA's delay in implementing the statute's provisions. This Act provides for competition in the broadcasting sector, by ending SABC regulatory power and allowing the licensing of private broadcasters.

Similarly, the Green Paper process should culminate in an Act which provides for the transfer of Telkom's regulatory functions to an independent body, and the promotion of competition in the telecommunications sector.

New legislation must surely deal with Telkom's potential conflict of interest between advancing commercial interests and the advancement of wider public interests through the exercise of regulatory powers. Legislation would also have to provide for the regulation of competition as well as the promotion of public interest through universal service and access obligations. This balancing act will be central in the drafting of a Telecommunications Policy White Paper.

The authors are Johannesburg-based communications lawyers.

TELKOM

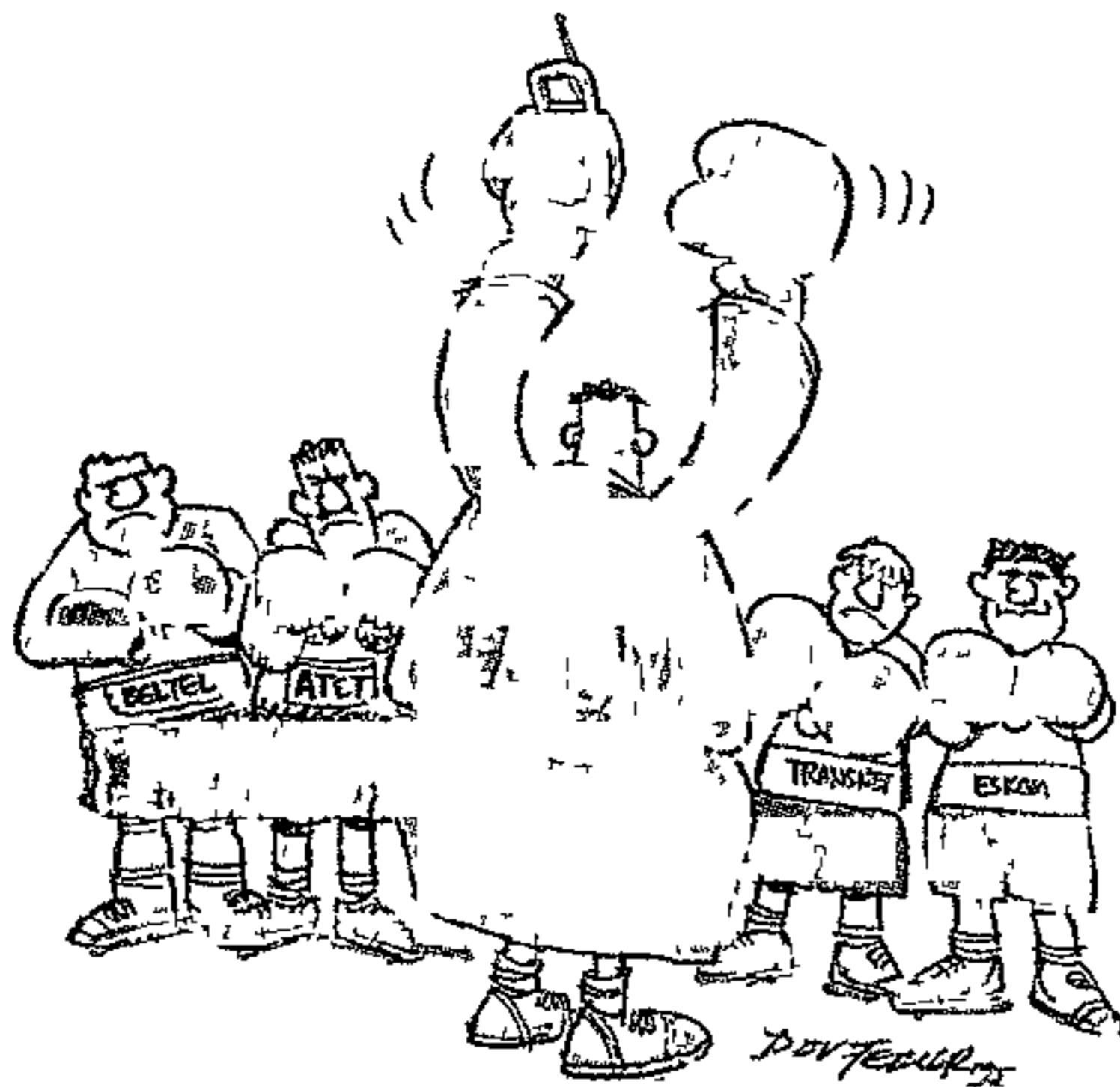
AM 4/8/95

# Core of the problem (267)

**Talk of restructuring** Telkom by selling off noncore activities such as restaurants and security is just that talk. Without full-scale competition in its central business, telecommunications, anything else is just window dressing.

Despite Telkom being regarded as the most attractive State-owned company for privatisation, government is shying away from the idea in the face of union protests.

While Telkom last week averted the threat of industrial action, securing union agreement for all but the final two stages of its plans to spin off noncore activities, it has a long way to go if it plans to remain internationally competitive or meet its RDP commitments. Selling noncore services



such as restaurants, transport and workshops, or even selling shares to a strategic foreign equity partner, isn't enough. Telkom needs competition — something Pallo Jordan, the Minister of Posts, Telecommunications & Broadcasting, is against.

With five-and-a-half times as many staff as an equivalent US telephone company, Telkom's service comes nowhere near what is taken for granted in developed countries. Complaints of poor service continue, call charges have increased and subscribers still have to wait months for a telephone line.

Telkom consistently has a backlog of over 120 000 applicants wanting phones in developed areas. Now, it is burdened by the RDP wish for 5m lines in rural areas by 2000. And this will remain just a wish unless government deregulates the telecoms market and allows competitors to install and operate their own lines.

In the annual report chairman Dikgang

Moseneke claims his company is not a monopoly. Yet, legislation protects Telkom as the sole provider of fixed-wire telephone infrastructure for public use.

Democratic Party spokesman Kobus Jordaan says Telkom demonstrates the worst vices of State-controlled organisations. "It gave employees a 16% increase in the year ending March 1994 and its profit as a percentage of sales is about 10 times that of our supermarket industry or of a typical US telephone company." He says its charges are excessive, making phones unattainable for the poor, and that Telkom increased rentals and reduced metering periods, partly to fund a marketing campaign telling the public how good it was.

But there are other ways of meeting RDP initiatives. Government could follow overseas examples by encouraging State-owned companies such as Eskom and Transnet (both have telecommunications infrastructure along SA's electricity grid, along railways tracks and at ports and airports) to team up with international operators and provide telephone links to underserved areas. Similarly, instead of prohibiting international operators from setting up their own networks in SA, government could insist that as part of their licence agreement they provide RDP-type services.

Worldwide competition and deregulation have helped increase line penetration and improve services. The local cellular industry is one example. In just one year of operation, it has signed up 400 000 subscribers — an impressive feat considering that in the more than 100-year history of telephony in SA there are only 3,8m working telephone lines.

Worldwide, formerly closed telecommunications markets are being opened by privatisation and deregulation to expand services and attract foreign investment and technical know-how. In Europe, governments have agreed to do away with protection within three years. This trend has repeated itself in Australia, New Zealand and the Asian Pacific countries.

Foreign companies have found their way in, telephone companies are being listed on stock exchanges and competition is fierce, resulting in prices plummeting and one-time monopolies scrambling to stay on the technological cutting edge.

There are still restrictions. In the US telephone market, for instance, long-distance carriers like AT&T, Sprint and MCI do not compete with regional telephone companies, which provide local and medium-distance calls. Even that is likely to change. When it does, US consumers, who enjoy the world's cheapest international call rates, could benefit still further. ■

JSE

## Screening the deal

The JSE has selected a preferred supplier for its proposed automated trading system and plans to award the contract later this month. Four suppliers have been shortlisted, but the winner won't be announced until the project's value has been negotiated and stock exchange members have approved replacing the open trading floor with a computer network.

JSE president Roy Andersen says the exchange will ask its members for authority to spend R20m on the system, plus an overrun of 20% — giving the project a budget of R24m. This figure, which includes upgrading the JSE's computer system, will more than double the value of the exchange's information technology infrastructure.

The initial deadline for awarding the contract was July 17 but JSE Research & Development head Darrell Till says the JSE still aims to start trading on the system in January. The JSE is also working with banks on an electronic scrip registry which it hopes to complete by June 1997. A centralised depository, scheduled for completion later this year, will probably be late.

The JSE's request for trading system tenders drew 25 responses from various consortia, including other stock exchanges. ■

TOP COMPANIES

## On call

The *FM's 1995 Top Companies* survey of SA's 300 largest industrial corporations will be available on computer disk from next week. Containing the full text, graphics and pictures of the printed survey, *Top Companies on Disk* also includes the name, address and fax number of the chief executive officer of every company in the survey. It costs R250 inclusive. Orders can be placed with Patricia Morgan on (011) 497-2697. ■

# Wage bill shows Telkom needs to get its act together

Reg Runney

**T**HE amount paid to directors of state monopoly Telkom rose 51 percent in the last financial year — far more than official inflation of around 10 percent for the period, or Telkom's own pre-tax profit rise of 10 percent.

The latest annual report for the year ended March 31 shows Telkom's 13 directors were paid a little over R1,7-million for their services.

The amount spent on the salaries, wages, pensions, medical and other benefits of Telkom's massive staff complement rose almost 20 percent in the year to March 31 1995, to around R3,6-billion. This is despite the number of employees having been allowed to drop through natural attrition and voluntary retirement by around 2,4 percent, to around 59 000.

The size of the increases highlights the problematic nature of a commercialised but protected state monopoly. How can these figures be justified? Were Telkom a private company, it could justify the increased pay to directors on the basis of improved

profitability. Since Telkom is a state monopoly increased profit could well be at the expense of the consumer.

Were Telkom private, shareholders would be concerned about the increase in the cost of staff. They would want greater productivity, immediately effected by cutting the size of the workforce. Could the government, presumably committed not to losing jobs, ever support drastic staff reductions at Telkom?

In affirmative action and social responsibility programmes Telkom can boast big advances. Promotions and advances of whites have declined, and that of Africans has risen, while R22-million has been spent on various affirmative action initiatives. Seventy-three blacks were placed in management positions in the last year, for instance, and 42 percent of promotions were of blacks. The parastatal spent R4-million on social investment projects in the past 12 months.

In the efficiency stakes, Telkom leaves much to be desired. True, in a table of international comparisons supplied by Telkom,

South Africa with a revenue per employee of \$38 220 (in 1994) is slightly above the average for an "upper middle income country" — the category into which South Africa fits in terms of its gross domestic product per capita, the total value of all goods and services produced divided by the population. Yet while it is far ahead of African countries, its revenue per employee figure is well below the world average of \$81 055.

Telkom points to an increase in efficiency of 18 percent in the last financial year, measured by using average turnover per Telkom employee, which has risen to R444,13 a day. Telkom is clearly getting more out of its main telephone services, which rose only five percent to around 3,8-million.

The reduction in staff would have contributed to this. So too will the average tariff increase of 10 percent announced in November last year. The actual number of lines per employee — another possibly more appropriate measure of efficiency — is around 65, roughly five percent

more than the 62 lines per employee Telkom told the *Mail & Guardian* it had achieved at the end of its last financial year. In 1994 Mexico had more than twice as many lines per employee, at 138.

Equally significantly, Telkom's turnover per line at only \$628, according to an international comparison in the 1994 World Telecommunication Development Report, is less profitable only than Hungary and Australia, for instance, achieved turnover of \$1 089 per line in 1992.

How can Telkom achieve greater efficiency? Cutting staff drastically seems out of the question. Given the backlog of phone services in the country, a better option would be to maintain the staff complement and increase services.

Telkom has two choices as it attempts to maximise the number of lines. It can fund expansion internally or incur more debt.

Incurring more debt is not an option. Telkom has massive interest-bearing debt of R8,5-billion, and it is committed to decreasing this. The only other option is some form

of privatisation. Again there are two routes, either outsourcing services which do not form part of Telkom's main business, or selling shares to an outside investor. The company has a little over one-billion unissued ordinary shares out of authorised shares of five billion, with a nominal value of R1 each.

The first of these two routes seems already to be under way. Telkom has announced it is to restructure its support functions such as restaurants, security, construction, transport and workshops. This has elicited a complaint from the unions that the restructuring of non-core business units could precede privatisation of such non-core business units, having off a quarter of Telkom's present staff. That leaves the second option, which will have to be handled carefully so as not to arouse the ire of major union grouping Cosatu, whose president John Gomo has opposed "ideologically driven" privatisation, or Telkom's own unions, which have threatened to strike unless Telkom rethinks its restructuring plans.

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**BRIEFS**

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**R550m for SA  
communications**

(267) (267) ~~267~~  
JOHANNESBURG: Two of the world's largest telecommunication companies are investing more than R550 million in South Africa, mainly to benefit black-owned businesses **ET 7/8/95**

US-based SBC Communications will invest R300m to back MTN's cellular phone network expansion of over R1,3bn

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## Approval likely for Telkom

ET(BR) 8/8/95 (267)

Government approval was likely if Telkom sought a foreign equity partner to help finance its expansion plans, Pallo Jordan, the minister of post and telecommunications said.

Jordan was speaking at a news conference where Brian Clark, Telkom's managing director, outlined the parastatal's plans for the future, including its tender for the provision of one million new rural

telephone lines and the outsourcing of non-core functions.

Jordan also said proposals by international consortium African Global to beef up South Africa's telecommunications network had "a certain value." African Global's partner, Bell Atlantic, said it had made a pitch on 10 telecommunications projects in which it wished to partner Telkom. — Reuter

(bbb)	(bb) (aaa) R10 800 per annum	Lebowa	None
	Annual Salary	Qwaqwa	None
	Lowest	KwaZulu-Natal	None
	Highest		
Chief Directorate Administration	10 800	81 114	
Chief Directorate Civic Affairs	15 873	58 185	
Chief Directorate Migration	11 307	46 545	
Western Cape Region	11 307	14 082	
Northern Cape Region	11 307	14 082	
Eastern Cape Region	12 948	30 900	
Northern Province Region	19 158	28 392	
Eastern Transvaal Region	—	—	
North West Region	—	—	
Free State Region	10 800	23 884	
KwaZulu-Natal Region	10 800	24 630	
Gauteng Region	14 082	30 900	
(b) (i) and (ii) Data Controller	1		
Accounting Clerk	3		
Administration Clerk	39		
Cleaner	4		
Registration	2		
Storekeeper	1		
Assistant-director Administration	1		
Typist	1		
Labourer	2		
Security Officer	1		
Fingerprint Computer	88		
Driver	2		
Messenger	3		
Immigration Officer	2		
Security Guard	3		
Administrative Officer	1		
Senior Administrative Officer	1		
(3) (a) (i) 123			
(ii) 155			
(b) (i) 4			
(ii)			
Venda	None		
Transkei	Integration not finalised		
Bophuthatswana	Integration not finalised		
Ciskei	Integration not finalised		
KwaNdebele	None		
KaNgwane	None		
Gazankulu	4		

copperweld and optic fibre cables Alarms are also fitted to the routes to warn Telkom personnel whenever the routes are being tampered with

**Permanent/full-time employees employed**

435 Mr A J LEON asked the Minister for the Public Service and Administration

(1) How many permanent, full-time employees are currently employed by (a) his Department and (b) each relevant specified organisational component referred to in section 7(1) of the Public Service Act, 1994 (Proclamation No 103 of 1994),

(2) whether he will furnish particulars in respect of the salaries of such employees, if not, why not, if so, as at the latest specified date for which information is available, (a) what was the average salary of such employees and (b)(i) what annual salary was paid to the (aa) highest-paid and (bb) lowest-paid employees in (aaa) his Department and (bbb) each such organisational component, (ii) what posts did such employees hold and (iii) in respect of how many employees is this information furnished in each case,

(3) how many of these employees were (a) employed (i) before and (ii) after 27 April 1994 and (b) incorporated into (i) his Department and (ii) each such organisational component from the former homelands or self-governing territories?

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

- (1) (a) 410, and  
 (b) not applicable,  
 (2) yes,  
 (a) R68 712 per annum,  
 (b) (i) (aa) R266 784 per annum,  
 (bb) R13 200 per annum,  
 (aaa) as indicated in (b)(i)(aa) and (b)(i)(bb) above,  
 (bbb) not applicable,  
 (ii) in respect of (b)(i)(aa) above, Director-General and in respect

of (b)(i)(bb) above, Food Services Aid I, Tradesman Aid I and General Stores Assistant II,

(iii) in respect of (b)(i)(aa) above, I (one) and in respect of (b)(i)(bb), 4 (four), and

- (3) (a) (i) 370,  
 (ii) 40,  
 (b) (i) 6,  
 (ii) not applicable

**Appointment of Special Investigation Team**

440 Mr V B NDLOVU asked the Minister for Safety and Security

Whether any persons have been arrested following the appointment of the Special Investigation Team led by a certain major, whose name has been furnished to the South African Police Service for the purpose of his reply, if so, (a) how many, (b) when will they appear in court, (c) what amount has already been spent in carrying out this investigation, (d) how many vehicles is this team using in carrying out its functions, (e) what criteria does he use in selecting investigators and (f) what are their names?

The MINISTER FOR SAFETY AND SECURITY

- (a) Yes, 7  
 (b) 3 July 1995  
 (c) The estimated running costs are

	R
Salaries	3 399 402,90
Telephones (calls, faxes & rental)	47 742,24
Vehicles (fuel, oil tyres & general maintenance)	282 214,60
Losses (robbery-vehicle, pistol, pager & phone)	65 000,00
Office rental & parking (from 1995-05-01 only)	44 437,20
Water	660,63
Electricity	4 057,41
Cell phones (rental & call-est only from 1995-05-01)	86 151,00

*Hansard 8/8/95 N917E*  
 The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

The Managing Director of Telkom SA Ltd has informed me as follows

- (1) (a) The total estimated value of the telephone wire stolen in South Africa during the period 1 January 1995 up to 28 June 1995 is R10,6m  
 (b) An estimated 50 000 working hours were lost in the process of replacing the relevant wire during this period  
 (2) Yes Telephone wire/cable to the value of approximately R330 000 has been recovered  
 (3) Telecommunication routes stretch over thousands of kilometres and it is indeed an impossible task to provide full protection. Theft of copper wire and cables does not only result in a financial loss but also adversely affects service to customers. Every endeavour is therefore being made to prevent the theft of copper wire and cables. Apart from the assistance rendered by the Police, Telkom also employs the services of private security firms and its own staff to prevent thefts and to apprehend the culprits. In problem areas, copper wire and cables are substituted by materials with a low scrap value, such as

# Telkom downplays talk of partial privatisation

(267)

MD 8/8/95

Mungo Soggot.

TELKOM yesterday downplayed talk of partial privatisation, saying the priority was to restructure to focus on its core business so it could become internationally competitive and cater for the millions without phones —

Telkom-MD and CEO Brian Clark told a Press briefing that Telkom's "equity restructuring" would have to follow the first phase of its restructuring, which would see the parastatal "outsource" its non-core businesses like restaurants, construction, security and transport

This phase of restructuring — which would be in line with government guidelines and which would not result in retrenchments — was due to be wrapped up by March next year.

Clark said Telkom did not have any stake in mind when it talked of "equity restructuring"

He said recent comments by other Telkom officials — which suggested a sale of 15% to 20% — were not accurate and had probably been aimed at giving a broad idea of what was on the cards.

"We have no stake in mind at the moment"

Post and Telecommunications Minister Pallo Jor-

dan said government was likely to give the green light to the sale of a stake which would help fund the parastatal's capital hungry plans — it had ruled out only full privatisation

Clark said a new management team to help steer the restructuring was due to be announced in about a month

He said the team would not necessarily be smaller, but would reflect Telkom's aim of giving more responsibility to lower levels and moving away from its rigid hierarchy

Clark said it was difficult to estimate the cost spinoffs of the restructuring as negotiations with the unions were still taking place.

The restructuring would also see Telkom split into business units, which, for example, would deal separately with corporate and private customers

Jordan said although Cabinet would have to approve the equity restructuring of Telkom, other management decisions — such as to whom Telkom awarded its tender for one million lines — did not need to be sanctioned by government

Clark said that there should be more clarity on the million lines tender by September



# Tight lips over future plans for main post office

Staff Reporter

(267)  
ARC 11/8/95  
CAPE Town's main post office building has been sold, but neither the South African Post Office nor the buyer, building contractors Stocks and Stocks Ltd, will say how much it fetched or disclose future plans for the building.

A spokesman for the post office said the information was confidential, because the South African post office was no longer a government-owned service.

The response from Stocks and Stocks on the purchase of the building has been simply "No comment".

Democratic Party spokesman Stuart McLoughlin said that if the sale of the post office was part of some privatisation programme, his party would support it.

"But what concerns us deeply is the lack of transparency and the fact that the citizens of Cape Town are being kept in the dark about this."

The post office, which will now rent a part of the building from Stocks and Stocks — including the main hall with its painted murals — has started several alterations to accommodate its services.

A spokesman said the three-storey annexe would be demolished and redeveloped by the new owners.

Postal services in this section — including the parcels office, speed services and financial counters — will be temporarily housed in the main hall.

# Elections in rural areas are likely to go ahead

Municipal Reporter

A COMPROMISE among warring political parties means elections in rural areas of the Western Cape are likely to proceed on November 1.

A diminished four-member committee, representing two members of the ANC alliance and two of the National Party, will sit on Tuesday to delimit rural ward boundaries.

The two remaining seats of the six-member committee will be significantly vacant, as it is their membership that is in dispute.

The provincial committee is crucial to the transitional process, because local government ministers in all the provinces have to reach agreement with these committees on electoral preparations.

The four members who will meet on Tuesday are Leon Markowitz and Wynand Malan of the NP, John Neels of the SA National Civics Organisation and Hilda Ndude of the ANC.

Although two appointments have been made to the provincial committee by Justice Minister Dullah Omar and Constitutional Affairs Minister Roelf Meyer, they have not been recognised by the NP government.

The two ministers were given the power to name Cecil Herandien of the NP and Kam Chetty of the ANC as replacements on the committee by the amendment made to the Local Government Transition Act by President Nelson Mandela.

Should Mr Mandela's amendment hold up in the Constitutional Court then Stafford Petersen and Lesley Ashton, both representing community organisations sympathetic to the NP, would have to step down from the disputed seats.

# Court to decide boundary row

(263) ARC 12/8/95  
Staff Reporters

THE Cape metropolitan boundary row goes into the second round in the Constitutional Court next week after the National Party lost its challenge against the central government in the Cape Town Supreme Court.

The Supreme Court yesterday dismissed with costs the NP's application challenging an amendment made to the Local Government Transition Act by President Nelson Mandela.

But, whichever way next week's Constitutional Court ruling goes, it is clear that elections on November 1 in the Cape metropolitan area are out of the question, and are unlikely to be held before next year because there is no time to delimit wards.

At a Press conference shortly after the judgment, the African National Congress called for the NP to withdraw its Constitutional Court action saying that "tens of thousands of rands" of taxpayers' money was being wasted.

The judgment was delivered in a court packed with city councillors and members of the provincial government, but absent were Western Cape premier Henus Kriel

and local government minister Peter Marais, who were among the applicants.

Mr Kriel is on a trade mission to Taiwan, but acting premier Gerald Morkel said that the Supreme Court decision had been "noted".

"It is clear there is no finality in the case. The case will be heard in the Constitutional Court next week. Until then it is not appropriate to react on the verdict."

Mr Morkel said the written judgements of both courts would be studied before further decisions were made.

David Dlal, local government spokesman for the ANC in the Western Cape, said he was confident that the NP's petition would also be rejected by the Constitutional Court.

He said the campaign to "Unify the City", which supports the six-municipality model for the Cape metropolitan area, would continue.

Mr Dlal said the ANC was establishing exactly what the cost of the court action had been, but with two senior counsel, two junior counsel and instructing attorneys involved it would run to "tens of thousands of rand".

■ To page 2

'Ulterior motives':

No proof say judges

From page 1 (263)  
ARC 12/8/95

In yesterday's Supreme Court judgement, Mr Justice Conradie and Mr Justice Kühn ordered that a review application brought on Thursday by the executive council of the Western Cape legislature, Premier Henus Kriel and provincial Minister of Local Government Peter Marais, be dismissed with costs.

The application was directed at President Mandela, Minister of Constitutional Affairs Roelf Meyer and Justice Minister Dullah Omar.

The application concerned two proclamations made by President Mandela in June this year amending the Local Government Transition Act.

The amendments overturned Mr Marais's appointments to the provincial committee for local government.

They also retrospectively overturned any decision taken by the committee and thus effectively reversed the committee's controversial decision to incorporate Khayelitsha into the Cape Town municipality.

# For whom the bell rings

## □ Sounding a note of caution over plans to privatise parastatals like Telkom

THE issue of the privatisation of state-owned enterprises, especially the privatisation of Telkom, has once again come under the spotlight

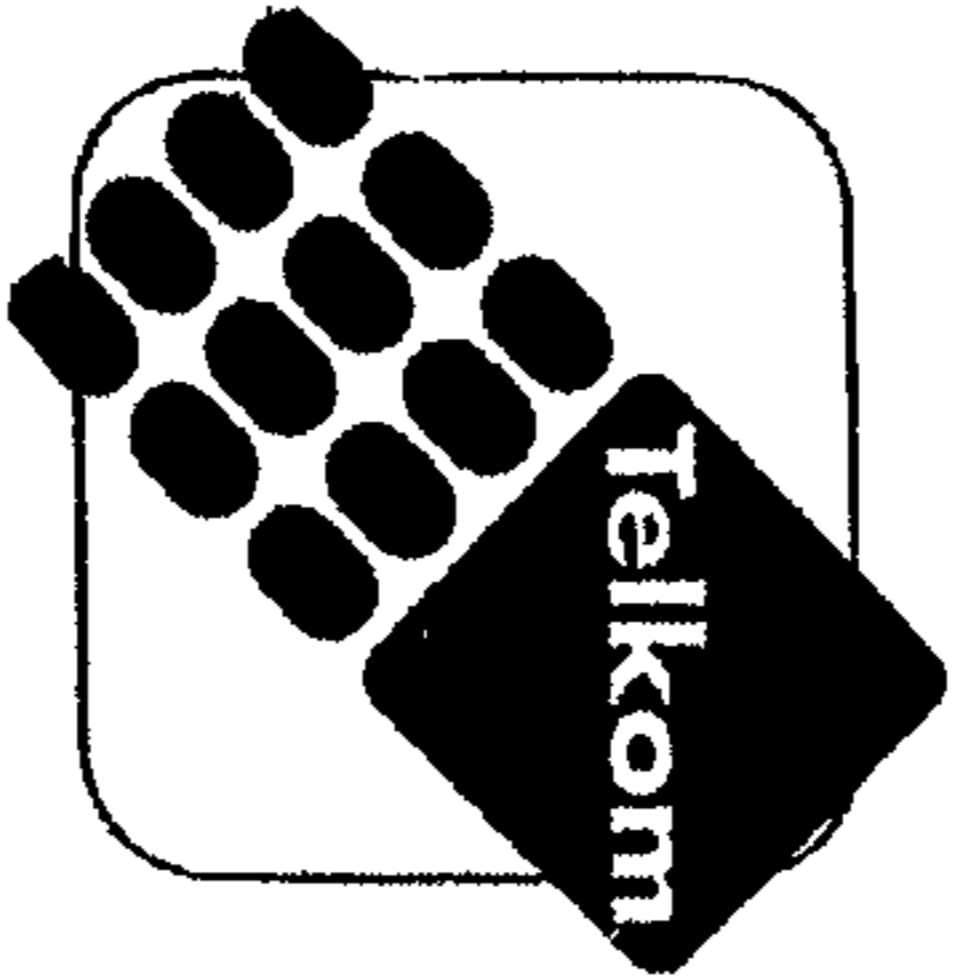
Kobus Jordaan, the DP spokesman on mineral and energy affairs, has severely criticised the fact that to date no concrete steps had been taken towards privatising Telkom. According to Mr Jordaan, "once again left to others to keep the issue alive"

Although classical economic thought may entail that "state-run enterprises suffer from sluggish performance and inefficiency", it could be shortsighted and dangerous for South Africa to see and approach the immediate privatisation of all state-owned or parastatal enterprises as a quick solution for the struggling economy

Privatisation is but one way of improving parastatal inefficiency through privatisation, especially Telkom, should have a tremendous effect on offshore capital flows into South Africa, which at present are being hampered by illiquidity, it should go further in a mere auctioning-off of state assets

The privatisation process should not be embarked on as a quick-fix remedy, but should seek to repay deficit communities, to reduce the debt, to achieve RDP goals and to facilitate economic empowerment. Although the privatisation of

Privatisation must not be seen as a quick-fix fiscal remedy in the South African context, say commercial and communications law specialists GERHARD JOHANNES and WILDU DU PLESSIS.



and interested parties on the questions contained in the Green Paper before September 15

The Green Paper is not itself a statement of government policy. As the closing date for submissions is September 15, it is with surprise that we note Mr Jordaan's claim that "the privatisation of Telkom has been evaded safely by the Post, Telecommunications and Broadcasting Department in its recent White Paper on Telecommunications Policy"

In the recent Green Paper a whole section is devoted to eliciting comment from interested parties especially on ownership, investment and financing of telecommunications providers in our changing society

In tackling the issue of privatisation, the Green Paper describes four different possible scenarios, discusses the various advantages and disadvantages of each and then asks for comment from all interested parties (and the public) on which scenario will be the best suited in the circumstances

Telkom is evidently not against privatisation. Post and Telecommunications Minister Pallo Jordan advised as early as February this

year that the Posts and Telecommunications Ministry was considering the partial privatisation of Telkom as one of the measures to raise the capital needed to modernise services

Telkom chairman, Dikgang Mosenke, recently confirmed that up to 20 of Telkom shares may be sold to a third party. Telkom is also considering selling some of its support functions such as restaurants, security, transport, workshops and construction in order to concentrate on its primary business operations

In making comparisons, one should always compare apples with apples and not some other fruit. To compare Telkom with Eskom is not comparing apples with apples. The two entities are completely different.

The cost structures are not comparable. National Council of Trade Unions spokesman Cunningham Ngunkana says "Telkom, as a commercialised state enterprise, has done well". In reality therefore not all parastatals perform sluggishly

To state that Telkom will "not support measures aimed at reducing costs" is incorrect. In the Green Paper a whole chapter is

**The privatisation process should not be embarked on as a quick-fix fiscal remedy, but should seek to benefit communities, to repay state debt, to achieve RDP goals and to facilitate economic empowerment.**

devoted to investigating the affordability of telecommunications services (especially international and long distance services) and the setting of tariffs

Telkom's tariffs are unfortunately, for historical reasons, currently unbalanced, with the lucrative international and long distance calls subsidising the cheap and affordable local calls. This hopefully will be tackled

To state that Telkom, by objecting to the AT'T optic cable scheme, will not support such measures is

*(257) MLY 14/8/95*

also incorrect. In investigating and employing new technology for South Africa's telecommunications needs, Telkom cannot and should not see the issues with blinkers on

For instance, the whole debate between satellite communications versus cable communications (whether it be traditional copper or high-tech fibre optic cable) should be investigated by all telecommunications providers in South Africa before committing to either

From international studies it is clear that satellite communications will provide the most cost-effective way of successfully communicating over long distances. To portray Telkom's non-acceptance of the AT'T proposal as being obstinate and as not keeping pace with global telecommunications developments at this early stage, is unfair

The technology option chosen by Telkom to reduce the price of international and long distance telephone calls should take account of new technology such as the Telede-sic satellite communications system recently proposed in the United States, where an almost fixed system (with all the accessory benefits such as distance learning, telemedicine etc) will be provided at extremely low costs by using more than 800 satellites

● The writers are attorneys practising in the fields of commercial and communications law

# For whom the bells ring

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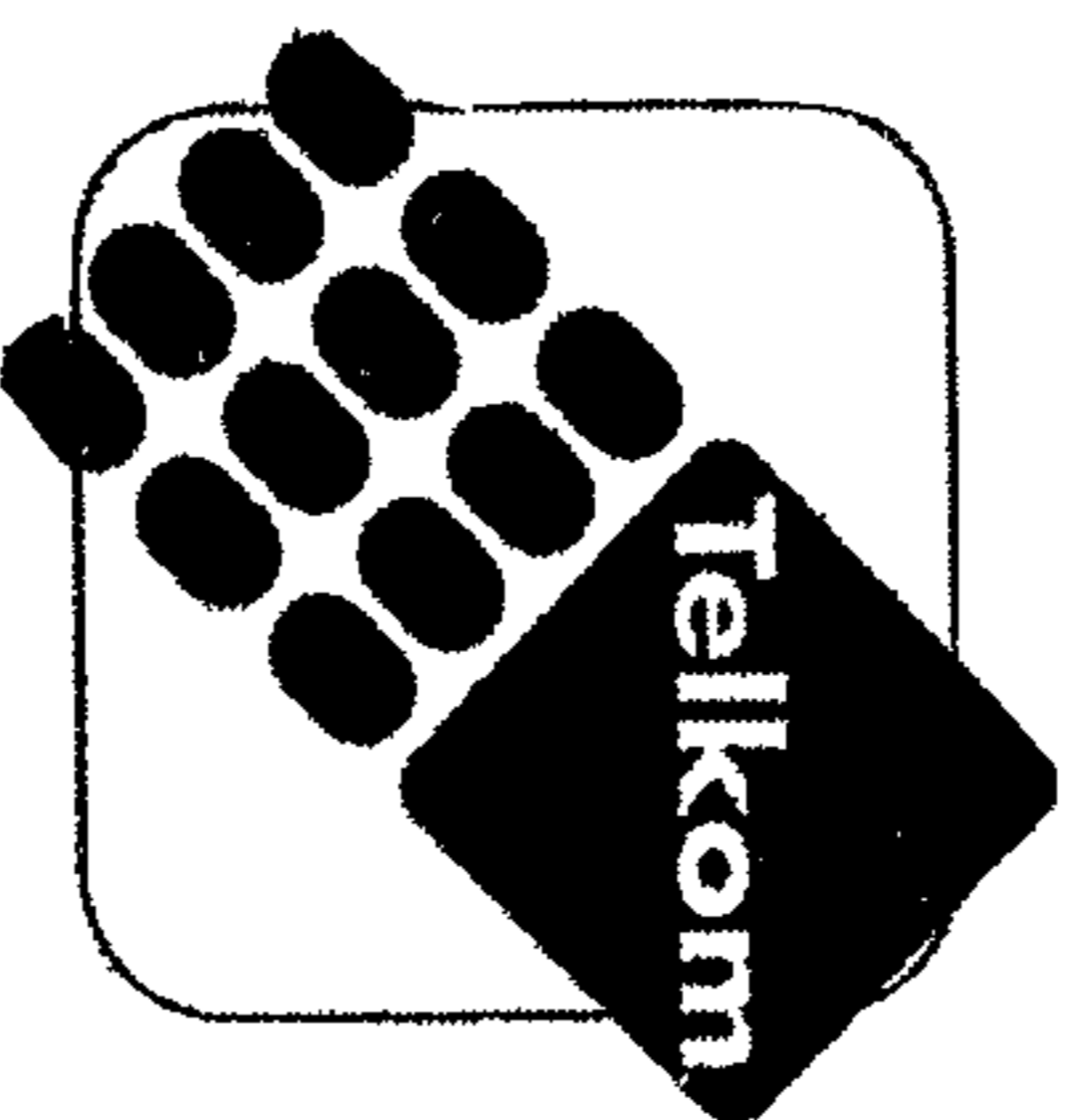
Although classical economic thought may entail that "state-run enterprises suffer from sluggish performance and inefficiency", it would be shortsighted and dangerous for South Africa to see and approach the immediate privatisation of all state-owned or parastatal enterprises as a quick-fix solution for the struggling economy.

Privatisation is but one way of improving parastatal inefficiency. Although privatisation, especially of Telkom, should have a tremendous effect on offshore capital flows into South Africa, which at present are being hampered by JSE liquidity, it should go further than a mere auctioning-off of state assets.

The privatisation process should not be embarked on as a quick-fix fiscal remedy, but should seek to benefit communities, to repay state debt, to achieve RDP goals and to facilitate economic empowerment.

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state assets and enterprises is now very much a world phenomenon, the whole issue in South Africa, especially that of privatising parastatals crucial to the provision of utilities to new residential areas and communities, will have to be researched.

Blind acceptance of a privatisation model implemented abroad will not necessarily prove suitable here. Successes and failures need to be analysed.

No mention is made by Mr Jordaan of the recent Green Paper on Telecommunications Policy published by the Minister of Posts, Telecommunications and Broadcasting, even though the Green Paper was published on July 7 and invited comments from the public

and interested parties on the questions contained in the Green Paper before September 15.

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From international studies it is clear that satellite communications will provide the most cost-effective way of successfully communicating over long distances. To portray Telkom's non-acceptance of the AT<sup>2</sup>T proposal as being obstinate and as not keeping pace with global telecommunications developments at this early stage, is unfair.

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(267) AA 14/8/95

# Selling off the 'family jewels' might not benefit the

AKG 14/8/95

(222) (267)

COU

THE proposal that Telkom should be privatised by a consortium of internationals, such as AT&T or Sprint, buying all the shares in Telkom, may amount to the most significant investment yet made in South Africa, but such a total transfer of ownership to Telkom's direct competitors will not be in the best interests of South Africa or the South African people.

It should be borne in mind that other international telecommunications carriers, such as AT&T, MCI and Sprint, are in direct competition with Telkom for the lucrative international market. By simply selling a state-owned enterprise such as Telkom to an international competitor, the state will not gain the public benefits in the form of achieving RDP goals and economic empowerment that any privatisation process in South Africa should seek to gain.

It will merely serve as a way of repatriating any profits made in

South Africa from South African money to an international competitor.

For any truly successful public debate on the privatisation issue to begin, the after-privatisation scenario has to be considered.

Any discussion on this issue simply must investigate and consider the scenario after implementation of the privatisation process, as was done in the Green Paper.

The after-privatisation position should be considered and decided upon even before embarking on that road or addressing privatisation of enterprises such as Telkom.

The effect of a privatisation drive is of crucial importance in any discussion of the issue.

Questions should be asked, such as what will happen to the people currently employed by the parastatal organisation, how it will be ensured that a fair and reasonable tariff will be charged for services, will it be necessary to create and

maintain an independent telecommunications authority as independent regulator of the industry, much like the Independent Broadcasting Authority or the FCC in the United States, to regulate the industry for the public benefit?

Can the tremendous outlay, both in financial expenses and in manpower, inherent in creating such a regulatory body be absorbed at this stage? Do we have sufficient manpower with the required technological and other knowledge to successfully operate such a regulator and to successfully regulate the telecommunications industry?

How are the fears of Telkom's workers of being retrenched to be addressed, especially in view of the indication that Telkom's two largest unions — together representing 30 000 of Telkom's 58 000 staff — are threatening mass industrial action over Telkom's plans on restructuring?

Answers to all these questions

should be put forward before a final decision on the privatisation issue can be made.

Every reason exists to be cautious about what is sold off, how and to whom, so as to ensure that most benefits go where the government determines the needs are greatest.

Although Telkom may look like a treasure trove for privatisation, any privatisation, whether it be a full or partial privatisation, should not endanger or jeopardise Telkom's RDP obligations.

The expansion programme of Telkom to increase telephone penetration in South Africa, not only in commercially viable areas, but also in non-viable and rural areas may under no circumstances be put at risk.

Telkom has already embarked on a practical "privatisation" exercise with its one million line expansion programme. Innovative ideas such as this expansion pro-

gramme are needed in the South African privatisation discussion. Without them the process is doomed to failure.

The real question is one of ownership.

To privatise each and every state-owned asset by selling it, in toto, to the private sector, whether it be a local or a foreign entity buying the asset, will simply not address all the problems and issues involved.

Participation by a foreign or local private entity in a privatised parastatal is one thing, the complete transferral of ownership from the state to private entities is something completely different.

A strategic partnership or joint venture would appear to be the more sensible approach in privatising a utilities provider such as Telkom.

By simply selling off the "family jewels" of the state and of the South African public, such as Tel-

kom, the two crucial questions in the privatisation debate, namely how to ensure that the process meets desired social objectives and what are the most appropriate mechanisms of selling off state enterprises, are simply not answered. There is every reason to be cautious about what and how it is privatised.

In tackling the privatisation issue, the role players should ensure that problems such as those encountered in the British Gas privatisation disaster will not hamper South African reconstruction.

The state should, even at a cost, retain some interest in the utilities provision of parastatals such as Telkom for the simple reason that such entities undoubtedly have social obligations. Market forces and practical concerns, such as the finding of the correct technology-providing partner, and not ideology, should govern any privatisation debate.

BLUEPRINT FOR AIRWAVES READY

# Radio, TV 'revolution'

**DETAILS OF THE IBA PLAN**, which could form the framework for new broadcasting legislation, are to be unveiled in two weeks. **ANTHONY JOHNSON** reports.

**D**ETAILS of a blueprint that will revolutionise broadcasting — and usher in an explosion of channels in the Greater Cape Town area — are to be unveiled in the next two weeks.

The Independent Broadcasting Authority (IBA) delivered its keenly-awaited plan to transform the content, ownership and control of radio and television, to the government yesterday

After receiving a copy of the report, the Minister of Telecommunications and Broadcasting, Dr Pallo Jordan, told a press conference "In a palty 18 months (the IBA) was given the task of undoing what had taken more than 40 years to set in place and had to invent a new broadcasting environment"

The co-chairman of the IBA, Dr Pieter de Klerk, said the so-called "triple inquiry" had completed an exhaustive investigation of the pro-

tection and viability of broadcasting, regulations on local content, and cross-media ownership and control

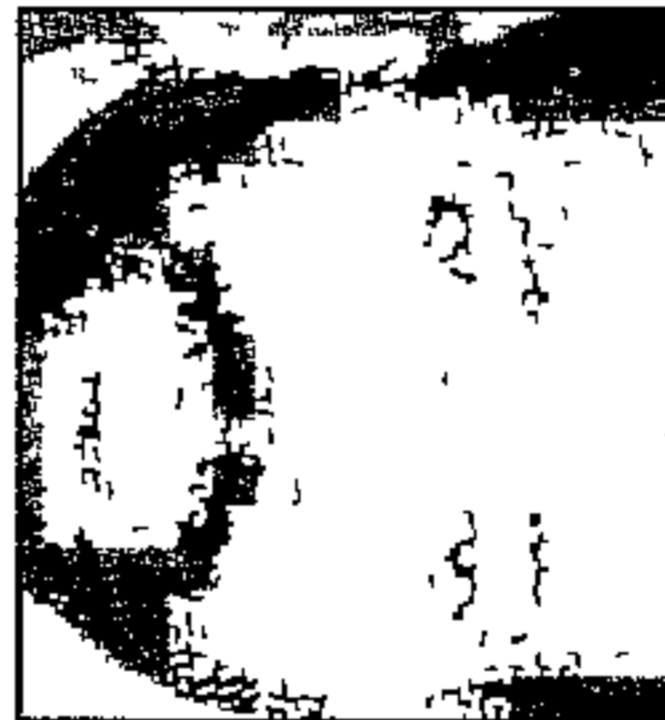
Co-chairman Dr Sebleiso Moko-ne-Matabane said the commission had heard submissions from hundreds of interest groups and 150 aspirant community radio and television broadcasters

The Peninsula already has eight radio stations and three more are to go on air later this year.

Popular regional radio stations like Radio 702 could go national

The IBA report is to be tabled in Parliament for public comment in the next two weeks and Dr Jordan says it

CT 15/8/95



**REVOLUTIONARY PLAN:** Dr Pallo Jordan

is expected to form the framework of the new broadcasting dispensation. The details are to remain secret until the government has studied it. Legislation paving the way for a new broadcasting order should be

267

ready for Parliament to consider early next year, Dr Jordan said. He said the IBA, created to liberate broadcasting from "government control and political manipulation", had issued 80 community licences. Dr De Klerk said the report dealt with

- Plans to license new radio and television stations
- Figures for local music content for radio programmes and for South African content for television programming
- Rules for limitations on media organisations that own newspapers and television and radio stations

# Masson puts his stamp on the Post Office

(267)

WJM (PM) 18-24/8/95

Your cheque's in the post ...  
Post Office chairman  
Donald Masson reassures  
**Bronwen Jones** service  
will definitely get better

THE darkest hour before the dawn, is how South Africa's Post Office chairman Donald Masson has apology down to a fine art. As customers swing the sword of righteous anger, he says "Sorry". He can weave an infinite variety of apologies into a 40-minute soliloquy.

This makes it difficult to attack, by asking, for instance, why a bookseller claims to have lost more parcels in the past 12 months than in the previous 37 years, or why organisers of a trade fair were astonished that some hoped-for clients never received their invitations.

Mary compares are shifting communications to couriers, facsimile machines or computerised e-mail. Mary job adverts now suggest you fax your CV rather than post it.

As Masson's own frustration builds, he has employed South African consultant Proudfoot, which did the mutual consulting work and changes for New Zealand's Post Office commercialisation nine years ago. Tom Cook, an Australian, ran the New Zealand operation and is now here on contract, so are the New Zealanders who implemented it. Additional expertise has been brought from Canada for the new Track and Trace parcel bar-coding system.

Postal problems are worst in Gauteng, where residents have a 60 per cent chance of their mail arriving in reasonable time. Masson says things will not be right until this area is sorted out, "because the Witwatersrand accounts for 50 percent of our business".

Masson takes umbra when

the recent Iscor rights issue delays. "Their printers let them down as well. And Marius de Waal, their chairman, didn't receive anything because it went to his old address. "In the northern suburbs we found 800 slips still in post boxes where people hadn't collected Iscor registered mail. They bugged it up," says Masson.

It's not as if delays haven't hit Masson personally. When he celebrated 40 years of marriage at the Johannesburg Country Club, he posted invitations countrywide. He raises his eyebrows and says: "My director in Cape Town got it a month after the event."

On the subject of postal crime, Masson pleads that the plunging morality of society at large is beyond his skills. "In the past two to three years South Africa's moral standards have dropped. "I was hijacked at 7.15 in the morning in Parkview. There's a senior manager at Telkom on a fraud case. Shoprite Checkers loses R64-million a year on theft by staff and customers. Crime is everywhere."

Masson acknowledges ineptitude and corruption in the postal services. There are inside jobs on a large scale. He talks of the three pages of robberies "not just little burglaries" he has just showed the board, and the R2-million inside job stealing pensions paid by the government.

Even in his own office crime is rampant. "We bought 200 cups and saucers. There are 400 people. In the space of a month or so, all the crockery was stolen. People were boasting that they had entire sets." If they were poorly paid he would not feel so bad. "But even a floor sweeper earns more than R1 400 a month," he says.

## How can he expect that?

The success rate at catching criminals is improving with 28 people involved in a syndicate responsible for stealing R600 000 of cheques from the postlocked up in the Western Cape a



Masson with a mission: 'Things will get worse before they get better'

audacity of employees. "I have a postmaster who steals R40 000 from me to buy rubies. We lay a charge and he asks for another chance! How can he expect that? The Post Office must have integrity. I have two million Savings Bank customers with R1.5-billion invested. They must trust us."

The crooked will be caught. Masson is installing surveillance equipment in all the mail centres and has employed extra roving inspectors to check on post offices.

It is a Herculean struggle to change the old mindset. To make the Post Office into a real business where employees understand its economics. Where four years ago there wasn't a

there will be in Johannesburg. "I went on a roadshow and explained the annual report to 3 500 employees. It helped a great deal," he said.

At all levels he's pushing out dud staff, whether they are too slow at sorting envelopes or plain unwilling to tackle problem areas.

In all there are 4 000 people too many. "You've got to take out the lazy ones, the sleepers" and find a solution to 900 people in the former TVBC states "who haven't done a stitch of work in the past 12 months."

It's Spring 1995 and the foundations for a future Post Office are being laid. Computer links now tell different areas

able to sort 1 800 letters an hour and trucks will leave every hour, taking mail close to its final destination.

People who want to observe religious holidays that are no longer public holidays can book the days off as part of their annual leave. Some post centres will be open in the evening and on Sundays. Night workers get an additional 34 percent on their salaries.

The old unequal perks will go. Close to 900 postmasters' houses have been sold. They used to bring in R2 000 in rent a year while costing R5 500 in maintenance.

Following the New Zealand's lead, the best, not the worst, staff will work in the mail centres. No longer will a manager throw an unsorted bag of mail on to a truck in order to meet his quota.

Supervisory positions have been cut and staff will only be promoted on merit, not length of service. And to calm the egos of postmasters, Masson has not only removed the "no entry" signs to their offices but in many cases has taken the doors off their hinges as well.

All parcels will operate on Track and Trace in four to five months' time (just in time for Christmas), but for now it's just insured parcels.

Legislation protects the Post Office to a large extent from claims for letters lost among the eight million posted each day. Last year there were more than 12 500 complaints received for non-delivery of registered items. But in future one will be able to claim refunds if Fast Mail comes a day late. All refunds will come from a specific account to keep a tally of problems.

Masson lists as recent postal achievements the installation of 700 000 private post boxes in a year — nearly as many as in the previous 200 years. But still the Post Office's estimated operational loss in 1995/96 will be R358-million. "We know what must be done. Things will get worse before they get better."

He promises that within a year from now delivery targets in Johannesburg will be met 92 percent of the time. And maybe next Ascension Day his staff won't hand-deliver a cartoon showing Masson as Lucifer, brt. in about the

(2b7)

**Siemens signs  
70-m contract**

ARG 24/8/95  
JOHANNESBURG. —

Siemens Telecommunications South Africa has signed a R70 million contract with Tritel, a joint venture between TRI of Malaysia (60 percent) and VIP Engineering of Tanzania (40 percent) for the supply of a turnkey GSM cellular network serving Dar es Salaam and Zanzibar.



POLICE HOPE TO CRACK SYNDICATE BY MONDAY

# 10 held for R54m telephone swindle

CT 25/8/95

(267)

**EXCLUSIVE**

**AN INTERNATIONAL** syndicate offering cheap international phone calls has cheated Telkom out of millions  
**JACKIE CAMERON** reports.

**I**N another major financial blow to Telkom, police have uncovered an international crime syndicate they believe has defrauded the telecommunications giant of at least R54 million in a sophisticated telephone fraud scam

At least seven men have been arrested in Cape Town and three people in Bloemfontein within the last week in a police investigation which has been kept under tight wraps, a Cape Times investigation has revealed

An intensive police operation was underway last night to crack down on other members of the syndicate who are still believed to be running the scam in at least two other cities

Police and Telkom officials are working together to try and identify and arrest the fraudsters — and hope to crack the syndicate by Monday

The men who were arrested in the city last Friday are all illegal immigrants in their 20s from an Asian country. They are being held in police custody indefinitely in terms of immigration legislation and will probably be deported rather than stand trial in this country, police sources said

The syndicate has been offering reduced rates for international calls using Telkom's Plus conference facility — and then its members disappear before paying their telephone account

Runners have been using fraudulent SA identity documents in their applications for telephone systems which they set up in rented premises, a

## HUGE PHONE SCAM: HOW TELKOM WAS RIPPED OFF

**How the international syndicate works:**

- 1 They open a telephone account using false SA documents
- 2 They have Telkom's Plus conference facility
- 3 They phone businessmen and link them up via their conference facility - to a business contact in another country.
- 4 They charge the businessmen a reduced rate for an overseas telephone call
- 5 After racking up hefty bills, they disappear without paying Telkom the money
- 6 They open another telephone account using other false identity documents and so it goes on

source close to the investigation said. The source said the syndicate was laundering money through this country's banking system — and may also be involved in gun-running and drug-trafficking

The scam was uncovered in the city when police discovered illegal immigrants from the Asian country in possession of fraudulent identity documents at a house in Lansdowne

Police linked the men to about R1,5 million in telephone fraud and believe they are runners for the international syndicate believed to be responsible for at least R54 million in fraud

Detectives have also discovered a list of some clients — mostly businessmen and professional people living in other countries

Police are expected to question a number of professional people in an Eastern Cape town after their names appeared on the list

The syndicate is believed to have been operating in the city for about two months

City detectives flew to Bloemfontein yesterday to question the three arrested men

### Previous case

A Telkom spokeswoman said yesterday there was a similar case in Pretoria in October last year involving Indian and Pakistani nationals who were arrested after setting up a conference facility in a rented house

She said they had been charging R2

per overseas call but could not say how much the illicit business had cost Telkom

Telkom was working on improving their internal checking systems in a bid to prevent this type of fraud but did not wish to divulge what they were doing about the problem "for fear of giving criminals extra tips"

"These people are extremely clever. You cannot tell that their identity documents are fraudulent and we do not run credit checks on people unless they are on our blacklist for not paying a bill. They run up accounts that are quite high within a very short space of time and then disappear," she said

"We are trying to warn our staff to look out for suspicious circumstances when installing several lines"

# Police nab illegals in Telkom fraud probe

## ■ OWN CORRESPONDENT

Cape Town — Police have uncovered an international crime syndicate believed to have defrauded Telkom of at least R54-million in a sophisticated telephone fraud scam.

At least seven men have been arrested in Cape Town and three people in Bloemfontein in the last week in an investigation which has been kept under wraps.

An intensive police operation was under way last night to crack down on other members of the syndicate.

Police and Telkom officials are hoping to bust the entire syndicate.

The suspects are all illegal immigrants in their 20s from an Asian country, and they are being held in custody indefinitely in terms of immigration legislation. They will probably be deported rather than stand trial in this country, police said.

The syndicate offers reduced rates for international calls using Telkom's Plus conference facility to connect businessmen in different countries and then its members disappear before paying their accounts.

(267) Star 25/8/95

A town hall meeting held in cyberspace last week by Posts, Telecommunications & Broadcasting Minister Pallo Jordan to discuss the telecommunications Green Paper turned chaotic.

Chairmen BeamJack and Gaspode did their best to keep order but the on-line community overloaded the Internet Relay Chat session with quickfire questions, comments and the occasional obscenity. Nicknamed MinZPallo, Jordan defended Telkom's monopoly for more than two hours. About 140 people joined the fray, causing scrambled messages to scroll across computer terminals faster than they could be read.

The Internet is clearly the right venue for a debate on telecommunications policy. But a different Internet technology, perhaps a Usenet newsgroup, would give Jordan and other participants more time to formulate thoughts.

The following is an edited extract from BeamJack's "log" of the debate, which can be downloaded from the same computer as the Green Paper, ftp.polity.org.za

**Bogen:** What is the standpoint about Telkom's sole market share if a major multinational could provide its RDP commitment at a lower cost?

**MinZPallo:** Telkom is an SA company. Part of the RDP is to give SA citizens jobs. A multinational will take away SA jobs.

**Virgin:** I take issue with that. It wouldn't pay a multinational to bring in people to do the work.

**MinZPallo:** Telkom is SA taxpayers' largest investment in high technology. It is in the national interest to protect it.

**Gandalf:** What about splitting Telkom into smaller firms as was done in the US?

**MinZPallo:** The US is a mature market. SA is an extremely underdeveloped market.

**Jhudsy:** If Telkom is split, enough competition will be created to self-regulate.

FINANCIAL MAIL • AUGUST • 25 • 1995 • 89

## INFORMATION TECHNOLOGY

**MinZPallo:** Telkom is not equal to AT&T and there is no universal service in SA.

**Carsten:** Is the priority of universal service for you to decide or for the Green Paper and White Paper process?

**MinZPallo:** Telkom has an obligation to provide universal service as a State-owned corporation.

**Carsten:** Why then ask the question in the Green Paper in the first place, if it's already under that obligation?

**Jhudsy:** "State-owned corporation" is an oxymoron. Corporations are there to make profit, the State should be serving the people, charging as little as possible.

**MinZPallo:** Universal service implies constantly shifting goalposts as demand grows. It has not been attained in any society.

**Jhudsy:** Encouraging investment from outside sources is something SA is trying very hard to do.

**MinZPallo:** Government policy as pursued by the Minister of Trade & Industry is to encourage competition. Look at *Business Day*, *FM* and so on.

**Jhudsy:** Shouldn't the Minister of Trade & Industry and Minister Jordan attempt to work together — foreign telecommunications corporations could be a very good source of outside investment in the country.

**MinZPallo:** The RDP office's information project is looking into this question of co-ordination of policy.

**Jon-:** Will broadcasting regulation be covered by telecommunications reregulation?

**MinZPallo:** No.

**Jon-:** But Telkom plans to enter the direct-to-home broadcasting market. How will this be regulated?

**MinZPallo:** Regulation will be the outcome of the Green Paper and White Paper process which will give us an overall telecommunications policy framework.

**Gregm:** Is Telkom efficient enough? I think not. It takes six weeks to get a phone.

**MinZPallo:** Telkom has a long way to go.

**Gregm:** Isn't it then hampering development?

**MinZPallo:** No. We have to improve its performance so that it contributes to development.

**Gaspode:** If Telkom still has a long way to go, how can it afford to spend millions on spreading itself out into the Internet service provider business. Aren't there more important things to worry about?

**MinZPallo:** Addressing the telecommunications problems of this country, including access, is getting its house in order, not spreading itself out.



Jordan receiving static on the Internet

**Jon-:** Given that Telkom has one of the highest staff/line figures in the world, is there a set target for reduced staff?

**MinZPallo:** Reduction of staff is under negotiation between unions and the corporation. What is irregular is ratio of personnel to line, not absolute numbers of staff.

**Xenocide:** Does the telecomms policy include the issues of censorship?

**MinZPallo:** No.

**Irc:** Do you know how to use the most powerful medium in communication known to man or are you just guessing?

**MinZPallo:** Like everyone else, just guessing.

Many more questions followed including one from **Dreamer** who asked if there was any real possibility of Telkom losing its monopoly of the telecommunication industry. **MinZPallo** slapped that one down with a swift rejoinder — No. But the persistent **Dreamer** said he would

like to see a structure in place that would be able to challenge Telkom to produce good service. **MinZPallo** argued that monopolies are not necessarily bad. Competition has reduced the quality of service rather than improved it.

Determined not to be silenced, **Dreamer** asked "If the service is not good in a specific market, why can some independent operator not be allowed to challenge Telkom in that market?"

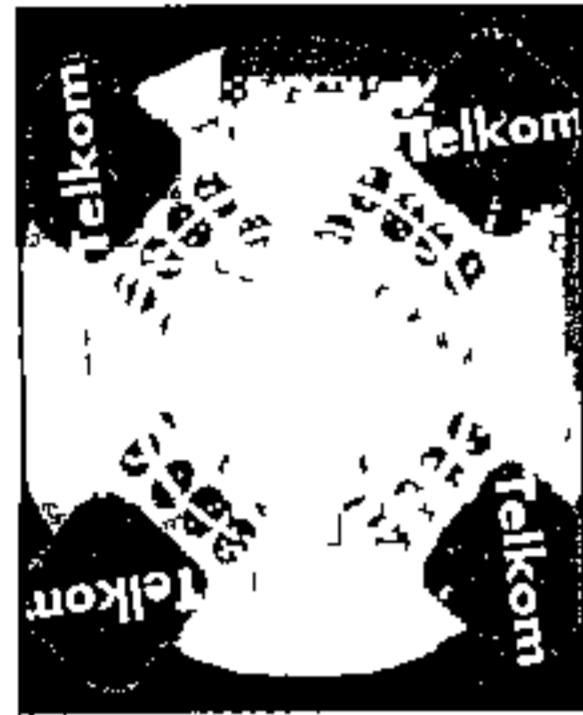
At this point **MinZPallo's** reply gave a sure indication of the way the future of the industry would go. "It would damage Telkom's most lucrative markets at the expense of those areas of the country that require service."

One wonders what the point of the exercise was. ■

TELKOM

# Global pressures force change

But will privatisation make any difference if the monopoly is retained? (267)



**Despite conflicting** statements by government Ministers on the privatisation of public utilities, plans to sell a stake of Telkom to a foreign investor are firmly on track

In what is widely regarded as a prelude to partial privatisation, MD Brian Clark has announced a R60m restructuring and re-engineering strategy that will break up the State-owned utility into customer-focused business units. The 18-month programme will also see noncore services — such as restaurants, security, construction, workshops and transport — spun off.

Telkom's board and Minister of Posts, Telecommunications & Broadcasting Pallo Jordan agree that to survive increasingly competitive times the utility must become more businesslike. It will also have to team up with a strategic equity partner that will provide it with global connections and billions of rand required for network expansion and modernisation.

By modernising networks, removing non-core business and injecting significant capital through a foreign partner, Telkom should be on track within three to five years, says Clark.

A brilliant academic enticed from the CSIR in April, Clark is no stranger to change. As CSIR president, he transformed the ivory tower super-university into more market-orientated business units, which generate most of their income from the private sector. He has been on Telkom's board since the utility was commercialised and split from the Post Office in October 1991.

"Gone are the days of the total onslaught

when we needed to do everything ourselves," says Clark. "Our prime role is to enable people to telecommunicate and distribute different types of information on our national and international networks. Activities must generate or stimulate network traffic, and we aim to become the telecommunications hub of Africa."

It's for this reason that noncore services — which tie up precious management resources and are run as cost centres — will be outsourced by March. By selling these, 14 000 people will leave Telkom's employ. They will continue to have jobs in ventures that are economically viable, based on business cases prepared with the help of financial consultants, says Clark.

Telkom averted strike action by securing union agreement for all but the final two stages of its plans to spin off noncore services. "We will involve the unions in all stages of the restructuring process," says Clark.

"Only by continuing to keep the restructuring process transparent, as has been the case so far, will the reforms succeed," says Lehman Bros corporate finance executive director Kofi Bucknor. He says that in Columbia, Turkey, Greece and Uruguay restructuring plans were derailed for years because this did not happen.

Clark's re-engineering programme, to be carried out in conjunction with international consultant Gemini, will focus on core business processes to find better ways of op-

erating so that Telkom falls in line with world-class performance standards.

A shakeout of the executive management committee, now dominated by white male Afrikaners, is expected. "I believe in the strength of diversity. None of the existing executive management team will be in the same job within a few months," says Clark.

The new structure should create a more entrepreneurial culture and make staff responsible for their actions. "We plan to get the basics of the business right in the next nine to 18 months."

But improving internal efficiencies is not simple. With 5.5 times as many staff as an equivalent US telephone company, service comes nowhere near what is taken for granted in developed countries.

Though 26% of its staff is involved in support and administration functions (US telephone companies average 9%), complaints of poor service flood in.

Subscribers generally wait 25 working days for a

new service. In developed countries, it normally takes two to eight days. To make matters worse, Telkom has a backlog of 140 000 applicants who want phones in developed areas.

Now it has been further burdened by the uneconomic quest for "universal access" to telephone services. Jordan wants Telkom to add at least 3m lines to the existing network (3.8m) by 2000. To achieve that, Telkom will have to invest over R6bn and add 1m



Clark

<p><b>AT&amp;T</b> McCaw, USWest, General Magic Time Warner, Viacom, PF Magic Southwestern Bell, NCR BellSouth, News Corp, Other</p>	<p><b>British Telecom</b> MCI, Northern Telecom Motorola, Stentor Bell Canada</p>	<p><b>NTT</b> Currently blocked from carrying international traffic in and out of Japan but restrictions are being lifted NTT America, MIS International Europtics, TT&amp;T, BICC Cables Siecor (Corning &amp; Siemens)</p>	<p><b>Unisource</b> Swedish Telecom PTT Telecom Netherlands Swiss PTT Telecom</p>
<p><b>WorldSource</b> Eunetcom France Telecom, Matra, Alcatel, Thomson Deutsche Bundespost Telecom</p>		<p><b>EMERGING GLOBAL ALLIANCES</b> Telkom?</p>	

SOURCE: TELKOM

## GOVERNMENT

# The ideological battle rages on

It's a truism that a government is not a liberation movement. It's also a truism that to restructure a modern economy — even a small one like ours, — from primarily satisfying the needs of the rich minority to meeting the legitimate aspirations of the previously disadvantaged is like reversing the course of a fully laden bulk tanker

Unless one is to espouse the tactics of Pol Pot, or the Americans in Vietnam, who used to burn villages to "save them," both transitions require much patience and an acceptance of what is feasible in the real world, as distinct from what may be ideologically correct. It is interesting how some members of the Government of National Unity are adjusting to reality more effectively than others

In the past week alone, we have had Gill Marcus warning that RDP spending must not jeopardise fiscal discipline, Trevor Manuel pointing out that an effective antitrust (or competition) policy is impossible as long as exchange controls remain in place and Alec Erwin sympathising with the excessive tax burden on the middle classes.

Clearly, they read the *FM* — though presumably they wrap it in brown paper before trying to smuggle it into Cabinet meetings. We only hope that praise from this quarter does not destroy their political credibility

But the fact is that all three are right. No other country in Africa may have had a formal RDP, but the continent is replete with cautionary examples of what happens when public-sector spending — for whatever apparently good reason — is allowed to outstrip State revenue

Manuel is tacitly admitting that it is exchange control as much as anything that dammed up the retained profits of mining houses and other institutions in SA, compelling them to satisfy their natural expansionist urges at home rather than abroad — though not necessarily, as the demonology would have it, by buying up everything in sight. Anglo may be the most assertive in arguing that it initiated rather than bought its major industrial diversifications, but much the same is true of the other mining houses

They would clearly have preferred to expand abroad, as many of them did in earlier times. With that option now available again, it's noticeable that new foreign business cannot be financed in the obvious way, by selling mature investments and re-deploying the proceeds (a practice that is, after all, the historic justification for their existence), those proceeds would be blocked in SA. So they have had to resort to all sorts of arcane techniques to raise finance offshore, which speaks volumes for their ingenuity but may not lead to the most

desirable financial structures

Then, too, it can be argued that all taxes are ultimately mainly paid by high-income individuals, but where they're levied does matter. The collapsing profits of the gold mining industry may make it a special case but industrial profits are rising so strongly that the minor proportion of the tax take contributed by the corporate sector is unhealthy

But compare realism in these areas with continuing ideological preoccupation in others. Telkom is one of the most obvious candidates for privatisation. Yet we are to be deprived of the improved efficiency this would bring by an urge to subordinate sound economics to bringing telephones to people who still lack electricity and water supplies

Other Ministers are so scared by privatisation that they hide behind mealy-mouthed, weasel-word synonyms. Others threaten wholesale reform of health and education that are sure to damage the quality of service at the top end of the market with no assurance of bringing the improvements at the lower end that all agree are vital

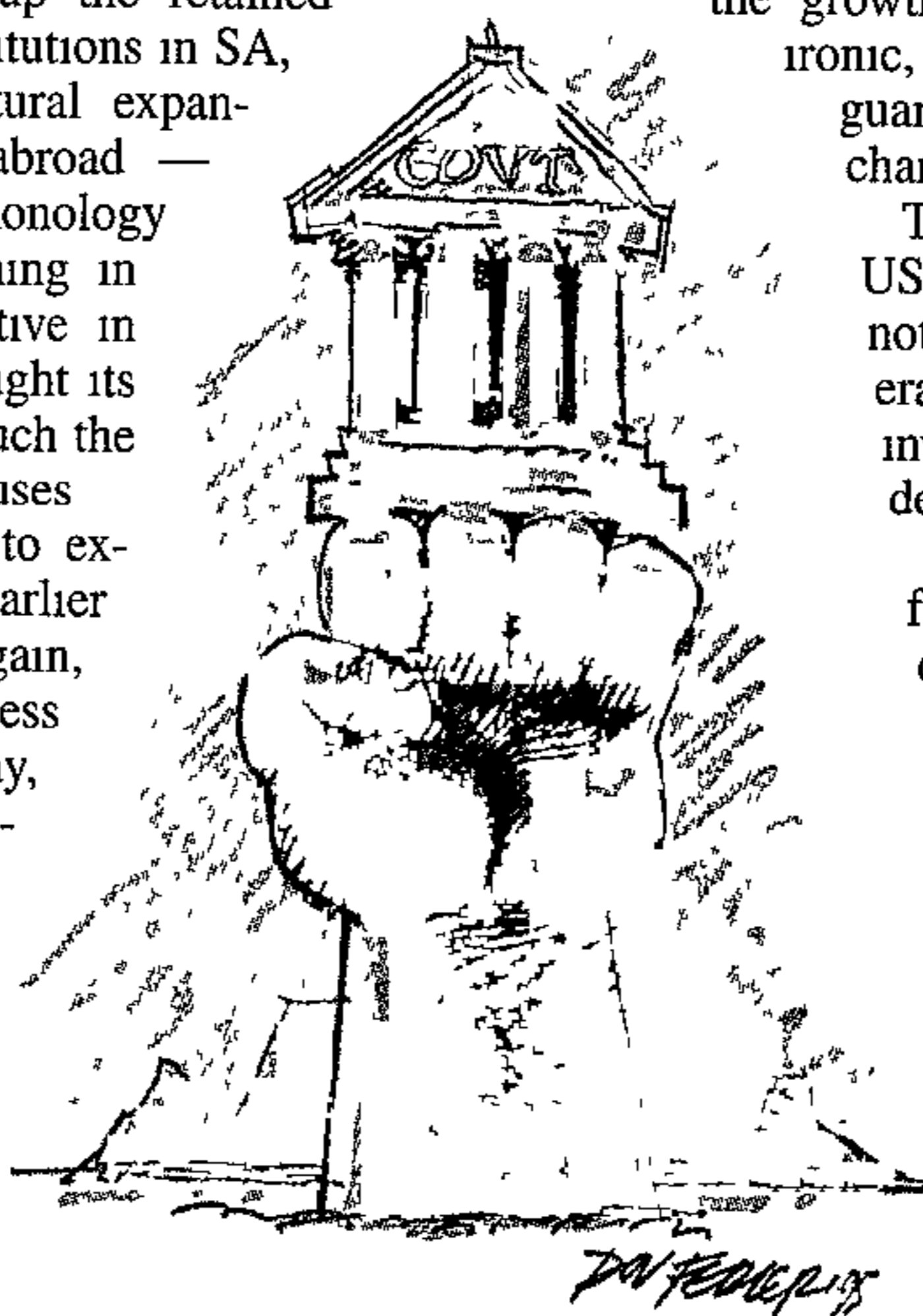
The divide, broadly, is between those who've come to realise that without economic growth general upliftment is impossible — they don't care what colour the cat is as long as it catches the mice — and those who have not shaken off the baggage of the liberation era

Let's hope both groups heed Reserve Bank Governor Chris Stals's remarks this week (see *Economy*) on the need to create an investor-friendly environment to overcome macro-economic limitations imposed by apartheid (though Stals didn't put it quite that way) that emerge whenever the growth rate tries to get above 3%-4%. (It's ironic, incidentally, that Stals sounds more guarded than Manuel about relaxing exchange controls)

The "freedom bonus" has worn off. As a US visitor pointed out this week, money is not the problem. Worldwide, there's generally more money than there are attractive investment projects, so money flows are determined by other things

In any event, our institutions have cash flows so much stronger than in most developing countries that we really don't need foreign cash. We do need technical know-how, of which we have been deprived for too long, and fair access to foreign markets

Which brings us right back to where we started. We will get neither the growth that alone will allow upliftment nor the international status we would otherwise merit unless the voices of sanity and moderation prevail in government policy-making



## LEADING ARTICLES

lines a year — a sixfold increase on current growth. This distortion of business needs could overwhelm its ability to provide acceptable returns to future shareholders.

Nevertheless, Telkom has called for technical and financial proposals on how best it could install lines in primarily rural areas. More than 20 are being evaluated.

Telkom must also continue to accelerate the deployment of its digital network. If it does not, it could lose corporate customers, who provide most of its revenue.

With new satellites focusing on SA — and US telecommunication giant AT&T's plan to implement Africa One, a fibre optic undersea cable around Africa — circumventing Telkom's network will not be hard.

De facto competitors are already stealing lucrative business. Users of Sprint/Diners cards, for instance, tap into call-back operators, which use US telephone companies to make international connections at low US rates. Corporates also use computer networks and private satellite links to carry data and telephone calls around the world.

With massive capital demands, one way of injecting money, skills and technology is equity restructuring. "We need money and an equity partner with global connections," admits chairman Dikgang Moseneke.

With its potential to become a hub for sub-Saharan telecommunications, Telkom is not short of suitors. But Clark is not interested in shotgun weddings. "We must do what will best suit Telkom in the long term. Because of emerging global alliances, choosing a partner will automatically shut out a whole load of other global players." A suitable partner must have skills in delivering systems in developing countries.

Telkom — like other traditional phone companies — is increasingly buffeted by a variety of forces as telecommunications, video and broadcasting, consumer electronics and computing industries converge.

The continuing trend of mergers and alliances looks set to create three or four global camps. Each is aggressively fighting for market share in the development of the information superhighway. "These forces recognise no national borders and are already having an impact on SA," says Clark.

While up to 20% of Telkom could be sold to a partner, Clark points out that the more shares that are held back initially, the better long term. "We could sell more at a later date, when Telkom is better valued."

But there's no guarantee that Telkom will benefit from such a sale. As seller, government could put the money into the State's coffers. In the financial year ended March, Telkom paid R225m dividend and R498m tax to government. Its revenue was R9,9bn.

Because equity restructuring cannot be segregated from government plans on privatisation and regulation of the telecom industry, Moseneke, Clark and Jordan are working in close partnership.

## HOW TELKOM COMPARES

Employees per 10 000 access lines



They say that Telkom cannot afford to wait for new legislation and must prepare for equity restructuring. However, this must be done in parallel with government's consultative Green Paper process, which is formulating a new long-term policy framework for the industry and should culminate in an Act next year.

Though Jordan has no plans to list Telkom on the JSE, investment bankers are hopeful. Swiss Bank and Fleming Martin agree that, if key changes are made, Telkom could be ripe for listing in about two years. Despite RDP commitments, Telkom remains a compelling prize, capable of offering more than 20% revenue growth a year.

"Telkom is one of the most interesting emerging market telecom companies," says Fleming Martin's Iain Rawlinson. "Listing should be regarded as a natural evolution." He says the utility could attract substantial new foreign investment and could conservatively sit among the top five companies on the JSE by market capitalisation.

Black empowerment will also play a role. But offering shares to previously disadvantaged groups does not always have the desired results — shares often fall into the hands of already wealthy black businessmen, who sell them for profit. To overcome this, one possible option being considered includes employee equity schemes like those used in Indonesia and Malaysia.

Equity restructuring and re-engineering Telkom should increase competitiveness and network growth. So would allowing competitors to set up their own networks.

But Jordan has reiterated on numerous occasions that he will not follow the route of full competition. He argues that Telkom is a national asset that must be protected. If its more lucrative activities are not protected, he says, competitors will skim these businesses and Telkom will not be able to honour its RDP objectives.

Clark agrees that a prerequisite is a regulatory framework that will protect Telkom's high-value business in the short term. He says that, while new technologies and global forces will continue to put pressure on regulated markets, competition in core services should be phased in.

But many would like to see a more open market immediately. "There is no question that competition on core services will sharpen Telkom," says MTN CE John Beck.

He complains that the cellular phone firm is forced to use Telkom's backbone network to link its base stations and for long-distance calls. "Cellular telephony would be much cheaper, and lines more readily available, if we were free to link into the Transnet and Eskom telephone networks."

Eskom has an extensive telecommunications infrastructure running along SA's electricity grid. Transnet has infrastructure along railway tracks and at ports and airports. Regulation bars both utilities from offering their networks to outsiders.

"Competition has worked in the cellular industry," says Beck. He points out that, in just one year, the industry has signed more than 320 000 subscribers — an impressive feat considering that, in the more than 100-year history of telephony in SA, there are only 3,8m working phone lines.

Beck adds that MTN and rival Vodacom generated R150m additional revenue for Telkom and that, while Telkom initially expected to lose money, it has gained handsomely at no additional cost.

Throughout the world, the effects of privatisation and competition are being felt with compounding positive results for end-users. Formerly closed telecom markets are opening up to improve services, increase line penetration and attract necessary foreign investment and technical know-how.

Foreign companies have found their way in, telephone companies are being listed on stock exchanges and competition is fierce — resulting in prices plummeting and one-time monopolies scrambling to stay on the technological cutting edge. This trend has repeated itself in the US, Britain, Australia, New Zealand and the Asian Pacific countries. Deregulation will take longer in SA.

While Clark's restructuring plans are expected to succeed in making Telkom more businesslike, it remains to be seen whether government will open up the market once the company is able to stand on its own feet. Even if it does not, new technologies and global forces will make a mockery of a protected environment.

lines a year — a sixfold increase on current growth. This distortion of business needs could overwhelm its ability to provide acceptable returns to future shareholders.

Nevertheless, Telkom has called for technical and financial proposals on how best it could install lines in primarily rural areas. More than 20 are being evaluated.

Telkom must also continue to accelerate the deployment of its digital network. If it does not, it could lose corporate customers, who provide most of its revenue.

With new satellites focusing on SA — and US telecommunication giant AT&T's plan to implement Africa One, a fibre optic undersea cable around Africa — circumventing Telkom's network will not be hard.

De facto competitors are already stealing lucrative business. Users of Sprint/Diners cards, for instance, tap into call-back operators, which use US telephone companies to make international connections at low US rates. Corporates also use computer networks and private satellite links to carry data and telephone calls around the world.

With massive capital demands, one way of injecting money, skills and technology is equity restructuring. "We need money and an equity partner with global connections," admits chairman Dikgang Moseneke.

With its potential to become a hub for sub-Saharan telecommunications, Telkom is not short of suitors. But Clark is not interested in shotgun weddings. "We must do what will best suit Telkom in the long term. Because of emerging global alliances, choosing a partner will automatically shut out a whole load of other global players." A suitable partner must have skills in delivering systems in developing countries.

Telkom — like other traditional phone companies — is increasingly buffeted by a variety of forces as telecommunications, video and broadcasting, consumer electronics and computing industries converge.

The continuing trend of mergers and alliances looks set to create three or four global camps. Each is aggressively fighting for market share in the development of the information superhighway. "These forces recognise no national borders and are already having an impact on SA," says Clark.

While up to 20% of Telkom could be sold to a partner, Clark points out that the more shares that are held back initially, the better long term. "We could sell more at a later date, when Telkom is better valued."

But there's no guarantee that Telkom will benefit from such a sale. As seller, government could put the money into the State's coffers. In the financial year ended March, Telkom paid R225m dividend and R498m tax to government. Its revenue was R9,9bn.

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Equity restructuring and re-engineering Telkom should increase competitiveness and network growth. So would allowing competitors to set up their own networks.

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Clark agrees that a prerequisite regulatory framework that will protect Telkom's high-value business in the short term. He says that, while new technologies and global forces will continue to put pressure on regulated markets, competition in core services should be phased in.

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Eskom has an extensive infrastructure, including electricity grid; Transnet along railway tracks; and ports. Regulation barriers are hampering their network.

"Competition has shaken the industry," says Beck. "Just one year, he indicates, he has more than 320,000 subscribers, a feat considering the year history of only 3,8m workers."

Beck adds that Telkom has generated R150m and that, while expected to lose money, it is doing so somely at no additional cost.

Throughout the world, privatisation and competition, with compounding positive effects, are opening up to improve service, line penetration and attract new foreign investment and technical knowledge.

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## Post Office spreads wings

CT 28/8/95 (267)

THE South African Post Office is aiming to provide a comprehensive postal service with the establishment of 6 000 postal outlets countrywide

The Post Office also plans to open 1 000 Post-point outlets in host businesses — Staff Reporter



# Mail delivery Postmaster disrupted bows out

(267) stop 30/8/95

■ BY JUSTICE MALALA

Postal deliveries in parts of the country were disrupted yesterday after 3 000 workers marched through Johannesburg city centre and others embarked on various forms of industrial action to press home demands over restructuring and retrenchments.

Post office officials said yesterday that in Gauteng there was no mail delivered in the Johannesburg city centre, north Rand, Orlando and areas on the East Rand. On the West Rand there were no deliveries in Florida and Roodepoort.

Operations were expected to return to normal today.

The main reason for yesterday's action was the decision by the SA Post Office to move the mail centre in Jeppe Street to Ormonde, south of Johannesburg. This has meant that about 500 people have been made redundant.

■ BY BOBBY BROWN

South Africa's postmaster-general of two years, Petrus Oosthuizen, will serve his last day with the Department of Post and Telecommunications tomorrow when his contract expires.

Oosthuizen, who joined the department as a regulator in 1993 and who became postmaster-general that same year, is an advocate and will be rejoining a Pretoria law firm of which he is a partner.

The department, under Minister Pallo Jordan, has been advertising for the position for the past few weeks and it is likely that an acting postmaster-general will be appointed after tomorrow.

Oosthuizen said his job entailed the daily regulation of telecommunications, licensing of cellular phone companies and the adjudication of tenders, among other things.

A

# Stiff telecommunications deadline set

Melanie Sergeant (267) BO 10/7/95

GOVERNMENT's bid to "fast track" implementation of new telecommunications laws was ambitious and would be at a rate three times that managed by any other country, according to industry sources.

Posts and Telecommunications Minister Pallo Jordan said at Friday's launch of a government Green Paper on telecommunications policy that comments "from anyone, anywhere" must be submitted by September 15, so a White Paper be prepared by November for tabling in Parliament early next year.

Industry sources were sceptical at the weekend about the deadlines being met, with some saying the bureaucracy involved in dealing with hundreds or thousands of submissions would be too great.

Siemens joint MD Geoff Hamebach said the process of laying down similar rules and regulations had taken up to four years in other countries.

But Centre for the Development of Information Technology Policy's Andile Ngaba was confident that infrastructure was in place to handle the process.

Many bidders for Telkom's R6bn 1-million rural telephone line tender were present at the launch, and speculated that because the contract would be "the most visible RDP-type project yet implemented by government", it was likely to be steam-rolled through. About 23 consortiums are expected to submit documents. The tender closes on Friday.

Jordan said the 1-million lines project

Continued on Page 2

## Deadline (297) BO 10/7/95

Continued from Page 1 (267)

was "one facet in the big picture", and he did not expect it to come on stream before the White Paper process was completed.

However, no individual projects or plans within the overall strategy would be deferred, and "everything will eventually dovetail".

Industry sources close to government confirmed that the Green Paper process would be followed by the 1-million line tender allocation and Telkom's privatisation initiatives.

Sello Motlhabakwe reports Jordan said Telkom had not yet served its purpose of providing a service to the SA public at

large. Privatisation was therefore not a priority at this stage.

He said if foreign competitors were to be allowed to compete alongside Telkom they would wipe out the corporation's revenue source, largely based on white and corporate end-users in Gauteng, which would lead to a subversion of SA's interests.

SA currently spent 1,2% of gross domestic product on telecommunications in contrast to between 2,5% and 3% spent in developed countries, he said.

The telecommunications infrastructure would have to grow and develop in a such a way that it could serve the needs of all instead of a privileged section.

● Picture: Page 3

# Theft racket in postal service

(267) Sowetan 1/9/95

## Sowetan Lowveld Bureau

A ROUTINE query about lost post by Sowetan's Mpumalanga bureau has uncovered a cheque theft syndicate allegedly responsible for fraud amounting to thousands of rands within the Nelspruit Post Office.

Post office investigator Mr Andrew Haze yesterday confirmed the syndicate's existence and said that one of its members has already been dismissed from service for his involvement.

"A complaint from the public enabled us to catch the suspect red-handed. He was immediately disciplined and dismissed from service with us. The matter has been handed over to the police for a criminal investigation," Haze said.

"The culprit, however, is only one member of a syndicate operating in Mpumalanga. We don't yet know the full extent of our losses, but won't tolerate even the slightest transgressions by our employees," he said.

According to Nelspruit Post Office Postmaster Mr Ben Khoza, the syndicate

consists of post office employees who steal post containing cheques during the sorting process.

To date, only temporary workers have been implicated but a full investigation has still to be conducted.

"We are looking at the integrity of all our employees. They deal with public property here and we can't allow any infractions if we want to retain the public's trust," he told Sowetan.

"Nelspruit Post Office is the hub office for the entire Lowveld region and as such is very important for our service in this area."

The cheques were cashed at two local retail outlets, allegedly unaware that they were stolen. The post office employees are paid a percentage "commission" for stealing the cheques.

Police spokesman Colonel Johan Botha said police were investigating and that it appeared as if the theft problem was also being experienced at post offices elsewhere in the province.

Sowetan had gone to the post office to enquire about post that had not been received.

## 'Telkom supplier implicated'

(267)  
Melanie Sergeant

01/12/7/95  
AT LEAST one Telkom supplier is rumoured to be implicated in the suspension on Monday of Telkom senior GM Nic van Rooyen, pending an internal audit division investigation

Several suppliers are concerned, with two saying they are "checking carefully" on deals struck over the last few years

Van Rooyen said he had

no plans to oppose his suspension. He did not rule out the possibility of "irregularities below my level in the organisation".

A top Telkom source said the investigations were focused more on personal dealings than on contracts awarded to suppliers for equipment or services.

Telkom has appointed senior GM (finance) Stoffel Erasmus to stand in for Van Rooyen pending the investigation findings.

## Grandma's best wishes among post dumped in veld

■ BY TARYN LAMBERTI and PATRICK PHOSA

Little Bradley Buckley will not be receiving the £10 his grandmother sent him in the post for his birthday because it was stolen and the accompanying letter discarded in the veld in Alberton.

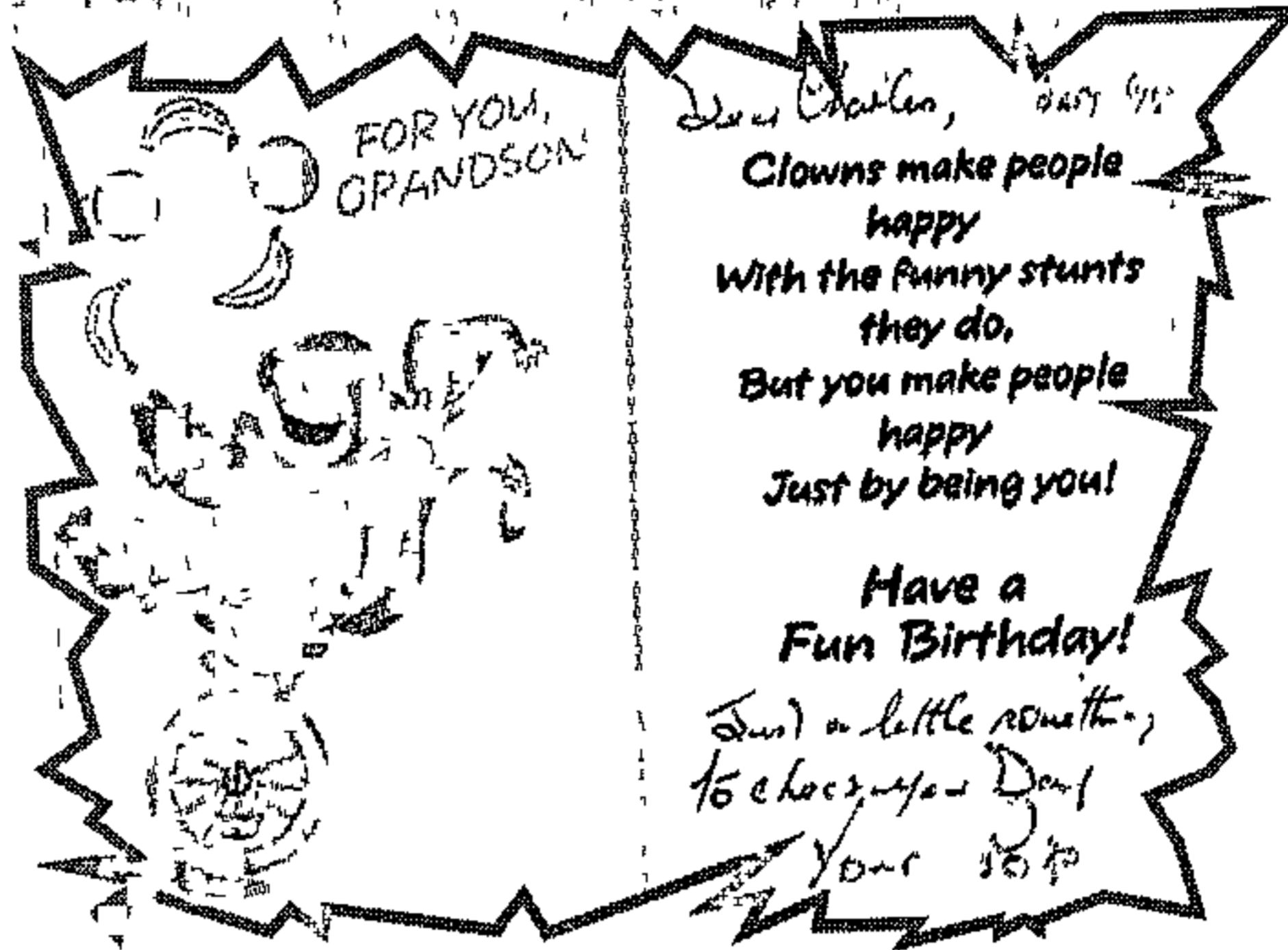
Aleen Damalis from Brackenhurst, Alberton, was jogging in Hennie Alberts Street last Sunday when she came across unfranked, opened post lying in the veld.

All the post was unstamped and had not reached the Post Office.

She recognised letters that the Std 1 pupils from her daughter's school, Kenton Primary, had written to children from another school.

"The children sent each other letters telling them about themselves as part of a project," she said.

Damalis reported the dumped post to the Alberton and



Sad little boy ... Charles' birthday card had been torn open and dumped. (267)

Bracken Gardens post offices last Monday morning. The respective postmasters promised to investigate the matter.

When Damalis and a friend, Minnie Smith, jogged past the same spot on Wednesday, the letters were still there. They rescued some of them and contacted the senders.

Smith got hold of Myra Henze who said she had posted to her 2-year-old grandson, who lives in Britain, a birthday present of £10 last Saturday. She was extremely upset that the letter had been discarded and the money stolen.

The letters were not all posted in the Alberton area, some were sent from Bryanston, Kempton Park and Robindale.

Among them were anniversary cards, flight confirmations, competition entries, medical aid claim forms and a child's party invitations.

Postmaster Tienus van der Mesce of the Alberton post office said he was not aware of any post dumped in the veld and that no one had reported such a case to him.

The Bracken Gardens post office refused to comment.

# Black telecom company draws foreign backers

BY ANDY DUFFY

STAFF WRITER

Pleiade Investment Corporation, the merchant bank owned by Nthato Motlana's Corporate Africa Holdings, is building a major black-owned telecommunications operation, drawing in at least two international players as partners.

Pleiade has already brokered a deal to bring the R1,4 billion-a-year Israeli group ECI Telecom on board and is finalising tie-up talks with an unnamed European equipment supplier.

The new company — SourceCom — is chaired by Crispin Sonn, the son of Franklin Sonn, the South African ambassador in Washington and a board member of Corporate Africa.

Pleiade is also negotiating to take a stake of between 20 percent and 30 percent in SourceCom, making it the largest single shareholder.

Sonn said yesterday that SourceCom would use ECI's specialist digital and data transmission products to crack a market which had been dominated by white owned and managed corporations.

"The intention is to compete for work within southern Africa," he said.

ET (BR) 7/9/95 (267)

"The telecommunications industry is central to the reconstruction and development of southern Africa."

He said the company was bidding for contracts worth about R100 million from clients such as Telkom and the cellular suppliers MTN and Vodacom.

Under the ECI deal, SourceCom would create a subsidiary in which it would hold 51 percent, with ECI holding the balance.

It would create another subsidiary when the European group was brought in.

Pleiade said the ECI joint venture would establish itself before investing "several hundred million rand" on a local manufacturing plant. Pleiade would provide the financing expertise.

Western Cape-based SourceCom was recently set up as an umbrella for privately-owned Cape equipment supply companies Forrest Networking, Comnex, South Africa and Impact Integration Systems.

It has yearly sales of about R3,5 million but Sonn said the figure should rise to R100 million in the first year with both international partners on board. Other partnerships would also be pursued.

# Copper theft doubles, says Telkom

(267) Star 8/9/95

■ BY NIAL AITCHESON  
CRIME REPORTER

Copper cable theft in Gauteng has rocketed by 200%, says Telkom

The national telecommunications provider disclosed yesterday that R4-million worth of cable had been stolen across the province during the first six months of 1995 - the same amount lost to theft during the whole of last year.

Suburbs in Midrand have been hit particularly hard by the cable thieves. In the latest major incident, about 1 600 subscribers in Cullinan Ridge were cut off when thieves removed 450m of underground cables on Wednesday night.

Telkom engineers worked round the clock to replace the missing cable. Among the affected buildings was the Carstenhof Clinic, which has 300

lines. Telkom says the clinic is receiving priority, but it will take until tomorrow before all customers are reconnected.

On Tuesday night, 250 businesses in Chloorkop and Commercials were cut off in another incident of cable theft. Service to these customers is expected to be restored by this afternoon.

Hundreds of customers in Rabie Ridge, who have been without

telephone services since July 25, will be reconnected next week at a cost of R500 000.

Telkom spokesman Gert Schoeman told The Star that the crime has already reached large proportions, with R14-million worth of cable stolen countrywide in 1994, and was almost impossible to contain. Telkom has welded down and locked many manhole covers, but the criminals are using angle

grinders to cut them open.

"The culprits are well equipped and well organised, and we believe several syndicates are involved, in addition to opportunist individuals," said Schoeman.

"Cable theft is not only taking away services to subscribers, but is also preventing new services to black townships, making it impossible for us to provide services in those areas."

TELKOM (267) fm 8/9/95  
**Ringling the changes**

**Telkom MD** Brian Clark has announced a new management team to oversee the utility's R60m restructuring and re-engineering programme. The intention over the next 18 months is to reorganise the State-owned company into more efficient, customer-focused business units. Noncore services such as restaurants, security, construction and workshops will be spun off.

Political and business pressures have persuaded Clark to reshape Telkom's management committee, formerly dominated by white Afrikaans-speaking males. "The new appointments are more representative of the diverse demographics of our customer base and have extensive experience in, and knowledge of, telecommunications."

Besides Clark, who stays on as MD, only four other members of the original eight-man management committee retain executive management positions.

They are Ben Bets, Jannie Zaaiman and Rhynie Greeff — each will head one of the new business units — and Stoffel Erasmus, who is now Clark's assistant and responsible for special projects and selected corporate functions.

Derek Fyfe will take up the new nonex-



**Clark** bringing in new management blood

ecutive position of technology strategist.

Meanwhile, senior public relations GM Johan Adler has resigned. Keith Rhodes, of public relations firm TWS, is acting head of public affairs. An appointment will be made soon. Nic van Rooyen, Telkom's senior GM for support services who was suspended in July following an internal audit investigation, has not yet been reinstated.

Telkom's new business units and their heads are

- Corporate sector Tony Leng, previously MD of credit-checking firm Information Trust Corp. Prior to this, Leng was an audit manager with a California-based consulting group on mergers and acquisitions,
- Residential and consumer Ben Bets, a long-time Telkom executive who was chief operations executive,
- Network and technology the choice of Hannes Steyn, Altech Telecoms and Systems Group chief operating officer, comes as a surprise because of Altech's controversial 15-year supply contracts with Telkom. Steyn has also worked as procurement director and senior GM for Armscor,
- International Rhynie Greeff, previously senior marketing GM, and
- Directories (to be established next April) Jannie Zaaiman, currently senior GM for management services ■



## Temps employed for mail backlog

Mduduzi ka Harvey

The SA Post Office has employed more than 100 temporary staffers to work with permanent staff this week in an attempt to catch up the backlog in the delivery of mail.

SA Post Office spokesman Flip Eksteen said some of its divisions had been moved to the new Witspos offices in Ormonde, Johannesburg south. Five areas of the postal services had been looked into and the SA Post Office had decided to move the non-standard-

SD 11/9/95 (267)  
ised letter division, the insured parcel section, customs division and the national transport division to the same place

For logistical reasons it would be impractical to move mail sorting activities to Ormonde, he said

The urgency of getting the postal system on track followed a warning by the Receiver of Revenue last month, warning taxpayers not to depend on the postal services when making payments, as there were sometimes delays of up to two months in mail delivery

# Slack postal service disrupts rights offers

Yuri Thumbran

THE sharp drop in efficient postal services has caused severe disruptions to recent rights offers

Companies have had to incur additional costs to reach shareholders following non-delivery of documents

"SA is trying to be investor-friendly and there have been changes to the stock exchange in line with international trends, but at the end of the day the post office can foul up everything,"

Raymond Manoin of Martin & Co said Companies affected and which had to use helplines to reach shareholders during rights issues included Iscor and NSA Investments Stationery group Waltons and its holding company Walhold had to set up a special helpline for shareholders who did not receive nil paid letters on time

MD Frank Robarts said the rights issue, which closed today, was severely affected by recent strikes, but the JSE had refused to extend the rights offer

The company had to issue a notice yesterday giving shareholders information on its helpline to assist them

SA Post Office spokesman Ben Roodtman said there had been labour unrest during the time that documentation for the Waltons and Walhold rights offers were posted

A countrywide protest march on August 29 by four trade unions had affected postal operations and delivery

Continued on Page 2

## Postal service (267)

Continued from Page 1

standards had been unacceptable He said the post office had called on companies planning large mailings to contact the sales managers in each region for assistance The sales manager in Johannesburg had called on Waltons in the past, but was not contacted to assist with the recent rights offer The service was expected to be up to

BD 13/9/95 (267)  
standard in the next two days, spokesman Flip Eksteen, of the new centralised mail sorting centre, said JSE president Roy Andersen said the exchange had recommended, where possible and without increasing the risk of exposure, that listed companies extend the cut-off date for receipt of late postal acceptances that were postmarked on or before the close of the offer/election period

Star 13/9/95

# Gloom as postal service stutters

(267)

■ BY PRISCILLA SINGH

The closure of 41 post offices in Gauteng last month has angered ratepayers who complain they are not receiving their mail regularly and are forced to travel to branches further away.

The Parkhurst Village Association, which also represents the ratepayers' body, fought in vain against the decision to close their branch.

Their chairman, Alena Renaud, said that residents had not been getting their mail regularly in their boxes since the closure in spite of an assurance from authorities that box deliveries will remain uninterrupted.

"Many of the residents are pensioners and now have to go to the Greenside Post office to pay telephone accounts or pick up registered mail.

"They do not have their own transport and there is no connecting bus service between the two areas, forcing the residents to take a bus into town, another one to Greenside, a bus back into town and finally take another one home to Parkhurst," said Renaud.

She added that last week the pillar box with outgoing mail was actually spilling out with letters and had not been emptied for four days.

Postal chaos was also prevalent in Roodepoort, where three post offices closed down, and residents have complained of inconsistency in receiving mail and also getting letters addressed to others.

In Kensington, eastern Johannesburg, residents relied heavily on the now-closed Kengray and Broadway post office for their postal requirements.

Norwood residents have also been protesting about the closure of the Grant Park post office.

The Witwatersrand PO spokesman Flip Eksteen said he acknowledges there is a problem with mail being backlogged since the move to the new Ormonde offices.

"But a move of such a large mail operation on this scale cannot go without a hiccup. We are working 24 hours a day to clear the backlog. Residents will receive their delayed mail and current mail within a day or two."

Eksteen apologised to residents and asked them to be patient.

Regretfully, there was nothing that could be done about the closure of the 41 post offices "which were not cost-effective".

He added that 40% of the total income of the SA Post Office comes from Johannesburg.

# Telkom not keen on strong foreign stake

□ *Chairman sees limit of 30 percent* (267) ARG 14/9/95

**ALIDE DASNOIS**  
Business Editor

TELKOM would probably not allow a foreign partner a stake of more than 30 percent, chairman Dikgang Moseneke has said

But the exact size of the foreign stake was still open to discussion, he told delegates to the Southern Africa Investment Summit in Johannesburg earlier this week

"We haven't zeroed in on a specific figure," he said

The National Economic Development and Labour Council (Nedlac) would contribute to the decision

Telkom was already in the process of restructuring. Mr Moseneke said that between 15 000 and 18 000 employees were involved

in the outsourcing of the parastatal's non-core activities — including cleaning, security, civil engineering and 42 restaurants — to new business units

Negotiations with the unions had been "tumultuous", but the plan should be complete by March, 1996.

Telkom would support the new business units for five years

The second phase of restructuring involved the setting up of business units to get ready for competition — "which we can't ward off for more than three to five years," Mr Moseneke said

Telkom hoped to increase the number of access lines opened each year from 200 000 to 1 million, by putting contracts out to tender

Four of the parastatal's eight top managers had already been changed as part of the restructuring process

"But restructuring does not equal privatisation," Mr Moseneke emphasised

"Telkom will have a strategic equity partner, but with a minority stake. The rest will be firmly held by the state"

Diversification of ownership was a priority, along with efficiency and sustainable growth

With only one percent of companies listed on the Johannesburg Stock Exchange held by black South Africans, "any privatisation that doesn't pander to the need to have black people introduced into the economy will obviously not do," Mr Moseneke said

# Truck drivers

## still defiant

(267) (233) (157)  
Staff Reporter

ARC 14/9/95

THE Turning Wheel Workers' Union today vowed it would not be "sidetracked by enemy agents or the authorities".

This was seen as a thinly veiled threat that the union would not adhere to transport minister Mac Maharaj's appeal for no more freeway blockades.

The union is in a wage dispute with Mainline Carriers which has led to the dismissal of about 100 workers.

"There is a groundswell of anger among the workers," said national organiser Ben Petersen.

"What form it will take I don't know, but the workers are determined to do anything in their power."

Mr Maharaj and the nine provincial transport ministers warned the union this week that police had been instructed to use as much force as necessary to prevent road blockades.

Mr Petersen said this was tantamount to a denial of freedom of expression.



# Townships go cellular

(267) CT 14/9/95  
STAFF REPORTER

CELLULAR telephones are proving to be the latest "yuppie toy" in the townships, with Khayelitsha, Guguletu and Mitchells Plain listed as the busiest call areas in the city, cell phone companies claimed yesterday.

Vodacom managing director Mr Alan Knott-Craig said many township residents were entrepreneurs who needed to be available while they were on the road.

This was seconded by MTN chief executive Mr John Beck who said "taxi phones" installed in mini-bus taxis were also huge income generators.

Many township dwellers have never had telephones and have found it quicker to link up to a cellular network than to apply through the conventional channels, he added.

Townships in other provinces were also "extremely busy".

● People using cell phones in cars could be prosecuted under existing legislation, Minister of Transport Mr Mac Maharaj said yesterday.

ship butchery. He says he uses his cell phone for incoming

PICTURE: ANNE LAING

# 'Telkom must expand to face external competition'

STAFF REPORTER

(267)  
CT 15/9/95

TELKOM should expand its internal market by increasing its client base to include all potential subscribers in South Africa if the corporation hoped to survive the "chilly winds" of international competition

This was the message from Minister of Posts, Telecommunications and Broadcasting Dr Pallo Jordan who attended a lunch in Simon's Town to celebrate the completion of the Good Hope Nature reserve telecommunications project. More than 300 telephone poles and overhead wiring were removed from the reserve and replaced by a digital radio system

"Our policy aims at producing an internationally competitive Telkom. This will only come about to the extent that Telkom serves the majority of South Africans," he said

# Telephone not a privilege, but a right for all South Africans, says Jordan

By COLIN DOUGLAS

(267)

STAN 16/9/95  
access to government

Cape Town - Access to telephones is a right to which every citizen should be entitled, rather than a privilege which may be purchased at a price, says Pallo Jordan, Minister of Posts and Telecommunications

Jordan was speaking at a Telkom function at Miller's Point this week to celebrate the installation of environment-friendly digital radio telecommunications in the Cape of Good Hope Nature Reserve

"The very evident racial, class, regional and gender biases in access to telecommunications mean that millions of South Africans are unable to communicate with each other," the minister said

"Those who are engaged in business are constrained from maximising their performance

Citizens were also restricted in their

"On the surface, telecommunications may appear to be a luxury when weighed against the demands for clean water, secure shelter, education and health care. But the experience of numerous countries demonstrates that economic growth, which is the prerequisite for the availability of all these, will be difficult, if not impossible, to attain in the absence of an efficient telecommunications network"

Referring to his refusal to allow foreign companies to compete with Telkom in the near future, Jordan said: "Only by rooting itself firmly among the people of this country can this State-owned corporation hope to survive the chilly winds of international competition"

"This implies that Telkom must expand its internal market among all its potential customers - millions of South Africans who today have no telephone services"



# Stop, wait a minute Mr Postman, you got a missing letter for me?

(267)

Star 18/19/95

It should be the simplest thing in the world

You write a letter, put it in an envelope, put a stamp on it and pop it into the red postbox. Or you carefully wrap a parcel, melt a blob of sealing wax on your knot of string and hand it in

Then off you go, happily secure in the knowledge that your offerings are safe in the hands of the good old Post Office

Or so you think

The weeks go by, but still Aunt Marge in Cape Town hasn't phoned or written to say thanks for the box of Turkish Delight. Or only a smattering of replies have been received to the invitations to your daughter's wedding, despite the very definite RSVP date

Or you start getting irate phone calls from someone you owe money to, despite the fact that you specifically insured a let-

ter containing a postal order for R600 before posting it

The truth is, the South African postal service is in a mess. Things go missing without a trace. Piles of mail are discovered dumped in the veld. Importers, their livelihoods threatened, course as valuable items simply never reach their destinations.

Letters pour into newspapers bemoaning the situation. "How much worse can our postal service become?" begs one. "You just can't trust the Post Office anymore," wails another.

Pensioners who have relied on their neighbourhood post offices for most of their lives now fret as one suburban outlet after another is shut down, apparently

through lack of demand

"But how many post offices have you been into, no matter how small, where you haven't had to stand in a queue?" asks Rhonda de Bruin, who has relied on the now-defunct Parkhurst Post Office for years. "All that's going to happen now is everyone will have to wait longer at the remaining post offices."

The Post Office itself is aware of problems, but claims it is taking measures to cut down on them, opening new mail centres and installing the track 'n trace system, which is supposed to stop insured mail from disappearing. But nothing really seems to be working yet. Complainants to this newspaper fly in fast and furious

## THE Post Office is in trouble. And because it's in trouble, so is everyone who licks a stamp. Consumer Reporter Nikki Whitfield reports:

— one from a hopeful entrant in the Itimba competition who sent off her stub to the required address. "But, after weeks and weeks, it was eventually returned to us — and it had been all the way to The Netherlands!"

Another disgruntled caller had serious doubts about the track 'n trace system. "I insured a letter I had to get to the North West Province quite urgently. Three weeks later, it still hadn't arrived, so I phoned to find out

Using the track 'n trace system, a woman told me it hadn't left Johannesburg

"I was furious. I complained several times to different people, some of whom were very rude and arrogant. But then it turns out that the letter actually did arrive at its destination, even though it got there three weeks later. So obviously the track 'n trace system doesn't work — nobody had any idea where the letter was"

The number of gripes could fill a book. Even the man at the helm of the Post Office, chairman and chief executive Donald Masson, has acknowledged that there's a problem in his empire

In a recent interview with a weekly newspaper, he ominously stated, "Things will get worse before they get better."

He has a string of apologies ready to fall off his tongue at the myriad of complaints which reach his desk. Things are bad, he says, but they will get better. In the interview, he pledges that in a year's time, 92% of deliveries will reach their destinations. Unfortunately, Masson is overseas and could not be contacted for an update on his comments

However, a fax was sent from the PO's corporate communications department on Friday after questions were posed on how things could be sorted out

transfer office and national transport network section at Comet in Boksburg

"Apart from this, mail-sorting at Jeppe Street was done on five levels, which was totally impractical, uneconomical and labour-intensive"

But, according to the Post Office, things should start to improve sooner or later. A grant new mail centre called Witpos, south of Johannesburg, has recently opened, and it is as large as four rugby fields

Labour unrest was given as one of the main reasons for this, together with the fact that, until recently, postal operations in Johannesburg had been operated from five places, namely the mail-sorting and distribution section in Jeppe Street, the parcel section in Harrison Street, the customs section in Loveday Street, the non-standard letter section in Doornfontein, and the mailbag

"Although teething problems can be expected with a change-over of this magnitude," the fax continues defensively, "Witpos staff, with the assistance of other divisions, are working around the clock to streamline operations"

"The eventual goal is to render an excellent service at Witpos to customers."

# Extortion causes Telkom to rethink township telephone projects

Kathryn Strachan

EXTORTION by self-proclaimed "community leaders" has led Telkom to review dozens of telephone connection projects in disadvantaged communities throughout the Witwatersrand.

Telkom Witwatersrand spokesman Gert Schoeman said yesterday the organisation's reconstruction and development programme project to connect the Orange Farm squatter camp, south of Johannesburg, had been suspended. The drive to prepare communica-

tions infrastructure for the November local government elections was under serious threat, he said.

Extortion tactics varied from demands for thousands of rands by individuals for the right to operate in certain areas, to insistence that excessive numbers of local labourers be employed on projects. These labourers were provided on a commission basis by "labour bureaux" operated by so-called community leaders. There were also demands that "marshals" be paid to protect projects from criminals

Schoeman said contractors who installed lines for Telkom were going bankrupt. One paid a "community leader" R10 000 to operate in an area, but when he demanded a further R5 000, the contractor refused. Thereafter, the project was almost halted by repeated theft. "Contractors are being terrorised. Not a day goes by when a vehicle or cables are not stolen."

Contractors used to regard this extortion as an operating cost and built it into their charge to Telkom. "But they can't take it any longer," he said.

Labourers provided by the "agents" usually sat and watched while the contractor's own team did the work.

In a Witwatersrand township last month local labourers complained that the soil was too hard to dig, so the contractor was forced to dig the line with machinery, then fill up the trench again with the soil so the labourers could dig easily. "It is a serious threat to the company's commitment to provide affordable telecommunications services to disadvantaged communities," said Schoeman. "It was difficult for

Telkom to find out who legitimate community leaders were. Telkom hoped the November elections would clarify who it should deal with.

Sanco Gauteng president Ali Mazzya said his organisation represented the majority of the community, but there were "people who call themselves concerned residents, crisis committees and other things but when you look at their operations, they don't report to any constituency." Sanco could take a stand only once Telkom had informed it of the problems.

(267) BD 21/9/95

# Telkom axes IBM for failure to deliver

BO 21/9/95

(267)

Reports by  
Melanie Sergeant

IN LINE with its new business approach, Telkom is taking a harder line on non-delivery from its suppliers

IBM SA, which won the R12m-plus tender to install Telkom's new voice mail system in November last year, has been kicked off the job for not being able to deliver on time.

IBM's industry executive for telecommunications and media Carl Roberts says "We offered the voice mail system as a concept which works on a platform on which would be based other value added services ranging from intelligent networking to debit card payment systems"

While the original tender was worth around R12m, this figure was set to grow as the system was developed

"Having awarded the tender to IBM on specification, we are forced to deliver to spec, so have to take second in line. The system was due for delivery on April 1 this year, an extension was granted to June, and by July they were given notice," said Telkom's regulatory affairs executive Pinky Moholi

According to the tender documents, Telkom is covered for costs incurred plus consequential loss — that is, valuable time lost.

Roberts says. "We had difficulties in our development labs in France, which meant we could not deliver the system with all its functions on time, and unfortunately for us Telkom couldn't wait for us to fix the problem

"The system, as originally specified, would not have been available before the end of this year or by early 1996, but we offered to provide an equivalent functional system by the end of September. The stand-in system would have meant that the service was de-

livered via the use of different technology and in a different way from that which was originally specified."

Asked about the IT industry's reputation for promising solutions which it cannot always deliver in time, he says. "What we had was a system which, in a different form, has operated elsewhere, but changes were needed to be made to the system to make it operate in this environment. This called for new development and we ran into difficulties"

Roberts says the system which IBM has working is used at Q-Tel (QuebecTel) in Canada where it is running in an environment which is not redundant, operating on a single machine. For Telkom, the requirement was for the system to be split over multiple systems, a move which called for significant changes to be made in many aspects of the software design

"With one of our business partners we have also developed a system for AGT in Alberta in Canada for about 500 000 subscribers, and while the software is different it is working with IBM products and is working well," says Roberts

He declines to estimate how much IBM has spent over the past 10 months on developing the system, but says that the development of the platform will continue as it is "a strategic part of our value added services platform going into the future, and we'll continue to perfect it.

"It is difficult to estimate the number of people working on this development. Locally, six people were working on the project, but there were many more if one takes into account the development group of around 30 people in France which were working on it, plus a few people based at IBM in Germany"

# Extortion forces Telkom to stop phone installation

Star 21/9/95

(267)

■ BY STAFF REPORTER

The project to provide telephone services to Orange Farm, south of Johannesburg, has been suspended following "extortion" of Telkom contractors by self-proclaimed leaders

Telkom said today there was extortion in other townships as well, and the provision of services to disadvantaged communities as part of its RDP commitment could be under serious threat

The corporation's Witwatersrand spokesman, Gert Schoeman, said contractors hired to lay cables are under siege from "self-proclaimed community leaders" who are disrupting projects to such an extent that many contractors are threatening to abandon sites

He said community leaders were adopting extortion tactics, forcing contractors to employ excessive numbers of local labourers provided on a commission basis by the "labour bu-

reaus" they operated. There are also reports of demands being made to pay "marshals" to protect projects from criminals

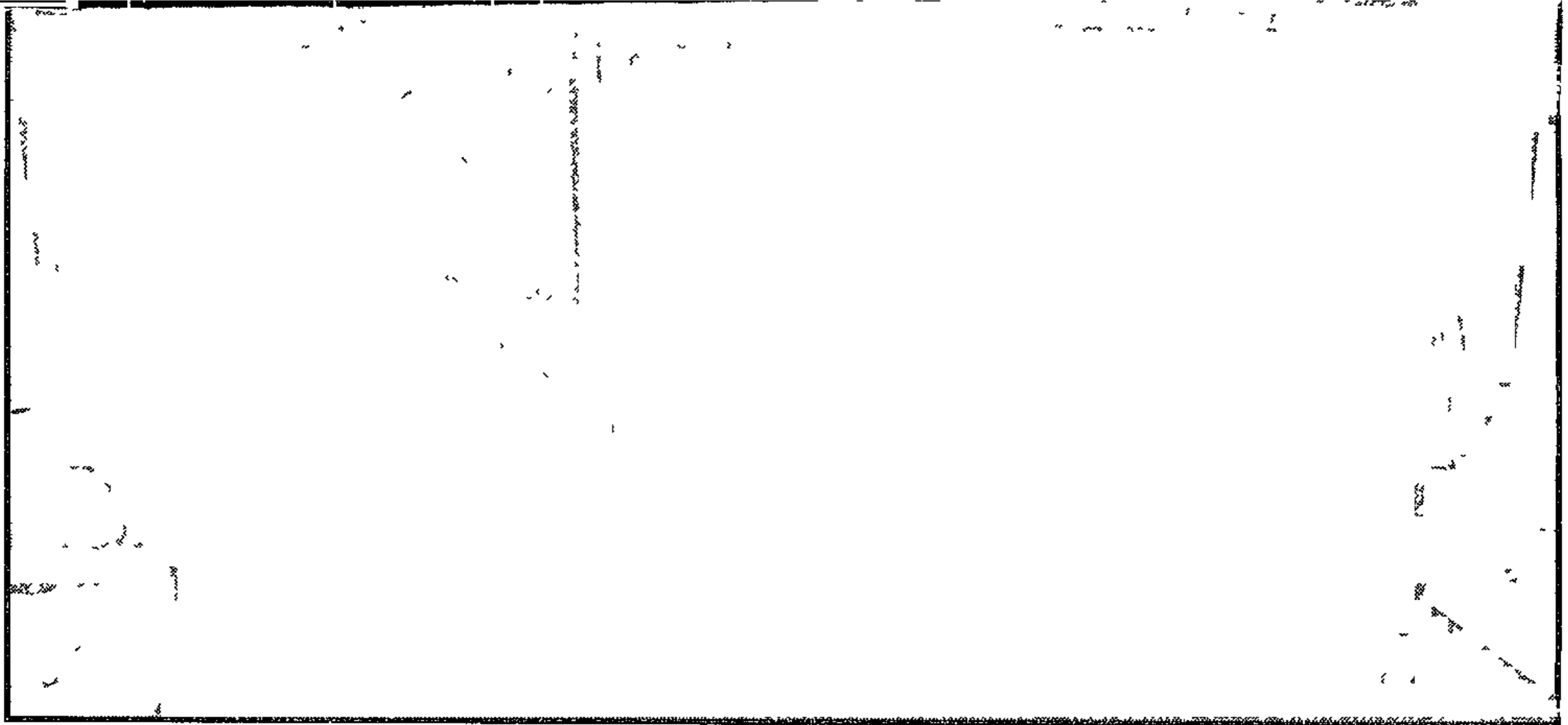
Schoeman said the situation was of grave concern. "The moment contractors say they can't take it any more, you have a big problem. And we have to make use of contractors to handle the demands of the RDP"

He said many contractors were facing bankruptcy. One was forced to pay a so-called

community leader R10 000 to operate in an area, but refused to pay an extra R5 000 demanded later

"After that, the project almost had to be called off because of ongoing thefts. Hardly a day goes by when a vehicle or cable is not stolen"

Schoeman said Telkom hoped the November elections would sort out who the real community leaders were, as this was almost impossible to determine



**SOLE SURVIVOR:** A schoolgirl uses the only surviving public phone in Harare, Khayelitsha, after vandals destroyed the others.

# Phone vandals cut 'lifeline' to community

□ *Unemployment blamed*  
(267) ARG 28/9/95

**Staff Reporter**

**UNEMPLOYMENT** and poverty have been blamed for constant vandalising of public telephones which is increasing steadily and costing Telkom huge amounts of money

Tia Hugo, Telkom's communications manager, said "There is not a month that goes by that we don't have to fix phones that have been vandalised"

The damaged telephones were completely useless and, in some cases, beyond repair

Ms Hugo said while vandals usually broke telephones to get at the coins inside, the pickings were in fact poor considering that coin boxes were small and Telkom staff emptied them regularly

The scrap metal was also not very valuable.

She said the cost of installing public telephones varied from area to area. In some cases not only telephones had to be installed, but cables which was costly

But public telephones were a community service and when they were damaged, the vandals were inconveniencing entire communities

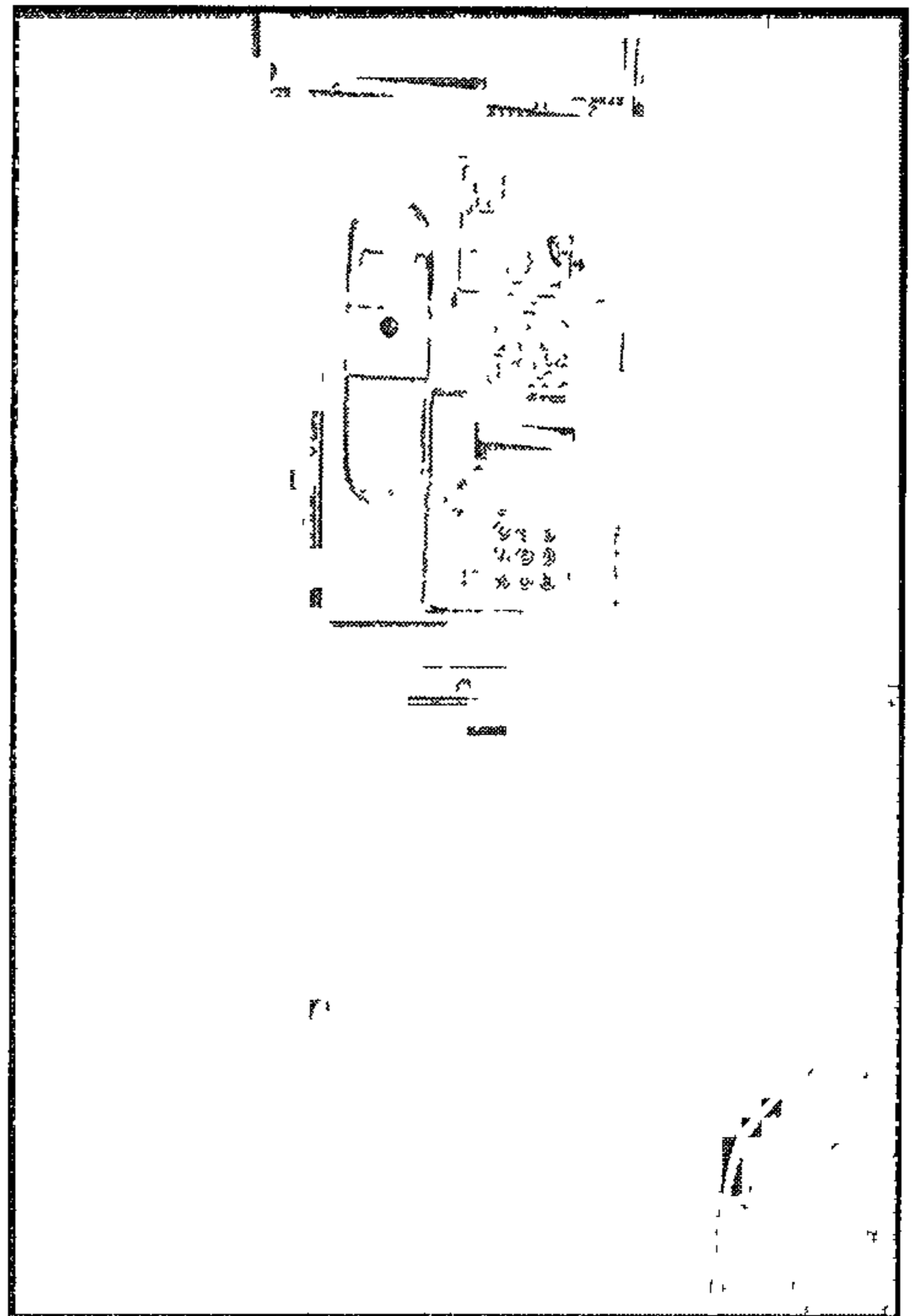
Ms Hugo said "We consult various community groups from different areas about public phone installations and work very closely with them. Not repairing phones would be an injustice to the community"

The public telephones were a lifeline in some communities, once the lines of communication were broken, there was no way people could contact the police in emergencies.

Although Telkom worked closely with the police, it was mostly impossible to track down the culprits

In the past two years Telkom had broadened its service extensively and this made it difficult for police to watch all areas

Ms Hugo said Telkom had taken various measures to prevent the constant vandalising of telephones.



Pictures OBED ZILWA, The Argus

**EMPTY COIN BOX:** Michael Kheyi of Harare in Khayelitsha inspects the phone after vandals broke it to get at the coins

Booths were designed to allow for user privacy, at the same time enabling people to see what was going on inside and outside and safer locations were being examined to make the telephones more visible.

"The phones are fitted with an intelligence device which is linked to a computer net-

work. If telephones are being tampered with, the device will notify head office immediately

"The ultimate solution to the problem is the phasing out of coin-operated phones and the installation of card phones only. This will eliminate the incentive for vandals"

## Dynamic opening for Plessey on JSE

Beatrix Payne

(267)

BD 28/9/95

SANKORP's telecommunications operation Plessey Corporation made a dynamic debut on the JSE's electronics sector yesterday as traders pushed and shoved each other to strike deals:

"There was a lot of excitement and the opening share price was right in the middle of our expectations," sponsoring broker Fleming Martin's corporate finance head, Sam O'Leary, said

The share was listed at 580c, after being offered to shareholders at 480c. It finished yesterday's session at 605c

Just more than 5-million shares worth R30m changed hands in 703 deals, and the share topped the JSE's list of the day's most valuable trade

Stags — people who buy shares only to sell them at a profit on the opening day — and institutional traders dominated the floor as many private investors watched from the gallery

Sponsoring broker Senekal Mouton & Kitshoff's analyst Richard Muller said the share had made an "excellent" debut. Many investors — unable to get the exposure they wanted to the share, owing to heavy demand — had scrambled for large lines of stock. The preferential offer to selected clients and business associates of shares worth R2.2m was 85.6% subscribed — and

Continued on Page 2

## Plessey

(267)

BD 28/9/95

Continued from Page 1

this would have been higher but for postal delays, he said. The public offer for shares worth R107.9m was subscribed almost 20 times.

He expected the share to come out of the market at between 550c and 580c. When the dust has settled it should reach a more stable level above 580c. The general trend in the electronics industry is up but competition for Telkom contracts could be fierce.

But another analyst, who did not want to be named, said the group faced

considerable competition from Alcatel and Reunert, and if AT&T starts looking in this direction Plessey's future may begin to cloud over. In the short term, however it had a good order book and was set to show good profit

Edward West reports from Cape Town that Ukhozi Investments, a private investment company formed recently for black entrepreneurs from the Western Cape, had bought 500 000 shares in Plessey. It was Ukhozi's first major investment and it planned to work closely with Plessey on selected future ventures, said Ukhozi executive director Lizo Ngcokoto.

Picture: Page 3

# Telkom's credit scan

(267) Wm(Bm) 2919-5/10/95

Cutting the costs of bad debt is high on the agenda of the telecommunication giant Telkom, reports **Karen Harverson**

**T**ELECOMMUNICATIONS giant Telkom plans to implement a new strategy to stem the millions of rands lost each year through bad debt.

Last year, the company wrote off 2.1 percent of its R9,6-billion turnover to bad debt — an amount of more than R200-million. In July alone this year, 30 000 accounts were declared bad debts.

About 20 percent of this debt is incurred by businesses which go insolvent — leaving Telkom with unpaid accounts, and little chance of reclaiming the money.

In an insolvency case, secured creditors such as the banks get paid first, followed by preferential claims such as unpaid employees, and finally concurrent claims such as Telkom's and other creditors.

More often, after the secured creditor is paid, there are no assets left in the estate and creditors could end up having to pay legal costs without their claims ever being settled.

"We have to lodge and prove a concurrent claim against the estate which is a time-consuming and labour-intensive exercise. We run the risk of contributing, should the estate have little or no assets," says financial accounts general manager Anthon Meyer.

Now Telkom plans to ask for personal guarantees from the directors



**Gerhard Cilliers: Tough new measures will be put in place to protect Telkom against high-risk clients**

PHOTOGRAPH: KAREN HARVERSON

or members of new companies which apply for telephone services.

"This will enable us to lodge a claim against the personal assets of the individual as well as the estate if the company is liquidated," says Meyer.

In addition, certain new companies which pose a greater risk than others, will be required to pay a deposit of a minimum R1 200 a line.

"We will credit scan the company as well as the directors or members — and if there is a bad credit record, we'll insist

on a deposit per line," says Meyer.

However, he adds that new companies without any credit record will not necessarily be required to pay a deposit.

"We are not prejudiced against a new company simply because it has no credit rating — the deposit will only apply to companies or individuals which have defaulted in the past," says Meyer.

Senior manager, credit control, Gerhard Cilliers says certain high-risk companies will also be required to pay

deposits regardless of their credit rating.

"In the case of a telephone bureau which has several lines and whose main business is running up calls, we may require an additional deposit as the traffic on the lines is high and our risk greater."

He adds that in a high-risk situation such as an import-export business, Telkom may monitor the lines for consumption and, at its discretion, ask for an interim payment before the usual end-of-month settlement.

# Strategies shift in telecom arena

Local telecommunication authorities can't quite decide on their policies  
**Leon Perlman reports**

**V**IRTUALLY the entire ensemble of South African telecommunications Who's Who assemble at Telecom 95, the International Telecommunications Union's (ITU) seventh World Telecommunications Forum and exhibition. Curious strategy shifts in our telecommunications policy filtered through during the nine day event.

Held at the massive Palexpo arena in Geneva, Switzerland, the quadrennial event is regarded as the world's most important forum for telecommunications policy and technology. Some 1 066 exhibitors and over 130 000 visitors attended the event. It was the first year in which South Africa has participated as a full member of the ITU.

President Nelson Mandela, who gave the keynote address at the opening, headed the large South African contingent. In his speech, he appeared to echo the antipathy expressed by Post and Telecommunications Minister Pallo Jordan towards what appears to be the unstoppable global trend towards deregulation and opening up of traditionally closed markets to competition. Europe has

committed to wholesale deregulation and privatisation of state telecommunications companies by 1998.

Said Mandela. "Many developing countries face difficulties in raising capital for their existing operators. There is consequently pressure on governments to throw open their doors to international competition. This calls for great care, to avoid jeopardising local services unable to compete with powerful international operators."

Observers at Telecom 95 interpreted Mandela's remarks as indicating that the loosening of Telkom's grip on telecommunications was not in the best interests of the Reconstruction and Development Programme and would not be considered any time soon.

Jordan has in the past referred by name to United States telecommunications monoliths AT&T and Sprint as examples of predatory investors which could undermine Telkom's profit base. He sees this as eroding Telkom's ability to provide so-called Universal (telecommunication) Services to underprivileged and under-served areas.

"Telecommunications cannot be simply treated as one commercial sector of the economy, to be left to the forces of the free market," Mandela told the packed opening session. But he left the door open to possible alliances between Telkom and Global Partners which he said could inject capital and expertise. During one of the strategies sessions, Jordan referred



**Pallo Jordan: The objective is universal service**

to the need for an Independent Telecommunications Authority that would "level the playing fields". Again, he repeated his anti-competition theme. Days later, however, he appeared to soften his antipathy.

He was quoted in the official Telecom 95 daily as saying that "the objective is universal service. If competition is what we need to get universal service, then we'll have competition."

Of the much touted Telecommunications Green Paper, Jordan said "We have avoided looking at models in other countries and hence have rather sought the route of public consultation. It might not necessarily be the best route, but it will produce a result that everyone can live with. And even if the regime that evolves out of that is faulty, it will ensure a sense of ownership."

Mandela also announced that South Africa will host Africa Telecom 98, the regional version of Telecom 95, at the Gallagher Estate in the spring of 1998.

(267)  
MGT (BM) 20-26/15



TELECOMMUNICATIONS

**The Green Paper mutiny**

(267) FM 20/10/95

With at least R100bn needed to extend telephone services to 35% of the population, staff of the Department of Posts & Telecommunications have called for an end to Telkom's monopoly of fixed-wire services by June 1999

Only competition will improve efficiency, accelerate network roll-out and introduce new sources of funding, say their proposals to the telecommunications Green Paper. But opening the market to a second telephone operator in less than four years may be too soon for department boss, Posts & Telecommunications Minister Pallo Jordan.

He says that though members in his department are entitled to contribute to the Green Paper, "only the Minister has the right to speak on behalf of his department."

Jordan is not prepared to open Telkom to full competition until the utility is able to fend off overseas competitors that intend to "cherry-pick" its lucrative services. He insists that Telkom must be protected in the "short to medium" term but will not be drawn on how long this may take. "It won't be determined by me. It will be determined by the technology out there."

Members of his department are more prescriptive. In their Green Paper submission — signed by acting Postmaster-General J H (Boet) van Loggerenberg — they say the market should be opened in phases with a second telephone operator licensed by June 1999.

The report says that because Telkom has the sole right to provide public fixed network telecommunication services, it must also provide "universal service" on its own — something it cannot afford.

With only nine telephones per 100 people, compared with the "universal service" goal of 35 per 100, there is a shortfall of more than 10m. An extra 4m lines (which would take 10 years for Telkom to install) would cost at least R20bn in current rand value and at the current rate of capital expenditure.

"For Telkom to provide the required 10m telephones, an investment of funds in the network many times the current value of Telkom would be required," says the report.

But Telkom is restricted from generating more funds for network expansion. It cannot increase tariffs because these are already too expensive for most people. It is also limited in borrowing capital because of its unacceptably high debt equity ratio and cannot issue share capital because of government policy.

Only additional telecommunication service providers would provide the resources

and capital needed for network expansion.

On June 1 1996, the report says, Telkom should be allowed to sell a 20% equity stake to prepare for competition. On October 1 1997, two more cellular phone licences should be issued (one of which should be reserved for a black consortium), the provision of telecom links required by cellular companies deregulated, three national public payphone licences issued (one reserved for black business) and value-added networks allowed with full resale of capacity.

**RESTRUCTURING THE MARKET**

International calls	195	100
National calls	21	Telkom - second service provider
Data services	130	Number to be determined
Local loop	97	Two
Cellular telephony	97	97
Public payphones	97	97

SOURCE: DEPT OF POSTS & TELECOMMUNICATIONS

On January 1 1998, fixed and wireless provision of the local loop should be opened to competition.

On June 1 1999, a further equity offering in Telkom should be made that will result in government retaining a 51% equity stake. A second fixed network service provider should be licensed and be allowed to provide full local, national and international telephony and data services in full competition with Telkom.

Financial separation is essential so that monopoly profits are not used to cross-subsidise competitive services.

According to the report, all service providers, including Telkom, should be placed under the jurisdiction of a semi-autonomous regulator.

But Jordan says his department's submission to the Green Paper will be treated as one of the 150 received.

"The responses have reached 3 368 pages and 11 volumes," he adds.

He says the department will continue to exist as a subsection of his ministry but some of its core functions may be placed in a new regulatory body, depending on the final outcome of the regulatory structure.

Meanwhile, Jordan intends to announce

ex-Postmaster-General Ters Oosthuizen's replacement by the end of next month. Between 30-40 applications have been received. The successful applicant will take the title of director-general. ■

RADIO TRUNKING

**Even money?**

Carfone Natal launched its R10m radio trunking network — which it has named after the popular UK cellular phone network One-2-One — this week, more than a year after getting the go-ahead from government. But competition remains limited because the Posts & Telecommunications Department prohibits the three licensed operators — Carfone, Q-Trunk and Fleetcall — from operating nationally.

Radio trunking has been mooted for years. On issuing authority to build the networks during 1994, the department stipulated that the three companies could operate in Gauteng but no more than two competing network operators would be licensed in metropolitan areas outside Gauteng.

As a result, Fleetcall — a joint venture involving Grinaker Electronics, Transnet's Transtel and Altech — was given the nod to cover the five metropolitan areas.

Q-Trunk — 70% owned by Telkom and 30% by Q D-Electronics — may mirror this coverage, except in Maritzburg and Durban.

The licence of privately owned Carfone Natal bars it from extending its network to Cape Town and Port Elizabeth.

Not surprisingly One-2-One and Q-Trunk want more. In July, in an attempt to operate a national network, Q-Trunk took Postmaster-General Ters Oosthuizen (now resigned) to court but lost on a technicality.

Acting Postmaster-General Boet van Loggerenberg says the original licence agreements were based on sufficient market size to sustain operators. Following an industry investigation, it was concluded that no more than two competing operators could be sustained in most regions, he says.

While the radio trunking market has already grown to about 40 000 users, competition is likely to increase this.

Radio trunking is an improvement on conventional two-way radio. It's aimed at closed-user groups that need to send short messages to vehicles on the road such as courier fleets, ambulance and police services, taxis and long-distance hauliers. Unlike two-way radios, calls are private.

PALLO JORDAN

# The independent-minded Marxist

FM 20/10/95 (267)

**Zweledinga Pallo** Jordan occupies an unusual niche in the leadership ranks of the ANC

He is decidedly a member of the left wing. But unlike many of his Marxist comrades, he has eschewed membership of the SA Communist Party, even when, during the long years in exile, it was seen as the route to the upper echelons of the ANC.

Jordan's political roots go back to the Non-European Unity Movement or, as it became known later, the Unity Movement, an organisation which attracted independent-minded Marxists who were not communists, including Trotskyites.

As a young man he studied Marxism while at UCT and was later influenced by the intellectual currents which led to the emergence of the New Left in the US. He remains an independent thinker within the ANC — a Marxist who has never been tainted by servility to the SACP and the now disbanded Communist Party of the (former) Soviet Union.

Jordan was appointed Minister of Posts, Telecommunications & Broadcasting by President Nelson Mandela after the ANC's decisive electoral triumph in April last year.

He has shown his intellectual independence twice in recent years: first in 1990, when he challenged Joe Slovo's reassessment of communism in the now celebrated monograph, *Has Socialism Failed?*, then in 1992, when he contested the Slovo-led majority view that the ANC should agree to a transitional "power-sharing" arrangement with the then ruling National Party.

In his first article, Jordan argued that Slovo had glossed over the SACP's culpability in the excesses of Stalinism, citing its uncritical acceptance of the line put out by the ex-Soviet Union and its refusal to dissociate itself from aggressive and tyrannical actions by Stalin and his attendants.

In the second, Jordan disputed the premise that a compromise between the NP and the ANC was tactically necessary, contending that the proposed deal obstructed the ANC's objective of dismembering the racist State.

These intellectual disagreements with Slovo were not allowed to degenerate into personal quarrels. Jordan was a mourner at Slovo's funeral in January and was one of a handful of ANC leaders who witnessed the interment of Slovo's body in a Sowetan cemetery.

Jordan is respected in the ANC as a man of intellectual vigour and integrity. A member of the ANC's national executive com-

mittee since 1985, Jordan — who has been tipped as SA's next Foreign Minister — won respect for his principled stand against the excesses of the ANC's dreaded security department, Mbokodo, during the armed struggle, a stand which resulted in him being detained by the men he had criticised.

His popularity and influence are reflected by his high-ranking position — fifth — on the ANC's list of parliamentary candidates for last year's election.

Jordan's portfolio is vital, given the key position of communications in the modern



**Jordan** his influence is reflected in his high ANC ranking

world, which is expanding technologically while shrinking metaphorically. His appointment is a logical sequel to his role as the ANC's director of information during SA's transition from a racially based oligarchy to a racially open democracy.

Posts, telecommunications and broadcasting are of critical importance to the ANC-led government's bid to introduce a more efficient and more democratic communications network. Jordan's future reputation as an administrator will depend in large measure on his success in dealing with the challenges ahead.

The Post Office has gone through difficult times in recent months, with multiplying complaints, especially in Gauteng, of inefficiency and delays. Jordan admits there have been problems but is confident that they are being solved.

He cites three developments he believes will counter the problems: the opening of a

sophisticated mail centre in Ormonde, Johannesburg, the introduction of a hub-and-spoke sorting system, and a rationalisation plan aimed at changing the Post Office from a port of refuge for "under-skilled and under-motivated whites" into an efficient, commercially competitive organisation.

Jordan thinks that many of the Post Office's critics have failed to take account of the problems he faced, including

□ The integration of five separate postal services: those of SA and the putatively independent states of Transkei, Bophuthatswana, Venda and Ciskei,

□ The vociferous demands for parity in salaries by postal workers in the former TBVC states, and

□ The forging of a single postal service from the commercialised SA Post Office with its uncommercialised counterparts in the TBVC polities.

Jordan emphasises the constructive role that trade union leaders in the Post Office and Telecommunications Workers' Association (Potwa) played in supporting him, especially in tackling the vexatious problem of equalising conditions of employment.

On the telecommunications front, Jordan is aware of the looming challenge giant international conglomerates pose to Telkom, which still enjoys the monopoly position it inherited from the previous government. He recognises that the international giants will intrude whether he likes it or not.

"If you try to keep them out of the front door," he observes, "they will come in the back door or the side door."

But he wants to keep them out for a few more years, in the belief that Telkom needs to build up its strength for the contest to come. He recognises that this is a race against time.

As he puts it, Telkom stands on narrow stilts: the privileged, largely white population in Gauteng. His immediate objective is to broaden the base by extending telecommunication services to the black majority.

Several observers, including the *FM*, think Jordan has misjudged the situation. He, however, remains cool in the face of the pending challenge, in much the same way as he does in intellectual debate.

On broadcasting, Jordan is on the side of angels. He believes there should be greater diversity and supports sizing down State-owned broadcasting.

"The apartheid State used its control of the electronic media to lecture the people, to talk at them. We must create room for the people to talk to one another." ■

# Telecommunications reforms must not affect jobs, minister warns

By BRONWYN WILKINSON

The demands of providing both a strong telecommunications service for an advanced economy and expanding the service to previously deprived communities were the major challenges in the restructuring of the communications sector, Posts, Telecommunications and Broadcasting Minister Pallo Jordan said in Brussels yesterday.

Jordan said in a speech prepared for an address to Clube Bruxelles that the restructuring of the industry had to be approached cautiously so as not to exacerbate existing social problems such as unemployment.

"The question of whether the monopoly of our publicly owned telecoms operator should be protected, while changes in the telecoms environment are implemented, has to be located within the framework of the huge developmental problems facing our country.

"We have however to be sensitive to the possible exacerbation of existing social problems, such as unemployment, which invariably must accompany restructuring."

He said the contradiction of South Africa as part Third

World, part advanced industrial society, was sharply profiled in the telecommunications sector

The telephone penetration rate was about 25 per 100 people in the white community and as little as 0,1 per 100 in the black rural areas

One of the challenges facing his ministry was "to extend information and telecommunications systems as a basic right to most of the population while we ensure our business sector has access to the kinds of advanced information services indispens-



**JORDAN:** Has a two-pronged plan of action

able for a modern economy"

All this had to be achieved on a democratic basis, with the consent of the public and stakeholders. The restructuring and repositioning of Telkom and other parastatals would be a vital aspect of future policy thrust in the sector.

The ministry was involved in the process of policy formation and consultation which would lead to the development of a telecommunications framework "that will encompass the best possible tools and mechanisms required to achieve our major goals in telecommunications".

"South Africa also has a fairly developed telecommunications infrastructure which, if properly restructured and regulated, and provided fair rules of competition can be developed, will be able to redress the wrongs of apartheid and help build a dynamic economy for all South Africans," he added.

Jordan said the restructuring of Telkom and other parastatals operating telecommunications networks would be a vital aspect of future policy in this sector.

The minister noted that South Africa was busy planning the restructuring of its telecommunications industry.

(267) Star 21/10/95

# Stolen post in veld

By GARY COLLINS

A MEMBER of the public has found opened registered letters, postal orders worth R2 650 and other mail strewn in a field opposite the troubled Witspos mail sorting centre in Ormonde, south of Johannesburg.

This follows disclosures that the multimillion rand complex, which handles 40 percent of South Africa's mail, is largely to blame for postal delays

Paul Wagstaff, who lives near Witspos, found the opened envelopes with their contents removed

The Sunday Times contacted some of the people whose mail was found in the veld, including Paul Els who had enclosed two cheques totalling R380 for a traffic fine

"I could be arrested for not paying my fine," said Mr Els.

Petro Syffert, whose letter was minus a R189 postal order for her TV licence, said "I cannot believe it, the post office is really pathetic

Another customer expecting a parcel from Australia will have to wait Parcel wrapping was found with the contents, customs documents and delivery notice missing.

Post office public relations officer Flip Eksteen said "Four staff members at the Witspos mail centre were suspended this week after mail items were found to be violated If they are found guilty they will be fired"

Customers who have not received registered or insured items posted between late September and early October can phone (011) 222 0464



RIPPED OPEN . . . Paul Wagstaff with mail found in Ormonde

(267)

ST 22/10/95

# No rush to sell Telkom

(267) ST(BT) 22/10/95

MINISTER of Posts, Telecommunications and Broadcasting Pello Jordan has again poured cold water on suggestions that a sale of a stake in Telkom to foreign investors is a foregone conclusion

Mr Jordan said in a speech in Brussels that great care was needed in restructuring the country's monopoly telecommunications industry in order to protect all members of society, Reuters reports

The government would not bend to "hectoring" from outsiders, he said

Telkom is viewed as South Africa's prime privatisation candidate. Major international telecommunication concerns, including AT&T, Cable and Wireless and Deutsche Telekom have sought local partners in a bid to strike a strategic alliance with Telkom

It has been speculated that Telkom wants to sell an equity stake of between 15% and 20% to private sector investors in order to gain access to offshore technology and much-needed foreign capital



# Phones installed in RDP delivery drive

Greta Steyn

(267)

BD 25/10/95

FIFTY-six emergency telephones are being installed in the three townships that make up the Katorus area as part of the reconstruction and development programme's (RDP) special presidential project.

The first emergency phone, an orange pillar in the Mandela squatter camp, was tried out by Minister without Portfolio Jay Naidoo yesterday. Naidoo toured the three townships that make up Katorus — Katlehong, Thokoza and Vosloorus — with MPs and journalists yesterday as part of the RDP office's drive to prove that delivery is taking place.

The phones are being set up within a three to five minute walk to as many residents as possible. They have a red button for crime and emergencies needing fire engines or ambulances, and a green button for emergencies relating to municipal service such as sewerage and water.

The managers of the Katorus RDP project consulted the community before deciding on where to place the phones. The region's security co-ordinator, retired Col Albert van Driel, said: "Community participation on where the phones should be placed took twice as long as anticipated."

Instead of kicking off at the beginning of next month, the phones will come into operation only from December 15.

Van Driel believed the phones would not be vandalised as the communities would guard them "Two people will guard each phone at peak hours early in the morning and evening."

About 180 temporary jobs had been created through the emergency phones project.

The project to rebuild the war-damaged Katorus, which will amount to more than R3bn over five years, ground to a virtual standstill earlier this year amid accusations of too much red tape and a lack of community participation.

Aside from security projects such as the phones and satellite police stations, the project managers yesterday also emphasised hostel upgrading, new housing projects and the refurbishment of damaged houses.

Naidoo declared he was satisfied with the progress made, and said the need for community involvement had caused delays.

He said critics of the RDP office's pace of delivery should bear in mind the enormous difficulties in working in such conflict-ridden communities.

People who believed the RDP office's insistence on detailed business plans were holding up delivery should realise that they ensured delivery took place in a sustainable way.

"Not only in Katorus but throughout the country communities are taking charge of development," Naidoo said.

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# Don't close post office — residents

267 ARC. 27/10/85

□ *More than 500 people sign petition of protest*

**Staff Reporter**

ANGRY Noordhoek residents are circulating a petition to stop the closure of the 60-year-old Noordhoek post office and have threatened to make a "big scene" if post office authorities don't listen.

So far there are over 500 signatures on the petition and the number of signatures from disgruntled residents is growing.

Residents say Telkom, which now owns the post office building, wants to use it as a telephone exchange to serve the increasing number of people moving to the area. However, Leon Diepenaar, regional manager of the post office for the Western Cape, said he knew of no plans by Telkom to take over the building.

"There is no substance to the rumour that we are closing the post office but we can confirm we have been investigating oth-

er places," he said.

"The Noordhoek post office is not ideal for a good postal service because it is too small and cramped and isolated. We close a lot of post offices every year all over the place but we have no definite plans to close this one and move 800 post boxes. Telkom is not pushing us out. We can't close this one unless we put something else in its place."

Mr Diepenaar confirmed

Telkom had investigated alternative venues, such as the Sun Valley Mall and a proposed development in Noordhoek, but nothing had come of it. "Our options are limited," he said.

Jean McSeveney, a resident who has lived in the area for five years, said "People from Ocean View come for their pensions, and locals as well as visitors use this post office. The post office won't tell us why they want to close down the service."



# Telkom men held in R200m fraud

(257) ST 29/10/95  
By GARY COLLINS

AN INTERNATIONAL telephone fraud syndicate has ripped off Telkom to the tune of R200-million in six months.

Police on Friday arrested two top Telkom officials for allegedly colluding with the fraudsters. The officials were part of a team assigned to investigate the fraud but are said to have instead leaked vital information to the syndicate.

Telkom investigators and police became suspicious that there was a leak and recruited a network of informers who infiltrated Telkom's investigative division.

Investigators said yesterday they had arrested 35 people and expected to make a further 50 arrests in the next few weeks.

Among those suspected of being involved in the syndicate were members of Telkom's technical staff, senior Telkom officials and dozens of illegal aliens.

The syndicate — operating from several overseas countries — offered international phone calls at heavily discounted rates routed via illegally installed phone lines in South Africa.

Telkom investigators first became aware of the scam when they noticed huge bills being run up on these telephone lines, which had not been allocated to consumers and should not have been used.

Telkom public relations officer Amanda Singleton said the total amount of the fraud was R400-million.

Telkom's liability — which would be paid in US dollars to phone companies in countries where the calls originated — was R200-million.

This amount is the outstanding portion of the charge owed by Telkom for use of international telephone line time.

Mrs Singleton said the money would be paid out of Telkom profits.

One of the investigators said members of the syndicate had applied for telephone lines using false IDs and documents.

Telkom staff involved in the scam had then installed up to 20 more unallocated telephone lines at these addresses.

Country-to-country telephone calls were then routed via these telephone lines to international destinations.

Police said syndicate members often had several houses complete with telephones lined up in case they had to move out at short notice.

Warrant officer Jeff Coetzee said "This scam involves vast amounts of money."

In one instance fraudsters ran eight telephones lines for four days at a cost to Telkom of R794 000.

Warrant Officer Coetzee said "They are very sophisticated. Whenever we discover a house we find it is empty except for telephones and a few mattresses on the floor."

"It is very difficult to stop this type of crime. Only constant auditing of Telkom lines can pick up this type of fraud."

# Defrauders cost Telkom R400m over six months

Melanie Sergeant

TELKOM is urgently installing monitoring software in its exchanges to help detect fraudulent use of lines, which in the past six months has cost it R400m

Two senior Telkom technical division staff members are to be charged with theft, housebreaking, assault and extortion today following the discovery of a telephone fraud syndicate

A Telkom internal audit department spokesman told a news briefing at the weekend that at least 15 other employees could face charges

Emergency electronic safeguards were being put in place, but the large number of electromechanical exchanges still in operation meant about 40% of the network would have to be monitored manually to prevent further scams, sources said

Telkom is expecting to have to write off the estimated R200m it owes overseas telephone companies as a result of

(267) BD 30/10/98  
the syndicate's cut-rate international calls scam

The spokesman said a large number of illegal aliens from Nigeria, Pakistan and other countries were being arrested in connection with the fraud. At least 35 had already been detained.

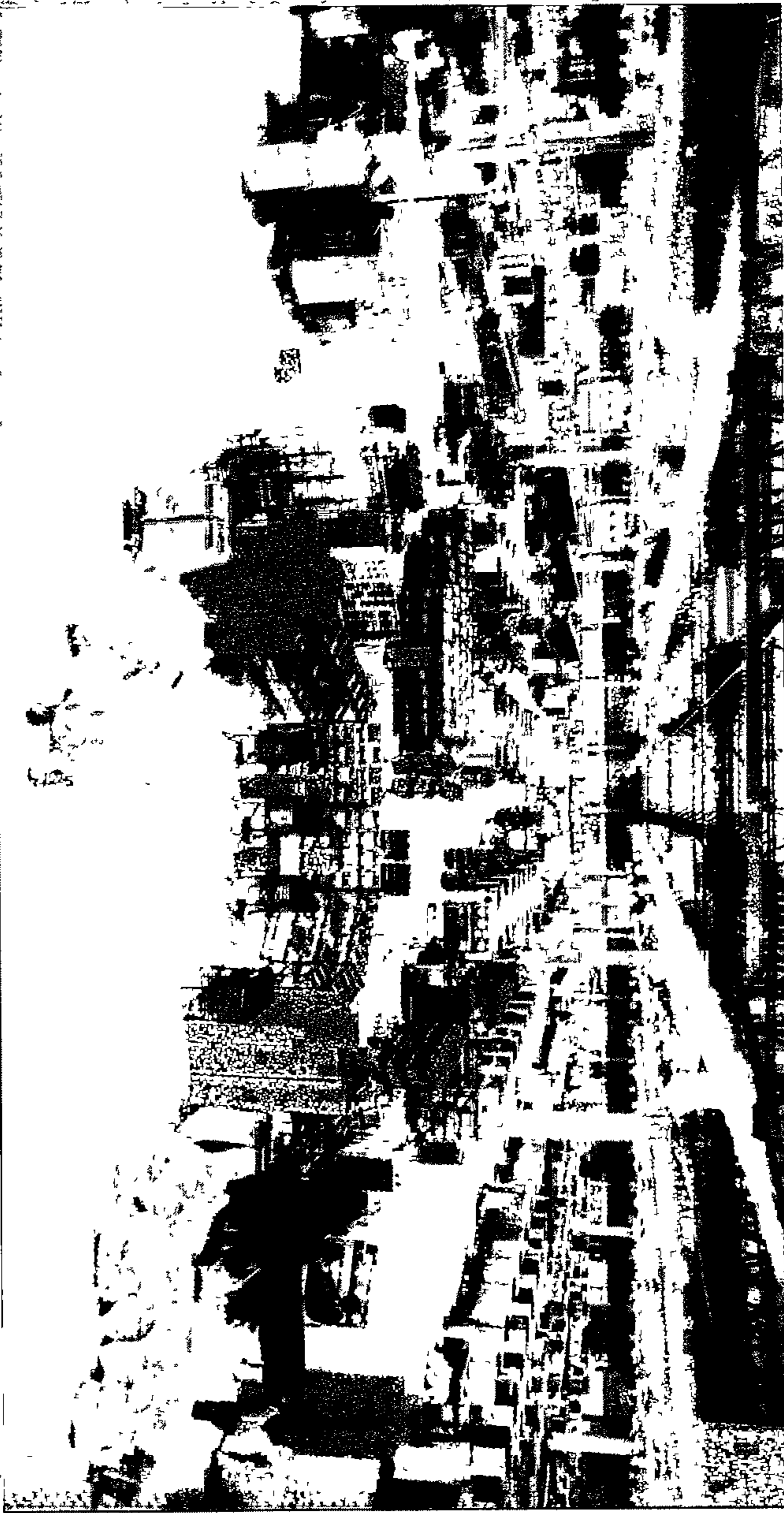
The scam involved routing overseas calls through illegal "open or unused" Telkom subscriber lines and charging cut prices.

Police spokesman Warrant Officer Jeff Coetzee said the illegal aliens were believed to have been paid R50 a day to run the operations

Coetzee said lines were applied for for rented houses or flats and were then used to channel phone calls to overseas numbers. The defrauders moved on to new addresses, leaving high Telkom bills behind. In one instance eight lines used over four days rang up bills totalling R792 000

Telkom staff are suspected of having tampered with meters to avoid triggering alarms on high usage

**AT HALF A KILOMETRE A DAY, STEPHANIE'S LETTER TOOK 51 DAYS**



NOTHING TO WRITE HOME ABOUT . Gauteng's new multimillion-rand sorting complex has yet to improve postal services Pictures: CHRISTINE NESBITT

# If you're in SA, the cheque probably is still in the post

29 (267) ST 15/10/95

# Roped boy is reunited with his father

By VICTOR KHUPISO

THE father of the deaf boy found tethered in a Tembisa shack has returned home

James Mashaba was shown a copy of the Sunday Times containing pictures of his wife and child by patrons in a shebeen in Mohlakeng, Randfontein.

He immediately recognised his family and set about finding them

This week, he was reunited with his son, three-year-old Bongzi, who made headlines two weeks ago after he was found tied to a post by his mother while she went to work

Mr Mashaba said he had been searching for his common-law wife of 11 years, Lungile Sithole, and children for the past three years

Miss Sithole fled with their children from their home in a Lenasia squatter camp to the Winnie Mandela squatter camp after the couple fought

When Mr Mashaba arrived at a shebeen, the patrons were involved in a heated debate on whether the woman was justified in tying up the child

Mr Mashaba said he had joined in, telling them the mother must be crazy and, if she was his woman, he would take the children away. He was shocked, when he was shown the pictures, to discover it was his child

The Sunday Times this week escorted him to the family's shack in the squatter camp, where he wept openly as the family were reunited

He said he would take Bongzi to be healed in traditional rites and would hire a maid to care for him



**LONG WAIT.** Stephanie Bridge says it is 'pathetic' that she had to wait more than a month for a locally posted letter

207

ST 15/10/95

By GARY COLLINS and GWEN GILL  
**STEPHANIE BRIDGE waited nearly two months to receive a letter posted just 25km away in Vereeniging.**

It took 51 days for the letter, posted on August, 8, to reach her in Daleside this week.

"I think it is pathetic that the letter took so long, there was no postal strike, how can it take so long to travel just 25km?" she asked.

"When I inquired at the post office, I discovered the letter was sent via Johannesburg. This took 38 days before it was sent on to me in Daleside, which took another 13 days."

Mrs Bridge's experience underlines the sorry state of South Africa's postal services.

Delays, lost items and the theft of parcels and letters spell millions of rands in losses to businesses.

Police recently smashed two syndicates in Cape Town and Nelsonport involving several post office workers who intercepted mail in search of cheques, cash and postal orders.

A recent survey showed local postal deliveries, especially those in Gauteng, fared dismally when compared with overseas counterparts.

The independent research company hired by the post office found that of the 3.5 million letters and parcels posted daily in Gauteng, 58 percent reached their destinations late or never arrived at all.

The poor delivery rate was underlined by a mini survey conducted by the Sunday Times in which we asked our bureaus in Durban, Port Elizabeth, Cape Town and London to each post two letters to the Sunday Times head office in Johannesburg.

Letters posted on September 26 and 27 from Port Elizabeth, Durban and Cape Town took between seven and 17 days to arrive, while only one of the two letters from London has reached us.

Andre du Toit, a spokesman for the research company, said only the letters that took seven to eight days to reach Johannesburg fell within the target range.

"Apart from Gauteng, the service is reasonable, but nowhere near where we would like it. Gauteng is a disaster, I can say nothing good about the service," Mr du Toit said.

The survey did not include Transkei and Ciskei because their performance could not be measured, he said.

Postal services in Transkei, Ciskei and Venda, which are still administered by structures established under the former homeland governments, are chaotic.

The chairman of the National Postal Forum, Peter Wingrove, said that until recently the Transkei region had just one truck for postal deliveries.

"Transkei, Ciskei and Venda will be incorporated next year, but there are still people clinging onto power in those regions," he said.

A spokesman for the South African Direct Marketers Association, Mr Hannes

van Zyl, said members relied on an efficient postal service. "The situation is an absolute disgrace. The Transkei still has delays of up to three months in the delivery of postal items. Gauteng is also terrible."

Edgars managing director Don Etheridge said: "We time our advertisements, promotions and statements very carefully to reach our customers at the end of the month when they still have money."

"If our mail reaches customers in the middle of the month, they have spent most of their money."

"We don't know exactly how much this is costing us but it has an enormous effect on our business if a customer receives a letter from our company after the promotion date has passed."

Phillip de Winter, the managing director of a mail order company, said: "All our business is conducted via the postal

service and a substantial number of our catalogues don't reach the clients."

"Recently I discovered that our catalogues, which were specifically addressed to people, had been put on the post office counter for anyone to take. Our response rate has also fallen because of the slow rate of postal deliveries."

"Customers also send us deposits in the form of cash, cheques and postal orders and we always get complaints that they have sent us the money and we have not sent them anything. But we don't get the money."

"Every day we receive envelopes which have been ripped open. The cheques and postal orders are often missing."

"This is affecting the bottom line of my business, every body in the mail order business is losing money because of the terrible postal service."

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57 15/10/95

# !Khoisan X in R6bn Telkom tender

(267)

CT(BR) 16/10/95



Khoisan X

BY THABO LESHILO

STAFF WRITER

Khoisan X, who sent shock waves through the business community with his bid for the African Bank last week, was also involved in the R6 billion Telkom tender to lay a million telephone lines in rural areas, sources said

The participation of Khoisan's company, Trans Africa Investment Holdings (Trasaiho), in the Telkom

bid was through AT&T, the telecommunications giant

Trasaiho and AT&T were said to have agreed to form a separate company to handle the lucrative contract if they won

Frank Coleman, the president of AT&T South Africa, could not be reached for comment. Khoisan X declined to comment

A total of 20 proposals had been received and were being evaluated, a Telkom spokesman said.

**AT&T confirms partnership discussions  
with !Khoisan X about Eskom tender**

(267) LT (PR) 17/10/95

AT&T, the American telecommunications company, confirmed yesterday that it had discussed a partnership with !Khoisan X's Trans Africa Investment Holdings (Trasaiho) regarding its R6 billion Eskom tender. Roberta Coleman, AT&T SA's public relations director, said Trasaiho was one of the many black groups her company was considering as a partner to lay a million telephone lines in rural areas for Telkom.

She said there was no partnership between her company and Trasaiho or any of the black groups as yet. "AT&T filed the tender alone. But, as part of our commitment to the RDP, we want to involve local black equity and have been talking to some of the groups."

!Khoisan X surprised the business community by tabling a R200 million package to save the African Bank recently — Thabo Leshilo

# Telkom's 'hive-off' plans raise ire of unions and staff

~~267~~ (267) BD 2/10/95  
Melanie Sergeant

TELKOM's bid to hive off its R1bn-a-year "non-core" activities, which cover transport, restaurants, workshops, security services and construction, has raised the ire of unions and staff

The move coincides with plans for Telkom to sell off 20% of its equity.

Outsourcing consultant Joe Manchu said at the weekend there was "widespread uncertainty and a large amount of disinformation around", which was not conducive to convincing unions and staff that the move was in the best interests of making Telkom a world-class, competitive telecommunications company

Telkom senior GM Jannie Zaaiman, in charge of management services, said outsourcing had become common practice among telecommunications operators worldwide.

There are 14 000 people employed in the targeted five businesses, out of a total workforce of 56 000 at Telkom.

Zaaiman said the outsourced businesses would have contractual arrangements to supply Telkom, with goods or services for a specific period, but would be open to offer their excess capabilities to the open market.

Although "preferred contractors" to Telkom, the businesses would be subject to service level agreements

Telkom and the unions have already agreed on the initial stages of reconstruction, namely identifying support functions, regrouping these functions, and creating divisions

Zaaiman said the businesses could be owned by former Telkom employees, or merged with existing companies. Forming subsidiaries was "totally unfeasible". He believed there was substantial opportunity for black empowerment in the new move.

Telkom hopes that once concrete proposals are on the table, the unions will accept the outsourcing option as it would avoid closing down operations, with inevitable retrenchments



## Postal delays linked to job fears

Ingrid Salgado

DELAYS in the postal delivery system and missing post could be attributed mainly to public servants who feared losing their jobs as a result of the transformation under way in the Post Office, SA Post Office chairman Donald Masson said yesterday.

Changes to production operations, retrenchments, affirmative action programmes and different working hours had been "too much to handle" for many employees. The Post Office was attempting to handle the process "sensitively and humanely" while also modernising its production processes.

Masson said the Post Office would be providing worldwide standards to users by early next year.

Despite complaints from a wide range of organisations and individuals, Post Office figures showed only 0,04% of mail went missing.

The Post Office said only 63% of mail delivered in the Witwatersrand region arrived within set delivery stan-

Continued on Page 2

Post

(267)

Continued from Page 1

standard time, which was two days within the same municipal area, four days in the same province and five days between provinces. In the Eastern Cape 97% of mail arrived within the standard time, KwaZulu-Natal scored 92%, Free State, Northern Cape and Northwest 91%, Western Cape 87% and Northern Province 83%.

Masson said a number of wildcat strikes in the past year had also affected efficiency. Johannesburg workers last month embarked on work stoppages, fearing they would lose their jobs when Johannesburg postal operations moved to Witspos, Ormonde. Masson said the Ormonde mail centre would ensure more streamlined processes were followed, but had resulted

in a number of redundant

SA Chamber of Business economist Bill Lacey said institutions had been the heaviest postal delays and missing mail, particularly in Gauteng where efficiency was lowest.

Credit card renewals have become a problem for service providers with at least one deciding to stop hand deliveries.

Lacey said some businesses were moving to other means of mail but this was not viable for postage material.

Business was trying to pressure the Post Office to become more efficient through the postal structure made up of labour and governmental organisations and the Post Office. However, the process and in the interim there were no mechanisms between members of the forum, he said.

# Mandela appeals to industry leaders

CT(BR) 4/10/95 (267)

By ROBERT EVANS

REUTERS

Geneva — President Nelson Mandela, in a strong plea on behalf of developing countries, yesterday urged industry leaders to accept that telecommunications development could not be left purely to market forces.

His appeal, at yesterday's opening of the seventh World Telecom Exhibition, Telecom 95, won some backing from the European Commission president, Jacques Santer, who called on rich powers to show generosity in transferring technology to poorer states.

"Given the fundamental impact of telecommunications on society and the immense historical imbalances, telecommunications must become part of the general public debate on development policies," Mandela said.

"Telecommunications cannot be simply treated as one commercial sector of the economy, to be left to the forces of the free market"

His remarks appeared to reflect resistance among emerging economies to a deal opening up the sector to the extent sought by the United States and some other pow-

ers in World Trade Organisation (WTO) negotiations

"Many developing countries face difficulties in raising capital for their existing operators

"There is consequently pressure on governments to throw open their doors to international competition," Mandela said

"This calls for great care, to avoid jeopardising local services unable to compete with powerful international operators"

In a later speech at a forum running parallel with Telecom 95, WTO chief Renato Ruggiero called on governments and the private sector to ensure that a global telecommunications pact was completed on deadline by April next year

But Ruggiero said it was essential that negotiators, who are to hold a high-level meeting on Friday, established safeguards to prevent abuse of market power by big operators under a world-wide liberalisation programme in the sector

"Benefits of liberalisation would be severely constrained if it were to remain possible for dominant operators to dictate prices and control access to the infrastructure that is so critical to effective global communications," he declared

## Nafcoc racing to meet Afbank bid deadline

CT(BR) 4/10/95

By THABO LESHILO

STAFF WRITER

At least five bids had been tabled to save the collapsed African Bank ahead of today's deadline, curator John Louw said yesterday.

Nafcoc, which has claimed control over the bank's fate, was racing against time to put the finishing touches to its bid to meet the deadline, said Joe Hlongwane, the organisation's president

Louw would not say which of the 15 parties expected to submit bids had done so

Hlongwane said Nafcoc would submit a joint bid with the South African Commercial, Catering and Allied Workers' Union and an unnamed banker

"Nafcoc (and the union) want to have a new-look African Bank that will properly address the issues of black empowerment and the empowerment of workers," said Hlongwane

The bank, which was formed by Sam Motsuenyane 20 years ago, was put under curatorship last month after being hit by bad debts amounting to R28 million for the year to March, and the effects of apparent bad management.

TELECOMMUNICATIONS POLICY

(267) FM 6/10/95

# Green light for national debate

**Government has** received almost 150 proposals in response to its telecommunications Green Paper, intended to foster national debate on a future policy and regulatory framework. Some, however, fear the process could become bogged down in paperwork.

There is also concern that Posts, Telecommunications & Broadcasting Minister Pallo Jordan has already decided to protect Telkom's monopoly in the short term.

He has made it clear on numerous occasions that telecom policy must balance SA's developed infrastructure with the developing one. He argues that Telkom is a national asset which must be protected from overseas competitors who will "cherry pick" its more lucrative business, leaving it unable to meet its RDP commitments.

Another potential problem area is Telkom's R60m restructuring and re-engineering programme. The State-owned operator is searching for an overseas equity partner. Telkom MD Brian Clark — who visited the International Telecommunication Union's conference in Geneva this week — is believed to have met heads of international telecom operators.

Though Jordan has given Telkom the nod to continue its restructuring, this is causing increasing anger in the unions. A decision on Telkom's partial privatisation, therefore, is likely to wait for telecom legislation to be passed. Other pertinent industry issues — such as competition policy and the creation of an independent telecom regulator — will also have to wait.

Respondents to the Green Paper include large and small participants in the telecom and broadcasting industry. Responses have been received from individuals apart from State-owned companies Telkom, Eskom and Transnet, SABC and its signal distribution subsidiary Sentech, cellular players Vodacom and MTN, various government departments, the SA National Defence Force, Post Office & Telecommunications Association (Potwa) and other unions, the ANC-aligned Centre for the Development of Information Technology Policy (CDITP), National Telecommunications' Forum (NTF), merchant banks, and the Electronics Industry Federation.

Submissions are available to the public, says Jordan's co-ordinator of the Green Paper task group Willie Currie.

He says the Green Paper process is expected to cost R2,5m in administrative and consultancy fees. Canada's International

Development Research Centre and the Canadian International Development Agency will sponsor R1,5m, with the shortfall coming from the department's budget. Costs include payments to 11 local and international consultants, rental of a Johannesburg office and publicity and printing costs.

The technical task team evaluating the proposals is made up of CDITP project co-ordinator Andile Ngcaba, Cape Town University's Robert Braun, NTF representatives Koos Klok, Gabriel Celli and Michael Stocks and Potwa's Khumbulani Mkhize.

Five international experts and a group of "eminent persons" will examine the recommendations and shape them into a White Paper. This is due to be published on March 15 and tabled in parliament, where a special committee may take the discussions further, says Currie.

Currie, who set up the Independent Broadcasting Authority (IBA), says lessons have been learnt from its formation and the telecom legislative process will not flounder in the same way. He plans a forum for November 20-23 to discuss issues of dissent with the major stakeholders.

Controversial issues include universal service, equity restructuring and ownership of Telkom, competition policy, the role of other State-owned companies, such as Transnet's Transtel and Eskom (which have their own telecom networks), the regulator's role, the design of tariff structures, allocation of the frequency spectrum and black

economic empowerment.

Though Telkom's partial privatisation hinges heavily on the eventual regulation policy, Jordan has already given the utility permission to embark on a R60m restructuring and re-engineering process.

Plans to hive off noncore activities — transport, restaurants, workshops, security services and construction, affecting 14 000 people — are well advanced. But for ideological reasons — and fearing job losses — Potwa, Telkom's largest union, continues to make threatening noises and promise widespread industrial action. ■

## JSE

### Screen debut

**A subsidiary** of the Chicago Stock Exchange — MSE Integrated Systems — has been awarded the contract to supply software for the Johannesburg Stock Exchange's screen trading system.

The automated trading system's total cost is estimated at R20m. This includes new computers from Digital Equipment Corp and a network linking the five buildings housing stockbroking firms.

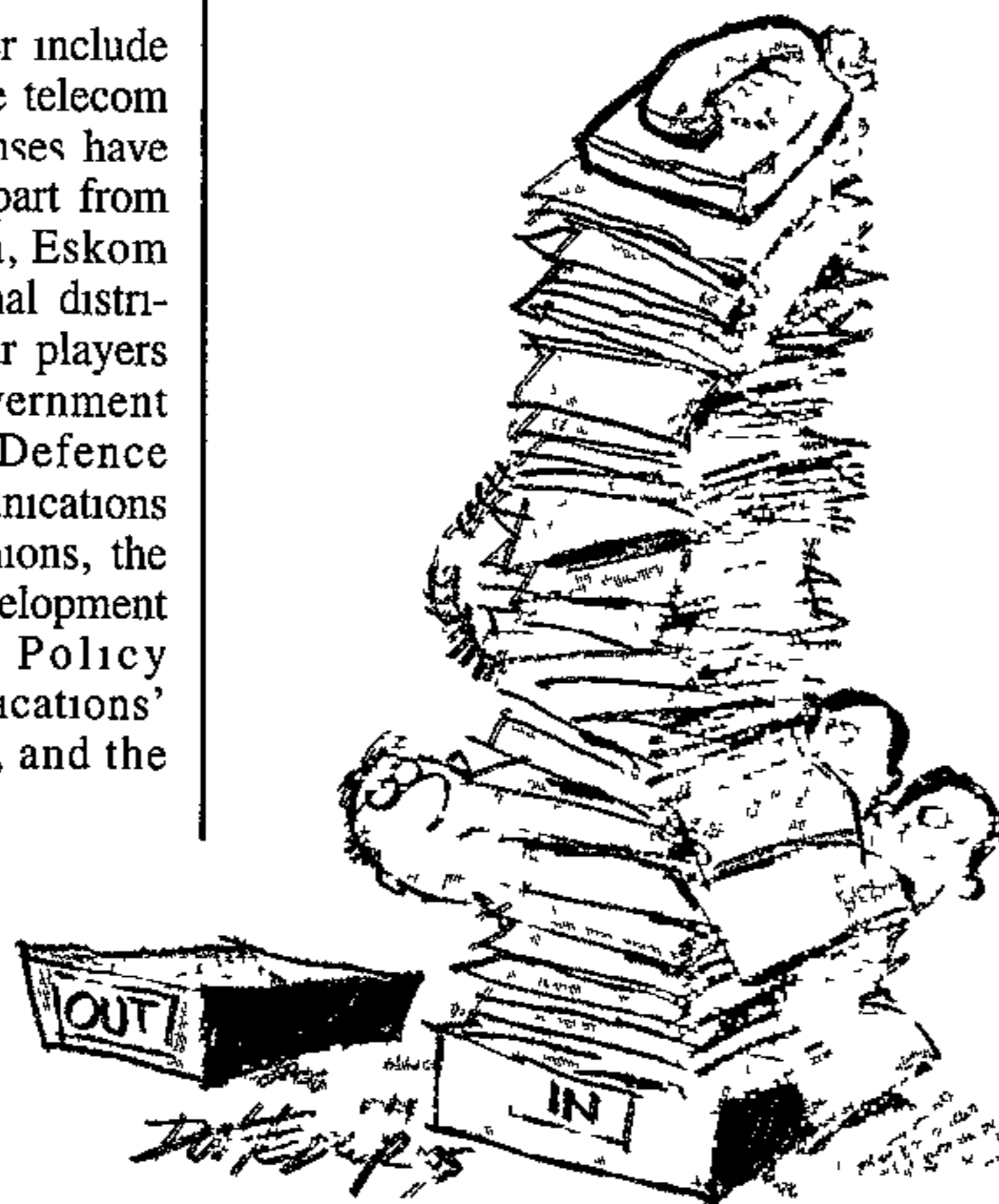
Computer specialists at broking firms canvassed by the *FM* complain that they have been left in the dark about details of the new system.

However, JSE information technology GM Daan Grobler says broking firms which remain in the buildings surrounding the JSE will be able to link their dealers' computer terminals directly into the JSE network. Firms which choose to move out of Johannesburg's CBD are advised to link into the JSE's system using Trafex, a value-added network operator owned by IBM and Standard Bank. They also have the option of leasing their own lines from Telkom.

The automated trading system is scheduled to start replacing the JSE's existing market floor from March. The JSE is under pressure from its new members — the banks — to have the system running within six months. But there are many sceptics who don't believe this deadline is realistic.

Grobler concedes the schedule is tight, but points out that MSE has the experience to solve problems and that it took just four months to install its system at the Manila Stock Exchange. That contract, however, required few modifications.

MSE's system has also been installed by exchanges in Amsterdam and Bangkok. ■



POST OFFICE

(267) (268)

## Sorting the problem

PM 26/10/95

The Post Office is about to re-engineer its mail sorting procedures, improve postal delivery and launch an aggressive campaign to claw back business from courier companies for parcel business.

Postal delivery reached its nadir over the past few months while the Post Office moved operations out of Johannesburg to Ormonde in the southern suburbs.

Systems have been redesigned under the guidance of consulting firm Proudfoot which is credited with commercialising New Zealand's Post Office. Its target is to deliver 95% of mail within two days if addressed to somewhere in the same city, four days between cities, and five days for mail addressed elsewhere.

But the proof of the pudding is in the eating. Commerce and industry have been plagued by late deliveries which even prompted the Johannesburg Stock Exchange to issue a cautionary to its members to allow extra time for response to pre-listing statements, share options and debenture

## INFORMATION TECHNOLOGY

offers. Other complaints include late delivery of tax statements, invoices, business invitations, telephone accounts and municipal rates.

According to Post Office technology GM Quintin McGrath, the worst is over and the public can expect to see an improvement.

Several projects aimed at rejuvenating the postal service are now in place or nearing completion. Hub and Spoke, a system aimed at streamlining the mail sorting process, is currently being bedded down. Track and Trace, a registered mail system based on bar coding technology, has been in operation since July. Excellpos, a retail banking computer system, has been plagued by delays but should be in operation by March.

McGrath says bar codes, which are electronically scanned to check articles are correctly sorted, also assists in monitoring how efficiently the Post Office handles its daily average of 7,7m articles. In the past, statistical sampling techniques were used to give a rough idea how mail loads varied. With a computerised system, the Post Office has more accurate methods of matching its staff level with the mail load.

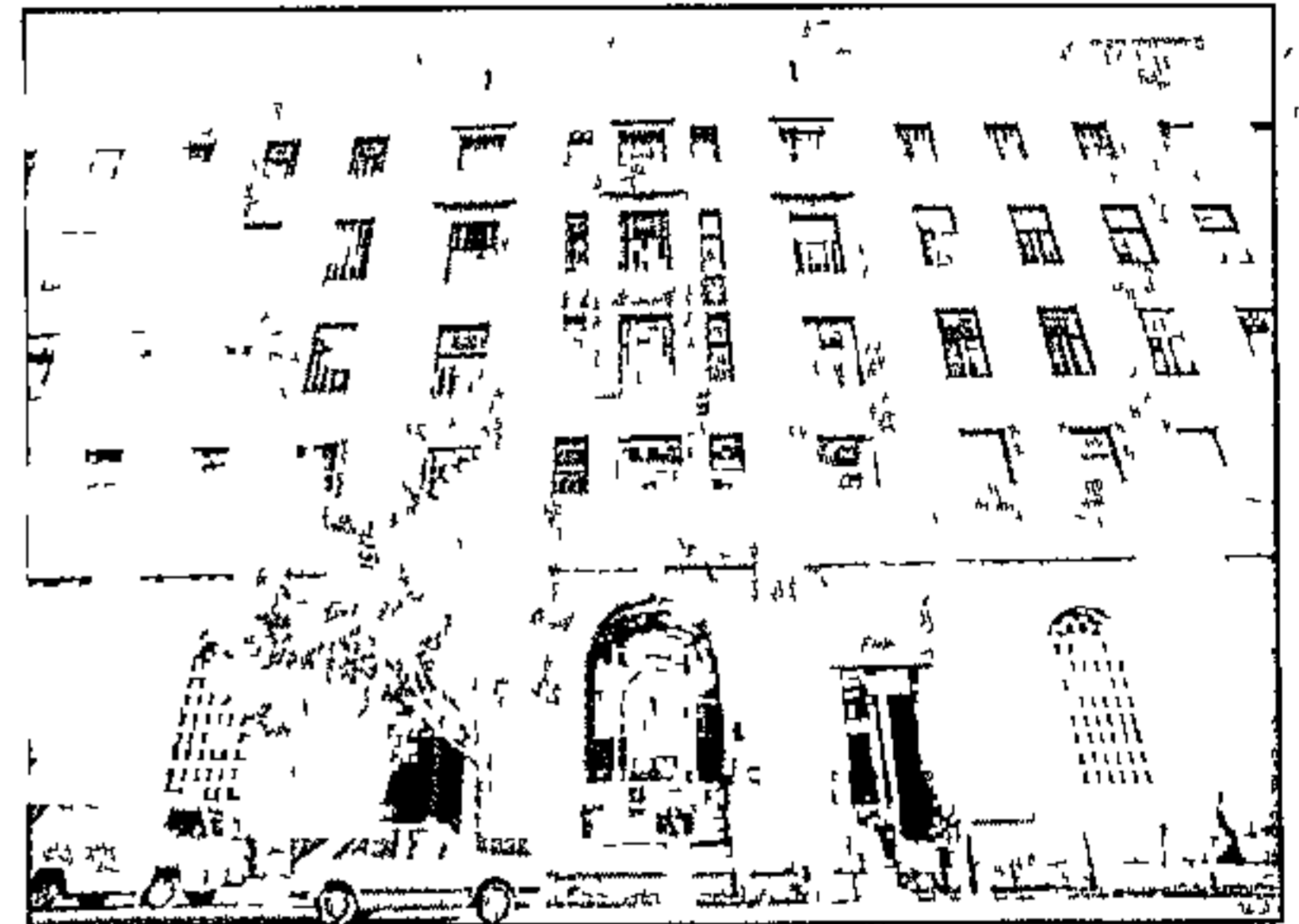
Under the Hub and Spoke system, mail is sorted at 26 centres instead of 1 600 post

offices. The improvement should have the most effect in Gauteng where five operations have been consolidated into a new R40m Witspos centre in Johannesburg's southern suburbs. The centre replaces the Post Office's Jeppe Street branch where all bulk mail had to be delivered, its parcel section in Harrison Street, its customs section in Loveday Street, and other operations in Doornfontein and Boksburg.

The Post Office's computer activities were stepped up in 1992 when it bought Volkskas Bank's mainframe centre in Pretoria for R20m.

The move was coupled with an ambitious project to effectively turn its countrywide branches into banks by installing a massive computer network.

McGrath says the initial specification of the retail banking system was not clearly defined, forcing the Post Office and its suppliers to renegotiate the contract. Continued delays resulted in a legal dispute with lead contractor Olivetti Africa, but the issue has been settled and the system is entering its



Jeppe Street Post Office bulk mail centre — relic of the past

test phase.

Once in operation, Excellpos will simplify counter transactions and make postal orders and money orders more inviting.

Post Offices face competition from the growing trend of sending messages through computer networks such as the Internet. While the volume of letters and bills sent "snail mail" could decrease, parcels volume should increase as people make their purchases using electronic catalogues.

# Housing attracting interest at trade fair

Pro 6/10/95

John Dluclu

HOUSING and telecommunications are two of several sectors to have attracted interest from US firms participating in the third annual Made in USA trade fair at Gallagher Estates, Midrand.

One exhibitor, Barnes International Trading president Lina Barnes, said her corporation was finalising plans for a housing joint venture with Cape Town-based firm Bham, Tayob & Kahn. If clinched, the deal would see the two partners co-operating in building "moderate-income" or affordable houses in the Cape townships.

The parties also planned to expand into other sectors, such as construction of schools and social infrastructure.

Barnes said she would bring a group of construction experts to the joint venture, while the Cape Town firm would provide finance for the project.

Discussions were also under way with the Northern Cape provincial government to participate in their housing projects, she said.

Bham, Tayob & Khan is understood to be involved in plans to renovate stadiums as part of Cape Town's bid to host the Olympic Games.

Apart from the housing deal, Barnes hoped to set up a firm in SA to export pork to the Pacific Rim countries, a move which would slash transport costs for her firm.

Another US firm, Cleveland-based telecommunications operator Telecom Cleveland said a flood of interest had

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greeted its products, and was hoping to sell its computers, faxes and telephones to SA in the near future.

A representative of the US commerce department at the fair, Melissa Grimm, said the fair represented one of the key initiatives by the commerce department to focus on the 10 "emerging markets", which included SA.

The department aimed to use the fair to create US/SA partnerships, especially linkages with disadvantaged black SA firms.

The department's exhibition stand, displaying items from US firms, was one of those which had attracted "good interest" from SA visitors.

A good number of the 200 firms at the fair already has some form of representation in the SA market, via distribution or licensing agreements.

Des Hickman, sales manager for J Melnick & Co, which sources confectionery and grocery items from the US and Europe and sells them to major SA retail chains, said the fair — which runs until tomorrow — had helped to attract interest from neighbouring countries such as Zambia, Botswana and Malawi.

The fair has been used by companies in southern Africa to market their products to the US market.

Swaziland-based arts and craft firm Endlotane Studios' Albert Reck said it was crucial that they introduced their products to the US market, as the regional market was too small. During the fair, he had identified a need to appoint more agents in SA.

# Better African 'lines' ahead

ARG 9/10/95 (267)

GENEVA. — If South Africa's well-financed telephone network is discounted, the continent today has by far the worst telecommunications system in the world.

Although Africa often seems to be the lost continent of telecommunications, recent positive signs indicate that the region's information infrastructure may soon achieve new growth.

Line penetration, a standard measure of telecommunications development, stands at well below one line per 100 people, the continent has less than two percent of the world's telephone lines, and about three-quarters of all Africans will, on present figures, never get the chance to make or receive a telephone call.

But recent steps toward liberalisation, competition and even privatisation in the region indicate that some African nations could soon see their fortunes improve, say officials in Geneva for Telecom 95, a quadrennial meeting of key players in the industry.

"In virtually all of the countries of Africa, a heavy restructuring of the telecommunications sector is under way," says Marcel Werner, secretary of the non-profit Telecommunications Foundation of Africa.

"More and more telecommunications administrations are going ahead with liberalisation because they are unable to expand their networks as they would like."

Officials in nearly a dozen African countries have set up mobile (cellular) telephone systems, according to statistics compiled by the International Telecommunication Union, (ITU), the United Nations agency

sponsoring Telecom 95. Almost a dozen nations are considering issuing licences for cellular networks, often to private groups.

Ghana already has a second private operator for basic telecom services, Zambia, Ivory Coast, Senegal and Congo are planning at least partial privatisation of their telephone companies; and Guinea is already offering 49 percent of its national operator, according to the Massachusetts-based consultancy Pyramid Research.

Furthermore, a half-dozen projects are under way to provide high-capacity networks that would span the continent.

One, a pan-African satellite called Rascom, expects to have \$180 million (R648m) in financing in place by January in order to launch a satellite in 1997. The South African network operator is looking into expanding its ties with surrounding nations.

And United States telecommunications giant AT&T is proposing an undersea fibre-optic cable that would ring the continent.

Finally, in a region notorious for allegations of poor management and where misappropriation of resources is rampant, many countries have started demanding greater accountability from telephone company officials and greater transparency in their operations, says Raymond Akwule, a professor at George Mason University in Virginia in the US, who follows African telecommunications development.

Professor Akwule specifically cites Gambia and Ghana as nations that are making good progress toward better management. Such home-grown reforms,

Professor Akwule says, are the real key to further development of African telecommunications.

"The solution should be spearheaded by the Africans," he says.

"By looking within, they can change themselves."

Still, enormous problems remain. Levels of line penetration on the continent are alarmingly low. Western Europe and the US have 50 to 70 lines per 100 people. Zaire, for example, has just nine lines per 10 000.

Although no African nation could afford levels such as those seen and used in the developed world, five to 10 lines per 100 people would be economically viable, says Mr Werner.

"The demand for quality services in Africa is very high. The companies are trying to keep up with very pressing demand."

Although few would say that Africa can develop sophisticated telecommunications on its own, so far companies from developed countries have not put down much cash.

"Most of the countries are liberalising, but the politicians are scared," said Gerard Mutti, head of Zambia Telecommunications. "They're liberalising, but there's still no money to support their promises."

One potential source of funding for Africa may come in the form of investment from WorldTel, a public-private partnership supported by the ITU.

The group will focus on specific telecommunications projects in developing nations that take concrete steps toward liberalisation of communications and foreign investment laws.

— Sapa-IPS

# Telkom campaign aims to reduce copper cable theft

(267) Star 10/10/95

Telkom yesterday launched a print and radio advertising campaign to counter theft of its telephone lines for the copper wire, particularly in the Witwatersrand, Telkom communications manager Gert Schoeman said.

The campaign, to run until the beginning of November, is aimed at gaining the support of the community.

Leaflets and posters will be distributed in affected areas.

Theft of copper cable, which cost the company R14-million last year, is often not regarded as a serious crime, Schoeman said in a statement.

Schoeman said the Witwatersrand region was the most seriously affected, followed by Kwa-Zulu-Natal.

Since the beginning of the year, cable worth R5,1-million

had been stolen in 688 incidents in the Witwatersrand, compared to last year's figure of R3,3-million.

Information on cable theft can be supplied to Telkom on a 24-hour toll-free number. Callers may remain anonymous and could be in line for community rewards, Schoeman said.

All leads would be followed up by the company and information would be regarded as confidential. Reaction units would be alerted if information on a theft in progress is received.

Schoeman said cable theft appeared to be the work of organised gangs.

The problem was exacerbated by inadequacies in the Mineral Act which allowed scrap metal dealers to act as receivers with minimum risk, he said. - Sapa



Strike action ... against affirmative action. Telkom workers protesting outside the company's regional head office in Randburg yesterday. Workers will return to work today. PICTURE: NATASHA PINCUS

■ STAFF REPORTERS

The approximately 200 Telkom workers - members of the whites-only Mineworkers' Union (MWU) - who went on strike yesterday have ended their protest. Witwatersrand spokesman Gert Schoeman said the workers dispersed about 2pm after lengthy discussions between union representatives and management. They had gath-

## 200 Telkom workers end affirmative action strike

ered outside Telkom's regional head office in Randburg yesterday morning to protest against affirmative action. Schoeman said the worker's grievances had been referred to the company's headquarters.

The MWU - a union representing white employees in several businesses - called for the reinstatement of a merit system whereby employees at C2 level and higher were promoted. After the scrapping of the sys-

tem, posts were advertised and white Telkom employees were angry that blacks lacking qualifications and experience were being hired on the basis of their potential, MWU chief executive A C Van Wyk said.

He added white employees were being overlooked for promotion and in some cases were training black people junior to them to become their supervi-

*Star 11/10/95*

*(267) (E)*



# IFP's hardline strategy will deepen tension, warns ANC

BD 12/10/95 (267) (118)

Farouk Chothia

DURBAN — The strain within the KwaZulu-Natal government would deepen if the IFP failed to reverse the hardline strategy it adopted in the legislature session which ended on Monday this week, ANC provincial chairman Jacob Zuma warned yesterday.

Zuma said the IFP should realise that it had a mere one-member majority in the provincial legislature, and that it could not govern without the co-operation of the other parties.

"The next six months are crucial for the IFP to mend its ways. If it does not, it will be under perpetual pressure," Zuma said.

The IFP has 81 MPs in the legislature, which is including the speaker. The six opposition parties have a total of 40 of which the ANC has 26.

Premier Frank Mdlalose's spokesman, Thembinkosi Mem-

ela, said that an "ordinary" cabinet meeting was held yesterday — the first since the legislature crisis started.

Confirming that no "heavy stuff" was discussed in the meeting, Zuma said. "I think everybody wanted to cool off."

Memela said the cabinet had met a delegation from one of the German states. Investment and tourism were discussed.

Zuma said he still got along "very well" with Mdlalose.

"I sympathise with him. He ought to be a father figure but his party is forcing him to behave as though he is only an IFP premier," Zuma said.

He warned the IFP not to introduce further legislation intended to challenge central government — including Bills to re-enact the Ingonyama Trust Act and an Electoral Act — at the legislature session scheduled for next month.

Zuma said that if the IFP did

so, the ANC would respond in the same fashion it had done in the session which ended on Monday.

Zuma said there was no prospect of the ANC pulling out of the unity government as it was one of the "cornerstones" of ANC policy for the transition period.

But the ANC would introduce a motion of no-confidence in the IFP if it continued using "bullying tactics". The IFP should also stop behaving as though it was "still running a one-party homeland".

"If they can't govern the province, the province must be taken out of their hands. It is our duty to defend democracy in the province," Zuma said.

He said the ANC caucus was to discuss the conduct of speaker Gideon Mdlalose who reversed an earlier ruling he made and allowed debate to take place on Bills intended to prevent traditional leaders from accepting remuneration from central government.

## Niehaus attacks whites' dominance of the Press

BD 12/10/95 (267) (118)

Tim Cohen

CAPE TOWN — White and foreign dominance of the SA Press was sharply criticised yesterday by the ANC.

ANC NEC member Carl Niehaus told a news briefing the SA Press was not reflecting the country's full diversity of voices.

The ANC said in a statement released at the briefing: "Without fundamental change in the patterns of ownership and control of the media, the sale of large sections of the print media industry to foreign interests can only further disempower South Africans."

The Press had been slow in responding to the far-reaching changes that SA was undergoing and most newsrooms remained predominantly white.

"Consequently most mainstream newspapers have white editors who are often perceived to be some of the strongest opponents of the democratic majority government."

The statement singled out Star editor Peter Sullivan, accusing him of trying to stifle opposition within his own staff.

The statement appended an internal memorandum signed by Sullivan which said the Star "must speak with one voice" on the issue of foreign ownership and the racial make-up of the Press because of the topic's "sensitivity".

"The Press is one issue which requires experience and strategic formulation."

It is understood the memorandum was issued in response to an article written by one of the newspaper's black reporters critical of the approach adopted by the Star during the ongoing debate. The article was not published.

The ANC said in the light of Sullivan's instructions to his staff, his professed commitment to Press freedom rang hollow.

In response, Sullivan was quoted in yesterday's Star as saying that the attack was mystifying as he had taken every opportunity to stress that he believed the ANC was fully committed to Press freedom and that he was committed to Press diversity.

Niehaus denied that his organisation was "soft" on crime.

Commenting on the decline in the safety and security budget, Niehaus said the ANC would have liked to have seen more spent directly on crime prevention.

But the ANC had a holistic approach to the problem which included a socioeconomic component and therefore required expenditure in other areas as well.

He said the ANC was concerned about "negative messages" on the local government election, particularly statements made recently by local government election task force co-chairman Van Zyl Slabbert. Despite hitches, the election was going to take place in most areas of the country and a positive message about the elections ought to be expressed, Niehaus said.

## R140m for Soweto roads

Mduduzi ka Harvey (267) BD 12/10/95

THE greater Johannesburg transitional metropolitan council has allocated more than R140m from its budget in the current financial year to implement 30 road projects in Soweto.

Launching the RDP/Masakhane roads project in Orlando East yesterday, Johannesburg mayor Isaac Mogase said the greater Johannesburg council would ensure service delivery, but delivery had to be supported by the community.

The projects, he said, were a way of encouraging the community to support both Masakhane and the RDP.

The best structure to deliver to the communities was local government. But the best service delivery would require the best service payment in return, Mogase said.

Soweto mayor Danny Kekana echoed his sentiments, saying that residents should pay for services, because without funds there could be no service delivery.

Soweto Civic Association spokesman Pule Buthelezi encouraged residents to support the campaign. For local government to be successful, he said, it had to be people-driven.

Johannesburg council RDP unit head John Singh said that community involvement would be the project's main thrust.

The aim was to implement a philosophy of empowering communities, by promoting joint ventures between local and conventional contractors.

## NEWS IN BRIEF

### Watchdog for small business

**KWAZULU-Natal** had established a provincial small business council affiliated to the national body as a watchdog for small, medium- and micro-sized enterprise interests, economic affairs and tourism MEC Jacob Zuma said yesterday.

Opening a provincial workshop on small enterprise, Zuma said the new structure would form a critical link between small business and government, developing institutions within the province's small and informal business sector, while stimulating the creation of occupational and professional sectoral associations.

### Post in hands of business

**BUSINESS** had the ability to remove more than 40% of the problems experienced by the postal service, the Johannesburg Chamber of Commerce and Industry said yesterday.

While business was justified in its criticism of postal delays, it should be aware that the solution of much of the problems lay in its own hands. Two-fifths of postal workers' time was taken up by correcting postal codes and sorting items which could not be read by automatic handling equipment.

### Telkom workers end strike

**STRIKING** Telkom employees returned to work in Johannesburg by midday yesterday following disputes over the company's affirmative action policy and "political" posters at depots, Telkom spokesman Gert Schoeman said.

### De Beers strike continues

**THE** strike at all De Beers mines continued yesterday amid the occupation of offices at a number of mines and several marches, De Beers said yesterday. The company, which will meet National Union of Mineworkers representatives today in a further attempt to resolve the strike, said the dispute, involving a cut in annual leave, affected 600 out of a total union membership of 4 700, who were being compensated for the loss of leave.

### Call to end farm evictions

**MPUMALANGA** premier Matthews Phosa yesterday called for an immediate end to the eviction of farm labourers and tenants, saying racial tension was building in the province's rural areas. Farmers were writing eviction notices "as if they are magistrates, and then are moving whole families far away from their farms to prevent them from returning" the premier said.

REPORTS Business Day Reporters, Sapa, Reuters

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# Stamp out postal errors

BY NIKKI WHITFIELD  
CONSUMER REPORTER

Bashing the Post Office is something everyone does, slating "them" for losing our letters, prying in our parcels and delivering mail at a pace that puts a tortoise to shame.

While the Post Office has pledged to put an end to the problems, the Johannesburg Chamber of Commerce and Industry has come to the conclusion that 40% of delivery difficulties are caused by its members - often the major moaners.

Chamber chiefs visited the Post Office's new shining hope, Witspos, in Ormonde, Johannesburg, this week and discovered a major chunk of the problem could be stamped out

if people addressed their envelopes properly

"Fully 20% of postal activity at the mail centre is caused by incorrect postal codes returned as undelivered which then have to be manually corrected," said chamber chief executive Marius de Jager after his tour of the 28 000sq m mail centre.

"And another 20% of postal activity is made up of manually sorted items that cannot be read by the optical-character-reading equipment used for automatic handling."

According to the Post Office, the most common causes of optical-character-reading failure are:

■ The postal code appearing in the wrong place and not on the last line of the address.

■ The address being put on the envelope in a place other than in the lower left-hand square

■ Window envelopes with excessively opaque windows

■ Faint delivery addresses caused by, for example, the use of a printer with a faded ribbon.

Business, De Jager said, initiated 84% of all postal material. Therefore, it followed that business had the ability to eliminate more than 40% of postal problems "simply by following the rules"

"We appeal to senior business people to take the time to find out what is happening in their own mailrooms and take action in order to co-operate with the Post Office."

(267) Star 12/10/95

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TELKOM

# Hogging the highway

(267) FM 13/10/95

**Telkom has** announced that it is to offer Internet services — a move that will take it into a market that until now has been the domain of young entrepreneurs

The State-owned telecom monopoly is in the process of setting up shop, but the other players are already crying foul. Competing Internet service providers say their clients have to wait a month for Telkom to provide leased lines. But Telkom's first two clients had their lines three days after Telkom announced it was offering the service. In terms of current legislation, nobody may compete against Telkom in the business of laying telecommunication lines.

Telkom manager of electronic commerce Hendrik Bezuidenhout says his first clients didn't receive special treatment — their lines were ordered about a month before Telkom announced it would compete for Internet business.

Telkom intends entering all three tiers of the Internet market, offering access to

- Corporations using leased lines,
- Secondary Internet service providers, and
- Dial-up access to individuals and small businesses

Bezuidenhout says Telkom's Internet rates are still under negotiation, but it will not start a price war with the existing operators. Full service is scheduled to start in November.

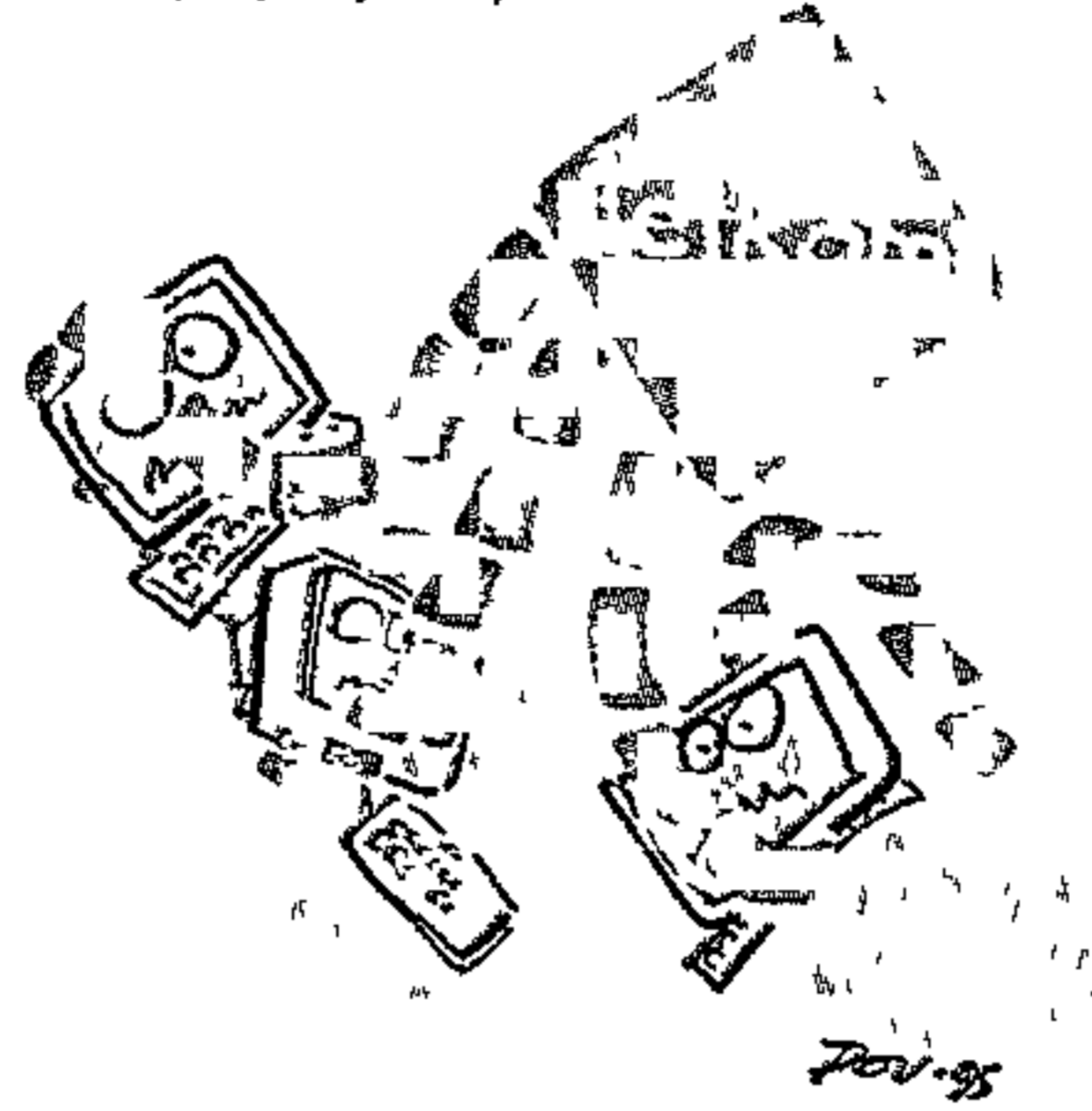
Telkom selected Pipex — a UK Internet service provider represented locally by JSE-listed DataTec — as its European ramp on to the Internet. Telkom's Internet also has a US link provided by New York-based Altnet. This is the same US connection used by Internet Africa.

Internet Solutions links its international lines into service providers owned by AT&T and Sprint. Sprint is entering the SA market directly through a joint venture with JSE-listed publishing group Publico.

Bezuidenhout's claim that Telkom will not start a price war contrasts with fighting talk from Pipex's local operation. Pipex GM Martin Dolmey says "This move will cause a shake-up for the Internet service provider market. Corporates and consumers will benefit from better prices."

Internet Solutions MD David Frankel argues service providers should be given the option of leasing their lines elsewhere before Telkom be allowed in the market.

"Telkom is our biggest creditor — we pay them more than R500 000 a month for lines," Bezuidenhout disputes Frankel's argument that Telkom will give its operators preferential treatment. His department has



to pay the same rates as outside companies.

Telkom's performance against young, entrepreneurial startups may turn out to be an interesting case study of State-owned corporations versus free enterprise. "It's nice to be big, but better to be good. Telkom will bring in a lot of new Internet customers — who will in time turn to us for help on how to benefit from the service," claims Frankel.

AT&T

## Three-way split

**AT&T plans** to restructure its unwieldy worldwide operations in what will be the largest unbundling in US corporate history.

Though local ramifications are still unknown, Fintech's NDS — the SA representative of AT&T's computing arm, AT&T Global Information Solutions (GIS) — is unlikely to be affected. AT&T's local subsidiary, however, may cast an even more aggressive eye on SA's telecom industry.

US\$75bn AT&T will split into three independent, listed companies. The AT&T name will remain with the \$49bn core communication services operation. The \$20bn telecom equipment, consumer product and multimedia manufacturing business will trade under a new name.

All computer operations will be put into a third company. This will include the troubled AT&T GIS subsidiary (formerly NCR). It will stop manufacturing PCs to focus on transaction-intensive computing. Financing company AT&T Capital will be sold to the public.

The break-up is expected to take effect late next year and jobs will be lost. About 8 500 staff are expected to be axed from GIS immediately.

"The SA operations will reflect the new corporate structure," says AT&T SA's Frank Coleman.

About 80% of the 25 staff members in the local office will be part of the new communications equipment company, with the rest remaining in AT&T services. NDS has the AT&T GIS agency until the year 2003, says Fintech chairman David Redshaw. NDS focuses in providing systems to financial services and retail markets. It is not a major player in PC distribution.

By splitting equipment manufacturing from the core telephone company, AT&T hopes to face less resistance in entering new markets without the concerns associated with being a vertically integrated operator and infrastructure equipment supplier.

IMPORT TARIFFS

## Set to tumble

FM 13/10/95

**Government's long-awaited** tariff restructure for imported electronic goods comes as a welcome relief to consumers and legitimate importers, who expect a Christmas boom in VCRs and audio equipment.

The bad news is that they don't think the changes go far enough and smugglers will continue to thrive. They say the tariff reductions will not reduce the prices of most television sets. Instead jobs could be lost in the R850m local TV assembly industry.

Government's restructuring of the tariffs also spells the end of the R650m colour picture tube venture between Anglo American Industrial Corp (Amic) and South Korean company Daewoo.

With government's elimination of 40% surcharge and 10%-36% customs duty on imported sound equipment and VCRs on October 1, a drop in the prices of these items is expected. However with fob excise duties of approximately 43% remaining, smugglers who circumvent customs continue to enjoy a massive competitive advantage over legitimate importers, says Philips chairman Bruce Mackenzie.

He rebuffs reports claiming that last week's tariff reductions will benefit television buyers. "Most TVs — except for a few fully imported state-of-the-art models — are manufactured locally and not affected by the cut in import duties," he says.

The confusion apparently arose following Trade & Industry director-general Zav Rustonjee's statement that protective import duties on television sets will be cut im-

mediately from 60% to 40%. In 1996 these will be reduced to 30% and in 1997 to 25%.

According to Mackenzie "This has no effect on the price of most TV sets as local manufacturers have until now been able to claim a rebate of the duties if in possession of a permit issued by the Department of Trade & Industry." He says fewer than 5% of TV sets are fully imported.

The department has also reiterated that all components for the manufacture of TV sets will continue to be imported under full rebate of duty. But Mackenzie is critical of this decision, saying it will destabilise the industry.

Daewoo Electronics CE Mike Bosworth explains that the decision will encourage existing TV assemblers, who employ 3 000 people, to import TVs in a semi-knocked down state. "In effect, this decision will do away with the labour portion of the local TV assembly industry. Existing assemblers will quickly convert their plants to screw-driver type operations and massive redundancies will ensue," he predicts.

Rustomjee has come out in favour of the

Board on Tariffs & Trade's recommendations against protective duties of 60% for the R650m colour picture tube (CPT) plant proposed by Amic and Daewoo.

These colour tubes are the most sophisticated component of a TV set, accounting for 45% of the cost. "It would have an unacceptable cost-raising impact and would not enhance the competitiveness of the TV manufacturing sector," says Rustomjee.

He says the DTI received proposals regarding cathode-ray picture tubes and the encouragement of further investment in TV assembly and manufacture. "The department requested the interested parties to submit detailed information in support of their proposals but the reaction to this request was disappointing."

But Amic business development unit director Laurie Olivier is surprised by the announcement.

"Extensive information has been supplied to government on the proposed CPT project.

"It was made clear to us that lobbying was not welcome and we agreed to await a signal from the DTI prior to proceeding

with further dialogue on the project."

Realising that tariff protection is no longer an option, Amic is now pressing for other start-up incentives including the removal of secondary tax on companies, cash incentives and tax holidays (*Infotech* September 22 1995). Olivier says a "degree of bemusement" exists in many east Asian countries because of SA's approach to attracting new industrial developments amid an international marketplace that is flooded with incentives and other promotional instruments.

"The world is moving on and we are losing out on opportunities. I suspect that we will probably have to wait until SA's deteriorating balance of payments position clearly demonstrates the need for a more competitive investment environment in SA," he says.

However, many maintain that with zero duties on cathode-ray tubes (lower than the eventual Gatt requested level of 30% within eight years), the controversial Amic/Daewoo plant is a dead duck. It appears that government has decided that CPTs can't be produced competitively in SA.

The duty reduction on fully imported TV sets to 25% by 1997 also throws into question the viability of a local assembly industry. Currently 520 000 colour and 230 000 black and white TVs are produced in SA each year. The assembly industry is valued at R850m.



Mackenzie

## TECHNOBYTES

- **The FM Internet Conference** on November 24 has already attracted about 250 guests. An Internet workshop, on November 23, is fully booked. Another, on November 22, is selling out rapidly. To book, and for more information, call 0800-988164 or fax 0800-998165.

- **Failed modems**, quirky computers and busy lines turn Telecom 95, the world's largest telecom show, into a fiasco for many frustrated exhibitors at the Geneva event.

- **Following differences** with CE Michael Spindler, Apple Computer chief financial officer Joseph Graziano resigns after a boardroom row. Apple is suffering from intense competition.

- **In an early sign** of how it plans to pursue its Internet and global communications strategy, AT&T quietly files a federal application to build and launch a multibillion-dollar global satellite network. The system will let computer users bypass local telephone networks and connect directly to the Internet through satellite dish antennae.

- **MasterCard International** returns fire

in the growing standards battle to create an electronic payment system for the Internet, by publishing its own technical requirements. It enters a collaborative arrangement with IBM, Internet software specialist Netscape Communications, electronic payment security company CyberCash and GTE Corp to release a draft of technical requirements for any software companies and financial institutions that want to develop programs for electronic commerce.

- **Japanese telecom** group NTT reveals it has formed a partnership with the UK's Cable & Wireless (C&W), Hong Kong Telecom, a C&W subsidiary, and Japanese trading house Itochu.

- **Though AT&T** failed to pull it off, industry leaders at Telecom 95 in Geneva are convinced the convergence of computers and telecommunications is already changing the two industries beyond recognition. Some say warning signs are already there for would-be telecom dinosaurs as Internet providers, on-line services and software houses jostle for customer loyalty. Rapid adaptation of

convergent technologies, such as speech over the Internet, could undermine the telecom establishment, they say.

- **A tough** restructuring plan is likely to push Alcatel Alsthom into a loss of about US\$5bn this year. But new president Serge Tchuruk says it is likely to make a "substantial" profit in 1997. Restructuring will mainly affect operations in Europe. Alcatel is a leading world telecommunications, energy and transport group. Tchuruk recently succeeded Pierre Suard, who had to resign because of investigations into alleged misuse of funds and false billing.

- **Reuters MD** Peter Job urges governments to drop practices that push up telecom costs for international information suppliers. He says protective restrictions in some countries hold back development of local information services. "Countries with unresponsive communications market structures tend to find it more difficult to build an information industry on top of them. They will pay a heavy price in delaying a key aspect of their development."

TELECOMMUNICATIONS

# Mandela appeals to fairness

But this won't stop global competitors targeting Telkom

(267) FM 13/10/95



**A global** no-holds-barred brawl looms when Europe, Japan and the US open their telecommunications markets to international competition. Telephone utilities everywhere are fortifying themselves by joining gangs — preferably one of the big four: Concert, led by British Telecom and the US's MCI Communications, AT&T and its WorldPartners alliance of global telecom carriers; the yet to be approved Phoenix combination of Deutsche Telekom and France Télécom, with the US's Sprint, and UK's Cable & Wireless group, with members from the US, Japan, Australia and Sweden.

Telkom holds a key position and desperately needs strong allies. But it is being forced to stand as a solitary target while government's telecommunications policy Green Paper/White Paper process slowly grinds to completion. Only when the White Paper has been legislated — revealing how much of Telkom's shareholding the State is prepared to relinquish to foreign investors — will the phone utility be in a position to join one of these consortia. Though offering a shareholding is not necessarily a prerequisite for joining, ties are stronger if smaller telephone utilities sell a strategic equity investment to the leaders of their consortium.

But this process may take too long for Telkom — members of the four emerging titans have established local beachheads and their attack on Telkom's market is already under way.

Government has a choice of liberalising the market or defending Telkom from the international players' submarine cables and satellites with the 1958 Post Office Act. It has decided on the latter strategy.

President Nelson Mandela appealed to the UN's International Telecommunication Union (ITU) to assist governments in developing countries to defend State phone monopolies. "Telecommunications cannot simply be treated as one commercial sector of the economy, to be left to the forces of the free market," he told the ITU Telecom 95 conference in Geneva last week.

His opposition to phone competition is not shared by all African leaders. Uganda, Congo and the Ivory Coast are in the process of liberalising their telecommunications markets by privatising State phone utilities. Tanzania is Africa's first country to

allow competition from a second phone company.

"Many developing countries face difficulties in raising capital for their existing operators," Mandela said. "There is consequently pressure on governments to throw open their doors to international competition. This calls for great care, to avoid jeopardising local services unable to compete with powerful international operators."

Mandela's speech echoes Posts, Telecommunications & Broadcasting Minister Pallo Jordan's line that Telkom must be protected from voracious overseas competitors, who will "cherry pick" profitable customers, leaving it unable to meet RDP commitments.

In the telecommunications policy debate encouraged by the Green Paper, the ANC's stand has been firmly in favour of retaining a State-controlled monopoly for the immediate future. In a recent Internet relay chat on the Green Paper, Jordan stated "Monopolies are not necessarily bad. Competition has reduced the quality of service rather than improved it." He now says that this reference is with respect to airlines, not telecommunications companies.

Nevertheless, case studies from the US and UK, to the Philippines, Australia, New Zealand, Mexico, India and Malaysia show even limited competition improves telephone services tremendously.

One of the latest to welcome competition is Chile. Last November, in an effort to jump-start its woefully inadequate phone system, Chile threw long-distance and international calling markets open to competition and eliminated rate regula-

tions. Carriers serving Chile's 14m people shot from two to nine and demand skyrocketed. Calling revenues are rising at an annual rate of 14%, twice as fast as the national economy.

Seeing the benefits of the UK liberalising its market, and in order not to be left chugging along the slow lane of the information super-highway, European Union countries will formally open their markets to competition on January 1 1998.

"SA, too, can reap the same benefits for its own economy," says AT&T SA president and MD Franklin Coleman. "By pursuing a policy vision that will lead to a competitive telecommunications marketplace, SA can obtain lower cost, more innovative and higher quality services."

He says a fully competitive market is the best way to achieve universal service. "Competition does not mean sacrificing social objectives and can even make them easier to achieve. A stimulated economy reduces social needs while generating more resources to meet these needs."

"The incentives for innovation and efficiency that are the hallmarks of the competitive marketplace can be harnessed to address social objectives in creative new ways at lower costs."

It should be noted that AT&T, the US's largest telecom operator, is on a global expansionist trail. The US\$75bn giant recently announced plans to unbundle its equipment manufacturing, communication services and computing divisions into separate, listed companies.

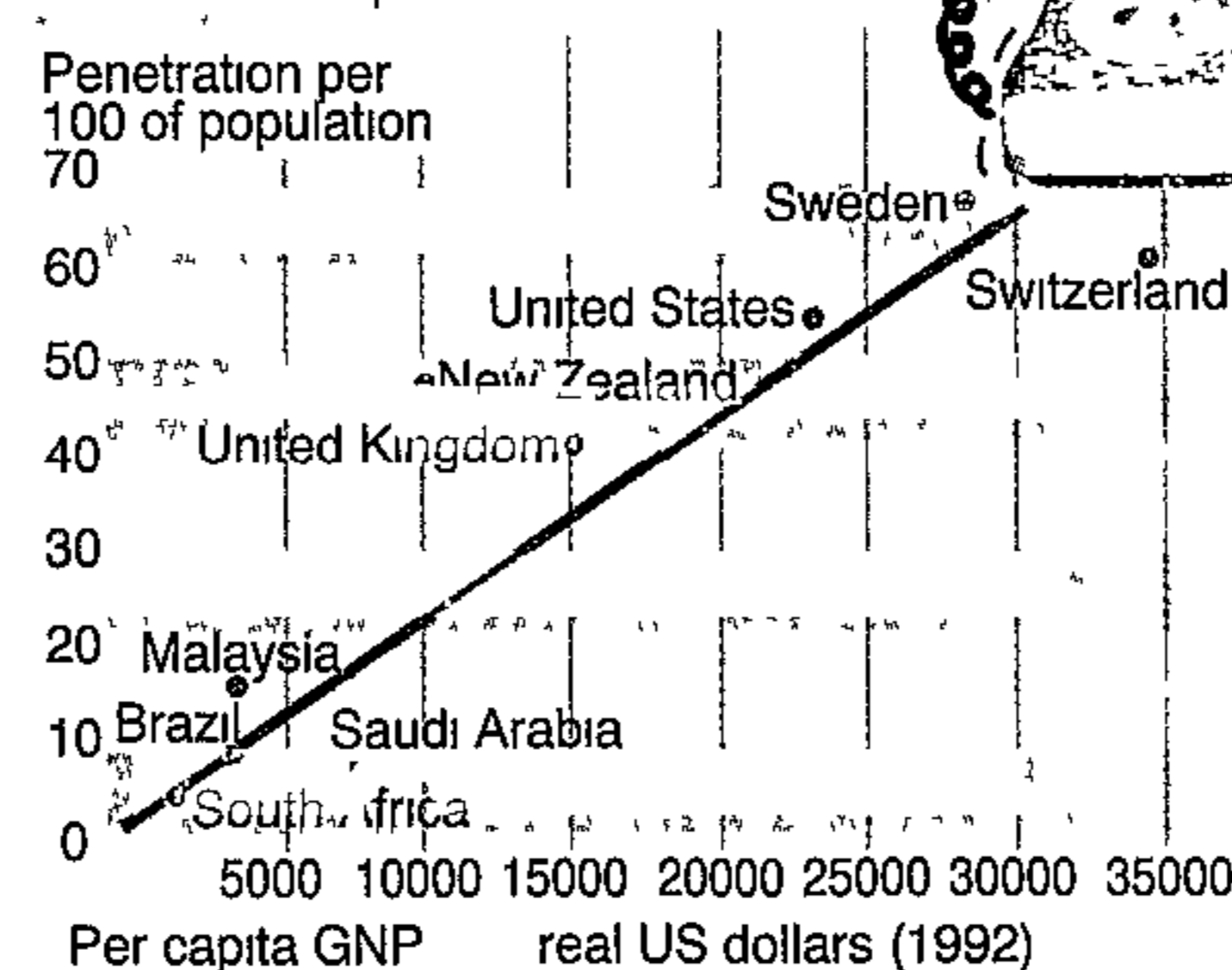
It hopes this radical restructuring will make it a more focused and fleet-footed competitor in global markets. It is only one of many telecom companies looking for new markets.

Several respondents to the Green Paper maintain that a narrowly targeted subsidy system could bring down the cost of universal service to the industry. Competing telecom operators would have to contribute towards this universal service fund.

But deregulation is a complex issue which cannot happen overnight, says SBCI Africa president Jim Myers. "If you open up to competition too quickly, Telkom will be destroyed. Government must

## WHY GOVERNMENT WANTS MONOPOLIES

Correlation of penetration and wealth



SOURCE: ITU, Telecommunications in the national economy. McKinsey analysis.

## EXCHANGE CONTROLS

# Getting close?

**The Reserve Bank's** decision to restrict its provision of forward cover is an important milestone in its gradual removal of exchange controls on residents

The next step will be to start removing the restrictions on local banks' holdings of foreign currencies so that they can begin to provide forward cover as the central bank moves out of this market

That, in turn, will increase the potential risks faced by banks that deal in foreign exchange. That should not be a concern of the central bank, it is a matter for the banks' shareholders and their assessment of the risk

The difficulty with the present system is that the central bank cannot provide forward cover at a rate that reflects its view of the forward value of a currency under its own management. For that would sometimes amount to it taking a view against itself

The situation complicates the central bank's control of the money supply and is one of the factors that prompts it to maintain such high real interest rates.

Market indications are that the Bank could be moving rapidly towards removing the remaining exchange controls on residents. The asset swaps between local institutions and some abroad have been salutary.

There is no requirement for foreign institutions to hold SA assets for any prescribed length of time and the packages offered to them offer lines they could struggle to buy on the local market

In the circumstances high real domestic interest rates give the authorities the means of restraining an outflow of private capital when the last restrictions go — should they feel they need a restraint

The Bank will probably argue that it does need some means of countering an unexpected run that might be prompted by a silly political occurrence. That is the lesson from the Mexico crisis last December

It is difficult to argue with that logic. But high real interest rates are a constraint on growth. A gradual removal of exchange controls, therefore, comes at a heavy cost. The shorter the gradation the better

The announcement of a large privatisation would, in view of the dangers, be a far better restraint on a possible capital outflow. It would ensure a sizeable capital inflow to counter any capital flight and would enable the Treasury to retire some domestic debt — and remove another reason for high real interest rates

Of course, privatisation is not within the competence of the Governor. Nor are we sure which Minister would wish to claim responsibility. But as will be clear elsewhere on these pages, Telkom is an obvious candidate

Our guess is that if the local elections can be weathered without major political mishap, exchange controls will go soon afterward. That would fit well with the scheduled reforms of the stock exchange and could reinforce business confidence and investment sentiment ■

## TRADEMARKS

# War of Big Mac's Ear

**The failure** of a court to uphold hamburger giant McDonald's exclusive right to use its trademark in SA (see *Business*) underlines fears that sanctions engendered a cavalier attitude towards foreign "intellectual property" — be it trademarks or technological know-how. But some reaction to the verdict has simply been over the top

In the first place, evidence was led that it was not sanctions, but a straightforward commercial decision, that kept McDonald's out of SA. In the second place, earlier rulings have gone in favour of such international brands as Kodak and Levi's, which also cited sanctions as the reason for pulling out of SA. In the third place, the verdict does not stop McDonald's from trading here under its own name, it just denies it exclusivity.

So the verdict — which will in any event be appealed — does not create open house for local fly-by-nights to extort huge sums from foreign principals for the right to use here the global brand names they have spent huge sums

promoting internationally. At the same time, the last thing we need is yet another excuse to make multinationals think twice about investing here — which is why US trade officials and Trade & Industry Minister Trevor Manuel have understandably expressed concern

The McDonald's case must be seen as part of the transition from being a pariah society to a fully accepted member of the international community. Practices which were acceptable during the years of isolation aren't any longer. Even so, rights which were legitimately acquired under the law as it then stood must be upheld. How to reconcile these conflicting requirements is no easier in the field of trademarks than anywhere else

It may seem absurd, in the fine tradition of the War of Jenkins's Ear, that the *casus belli* should be as mundane an object as the Big Mac. But the underlying issues are serious enough and need careful consideration, not just kneejerk sympathy for one side or the other ■

tion and communication is felt with particular force when, as happened in SA for so many years, their denial is made an instrument of repression," he said

"Such measures, however, ultimately evoke inventive and innovative ways of circumventing the restrictions" To illustrate this point, Mandela told an anecdote of how prisoners on Robben Island found ways of smuggling messages past the wardens

"Not even the most repressive regime can stop human beings from finding ways of communicating and obtaining access to information"

This is true for prisoners on Robben Island — and businesses wanting to link their computers to the international money system

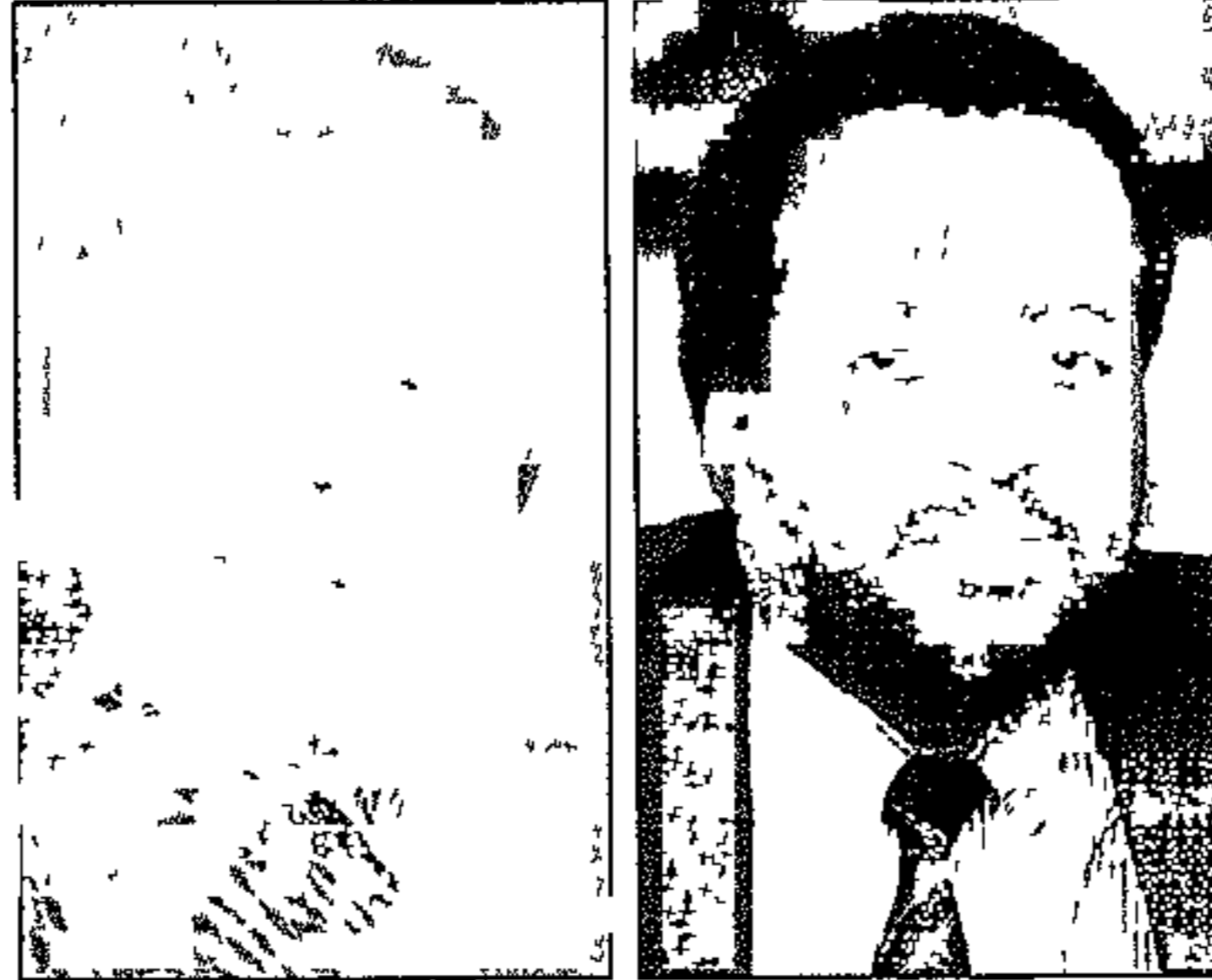
Indeed, despite protective regulation, Telkom is facing increasing competition from "call back operators" These niche players circumvent Telkom's network by using US carrier companies to make international connections at substantially lower US rates To compete, Telkom has had to cut international call tariffs

With Telkom finding it impossible to police the industry, corporations have found another option Instead of using their private networks to carry data as intended, for instance, some are surreptitiously carrying voice traffic and selling "excess capacity" to third parties

Mandela's appeal to international telecom companies to be fair to developing countries will fall on deaf ears It's just not in the nature of these companies, which are

aggressively forming consortia to win global market share

Many have already embarked on expansionist strategies in a search for new markets and new growth This trend is reinforced by the globalisation of business



Mandela

Jordan

customers, who also operate on the world stage and who have become frustrated by slow-moving and outdated telephone companies able to think only domestically

Market research firm Ovum says "The next five years will see these players taking progressively larger proportions of the (global) market"

Faced with this, Telkom is looking to join one of these groupings Telkom MD Brian Clark and chairman Dikgang Moseneke used the Telecom 95 conference to meet heads of international telecom operators

But forming loose alliances with one of the four titans will not be enough

Telkom realises it needs a strategic equity partnership with a global player But it should also realise that this will not bar other competitors from muscling their way into the SA market

The convergence of computers and telecommunications is radically changing the way we communicate and telecom dinosaurs will not survive new entrepreneurial companies such as Internet providers, on-line services and software houses, according to industry leaders in Geneva

They warn that the rapid adaptation of convergent technologies — such as speech over the Internet — could undermine the entire telecom establishment

Low-orbit satellites will also offer new options, which cannot be policed by inward-looking countries AT&T, for instance, plans to build a multimillion-dollar global satellite network which will allow computer users to bypass local telephone networks and connect directly to the Internet through satellite dish antennas

There are half a dozen other huge communication satellite plans These include proposals from Lockheed Martin, Motorola, with its Iridium consortium, Teledisc, which is headed by cellular phone executive Craig McCaw and Microsoft chairman Bill Gates, Globalstar LP, whose partners include Qualcomm and Loral, the Teleglobe and TRW joint venture Odyssey, and a project by General Motors' Hughes Electronics unit

Low-orbit satellites will change global communications of the future Countries will find it increasingly difficult — if not impossible — to stop anyone from hooking into these networks

Marina Bidoli and Robert Laing

AVERTING CRISES

IMF ANNUAL CONFERENCE

# Order out of surveillance

Lifting the veil on accountability *PM 13/10/95* *(JEB)*

The anxiety over its changing — and diminishing — role in world economic affairs that hung ominously over the International Monetary Fund's 50th anniversary meeting in Madrid last year — and caused so much controversy — had all but evaporated at its annual meeting this week at its Washington headquarters The Mexicans were responsible for that

Mexico's debt crisis, which erupted only months after the Madrid meeting, so focused the attention of the IMF and made such demands on its resources that fund MD Michel Camdessus found that his prestige was assured and influence enhanced, despite the rejection of his plan last year to use the fund's resources to boost members' reserves

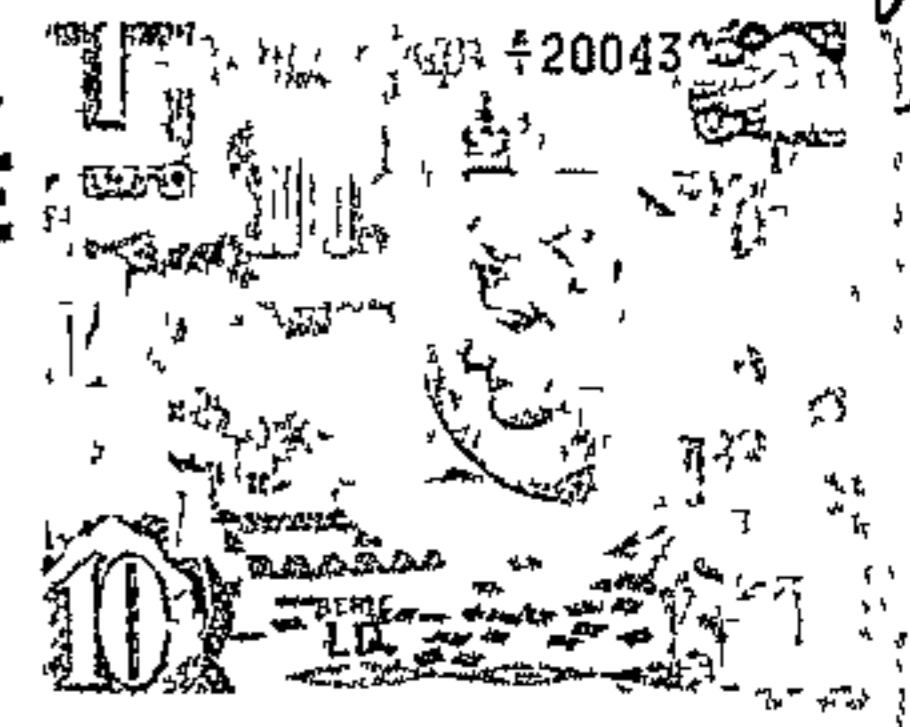
The Mexican debt crisis was nevertheless a salutary experience for the Fund For at its October meeting last year the eloquence of the Mexican Finance Minister persuaded most of those present that his country's market orientated reforms were a model of textbook perfection What he neglected to take into account — as so many finance ministers tend to do — was the reaction of international investors to the depredations of his fellow politicians

Within a matter of months, the degree of integration of capital markets had so sensitised investors that they withdrew *en masse* This required a swift and massive response from the Fund to ensure the maintenance of international financial stability — and it was not found wanting It pro-

vided ultimately US\$18 billion of financial support, more than it has ever extended to any other member country

At the same time the crisis intensified the review of the Fund's functions that begun rather fancifully at the Madrid meeting Much of the earlier function of the Fund had been usurped by market disciplines implicit in the floating of major exchange rates over the past 20 years The financing of balance of payments deficits, and the economic policy adjustments necessary to correct those deficits and bring fixed exchange rates back into international equilibrium, were no longer necessary

Moreover, when currency support operations were deemed to be necessary, the larger members no longer appealed to the





protect the local entity while moving it to a competitive environment”

SBCI (a US “Baby Bell” that formerly traded under the name Southwestern Bell International), in conjunction with Cable & Wireless and Nthato Motlana’s New Africa Investments (Nail), has formed a consortium — New Africa Communications — which is interested in acquiring an equity stake in Telkom

In its Green Paper recommendation, the consortium has come out in favour of maintaining Telkom’s monopoly. Its suggestion that the most appropriate industry structure would be a monopoly of the fixed infrastructure and provision of basic services over it should come as no surprise considering that the opportunity to operate in a protected environment is an enticing carrot for a potential investor

Many respondents to the Green Paper say that regulated competition could stimulate the economy. In the US, for instance, large revenue increases within the telecom and information technology sectors have created more jobs than those lost by competitive adjustments

Indeed, one need only look to the local cellular industry. Prior to the liberalisation of this market, Telkom offered analogue cellular telephony to just 11 000 subscribers in the Gauteng, Durban/Maritzburg and Cape Town regions. Bulky car phones cost an outrageous R15 000 each

It was only in June last year that MTN and Vodacom were allowed to set up competing nationwide cellular networks, based on the more advanced GSM digital system. There are now 400 000 subscribers, handset prices have plummeted (some even given away free), service has improved and new value-added service offerings are available

In addition, thousands of new jobs have been created and billions of rand invested by local and foreign companies. None of this would have been possible if cellular telephony had been left in the hands of the State monopoly

The same is attainable in the traditional fixed-wire market through an appropriately regulated, competitive environment. The process initiated by the Green Paper provides the opportunity to establish policies that will pave the way for competition (see *Information Technology* page 100)

However, significant regulatory functions must be in place to ensure that new entrants can compete fairly against Telkom — the de facto industry regulator

Policy decisions made today will have a

crucial impact on whether effective competition develops in the future

Yet the ANC remains convinced that a State monopoly is the most efficient way to address SA’s low penetration — forgetting that a State monopoly caused the problem in the first place (*Leading Articles* August 25)

While government accepts that it has to sell a portion of Telkom as a defensive measure, it is strongly against private-sector

liberalisation are reducing the cost of international calls, they also force national operators to reduce tariffs to compete, thereby diverting funds from their less economic areas

“The effects on national services and international accounting rates should, therefore, be taken into account in the negotiation of these rates and the way that revenues are shared. Traditionally, revenue from international services has been shared in a way that brought substantial transfer of funds to developing countries. African countries in the ITU have urged that this transfer should be maintained or even increased, given their higher costs”

Trying to hide Telkom behind the ITU’s skirts is naive, considering the ITU is a prime mover behind Telkom’s nemesis — the Africa One project

Telkom had the option to improve communication among African countries when it laid its Sat-2 submarine cable in 1993. But the State utility chose to give the continent a wide berth when it planned the cable’s route between Cape Town and Portugal (see diagram)

This left the way clear for an AT&T lead consortium — Africa One — to lay a competing fibre-optic submarine cable whose route hugs the African coastline, making it accessible to the entire continent

By being miserly to the rest of Africa with Sat-2, Telkom may have missed the chance of sharing the cable’s cost with a number of customers. Telkom won’t admit Sat-2 is a fiasco but word in the industry is that more than half of the cable’s optic fibres are “dark” (not used). Too few organisations use the service and those that do complain that Telkom’s high prices prevent them from leasing as much data-carrying capacity — called bandwidth — as they require

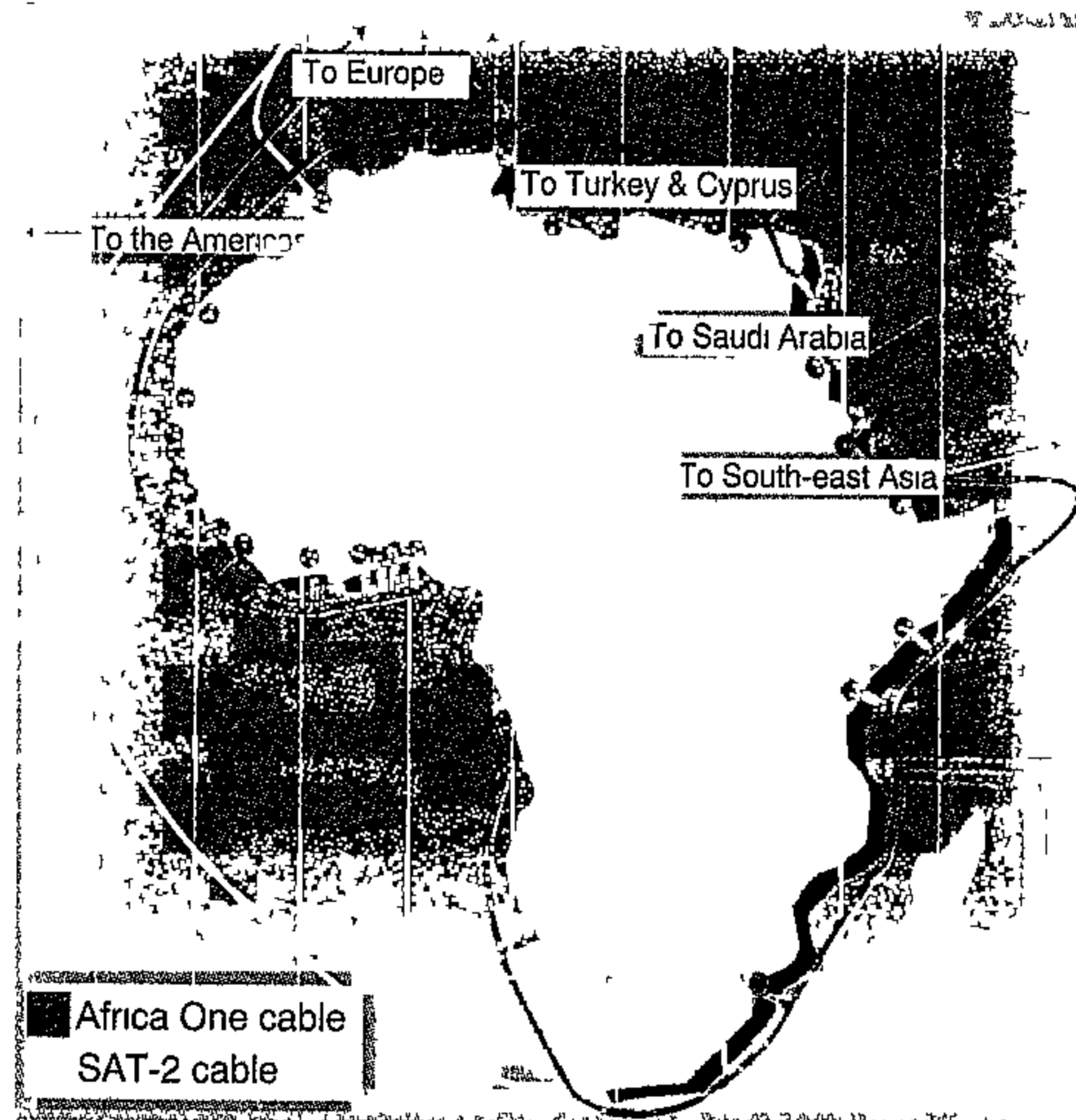
In what appears to be an attempt to save the Sat-2 venture, Telkom has refused to join Africa One. Telkom senior GM Rhynie Greeff says “How can Africa One be a success without Telkom? We transport 40% of voice and up to 80% of data traffic in Africa”

His reasoning is erroneous, though. If the Africa One project, which is scheduled for completion in 1999, undercuts Sat-2’s rates and offers more services, local business will bypass Telkom by routing international calls to the cable through neighbouring participants such as Lesotho and Swaziland

The flaw in government’s argument to protect Telkom’s monopoly is illustrated in Mandela’s speech “The value of informa-

## BATTLE OF THE BULGE

SAT-2 - missed opportunity



control. Jordan has made it clear he intends to protect Telkom and will not open up the market to additional telephone operators in the near future

This dogmatic stance throws into question the validity of the Green Paper process, which, ostensibly, is intended to foster national debate on a future policy and regulatory framework for telecommunications

Part of the fear of accepting competition is that the “family silver” will fall into the hands of former colonial rulers. In his Geneva speech, Mandela blamed Africa’s colonial legacy for the lack of competitiveness on the continent. Phone calls between neighbouring African countries are bounced back via satellite from Europe instead of directly across borders. As a result, calls between African countries are expensive

Mandela criticises international telephone companies for seeing this as an opportunity to offer cheaper services. “Certain international developments are creating new difficulties for many developing countries,” he said. “In particular, while moves towards

(267)  
CT (BR) 13/10/95

# Telkom launches loan facility

STAFF WRITER

Telkom has established a \$112,5 million medium-term loan facility — its first on the international credit market since 1992 — at the lowest margin to date for medium-term South African debt.

The facility was syndicated among several international banks without the requirement of a guarantee from the South African government. Although the government is the sole shareholder, Telkom is a separate corporate entity and Africa's leading provider of telecommunications and information services and products.

At the signing ceremony in London yesterday, Shunichi Okuyama, a director of Sumitomo Bank, the co-ordinating institution, said the quality of the banks joining the syndicate reflected the esteem in which Telkom was held in the international loan markets.

Telkom managing director Brian Clark said "The loan should be seen in the context of Telkom's strategy of becoming a world class, internationally competitive telecommunications company.

"The spread and strength of the banks involved reflects Telkom's programme to build relationships with international banks to support the network expansion anticipated over the next five years."

He said Telkom had been accorded a BB credit rating by Standard & Poor's, and had received a Baa3 rating from Moody's — assessments on a par with those accorded the South African government.

Clark said that, despite the tight spread of the loan (libor plus 0,55 percent a year), nine banks had joined the syndicate, each of which had contributed \$12,5 million, and had caused an oversubscription.

The banks in the syndicate were ABN Amro Bank, the Bank of Tokyo, Barclays Bank of South Africa, Dai-ichi Kangyo Bank, Dresdner Bank Luxembourg, the Industrial Bank of Japan, Sakura Bank, Sanwa Bank and Sumitomo Bank.

In a document outlining the rationale for its rating of Telkom, Moody's said they expected "that the regulatory environment will continue to be supportive for Telkom."

They said they endorsed "the government's belief in the importance of a high-quality telecommunications network infrastructure to the continued economic growth of the country as well as for the implementation of the RDP."

"In addition, Telkom is an important vehicle for the government to implement its social policy through the Affirmative Action Plan," said Moody's.

POST OFFICE

(267)  
fm 13/10/95  
**Challenge and response**

There has been a "huge migration" of clients away from the Post Office as business turns to electronic communications, says Minister of Posts, Telecommunications & Broadcasting Pallo Jordan.

"You are not going to put a letter in the mail if you can send it by fax," he notes. But that does not mean he thinks the Post Office has no future in SA; quite the opposite. The Post Office has to compensate for lost revenue by strengthening its links with "bulk mailers" — Jordan mentions *Readers' Digest* and Edgars specifically — and by building up the related parcel service. "That is where the money lies."

In concentrating on these spheres, however, the Post Office must not neglect its commitment to the majority of South Africans. Though important to the Post Office's revenue-earning capacity, bulk mailers account for only a small slice of its total number of clients.

Referring to the ordinary folk who cannot afford to use electronic mailing services

**CURRENT AFFAIRS**

and who are not bulk mailers, Jordan says "There are literally millions of them. They still need the Post Office" The Post Office also needs them "The Post Office can stay in business by serving them"

The Post Office reaches into millions of homes and its only rival in terms of outreach is the SA Police Service, Jordan says. Even so the Post Office's reach can be extended "Not every South African has a street address," he notes, conjuring up images of labyrinthine alleys of unnumbered shelters in squatter camps all over SA. "We should work towards everyone having a mailing address"

Another objective engages Jordan's attention: conversion of the savings section of the Post Office into a "people's bank." He notes that Germany's Post Office provides a banking service — "home loans, mortgages" — and that Britain's Giro service provides a link between banks and post offices, enabling the latter to offer services usually associated with banks.

A different option is laid on the table: post offices serving as payout points for pensions in the rural hinterland

"What we have to figure out is how to run a commercial venture in communities which are considered marginal," he says. "The challenge is to devise the means to meet our obligations as a service organisation and the imperatives which arise from being a commercial service."

Jordan's thoughts on the future of the Post Office may bring wry smiles to the faces of those who have experienced long delays in the delivery of letters, particularly in the densely populated Gauteng. But the Minister is convinced that these problems have been, or are being, solved by:

- The opening of the sophisticated mail centre in Ormonde, Johannesburg;
- The introduction of a new "hub-and-spoke" sorting system; and
- A rationalisation programme aimed at eliminating the Post Office as the "port of call of last resort" for under-skilled and under-motivated whites.

Jordan does not gloat at the prospect of retrenching lower-rank Post Office employees but sympathises with their plight.

"I am satisfied," he says, "that the rationalisation has been done in such a way as to minimise redundancies"

## Telkom expands on Cape Flats (267)

A NEWLY expanded and refurbished Telkom customer service branch, capable of serving 16 000 customers a month, opened in Mitchells Plain yesterday morning. The branch in the Mitchells Plain Town Centre had been closed for eight weeks to redesign the premises, which included a doubling in the number of service points. CT 1/11/95

# Telkom reveals Million-line shortlist

(267)

CF (PR) 3/11/95

By Roy Cokwane

Pretoria — Telkom has announced the names of five companies selected to bid for its Million-line Project, which will form part of its network-building Vision 2000 strategy, costing more than R16 million.

The five companies are Alcatel Altech Telecomms, AT&T NS-NL, Ericsson South Africa, Marples Communication Technologies, and Siemens Telecommunications.

Telkom technology strategist Derek Fyfe, addressing a press briefing in Pretoria yesterday, said the five companies were selected from

the original 20 proposals received on the grounds of technical and financial evaluations done within three months by two task teams.

But he said this did not mean some of the other suppliers might not provide their equipment as subcontractors, and that Telkom would in fact provide "turnkey bidders" with a list of preferred products and technologies from the 20 proposals.

Fyfe said the comprehensive Vision 2000 expansion strategy would address the need to provide up to 2 million lines in rural and urban underserved areas, 1 mil-

lion lines in areas that already have well developed telecommunications infrastructure and about 1 million lines to replace obsolete equipment.

"Thus will add another 75 per cent to the nearly 4 million working lines today and will also provide Telkom with a fully digital, world class network," Fyfe said.

He said the next round would be the competitive bid, during which Telkom would select the technologies, systems and turnkey contractors for different geographical areas, both rural and urban.

Part of the competitive bidding required a firm commitment by bid-

ders to facilitate submissions for funding to governments, development agencies and local or international banking and credit guarantee institutions.

He said there would not be more than three turnkey areas and Telkom expected each turnkey contractor to tender for each area and file total project. It is expected that the first services will be commissioned in August next year and the project will be completed by the end of March 2000.

Fyfe said various solutions had been offered, including radio and optic fibre, but Telkom wanted to

evolve the network to make it an information highway.

He stressed Telkom did not want a dead end, because the use of technology and the telecommunications network would aid and boost the South African economy.

Telkom would work with the selected suppliers after the competitive bid to find the best technological and most cost effective solutions for each of the turnkey areas, based on Telkom's planning study.

He said it would be based on the principles of:

- Support of local industry and job creation in local communities,

- Technology and system selection for each turnkey area, in each of the disciplines of switching, transmission and TMN — which ensured network integrity, benefits in terms of economy of scale and lowest life-cycle cost,

- A menu access network technologies specified by Telkom, and
- Commitment on prices for the duration of the project.

Fyfe said Telkom would fund Vision 2000 itself, but would probably need an equity partner on board to inject funding and provide expertise. But this was dependent on approval by Telkom's shareholders.

TELKOM

# International crime 'ring'

(267) KM 3/11/95

**Massive organised fraud** will cost Telkom hundreds of millions of rand this year and may jeopardise plans to provide telephone services to the majority of South Africans

Telkom announced last week that an international telephone syndicate has defrauded it of about R400m over the past six months. It says half of this amount is owed to overseas telephone companies, in US dollars, and the rest is an "opportunity loss".

"This constitutes an operating loss for Telkom, which we will try to recover through legal action against the guilty parties," says a Telkom spokesman.

But these unexpected losses are likely to come off the public corporation's bottom line — a big blow given reported taxed profits of R845m on R9,9bn turnover for the financial year to March.

The losses could set back plans for the utility by Posts & Telecommunications Minister Pallo Jordan and Telkom MD Brian Clark. Telkom has embarked on a R60m restructuring programme, in what is regarded by many as its preparation for partial privatisation. It has also embarked on a R6bn project to install 1m new lines in underserved rural areas.

The irony is that while Telkom is trying to protect itself from international competitors, it is battling to keep out innovative, technologically astute criminals. SA is part of the "global village" irrespective of protective legislation. Even more frightening is the speed at which losses are accumulated. According to Telkom's internal audit team, in one instance, fraudsters ran eight telephone lines for four days at a cost to Telkom of R792 000.

As a result, Telkom is urgently installing monitoring software in its digital exchanges. This audits telephone lines for irregular call patterns and possible fraudulent use. However, only 62% of Telkom's network is digital. The remaining electromechanical exchanges will have to be monitored manually.

"The involvement of our staff in scams obviously disturbs me, but I am confident that we now have the systems to keep us in

control," says Clark. He adds that "these scams will not deflect Telkom from its purpose of providing telecommunication services to all the people".

Telkom technical staff and illegal aliens were involved in the syndicate, which operated from overseas countries including Pakistan, India, the US and Saudi Arabia.

The syndicate offered heavily discounted international calls, by routing calls through SA. The fraudsters connected two overseas parties — a caller in Pakistan to someone in the US for instance. With the help of Telkom technicians — suspected of having tampered with meters at exchanges to avoid triggering alarms on irregularly high phone usage — the syndicate was able to circumvent the corporation's international charges.

"The money changing hands is vast," says police fraud division warrant officer Jeff Coetzee. He says money paid by callers is usually paid into an overseas account. Police are collaborating with Interpol.

Telkom is also being ripped off by other fraudsters, who take advantage of Telkom's two-month billing turnaround and disappear just before telephone accounts become due.

They have usually applied for new services at different premises with new, fraudulent identity documents before leaving. Telkom staff are suspected of installing extra lines to the fraudsters' premises and connecting them to spare lines in the exchange.

Coetzee says these "huck and chuck" fraudsters often have several houses complete with telephones lined up in case they need to move out at short notice.

Police have arrested 40 illegal aliens, mostly from Pakistan, Nigeria and some other African countries. Police expect to make another 50 arrests soon.

Two Telkom employees of the investigation section have been charged for allegedly colluding with the fraudsters. They are suspected of having leaked vital information to the syndicate. Charges against them include assault, theft, housebreaking, fraud and extortion. More Telkom staff are expected to be arrested soon.



But there is still potential for international fraud and until Telkom uses the experience of offshore telecom companies — whether in direct partnerships or technology interchanges — the utility will remain a high-risk target.

**Another 9  
(267)  
post offices  
ST (M) 5/11/95  
to close**

A FURTHER nine post offices in the Cape Peninsula are to close by March next year, the SA Post Office said in a statement this week.

Two post offices, at Liesbeek and Eikefontein, closed down on Tuesday.

Pension payouts formerly made at Liesbeek can now be obtained at the Mowbray Post Office, while pensions formerly obtained at Eikefontein will from now on be paid out at the Kraaifontein Post Office. — Sapa

# Equity partner urged for Telkom

Mungo Soggot

THE R16bn expansion plans Telkom unveiled last week might not get off the ground unless the parastatal sells off a chunk of its equity, Post and Telecommunications Minister Pallo Jordan said at the weekend.

Jordan said it was unlikely that government could finance the plans, given its other obligations and that Telkom should not find it difficult to find an equity partner able to pump in cash and technological expertise.

A sale of up to 30% of Telkom — valued at roughly R8bn — has been on the cards since March, though Jordan has frequently played down the idea.

He refused to be drawn at the

weekend on possible timing of a deal, though Telkom is known to want to move quickly. The R16bn programme is scheduled over the next five years.

"In the unlikely event that we send our girl to the farm and none of the lads want to dance with her, we will have to go back to the drawing board," Jordan said.

Telkom technology strategist Derek Fyfe said last week the organisation aimed to increase the network 75%, adding 2-million lines to rural areas and 1-million lines to developed areas.

Industry sources said Telkom officials favoured certain foreign telecommunication groups as a partner, but no one was lined up.

(267)  
BD 6/11/95 Comment: Page 12





**DISHY VENTURE** Lindis Electronics' marketing manager Kevin McAlister with some of the analogue technology which is being marketed throughout Africa.

*Star (BR) 7/11/95 (267)*

## Deal set to shake up satellite industry

By SHIRLEY JONES

A R125 million joint venture between Durban-based Lindis Electronics and American research, development and manufacturing company Cynetics Corporation could turn South Africa's fledgling satellite television industry on its head.

The coup-like deal will see Lindis, which has until now marketed analogue equipment throughout Africa, enter the market as the Cynetics Corporation's sole African and first offshore agent.

The announcement comes in the wake of numerous controversial delays in equipment supplies. Most of the equipment promised to the market via existing distributors, Panasonic and Pace, has already been pre-sold.

According to Kevin McAlister,

the marketing manager of Lindis, the company expects its first major consignment within months.

The only delay is Multi-choice's holding back on its conditional access system.

McAlister says design of products, which differ from their American counterparts, began some time ago.

Digital decoders will be manufactured at Cynetics' 20 plants across the United States according to South African specifications.

Cynetics Corporation specialises in satellite and microwave telecommunications and boasts top American government agencies and major corporations as clients.

It developed the world's first multi-channel compressed digital video transmission and reception system 10 years ago.

The Cynetics' tie up with Lindis marks the first American commitment to the South African home appliance market, says McAlister.

Panasonic and Pace draw on Japanese and British expertise respectively.

He says Cynetics Corporation's entry into South Africa could mean the introduction of further sophisticated technology and is likely to be the precursor to more strategic projects. The companies are investigating entering other major digital markets such as Australia and Europe.

Lindis is in the throes of setting up a London office with a view to becoming Cynetics Corporation's European agent.

With enquiries streaming in from Europe, McAlister says there is a massive take off of products in the pipeline.

# Telkom's privatisation gets a nod

BD 8/11/95

(267)

**Beatrix Payne**

RESPONSES to government's Green Paper on telecommunications policy indicated a large measure of consensus on the limited privatisation of Telkom and the need for a strategic equity partnership, Posts and Telecommunications Minister Pallo Jordan said yesterday.

Speaking at a briefing on public responses to the paper, Jordan said there seemed to be room for "sufficient consensus" on the issue of market structures. The necessity for change was "a red thread" that ran through most of the responses.

But the parameters of what was possible in the restructuring of state assets would be subject to government policy on the issue.

He said his remarks were neither "definitive nor conclusive" as the responses had to be discussed at an industry wide colloquium later this month.

The first draft of a White Paper on telecommunications policy would be published in mid-December from the discussions at the colloquium.

The second draft, he said, would be pre-

sented to the national telecommunications forum plenary session early in February, and a final draft would be ready for Parliament by late March.

The ministry had received 131 submissions on the Green Paper.

Jordan said he was a little disappointed by the response from the public, but participation by some individuals and organisations had been good.

Despite a sharp polarisation of views on the question of the supply of telecommunications equipment, he said he had firm views that the preferential supply agreements should be relegated to the past as there was considerable untapped capacity in SA's equipment supply sector.

"But we can still debate the issue," Jordan said.

The telecommunications sector would be an enabling network to facilitate economic activity, and could act as a stimulus to small and medium enterprises.

Most submissions recognised the necessity of addressing basic needs, "a requirement for SA's ability to drive on the information highway", Jordan said.

# Telkom fails to ring in the changes at JSE

Paul Richardson

THE JSE's big bang fell on deaf ears yesterday after Telkom failed to install phone lines at two merchant banks trading on the floor for the first time

In terms of the JSE's deregulation, which began yesterday, banks and foreign institutions became members of the exchange for the first time. The move was the first in a series of sweeping changes planned for the JSE.

Nedbank's UAL Securities and RMB Securities Trading were first in the queue to exploit the new rules, but Telkom stood in their way.

"It's been a relatively quiet morning

because our phones haven't been installed," a UAL Securities trader said.

A Rand Merchant Bank spokesman said the bank had been told on October 30 that the phones would be installed in time for the bank's entry to the JSE.

"Telkom told us that all they had to do was push a couple of buttons."

By the close at 4pm, switchboard operators were still unable to route calls to equity traders on the floor.

One trader said he had managed to do some business by cellular telephone.

A dealer at RMB Securities Trading, who ran two cellular phone batteries flat in trading yesterday, said Telkom engineers had not been pre-

pared to work overtime. However, they had promised that phones would be installed by lunchtime today.

Telkom services representative Edmund Scholtz said the company could not authorise any work until the bank was on the premises, but that phone lines could have been installed when the banks had ordered them. "It was probably a fault on our side. The job probably wasn't authorised."

Brokers have made it clear that the reliability of Telkom's service will be a major factor in any decision to shift operations to the northern suburbs.

Picture: Page 3

TELKOM

# Strategic partner in the wings?

**Telkom's plans** to fully digitise its exchanges and increase its network size by 75% in the next five years are expected to cost R16bn — a considerable amount if one considers that the utility must service a debt of R8,5bn

In order to raise some capital and kick-start the process, it's increasingly likely that government will allow Telkom to sell a minority equity stake to a strategic partner

Most of the respondents to the Green Paper policy process — with the notable exception of the unions — have come to the same conclusion

Though Minister of Posts, Telecommunications & Broadcasting Pallo Jordan has played down the idea of Telkom's partial privatisation — probably in order not to antagonise Telkom's unions — he has indicated that this may be necessary for the success of Telkom's Vision 2000 strategy

Over the next five years, this strategy will see R16bn spent on 2m new lines added to rural and urban underserviced areas and 1m new lines to areas that already have well developed telecoms infrastructure. Another 1m lines will replace obsolete lines. This will add another 75% to the 3,8m working lines now in use. In addition, all electromechanical and mechanical exchanges will be converted to digital. At present, 62% of exchanges are digital

While Telkom's final equity structure will depend on the outcome of the Green Paper — expected to be legislated by the end of March — many believe that, at best, a partner would only acquire 30% of Telkom which has fixed assets of R15,4bn

Therefore, much of the money needed for expansion and modernisation will have to come from other sources and could include further borrowings on local and international markets. Funds will also be sourced from R3,3bn internal cash flow from operations and the sale of assets, such as fixed property and 18 000 vehicles

Another option would be to issue new bonds. Telkom's current bond issues — the TK05, TK07 and TK01 — perform at a similar rate to government bonds. Originally known as Post Office bonds, the money generated by these is exclusively for Telkom's use, says Telkom special assistant to the MD Stoffel Erasmus. R7bn has been raised from 1982 to March 1995

Analysts maintain that Telkom's capex of R16bn over the next five years is plausible. "This is not a lot of money out of the capital markets," says Simpson McKie James Capel director Marilyn Visser. "But it is a

large increase in Telkom's existing debt"

Indeed, a major obstacle impeding rapid growth is Telkom's existing debt. It reported a turnover of R9,9bn for the year ended March 1995, net income after taxation stood at R844m and net interest-bearing debt was R8,5bn

Visser maintains that a partially privatised Telkom could use a number of innovative debt and equity financing packages, including instruments such as five-year con-



vertible debentures, which would get some equity to the man in the street

"The potential to raise funds offshore will be strengthened with an overseas partner," says Visser. "The fact that the funds are associated with RDP-type development makes the loan more favourable"

Fortunately, Telkom's standing on international markets is favourable. It recently signed a US\$112,5m medium-term loan facility with a club of nine international banks. This was the first fund-raising on the international credit market since 1992 and attracted the lowest margin to date for medium-term SA debt. It was successfully syndicated without a government guarantee

Telkom's credit rating by Standard & Poors (BB) and Moodys (BAA3) is equal to that of SA and achieved without a government guarantee

Last month, government also succeeded in signing a FFr150m (R110m) protocol

with the French government and R60m of this will be used to help finance telecoms

In its Green Paper proposal staff at the Department of Posts & Telecommunications estimate that at least R100bn is needed to extend telecom services to 35% of the population

Their proposals call for an end to Telkom's monopoly by June 1999. Only competition will improve efficiency, accelerate network roll-out and introduce new sources of funding, according to the report

Jordan has made it clear on numerous occasions that he wants to protect Telkom in the short term because international competitors will quickly skim its lucrative services

He says, however, that his opinions should not be regarded as conclusive. "I have my own views on a number of issues. These will have to be tempered by the consultative (Green Paper) process"

Jordan adds that he does not consider his department's response to the Green Paper a "mutiny," as the *FM* suggested (*Infotech* October 20). "We are now living in a democracy. People are entitled to express their opinions, even if this makes their employer uncomfortable. We must respect the right of those who hold opinions contrary to our own"

Jordan says that, though the department's response is only one of 131 received, he "respects the courage it took to make the submission"

The vast majority of submissions agree, however, that new sources of investment are essential to the sector

They confirm that Telkom's "noncore" businesses should be sold off but doubt this will generate the funds needed to affect Telkom's debt substantially

Hence a large number of respondents — across all shareholders, apart from the unions — called for partial privatisation of Telkom. Many suggested this be undertaken in incremental tranches. Others — including Standard Bank, the SA Value-Added Networks' Association and National Telecommunications Users' Group — indicated total privatisation is the long-term goal. However, 70% of respondents want to limit foreign equity participation to a minority holding or a requirement that foreign participation be through a South African registered company

Telkom has come out against competition on its core services. It argues that its debt is not a major issue and that a major chunk of this could be taken over by government ■

# UK group says we're falling behind

(267)

stan 10/11/95

Information gap between Africa and the world is getting bigger

BY MEGAN KNIGHT

Is South Africa (and the rest of Africa) losing the information race? The London-based Panos research group seems to think so

Panos has just released a study called *The Internet and the South Superhighway or Dirt Track?* The study looks at the growing "information gap" between the developed countries of the north and the less developed ones of the south

As the world begins to rely more and more on technology rather than on physical resources as a source of wealth, those countries which do not have the infrastructure to deal with the new information technology are being increasingly left behind

The Internet may have created a global village, but in order to join you need (aside from a computer) a reliable source of electricity and a phone line

This is something many people here don't have. As Deputy President Thabo Mbeki pointed out to the G-7 conference last February, there are more telephones in Manhattan than in sub-Saharan Africa "Half of

humanity has never made a telephone call"

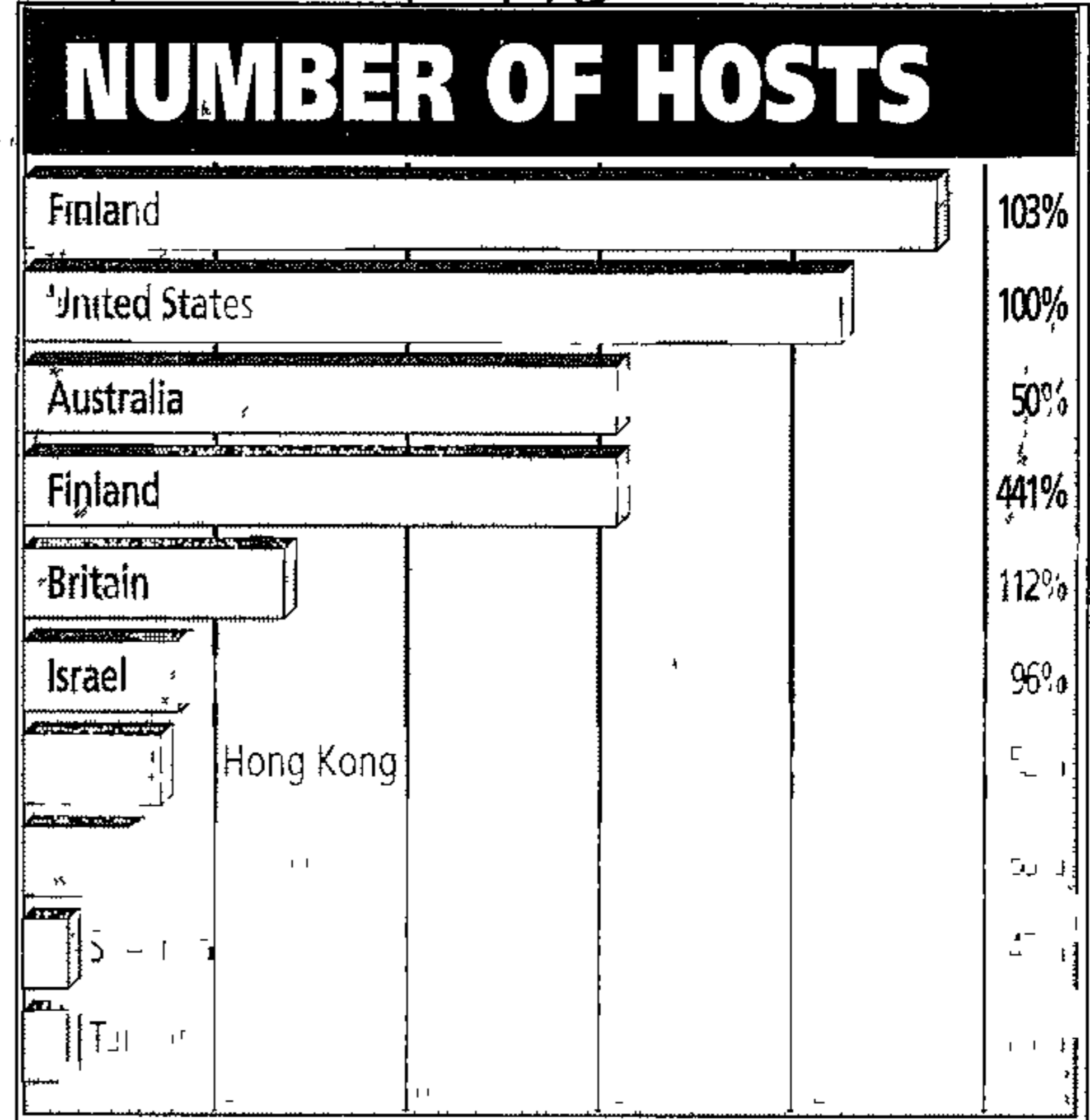
In the middle of 1995, of the estimated 5-million host computers linked to the Internet, 70% were in the USA. Only 168 countries in the world have Internet access of any kind (including e-mail), most of them in the north. Less than 10 countries in Africa have Internet access

The physical cost of the technology has also proved to be a stumbling block. Although the cost of the technology does not vary across borders (excluding taxes and duties, of course), the cost as expressed as a portion of an average worker's wages does

Someone making a minimum wage in Canada earns enough to buy a computer in six weeks. Someone in South Africa earning a minimum wage would earn the cost of a computer in just under a year

Despite the economic and physical constraints on access to the Internet, people are still signing up at an incredible rate, and this has some governments worried

The Internet cannot be censored. It was, in fact, specifically designed to bypass any attempts at censor-



Number of Internet host computers per 1 000 population. The figures on the right show the percentage increase 1994-1995.

ship. If a message is blocked from one route, it simply goes another way

Many countries have actively outlawed the Internet or placed strict restrictions on its use. China, Singapore and Saudi Arabia have taken steps to prevent their citizens from having full access to the resources of the Internet

The numbers aren't all bad, however. The need for Internet access has driven many countries to develop their telecommunications networks. Two telecommunications giants, AT&T and Siemens, are competing in a race to hook Africa up with a state-of-the-art telephone network

Satellite cellular phone technology has also taken off, bringing communication within reach of anyone in the world, regardless of how remote they are

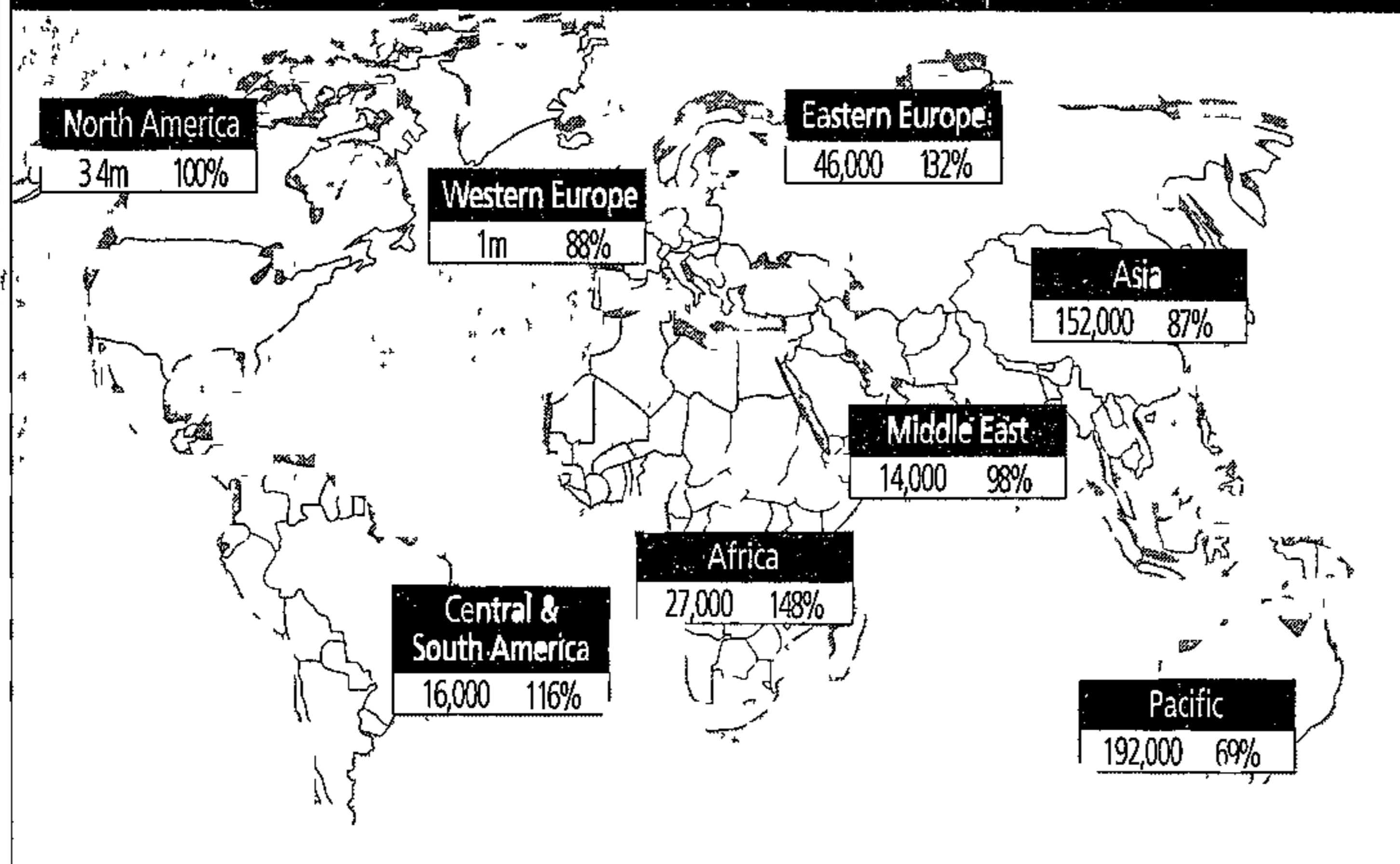
The information technology boom also seems set to benefit countries like South Africa and India which have fairly high literacy rates and fairly low wages. Technology-based manufacturing as well as large software engineering projects are already setting up systems in such countries.

South Africa has an additional advantage, in that English is widely spoken and understood here. More than anything else, the Internet has highlighted the need for a single language. Since the majority of Internet sites and users are in the US, that language is English

The Panos report is not all doom and gloom, a number of cases highlighting the advantage of the Internet are mentioned, as well as prognoses for the future

The full report, and other information, can be found on Panos' home page at [http://www.oneworld.org/panos/panos\\_info.html](http://www.oneworld.org/panos/panos_info.html)

## HOW THE WORLD LINKS UP



Global distribution of Internet host computers and percentage increase over the last year.

THE ECONOMIST INTERNET SOCIETY 1995

# Post Office pays R10m for advice

By GARY COLLINS

THE South African Post Office, under fire for its lacklustre service, is set to shell out more than R10-million to foreign consultants to improve its service — and may have already spent millions on similar projects in Cape Town, Durban and Pretoria

Senior postal officials refused this week to divulge how much had been spent on consultancy fees since the Post Office started using management consultants in 1993

A consultant from New Zealand Post, Pat Burke, said the contract between South Africa's postal services and his company was worth "about R10-million", while a senior consultant at Alexander Proudfoot put the figure nearer to R11-million a year

Two teams of consultants, from New Zealand and the US, have been hired to beef up delivery standards at Witpos, the troubled postal-sorting complex in Ormonde, Johannesburg

The managing director of the Post Office, Frank Touwen, said it had budgeted R7-million to streamline the centre. The Post

Office has spent R2,5-million since July

When the Sunday Times told Mr Touwen what the consultants claimed they would earn he said their contracts could be cancelled on 10 days' notice if he was not happy with their services

"The future of the consultants depends on whether the Post Office is receiving value for money," he said "At the moment I am looking at this figure long and hard"

The consultants say their expertise will help make the Post Office more efficient and profitable. Mr Burke said the New Zealand Post Office was a world leader in restructuring postal services and had offered its skills on a consultancy basis to other countries

"We managed to turn the New Zealand Post Office around from a R125-million loss to a profit-making company in two years," he said

The operations manager at Alexander Proudfoot, Tom Cooke, said "We have made many changes to get mail out of the sorting centre by the end of each day."

(267) ST 12/11/95

# Chamber alarmed at postal standards

STAFF WRITER

Johannesburg — The recent collapse of Post Office service standards has been nothing short of "catastrophic", says the Johannesburg Chamber of Commerce in its most recent Going Concerns newsletter

The Chamber is concerned over "the deteriorating performance of this vital arm of the communications network needed by business"

It says it has been inundated with examples of deliveries taking as long as two months and with "numerous" indications that mail had been tampered with

"Recently, the closure of 37 non-viable post offices has added fuel to the fire. The Post Office press release informing us of the closure of these post offices assured us that alternative arrangements had been made and business would not be inconvenienced

ET(BE) 16/11/95 (269)

Member experience, though, was different. Mail deliveries became more unreliable than usual and the services offered by alternative post offices appeared to collapse under the additional load"

The Chamber notes that the move to combine four sorting centres at Ormonde — which handles 40 percent of South Africa's mail — turned out to be "a logistical nightmare" beset by work stoppages and go-slow action by workers, who were facing retrenchment

"The inevitable result was yet another mountainous backlog clogging the system"

A Chamber delegation was recently invited to visit the Ormonde facility and concluded "The problem is huge, but the new management is committed to solving it. The centre has the facilities and equipment to succeed and there is much that business can do to help"

# New man at the helm of our troubled mail ship

Ambitious MD hopes to dispatch to oblivion the country's negative image of the Post Office

Star 16/11/95 (267)

By **NIKKI WHITFIELD**  
Consumer Reporter

**F**ranks Touwen's CV is impressive BSc Engineering, MSc Computer Science, MBL business degree from Unisa Dux scholar at St Suthians College in 1963 Last job, managing director of Philips Communications Systems in the UK Private pilot's licence Clearly an achiever

But can he, as new managing director of the Post Office, achieve what at this stage seems the impossible - can he change our floundering operation into what it should be - a reliable, first-class service?

Right now, it's far from that Lick a stamp and you could be kissing a love-letter good-bye Melt a blob of wax onto a parcel and you could be sealing its coffin. Spend a fortune registering something and even that doesn't give you any it'll-get-there guarantees

Touwen knows about the problems ("Have you tried sending a letter lately? And did it get there?" he asked) And having spent four years in Cambridge, he's had first-hand knowledge of how an efficient, First World postal service should work.

Touwen has been in the Post Office's hot seat since September, commuting daily between his plush office in Church Street, Pretoria, and his Bryanston apartment. His plans to turn the corporation around are ambitious and impressive

"I knew the Post Office was in a mess when I accepted the job But the very challenge of transforming it into a working operation is what makes it so interesting

"My priorities are to get the Post Office back to a state where the public can regain their trust in using it; when they can post items with the assurance that they will be delivered within an acceptable time-frame and in a condition simi-



MYKEL NICOLAOU

Post-haste ... Frank Touwen at the super-sorting Witspos in Ormonde.

lar to the one they were sent off in."

He laughed wryly when told how many complaints were made to the consumer desk of this newspaper about the Post Office "You get complaints!"

He intends to change the public's image of the Post Office, and to make the staff a true reflection of South Africa's population groups.

"The Post Office's image is of a white male, autocratic, top-down organisation But it's changing We need people of all colours and people of both sexes

"And we need to ensure we extend our services . In the old

South Africa, there were 71 post offices in white Pretoria and two in black Pretoria."

He is also keen to get the corporation back to a break-even position, where it can be successful without a subsidy from the State

Can he say why the Post Office is in such a mess?

"There are many reasons For example, in the past the Johannesburg mail centre was operating out of five buildings, with mail sorting done over five floors in the old Jeppe Street Post Office

"Other problems have been caused by labour action, and we

need to improve our communication with the labour force and the unions"

Since July, R2,5-million has been spent on international consultants from the New Zealand postal authority and the US company, Alexander Proudfoot, to help with the transformation process

The Post Office, Touwen said, dealt with a staggering 8 million letters a day, 40% of which went through the Witwatersrand "So it stands to reason that if there are inefficiencies in the primary hub, the rest of the country will be affected"

Now, though, the corporation

has a shining new hope - Witspos, a vast 35 000sq m, one-level building in Ormonde which cost about R45-million, where all the region's sorting is done

Staff caught tampering with mail would be dealt with, Touwen assured, and security to ensure the safety of mail - such as the installation of more close-circuit cameras - would be stepped up

The last word from the MD is that the standard of delivery is improving But, on the down-side: "With the increase of Christmas mail, it's unlikely we'll see any improvement before early next year".



# Post Office 'working hard to improve' (267)

CT 17/11/95

## STAFF REPORTER

THE Post Office, struggling to operate as a viable business and provide an efficient service, was "working hard" at improving itself, regional general manager Mr Leon Dippenaar said yesterday

Mr Dippenaar, addressing an Institute of Citizenship meeting, said that when the Post Office was "commercialised" in 1991 it had an annual shortfall of R800 million, which had previously been subsidised by the profit-making Telkom. "It was not really run along business lines"

The Post Office's annual deficit was now R350m, which was subsidised by the state

"We're not satisfied with that. We'd like to break even or even make a profit," Mr Dippenaar said.

Coupled with this priority, he

said, was that of providing customers with "quality service", a task made more difficult by the Post Office's financial situation

To this end the Post Office had introduced a number of new services and had recently published a set of delivery standards, including a two-day across-town delivery time and a four-day delivery time between major centres.

In the Western Cape the across-town delivery time was 90% on target, but the countrywide delivery system had had "quite a few problems lately" and was running at a "horrific" 26% efficiency "You can imagine what our customers think of us"

To "make ends meet" without more than doubling its tariffs the Post Office had shut down 50 post offices in the Western Cape in the past two years and cut its staff

# Calls overseas cheaper via US than Telkom

STAFF REPORTER

SOUTH AFRICANS can now make cut-price international telephone calls — via the United States — and save up to 45% on each call

Known as "call-back operators", at least five companies have established themselves in the country offering lower rates than Telkom on international calls, faxes and cell phones

The Western Cape representative for one of the companies, Mr Brian Kirsch, said yesterday savings ranged from 45% to 15%, depending on which country one telephoned.

He said the South Africa company was linked to the International Long Distance (ILD) company in Los Angeles

"When you join, you are allocated an access number which is put into the system. When you want to make an international call, you dial your access number and hang up

"Within 10 seconds they will phone back and switch you through to an American network which makes the call to whatever country you are phoning," Mr Kirsch said

One saved 45% on calls to Greece, Italy, Belgium and Brazil, and 35% to the UK and North America, he said

Telkom charges R11,32 a minute during peak hours to Italy, while call-back operators charge R6,23

Telkom charges R6,37 a minute in peak hour to the UK and R5,43 to North America, compared with the call-back prices of R4,14 and R3,53 respectively

Mr Kirsch said the reason American telephone networks were among the cheapest in the world was that there was such fierce competition between different companies

"They also operate with substantial volumes of calls and so they are able to negotiate good rates," he said

He said the service was aimed at companies which did a lot of overseas business and at individuals who had relatives overseas.

A spokesman for Telkom was unable to say yesterday whether the call-back operators had had a negative effect on the company. He said the call-back operators were legal

# Dikgang Moseneke: correction

Amanda Vermeulen (267)

CONTRARY to our report on Friday last week, Telkom chairman Dikgang Moseneke says he is not considering relinquishing his post when he takes up an executive position in the Corporate Africa group. The suggestion that he was thinking of leaving Telkom was an assumption by Business Day and was not confirmed.

Moseneke says he is not uncomfortable with the restructuring of Telkom. He was hired by Telkom to supervise that task, and his three-year contract still has more than two years to run.

Moseneke has also pointed out that

he has nothing to do with the Johannesburg legal firm Moseneke & Partners that is managed by his brother. Business Day confused the Johannesburg firm of attorneys with Advocate Moseneke's chambers in Pretoria. Moseneke closed them recently.

No inference should be drawn from Business Day's article that Moseneke has worked for the Johannesburg firm of attorneys that specialises in privatisation issues and that has purposefully distanced itself from providing any advice to Telkom. Nor should the inference be drawn that Moseneke & Partners is closing down.

Business Day regrets the errors

## POST OFFICE

# Letter of intent

The crisis may not be terminal but it's serious (267) FM 24/11/95



**The Post Office**, once a model of reliable if stolid service, is rapidly acquiring a reputation for inefficiency. Public faith in the Post Office is being eroded and its long-term survival threatened. Many of

its erstwhile customers prefer to fax letters, use electronic mail or pay the higher charges for courier services.

The anger of statistician Cheryl Soutar at unsatisfactory service from the Post Office points to a much deeper problem. She has received two parcels in recent weeks, both of which had been ripped open. As the parcels contained only unsolicited mail, she has not yet become a victim of pilfering by dishonest officials. But she fears that it's only a matter of time. She is expecting a parcel containing a valuable present and is apprehensive that it will be pillaged en route. Her apprehension is justified: money orders have been stolen while in the custody of the Post Office.

A recommendation by the Johannesburg Stock Exchange that companies extend the cut-off date of share rights because of unreliable postal deliveries does the Post Office no good. Neither does the advice of the Receiver of Revenue to citizens to hand-deliver income tax returns.

Post Office board chairman Donald Masson admits that the postal service has declined. "That is fair comment," he replies to the statement that there's a prevailing sense that the service has deteriorated. "It is not merely an impression," he adds. "It is factually so."

The signs that the Post Office is facing major problems became conspicuous from about March or — to use a different yardstick — within a year of the installation of the ANC-dominated Government of National Unity after the watershed general election of April 1994.

The chronology invites the deduction that the crisis is a sign of ANC administrative and managerial incompetence. But Masson, a businessman with an engagingly frank manner, repudiates that conclusion before it is even articulated.

The problem, he makes clear, predates the ANC's election victory and is a replay in the local context of similar crises which beset several postal services in different parts of the world, including New Zealand (where its service is today a model of profi-

table efficiency)

The SA Post Office's newly appointed MD, Frank Touwen, endorses Masson's point. He says of the Post Office "It was a tired organisation. It was heavily bureaucratic and (characterised by) low motivation."

Providing a broader perspective, he adds "Many postal authorities were in a similar situation." Touwen's list of countries afflicted by similar problems includes some of the proudest names in the history of post offices: the Dutch postal services, those of New Zealand and Australia and, to a much lesser extent, Britain's Royal Mail.

Touwen notes that these postal services are now "efficient, reliable and profitable." His quest is to ensure that the SA Post Office merits these labels in the not too distant future.

But Touwen makes it clear that the Post Office's problems were compounded because they coincided with the vast political and socio-economic changes which have taken place in the country during the past



Touwen



Masson

four or five years.

These changes, which generated demands for affirmative action, extension of postal services to disadvantaged communities and incorporation of the supposedly autonomous post offices in Transkei, Bophuthatswana, Venda and Ciskei, have placed additional strains on the service.

Masson and Touwen cite the position in Pretoria and its environs as an example of the challenge imposed by the political revolution which swept the old order aside.

Under the apartheid dispensation, they note, white-designated Pretoria had more than 70 post offices compared with two for

Mamelodi and neighbouring black townships. The discriminatory heritage is intolerable, to the Post Office no less than to the new political rulers.

Masson notes with pride that the Post Office has made progress in tackling one of its most urgent tasks: reduction of the huge annual debt. In 1991, the year in which the Post Office became a private company, its annual loss was R850m, he recalls. If no action had been taken, the annual debt would have been R1,5bn, he states sombrely. Instead, the Post Office has reduced the annual loss to R450m and reduced the shortfall in the pension fund from R800m to "between R150m and R200m."

Nevertheless, as Masson readily acknowledges, huge problems remain.

Posing a rhetorical question, he asks "What the hell are we going to do?" His question is not idle. The Post Office is caught between potentially conflicting demands to cut costs — to, as he puts it, "modernise and reduce numbers" — and to expand into areas which were under-served, if not completely neglected, during the apartheid era.

Touwen talks about the need to increase surveillance to eradicate tampering with mail for suspected loot. That requires money. But the problem of pilfering — which he sees as part of the general crime wave — has to be dealt with if public faith in the postal service is to be restored.

The problem of nondelivery of mail has implications which are almost as severe. The two problems are interlinked, in the sense that dumped mail is often looted mail.

Masson believes that they should be categorised as "unforgivable sins," meriting dismissal unless there is a compelling case for less severe punishment.

"We are going to be ruthless," he says. "If we don't inculcate a work ethic, we won't have a business."

To remedy the deficiencies and to achieve its objective of profitable efficiency, the Post Office has initiated a number of projects. The organisation has also sought — at a price — the advice and guidance of consultants from New Zealand Post and Alexander Proudfoot, the firm which helped New Zealand to succeed in commercialising its postal service.

Continued on page 29

Continued from page 24

One initiative is the installation of a "more client-friendly" computer system — Excellpos — which will eventually link more than 5 000 service points at 1 550 post offices countrywide

A Post Office public relations official enthuses. "Excellpos provides great benefits for clients and counter staff. It will streamline procedures, limit paperwork to a minimum and speed up counter transactions. The waiting time in queues will be reduced considerably. The network is expected to be fully operational at all post offices by March 1997"

Another initiative is the introduction of a new, streamlined sorting system — the hub-and-spoke system. Introduced in September 1994, it has reduced the number of dispatching offices — where mail is sorted — from 1 600 to 26. From these "hubs," the mail is sent along carefully planned "spokes" to destinations.

Use of the hub-and-spoke system is linked to containerisation. Mail is dispatched in containers rather than obsolete bags, leading — postal experts insist — to a more efficient and quicker delivery.

Another major initiative is the building of huge mail-sorting centres in Johannesburg and Cape Town. A third is on the drafting board for Durban. The Johannesburg centre, known as Witspos, is in the southern part of the city.

Witspos is a gargantuan complex, covering an area of 35 000 m<sup>2</sup> — roughly the size of four rugby fields. It has replaced Jeppe Street post office as the primary mail-sorting operation on the Witwatersrand. Instead of mail being sorted at five different levels in the middle of the traffic-congested city, the task is now tackled in relative seclusion "under one roof and on one level"

The move to Witspos has entailed a major adaptation from staff. They have had to adjust to a 24-hour schedule, involving night shift for some workers.

The process has involved an element of "culture shock" for the older generation of (mainly white) postal workers used to a 8 am to 4 pm day shift. The introduction of a night shift has meant that mail arriving in the late afternoon or evening can be sorted overnight and dispatched the following day, instead of having to wait for sorting until the next day.

Yet another innovation is the introduction of postpoints. These are essentially mini-post offices operating from an established business — say, a pharmacy or a supermarket. The great advantage of postpoints is that they operate during the extended shopping hours of the host business. They represent another assault on the 8-4 mentality of postal employees.

As more cost-effective postpoints are commissioned — 22 are now in operation — some traditional post offices will be

closed. The consternation over the recent closure of 41 post offices on the Witwatersrand must be seen against the background of the new postpoint system.

The opening of postpoints (which can be described as a devolution of postal services) must be linked to the already functioning postal agencies.

As the Post Office's Juliana Nel observes: "The introduction of postpoints inside existing host businesses enables the

three days across town, four days within the same province and between the main metropolitan centres and five days for the rest. The day on which the letter is posted is not counted.

According to the latest figures, provided by an external monitoring agency, the Post Office's achievement rate varies from high to relatively low, depending on where the mail is posted.

The results are: Eastern Cape 95%, Free State, Northern Cape and North-West 91%, Western Cape 90%, KwaZulu-Natal 88%, Northern Province and Mpumalanga 80%, and the Witwatersrand —

which composes the bulk of Gauteng — 48%. The national average on-target delivery rate is 84%.

Touwen is not complacent about these good results compared with the negative impressions of many Gauteng residents. He recognises that the Witwatersrand is SA's industrial core and most densely populated nucleus. As he puts it, the Witwatersrand accounts for 40% of the daily tally of 8m mail items.

Not a man to shirk a challenge, Touwen has

set himself an ambitious objective to re-establish the Post Office as an efficient, profitable organisation but one which serves the needs of the entire population rather than one which gives priority to any one segment of the emerging nation.

Since he believes that the market will resist tariff increases, Touwen knows that he will have to cut costs and raise productivity.

His approach is to persuade the six postal unions to work with him and negotiate a common response to the challenge — not to issue decrees like a managerial dictator.

Meanwhile, he is determined to change the profile of the postal work force from one which is dominated by white men to one which represents the entire population spectrum.

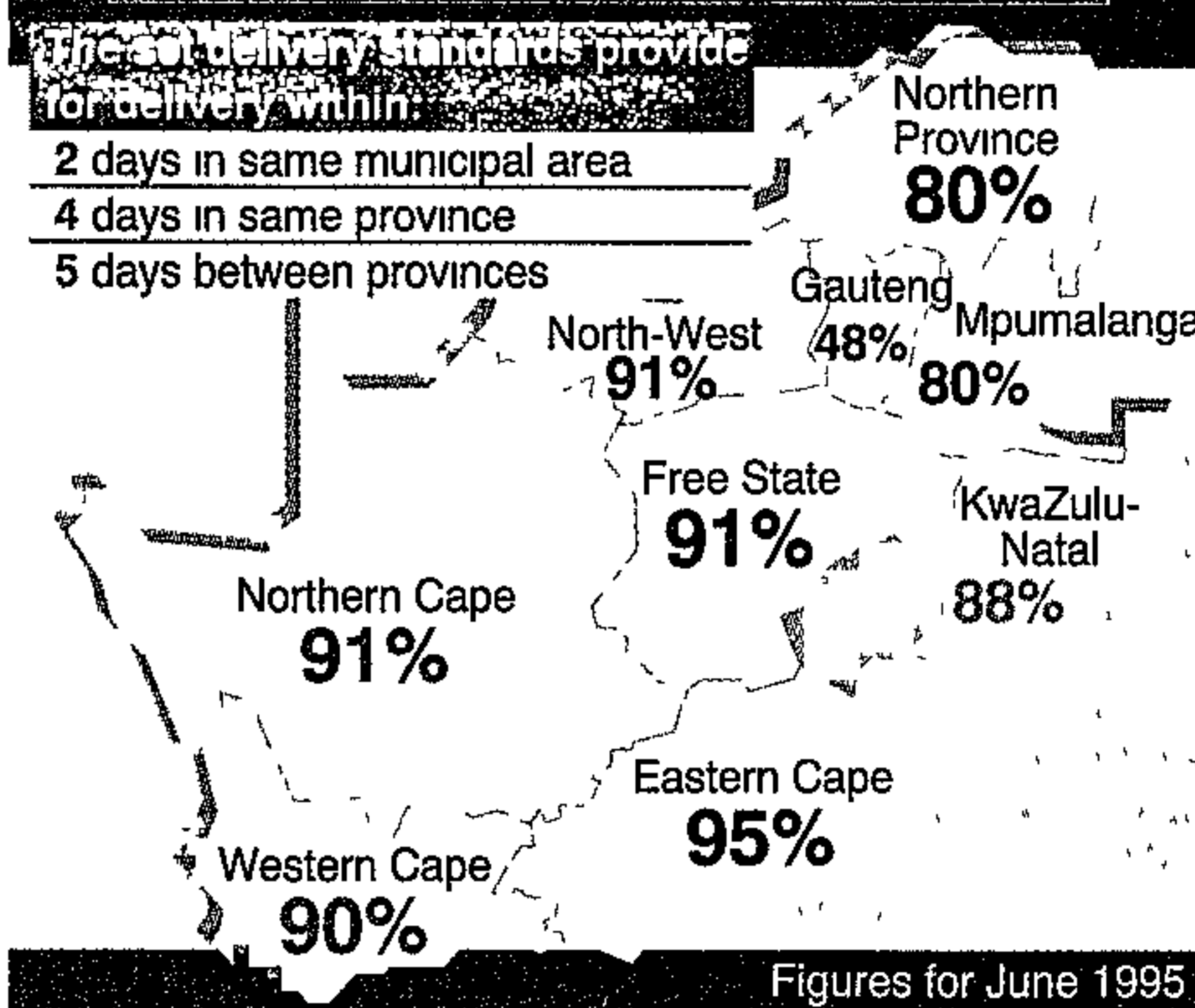
Touwen is confident that the Post Office is overcoming its problems. But he warns that improvements will not be visible immediately, largely because they will be hidden beneath the accelerated flow of mail during the Christmas season.

By mid-1996, however, he believes that the public will be able to detect a new and efficient postal service emerging before its eyes.

We will suspend judgment until then ■

## POST OFFICE DELIVERY PERFORMANCE: A NATIONAL OVERVIEW

### POST OFFICE DELIVERY STANDARD TARGETS



Post Office to accelerate its reconstruction and development programme by taking postal services to where they are needed"

Touwen focuses on yet another bold undertaking — a project to extend the network of postboxes.

It means that people who have no street address — people who live in labyrinthine squatter encampments or in sprawling rural settlements — will be able to collect their mail at postboxes. The long-term plan is to install at least 5m postboxes.

Efficient sorting and an extension of the Post Office's reach is associated with another modernising device — the track-and-trace system.

Implemented less than five months ago, and using a bar code and laser scanner, the new system enables Post Office staff to — in the words of the Post Office's media liaison officer — "track and trace a specific parcel, registered or insured letter at any specific time in the delivery process"

These interventions invite the question of how effective they have been in helping the Post Office fulfil its primary function of delivering letters and parcels. The Post Office sets its own standard delivery targets. They are: delivery within two days for fast mail,

TELKOM

(267) FM 24/11/95

# IBM misses the message

Part of Telkom's strategy to introduce an affordable phone service to the townships — a massive deployment of payphones — is progressing steadily. But a plan to back its payphones with a voice-mail system has been delayed for a year or more following a dispute with IBM.

Telkom cancelled IBM's R12m contract to supply the voice-mail system after the US computer multinational missed an agreed April deadline and a June extension. The initial contract gave IBM five months to complete the system.

The State phone utility recently awarded the contract to Unisys. IBM conceded it would not have been able to deliver the sys-

tem as specified by early next year. But it claims it could have supplied a stand-in system. Despite the quarrel, IBM hoped to bid for the contract again.

tem as specified by early next year. But it claims it could have supplied a stand-in system. Despite the quarrel, IBM hoped to bid for the contract again.

The system IBM intended supplying was based on one it installed for Canadian telephone company QuebecTel. However, this system ran on one computer while Telkom wanted its system distributed between several computers. IBM underestimated how long it would take to adapt the system to Telkom's requirements.

Voice-mail offers an ingenious way for Telkom to meet its universal service obligation. It would provide a basic service to households which cannot afford the installation and monthly rental charges for their own phones.

Furthermore, since messages can be accessed using public payphones, it enables Telkom to offer a service to poor commu-

nities without exposing itself to bad-debt risks.

Telkom is relying heavily on payphones to meet its RDP commitments. Though its initial obligations are limited to supplying all schools and clinics within two years, the RDP document indicates more is to come. "For black people it is estimated that less than one household line per 100 persons is in place compared with about 60 lines per 100 white persons. Other countries with comparable per capita wealth have 30 lines per 100 persons. The situation is far worse in rural areas."

Within five years, Telkom is obliged to have installed at least one payphone per

1 000 people in rural areas and two per 1 000 in urban areas. It aims to provide 40% of households with a telephone service by the year 2000.

Last year Telkom addressed its low penetration in black areas by increasing its number of payphones by 20% to about 60 000 by its March year-end.

The increase in payphones makes it easier for township residents to call out, but does not address the problem of how to contact somebody who does not have a phone at home. Once the voice-mail system has been completed, callers will be able to leave messages for other people on their "voice-mail box" — a number allocated to them by Telkom. People can retrieve their messages by dialling their voice-mail number from any telephone.

Telkom has not disclosed how much it will charge for a voice-mail account or how

it intends billing. Most telephone utilities run voice-mail systems as value-added services — a business Telkom has opposed since losing money with its 087 service. ■

## WORLD WIDE WEB

### FM in demand

In the week since the launch of the *Financial Mail Internet* edition there have been more than 200 registrations. Over 10% of these have come from international users.

"We have also had a number of inquiries from local and international organisations to form joint ventures," says Times Media (TML) electronic publisher Roy Isacowitz.

Located on the Internet's easy to use World Wide Web, **FMi** can be accessed by simply typing <http://www.ald.co.za/fm> in the address space.

Access is free. Users will be able to read all articles in the latest edition of the *FM*. Readers will also be able to consult five months of back issues and search on any word or phrase in the back issues. This archive will grow each week.

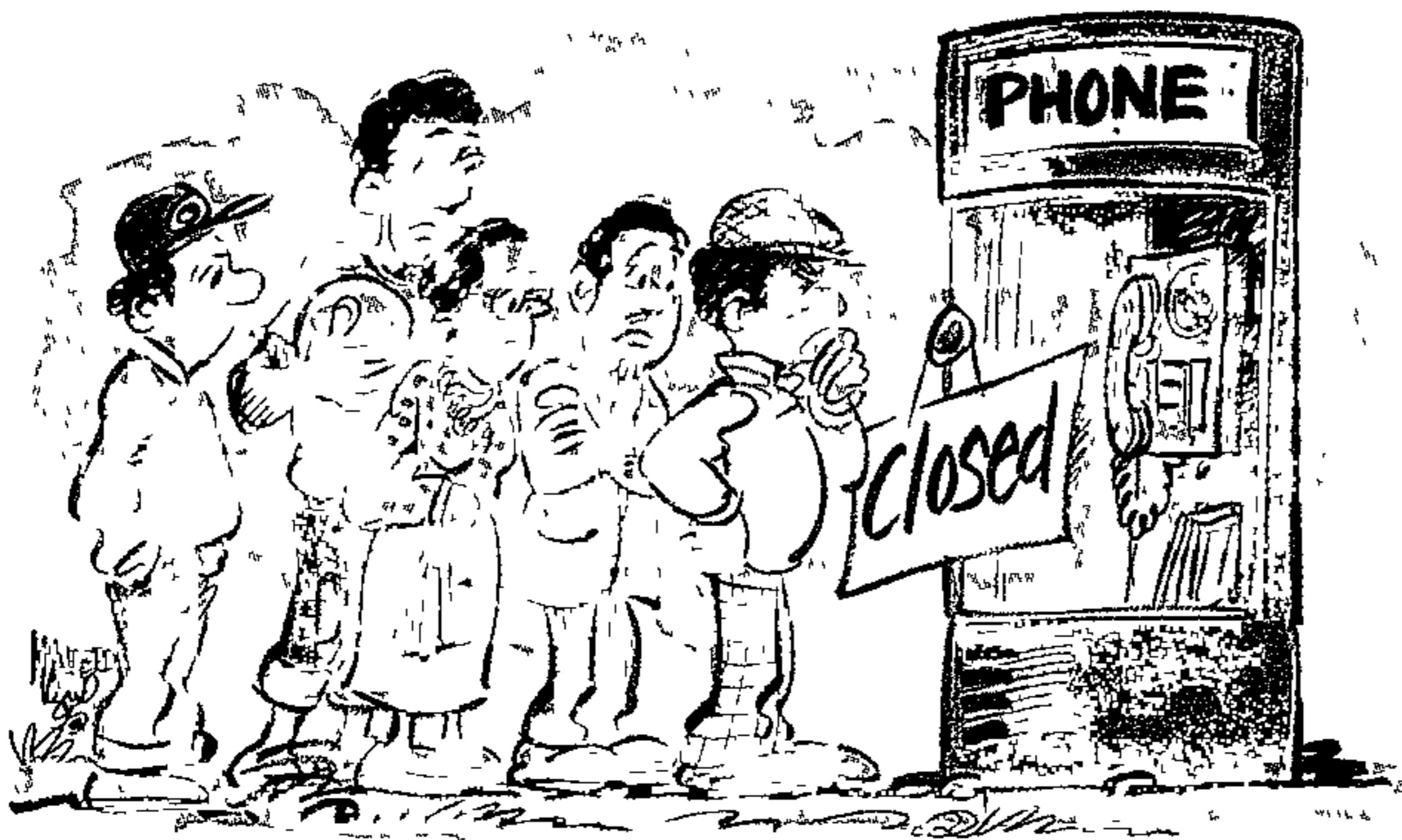
Users are not limited to the *FM*, however, and can use **FMi** as a springboard to visit more than 60 sites of interest. These include the world's most influential business, financial and news publications, as well as a plethora of sites offering general interest information (*Infotech* November 17).

Thanks to the successful launch of this Internet edition, *FM* publisher TML has decided to form a division which will focus on research and development into all forms of electronic publishing.

"Over the next 18 months we will continue to add value to the *FM* site," says Isacowitz. "We will also open five new sites." These include Internet editions of *Business Day*, medical and health-care magazine *Mims*, as well as the new *Out There* travel and leisure magazine.

There are also plans for a temporary Everest Site to track the progress of the *Sunday Times'* Mount Everest expedition.

Possibly of most interest to the financial sector, will be the composite business site, incorporating TML's three leading business publications — *FM*, *Business Day* and *Sunday Times' Business Times*. The three publications' databases will be linked allowing for searches across current and archived issues. "We will provide the best database of financial information in the country," says Isacowitz. ■



STATE UNIONS

**Brain drain**

FM 24/11/95

The State employs 1 100 people to run its IT systems and pays them under R100m. It also uses 1 500 consultants and pays them R450m.

Behind those facts lie the reasons for the conflict between the State and its IT workers. Tensions have boiled over into public view several times over the last six months.

Workers have threatened to switch off all IT systems — a move that could stop most of the State's day-to-day business. There

would be no Revenue collection, Customs & Excise could not function as identity documents could not be processed, salaries would not be paid, and even burials could not take place.

There would be the grisly possibility of mortuaries overflowing.

"We have not excluded the chance of industrial action in the future," says Casper van Rensburg, GM of the Public Servants Association (PSA), to which Government IT Union of SA is an affiliate.

The association has been in dispute with its parent body, the Public Service Commission (PSC), and apparently some members of the PSA had threatened to switch off the

State's systems from November 23-25. This threat was withdrawn when the PSC agreed to look at the association's three grievances. They are:

- There should be one umbrella body to oversee and control all aspects of State IT,
- The PSC must address the issue of consultants, and
- It should bring IT workers' remuneration in line with that in the public sector.

The issue of consultants is critical. There has been wide-scale resentment at the payments commanded by consultants, while State workers have their salaries pegged at public service levels. This has led to a brain drain with government losing some of its

DAVID BULLARD

IN MY OPINION

**Angora goats in suspenders!**



Bond trader and net-tie convert David Bullard commiserates with the cyberporn pervert on downloading "those pics."

I know that there is nothing worse than the zeal of a new convert so I will understand if you skip this page and move directly to the *Torque* column. So what's the big deal? Have I given up smoking? Have I found the path of true enlightenment? Have I discovered the G spot? None of the above but quite probably far better than all three put together. I have become a nettie.

My business card now has row upon row of small print detailing any number of ways you may contact me but best of all, just under the cellphone number is the e-mail address.

I am happy to say that most people still haven't the slightest idea of what you are talking about and those who do shuffle their feet and pretend that they are still thinking about getting on the Internet. Those who are already on have every reason to be smug. We are cruising the information super-highway while the rest of you are still bumping along dusty farm tracks.

Take post for example. We all know to our cost that the South African post office takes about a month to deliver a letter from Rosebank to Bryanston. That is if it doesn't wind up in the Braamfontein spruit.

Overseas post has an even slimmer chance of arriving or departing, particularly if there is money enclosed. On the Internet I can send letters in a matter of seconds to anywhere in the world for the price of a

local phone call.

It gets better though. The Internet lets me look at today's newspapers from all over the world, to check out what the CIA is up to and even to chew the fat with the State President or any member of his Cabinet.

The ANC have what is called a web site and it is really impressive too, particularly as none of the other parties has joined the 20th Century as far as computers are concerned.

I'm not sure how many of the party faithful in the townships log on to the Internet but providing you already have electricity I guess there is no reason why you shouldn't e-mail the State President and ask him when the water can be expected to arrive? One man, one laptop.

So what about all those dirty pictures everybody talks about? I have logged on to most of the tamer girlie magazine web sites and they are an exercise in self-restraint.

Once you have double clicked your mouse on Miss November you might as well go off and make a cup of tea because, as far as your average slaving Internet pervert is concerned, she is revealed painfully slowly from the top down. This appears to be a fundamental design problem. Her it is to cyber-... most of us would prefer it if she was revealed from the bottom up so to speak.

The really hard stuff involving Angora goats in various erotic poses comes in some sort of code and only the cognoscenti know how to download it. I figure that if you've seen one Angora goat in suspenders you've seen

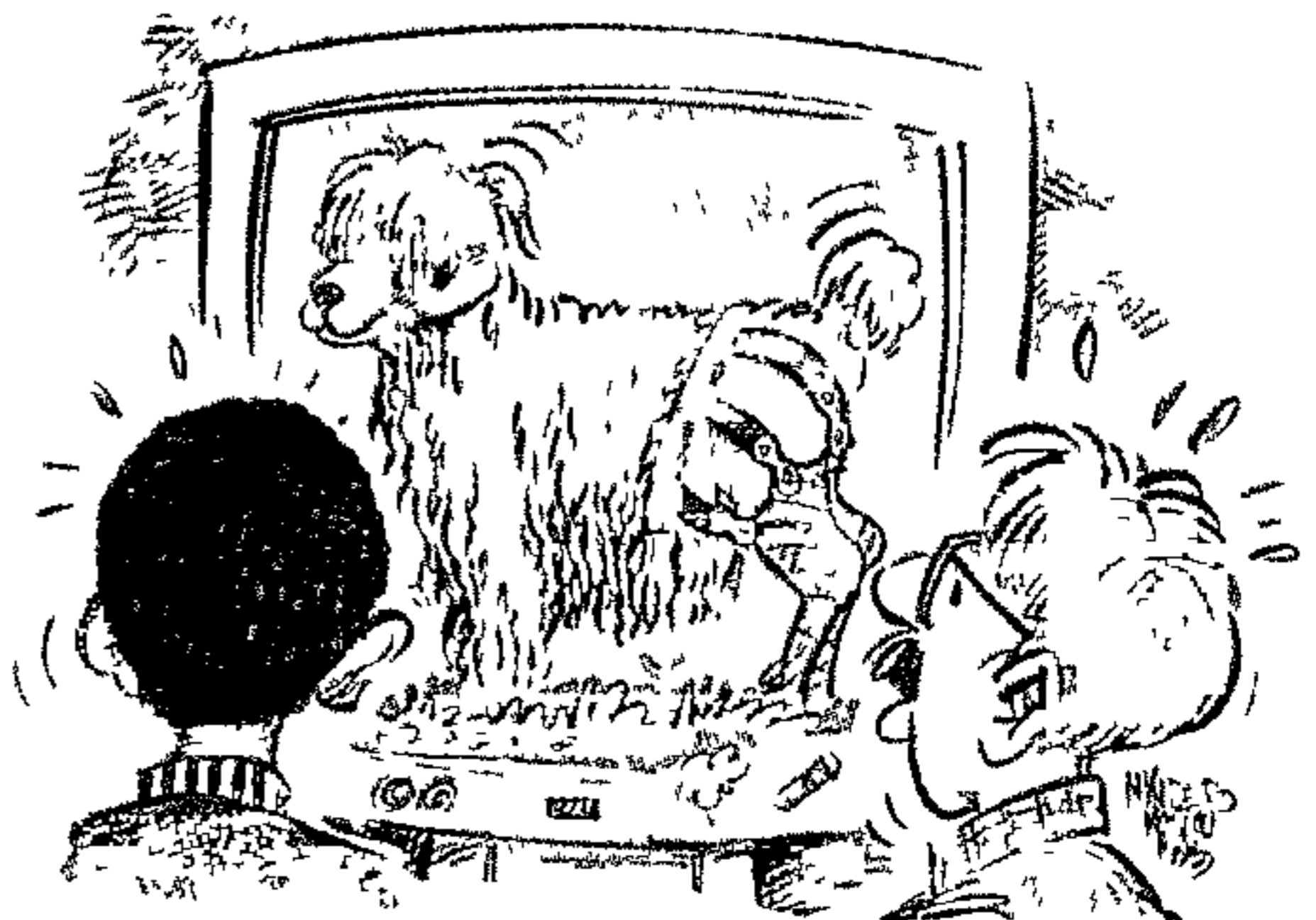
them all so I haven't bothered to find out how to crack the code.

What I did think was a great idea was to subscribe to a forum, which involves sending and receiving messages to like-minded people or so you think. The forum groups are rather like cocktail parties and are dominated by bores with the welcome difference that you can log off when you have had too much of them.

The forum I joined seemed to be dominated by academics who had nothing better to do than send each other snide comments on the Internet. Hardly surprising that our universities are in such poor shape.

The problem with a forum is that every time you go into your e-mail there are at least 60 messages waiting for you, most of which are terminally dull.

Because of the computer industry's persistence in talking technobabble not everybody will be as captivated as I am by this wonderful new revolution in communication — a fact that was brought forcefully home to me when my wife asked me for the 40th time to show her the stop button on the VCR remote control. Luddites — who needs them?



## ANGLOVAAL INDUSTRIES

# Blue-chip status assured

## But it may struggle to stay ahead of rivals

A strong historical growth record is certainly comforting but may offer limited assurance that future returns will be as good as those of the past. This question now faces investors in Anglovaal Industries (AVI).

AVI's performance over the past decade and throughout the recession of the early Nineties could be matched by few large industrial groups. Earnings per share and dividends increased in each of those years. The compound growth in EPS over the past five years is 16,2%, in dividends 15,7%.

This has been an exceptionally good run, compared with other big groups over that period and when seen against AVI's own historical standards.

As the table shows, AVI's five-year growth in EPS and dividends outshines those of SA Brews, Malbak, Murray & Roberts, Rembrandt, Amic and Safren. In the early Eighties AVI was not particularly exciting. When the boom at the turn of the decade ended, the group's earnings became bumpy, the dividend sat on a four-year plateau of 46c (before the 10.1 subdivision) a share until 1985.

There are now a number of potential constraints to AVI's earnings that could, at the least, impair its relative performance for a while. Most significant perhaps is that the group is flagging in some markets, especially in the consumer sector, where it did well in recent years.

Not only has demand in certain sectors fallen below expectations. Competition has also intensified, often worsened by greater international exposure, following the end of economic isolation or as a result of government's move towards reducing protection.

Meanwhile, funding requirements are rising. Capital spending is planned at R2bn over the next three years. Longer-term, it could well enhance operating margins and earnings. But, during the spending phase, it means greater calls on cash flow.

These factors are taking effect just as the group is approaching senior management changes with some key executives who steered AVI through its best years reaching retirement.

Interestingly, it was in 1981 that Jan Robbertze, then MD of Consol, was appointed group MD. AVI's good years have thus covered a large part of his tenure. At the end of this year, Robbertze will retire as group

MD, to be succeeded by Richard Savage, currently an executive director of AVI, which he joined in 1991. Robbertze will remain deputy chairman and will chair several major group subsidiaries.

Savage is a former MD of Haggie and, subsequently, an executive director of Barlows and Altron. Several other key executives who were Robbertze's colleagues over the past dozen years are at or nearing retirement. These include Irvin & Johnson's Jim Williams (now deputy chairman), Consol MD Piet Neethling (who retires in three years) and Diversified Holdings chairman David Royston.

In most cases, successors are in place or are being groomed. But the advent of new management — until proven — inevitably raises questions for investors.

This is not to say there are any serious concerns about AVI's prospects. In the year to end-June, it again lifted EPS and dividends by more than 21%. Again, few of the large and diversified industrials have done much better (see table). But the result was no longer above average.



Robbertze

AVI has long had a useful balance in its portfolio. "The balance is what has carried us through the past decade," says Robbertze. "It has never been our intention to make it into a group that is essentially consumer-driven, for example."

Still, the latest results raise an interesting question. It's worth considering whether the mix of activities that served AVI so well during the late Eighties and early Nineties will be as effective during the current expansion, when the economy's main engine now is fixed investment.

The 54% EPS growth by Barlows in its year to September may emphasise this point. Its earnings were rising off a low base and helped by turnarounds such as its UK subsidiary, but Barlows' markets are now primarily in fixed investment sectors.

Of attributable earnings of R494m in AVI's 1995 year, more than two-thirds was derived from three sectors: packaging and rubber company Consol 25%, AVI Diversified Holdings (largely textiles and engineering) 25%, and the unlisted, 82%-held National Brands (mainly fast-moving consumer goods) 20%. Food group Irvin & Johnson provided another 11%. That takes the total from these sectors to 81%.

Some activities are not linked to consumer markets. Aside from the engineering interests in Diversified Holdings, and some of Consol's markets, these include the 28%-held cement producer Anglo-Alpha with 11%, and the construction and electronics/computer businesses in 51%-held Grinaker Holdings with 6%. All these should continue to produce good growth but they don't necessarily add up to a dominant influence on the bottom line.

Consol (see *Leading Articles* September 15), the largest of the subsidiaries, typifies the rather mixed outlook and the challenges facing the group. Though it is the leader in its key markets such as glass packaging and tyre manufacture and distribution, the latest earnings advance of 19% was considered disappointing given the strong surge in sales volumes.

Demand in Consol's glass division was boosted partly by customer restocking and was pushed to exceptionally high, if unsustainable, levels. Three glass furnaces which were standing idle had to be brought back into production quickly. The recommissioning required expenditure and skills were spread thinly, margins were squeezed.

Management was clearly caught flat-footed by the suddenness of the recovery. Robbertze concedes this. "At one point in the downturn, we had five furnaces idle. That may have dulled our focus into over-emphasising belt-tightening."

Consol accelerated its capex in 1994 and 1995 and now plans to spend about R1bn over the next three years. The lion's share of this will go towards continued technology enhancement and capacity enlargement in its glass factories.

Its management aims to finance this internally, through cash flow and debt. Neethling expects continuing growth in sales volumes in the glass and rubber divisions and is forecasting annual earnings growth of 20%-25% over this period. Whether the dividend will grow as rapidly is unclear.

Diversified Holdings in the 1995 year made a pre-tax profit of R189,9m (1994, R153,7m) and earnings were R121,8m (R97,3m), up 25%. It contains a mix of companies, of which the two best performers now include the listed engineering group Bearing Man, which recently became extremely successful, and the 92%-held textile company Avtex. Steel merchant Trident is another significant contributor.

Bearing Man, 55%-held, lifted its earnings 58% to R22m, its strong growth seems set to continue. Avtex made about R36m



FOREIGN POLICY

# No time for moral trumpeting

**SA's quiet diplomacy** has palpably failed in Nigeria. Ken Saro-Wiwa and his eight fellow Ogoni activists have been hanged, in defiance of Nelson Mandela's wishes and to chorused indignation of many countries throughout the world. But in their anger at the "betrayal" of Nigerian military ruler Sani Abacha, SA policymakers, from Nelson Mandela downward, should be careful not to overreact. The signs so far are not auspicious.

Mandela, reportedly conceding that he felt slighted by Abacha's refusal to heed requests to spare the dissidents, is now spearheading a campaign for tough action against Nigeria's military junta. He has urged the UK and the US to take the lead in imposing oil sanctions on Nigeria.

ANC secretary-general Cyril Ramaphosa has adopted an equally tough stance in a series of statements since the hangings. "None of us must ever tolerate the abuse of human rights anywhere in the world," he has said. "On our side in SA, we are advocating all-out sanctions against Nigeria." Ramaphosa simultaneously targeted Shell for criticism, citing its "disgusting" refusal to look at the issue of human rights in Nigeria.

Mandela has been ill-served by the Department of Foreign Affairs and his dozy Foreign Minister, Alfred Nzo. A shake-up of the department and the replacement of the soporific Nzo by a more dynamic man — Pallo Jordan comes to mind — would be in order. But, for a range of cogent reasons, Mandela would be ill-advised to press ahead with a moral crusade.

Pre-eminent among them is the risk that the policy may be counterproductive. Instead of dislodging Abacha, it may entrench his junta in power. Already there are signs that the Nigerian military regime is seeking to turn SA's righteous indignation to its advantage. SA has been accused, through an advertisement in the Zimbabwe newspaper *The Herald*, of interfering in Nigerian internal affairs. More to the point, in terms of effectiveness, has been the allegation that SA has seized the opportunity to attack Nigeria because it covets the anticipated permanent African seat on an expanded UN Security Council. This may rally a segment of Nigerian opinion-makers to Abacha's side. But, worse still, it may win African countries to Nigeria's side by playing on envy of SA.



Those who call for sanctions should remember that they seldom work as intended. They may not have the desired effect of toppling the Abacha regime. They may hurt the poor rather than humble the mighty, as, arguably, was the case in SA. As *The Economist* has pertinently observed, "Sanctions are a blunt weapon. They have failed to dislodge Saddam Hussein in Iraq."

Concerted indignation by SA's new political establishment strikes a discordant note, not because the Abacha regime has any commending features but because SA seems happy to hold hands, diplomatically speaking, with a host of morally dubious governments.

Ironically, Mandela's condemnation of Nigeria coincides with his renewed call for full diplomatic ties with Beijing, where soldiers, acting on the orders of the communist regime, massacred pro-democracy students at the time that democrats succeeded in claiming their rights against communist governments in eastern Europe and the former USSR. Mandela's condemnation of Nigeria stands in contrast with his silence — which Portugal's Mario Soares has urged him to break — on Indonesian oppression in East Timor.

Ramaphosa asserts that SA must not tolerate human rights abuses anywhere. He seems oblivious of SA's friendship with a range of countries where human rights are abrogated. One is Algeria, where an election was aborted because early returns pointed to victory by the opposition Islamic Salvation Front and where an estimated 10,000 people have been killed since a state of emergency was imposed in 1992. Another is Cuba, where, according to *Amnesty International*, there are at least 500 prisoners of conscience.

One wonders, too, whether Ramaphosa is conscious of the irony implicit in his support for Ogoni activists, one of whose major aims was self-determination for the Ogoni people. Talk of Zulu self-determination at home is not well received by the ANC.

Mandela has sought to be a peacemaker in southern Africa, a role which he fulfilled with some success in Angola, Mozambique and Lesotho. He should seek to do the same in Nigeria. That does not imply effete diplomacy or moral condonation. It means steady, unrelenting, behind-the-scenes pressure on Nigeria to restore democracy. It is a more challenging role than that of a moral trumpeter. ■

# Telkom bidders 'may share work'

BD 28/11/95

267

Beatrix Payne

BIDDERS for Telkom's one-million-line R6bn contract could split the work between them even if only one group won the tender, consortium bidder Altron said at the weekend.

The five shortlisted groups — Siemens Telecommunications, AT&T NS-NL, Marples Communications Technologies, Ericsson SA and Alcatel Altech Telecoms — were likely to pool resources and subcontract work to groups that had not made the shortlist, a spokesman said.

"It is not an all or nothing game," he said. "One company cannot provide the whole project on its own, and subcontracting and outsourcing will be a feature."

Telkom said that more than one group could be awarded the contract, depending on the responses it received to the full tenders it would issue at the end of this month.

Telkom technology strategist Derek Fyfe said that Telkom

would provide turnkey bidders with a list of preferred products and technologies from the 20 initial proposals.

Successful tenderers would be announced at the end of March and projects would be commissioned from August.

Fyfe would not comment on the expected value of the contract. However, he said the parastatal's broader network strategy to provide 4-million lines by the end of the decade — Vision 2000 — was expected to cost more than R16bn at current prices.

Telkom was currently reviewing procurement strategy to foster greater competition among suppliers and drive prices down.

This and other cost-saving strategies would increase profits, he said, which would be sunk back into the business.

The group also intended sourcing funds from the financial market, and it was investigating other options which could include soft loans or funding from the RDP, Fyfe said.

# 'Glad you couldn't make it, Mr President'

BD 29/11/95

(267)

**Melanie Sergeant**

SA's participation in what was touted as "the biggest telecommunications event the world has seen" was fraught with technical hitches and the country was cut off from the opening ceremony

The event was being flighted to 98 venues on five continents

The breakdown occurred despite hours of successful testing of the integrated services digital network link which allows voice, video, sound and graphics to be piped down phone lines instantaneously

Telkom product manager Marius Coetzee said, "There is a major inves-

tigation to find out what went wrong"

The SA audience of top business people caught a glimpse of the opening, linked up to US secretary of commerce Ron Brown and Bellcore president George Heilmeier, and Telkom MD Brian Clark's address was live on the link. But as the opening event was set to be staged, the lines went down and the link was lost. Telkom corporate account manager Vic McDowell said errors were found on local exchanges

Telkom officials, told last night that President Nelson Mandela would not be holding a planned network chat with US Vice-President Al Gore, were relieved, saying his presence at the

Gallagher Estate event would have caused further embarrassment

The digital network is being touted as the next step in the evolution of the worldwide telecommunications network, and is sold as "making speed and error-free transmission of voice, data, images and video on one digital line a reality". In his address, Clark said the service was already being used by 6-million users, and 25-million users were expected by 2000. Telkom planned to have the service available to about 90% of its business customers by the end of its next financial year

Picture: Page 2

# Thieves destroy SOS system

By SHIRLEY WOODGATE

More than a third of the SOS phones on a 150km stretch of the N3 have been vandalised by thieves who have put the emergency communication system out of action for thousands of holiday-makers during the Christmas season.

Damage to 24 of the 70 masts housing solar panels and radios - linked to the phones spaced about 3km apart on the Johannesburg/Durban toll routes - totalled more than R500 000, Tolcon managing director Andrew Mthembu said.

The equipment would not be replaced before the coming holiday season, but Tolcon would step up additional patrol services - already operating on the N3 - during the Christmas peak traffic period.

Near Colenso in KwaZulu Natal, the SOS system has

virtually been wiped out and the Pretoria/Rustenburg N4 has also been hard hit, Transport Department spokesman Niel Tolme said.

Tolcon manages two of the three tolled stretches of the N3 on behalf of the SA Roads Board.

The board has already been forced to fork out more

## Masts linking phones stripped

than R1-million on replacement, but after the latest spate of thefts the board decided not to replace the masts until the equipment could be properly secured in theft-proof boxes. The first security boxes have been constructed and some will be in place by Christmas.

The phones were considered a vital part of the road system, with up to 1 000 calls received every month at the control centres on the two N3 toll road stretches of the Durban/Johannesburg route, Mthembu said.

It is assumed thieves use the solar panels and batteries to obtain power, but it is believed they would be ineffective as the batteries are of a very low voltage.

The radios are effectively useless as they can only be used for the communications purpose for which they were designed.

The Automobile Association, which controls SOS phones on all main urban roads, suffered isolated incidents on about 30km of the N3 said spokesman Quanton van Eeden. "But all the SOS phones manned by the AA along metropolitan freeways will be kept functioning during the holidays."

## Green Paper is set to be unveiled to public

267

THE science and technology Green Paper, Preparing for the 21st Century, is to be unveiled this week.

Speaking at the IT policy conference, science and technology department chief director Dr Robert Adams said the Green Paper focused on the department's view of IT underpinning the future of culture and development.

"The Green Paper is a discussion document to be followed by a White Paper, which will outline the vision and legislative intentions of government," Adams said.

"There must be a broad indication from government on its plans for future legislation, and we are thus providing an overarching framework from which all policies for the next few years are hung."

The Green Paper identifies the main questions which need to be addressed, and asks the public for its views.

The process was important because SA had not yet had a coordinated science, engineering and technology policy, and there was now an opportunity to create an effective policy with input from many stakeholders. BD 30/11/95

## INFORMATION TECHNOLOGY

# Foundation laid for national policy

Reports by  
Melanie Sergeant

SA IS in search of a new IT policy, and the groundwork for this was laid at a conference this week.

Centre for the Development of Information and Telecommunications Policy director Andile Ngcaba said the formalisation of IT policy would probably be a similar process to that which started in 1993 to conceive the National Telecommunications Forum.

"A similar process is needed for IT," he said. "Issues which affect the industry, users, and ordinary people need to be addressed."

He said that during the last few months there had been several discussions about the direction IT policy should take. It was vital that all players involved in IT were involved from the start and that issues such as IT in education, health and government, and the effect of the Internet, should be addressed.

Asked why an IT policy was needed for a sector which had done well left alone, he said other countries' experiences showed that a co-

hesive policy was essential.

"Other countries have IT programmes to ... make government more efficient, for example."

While there were already a number of government and private sector initiatives, it was vital that the policy-makers complemented these efforts.

Because IT was so pervasive, the IT community should not be seen as an "exclusive process". There should rather be interaction between telecommunications and other information-related processes.

"We have already had discussions with the trade and industry department on its role."

While it was difficult to define the boundaries of IT, Ngcaba said policies still needed to be in place to make the most of the existing infrastructure and to further the use of IT to benefit SA as a whole.

US statistics show that new communications technology will cause a 10% to 30% shift to home shopping, so the gross savings of teleshopping will amount to \$8bn a year when it comes to time and transport costs.

Why should the information infrastructure be of concern when SA has a backlog of basic services to provide?

"It is vital that technology is used to help close the gap between the haves and have nots," he said.

SA ranked 16th worldwide in terms of the number of host computers on the Internet. "We believe that if the Internet can be developed further, it can stimulate electronic commerce, home shopping and a variety of other services to improve the quality of life."

Looking at countries like Singapore, he said that a 10-year programme should be introduced with clear objectives laid out.

"These are programmes which involve communities and government. Government and the private sector can provide the core structure for developments by forming legal and regulatory frameworks, while IT companies can engage in programmes to assist in research and development, for example."

Ismail Mohammed, parliamentary portfolio committee member

whose one portfolio is science and technology, said the IT industry should be used to empower government and the public.

Trade and industry deputy director and IT strategic leader Neville Goodchild said SA was attracting steadily less foreign direct investment and technology. The country lacked a leading-edge communications infrastructure.

With this and the necessary electricity, communities could be brought into the mainstream of society, he said.

"An aim of the policy should be to make IT affordable and accessible to all sectors. The public sector is a huge user, and we should try to improve the awareness of IT and its use for training employees and for other functions."

The conference closed with a resolution to set up a national IT forum, with a steering committee comprising representatives from Cosatu, universities, the Council for Scientific and Industrial Research and the Business Equipment Association. The plan is to establish the forum by end-March.

# Private postal network will link southern Africa

(267)

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Star 30/11/95

A private post and communication network for South Africa, Zimbabwe, Botswana and Namibia is set to open its head office in Johannesburg early next year.

Bloemfontein businessman Andrew McLachlan has secured the Southern African franchise for Mail Boxes Etc (MBE).

This is one of the world's largest franchisors of postal, busi-

ness and communication service centres.

If all runs according to plan, the first service centre should be in operation in April next year, said Leo Holesgrove, MBE's sales and marketing manager.

However, he said the service was not intended to be in direct competition with Telkom and the South African Post Office, but would rather complement

the existing services.

"While MBE will make post boxes available for hire, this is where our association with the post office will end," said Holesgrove.

Each centre will offer a variety of services.

Among these services will be a phone-in service to check whether there is post in your box or not, a courier service and an

answering service.

Other services will include the printing of business cards, a fax service for sending and receiving faxes and a photocopying service.

Stamps will also be on sale at the service centres. In addition rubber stamps will be made and another bonus for customers will be that they will be able to have keys cut - Consumer Reporter

# Telkom will ride the highway, and aims to earn revenue off it

(267) BD 20/11/95

TELKOM will use opportunities the information superhighway casts its way, but the challenge lies in determining how best to earn revenue from them.

Speaking at the Financial Mail's Internet Conference last week, Telkom's international business unit head Dr Rhynie Greeff said the superhighway had become a global free-for-all for both major and small players. "The Internet is a good example of a service which is working around the superhighway," he said.

Telkom saw the information superhighway as a high speed network to carry voice, data, text and video to businesses and homes, interconnecting communications networks by providing a backbone of digital switches linking cities and towns.

Links could be fibre optic, radio or satellite to provide a combination of telecommunications and information accessibility.

"At Telkom, the superhighway fits into our strategy and we will follow the wave, but the

biggest challenge is to determine how best to earn revenues from it," he said

Challenges lay in areas such as data integration and service levels "The problem with the Internet is that it is still too unreliable to be a conduit for time-critical traffic or traffic whose origin must be authenticated."

All telecommunications bodies were becoming players and experiencing a growing demand for high speed networks. In SA, however, independent service providers had to work within constraints so they could not compete with Telkom as a telecommunications operator.

Greeff said the Internet dependency in the US was high, and it could already change the course of business "If the Internet was down for five weeks, 16 000 businesses would be severely affected and billions of dollars would be lost"

In 1994, advertising revenues over the Internet were 0,06% of total US advertising revenues. This was expected to

grow from the present \$100m to more than \$4bn by 2000.

The main users of the superhighway would be commercial and would bring in the majority of funds to pay for its infrastructure. This would be used increasingly by domestic users, education and health sectors

Questions of data privacy, intellectual property rights, cultural preservation and many other concerns now had to be addressed

Greeff said that apart from Telkom's 1-million rural telephone line project, which was set to get under way next year, the organisation would also be providing full digitisation of the network and bandwidth on demand services.

There were unlimited opportunities for expanding into Africa because of the large, unsatisfied customer base.

"Africa needs sophisticated solutions because developing countries need to compete with developed countries on an equal basis," Greeff said.



## Great PO promises at official Witspos opening

BY TROYE LUND

*Star 1/12/95 (267)*

SA's notorious postal service will compete with the best in the world, Posts and Telecommunications Minister Pallo Jordan said at the opening of the southern hemisphere's biggest mailing centre, Witspos, in Ormonde, Johannesburg, yesterday.

He also said that the 172 post offices and 2 300 employees of the former TBVC states would be fully integrated into this "new postal era" by April.

The R55-million new building spans an area the size of four rugby fields and takes over activities previously handled in the Jeppe Street and Harrison Street post offices as well as the customs section in

Loveday Street. They are now all under one roof at Witspos.

South African Post Office director, Frank Touwen, said at the opening ceremony: "The most modern mail handling techniques in the world will allow us to restore our reputation and give quicker, more efficient service."

More than 1 000 employees will work around the clock processing 6-million postal transactions daily to ensure the post office meets guarantees to have mail items on route to their final destination the morning after they arrive at Witspos.

The sophisticated sorting equipment can handle 22 000 letters an hour. Touwen said a letter posted in Randburg would now take two days to get to Pretoria.

# More time, more phones, higher charges, says Telkom

(267) Star 1/12/95

Pretoria – The unit cost of a telephone call would rise next month from 19,2 cents (21,9 cents including value-added tax) to 21,1 cents (24,1 cents), Telkom international business managing executive Dr Rhynie Greeff said yesterday

He said to balance this in-

crease, talk time for distances further than 400km would increase by 10,6 % and the metering period would go from 8,5 to 9,4 seconds

Local calls from public telephones would increase by 10 cents to 40 cents a unit

This, Greeff said, would help

to increase the number of public telephones to about 150 000

There would be a 7,2% increase in residential monthly rental and a 10,3% increase in installation fees.

Installation costs would increase from R233 (R265,62 includ-

ing Vat) to R257 (R292,98 including Vat) and R90,50 (R103,17 with Vat) where cabling was already in place and a site visit was not required.

Greeff said monthly rental for business customers would increase by 12,1% – Sapa

# 'All shall call' is the message for SA

The final phase towards establishing telecommunications legislation in South Africa is finally underway, reports **Leon Perlman**

**T**HE much touted initiative to provide "Universal" telephony services to South Africa's unwired rural millions looks set for a boost following a national colloquium on telecommunications policy.

"All Shall Call" is the message emanating from an intensive four day meeting between key players in the Magaliesburg late last week. Among the issues resolved was the establishment of an Independent Telecommunications Agency (ITA) along the lines of the present Independent Broadcast Authority (IBA).

The move marks the end of a four month consultative period following the launch of the Telecommunications Policy Green Paper in July this year. The 100 member conference resolved to appoint an Eminent Person Group (EPG) to assist the technical task team and the Minister of Posts, Telecom-

munications and Broadcasting, Dr Pallo Jordan, in drafting a White Paper on Telecommunications which will translate into legislation during the first quarter of 1996.

Legislation and direction is urgently needed. The telecommunications sector has been in flux while awaiting decisions on whether or not Telkom will be privatised, and whether competition to its core services in a deregulated environment will be allowed.

Parastatals like Transstel and Eskom, each with their massive internal telecommunications infrastructures, are keen to provide competition to Telkom.

Jordan, however, has often expressed his disdain for competition, citing the need to keep Telkom profitable in order for it to honour its Reconstruction and Development

(267) M+G (DMM) 1-7/12/95



**Dr Pallo Jordan: Disdainful of competition**

Programme (RDPP) commitments to provide Universal Services, his paradigm for substantially increasing the tele-density of South Africa's rural

communities from the present one per 1 000.

The results of Telkom's "Megahne" tender for the provision of one million new lines by the year 2000 will be announced soon.

**B**ut the hand of Australian consultants involved in restructuring the South African telecommunications sector was evident in the deliberations, with the conference resolving to "transform the telecommunications industry along the lines of the Australian model."

It was also resolved that a Universal Service Agency should be established. Appointed by the minister, the agency's objectives would be "to keep universal service at the centre of public policy concerns and on the public policy agenda." It would also facilitate community involvement in the provision and delivery of universal service-related matters.

The putative ITA would be a statutory body reporting to the minister. However, it would, in the medium

term, ultimately be regulated by a single authority, a move favoured by many in the African National Congress.

No consensus was reached on the political hot potato of whether or not to retain Telkom's exclusivity, nor on the introduction of a strategic equity partner for Telkom.

Telkom Chairman Dikgang Moseke has in the past said that up to 30 percent of Telkom could be sold off, with at least 20 percent of that to an international investor. AT&T has been mooted as the potential investor.

The conference also resolved to support a strong local telecommunications equipment supply industry. Controversially, it resolved that there should be gradual and phased removal of any protection measures "which take cognisance of Telkom's needs."

A code of conduct for investors in the local manufacturing sector would also be considered. Empowerment programmes as well as support for the disabled would also be investigated.



Posts, Telecommunications and Broadcasting Minister Pallo Jordan and SA Post Office MD Frank Touwens at the official opening of the Witspos mail sorting centre in Johannesburg yesterday Picture ROBERT BOTHA

## State-of-art post service

~~267~~ (267)  
Mduduzi ka Harvey  
BD 11/12/95

POSTS, Telecommunications and Broadcasting Minister Pallo Jordan assured the public yesterday that virtually every item of mail entering the new Witspos centre was processed and en route to its final destination within a day.

He was speaking at the official opening of the Witspos mail centre in Johannesburg.

The most modern techniques for handling mail were adopted. The introduction, too, of containerisation instead of the traditional mail bag, had improved delivery standards.

Jordan said negotiations had been held with trade unions on a 24-hour shift system. As a result, mail entering Witspos by late afternoon was processed the same night and was out of the centre the following morning.

CT 11/12/95 (267)  
**Phone costs to rise**

PRETORIA: The unit cost of a telephone call would rise in January from 19,2 cents (21,9 cents including value-added tax) to 21,1 cents (24,1 cents), Telkom executive Dr Rhynie Greeff said yesterday — Sapa

# Post Office enters 'new efficiency era'

Own Correspondent

SOUTH AFRICA'S notorious postal service is set to compete with the best first-world mailing systems

Posts and Telecommunications Minister Pallo Jordan also said the 172 post offices and 2 300 employees of the former TBVC states would be fully integrated into this "new postal era" by April 1996

Mr Jordan was speaking at the opening of the southern hemisphere's biggest mailing

centre, Witspos, in Ormonde, Johannesburg

The R55 million warehouse-like building spans an area equivalent to four rugby fields

All sorting and distribution activities previously handled in Jeppe Street post office, the insured parcel section of Harrison street and the customs section previously situated in Loveday street are now under one roof at Witspos

"The Post Office has turned the corner despite past months of incompetent service which

have made people lose faith in us. The most modern mail handling techniques in the world will allow us to restore our reputation and give quicker, more efficient service," said the director of the Post Office, Frank Touwen

More than 1 000 employees will work around the clock processing six million postal transactions daily to meet guarantees to have mail items en route to their final destination the morning after they ar-

(267) ARG 2/12/95  
rive at Witspos

The sophisticated sorting equipment can handle 22 000 letters a hour. The video encoding machines handle 32 000 letters an hour

Witspos comprises the following sections: customs, registered and insured mail, bulk mail, international air and surface mail, parcels, standard and non-standard letters as well as the transfer of all containers as part of the international transport network

## Bank says reform essential

Beatrix Payne

(267)  
BD 5/12/95

SUB-SAHARAN African electricity utilities would have to go through radical reform and restructuring to attract private sector funding, World Bank industry and energy department director Richard Stern said yesterday.

At a briefing before the start of the Bank's symposium on power sector reform, he said sub-Saharan utilities, excluding SA, would have to invest \$14bn to \$17bn, but state spending priorities meant they would have to tap private sector resources.

Reform implied improving performance as operating efficiencies were low and losses were high. A first step could involve encouraging private sector competition, unbundling or separating various functions into independent companies.

# SourceCom and Plessey in co-operation agreement

Adrienne Gillomee

CORPORATE Africa's telecommunications associate SourceCom has signed a co-operation agreement with Plessey, further aiding the fledgling group's plans to expand its operations into southern Africa

The agreement would see SourceCom using Plessey's infrastructure and facilities for prepayment systems while Plessey would have access to SourceCom's in-house technology and technology team

SourceCom tied up with Israeli group ECI Telecom in September, in a deal where SourceCom created a subsidiary in which it held 51% and ECI the remainder.

SourceCom chairman Crispin Sonn said yesterday the third party to the agreement with ECI Telecom was UK

MD 6/12/95 (267)  
group Telematics, which had recently been bought out by ECI

SourceCom would explore other markets through its linkup with ECI Telecom and named south America and sub-Saharan Africa

In southern Africa Namibia, Lesotho and Zimbabwe would be short-term prospects

Sonn said the subsidiary would aim to add 60% local content to products after importing suitable technology.

The group's local manufacturing plant was likely to be in the Western Cape but Sonn said this would be finalised only once finance had been arranged

Corpaf's merchant bank Pleiade Investments would provide the financing expertise. It had a 30% stake in SourceCom — making it the biggest single shareholder, Sonn said.



# SABC picks cheaper satellite TV

(267) ~~267~~  
JOHANNESBURG: The SABC is to drop its plans for digital satellite television, opting for analogue technology, which is much cheaper for the consumer, the corporation decided yesterday.

Mr Gert Claassen, the broadcaster's satellite television head, said the corporation had been transmitting four analogue channels using the PanAmSat 4 (PAS 4) satellite for the past two weeks, including the existing three SABC channels and a channel providing about six hours of sport a day.

By the third quarter of next year the

ET 7/12/95  
corporation would be transmitting six to eight encrypted analogue channels, for which viewers would need a satellite dish and decoder costing about R1 500, plus the monthly subscription.

Mr Claassen said analogue technology was much cheaper than digital technology, which provided more channel options, but cost more than R5 000.

● SABC chairman Dr Ivy Matsepe-Cassaburi said the board stood firm on the amount of Afrikaans broadcast. It would be treated equally to all other indigenous languages — Special Correspondent

TELKOM

# Call rates don't ring true

FM 8/12/95 (267)

**Though Telkom** may have attempted to soft-soap consumers with a self-effacing advertising campaign on its new rates, economists say the hikes will have a heavier impact on business than that claimed by the telephone utility.

The new rates, to be introduced in January, will hit consumers and businesses who make most of their calls in a local area, during peak hours. Also affected will be public phone box users, Internet users and businesses who use analogue links to transmit data.

Contrary to Telkom's estimates that there will be an average increase of 7% in phone charges, these users will find their bills have increased more than the expected 9% inflation rate.

"The average of 7% is misleading," says SA Chamber of Business economist Bill Lacey. He says the price hike will depend on the type of user. Though international phone users may score, the small business which operates in a localised geographic area will lose out.

"Installation costs and public box calls have gone up 13% and 33% respectively, which is way above the inflation rate," says Consumer Council director Ina Wilken. "The increases will have a ripple effect because businesses will recover their additional cost from the consumer."

The new tariffs also include a 32,4% rise for companies using analogue data circuits. FirstNet MD Mike van den Bergh says this hike will hurt both small businesses and cost-conscious corporates. It will also hurt businesses operating in areas where there are no digital lines.

So how did Telkom work out that the increases would average 7%?

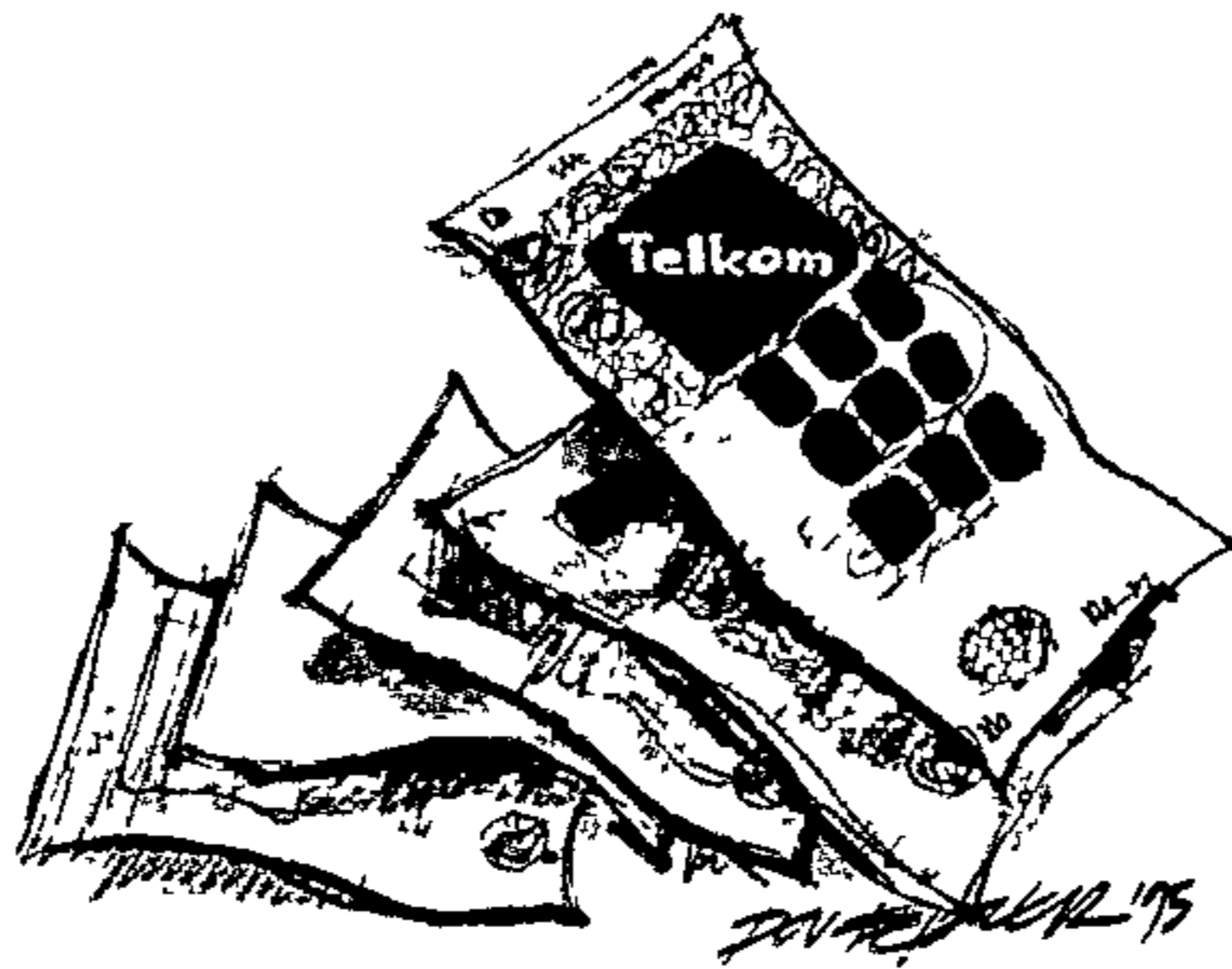
Telkom senior executive Rhynie Greeff says the unit cost of local calls will increase from 21,9c (including Vat) to 24,1c from January 2. However, long distance calls will generally be cheaper because metering periods for all calls over 400 km will lengthen in time from 8,5 to 9,4 seconds.

Consumers have some cheaper call time during off-peak hours. "We have done away with the rather complex pricing structure of after-hours reductions by introducing only two calling times — Standard and Callmore (off-peak) — and we have extended the Callmore to Saturday mornings," says Greeff. Callmore will start one hour

earlier (7 pm) on weekdays. Manual exchange customers will have a similar Callmore benefit.

Telkom justifies its increases saying it needs to "rebalance" its tariffs. Greeff points out that 82% of calls are local but these generate only 34% of the utility's call revenue. He says Telkom's long distance calls subsidise local calls.

It's because of this cross-subsidisation that long distance and international calls have come under pressure from the cellular phone companies and call-back operators, who log into US phone networks to make



cheap international calls.

To recoup costs, Telkom has increased domestic rates.

This flies in the face of international trends, where telephone companies are striving to reduce local rates.

But tariff rebalancing is an integral part of Telkom's strategy to get the money it needs for its restructuring and RDP plans.

"Government earns from Telkom a return of just under 50% on net assets (including profit, income tax and Vat) and just over 27% on sales. Both are far in excess of anything a private company can earn," says Telephone Action Group chairman Paul Malherbe.

"Because Telkom is a monopoly, one is always suspicious of price increases," says Lacey.

## SATELLITE TV

### Hopes doused

The fire at Panasonic's manufacturing plant in Parow, Cape Town, on Sunday dealt a severe blow to satellite TV.

Integrated receiver decoders — needed to receive MultiChoice's digital satellite television programmes — will be even harder to get. About 25 000 people are already on the waiting list for the decoders, which only Panasonic and UK-based Pace Micro Technology are licensed to supply.

Pace recently airfreighted five decoder consignments — meeting 25% of the backlog, says Africa GM Gordon Murdoch.

"We expect to have caught up by early January. And contingency plans are in place to compensate for the lack of supplies from Panasonic."

Pace and subcontracted partner D2D are making the decoders in the UK according to MultiChoice specifications.

The factory fire, thought to have been caused by an electrical supply fault, has set back Panasonic production until January. The line reached full output two weeks ago, after initial problems.

About 600 units were being tested before the blaze. Damage to equipment, stock and buildings is estimated at more than R30m.

The production of analogue decoders and colour TV sets will also be hindered, says Alan Coward, CE of Panasonic parent NPC (Electronics).

## HEALTH CARE

### Pharming out

FM 8/12/95

A shake-up is expected in the health-care industry following US giant Diversified Pharmaceutical Services' acquisition of four local companies. By using state-of-the-art technology, Diversified intends to implement managed health care and drive down costs for both patients and medical aid schemes.

The US company bought an 80% stake in Computerkit, a supplier of dispensing and point-of-sale systems to the pharmaceutical industry, 100% of Interpharm, the medical aid electronic clearing office, 100% of Diseases Management Information Services (DMIS), which provides information and statistics on managed health care, and 100% of health education company Optimum. It also gained management control of Home Medication Services. Financial details of the deals were not disclosed.

The third largest managed health-care group in the US, Diversified has a staff of 800 and manages more than 24m patients and US\$3bn worth of claims each year. Diversified recently embarked on a global

# Waiting for Godot, or the story of SA's postal service

(267)

## □ Complaints about delays abound

ARG 20/12/95

Staff Reporter

COMPLAINTS about the inefficiency of South Africa's postal delivery service continue.

The majority of grievances fielded recently have been about inter-city post. And a survey conducted by The Argus in the Cape Metropole shows the Post Office to be within its two-day delivery standard — unless you happen to live in Khayelitsha.

The Post Office, which has developed a complicated formula of standard delivery times, claims letters posted and delivered in the Cape Metropole are on schedule (delivered within two days) 92 percent of the time.

Delivery times are said to be continually monitored by an external company Information Standards Quality Management.

In terms of the formula, postal delivery is broken down into standard letter delivery, non-standard letters and parcels, and articles requiring a signature from the receiver.

Standard letters within a city should take two days, non-standard items three days, and articles requiring a signature four days

Items posted between towns within the same province should take between four and six days and countrywide delivery should take between

five and seven days.

Items posted in remote country towns and informal settlement areas should take between six and eight days.

According to the post office's sales marketing manager, Shaun Povey, the Western Cape aims to be on time 95 percent of the time

In certain areas, the system was working "very well", but there were regional discrepancies, said Mr Povey.

Last month The Argus posted several dozen standard letters from post offices in all parts of the metropole to a variety of addresses throughout the metropole to test delivery times.

While residents in Muizenberg, Manenberg, Woodstock, Bonteheuwel and Mowbray each got all five articles posted to their addresses within two working days, a Khayelitsha resident is still waiting for two of his five letters — five weeks later.

A third letter posted to Khayelitsha — from neighbouring Mitchell's Plain — took three weeks to arrive.

Meanwhile a furious Margaret Stevenson claims a parcel sent from Bloubergrand to Johannesburg for her son's birthday arrived back in Bloubergrand more than a month later looking "like a mouse had chewed it".

"I posted the parcel insured post on October 25 to arrive

in Johannesburg by November 5.

"It never arrived. I started searching and eventually traced the parcel to Roodepoort

"The next thing I knew I got a call from the Bloubergrand Post Office to say the parcel had arrived back in Cape Town. I am completely baffled"

Businessman Barry (surname withheld) said his recent dealings with the postal service did not leave him feeling baffled, but "completely helpless and hopeless".

"A courier service costs a hell of a lot of money," he said after a week of frustration following the posting of an important business document by speedpost — which is guaranteed to be delivered within 24 hours.

"I sent the letter to Johannesburg on November 30 from the central post office in town and it still has not arrived," Barry said a week later

"It was an extremely important business document"

After several telephone calls to the post office, he decided to send a fax. But when he followed up the fax with a further telephone call 24 hours later, the fax had not yet been received.

"I don't know what I'll do," he said.

APR 20/12/95  
Communications,  
media task group

(267)  
PRETORIA. — The government has appointed a 10-member task group to investigate its communications policy and review issues such as the ownership and control of the media, Deputy-President Thabo Mbeki's office has said.

The broad terms of reference of the task group include a review of government communications policy on all levels, relationships between government, communication functions, government budgets, relationships between government communications bodies and non-government information providers, and ownership and control of the media and how this affects government communication — Sapa

# Composition of government's communications policy body

Tim Cohen

THE composition of a government task group on communications yesterday came under fire from former government communicators, some of whom helped initiate the process which resulted in the group's formation.

Former constitutional assembly spokesman Enoch Sithole expressed his disappointment at Deputy President Thabo Mbeki's choice of people to serve on the committee. Mbeki announced the

names of the 10 members of the task group which will examine government's communications policy, the relationship between government and the media, and ownership and control of the media.

Mbeki's spokesman Ricky Naidoo defended the committee, saying it was selected in terms of the mandate provided by a conference held in Armiton earlier this year.

A short list of 120 names was submitted to Mbeki's office by a preparatory committee, and the final 10 were

selected on the basis of their skills. The race and gender composition of the committee was taken into account.

Speaking in his personal capacity, Sithole, who served on the preparatory committee before joining the SABC recently, said it was strange that the committee did not include a representative from the advertising industry, considering that government spent about R100m a year on advertising.

"There was also no-one on the committee who could truly be said to represent government's communicators."

Sithole said he felt the task group ought also to have included a representative of media owners since an investigation of the ownership of the SA media was included in the task group's terms of reference.

The Armiton conference had resolved that the group should consist of "eminent persons" actively involved in communications, but some of the people on the committee did not meet these criteria.

He said some members of the preparatory committee were in favour

## Task group (267)

Continued from Page 1

ered desirable. Naidoo said while the point was taken that representatives from some sectors were not included, this would not preclude the group from canvassing their opinions.

A body which included representatives from all sectors would end up being unwieldy.

TML MD Roy Paulson said if the group was going to embark on a thorough investigation of the media, then it deserved full support, but the opposite would be true if it ended up being "another Press-bashing exercise".

The composition of the group did "seem to be rather flawed". No representative of the electronic media was included, which seemed to suggest that when government talked about the media, it was referring to the print media

Two of the print media representatives had been actively involved in the business about a decade ago, whereas former Star editor Richard Steyn, who had recently been involved, was apparently overlooked, he said.

The following people will constitute the task group: divisional manager of the development information service of the centre for policy and information Stephen Mncube, Interface consultancy productions director Mandla Langa, Sowetan political editor Mathata Tsendu, national community media forum president Tshepo Rantho, attorney David Dison, IBA co-chairman Sebetso Mokone Matabane, Freedom of Expression Institute chairman Raymond Louw, political consultant Prof Willem de Klerk (subject to confirmation), national peace accord trust national communications co-ordinator Val Pauquet and Commonwealth representative Steve Godfrey.

Comment: Page 6

of SABC radio head Govan Reddy, former Rand Daily Mail editor Ahstaur Sparks and Rhodes University journalism department head Guy Berger being part of the task team.

Sithole, whose views drew support from other government communicators, criticised the fact that the task team was announced only this week despite the conference's call for recommendations to be complete in time to make budgetary adjustments considered.

Continued on Page 2

Criticised

# Tough task for Task Group

**By Pamela Dube**  
Political Staff

THE 10-member Communications Task Group, appointed by Deputy President Thabo Mbeki this week, has a mammoth task ahead of guiding the Government in formulating a communications policy

The group, comprising Dr Steven Mncube, Mr Mandla Langa, Mr Mathatha Tsedu, Mr Tshepo Rantho, Mr David Dison, Ms Sibeletso Mokone-Matabane, Mr Raymond Louw, Ms Val

Pauquet, Mr Steve Godfrey and Professor Willem de Klerk, will meet for the first time in January next year

One issue of contention the group will have to grapple with is the domination of the media by white business and foreign investors

## End to foreign ownership

The five black members of the group are likely to unite for the Black Editors Forum line, which calls for an end to foreign ownership. White members, particularly Louw and De Klerk, are

likely to be "a problem" and oppose the BEF line *Sowetan*

The group is also expected to re-define the role of the South African Communications Service in the new political dispensation. During National Party rule, the SACS - then called the South African Bureau of Information - was more of a propaganda tool used to discredit the liberation movements

The group will also investigate the role of the various communications departments and institutions run by the Government and provincial governments

22/12/95

## Telkom mass action will be repeated

Kevin O'Grady

267 (282)  
BD 22/12/95

MASS action similar to that which paralysed post offices and Telkom on Tuesday would be repeated by members of the Post and Telecommunications Workers' Association (Potwa) over the next few weeks, president Ramateu Monyokolo said yesterday.

Almost all aspects of Telkom and the SA Post Office's work, including mail processing and the installation and repair of telephones, were likely to be affected

by the strikes, he said. The organisations' administrative functions would be unaffected.

The work stoppages were in opposition to government's proposals to privatise state assets and to Telkom's unilateral plans for restructuring, a move which was expected to result in massive job losses, Monyokolo said.

Government recently announced its intention to seek private sector partners in SAA and Telkom, and planned to sell some "non-strategic" assets outright.

# Foreign telecommunications experts target SA

Melanie Sergeant

A LEADING telecommunications consultancy has set up operations in Johannesburg to tap into the upheaval and expansion facing the SA industry

Norwegian group Norconsult International, which has advised state-owned operators in Saudi Arabia, Thailand and the Philippines, said that there was enormous potential for network growth and modernisation in southern Africa.

Southern African representative Andrew Cullen said that investment hinged on co-operation between international financial

lenders, government and the private sector to create stable economic and regulatory conditions

The group, whose services include network planning and a privatisation and financial services consultancy, had an order backlog of about \$400m

It had already advised Thai Telephone & Telecom on a public share offer, and the group was also undertaking quality management on behalf of Saudi Arabia's \$4,8bn Tep-6 project

Cullen said that the focus on improving rural telecommunications had to be tied to general economic development

"Some operators may perceive

the prospect of building networks into low density, low income areas with trepidation," he said

"While acknowledging that costs are a sensitive factor, revenue-generating opportunities which do exist in rural telecommunications are already being explored. Policy-makers and operators need to stimulate service innovation," he said

He warned, however, that time and cost overruns were endemic in telecommunications management throughout the world

Another telecommunications consultancy, US-based Bellcore, is expected to announce its SA entry early next month.

(267) BD 27/12/95



# Vodacom and top unions in R90,5m deal

(267) 0027/12/95  
Lukanyo Mnyanda

THREE of SA's largest unions have secured an option to buy a 5% stake in cellular phone network operator Vodacom for R90,5m.

The National Union of Mineworkers, the SA Clothing and Textile Workers' Union and the Post Office and Telecommunications Workers' Union have bought the five-year option from Rembrandt and Vodafone, under Vodacom's cellular licensing terms agreed on two years ago.

The unions' investment companies said yesterday that the price had been determined by the stake's market value at June 1995.

Vodacom sources have said the stake is currently worth at least R200m. Vodafone recently sold 3,5% of its 35% stake to Rembrandt for around R112m, putting a R160m price tag on 5%. The stake represents 10% of Rembrandt and Vodafone's joint share in Vodacom. Telkom holds the other 50%.

The NUM's Mineworkers' Investment Company said the unions were still finalising their finance, but planned to exercise the option as soon as possible.

It is understood that MIC's joint investment vehicle with Sactwu Investments — Amalgamated Union Investments — will take 4,5% of the stake. Potwa's company will take the balance.

The deal comes just weeks after Amalgamated Union Investments bought a 15% stake in black empowerment Pepsi bottler New Age Beverages for R50m. The deal also gives Sactwu a stake in both cellular phone operators — it already holds shares in Vodacom's rival MTN.

MIC CE Clifford Elk said the joint investment strategy with Sactwu served the interests of about 500 000 members and their dependants.

Vanessa  
2697

# Private postal service threat to Post Office

(267) Star 30/12/95

By ADELE BALETA

PostNet - a franchise postal business - is going for the gap and hoping to stamp out inefficiency in the postal service, late deliveries, lost and stolen items, and labour problems

Offering services on the domestic and foreign fronts, PostNet is fast becoming competitive with the Post Office

Owners of branches are, however, hamstrung by what they say is an inefficient Post Office network, which they have to access regularly. They advocate that the Post Office be privatised

There are 54 PostNet offices, which have been operating in the country since April last year, each of them separately owned and managed. The franchise started in the United States and Australia.

Richard McCartney, owner of the Cape Town branch, says. "We expected only four branches to be up and running in the country when we first started. But after 18 months we already have more than 50 outlets and more are opening countrywide monthly."

The customer turnover in this branch alone has doubled in the past six months from about 60 to 150 people a day.

PostNet is a postal and busi-

ness service, with the postal side offering domestic and international courier services, same-day and overnight express, worldwide courier services, private post box rentals, and professional packaging and shipping supplies

"We are mainly a courier company but are increasingly handling postal services for people who don't want to stand in long queues at the post office," says McCartney

PostNet can act only as an agency to the Post Office. This allows it to sell only booklets of domestic stamps.

"We cannot sell international stamps, postal orders or revenue stamps. We take mail from anyone, anywhere and post it for them instead of them trekking off to the post office themselves."

McCartney claims his re-mail service is the fastest in the business, with letters arriving at international destinations five to seven days ahead of the regular Post Office service.

He believes the Post Office should become market related and its shares sold to staff, whom he says are demoralised and insecure.

"Everyone would benefit. The customer would and so would we, as we have to network the Post Office services."

# PostNet goes for the gap!

As fast as South African post offices are closing, franchise postal service branches are mushrooming and providing what seems to be a more cost-efficient service. They strongly advocate market-related services and privatisation — with shares going to demoralised Post Office staff — as a cure for the ills that beset the industry.

## ADELE BALETA

Staff Reporter

**POSTNET** — a franchise postal business — is going for the gap and hoping to stamp out inefficiency in the postal service

Offering services on the domestic and foreign front, this new franchise service is fast becoming competition for the Post Office

Owners of branches, however, are hamstringing by what they say is an inefficient Post Office network which they have to access regularly and are advocating that the Post Office service become privatised and market-related

Fifty-four PostNet offices have been operating in the country since April last year, each of them are separately owned and managed

Richard McCartney, owner of the Cape Town branch, says "We expected only four branches to be up and running

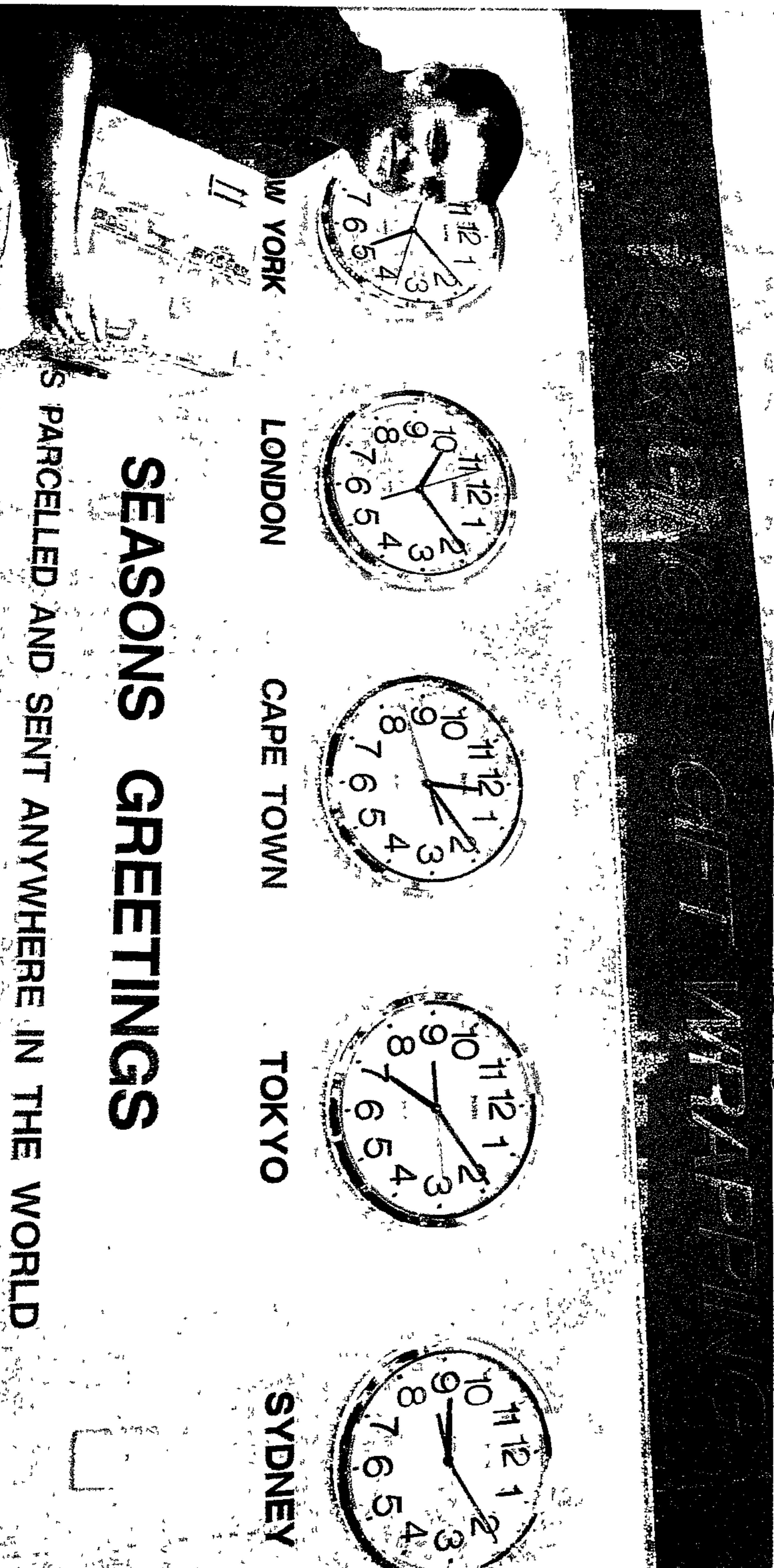
allows it to sell booklets of domestic stamps only "We are allowed to sell only 60c stamps We cannot sell postal orders or revenue stamps," says Mr McCartney

"We take mail from anyone anywhere and post it for them" The service taps into the track-and-trace system of the Post Office when registered articles go missing

"We find out what has happened to the missing articles once they have arrived at their destination"

Mr McCartney claims his e-mail service is the fastest in the business, with letters arriving at their international destination five to seven days ahead of the regular Post Office service

"We can send a 10-gram letter to Australia for R2,15 as opposed to the Post Office price of R1,60 for the same article, but ours will arrive up to seven days earlier It costs R1,50 for a 10-gram letter to Europe"



**ON TIME?** Richard McCartney claims PostNet's international mail service is faster and more reliable than the GPO's

in 1982. But after 18 months we already have more than 50 outlets and more opening country-wide monthly."

The customer turnover in this store alone has doubled in the past six months from about 60 to 150 people a day

The other eight PostNet branches are in Claremont, Oakdale, Rondebosch, Somerset West, Stellenbosch, Woodstock, Brackenfell and Parow. Another is opening in Goodwood soon.

PostNet is a postal and business service with the postal side offering domestic and international courier services, same-day and overnight express, worldwide courier services, private post box rentals, professional packaging and shipping supplies.

"We are mainly a courier company but we are increasingly handling postal services for people who don't want to stand in long queues," says Mr. McCarthey.

PostNet can act only as an agency to the Post Office. "This

No stamps are involved. The letter is sent by courier to the destination, from where it is posted to the street address.

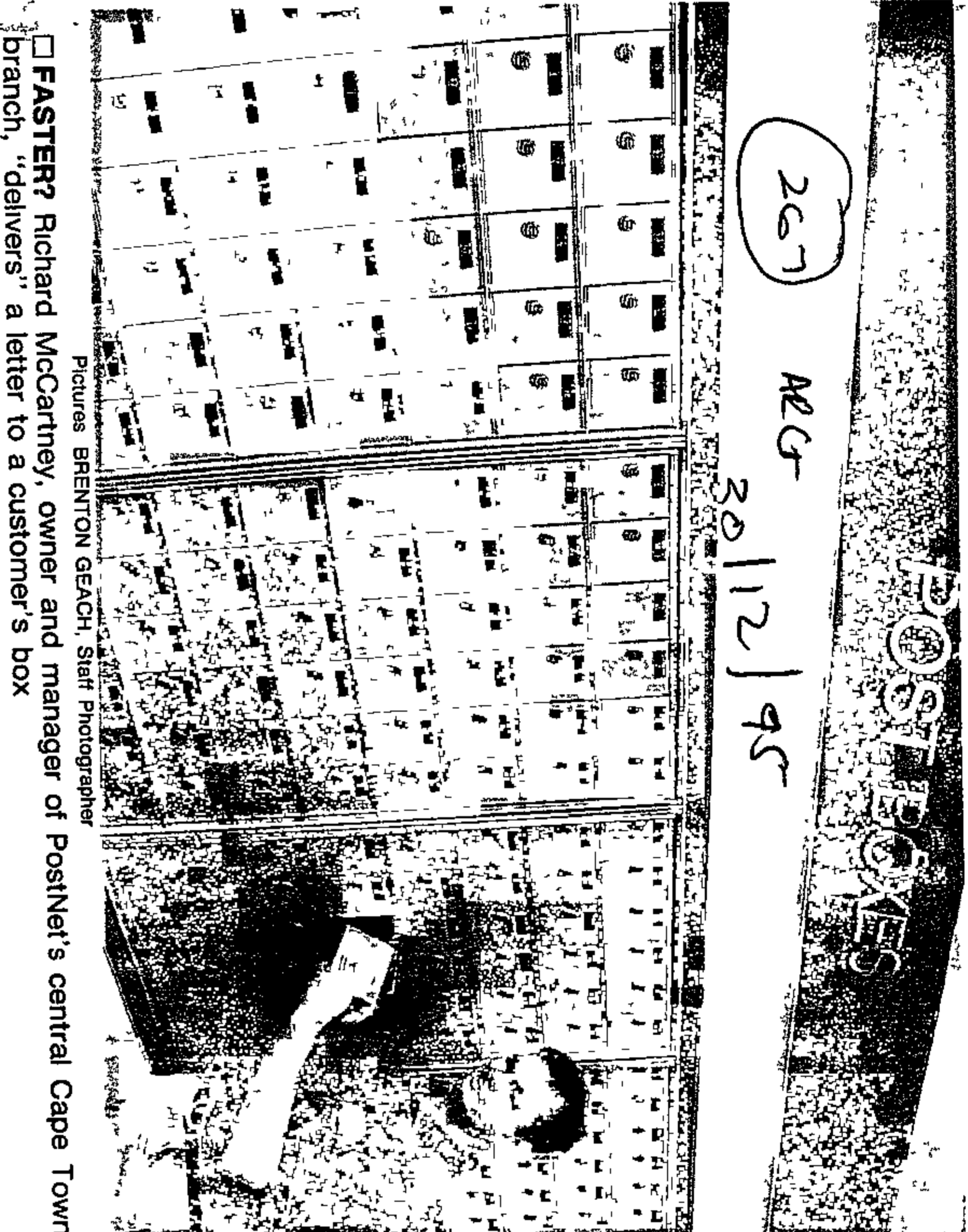
"We rent out post boxes which can be used as a physical address. Our customers can phone to find out if they have any mail."

Mr. McCarthey believes the Post Office should become market related and shares sold to staff who are demoralised and insecure.

"Everyone would benefit. The customer would and so would we as we have to network the Post Office services."

There is a disclaimer displayed in the store stating that the owners cannot take responsibility for time delays, loss or damage to any items sent through the South African postal services.

The business side of PostNet offers international money transfers, fax and typing services, rubber stamps, business cards, letterhead printing, photocopies, laminating and bundling. Stationery is also sold



**FASTER?** Richard McCarthey, owner and manager of PostNet's central Cape Town branch, "delivers" a letter to a customer's box.

# Peninsula post offices continue to close down under new policy

**ADELE BAILETA**  
Staff Reporter

POST offices in the Athlone/Gatesville area and near Wynberg will close from early next year, with Pinelands, Central Avenue post office following suit in March.

The closures are in line with a strategy to streamline the postal service which is losing about R350 million a year. This year has seen the axing of eight post offices in the Peninsula.

Castletown post office, near Wynberg and Rybell post office in Klipfontein Road near Athlone, will go on January 31.

A full-fledged post office with all services will be built at Inkqubela in Khayelitsha next year.

"Castletown is across the road from the Wynberg post of-

fice and people who have used Rybell in the past can go to the Athlone or Gatesville," a spokesman said.

Regional general manager Leon Dippenaar said only under-used post offices were closed.

Post offices that closed for business this year included: Diep River, Tamboerskloof, St James, Westlake, Liesbeeck and Ekkerfontein, Old Oak and Herzlia.

Commenting on the closure of Pinelands post office, he said: "There is another post office in the shopping centre in Howard's Place which is only two kilometres away from Central Avenue."

Pensioners have bitterly opposed the closure of a post office because of a lack of transport and the inevitability of longer queues.

Mr Dippenaar would not comment on the fate of Noordhoek post office, saying he had to meet residents before the end of January when plans would be finalised.

He confirmed that Mowbray post office in Durban Road would remain open.

Mr Dippenaar said that countrywide there were about 6 000 outlets for the sale of stamps.

"There are enough red letter boxes which are easily accessible".

The retail postal agency concept was used mainly in the rural areas but it had been introduced at Liesbeeck and Westlake following consultations with the community. Mr Dippenaar did not want to comment on a new franchise called PostNet that was handling postal services on a limited basis.

PUBLIC SECTOR - TELECOMMUNICATIONS - GENERAL

1996

JANUARY — JULY

# AT&T to split into three companies and shed almost 40,000 jobs

By Nick Louth

New York — AT&T said yesterday it planned to cut almost 40,000 jobs and allow a pre-tax charge of about \$6 billion to cover the costs of splitting itself into three companies.

The company said about 30,000 of the job cuts would be voluntary, after a disappointing response by employees to a voluntary retrenchment package last year.

AT&T, which announced the biggest voluntary corporate breakup in American history last September, said about 70 percent of the job reductions would be completed by the end of this year and the rest within three years.

The company said the planned staff reductions, facility closings and asset write-downs would result in a post-tax charge of \$4 billion, or about \$2.50 a share, against its fourth-quarter results.

AT&T's net income for the first nine months of last year was \$2.82 billion, or \$1.77 a share. For the whole of 1994, its profit was \$4.7 billion, or \$3.01 a share.

The telecoms company's stock surged \$2.75 to \$67.50 on Wall Street after the announcement.

"The reduction in our workforce will be the most difficult and painful step we've had to take in this restructuring process," said chairman Robert E. Allen.

"But I believe the reductions and other actions are absolutely essential if our businesses are to be competitive."

The moves announced yesterday primarily affect the new AT&T company, which will provide telecommunications services, and the new systems and technology company, which will provide network, business and consumer technology and equipment.

The charges and staff reductions are in addition to cuts announced last September by the company's computer unit, AT&T Global Information Solutions, which said it would eliminate 8,500 jobs. AT&T made a post-tax charge of \$1.17 billion in the third quarter for this.

The company said the total reductions included about 10,000 corporate-wide staff jobs.

The remaining reductions, which would occur within the operating units of the two new compa-

nies, included about 6,000 administrative and support positions, AT&T said.

The majority of the job cuts will be in American-based operations.

The company said it would also modify several of its services, which would require writing down the value of some proprietary software and hardware.

AT&T will also write down the value of some unneeded network facilities, such as microwave towers, and refocus its undersea cable operations.

To prepare for the job cuts,

AT&T began offering voluntary retrenchment packages last November to almost 72,000 managers. More than 6,500 managers accepted the retrenchment scheme and about 4,000 other employees could be moving with units that AT&T intends to dispose of.

The company said it was on track in its application to the Securities and Exchange Commission for an initial public stock offering for the systems and technology company and still expected to complete the transactions by the end of this year. — Reuters

(267) ET (BR) 3/1/96

paroxysms of change while a council sails ahead through difficult waters

# SAPS new postal service ...

R130-million We are talking to the government about guaranteeing the loss "

It will also involve massive training — TBVC workers still use the old manual system, Sapos workers use new technology Says David Mogane, Sapos diversity manager "Jobs will be safe, because these areas are not well-served anyway But a lot of training and a changing of the old government mentality to a more customer-oriented one will be necessary We're dealing with attitudes, which could take a couple of years to change "

Integration will improve Sapos' ratios in terms of black to white workers, but whether the organisation will achieve its goal of an 80 percent black to 20 percent white ratio by 2000 is questionable At present the ratio is 48 percent white to 52 percent black and there are just four years to go Sizwe Matshikiza, assistant general-secretary of the postal workers' union Potwa, a Cosatu affiliate, says part of the problem is white resistance "We negotiate a decision at national level and then it gets sabotaged or not implemented at regional or local level "

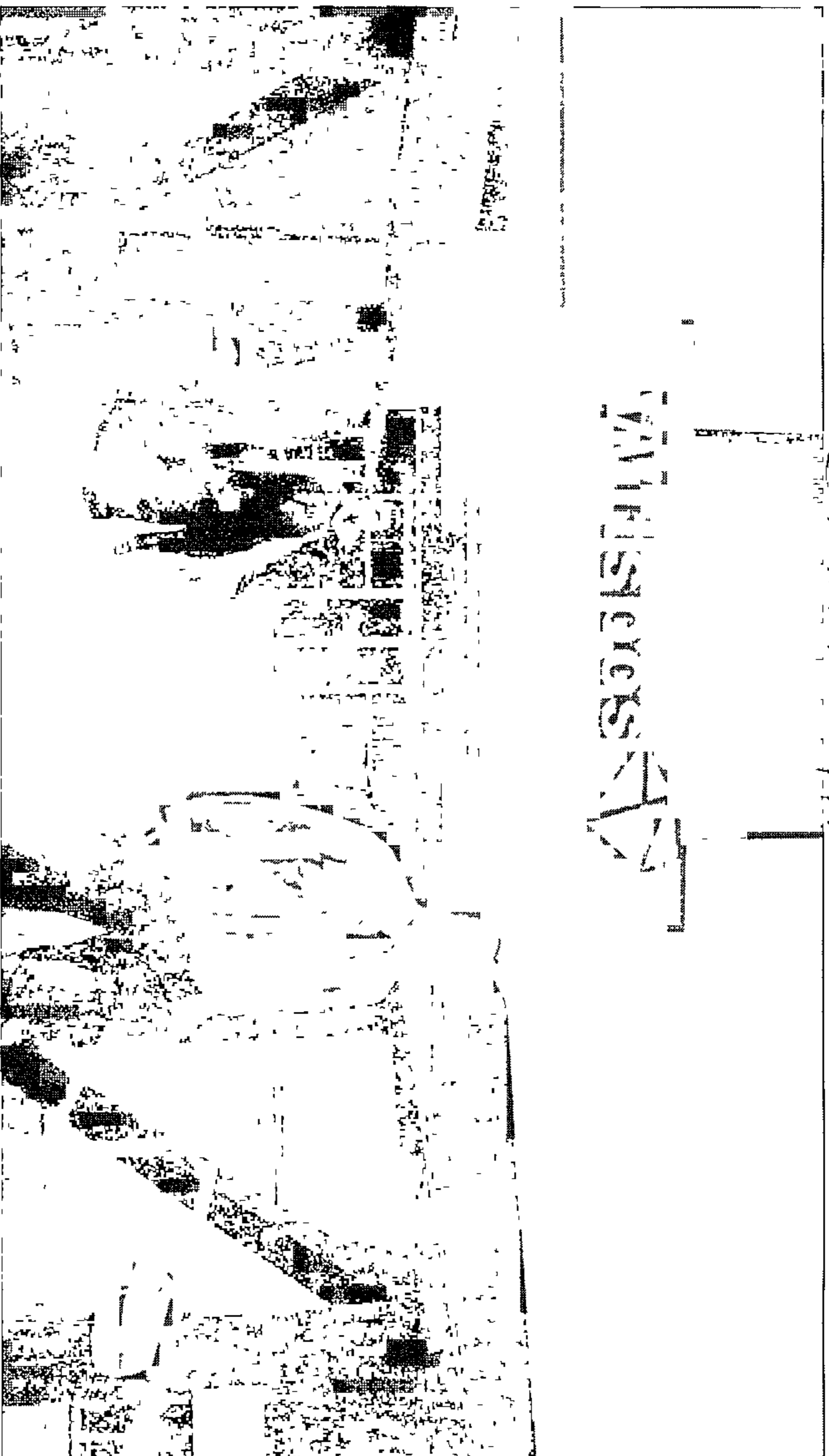
Mogane says this is to be expected "Affirmative action is new, it's perceived as reverse discrimination (by whites) — so you can expect resistance "

"From next year we'll be starting programmes in change management, giving people a total picture of the organisation so they can see their place in its future, persuading them that they'll be stunting their own growth by not being on board "

Still, relations between management and the unions could do with improving White union members are resistant to change, black union members have little confidence in the individuals pushing the change agenda.

Touwen acknowledges this "I have initiated moves to improve relations with the unions. We have 25 000

(267) M+G 5-11/196



Teething problems: Wispos, the sophisticated new mail sorting centre, handles six million transactions a night

PHOTOGRAPH RUTH MOTAU

staff, organised into six unions which range, politically, from the extreme left to the extreme right

Says Matshikiza "We need to sit down with management and rectify our relationship Touwen indicates a willingness to change when he talks, but the proof of the pudding's in the eating " When Sapos reorganised its old Johannesburg mail-sorting system, there were major disruptions, which could have been avoided by earlier negotiations with the unions Setting up Wispos, its massive new mail-sorting centre south of Johan-

nesburg, made good business sense the old system saw mail sorted in five different buildings, one of them in Jeppe Street, where traffic jams often caused delays The system simply was not working, in a region generating 48 percent of Sapos' business

But having the most sophisticated sorting centre in the southern hemisphere means little if the people who are supposed to make it work are resentful and disgruntled Says Mogane "There was insufficient consultation with the unions, who feared loss of jobs, at the start

People had to learn new technology, adapt to working nights instead of 8am to 4pm Morale was low. Even if people knew what to do, they didn't comply, just to frustrate management Now things are settling People know where they are "

Says Touwen "We're now regularly achieving a clear floor — where mail supposed to be sorted during the night is all gone by the morning That's not bad when you consider we're handling about six million transactions a night The Cape mail sorting centre, Capemal, is "running

well", while Durmal will be opening in the second half of 1996

He believes the service — helped by new innovations such as a Track and Trace bar-code system, able to pinpoint the location anywhere in the system of a parcel, registered or insured item — is improving Getting the public to see this is another challenge There'll be a massive marketing campaign to offset some of this bad media "I've got more mail arriving on time than late, but no one ever writes to an editor saying a letter arrived on time," he says

SAKI MACOZOMA

# The message is clear

**Sakumzi (Saki)** Justice Macozoma's modest demeanour is misleading. The unassuming 39-year-old ANC MP is widely expected to replace Pallo Jordan as Minister of Posts, Telecommunications & Broadcasting in the next Cabinet reshuffle. Jordan is tipped to move on to Foreign Affairs.

As chairman of the Parliamentary Portfolio Committee on Communications — which ensures that Jordan's ministry, the Independent Broadcasting Authority (IBA) and the SA Communications Services operate in line with government policy — Macozoma is eminently qualified for the job.

He denies that the 26-member committee duplicates much of the work already carried out by the IBA, which spent more than R35m last year carrying out its triple inquiry into the industry. "We are not involved in issuing licences. Our task is to oversee all aspects of communications."

He says the committee will also examine the telecommunications White Paper, due to be drafted soon. It may call for further public hearings if appropriate. "The consequences of policy decisions taken now will affect us for decades."

Macozoma maintains the information revolution is even more profound than the industrial revolution. "This is why SA will need an all-encompassing vision that includes telecommunications, broadcasting and other industries. We must encourage creative ideas and solutions to our problems. If not, SA will be relegated to the back seat of world progress."

He says a think-tank along the lines of the US National Information Institute, headed by US Vice-President Al Gore, could be used to address the impact of the information revolution. "Government has a major role to play but the private sector should also become involved."

Born in Port Elizabeth, Macozoma spent his formative years at an Anglican mission station in the former Transkei. In 1975, he enrolled at KwaZakhele High, a highly politicised school in Port Elizabeth.

Contact with Steve Biko and other Black Consciousness leaders led to his involvement in the SA Students' Movement. Following the student uprisings of the mid-Seventies, Macozoma was arrested and sentenced to five years on Robben Island. Here he came into contact with the Rivonia tria-

lists and new ideas, which instilled in him a "discipline of argument."

While incarcerated, Macozoma completed matric and a BA in politics and economics through Unisa. In 1982 he returned to Port Elizabeth, where he joined the SA Council of Churches. He helped form the United Democratic Front.

This was interrupted by a scholarship to the US. In 1986, after reading for an MA in journalism at Boston University, Macozoma returned to the Council of Churches, helping it become a player in the mass democratic movement. With the unbanning of the ANC, he joined its Department of Information & Publicity as head of media liaison. He was subsequently elected to the ANC's national executive committee.

Macozoma joined SA Breweries as business development manager from 1993-1994 but

left on being elected to parliament last year. He and his wife, Yolisa Makubalo, have two small sons. ■



Macozoma

## ALEX BORAINÉ

### Back to the future

Healing the nation is the daunting task of the Truth & Reconciliation Commission. If anyone has the wisdom and fortitude to help it succeed, it is Alex Boraine (64).

His appointment as commission deputy chairman under Archbishop Desmond Tutu befits a man dedicated to resolving conflict in SA — and whose idealism remains intact despite personal tragedy.

The brutal attack on his daughter Kathryn (31) a few months ago would have sent many families packing. It has had the opposite effect on Boraine, who is determined to double his efforts to restore dignity to a society blighted by apartheid. He doesn't think the commission is a perfect instrument or holds any guarantee of success "but it is an opportunity to seek knowledge and deal with the past."

He stresses it is a compromise, the outcome of negotiation politics, but believes the emphasis is where it needs to be — on reconciliation and forgiveness rather

than on prosecution and punishment.

Critics argue that the commission has sacrificed justice in favour of reconciliation. But Boraine says it is not a court and will not replace the administration of justice.

"We could have had blanket amnesty. Instead, we have built in personal applications, full disclosure, public hearings, the identification of those granted amnesty and why. It's not radical justice but it is an attempt to come to terms with the past."

"Given the circumstances of our transition, I think the commission has done its best to satisfy the needs and aspirations of the perpetrators and the victims. And unless you have the co-operation of both, it will not succeed."

Boraine says the biggest danger facing the commission is to avoid the impression that it has embarked on some kind of vendetta or witch-hunt. But he believes the Act excludes this possibility and that the commissioners are not "bloodthirsty people, hell-bent on revenge."

Many are drawn from the psychiatric services, the clergy and law and have spent years upholding human rights.

"It is not a win-win situation," says Boraine. "Whatever we do will be criticised. It is going to be a hard, controversial slog."

Boraine backs the underdog but has an ability to see both sides of the problem. "I am a mediator rather than, I hope, a shrill critic from the sidelines."

He also knows what it is like to be a victim and has been profoundly affected by the baseless attack on his daughter who was beaten to near-death with a brick while out walking with her baby in Cape Town.

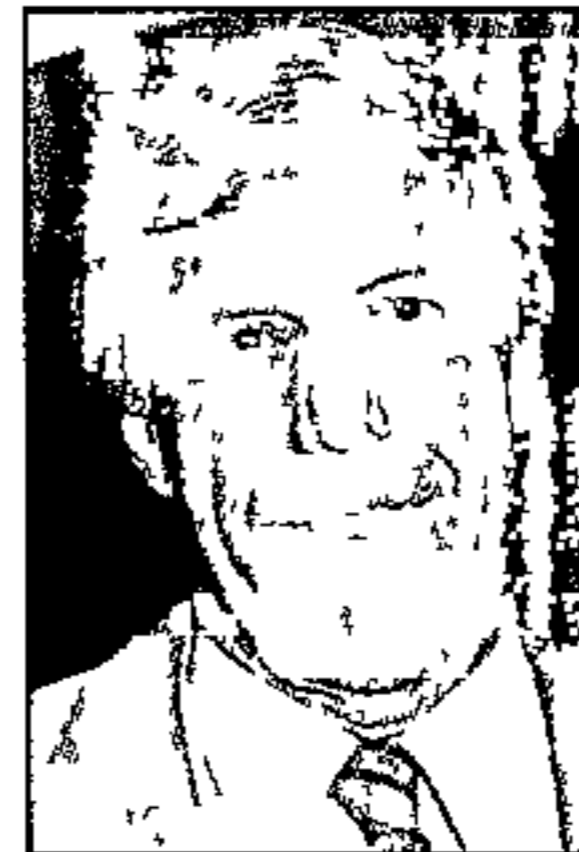
"There's a sickness in the legacy of apartheid. If the commission can assist, then it will achieve what I've been working for all my life."

Boraine has pursued reconciliation through diverse careers, starting out in 1950 as a Methodist clergyman followed by a brief stint as an employment practices consultant at Anglo American.

In 1974 he became an MP, holding a seat in the House of Assembly for 12 years for the Progressive Party and later the Progressive Federal Party.

Between 1986 and 1994 he was executive director of the Institute for Democracy in SA (Idasa), which he left to found the Institute for Justice in Transition.

Boraine is married and has four children. ■



Boraine



ESTATE AGENCIES

# Timely takeover

**The takeover** last month of Cape-based Realty 1-Durr by Seeff Holdings — and the rapid departure of the Durr brothers from Durr Estates — has raised a number of questions

Rumours are that, had Seeff not bought the company, threats by creditors may have been realised

Seeff Holdings chairman Lawrence Seeff says only that Realty 1-Durr needed a capital injection and "we found it to be a very inviting prospect. Fundamentally, it's a very sound business and we are excited about growing Durr's market share." Seeff won't disclose the amount paid

A flagging residential market over the past three quarters may be one reason for Durr's less than desirable performance in the Western Cape last year

With 120 agents (compared with Seeff's 150 in the area), Durr's annual sales of R250m (R300m if its franchise operations in the Eastern Cape are included) were half that of Seeff's

To what extent management may have brought about Durr's problems is still to be proved. Seeff will have to provide the evidence that it can do better. "A focused approach and increased marketing should have an immediate impact on Durr's sales," says Seeff. "Our strategic planning, however, will only start in earnest once our managers have returned from their holidays"

For Seeff, the acquisition means increasing its already dominant share of the Cape real estate market. Its present share in the Western Cape is about 15%, Durr's around 7%

But perhaps more importantly, it means increasing the size of its mortgage book, which — in the medium- to long-term — provides a more stable earning stream than estate agents' commissions. The bigger the mortgage book, the bigger the profits for Seeff Holdings — the main rationale for the group opening new outlets and franchising others in 1995

A joint venture between Seeff Residential Properties and Boland Bank has resulted in Seeff home loans being marketed to people buying through Seeff. A Durr home loan product will be created under the new ownership

Over the past six months, Seeff Home Loans has generated a mortgage book of about R90m — close to 10% of the total mortgages generated by Seeff's residential sales in 1995 of R1,5bn. The Durr product should bring in R50m of mortgages

According to Seeff, by running the companies separately, management will be able to minimise friction among agents in both companies operating in the same areas and who compete on service and brand loyalty.

Apart from the new mortgage product, the only visible change will be the removal of "Realty 1" from the logo and the return to the original name of Durr Estates — though under new management

Seeff Residential Properties' Cape regional manager and director Len Schmidt has been appointed MD of Durr Estates. Samuel Seeff will take over responsibility for Seeff Residential sales in the Western Cape

Lawrence Seeff says the takeover will not have a material impact on his group's profits this financial year, which ends on February 29. "It will take us several months to bed down the acquisition and restructure the company, but by the middle of this year I anticipate we will be well geared to take advantage of growth in the residential property market. That should result from a reduction in mortgage interest rates — widely predicted for some time during the next six months"

## HOTELS ~~FM 12/1/96~~ Pressure on Durban

**Durban's bumper** 90% hotel occupancy over the festive season underpins research that suggests the city could sustain as many as 10 new 300-bed hotels

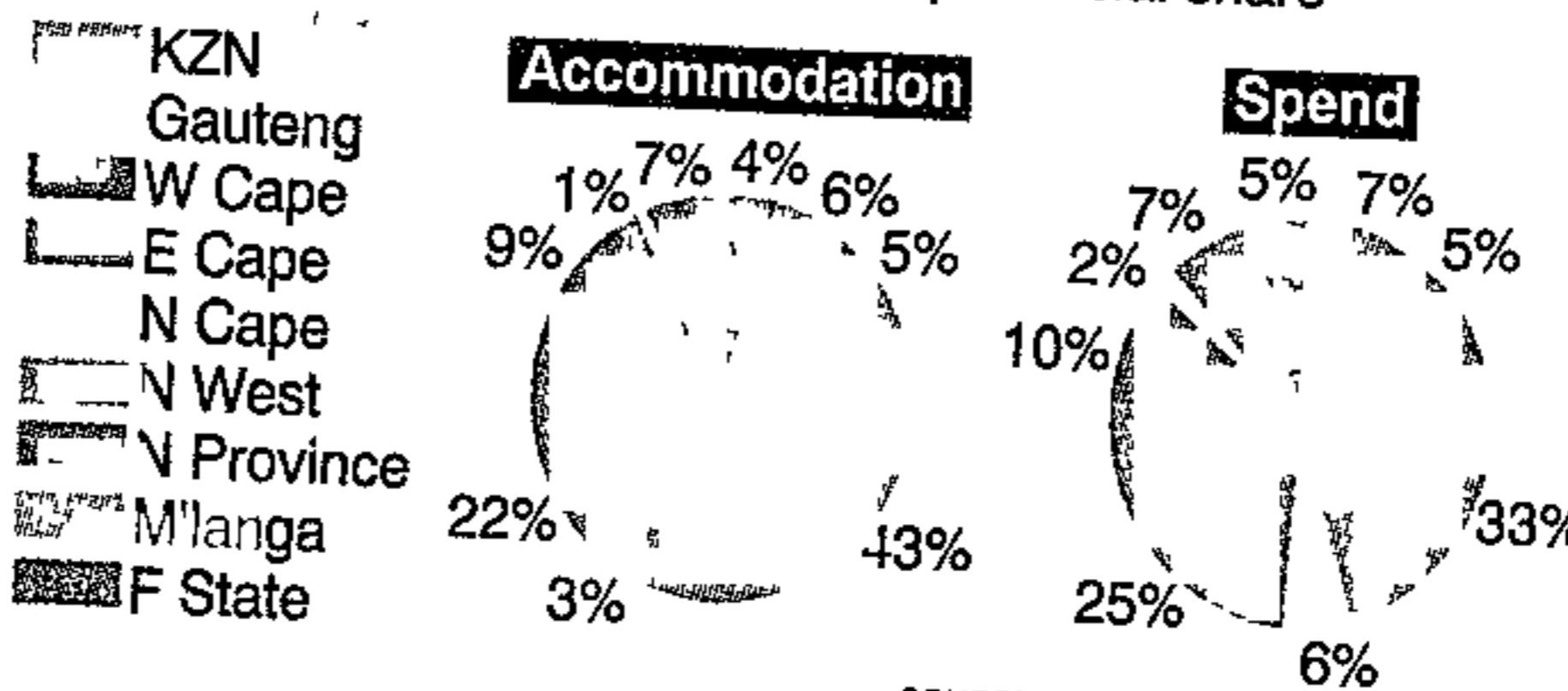
This is a dramatic turnaround from the past few years during which the industry has struggled, with some hotels even downgrading to attract business

But domestic tourist generates only a small part of bed night turnover

Says Greater Durban Marketing Authority tourism director Ted Hirst "The lion's

## MORE SOUTH AFRICANS HOLIDAY IN KZN

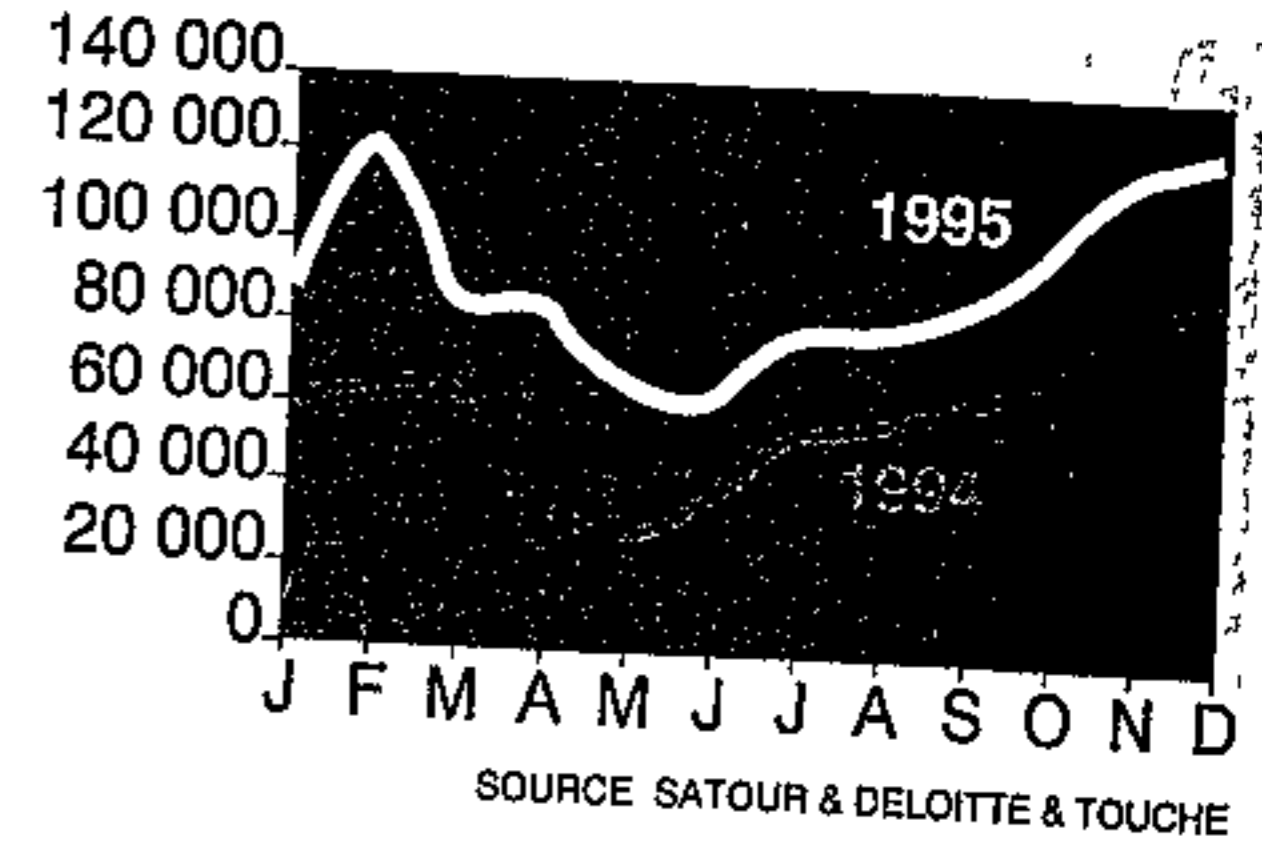
Tourism domestic market provincial share



SOURCE SATOUR & DELOITTE & TOUCHE

## ALTERED STATE

International visitors to SA



SOURCE SATOUR & DELOITTE & TOUCHE

share of hotel income is generated by business occupancies throughout the year. They account for 85% of bookings. Sport-related events, conventions and international tourism are also gaining in significance"

He says foreign visitors are likely to provide the main engine for future growth in the region's hotel industry

"Domestic tourism, the icing on the cake, though expected to rise by about 10% a year over the next two years, tailing off to 5%-7%, is limited in that it peaks for only about 30 days a year," says Hirst

His scenarios assume business traffic will rise 5%-10% a year and international tourism 15%-25%

Based on a current availability of 1,4m room nights in the city, demand is tipped to rise at least 30% to 1999, possibly 50% and at most 80%

In any midweek, says Hirst, that translates into a shortfall of 1 371 rooms in the low-growth scenario, 2 092 in the mid-growth and 3 141 in the high-growth projection

"The high scenario translates into a need for 10 new 300-bed hotels before the year 2000. Even in the unlikely event of this proving to be 50% too high, the developers of the first five would face minimal risk"

Yet the only significant current hotel development in Durban involves a 340-room, five-star Hilton International, to be built in conjunction with the city's International Convention Centre, the R70m upgrade of the five-star Edward Hotel, the upgrading of the Tropicana and Balmoral hotels, and the development of a large

## Telkom's SA suppliers lobby govt for protection

Paul Vecchiatto

(267) BD 12/11/96

TELKOM's SA suppliers are to lobby government to raise tariffs in a bid to delay competition from overseas while they restructure

The Electronic Industries' Federation said yesterday it wanted the tariffs lifted to 20% from the current 5% to shield the industry, or jobs could be lost.

Analysts said manufacturers were still geared to high value-added, low-volume products for which there was only one buyer — Telkom — and now found they were facing lower-priced overseas competition.

"Companies were protected by 15-year contracts and the preferential buying policy of Telkom," federation president David Botha said.

"But since it abruptly changed this policy last year, the local industry was left high and dry and with no protection."

The federation was making representations to the trade and tariffs board to bring tariffs in line with World Trade Organisation (formerly GATT) levels.

The federation also wanted SA to introduce a telecommunications buying model operated in Australia, where contracts are awarded locally or to overseas suppliers on the basis of national interest.

Altron, which has cut staff at its Boksburg telecommunications factory to 1 200 from 3 500 in the past few years, said more jobs would go unless government stepped in.

Science and technology executive David Jacobson said Altron had spent more than R1m to develop a digital telephone multicall system, and Telkom awarded the contract to an overseas manufacturer.

Plessey SA CE John Temple said SA should not be "naive", given that other countries imposed some form of protection. The company had spent a year and R1m to gain a licence to export switching boards to the UK, and was hit with an 8% tariff.

## US bank to find Telkom partner (267)

John Cavill

BD 12/1/96  
LONDON — Telkom has appointed US investment bank Goldman Sachs to help the parastatal find a strategic, international partner, despite the brake government put on plans to restructure state assets last month

A letter by Telkom MD Brian Clark, dated January 8, said the parastatal had invited 20 international telecommunications operators to submit strategic equity partner proposals by January 8

An international investment bank source said yesterday the letter was sent to the "whole gamut of leading British and US banks"

Telkom is looking to sell 20%-30% of its equity to an international partner or partners under plans unveiled by government last month. However, the plans are supposed to have been put on hold pending negotiations with unions

The bank source said there had been no "beauty parade" in appointing Goldman Sachs and that banks had

Continued on Page 2

## Telkom (267)

Continued from Page 1

BD 12/1/96  
heard nothing since September — when they were originally contacted by Telkom — until they received the letter this week

In his letter Clark thanked the banks for responding to Telkom's September invitation to be considered as an international adviser alongside Neil Thomas & Associates of SA once government's policy on privatisation was clear

The process had already "progressed considerably during the past three months" and Telkom believed that the time was "appropriate to appoint an international adviser to work jointly with Neil Thomas in advising on the strategic equity partner selection and negotiations

"The purpose of this letter is to advise you that Telkom has selected Goldman Sachs as this international investment bank adviser," he wrote

Telkom's choice had been based on getting an investment bank of "international repute and leading experience in advising telecommunications operators in the process of privatisation and potential equity partners seeking an investment. Particular emphasis was placed on experience in countries with conditions similar to those pertaining in SA."

The banking source said other investment banks had no objection to Goldman Sachs winning the Telkom mandate, "but people did find the se-

lection process rather unusual

"There was no 'beauty parade' of contestants for the mandate, no discussions and no presentations, as happens elsewhere. After responses to the initial Telkom invitation last September, the next thing everyone heard was Clark's letter this week. One has to wonder whether the government was consulted, or the trade unions"

Clarke was unavailable yesterday

A Telkom spokesman was unable to say whether government or the unions had been consulted. She added, however, that the letter was authentic

John Dlodlu reports that National Council of Trade Unions general secretary Cunningham Ngcukana accused certain ministers — notably Post and Telecommunications Minister Pallo Jordan — of arrogance in the handling of the "sensitive" issue of reorganising state assets

Ngcukana said he would meet his Cosatu counterpart, Sam Shilowa, urgently to consider effective joint action to resist the move

Options included "pulling out of bilateral talks and meeting government on the streets", he said

"We'll move mountains if needs be"

SA Commercial and Catering Workers' Union assistant general secretary Herbert Mkhize said members "are bracing themselves for a showdown"

Cosatu's senior leadership would meet today to consider a detailed strategy which would accompany the January 16 strike to protest against privatisation.

"We are not going to take this lying down," Mkhize said

ARCT 13/11/96  
**Telkom's equity sale will ring the changes**

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 time-frame 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.

TELKOM

# Fear of the unknown

**Organised labour's** opposition to privatisation is predictable. Whatever the long-term economic and job-creation benefits, in most cases around the world the privatisation of bloated State organisations has initially resulted in job losses. Telecommunications has seen massive retrenchments despite the fact that the industry is booming.

US giant AT&T recently announced it plans to shed 40 000 jobs, or 13% of its work force — despite being profitable and having been through several rounds of layoffs. "AT&T's massive cutbacks mark the start of an era of unprecedented upheaval in telecommunications — a time of thousands of layoffs, furious competition and a likely frenzy of mergers and alliances," says *The Wall Street Journal*.

Prospects in SA, where Telkom, once a haven for sheltered employment, has five times more staff than equivalent US phone companies, look bleak. Not surprisingly Telkom's largest union Potwa is jittery.

Despite soft-peddalling by government on privatisation, Telkom is determined to continue with its restructuring programme, which it regards as preparatory homework for when government gives the go-ahead for the "restructuring of State assets."

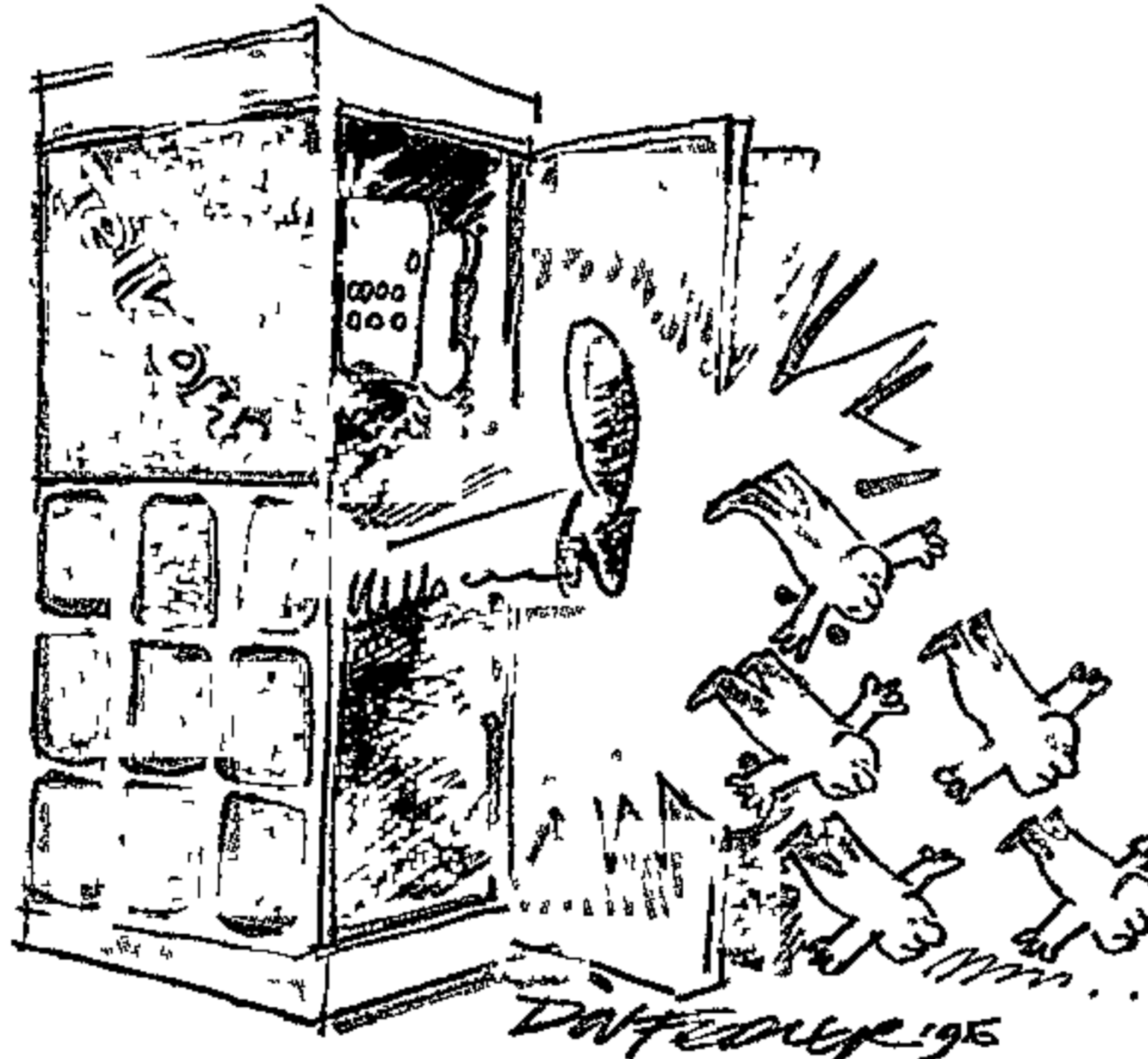
Telkom realises that new technologies will make it increasingly difficult to stop corporates — who bring in most of its income — from hooking into cheaper and more efficient global networks. It also realises it won't be able to extend its services countrywide unless it uses the skills and funds of an international partner.

With the approval of its board and Minister of Post, Telecommunications & Broadcasting Pallo Jordan, Telkom embarked on a R60m re-engineering and restructuring plan last July. The international Gemini consultancy was brought in to help make the company more efficient. The utility embarked on an outsourcing programme, which will see noncore services — restaurants, security, transport, cable construction, printing and technical support — hived off and sold to business partners and employees. Telkom MD Brian Clark says these moves are within the "framework approved by Telkom's board and shareholder." Yet the unions which have been involved in restructuring decisions are edgy.

Last week's disclosure that Clark ap-

pointed US bank Goldman Sachs to help Telkom select an equity partner caused further furore, with unions saying the action is in defiance of government's decision to put the brakes on the restructuring of State assets. "All action taken by management is designed to facilitate decision-making by the board and shareholder. The right to sell an equity stake in Telkom, however, rests solely with government," says Clark.

The union backlash is not unusual. Strikes are a common precursor to the liberalisation of telecoms markets elsewhere. Last June a strike by 450 000 Indian telecoms workers added more evidence that the State monopoly was overstuffed. The strikers' absence made no difference to tele-



phone services during the dispute.

A spate of strikes is seen as inevitable in the European Union as member nations move to meet their 1998 deadline of opening their telecom markets to competition.

Locally, government seeks to accommodate a number of labour's concerns and negotiate a "social plan" to cushion workers affected by retrenchments (see *Current Affairs*). Demands for guaranteed jobs, however, will defeat the purpose of providing efficient delivery of telephones to developed and developing areas. Telkom's plans to provide an additional 4m lines in the next four years will cost it R16bn — money it does not have. It's for this reason that many believe government will agree to sell 20%-30% of the utility to a strategic partner, with the State retaining majority control.

Rather than repaying government debt, say analysts, the money made from a partial equity sale should be re-invested in building

infrastructure — which would help create additional jobs.

In the UK, BT's experience since privatisation in 1984 has been one of complete transformation. While its work force has shrunk through voluntary redundancies by 103 500 to 137 500, the company has almost doubled turnover to £14bn and increased pre-tax profits by 169% to £2.7bn. Sales of government shares has brought in almost £15bn. Taxes on the profits and Vat paid on calls amount to another £20bn. Despite loss of market share and increased competition, BT customers have never had better or cheaper service. ■

## ELECTRONIC PUBLISHING

### Sidestepping costs

**Tempted by** the prospect of cutting overheads by 80%, newspaper and magazine publishers are quickly staking claims in the World Wide Web. This lets publishers sidestep the costs of paper, printing and distribution. But it also lets Internet users read the electronic edition without paying.

Some publishers fear that providing a free electronic edition will cannibalise the circulation of the printed edition. "There's no evidence of that," says Irwin Manom, editor of the electronic edition of the *Mail & Guardian*. "The electronic edition gets to a different type of person. People still want to read print."

An advantage of information in computer format is that it's easier to search for articles and move between related stories. For instance, a popular feature of the *FM's* Web edition — **FM i** (located at <http://www.atd.co.za/fm>) — is its search engine, which lets readers access articles on any topic in either current or back issues.

Another advantage electronic publications have over their paper counterparts is that they automate market research — an important drawcard for advertisers.

Computers identify themselves to the machine on which the publication is stored, giving publishers an idea of how many individuals visit their Web site and who they are. **FM i** has been visited by more than 5 823 computers since its inception last November. This is a conservative estimate of how many readers there are, as several people could be using the same computer.

Publishers can also count which "pages" are the most popular. Each time an electronic document is read by somebody

## INFORMATION TECHNOLOGY

browsing the Internet, it's counted as a "hit" by the publication's server

Key to the World Wide Web is a technology called hypertext, which allows a document to call up other documents stored on computers anywhere on the Internet. Apart from letting readers move quickly from the list of contents to an article which interests them, hypertext also helps advertisers draw readers into increasing levels of information about their product.

Internet servers can keep count of which links are soliciting the most requests for more information. Absa's Web site has received 9 202 requests from **FMi** readers, while SPL's intriguing pulsating brain graphic has attracted 17 605 inquiries.

It also tells publishers when people read the electronic publication — **FMi** receives most hits on Wednesday and Thursday during office hours, shortly after the printed issue becomes available.

The Web's greatest advantage over print is its interactivity. Readers can respond to articles or advertisements without having to leave their computer terminals to get an envelope or postage stamp.

America's recent snowstorms uncovered another benefit of having a presence on the Web. Starved of newspapers because distribution was disrupted by blizzards in several cities, electronic editions hit record levels of access. ■

## YACHTING

### Plain sailing?

**Tipped as** favourite for line honours in the 1996 Cape to Rio yacht race, *Fancourt's Morning Glory* has a secret strength in its foredeck. The yacht is equipped with advanced sailing software.

Owned and skippered by Hasso Plattner — the co-founder of the world's largest independent software company SAP, in Germany, and the local subsidiary Sapsa — the Australian-built 24 m maxi yacht is expected to sail to Rio de Janeiro in record time.

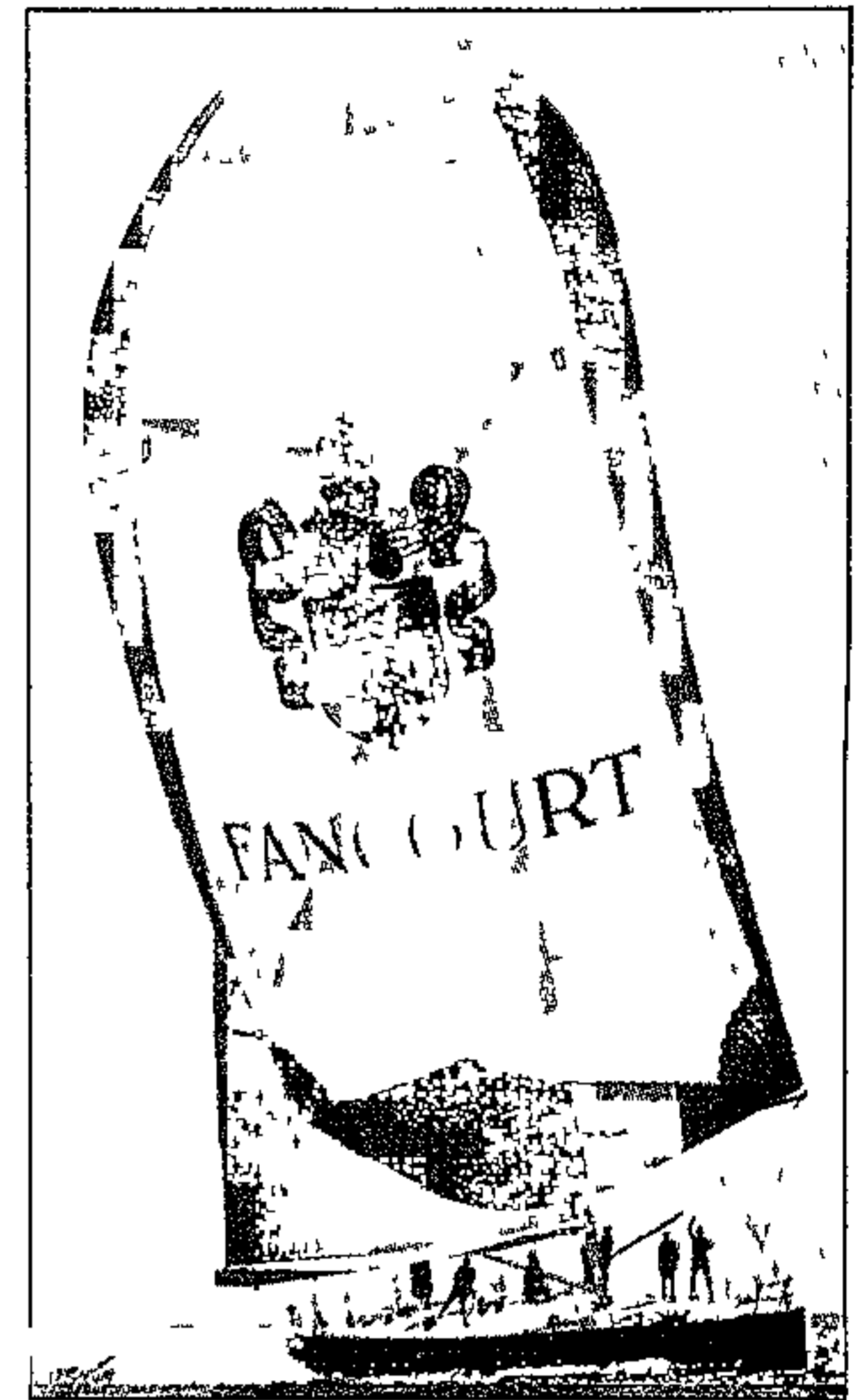
Developed by SAP in Walldorf, Germany, the software is used to collate data such as boat and wind speed, wind angles, compass course, wind direction and boat position.

This information is added to deck displays, along with recommended performance data. The software also provides digitised sea maps and a detailed after-race analysis.

And because the shortest, most direct way to Rio may not be the fastest, continuous comparison of the computer's figures provides valuable information for the crew and may give Plattner the edge over competitors.

The software has worked well in several

international races including the last Cape to Rio race, Los Angeles to Honolulu, One-Ton World Cups and Admiral's Cup. ■



*Morning Glory* secret strength



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# Afrocentric satellite to pool resource needs

M+G (MM) 19-25/1/96 (267)

Leon Perlman

**S**OUTH AFRICA recently hosted a special meeting for Rascom, a pan-African satellite organisation dedicated to providing Africa with its own satellite for relaying telephone, data and television signals.

African countries are paying up to R1,5-billion a year through obligatory routing of intra-African telephony traffic through Europe

The 120-delegate meeting in Cape Town provided the first detailed implementation plan for pooling African satellite requirements, currently spread over some 11 Intelsat satellites

With the substantial loss of first-world country business to high-capacity fibre optic cabling, Africa is seen by satellite companies as the next revenue growth point

The first Afrocentric Rascom satellite, the R750-million Intelsat 804, is under construction by Lockheed and is scheduled to be launched in the first quarter of 1997

This should be followed by the launch of the Intelsat 805. Both satellites are expected to be launched into orbit by Chinese Long March rockets

The 804 will provide high-power coverage of the entire African continent, South America, parts of Europe and the Middle East, and even the east coast of the United States

"We aim to pool African resources to create a network for 17 African countries for their domestic television, data and telephony needs. We believe that the best way for Africa to be developed is via a regional approach to be able to show a market big enough to attract regional as well as international players," Intelsat group director Hamadou Toure told the delegates

But while the 804 would pool the capacity needs of African nations currently served by some nine Intelsat spacecraft, Toure says that some services will not be moved — primarily because of the need for costly upgrades to earth station equipment

The capacity on the 804 — which is still under construction — is already swamped and another satellite will be ordered. The 805 will be the first dedicated land-mass African satellite, orbiting in geo-stationary orbit above Zaire



Dikgang Moseneke has given his assurances to Rascom

Many of the Rascom delegates expressed concern about funding for the project. Intelsat requires a prepayment of more than US\$200-million

**T**elkom's presence at the meeting surprised many observers considering it is not an official Rascom signatory

However, the three Telkom representatives all played an active part in the deliberations. Most of the capacity on the proposed 805 satellite has already been requested by Telkom

This appears to dovetail with Telkom's plans to integrate its planned South Africa to Far East (SAFE) fibre cable with the intra-African Rascom 805 satellite network

Telkom is likely to contribute handsomely in proportion to its usage of the 804 and 805 satellites. It is the largest Intelsat user in Africa by far.

Sources in Rascom say that South Africa's official entry into the organisation will occur within months, if not weeks. They say that these assurances have been already been given by Telkom chairman Dikgang Moseneke

# By the year 2000 SA will have 1,5m cellphones?

(267) CT(MR) 25/1/96



**HELLO WORLD** Motorola's southern African sales manager, Harry Hendriks

By JOHN SPIRA

South Africa's cellular telephone market, now entering its third year, boasts an estimated 400 000 users—a number that Motorola expects to grow to 1,5 million by the end of the year 2000

Harry Hendriks, who heads Motorola's cellular telephone sales and marketing division in southern Africa, says though the South African market is growing, its performance is not beyond expectations

"In fact, cellular telephony is entrenching itself as the most significant telecommunications phenomenon since the invention of the telephone," he said

Hendriks added that cellular telephones were a major contributor to Motorola's worldwide growth last year. Sales were \$27 billion, up \$5 billion from 1994

Hendriks believes Motorola's global cellular telephone sales and cellular infrastruc-

tural services are likely to continue increasing this year, spurred by developments such as:

□ The recent American launch of StarTac, the world's smallest and lightest cellular telephone. It is the size of a deck of cards and thinner than most wallets, and is expected to appeal to those who prefer to wear rather than carry their telephones

□ An agreement with China's telecommunications authority to interconnect its cellular networks to bring about the largest cellular telephone network on earth. Motorola has also signed two supply contracts with China worth \$268 million.

□ Further progress with Iridium, an international consortium initiated and led by Motorola that aims to provide comprehensive global wireless communications coverage through the use of 66 low-orbit earth satellites, the first of which is to be launched this year.



## Telkom changes slammed

Renee Grawitzky

(267)

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.

Community  
DE BLOIS

# Telkom gets seven years to face up to competition

(267)

ST(BT) 4/2/96

By SVEN LUNSCHÉ

THE government looks set to break Telkom's monopoly of the country's telecommunications market

Under policy proposals contained in a White Paper to be sent to Cabinet later this month, state-controlled Telkom will be given seven years in which to adapt to full competition. To date Telkom has been the exclusive supplier of telecommunications services.

The White paper proposes opening up the telecommunications market to foreign multinationals, offering consumers a wider choice of services and, most likely, lower charges. The proposals also envisage a third cellular phone operator and a second full-service telephone network.

The draft will be presented tomorrow by Pallo Jordan, Minister of Posts and Telecommunications, at a two-day plenary of the National Telecommunications Forum. The forum, comprising all industry players, is likely to make only minor adjustments to the White Paper.

If Cabinet approves the proposals they could be tabled in Parliament in the current session and the new policy introduced later this year or early 1997.

While the seven-year "period of exclusivity" for Telkom is surprisingly long, the policy presents a new consumer-oriented approach by government. Telephone charges in South Africa are among the world's highest.

During the exclusivity period the industry will be heavily regulated by an independent regulator with statutory powers to promote competition, license all service providers, set tariffs and administer a new subsidy fund. Money from a Universal Service Fund "will go to existing targeted end-users, subsidising them to promote affordability of telephone take-up and use", the White Paper says. All future service providers will pay a fee set by the regulator.

The regulator's most important job will be to ensure a level playing field. This will require the regulator to safeguard Telkom "against private-service offer-

ings and practices that unduly divert Telkom revenues" during the period of exclusivity, while preventing Telkom from abusing its dominant position.

The opening up of the market will take place in three stages.

□ As soon as the policy comes into effect any company can provide telephone equipment. Private telephone networks, and value-added networks, such as electronic mail, will be deregulated as long as they do not divert "Telkom revenue and traffic". The regulator will also examine whether to award a third cellular phone licence, to be granted within two years.

□ After six years the local loop and the national long-distance service will be opened up "in co-operation with Telkom". Private metropolitan area networks will be permitted and Telkom can sub-lease lines to installers of public payphones.

□ At the beginning of year seven, international long distance services will be allowed and a second full-service operator licensed.

The policy proposals show a change of heart by



PALLO JORDAN

Dr Jordan, who until recently had reservations about allowing other players into the telecoms market. He feared that competition could distract Telkom from improving telephone infrastructure in under-developed areas.

The White Paper requires Telkom to install 20 telephones per 100 people by 2000, more than double the present level of nine telephones per 100 people.

This target is in line with Telkom's Vision 2000 project, which plans to develop four million new lines by the end of the decade at a cost of R16-billion.

The White Paper contains the significant caveat that "Telkom will be able to access sufficient capital". This implies that the restructuring of Telkom is dependent on its partial privatisation, a proposal that is under discussion by government but vehemently opposed by labour.

# White Paper grants Telkom exclusivity

(267) BDS/2/96  
Melanie Sergeant

TRADE union objections and stalling on restructuring of state assets could spell trouble for government's seven-year plan to throw open the telecommunications industry.

The plans, spelt out in the second draft of a White Paper on telecommunication policy, would be debated today and tomorrow at the telecommunications forum plenary. If accepted, Telkom would receive some exclusivity, with competition phased in gradually.

Posts and Telecommunication Workers' Association president Lefty Monyokolo said: "Government's views have yet to be debated in the plenary. We will still stand by our views that Telkom should not be threatened by competition; the objective should be that of increasing the penetration of telephones.

"There should not be competition for competition's sake — certain levels of penetration should be reached before allowing competition," he said

Telkom group executive of regulatory affairs Pinky Moholi welcomed the opportunity to discuss the draft with industry colleagues this week, and said the general plan to open the industry was not surprising.

The hotly debated question of Telkom's ownership, investment alternatives and financing has been put on ice pending the outcome of the state assets restructuring process.

Despite the fact that many issues must still be resolved, spokesman Willie Currie said plans were still on track for the new Telecommunications Act to come into existence this year. But liberalisation plans could be hampered if Telkom could not get access to sufficient capital, or if the ownership issue remained unresolved. In that case the seven-year plan would need to be reformulated.

However, Currie said because the privatisation issue was on hold, it could be added in the "second stage of

Continued on Page 2

## Telkom

(267)  
BDS/2/96  
Continued from Page 1

the legislation if necessary".

After four years of exclusivity to help build up its infrastructure to roughly 20 phones per 100 people by 2000 (from today's 9 per 100), Telkom would be confronted by phased-in competition, with international long-distance call services and the licensing of a second full service network operator being allowed in year seven.

After year four, resale of capacity could be allowed by companies who, for example, have networks to branches which allow calls to take place at local call costs.

The telephone instrument market would be deregulated and Telkom would lose its right to provide the first phone instrument to customers. A

third cellular telephone network operator could be allowed into the market within two years.

The White Paper suggested Telkom rebalance its tariffs by the end of its exclusivity period, with the boldest moves toward rebalancing taking place in year four.

The universal service agency, working with the RDP, the regulator, Telkom and other operators would define goals and definitions for universal service. Telkom would lose traffic because of competition, so private networks and competitors would have to contribute to the fund to ensure the continued rollout of universal service.

With regard to Transtel and Eskom's national telecommunications networks, the paper said that these could not compete with Telkom. Excess capacity of other parastatal networks should be leased to Telkom to minimise unnecessary duplication.

# Jordan insists on selling part of Telkom

(267)

ET (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.



# Labour and business clash over telecommunications strategy

Melanie Sergeant

CHANGES in telecommunications policy should not be influenced by international events, but rather by SA's needs and economy, labour representatives said at yesterday's national telecommunications forum plenary

"We don't want to be here debating with foreigners who want to take over our market," they said

In heated debates government was urged to speed up the introduction of competition for Telkom, with labour rejecting the debate over competition, believing Telkom should keep its sole telecommunications provider status.

The plenary comprised various commissions focusing on areas ranging from human resources to market structure and universal access.

Cellular network operators Vodacom and MTN said if another operator was allowed into the market within

two years and offered space on another spectrum frequency, they too should be allowed to bid for this frequency.

The groups discussing the supply of equipment and market structure said that given the rapid changes under way in the industry worldwide, the seven-year model envisaged in the White Paper for liberalising the market would take too long.

"This long period may not put sufficient pressure on Telkom to become competitive, and, international competitors will erode Telkom's revenues, so the regulator should try to bring forward the dates for new entrants to come into the market"

There was concern that international long-distance services were to be phased in after year six, and commissions asked whether this was feasible given that competitors were already eroding Telkom's revenues via international call-back services

BD 7/2/96 (267)

## Telkom's gargantuan task

(267) M+G (Pm) 9-15/2/96



Pallo Jordan has outlined ambitious plans to modernise South Africa's telecommunications — essential for joining the information highway, reports **Jacquie Golding-Duffy**

**T**ELKOM has set itself the phenomenal target of connecting five million new phones by the year 2000. They have the backing of the Telecommunications Ministry which regards widespread access to telecommunication services as central to economic and social development in post-apartheid South Africa.

Speaking at the National Telecommunications Forum plenary session in Midrand this week, Posts, Telecommunications and Broadcasting Minister Pallo Jordan said access to telecommunication services was a 'basic right' which all had to enjoy and therefore the focus was to ensure an 'affordable' service.

Jordan went to great lengths to explain what an enormous task Telkom faced. He said the initial target of five million additional phones by the year 2000 would roughly ensure about 20 phones per 100 people compared to the present nine phones per 100, but this in itself was a mammoth task requiring that 555 000 lines be installed annually.

'Few countries have undertaken so ambitious a programme. And the question arises, can we realistically expect the state to underwrite such an expansion programme given all the other demands placed on it for the immediate and medium term?' asked Jordan.

Jordan presented the second draft of his White Paper on telecommunications policy to the forum. He said the paper would be ready for Cabinet presentation before the Easter recess which would — once approved by Parliament as the Telecommunications Act — ensure Telkom some degree of exclusivity.

With competition phased in gradually, Telkom, in the next four years, could build and expand its infrastructure in the country with no local nor international competition.

The heated debate surrounding Telkom's ownership has been put on hold, pending the outcome of the state's

assets restructuring in the Ministry of Public Enterprises. Organised labour feels Telkom should remain wholly state-owned while the rest of the plenary was in favour of a strategic equity partnership where an international partner and/or private company bought some of Telkom's shares.

Government is contemplating placing only a minority stake of Telkom on the market, while state control would be retained.

'Equity restructuring' was not a euphemism for privatisation, said Jordan, adding it was beyond dispute that a massive injection of money, skills and international experience was needed if Telkom was to achieve its objective.

He said trade unions feared 'equity restructuring' would lead to job losses but this notion was misplaced as the demand for telephones would mean production levels would increase, resulting in massive job creation.

Although there was great merit in the argument that Telkom should remain under public ownership and control, 'dogmatic statements grounded on new-right political agendas' would not strengthen this argument, Jordan said.

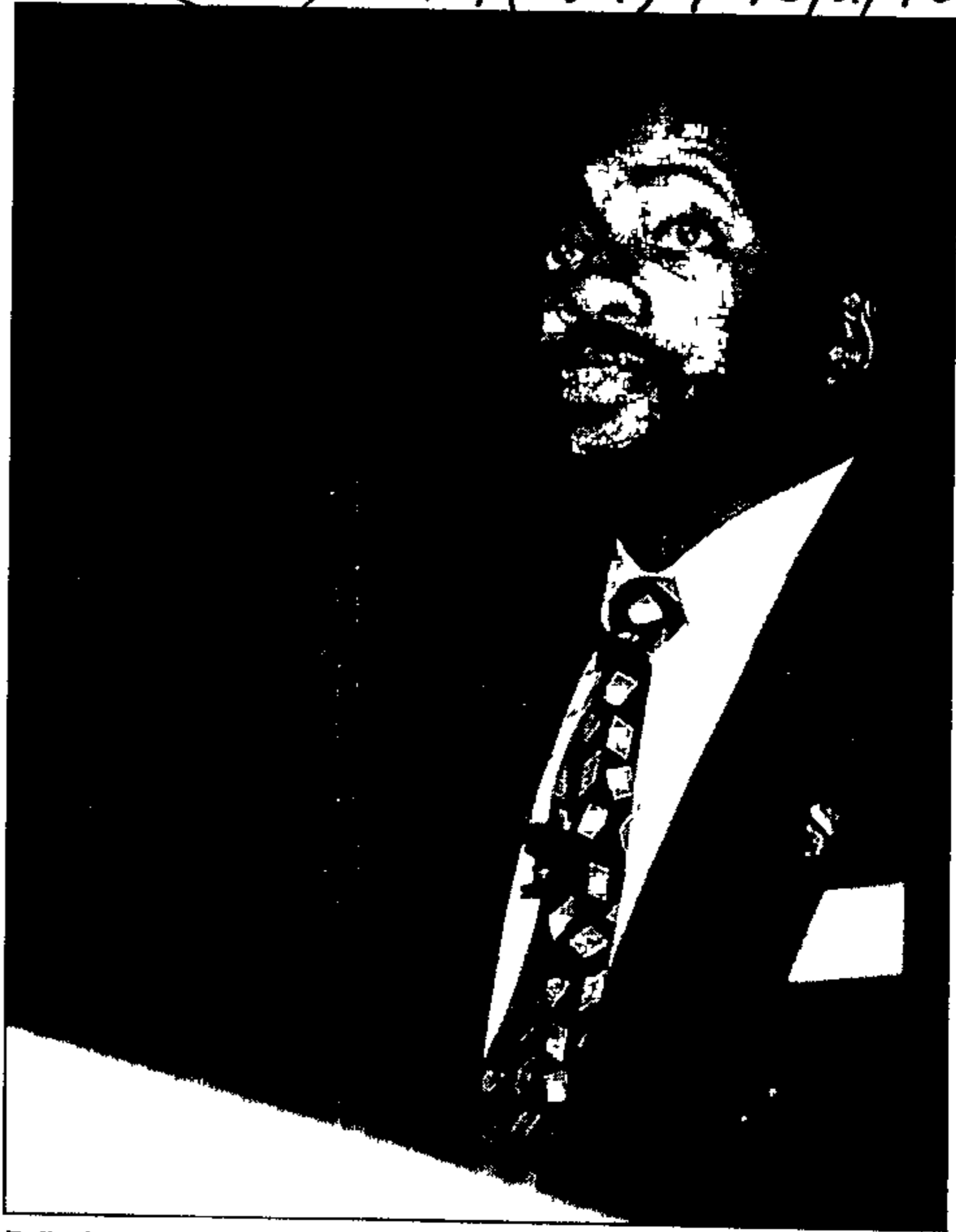
**S**kills in manufacturing telecommunication equipment had to be continually developed and enhanced within the sector, if it was to become economically viable locally and in neighbouring countries, Jordan said.

These outside challenges facing the sector came at a time when it was undergoing 'massive transformation' and there was a growing merger between telecommunications, broadcasting and information technology.

South Africa was in the ironic dilemma of engaging in nation-building when globalisation, he said.

'The shape of things to come is discernable in international satellite broadcasting and the globalisation of the electronic media,' Jordan said.

Being a developing country, South



**Pallo Jordan: 'Few countries have undertaken so ambitious a programme'**

PHOTOGRAPH NAASHON ZALK

Africa did not always have readily available sources of capital for investment to take account of these developments and it was, therefore, perhaps inevitable that pressures were being placed on government to throw open the door to international competition and private sector investment in the telecommunications sector.

Some issues included as points of debate in the second draft of the White Paper are:

- The shape and function of a proposed universal service agency whose key function would be to maintain a universal service at the heart of the telecommunications policy, and to build close-links with community-based organisations in public and private domains in a bid to develop capable public relations.
- Market structure in the telecommunications sector which concen-

trates on an accelerated development and which takes into account technological and international trends. The new market structure which encourages a four year period of exclusivity for Telkom would be seriously compromised if Telkom is unable to access sufficient funds. At present, there is a deadlock with labour with regards to 'equity restructuring'.

- Establishing an independent telecommunications regulatory authority — the South African Telecommunications Regulatory Authority — to regulate the activities of Telkom in conjunction with the minister and to stimulate investment.
- To stimulate innovation in the telecommunications sector, with a view to building an information superhighway in South Africa, and to promote a competitive and effective manufacturing and supply industry.

**Telecommunication services was a 'basic right' which all had to enjoy**

# PLUGGING INTO A FAULTY SWITCHBOARD

(267) FM 16/2/96

## Too few paying clients

**A** graph showing a straight-line relationship between telephone penetration and per capita GDP is commonly used in telecommunication equipment manufacturers' sales pitches to developing countries

By sleight of hand and switch of cause and effect, vendors try to persuade governments that the correlation "proves" more telephones equals more wealth

A more probable interpretation is that countries can afford roughly one line per 100 people for every US\$400 of their per capita GDP (at 1994 prices) Liberal telecommunications markets tend to find their equilibrium near this ratio and only countries whose market forces are manhandled by State control veer far off

The RDP intends to lift SA way above this line by more than doubling phone penetration within four years Equipment vendors will cheer but the graph shows SA already has more telephones than its economy can sustain

The graph's accuracy at pinpointing the balance between demand and supply is confirmed by the under-usage of Telkom's existing network SA's 1994 phone penetration of 9,66 lines per 100 people was 23% higher than that recommended by the graph This is near the 20% excess telephone subscriber ports which Telkom concedes in its annual report

There's no shortage of people who want phones but Telkom is struggling to find more customers who can afford its service The 5% increase in working lines to 3,8m last year was coupled with a R207m write-off to bad debts

If the policies mooted by the second draft of the telecommunications White Paper are imple-

mented in government's new Telecommunications Act, Telkom's monopoly will be entrenched for four years in an attempt to force a captive market to pay for the uneconomic doubling of phone penetration

After this, the White Paper proposes that the telecommunications market be liberalised gradually, opening the way for the entry of a competitor to Telkom in seven years

As the policy document notes, this strategy forces Telkom to satisfy two conflicting requirements — of preparing for competition within the straitjacket of political prescription — during its period of "exclusivity"

Government's initial telecommunications policy document, the Green Paper, agrees that SA's phone penetration is in

line with world standards but links raising the ratio of line per person to righting the wrongs of apartheid It justifies this by pointing out phone penetration was as high as 25 in white urban areas and as low as 0,1 in rural TBVC areas

"The rapid increase of telephone penetration rates, especially in black urban and rural communities, should be a primary objective of any telecommunications policy which intends to fulfil the RDP's telecommunications goals," the Green Paper says

If the RDP were to make its overriding goal increasing per capita GDP to more than \$8 000 by 2000, the graph indicates a free market would match government's target of 20 telephones per 100 people Instead, the White Paper proposes that SA accept the vendors' shaky logic and

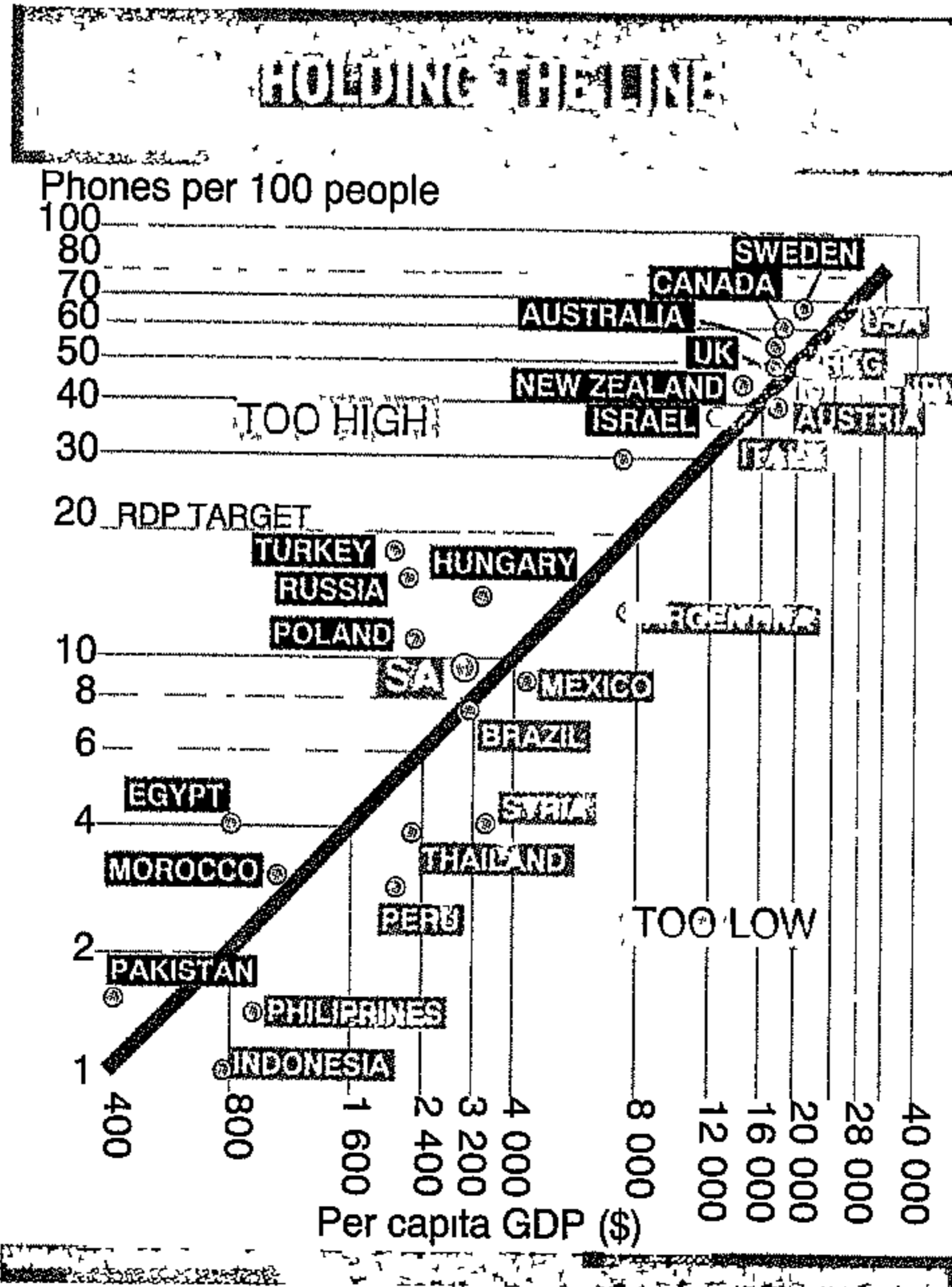
saturate itself with telephones in the belief that phones can magically generate money to pay for themselves

"Because the central goal of the period is the building of the basic network as quickly and extensively as possible, Telkom should engage traditional cross-subsidy mechanisms to help bring about network roll-out," the White Paper says This gives Telkom's long-suffering subscribers much cause for concern

In terms of the RDP, public utilities such as electrification and telecommunications will meet their targets through self-financing This implies uneconomical expansion of infrastructure will translate into higher monthly bills for customers

The White Paper ignores SA's existing excess capacity, which Telkom is trying to overcome through an advertising campaign encouraging people to make more telephone calls

As Telkom should know, the



only way it can get customers to use phones as much as people in the US and Europe is to make its tariffs as cheap. Telkom's problem is not a lack of awareness of its telephone service but that most South Africans cannot afford to use it.

The uneconomical expansion of SA's telephone network will put the service out of reach of more people's pockets and damage Telkom's chances of holding its own in a free market. Telkom has about 65 staff for every main telephone service — more than five times as many as an equivalent company operating without political interference.

Government hopes to rectify Telkom's inefficiency by increasing lines instead of re-trenching staff. Though Telkom improved its staff per line ratio marginally through natural attrition last year, its salary bill increased 45%.

Telkom measures the time it takes to respond to customer orders in months instead of days despite its excess manpower. Its mission is to satisfy all customer orders within 90 days — a goal it missed by 8% last year.

The policy document suggests that government should regulate Telkom by creating another new bureaucracy, SA Telecommunications Regulation Authority (Satra). Satra will operate in addition to the existing telecommunications regulatory bureaucracy headed by the Postmaster-General. But, according to the White Paper, two regulators are not enough, it calls for the creation of a third bureaucracy, the Universal Service Agency.

The document doesn't say what the Postmaster-General's future function will be — it says only that Satra and the Universal Service Agency will not compete. "The regulator has sole power of enforcement. The agency has no enforcement power but should identify more creative and innovative methods to promote universal service within the broad framework of development planning."

Universal service has grown into a dominant theme in the debates leading to new Telecommunication Acts in the US, the EU, Australia and SA.

Altruistically noble at face value, universal service is seen by politicians everywhere as an easy way to attract votes by claiming that a telephone is a basic human right.

But, as telephone companies point out, signing up a new client implies extending unlimited credit. Unless governments are prepared to underwrite telephone companies' risks for taking on new subscribers, universal service is a lame excuse for politicians to meddle in the telecommunications market.

The White Paper indicates that the Universal Service Agency's main function will be to stop commonsense diverting its four-year plan. "Liberalisation trends

Satra will also act as policeman, preventing Telkom's clients from taking their business elsewhere. But, as the White Paper concedes, it is increasingly difficult for State telecommunications monopolies to corner the market.

Satellite operators such as PanAmSat now permit direct access to users, technically allowing corporations to bypass Telkom's network. International call-back services are growing but cannot be regulated. Advances in digital voice compression make normal phone calls over the Internet likely.

"Tariffs which are inflated for the purpose of effecting approved cross-subsidisation regimes should be protected from competition by other operators," the White Paper says.

Satra will also set the deadlines leading to the eventual entry of competition with Telkom. The White Paper envisages that Telkom will be able to gear up for competition after the four-year plan by "rebalancing its tariffs."

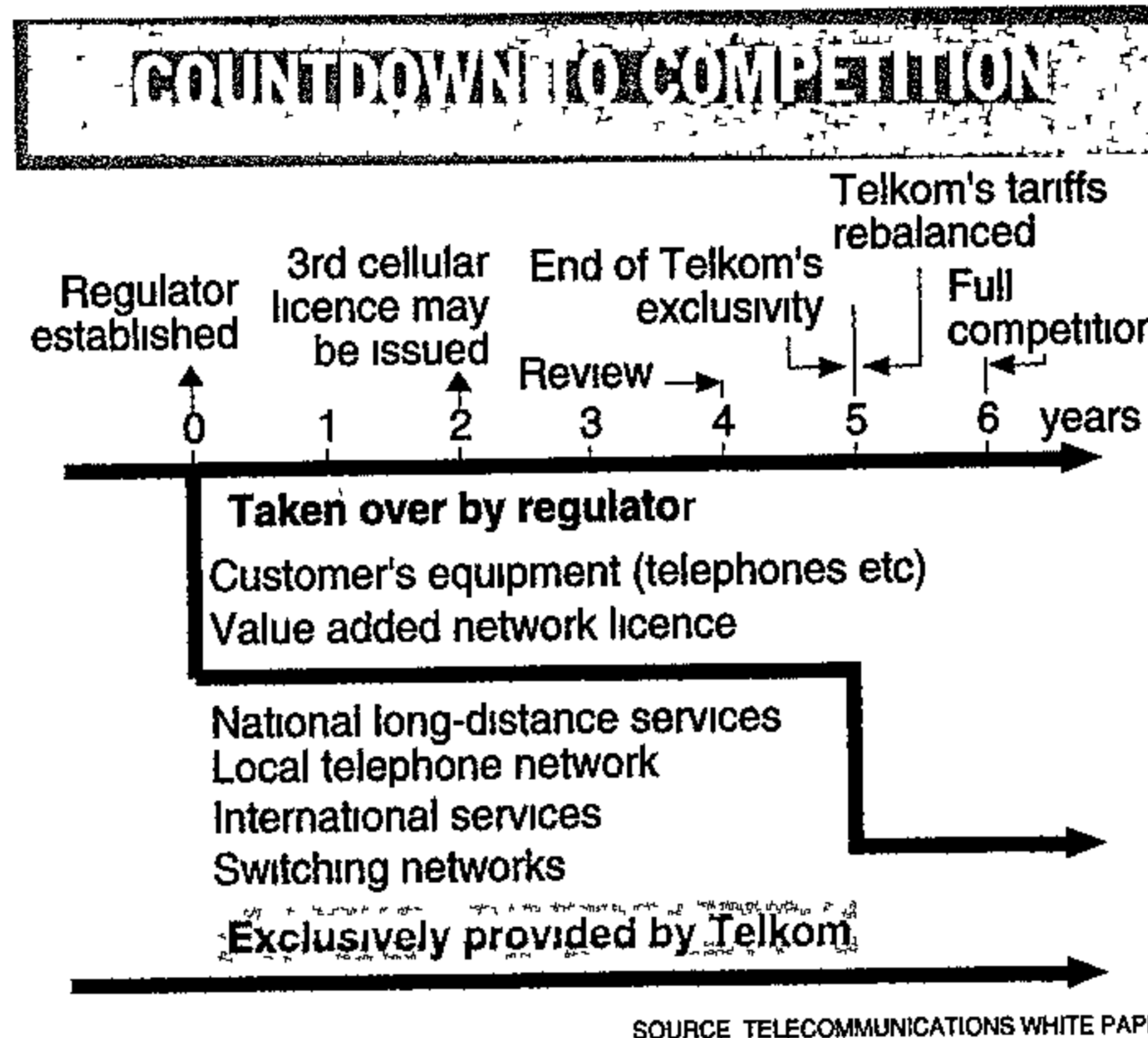
"The boldest moves towards rebalancing will take place in year four, the last year of exclusivity. Until then, the regulator must take steps to prevent bypass of its network," it says.

At the beginning of year four, the scheme will allow limited competition from private networks and the existing value-added networks (companies which pay double the standard rates for their Telkom lines for the right to carry information for outside organisations).

To guard against a route from Telkom's uneconomical infrastructure, the White Paper suggests its competitors will be forced to raise prices through a combination of interconnection charges and universal service fund contributions.

Plotting different countries' penetration of other basic needs against per capita GDP won't yield the telecommunications market's neat line — this is probably the effect of multinationals causing prices to match in all countries.

But the lesson of these graphs remains the same: the penetration of basic services ultimately rests on a country's ability to compete and create wealth. By raising SA's business costs through the squandering of money on an uneconomical phone system, government may imperil the fulfilment of more pressing RDP objectives. ■



and the legitimate needs of SA business and urban areas for advanced services could easily combine to draw interest and resources away from the delivery of service to rural and disadvantaged areas," it warns.

Local union opposition and a surfeit of telecommunications companies being privatised to meet next year's European Union requirements make it unlikely that Telkom will be able to raise outside investment to finance government's four-year plan.

Fortunately, Telkom's subscribers are protected from having the project's entire cost passed on to them because SA is a signatory to the World Trade Organisation's regulations. Given that government has an obligation to keep telecommunications tariffs within international norms, Satra's function of regulating tariffs through price-capping appears to have been taken care of.

The White Paper says Satra will allow Telkom to set tariff levels at "any reasonable point below the cap and for consumer price index-related increases on an annual basis."



# PALLO CRACKS THE WHIP

FM 16/2/96 (267)

**T**he Ministry of Posts & Telecommunications intends cracking down on the limited competition Telkom faces from the telephone networks operated by the Ministry of Public Enterprises' utilities Transnet and Eskom

The Telecommunications Ministry's second draft of its White Paper — a policy document leading towards SA's future Telecommunications Act — calls for Transnet and Eskom to hand all but their core communications infrastructure to Telkom

"Because Transnet and Eskom may not, according to government policy, compete with Telkom or provide end-user customers with telecommunication services now, they must lease their available links and associated equipment to Telkom," the document says. It proposes the price Telkom pays its sister utilities be

overseen by an independent regulator. The paper adds that Telkom does not have the right to forcibly take over other public corporations' networks.

The statement that they "must lease" their equipment to Telkom provoked angry reactions from Transnet and Eskom representatives at the National Telecommunications Forum's plenary session's debate over changes intended for the document's third draft. Public Enterprise Ministry spokesman Douglas McClure says this rivalry wasn't handled at ministerial level, but left to the three parties.

Transnet's telecommunication

is handled by its subsidiary, Transnet MD Alf Schulze says it may be able to offer its networking infrastructure to outside organisations by "operating under the Telkom label". Transnet's and Eskom's networks are physically divorced from Telkom's telephone system to comply with local laws.

Schulze says this makes them attractive to organisations wanting back-up lines to ensure their computers can communicate if Telkom's lines fail. Schulze hopes to address this market by leasing Transnet's lines to Telkom.

The White Paper proposes that

kom may then enter Telkom's market through separate subsidiaries. Schulze says this may give Telkom too long a head start. The White Paper also asks the other public corporations to minimise their investment in infrastructure which could compete against Telkom's. ■

*"Eskom and Transnet must lease their available links and associated equipment to Telkom" White Paper*

## FREE AS A BIRD

**The Independent Broadcasting Authority (IBA)** intends to police all satellite broadcasts into SA. Though there is no international convention for the regulation of satellite broadcasting, the IBA thinks it knows better.

But attempting to stop pirate broadcasters from beaming programmes into SA will be futile. "Geostationary satellites, which enable broadcasts to be beamed from, for example, the US to SA, create difficulties," says National Association of Broadcasters executive director Daniella Goldman.

She says local satellite operators will be severely disadvantaged if the IBA insists on heavy and inflexible regulation. This could include local content quotas, and advertising, ownership and technical standard restrictions.

Not one commercial broadcaster has been licensed by the IBA since its formation in April 1994. Though it has called for applications for commercial radio licences in May and plans to issue a third terrestrial TV licence by mid-1997, many other issues must still be sorted out.

By the end of March the IBA will employ around 100 staff and will have spent about R60m of taxpayers' money.

An IBA inquiry into regulation of satellite broadcasting is scheduled for May. ■



Telkom be given the "right of first refusal" whenever companies ask for private communications lines. If Telkom decides not to accept the business, other "capable parties, excluding Transnet and Eskom, may offer services."

The trend in most countries operating State telephone monopolies has been to allow electricity and rail utilities to operate private networks alongside their power lines and tracks. Many EU countries are now looking to these utilities to offer competing telephone networks next year.

The White Paper indicates SA may adopt this strategy in six years. It says Transnet and Es-

## Sactwu, Fabcos secure M-Cell shares

Mungo Soggot

THE SA Clothing and Textile Workers' Union and the Foundation for African Business and Consumer Services have swapped their combined 4,5% stake in cellular phone operator MTN for shares worth nearly R250m in MTN's holding company M-Cell

The move, which will increase M-Cell's stake in MTN Holdings to 29,5% from 25%, would allow the two groups closer representation on the JSE, Fabcos said yesterday. The value of the group's shareholdings was not disclosed.

But M-Cell — Multi-Choice's newly listed holding company — said

(267) BD 27/12/96  
the two organisations would get 67,5-million new shares in M-Cell in return for their stakes

Sactwu's investment company paid R14m for Real Africa Holding's 2,08% stake in MTN last September, while fellow MTN shareholder New Africa Investments sold

half of its 20% stake to US group SBC for R106m in August.

M-Cell said the deal would allow it to increase its cellular telephony operations in SA.

A Fabcos spokesman said the move had brought the organisation "closer to the JSE"

BD 29/2/96  
**Telkom pay  
talks protest**

Renee Grawitzky

THE leadership of six Telkom unions yesterday demonstrated against what it believed was an attempt to undermine unions by communicating bargaining positions to employees before wage negotiations. Telkom external communications manager Ingrid Kriger said the company had embarked on a process of informing employees of the financial position, company realities, and the reasons behind the need to change and standardise employment conditions.

SA Telecommunications Association president Colin Smith said later that Telkom had agreed to suspend the communication process.

# Letters dumped at empty house

**Southern Reporter**

**AN unoccupied house in Plumstead has become a dumping ground for letters, some of which may have been stolen.**

Colleen Profe, an employee of the elderly couple who formerly lived in the house in Basil Road, said that when she returned to check for post she saw piles of mail scattered over the lawn, in boxes and among builders' rubble.

Most of the post was addressed

to people in Coombe, Pluto, Rotherfield, Woodley and Casino Roads as well as Nerina Crescent. Mrs Profe said she had started delivering some of the mail, but was worried that people would blame her for the situation.

"Much of the mail had been opened," she said. "Included in what was lying around were cheques, lease agreements, motor vehicle licence renewals, domestic accounts and private letters,

documents from the Receiver of Revenue and registered post."

Many of the envelopes were empty and had been torn up, she added. Mrs Profe said she had reported the matter to the Post Office Loss Control section, but was disturbed by their apparent lack of interest in delivering the mail to the rightful owners. She said she was worried that the many empty envelopes might have contained money.

(267) ARL 29/2/9

# Mailroom mysteries revealed

## In the bowels of our mammoth sorting centre lurks an entirely new beast

THE Post Office is big news these days and complaints of lost parcels have flooded into The Argus. This week the Cape Town Post Office smashed a major crime syndicate involving its own employees suspected of plundering parcels. In the light of the continued adverse publicity, Stamp Correspondent **XAVIER PIAT** paid a visit to the headquarters of Cape Mail in Goodwood.

IT was in mid-1993 that Cape Town got its new mail distribution centre - the size of two rugby fields - and with it, specialised sorting machinery worth more than R15 million.

Staff had to undergo training to make the change to new methods, using the most modern technology available, often after more than 20 years in the old postal service.

At the Cape Mail headquarters regional general manager Leon Dippenaar, regional sales manager Shaun Povey and senior mail processing manager Koos Pauw shed some light on the mysteries of mail.

"In the first three months of relocation we experienced many internal problems, but soon after stepped up our delivery of mail to more than 80 percent of our effective standard," said Mr Dippenaar.

He said this was quite an achievement "when one realises that on a normal day more than 1,5 million mailing items are processed here."

"Before Christmas and New Year, with a large increase of mail, sometimes double, we were helped by temporary staff, who are also fully trained in the production of what is required."

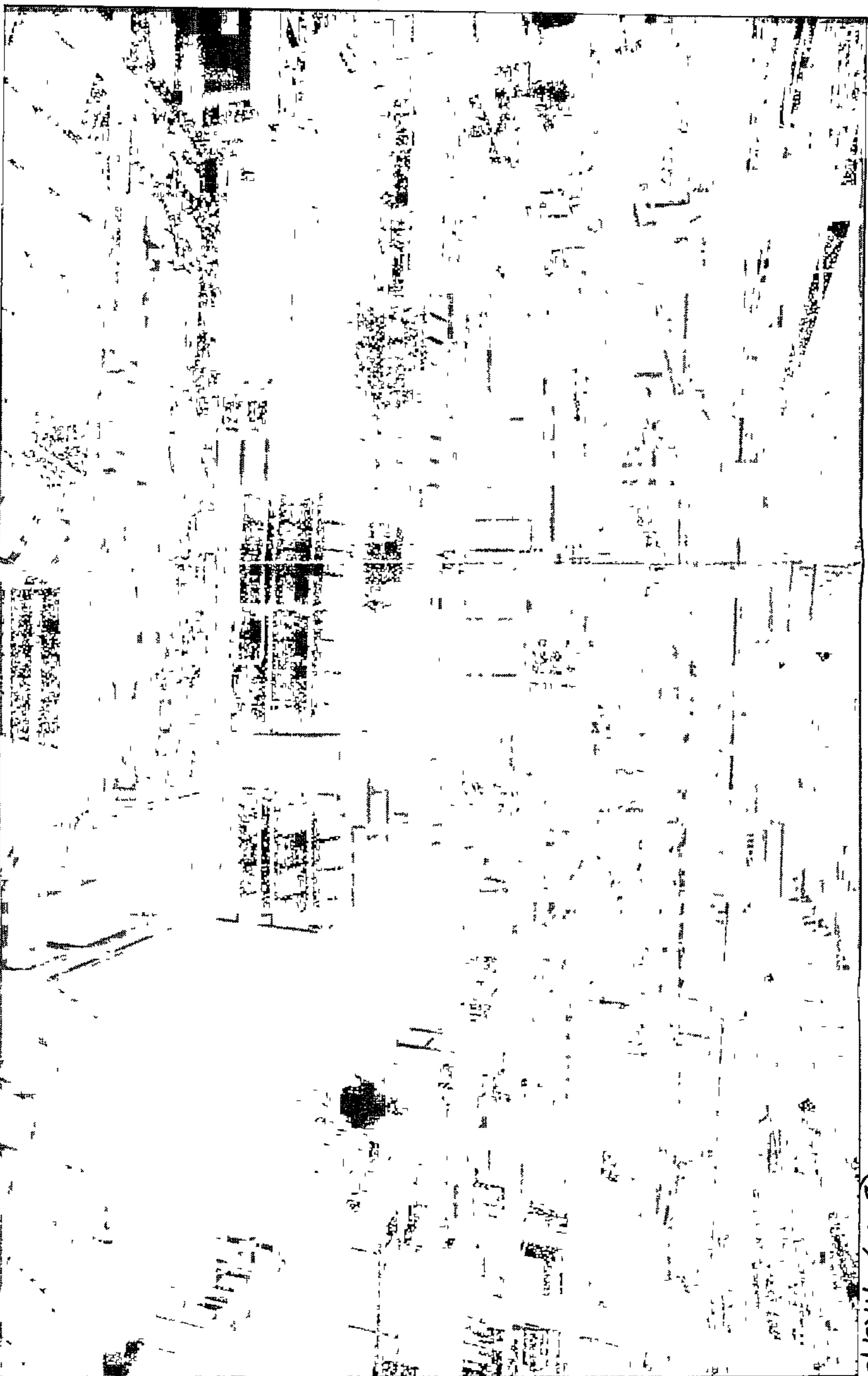
Mr Dippenaar explained that mail from the general public, including letters and parcels, only made up 20 percent of the total mail received for delivery. The rest combined mail from businesses and large industrial houses, wholesalers, insurance companies, catalogue distributors and publications like Reader's Digest.

"We are already in contact with our big mailers to check their dates for the Easter holidays in order to provide, for all clients, good service with in our advertised delivery standards."

Mr Pauw said red letter boxes in the Cape Metropolitan area were emptied every day and, before 5pm, were in the sorting hall to be processed by specialised machines into boxes and slots. From there they were put into mailing bags that would travel to their allocated destinations.

This was the main task of more than 500 night shift staffers, in various operating groups, who processed all incoming local, national and foreign mail without delay.

By 4.30 am a team of trucks would already be loaded with postal containers to be delivered to nearly 30 post depots in the Cape Metropolitan



**SORTING CENTRE:** Cape Mail's sorting centre, which operates two shifts throughout the day and night

Pictures DOUG FLETCHER, The Argus

area, where the assigned postmen in each locality would start at 6am to sort out the received lot for their street "walks".

In post offices with private post office boxes, the procedure was the same under the responsibility of

the local postmaster.

At the main Cape Town postbox section the early shift attendants got the mail already pre-sorted into cardboard containers, according to box numbers, for quick insertion into pigeon-holes.

Mr Pauw said that if the

sender deposited a letter addressed to a private box before 4 pm, the address should be able to get it the next day from 7.30 am.

So now that we know how the post works, what about the delays and the constant complaints?

Mr Dippenaar responded

"Although I am not yet fully satisfied with the performance level, I must stress that we made very good progress during the past two

years. The personnel have shown and given their commitment towards achieving a better mail delivery service. Of course, errors exist. For example, letters arrive without postal codes and a team of specially trained employees have to re-address them by inserting the code and then returning them to the mail stream, but with a small delay.

"The same applies with wrong codes and many unreadable addresses, which also delays the normal progress of delivery. We try to eliminate delays by speedy attendance to these missorts.

"There are also delays in sorting by human error, but not often. An independent research company is monitoring our performance and the recent figures show an 85 to 90 percent score.

"Compared with the 98 percent performance of New Zealand, the best mail delivery system world-wide, we are going in the right direction. We bought external mail measurement technology from Canada Post and modification of the system is in progress.

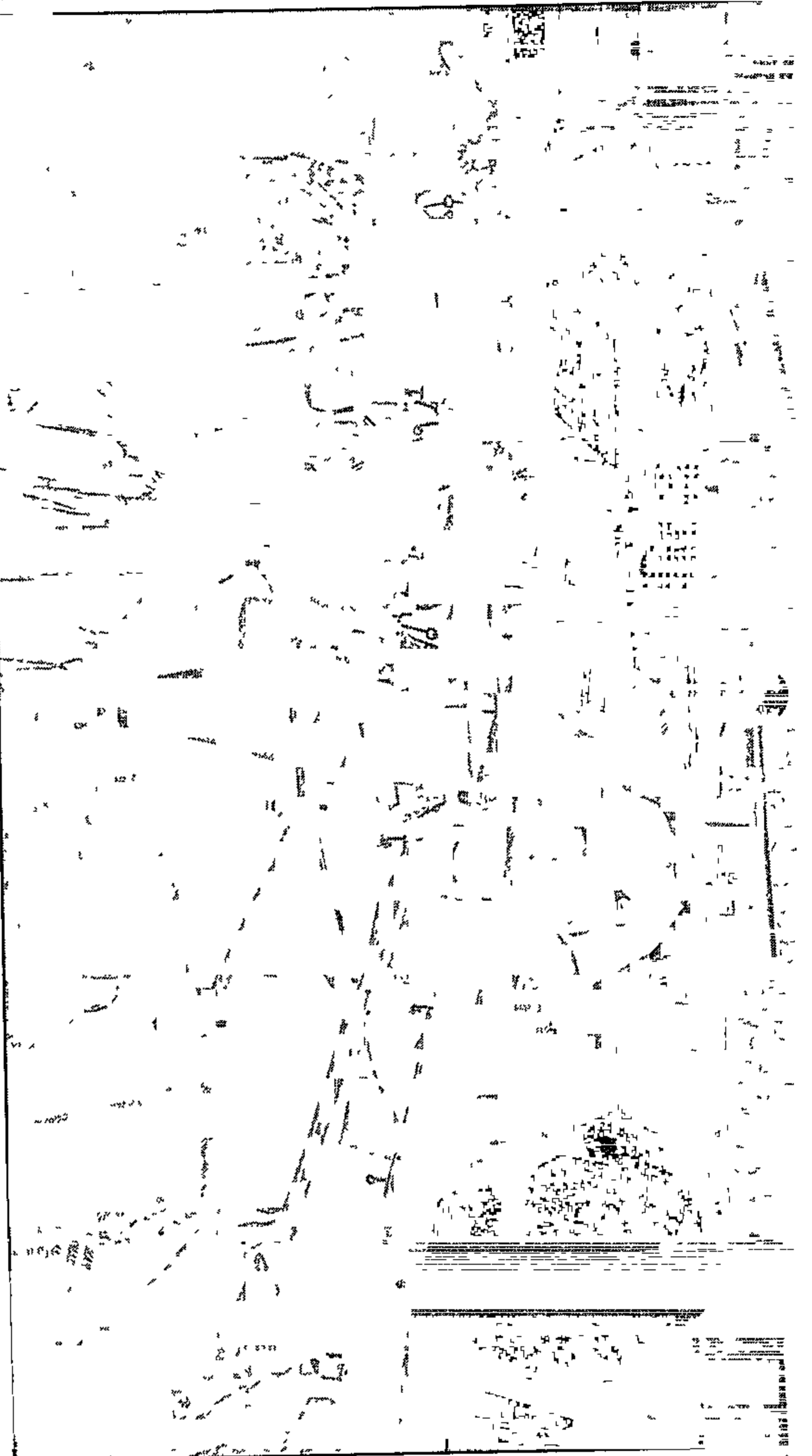
"We are constantly monitoring and identifying the reasons for missorts and delays in order to institute corrective action. It seems, though, with daily input of more than one million items, some missorts and delays will occur.

"Next month we will publish nationally the importance of addressing letters with the correct code and also in providing the address of the sender. Perhaps that will help minimise the number of missorts which are causing delays."

Mr Dippenaar praised the "best performing delivery standard" of the staff at the Mitchell's Plain post office.

In Khayelitsha some difficulties were experienced with the outer areas, but Missions were in progress to

(217) ARGUS 3/96



**UNDER SCRUTINY:** Prepared for further transport, the sorted mail is scrutinised by handlers



**NEW ARRIVALS:** Just arrived! Mailing bags from various Peninsula post offices will be emptied into the main sorting machine, above, for destination processing  
**PIGEON-HOLED:** The post "pigeon boxes" of the high-speed letter sorting machine, right, are attended by Anita Badenhorst and Celia de Freitas

10 g...  
and blue "pay by size" leaflet from post offices to make sure they posted letters correctly  
By using the appropriate postal code, by posting early for timeous mail collection and distribution and by providing a complete and correct address on the postal item, the public would help the Cape Mail teams to achieve better results, which would benefit everyone, he said

# TYGERBERG ELECTION

Publication Notice 01/1996

## INFORMATION SESSION

### For Political parties and Candidates

In order to assist all parties and prospective candidates who wish to participate in the 29 May 1996 local government election in the Tygerberg Substructure, an information session will be held to discuss:

- THE NOMINATION PROCESS
- THE REQUIREMENTS FOR NOMINATIONS OF CANDIDATES
- THE REGISTRATION OF PARTIES AND TIME-FRAMES

Nominations of candidates for ward elections and applications for registration of parties are to be submitted by not later than 12 noon on 1 April 1996.

The information session will be held on Wednesday, 20 March 1996 at 08:30 in the Goodwood Civic Centre Hall, McDonald Street, Goodwood.

All interested parties and prospective candidates are invited to make a special endeavour to attend. For further enquiries, please contact Mrs Jenny Potgieter or Ms Jennifer Mkalipi at Telephone No. 590 1600

D V WILKEN  
RETURNING OFFICER: TYGERBERG SUBSTRUCTURE  
Secretariat - Telephone No. 590 1600  
Fax 590 1494

TYGERS02A34

# TYGERBERG ELECTION

Publication Notice 01/1996

## INKCAZELO MALUNGA NEMIBUTHO KWAKUNYE NABANGENELE ULWENYULO

Ukuze kuncediswane nabemibutho kwakunye nabangenele ulonyulo ngomhla we 29 Ku Meyi 1996 kwi

Tygerberg Substructure inkcazelo malunga nezi ziyakuxoxwa:

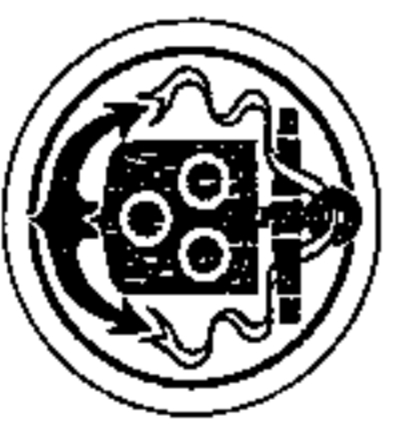
- ULONYULO OLUQHUBEKAKAYO
- IZINTO EZIFUNWAYO ZABANGENELE ULWENYULO
- UKUBHALISWA KWEMIBUTHO

Ulwenyulo lwekhandideres mayela nee wadi kwakunye nabafuna ukubhalisa imibutho kufuneka bayizise phambi kokube kufike umhla wokugala ka Apri 1996 ngeentsimbi yeshumi elinambini (emini maganda).

Iyamenywa yonke imibutho enomdla nge 20 zika March 1996 ngecala emva kwentsimbi yesibhozo (kusasa) e Goodwood Civic Centre Hall, McDonald Street, Goodwood Yonke inkcazelo iyakuthi ifumaneke apho.

Abanemibuzo bangadibana no Mrs Jenny Potgieter okanye u Ms Jennifer Mkalipi nge fowuni: 590 1600  
D V WILKEN  
RETURNING OFFICER: TYGERBERG SUBSTRUCTURE  
Secretariat - Fowunela lentlomi: 590 1600  
Fax. 590 1494

TYGERS04A5



CITY OF CAPE TOWN

## OTTERY SEWER REPAIRS

Further repairs are necessary to the sewer in Bamboesvllei Road, Ottery. As a result of this, Bamboesvllei Road between Cane and Sybil Roads will be closed to vehicles from Monday 18 March 1996 for approximately three weeks. Deviations along Cane and Sybil Roads will be signposted. Pedestrian access will be maintained at all times.

The Council regrets any inconvenience caused

K G NICOL  
TOWN CLERK

1986

## The Post Office wants your ideas for stamps of 1997

Staff Reporter  
HAVING a greater say in what is happening in the country is one of the trademarks of the new South Africa  
Now the Post Office is inviting people to submit proposals on what they would like to see on the 1997 set of stamps  
So if you have any ideas for a new series of stamps, send your brief proposal and motivation to the Post Office's philately services before May 30  
Applications for special date stamps for 1997 must reach the Post Office before November 30. Proposals must be sent to Stamp Programme 1997, Private Bag X16, Hatfield, 0028

## High noon for poll hopefuls

Municipal Reporter  
THE deadline for local election nominations is noon on April 1  
The central substructure, which has already received its first nominations, pointed out public servants could stand as candidates for the first time in history  
But municipal officials will have to get permission from Premier Herens Kriel if they wish to stand  
Ward candidates need signatures from two per cent of the voters in their wards to stand, but will not have to pay a deposit

Tutu seeks 'Army of Volunteers'

**Staff Reporter**  
THE Truth and Reconciliation Commission is looking for "an army of volunteers" from religious groups and human rights non-government organisations to help achieve its aims.

At a media conference yesterday after a two-day commission meeting, its deputy head Alex Boraine appealed for such groups to "enlist", saying: "Unless we have that co-operation and synergy, I don't think we can achieve our goals"

The commission's head, Desmond Tutu, said the commissioners were acutely aware of the high and possibly unrealistic expectations that were being placed on the commission, particularly as regards possible reparations.

"We will have to say candidly that the commission is the result of a compromise," Archbishop Tutu said.

The commissioners understood the feelings of those who expressed doubts about the commission and who wanted justice before reconciliation

"But in a sense, the debate is futile because it (the commission) is a *fait accompli*. It was a fact of horse-trading and we have to work within these boundaries."

Dr Boraine confirmed that a draft budget for this financial year of R75,9 million — more than R20 million over the department of justice's initial budget suggestion — had been handed to Justice Minister Dullah Omar on Wednesday, and was expected to be finalised shortly.

Archbishop Tutu said the first public hearing of the commission's human rights violations committee had been brought forward provisionally by one day, to Monday April 15

# ANC wants temporary immunities withdrawn

Leading members may have to ask Truth Commission for amnesty

**JOHN YELD**  
**Staff Reporter**

THE African National Congress has asked Justice Minister Dullah Omar to withdraw immediately the temporary immunity granted to 73 of its members in 1990

These members include high-profile leaders Deputy President Thabo Mbeki, ANC KwaZulu-Natal leader Jacob Zuma, Defence Minister Joe Modise and his deputy Romme Kasrils

The ANC has also indicated that it will co-operate fully with the Truth and Reconciliation Commission, and some of the names on the temporary immunity list may be among those applying for amnesty from the commission

The temporary immunities were granted to allow key members of the ANC to return safely to South Africa to negotiate the transition to a democratic order

Some of these were "typists, cooks and sweepers in Lusaka", Mpumalanga premier and ANC legal adviser Mathews Phosa told a media conference at parliament yesterday

He said one or two of the people on the list had been involved in cases which, "under certain circumstances which are different from ours", could lead to prosecutions

"But we don't believe that there will be any prosecutions — we don't think the circumstances allow that," Mr Phosa added

had been renewed annually since 1990, but was scheduled to lapse for the last time on May 18

The announcement from the ANC comes against a background of repeated criticism from the National Party of unequal treatment, in that the ANC's members were enjoying immunity while former government officials and politicians like Magnus Malan were on trial

African National Congress deputy secretary general Cheryl Carolus said the ANC's national executive committee had considered the issue of temporary immunity for its members who had conducted negotiations to bring about a peaceful solution

"Now that we are on the verge of completing the final constitution, these objectives have been achieved," Ms Carolus said

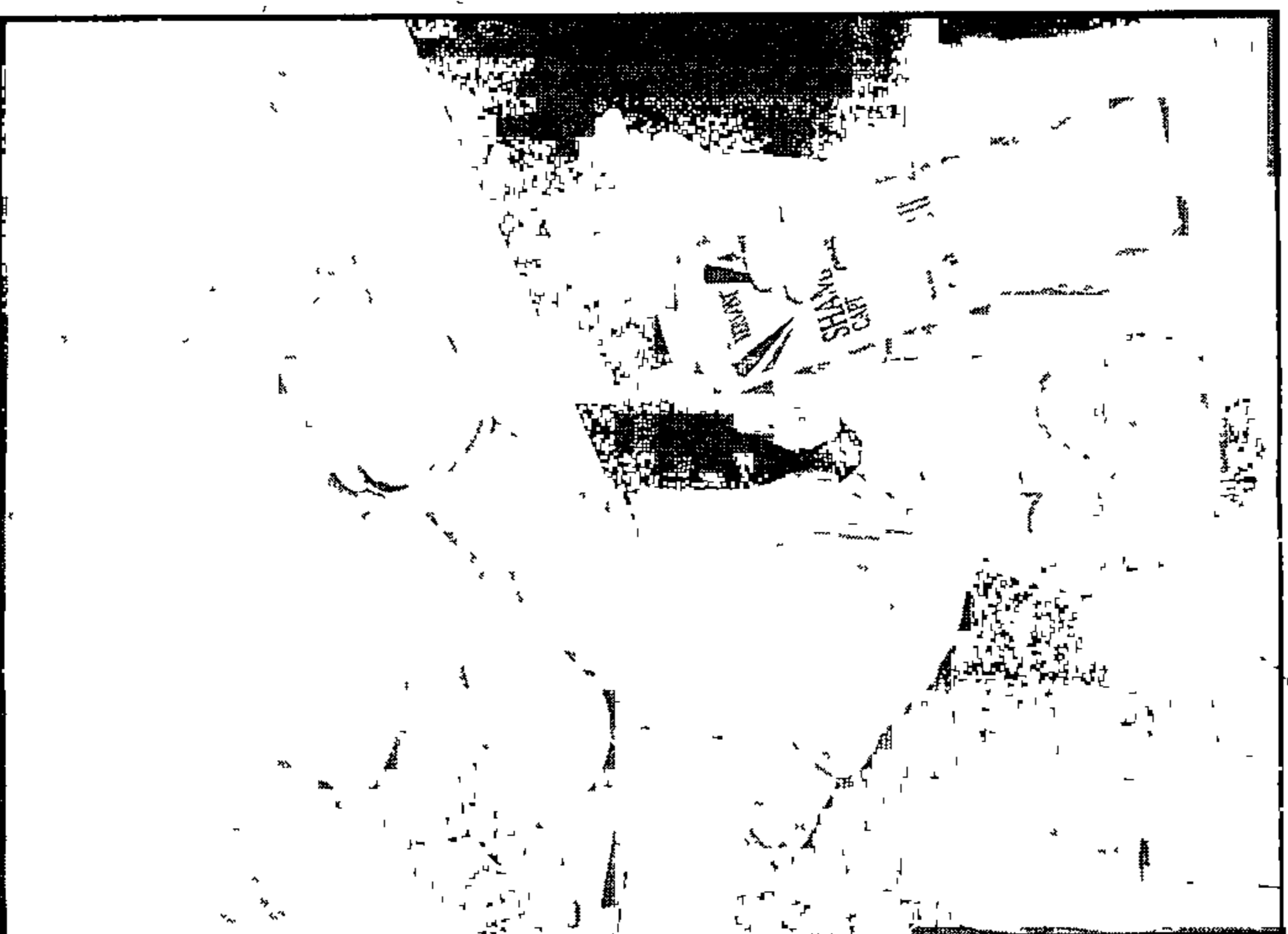
"It is for this reason that the NEC has concluded that these temporary immunities no longer serve any purpose

"It has therefore renounced these temporary immunities"

The ANC believed in the fairness and integrity of the truth commissioners and would submit its records, its leaders and its members to the commission's scrutiny, she said

"We have nothing to hide"

"Instead, we want to help create a climate in which the healing process of our nation is enhanced," Ms Carolus said



**COCAINE STASH:** Inspector Peter Tait holds aloft one of the four shampoo bottles in which a man tried to smuggle cocaine with a street value of R125 000

**Cocaine at airport: Man**

**to appear in court today**

LINDSAY BARNES

appear in Cape Town Magis-



**ARRESTED:** A Johannesburg man arrested in connection with the cocaine haul leaves the airport under police guard. He will appear in court today

Picture: ROY WIGLEY, The Argus

**'Hundreds of millions' may be lost in pensions chaos**

**TASLIMA VILJOEN**  
**Staff Reporter**  
THE former House of Representatives (coloured) social ser-

and Population Development, Abe Williams recently resigned from cabinet hours after the Office for Serious Economic

**Anger over airport staff's 'bomb hoax'**

**Staff Reporter**

SENIOR airport officials are to interview an American woman who is furious at Cape Town International Airport staff for "joking" that she had a mumps in her handbag

The alleged hoax was played on Inda Sheppard, who is staying with her family in George. She is considering laying criminal charges against the airport staff

She said she panicked at the time because she realised the seriousness of their accusations and later felt humiliated

General manager of The Airports Company, Henne Taljaard, said "We have to get to the bottom of this and take the necessary action. We know exactly who was on duty at the time"

Mr Taljaard is to meet Ms Sheppard next week to discuss the incident

**Delft attack: Two granted leave to appeal**

**Staff Reporter and Sapa**

TWO Khayelitsha men convicted of an attack on the Delft police station in which policeman Donovan Fielies was murdered, have been granted leave to appeal

The Appeal Court in Bloemfontein this week granted them leave to appeal against the severity of their sentences

Fuzile Mhlakaza, 29, was jailed for 47 years, and Funani Filemon Bakhami, 21, to 38 years, for murder

They opened fire with illegal automatic weapons on four people, killing Constable Fielies in August 1994

They were also convicted on three charges of attempted murder, attempted robbery and charges of illegal possession of weapons and ammunition.

**Producer price**

and Population Development, Abe Williams recently resigned from cabinet hours after the Office for Serious Economic

**Nearly half of SA detectives**

appear in Cape Town Magis-





## Postal integration Bill tabled

Ingrid Salgado

BD 1/3/96

(269)

POSTS, Telecommunications and Broadcasting Minister Pallo Jordan tabled legislation in Parliament earlier this week to effect the integration of the former TBVC posts and telecommunications services with Telkom and the SA Post Office.

The Former States Posts and Telecommunications Reorganisation Bill would provide for the transfer of personnel, functions and assets from the former TBVC states. Jordan said a strategic management committee under his chairmanship had been established to oversee the "sensitive and complicated" integration process. Completion of the transfer looked set for March 31.

Jordan also tabled amendments to the Independent Broadcasting Authority Act, allowing the authority to perform its functions in the former TBVC states and giving former TBVC signal distributors and public broadcasters a further six months' grace to apply to the IBA for necessary licences.

# Losing faith in the Post Office as letters dawdle to their destinations

(267) Star 5/3/96

Despite many promises of a more streamlined service, readers continue to tell a tale of woe

By Nikki Whitfield

**R**emember the days when sticking a stamp on an envelope meant your letter would get there? And within a reasonable length of time, not weeks later when Christmas has long gone or a birthday is all but forgotten. Will those days ever come back?

Despite the Post Office's promises of a more streamlined service, South Africans are sceptical. If calls to this newspaper are anything to go by, citizens seem to be losing faith with their PO.

The latest gathering of gripes is headed by SA writer Mary Benson, who penned the first biography on Nelson Mandela as well as tomes on the times of Albert Luthuli and Tshekedi Khama

Although now based in London, Benson is having a spell in her homeland. And she had to pay the telephone bill.

But it took 37 days to arrive, even though it only had to travel a few kilometres from Randburg to Craighall Park. By the time it reached Benson, the phone had been cut off.

"The bill was mailed on January 20 and only reached Craighall Park on February 26. And that's not all - I was also sent an invitation to the opening of the treason trial museum (at Museum Africa at the weekend) which I'm still waiting for. Fortunately, though, I managed to go without it."

Then there's the tale told by Basil Sloman of Orange Grove, a member of The Star's Readers' Board. He was so incensed with

the service he got from the PO he wrote a letter to the organisation's managing director, Frank Touwen. Sloman posted a letter containing a bank draft to his grand-

## 66

### The move to Witspos has improved delivery time



daughters in Toronto, Canada, at the Orange Grove post office on December 15.

"This week, I got a fax from

my daughter in Toronto telling me the letter had arrived on February 23. The only marking on the envelope was a date stamp which read 960222. This was obviously when it arrived in Canada.

"Of course, by this time, I had stopped payment on the draft, having been in regular fax touch with my daughter."

Said Sloman in the letter to Touwen: "Everybody I speak to refuses to use SA postal services unless they are absolutely compelled to. Are you not proud to head such a disreputable, unreliable and untrustworthy organisation?"

PO spokesman Ben Rootman said the PO had publicly acknowledged it was having problems when moving to the grant new mail sorting centre Witspos,

the organisation's much touted, shining hope for a better future.

"The move was vital because all the mail processing was being done from five buildings on five different levels. At Witspos, though, everything is done on one floor."

Teething problems, he said, had largely been resolved. Tests had shown that, particularly over Johannesburg, delivery had improved considerably since the move to Witspos.

"Delivery in the PO's other regions is within 90%, but we are striving to achieve the international standard of 95%."

Rootman added that the PO handled about 7.7 million mail items every working day and that this figure could easily double during the festive season.

# Govt calls for proposals to shape communications policy

Star 12/3/96 (267)

**By Jovial Rantao**  
Political Reporter

The 10-person task group charged with reviewing the efficacy of government communications, as well as the role of ownership and control of the South African press and existing communication policy at all levels of government, yesterday called for submissions from organisations and members of the public

At a press conference held in Johannesburg, the Task Group on Government Communications (ComTask) requested media organisations, government departments, institutions of civil society and individuals to hand in submissions on the efficacy or otherwise of the Government's communications.

Established by the the office of Deputy President Thabo Mbeki in December last year, ComTask's brief is to investigate government communications and recommend new models in regard to the policies that should be adopted, structures and facilities that should be set up, information delivery mechanisms, staffing and budgets

"The task group will review existing policies and systems in South Africa and policies and practices in other countries.

"It will review relationships between the Government and non-government information providers; government communications training, capacity building and affirmative action policies

and how ownership and control of the media affect government communications," ComTask said in a statement

The group said it considered this a vital task to further transparency in government at all levels and to assist the state in keeping voters informed of its activities.

It said its work had been complicated because of the composition of South African society, which was a mixture of First and the Third Worlds

The challenge facing ComTask was to devise systems which would not only be appropriate for the literate and First World component but also enable effective communication to reach other sections of the community

Methods recommended by the task group would have to be affordable and cost effective.

After receiving representations, ComTask proposes to hold public hearings to enable people who wish to supplement their submissions with oral presentations

It also proposes to hold a conference where draft proposals will be put forward for discussion.

These will be available to Mbeki for inclusion in the envisaged new legislation on government communications. The task group, led by convener Mandla Langa, is expected to complete its work in the next six months

The deadline for submissions to ComTask is April 12

# PO cracks gang for parcel plunder

(267)  
ARLT 14/3/96

LINDSAY BARNES, Staff Reporter

THE Cape Town Post Office has smashed a major crime syndicate involving its own employees suspected of plundering parcels sent from overseas

A Cape Town Post Office spokesman confirmed that six employees had resigned voluntarily and two more had been suspended pending the outcome of an internal investigation which began five days ago

"The resignations were due to allegations of wrongdoing — either fraud or theft, we are not sure," said Shaun Povey, sales and marketing manager for Cape Town Post Office.

The announcement comes days after an attack on postal services by the travel industry for being unreliable. Travel agents say parcels sent from overseas to South Africa regularly go astray

Australian post officials alleged South Africa was fast becoming a "no-go" area for sending parcels and important items from overseas due to theft in the system, a travel agent said

Five of the resignations and one suspension were in the customer section, which handles all imported parcels

The other two people involved worked in the postal retail division

Mr Povey declined to divulge the ranks of those involved but said it did not involve those in charge of the customer section

No clients of the post office had been affected by the alleged "wrongdoings" and no parcels or cheques had been stolen, he said.

"There has been a system problem and we are investigating the whole customs section on operational procedure," he said

"We don't want to say there has been theft or fraud until we can prove it."

Details of the exact nature of the crimes being investigated were not divulged. But once the investigation was complete and cases of theft or fraud were confirmed, it was "more than likely" charges would be laid

Meanwhile South Africa's postal services have been slated for becoming increasingly unreliable.

They have deteriorated noticeably in the past three months, according to critics.

Many local companies have turned instead to private courier services at far greater cost

Derrick Groves, manager of Docex, one of the private services specialising in documents, said the company's business had picked up during the past three months due to the increasingly poor service offered by the post office.

Particularly affected by the poor postal service is the travel industry which relies on air tickets arriving at their destination safely and in good time.

"Most travel agents don't use the post office. Parcels from overseas never arrive here," said Wally Gaynor, managing director of Club Travel.

"It's not safe to post documents to clients. We pay a private speed service a flat rate for the year and at least we know that what we are sending will arrive the next day

"The post office has Speed Services but if anything goes wrong, trying to get help from the post office is a joke."

# Jordan 'must review Post Office budget'

POSTS, Telecommunications and Broadcasting Minister Dr Pallo Jordan has been asked to review his department's 1996/97 budget and recalculate staff expenses

Parliament's joint finance committee, which has a watchdog function, is unhappy with the department's 46,18% increase in total expenditure and 51,74% increase in current expenditure

The Post Office budget will be debated in Parliament today

The NP has indicated that it will oppose the Appropriation Bill

In its report tabled yesterday, the committee said it "was obliged to draw attention" to features of the budget which required addressing

These included an increase of 32% for the department's basic salaries and wages bill

A further 15% for this year's anticipated salary increases (R3,827 million) represented a "sizeable increase", the report said

The increased provision for losses, up to more than six times



**PROBLEMS:** Dr Pallo Jordan (267) at 14/3/96 the level of 1995/96, pointed to problems in the department

The committee, headed by ANC MP Gill Marcus, recommended that the department review the reason for the 1996 financial year increases

The department should also be asked to "revisit" its calculations for staff expenses and to present an adjustment budget — Sapa

# New telecommunications legislation set to be tabled

BD 14/3/96 (267)

Reports by  
Melanie Sergeant

EVEN before government has finalised its debate over privatisation of state assets, new telecommunications legislation is set to be presented to Parliament. Indeed, signs are good that SA will have its new telecommunications laws in place before year-end.

Tomorrow, Posts, Telecommunications and Broadcasting Minister Pallo Jordan will release the white paper on telecommunications policy in Cape Town. The new legislation is long overdue, and will replace the antiquated Post Office Act of 1958, and the Radio Act of 1952.

National telecommunications policy project spokesman Willie Currie says the Cabinet has approved the white paper for release and for tabling in Parliament, so it is ready to go through parliamentary discussion by the portfolio committee on communications.

It is hoped the white paper will be discussed in tandem with the Telecommunications Bill to be presented to Cabinet next month.

Whereas the white paper is a broad framework policy document, the Bill deals with legislation regarding a new telecommunications regulatory authority, restructuring of the telecommunications department and items such as the formation of a new service agency to monitor the



JORDAN

supply of services to previously underprivileged consumers.

Currie says many but not all of the changes to the final draft of the white paper recommended at the National Telecommunications Forum plenary in February have been included in the document.

Labour's concerns about partial privatisation or equity participation in Telkom are still caught up in the state assets restructuring process and so the third chapter dealing with ownership and financing of Telkom cannot be finalised.

However, Currie says "The document can still be tabled because the balance of the document

is ready. It is not critical for the ownership question to be resolved right now."

Potwa's Lefty Monyokolo says. "We support the white paper's launch, except for the issue of liberalisation of the telecommunications industry and of Telkom in particular."

"We believe this process should be linked to the RDP and to service delivery and human resource development. Liberalisation is being driven by world markets, but we need to put the whole issue into a SA context."

Liberalisation would undermine empowerment in terms of employment, multi-skilling and human resource development as well as job creation. If there is no programme to address these issues within Telkom or in the industry itself, then liberalisation should not be introduced.

"The majority of blacks employed at Telkom are not skilled, and they will be affected by any downsizing of staff which will take place when Telkom is forced to compete against various newcomers in the market."

Monyokolo says that competitors are most likely to cherry-pick lucrative areas of service provision and are likely to neglect the expensive and non-lucrative areas such as the provision of services to rural and underprivileged people. He argues that there should be legislation to guard against this.

## Telkom workers ignore call for mass action

An official for several Telkom unions has vowed that more than 47 000 workers will take part in mass action despite no employee heeding the call yesterday.

The call for the beginning of mass action from yesterday, in-

*Star 15/3/96*  
cluding marches and pickets at Telkom plants, turned into a damp squib after no workers turned out for the action. Telkom spokesman Amanda Singleton said no industrial action had been reported by late yesterday.

*(267) (FR)*  
But SA Posts and Telecommunications Association chairman Shu-ayb Patel said that over the next few days workers would disrupt telecommunications, including radio and television reception - Labour Reporter

## Clarke offers capital advice

PRETORIA — Private capital is essential to expand and improve services such as telecommunications, British Chancellor of the Exchequer Kenneth Clarke has said

"I can't see the South African government producing the necessary investment simply by taxation and borrowing," he told reporters here

"You will plainly need private capital"

Mr Clarke arrived on a five-

(257) ARG 16/3/96  
day visit to South Africa yesterday. He has already had discussions with SA Reserve Bank governor Chris Stals and was to meet his South African counterpart Finance Minister Chris Liebenberg last night

Turning to the creation of jobs, Mr Clarke said this could be brought about only by sustainable economic growth

"Simply trying to create jobs by putting public money into one initiative or another tends to fail," he said — Sapa



## No stamp of approval for Post Office budget

By RAY HARTLEY  
Political Correspondent

267  
# ST 17/3/96

PARLIAMENT'S finance committee has rejected the Post Office budget presented to it by Pallo Jordan, the Minister of Posts, Telecommunications and Broadcasting, saying it is not happy with expenditure increases and accounting methods used.

In a report to Parliament tabled this week, the committee, which is chaired by the ANC's Gill Marcus, said: "The department should be asked to revisit its calculations for staff expenses and present a revised figure in an adjustment budget."

It said the department needed to continue to find ways to deal with the "spate of thefts", the main reason for the increase in items under the heading "losses".

The finance committee said it was unhappy with:

- The fact that total expenditure increased by 46 percent over last year's budget, including a 51,7 percent rise in current expenditure,
- An increase of nearly 30 percent in staff expenses and 32 percent in the salaries and wages bill;
- Provision for an average salary increase of 15 percent; and
- A "virtual doubling" of fees paid to consultants;

# Jordan's white paper awaits labour deals

Tim Cohen

CAPE TOWN — The telecommunications white paper, released on Friday by Minister Pallo Jordan, signals a major overhaul of the industry but leaves crucial sections blank pending agreements with labour

The white paper proposed a six-year "period of exclusivity" for Telkom to roll out its network, which Jordan said ought to see Telkom increasing the number of connections it made annually by 500%.

At a function marking the release of the white paper, Jordan said Telkom would be required to increase this number from 190 000 a year to 1-million. To protect the consumer during the period of exclusivity, government proposed establishing an independent regulator — the SA Telecommunications Regulatory Authority. It would initiate and oversee the gradual liberalisation of the segments of the telecommunication market.

To ensure Telkom had the finance and expertise to extend its infrastructure, industry and ministry members of the white paper's drafting committee were strongly in favour of allowing a "strategic equity partnership" with an international partner.

However, the entire chapter on the ownership, investment and financing of Telkom was left blank in the white paper because in discussions, organised labour felt Telkom should remain wholly state-owned.

The issue was subject to the outcome of the broader state assets restructuring process, currently being negotiated between labour and government, the white paper stated.

Questions about employee share ownership programmes favoured by

Continued on Page 2

## White paper (267)

Continued from Page 1

the ministry were also left open

Ministry officials acknowledged that if labour insisted, Telkom should not be given permission to take on a strategic equity partner, the expansion of its network would be impossible and the core assumptions of the white paper would be undermined.

Jordan expressed confidence labour would recognise that jobs would not be threatened where huge increases to the telecommunications network were being planned.

Ministry officials said that in the

meantime, a regulator would be set up. The regulator would be responsible, among other things, for setting reasonable targets for network growth. The establishment of the regulator would signal the end of Telkom's prerogative to provide the first instrument. Users would be able to buy a telephone from Telkom or any other provider.

The white paper set as a rough aim the installation of 20 telephones for every 100 people by 2000, depending on affordability. It also suggested that given the rapid growth in cellular telephony, the regulator would be empowered to examine the market to see whether a third licence was sustainable. If so, a third cellular licence should be granted within two years.

# No end in sight to huge phone bills

(267) BD 22/3/96

TELECOMMUNICATIONS Minister Palle Jordan is, by all accounts, something of an Internet junkie. Consequently he may have come to the same conclusion that so many other cyberspace users have reached: the Internet is a lot of sound and fury signifying not very much bar a huge telephone bill

**TIM COHEN**  
**in Cape Town**

Thus might also explain his support for the central finding of the telecommunications white paper: Telkom's monopoly must be phased out over six years. While the white paper does not say so explicitly, the reason is obvious to anyone who dreads those envelopes with the Telkom symbol in the corner: the cost of phone calls is just too high.

An organisation called the Telephone Action Group explains why Telkom maintains a staff five times as large as a comparable US company or twice as large per subscriber as is the case in a developing country like Mexico. In a published article, the group said no public company in SA could consistently show a return on assets anywhere comparable to Telkom's.

Last year Telkom, with turnover of just less than R1bn, showed after-tax profit of R845m. In other business with a very high turnover in a competitive trading environment it is virtually impossible to get a return as high as 3% — roughly the return US telephone firms achieve. And even in this exercise, Telkom is not doing a particularly good job, the group says. Why, it asks, can Eskom, also a parastatal, install electrical connections with a prepaid metering facility and read-board in a squatter shack for a mere R35 while Telkom charges R266 for a telephone connection and more than R500 a year in rental fees?

Telkom's monopoly, to the extent that it even opposes the inclusion of a strategic equity partnership with an international company. The essence of the white paper, loosely stated, is that Telkom must improve its operation and vastly expand its network with financial and technical assistance from an outsider. It will retain its high charges to help fund expansion of the network, but these charges will have to be reduced once competition is introduced in six or seven years' time.

In any event, it would be unnecessary if the network was expanded. However, expanding the network will require massive investment. Telkom would prefer to fund through a partial equity sale. The white paper makes no bones about what will happen if an equity partner cannot be brought on board. If Telkom is not able to access capital because of non-resolution of the ownership question, (the strategy) will be seriously compromised and will have to be reformulated.

Government officials argue that union objections to this course are illogical, since retrenchments are unlikely if the network is being expanded rapidly. Assuming the plan goes ahead, one potential problem is that competition might ultimately be impossible against such a dominant and powerful entity as a revamped and expanded Telkom. The white paper anticipates this problem, but leaves its resolution to a regulator, a post still to be established.

Its findings go some way to explaining why, after the fifth year of scaling down, the white paper specifies a period in which Telkom's tariffs have to be "rebalanced" (dropped) and why labour is so strenuously opposed to phasing out

Government officials argue that union objections to this course are illogical, since retrenchments are unlikely if the network is being expanded rapidly.

Most developed countries privatised only once their networks were in place, he points out. Instead, the department is placing its trust in that rusty old war-horse, Telkom. The wisdom of its choice will become apparent only in time. In the short term it banishes all hope of cheaper phone calls.

## Increase in postal rates delayed

Theo Rawana

DOMESTIC postal tariffs would increase only in July, when an improvement to acceptable service levels was evident, Post Office MD Frank Touwen said yesterday in Pretoria.

However, he said international and speed services tariffs would increase about 10% on April 1. Domestic rates would not be increased on April 1 as service levels were unacceptable.

"Postal delivery performance continues to improve and projections indicate that the Post Office will be providing a good service by mid-year. Customers could therefore expect a rate increase on July 1," he said.

Touwen said domestic tariffs could at that date increase 10c to 70c.

International rates would increase next month by an average of 10% and speed services by more than

10%, he said. (267)

He said delivery performance standards statistics indicated that services were improving. "Five postal regions covering eight provinces are now providing a good service. The only remaining problem is Witwatersrand in Gauteng. Forty percent of SA mail passes through this region and it therefore also continues to affect other regions," Touwen said.

The Post Office was also increasing the accuracy of letter deliveries, but was hampered by incorrect addresses on envelopes.

"The Post Office handles some 8-million mail items a day, and even with 99% accurate deliveries, 1% of mail represents 80 000 letters a day which cannot be delivered."

He said 14% of the mail had incorrect post codes or no post codes at all, and this further delayed delivery.

## Liebenberg compares tax systems

CAPE TOWN — The SA tax system did not generally have a negative effect on the country as an investment destination, Finance Minister Chris Liebenberg said in Parliament.

He presented an analysis of tax rates in 17 countries which showed the average to be 31%. While SA's company tax rates began at 35%, inter-country comparisons were not always meaningful since many factors had to be considered, Liebenberg said in a written reply to a question from Johannes Niemann (NP).

Taxes varied in importance in various stages of a country's development, and concepts such as source and residence, the taxation of accruals rather

than profits and the combination of company tax and other taxes had to be considered, he said.

Of the countries compared, Singapore had the lowest corporate rates (27%, and a concessionary rate of 10%), while Iran levied corporate taxes of between 12% and 54%.

Rates for some of the other countries analysed were: Australia 33%; Egypt 42%; Israel 36%; Malaysia 34%; Thailand 30%; and the US between 15% and 35%.

Only three countries made use of tax holidays whereby companies were granted a partial or absolute exemption from corporate tax over a predetermined period, he said. — Sapa.

BD 26/3/96

# Postal tariffs to go up – if the service is improved

(267) Star 26/3/96

Domestic postal tariffs will rise in July pending an improvement in service levels, and international and speed services tariffs will increase by about 10% on April 1, Post Office managing director Frank Touwen said yesterday.

He told reporters in Pretoria that domestic rates would this year not be increased on April 1 as usual because service levels were unacceptable.

"Postal delivery performance continues to improve and projections indicate that the Post Office will be providing a good service by mid-year," a statement released at the media briefing said.

"Customers could therefore expect a rate increase on July 1."

Touwen added that domestic tariffs could increase by 10c to 70c.

International rates would increase next month by an average of 10% and speed services by more than 10%, he said.

Touwen said international service rates were determined by international terminal dues and the exchange rate and were in many cases lagging 200% behind cost.

"This cannot continue as it means that domestic mail users are subsidising international mail users," the statement said.

Mailing letters overseas by air would cost between five and 15 cents more per 10g, while surface mail rates for letters up to 50g would increase from 85c to R1.50. Mailing postcards by surface mail would cost five cents more.

The cost of posting packets up to 100g overseas would increase from R1.20 to R2.90, those between 101g and 250g from R2.05 to R6, and those between 1001g and 2000g from R8.40 to R41.75.

Touwen said speed services were separate Post Office units competing in the private sector, necessitating a rise in tariffs.

The Post Office was increasing the accuracy of letter deliveries but was hampered by incorrect addresses on envelopes. It had received 1 800 complaints ranging from delayed delivery, non-delivery and postal rates from customers in January.

Touwen said the company's target of delivering 90% of mail items in time had almost been met in five of its six postal regions. The only remaining problem was the Witwatersrand through which 40% of the country's mail passed. Several changes including a bar code and laser scanner monitoring system for parcels, registered and insured items had been introduced in an attempt to improve service levels.

A new, more secure delivery system for credit cards was also being set up, the statement said.

Postal operations of the former Transkei, Bophuthatswana, Venda and Ciskei would be incorporated into the South African Post Office from April 1. – Sapa.

# REPRIEVE FOR PALLO'S BUDGET?

29/3/96  
(267) FM 29/3/96

**R**eports of the Department of Posts & Telecommunications' budget being thrown out of parliament are premature. The Joint Standing Committee on Finance, chaired by Gill Marcus, issued a negative report on the budget recommending that it be rewritten. But Marcus's committee does not have the authority to reject or approve budgets — its role is limited to informing parliament.

Senior GM Boet van Loggerenberg says the committee's report has not prompted the department to redo its budget. But Minister of Posts & Telecommunications Pallo Jordan has sent the committee a document responding to its criticisms which will be issued to parliament when the budget is debated.

The finance committee suggested the department review its budget "in the light of the Katz Commission on Taxation's recommendations against earmarking revenue from licence fees and user charges as the department's own revenue."

The report queried why fees paid to consultants nearly doubled. The department backed its request by arguing that most of it is a one-off cost for establishing the SA Telecommunications Regulatory Authority (Satra). The report recommends that

monitoring of procedures for contracting consultants, including ensuring transfer of skills, needs to be undertaken.

Government intends incorporating Posts & Telecommunications' budget into its main Budget next year. However, this may be too late: many of the depart-

ment's functions have already been taken over by the Independent Broadcasting Authority (IBA) and Satra will assume most of its remaining tasks.

Though Satra's initial budget is a modest R3,5m, this will grow if it follows in the IBA's footsteps. The report notes that most of the department's staff intend transferring to the new regulator.

"But it will not itself solve the problems highlighted in this report. The same budgetary disciplines and procedures which will apply to the department, need to be extended to the new authority," the report concludes.

Meanwhile, Jordan has also responded to questions tabled in parliament by the DP's Dene Smuts on the IBA's requested budget increase to R41,5m from last year's R30m. The Department of State Expenditure recommends that this be reduced to R35m. Jordan's response says the IBA's largest category increase is for salaries.



The IBA justifies its request for more staff because its proposals to parliament "regarding the public service broadcaster, cross media control and local content will generate more work."

The IBA argues that its size is small when compared with the ratio of staff to population of reg-

ulators in the US and Canada. This comparison is a bit strained — its US equivalent can justify 2 000 employees because it sells frequency licences to more than 9 000 commercial radio stations and collects further revenue for the US Treasury. The IBA, on the other hand, has not collected revenue for the State.

Jordan also hinted that the IBA and Satra may be merged.

This was in response to a question on how much rent the IBA pays for its two Rosebank premises. The answer R2,8m ■

## SONY — HERE WITH A VENGEANCE

**Japanese consumer** electronics giant Sony has bought 75,1% of its local agency from Malbak for R50m, creating Sony SA. The remaining 24,9% of the company is held by Malbak Consumer Products.

The chairman is John van Dyk, who managed the Sony brand for Malbak subsidiary Tedalex.

Employing a staff of 66, Sony SA is expected to sell US\$100m of products in its first year.

Its Japanese parent will station an engineer at Malbak's Atlantis factory to upgrade the local manufacture of Sony TV sets and car audio equipment. Tedalex, Sony's sole distributor for the past 35 years, will continue to distribute its products.

Sony SA is the multinational's second local subsidiary — it launched Sony Music a few months ago.

Sony's increased presence in SA contrasts with its Dutch rival Philips, which has scaled down local activities because of Customs & Excise's inability to guard companies which pay duties from being undercut by grey market smugglers. ■

*Government intends incorporating the Posts & Telecommunications' budget into its main Budget next year. However, this may be too late: many of the department's functions have already been taken over by the Independent Broadcasting Authority (IBA) and Satra will assume most of its remaining tasks.*

# PALLO BLOTS HIS OWN WHITE PAPER

267 PM 22/3/96

The Telecommunications White Paper started its process through parliament last week, sandwiched between the finance committee's rejection of Pallo Jordan's Post Office budget and scrutiny of the Independent Broadcasting Authority (IBA)'s R30m annual cost

The final draft of the policy document from the Minister of Posts, Telecommunications & Broadcasting — released to parliament the day after his Post Office budget was rejected — calls for telecoms to be modelled along the same lines as broadcasting by creating a body similar to the IBA

National Party finance spokesman Theo Alant criticises government for allowing the budgets of Jordan's three portfolios to be separated from government's main Budget

This enabled government to skirt issues such as privatisation and how much money it derives from Telkom and the SABC

Privatisation of Telkom and Jordan's proposal for a foreign strategic equity partner for the public corporation are also not addressed in the White Paper — which notes only that labour and business are at loggerheads over the issue

"I'm concerned about the growing tendency towards systems aimed at incurring and financing expenditure around or outside the Budget," Alant says

He also criticises government for postponing the Post Office

budget until the day after the general Budget

Reasons given by the finance committee included the "virtual doubling" in consultants and experts' fees, a 30% increase in staff expenses and a six-fold increase in losses, mainly due to theft

Parliamentary scrutiny of the Post Office's and the IBA's generosity to consultants bodes ill for two new bodies proposed by the White Paper the Universal Service Fund and its administrator, the SA Telecommunications Regulatory Authority (Satra)

Optimists might believe Jordan's promise that the body will open the telecom market to competition in six years. It's in charge of a timetable strengthening Telkom's monopoly for three years, followed by two years in

domestic telecom equipment industry to be backed by government to the full extent possible under Gatt and World Trade Organisation rules — raising duties on imported telephones from 5% to 20%. Jordan says the Department of Trade & Industry will convene a number of meetings to discuss the matter ■

## RESERVE BANK — CASH ON THE BARREL

The banking industry and the Reserve Bank have agreed on a blueprint for an electronic inter-bank settlement system and the project is now moving into the "bits and bytes" phase

Though most "payment streams" used for ordinary transactions such as credit cards and cheques are now automated, there is no similar system for the huge values banks pay each other before netting their customers' daily transactions. The central bank's national payment system will add this final tier to the system

Payment system specialist Johann Bence says as much as R25bn passes through SA's banking system a day

These high volumes make industry's traditional system of allowing banks a day before exposing their obligations to competitors too risky. Another problem with the current system is that the financial strength of banks can change dramatically over the additional day they are given to pay other banks

Once the new settlement system is in operation, banks will be able to constantly monitor their obligations to competitors and payment can be done instantly by electronic funds transfer

A system called "credit push" will be used, allowing a bank to

*Optimists will view the creation of the independent telecom regulator as a way of opening Telkom to competition in six years. But realists fear this is a moving target. National Party finance spokesman Theo Alant, meanwhile, criticises government for allowing the budgets of Pallo Jordan's three portfolios — post, telecommunications and broadcasting — to be separated from the main Budget*



which the resale of leased facilities would be introduced

But pessimists point out that the opening of the market depends on RDP targets being met — a moving goal which may result in Telkom keeping its monopoly until Satra decides on an appropriate time to allow competition

The White Paper calls for the

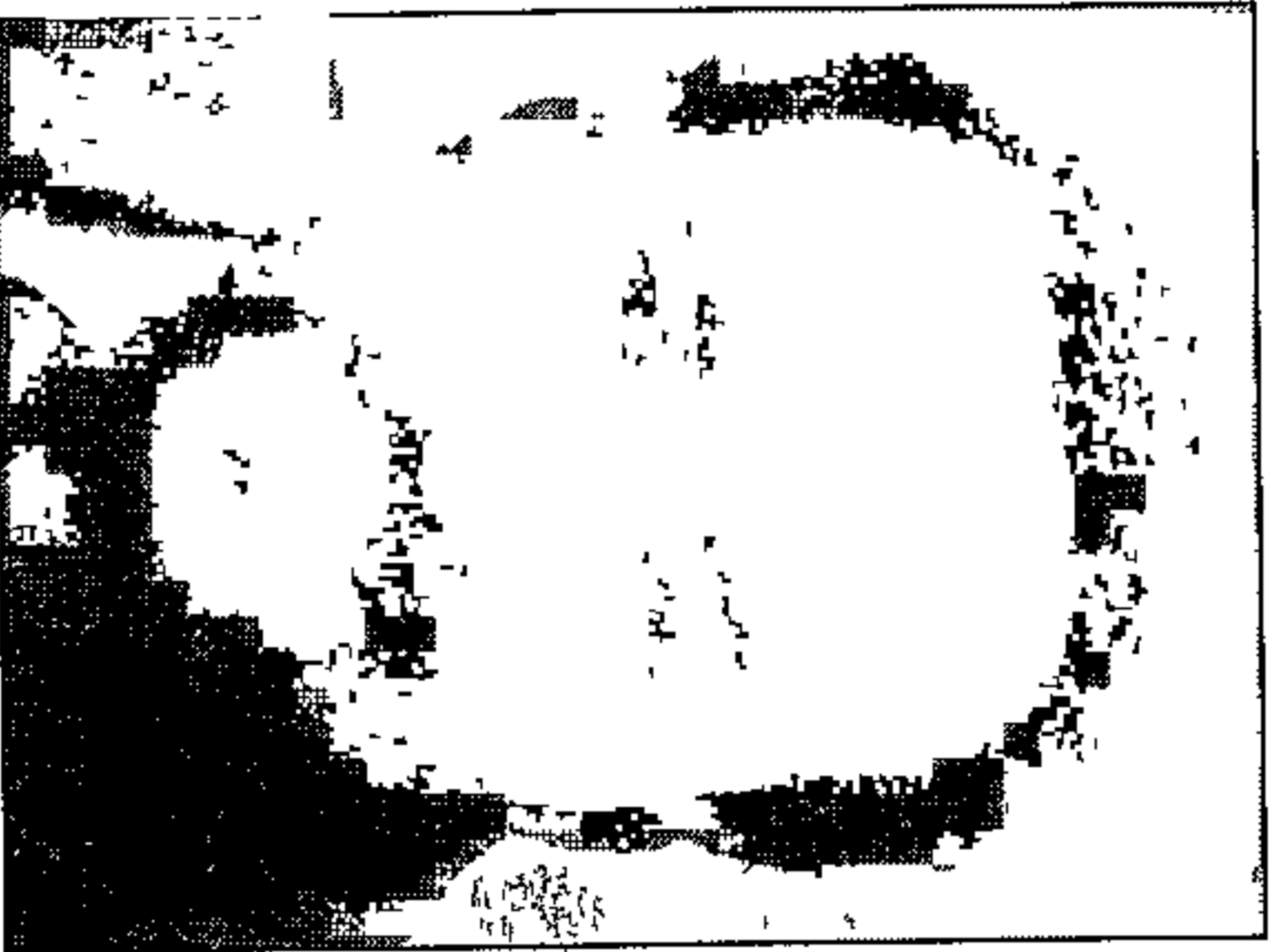
# Crossing Madiba cost Jordan his job

(267) NTG 4-11/4/96

The firing of Pallo Jordan from his Cabinet post had more to do with clashes with the president than his performance on the job, writes **Gaye Davis**

**P**ALLO JORDAN was fired from Cabinet as a result of sharp differences with President Nelson Mandela and other senior African National Congress members — including a stand he took against the dilution of civil liberties and against interference in the broadcasting services

It emerged this week that Jordan has clashed repeatedly with the president. Last year he was nearly dismissed after opposing proposals that the Constitution's Chapter of Rights be watered down to facilitate the police fight against crime. It is understood he also angered Mandela by his refusal to take a "hands on" approach to the SABC. Mandela was apparently frustrated by the SABC's handling of the Afrikaans language issue — which he feared was proving a rallying point for the right wing and jeopardising the process of reconciliation and nation-building. There has been widespread specu-



Pallo Jordan: 'There is lots of room on the back benches'

lation that Thabo Mbeki was behind Jordan's axing. But Mandela said in Athlone at the weekend that the decision was his alone. The *Mail & Guardian* has confirmed there was no consultation with senior party officials before the decision to get rid of Jordan was announced. ANC Deputy Secretary General Cheryl Carolus heard about it on the radio and Secretary General Cyril Ramaphosa

was told a few minutes before Jordan himself. The ANC had already had its last parliamentary caucus of the session. The matter was not discussed at the last NEC meeting of the ANC.

Jordan was refusing to discuss his dismissal, other than to label as "media speculation" reports that he had been offered — and turned down — an ambassadorship to Japan. He said he would remain in politics. "There is lots of room on the back benches," he said. However, he was angered by his sacking and determined to make a comeback.

But other sources in the ANC attributed his firing to a series of differences with Mandela. In addition to the broadcasting and civil rights issues, Jordan was being criticised in the ANC hierarchy for his approach to the privatisation of Telkom. There was a general feeling the ANC was not providing leadership in privatising state assets and that Jordan appeared to be reluctant to tackle the unions.

Jordan also opposed President Mandela over his "Indian option" — a list of candidates he had drawn up for the ANC's national executive committee elections at the organisation's Bloemfontein conference in 1994. Jordan objected to the approach as undemocratic. Mandela's move was defeated and Jordan polled second

place, after Bantu Holomisa.

There have also been differences between Jordan and Mbeki. Last year they had a dust-up over the one-hour slot Mbeki wanted for the government on the SABC. Jordan was openly disdainful of the notion. Questions were raised at the time as to why Mbeki felt the need for such an intervention when he had overall responsibility for the South African Communications Service, with a budget of R56-million a year.

It is understood they also clashed over government's economic growth and development strategy. Jordan had opposed the initiative not in principle, but because he questioned the wisdom of bringing a new concept to the Reconstruction and Development Programme at a time when the RDP had barely got off the ground.

Jordan's dismissal has shocked many in the ANC. He was described this week by colleagues as a man of integrity and great courage. As one put it: "Pallo brings to the ANC integrity and pluck. He will stand up and say what others don't have the guts to say. He might be wrong sometimes, but it's his honest opinion, not some power play. This is what we'll be losing from Cabinet." Of the left, but not a member of the South African

Communist Party, liked by organised labour, but not from Cosatu, his isolation from these power blocs seems to have made him vulnerable.

Jordan has always been clear in his mission to bring South Africa into the 21st-century as far as telecommunications is concerned. That has now been taken away from him. He has tried to defend South Africa from international pressures on open local markets that could have led to their being swamped by conglomerates in cosy strategic alliances. Jordan realised it wasn't possible to swim against the currents of globalisation, but saw a way of finessing it, using his White Paper to spell out a phased liberalisation of the market, giving South Africans the opportunity to build up their strength against inevitable opposition.

Jordan's firing is being interpreted as a warning to those who might "overstep the mark" in their criticism. Mandela has no peers in the ANC leadership. While he is traditionally seen as first among equals, in terms of experience and stature. Mandela towers above the rest. There is concern in some quarters at least that this overwhelming dominance could set a dangerous precedent for successors to the presidency.



## Action group wants auction of Telkom

Tim Cohen

CAPE TOWN — An independent consumer organisation has slammed the telecommunications white paper for its "wishful thinking", and has suggested an immediate, conditional auction of Telkom instead of a five-year gradual deregulation of the industry.

In a submission to the parliamentary telecommunications committee, the Telephone Action Group said if Telkom was sold immediately, government would gain about R20bn and Telkom would be more likely to end its "shameless exploitation of the public".

This proposal is in stark contrast to that set out in the white paper which suggests Telkom be allowed to take on board a "strategic partner" during a five-year period of deregulation while the parastatal expands its network.

In response, the Telephone Action Group stated that while the white paper was quite comprehensive with respect to control systems and was

Continued on Page 2

## Telkom

Continued from Page 1

loaded with good intentions, "it is nevertheless like a rickety structure in which the nuts and bolts are missing".

"While it talks about making a universal service both available and affordable, one looks in vain for any kind of financial analysis on how this would be accomplished."

The approach prescribed how Telkom should be managed and how it should be used to meet social goals beyond providing universal affordable service. There was no mention of doing anything to improve Telkom's present high cost structure, making the idea of universal affordable service appear to be no more than wishful thinking.

As the question of the future ownership of Telkom was not addressed in the white paper, the group said many of the matters mentioned in the white paper could fall away entirely depending on how the ownership question was resolved. As an alternative, the group suggested the whole of Telkom be sold through a conditional auction.

Telkom should be sold as a whole

because technological developments already at hand, as well as those which could be expected in the future, would ensure its profit base would be progressively undermined. The sooner the auction, the higher the price.

The auction should be conditional, because one of government's main aims was to extend a service at affordable rates to those hitherto excluded. The tender document should provide for specific performance in this area.

A further condition would be submission of a schedule of tariffs guaranteed for a period of, say, five years. Tenderers should be advised of the expectation that continuation of present "ripoff tariffs" would not be tolerated.

This condition would not be too onerous when it was considered that in the US, for example, local calls were free while in SA they are so expensive that the cost per minute was more than what Eskom charged for the simultaneous use of all the electrical equipment in a large household.

On what would happen to Telkom staff, the group said a global player buying Telkom would undoubtedly want to use it as a base for expanding into Africa. Prospects for staff advancement were therefore good.

## Pallo Jordan's policies unchanged — Naidoo

(267) BD 12/4/96  
Tim Cohen

CAPE TOWN — New Posts, Telecommunications and Broadcasting Minister Jay Naidoo indicated yesterday he would not be introducing changes to the recently released telecommunications white paper or to the policies of his predecessor Pallo Jordan.

"There has been a change of minister, not a change of policy," Naidoo said during the signing of a memorandum of understanding with German, Federal Telecommunications Minister Wolfgang Boetsch.

Naidoo said there would be no changes to time-tables set out in the telecommunications white paper and that legislation would be tabled in Parliament for the establishment of the regulatory framework.

He said the white paper had been drafted in full recognition of the dynamic changes radically affecting the role and position of telecommunications in SA and globally.

Naidoo said apart from the obvious benefits, financial and technological co-operation between SA and Germany, SA was interested in learning from the German experience of integrating its telecommunication services after reunification.

Commenting on SA's plans to install 4-million new telephone lines, Boesch said that this was similar in number to the extension of the German telecommunications to the new states after the reunification of West and East Germany.

There were therefore similarities between German experience and what SA was planning, he said.

## Telkom hits the right button with new same-day service

(267) Star 19/4/96

Same-day-service from Telkom? How long will it take? Cynical South Africans might scoff, but soon subscribers could have a telephone service the day they move into a new home, say Telkom chiefs

As part of its drive to streamline its service and endear itself to an ever-sceptical nation, Telkom has developed a campaign dubbed "the rental successor" which should put paid to many phone frustrations

"Imagine moving into a new house or flat and having a phone service reserved and waiting for you," a statement released by Telkom enthused this week

"All you have to do is pick up the phone left by the previous occupant and you will be connected immediately to a Telkom service

consultant who will arrange for the service to be transferred to you the same day

"After hours, you will receive a recorded message prompting you to leave your name and a contact number to enable Telkom to transfer the service to you the next day"

It sounds too good to believe, but it's true, said Gert Schoeman, Telkom's manager of communication.

"I tried it, and it does work. It's got to be one of the best things Telkom has ever done. Gone are the waiting lists and all the other hassles. It should have been done years ago"

The service will be available on the North Rand on May 3 and in the rest of the Witwatersrand area on June 14. — Staff Reporter.

## INSIDE LABOUR

# Tickey-box sales

(267) CT (BR) 12/4/96

TERRY BELL

The whole question of private sector involvement with state telecommunications monopoly Telkom is far from resolved. And that is despite the appointment in January of United States investment bank Goldman Sachs to find a strategic equity partner for the state corporation.

This is the broad view within the public service unions. There is general dismissal of the notion floated in the media that the appointment of Jay Naidoo as the new posts and telecommunications minister will make the selling of sell-offs to the unions easier.

Ramateu Manyokolo, the president of the main Telkom union, the Post and Telecommunications Workers' Association, summed up this view this week. "One minister or the other makes no difference. This has nothing to do with individuals. Ministers merely give the government view, whether it is Pallo Jordan or Jay Naidoo," he said.

And the present government view, which embraces elements of privatisation in a broad restructuring package, is out of step with the union view. This is perhaps one of the reasons that yesterday's scheduled, and unpublished, meeting between labour and the government was postponed by the government.

A new date has not yet been set for this meeting of the national framework agree-

ment (NFA) set up in January as the structure through which the government and the unions are supposed to thrash out their differences. Six representatives from each side were supposed to sit down yesterday to set up sub-committees covering each of the public sectors. The NFA talks would then have got down to the main macro issues.

All trade unions represented in the various state enterprises are supposed to be involved in the sub-committees when they are established.

"We hope it will be before the end of this month," Manyokolo said.

Most unionists believe it is these bilateral talks, whenever they are held, which are of prime importance; they should establish the common position of a government of which Cosatu is an integral part. Decisions made within the NFA would then be relayed to the National Economic Development and Labour Council (Nedlac) where business is a third participant. Whether this approach will be acceptable to business is another matter.

As is the fact that the government obviously feels uneasy about the process. But as far as the unions are concerned, it is the bilateral talks through the NFA that should define the limits of restructuring.

The thinking seems to be that the government and the unions — two sides of the much vaunted golden triangle — should

come up with an agreement which could then be presented to the third side — business. The implication, of course, is that the two-thirds should triumph and that the bilaterally agreed positions should be adopted.

That such an approach ignores economic reality has been argued by a few voices on the margins. But labour's own economic policy document, Social Equity and Job Creation, puts Nedlac on centre stage and does not make mention of the NFA.

However, it also makes scant mention of privatisation, presumably because this issue is supposed to be resolved in the six-a-side NFA talks. The contradictions abound, but the unions, on the face of it, seem confident that the NFA, once up and running, will smooth the way to greater union influence on policy making. The government and business, however, seem aware of problems ahead, although neither has any apparent solutions at present.

But the government cannot continue to postpone the NFA meeting. Sooner rather than later, the matter will have to come to a head. "We never said we would not have differences within the tripartite alliance," said Manyokolo. "The question is how we deal with these differences."

The unions see the NFA as the means to this resolution. Business and the government may have a rather different idea.

*New telecommunications minister says white paper is the right way to go*

# It's business as usual says Naidoo

(267) 12/4/96  
CT (PR)

By CHRISTO VOJSCHENK

Cape Town—Jay Naidoo, the new minister of posts, telecommunications and broadcasting, said yesterday that the department had a new minister but not a new policy.

Naidoo was speaking after signing a memorandum of co-operation with Germany covering posts and telecommunications.

"The goal is still to strike a balance between providing services for all and providing a service modern enough to serve the needs of our growing economy," he said.

Naidoo took over the post from Pallo Jordan three days ago. This was his first public statement on his plans for South Africa's telecommunications industry.

He said the white paper on telecommunications would remain the government's main policy statement.

"The white paper is the product of interaction between government, the telecommunications sector and the public," he said.

"In a democracy such consultation is important to ensure that policy enjoys the widest possible support.

"Therefore we will not divert from the white paper and the timetable



**LINKING UP** Wolfgang Boetsch and Jay Naidoo shake hands after signing a memorandum of understanding yesterday. Naidoo says South Africa can learn a lot from Germany.

PHOTO GARTH STEAD

which has been set for the tabling of the legislation."

He said a policy on postal services would be completed by early next year.

Naidoo and Wolfgang Boetsch, Germany's federal posts and telecommunications minister, signed a memorandum of understanding that com-

Germany

This is the first memorandum of understanding of its kind signed by South Africa's new government.

mits the two countries to co-operate in the fields of posts and telecommunications.

Deutsche Telekom, the German telecommunications company, installed 4 million new telephone lines in eastern Germany in the past four years.

Naidoo said that South Africa could learn from the German experience of integrating its telecommunications services after the re-unification with East Germany."

South Africa and Germany undertook to exchange information on regulations, promote standardisation in the industry and exchange skills. They will also encourage co-operation between manufacturers in South Africa and

# Can Telkom actually deliver?

(267) MTC (DM) 3-9/5/96

Telkom has five years to connect four million lines. Can it meet the challenge of universal service without a substantial restructuring? **Aspasia Karras** reports

**T**ELKOM is probably the most vilified of South Africa's parastatals. Seen as inefficient and bureaucratic, consumers' greatest frustration is the lack of an alternative.

While cellular technology promised to provide an in-road into the telecommunications monopoly, it has failed substantially to address the issue of universal accessibility.

The Posts, Telecommunications and Broadcasting White Paper, published in March, clearly calls for the broad-scale restructuring of the telecommunications behemoth by establishing a universal service and gradually liberalising the market structure.

Robin Brawn of the National Telecommunications Policy Project (NTPP) describes the process as essentially "a fully inclusive and consultative battle between Telkom wanting to retain its monopoly as far as it can, while the alternative voices have been pushing in the opposite direction."

"The most crucial part of any restructuring exercise is to build and sustain consensus," says Minister of Posts, Telecommunications and Broadcasting Jay Naidoo. "Not much attention has been paid to this issue

in the past. Many of the vested interests in the restructuring process see trade unions as a hindrance, but I see them as an essential part of this solution."

The compromise position adopted in the paper has established a five-year period of exclusivity, in return for which Telkom has promised to roll-out services to the underserved community, and effectively double the four million lines it has currently connected.

At present, Telkom connects 190 000 lines a year on average; its roll-out goal has never been accomplished elsewhere in the world. The question then is how can this inflated and slow bureaucracy get it right?

Says Naidoo. "We remain united and committed to roll-out infrastructure for the four million lines and in that regard we need an injection of capital, new technology and expertise to realise the objectives."

Telkom wants a foreign strategic equity partner, both because it can then gain a foothold in the international playing field by associating itself with one of the leading global giants, and so that it can benefit from the sorely needed project management expertise of the potential investor.

The debate and sensitivities around the issues are heating up, as the legislation is due for Cabinet consideration this month and will be tabled in Parliament in June. The Cabinet reshuffle has not helped as Naidoo inherits the portfolio at a critical time, particularly in light of strong union opposition to any talk of transformation along these lines.

Advocate Dikgang Moseneke, however, suavely comments on his position as Telkom chairman. "I have been here for a year-and-a-half, the challenges are obviously daunting, but it's very comfortable."

A high-level meeting was held between Naidoo and Moseneke last week, with the aim of discussing a way forward on the transformation of the parastatal and related issues.

## Telkom wants a foreign strategic equity partner, because it can then gain a foothold in the international playing field

Moseneke is, however, vague when it comes to programmes. "While we fully agree with the White Paper, the devil is in the details." He points out that Telkom

has already laid the plans for restructuring along its core business lines, and plans an extensive human resource evaluation and development drive, examining skills and qualities of employees along the new strategic objectives.

His problem is clear. "We have inherited over 16 000 workers, rationalisation is not just about numbers, but rather about creating high levels of efficiency through appropriate skills. It's about adding value, but we



Comfortable chairman: Dikgang Moseneke believes the way out for Telkom is to build a major trunk network

PHOTOGRAPH RUTH MOTAU

have no immediate plans to do anything dramatic. It is a process that must be negotiated through the unions."

Commentators in the field argue that in telecoms staff are measured according to lines. Thus, at current output levels there is an obvious need to rationalise staff, but if Telkom is to deliver five times its present capacity, then the staff numbers will be appropriate. But can Telkom actually deliver, especially under the proposed time constraints?

The proposed Bill attempts to structure inter-related measures that will act as checks and balances

in the transformation process. But the Bill only looks at the phased liberalisation of the market, and the social and developmental objectives of extending the telecoms service.

The question of monopolies will be addressed in legislation only after the National Framework Agreement is resolved. The intention of the legislation is to set up an independent regulator, which will monitor progress and work with a universal service agency and related fund.

The success or failure of the telecommunications transformation exercise will depend on the strength or weakness of the regulator, and the capacity of labour, management and

government to rise to the challenge of universal service.

For Moseneke, the way out is clear. "Eskom has been successful at making cheaper connections on such a large scale, because it built up excess capacity over the last 15 years — and built it on public funds. Telkom has not been able to do that, our relationship is traditionally skewed. Of 40-million South Africans only 10% are connected. We need to build a major trunk network, which Eskom already has."

**M**oseneke points out that costing (an average R800 against Eskom's R35 per connection) of the service is partly a function of history, and partly a result of Telkom's relationship with suppliers.

"If the rand continues to drop it certainly does not do us any favours."

He elaborates. "At the moment, 80% of our revenue comes from 20% of our clients, doing local and international business. Only with a major network roll-out can we balance the tariffs, which are higher than they should be. The key to an affordable and reliable service is more consumers, and in order to have a major network build-up, we cannot do it out of our own funds. We have a large number of interested partners."

At the moment, Telkom has serviced R2-billion of its R11-billion debt, but while functioning at a profit, cannot raise the capital needed for the roll-out. "Without the investment, Telkom is a dead duck," argues Brawn.

But Moseneke sees the future of telecommunications as ripe for investment. "We are only scratching the surface. Telkom is an appropriate platform into the region."

Brawn agrees: "The ramifications to the economy of a roll-out are huge. It implies an immediate 2% bump-up of the gross domestic product."

Naidoo has to make some crucial decisions within the next few weeks. The hard ball is in the government's court, concludes Moseneke. "It is up to our shareholders to make all the hard decisions."

Adds Naidoo. "We are confident that we are making sufficient progress and will shortly be in a position to make a public announcement that will bury speculation around this issue."

(267) ST 5/5/96

## Investors await SA's call

By RAY HARTLEY  
Political Correspondent

SOUTH Africa could be "left behind" by global investors considering investing in Telkom if it does not act decisively, Standard Bank's public finance director Colin Coleman has warned.

Government last year announced its intention to sell a share in Telkom to a "strategic equity partner" for around R44-billion, as well as put in four million new lines and restructure the corporation.

Mr. Coleman said the three-part restructuring process could not be "de-linked" and should take place in the correct sequence to achieve "maximum value".

"Government needs to start with the strategic equity partnership, this will in turn raise the capital needed to fund the rolling out of the four million new lines," he said.

He said that in the 90s Mexico had sold a portion of Telemex for the equivalent of R22-billion. This had enabled the company to expand, increasing jobs in the industry.

"South Africa is competing against a frenzy of activity internationally in telecommunications, and will thus have to be far more decisive in its strategic equity partnership," Mr. Coleman said.

He said that major international telecommunications offerings had soaked up R75-billion in investment over the last two years, but this could be dwarfed by major European deals expected in the next year or so.

Among these mega-deals were likely to be a Deutsche Telekom package worth about R44-billion, a R22-billion offering from France Telecom, a R30-billion deal by Italy's Stet and an R11-billion sale by Sweden's Telia.

Mr. Coleman said South Africa's ability to attract investors was hampered by:

- Uncertainty with the regulatory environment,

- Uncertainty over the progress of parastatal restructuring, and

- The slowness with which competition was being introduced into SA.

"Government needs to move soon to advance its interests," he said.

# Telkom, govt 'must act soon or be left behind'

(267) BD 6/5/96  
 Robyn Chalmers

GOVERNMENT and Telkom had to select a strategic equity partner soon if they were to avoid being left behind on the international telecommunications front, analysts said yesterday.

Standard Corporate and Merchant Bank public finance division director Colin Coleman said that SA was competing against great international telecommunications activity and had to be far more decisive on its strategic equity partner.

"Tough competition exists between emerging markets for investments and as the deals get bigger, the developing countries will find themselves getting pushed further down the list SA is no different and needs to act soon."

Telkom needs a huge capital injection to meet its targets which include supplying 4-million telephone lines to underdeveloped areas in five years and providing one basic telephone service and one telephone to all schools, clinics and hospitals by next year.

Analysts said Telkom could not fi-

nance these targets on its own, and could raise up to \$1bn by allowing a strategic equity partner to take a stake of between 20% and 30% of the value of Telkom. An analyst said a front-runner to be Telkom's equity partner was Deutsche Telekom, the world's second largest telecommunications group, although Telkom denied this.

A Telkom spokesman said US bank Goldman Sachs, appointed earlier this year to help Telkom find an equity partner, was still proceeding with its work. The spokesman said no decision had been made.

Coleman said that to date the entry of international telecommunication operators into SA had been hampered by a number of factors, including uncertainty regarding the telecommunications regulatory environment.

Coleman said the introduction of an equity partner not only made it possible for a global player to enter the local market, but also provided openings for black economic empowerment, union involvement and employee share schemes.



# Africa a non-starter in telecommunications stakes

From Sapa-Ips

Geneva — The telecommunications sector in Africa has shown little improvement this year, and the number of phone lines for inhabitants has dropped, the International Telecommunications Union said last week.

Though the number of telephone lines has grown in absolute terms, access to basic telecommunications services has not improved.

Line penetration, which is a standard measure of telecommunications development, is below one line for every 100 inhabitants. Less than 2 percent of the world's telephone lines lie in the region, and some 75 percent of all Africans will, on present figures, never get the chance to make or receive a phone call.

Last year nine African countries saw a drop in the number of lines for each inhabitant, and the rest of the region showed only slight improvement.

This is in contrast with the significant growth seen in other developing regions during the same period.

Nevertheless, the union is more

optimistic about the recent opening up of the South African market, and the opportunity for it to spread its services to the rest of the continent.

This year's Telecommunications Indicators from Africa will be presented by the union at the conference on African Regional Development in the Ivory Coast this week.

Growth in infrastructure in the 1990-95 period was modest, though the sector's participation in the overall regional economy improved.

Telecommunications infrastructure accounted for 1.4 percent of the region's GDP in 1990.

That proportion rose to 2 percent in 1993, but fell to 1.7 percent in 1994, largely due to the devaluation of the CFA franc in francophone Africa.

However, the growth of investment in the telecommunications sector seen in the region in the early 1990s was not sustained and was followed by a 19 percent drop in 1994.

But the union said about 60 percent of that investment came from self-financing, which was a high proportion compared with

other developing regions

This was an indication that some countries in the area were moving towards self-sufficiency.

The union said that the sector was going through a restructuring process.

Telecommunications had been separated from postal services, regulatory entities had been created and, in some countries, public operators were being privatised and competition was being introduced in certain markets.

The cellular telephone sector, which has seen explosive growth in Asia and Latin America, is now beginning to expand in Africa.

Last year, about 23 African countries had cellular telephone systems.

South Africa showed the greatest growth, beginning with the launching of the digital GSM system in 1994.

Development of the sector in the rest of the continent was limited by the cost of handsets in sub-Saharan Africa, and security problems in North Africa.

The sector is one of the few in the regional market that have been thrown open to private investment and competition.

Ghana already has a second

private operator for basic telecommunications and Zambia, Ivory Coast, Senegal and Congo are planning at least partial privatisation of their telephone companies.

Guinea is already offering 49 percent of its national operator, said Pyramid Research, a consultancy based in Massachusetts.

No African nation can afford levels seen in western Europe, where there are some 50 to 70 lines for every 100 population — Zaïre, for example, has nine lines for 10 000 people — but five to 10 lines for 100 is seen by analysts as economically viable even in the short term.

One potential source of funding for Africa may come from WorldTel, a public-private partnership touted by the union.

The group would focus on specific telecommunications projects in developing nations that take concrete steps toward liberalisation of communications and foreign investment laws.

Furthermore, a half-dozen projects are under way to provide high-capacity networks that would span the continent.

Rascom, a pan-African satellite,

was seeking \$180 million in finance to launch a satellite next year.

South African network operators are looking into expanding its ties with surrounding nations.

And AT&T, the large United States telecommunications company, is proposing an undersea fibre-optic cable that would ring the continent.

The spread of the Internet in Africa has been slow. Last year 16 countries were connected. The majority of users are universities and members of the private business sector.

Most of Africa's Internet users are based in South Africa, which is rated among the world's top 20 countries in terms of density of users.

Subscription television is expanding in Africa. Demand for subscriptions has remained steady despite costs being higher than that of basic telephone services.

The most active markets in terms of subscription television is South Africa, which launched M-Net, the first such network in the southern hemisphere, and Nigeria, which now has 15 operators of a microwave distribution system.

CT BR 6/5/96

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# Jay Naidoo sets his sights on shake-up

Robyn Chalmers

POST, Telecommunications and Broadcasting Minister Jay Naidoo is planning a major revamp of his new ministry, including restructuring his department into a policy unit.

Naidoo, releasing the draft telecommunications Bill yesterday, said he planned to create a task team — including representatives from the black empowerment and merchant banking communities — to advise on restructuring state assets in his domain.

Postmaster-general Andile Ngcaba would become post, telecommunications and broadcasting department director-general, responsible for coordinating policy.

Naidoo said an investigation would be launched into the postal service, following continued complaints.

He said there were no plans to change the policy direction pursued by ousted predecessor Pallo Jordan. The transformation would lead to greater delineation between policy, regulation and operations. But sources said the moves suggested Naidoo was streamlining nongovernmental functions and consolidating policy making within his ministry.

BD 8/5/96 (267)

The draft Bill, on which Naidoo called for comments before next Tuesday, reflected the White Paper regarding universal service, phased liberalisation and regulation. It provided for the establishment of the SA Telecommunications Regulatory Authority and the Universal Service Agency.

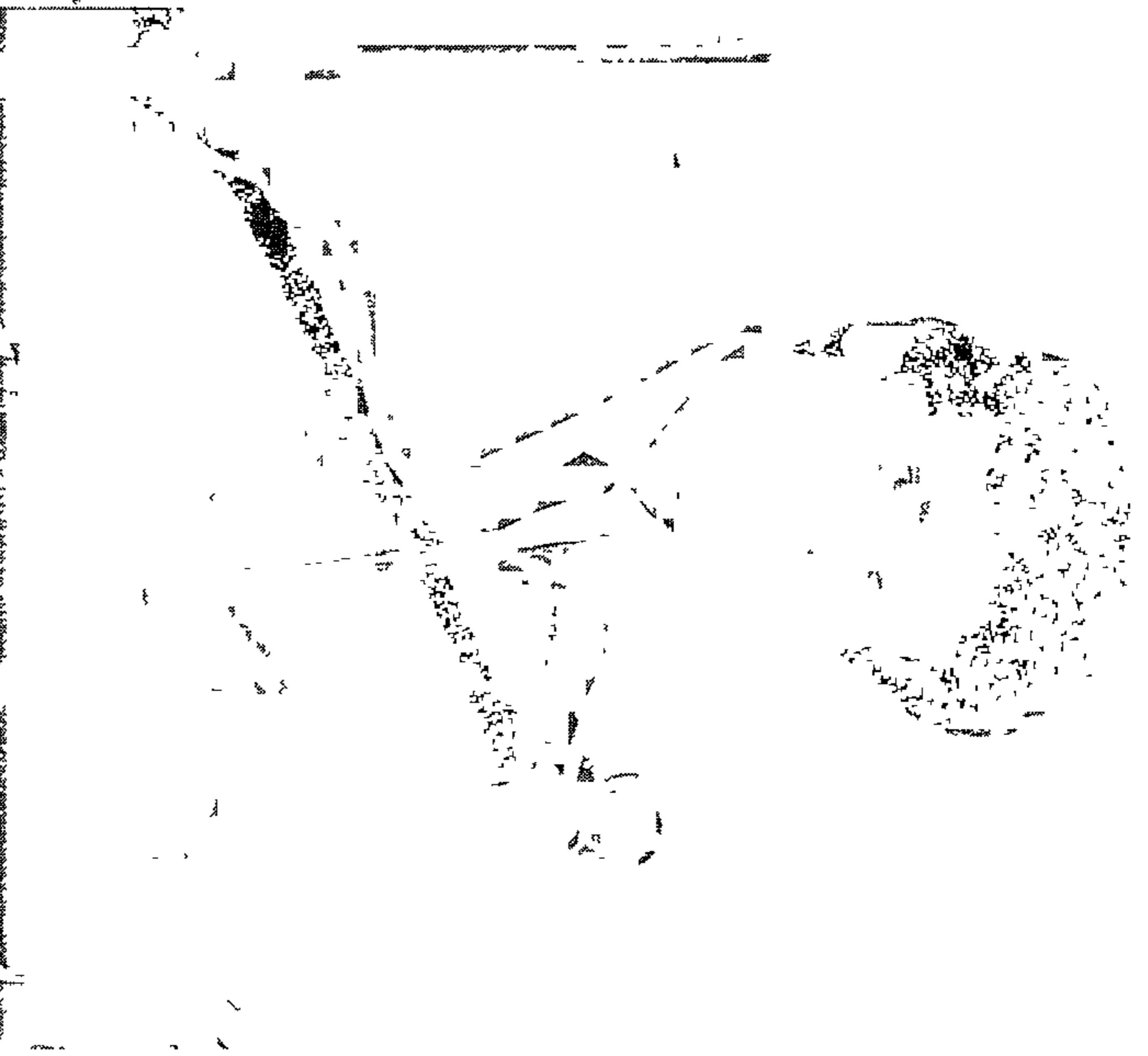
Naidoo said the Post Office Act was being amended to change Ngcaba's designation and the post and telecommunications department would become the communications department.

On plans to sell a stake in Telkom, talks with labour, which had previously stalled the plans, were continuing. Telkom needed a huge capital injection to achieve its goal of an additional 4-million lines over the next five years and the search for a suitable equity partner — up to 30% of the parastatal is on the table — was moving ahead.

The merger of the Independent Broadcasting Authority and the new regulatory authority had to be undertaken urgently. A single regulatory authority for telecommunications and broadcasting would boost efficiency.

The integration of the former TBVC broadcasters was moving ahead, and a coordinating body would be appointed to finalise the process.

Posts and Telecommunications Minister Jay Naidoo briefs businessmen on the Information Society and Development Conference to be held in Midrand outside Johannesburg from Monday. Those expected to attend are US Council of Economic Advisers chairman Joseph Stiglitz, EU president Jacques Santer and World Bank vice-president Jean Francois Rischard. About 20 international organisations are expected to attend the conference which aims to launch dialogue between the developed and developing world on the information society. Picture GARTH LUMLEY



*Union complains it has still not been consulted*

# Naidoo seeks urgent sale of Telkom stake

CT(BR) 8/5/96(267)

By Fiona Leney

Johannesburg — The government would urgently pursue plans to sell a strategic equity stake in Telkom to a foreign partner, Jay Naidoo, the minister of posts, telecommunications and broadcasting, said yesterday.

"We need a strategic equity partner, and negotiations between the government and the unions are taking place on this now," Naidoo said at a briefing on the government's draft telecommunications Bill.

But the Post and Telecommunications Workers' Association (Potwa) said they have not had any meetings with government representatives since the National Framework Agreement was set up in December to regulate talks. Potwa is the biggest of the six telecommunications unions.

"Both Potwa and government have been trying to arrange meetings, but so far Telkom's privatisation has never been debated in meetings between labour and government," Lefty Monyokole, the president of Potwa, said.

He said the main delay to the talks was a refusal by Telkom to provide unions with necessary information.

He said Telkom was still refusing to make available a report commissioned by the utility on inefficiencies and wastages. The report cost Telkom about R6 million from 1993-1994.

"This makes a mockery of the National Framework Agreement," Monyokole said.

Victor Moche, the Telkom spokesman, denied the utility was withholding information.

"We have a strategic consultation forum which has held several meetings with the unions.

"The structures are there for the unions to interact with management and put all their requests to them," he said.

Monyokole said his union was open-minded on the issue of



**RDP COMMITMENT** Jay Naidoo, the posts, telecommunications and broadcasting minister, presents his draft telecommunications Bill to business leaders yesterday.

PHOTO JOHN WOODROOF

restructuring Telkom, and hoped to convince the minister that privatisation through a strategic equity partner was not the best option.

"Obviously restructuring is a need in the industry. But so far all we've heard is a narrow perception of the telecommunications industry. It is not just Telkom. We need to talk about other service providers, other networks, and about other ways of acquiring the management skills needed," he said.

Naidoo gave no time frame for reaching a decision on the sale of the stake, but said there was a need

for urgency in finding a partner.

He said the process would be open and transparent and that it was important that plans proceeded on the basis of national consensus between the major players.

Naidoo said a task team, with representatives from the posts, telecommunications and broadcasting department, the public enterprises department and Telkom, had been appointed to identify a suitable partner for the utility.

He said Telkom required a significant cash injection if it was to achieve its RDP commitments.

# Union links become Jay's Achilles heel

ST (BT) 12/5/96

(267)

By SVEN LUNSCHÉ and RAY HARTLEY

JAY NAIDOO's close links with the union movement could well prove the Achilles heel of his tenure at the Department of Posts, Telecommunications and Broadcasting.

The former Cosatu secretary-general skilfully stamped his authority on the department this week when he introduced the draft Telecommunications Bill along with his policy programme.

But he was vague about how to deal with union resistance to Telkom's proposed partial privatisation.

"The discussions with unions will continue in terms of the National Framework Agreement. It is vital that we build a national consensus on the restructuring of Telkom," Mr Naidoo said.

Global telecommunication giants are increasingly voicing concerns over the delay. Mr Naidoo said he intended to seek agreement with the unions over the next two months.

However, unions operating in the sector have indicated their objection to the proposed sale of up to 30% of Telkom and are likely to ask the government to reverse the decision.

Furthermore, job losses at Telkom are inevitable if the parastatal is to remain internationally competitive and release resources to fund the Vision 2000 project. Vision 2000 is aimed at establishing four million new telephone lines in rural areas and urban townships.

Mr Naidoo said the unions had legitimate concerns about job losses and that he viewed labour as part of the solution in achieving Telkom's RDP objectives.

He also stressed that an injection of capital, management and technology was essential in implementing Vision 2000.

While a measure of consensus is likely to persist for some time, before long Telkom will have to be partially privatised and lay off some workers. Mr Naidoo would then be forced to choose between the

demands of consumers for telecommunication services and those of the unions for higher wages and job security.

No such dilemmas confront him in the other policy areas of his portfolio. He plans to strengthen his department by appointing director-generals for broadcasting and the Post Office and converting the job of Postmaster General to director-general for the Ministry.

Significantly, he announced plans to relieve the Independent Broadcasting Authority of much of its policy-making powers and to limit its task to the regulation of broadcasters.

Referring to the IBA's mushrooming salary bills, Mr Naidoo committed himself to reduce spending in all his departments. He warned that staff numbers of the IBA would have to compare favourably with those of international regulatory authorities, the British regulator, for example, has half the staff complement of the IBA and is a far more effective regulator of the airwaves.

Mr Naidoo presented the draft Telecommunications Bill which he hopes to table in Parliament in the current session. It is based on the widely publicised White Paper. Its key proposals are:

- The establishment of a Telecommunications Regulatory Authority, to be set up early next year and eventually merged with the IBA.
- The opening up of all telecommunication services. A period of exclusivity will allow Telkom prepare for competition from national and international rivals.
- A Universal Service Agency and a Universal Service Fund to facilitate broader telecommunication services to disadvantaged groups. The fund will be financed via annual contributions from telecommunication licence holders.

# Commitment to global info society

BY NIKKI WHITFIELD

South Africa and other developing countries confirmed their commitment to becoming part of a global information society (GIS) in a declaration adopted yesterday at the historic three-day Information Society and Development Conference in Midrand.

The declaration was described by European Union commissioner Martin Bangemann as "a very good document for practical action". However, the developing world had a long way to go before it caught up with developed countries - a truly daunting reality, Minister of Posts and Telecommunications Jay Nardoo said.

Nardoo chaired the ministerial

meeting on creating the GIS within developing countries alongside, among others, Bangemann, Margie Sudre, the French Minister of Francophony (that country's department in charge of French-speaking countries worldwide); and Ghanaian Deputy Minister of Information Kojo Yankah.

Deputy President Thabo Mbeki challenged the Group of Seven highly industrialised nations (G-7) and the European Commission to convene a follow-up conference bringing together a cross-section of the developing world with the G-7 and the EU to exchange views on strategy, finance and international co-ordination confronting the global information and communication problem.

(267)

# 40 000km of cable for Africa to stay in touch

BY NIKKI WHITFIELD

By the end of 1999, the seabed surrounding the whole of Africa will be neatly laid with nearly 40 000km of optically amplified submarine fibre-optic cable which will significantly improve the continent's telecommunications

And the procedure is not nearly as complicated as it sounds

In fact, according to a US businessman, it's relatively simple. Five ships will set sail next year at the start of the project each with massive reels on board

The cables will be dropped into the ocean where they will come to rest on the seabed

Those in deep water will bury themselves in the sand in time. Those nearer the shore will involve a bit more work - because of the dangers of human interference, they will have to be buried with special machinery

The project is being explained at the Information Society and Development Conference and Exhibition in Midrand at the stand of the US-based company AT&T

The project called Africa One, will enable people to talk to others in countries across the globe without the time delays currently experienced in trans-continental communication," said AT&T's president and chief executive officer Walter

Fulcher

"And Africa One's state-of-the-art link will also give African-based businesses, governments and individuals the opportunity of making easy use of the latest applications in the fields of electronic commerce, distance learning and telemedicine"

The system had been designed to be tamper-proof, Fulcher said "No one will be able to tap in to it and steal information"

Countries would buy the capacity from AT&T, he said. In South Africa, for example, Telkom would own it and use the revenue the system generated to pay for it

Star 16/5/96

# A better connection for Africa by 1999

The Argus Correspondent

(267) AUG 17/5/96  
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rest on the seabed. Those in deep water will bury themselves in the sand in time. Those nearer the shore will involve a bit more work - because of the dangers of being interfered with by fishermen and the like, they will have to be buried with special machinery.

The project is being explained at the Information Systems and Development (ISAD) Conference and Exhibition at Gallagher Estates in Midrand this week at the stand of the US-based company AT&T. "The project, called Africa One, will enable people to talk to others in countries across the globe without the time delays cur-

rently experienced in trans-continental communication," said AT&T's president and CEO Walter Fulcher.

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Countries would buy the capacity from AT&T, he said.

# Phone shops get townships talking

(267) CT 17/5/96

**THANKS TO THE** introduction of "phone shops" in townships, residents no longer have to face the frustration of out-of-order public phones. **EVELYN HOLTZHAUSEN reports.**



**DIALING OUT:** Mrs Nosipho Funani keys in a call charge for a customer at her Phillipi phone shop

DISTORTED reggae music from a radio in a makeshift shop, patched together from old wooden planks and plastic sheeting, blasts across the pot-holed dusty square.

On the other side of the square, a bored shopkeeper peers absently through the rectangle cut in the side of a container cafe.

There is not much business. The morning commuter rush is over and until the evening traffic disgorges their passengers, there's nothing for the shopkeepers to do but pass the time of day.

Only one container has a steady stream of visitors. The phone shop run by Mrs Nosipho "Gladys" Funani and her husband Lulama

They are at the forefront of a new business which is putting the people of South African townships in touch with each other and the world through modern communications technology.

The Funanis' phone shop is one of over 30 in the Cape Flats. It was set up by Vodacom which, in terms of its licence, has to install 22 000 subsidised community telephones within five years.

The phone shops consist of containers neatly fitted with booths for up to 10 standard telephones, linked to a cell-phone network and a counter.

The containers are bought at subsidised rates from the company, which services and maintains them.

Vodacom also runs a training programme which includes basic bookkeeping and marketing.

Customers pay up front — from a minimum of 45c for a one-minute local call to R5 for a long-distance call — the operator punches in the amount and the customer is directed to a booth to make the call.

The phone shop owners pay 67% of the money earned to the

wasted as it can be in a public phone which takes your money even if it is out of order," says Funani. She hopes to open a second shop as soon as she has saved enough capital.

She bought her phone shop on money earned at her roadside stall selling hair products.

She still has her hair products stall but it's now next to her phone shop — a prime position thanks to the flow of customers on their way to make telephone calls.

According to Vodacom local area manager Ms Nobushle Chonco, the phone shops, which Vodacom run at subsidised rates, have been an unparalleled success. Most owners, she says, make a good profit but there have been some who have gone out of business.

"A few spent their earnings then could not pay for their calls and we had to repossess their shops. But most franchisees run their business efficiently and make a good profit."

But it's not only the profit factor which has made phone shops a booming success.

According to Funani, people who have never used a telephone are suddenly discovering the wonders of modern tele-communications.

"I have to teach some people who come here how to use a telephone. It is wonderful to see how happy they are at suddenly being able to talk to friends and relatives they have not seen for years."

Editors to hold conference on

press freedom

STAFF WRITER CT 17/5/96

A WATER-SHED conference on press freedom and the future of journalism in South Africa has been agreed to by the Black Editors Forum (BEF) and the Conference of Editors (CoE).

The decision was taken at the first working session in Johannesburg this week of a joint task group set up by the BEF and the CoE to establish a single, representative body for editors and senior journalists. The conference will be held from August 30 to September 1.

The Editor of the Cape Times and chairman of the task group Mr Moegsten Williams, said the conference participants would be drawn from the senior ranks of the country's major news organisations, including the SABC.

"We are planning a unique gathering of between 60 and 100 South Africa's most senior journalists. Our purpose is threefold. To lay the foundation for the establishment of a single, non-racial editors' organisation, to develop a universal editorial charter to protect editors from interference by management or government and to hammer out a vision of journalism and press freedom in the new South Africa."

"The task group also agreed to set up immediately a watchdog body on press freedom," he said.



# State to probe 'pact' by cell phone giants

By PETER De IONNO

**THE Competition Board is to investigate possible collusion, at the expense of the public, between cellphone giants Vodacom and MTN.**

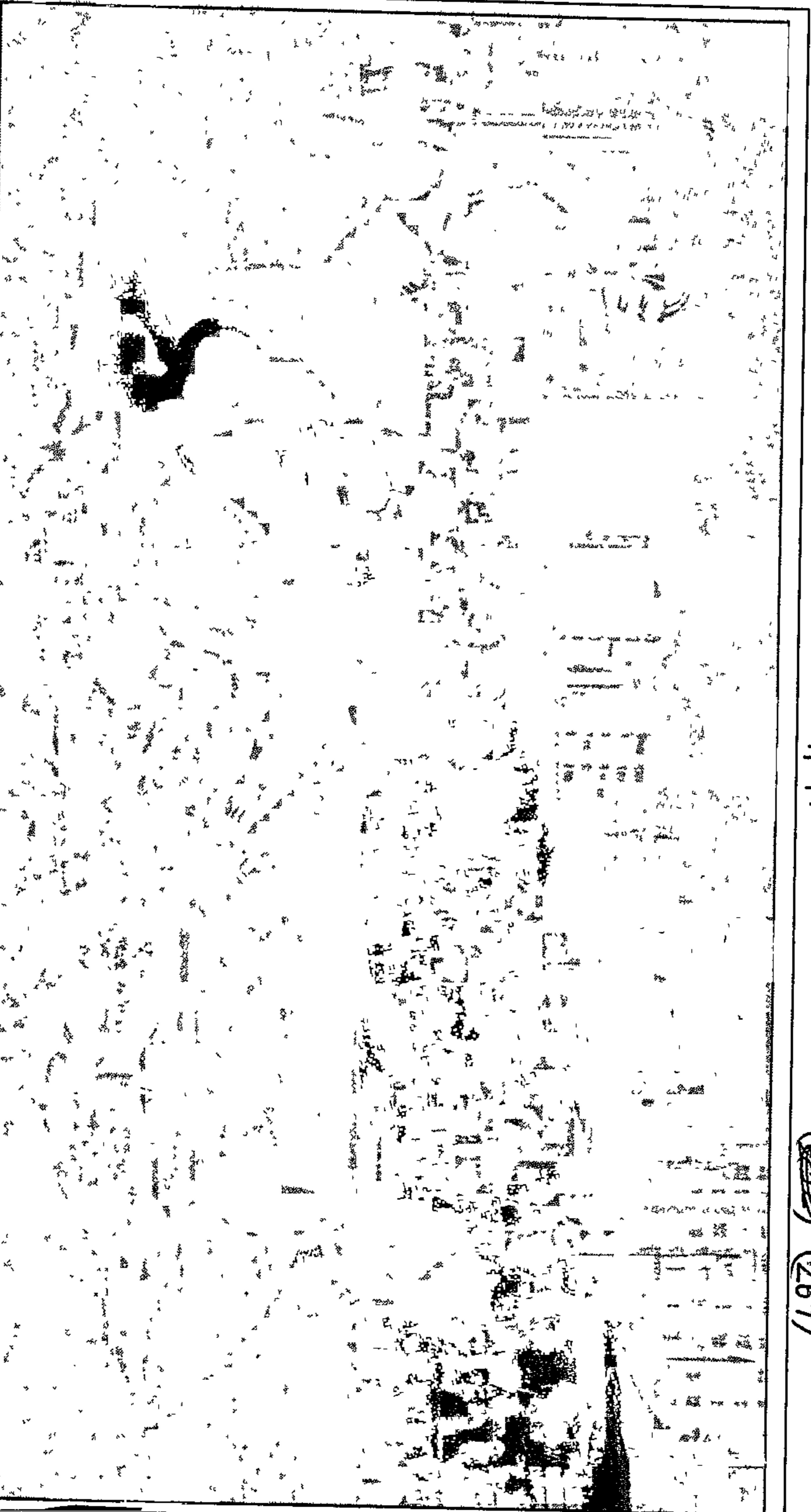
A secret pact signed by executives from the two rival companies in London in 1994 has been branded "prima facie evidence of collusion" by Dr Pierre Brooks, the board's chairman.

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-billion-a-year industry, which has grown in just two years to 450 000 subscribers.

Vodacom and MTN this week denied that the document was...



**OOOOPHI** 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

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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 cer-

## 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

tainly fall outside the Interconnection Agreements (the agreements which allowed the cell-phone 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"

Joan 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

# Naidoo looks into alleged cellphone group collusion

Adrienne Giliomee

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 (267)

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"

# Exemption key to cellular furore

(267) 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.

# Board to probe cellphone 'collusion'

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

BD 24/5/96 (267) ~~267~~  
Association spokesman Steve Burgess confirmed that a sub-committee 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, al-

so 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.

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# Telkom workers in deadlock

**By Abdul Milazi**

THE Communication Workers Union yesterday threatened to go on strike if Telkom did not change its decision to withdraw certain benefits enjoyed by workers for years

Telkom has in turn applied for

mediation by the Conciliation Board in a bid to break the three-month deadlock with six of its trade unions

Negotiations were scuttled when Telkom proposed to withdraw certain allowances and reduce the housing subsidy

A meeting between the company

and the unions two weeks ago failed to resolve the dispute. A spokesman for the CWU said the unions would consult their members on the latest offer

Telkom has proposed to reduce leave and overtime benefits, the housing subsidy and withdraw some allowances

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# Telephone boost for Alexandra

(267) Star 28/5/96

## 5 000 new lines installed by Telkom after community agreed to protect cables against thieves who delayed expansion of network

By Annva Cox

Alexandra has received an additional 5 000 new telephone lines linking it to the rest of the country at a cost of R2,5-million

Telkom handed over the routes and supporting infrastructure to the community at a ceremony held in the Sandton township. The cost of the installation rose by R500 000 because of the continual theft of cables

Regional communications manager Gert Schoeman said Alexandra was the worst area for cable theft on the Witwatersrand, which not only increased costs dramatically but doubled installation time. However, the company soon started negotiating with community leaders who took over the security of the cables.

"There has been such great co-operation since we spoke to leaders that we are now regarding Alex as a pilot scheme for the rest of the RDP areas which we will be serving," he said.

The expansion of the national network was done in two phases over a period of 17 months. In the first phase, the work was repeatedly delayed by cable theft. However, this problem was resolved in co-operation with the community, which provided security for the teams involved as well as guarding the network against cable thieves. In keeping with Telkom's policy to employ local labour, a significant number of workers were recruited from the Alex community to work on the project, said Schoeman.

Telkom also donated 60 teletex machines to the Deyed Trust for use in Alex schools. The trust aims to upgrade computer literacy in underdeveloped communities. The machines were installed at Eastbank High and Kwa-Bheklanga High. A total of 26 teachers have already been trained by Telkom in the use of the teletex machines.

# Black business enters telecommunications

(267) Sowetan 29/6/96

By Isaac Moledi

EMERGING black entrepreneurs in the telecommunications and data networking industry could benefit from the launch of a new franchise enterprise, Expercable

The new company, established as a joint venture between Philips Business Electronics and Siphumelele Investments, will provide the smaller companies - particularly those from black communities - with specialist know-how in telecommunications and data networking

Expercable franchise companies will offer services that range from site surveys, testing of existing cable plant, fibre optic cable installation, systems installations and customer requirements

## Infrastructure

The new company says it is dedicated to the design, installation and maintenance of telecommunications infrastructure as well as associated products

Assistance to smaller companies will come in various forms. The main ones will be finance, technical and business skills and exposure to new standards in the industry

Philips Business Electronics (PBE), one of South Africa's leading suppliers

of hightech equipment, says Expercable will empower smaller operators with expertise in their chosen field of operation and enable them to compete against the more established companies

The company says more than ten Expercable franchisees will soon be operational in the Pretoria and Johannesburg areas and the programme will be extended to other South African major cities

PBE's managing director Alan Sparks says the Expercable launch is part of the company's social responsibility and should be seen as contributing to a broader objective of the Reconstruction and Development Programme

"There is no doubt that a nationwide network of Expercable franchisees will become a formidable force, particularly as this concept has the full support of all the major systems suppliers

Siphumelele, a Western Cape-based investment company owned by a group of prominent black business people and professionals, has always made a major contribution to RDP by mobilising black entrepreneurs with the aim of integrating them into the business and economic sectors



# Telkom contract decision hits industry's suppliers

Paul Vecchiatto

THE SA telecommunications industry has experienced mixed fortunes since Telkom announced the termination of the long-term contract system. The "big three" suppliers to the only telecommunications service provider — Siemens, Plessey and Altron — have had to redefine their relationship with the state-owned monopoly and adapt or wither.

David Jacobson, president of the Electronics Industry Federation and Altron's group executive for science and technology, feels that government policy and industry are out of step in meeting the new situation.

Altron has had to reduce staff at its Boksburg facility by 50% to 500 in two years, due to the reduced — and then flat — demand from Telkom, and as a result of introducing new technology that makes the production line more efficient.

Jacobson said two factors had forced the local industry to change. Firstly, Telkom spending declined in the late 1980s, and since 1992 had just kept pace with the rate of inflation. In 1995, of Telkom's total budget of R7,5bn, only R1,5bn was spent on network infrastructure development.

Secondly, there were now many more foreign players in the local telecommunications industry who benefited from low entry barriers, while there was no reciprocal benefit for SA companies to

compete in their markets.

Jacobson said that while GATT-agreed import tariffs were at 30%, SA's were at only 5% for telecommunications. And SA players had lost out since Telkom cancelled its preferential buying policy.

While Telkom had broadened its purchasing horizons, it was doing this to the disadvantage of local telecommunications manufacturers. Furthermore, it was deciding purchases on the basis of initial capital expenditure and based on a "tool-box" of equipment — products sourced from various suppliers and then integrated to provide a total solution.

Although many companies claimed their equipment specifications met the European CCIT standard, which Telkom required, in practice it was a different story as equipment from diverse suppliers was integrated.

Jacobson said Telkom should do more to help local telecommunications manufacturers to export. "The relationship between one country's post, telecommunications and telephone operators and another's is often the cornerstone for encouraging exports.

"During the apartheid era, Telkom was considered an outcast, but now relationships had improved and the company could be instrumental in opening doors.

"We must learn also to look after our own. About 90% of French telecommunications contracts go to French companies."

Jacobson said SA manufacturers could meet the various requirements of other developing countries.

This applied in particular to the area of supplying low-cost radio communications.

He felt the RDP was a boon to the local industry, particularly in view of the Telkom commitment to install 4-million new lines by the end of the decade.

One million lines would be installed by private companies using a turnkey project management approach. Industry sources said this was unusual for Telkom. This project alone was said to be worth about R6bn, of which Jacobson estimated R2bn would go in the form of contracts to two or three companies.

"If the RDP is to deliver all its stated goals, then government must insist on delivery," Jacobson said.

Spin-offs would have a multiplier effect and allow local manufacturers to recommission equipment mothballed since Telkom's cutback on capital spending.

Jacobson said the government should not fall into the same trap as its predecessor, and view SA as a Third World country with no need of a sound telecommunications infrastructure on a par with that of industrialised nations.

"Telecommunications are the central nervous system of industry, and they must be developed in order for SA to compete internationally," he said.

RD 30/5/96

(267)

# Wrinkles to iron out in cellphone sector

(267) BD 30/5/96

Hilary Joffe

TWO years after the official switch-on of the cellphone industry on June 1 1994, three issues have arisen

The one which has generated the most heat has been that of the industry's structure, with allegations of collusion between network operators Vodacom and MTN under investigation by the Competition Board and the postmaster-general following revelations of their 1994 London Agreement

But two further issues may be of more profound importance for the industry — and the economy

First is the question of where the industry fits into the task of universal service provision, defined as a fundamental policy goal in the recent white paper on telecommunications policy and in new legislation currently before Parliament

Second is the prospect — also pointed to in the white paper — of a third cellphone licence. A further licence (or licences) is probably essential to accommodate future growth in the market, since the GSM spectrum (the 900 Mhz band) is full

## Applications

Several applications have been received over the past two years, says department of posts, telecommunications and broadcasting GM Deon van der Hoven. But until the SA Telecommunications Regulatory Authority is established in terms of the new legislation (the department is acting as regulator meanwhile), there is, technically, no-one to apply to

Once it is set up, the regulator must decide whether a third licence is "sustainable". If it is, it should be granted within two years

There is no mention in the white paper of more than three licences, but this is not precluded

It is likely that government would want to issue a formal invitation to parties to bid. Competition, black empowerment, and provision of telecommunications to underserved areas are all likely to feature when it assesses what potential operators can bring to the telecommunications party

The idea of three, four or more licences would have seemed fantastic when the then government first decided to grant two cellphone licences in 1992, but the industry's extraordinary growth has made it plausible

The market was originally expected to grow to about 500 000 subscribers over ten years

Two years on, Vodacom's subscriber base numbers 360 000, according to MD Alan Knott Craig, while MTN's is estimated at a further 230 000 (MTN CE Bob Chaphe declined to be interviewed for this article). The industry

will have connected about 300 000 new subscribers this year

Knott Craig now reckons the cellphone market could grow to 2- to 3-million subscribers by the year 2004, if the RDP gets going and the economy takes off. The market penetration of the conventional telephone network is about 9%. Even if 4-million more lines were installed in terms of Telkom's "megaline" project, penetration would rise to only 20% — still half the level of most First World countries

And those phones are targeted mainly at the poor — so the "middle" (with annual incomes of R60 000 upwards) remains wide open. Cellphone operators still have plenty of opportunity, Knott Craig argues

Small businesses also offer huge opportunities. As it is, at least 50% of subscribers are classed as "corporate" — including small business people and mobile professionals

But what of the poor? Both Vodacom and MTN have universal service obligations in terms of the licences they were granted in September 1993

The joint economic development plan commits them to spend at least R1bn each, and to install community phones in areas where there are no phones. 22 000 in Vodacom's case, 7 500 in MTN's. (It is unclear why the two had different economic development obligations imposed on them)

Knott Craig says Vodacom has installed 7 000 community phones

The project is costly — the network provides the cellphones free and

charges are 45c a minute (against the usual R1,20). Of this, the bulk goes to Telkom (in interconnection fees), the "phone shop" franchisees (who take a one third cut) and to the Regulator in licence fees

But the cellphone shops are still more expensive than those of Telkom, which has also been setting up community facilities, in some cases adjacent to Vodacom's. Some of the phone shop operators have succeeded, others not

Knott Craig says Vodacom has invested significant management time in the project

He argues too that Vodacom is making a significant contribution to the fiscus apart from the development plan it paid tax for the first time in its year to March (it had been expected to do so only in 1994/95) and is paying R60m a year in licence fees (these are set at 5% of gross revenue — Knott Craig confirms that Vodacom's revenue is running at R1,5bn to R2bn)

The postmaster-general's office began an audit in February of the two network operators' performance of their community service obligations. Van der Hoven will not comment ahead of the audit's findings. But he notes the differences between the environment in which the licences were granted and the new regime, which makes universal service provision a fundamental goal. He believes it is time the issue of community service is looked at again — for all telecommunications operators

The white paper on telecommunica-

tions recommended all licences and contracts be reviewed to ensure they were in line with the policy — so there is provision for licence conditions to be changed. But onerous as their community service obligations may be, network operators will presumably want to deliver on them if they plan to bid for the third licence — as Vodacom makes clear it does. Owning all or part of a new licence would give it access to new technology and more spectrum, says Knott Craig, adding that Vodacom would look at a partnership, if the partners brought cash and the ability to continue funding to the deal. He notes the R2,5bn or so needed to set up a network, which continues to need funding for the first 3-5 years

A range of alliances could emerge. In line with the white paper, which encourages "ownership and control of telecommunications services by people from historically disadvantaged groups", government is likely to make economic empowerment a condition of new licences. The white paper does not say expressly that licencees would have to be black-owned, but "frequency spectrum will be allocated to those operators with acceptable levels of equity stake held by members of the disadvantaged community only"

Local black business groupings (at least one has already applied) could be joined in the bidding by foreign players. AT&T and Siemens are said to be interested, as, on the local front is Transstel

Whether they are joined by the existing network operators depends on the outcome of the Competition Board and department investigations. A collusion finding would put them firmly out of the race

Some in the industry believe that was precisely the intention of whoever leaked the London document

The network operators argue that the industry was new and they were within their rights to discuss how it would be governed — hence the "London Agreement", covering connection bonuses to service providers and other aspects of the relationship between the operators and the providers

"The London Agreement was not secret, it was quite legal and we did not collude on any issue," says Knott Craig. Whatever the outcome of the investigation, the issue goes to the heart of how the industry is structured, how the networks compete, how they relate to the service providers, and in turn, how well they serve customers

As it comes up to its second anniversary, the industry provides an example of successful deregulation

With the new legislation to set in train the process of deregulating the whole telecommunications industry, stakeholders will be looking to the cellular industry as a pointer

## Mazda commissions its own concerto, paintings and poetry

LONDON — Mazda has commissioned a concerto for cello and saxophone based on the Japanese principle of *kansei* or harmony. It is also inviting customers, dealers and suppliers in Britain to submit their own poetry and paintings on the same theme for publication in Mazda literature

UK MD David Heslop is not concerned that some people may think he has lost his grip on reality

"I hope people do think I'm bonkers. It will get some debate going about what matters in life, the relationships around us and the search for harmony. There is more to a company than what is on the balance sheet. I see this as a cultural payback," he said

Mazda has commissioned Michael Nyman, the contemporary composer who wrote the music for the award-winning film *The Piano*

The piece is due to be performed by cellist Julian Lloyd-Webber and saxophonist John Harle together with the

Philharmonia Orchestra at the Royal Festival Hall in London next March

Mazda believes it is the first time a company has commissioned its own classical work rather than just sponsoring a concert, and is the latest in a line of unusual marketing techniques employed by the company to build awareness of the brand

Nyman is working on the piece which, while it will not be called the Mazda concerto or be used in any of the company's advertising, will attempt to reflect the values of the Mazda brand

Heslop describes it as a practical piece of marketing. "It is all about conveying the image of the brand as special, interactive, exceeding expectations and inclusive — inclusive in the sense of involving everyone concerned with the product and positioning of the brand. This piece of music will help us on the journey towards establishing the uniqueness of the Mazda brand" — Financial Times

# Information sector 'must create jobs'

Ingrid Salgado

(267)

BD 3/5/96

IT WAS critical for SA to enhance job creation in the information services industry to counter job losses in sectors such as line manufacturing, Post, Telecommunications and Broadcasting Minister Jay Naidoo said yesterday.

The information services sector provided job enrichment and multiskilled opportunities, allowing the "knowledge worker" entrance into the job market, Naidoo said at the start of telecommunications and broadcasting conference in Pretoria.

Investment in human resources was a key component of investing in

the information society and development. To this end, government had proposed establishing multipurpose community centres in deprived communities and multimedia archives for vernacular culture and centres of excellence, expertise and resources.

Government also needed to rationalise its internal information technology systems to allow wide access to information, Naidoo said.

Information and communication technologies could support universal services such as telemedicine, distance education and other remote services.

Information technology should be used to improve growth, he said.

# Telkom's grand RDP plans hit by shortage of cash

ST(BT) 2/6/96

(267) (267)

By SVEN LUNSCHÉ

TELKOM management has warned that without an equity partner it cannot proceed with its ambitious project to provide 4-million new telephone lines to the country's poor.

"There is simply no alternative. We need to receive substantial investments in Telkom or there will be no Vision 2000," says Brian Clark, managing director of Telkom.

Vision 2000, which is aimed at providing 4-million new telephone lines in underserved areas by the end of the decade, is one of the government's most ambitious RDP projects and could cost about R32-billion in current terms.

Dr Clark indicated that the cost of the project had increased by about 20% since the depreciation of the rand in February.

The government is frantically trying to bring the trade unions on board to back partial privatisation of Telkom. An announcement is expected later this month.

Dr Clark is confident that Jay Naidoo, Minister of Posts and Telecommunications, will make good headway in negotiations with unions, which represent just over half of Telkom's staff. Mr Naidoo has previously stressed the need for an injection of capital, technology and management into Telkom.

Unions' demands for members on Telkom's board are likely to be met — a development welcomed by Dr Clark — ensuring their full participation in the selection of potential equity partners.

Selling 25% to 30% of Telkom could raise in excess of R5-billion, estimates Dr Clark. These funds are essential considering Telkom has few other options for paying future contractors working on Vision 2000.

The effect of its current cash shortage is clearly illustrated in the bidding process for the first phase of Vision 2000, the R6-billion project to provide 1-million lines.

Initially all bidders were asked to submit financial as well as technical proposals. In April, five shortlisted consortia submitted more technical

details but not financial plans.

"We realised that none of their financial proposals, which included loan financing, would be feasible given our debt position of R8,4-billion," says Hannes Steyn, managing executive, networks and technology. "We need an injection of new capital."

The proposals, amounting to over 30 000 pages, are currently being evaluated by 70 Telkom engineers.

Under its present financial condition, particularly with interest-bearing debt in excess of R8-billion,



BRIAN CLARK

Telkom could finance at most 180 000 new lines a year at a cost of about R2,5-billion. Vision 2000 will double the existing number of telephones.

Telkom's search for an international partner started out promisingly when the government announced its partial privatisation in December. Since then, under strong trade union pressure, the government has delayed and revisited its programme.

"Whether we are going ahead is a political decision and not a company one," says Dr Clark, stating that if everything had gone to plan Telkom would be "at an advanced stage of transaction".

Goldman Sachs, the US merchant

bank appointed to lead the issue, has proceeded with its evaluation of potential equity partners, including AT&T, Deutsche Telekom, Nippon Telecoms, Bell Atlantic and SBC.

Nevertheless, the delays have cost Telkom dearly. Dr Steyn estimates that the cost of the 1-million line project has increased by 20% since the rand's decline in mid-February.

This is because at least half of all equipment for the telecoms network has to be imported.

Telkom therefore insists that the five 1-million line bidders improve their local content as far as possible without incurring cost penalties.

Another victim of the delay has been the company's move to shed non-core businesses that are not part of their telecoms function, such as restaurants and security.

About 14 000 people would be affected by such a move, but retrenchments would be avoided at all costs, Dr Clark stresses. In fact out-sourcing was seen as an alternative to retrenchments.

In the five to six years it will take to complete Vision 2000 Telkom has been exempt from meaningful competition in the telecoms market, according to a draft law currently lodged with Cabinet.

In terms of the draft legislation Telkom will face competition in its metropolitan, national and international networks after only five or six years of the passage of the act.

"Nevertheless within those five years we will have to build 4-million lines as well as prepare for competition. It is going to be tough and we had hoped for a longer period of exclusivity," admits Pinky Moholi, group executive, regulatory affairs.

Telkom will, however, not lobby Parliament for those changes, arguing that the Bill itself was widely debated and already reflected industry consensus.

"If we had to open up our market immediately, costs of international calls would have dropped, but costs of local calls would have risen substantially," said Ms Moholi.

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,

- (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

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- (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 gradu-

ation 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 CACHALLA 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

*Hansard*

267

Privatisation: Telkom/SAA

\*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:

New leaders prompt union to abandon rejectionist rhetoric

# Union may accept Telkom sale

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — A dramatic change of leadership in the country's leading communications union may transform efforts to restructure, or privatise, Telkom

The newly elected leadership of the Communications Workers' Union of South Africa is looking at alternatives to the sale of state assets and is examining the proposal that Telkom sell part of its equity

Tlhalesang Sekano, the union's president, said yesterday that the union was rethinking its position on Telkom taking a strategic equity partner, so long as this contributed to the the RDP and guaranteed jobs

"If we agree that bringing in a strategic equity partner is going to be enhancing, then we would have to relook into the whole thing"

He said the 41 000-member union was taking a fresh approach to privatisation. The new union was created last month by a merger of the Post Office and Telecommunications Workers' Association, the South African Post and Telecommunications Employee's Association and the Post Office Employees' Association

Sekano said the union was still opposed to privatisation in principle, but it was looking for alternatives and steering away from its

previous rejectionist rhetoric

Yesterday, the union attended a joint workshop with the post and telecommunications ministry to find alternative strategies to privatisation

The union was also working with the National Labour Economic Development Institute, Cosatu's research wing, to understand the government's stance on privatisation

"Inasmuch as we are opposed to privatisation, we need to look into the reality of the situation," Sekano said "We need to approach issues realistically, according to the conditions"

He said the union would consider certain conditions for Telkom's partner

"If it means more retrenchments, we will not support a strategic equity partner"

Any partner would have to show commitment to rolling out services in rural areas, training and affirmative action

He said he was unaware of who possible partners might be, but warned that international telecommunications companies like AT&T had ridden roughshod over union concerns in rationalising their interests

Members voted a new leadership into place at the union's inaugural congress on May 16.

An economic analyst described the change at the top as a federal



RETHINKING Tlhalesang Sekano, president of the Communications Workers' Union of South Africa

PHOTO JOHN WOODROOF

coup, with more power devolving to regional representatives. But Mike Seroba, the union's assistant general secretary, insisted that the union's demands remained unchanged under the new leaders, who were drawn from national offices

"We are coming from different thinking but we are trying to integrate our policies," he said

He said the union was sticking to this year's wage demands of 11 percent increases for the highest

paid, 12 percent for middle-income workers and 13 percent for the lowest paid in the industry

He said the union was opposed to the management changing working conditions if it meant benefits like housing subsidies would be eroded. Telkom should extend its network to previously disadvantaged communities, modernise itself and change its management structure

□ See Business Watch, Page 16

CT (MR) 7/6/96 (267)

# Multitel loses bid to prevent station sale

Deborah Fine

BD 10/6/96

(267)

BLACK-owned telecommunications company Multitel has lost a Rand Supreme Court bid to prevent the SABC from selling off commercial radio station Radio Jacaranda before furnishing Multitel with detailed reasons as to why the company's R50m tender for the station was rejected.

Multitel said in an urgent application last week that it was a partner in a consortium comprising former Radio Jacaranda manager, Frederick Wulfse, SA Women Investment Holdings, First Corp Capital Investment Ltd and certain of the radio station's current management and staff.

The other consortium members were not included in Multitel's application. Multitel said the consortium had responded to an SABC advert in February this year calling on parties wanting to acquire the station to submit initial offers to the SABC.

The advert had stated that the initial cash offers would be just one of a range of equally important factors — including the need for diversity of radio ownership, especially amongst historically disadvantaged groups — that would be taken into account.

In March, Multitel had been informed by Investec Merchant Bank, acting as the SABC's agent, that the consortium's bid had been rejected because the price offered by it had been too low.

## Overemphasised

Multitel submitted the SABC had overemphasised the importance of the initial cash bids in selecting buyers, despite stressing the importance of the other criteria. The consortium would have submitted a higher bid had it been aware of the importance of the initial offers. Multitel asked the court to order the SABC to furnish it with full details regarding the extent to which price had played a role in the selection and why the consortium had failed to meet the criteria. The court was also asked to stay the sale until Multitel had received the information.

The SABC opposed Multitel's application, contending that the consortium's offer had been too low to consider it in terms of the other criteria. Dismissing Multitel's claim with costs, Judge J Wunsch said the company did not have the legal standing to bring the application because the action did not include the other consortium members. Multitel could not apply for the relief independently of its partners.

# International body may assist Telkom

B/D 10/6/96 (267)

John Cavill  
and Robyn Chalmers

LONDON — An organisation established by international telecommunications groups to raise funds for developing market projects is to investigate raising cash for Telkom's 4-million lines development plan, Vision 2000

WorldTel, the new commercial wing of the International Telecommunications Union (ITU), said last week it was interested in the Telkom programme and would meet SA officials in the next few weeks to look at the project's potential returns

The organisation is backed by National Westminster Bank, which plans to tap international investors for projects of 1-million or more lines in developing countries. It has raised capital from institutional investors to begin identifying potential investments

WorldTel chairman Sam Pitroda — former head of Indian Telecom — said he had already had talks with SA post-

master-general Andile Ngcaba because the organisation "would be very interested in developments in SA"

"We would be one of a number of sources available to SA," he said.

"We have to sit down and see what makes sense to them (SA) and to us. The availability of finance will depend on the returns investors can expect"

Ngcaba's office confirmed WorldTel had visited SA several months ago, but had been looking for funding from SA

Further talks, however, could prove more fruitful, particularly in breaking the logjam in finding funding for the first 1-million lines of Vision 2000

WorldTel has warned it does not have the cash to push ahead with the R6bn contract and needs an equity partner.

Up to 30% of Telkom is up for grabs; with US bank Goldman Sachs currently evaluating potential partners

Industry sources in London said likely bidders were Deutsche Telekom

Continued on Page 2

## Telkom (267)

B/D 10/6/96

Continued from Page 1

in partnership with France Telecom, US group AT&T, Dutch operator PTT Nederland in partnership with the Swedish Telia group and a consortium including Cable & Wireless, BT or TeleDanmark

The Telkom sale is at the forefront of government's parastatal shake-up

plans, to be discussed in the context of the National Framework Agreement on privatisation next Saturday

Reuter reports that Telkom on Friday dismissed bond market rumours that Deutsche Telekom had taken a 30% stake in the organisation.

But the ministry of posts and telecommunications said officials from government, Telkom and the unions would meet operators in North America, Europe and Asia in the next two months.



# Telkom short lists five companies as partners

By Stuart Rutherford

Durban — Dikgang Moseneke, the chairman of Telkom, said on Friday that his company had short-listed five companies as possible partners for its Vision 2000 project

These companies were Alcatel Altech, Telecoms, AT&T NS-NL, Ericsson, Marples Communi-

cations and Siemens

"Final evaluation of the tenders is going on at the moment and further announcements will be made in this regard," he said.

Moseneke said that without the tie-up Telkom would simply not be able to achieve the aims of Vision 2000, which would take the company into the next millennium

(267) CT(BR) 10/6/96  
The demands this project will place on us are quite staggering. For 5 million additional lines we will have to install 555 000 lines per year," he said

Moseneke also congratulated the Telkom workers involved in the formation of the Communications Workers' Union "I wish the union long life and success," he said

# Hundreds of lives put at risk by syndicates stealing copper

(267)

## Parastatals form united front in bid to thwart cable thieves

12/6/96

**DEREK RODNEY**  
Crime Reporter

**H**undreds of millions of rands are being lost annually to crime syndicates specialising in pilfering copper in various forms from parastatal organisations like Telkom, Spoornet and Eskom, while mining houses are also having to foot hefty bills

Conservative estimates put the actual loss of materials at more than R30-million per annum, although losses in maintenance, added security, wasted work hours and manpower and preventative research will push costs past the R250-million mark this year, industry sources said

Chamber of Mines spokesman Dick Kruger said that although the theft of copper materials from mines amounted to tens of millions of rands annually, the real concern to the chamber was the safety of lives involved

"More than 55% of electricity laid out underground goes towards safety in the form of ventilation, pumping and refrigeration and any power cuts can endanger the lives of hundreds of miners," he said

Thieves, in many cases organised syndicates, steal thousands of metres of cable which is then sold to scrap metal dealers

Gerhard Potgieter, head of investigation services for Goldfields Security operating at Goldfields, Genmin, Anglo-Vaal and Rand. Gold mines, yesterday said authorities could only make a "calculated guess" at the real losses incurred at all the mines and parastatals

Loopholes in current legislation and the difficul-

ty of the organisations in proving ownership of suspected stolen goods recovered by authorities are also a headache to investigators, says Anglo-American Corporation divisional security manager Brigadier (retired) Dirk Lambrechts

"We in the industry are moving towards better identification of our materials but shortcomings in the Second Hand Goods Act which makes it imperative that dealers keep a record of all their goods is making our job extremely difficult as in many cases the dealers are illiterate and can in no way keep any records," he said

Cash-strapped organisations are aiming to pool knowledge and skills with the establishment of a committee, with representatives from the Chamber of Mines, Eskom, Spoornet and Telkom in an attempt to address the problem

Telkom spokesman Gert Schoeman said six regional investigation teams around the country were specially tasked to investigate incidents of copper cable theft which has already amounted to R2,8-million worth of copper cables stolen this year and 553 cases reported in the Witwatersrand region so far this year

"We have intensified our efforts to clamp down on these crime operations which have resulted in shorter lengths of cables being stolen and Telkom is in the process of replacing major routes with fibre-optic lines which contain no copper," Schoeman said

Eskom's senior adviser, corporate investigations, Leon van der Berg said Eskom had made vast inroads by marking their overhead cables

## Theft of copper cable costs Telkom more than R14m

Mduduzi ka Harvey

(267)  
BD 13/6/96

THE theft of copper cables had cost Telkom more than R14m in the past three years, not including the company's loss of income, the delays in regular repairs to services and delays in new installations, spokesman Fanus Bothma said yesterday.

He said there were 579 cable theft incidents in Gauteng in 1994/95, and they had cost the company R4,8m. In 1995/96 the figure had increased to 1 064, with a replacement cost of R7,03m. From January to March this year 420 cable thefts had occurred and had cost the company R2,3m.

Yesterday 5 000 Midrand customers were again without telecommunications services after three attempted thefts on Tuesday.

Bothma said four underground copper cables were damaged and would have to be replaced. Services could take two weeks to be restored. Customers with the 315 and 805 prefixes had been affected.

This is the third incident of major cable theft in the past two months in the Midrand area. At the beginning of the month Telkom discovered that 3 500 customers were without services after cables were removed, and in April 1 700 business customers in the Randjespark area were cut off after a similar theft, Bothma said.

# Postal rates higher, but so are standards, says PO

Star 14/6 196

(267)

By NIKKI WHITFIELD

The SA Post Office, which has faced a barrage of criticism over its poor service standards, yesterday justified its decision to raise postal rates by 16% - from 60c to 70c for one stamp - saying standards had improved dramatically.

It claimed 80% of mail reached its destination in the Witwatersrand within its three-day target time, compared with a dismal 26% last August. It expects the fig-

ure to be 90% next month.

"The Post Office said it would increase tariffs only once service standards had improved," regional general manager Marie McDonald said. "The problem region was the Witwatersrand, which handles 40% of the nation's total mail volume. However, the performance has improved remarkably."

In January, just 6% of people in the region received their mail within 24 hours. At the end of May, the figure had grown to 60%. Around

26% of people were having letters dropped into their postboxes at the end of January within 48 hours. By May, the number had leapt to 72%, McDonald said.

"And in early 1995 we received between 770 and 800 complaints per month. In September and October this had jumped to 1 700. But in May it had dropped to 162."

However, McDonald said there were still problem areas. "We still are not at a 90% delivery rate, al-

though steps are being taken all the time to improve this. In Soweto, where people were previously receiving mail only once or twice a year, they are now getting it every day. And sorting methods are being changed to improve accuracy and speed up delivery.

"Mail violations is another major problem. Last year, we fired 125 people for mail theft and we will continue to dismiss and make criminal charges against people caught violating the mail."

# Radio race nears the finishing line

(267) J(PM) 18/6/96

By Fiona Leney

Johannesburg — After a number of false dawns, tomorrow promises to be the beginning of the end of the great radio sell-off riddle

Radio Highveld, Radio Jacaranda, Radio Algoa, East Coast Radio, Radio Orange and KFM are on the block

Some time tomorrow, the cabinet will inspect the three bidders short-listed by the SABC for each of the stations and vet the choices

They will then be forwarded to the Independent Broadcasting Authority (IBA), which will select a winner for each station and issue a licence.

Bidders were disappointed earlier this month when no details of the successful bidders were released on the day the SABC passed the short list to Jay Naidoo, the posts and telecommunications minister

The short list of bidders should have been revealed two weeks ago, according to SABC sources, but the disclosure was delayed. It may be put off again tomorrow if the cabinet runs out of time to discuss the finalists or disagrees with many of the SABC's choices.

The issues involved in this sale of state assets are representative of the difficulties that await the government in its declared aim of privatisation.

The conflict between commercial good practice and the need to meet the needs of the community, which is at the heart of the privatisation process, has been starkly highlighted by the sale

For a start, the amounts paid for the stations reflect their strategic interest to bidders. No sums have been officially confirmed yet, but if the R285 million widely believed to have been offered by Primedia Broadcasting for Radio Highveld is anything to go by, bidders desperate to buy a station will have to be prepared to pay handsomely

The shares of Primedia, the owner of Radio 702, have risen almost 24 percent to R52,50 since February on expectations of its acquisition of another radio station

Analysts say the broadcaster has found itself between a rock



**WEIGHING UP** Jay Naidoo, the minister of posts and telecommunications

and a hard place

"If its bid fails, it'll hit Primedia's share price hard," said one Johannesburg media analyst. "If it succeeds and the company pays what it is rumoured to have offered, it will be looking to cover that expense and we can therefore anticipate advertising costs to rise significantly"

Commercial factors, such as the cost of raising the money needed for these bids, do not mesh well with the IBA and the government's concerns about a suitable vetting process to ensure real black representation on the new stations

Common wisdom holds that the IBA will consider no bid that does not involve representatives of the previously disadvantaged. New Africa Investments Limited, Thebe, Kagiso and Worldwide

African Investments, four large black consortia, are involved in the bids

But doubts exist over the sort of money these consortia can raise to fund the expensive process of buying into a successful commercial station

Furthermore, lengthy vetting processes do not help business efficiency. The bidders are not happy about how long the process is taking, though few will admit it publicly

Connie Malusi, Naidoo's spokesman, said last week that the minister was prepared to amend IBA legislation to speed up the process of getting the new commercial stations licensed and on air

Naidoo wants the whole process to be settled by the end of next month, whereas the IBA had

originally said it would need six months

The pressure to speed things up is a tacit admission of the industry's longstanding complaint that the IBA has scant understanding of, or sympathy for, bidders' business concerns

Each bidder has had to pay R30 000 to cover the submission of the tender. Much more expense has been incurred preparing the bid and even more will be involved putting up the purchase price.

"Some of the applicants are already having to service loans to put up the money for bids," the analyst said. He also said the uncertainty hanging over the bidding companies was harmful to business

At the end of the day, commercial stations are there to make money. But giving the listeners what they want, and therefore strengthening one's position with advertisers, does not always coincide with the government and the IBA's view of what constitutes politically correct listening

Worse still, successful commercial stations will probably steal listeners from the community stations the IBA was so keen to see succeed

"As commercial stations multiply, they will have to become more specific, more targeted, to succeed. They will encroach on the less successful community stations," said Lyndal Campher, the media director of Hunt Lascaris TBWA, the advertising group

"Community radio will inevitably find it difficult to compete. Apart from anything else, they have a very small signal radius compared to that given to commercial stations, which means they just don't reach as many people."

What is to be done with the money raised by the sales is a more immediate problem. Some observers think the money should belong to the taxpayer, not the SABC

No decision has been made on how it will be used, but Naidoo says it could be used to expand the SABC's infrastructure, reduce state debt, or be put into black economic empowerment

# Cabinet approves draft telecommunications Bill

BD 20/6/96 (267)

Robyn Chalmers

THE telecommunications Bill was approved yesterday by Cabinet, laying the foundation for a telecommunications regulatory authority and a universal service agency to be established early next year.

Post and telecommunications ministry spokesman Connie Molusi said yesterday recent reports that secret changes had been made to the Bill shortly before it had gone to Cabinet for approval were untrue.

"Nothing was done in secret, and any changes made to the draft Bill have been done in full consultation with all the relevant bodies," he said.

The Bill would now go to parliament's telecommunications portfolio committee, where further deliberations, and possibly public hearings, would be held.

The key proposals in the draft Bill included the establishment of a regulatory authority, which would then be merged with the Independent Broadcasting Authority in the medium term.

A universal service agency and a universal service fund would be set up to facilitate broader telecommunications services to disadvantaged groups. The fund would be financed by annual

contributions from license holders.

In addition, all telecommunications services would be opened up to competition over a seven year period — one of the proposals which may have been changed in the draft Bill, to allow Telkom to retain its monopoly.

Molusi said comments were invited on the Bill in early May and although a range of suggestions had been received, no radical changes were likely.

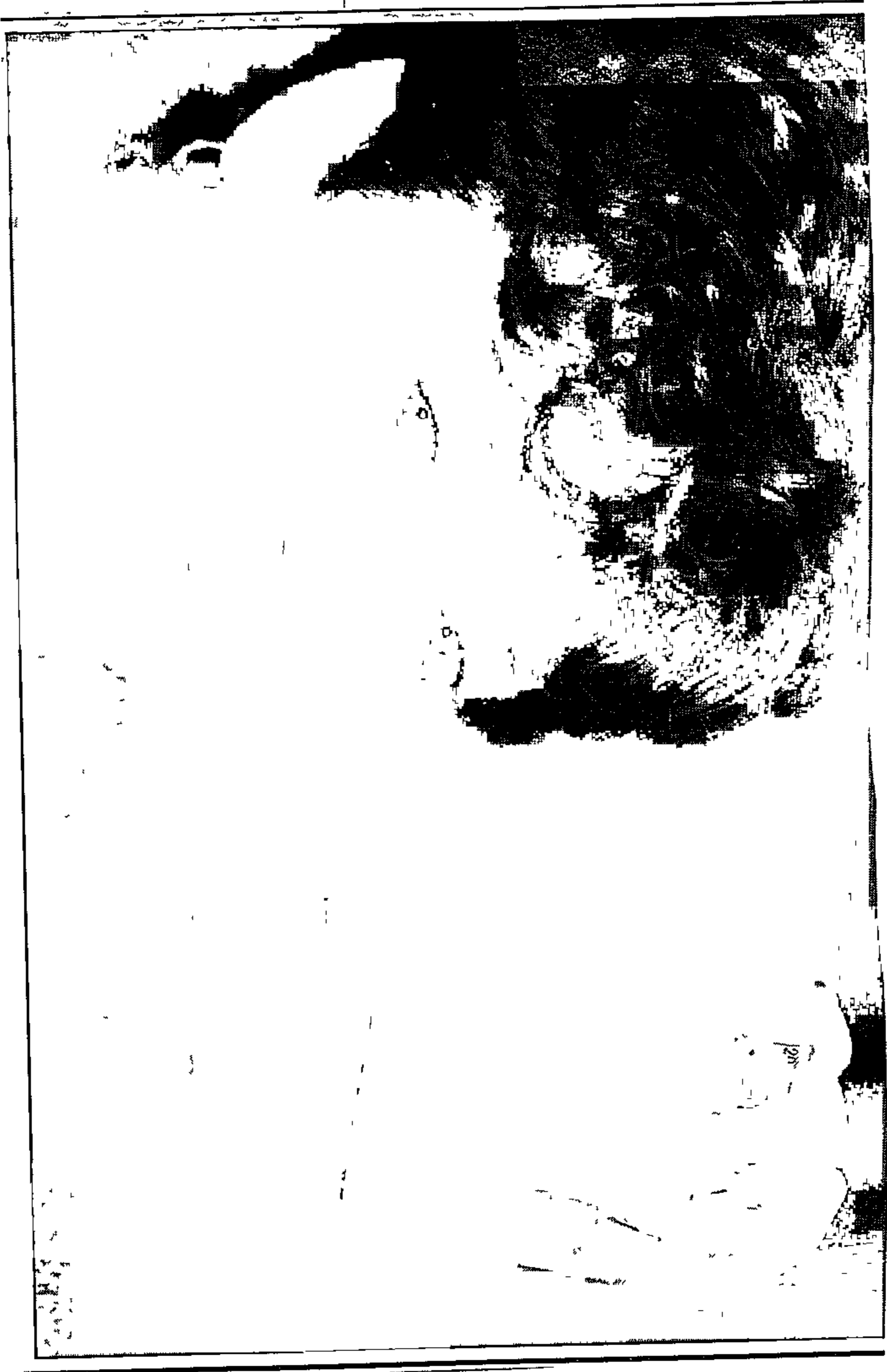
This was mainly because the process had been inclusive of the various players in the industry.

Reuter reports that Posts and Telecommunications Minister Jay Naidoo told a parliamentary portfolio committee yesterday that government was almost ready to begin negotiations on the sale of a stake in Telkom.

Naidoo said extensive preparatory work had been completed and government was now dealing with the process of identifying a potential partner.

Government was expected to sell a 20-30% stake in Telkom.

Telkom has appointed New York-based investment house Goldman Sachs as its adviser in the search for a strategic equity partner and government had also drafted a team from the Development Bank of Southern Africa to help co-ordinate the process.



AK-5  
2/12/96

2107

**WON'T BACK DOWN:** Bev Gradidge is determined to find out why her letter slipped through all the official check-points at the Cape Town Post Office and was delivered to her door, opened, unfranked and with R50 allegedly stolen from it.

# Torn letter: PO asked to explain

ARG 21/6/96

(267)

*Angry woman vows to 'go to the top'*

**ANDREA BOTHA**  
Staff Reporter

A CAPE Town woman has vowed to "go to the top" to uncover alleged corruption and mismanagement in the postal service

This is the latest in a long list of accusations of irregularities in the postal services to be levelled at the Cape Town Post Office this year. But Bev Gradidge is determined to find out what happened to her letter

She was horrified recently when she found that a birthday card sent to her by her mother in Johannesburg had arrived in her post box torn open, unfranked and with R50 stolen out of it

When she went to complain about it, she said the behaviour of officials at Cape Town Post Office was "unacceptable"

She had to wait for some time before the senior administrative officer, Gielie Swarts, saw her

"He didn't apologise," Ms Gradidge said. He offered to take the letter and investigate the matter, but this was not acceptable to her

She was told this was a very unusual event and that none of the normal procedures had been followed

"I was told that the postman, first of all, should never have delivered a letter in that state"

She said Mr Swarts said that

according to procedure, an opened letter should be sealed with a specific kind of tape with a note from the post office to say the letter had been officially sealed

But Ms Gradidge countered "The issue is not getting back the money, but to stop the corruption"

"I am angry. There is a system to prevent this from happening, why has it not been implemented? How many people just keep quiet?"

"Accidents happen, but this letter was deliberately torn," she said

When Mr Swarts was approached by The Argus for comment, he said "I must apologise if she feels she was not treated properly. But the case can only be investigated if we have the letter."

He confirmed correct procedure had not been followed but could not say how the letter could have been delivered in the state it was. He said further investigation was needed

Other allegations of corruption and mismanagement levelled at the Cape Town postal service this year include one in March when Cape Town Post Office suspended two officials and six others voluntarily resigned pending an internal investigation into postal fraud and in-house theft of credit cards

In another incident, thousands of undelivered letters in refuse bags were found partially buried in a hole in Wynberg



# Cabinet backs Naidoo's stance

(267) (2) ST (BT) 23/6/96  
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

By SVEN LUNSCHÉ

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 con-

sider that carefully," he says

The flexibility will also be crucial as South Africa participates in World Trade Organisation 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

# Decision this week on probe into Telkom

ST(BT) 23/6/96

(267) By ZILIA EFRAI

THE Competition Board will decide this week whether to formally investigate claims of unfair competition made by Internet service providers against Telkom.

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 Mathyser, 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

# Telephone line woes cost business dearly

BD 24/6/96 (267)

Ingrid Salgado

**INOPERABLE** telephone lines around Johannesburg have cost business hundreds of thousands of rands in recent months, with several firms threatening to relocate or close shop.

Businesses in Randburg's light industrial area Kya Sands were "fed up" with telephone cuts, said Randburg's Chamber of Commerce. One business lost 11 working days in one month.

The out-of-order Randburg lines were primarily due to theft of copper cables which occurred "day in and day out", the chamber said.

Businesses in Midrand and Johannesburg's East Rand have also been hard hit. Last week 7 000 telephone lines on the East Rand — the majority belonging to businesses — were down as a result of cable being stolen, Telkom area manager Tony Botes said at the weekend.

An irate Spartan businessman said his operation had been without a telephone service since the start of the month, severely hampering its work. "Fortunately we have cellular phones."

Telkom central Gauteng communication head Gert Schoeman said that Telkom had adopted a three-pronged

strategy to combat cable theft. It had formed an alliance with Transnet and Eskom, which also faced theft problems, to try to close scrap markets.

It was also upgrading technology, although this was a costly long-term approach, and it was working closely with communities, giving them responsibility for protecting cable routes.

He urged organised business to find solutions jointly with Telkom.

In Kya Sands, "particularly hard hit" in recent months, Telkom was installing an underground route to curb theft. It was also cracking down on employees who gave syndicates inside information, and it had suspended 10 Gauteng employees in this regard.

Telkom North Rand area manager Peter Davisson said about 20% of telephone lines inoperable on any one day were down due to cable theft. There had been 557 incidents of theft in the Witwatersrand area from January to May, costing Telkom about R2,5m.

Last year cable worth R28m was stolen, R7m from the Witwatersrand. Despite this, regular wear and tear of the telecommunications system was the major cause of lines being down and Telkom had embarked on a proactive maintenance programme.

# Plessey expects an easing

Linda Ensor

CAPE TOWN — Telecommunications and electronics group Plessey Corporation expected earnings growth to slow down this year amid tighter margins, chairman Boetie van Zyl said in the group's annual report

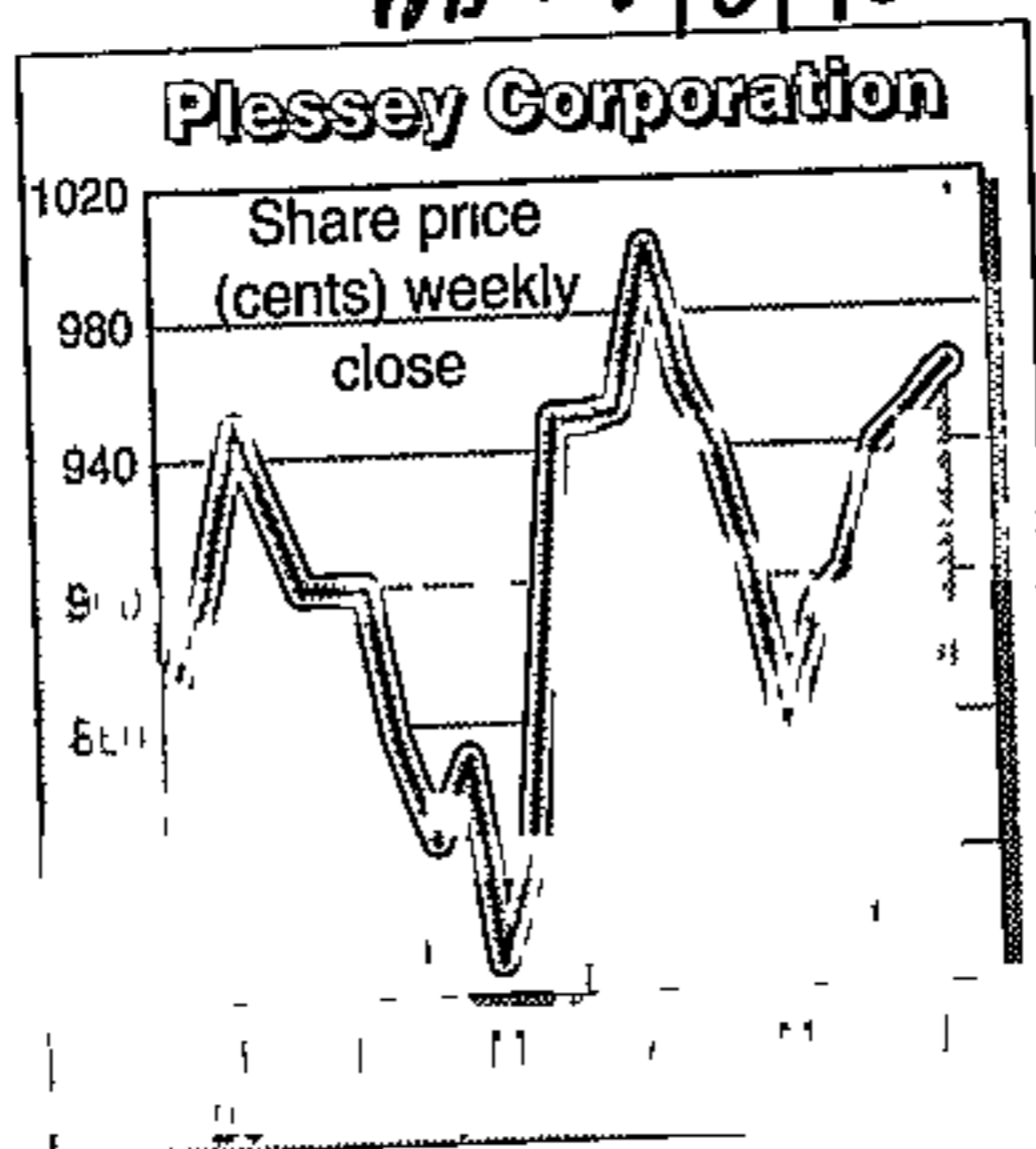
Attributable income rose 35% to R51,3m for the year to March as sales rose 28% to R1bn, although the operating margin fell to 7,5% (8,7%)

Van Zyl said yesterday that the group anticipated a "satisfactory" real growth in earnings

Projections excluded the substantial benefits Plessey would derive from Telkom's 1-Million Line project as the group believed Telkom would take some time to secure a strategic equity partner which would provide the funds for the programme

Plessey is a member of both Marples and Ericsson, two of the five consortiums shortlisted for the R6bn contract

Van Zyl said margins were expected to be eroded by imports and the entry of new competitors into the market



Earnings would also be affected by high interest rates, currency instability and low labour and capital productivity

Future profit growth would be propelled by RDP spending, particularly on telecommunications and electrification, the opening up of the market after Telkom's Supply Agreement ended, and the crime-driven demand for security-related communications systems, Van Zyl said

Van Zyl noted that the shift from manufacturing to value-added services, which last year

contributed 33% to total sales would continue as tariff reductions and the ending of local content preferences made manufacture less profitable

This was part of a long-term survival and growth strategy in a context where multinationals were entering the SA market and investing in products with which Plessey was unable to compete

A shift from costly internal R&D towards reliance on the international technology was also under way and the group envisaged that only 50% of future product sales would flow from its own research with the balance coming from imported products or licensed technology

The group invested R46m in technology development in 1995/96, which was 28% higher than the previous year and would invest R44m in its own research and development this year

Van Zyl said several "blue sky" projects were currently under way, any one of which could add substantially to profit growth

The group closed up 2c at 962c on the JSE yesterday, against a R10,50 high in April



OST South Africans still believe in an information system which will give the government communications of the purely informative and educative variety. As government makes new policies and transformation takes hold the task is to effectively create and disseminate basic information on a wide range of issues which are new to most people.

However, in order to be effectively communicated, the new policies must be understood and supported by the communicators. It is simply not sufficient to treat this as a technical process divorced from the politics driving the transformation. Communications is about being able to get political positions and strategies understood.

The existing structures were created under a system of government which neither needed nor desired to empower the vast majority of South Africans through effective communications. These structures have proved ineffective, not the least because communicators have been too distant from the political and policy-making centre of ministries.

The national communications task group is preparing its report on a relevant government communications policy. In assessing that report, government will have to devise an appropriate communications strategy. Meanwhile it is understandable that the SA communications service as an existing structure cannot stop functioning while the jury is out on its future, and a careful balancing act is necessary.

The new head of the service, Solly Kotane, and his colleagues are in an unenviable position. Government has a responsibility to be in dialogue with the people and it must be empowered to do so effectively. However, Kotane and his colleagues will have to make haste slowly, because to proceed simply within the straitjacket of the current structure of the service may very well mean a perpetuation of the old ineffectiveness in a new guise.

# SA'S COMMUNICATION SERVICE MUST BE CLOSE TO DECISION-MAKERS

CARL NIEHAUS

(267)  
26/6/96

The service is too far away from the engine rooms of transformation to be effective — even if it is headed by new appointees.

The restructuring of a central communications service needs to start with a communications strategy. The structure must follow from that strategy.

From such a communications strategy will have to follow decisions about whether all the branches of the service are truly needed. It is only then that decisions about maintaining or shedding some of these, and possibly contracting some of government's technical communication needs out to the private sector, can be made.

The real political co-ordination and drive for government's communications efforts should come from the politicians who are in charge through their own communications officials. The central communications service must be restructured in an environment of strong politically empowered and combined ministerial-departmental communication structures.

It is tragic communication structures and attitudes in ministries and departments still seldom differ from those of the apartheid era. Sadly, ministers are not equipped to communicate effectively. Spokesmen are lone individuals on the staff of ministers, while in the various departments there are separate communications directorates.



NIEHAUS

In many departments the myth persists of "technical communication", divorced from the politics of the ministers.

This situation is contrary to what is necessary for effective government communications. Democratic government needs unified structures which allow departments to communicate with one voice, and the head of communications should be sufficiently senior and politically close to the minister to be able to participate in policy formulation.

Having the right politics and the right experience is often more important in communicating policy than having formal qualifications. I continue to be astonished that there are still people in the media world who try to hold onto the possibility of a neutral communicator/spokesman.

I suspect that their need for such a mythical figure is born more out of their own lack of skill to discern between communication that is based in and informed by the political decision-making process — and on the other hand crude propaganda.

Good journalists will concede that they can gain much more from a government spokesman who understands the politics and processes that have gone into decision-making, than from someone who is simply a bureaucratic mouthpiece.

Why is it that the communications service in the Federal Republic of Germany, which falls directly under the office of the Chancellor, and is headed by a political appointee is not considered to be simply a crude propaganda instrument?

But when one says in SA government's communication strategy must be steered by the politicians who are in charge, then there are howls of "government propaganda".

It is true that government is not receiving a fair Press. As a consequence, the relations between the ANC components of government and the media are at a low point.

There can be no doubt that the media is still too white and conservative, particularly in senior editorial and management positions, and that ownership structures present similar problems to those across large sectors of a strongly monopolistic economy.

Yet none of this absolves the government from its responsibility to communicate as effectively and efficiently as it can through the established media.

In fact, the opposite is true: the weaker the media, the more important it is to have strong, effective and credible government communications. The better government communications are, the more it will have the right to criticise what the media is doing.

We should anyhow disabuse ourselves of the notion that there will always be peace and harmony between the media and government.

There is usually a somewhat antagonistic relationship between government and the media in a democracy. Support for, and guaranteeing, an independent media is worth infinitely more than slavish support of lapdogs who are not taken seriously by the public.

☐ Niehaus is an ANC MP and party spokesman. This is an edited version of a speech made in the National Assembly.

## Telkom defends new service

Stephané Bothma

BO 28/6/96

(267)

PRETORIA — Telkom has defended its move to introduce a basic network for Internet service providers, denying it was abusing its monopoly position in SA to undercut the rates charged by private networks

Following a complaint by the Internet Service Providers' Association to the Competition Board, Telkom responded yesterday to allegations of unfair competition. Telkom earlier this month launched its SA Internet eXchange (Saix) service which provides the basic network for internet service providers

The association lodged a complaint expressing concern about Saix offering a service directly to end-users, undercutting association members because of Telkom's monopoly of telecommunication lines

"Saix will not be renting access to end-users," Telkom's corporate customer business unit executive product manager, Paulo Froes, said

"Saix will be offered only to internet service providers who want to make use of the network to connect their end-users," Froes said

## Sales boost Telkom earnings to R1,2bn

(267)  
Amanda Vermeulen

20 28/6/96  
TELKOM lifted attributable earnings to R1,2bn (R844,7m) for the year to March amid higher sales and productivity gains.

The parastatal — at the forefront of government's privatisation drive — refused to be drawn on the prospective sale of up to 30% of its equity to a foreign bidder.

However, MD and CEO Brian Clark said Telkom was driving through reorganisation to improve productivity, which remained below international norms, and to ready the group to face intensifying global competition.

It was paying US-owned consultant Gemini about R40m for a two-year consultancy contract intended to reap savings of R150m a year.

Telkom was planning to double new line installation to 300 000 lines this year. The Vision 2000 lines programme, costed at R32bn-R36bn in current terms, could grow from 4-million to 5-million lines by the turn of the decade if

Continued on Page 2

## Telkom (267)

Continued from Page 1

20 28/6/96  
economic growth reached 6% a year.

Clark refused to be drawn on government's decision to scrap the seven-year exclusivity period in new telecommunications legislation. However, he said Post and Telecommunications Minister Jay Naidoo could open the market to competition more quickly if Telkom failed to deliver on its targets.

Share earnings rose to 31c from 21,7c and the dividend for the year was 7,7c (5,8c). Revenue increased to R13,3bn (R10,9bn), with operating profit up at R3bn (R2,6bn). Pre-tax profit was R1,6bn (R1,3bn). A lower effective tax rate of 23,2% (32,1%) left attributable profit at R1,2bn.

Revenue per employee rose 28% to

R231 766, while operating profit rose 20% per employee to R52 862.

Telkom would outsource many contracts to increase its line capacity, with about 75% of infrastructure development eventually handled by independent contractors.

The parastatal has been attempting to hive off non-core activities since last year — a move which could affect about 30% of its 56 000 employees.

Government has appointed US merchant bank Goldman Sachs to help Telkom find a suitable equity partner. Clark said the telecommunications department would soon appoint an adviser to help with the sale.

Naidoo, Clark and Telkom chairman Dikgang Moseneke leave on a 14-day trip tomorrow to meet a host of foreign telecommunications companies.

Comment: Page 12

# Naidoo denies extending monopoly in draft bill

(217) ET (PR) 28/6/96

By Nancy Myburgh

MARKETS CORRESPONDENT

Johannesburg — Jay Naidoo, the posts and telecommunications minister, had not indefinitely extended Telkom's monopoly over telecommunications in the draft Telecommunications Bill before handing it to the cabinet last week, Conne Molusi, his spokesman, said yesterday.

Molusi said that the monopoly

period was removed from the legislation. "But removing it from the legislation is not extending the monopoly. It's not the same thing."

He said that the length of the monopoly period would be specified in the licensing agreement with a new telecommunications producer. Telkom, was looking for a strategic equity partner, and a deal is expected by early next year.

The monopoly period was likely to remain five years, said Dupree

Vilakazi, the chairman of the Eminent Persons' Group, the ministry's advisory body chosen last year from telecommunications industry and labour leaders.

Naidoo sparked a furor of criticism in the media last week when he amended the draft bill before it went to the cabinet.

It had been negotiated over the past two years with industry leaders and included a five-year limit on Telkom's monopoly.

Critics alleged that Naidoo scrapped the limit to the monopoly. They also alleged that he did so secretly, in conflict with the government's policy of transparency.

Naidoo denied the allegations. He said it was within his mandate as a government minister to amend draft bills. It was in line with world telecommunications policy not to stipulate the length of monopoly rights in legislation, but to negotiate it in the licensing process.





JAY'S MAN: Brian Clarke, MD of Telkom, backs a slower deregulation

Picture: JULANI VAN DER WESTHUIZEN

# New twist in Telkom's saga

ST(BT) 30/6/96 (267)

By SVEN LUNSCHÉ

TELKOM's period of exclusivity could be reintroduced when the parastatal applies for a licence under new telecommunications regulations, Posts and Telecommunications Minister Jay Naidoo said on Friday.

This is the latest twist in the saga that has engulfed Mr Naidoo since he unilaterally made changes to the draft telecommunications Bill earlier this month.

The draft Bill proposes the establishment of a SA Telecommunications Regulatory Authority (Satra) which will license all industry participants, including Telkom.

Mr Naidoo indicated that Satra would also review the licensing conditions for the two cellular phone companies, MTN and Vodacom, in order to accommodate a third cellphone operator.

The draft telecoms Bill, adopted by Cabinet two weeks ago, re-

moves the timetable for deregulating the industry, currently controlled by Telkom.

Instead Mr Naidoo can now use the so-called period of exclusivity as a "sweetener" in negotiations about Telkom's partial privatisation. He is hoping that potential investors in Telkom will pay more if its exclusivity is extended.

Telkom managing director Brian Clarke, not surprisingly, backs the government in its approach. "We are expecting our future partner to make a huge investment in the country. We have to offer substantial returns to make it profitable."

Mr Naidoo and senior Telkom executives left for Europe and the US last night to meet potential equity partners such as Deutsche Telekom, AT & T, France Tele-

com and British Telecom.

Mr Naidoo wants the Telkom deal concluded by the end of this year. Since Satra will be launched only next year, Telkom's licensing could turn out to be a formality.

On Friday Mr Naidoo said he was not backing away from the deregulation of the market and that competition would be introduced over time. "We just don't want our hands tied by a rigid timetable," he said.

His approach was backed by a team of World Bank experts in the country to advise Mr Naidoo on deregulation.

The Eminent Persons Group of industry representatives, appointed by the department to ensure that the draft Bill reflects the goal of the Telecoms White Paper, has also backed Mr Naidoo.

However, Willie Currie, an adviser to Mr Naidoo, resigned in protest this week. Mr Currie head-

ed the National Telecoms Forum which drew up the White Paper after almost two years of consultation with industry players.

Telkom's period of exclusivity has also come under fire from a number of global telecoms operators. British Telecom this week suggested that the government should deregulate the market while at the same time privatising Telkom.

"It was only through competition that we improved the quality of telecoms services in Britain. British Telecom is bigger and more profitable than it was as a public monopoly," says Peter Archer, director for Middle East and Africa. He warned that a six-year period of exclusivity was too long. "We will explore other markets. After six years South Africa could find that most international telecoms operators have lost interest in this country."

## R4bn will pay for 300 000 lines

By SVEN LUNSCHÉ

TELKOM has outlined a R4-billion investment programme for the 1996-97 financial year to instal almost 300 000 new telephone lines.

In 1995-96 Telkom fell short of delivery targets as the country-wide floods restricted the number of new lines to 143 000.

Presenting the parastatal's results, managing director Brian Clarke said an increase on the 300 000 level would be possible only once new funds were received from a strategic equity partner.

The R4-billion would largely be financed from internal funds, freed-up reserves and cash flow, Mr Clarke said. Sales of assets would raise R500-million, mostly

properties, while capital markets would be tapped for a similar amount.

Telkom has to perform a difficult balancing act. With R8,7-billion debt it has to meet yearly interest payments of about R1-billion while also financing network expansion.

In the 1995-96 financial year gearing was cut to 140% from 160%. "However, our debt levels are not likely to come down significantly over the next three years while we substantially expand the network," said Mr

Clarke. He expected funds from the privatisation to start flowing next year. About R6-billion would be raised from a sale of 25-30% of Telkom equity, "which will be used to recapitalise the company and finance Vision 2000".

Under Telkom's Vision 2000 project, three million new telephone lines will be laid and one million lines replaced, mostly in impoverished rural and urban areas. The programme, which will take four to five years to complete, is dependent on the funds received from privatisation.

In 1995-96 Telkom's revenue rose by 27% to R13,33-billion (1994-95 R10,85-billion). Mr Clarke said

growth came mainly from the cellphone market, through its 50% stake in Vodacom, and higher international traffic volumes. Income from domestic calls was up by about 20%.

Attributable profits rose by 64% to R1,21-billion (R845-million) as a result of a lower effective tax rate. Telkom paid R934-million to the government in the form of dividends and taxes.

Mr Clarke said losses totalling R463-million from fraud, bad debts and theft were the group's biggest headaches. Bad debts amounted to R450-million, in line with Eskom's experience of non-payment.

# Naidoo leads delegation to sell stake in Telkom

CT (Be) 1/7/96 (267)

By Roy Cokayne

Pretoria — A delegation led by Jay Naidoo, the posts, telecommunications and broadcasting minister, went overseas this weekend to sell a strategic equity stake in Telkom, but the exact ports of call are being kept secret.

The sale could be concluded by the end of this year, said Angus Band, Telkom's financial director.

He said the delegation would visit "various countries and telecommunication successes".

The delegation included Dikgang Moseneke, the chairman of Telkom, and representatives of labour and the ministry.

Last month, Connie Malusi, a spokesman for the ministry, said the delegation would meet most of the bigger telecommunication operators from Europe, North America and Asia within the next month or two.

"Telkom is co-operating where necessary and where required. But

(the ministry has) the final say because they are the shareholder," Band said.

He would not place a value on any possible deal. Analysts have estimated that a 30 percent stake in Telkom could be worth about R10 billion.

But Band said the value of any deal depended on Telkom's exclusivity period, what obligations were imposed on the company in regard to the roll-out of telephone services and how much equity in the company would be acquired.

"We need certainty on these issues before we can arrive at a value. To value Telkom on past performance is not appropriate."

Band said Naidoo had added a new clause to the telecommunications draft bill allowing for the exclusivity period to be extended because he felt the exclusivity might represent value to investors. He said it was unlikely to be extended beyond the six years envisaged in the original White Paper.

# Telkom set to merge

*Sowetan 2/7/96  
(267)*

**By Josias Charle**

TELKOM is planning to enter into a strategic partnership with another telecommunications operator in order to ensure further growth and technological advancement

This was disclosed by the chairman of Telkom Dikgang Moseneke when he announced the company's annual results last week

The Government as the sole shareholder in the company will have the final say Moseneke said it would be in the interest of all South Africans if Telkom was to go that way

In addition, Telkom needed to sell some equity in order to raise capital

This year the company reported that the earnings attributable to shareholders increased from 43 percent to R1,2 billion

Moseneke said affirmative action and delivering in line with the RDP requirements were some of his company's top priorities

Telkom's chief executive Brian Clark said that in terms of the company's Vision 2000 plan, there was capacity to build three million new lines and restore about one million others

This would enhance the objective of bringing modern communication systems to all

# Naidoo caught in Telkom controversy

Stefans Brümmer

**J**AY NAIDOO is embroiled in his first major controversy as post-telecommunications and broadcasting minister after he made "secret" eleventh-hour changes to the Telecommunications Bill accepted by Cabinet last week. Stakeholders accuse him of renegeing on consensus painstakingly built over more than a year by his predecessor, Pallo Jordan.

The version of the Bill accepted by Cabinet differs significantly from the Telecommunications White Paper — the pinnacle of Jordan's two-year incumbency — which was approved by Cabinet in March.

The *Mail & Guardian* has learnt that Willie Currie, the adviser Naidoo inherited from Jordan and who drove the wide-ranging Green Paper and White Paper policy consultations, resigned in protest this week. Key pillars of Jordan's policy, now overturned, included a phased end to Telkom's monopoly status and guarantees of an independent telecommunications watchdog.

Said a senior official involved in

telecommunications policy formulation "There had been an extensive consultative process, but at the last

minute the minister makes changes back to the sector and said, 'I'm not happy' — instead of saying, when he first came in, that the minister has changed, not the policy."

A telecommunications industry member who was involved in the White Paper formulation said industry stakeholders — with the exception of Telkom, which now appears to have an indefinite reprieve as monopoly operator — were "furious".

And he warned that because Naidoo's rewrite brought the proposed industry-wide South African Telecommunications Regulatory Authority (Satra) under the control of his own ministry, which also governs Telkom, there would be a "serious conflict of interest". This could scare off international investors.

The National Telecommunications Forum (NTF), the industry stakeholders' body formed in 1993 with representatives from the government, business, labour and civil society, and the main vehicle for Jordan's consultative

process, was to meet Naidoo on Thursday to "ask for an explanation".

Ironically, the NTF had been the brainchild of Andile Ncaba, then a member of the ANC Department of Information Systems and now post-master general Ncaba, who backs Naidoo's changes, earlier said about the NTF "One of our objectives was to create an investor-confident environment where policies could be addressed in the open, unlike during the apartheid years."

**T**o add to Naidoo's troubles the five-person Eminent Persons' Group — appointed by Jordan last December to resolve differences between stakeholders in the drafting of the White Paper — last Friday said in a memo to Naidoo it would not certify the new Bill as consistent with the White Paper, another of its duties.

But group member Dupree Vilakazi said yesterday the memo had been withdrawn on Tuesday after the final version of the Bill — which previously it could not obtain — was handed to it. "By Tuesday we were in full support of what hap-

pened in Cabinet."

A central motive for Naidoo's rewrite relates to government's stated intention to privatise — a road Telkom appears to have travelled further than any other state utility, with players like Deutsche Telekom, France Telecom and the United States AT&T seriously eyeing the minority stake, worth as much as R10-billion, government wants to sell.

Naidoo seems to want to squeeze maximum value out of such a deal. The longer Telkom's guaranteed monopoly is perpetuated, the greater is the value of the stake bought by the equity partner. Naidoo this week acknowledged the change could be seen as a "sweetener" to attract buyers.

But an industry source criticised this as "narrow minded", saying that international experience has shown increased competition can only increase the strength of the former monopoly operator. Mexico's Telmex, which was privatised in 1990 when it was twice the size of Telkom, has since grown to six times Telkom's size.

Jordan's White Paper proposed that Telkom's monopoly be main-

tained for five years while it meets Reconstruction and Development Programme objectives to supply lines to under-served communities, followed by two years of phased market liberalisation.

But Naidoo's Bill omits the time-frame altogether, leaving liberalisation at the sole discretion of his ministry. Vilakazi said "You need a minister with teeth, not a minister who is toothless."

The rationale behind the loss of Satra's independence is less clear, but the official involved in policy formulation claimed it represented "some state of drift, of asserting more and more state power."

Naidoo's clipping of the comparable Independent Broadcasting Authority's wings after he took office — he appropriated its policy-making powers for his ministry — seems to have informed his approach to Satra.

Government appears to have been stung by criticism over the IBA's slow pace of work, and Naidoo may have felt a repeat of that experience could be avoided by placing the telecommunications regulatory function under his ministry. But this fails to address concerns about a conflict of interest where the same ministry controls Telkom and the body that has to regulate Telkom alongside other industry players.

MTG 28/6/96-4/7/96 (267)

# Cable thieves cost Telkom R29 million

(267) Sowetan 4/7/96  
Communities urged to take ownership  
to ensure smooth telephone operation

By Josias Charle

**S**OUTH AFRICA'S telecommunications giant, Telkom, has suffered a loss of R29 million in cable theft and has now appealed to communities to help stamp out the problem.

According to Telkom chief executive officer Mr Brian Clark the amount was lost in the previous financial year alone.

Clark said 4 195 incidents of cable theft were reported, causing major service disruptions and direct losses amounting to about R29 million.

"Cable theft is hurting communities. It is for that reason that we wish to urge communities to take ownership of these cables by seeing to it that thieves do not get their way, thus disrupting what is normally a smooth running telephone service.

"Community involvement is the only effective way to stop this malady."

Cable thieves normally sell the copper wires at a small fee to metal scrap dealers who melt it down for various uses.

Clark also told *Sowetan* that international fraud targeting Telkom's network

resulted in losses of at least R200 million. In these cases more than 160 people were arrested, 15 of them Telkom employees.

"To combat all fraud related cases affecting the company, a special investigations unit was set up and is being assisted by a 'network fraud action group' whose task is to devise methods to detect and act against network fraud.

"Our own employees were also encouraged to fight against fraud."

Discussing the growing client base of Telkom, he said the company had inherited about 87 000 new customers who were previously served by the TBVC states.

"The telecommunications infrastructure in these areas is generally poor, while telephone penetration is among the lowest in the country."

Clark said the process of integrating the TBVC telecommunications staff into Telkom was a complex affair which involved the transfer of 3 531 operational staff and assets exceeding R230 million.

A number of key issues had to be addressed in the run-up to integration, including the division of staff, functions, assets, liabilities and pension fund membership.

# PROTECTING A MONOPOLY COMPOUNDS THE PROBLEM

AM 5/7/96

(267)

## Competition essential to success

While a 30% sale of Telkom to an overseas telephone company is on the cards later this year, government has no intention of opening the market to fixed-line competitors soon. Its fear of competition could relegate SA to the telecommunications backwater, seriously undermining long-term economic prospects.

Numerous international precedents show that market liberalisation, in conjunction with privatisation, is responsible for accelerating network expansion, improving quality of services and slashing call prices.

Yet the latest draft of the telecoms Bill, adopted by Cabinet two weeks ago, removes the timetable for deregulating the industry. Changed by Posts, Telecommunications & Broadcasting Minister Jay Naidoo, in conjunction with Postmaster-General Andile Ngcaba, the rewritten draft allows government to extend Telkom's fixed-line monopoly indefinitely. It also removes some of the independence of the proposed industry regulator.

While government implies that the phone monopoly will not necessarily be extended beyond the six-year period outlined in the original White Paper, Naidoo has reportedly admitted that guaranteeing a captive market is a "sweetener" for potential investors. He denies that the controversial rewrite was made in secret, but has yet to make the final draft publicly available (see *Infotech*).

Naidoo and Ngcaba's unilateral changes have elicited howls of protest

from parties involved in negotiating the telecoms White Paper. Precursor to the draft Bill, the White Paper was initiated by Naidoo's predecessor Pallo Jordan. It involved extensive consultation between industry stakeholders.



Jay Naidoo

The new Bill removes the independence of the regulator, placing it under the auspices of Naidoo's ministry.

"How can the Minister in charge of Telkom also be in charge of a supposedly independent regulator?" asks a participant in the original consultations. He observes that international investors and investment bankers will not tolerate an environment where the regulator is in government's pocket.

Perhaps most cheated is Willie Currie, the consultant appointed by Jordan to oversee the drafting of the White Paper. He resigned in protest last week.

Naidoo claims the changes were needed so that his hands were not tied in negotiating a partner for Telkom. It may be that he's focusing on getting the unions on board to accept privatisation. "Naidoo is handling one crisis at a time. He will focus on the issue of market liberalisation later," says one industry pundit. But going for a quick sale without having a balanced policy in place could have serious repercussions.

Last week a delegation of government, Telkom and union representatives — believed to include Naidoo, Ngcaba, Telkom MD Brian Clark and the utility's chairman, Dikgang Moseneke — left for secret overseas destinations to sound out potential partners.

While the delegation will presumably punt its monopoly "sweetener," it will no doubt be told that competitive forces are

pushing for open markets around the world. It's the liberalised markets that are showing greatest improvements in service, line penetration and costs.

One need only look to Britain. With more than 150 telecoms operators, including six cellular operators, it's hardly surprising that Britain offers one of the cheapest phone rates in the world.

Over the past decade, British Telecom (BT) has transformed itself from a sluggish State-owned behemoth into a focused and aggressive international competitor. Service has improved, call prices have halved and government makes £1.6bn in annual tax for no investment — more than it made when it owned the utility. While jobs have been reduced from 227 000 to 130 000, this was without industrial action. Many now work for BT's new competitors.

BT Middle East & Africa director Peter Archer says that, while privatisation was important, the phenomenal turnaround is the result of increased competition. "We've sharpened our act."

Telkom should also note that new market entrants have not seriously dented BT's market dominance. Only now are the US cable companies starting to cut into its residential market.

Archer says it's important that the SA government not only privatises Telkom but also deregulates the market. He warns that a six-year exclusivity period is too long. "SA could find that most international telecoms operators have lost interest in this country."

With his sentiments echoed by heads of other telephone giants, Naidoo's sweetener of a monopoly market could seriously backfire in the long term.

The highly liberalised market of New Zealand is also producing real benefits. Minister of Communications Maurice Williamson was recently quoted in the *Financial Times*, saying that telephone deregulation was a factor in New Zealand's strong gross domestic product growth.

Continued on page 23

KWAZULU-NATAL ELECTIONS

# LITTLE COMFORT FOR MAIN CONTESTANTS

The long-awaited, twice-delayed local government elections in KwaZulu-Natal are finally over. The results offer little solace to the main adversaries, the ANC, Inkatha and the NP, though each has sought to find reasons to congratulate itself.

The ANC, after either winning control of, or emerging as the biggest party in, the province's main urban areas, began to celebrate last week before results from Inkatha strongholds in the rural hinterland had come in. ANC jubilation was premature.

Final results showed that the ANC's share of the vote was 33,2%, a negligible increase on the just over 32% which it won in the 1994 provincial election and a disappointing outcome given the number of national leaders, including President Nelson Mandela, who were drafted in to boost the party during the campaign. The results contained another disappointment for the ANC: the absence of a significant breakthrough into the minority white and coloured communities and — of particular importance in KwaZulu-Natal — the Indian polity. The failure was particularly conspicuous because of the ANC's concerted bid to woo voters in these communities.

Even the ANC's triumph in the urban areas has to be qualified. It appears to be due more to an Inkatha blunder — excision of tribal areas from municipal and city boundaries — than successful wooing of new voters.

During the ANC's premature celebrations, Inkatha secretary-general Ziba Jiyane predicted that Inkatha would have the last laugh. Children always celebrate first, he remarked of ANC festivities. The last laugh, however, could not have been satisfying. While Inkatha obtained the largest slice of the vote, 44,5%, its share was markedly smaller than the 50,3% it won in the 1994 provincial election.

As in the ANC's case, there is an additional reason for concern. The results confirm that Inkatha is a rurally based party, dependent in large measure on the support of the *amakhozi* or chiefs. The future, though, does not lie in the rural areas or with the chiefs. Urbanisation is a dominant force in SA and no party can survive unless it can carve a niche for it-

self in the cities and towns.

The same process, combined with modern education and the spread of democracy, is inexorably eroding the power of chiefs. The message between the lines for Inkatha is that it will be tossed aside by historical forces unless it changes radically and rapidly.

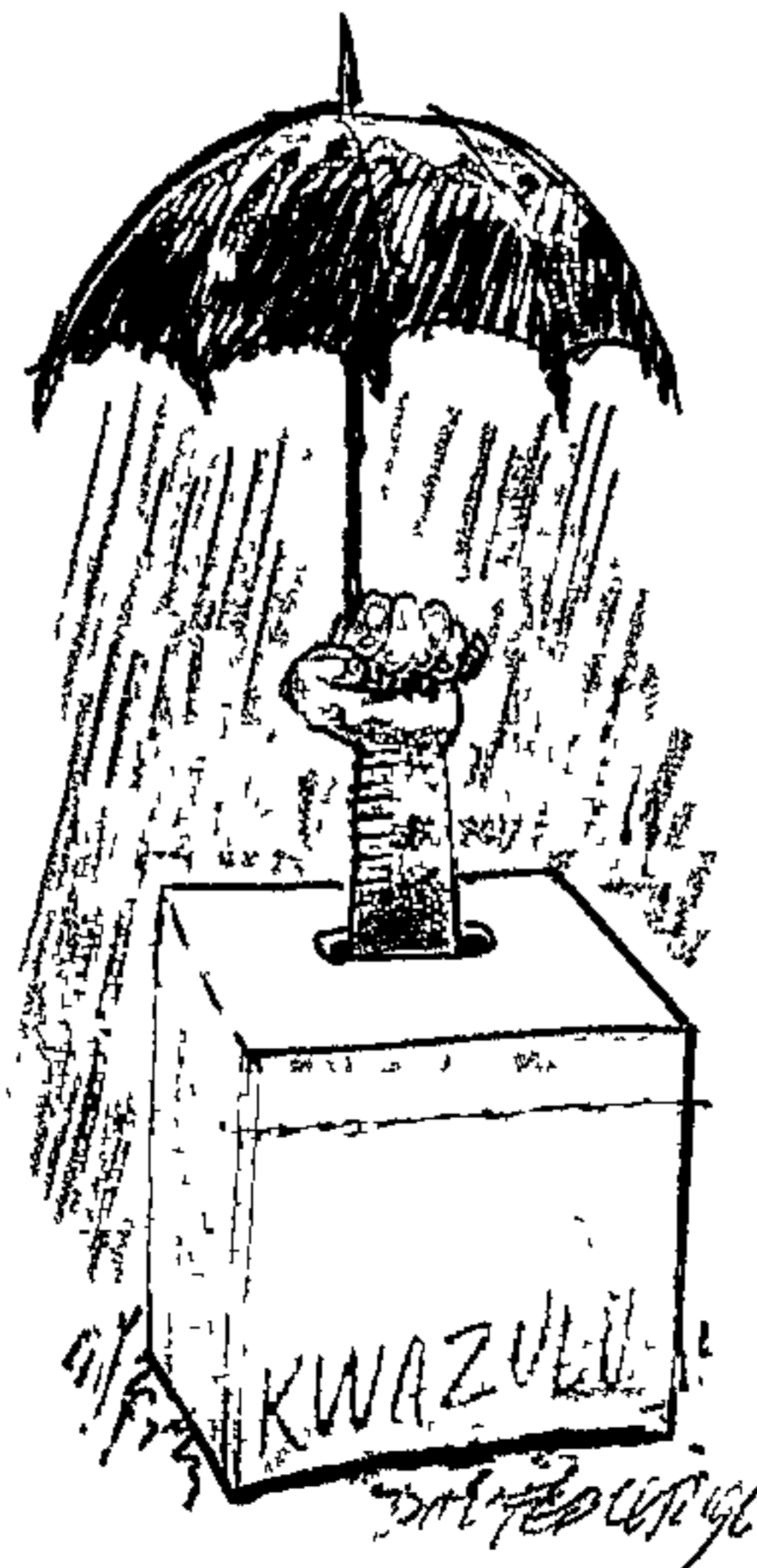
What little white and Indian support Inkatha once had has been shed and gratefully garnered by the NP, the DP and Amichand Rajbansi's Minority Front. If the ANC is overwhelmingly dependent on the black community, Inkatha has been exposed as a party drawing its support from one section of the Zulu people.

The NP, casting about for signs of vindication of its decision to quit the Government of National Unity, has proclaimed that it is thrilled with the results. It thrills easily. Its share of the vote has grown modestly from 11,2% to 12,8%. The refurbished NP has, predictably, failed to establish a bridgehead in the majority black community and, to aggravate matters, has lost Indian votes to the Minority Front.

Even the success of independents — who, together with representatives of ratepayers, constitute a majority in a string of smaller towns — has to be qualified. KwaZulu-Natal DP leader Roger Burrows points out that in many cases local political notables agreed not to contest the elections under party colours. They remain party members, though. Scratch an independent and find a party man, Burrows believes.

Unless leaders of the two main political parties, the ANC and Inkatha, display wisdom and forge links to provide for joint or co-operative governance at local level, the election may exacerbate tensions in the provinces (see page 43). An urban-rural dichotomy, with accompanying tension between traditionalism and modernism, has been imposed on ideological differences delineated in blood.

The one indisputably positive element is that the election was contested without massive violence, raising hopes that future differences will be settled in the political arena rather than on the battlefield. These hopes must be nurtured by leaders of all hues. ■



Continued from page 20

Even developing nations are dismantling State-owned phone monopolies and inviting competition — and badly needed investment

In China, a new competitor was formed in 1994 by the Ministries of Electronics, Railways and Power. China is now laying new lines at a rate of 14,5 m/year — impressive if one considers that Telkom's network totals a mere 3,9m lines. SA is loath to follow the Chinese example. Instead of encouraging potential competitors to invest in and, thereby, expand existing telecoms infrastructure owned by Eskom and Transnet, government may allow Telkom to annex these networks.

"We are focusing on our core business," says Telkom's Clark. He maintains that telecommunications is not Eskom or Transnet's core business.

But this is contrary to international trends. Electricity and railway authorities in New Zealand, the US, Britain, Brazil, the Netherlands and Australia are among many who are actively participating or considering involvement in telecoms.

SA could also learn from the Philippines, where eight new international gateway and mobile operators are slugging it out with the former monopoly for a market that is set to quadruple by the end of the century. This year alone, 3,6m land lines will be installed, increasing telephone penetration to 5,2%.

Of interest is how the private sector is helping the Philippines government fulfil its social objectives. While there's no public subsidy, licensed telephone operators must install 300 000-400 000 lines in underserved areas. If this is not done in three years, their licences are revoked.

The common theme in Asia is the speed and vigour with which each country is getting phones to its people. Asian countries seem more willing than SA to accept the inevitability of competition.

In SA, government and Telkom officials pay lip service to the benefits of market forces. Yet they do not trust that competition will offer the best means of building an efficient and effective communications infrastructure.

Clark says that he "welcomes competition." However, this is as long as it's only competition on peripheral services and not on Telkom's fixed line network. He says Telkom needs a respite from full competition until it has achieved a reasonable line penetration in underserved areas.

But Telkom still lags behind world

standards in productivity. The bloated utility is further burdened by a debt load of R8,7bn on revenues of R13,3bn, making it difficult to speed up its line expansion (see *Infotech*).

Government may want an equity partner to help expand lines into poorer communities. However, this political motive is unlikely to impress overseas investors. "We are not interested in laying out cable to remote, uneconomical areas," says BT's Archer. We want to offer value-added services to the lucrative business market. "BT is not alone in its thinking.

Hopefully, his overseas visit will convince Naidoo and his delegation to reconsider full competition, particularly in the lucrative business sector.

As shown in the Philippines, however, new operators could be obliged to install lines to uneconomical areas as part of their licence agreement. Another option would be to levy a service fund on new operators, which Telkom could use to expand its network into uneconomic areas.

But government fears overseas com-

petitors would "cherry pick" lucrative business, leaving Telkom unable to carry out its RDP commitments.

surreptitiously send voice messages to their branches around the world — are also taking their toll. Telephone calls made over the Internet, which cost the customer the same — regardless of whether they're local or international — will soon make nonsense of the concept of charging for distance.

Other threats will arise from the use of alternate infrastructures, such as cellular, cable and satellite networks. The industry may be driven by forces beyond its control, resulting in increasing the dissonance between policy and reality.

Relentless technological change is also driving down many of the elements in the cost of a telephone call. Already, overseas operators are offering free telephone calls on Mothers' Day and reduced charges for family members who live away from home.

The *Economist* recently predicted the death of high-cost distance calls. It says that a call from London to New York costs virtually the same as a call from one house to the next and that near-zero tariffs are imminent.

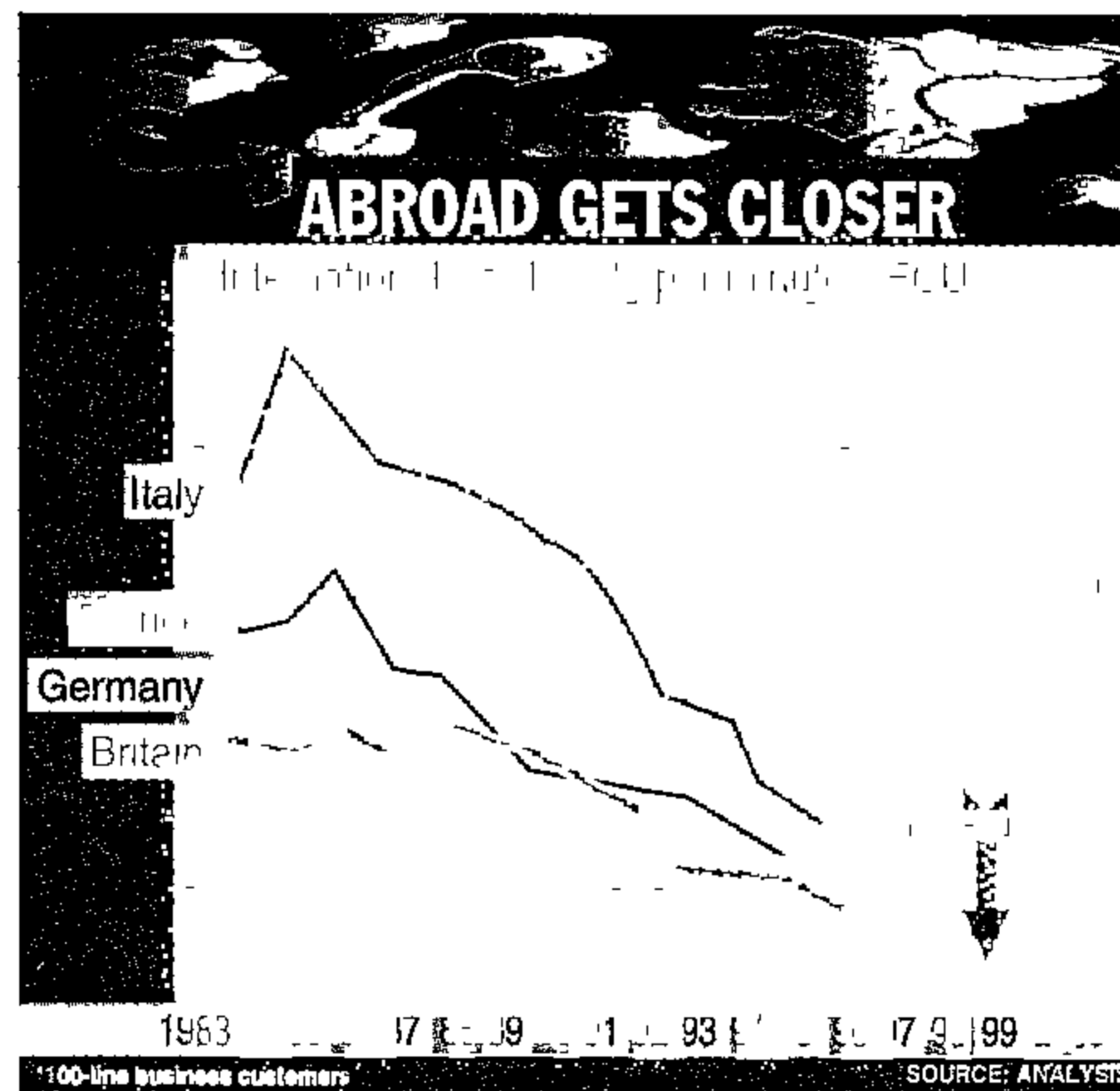
"The death of distance will mean that any activity that relies on a screen or a telephone can be carried out anywhere. Services as diverse as designing an engine, monitoring a security camera, selling insurance or running a secretarial paging service will become as easily exportable as car parts and refrigerators."

Glimpses of this new world are starting to appear. BT bases its telephone enquiry service in Ireland. Swiss Air and British Airways locate their back-

office functions in India.

Multinationals will increasingly locate virtual offices in overseas countries that offer cheaper services and other benefits. If SA wants to be included, it needs to make telecommunications as cheap as possible. But without rapid progress towards a free marketplace, our ability to compete internationally as well as within SA will be damaged.

Whether SA likes it or not, competition is on its way and will become more vicious over time. ■



petitors would "cherry pick" lucrative business, leaving Telkom unable to carry out its RDP commitments.

The issue of protection may prove irrelevant in the long term. New technologies already make it possible to circumvent Telkom's network. The utility is losing potential revenue to "call back" operators which use US carrier companies to make international connections at substantially lower US rates. Reverse billing facilities, the Internet and private data networks — which enable corporates to



# Telkom plans a hi-tech war on copper thieves

(267)

Star 6/7/96

By JACQUI REEVES

Security forces, armed with hi-tech equipment, have been called in to combat copper wire theft which is costing the country millions of rands each year.

The move follows information that well-organised theft syndicates are expanding their operations, supplying work to thousands of desperately poor people, according to Telkom spokesman Gert Schoeman.

"The syndicates use the unemployed to do the stealing. The problem is that South Africa has an inexhaustible supply of unemployed people. Arresting individuals is not going to do as much as tracking down the dealers and closing the market."

Industry investigations have revealed that organised syndicates export the stolen copper in ingot form to buyers largely on the Pacific Rim, where it is used in their local industries.

In an all-out war to stop the thefts, Telkom, Spoornet and Eskom have approached the South African Police Service, the South African Air Force and private security companies in a desperate bid to stop the estimated R100-million loss suffered each year.

Manhole covers giving access to copper telephone cables have

been fitted with alarms and there are also alarms on most of Telkom and Eskom's copper cables.

An activated alarm alerts the air force, which then flies directly to the scene. After-dark calls are made possible with night-sight equipment and ground-to-air radio contact.

The reward offered by the SAPS for information on the copper thefts is to be increased from R8 000 to R100 000, and a national toll-free number should be in place by the end of this month.

Ken Warren, director of legal affairs at the SA Chamber of Business (Sacob), says copper wire theft is costing the country millions of rands, but that bringing the criminals to book is fraught with complications.

"To sustain successful prosecution, you have to be able to say 'this piece of wire belonged to this person', and establish specific ownership - which is very difficult in most cases."

Although Sacob has not conducted specific studies on the impact of the thefts on the economy, Warren believes the potential impact should not be underestimated.

"While businesses trying to operate with their telephone lines down is an important aspect to the problem, the theft

is actually costing the whole country enormous sums of money," he says.

"The problem is pushing the overheads of the affected companies sky high, with added costs in the form of lost revenue, material replacement and overtime pay. These inflated overheads have direct consequences for the economy."

Telkom has had repair teams working 24-hour shifts for the past three months, trying to get on top of the problem, but at times it appears to be fighting a losing battle.

While working on damaged lines in Boksburg this week, more cable was stolen from the same area, resulting in 300 businesses in the industrial area of Waverenberg having their communication lines cut off.

The theft also left Jet Park businesses without lines for the sixth time in a month.

Despite the round-the-clock efforts of the Telkom crews, Telkom spokesman Gert Schoeman says logistical problems make the line delivery appear slow.

"Only two technicians can be down a manhole at one time, while the sheer number of the cables presents another major problem."

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## ◆ Copper theft

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Each cable has 2 400 smaller cables within it, and each main cable comes as a pair. This takes the total number of cables up to 4 800. So, when a cable is cut, technicians have to reconnect the total amount.

Eskom's conductor theft investigations unit revealed that 90% of the material stolen from Eskom found its way to the local scrap market, which had an estimated 1 000 registered scrap dealers.

In an attempt to control the market, Eskom established a national contract with one scrap merchant to buy all non-ferrous scrap generated by Eskom. A communication drive aimed at scrap merchants was also launched, along with posters illustrating Eskom conductors and mounted samples.

Alistair Peterkin, spokesman for the Copper Development Association, says secondary industries are being affected by the problem, but that the blame should not be laid entirely at the scrap dealers' feet.

"Knowingly or unknowingly, secondary industries could be receiving stolen goods. But, by the time it reaches them, it has changed hands so many times it is virtually unrecognisable," he says.

After unsuccessful negotiations with scrap metal dealers, Spoornet has taken a more direct approach to conductor theft, in the form of copper contamination.

Conductors have been tainted with aluminium, a slow and costly procedure that leaves the copper with no intrinsic value once it is melted down.

A Spoornet investigation revealed the illegal sale of copper realised about R6/kg, while the replacement cost was around R45, forcing the company to look for an effective and long-term solution.

### Archaic legislation

Spoornet is currently working with the Council for Scientific and Industrial Research on new methods to taint the much sought-after metal.

While military-style tactics are one way to tackle the growing problem, legislation to better control the second-hand metal industry is also being considered.

The scrap metal industry is controlled by the Second-hand Goods Act of 1955, "an archaic piece of legislation" that Schoeman believes should be reviewed. "Over the years, the act has revealed many loopholes for this rapidly developing industry, so the act needs to be shaped up so that these loopholes can be plugged."

Copper wire theft in northern KwaZulu Natal in the past two years has left large areas without telephonic communication.

Police investigations resulted in several arrests, including one team using a 4x4 vehicle and a winch. After cutting down the telephone poles with a chainsaw, the gang would simply winch up kilometres of wire, often taking less than 30 minutes.

Leon van den Berg, a specialist in Eskom's corporate investigation unit, says the thefts usually occur as close to the market as possible. "Gauteng offers a huge market, so anywhere within a 150km radius of Johannesburg is at risk of copper wire theft," he says.

Figures released by Posts and Telecommunications Minister Jay Naidoo revealed that Telkom suffered a R30-million loss from cable theft in the past financial year. This amount, Schoeman says, refers only to replacement costs and does not include revenue losses and related costs.

# Copper wire thieves get industry in a twist

By JACQUI REEVES  
Own Correspondent

SECURITY forces armed with high-tech equipment have been called in to combat the booming industry of copper wire theft - which costs the country millions of rands each year.

Telkom, Spoornet and Eskom have approached the South African Police Services, the South African Air Force and private security companies in a desperate bid to stop the estimated R100 million loss suffered each year.

Manhole covers giving access to copper telephone cables have been fitted with alarms, which have also been installed on most of Telkom and Eskom's copper cables. An activated alarm alerts the Air Force, which then flies directly to the scene. After dark calls are made possible with "night sight" equipment and ground-to-air radio contact.

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Telkom repair teams, working 24-hour shifts for the last three months to get on top of the problem, at times appeared to have been fighting a losing battle.

While working on damaged lines in Boksburg this week more cable was stolen from the same area, this time resulting in 300 businesses in the industrial area of Wannenberg being cut off. The theft also left Jet Park businesses without lines for the sixth time this month.

In spite of the round-the-clock efforts of the Telkom crews, a spokesman said logistical problems made the line delivery appear slow. "Only two technicians can be down a manhole at a time, while

■ Copper wire theft is big business. Now Telkom, Spoornet and Eskom have declared all-out war on an industry haemorrhaging the country's economy to the tune of millions of rands.

the sheer number of the cables presents another major problem," said Telkom spokesman Gert Schoeman.

He added that well organised syndicates were expanding their operations, supplying work to thousands of people. "The syndicates use the unemployed to do the stealing and the problem is that South Africa has an inexhaustible supply of unemployed people," he said. "Arresting individuals is not going to do as much as tracking down the dealers and closing the market."

Ken Warren, director of legal affairs at the South African Chamber of Commerce (Sacob), said copper wire theft was costing the country millions of rands, but that bringing the criminals to book was fraught with complications.

"To sustain successful prosecution, you have to be able to say 'This piece of wire belonged to this person', and establish specific ownership - which is very difficult in most cases."

Although Sacob has not yet done specific studies on the impact of the thefts on the South African economy, Mr Warren said he believed the potential impact should not be underestimated. "While businesses trying to operate with their phone lines down is an important aspect of the problem, the theft is actually costing the whole country enormous sums of money," he said.

"The problem is pushing the overheads of the affected companies sky high, with added costs in the form of lost revenue, material replacement and overtime pay. These inflated overheads have direct consequences for the economy." Industry investigations have shown

that organised syndicates are exporting the stolen copper in ingot form, mostly to buyers on the Pacific Rim, where it is used in local industries.

Eskom's conductor theft investigations unit said 90 percent of the material stolen from Eskom finds its way to the local scrap market, which has approximately 1 000 registered scrap dealers.

In an attempt to control the market, Eskom drew up a contract with a scrap merchant to buy back all its non-ferrous scrap. A communitisation drive aimed at scrap merchants was also launched, along with a poster campaign with illustrations of Eskom conductors and mounted samples.

Alstair Peterkin, spokesman for the Copper Development Association, said secondary industries were affected by the problem, but that the blame should not be laid entirely at the feet of scrap dealers.

"Knowingly or unknowingly, secondary industries could be receiving stolen goods, but by the time it reaches them, it has changed hands so many times and is left virtually unrecognisable," he said. After unsuccessful negotiations with scrap metal dealers, Spoornet took a more direct approach to their conductor theft in the form of copper contamination.

Conductors were tainted with aluminium, a slow and costly procedure leaving the copper with no intrinsic value once melted down.

A Spoornet investigation showed that the illegal sale of copper realised about R6 per kilogram, while the replacement cost was around R45.

Spoornet said it was working with the Council for Scientific and Industrial Research on new methods to taint the sought after metal. While military-style tactics are one way to tackle the problem, legislation to control the second-hand metal industry more effectively is also being considered.

The industry is controlled by the Second-hand Goods Act of 1955, an archaic piece of legislation that Mr Schoeman said he believed should be reviewed.

"Over the years the Act has revealed many loopholes for this rapidly developing industry, so the Act needs to be shaped up so that these loopholes can be plugged," he said.

Copper wire thefts in northern KwaZulu-Natal in the last two years have left large areas without telephonic communication.

Police investigations resulted in several arrests, including one team using a 4x4 vehicle and a winch.

Telephone poles were cut down with a chain saw and kilometres of wire winched up, police said. The whole operation often took less than 30 minutes.

Leon van den Berg, a specialist in Eskom's corporate investigation unit, said the thefts usually occurred as close to the market as possible.

"Gauteng offers a huge market, so anywhere within a 150km radius of Johannesburg is at risk of copper wire theft," he said.

Figures released by Post and Telecommunication Minister Jay Naidoo earlier this month reported a R30-million loss suffered by Telkom in the last financial year.

But Mr Schoeman said this amount only referred to replacement costs and did not include revenue losses.

(267) ARK 6/7/96

# Competition on hold

Telkom needs a few monopoly years if it is to benefit us all, argues  
Posts, Telecommunications and Broadcasting Minister JAY NAIDOO

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

ST 7/7/96

(267)

S. D.

## European deregulation a boon for Telkom

(267)  
Melanie Sergeant

MD 8/7/96

MUNICH — Telkom's search for a foreign equity partner would be aided by the fact that European companies were looking for new markets in the face of the liberalisation of their own market from January 1 1998

New alliances are being formed, and cost-cutting and greater efficiencies are being introduced to counter the fast fall in revenues which European companies have traditionally enjoyed from international traffic

Telecommunications and Broadcasting Minister Jay Naidoo, telecommunications regulator Andile Ngcaba, Telkom chairman Dikgang Moseneke, MD Brian Clarke and senior union officials are visiting companies which have shown an interest in taking a stake in Telkom

Changes in the European telecommunications market are driven by a European Community decision that from 1998 all voice services in Europe will be liberalised. Strategic alliances are being formed between companies in different European markets

One of the latest deals includes the formation of a consortium linking privatised Dutch telecommunications company Koninklijke PTT Nederland with Sweden's Telia. This has been chosen as the strategic partner for a 35% stake in Telecom Eireann, Ireland's state-owned telecommunications company

# Monopoly-minded Jay has better options

GERRIE VAN ZYL

(267) ed 8/9/96

GOVERNMENT mistakenly believes a telecommunications monopoly is the only way to obtain the subsidies needed to establish telephone services for the poor. Telecommunications Minister Jay Naidoo, who announced last week that the Telkom monopoly is to remain in place, does not realise there are better ways to achieve his goals.

Telkom's monopoly in many areas of telecommunications will, besides hurting consumers and stifling growth, delay SA's entry into the information age and cause the country to miss a golden opportunity for black empowerment.

Government recognises, correctly, that high levels of subsidisation will be needed to finance much of the service expansion plans, particularly in rural areas. Hence its preference for a partially state-owned telecoms monopoly, which could fund subsidies out of higher rates it would charge for other services.

What it means, though, is that competition is eliminated from all telecommunications services other than cellular telephony.

But competition is what ignited, and continues to drive, the revolution in communications and information. Competition begets innovation and efficiency, and these beget new, ever cheaper services. Consider the following since

1984, competing AT&T has cut long-distance rates by 75%, monopolist Telkom, with access to the same technology, managed only a 25% cut. This matters in a country that is thousands of miles from its main markets and from world technological and financial centres.

Competition also explains why the telecoms revolution is being driven from the free-for-all US and Britain, and why continental Europe and Japan, who chose to accommodate their monopolies, are lagging behind.

Monopolies are different, because the monopolist, like Oscar Wilde, can resist anything but temptation. With an obliging government there are many.

The first temptation is to charge monopoly prices, effecting a neat transfer from consumers to the monopolist. If the monopoly investor is foreign, that money goes straight into foreign pockets (which is why extending the monopoly is indeed sweet for foreign buyers).

The second temptation is even more harmful because innovations tend to undermine existing services, any monopolist worth his salt will shy away from investing in new services that might cannibalise existing business.

Tardy investment in new services matters enormously in the

area Bill Gates says is the central constraint to reaping full benefits of the information revolution — "bandwidth bottlenecks."

Think of bandwidth as the width of the channel through which information must flow to get to the user. Bringing the information age to SA through Telkom's creaky infrastructure is like trying to force the Amazon through a straw.

For those whose survival in the global marketplace depends on getting lots of information quickly, this is frustrating, and can be fatal. But for those who own the straw, it can be very, very profitable.

Government planners will retort that regulatory oversight will curb the worst monopolistic excesses and enforce a focus on new services. They are likely to be disappointed on both scores.

Regulation is never as effective as competition in keeping prices down. This is due to what economists call information asymmetry: the operator will always know just that crucial bit more than the regulator about his business. Being like Mr Wilde, the operator will use that to protect its profits. And regulation is no help at all in forcing the monopolist to invest in

new services that undermine existing profits.

Correctly structured, a competitive industry will also outperform the monopolist in the push to extend services to those who cannot afford market rates. In government thinking, a monopoly is the only way to raise the subsidies required, and to ensure these are used to expand access. As for the inevitable widespread inefficiencies, well, that is the price that society needs to pay.

There is, in fact a better alternative: a similar, improved, subsidy is possible within a system that allows for competition.

This is how it works. A simple levy can be raised on all forms of telecommunications usage in the country. The levy finances an "expanded access fund" used to subsidise the laying of telephone lines to poor areas.

Note the benefits. The subsidy is now open and transparent, rather than unquantified, unlegislated and opaque. The country now has the incalculable benefits of a competitive telecommunications sector. The biggest surprise of all because more telecommunications services are used, an equal level of subsidy generates far more funds for expanding access than under a monopoly. (And, ideally, competitive supply of expansion will make that money go

further still.)

What is more, allowing competitors into the market presents a golden opportunity for black empowerment.

The massive US long-distance company Sprint started life as the Southern Pacific Railroad Information Network. The Transnet telecommunications arm, Transstel, has similar potential for service expansion. With senior black executives already in place, it is ripe for an imaginative deal involving some combination of a foreign partner, black investors, and perhaps a continued government stake.

A privatisation deal based on a long period of monopoly — and even six years is far too long — makes for bad precedent. Prospective purchasers of other state assets will be emboldened to insist on a guaranteed monopoly. And once an agreement is signed, government cannot change it. The only good from government's chosen approach would be a somewhat higher sale price.

One wonders whether government is not being encouraged into the wrong approach by advisers whose fees, based on sale price, would be nicely plumped up by the monopoly premium.

□ Van Zyl is a management consultant in Johannesburg.

ROOKS

## PERSONAL VIEW

# Challenge of competition

CT(BR) 11/7/96 (267)

Andile Ngcaba

**I**t 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.

1100

12/7

## SORTING THE MESS

KM 12/7/96

With an operating loss of R500m on turnover of R2bn in the last financial year, Post Office MD Frank Touwen has unveiled a new plan for achieving commercial success. The first step is to phase out cross-subsidisation between postal services and to bring tariffs more into line with its overseas counterparts. The 70c standard charge per letter is roughly half that of SA's major trading partners.

The new-look Post Office (PO) is more customer-friendly, productivity conscious and eager to avoid accusations of abusing its monopoly position.

Signalling a decisive break with the past, the PO agreed to postpone the traditional April tariff increase until the postal service had improved. This follows the disastrous collapse of postal service in Gauteng last year. On-time deliveries dropped to 29% in the province, which handles 40% of all mail in the country.

Independent surveys show that on-time deliveries rebounded to 76% by March this year, while more than 94% of all standard intra-region mail items now arrive on time. There is still room for improvement in inter-region mail between the major cities, where nearly 20% of mail items arrive later than the standard four days. Some 10% of mail items between smaller towns and cities arrive later than the standard five days.



**Frank Touwen**

Two critical issues facing the PO are tariff levels and crime. Benchmarked against international postal services, 73% of the PO's income goes on staff costs, nearly double that of many overseas operators but its productivity is not out of line with overseas postal services.

"The problem is that our tariffs are too low," says Touwen, who warns of a "substantial" tariff increase in April 1997.

The PO is kneaded by the twin pressures of delivering an affordable, commercially driven service while extending noncommercial services to rural areas. One possibility is for the State to assume responsibility for these noncommercial services, so ending the traditional cross-subsidisation between commercial and noncommercial activities.

The PO has also declared war on mail crime. A disturbingly large volume of cash, cheques and valuables are stolen by crime syndicates sometimes involving Post Office staff.

Touwen says new hi-tech surveillance systems are being deployed, while internal intelligence operatives are being used to stamp out mail crime.

"Mail crime is part of the general crime wave sweeping the country," says Touwen. "The integrity of the mail system depends on our ability to stamp it out." ■



# A phone for everyone

**T**HERE HAS been much debate recently on the restructuring of state assets, particularly the telecommunications sector. One view, reflecting the position of vested interests of the past, portrays the Government as opposed to competition and thus denying people access to telephone services.

On the contrary, the restructuring of the telecommunications sector is aimed at implementing the Reconstruction and Development Programme by building a network to supply four million new telephones, and thus doubling the telephone lines in the country over the next five years.

The reality is that the existing four million telephones are concentrated mainly in the rich urban areas. Places like Northern Province have a telephone penetration rate of one for every 100 people and some areas such as Cala in the Eastern Cape have one telephone for every 400 people.

## Concrete programme

The Government's view is that we need a concrete programme to deliver telephones to rural clinics and schools. To achieve this, we need R32 billion, which the Government does not have, and Telkom owes R8,5 billion.

It is for this reason the Government considers seeking an equity investor for Telkom to raise the necessary funds to deliver affordable telephones to our people.

Secondly, we need new technology to deliver telephone services in the rural areas. This new technology should enable us to deliver more than basic telephone services.

We have to link our rural clinics to specialists at hospitals in the urban areas, thereby making use of medical expertise without having to travel hundreds of kilometres for medical treatment.

## Develop skills

We should also be able to link our schools to the Internet and the information available at technikons in order to enable a geography student to see Neil Armstrong, the first man to land on the moon, on a TV screen.

Thirdly, we have to ensure that we develop the skills of our people to enable them to be employed in the core of the business, managing the switching stations and operations rather than be confined to soft jobs.

Fourthly, 60 percent of all telephone calls made in Sub-Saharan Africa are from South Africa. We have the challenge to develop telephone services in Southern Africa that will create new markets for our services and opportunities for our equipment manufacturers.

Developing Government policy in tele-

The Government has specific ideas on the restructuring of Telkom. **Jay Naidoo** explains how it intends to streamline South Africa's telecommunications sector as quickly as possible...



**Minister Jay Naidoo ... the Government must ensure universal and affordable telephone services.**

communications was approached in a consultative way over two years. We cannot continue to talk about theories. We need to act decisively.

A telephone is a basic service that allows you to make a call to save the life of a sick child and call the police when your family is under attack. The Government is committed to a consultative process but we cannot allow consultation to slow down delivery. We must ensure we create jobs when we roll out the network to provide telephones, but also that we meet the basic need for universal and affordable telephones services.

What became very clear during our trip to several countries to meet potential investors, to find out what they can contribute to help us meet our RDP commitments, is that a strategic equity partner is the quickest option.

But the Government is determined to maintain a majority share to drive our public investment programme. The Government has a critical role to play to ensure our people have access to a better quality of services.

Certain individuals are attacking Government for giving Telkom a monopoly period. The experience of telecommunications restructuring around the world is that a period of monopoly is normal.

This is to ensure that

- We prepare the company for competition,
- Extend universal service to all our people, especially in rural areas and townships,

- Bring down the prices of long-distance and international calls, and
- Introduce new services to create jobs and stimulate the economy.

New companies wanting to compete with Telkom are not interested in providing universal service and telephones to our people. They want to concentrate on urban areas and just the rich and the business sector.

The Government is committed to the RDP, and while we must deliver high quality service to business which accounts for 80 percent of Telkom's income, we must also address the needs of our people.

## Network roll-out

The monopoly period will provide the necessary stability during a period of rapid network roll-out. Without this stability, network expansion and delivery of affordable telephones to our people will remain a dream.

We have learnt during a trip to various countries in Europe and America that all over the world telecommunications companies are allowed this period.

Even, today, while Europe and America have high levels of telephone delivery, their governments give these companies a period of monopoly.

In Europe, it was decided in 1994 that competition should be introduced in 1998. Ireland, Portugal, Spain and Greece have been given an extra five years to allow their companies to adjust.

## Blank cheque

Giving Telkom a four to six year monopoly is not a blank cheque. The Government will set targets that Telkom should meet to deliver telephones, particularly to rural areas and townships.

The role of the Government is to ensure public service obligations are met to help us improve the quality of life of our people. We cannot allow white areas to continue having 70 telephones for every 100 people, while in other parts of the country 400 people share only two telephones.

Our mandate as a democratically elected Government is to address the backlog and the distorted provision of services to one sector of the community.

(The writer is the Minister of Posts, Telecommunications and Broadcasting.)

# Exclusivity period needed in telecommunications

(267) BD 16/7/96

THERE has been an interesting debate on our economic options for the telecommunications sector, which I welcome. This debate would have been more interesting if our so-called experts had studied the facts before commenting.

The SA telecommunications market is already open to competition in many areas. The cellular phone industry has two operators, with a third to be licensed in the medium term; there are also more than 17 service providers. The paging sector has 50 service providers.

Approximately six companies deliver Value Added Networks services, with more than 40 different Internet providers competing in the provision of information services.

A long period of consultation between all stakeholders in the drafting of the white paper on telecommunications agreed that Telkom be given a four to six-year period of monopoly only over voice telephony.

We removed reference to this exclusivity period from the legislation because our experience is that this is written into the licence of the operator rather than legislation. This is the case in Hungary, the Czech Republic, Argentina, Spain, Italy, and Hong Kong, to name a few examples. Both the Eminent Persons

Group and the National Telecommunications Forum support this view and if we have committed government to consult them about any future changes when they occur.

The reasons for the exclusivity period are very clear:

- The need to prepare Telkom for competition,
- To rebalance tariffs to reduce the costs of international and long distance calls,
- To deliver a universal service, especially rural telephony; and
- To roll out a network to expand telephone penetration.

Countries, particularly those in Europe and North America, have ensured universal service through an exclusivity period that allowed them to roll out the network to provide telephony to poor or non-profitable areas.

It is interesting to examine a recent telecommunications restructuring in Mexico — which has been hailed as a successful example of liberalisation. In the Mexican case, there was a six-year period of voice telephony monopoly to achieve good telephone penetration.

Some countries which had opened competition immediately have not succeeded in meeting the goal of universal service. For in-



JAY NAIDOO

NAIDOO

stance, in Chile there is a 70% penetration in the major urban centres, particularly in the Santiago area, but dismal availability of telephones in rural and outlying areas.

This is almost akin to the SA situation where you find a 60% to 75% telephone penetration in Gauteng and the Western Cape, compared to 1% in the Transkei and the North-

ern Province. The moral of these comparative studies is that you need a public policy that should ensure some balance in the availability of telephony throughout the country.

In the US, which is often used as an example of a competitive market, there had been a monopoly of regional operators over a period of 100 years to achieve the 94% telephone penetration rate.

Exclusivity will continue for five years in Ireland, Portugal, Spain and Greece, even in the face of a January 1998 liberalisation deadline for the European Union.

In the World Trade Organisation, the April 30 1996 deadline was extended to February next year because there was no agreement on the pace of liberalisation.

The introduction of full competition has to be preceded by an exclusivity period that allows the country to generate revenues to roll out the network, and this is the route that SA will travel.

The critical issue is not whether to introduce competition, but when to move towards full competition.

The crucial aspects in this equation are the timing, the process and the sequence of introducing competition. For us, universal service

means delivering telephone services to our people within a reasonable period at the lowest costs.

What long term investors seek are not short-cut solutions but predictability and certainty in the regulatory and investment environment. After speaking to the biggest telecommunications operators in the world — Bell Atlantic, Southwestern Bell Corporation, Deutsche Telekom, France Telecom, Stet, Telex and PTT and Malaysia Telekom — we are satisfied with their support of our position.

These are among the serious players we are committed to attracting to SA.

Restructuring state assets takes place within the macroeconomic framework, which has set a target of 6% economic growth and the creation of 400 000 new jobs by 2000.

Telecommunications restructuring is fundamental to modernising our economy and ensuring that we become globally competitive.

We believe we have the vision, the strategy and the guts to succeed. We need to shelve parochial vested interests and unite around these national goals.

□ Naidoo is Posts, Telecommunications and Broadcasting Minister.

## LETTERS

Final decision expected by March

# International partners lined up for Telkom

Robyn Chalmers

GOVERNMENT has identified 10 potential international partners to take a 20-30% stake in Telkom, most of them willing to help Telkom lay 3-million new lines by 2000

British Telecom (BT) may have ruled itself out by indicating it is largely interested in the upper, profitable end of the telecommunications sector while previously tipped US group AT&T appears not to be in the running.

Telkom chairman Dikgang Mosenéke said yesterday the Cabinet would approve a short list of two or three potential partners by the end of next month, with a final decision expected by early March

Mosenéke — who was part of a top-level government, labour and business trip abroad — said telecommunications groups in Europe, Eastern Europe, America and Latin America had expressed strong interest in Telkom

The potential partners are France Telecom, Deutsch Telekom, Italy's Stet, BT, Malaysia Telekom, Mexico's Telmex, Hungary's Matav and the US groups Bell Atlantic and the South Western Bell Corporation.

A consortium of European partners called the Unisource Alliance is also in the running, made up of Holland's KNP, Sweden's Telia, Spain's Telefonica and Switzerland's PTT

He said securing a partner was essential for Telkom to obtain access to experience, commercial skills, technology and funding for Vision 2000, with about R35bn required for the rollout

Post, telecommunications and broadcasting director-general Andile Ngcaba said the period during which Telkom could operate exclusively was one of the variables to be presented to possible partners. One of the main lessons learnt during the trip was that an exclusivity period — expected to be between four and six years — was vital to ensure universal service which allowed the rollout to provide telephones to poor or non-profitable areas. This period would also give Telkom time to prepare for competition, to rebalance tariffs which would reduce the cost of international and long-distance calls, and to deliver a universal service especially in rural areas

Ngcaba said the exclusivity period would be written into Telkom's licence along with performance targets, with penalties imposed if necessary

He said the Telecommunications Bill, signalling the move towards a regulatory environment, was expected to be promulgated during September

Reneé Grawitzky reports. Communication Workers' Union president Thalesang Sekaho said no deal had been reached with the ministry on transformation or strategic partners

BD 18/9/96 (267)

# MTN and Vodacom could face criminal charges of price collusion

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 the board'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, and Mulhchoice's Ian Wilkinson and

Cable & Wire's David Foot.

Alan Knott-Craig, Vodacom's chief executive, Rembrandt's Dille 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.



(267)

ET (BR)

22/7/96

# Postal services raise ire of publishers

By Mokgadi Pela

IN the last few years the Post Office has spent millions of rands on improving the postal service in South Africa. However, from personal experience, it does not seem as if much progress has been made.

Several companies posted items to me recently – and to say the parcels took months to reach me is no exaggeration.

● A few months ago Julia Publishers sent me four books by registered priority mail from Cape Town

After complaining repeatedly to former media relations officer Ms Corlette Alves about the delay, she contacted the Johannesburg Post Office for the tracking down number.

She then faxed it to me. After being sent from pillar to post at the post office, I was eventually given my parcel – almost seven weeks later.

● About eight weeks ago, Jonathan Ball & Harper Collins Publishers sent me a book I have still not received it.

This has resulted in an agreement between me and the company's publisher, Ms Therese Herbert, that "any

material due to you will either be hand-delivered or collected by you."

● Four weeks ago, a friend sent me a letter by fast mail from Cape Town. The letter took seven days to reach me instead of the usual "three to four days at the most", as promised. One could go on and on but, clearly, the Post Office must put its house in order before customers lose faith completely.

● In April *Reader's Digest* sent me by the Post Office's Speed Services' courier service a parcel containing 12 tickets and 12 CDs for a Tina Turner competition. I only received the parcel

ship on July 15. Imagine the embarrassment this caused me, especially after promising to run the competition.

Worse still, they made sure that the parcel reached us by fast registered mail.

An incensed *Reader's Digest* representative, Ms Dorina Watts, said "If we had a choice in this country, we would use an alternative mailing system."

However, it's the same with everything, including Telkom's telephone service. Inefficient conglomerates have a monopoly and for years we'll be stuck with them."

Mr Harry Hawks of the Post

Source from 24/7/96 (267)

Office's customer services section said "I have opened an inquiry in your name, care of Soweran, to find out what really led to this unfortunate situation. We obviously want to ensure that this sort of thing does not happen again." Mr Gerard Moshoeshe of Speed Services courier said "We should have notified you telephonically as soon as the parcel landed in Johannesburg but for reasons unknown to me we didn't."

"I'm going to launch an inquiry and we will inform you in due course of the outcome of our investigations."

# Post Office banks on future in the platteland

(267)

MHG

26/7-1/8/96

## Eddie Koch

THE Post Office, the institution which once symbolised bureaucratic incompetence, could be converted into a rural bank which will stimulate a thriving small-farm economy in the countryside.

The lack of banking services in the platteland — along with soaring levels of rural crime — is fast becoming a major block to the government's land reform programme, according to a commission set up to look into financial services in the countryside.

The Department of Land Affairs last year started a pilot land redistribution programme as the first phase of an ambitious policy aiming to redistribute 30% of all arable land before the turn of the century — and to ensure that the new own-

ers use it productively.

But banks have been withdrawing from small rural towns at a rapid rate over the last few years and organisations involved in pilot schemes around the country say the lack of rural credit and basic banking services for a new class of black farmers is fast becoming a major obstacle to effective land reform.

But now the commission established to investigate the ways in which efficient financial services can be supplied to rural areas has come up with the novel idea: the Post Office can be used to remedy the problem by providing basic banking services to small rural businesses.

"Commercial banks have a low level of outreach and service provision especially in poor rural areas, where people have to travel long distances to major towns for banking

facilities," says a report of the commission released last month.

"The transformation of the Post Office is potentially far-reaching. An expanded branch network will provide a vehicle for improved financial services to rural areas, in addition to its responsibility of providing a communication network and postal services. Consideration should also be given to using Post Office savings accounts as a basis for providing emergency credit to poor people."

The report notes that very little of rural peoples' already meagre savings are retained in the rural areas of South Africa and are therefore not available to be invested in low-cost technologies, tools, livestock and other items needed for farms to grow. South Africa has the lowest savings rate

among developing nations.

Another problem is the high level of rural crime. The report notes that small mobile banks or cash pay-out companies which use armoured cars to travel from one town to another have been targeted by organised gangs. The result is that the cash vans, often shadowed by a helicopter, race into town and leave immediately after dispensing their payments. No extra banking services can be offered as a result of this way of operating.

"Many small businesses in rural areas periodically need relatively small amounts of money for operating capital and other purposes. At present the fact that a family member is a pensioner may qualify them for some short-term loans, for example, access to a pension permits a credit line for tractor hire in some rural areas," the report says.

"If the Post Office were to allow savings to qualify for leverage of short-term loans, this could be innovative in extending the modest lines of credit which people need ... The parastatal Post Office system offers the developmental state a very real possibility of using the available national infrastructural base to great advantage, helping to normalise rural life, after the disruption of forced removals."

The commissioner's team — chaired by Helena Dolny, wife of former Housing Minister Joe Slovo — suggests a task group be set up to investigate a range of proposals about how the Post Office can be transformed effectively into a rural development agency.

The report also recommends the Land Bank be restructured so that its current bias in favour of existing commercial farms be shifted into a support role for land-reform programmes and the financial needs of emerging black farmers.

# Telephone pipedream

**PAUL MALHERBE**, chairman of the Telephone Action Group, a body of experts in telecommunications and their funding and administration, assesses the government's white paper on telecommunications and its efforts to provide an affordable and accessible universal telephone service in South Africa.

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THE government white paper on telecommunication purports to address the question of providing "an affordable and accessible universal (telephone) service" for South Africans

This would certainly aid job creation as it would provide fledgling small businesses with essential communication. However, the white paper is so vague on the one hand and so highly prescriptive on the other as to reduce this goal to no more than wishful thinking.

We are given no figures and the key question of Telkom's ownership is not addressed.

With Telkom structured as at present the service will remain outrageously expensive with no hope of it being affordable to the overwhelming mass of South Africans.

Whereas Eskom will install a prepaid metering facility and read hard even in a squatter shack for a mere R35, Telkom charges nearly R100 for a connection.

Tariffs are moreover so high that costs more per minute to run a local phone call than to run electric lights and appliances. In many parts of the large household simulators, in many parts of the world, local calls are free. In South Africa, expensive firstly in terms of time as Mexico or Chile as in the US.

Secondly, the average unit cost of its 58 000 employees is over R60 000 per year, and in 1994 they received an average increase of 22,5 percent. Thirdly, Telkom's huge profits would be totally impossible in a competitive situation. The government gets not only the profit after tax. It gets the income tax and the VAT as well!

This gives the government an annual return of 49,8 percent on its net investment, or 27,4 percent on turnover. A business with a very high turnover normally has a very low profit as percent of turnover.

For example, the figure for Pick'n Pay was 1,46 percent and for Shoprite Checkers 1,56 percent for the same period, and these figures are comparable with those for American telephone companies.

All now we get talk of the government taking on a strategic partner in Telkom to join the government in ripping us off, without having to worry about competition! It also means that the goal of a universally affordable service will remain a pipedream.

The Telephone Action Group has a simple solution.

We propose that the entire Telkom be sold through a conditional auction to which all the global players in the field are invited. And the best time to auction it is right now.

Both present and future technological developments will ensure the progressive undermining of Telkom's profit base. Subscribers are already making increasing use of "call-back" systems through which they save 35 percent or more on overseas calls.

So the sooner Telkom is sold, the higher will be the price obtainable. Bids should moreover include a schedule of tariffs which just have to be better than at present, plus the assurance of adequate coverage of areas which are now poorly served.

As a quid pro quo, the successful bidder might be given a continuation of Telkom's monopoly rights for a period of, say, five years, after which both guaranteed tariffs and monopoly rights would cease.

It is conservatively estimated that the government could get R22 billion for Telkom. And after it is sold the government will continue to collect both income tax and VAT, which constitute 69 percent of what the government gets now. Such a deal is surely irresistible. Where else can one sell a business for a huge price and also retain 69 percent of the income all in hard cash? We suggest that the first consideration on what to do with such a windfall should be to ensure that the goal of universal affordable service is met.

It would most certainly provide

the means of subsidising capital investment to accelerate the extension of the telephone service.

Secondly, it would allow for paying off redundant employees by supplementing the pension fund.

Moreover, as the new owners would undoubtedly want to use Telkom as a base for expanding into the rest of Africa, retrenchment could be minimal.

While the white paper is particularly prescriptive on affirmative action, very few unemployed people in South Africa have any prospect of benefiting from it.

Our high unemployment situation is moreover the most fundamental cause of the high crime rate and there is presently little hope of relief.

Job creation must therefore take precedence over affirmative action, and this means rather putting the emphasis on delivery of a universal affordable telephone service with a minimum of prescription.

It would mean far more in terms of black economic empowerment than affirmative action for the few.

In any event the new owners of Telkom are bound to put into effect some kind of affirmative action without government prescription. And with the government out of the telephone business, it would become our watchdog instead of our shameless exploiter.



**Jay Naidoo, Minister of Posts and Telecommunications.** Experts question the plan to provide an accessible and universal telephone service.