

PUBLIC SECTOR → TRANSPORT — GENERAL

1994

# SAA upbeat about fares and jobs

■ BY JOHN MILLER

The year 1994 promises to be a good one for South African Airways, with the airline promising that fare increases and retrenchments will be kept to a minimum. *Star*

In an interview with The Star, chief executive Mike Myburgh said he believed fares would remain at their present levels for some time. However, a dramatic increase in tourism could lead to higher fares. *4/11/94*

Myburgh said SAA intended working hard at maintaining high service levels. He admitted that this was not always the case in the past. *(269)*

While Los Angeles was on the cards as a new destination, various European capitals could be in for the chop

Many employees would also be glad to know that no large-scale reduction of staff was envisaged for this year

Myburgh said, however, that the freeze on hiring whites would continue this year as the airline "becomes more representative of the population".

He also told The Star that for the first time in many years the airline made a profit in October and had continued to do so.

He said route and fleet rationalisation were two of the areas leading to the positive bank balance. "We will continue to try and dispose of some of the older aircraft. If we cannot, we will refurbish the cabins."

# Road underfunding

## 'will stall SA growth'

CT4/1/14 (26)

By MAGGIE ROWLEY  
Deputy Business Editor

THE dangerous, low underfunding of the SA road system will severely hamper the economic restructuring of SA, convenor of the National Transport Policy Forum, Peter Myburgh says.

In the latest course of the South African Bitumen and Tar Association's new road Asphalt News, Myburgh says that the road funding level in respect of intercity roads alone addressed only about 35% of needs.

"The level of underfunding of all roads is not known but I think put it as low as 20% of needs."

According to Myburgh, these roads serve mainly the needs of disadvantaged communities.

Successful funding drives to eradicate or diminish road backlogs will offer the opportunity to employ black contractors to participate in economic development on a broad base.

"The full range from small entrepreneurs using low capital intensive procedures to joint ventures on major projects

At present, current specifications and conditions of contract are widely acknowledged as major barriers to participation and guidelines need to be developed to enable road authorities to facilitate meaningful entry."

He added that the newly formed NTFP Roads Committee believed that all these issues were of a pressing nature and would need to be addressed for a constructive socio-economic transition to be effected.

He warns that continued disregard of these roads will give rise to distortion in the formation of policies and determination of road needs.

### Distortions

"As far as I know, the issue is not adequately addressed by any agency and the marginalisation of roads issues is likely to continue unless proper representations based on scientific data are made to the negotiating partners of the TEC," he said.

He said since the formation of the committee, issues surrounding a meaningful socio-economic transition had been addressed.

As deliberations proceed three main areas of focus were becoming apparent namely:

- The determination of actual roads needs and financing;
- Community involvement in the setting of norms and standards; and
- Economic empowerment through road building and maintenance.

Myburgh said that current methods for determining road upgrading needs did not

address community expectations and did not adequately incorporate socio-economic features.

"It is evident that perceptions of development agencies regarding the profile of roads as an instrument to social upliftment are not aligned to those of communities in developing areas."

Together with other consultative processes and adequate exploitation of road building as a tool for capacity enhancement, these perceptions have given rise to inappropriate policies regarding road provision in developing areas.

"New effective methods will have to be developed to ensure community involvement in the planning and provision of roads in both urban and rural areas and these methods should embody awareness programmes, consultative techniques and training."

Myburgh said a fundamental principle adopted by the NTFP committee was that a future roads policy should be developed in conjunction with the government, that while road transport was vital for socio-economic development, road building was a tool for resource development and sharing of knowledge.

"The committee has consequently recommended to the NTFP Research and Development Committee that these issues be addressed in future national research programmes," he said.

# SAA eyes shares in domestic airline SAX

ARG 8/1/94  
269

**MANDY JEAN WOODS**

Weekend Argus Reporter

SA AIRWAYS is considering taking up its option to buy shares in the country's newest domestic airline, SA Express, in which African National Congress-aligned Thebe Investments is the majority shareholder.

A meeting with SAA and SA Express (SAX) executives is scheduled for next week in Johannesburg.

According to SAX chief executive Bill Deluce, the memorandum of understanding between the two airlines allows for SAA to become a "substantial minority shareholder" in SAX.

"Originally, SAA indicated to me they would be interested in taking up the offer in early 1995, but then they called me and scheduled a meeting for next week to discuss the matter," Mr Deluce said.

At present Deluce brothers Bill and Bruce and South African chartered accountant Mark Gray are partners in Canadian-based Lardel Holdings, a 49-percent stakeholder in SAX.

Thebe Investments, which is the investment company of the Batha Batha Trust of which Nelson Mandela and Walter Sisulu are trustees, has a 51-percent stake.

Financing of all capital equipment (half a billion rands) is coming from Canadian air-



□ **GREEN LIGHT:** Tokyo Sexwale ... gave go-ahead for aircraft contract

craft manufacturer Bombardier and the start-up capital being put up by the two SAX shareholders is R14million, Bill Deluce said.

SAX aims to take off mid-March with SAA expected to withdraw from two of its nine domestic routes (Kimberley and Upington) and operate perhaps only one or two flights a day during peak times on two others (George and Bloemfontein) to allow SAX to enter the domestic market.

SAA said it had "long recognised the need to develop the quality and quantity of air services to smaller communities. SAA recognises that as a global carrier it cannot serve every single route effectively".

SAX has placed orders for 12 new De Havilland Dash 8 pas-

senger aircraft to use in South Africa. This has been the cause of some controversy in the past few weeks.

Shortlisted for the lucrative contract were De Havilland and Franco-Italian manufacturing consortium Avions Transport Regional (ATR). ATR said it was contacted in late November by Thebe board member — ANC PWV chairman Tokyo Sexwale — and told it had been awarded the R500 000 contract. Two weeks later it was publicly announced that manufacturer Bombardier had secured the contract.

Mr Sexwale acted on a mandate from the Thebe board, according to ATR. Questions regarding this were put to Thebe and passed on to Mr Deluce for reply. He claimed that while ATR initially submitted the best offer, the board decided in the final analysis to award the contract to Bombardier.

ATR noted in its statement that Mr Deluce operated 37 De Havilland Dash 8 aircraft in Canada. ATR said it was surprised to learn "on the radio" that it did not have the contract as it had been informed by Mr Sexwale. Mr Deluce denied this, saying he personally phoned ATR president Henri Paul to notify him of the board's decision to award the contract to Bombardier.

Mr Sexwale could not be reached for comment.

## PORTNET

# Freeing the harbours to compete

**A radical reorganisation** is in the works for Portnet that will see the six major ports spurred to compete vigorously against each other. The plan, modelled on how ports are run in Europe and elsewhere, could go into effect as early as April

If it is adopted, Portnet will hive off management of the ports to six operating companies that will be run like businesses though they will still be government-owned. Portnet would no longer have any direct role in running the ports but it would retain ownership of the land and serve as the ports' landlord.

In effect, Portnet, a subsidiary of government-owned Transnet and a sister company of SA Airways, would become a giant property company, allowing it to concentrate on maximising the return on its vast, often under-utilised, holdings.

Ports included in the plan would be Richards Bay, Durban, East London, Port Elizabeth, Cape Town and Saldanha Bay. Mossel Bay's small harbour could fall under either the Cape Town or Port Elizabeth operating company. Walvis Bay will be turned over to Namibia in April.

Says Portnet CE Duke Davidson: "Portnet will function like a city council, which owns and maintains the main roads but not the smaller ones on the operators' terrain. It will not be allowed to operate the ports but will have to finance expansion and lease the areas behind the quays to the operating authorities, which will probably lease them to private-sector operators."

Portnet has often been accused of being both player and referee. Davidson believes that splitting the company will dampen this criticism by letting the six port operators assume the role of player and giving Portnet, as landlord, the role of referee.

He sees the split inducing the ports to compete with each other for cargo by offering better service. The competition will not, however, be a no-holds-barred dogfight because each port serves a natural hinterland that is determined by the cost of land transport to exporters and importers.

One exception is the competition already starting between Durban and Richards Bay (*Business* November 12). Their hinterlands overlap and both can serve the PWV area, but they have different capabilities. Durban's ability to handle containers and break-bulk cargo (steel, palletised goods and other cargo that isn't containerised and cannot be handled on a conveyor belt) is ahead of Richards Bay's.

Richards Bay's ability to handle bulk cargo, such as coal and ore, is ahead of Durban's. Now, Richards Bay is moving to narrow the gap on other types of cargo. Construction of two berths for breakbulk cargo could start soon. (269)

A split between the operations of a port and the property-owning function is the norm at some of the world's most famous harbours, such as New York/New Jersey, Rotterdam and Antwerp. Rotterdam in Holland and Antwerp in Belgium, both subsidised by their governments, compete fiercely with each other.



Portnet's plan hasn't been given the nod yet by Transnet MD Anton Moolman, but Davidson is confident that it will be, and that the transition could start in April. The idea is supported by Dernel Floor, who recently compiled a voluminous report on SA's maritime affairs, and by a Transnet committee, of which Davidson is a member, formed to look into the matter.

There are several differences between this plan and the way the country's nine State airports were split into two companies last year, the Airports Co, which operates all the airports, and the Air Traffic & Navigation Co, which provides the navigation services at them.

Each port will be controlled and operated by its own company but the Airports Co operates all of the State airports. The port companies will be responsible for maintenance and dredging, which, if one reads runways for approach channels, is also what the Airports Co does.

David Pincus

## Roads 'need R10bn more'

ROBYN CHALMERS

SA ROADS were underfunded by an estimated R10bn a year and this could severely hamper the economic restructuring of SA, says the National Transport Policy Forum. **8 Day**

Forum convener Piet Myburgh said the level of underfunding of all roads was not known, but estimates put it as low as 20% of needs. **(28)**

The Budget allocation for roads last year was R2,4bn **10/1194**

"Current funding levels in respect of intercity roads alone address approximately 35% of needs."

Myburgh said intercity roads served mainly the needs of disadvantaged communities.

It was vital, he said, to ascertain backlogs in the provision of roads and how these were to be addressed.

"Continued disregard of these roads would give rise to a distortion in the formation of policies and the determination of road needs"

Myburgh said the forum had identified issues that needed to be tackled if a meaningful socioeconomic transaction was to be effected. There were three main areas of focus:

- The determination of actual road needs and financing,
- Community involvement in the setting of norms and standards, and
- Economic empowerment through road building and maintenance.

"New, effective methods will have to be developed to ensure community involvement in the planning and provision of roads in both urban and rural areas."

"These methods should embody awareness programmes, consultative techniques and training," said Myburgh in the Asphalt newsletter.

A SA Federation of Civil Engineers spokesman said the road budget was enough to fund about 60% of road maintenance, and the consequences, he said, were disastrous for the safety of travellers.

When inflation was taken into account, he said, the funds allocated for road maintenance had been reduced by an effective 35%. Urgent road maintenance work needed on many stretches of the road network could not be undertaken

## AIRLINES AND AIRPORTS

Fm 21/1/94

# Fighting it out over higher fees

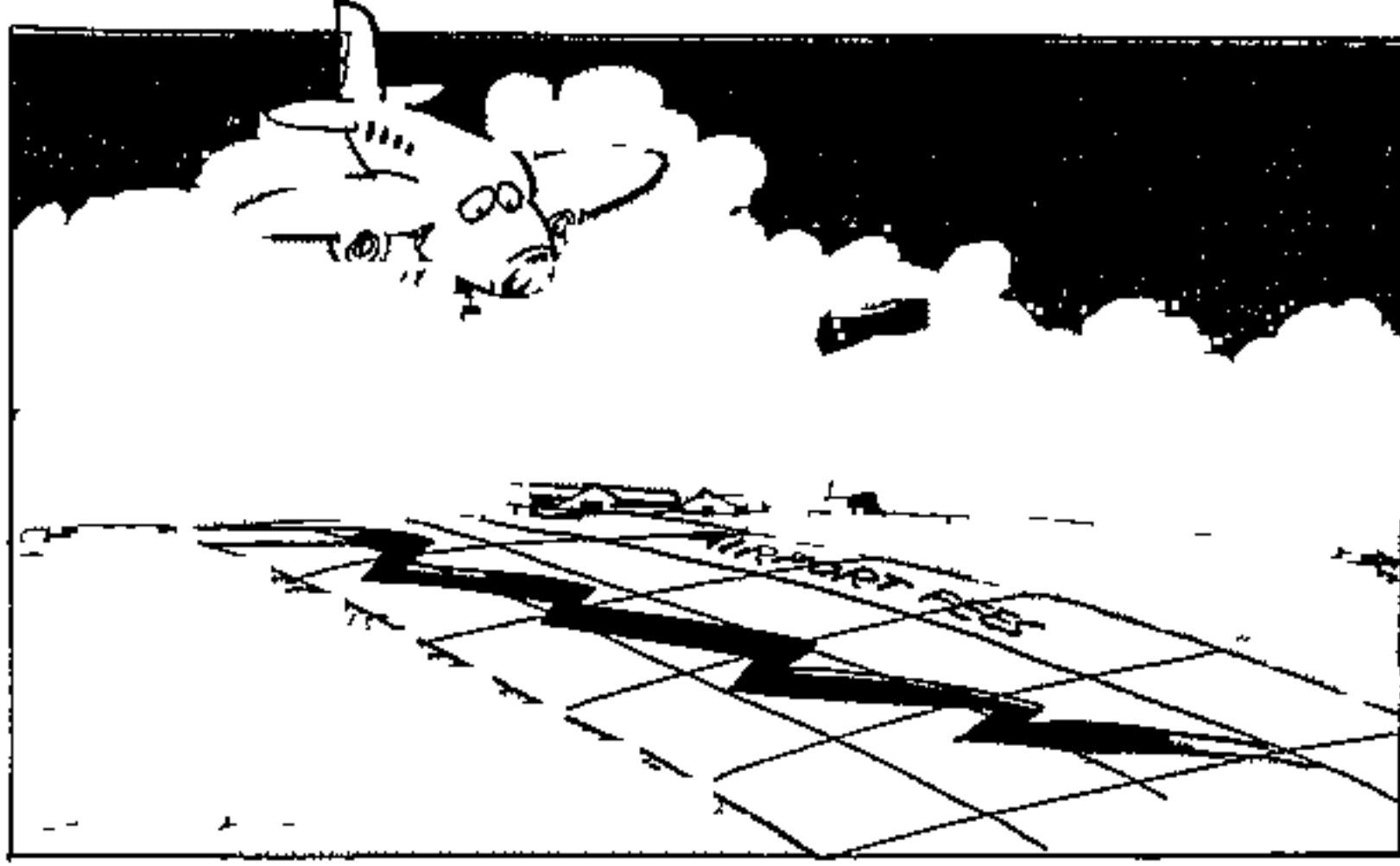
The nine State airports and the airlines that use them are caught in a dogfight over the airports' plans to triple navigation charges and raise landing and parking fees by 26% on April 1. The airports also may hike passenger departure fees — the charges that are tacked on to the price of a ticket — by 80%.

The big jump in charges is part of government's effort to commercialise the airports, run them like a business and phase out the taxpayer subsidy that has long propped up their operations. The subsidy is due to run for one more fiscal year, beginning April 1, but the Cabinet has not yet given final approval and, in any event, the next government could reverse the decision. If the

aided both companies' books for four days. Iata agreed the proposed fees were too high, according to Janssen, and urged the companies and the Department of Transport to reduce them. But no decision will be made until after the companies find out whether they will get another subsidy and how much it will be. They are hoping for R39m.

The landing, parking and navigation fees are determined by an aircraft's maximum take-off weight and the distance flown in SA. The landing fees are now R8 048 for 396 t aeroplanes. They get free parking for the first four hours and then are charged R414 for 24 hours, double if they park next to a loading bridge.

The en route navigation charge, which begins adding up as soon as an aircraft enters SA airspace, is R107 for 396 t planes from Europe headed to Jan Smuts, for example. The same-sized plane coming in from Singapore, in comparison, is charged R289. A separate charge to cover the cost of control-tower staff guiding the planes on to the runways is set at R764 from flights from Europe. There is no charge for



subsidy does come through, the navigation charges probably would be doubled instead of tripled and the hikes proposed for departure and landing fees could be reduced.

The airlines claim that the two commercialised State companies that operate the airports — Airports Co, which runs the ground facilities and the Air Traffic & Navigation Services Co — cannot come close to justifying these steep increases. Says KLM's Peter Janssen, chairman of the Board of Airline Representatives: "They are basing their charges on a guesstimate."

He adds that the proposed fees to use Jan Smuts airport would be close to what major overseas airports such as Amsterdam's Schiphol and London's Heathrow charge. He claims "the cost of operating Jan Smuts isn't nearly as high as the cost of operating either of those, or any other big airport." But the airports counter that neither is the cash flow.

"It's user pays now," says Airports Co MD Braam Loots. "We have been doing our homework and know what we will need for operating expenses and capital expenditure in the next financial year. If the government doesn't come up with another subsidy, we will have to get it all from the airlines."

After the higher charges appeared in the *Government Gazette* December 31, the board called in the International Air Transport Association (Iata), which sent four officials from its Geneva headquarters and stud-

taking off.

The Airports Co is authorised to charge departure fees of R12 for domestic passengers, R24 for regional passengers and R40 for overseas passengers, but with its current subsidy, it is now charging only R7, R16 and R24, respectively. If the subsidy is lost, it will charge the authorised fees, plus 12%, from April 1.

The huge increases now being debated follow years of haphazard airport management. When the two companies were formed and commercialisation began last August, there was no historical data base they could draw from. The Department of Transport, which ran the airports, never knew what its services cost. It ignored market forces, did not charge for navigational services and leased premises at ridiculously low rates. It turned over airport income to the Treasury, then stood in line hoping for a hand-out big enough to cover its operating expenses and capital costs.

The *Government Gazette* notice was not the first word of the increases, they are contained in a five-year plan that was drawn up early last year by a steering committee and consultants, in conjunction with the airlines' board and the other airport users, before the two airport companies were formed.

Iata examined the plan and asked government to apply "gradualism," to phase in the increases over five years and subsidise them

(269)

Government agreed to phase them in over three years and subsidise them for two years.

"The board says it never agreed to those increases," says the Airports Co's Loots. "It wants to appeal to the regulating committee, under the chairmanship of Judge Cecil Margo. We'll go along with it."

Under the plan, the Department of Transport could have raised the landing fees by 12% last year, but didn't. To make up for the skipped increase, the Airports Co wants the 26% increase for fiscal 1995.

After the airports and the airlines get the fiscal 1995 rates sorted out, they'll begin negotiating the fiscal 1996 rates, which must be published in the *Government Gazette* before the end of this year. Says Loots: "If I can come to an agreement with the parties for fiscal 1995, I hope to keep increases in fiscal 1996 to below the inflation rate" ■

Biday 26 May

## Transnet to spend millions on Knysna

THE once sleepy holiday town of Knysna is being transformed into a tourist and leisure centre by Transnet at a cost of more than R70m.

Transnet property arm Propnet has linked up with Murray & Roberts (M&R) Holdings to build the Knysna Station project. Construction will begin in August and should be completed by December 1996.

Knysna Station will be upgraded and a 2 000m<sup>2</sup> shopping centre, a hotel with 50 to 80 bedrooms and a residential scheme with deep keel mooring facilities and a business area, will be built.

Propnet CE Fuzz Loubser said the project would be the first stage in the company's plans to redevelop Transnet land

ROBYN CHALMERS

along the Golden Thread steam train line between George and Knysna.

M&R subsidiary Condev will handle the residential scheme. Condev MD John Wilkinson said a marina development was destined to become one of the most sought-after residential addresses in SA. Homeowners would have private water frontage and access to deep-water mooring in "what must rank as one of the most picturesque locations in the world".

Propnet project manager Johan Malherbe said an environmental study had been done to provide guidelines.

"The town will get a desperately needed waterfront," he said.

### Primrose Gold Mines Limited

(Registration number 05/05891/06)  
Incorporated in the Republic of South Africa  
A Metorex Group company

#### Report of the directors for the quarter ended 31 December 1993

	Quarter ended 31 December 1993 (unaudited)	Quarter ended 30 September 1993 (unaudited)	Six months ended 31 December 1993 (unaudited)
<b>Operating results</b>			
<b>Underground</b>			
- Tons milled (t)	45 303	41 696	86 999
- Yield (g/t)	4,86	4,97	4,91
- Gold produced (kg)	220,1	207,1	427,2



# Telecommunication policy plan

ROBYN CHALMERS

THE National Telecommunications Forum has announced the appointment of 10 working groups to put forward proposals on how SA's telecommunications industry should be regulated. *Biday 27/11/94*

A forum spokesman said the creation of the working groups was a vital step towards the formulation of a telecommunications policy and the redressing of past imbalances.

Key areas to be addressed by the working groups include: *(269)*

- Telecommunications law and regulatory mechanisms. The integration of networks in neighbouring countries into SA will be focused on,
- Affirmative action strategy, human resources development and black economic empowerment; and
- Strategic communication policy on space and satellites.

The spokesman said the working

groups were responsible to the 23 members of the forum's management committee.

Forum chairman Lyndall Shope-Mafole said it was vital to produce a formal policy to ensure that consideration was given to the importance of telecommunications on the national agenda.

Meanwhile, Sapa reports two cellular licence holders, MTN and Vodacom, will start tests from March 1 for the public release of cellular telephone services.

Posts and Telecommunications Minister Piet Welgemoed announced yesterday that during the test phase about 2 000 connections would be made by each company. From April 1 the number would increase to 10 000 each

# Racism still 'rife' on Spornet's mainlines

ROGER FRIEDMAN  
Staff Reporter

WITH the "new South Africa" nearly upon us, Spornet still asks mainline passengers if they mind travelling in close proximity to other race groups

But Spornet spokeswoman Yvette Olwage has defended the company's policy, saying passengers spent many hours together

Because of problems in the past, people were booked "according to their own preferences".

Spornet was an equal opportunity employer, she said.

The issue came to light when Community Media Network worker Martina Della Togna phoned Spornet to book first-class passages from De Aar for two people to attend a conference in Cape

Town this week.

The booking officer said "no problem" ... but when the passengers' names were given as Voko and Nkosana he said "hold on a second" and covered the phone with his hand.

"Then I heard 'swart mense' (black people) being discussed.

"He came back on the line and said 'sorry, the seats you are talking about are for white people ... do you think these people will want to sit with whites?'"

"I said they would sit with whites, asked for the gentleman's name and rung off.

"Racism is obviously still rife — his tone was racist — there is clearly still a lot of work to be done. These issues need to be addressed by top management," Ms Della Togna said.

Ms Olwage said Spornet

started asking passenger's preferences about a year ago after a series of "problems".

"Zimbabweans did not want to sit with South Africans, English speakers did not want to sit with Afrikaners, and others preferred to be placed near the dining compartment," she said.

There was no Spornet policy separating passengers along racial lines.

"It is purely based on passenger's preferences ... there is nothing funny about that ... it's just very fair and considers everyone's personalities.

"We are not forcing Spornet's preferences on others and I cannot see the situation changing.

"You don't have sit with people you don't want to or don't like on an aircraft," Ms Olwage said

ARC 4/2/94

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## NEWS FEATURE *A long hard road to the top management of Spoornet*

# Bestriding the 'railways' giant

Sowetan 28/2/94

By Josias Charle

■ **LONG WAY** *Hard work and sheer*

*determination benefited Mohale:*

**I**T HAS been a long way to the top for Spoornet's newly promoted public affairs manager for the northern Transvaal

Youthful looking Mr Ephraim Mohale (37) who lives with his family in Atteridgeville, started right at the bottom of the ladder and made his way to the top of Spoornet's northern Transvaal region, which is second in size to southern Transvaal

Mohale makes no bones about the fact that it has been hard work all the way, and he is certain that his new position has nothing to do with the buzz words "affirmative action"

This is in spite of the fact that he is the first black person to hold that position in the region, and better still, he is the only black employee at the level of senior management in the northern Transvaal

His area of responsibility stretches from Olifantsfontein in the south, Beit Bridge in the north, conservative Ellisras in the west and Komatipoort in the east

In fact Mohale says about his area of responsibility "I'll be lying if I were to say that I have experienced any problems with white managers in the more conservative parts of our region. They see me as an equal and I compete with them on an equal basis

too. What we decide on is policy that must be implemented and I've had only co-operation thus far"

Mohale was born in Newclare, Pretoria, in 1957 but he did most of his schooling in Atteridgeville. He left school after Standard eight in 1977 as a result of the students uprising and he started working the following year as an agent for Grobbelaar Burial Society for six months

The following year he joined the predecessor of Spoornet, South African Transport Services, which was commonly known as the "railways"

He joined the Koedoespoort workshop where he oiled diesel locomotives. In 1979 he became a clerk at the Pretoria Station before becoming a clerk in the luggage office, a position held by only whites at that time

### BA degree

While working as clerk he completed his matric and enrolled at the University of South Africa where he graduated with a BA degree in communication, psychology and Northern Sotho in 1987. He is presently studying for a national diploma in management.

In 1988 Mohale joined SATS head office as the first black public relations officer.

Last year he became the second public affairs manager within Spoornet, and the first one for the northern Transvaal area.

"I see one of my responsibilities as bringing Spoornet closer to decision-makers in the communities we are serving. I must also strive to project a positive image of the company as we have a responsibility towards our clients, the business sector, the political situation and community structures," says the quietly spoken Mohale

He said he also had a responsibility to advise management on strategic issues, especially with regard to the changing situation within the country. Being the only black person on the management board in the Northern Transvaal this task cannot be taken lightly

**I see one of my responsibilities as bringing Spoornet closer to decision-makers in the communities we are serving. I must also strive to project a positive image of the company as we have a responsibility towards our clients, the business sector, the political situation and community structures**

"We are battling to place Spoornet in such a way that it can contribute meaningfully to changes taking place in the country. As a result networking between ourselves and the business community and community leaders is of the essence

"We also strive to invest in the development of our own employees, their families and various communities to enable them to improve the quality of their own lives."

Mohale, who is married with an 11-month-old girl, relaxes by reading, watching sport on television and working in his garden

He concluded the interview by saying: "I have always wanted to be somebody in life and I have set myself a target of going right to the top"



Mr Ephraim Mohale ... hard worker.

# More trains to provide better service

METRO Rail Services announced major extensions to the Peninsula railway network yesterday to reduce bottlenecks at peak hours on the most popular routes — and will release a new timetable on Thursday. The changes are in response to complaints received by Metro's inquiry desk.

From next Monday, the two existing trains on the Cape Town/Bellville/Wellington line will be extended to Kraaifontein and Erste River via Monte Vista. Similarly the two trains that currently stop at Wynberg will run to Retreat and Fish Hoek.

(269)

In afternoon peak hours there will be two return trains from Cape Town to Kraaifontein and an additional train from the city to Erste River. In response to commuters' requests, there will be two additional third-class carriages on this train, which will now offer six first-class and five third-class carriages. A train from Wolseley has also been added to this line to alleviate

overcrowding. Two trains have been added to the Cape Town/Mitchells Plain/Khayelitsha line to lighten the peak-time load. New pocket-sized timetables can be obtained free of charge from any ticket office from this Thursday. Comments on the new service should be addressed to Commuter Research, Cape Metro Rail Services, PO BOX 36, Cape Town, 8000.

# Safmarine's ship comes in for Safren

Biday 7/3/94

EDWARD WEST

CAPE TOWN — Safren has reported a 40,5% increase in attributable income to R154,8m (R110,2m) in the six months to December 1993, mainly as a result of an improved performance by shipping subsidiary Safmarine. (269)

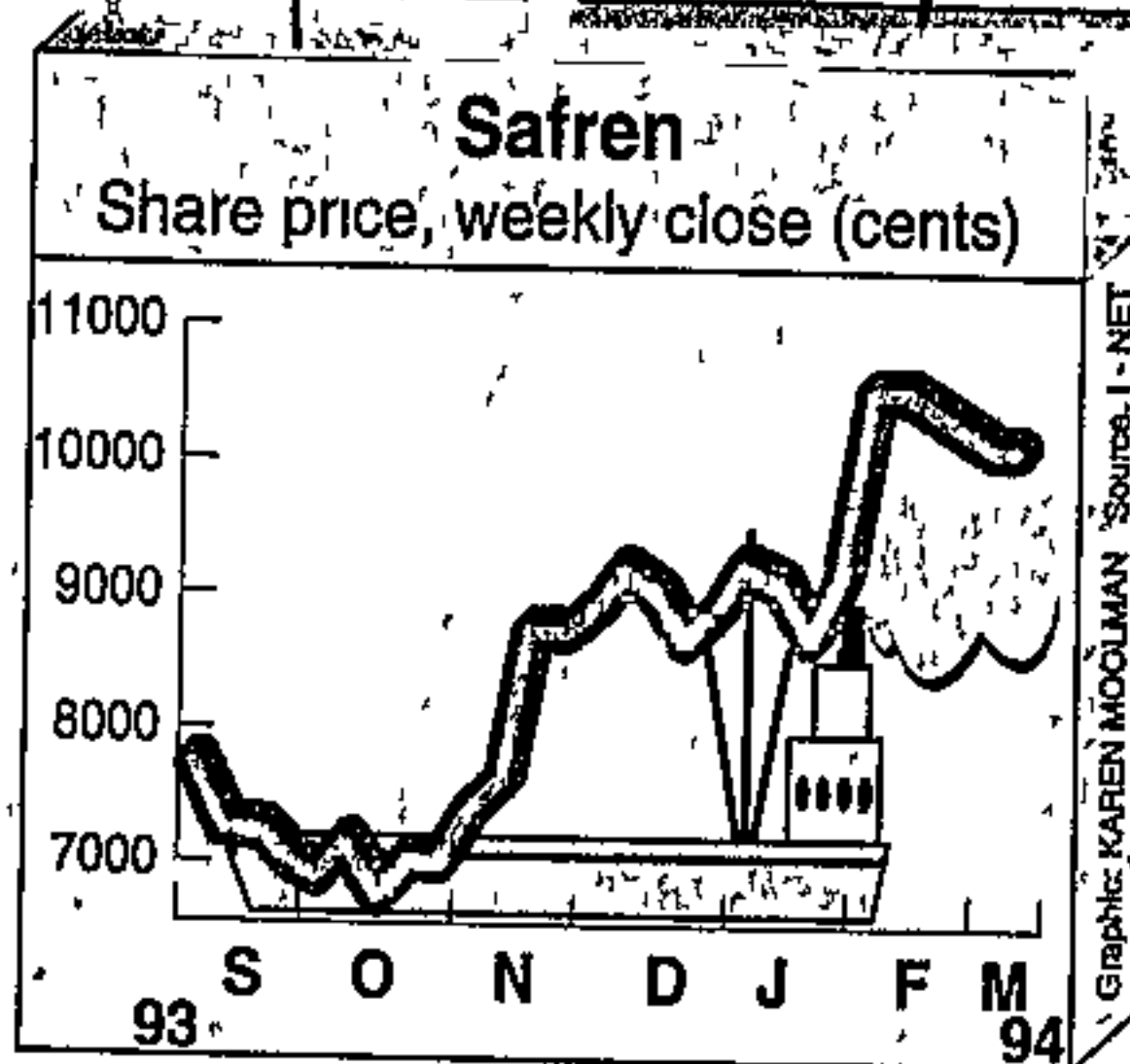
Safmarine's contribution to attributable earnings soared 135,7% to R58,7m (R24,9m) as a result of increased cargo flows, operating efficiencies and a R29,1m (R3,4m) profit on the sale of a ship.

CE Buddy Hawton said increased cargo flows arose from a slight improvement in SA's economy.

Safren's turnover climbed 22,8% to R2,59bn (R2,11bn) and operating profit after depreciation was 26,9% higher at R402,8m (R317,3m). Tax was higher at R94,3m (R77,5m).

Interest paid was sharply up at R46,2m (R29,7m) because of the charging of interest costs to income from the date of the opening of the Lost City resort and the renovation and enlargement of the Wild Coast Sun in December 1992.

Kersaf Investments' profits were enhanced by the inclusion of the results of the Lost City for the full six months compared with only one month last year. Kersaf's contribution to attributable income was



15% up at R70,5m (R61,3m), but earnings growth was expected to be lower in the second half, said Hawton.

Safren's earnings a share increased 37,9% to 280c (203c), diluted slightly by additional shares in issue. The interim dividend was lifted 4,6% to 68c (65c).

Directors said while the improvement in pre-tax profit was likely to be maintained in the second half, only a modest improvement in attributable profit was expected.

The benefits from the change in the corporate tax rate in the second half of the previous year and its effect on deferred tax

To Page 2

## Safren

Biday

7/3/94

From Page 1

balances were not expected to be repeated. Rennie's Group's earnings increased marginally to R25,6m (R23,8m). This was considered satisfactory by directors, given that earnings growth was off a high base after benefiting from the handling and distribution of drought relief cargoes in

southern Africa. Safren, through its investment in Kersaf Investments, acquired a joint controlling stake in City Lodge Hotels from January 1994. The acquisition was not expected to have a material impact on group earnings in the short term, said Hawton. (269)

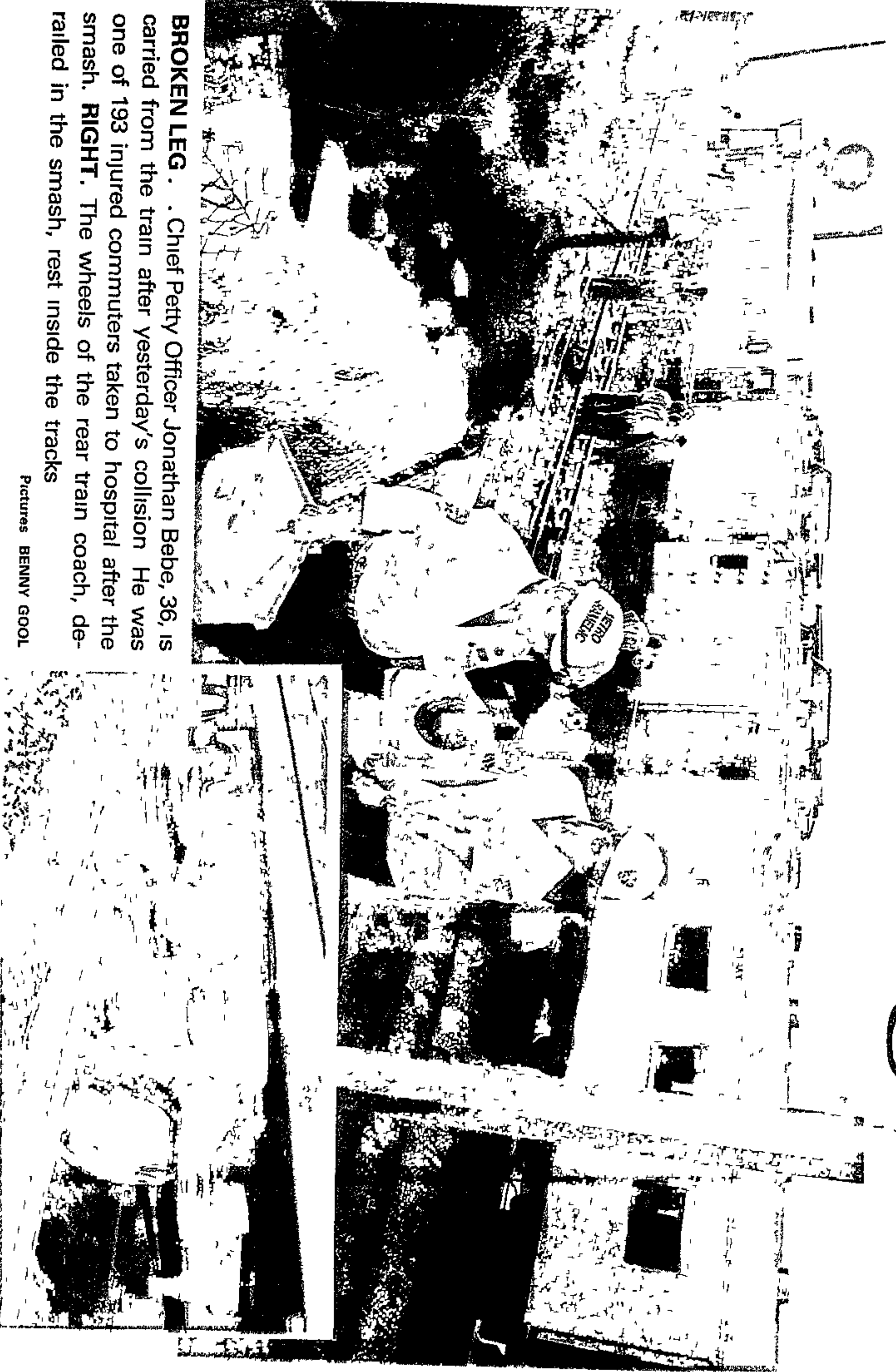
# 'I heard a bang, then people screaming'



**RUDE AWAKENING...**  
Mr Martin September

**Morning after was shattering**

By JOHN SCOTT  
MARTIN, SEPTEMBER, 47, was woken at 7.40am yesterday by one train crashing into another about 2m from his head. Having done some serious drinking the previous evening, he wondered at first if the noise were merely part of a thunderous hangover. But when he looked out from the under the bush where he and his wife, Cecilia, 45, had spent the night, he realised that the collision had in fact occurred outside of his head. I met the couple an hour later at their little shelter on the rocks just above the breaking waves between Kalk Bay and Clouville. They were still slightly shocked. "I was sleeping because I had some drinks in me," Martin explained. "I didn't see anything, I just heard something, but then we often hear things." The police at the scene repeatedly asked me for identification, but left the September 31 in peace. They were clearly local residents.



**BROKEN LEG.** Chief Petty Officer Jonathan Bebe, 36, is carried from the train after yesterday's collision. He was one of 193 injured commuters taken to hospital after the smash. **RIGHT.** The wheels of the rear train coach, derailed in the smash, rest inside the tracks.

Pictures BENNY GOOL



**CARRIED OFF** An injured passenger is helped from a coach after yesterday's collision near Kalk Bay.



**SHAKEN** ... Passengers of the smashed trains give details to police.



**CRASH CRUSH** The injured and interested crowd Main Road

**From page 1**

Retired busin Mr Henry Gard Kalk Bay, said: "It was chaos, people being all over."

Mr Gardiner's impact sounded than the Simon guns — those ra windows but we this would shatter.

Most victims broken legs, rib wounds and whiplated spinal in. Several were in shock.

Domestic work Joyce Marringdon Retreat, her swathed in blood dages, said: "I most like a bon everyone screamed. "Some jumped windows and ev fell down. Som helped me out and Chief Petty C Jonathan Bebe, Grassy Park, whered leg injuries, was standing in rage behind the when there was "and everything black."

"When I came r was on the floor a said the train hided. I couldn't geel anything. Fo feet to my kness, carried me out!" Mrs Rosemarie I 35, of Grassy Par she was standing packed third clas rage.

"All I can remen a bang" and pe screaming. I saw lying everywhere others trying to ge. A Metro internat of inquiry was ext to focus on wheth driver of the rear missed a signal th human error or failure.

Both train dri whom Mrs Jacob elined to name, treated for minor ies and discharged hospital.

Mrs Jacobs said passengers were f to three hospitals b balance, but chec the False Bay, Vi and Wynberg Mill Hospitals revealed t total of 193 people treated.

Passengers on trains were ferrie bus to Mulzenberg continued their jou by train.

Metro hoped to both tracks open by this morning, Mrs Ja said.

# Train smashes

# FOCUS 0

By CHRIS BATEMAN and  
CLAIRE BISSEKER

A TOP-LEVEL inquiry into yesterday's near-disaster train collision in Clovelly, in which 193 commuters were injured, is expected to focus on whether the driver of the rear train missed a signal through human error or a power failure.

The driver rounded a "blind corner" from Kalk Bay towards Clovelly to suddenly find a stationary or slow-moving train — which was supposed to be seven minutes ahead of him — on the tracks.

Metro spokeswoman Mrs Riana Jacobs, responding to claims by a Metro Rail worker at the scene that rail sig-

nals were "working fine" at the time of the collision, said Muizenberg Station had a signal power failure at

## DRAMA IN PICTURES

Page 7

5.50am All trains were running "slightly late".

She was unable to say whether there were signalling problems nearer to or at the time of the collision or whether the front train was moving or not.

The two packed Simon's Town-bound trains collided almost directly above Woolley's pool at about 7.25am.

The impact — described as louder than the Simon's Town Naval gun bat-

tery — rattled windows of nearby homes and uncoupled one engine which rebounded some 50 metres before derailing.

A steel pole stopped one coach carrying about 50 people from toppling on to rocks below.

To page 7



**INJURED** Rescue personnel lift Chief Petty Officer Jonathan Bebe from the train

Picture BENNY GOOL

4/13/94 269

SAID, MRS JACOBS

DEPARTMENT



**INJURED** . . . Rescue personnel lift Chief Petty Officer Jonathan Bebe from the train  
Picture **BENNY GOOL**

# Train Smashes The Fogles On

25. 4/13/94

269

By **CHRIS BATEMAN** and **CLAIRE BISSEKER**

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page

**SIMON'S TOWN**



Arg 8/3/94  
269

# Train disaster

## Scores dead and hundreds hurt

The Argus Correspondent

**DURBAN** — At least 53 people were killed today when a commuter train was derailed near Mariannhill, Pinetown.

Estimates of the number of injured range between 116 and 370 and the death toll is expected to rise as the derailed coaches are cleared.

Reporters said the scene of the accident was horrific, with bodies trapped between mangled coaches and a rocky embankment.

The accident happened at 5.20am when a packed Metro passenger train travelling between Cato Ridge and Dunbar sprang off the rails between Thornwood and Mariannhill stations.

As scores of paramedics attended to the seriously injured, a group of people started looting and the police were called.

The cause of the derailment has not yet been established. Mechanical failure has not been ruled out.

One passenger, Welsh Mokoena, said he and other passengers jumped out at Thornwood station because the train was "going unusually fast".

He added: "There was something wrong with the train I travel on it every day and it does not go that fast."

The train came off the rails as it rounded a bend. Some of the passengers who escaped injury said many others were flung out of the coaches, landing on the embankment and being crushed as the coaches toppled over on top of them.

Five helicopters from the

South African Air Force, Aeromed and the police took the seriously injured to hospitals. Roads leading to the scene of the crash were jammed with rescue vehicles.

Rescue workers were hampered by muddy conditions and also had to climb a steep bank to take the injured to ambulances.

A large crowd of onlookers arrived at the scene in search of friends and relatives. Some volunteered to assist rescuers in helping the injured.

Soon after the alarm was raised the emergency services put a disaster plan into operation. Ambulances, rescue units, disaster buses and all paramedics and doctors were ordered to the scene.

Several hospitals were put on alert and traffic authorities were asked to clear roads leading to them.

Spoornet spokesman Mike Asefowitz said the cause of the derailment was not yet known but a team of senior engineers was on the scene and a board of inquiry would be set up.

Mr Asefowitz said the train driver had undergone a routine blood test.

He said the crash occurred on the main commuter line. The Trans-Natal train had to be rerouted along the old main line.

By midday, Spoornet engineers were removing the mangled coaches from the embankment in order to reopen the line.

Speaking from the scene, police spokesman Bala Naidoo said all emergency service units were working as a team. He said the situation was "well under control".

More pictures, reports on pages 2 and 3.



**DEATH BEND:** Survivors and onlookers crowd around the edge of the tracks as rescue workers lay out the dead and attend to the injured after a commuter train derailed near Mariannhill today, killing at least 47 people and injuring more than 220.

Pictures: PETER DUFFY, Argus Group Picture Service

# Death train too fast — claim

Own Correspondent

DURBAN — Survivors of yesterday's Pinetown train crash in which at least 63 people were killed and 370 injured claimed the train was going too fast.

The packed commuter train travelling at speed from Cato Ridge to Durban derailed on a sharp bend near Pinetown.

The cause of the smash could not immediately be determined, but survivors said the train was travelling "very fast".

A full investigation into the cause of the disaster is underway, Transport Minister Dr Piet Welgemoed said yesterday.

Both he and President F W de Klerk offered condolences to the families of victims.

The ANC, PAC and the IFP called on the government to establish a disaster fund.

The South African

Railway and Harbours Workers' Union demanded a full commission of inquiry, open to the public, into the train smash.

The toll climbed steadily through the day as rescue workers freed survivors from the wreckage and found bodies under overturned coaches.

Police said the death toll could rise.

Spoornet-Metrorail executive manager Mr Willie Strauss said the driver, who is believed to have fled the scene of the accident after he was threatened by passengers, had been taken to a doc-



**TRAIN DISASTER** . . . Rescue personnel, helped by bystanders, remove the dead and injured from the scene of yesterday's train derailment near Pinetown in which at least 63 people were killed and 370 injured

tor for a "routine blood test", the results of which would be known this morning.

He denied allegations the train was overcrowded, saying an 11-coach train was capable of "comfortably carrying 1 500 people."

Allegations of political motives behind the tragedy have been made by several survivors.

"Just before the crash a white conductor told us the driver was going to kill us because he was AWB," Mr Joseph Xaba said. The conductor died in the accident. Commuter train No 1003, running 20 minutes late ac-

cording to Spoornet, left Thornwood station about 5 15am with 850 passengers travelling to work in Durban.

Five minutes later, as the train rounded a sharp right-hand bend, nine coaches and plunged off the tracks and ploughed into a rock embankment that gouged open the left side of the train, mangling and trapping victims.

"All the lights in the coaches were off and the train was moving faster and faster and rocking from side to side," said survivor Mr Bhekani Gumede, who was in the third coach.

"Then there was a tearing

sound and flashes of sparks from the overhead electric cables before the train ground to a halt against the rock face."

The first of hundreds of rescuers — from ambulance services, the SA Air Force, the SA Police, the Durban city police, the SA Defence Force and its medical arm — arrived soon after 6am.

They were faced with a 500m walk down a steep hill to where the train lay.

"That was the biggest problem. Rescue vehicles couldn't get close to the scene and we had to carry injured passen-

gers on stretchers up the hill," said Pinetown protection services chief Mr Burger van Heerden.

"We were also hampered by crowds of people who gathered at the scene and tried to prevent us removing bodies."

Five Puma helicopters from the SA Air Force's 15 Squadron soon joined the rescue operation, landing close to the train and airlifting passengers to Durban hospitals.

By 8 30am all the dead and injured, apart from those trapped beneath the wreckage of the train, had been taken to hospital.

SAFREN  
*Fun 11/3/94*  
**Back to the sea**

**Chairman Buddy** Hawton's forecast (*Leaders* November 19) that operating profit for the year could rise by 48% seemed optimistic at the time, but it is up 69% in the first six months. Hawton, nevertheless, maintains that a 48% rise for the year is probable.

The really large profit spinner is again Safmarine, whose attributable earnings jumped 135,7%. That included a R29,1m (R3,4m) capital profit on sale of assets (ships) which are regarded as stock-in-trade. Without that, the increase was still a commendable 37,7%. *(269)*

With its high fixed costs, Safmarine is extremely volume sensitive. As Hawton predicted, when imports and the economy improved, Safmarine's profitability rose substantially. Hawton says trade with Europe has quickened as SA imports have grown, moreover, trade with North America, both import and export, has expanded. An ancillary benefit is minimised container imbalance, as fewer are carted empty each way.

The successes have been partly offset by problem areas. Flitestar, Safair and CMBT (the Belgium shipping line in which Safren acquired 49% in 1991)

Hawton says Flitestar does not have the critical mass from the local market to be viable. Negotiations are proceeding with government, SAA and the Competition Board, he says, to try to resolve the issue. Meanwhile, with Luxavia, it loses money. The outcome of negotiations will determine whether the airline will remain in business.

Safair's total operation is marginally profitable, despite difficulties in servicing Angola. Marginal losses are being experienced on scheduled freight services in SA and the more conservative policy of accounting for revenue only when cash is received is also affecting Safair's Angolan trading results.

CMBT's operating performance continues to improve. Land based costs have been slashed and trade is better, but it will be a couple of years before CMBT contributes respectable profits to Safren.

## BETTER FLOWS

Six months to	Dec 31 '92	Jun 30 '93	Dec 31 '93
Turnover (Rm) . . . .	2 107	2 371	2 588
Pre-int profit (Rm) . . . .	317	349	403
Pre-tax profit (Rm) . . . .	288	289	357
Attributable (Rm) . . . .	110	185	155
Earnings (c) . . . .	203	338	280
Dividends (c) . . . .	65	190	68

*Fun 11/3/94*  
 Rennies lifted attributable earnings 7,6%. It did not have the benefit of handling and distribution of the drought cargoes of 1993. Its earnings growth is likely to be restrained by growth in the economy *(269)*

Kersaf's 15% growth in attributable earnings is good, as its income depends on the volume of tourists as well as gaming revenue. Hotel occupancy rates have increased and gaming revenues have been supported by marketing, advertising and promotion. But strikes at Carousel, Babelegi and Marula Sun — and unrest elsewhere in Bophuthatswana — place a question over Kersaf's full-year earnings.

Safren's share has climbed from a low of R67 in October to R103 now. If Safmarine produces similar growth in the second half, while other divisions remain restrained, EPS and dividend growth may not exceed that of 1993. That gives a prospective p/e of 16,6 and dividend yield of 2,5%. The share seems fairly valued but it could rate a buy if political instability is minimised. *Gerald Hirshon*

# SAA aiming high en route to new democracy

ARC 12/3/94

(269)

Confident the transition will be a smooth flight.

■ South African Airways is looking for new horizons under a new democratic government.

**WILLEM STEENKAMP**  
Weekend Argus Reporter

NEW chief executive of South African Airways says the airline is gearing itself towards a future under a new government which will become its sole shareholder after the election.

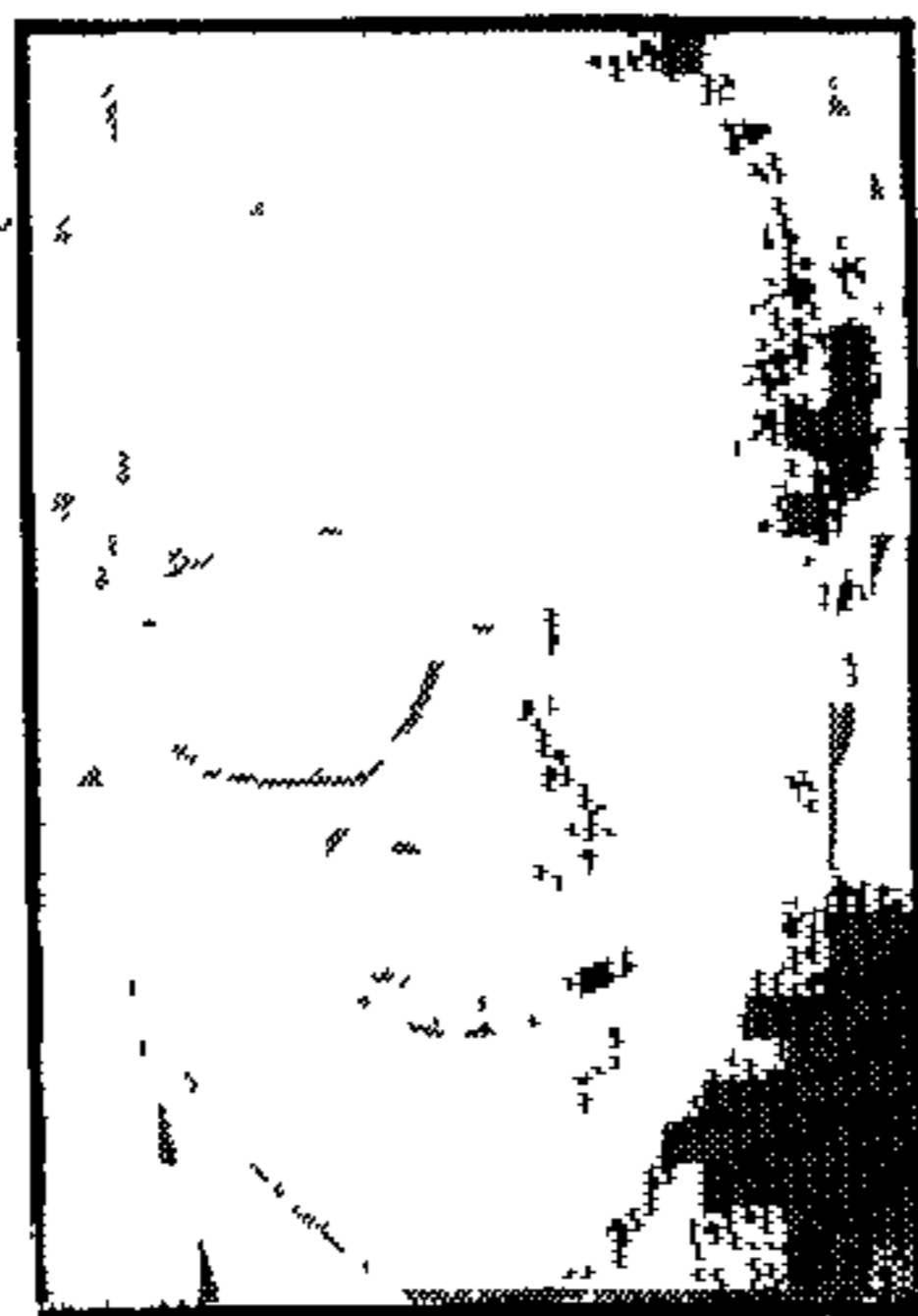
With the ANC expected to win the elections, it — as the new government — will be the new SAA shareholder

"We have had talks with virtually every political party in the country and taken due cognisance of their views and policies," said Mike Myburg, chief executive of SAA in an interview this week

Mr Myburg said SAA had not been caught napping by the changes and democratisation process

"In fact, we started changing and adapting to the expected new dispensation nearly three years ago. While people were still talking about affirmative action, we were already adopting a 'turn strategy' — our version of affirmative action

"We did not do this as a crisis measure to adapt to the



□ **AIRLINE BOSS:** Mike Myburg, recently appointed chief executive of South African Airways.

changing political situation, but did it to meet the very real need of our people — we felt we should act pro-actively"

Mr Myburg said under their "turn strategy policy", many people of colour had been appointed in different positions in SAA.

Besides several cabin crew members, five pilots of colour had also recently been appointed and another ten possible candidates have been identified and will be trained to comply with the high standards of SAA

"But we will not appoint people simply for the sake of affirmative action. Our appoint-

ments are done on merit but obviously if a black applicant has the same qualifications as a white applicant, we will appoint the black candidate. In short, we do give preference to black candidates"

Mr Myburg said currently there was a dearth of trained black pilots in this country — borne out by the fact that the SAA could initially find only five pilots of colour they could appoint.

"We have now decided to embark on a training programme for new pilots. We would like to establish a cadet pilot training course where matriculants can come straight from school and be trained as pilots in SAA. Our first 10 candidates could start training as early as next year," he said

Mr Myburg said SAA was also looking at expanding its international destinations "But this will depend on the state of the economy and healthy business principles. We are moving, but cautiously. In fact we may even cancel some routes which are not viable."

Mr Myburg said SAA had a positive outlook for future expansion and the role that the airline could play in Africa and internationally

"Before the commercialisation of the airline a number of years ago it was not possible to run SAA on sound business principles. There were many

limits placed on us from government side.

"Now we are operating the airline as a business venture. We are competing on an equal footing domestically and also internationally

"We welcome the competition — it forced us to sharpen our operation. And I would like to stress that we get no financial support from the government. We do not use a cent of taxpayers' money and there is no cross-subsidising from Transnet

"We truly believe that with our expertise, experience and capability we will not only continue our role as a national airline but in fact expand our operations," Mr Myburg said.

■ The world renowned flying Springbok on the tailfins of SAA aircraft will for the time being continue to be the SAA's emblem. Mr Myburg said the question of a change in corporate colours for the airline has not been discussed and is not an issue

But the fact that the flying Springbok is known worldwide and instantly recognised at international airports will in all probability ensure its future existence even under a new government

It would make little business sense to dispense with the flying Springbok as it would take millions of rands to promote a new corporate image

# Rail fare increase on hold

The South African Rail Commuter Corporation announced yesterday that it would not raise fares soon. *Star*

SARCC managing director Wynand Burger told a press briefing that a decision to raise fares later this year would be left to a government of national unity.

He thought an increase of about 10 percent would be inevitable later, because of rising costs. He hoped this could be offset by getting more commuters to use trains.

Last year's fare increase, announced in mid-March, was 9,75 percent. One of the reasons for delaying the fare increase was the poor state of the economy.

"Many of the country's poorest people rely on us for their daily transport. We take this responsibility very seriously," Burger said. *24/3/94*

The corporation would also consider lowered fares on off-peak train services for children, the unemployed, the infirm and the elderly, he said.

One of the corporation's greatest problems was fare evasion, which cost it between R70 million and R80 million each year. *(269)*

To overcome this difficulty and the continuing violence on trains and at stations, the SARCC had spent more than R280 million in the past two years to improve security, including access control, special trains and "virtually indestructible" windows.

Burger added that train violence had decreased in the past year.

South Africa National Civic Organisation roads and transport department head Dumisani Daniels said the organisation welcomed the corporation's announcement — Sapa.

YC



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• 2/

**SAVE 20%**

**CAPE WHITING STEAKS**



President FW de Klerk has his hand kissed by an Indian supporter as he arrives to lay a corner stone at the site of the new hospital in Phoenix, Durban, yesterday

*Savetan 25/3/94*

# Metro train fare freeze

**By Russel Molefe**

THE South African Rail Commuter Corporation has postponed fare increases until the government of national unity is in place after the April elections, it was announced this week.

At a Press conference in Melville, Johannesburg, SARCC managing director Mr Wynand Burger said a decision to raise fares later in the year will be left to the GNU. However, he indicated that fare increases seemed

inevitable because of rising input costs and low level of cost recovery from commuter services.

"We have had discussions with other stakeholders in commuter transport — for instance, the civic organisations — which have also prevailed on us to keep fares down as long as possible in the light of current realities," Burger said (269)

He said the corporation was losing about R80 million every year because of fare evaders. He estimated that

about 25 percent of passengers throughout the country each day were using trains without paying.

Burger added that R280 million had been spent in the past two years to combat violence on trains. He said trains had been used as "instruments" by certain political parties.

South African National Civic Organisation official Mr Dumisani Daniels said his organisation appreciated the suspension of fare increments.

Minority 20 percent stake in SA Express

# SAA gets in on SAX act

Star 26/3/94

269

SOUTH African Airways' hold on the domestic aviation market tightened yesterday with the announcement that it had acquired a minority 20 percent stake in the fledgling airline SA Express

SA Express (SAX), owned by the ANC-aligned company Thebe Investments (51 percent) and Canadian-based Lardel Holdings (49 percent), is set to begin scheduled domestic services at the end of next month following the granting of its operating licence this week by the Air Services Licensing Council (ASLC)

The new shareholding structure sees Lardel Holdings giving up a significant portion of its original stake in the SAX holding company, Southern African Airline Holdings, to SAA (through Transnet) and Abyss Investments (4,1 percent) Abyss Investments is owned by SAX financial director Michael Gray

Majority local ownership of SAX, as required by law, is now indisputable. Transnet still has the option of increasing its total stake to 49 percent.

Roger Foster, joint managing director of Airlink, which lodged an objection to SAX's licence applications, said yesterday. "We expected SAX to get its licence. But we believe we have achieved our objective regarding the controlling interests in SAX.

"I think one of the reasons

**THE COUNTRY'S major airline company takes a firm grip on the lucrative domestic passenger market by acquiring a stake in a fledgling carrier, reports MANDY JEAN WOODS.**

SAA has suddenly taken up equity in SAX is to balance the foreign control of SAA, so complying with the Act in every context and interpretation Foster had argued before the ASLC that the Canadians had a de facto controlling interest in SAX."

It was announced in early December last year that SAX was to take over two of SAA's routes (Kimberley and Upington) and share routes with SAA (Bloemfontein, Cape Town, Durban, George, East London, Port Elizabeth, Johannesburg and Maputo) in addition to flying its own routes (Pietersburg and Nelspruit) This pitted SAA against the 14 domestic carriers already operating.

In terms of a memorandum of understanding, signed in October last year, SAA will provide SAX with almost every service it needs — from computer ser-

VICES; sales, advertising and promotional services; SAA's bulk purchasing and buying services (including fuel and insurance); to reservations and ticketing services and use of SAA's hangar, workshop and office facilities.

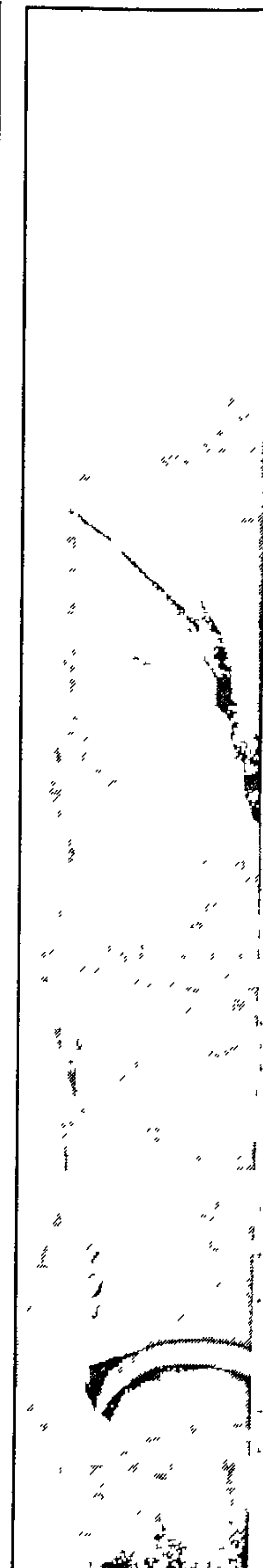
SAX will only need to hire certain staff (such as pilots and cabin crews) and buy the aircraft to begin operating.

In return for the services offered by SAA, SAX will pay SAA R60 000 a month plus R400 for every landing at SAA stations and R17 per SAX passenger carried.

These charges, according to the memorandum, will be levied in full only at the start of phase three of the introduction of SAX's services (possibly by June, when SAX begins flying on the East London and George routes).

In the first two phases of operation (from start-up until the beginning of phase three), SAA will charge R7 000 a month plus R200 for each landing and R4 per passenger. These cost structures will be reviewed in January 1996.

The first of the 12 new aircraft purchased by SAX — all De Havilland Dash 8 series 300Bs — will arrive in South Africa early next month with the first flights taking off on April 24



Free Street • Choice for voters abroad

# Three die in bus ambush

*Sowetan 29/3/94*  
**HUNT LAUNCHED** 18 seriously injured

in pre-dawn attack on commuters:

**T**HREE PEOPLE were slaughtered and 18 seriously wounded in a pre-dawn attack when a busload of commuters was ambushed at Tongaat yesterday

The bus was approaching the Tongaat and Emona river bridge near Ndwedwe when armed men came out of the bushes and sprayed the bus with bullets

Police said that at least 62 people had been killed in Natal since Friday.

However, all of them were not political killings

In the North Coast bus ambush the driver, Mr Robert Mthetwa, who was wounded in the head, bravely drove off to a bus depot where he reported the incident to owner Mr Chan Ramnudan

Screaming passengers jumped out of the bloodied bus, some with gunshot wounds in the head and body

It was then found that three people had been shot dead.

Local police and Internal Stability Unit members were summoned and an intensive search was launched for the attackers

The total number of deaths in political violence in the province in the past nine days is 123.

The Emona area is believed to be an IFP stronghold — for 10 days there has been violence around Ndwedwe

### Quite dark

A passenger, Mr Kenneth Mncwanga, said it was quite dark when the gunmen struck. "All I heard was gunshots and people began to scream

"Luckily for us the driver sped away, otherwise more passengers might have been killed."

(A Singh and S Miller, 18 Osborne Street, Durban)



# Social responsibility

## takes hold at Spoornet

Star 8/14/94

■ BY THABO LESHILO

Spoornet, hitherto criticised as a bastion of Afrikanerdom with scant regard for the black community, may soon become an important player in the promotion of black development

The board has just adopted a far-reaching strategic plan that puts it firmly among the leaders in corporate social responsibility.

The most important aspects of the plan are aimed at promoting entrepreneurship in squatter camps and developing existing black business.

Isaac Nkama, newly appointed public affairs manager for the Southern Transvaal, said yesterday the company would soon set up the first "Spoornet Informal Business Centre" at the Mandela squatter camp on the East Rand.

Made up of 40 large steel containers, the complex will house several businesses, including a tailor, shoe repairs, barber shop, fast food outlet and a photographic studio.

The company will provide training and arrange small loans to help the new entrepreneurs run



Isaac Nkama ... no charge for containers.

their businesses successfully. There will be no charge for the containers

A meeting with local community leaders and business people is scheduled for next week to decide on criteria for allocating sites. (269)

Nkama said although a need for similar projects had been identified in other areas, it was decided to use the Mandela camp in Kattlehong as a launching pad for strategic reasons

"Most acts of theft and vandalism directed at

Spoornet property occur near this and other squatter camps."

Nkama said although such incidents could be blamed on poverty, the fact that Spoornet was not viewed as part of the community played a role

"Mandela squatter camp can be used as a pilot project and others will follow once we have seen the workability of the concept."

He said Spoornet would continue to strive for a closer working relationship with black business and recognise the historical disparities with white businesses when allocating contracts.

Already, several township builders have been engaged to upgrade stations in black areas

Nkama said Spoornet hoped its decision to join hands with Fabfoods to revive the Tribute Forum — the popular discussion forum hosted by Tribute magazine — would help promote networking and reconciliation among blacks and whites.

Other plans are to let company social workers work in black communities, provide career guidance to scholars from deprived communities and to take part in township clean-up operations

# Bumpy ride for voters' transport

SI Times 10/4/94

BY MICHEL MULLER

SOUTH Africa's volatile transport industry, plagued by rifts and violence, is gearing up for a bumpy ride to the election as the movement of voters to the polls is left to political parties

"The transport industry will never be able to cope with the demand during the elections," the Committee of Concerned Roleplayers in the Transport Industry (CCRITTI) said in a memorandum submitted to the Independent Electoral Commission

The memorandum warns "It is imperative that transport be seen as being for everybody and not for specific parties"

An estimated four million people are transported daily by rail bus and taxi, but this figure is expected to treble to 12 million at the climax of the election on April 27 when 22 million people are expected to go to the polls

The CCRITTI representing unions, bus companies, taxi owners and rail authorities, has been trying since Janu-

ary to organise election transport under the auspices of the IEC, while requesting that a subsidy system be funded by the Transitional Executive Council

"The management committee dealt with it and decided to refer it to the IEC, but more importantly, to the national party liaison committee (NPLC)," said Dr Theuns Eloff, TEC spokesman in Johannesburg

"Mancom felt the issue should be dealt with by the parties themselves"

The IEC, reliable sources said, had indicated that transport involved moving political party supporters and for this reason, it was a party political matter

NPLC chairman Dr Esop Pahad could not be reached for comment on Friday, but Professor Jackie Walters of CCRITTI said "Time has run out It is too big a task to undertake before the election"

Preparations to trans-

port the voters has been left to the last minute

IEC spokesman in the Western Cape Mr Phillip Schroeder said "We could be leaving it a bit late. Apparently the NPLC has come up with a suggestion, but we haven't heard anything yet."

He said the region was waiting for notification and guidelines before acting, but pointed out that political parties had not made any transport inquiries

"This means transport will be hired by the political parties and identified by logos and slogans," said Prof Walters "In my opinion, this could pose a safety hazard. We didn't want this type of situation"

Prof Walters said South Africa had seen enough of taxi wars and ambushed buses and trains.

"There's enough tension in the country already Party political transport could increase

tensions and lead to a disaster Can you imagine an ANC bus riding through Natal?"

In a further development, the Transport and General Workers' Union (TGWU), fearing for the lives of passengers and drivers, has called for a meeting with the TEC.

"The TEC must activate its sub-council on law and order to prioritise transport safety," he said

"If they don't respond by tomorrow, we will approach Mr Nelson Mandela," TGWU general secretary Randall Howard said

"The TEC, as the responsible transitional authority, must take steps to curb violence and intimidation in the passenger industry," he said.

The TGWU identified flashpoints as Khayelitsha in Cape Town, where six bus drivers have been killed and Golden Arrow buses have ceased operations since September last year, and the Baragwanath-Natal route

"At the end of the day, no company is going to send a driver into a flashpoint area," said Prof Walters

He estimated bus companies, which are subsidised by the state per ticket sold, could lose R20 m during election week with the anticipated closure of some businesses and factories.

● Spoornet spokesman Yvette Olwage said in Cape Town that no political parties had requested special election trains

Golden Arrow spokesman Jeanne Welsh said the bus company had been approached by political parties

(News by M Muller, 122 St Georges Mall, Cape Town)

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## Flitestar's demise a boost for SAA

BINEY 13/4/94  
STEPHANE BOTHMA

THE termination of independent airline Flitestar's operations would boost SAA's passenger numbers by about 300 000 a year, the national carrier said yesterday.

SAA estimated that 75% of Flitestar's 400 000 annual domestic flyers would revert to SAA, spokesman Leon Els said. However it was not necessary for SAA to schedule additional flights (219)

Comair chief Pat van Hoven said Comair was looking at the possibility of additional flights on the Johannesburg-Durban and Johannesburg-Cape Town routes to accommodate Flitestar passengers.

SAA said that since Flitestar's closure on Monday night, it had managed to facilitate 90% of passengers booked on Flitestar domestic flights. The rest was handled by Comair. SAA had accommodated all of Luxavia's passengers, Els said.

Meanwhile, a statement issued by Lionair — in which its president, Neil Robertson, said he had submitted a bid to purchase the shares of Trek Airways, which traded as Flitestar and Luxavia — had been handed to Flitestar's lawyers.

Flitestar MD Jan Blake said the statement contained several inaccuracies. Newspapers publishing the document could face legal action.

Lionair planned to start Johannesburg-Cape Town and Johannesburg-Durban flights in October.

Safren chairman Buddy Hawton said Lionair's bid to take over Flitestar was not being considered.

GATT

**Wrapping up the deal**

**Fifty years ago**, the victorious Allies drew up a blueprint for three multilateral organisations that would shape the international economy in the post-war world. The IMF and the World Bank duly came into existence as twin policy-making pillars. The third, the International Trade Organization, was still-born when the US Congress declined to approve it.

Gatt emerged from the legislative wreckage in 1948 as an interim world trade secretariat. This week, ministers from over 120 countries, meeting in Marrakesh, will formally lay Gatt to rest and launch its successor, the World Trade Organization.

As Churchill might have said: "Some interim, some secretariat." Despite the constant threat of protectionism and ongoing tensions between rich and poor countries, the world's trading framework has become increasingly open under the Gatt regime. The Uruguay Round of trade negotiations, which began in 1986 and concluded last December, proved to be the most arduous to date. It was also the most far-reaching.

Under the Uruguay terms, tariffs were cut on broad categories of global merchandise trade, which last year amounted to US\$3.6 trillion.

Ministers agreed to bring international trade in commercial services, worth \$1.03 trillion last year, within the scope of the new

organisation. Also to be included are agriculture, government procurement and — most sensitive for the developing world — textiles.

According to Gatt estimates, the liberalisation achieved with the conclusion of the Uruguay round will add \$300bn annually to the value of world trade.

But though the organisation's framework will extend to most major categories of trade, the details remain to be agreed on in areas such as telecommunications, shipping and financial services. It may be 50 years late in arriving, but in keeping with its broader scope, the organisation will have a stronger structure than Gatt. In place of previous *ad hoc* summits, a ministerial meeting every other year will serve as its main decision-taking forum.

**Mediating disputes**

Backing up its efforts to police world trading practices will be a disputes procedure that all members must pledge to follow. Independent panels will be appointed to investigate disputes between members and their findings must be adhered to unless a majority in the organisation opposes them. Countries against which a complaint is upheld can appeal to the organisation's new appellate body, whose decision will be final. Any country that fails to comply will be subject to sanctions by its trading partners.

It is a promising sign that the tougher set of rules has been approved by the industrialised and the emerging-country blocs. Trade

experts also say one of the positive developments during the course of the Uruguay Round has been the increased willingness of the emerging world to accept Gatt disciplines.

Particularly in the east Asian economies, there is an awareness that Gatt helps keep Western markets open while, like IMF programmes, it is a useful stick to wave at vested interests at home.

Yet serious tensions remain to be resolved within the new framework. As Ministers began to assemble in Marrakesh this week, director-general of Gatt Peter Sutherland, the man expected to head the organisation, was embroiled in last-minute talks to head off a new confrontation between the US, the EU and the developing world.

The US is demanding a draft declaration linking "internationally regarded labour standards" to trade matters. Its stance has been attacked in India, Malaysia and other emerging countries, which fear that the industrialised world's hidden agenda is to impose new tariffs aimed at offsetting the Third World's low labour costs.

The French have protested that the only aim is to stimulate "long-term debate" over whether workers' rights should form part of trade issues and to discuss general goals such as banning child and prison labour. But illustrating the complexity of the issue, trade unions in Malaysia and elsewhere have welcomed the US-EU stance, undercutting their own governments.

Other contentious points include linking trade and the environment, with the US and EU seeking to promote environmentally sound industrial practices worldwide. A working group is likely to emerge from the Marrakesh meeting.

As trade liberalisation extends into new areas, the one certainty is that the organisation's enhanced procedures for resolving disputes will be needed sooner rather than later. ■

**END OF THE ROAD FOR STERLING**

**Spencer Sterling** will bring to an end 38 years in the motor industry this month when he steps down as chairman of the SA Motor Corp (Samcor), local manufacturer of Ford, Mazda and Mitsubishi vehicles.

Sterling (60), is retiring from Samcor's major shareholder, Amic. The former president of the SA Chamber of Business has agreed to act as business consultant to a number of unlisted industrial companies as well as to Amic.

Before moving "upstairs" to become chairman in 1991, Sterling was MD of Samcor from 1985, when the company was created through the merger of Ford SA and Amic-controlled Amcar.

He had previously been MD of Amcar and of its predecessor, Sigma Motor Corp.

In addition to Amic, Sterling says he

has agreed to consult for two privately owned companies and is having talks with a third.

The companies are involved in construction, automotive tooling (including automation and robotics) and the manufacture of electrical and electronic equipment.

Initial agreements are for one year, "then I will decide longer term." Options include continued consultation or buying his own business, either in SA or overseas.

Sterling admits he finds it hard walking away from 38 years in the motor industry. "On the other hand, I'm looking forward to new challenges. I've done it all in the motor industry and held every conceivable position, including four years as president of the National Association of Automobile Manufacturers."

Despite persistent market doubts about Samcor, Sterling says he leaves the company "in remarkably good condition. It's not had to ask for capital from shareholders for six years and its debt-equity ratio is very healthy. If it can only solve a couple of strategic problems, it is poised for major progress."



**Sterling**

15/4/94  
MOTOR INDUSTRY

**Not happy with the plan**

**The proposed** development plan for the motor industry is a "seriously flawed piece of work," says Samcor MD Robert Herbertson. Not only will its recommendations create an overregulated industry but it also displays a lack of understanding on many important issues, he adds.

**Sharp criticism**

Herbertson's company manufactures Ford, Mazda and Mitsubishi vehicles.

The plan is set out in a report presented to Trade & Industry Minister Derek Keys last month by the government-appointed Motor Industry Task Group (*Business* April 1). In one of the sharpest individual criticisms yet of the report, Herbertson describes the industry structure envisaged by the report as Byzantine.

# Death of an airline

Fun 15/4/94

Flitestar, the independent airline that took off with a flourish in 1991, went into a nosedive last weekend when archrival SA Airways had to take over some of its flights, and flew straight into the ground on Monday, when it went out of business.

The move had been in the works for at least the past month. "Negotiations to enable Flitestar to get out of the market without leaving any corpses started about a month ago," says SAA CE Mike Myburgh. As part of the deal, SAA agreed to pick up Flitestar's forward sales.

With Flitestar's losses totaling R90m, parent company Trek Airways pulled the plug on the fledgling carrier and its sister airline Luxavia, which has been flying to Europe for 40 years. Luxavia was SA's first discount airline to Europe but its State-owned competitors, such as Belgium's Sabena and Germany's Lufthansa, offer fares that are just as cheap and have more add-ons.

Two Flitestar jets are already in SAA's

Jan Smuts airport hangars, where they have been given clearance to fly out on Friday in Air France livery. The other two will fly out next week, also in Air France colours.

That will end Flitestar's brave, head-on challenge to SAA on its major routes. Flitestar flew its first commercial flight between Johannesburg and Cape Town on

October 16 1991 with state-of-the-art Airbus A320s leased from Guinness Peat Aviation of Ireland — now a division of the General Electric Capital Group of the US.

The lease on the aircraft still had 30 months to go but, says deputy chairman Derek Lawrance "We negotiated a deal that discharges our liabilities and have paid Guinness Peat a substantial amount. It's not easy to place aircraft without the Air France deal we would have had a massive claim against us." He refuses to divulge the figures. They were straight leases, so there was no residual value in the aircraft that could have been cashed in when they were handed back.

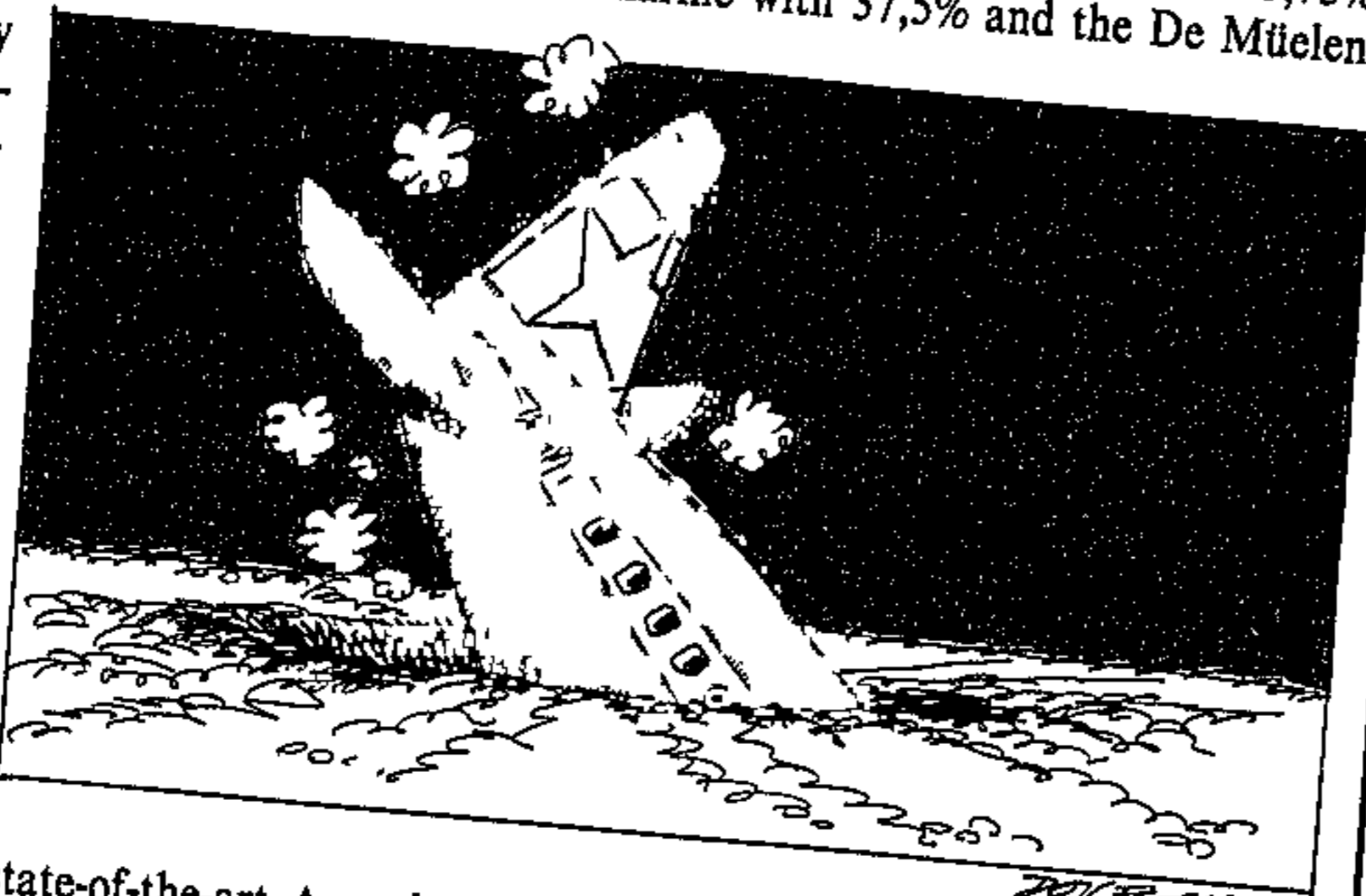
The announcement caught the industry by surprise, especially Airlink, which wanted to negotiate a memorandum of understanding with Flitestar to form an alliance to counter SAA's domination of the domestic market. Airlink deputy MD Roger Foster regards Thebe Investments' newly formed SA Express Airlines, in which SAA has a 20%

stake, as an SAA subsidiary. It is set to begin service in the next few weeks.

Flitestar employed 900 people. Senior staff were told on Friday that the company was to cease trading and the rest were told on Monday morning. It would have been impractical to let them know months before, Lawrance says. SAA, Comair and SA Express are trying to find jobs for as many of them as possible.

The final crunch was probably when Guinness Peat Aviation demanded a balloon payment for arrear instalments. Lawrance says Flitestar had been kept alive by the firm's agreeing to "defer certain lease payments, but with the eruption of pre-election violence, it reassessed the political risk here and demanded full payment of the arrears, together with government guarantees for all future lease obligations. The government was not prepared to grant these guarantees."

Investors Rentbel, which owned 43,75%, Safmarine with 37,5% and the De Muelen-



are family of Pretoria with 18,75% stand to lose R500m (*Business* November 5). Lawrance now confirms what insiders have been saying for a long time. Flitestar was undercapitalised. He says most of its costs, such as fuel, staffing levels dictated by safety regulations and financing costs, were fixed. It employed SH&E, the largest firm of airline consultants in the world, and Speedwing, British Airways' consulting arm, which recommended more money be spent in certain areas, but knew that because of cash-flow problems this was not possible.

The only option was to increase revenue by increasing load factors and/or fares. Flitestar complained to the Competition Board about what it claimed were SAA's predatory practices. In January last year the board recommended that SAA should accommodate Flitestar and reduce its capacities and increase its fares. Board chairman Pierre Brooks said he was satisfied SAA did all that was required.

But Flitestar wasn't satisfied and went

back to the board in October, calling for a much more formal Section 10 investigation into the way SAA was competing. That angered SAA's Myburgh, who said "enough is enough" and briefed lawyer Michael Katz to take up the cudgels on SAA's behalf. The matter hadn't been resolved when Flitestar folded. Flitestar's application didn't cost anything but had SAA lost, there is no doubt it would have appealed and the court case would have been a costly exercise for both.

Another common belief is that Flitestar failed because it didn't look for a niche market, which is what Comair did, but instead challenged SAA head-on on its own turf, and appealed to business travellers. It originally devoted 65 of each aircraft's 125 seats to business class. That didn't work because all SAA had to do was move the dividing curtains back and install more business-class seats itself.

Flitestar adapted. Starting from scratch, it had won 21% of the total domestic market, 25% of the market on the routes on which it competed with SAA, and load factors of 63%, Lawrance says. Most in the industry say those performances were adequate and believe it should have been making money.

## Hit by falling rands

And it was coming right. About 18 months ago, when the exchange rate was about R2,87 to US\$1, MD Jan Blake announced it was breaking even. But the falling value of the rand against the dollar uncorked the red ink (this week the rand hovered around 3,60/\$1). Flitestar earned its revenue in rands and had to pay for spares, which it bought through Guinness Peat, and its lease instalments in dollars. Comair is in the more fortunate position of paying SAA for the lease of its one aircraft and the purchase of its other two in rands.

The irony is that had Flitestar been able to hang on, it might have taken a lot of corporate business away from SAA. Pick 'n Pay co-MD Gareth Ackerman said last week that he was considering taking his company's business to Flitestar because he considered its frequent flyer programme much better than SAA's new Voyager frequent flyer programme. "They give a 10% discount, Voyager gives only 3%. I'm sure many companies feel the same."

With Flitestar's folding, SAA stands to pick up 75% of the 400 000 passengers the failed airline carried each year, and bump up its revenue by between R80m and R100m. The rest will go Comair's way. "We're operating 30 flights a week to Cape Town now," says MD Pieter van Hoven. "We'll have to step that up to 40 a week."

David Pincus

Carriers' demise leaves SAA with 90% of local market

SA 16/4/94

# Three airlines fold their wings

269

**SEVERAL** factors conspired to ground Elitestar, Luxavia and Air Cape, leading to a Competition Board probe into SAA's activities, reports **MANDY JEAN WOODS.**

NO ONE factor pushed Trek Airways to shut down aviation operations in Luxavia, Flitestar and Air Cape. It was a combination of issues, including the worsening rand-dollar exchange rate, SAA's alleged restrictive business practices and the depressed state of the travel market.

## Shareholders

Rentmeester Belegings managing director Joggie Vermooten this week spoke about the demise of three-year-old Flitestar, upstart challenger to SAA's monopoly on domestic routes, and of the end of 40-year-old Luxavia. Negotiations have begun for the sale of aircraft used in its Air Cape operations.

The deciding factor was shareholders' decision not to invest more money in propping up the airlines. Shareholders — of which Rentmeester Belegings was the biggest, with a 47,75 percent stake (other investors included Safren Holdings with 37,5 percent and the De Meuleñaar family with 18,75 percent) —

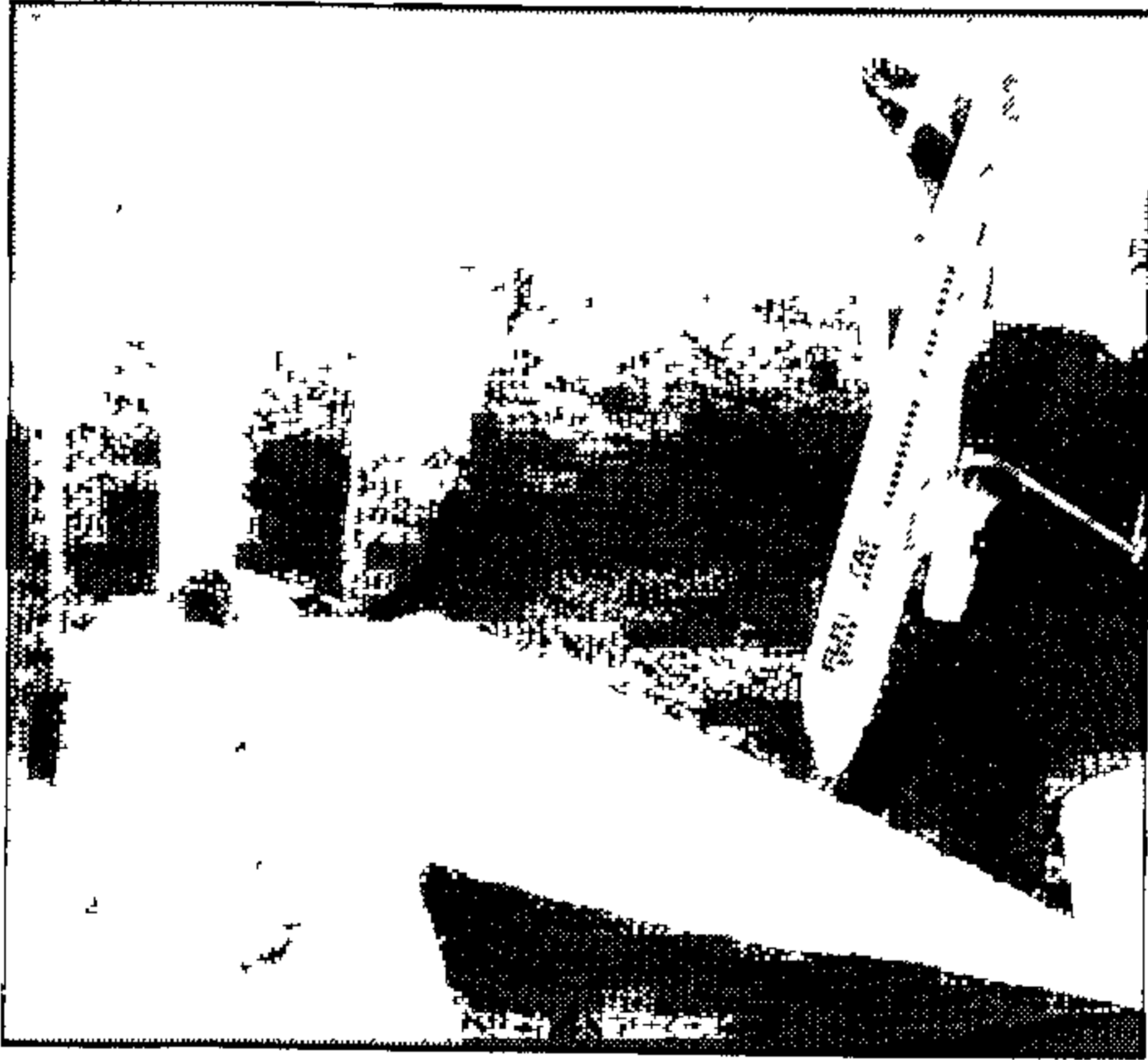
had to decide whether to sacrifice their R110 million investment or pump in more funds to try to put the operations on a profitable footing.

"We had to consider the risks, and they were significant. The exchange rate could deteriorate further after the election, and there's a limit to how much one can increase prices. Then there's the matter of political uncertainty and the effect it has on travellers and the economy," Vermooten said.

The Competition Board is investigating allegations that SAA engaged in restrictive practices. Flitestar, which lodged a complaint with the board, claimed that SAA, operating with government assistance, had created uneconomical trading conditions.

It alleged that SAA had

- Increased its total number of business-class seats against Flitestar's positioning as a "businessman's airline".
- Withheld statistics on the domestic market, available only to it



**BLAKE:** Optimistic projections made four years ago have not materialised

through its check-in system, which was used by all domestic airlines

- Increased its commissions to travel agents, signed up corporate clients to use its services exclusively, and significantly increased its advertising so as to drown out Flitestar's marketing efforts.
- Refused to accept Flite-star tickets without endorsements.
- Overcharged for ground-handling services

- Rigged its computer-linked booking system to Flitestar's disadvantage
- Extended its frequent flyer programme to its domestic services after Flite-

star entered the market. Negotiations to wind down the three airlines began in earnest three weeks ago.

The final agreement was reached on Monday. Trek Airways managing director Jan Blake said "Despite having

achieved a high standard of operation, the company continued to make substantial losses. Neither Trek nor SAA has been happy with their financial performances. Optimistic projections made four years ago have not materialised and considerable excess capacity exists in the domestic market.

"As a result, Flitestar has not been able to gain the critical mass necessary to operate profitably."

Sources said Trek Airways and its shareholders had agreed to a five-year restraint of trade. Trek was also said to have been paid R90 million for forward sale of tickets. All parties have denied this.

At best the airlines would break even on existing debts. However, it was highly unlikely that shareholders would recoup their investments.

SAA financial director John Hare said his airline expected to make between R150 million and R160 million a year from the deal it did with Flitestar.

An industry observer said this left the domestic market nicely carved up: SAA would get the business traffic, Comair would get the back-packers. Where SAA could not justify operat-

ing a route, it would simply hand it over to SA Express, doubling the new airline's chances of success.

SA Express — in which SAA held a 20 percent stake — was set to become South Africa's second-largest domestic airline.

For a nominal fee it had full use of SAA's services, from its facilities at airports to marketing and computer hardware and software, purchasing and bulk-buying services (including fuel), office and hangar space, reservations and ticketing services, and all passenger and ground-handling facilities.

## Market share

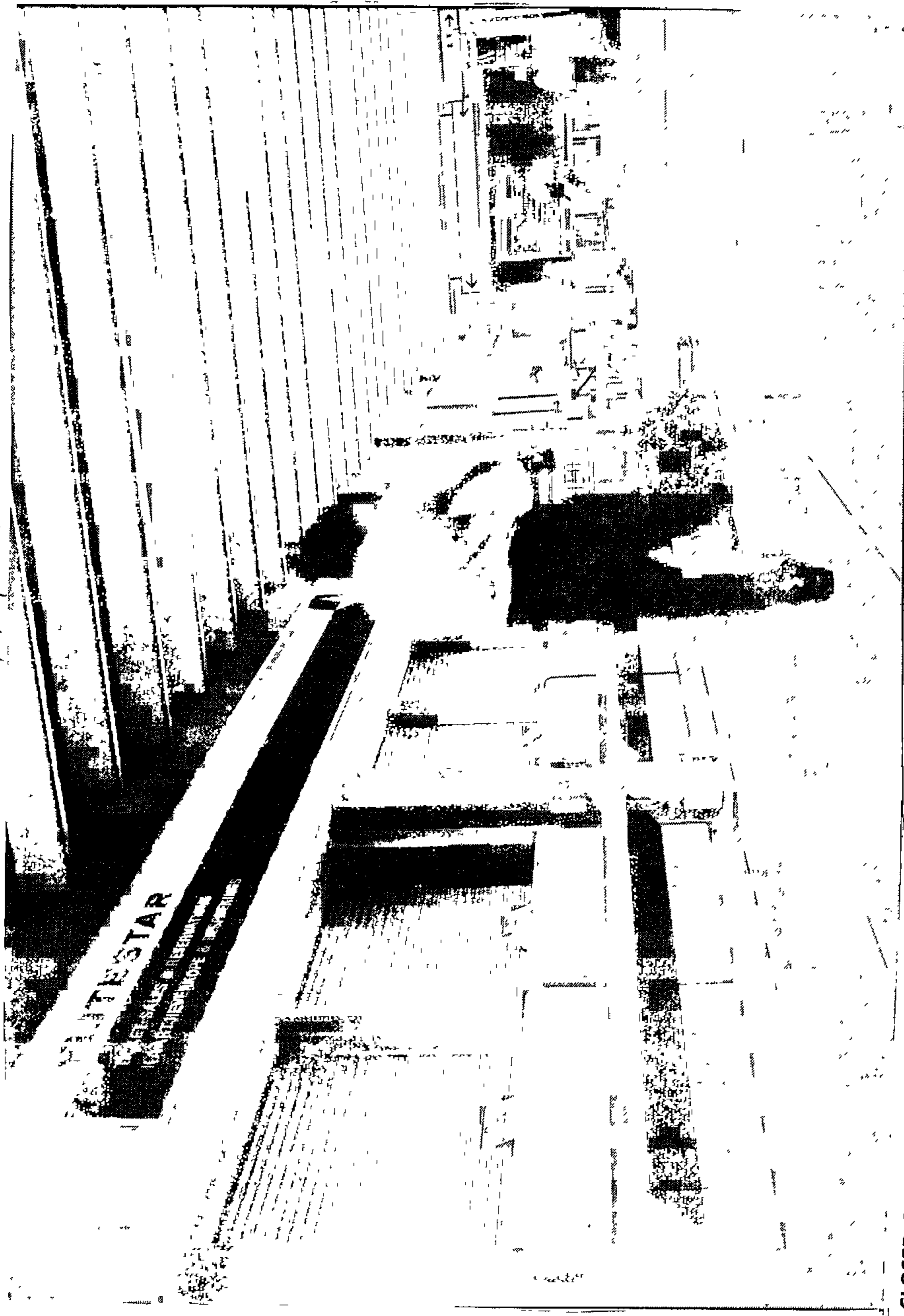
Competition Board chairman Pierre Brooks said it seemed possible that a monopolistic situation could exist, given the economic ties and shareholding between SAA and SA Express.

Comair managing director Piet van Hoven said SAA, with its SA Express association, could probably expect to increase its domestic market share to more than 90 percent, leaving little for the other 13 scheduled domestic airlines. Flitestar had held about 25 percent of the market.

STAR

16/4/91

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CLOSED SHOP: Flitestar's airport counters were shut on Monday

PHOTOGRAPH JODIE BIEBEI

# Profit shores up Transnet pension fund

SITINGA [RASSI]

17/11/94

By CIARAN RYAN

TRANSNET's expected operating profit of R1.7-billion for the year to March will be swallowed by interest on pension fund borrowings, says managing director Anton Moolman.

The state-owned company appears to be reaping the fruits of its four-year commercialisation drive. Operating profit before paying interest on pension fund borrowings should be 50% higher than the previous year's R1.2-billion. Final results will be published in August.

Interest on pension fund borrowings of R1.0-billion will swallow R2-billion, leaving the group with a shortfall for the year of R300-million. The fund's deficit is down to R6.5-billion from the previous year's R10.4-billion thanks to changes to pension fund benefits and appropriations from Transnet's operating profit. (218)

Transnet turnover should be about 2% higher than the previous year's R13.5-billion. Spending was cut by 3%, resulting in a 5% extra margin.

Dr Moolman says "We reduced staff by 25 000 in the year. A further 15 000 were employed elsewhere in the group."

Portnet should show a profit of about R700-million (1993 R623-million). Spoonet is the largest division with turnover of more than R7-billion. It is the most profitable division.

Pipeline operator Petronet expects a profit of R150-million.

SA Airways remains in the red despite showing a profit on domestic operations. International routes continued to lose money. It lost R78-million in the year to March 1993.

Because so many national air carriers

are losing money, a southern African regional carrier similar to North Africa's Air Afrique is possible, says Dr Moolman.

"There is resistance to the idea in neighbouring countries because they perceive a loss of national identity. But this is the way we will have to go. The world trend is to mergers and alliances with large carriers."

Dr Moolman says Transnet should post a small profit in the year to next March after paying another R2-billion into the pension fund. The pension fund deficit was R17-billion four years ago at the start of the commercialisation drive. Transnet raised R1.0-billion on the capital market to reduce the deficit, which will take another 10 years to eliminate. (388)

One of the main reasons for the deficit was the earlier obligation to invest in low-interest government stock. Since commercialisation, 40% of the fund has been invested in growth equities.

Dr Moolman rejects suggestions that funding the pension fund on a "pay as you go" basis — paying current benefits out of current income — would enable the group to show a better return.

"Ten years ago, for every pensioner drawing benefits there were 3.7 contributors. Now the ratio is 1.1."

Nearly 108 000 pensioners receive pension benefits compared with 94 500 two years ago.

There is some concern that the government will be unable to repay a debt of R5.9-billion to compensate Transnet for the increased burden on the fund caused by commercialisation.



**BUOYANT**

Transnet MD Anton Moolman, who foresees a 50% increase in Transnet's operating profit for the year to March 1994



# Transport policy draft is welcomed

THEO RAWANA

TRANSPORT Minister Piet Welgemoed has welcomed the National Transport Policy Forum's draft policy, but warned against a future policy that would "place unrealistic pressure on the taxpayer and the Treasury".

In a draft transport policy which the forum said this week would be presented to the future government, it recommended certain programmes be started to ensure the sector benefited the country.

Among the recommendations was that the taxi industry should be put on a par with bus and commuter rail transport "in terms of concessions and support systems based on the same principles for all modes".

Welgemoed said yesterday the state was already deeply involved in the subsidisation of transport.

"The ability of the country to afford these services should be taken into account when transport policies are drawn up.

"For instance, if the perceived needs of urban public transport should be met immediately, it will increase the present spending of R2bn a year to more than R5bn a year.

"This does not include infrastructure or capital expenditure. This is only one aspect of the total transport field," he said.

"We should be very wary of any future policy that will place unrealistic pressures on the taxpayer and the Treasury," he added.

He said the input of the forum, as well as that of other relevant organisations, augured well for the future of transport.

"I want to encourage the Department (of Transport) to invite all interested parties to continue their involvement with the formulation of a flexible and adaptable transport policy regarding all segments of transport — urban transport, road infrastructure, public transport," Welgemoed said.

# 'Unfair' deregulation put paid to Flitestar

Star 22/4/94

■ BY STEPHEN CRANSTON

The closing of Flitestar doesn't mean airline deregulation has failed, says Jaapie Smit, the Commissioner for Civil Aviation

Speaking at the Aviation Africa exhibition at Jan Smuts Airport this week, Smit said Flitestar had ascribed its failure to remain in the market not to deregulation, but to the Government's inability to implement deregulation fairly.

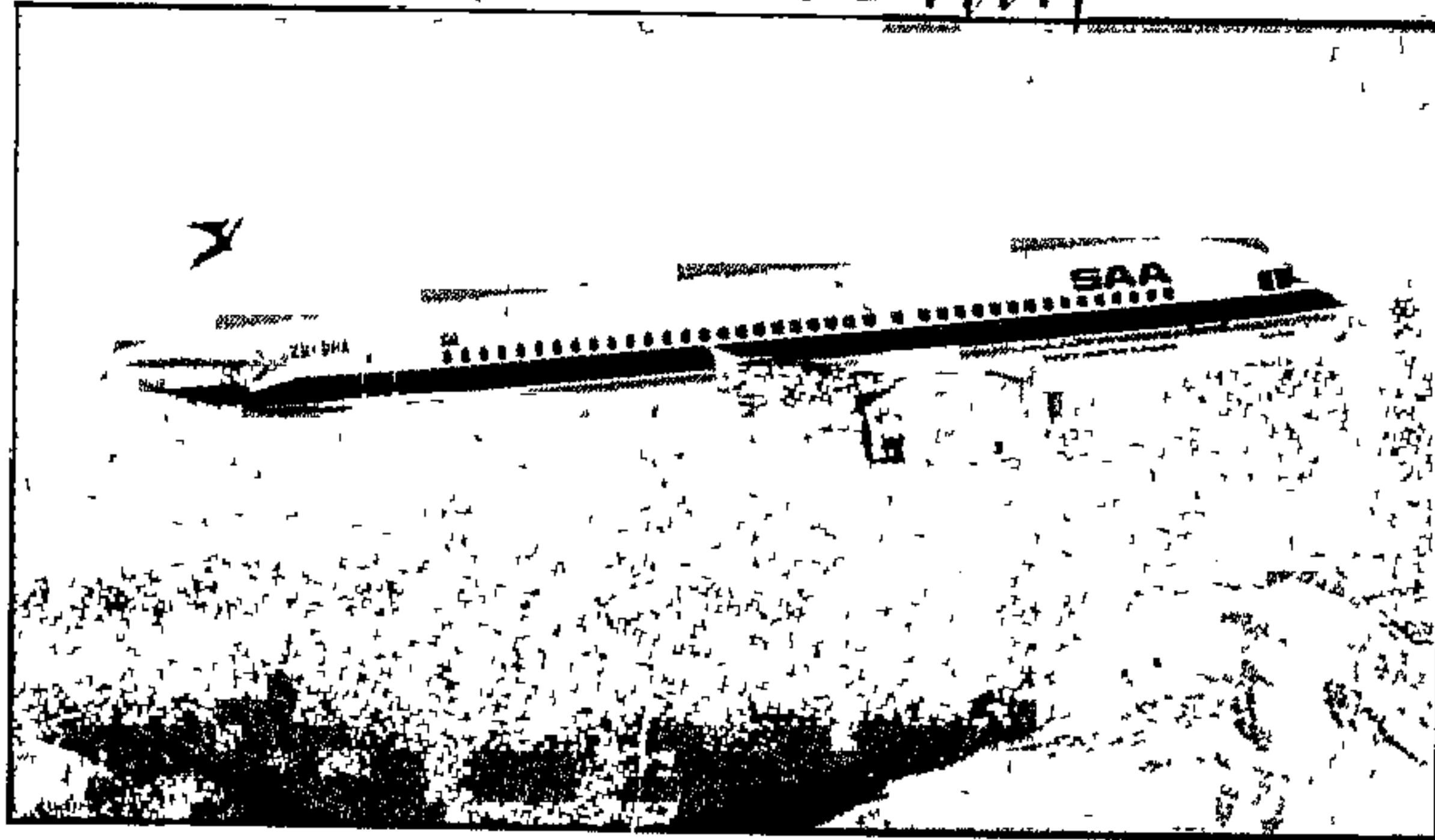
A fully deregulated market would not have allowed for a player such as SAA, which does not compete on purely economic grounds.

International experience also showed the right to exit was as much part of deregulation as the right to enter.

In Australia, Compass Airlines had departed in a similar fashion to Flitestar, claiming unfair play.

In the US, examples of entry and exit abounded. There, experience had largely been one of large incumbents tumbling from the skies, with newcomers entering the market in search of spoils.

Smit said airlines that



An A320 Airbus in SAA livery.

had survived in a deregulated environment had generally cut operating margins to the bone, or were doing so through route rationalisation and retrenchments.

They were strategically focused on their core markets, like Southwest in the US, which catered almost exclusively for the short-haul low-priced market.

But some carriers depended on market goodwill, bankruptcy protection or some form of state support, he said.

Despite the demise of Flitestar, the success of deregulation could be

measured by the number of participants in the market.

If the domestic market was compared with similar ones abroad, there was room for more than one carrier on the golden triangle: Johannesburg — Cape Town — Durban.

Smit said deregulation could well extend to the entire region.

Many regional flag carriers had a poor financial performance due to the size of the market for feeder services, low aircraft utilisation, inadequate funding or a poor capital structure result-

ing from poor revenue yields. (269)

He said the countries of the region should move away from bilateralism on routes to multilateralism.

SA would soon allow aircraft of 5 700 kg or less to operate freely on a non-scheduled basis, subject to a reciprocal exemption.

■ SA aerospace group Simera plans to ship the first of its jet engine gearboxes to Britain's Rolls Royce today.

"The whole project is going to schedule," says Simera manufacturing engineer Gary Karlson.

**BUSINESS**

Fm 22/4/94  
the favouritism and patronage that once was  
rife under the Nats, when a powerful country  
politician or influential party donor could  
virtually demand that a road be built to his  
farm, even if it was used by only a few  
vehicles every day. (269) ■

# Flitestar pulls down Safair freight

STimes (Buss)

FLITESTAR's crash two weeks ago could kill Safair's domestic freight service

Safair lost 40% of its freight capacity — up to 500 tons a month — when sister company Flitestar, with its four Airbus A320s, ceased operation. The cargo carrier leased space in the A320s flying between Cape Town, Durban and Johannesburg.

A Safair spokesman says it is no longer economic to operate its two cargo-dedicated BAe 146s because of low profit margins.

"We needed the cheaper, extra ca-

By ROGER MAKINGS

capacity provided by the four Airbus to offset the cost of the BAe 146s. We can no longer compete with SAA."

Safair's options include leasing its two R70-million jet-engined aircraft to freight companies which would form a syndicate. 244494

"If we are unable to come to some arrangement with the freight companies, or find another solution, we will have to shut our freight operations"

(269) (82)

SA Airways will help Safair to meet its commitments — at a price

Safair will continue its services from Johannesburg to Durban, Port Elizabeth and East London, but has handed over its twice-nightly Cape Town flights to SAA.

Safair's freight operation had a turnover of R15-million last year.

Safair, whose parent is Safmarine, lost R41,5-million on a turnover of R220-million in the year to June 1993, but is turning the corner with its lucrative engineering and maintenance interests.

# Funds surface to fix roads

Municipal Reporter

(269)

CT 3/5/94

MORE road resurfacing than usual is taking place this year in the city because more money has been made available for it, and the funds are being made to stretch further, engineer Mr Duncan Short said yesterday

Two-and-a-half million rand had been made available from the parking areas development

fund, he said, partly because extra money had been put into this account after the council sold off the City Park parking garage.

This was a once-off injection of funds. Next year, there would be so many demands on the fund — such as for the station deck taxi rank — that it could not be repeated

The council also had a relatively new road resurfacing process available to it, called "hot in-place recycling", which was between 25% and 30% cheaper than earlier methods, so the money went further.

There was no question of spending all available money in the kitty before the present councillors made way for new ones, he said.

## Spoornet lands maize contract

STEPHANE BOTHMA

SPOORNET has landed a R600m contract to transport export maize to two of the country's harbours on behalf of the Maize Board. *Biday*

The contract included the ralling of 6,6-million tons of maize worth about R2,86bn destined mainly for markets in the Far East, Spoornet assistant manager of rail services Andrew Willson said yesterday. *(21) 51194*

"It is the largest export programme ever undertaken in the history of Spoornet," Willson said, adding that a 24-hour process office had been established to co-ordinate the programme.

Maize was being transported mainly from the Eastern Transvaal, Free State and Northern Cape to the Durban and East London harbours, he said.

About 190 ships, each carrying more than 34 500 tons, will be loaded with maize in the programme which ends in September. *515194*

Willson said the major part of the logistical planning involved the co-ordination of arrival times of trains and ships to avoid delays.

Currently, only last season's maize stored in silos around SA was being exported, and the Maize Board was working around the clock to clear the silos for this year's bumper crop, which was expected to be ready for storage by the end of August.

The board said it had sold maize on tender to private companies at between \$120-\$127 a ton, the bulk of which was being sent to the Far East, with some going to African countries.

**Transnet may** find that its more than four years of trying to shed its civil service image and operate like a private-sector company was an exercise in futility. If the ANC-led National Transport Policy Forum has its way, it will persuade the interim government that Transnet should once again be controlled directly by parliament.

Forum chairman George Negota is a strong advocate of ending Transnet's four-year commercialisation effort. Indeed, a forum policy document states, as a matter of urgency: "A rail transport directorate must be established within the Department of Transport at central government level to address rail transport policy issues." If this happens, control of Spoornet will be wrested from Transnet. *(269)*

The forum also wants transport to be used to develop the rural and undeveloped areas of the country, which could quickly force Transnet to turn to the State for subsidies.

The State began operating its transport holdings like a business on April 1 1990, when the old SA Transport Services (Sats) became Transnet. Before that, particularly in the 1930s, government used the predecessor of Sats, SA Railways and Harbours — known as Spoories — to help mop up unemployment. To keep its vast labour force busy,

*Fm 2*  
it built railway lines into areas where they boosted development and also into many where there was little prospect of any development.

Under MD Anton Moolman, Transnet has cut its workforce dramatically, but Negota doesn't rule out Transnet or its subsidiary Spoornet again being used to give employment to thousands. "Transnet must be accountable to parliament. Since the masses in SA are poor there will always be parts of the transport industry that will have to be supported by government, in terms of subsidies.

"At this stage, the decommercialisation of Transnet, or its privatisation, are not issues that we can resolve. We will have to ask either Minister of Transport Mac Maharaj or Minister of Public Enterprises Stella Sig-

*7/5/94 (269)*  
cau to ask the Cabinet to decide. My feeling is the decision to commercialise was taken during an illegitimate political atmosphere. We'll examine it to see whether it can advance the cause of the people."

For now, Moolman is keeping his powder dry. He is wrestling with other problems, like how to service the huge pension fund debt he inherited when Transnet was commercialised. With the economy having been so bad for so long, Transnet does not have the resources to fulfil the forum's aspirations.

The forum's document leaves the impression that it wants the clock turned back to the Spoories days, with the Railways having to build lines for no other reason than to provide jobs.

It would like to see the use of private cars severely restricted, while at the same time affordable public transport brought to the masses.

To cut costs, Spoornet closed 400 stations a decade ago. Most didn't handle more than one goods truck every two days. The document indicates their closure benefited the road transport industry and implies the stations should be reopened. If they are, Spoornet will have to hire extra hands and train them. Even a small station needs at least 10 staff.

In building its case for make-work programmes, the forum ignores many of Transnet's assets that are already in place.

Despite shipping millions of tons of relief maize two years ago with hardly a hitch through its ports and rail network to neighbouring countries, Transnet is criticised for a "rail network to neighbouring countries (that) is in an unsatisfactory state." It states too that "the future role of rail freight transport as an effective value-added instrument for providing efficient and cost-effective services to national users and exporters is of the utmost importance. Current policies are totally deficient in this regard."

The meaning seems clear: though SA has the most comprehensive rail network in Africa, it will have to be expanded, preferably in a labour-intensive way.

Dealing with domestic air transport, domi-

nated by Transnet subsidiary SA Airways, the document claims that the current fare structure, despite being one of the lowest in the world, results in "the almost total exclusion of leisure travel." And it decries current policies that it claims favour large airports, "so that rural areas are ignored with resulting negative impacts on the development of national air networks." By inference, this means more job-producing tiny airports scattered around the country being served by more well-staffed, but loss-producing airlines. *(269)*

The forum feels that the ports, controlled and operated profitably by Transnet subsidiary Portnet, should charge less to improve the comparative cost advantage of SA exports and reduce the landed costs of imports. The document claims cost distortions "result from the oligopolistic provision of port services impacting negatively on new entrants and smaller exporters." This ignores Portnet's recent moves to have its ports operate more independently in competition with each other.

# SAA expands services at D F Malan

CT17/5/94

R (269)

By AUDREY D'ANGELO

SAA will take over four check-in counters in the former Fli-testar terminal at D F Malan Airport tomorrow, for business class passengers on domestic flights and those holding gold and platinum Voyager cards

It will also operate a passenger services counter in the terminal

Announcing this yesterday SAA's press officer in the Western Cape, Jamie van Vuuren, said "The new arrangement will alleviate congestion at the 11 check-in counters in Terminal B, which will now be used only for the check-in of SAA domestic economy class passengers and SA Express passengers"

The passenger services counter in Termi-

## Brainwave on spare foreign coins

BRITISH AIRWAYS (BA) says SA passengers on its aircraft have helped to raise more than half a million rands in only five weeks by donating unwanted foreign coins and notes to the United Nations Children's Fund (Unicef) through in-flight collections

Of this, R265 000 has been earmarked for Africa It will be sent to Tanzania to ensure that children's aid programmes can continue in spite of pressure from the influx of Rwandan refugees

The Change for Good campaign, started by BA and Unicef last month, will run until December 1996  
BA's GM for SA, Malcolm Freeman, commented yesterday "The Change for

Good campaign could make a vital difference to children here and in neighbouring states"

He pointed out that SA had first hand experience of children who were deprived of basic health care, education and adequate nutrition "For this reason we hope that passengers on the SA route will contribute generously"

BA chairman Colin Marshall said when the fund was launched "Normally low-value notes and coins cannot be exchanged so many people put them in a safe place and forget them — taking millions of pounds out of circulation each year Putting this money back to work will benefit Unicef enormously"

nal B will be closed for two days this week for refurbishment

Meanwhile, Qantas and its global partner BA have opened a luxu-

rious passenger lounge for first class and business class passengers travelling with both airlines at Hong Kong's Kai Tak airport

Qantas regional manager for Southern Africa, Peter Roenfeldt, said the two airlines would look into further ways of combin-

ing resources to provide bigger and better airport lounge facilities in other parts of the world

"The Hong Kong lounge offers spectacular views of the main runway and the Hong Kong skyline"

It was designed by Australian architects and interior designers in consultation with BA, which has a 25% stake in Qantas

Roenfeldt said that although the two airlines were sharing facilities there would be little overlap in the use of the lounge because BA and Qantas flights operated at different times

He said Qantas had 30 flights a week into Hong Kong, including daily services from Bangkok and Singapore



# New lease of life for Spoornet

Star 20/5/94

■ BY STEPHEN CRANSTON

After a decade of contraction, in which the number of main-line passenger services has been halved to 6 000 trains a year, services are set to fly, says Charles Wright, Spoornet's executive manager of main line passenger services.

Wright expects growth, both from economy passengers who are the core of Intercity services, as Spoornet competes more aggressively with taxis and buses, and from the more glamorous international tourist business.

Spoornet launched a new Blue Train service to Victoria Falls yesterday, which will run three times this winter, with the first service departing on June 1.

It will go for an unashamedly well-heeled clientele, with

the top-priced suite selling for R6 700 a person, one way.

But a recent Time magazine article suggested that the Blue Train, like the South African economy, still thought it was world class, but had not kept up with the times. (209)

Until about a year ago, the Blue Train had to be booked a year to 18 months ahead, but there were now vacancies on virtually all journeys.

Wright's department is trying to persuade Spoornet to upgrade the Blue Train for about R40 million to take it into the next century.

On its more mundane services, it discounted all fares by 25 percent in February and March in order to attract business from buses and taxis and it had received more revenue overall than in 1993.

On April 18, Spoornet

launched its three-times weekly service to Maputo.

Wright says that although mainline services do not publish their results separately, since the commercialisation of Spoornet a few years ago, they have been given definite revenue and expenditure goals.

Spoornet is not entirely ruthless about the services it operates.

It has cut out many milk trains, but keeps services which still make a cash contribution.

Wright is convinced that passengers can be won back with a customer-oriented approach.

"We need to improve the tangible factors, by upgrading the station environment, for example, and the intangible ones with more smiles and attention from our staff"

RDP-related budget cuts feared

# Govt blamed for R1bn road tenders delay

B/Day 24/5/94

ROBYN CHALMERS

THE ailing civil engineering industry claims it is being starved of about R1bn worth of road construction as the Transport Department tries to determine how contracts fit into the reconstruction and development programme.

Civil engineering and construction firms have been left holding millions of rands of plant and equipment amid confusion over when tenders will be awarded.

The contracts involve five major road projects, valued at R500m, for the continuation of the North Coast Road in Kwa-Zulu/Natal and the R500m N1 scheme between Warmbaths and Pietersburg.

Transport Department contracts director Schalk Hanekom said neither these nor any other projects had been held back because of the new government. He also said no new big civil engineering projects were in the pipeline.

But SA Federation of Civil Engineering Contractors (Safcec) executive director Willie Vance said tenders for most projects had closed in January or February.

"The tenders remain valid for between 90 and 100 days in order to keep up to date with the prices of building materials and keep up with inflation. In line with this, the majority of them should have been awarded," said Vance.

Sources believed the reason for the delay was uncertainty over the department's budget and whether toll roads would be privatised. They feared that the budget could be cut in order to fund the RDP.

The indecision had also affected existing road construction, with work on several projects halted. Included in this were the Harrismith bypass and the R250m completion of the N3 and N17 toll roads between Krugersdorp and Springs.

A survey commissioned by the National Transport Policy Forum estimated that SA's roads were underfunded by billions of rands each year. This led to huge backlogs in community roads while existing roads were not effectively maintained.

The forum has been lobbying the ANC for increased expenditure on community roads serving rural areas. Community involvement in road building and maintenance would boost economic empowerment, said the forum.

The Transport Department had also been lobbying the ANC with limited success. Earlier this year, it proposed a fuel tax of 8c/l towards the R17,7bn needed to restore national roads and almost R8bn to upgrade community roads.

□ To Page 2

## Roads

B/Day 24/5/94

□ From Page 1

Safcec economist Henk Langenhoven said expenditure by road authorities during 1993 was about R4,4bn, of which 40% was used to maintain the existing network. This equated to R1,6bn at 1985 prices compared with R2,4bn spent during 1988.

The sharp drop in government spending in real terms had devastated the civil engineering industry. Safcec figures showed there had been a 60% nominal decline in the sector's turnover from R4,25bn in 1976 to around R1,5bn last year which could be

attributed in part to government cutbacks.

One of the most telling indicators was the sharp drop in the industry's employment figures, which plummeted to 53 200 in 1993 against 93 500 during 1989.

The delay in the road projects has put a temporary dampener on the industry's hopes of staging a comeback this year.

The sector was forecast to grow 7%-9% in rand terms, boosting employment and turnover, but this would have to be restated if the delays continued.

# Roads board to move on tenders

BIDAY 27/5/94

THE Transport Department announced yesterday that a decision on more than R1bn worth of road construction contracts would be taken at a meeting on June 22 — a move which has been welcomed by the civil engineering industry.

Transport Department national roads chief director Ed Petzer said the contracts would be awarded by the SA Roads Board. They involved five major road projects, valued at R500m, for the continuation of the North Coast Road in KwaZulu/Natal, and the R500m N1 scheme between Warmbaths and Pietersburg.

The beleaguered civil engineering industry believed the department was dragging its feet over the contracts to determine how they slotted into the new government's strategies.

Tenders for some of the contracts closed several months ago, and were in danger of becoming invalid. Inflation and changes in building material costs distorted the tender figures after 90 to 100 days.

Petzer said the contracts would again be considered by the road board at the June meeting, together with additional information requested by the board.

"In this respect it should be mentioned that certain contractors placed conditions on their tenders, which were not part of the tender documents, and which require resolu-

ROBYN CHALMERS

tion. If the validity of any of the tenders under consideration expires before June 22, the respective contractors will be asked to extend the validity of the tenders," he said.

SA Federation of Civil Engineering Contractors executive director Wilhe Vance said the organisation was heartened to hear the Roads Board was considering the contracts.

"The lengthy economic recession has been particularly difficult for civil engineering firms, and we desperately need the work."

Vance said extending the validity of any tenders which had expired would not incur major costs if they only had to be extended for a short period of time. Cost implications would only become a factor if the tenders had to be lengthened by six months to a year.

Petzer said no decision had yet been made on a proposal by the department that a fuel tax of 8c/l be imposed to fund SA's roads. It estimated R17,7bn was needed to restore national roads, and almost R8bn to upgrade community roads.

"Former Transport Minister Piet Welgemoed supported such a proposal, but the department has not yet formally put the matter to new Transport Minister Mac Maharaj. He will have to decide whether he wishes to take the matter to the cabinet," said Petzer.

# Cape Town in key SAA role

CT 27/5/94 (269)

By AUDREY D'ANGELO  
Business Editor

CAPE TOWN will play a more important part in SAA's international network from the beginning of September

From September 4 SAA will start nearly all its flights to Europe from DF Malan Airport, stopping in Johannesburg en route

It will cut out some less profitable European routes, using Zurich, London, Frankfurt and Munich as hubs where passengers can take connecting flights to other destinations

Announcing this extensive restructuring at a media conference in Johannesburg yesterday SAA senior general manager, passenger marketing, Mr Nic Vlok, said it was the final stage of a plan to restore SAA to profitability. Results were expected to improve by R53 million in the 1994/1995 financial year.

Last year SAA's domestic ser-

## DF Malan European terminus

vices were profitable but its international routes, like those of many other airlines, made a loss

Mr Vlok said SAA would still have nine flights a week to London, although its new service to Manchester would be discontinued

There would be at least one flight a day to a European destination. The Frankfurt flight would continue on to Amsterdam and the Zurich flight to Paris

Talks were in progress with European airlines for code sharing, interline and other agreements, making it easier for SAA passengers to go on to other des-

tinations

Mr Vlok said the fiercely competitive European market was not seen as a growth area. But South-East Asia and the United States, which SAA now serves with two flights a week to Miami and four to New York, were buoyant markets

SAA was considering other destinations, including the South American market.

Dubai was a profitable route, through which connections were made to India

Services to be terminated were those to Milan, Manchester, Athens, Lisbon and possibly Hamburg

Mr Vlok said that globally airlines were reorganising to meet changing travel patterns and "must go fishing where the fish are".

Even with the changes SAA would offer a bigger network than five years ago

SAA also has a daily service to the Far East and Australia

# Urban toll roads

## on cards for City

LOUISE MARSLAND

A RADICAL new passenger transportation plan proposes tolls on urban arterial roads and extra vehicle licence fees to raise funds to integrate rail, bus and minibus taxi services in Johannesburg's metropolitan area.

The Regional Passenger Transport Plan (RPTP) was devised by bus, rail and minibus taxi operators — along with local authorities, civic associations, ratepayers' bodies and transport consultants — after consultation with "the people" at bus shelters, taxi ranks and railway stations.

Johannesburg metropolitan planning deputy director Jack Fromeman said the plan was "people-driven", with consultation taking place at grassroots before anything was put on paper.

It recommends that R50 million be spent immediately on infrastructure to address short-term needs. Another R12 million has been budgeted in the 1994/95 financial year for further investigations.

Because of a decline in central and provincial government funding, road tolls, an additional R100 vehicle licence fee in the metropolitan area to bring in an extra R100 million, and increased parking charges to bring in another R5 million to R10 million a year have been proposed to fund public transport. The motorist will be forced to take a

28/5/94

back seat as the emphasis shifts to catering for public transport. Motorists will have to forsake certain roads in the CBD and traffic lanes on major arterials to make room for buses and taxis.

Immediate projects include:

- Demarcation of bus and taxi lanes on the M1 and major roads leading into Johannesburg
- Barring private cars from CBD streets earmarked for transitways.
- Establishing a regional taxi forum.
- Beefed-up security on trains and at stations
- Narrowing the gap between rail and bus fares
- Subsidising minibus taxis
- Upgrading nine Soweto railway stations and hundreds of taxi facilities.
- Training taxi drivers and marshals to improve safety.

The taxi industry has made representation to the Transport Minister for financial aid, and the RPTP recommends that this issue be resolved as a priority.

The plan, commissioned by the Central Witwatersrand Regional Services Council, has been approved by working groups from the council and the Central Witwatersrand Metropolitan Chamber. It is to be presented to the chamber

## Transport

soon, and has been submitted to the Department of Transport for final approval. A presentation will also be made to the PWV Transport Minister.

Minibus taxis — one of the most cursed services of our times — will get recognition for the vital role they play in public transport, if the RPTP is implemented.

The RPTP was commissioned by the Central Witwatersrand Regional Services Council (CWRSC) after the Department of Transport announced its intention to devolve the responsibility for passenger transport to the regional services councils, several years ago.

It has been approved by the relevant CWRSC and

Central Witwatersrand Metropolitan Chamber working groups and is due to come before the full Chamber soon. A copy is also on its way to the Department of Transport for final approval.

A presentation will also be made to the new PWV transport minister. The plan recommends that commuter passenger transport continue to be subsidised, but that the subsidy be used to the advantage of those who need it most.

Fromeman said, "This plan is not about building super-duper highways, or carving up the town with freeways, or about bigger parking garages. It is geared towards moving people."

# User-friendly transport urged

## Bombs: Accused No 34 in court

ANOTHER Afrikaner Weerstandsbeweging member has appeared in court in connection with the pre-election bombing blitz on the Witwatersrand.

Johannes Andries Venter's arrest in Lichtenburg on Wednesday brought to 34 the number of right-wingers arrested in connection with the bombings.

Venter (28), of Jasmyn Street, Potgietersrus, appeared in the Johannesburg Regional Court before magistrate C J van Heerden yesterday.

He was not asked to plead and no charges were put to him. The case was postponed until June 24, when the other 33 right-wingers arrested in connection with the bombings will appear in court.

Venter was remanded in police custody because he was earlier this year sentenced to five years' jail for arson. Prosecutor Jeanette Neveling said Venter had lost an appeal against the sentence.

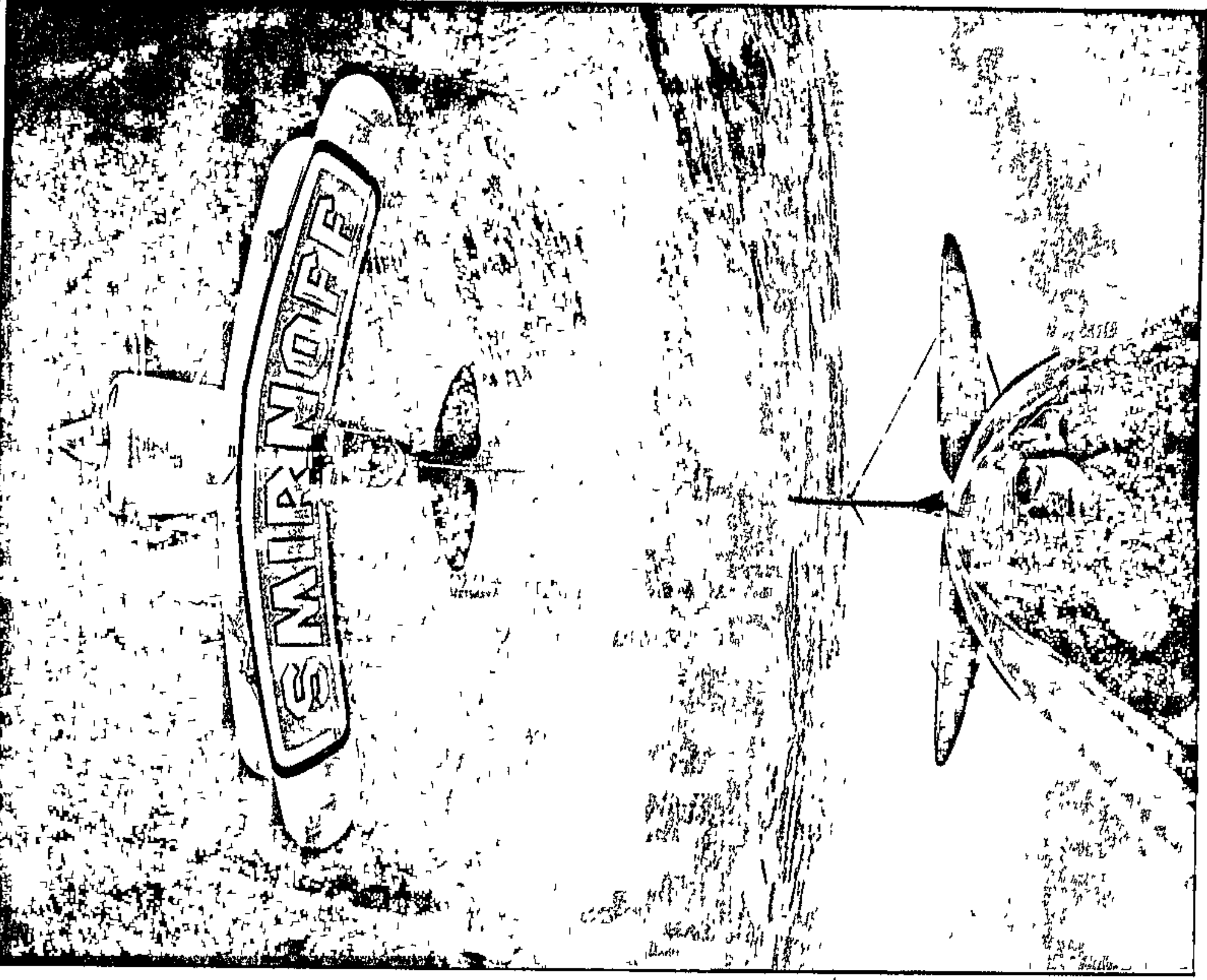
### Bail

According to Colonel Neels van Wyk who is investigating the bombings, police had been on the lookout for Venter since he lost the appeal.

Tall and bearded, Venter appeared calm when he entered the courtroom, wearing tattered clothes.

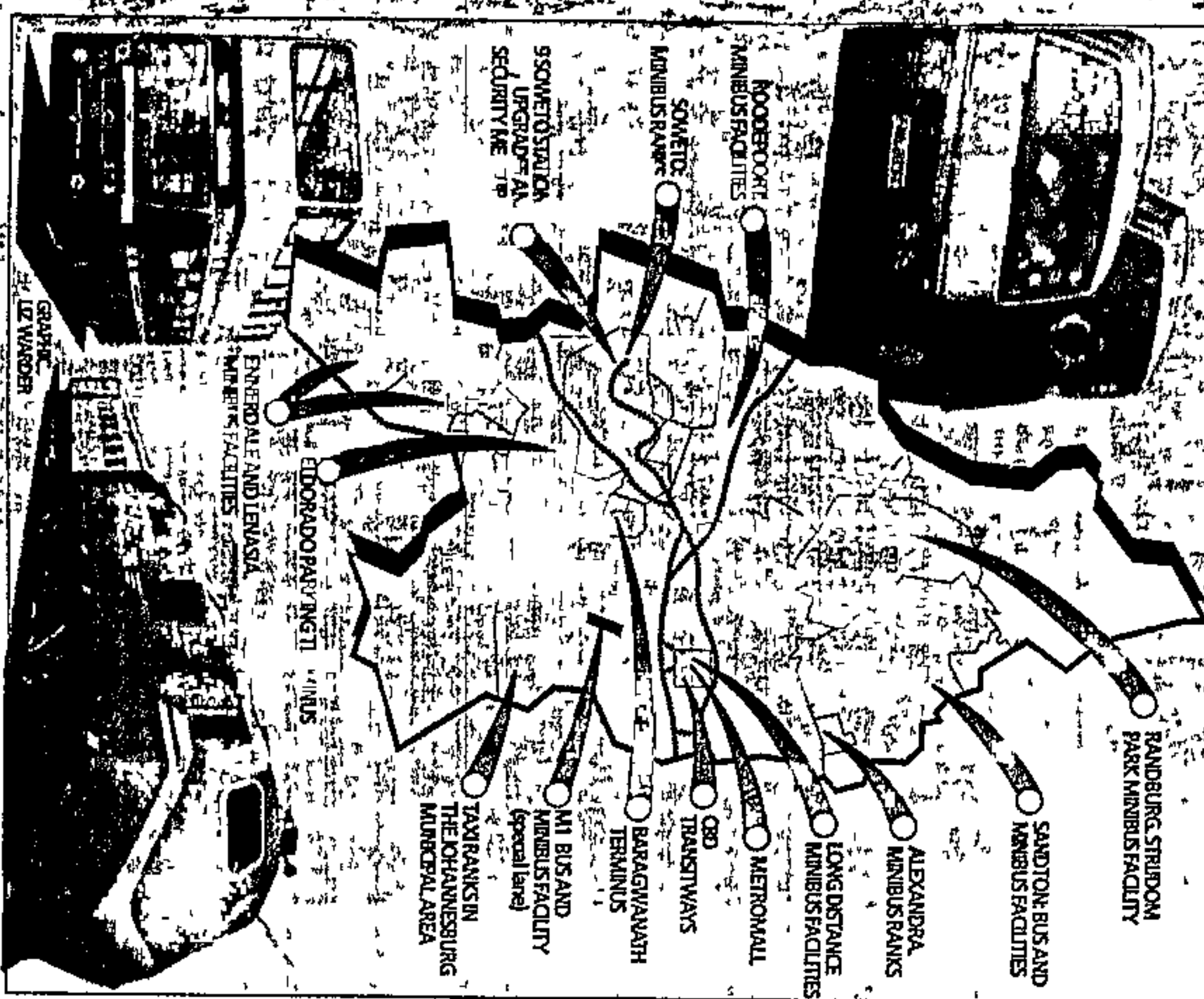
The 33 other accused have been released on R10 000 bail each.

Nineteen people were killed and scores injured in two car-bomb explosions — one in central Johannesburg and the other



**UP AND UNDER:** Dennis Spence files "mirror image" with Rehan van Tonder (below) in their Pitts Specials. They will today attempt a "mirror roll" in the National Metal Air and Water Show which runs until tomorrow at Gernistown Lake. The event combines the final leg of the Ford SA Formula 1 Grand Prix powerboat series with top flight air displays. PHOTOGRAPH HERMAN POTGIETER

## Commuter projects 1994/95 (R50 035 000)



**THE new Regional Passenger Transport Plan is the first in which the authorities asked the people of Johannesburg and Soweto just what it was they wanted before putting a pen to paper, reports LOUISE MARSLAND.**

GREATER Johannesburg and Soweto transport authorities are the first in the country to come up with a comprehensive regional transport plan, which could form the basis for a national policy.

The priority of the task teams involved in the Regional Passenger Transport Plan (RPTP) was to implement immediate solutions to address problems, along with long-term projects and studies to improve transportation, particularly for disadvantaged communities.

At present there is no clear strategy or policy for each public transportation mode — bus, rail or minibus taxi.

The study team found that the infrastructure for passenger transport was inadequate and in particular, facilities for minibuses had lagged behind those for other modes.

"Lay-bys are required throughout the region, major taxi routes in townships are in poor condition and ranking facilities are totally inadequate. Rail infrastructure — including stations, rolling stock and signalling equipment — has been neglected for many years and is in a poor condition," says the report.

The RPTP recommends that a metropolitan transport authority, guided and advised by a passenger transport body, be established to manage passenger transport as a whole or until a PVV regional structure is in place.

Previous mass transportation studies in the region recommended that the rail mode form the backbone of the passenger transport system. The minibus taxi, however, has become the dominant mode in the region with the bus industry experiencing a lack of commitment from the authorities.

Local authorities are reluctant to fully integrate minibus taxis into urban

when compared with private transport, was identified as a source of most of the problems experienced with bus services on the Reef.

The security problem is another which will be addressed. Passengers surveyed said they had suffered greatly from criminal and political violence on trains and were also caught in the crossfire of conflicts between minibus taxi operators.

Many civic associations expressed dissatisfaction about the lack of consultation by operators of all modes with regard to routing, fares and fare increases, quality of service, insurance issues, information for users and the level of subsidisation.

Projects in the pipeline for the 1994/95 financial year include:

- RAIL: The upgrading of nine Soweto stations investigations and implementation of measures to relieve problems at entry and exit points to staging yards, and security upgrading.
- BUS: Develop a policy for dedicated bus and minibus taxi lanes and examine the feasibility of such lanes on the M1, Jan Smuts Avenue, Oxford Road, Eloff Street, Ekurhuleni Road and Louisa Botha Avenue; the immediate investigation of the need for and location of bus depots, stations, terminals and holding areas in Randburg, Sandton and the Johannesburg CBD.
- MINIBUS TAXIS: Upgrade taxi ranks in the CBD and Soweto, provide taxi ranks in Alexandra.

Identification of requirements for minibus taxi lay-bys and shelters in the region, identify major minibus taxi routes that need upgrading.

The RPTP has also recommended the restructuring of the controversial Local Road Transportation Board, which is currently only to the department of Transport.

Some of the most serious problems identified with rail was the extent of fare evasion, unfriendly service and dirty trains. Fragmented policies and inadequate planning for passenger transport,

become integrated in a more formal way through the subsidy system, enable such levels to be provided. Because the level of service provided by all three passenger transport modes was found to be inadequate, the RPTP recommended that the metropolitan transport authority establish what

services were required in a suburb of Johannesburg, through the subsidy system, enable such levels to be provided. Because the level of service provided by all three passenger transport modes was found to be inadequate, the RPTP recommended that the metropolitan transport authority establish what

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R40-m deal a part of train network

# African rail link will boost trade

Star 7/16/94

■ BY MICHAEL CHESTER

Spoornet yesterday hailed a R40 million deal to supply locomotives to Kenya as a landmark in moves by South Africa to encourage cross-border trade on a new railway network from the Cape to the equator and beyond.

Chief executive Braam le Roux said the deal entailed the leasing of 10 diesel-electric locomotives — with full support — to the Kenya Railway Corporation over the next four years.

The locomotives, handed over to Kenyan President Daniel arap Moi last week, will run between Nairobi and the port city of Mombasa. The deal follows an agreement between South Africa and Kenya to forge closer links between Spoornet and the Kenya Ports Authority.

## SPOORNET'S 10-locomotive deal with Kenya is part of a railway network between the Cape and the equator

Le Roux said South Africa already had as many as 70 locomotives and about 15 000 trucks on loan to neighbouring states.

"Our aim," he said, "is a first-class railway system that will link the entire subcontinent and form the foundation of a new phase in trade relations."

He said rail services in the sub-Saharan region would be improved by the Panamsat satellite to be launched next April.

South Africa was on the brink of joining the Southern Africa Transport Co-ordinating Council to tackle future strategies.

Spoornet had already re-scheduled the Blue Train to serve Victoria Falls, and had revived the passenger train service between Johannesburg and Maputo after 10 years. (269)

South Africa was also engaged in negotiations with Libya over various aspects of transport services. (415)

"Spoornet has a tremendous amount of hi-tech knowhow to share with neighbours on an equal-status basis. In turn, more and more neighbours are anxious to turn to South Africa for co-operation on transport matters, rather than rely on traditional suppliers in Europe or North America," said Le Roux.

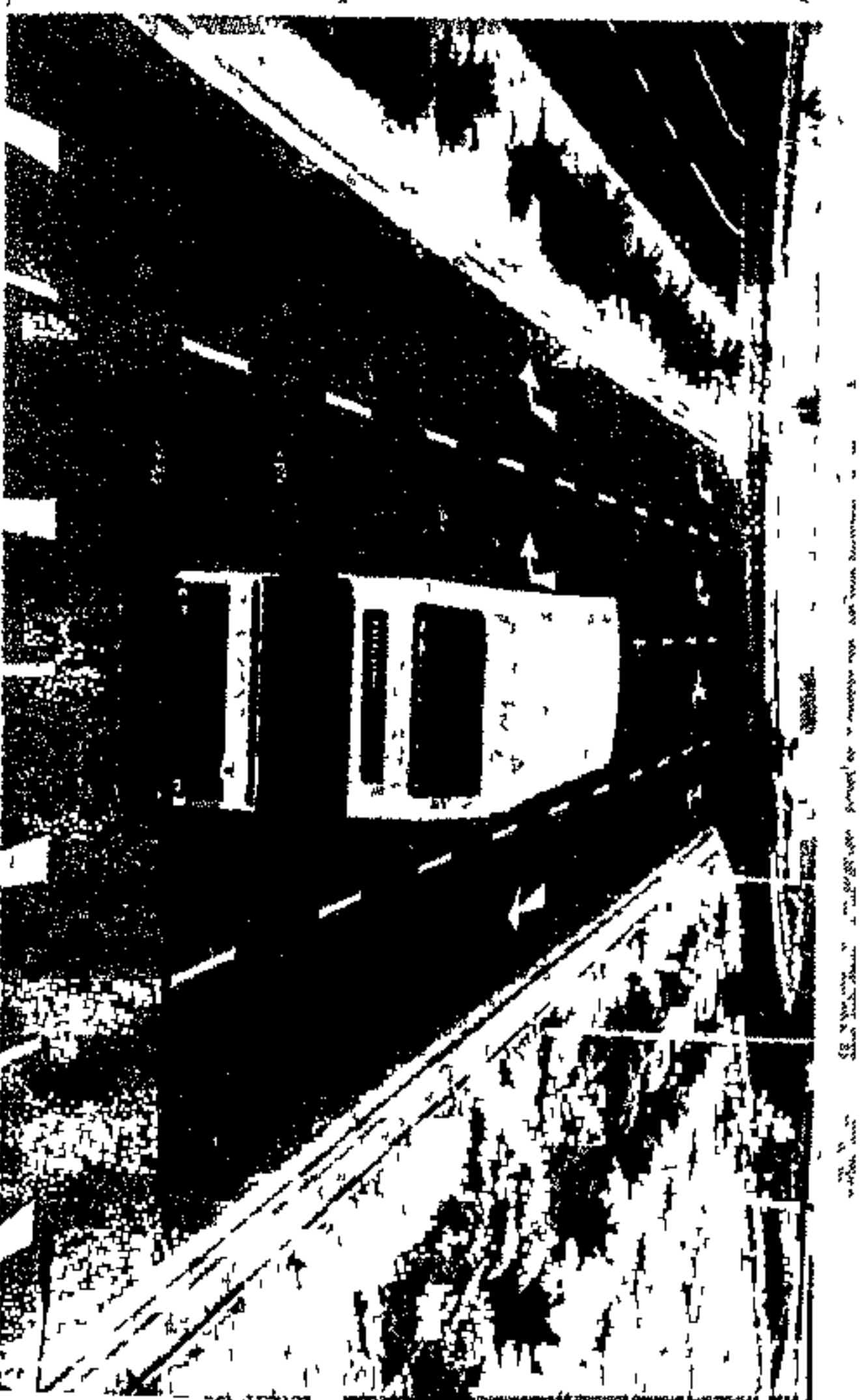
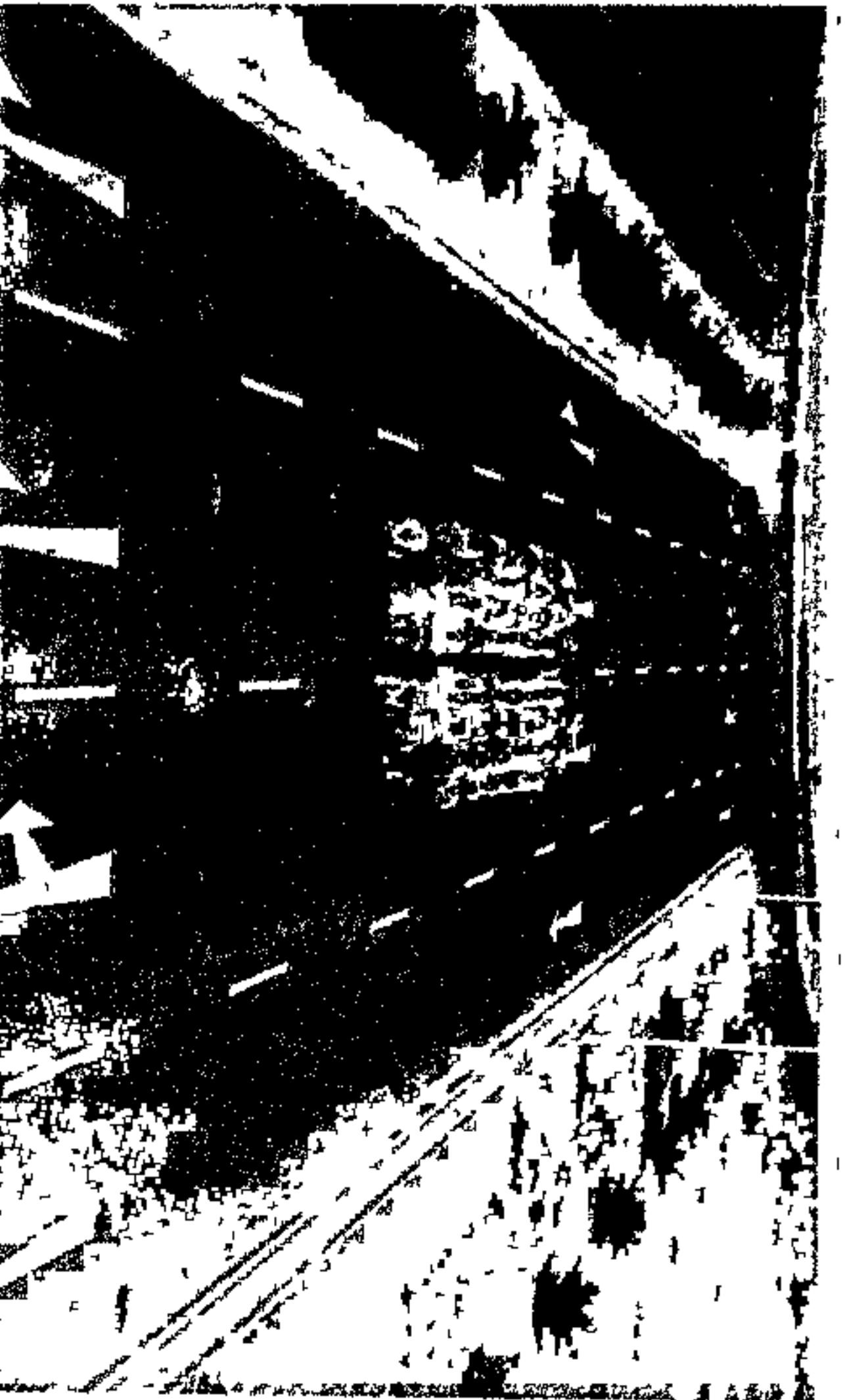


# SATURDAY FOCUS THREE

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Weekend Argus, June 11/12 1994

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# The proximity option

(269) MGT 11/6/94

There is growth potential of about 50 percent in the city bowl, but how can the city accommodate another 80 000 commuters when roads are already congested? One idea being considered is to cut the need for travel by offering homes and vastly improved public transport in the CBD. A special report by **IRVING STEYN.**

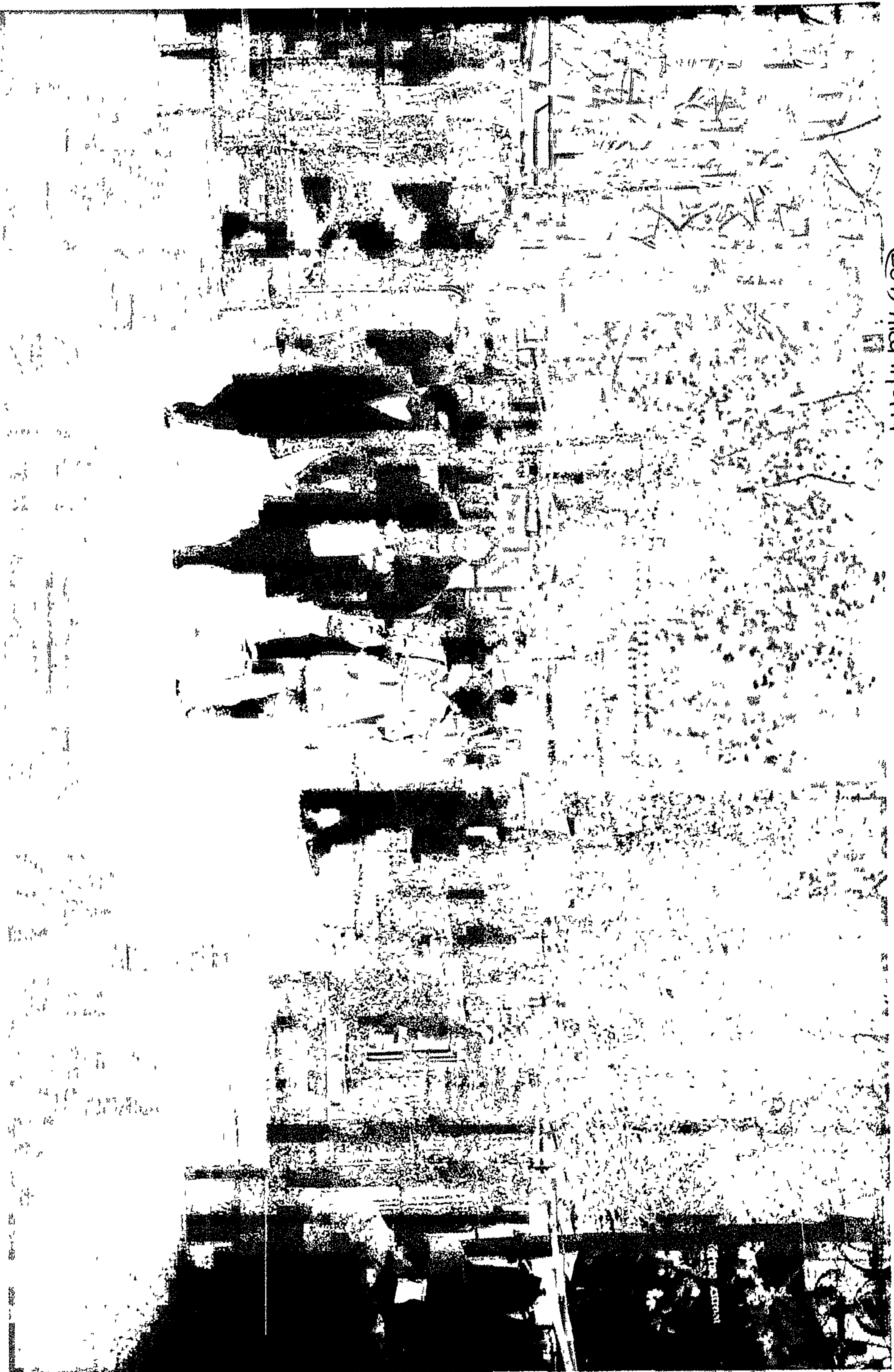
I started out as a vision — a vision of a city vibrant with life, of tourist and leisure activity at all hours, of many more people working — and living — in the city, of a quick and affordable public transport system.

That's a far cry from today's central business district which, as everyone knows, essentially dies when office workers depart for their homes in the suburbs or neighbouring towns.

The vision of another Cape Town is that of the city planners and engineers and such has been the reaction to that vision, enthusiastically accepted and universally desired by virtually all who have been sounded out, that a programme of action could be in place by the end of the year.

I spoke this week to city planners Shahid Solomon and Wilfred Crous about whether, purely for traffic congestion reasons, Cape Town city could support more growth.

At the moment about 100 000 commuters enter the CBD and another 100 000 enter the wider city area. If all planned developments are completed it would mean a



□ **BUSY MALL:** St George's Mall, a busy pedestrian way which can be described as the forerunner of turning Cape Town into a "living" city

Picture BRENTON GEACH, Weekend Argus

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further 80 000 commuters

This simply would not be possible without major improvements to the transportation system. And if this went hand in hand with the provision of housing in the city, it would go a long way to alleviating the problem.

The city planner's department are preparing a preliminary vision for the inner city task group for the Western Cape Economic Development Forum

It was found from a public participation exercise around the city bowl that whoever was approached, the emphasis was on more housing and more public transport

At the moment only 34 000 people live in the city bowl —

26 000 fewer than in Bonteheuwel, totalling only 1,7 percent of total metropolitan population

With between 30 000 and 40 000 people having been evicted from District Six, one study believes the city bowl may have the world's lowest residential population compared to its business area.

It was a fact that as traffic congestion gets greater, so the demand for inner city housing becomes greater, according to the planning experts

So one of the aspects of their vision is a major thrust to increase the amount of inner-city housing because it releases the stress on the transport system and also so that

those who want to work in the CBD can have the choice of living there

The planning concept of inner-city housing means the full spectrum of housing — from yuppie flats and townhouses to affordable working class houses. What is wanted is a dynamic, integrated environment. What is not wanted is the re-introduction of urban decay

The crucial next step for the inner city is to get an effective inner-city public transport system — operating roughly from Sea Point to Salt River

By improving this system the attractiveness of the whole metropolitan transport system would be improved. It

would create the situation where it became very easy and very cheap to move around

To support such a system active 18-hour use would be needed — and you are not going to get that unless you have a substantial number of people living in the inner city

Bearing in mind the 2004 Olympics and tourism projections, the inner city holds close on 20 percent of the metropolitan total of tourist accommodation. That will increase. One of the city's critical growth industries in the future is tourism. Looking at the city bowl from that kind of perspective and particularly the leisure industry, one

gets a jigsaw puzzle that starts fitting

The more inner-city housing is created and the better public transport system we have in the inner city, the more attractive it will become for tourists

If we can start creating life on the streets, and have people living here, tourism itself will flourish, so it's crucial from an economic point of view.

It is fundamental that too many cars cannot be brought into the city because already air pollution in the city bowl reaches dangerous levels from time to time

A major thrust towards two forms of public transport will have to be made — in the in-

ner city and getting to the inner city

Balanced against that is the need to increase inner-city housing and there are some "very exciting" plans regarding the environment. The pedestrian mall network needs to be extended to fulfil the dream of a link between the mountain and the sea and to increase the quality of public space

And when it came to working class accommodation in the inner city, the public sector had to be more involved

According to the planners "very creative options" would have to be examined where perhaps the public sector "wrote down" the value of its

land

There were all kinds of ideas. For instance, the housing subsidies proposed at the moment were simply too low for inner-city housing. Ways had to be found to top up those subsidies to make inner-city housing more affordable

For instance, public transport in metropolitan Cape Town was subsidised by about R175 million a year

Inner-city housing would reduce the need for extensive long-distance public transport subsidies. Eventually, city housing could pay for itself

It's going to be a different Cape Town.

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**Bold plan  
mooted  
to make  
traffic  
flow**

**Weekend Argus Reporter**

**C**APE Town's privately owned Golden Arrow Bus Services believes it has the answer to the city's traffic congestion problems.

First, take 85 cars and fill six lanes with them. Next, take away the cars, leaving the drivers behind. Now bunch them together — and lastly, put them all in one bus.

Oversimplification, of course. Not all those cars would have passengers and, in any case, not everyone would be heading in the same direction. Nonetheless, it is an impressive illustration the company uses to bring home the importance of buses in curbing traffic congestion.

Golden Arrow are pretty confident they have the answers, saying in a statement: "Cape Town motorists can kiss goodbye to traffic congestion and air pollution with the introduction of an integrated transport system."

The company has evolved a "master plan" that can be implemented "with the minimum of fuss and expense to ratepayers and local authorities ...".

The plan has three phases — exclusive bus lanes, an O-bahn system and the introduction of a light rail system.

Regarding the first phase, they propose:

- Exclusive bus lanes on the main arterial roads and N1 and N2 freeways "as a low-cost measure to ensure the free flow of buses during peak hours",
- Exclusive one-way roads to enhance the traffic flow in general,
- These measures should be implemented immediately, in co-operation with the bus company.

Of the O-bahn system, the company says:

- The system, developed in Germany to carry large numbers of commuters efficiently, consists of a track-led bus system on road reserves.
- It could be phased in over a number of years to provide a medium-term solution.

The company says a light rail system for the CBD would replace existing metered parking bays and link up with the Cape Town bus terminus, railway station and main parking areas in such a way that no place in the CBD would be further than three blocks from a route.

By MAGGIE ROWLEY  
Deputy Business Editor

IMPLEMENTING a workable transport structure and policy should be a priority of the new government if the desired process of industrial development to create jobs was to get off the ground

So says Stephanus Loubser, MD Nissan South Africa Marketing

At a press function yesterday, Loubser said the country lacked a coherent transport policy and he urged the government to act quickly or the country would be in for a "rough ride"

Commenting on the new vehicle market, he said demand was fairly strong but manufacturers had cut back on component stock levels and it would take them about seven months to get back to a position where they could build up supplies

The industry had anticipated sales growth of 7% this year but the first five months had been very disappointing and forecasts had had to be revised downwards

June he said would be a critical month and if sales did not rise 7% during the month there would be little chance that the industry would achieve even the revised forecast growth of 4.7% to 5%

"And we could even be looking at a market that is smaller than last year"

Draft proposals for the industry arising from the Motor Industry Task Force were currently before Minister of Trade and Industry Trevor Manuel

## Call for coherent transport policy to boost growth

However, Loubser said he thought it unfair to expect the new minister to have to make a decision in this regard immediately

"It would be preferable to leave Phase 6 in place and take six months or so to acquaint himself with the issues as he will have to live with his decisions"

### Proposals

There were certain proposals on which all the stakeholders agreed, particularly that there should be a reduction in duties and this should be phased in over time — for example from 110% to 80% in the first year down to 45% by 1998.

This would no doubt make imported units cheaper which would result in manufacturers phasing out production of low volume products in lieu of imports

"The risk here is unemployment and there is no doubt that there will be a loss of jobs if certain lines are discontinued

"This will force some manufacturers to look hard at aligning themselves with others to increase capacity and one or two might have to close their doors"

# Portnet may be split into two operations

CAPE TOWN — Transnet was considering dividing Portnet, its harbour division, into two separate entities, a port authority and port operations division, Portnet commercial executive manager Jan Mors said yesterday.

Mors told a conference on ports and shipping that implementation of the split could start within a few weeks. (269)

The port operations division would, over a phasing-in period, pay the new port division rentals and royalties similar to that paid by the private sector.

The split was also suggested as an interim measure in the National Mari-

EDWARD WEST

time Policy Study released late last year 14/6/94

But the study's main recommendations were that the supply and operation of port service facilities be undertaken by the private sector as far as possible and that land, navigation channels and basic infrastructure be vested in a statutory port authority.

Mors said Transnet believed that transferring Portnet assets and staff to another legal entity was not practical at this stage.

This would involve problems regarding the financing of Transnet — Portnet is one of its most profitable

operations — the payment of assets involved and the financing of the proportionate contribution toward the underfunded Transnet Pension Fund.

He said that in line with other maritime countries, SA needed to legislate a strong national maritime policy. The recent study could provide a basis for this policy, he added.

The new port authority would perform its task in an even-handed manner, which meant there would be no discrimination between port users and Transnet.

To introduce competition in an orderly fashion in port operations, all new development projects and opportunities would be placed on tender, he said.

Mors said the new structure would go a long way towards modernising the management and efficiency of SA's ports.

# Transport probe call

By CHRIS BATEMAN  
Political Staff

269  
AT 17/6/94  
THE Western Cape system for public transport and licensing needed probing and there was a need for greater uniformity in state transport subsidies, Transport Minister Mr Leonard Ramatlakane said yesterday.

Speaking after meeting 16 local bus company operators — the largest delegation yet to meet local government here — Mr Ramatlakane said the need for a uniform state subsidy in operat-

ing costs emerged as a "top priority".

"It's a very complex question — a national crisis — and must be resolved at central government level, but we agreed it must be done urgently," he said.

Another priority was the "local licence and transport board system which needs to be looked into very seriously", Mr Ramatlakane said.

Bus operators had agreed to submit reports on issues facing them to the ministry by July 1.

# City busfares to go up 5% next month

CT 21/6/94  
Staff Reporter

(269) (SZ)

GOLDEN ARROW Bus Services yesterday announced an average 5% across-the-board fare increase for the Greater Cape Town area to be effective from July 18.

The company said scholars' weekly and term tickets would be increased by an average of 5%. Cash fares for special school buses and pensioners' clipcards would also rise by the same amount.

A spokesman said that from July 18 scholars' weekly fares for under-13s would increase from R10 to R10,50, and those for under-17s would go up from R15 to R16. Pensioners' clipcards were to be increased from R7 to R7,40.

Go As You Please fares would be increased to R136,50 from the present R130 and the Hout Bay and Melkbos route Go As You Please fares would rise from R200 to R210. Homeward Bound fares would go up from R85 to R90.

AR 22/6/94 (269)

SHARON SOROUR, Municipal Reporter

**CITY centre street parking fees may more than double from R1 to R2,50 an hour to discourage meter-feeders.**

A new parking policy, designed to lure "short-stay" shoppers to town and promote public transport, is being hammered out at a special joint meeting of two council standing committees today.

A report from the city planner recommends that one-hour metered parking should increase to 50 cents for 12 minutes — R2,50 an hour — to match the cost of covered parking garages.

Moves are also afoot to ensure that 90 percent of vehicles comply with the one-hour limit.

A combined meeting of the utilities and works committee and the town planning committee will discuss the proposed increase.

In spite of strong reservations by the Chamber of Commerce about the price rise, surveys showed that it would not deter business people and shoppers from the CBD if additional parking was created by discouraging meter-feeders.

Controlling parking in the city centre was designed to discourage the use of private vehicles for daily commuting.

The price rise was aimed at reducing all-day parking in the city centre and encouraging use of public transport.

The report said the price of on-street parking had declined in real terms since 1976 and was almost the cheapest it had been in 20 years.

There was a clear price incentive for commuters to feed meters as it cost about R150 a month compared with R300 a month to park in an unserved bay in a parking garage.

Meter-feeders also faced a minimal risk of prosecution as only one percent of the 450 000 meter-feeders were prosecuted.

Increasing the price of parking would increase the cost of meter-feeding to R350 a month.

It would also create thousands of additional short-term parking opportunities, which would benefit businesses and shops.

# Parking fees targeted by council

□ Meter-feeders

targeted by council



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## Business Report

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# SAA ranks 40th in top sales league

### Own Correspondent

LONDON — South African Airways (SAA) ranks 40th in terms of sales out of the top 50 airline groups and was one of the 31 of this group which made losses last year

According to Flight International, 1993 was the fourth consecutive year of losses for the world's airlines — during this period they racked up a \$15,6bn deficit, including \$4,1bn last year

While international traffic grew 7,7% last year, capacity rose by 5,2% and yields fell by 7,2%. The magazine said there were signs that as overcapacity eased, the fall in yields would slow down

"Those carriers who keep costs down

can therefore expect rising profits this year"

(269) CT 23/6/94  
The top 50, which accounted for over half the industry's revenues, posted net losses of \$4,9bn in 1993 compared with \$6bn last year. Of these only 19 managed to show a profit. Combined sales reached over \$160bn

The largest airline, American Airlines showed sales of \$15,8bn and a net profit of \$110m. SAA had sales of \$1,1bn, a decline of 9,6% over the previous year. Its operating margin was 1,4% and its net loss was \$46,3m (1992 loss of \$26,6m)

The top ten profitmakers were Singapore Airlines, British Airways, Cathay Pa-

cific, Southwest Airlines, China Airlines, Air New Zealand, KLM, Thai Airways and Swissair

The top ten loss-makers were Air France, Olympic Air, Iberia, TWA, USAir, Air Canada, Japan Airlines, TAP-Air Portugal, Canadian (PWA) and Delta Air Lines.

● Meanwhile, Ireland's national carrier Aer Lingus laid off 650 maintenance workers yesterday in a showdown over staff cuts needed to implement a rescue plan

● The French national carrier Air Inter was renewing its relationship with Fokker through a lease contract for five Fokker 100 fanjets, the Amsterdam-based aircraft manufacturer said

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# World wants to be in on public enterprises

□ Businesses seek partnership deals in SA

**CLIVE SAWYER**  
Political Correspondent

INTERNATIONAL businesses are approaching the government for partnership deals in public enterprises — in fields ranging from energy to aviation.

A huge deal involving energy supply to a neighbouring country was the subject of talks this week between public enterprises minister Stella Sigcau and United States business interests.

From elsewhere in Africa there has been an approach for joint ventures with South African Airways on aircraft maintenance

Transnet is exploring a major contract with Libya and a possible air partnership with Tanzania

The negotiations are in line with President Mandela's call

for international partnerships with domestic businesses as part of a drive for investment in post-apartheid South Africa

Performance of public enterprises, whose activities range from forestry to diamond mining, were being closely monitored by potential investors.

And Mrs Sigcau said the government had not closed the door on privatisation of public enterprises

"Our interaction with other people in the international community will also broaden our thinking and if we feel that perhaps our people can benefit because of a certain line of action then we have to consider our people more than ideology"

But the same principle applied to nationalisation — it could be used if it would benefit those disadvantaged by apartheid.

For the moment, emphasis was on commercialisation, but privatisation could be examined as a long-term option if it empowered people previously excluded from economic wealth.

Commercialisation was the better option for now because black people wanted to demonstrate that they were capable of running their own affairs.

Each of the public enterprises run by her department had an affirmative action programme

Keeping parastatals in the state-owned fold was a guarantee that affirmative action would be guaranteed.

A monitoring mechanism will be set up soon by the public enterprises department to ensure affirmative action programmes of parastatals are implemented.

# Transport subsidy 'overhaul needed'

31 Day 28/6/94

MICK COLLINS

TRANSPORT Minister Mac Maharaj yesterday warned that a major overhaul of the R2bn-a-year passenger transport subsidy system was needed.

Speaking at the annual transportation convention in Pretoria, Maharaj said the present system for commuter services, as administered by the Transport Department, failed to meet the basic needs of potential passengers. He doubted whether bus and train subsidies benefited those who really needed them.

Putco, one of the main recipients of the subsidy, said passenger subsidies were an important element of the industry.

MD Mike Oldham said he was "apprehensive" until it was clear what was being envisaged. The subsidisation of passengers was an integral part of SA's transportation system and what was needed was a more integrated system.

Analysts said other independent passenger transport companies could be affected including Bophuthatswana Transport Holdings, Spoornet's Metro Services and major municipalities.

Maharaj said SA faced a daunting task relative to the basic needs of the majority

of its population. Large concentrations of people had been marginalised from mainstream socioeconomic development.

"This has also given rise to a shockingly inadequate provision of public transport infrastructure and services in urban and rural areas" (202) (269)

A better method had to be found to meet the requirements of the communities in planning commuter services. The time was past when this could be carried out in isolation. "Improving the public transport system in urban and rural areas is important to achieving the goals of the reconstruction and development programme (RDP). I will do everything in my power to ensure that public transport receives its rightful place in the RDP."

Transport policy must be part of government's macroeconomic and institutional policy reforms.

World Bank studies had shown that SA needed to upgrade its public passenger transport system substantially to be more competitive internationally.

☐ To Page 2

# Call for a rethink on transport subsidies

MICK COLLINS

THE subsidy system for mass passenger transport should be converted into bus contracts for specified routes or networks, Johannesburg City Council transport official Stephen Kalanje said yesterday.

Kalanje told the annual transportation conference in Pretoria that commuter transport should continue to be subsidised but the subsidy should be used to the advantage of those who needed it most.

Under the new plan bus companies would be awarded specified route contracts by the Metropolitan Transport Authority (MTA).

The company would then be paid a fixed rate per revenue kilometre operated, which was seen as the ideal strategy for bus subsidisation.

The objective of the subsidy system, which was initially introduced to compensate people displaced by apartheid, had become less clear over time. He said an example of this was that municipal bus services subsidised passengers regardless of their ability to pay.

All bus operators should be subsidised using a single procedure, and subsidisation should be carried out in a transparent and accountable manner.

At present because of poor co-ordination, subsidised operators were competing on the same routes, resulting in the duplication of subsidised services.

The MTA must also develop a policy on the subsidisation of school children.

The MTA should identify and secure separate dedicated sources of funding to provide infrastructure and subsidise passenger transport.

It should also involve the private sector in the joint funding of transport projects. In addition, the MTA should seek out other untapped sources of funding available in terms of present legislation.

He called for a "fare structure task team" to be set up as soon as possible to investigate bus fare structures. The fragmentation of planning authorities caused management problems as well as a duplication of effort.

He said bus operators were extremely concerned about competition from the taxi industry as they believed that taxi operators had an unfair advantage in not being required to adhere to timetables. The intimidation of bus commuters by taxi operators must be curbed.

# Passenger service moves to tender contract system

THE Department of Transport announced yesterday it was moving away from the present passenger subsidy system towards a tender contract system.

Reacting to Transport Minister Mac Maharaj's statement that the subsidy system was in need of a major overhaul, the department's commuter transport director, Theo Maeder, said the minister wanted to investigate the need for a change in the present system.

He said a move to change over to a tendered contract system for public transport had been under consideration for a number of years.

"We have had tendered contracts issued in terms of the White Paper on National Transport of 1987. These were used as demonstration projects and have proved quite successful. The approach of the department is to

**MICK COLLINS**

move away from the present system to one in which tender contracts become the norm."

The department had 13 tenders currently in place covering various routes in the PWV which were proving successful.

He said the minister would consult his provincial colleagues to see if the tender system was appropriate as a replacement for the present system.

Under the tender system the transport services were designed by the department in consultation with local communities, and bus operators were paid on a kilometre basis.

Tenders were advertised for submission to the State Tender Board.

"The tenders are evaluated by the department and recommendations are made to the National Transport

Commission and to the minister".

Putco MD Mike Oldham said clarity on the issue was needed. There were many obstacles to be overcome.

"There are still a number of practical difficulties and tendering is sometimes not the most effective way of handling things."

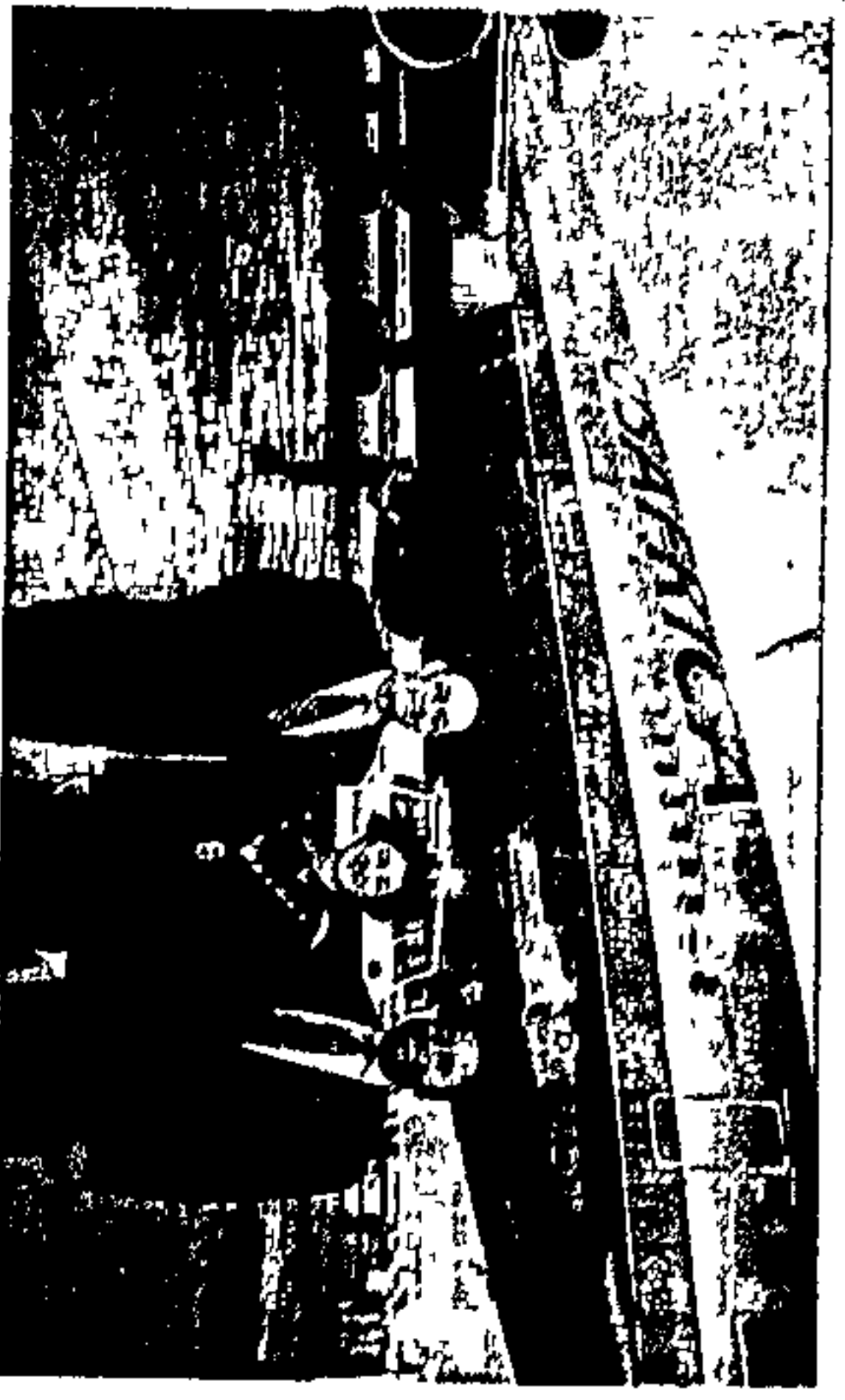
Putco had relinquished certain routes for pilot schemes and in turn operated some of the tender routes. He said the tender system contained good and bad elements. One of Putco's problems with it was the effect it would have on employees.

"Tenders come up once every four years and it could just happen that a company loses the tender and an employee is out of a job."

Oldham warned of opposition from trade unions which he said had already voiced concern about the issue.

● Comment: Page 6

**WELCOME USA-** Africa's inaugural flight from Washington to Cape Town arrived yesterday evening to an enthusiastic welcome, with a cocktail party and speeches by the Mayor, Patricia Kreiner, and the US Consul General, Bismarck Myrick. From left, Michael Mezsaros, executive vice president of USAfrica, Kreiner and Myrick.



# Warm welcome for USAfrica flight

(259) 2747194

The first USAfrica flight from Washington to Cape Town yesterday arrived a little later than expected — but teething troubles are normal for a new service. The return flight was due to arrive in Washington today in time for passengers to see the American Independence Day parade on Pennsylvania Avenue.

From now on USAfrica's McDonnell Douglas MD11 with 154 economy seats 64 business class and 18 first class will leave Washington every Saturday and D.F. Malan every Sunday evening. It is planned to introduce a second weekly service between August and November.

At a dinner to launch the new service at the Rotunda Camps Bay last week the airline's executive vice-president marketing and sales Mike Mezsaros gave a special welcome to travel agents among the guests.

Stressing their importance he said they provided the best distribution service for any airline and USAfrica would be working closely with them.

**ON A DIFFERENT PLANE**  
by **AUDREY D'ANGELO**



It was Mezsaros who realised the importance of restoring direct air links between the US and Africa while waiting for an appointment in Windhoek in the days of sanctions.

But, he admitted at the dinner it was not until late last autumn that he and his associates including former assistant Secretary of State Chester Crocker were able to obtain finance for their airline.

Before then doubts about the political situation in SA combined with the state of the international airline industry caused the banks to "laugh and smile", as he put it, at the idea of a start-up airline coming here.

In the intervening time of course, SAA started their well-supported services to New York and Miami.

### DESTINATIONS

TRAVEL agents say the number of direct services now available are bound to make a dent in the business of European airlines, who still take many South Africans to the US by way of Britain and continental Europe.

But Lufthansa's Cape manager, Mike Kahn, is among those who say they are not unduly worried. From July 1 his airline has added another 12 US destinations to the 12 it could already offer through its code-sharing agreement with United Airline.

"This means we now offer 400 destinations worldwide."

USAfrica, too, has an association with the giant United. But Mike pointed out "There's is only an inter-line agreement, which most international airlines have with each other to facilitate connections. Lufthansa and United are closer than that — we have seats on each other's planes, allocated to each other's passengers."

"And USAfrica doesn't offer the facilities of a fully-fledged airline with offices in every major city. Passengers in difficulties in other parts of the US will have to contact them in Washington."

Both Mike and Swisair's new area manager, Jenni Torri — formerly the Swiss airline's Cape Town sales manager — agree that in SA travel agents are essential for the success of an airline. Both prefer passengers to book through reputable

travel agents, who also arrange packages.

Mike says between 95% and 96% of Lufthansa's business comes through travel agents. Jenni put the figure for Swisair at about 88%.

### ANNIVERSARY

SWISSAIR celebrated its first anniversary in Cape Town this week. Jenni says that after a worrying dip in incoming passenger numbers before the election they have risen again. By the end of May Swisair had already carried 78% of the passengers targeted for this calendar year with the summer season still to come.

Like other airlines Swisair has benefited from the number of diplomats and other official visitors arriving in Cape Town. It also carries a comparatively large number of Europeans who own houses on the Atlantic coast and spend a few months here every year.

Because of this Swisair unlike some other airlines has a well patronised first class. Money is no object for most of these people said Jenni. "On one flight in June the first class section was fully booked from Cape Town."

At the end of this month the airline will introduce its new "concierge service" for first class passengers on the SA route. This enables the passenger to choose whether to have a bed made up and not be troubled with meals at set times or to stipulate the times meals are to be served or to elect to be served almost continuously with snacks.

### Focus on Maldives

THE Maldives, remote islands once visited only by diving enthusiasts, and not yet served by any scheduled airline, are becoming a popular holiday destination this year.

Jill Summers of World Travel says that, at less than R3 000 for seven days from Johannesburg, they offer good value.

But she cautions that they are strictly for people who want a beach and diving holiday away from it all, and not for those expecting a lively night life.

"They are not like Mauritius. The hotels offer no entertainment and some offer no water sports."

The holidays, which can be booked through Cape Town travel agents, have been arranged by Logan Tours who are using Paradise Air for charter flights from Johannesburg to the island of Male. From there, visitors travel by boat to the island of their choice — there are 2 000 in the archipelago — unless they are staying in five-star luxury at the Rangali Hotel. The Rangali's guests are collected from Male by helicopter.

# R400m trade boost for SA exporters

CT47/194

EUROPEAN Union and SA government trade delegations have agreed that the EU will grant SA General System of Preferences (GSP) trade incentives worth about R400m to SA exporters.

Cape Town university academic Alan Hirsch who chaired government's technical working group, said the GSP measures could be superseded by deeper, long-term arrangements between the EU and SA.

Hirsch said an optimistic estimate of the benefit of being granted GSP was that SA companies would gain about R400m in reduced tariffs. The sectors which would see the largest benefits would be agriculture and marine produce, chemicals, paper and iron and steel.

After two days of talks the delegations said in a joint statement that the SA dele-

gation had expressed its concern at the need to accelerate the process of including SA in the GSP, and urged the EU to achieve this objective by the first week of August.

However, a Brussels-based European Commission spokesman said it would be impossible for the commission to finalise and implement GSP by August as requested by the SA delegation. EC officials expected the system for SA to be ready only by end-September or October.

He did not believe that the complex preparatory work necessary before GSP could be applied to SA would be completed by August. Furthermore, the proposals would have to be translated into nine European languages and be approved by the EC and EU authorities and member states.

The GSP — which allows duty free imports within quantitative limits — will be replaced next year by a modulated scheme of duties according to product sensitivity without quantitative limits. This change means that a GSP has to be formulated for SA in a way that will not involve too much disruption under the new system.

It would, for example be unwise to allow sensitive products to come in duty free this year, only to have heavy duties imposed on them next year. To ensure continuity, quantitative limits would have to be imposed on sensitive products this year.

The GSP system was a single "take-it-or-leave-it" arrangement, without any reciprocal trade-related requirements.

## Property sales to offshore buyers rocket

From SAMANTHA SHARPE

**JOHANNESBURG** — The sale of SA properties to foreigners as a percentage of total sales rocketed to 20% in the two months following the election, estate agency Pam Golding said at the weekend.

The figure since the start of the year was a more moderate 11.5%, with the western Cape followed by the Transvaal as the main lures of foreign funds.

Pam Golding MD Peter Golding said the increased interest by off-

Continued on page 11

Own Correspondent

JOHANNESBURG — After a lengthy delay, the SA Roads Board yesterday announced it had awarded road construction projects worth more than R140m in KwaZulu/Natal.

# R140m roads project boost to govt's RDP

(269)

The projects were all related to work needed to finish the North Coast N2 toll road from Umdloti to Empangeni. They were expected to take about 27 months to complete and would create 1500 jobs.

They included the R75,6m Mtunzini to Fairbreeze interchange, which was won by an LTA/Murray & Roberts joint venture, and the R74,3m Fairbreeze to Amatikulu River road which went to Basil Read Civil Engineering.

Grinaker Construction was awarded the R87,6m Amatikulu River to Nyoni River road, and the R88,6m Tugela River to Main Road 403 project went to a Wilson Bayly Holmes/Concor venture.

SA Roads Board chairman Skippie Scheepers said the Transport De-

partment regarded the project as a top priority. CT 5/7/94

The companies had committed themselves to the reconstruction and development programme.

"The RDP will come into play particularly in respect of the training of the local community employed during the construction phase." They could also be employed for road maintenance.

The board was recently criticised by the civil engineering industry for dragging its feet over the contracts when the sector desperately needed work.

SA's lengthy economic recession had hit the industry hard, with employment figures plummeting to 53 200 in 1993 against 93 500 during 1989.

TRANSNET

# Time to couple up

Fun 8/7/94

Quiet diplomacy has translated into a powerful continental enterprise

**Transnet** — with subsidiaries Spoornet, Portnet and SA Airways — was not welcomed back into the network of State-owned transport systems in sub-Saharan Africa only because SA held a free general election to end apartheid

This perception was fuelled by two recent news items: that Spoornet sealed a R40m deal to lease 10 diesel-electric locomotives to Kenya for four years, allowing Kenyans to maintain them under the supervision of Spoornet staff, and that Transnet has been asked to tender to build a 1 600 km, US\$4bn railway line in Libya (*Business* June 17)

The truth is that the corporation was never banished Transnet, officially launched as a State-owned company in the private sector on April 1 1990, and predecessors SA Railways & Harbours (SAR&H) and then SA Transport Services (Sats) have played the role of Big Brother since Union in 1910

The only new factor is that the countries being helped are now prepared to admit they are either doing business with Transnet or getting aid from it

Had it not been for our railwaymen there would not have been much rail traffic on any system in the region just outside of SA Thanks to SA Harbours, as Portnet was known, Maputo has not ended up as little more than a fishing harbour And there would have been severe logistical difficulties bringing famine relief to much of sub-Saharan Africa when drought devastated maize crops in 1991-1992

In the early Eighties, the then Sats GM Kobus Loubser identified the policy as transport diplomacy and spelt out the rules Other

systems could get all the help they needed but had to pay for it Help could not be offered; it had to be requested Under no circumstances was there to be any attempt to take over and run any other country's transport systems The reason for that rule, says Transnet MD Anton Moolman, is that you can't take away a country's pride by trying to run things for it. Had it not been for that rule, Duke Davidson, who retired recently as CE of Portnet, may well have accepted an offer from a group of Arab businessmen who wanted to buy the port of Maputo — provided Portnet ran it for them

Loubser reasoned that because the world was turning against SA, southern African trade would stagnate and possibly die without an efficient regional transport system Transport diplomacy kept it moving, though clandestinely at times SA is reaping another benefit now because everything that was done under the counter still had the effect of keeping diplomatic contacts open The Sats representative in Mozambique doubled as the link between SA and the Mozambican government, which wanted no (official) dealings with Pretoria

Whenever Renamo blew up a bridge, the Mozambican railway authorities discreetly let Sats know. Then a low-profile but highly skilled team, armed with a drawing of every bridge in Mozambique, went into action and repaired the damage within hours It was much the same in Zimbabwe While President Robert Mugabe ranted and raved about SA at the UN and refused to allow any ministerial contact with SA, lesser mortals working for the National Railways of Zimbabwe leased locomotives from Sats to keep rail transport going — and the lines of communication with SA open

Senior managers of the sub-Saharan systems have been meeting regularly since Union. They often met in SA during sanctions but in elaborate secrecy Attendance dropped at a few meetings at the start of sanctions but soon picked up when those countries realised how much they depended on Sats.

Rail systems that initially dropped Sats and turned to others found that the Americans and Europeans could help — but the help took longer to materialise and when it did, it was not tailored for Africa By contrast, the SAR was virtually on the doorstep and usually provided what they needed: workable, made-in-Africa solutions to African problems

Now that SA is out of the dog box, Transnet has become more aggressive in marketing what it can do for the other systems The ultimate aim is to model the sub-Saharan rail systems on the European Union, where



**Moolman** . continuing a tradition

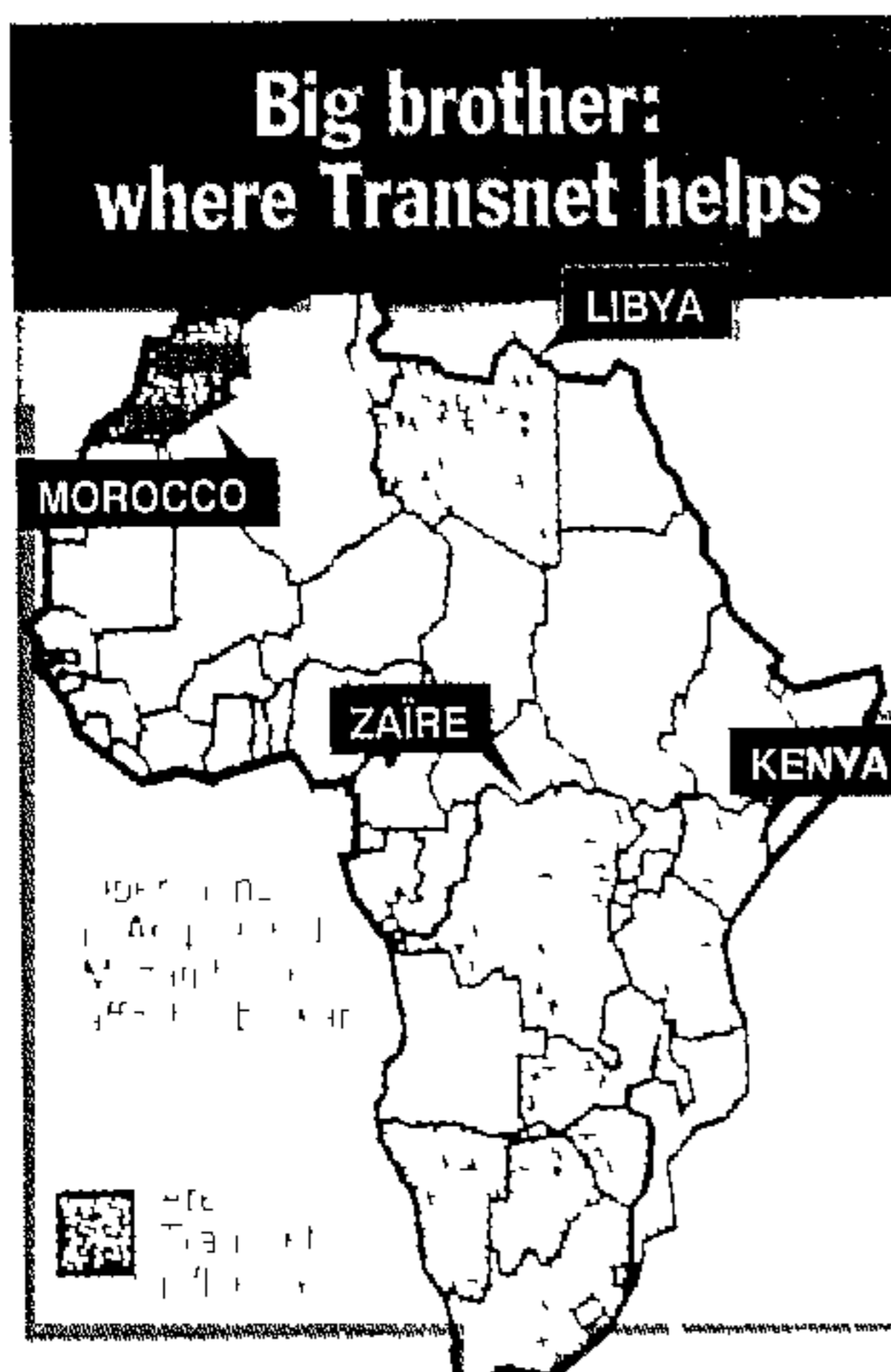
transport flows freely across borders But Transnet isn't playing Father Christmas Its role will earn it about R400m in the financial year to March 31 1995.

SA has much to offer. Spoornet is the most advanced rail system in Africa and has many world firsts to its credit In August 1989, it ran the longest and heaviest train yet, a 660-truck, 7,2 km monster loaded with iron ore, between Sishen and Saldanha Bay It also runs the world's longest coal trains: 200-truck made-up trains each loaded with more than 1 600 t of coal, between Ermelo and Richards Bay And it operates the world's fastest scheduled trains on 1 065 mm track, the PX (goods) trains between Johannesburg and Bellville in the Cape They do the 1 600 km journey in 18 hours. Japan, home of the bullet train and technologically far more advanced, operates trains on 1 065 mm tracks but not so quickly

Two years ago, Transnet formed subsidiary Trans Trade with Bertie Heckroodt as MD to market its manufacturing capacity, railway engineering expertise, training systems and surplus rolling stock In addition to the sub-Saharan African countries that normally benefit from the transport diplomacy policy, Heckroodt sent Trans Trade representatives to the Ivory Coast, the Congo, Sudan, Kenya and even Angola, where business seemed likely until the civil war resumed

His aim is to get all the systems in Africa to become self-sufficient in rolling stock and managing their affairs However, he no longer regards Africa as the sole market He has tested the water in India, Malaysia, the Cape

*Continued on page 28*





Continued from page 24

Verde Islands, Thailand and Chile

Three years ago, Spoornet appointed Andre Heydenrych business manager for Africa. He effectively supplements Heckrodt's drive because his efforts are aimed at developing a regional approach to rail transport in sub-Saharan Africa and co-ordinating Spoornet functions across the Limpopo and Komati rivers. Where an adequate route exists through another country — such as through Zimbabwe to Maputo — Heydenrych tries to encourage other countries such as Zambia and Zaire to use it rather than routing cargoes through SA. The reasoning is that the eastern Transvaal will benefit from a well-developed Maputo.

In conjunction with Trans Trade, Portnet is engaged on a project designed to improve management and facilities at East African ports. In what seems at first glance to be a deliberate attempt to wipe out any gains Heydenrych may be making, Portnet is offering those countries reduced wharfage fees to use SA ports.

But the harbour company is not trying to foil his efforts, says Neil Oosthuizen, who took over from Davidson as Portnet CE this year. He explains that those countries will need money to upgrade their ports, by offering them the use of SA's more reliable ports where throughput is faster, Portnet is effectively helping them to improve their facilities more quickly.

Heydenrych is also trying to develop a scheduled rail service throughout southern Africa. There is no problem with wagons crossing borders "because all we do is debit one another's accounts. We have 7 000 wagons across the Limpopo and the Komati at any time. On an average day, 110 wagons cross into Mozambique, 213 into Botswana and 1 482 into Zimbabwe, Zambia and Zaire. I want locomotives to cross those boundaries just as easily but they are expensive and the authorities like to keep locos on their own systems."

Heydenrych hopes to increase trade across SA's borders. About 5 Mt of goods was traded last year — only 3% of all Spoornet's traffic but worth R800m in transport and hire charges. Now he wants to cobble a deal with Tazara, the only rail system in Africa owned by two countries (Zambia and Tanzania) "because we want to start moving goods in and out of that system."

Heckrodt, who is negotiating with Zambia for the sale of passenger coaches, signed a Kenyan deal at the beginning of the year. He is a firm believer in the saying "give a man a fish and you feed him for a day; teach him how to fish and you feed him for life." The motive behind training Kenyans to maintain the locomotives is, "They must become self-sufficient. We don't want to do the job for them."

Things don't always go smoothly. Feathers were ruffled when Spoornet let it be known it wanted to add the Victoria Falls to the Blue Train's list of destinations. A Zimbabwean tour operator wrote several letters to the

media saying Spoornet was taking the bread out of the mouths of Zimbabwe's tour operators and doing what that country's passenger trains should have been doing. Another issue that had to be solved was Spoornet's refusal to let the world-famous train cross the Limpopo unless it was hauled all the way by its own locomotives. But Zimbabwe's rail officials liked the old system, where an SA locomotive pushed a train across Beit Bridge from the rear, so that a Zimbabwean loco-



Oosthuizen facilitates for Africa

motive (even if it was borrowed and in Spoornet livery) could be coupled to it.

There have been few problems with PX, the Transnet subsidiary that operates a door-to-door service with minicontainers, and the fast train between Johannesburg and Cape Town. PX and the fast train have been welcomed in the industrial and business centres of Botswana, Lesotho, Namibia, Swaziland, Zambia and Mozambique. A licence from the Zimbabwean Customs & Excise Department was acquired to operate two minicontainer depots in Zimbabwe. CE Wicus Pretorius labels the forays into Africa as "controlled international expansion."

PX pays for the help it gets from those countries' rail systems but their benefits extend beyond money. They are learning new skills, sound business principles and how to compete with road transport. PX is playing a bigger role in regional development, which is what Pretorius believes the game is all about.

"As all those national lines have to compete with road transport, we have a mutual vested interest in keeping total rail cost as low as possible," says Pretorius. "We are introducing consignment tracking technology in the form of bar coding. We're achieving extra capacity by speeding up the logistics of parcel distribution. And we're providing instant consignment status information and proof of delivery. Of the total

over-border staff complement of 120, only six are South Africans. The rest are locals whom we trained. In the year to the end of March, PX moved 45 600 minicontainers into and out of Africa."

During the 1991-1992 drought, SA's ports handled more than 9 Mt of relief maize, most of it destined for countries to the north and including those with their own ports. Spoornet charged as much to transport it from Cape Town to Beit Bridge as the Zimbabweans charged to transport it from there to Harare, which is about half the distance.

Mozambique, despite having two big ports of its own, Maputo and Beira, sent nearly 18 000 t of exports through Durban in 1993. During that year, SA's ports also handled nearly 78 000 t of exports and imports for Botswana, 33 420 t for Lesotho, 46 000 t for Swaziland — all landlocked and reliant on us for harbours — as well as 227 000 t for Malawi, 7 000 t for Zaire, 230 000 t for Zambia (which should rely on Beira) and 815 500 t for Zimbabwe (which should rely on Maputo and Beira).

Those ports may need help but they seem to have a communication problem. The essential ingredient of a protocol signed last year with the Kenyan Ports Authority, which operates the port of Mombasa, was that it could call on Portnet for advice and share training facilities. So far the authority hasn't made use of those rights, but it should. Mombasa doesn't handle a fraction of the cargo Durban handles but employs 10 000 people, 2 000 more than Portnet employs at SA's eight ports.

To speed up the handling of vessels, Oosthuizen and his men are even looking at terminals in other African ports. He admits that this "doesn't really make sense. But if it will streamline the logistics chain, we'd be prepared to operate them. If we provide a high quality feeder service from Durban to Beira and Dar es Salaam, we would want to know that they're operating efficiently or there would be no point."

Morocco, which has 11 ports controlled as a single entity, has also signed a protocol with Portnet and seems likely to call on it for help long before the line of ports up Africa's east coast does.

SAA is offering help to Uganda and Tanzania but isn't playing Father Christmas either. It will be flush with aircraft when it ends services to several European cities, including Manchester and Lisbon, and is therefore investigating starting a new airline, African Joint Air Services (Ajas), in partnership with countries to the north. As a tourist bonus, there should be no difficulty marketing packaged tours through several countries as "a trip down the real Africa" — by air and passenger train.

There is a moral to the exercise. If Sats and Transnet could help SA's less sophisticated neighbours keep going in the dark days of apartheid, there is no reason other sectors of the economy cannot get involved. Transnet has proved it makes good business sense to offer the hand of friendship — at a price. ■

# Poor Telkom's giant pylon of profit

Pity the parastatal that is commercialised but not privatised. **Reg Rummey** reports on Telkom's predicament

**R**EAD between the lines of the latest annual report to see the blind that Telkom the commercialised but not yet privatised South African telecommunications monopoly, is in. Telkom chairman Jack Clark boasts of a satisfactory 57 percent increase in net income before tax of R1 206-million in the year to end March, compared to an annualised figure for the previous 18-month period.

A more usual way of looking at a company's results is to look at after-tax profit. Telkom's after-tax income was a handsome 84 percent up at R759 746-million — compared to the previous 18 months, not even to an annualised and therefore lower previous figure. Of that R633 305-million was retained in the business, and R126 441-million paid to the government, the only shareholder.

So a generous 83 percent of the profit has been retained in the business. A rip-off? Telkom has denied this

Telkom's unstated dilemma



Tuned in to the RDP... Telkom MD Du Toit

## Better connections for schools, clinics

PROVIDING phones for new schools will be a high priority for Telkom.

In line with the RDP, the aim is to provide phones to all existing schools within two years, says Telkom managing director Du Toit.

Telkom will install phones in 16 000 schools and 1 700 clinics in the next five years. Schools and clinics are community gathering points, so Telkom will provide at least one basic phone and two pay phones for each school. Each clinic will get at least one phone and one pay phone for the public.

The company plans to provide at least one pay phone for every 1 000 people within the next five years.

R111 million was spent on the extension of the telephone network for the election. Much of this has been left in place to augment services in the rural areas.

is balancing two demands. On the one hand, its own internal drive to ready itself for privatisation by increasing productivity, and cutting into its debt mountain of almost R9-billion means that it must reduce staff and focus on profitability.

On the other hand, as a company wholly owned by the government it is vulnerable to pressures not to retrench and it has embraced the ANC's Reconstruction and Development Programme's target of providing phones for all schools and clinics within two years.

The inevitable thought occurs that between this particular Seylla and Charabdis sails the buffeted consumer. Tariff increases have been kept below inflation. Particularly, the cost of international calls has actually dropped, probably in response to "call-back" international operations offering low cost international calls. But international calls subsidise domestic calls, so expect further increases on this front.

To give it its due, the results partly show Telkom's culture is starting to change from that of a parastatal to that of a business operation. But a lack of any real domestic competition, except the tokenism of cellular phones, must limit the pressure to increase service and keep down cost. A look at the number of lines per employee shows how far we have to go to match other developing countries. And the demand that

Not so good if the lineout

269 W M 8-14/7

Telkom fulfil its social obligations is going to cost. The R311-million extra capital spending undertaken by Telkom for the election comes on top of the transition costs for which the 5 percent levy was imposed. Telkom says it will apply for aid funds to finance its RDP obligations, but it will also rely on normal revenue.

Though it may raise foreign loans to replace maturing loans, Telkom says it is not contemplating any extra borrowing overall, which is just as well.

Net interest-bearing debt reduced slightly to R8 753 154-million compared to R8 858 352-million. The net debt-to-equity ratio is down to 1,81 from the previous year's 2,11. But a full 16c of every rand of turnover goes to servicing existing debt. This is down from 19c during the previous year, but interest rates have fallen.

On top of this, Telkom, along with other big companies, is under pressure to put in place affirmative action. A total of 8,9 percent of white collar workers now are African, coloured and Asian, says the company.

The annual report shows it has speeded up black recruitment, but has some way to go before the percentages reflect the population as a whole.

THE international yardstick for measuring the productivity of a telecommunications company is the number of lines per employee.

Telkom increased the number of lines per employee by 8 percent between March 1993 and March this year. Its present ratio is 62 lines per employee.

Part of that productivity increase was attained by cutting its staff complement by 3 percent to 60 172 during the same period.

The reduction, says Telkom, was achieved through natural attrition and voluntary early retirement.

Telkom's target is 74 lines per employee, a productivity increase of around 19 percent.

If Telkom were really serious about productivity its targets should be set much higher. By comparison with the rest of Southern Africa the number of lines per employee is high. By comparison with other countries, none of which is exactly famous for productivity, Telkom's present figure and its target are both poor.

To get to the telecommunications productivity of Mexico, Telkom would have to do a lot more than natural attrition to bring down the ratio of lines to employees.

A 122 percent improvement in productivity implies not a few retrenchments.

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Winner of the QUEEN'S AWARD

Country	Number of lines per employee
Southern Africa	62
Mozambique	21
Botswana	23
Zimbabwe	25
Namibia	34
World	63
Hungary	80
Venezuela	108
Brazil	117
Australia	117
Mexico	138

The recent R40 million deal signed by South Africa to lease a fleet of 10 locomotives to the Kenya Railway Corporation was heralded as a landmark in progress toward economic co-operation in sub-Saharan Africa.

So it was. What impressed insiders more than the size of the transaction, however, was the publicity given the exchange of beaming smiles and handshakes between Spoornet chief executive Braam le Roux and Kenyan president Daniel arap Moi that sealed the deal.

At last, here was a South African business deal north of the Limpopo River where the signatories could dispense with the cloak-and-dagger disguises that had to be used in any contact over the past decade or so.

The celebrations in Nairobi finally lifted the curtain of secrecy that, until the collapse of apartheid, served as camouflage for the bustle of heavily laden goods trains between South Africa and its northern neighbours all through the sanctions blockade.

The tremendous scale of cross-border co-operation can be judged by first disclosures of the size of Spoornet earnings from the loan of rolling stock to neighbours, pooling rail and port knowhow, and keeping the wheels rolling on internal and export/import shipments.

Transnet general manager Andre Heydenrych estimates that income from cross-border rail deals has swollen to no less than R800 million a year.

At peak level, South Africa had no fewer than 70 giant locomotives and a staggering 15 000 trucks in behind-the-scenes operation north of the Limpopo River.

The value of the rail deals promises to grow still faster as economic co-operation between neighbours emerges out of the shadows — and once repairs have been completed on dozens of rail bridges that were destroyed by bombs or shells in armed conflict in Angola and Mozambique and still hold several key rail lines at a standstill.

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# Spoornet exits its secret tunnel

See 12/17/94

With the collapse of apartheid, neighbour nations in Africa have started to parley about new economic pacts. Behind the scenes, closer co-operation has already begun on cross-border rail links, reports Michael Chester.

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The movement of rolling stock north and south across the Limpopo is plotted on maps and computers inside a special division of the huge Spoornet headquarters in Johannesburg. Here rail experts from a number of neighbouring countries join their South African counterparts to plan joint operations. The bustle is constant, as demonstrated by Africa traffic manager Simon Swanich when a couple of days ago he took a spot count on cross-border runs.

Around dawn that day, Beit Bridge, on the border with Zimbabwe, had handled no fewer than 30 freight trains carrying shipments of imports and exports in two-way trade. On the border with Botswana, another 18 goods trains had crossed on the way to Zambia and perhaps beyond — or else in the reverse flow.

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All in all, the annual flow of freight in two-way trade with neighbours was running at a stunning five million tons or more.

Swanich next turned to check on what rolling stock was out on hire — what and where. At that moment as many as 24 locomotives were on loan. Apart from the 10 juggernauts in Kenya, there were six in Swaziland, six more in Zaire — and two at work as far north as the Sudan. That was apart from around 3 500 rail wagons, a third in Zimbabwe.

It's good business. Transnet general manager Andre Heydenrych estimates that leasing a locomotive costs the customer between R2 000 and R3 000 a day. Even that, though, is dwarfed by the hiring of goods trucks, which brings in no less than R300 000 every day.

"Many countries in Africa turned to foreign aid assistance to improve their own railway systems and reduce reliance on South

African rail and port facilities in the sanctions blockade," he says.

"Most of them have become disillusioned with the deals — especially the unsuitability of the rolling stock they were sent in 'aid-with-strings' packages and the failure of donors to think about wear-and-tear and maintenance.

"A lot of them are now turning to South Africa to work out packages and operate as partners."

That introduces Bertie Heckroodt, managing director of Transtrade, an entirely new division created under the Transnet umbrella to cultivate new contacts and business deals.

Nowadays he points out, more and more emphasis is switching to co-operation with neighbours on improvements in internal rail systems and regional linkages — the upgrading of infrastructure and rolling stock to help them develop sound rail systems of their own to reduce dependence on outsiders.

Heckroodt's early successes can be tracked on a map of Africa on which more and more countries carry the colour-coded pins he uses to monitor progress. (See graphic).

At the moment, the most northerly pins are affixed to the Sudan, where a R22 million agreement has been struck on a complete new survey of the rail system and the supply by South Africa of a fleet of 100 giant rail tankers needed to bring in essential crude oil imports. Brand new contacts have also been established in West Africa for the first time — in Ghana and the Ivory Coast.

Negotiations are also reported to be under way about the chances of a multimillion-rand contract with Libya, though Spoornet ducks into low profile on that one because of risks of international political flak.

All that is apart from the launch of new passenger train links — such as Blue Train tourist runs to Victoria Falls and the resumption of services between Johannesburg and Maputo.

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See 12/19/91

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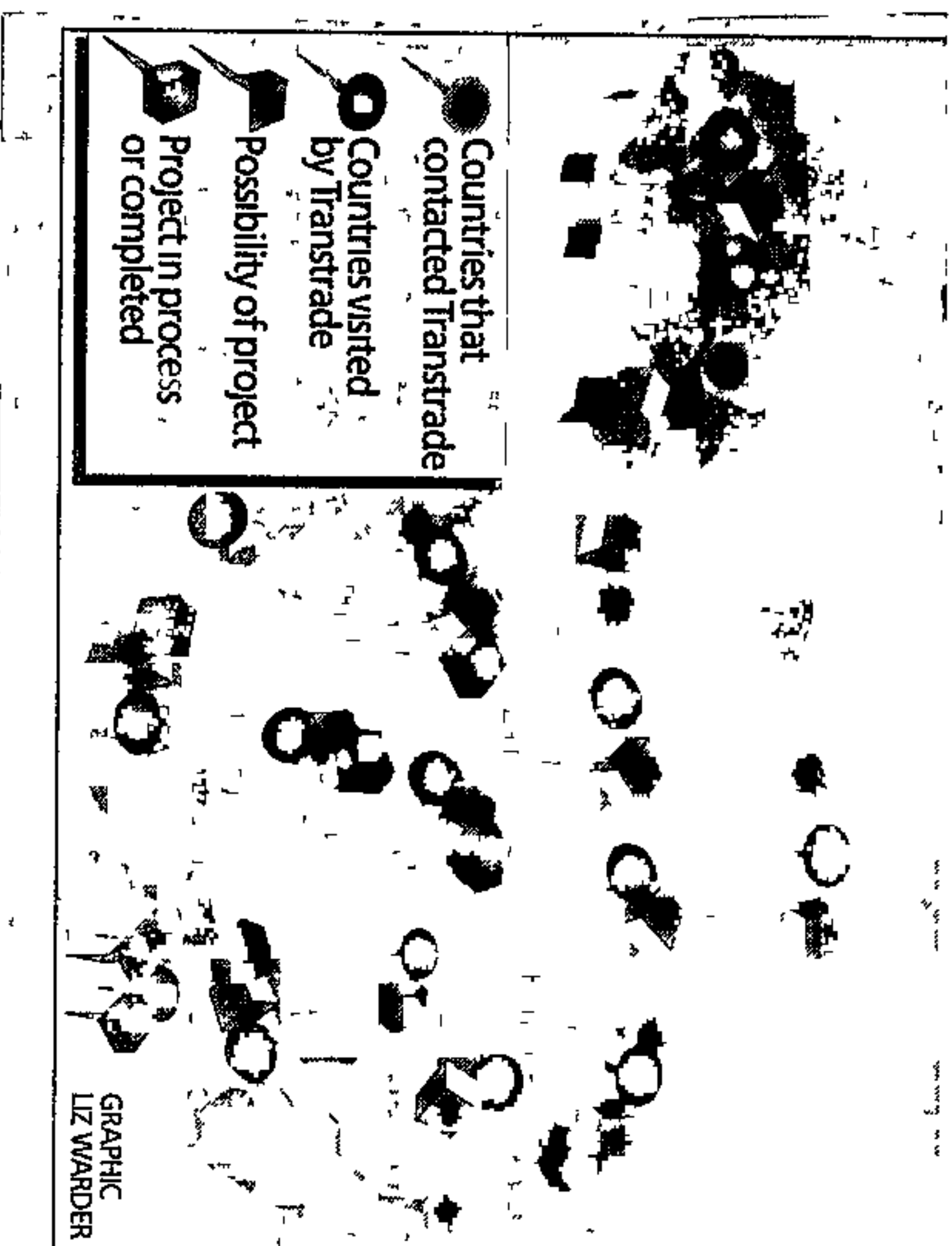
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SAZU 12/17/94

# Spoornet exits its secret tunnel



# Commercialisation pays off for Autonet

Star 12/17/94

■ BY DEREK TOMMEY

The benefits of commercialisation are starting to show at Autonet, the road transport arm of Transnet.

After major downsizing and restructuring, Autonet made an operating profit before Transnet management charges of R22,6 million in the year to March, says chief executive Jan Venter (loss of R30 million the previous year).

The improved performance came from a virtually unchanged turnover of R360,2 million.

Venter says other factors helping profits were a focus on selected markets, the acquisition of long-term contractual business and emphasis on customer service.

At the start of Autonet's commercialisation, only 30 percent of its business was from long-term contracts. The figure is now 60 percent and the intention is to raise it to 75 percent.

The rationalisation programme, which led to a fall in staff from 3 033 two years ago to 1 843, was completed without forced retrenchments.

In the two-year period, turnover per employee rose 63 percent from R119 767 to R195 441, and operating profit per employee rose to R12 266 from a loss of R6 416.

"We are achieving far more with this smaller, highly committed staff complement," he says.

A major improvement in management information systems, together with a 30,3 percent reduction in 1993 in vehicle fleet, led to a material improvement in productivity. Turnover per vehicle rose 41,8 percent.

In 1993-94, passenger services contributed 43 percent of turnover, with the cargo and tanker division contributing 37 percent and refrigerated cargo 20 percent (2109).

Although the cargo and tanker division contributed only 17,9 percent of profit, this should change (2102).

The division signed 17 new contracts last year with corporates such as CG Smith, Engen and Caltex.

The current year is promising, and Autonet expects an 11 percent rise in operating profit before interest.

# Autonet swings back to profitability

By YURI THUMBRAN

TRANSNET's passenger and transport division, Autonet, achieved a R41m turnaround in profitability, reporting operating profit of R22,6m for the year to March. *Sunday*

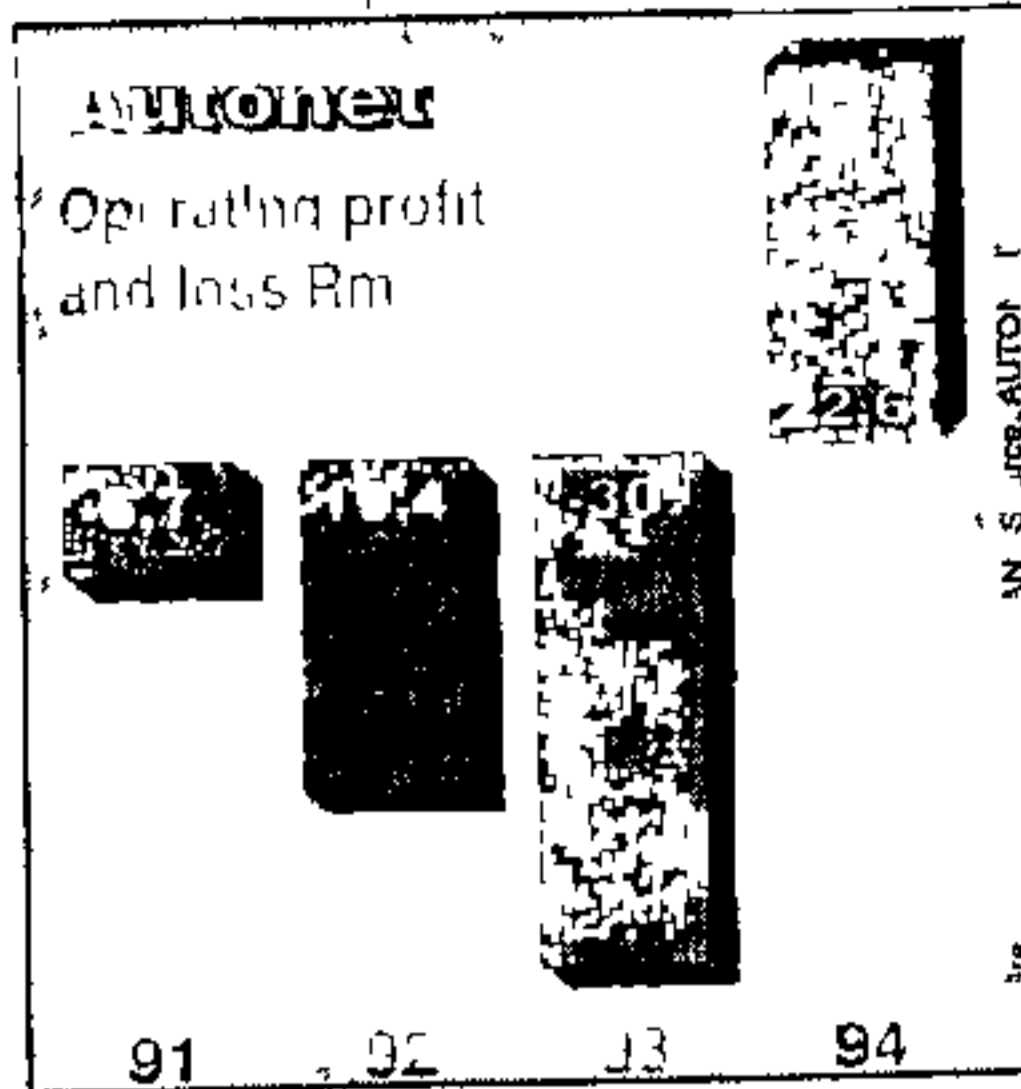
This excluded Transnet management fees, group and financing costs of R10m and compared well with a previous operating loss of R30m.

But CE Jan Venter said paying management fees and group costs had to stop because Autonet had to carry pensions and benefits of staff employed by Transnet.

Turnover for the year fell marginally to R360,2m compared with R361,88m the previous year. The results were the group's first since becoming an independent division of Transnet.

Venter said the results reflected benefits of downsizing, restructuring, focusing on selected markets, gaining long-term contractual business and an emphasis on customer service.

Passenger services, in the form of Translux Express (16%), Transtate Express (24%) and Tours Express (3%), contributed the largest share to



turnover at 43% (41%). The contribution from the cargo and tanker division was 37% (38%) and refrigerated cargo was 20% (21%). *Sunday*

In terms of operating profit, Translux Express contributed 26,7% for the year under review followed by refrigerated cargo with 26,1%, Transtate Express (24,4%), cargo and tanker services (17,9%) and Tours Express with 4,9%. *131744*

The cargo and tanker division signed 17 new contracts last year, including deals with CG Smith, Engen and Caltex.

The acquisition of business from the Rainbow fleet boosted the refrigerated division and further long-term contracts were signed with Botswana Meat, National Margarine and Cape Oil, Venter said.

Rationalisation had been completed with no forced retrenchment. Staff totalled 1 843 compared with 3 033 two years ago. *(269)*

"It is significant that we achieved far more with this smaller but highly committed staff complement. Turnover per employee rose from R119 000 two years ago to R195 441 during the past year, which was an improvement of 63%. Operating profit per employee has soared from a loss of R6 400 two years ago to a profit of R12 200," he said.

Venter said the year ahead was promising for the division. He said new routes would be developed for Translux with an increase in cross-border passengers.

The cross-border market would be exploited for general cargo while Tours Express could benefit from a boom in tourism. For this year, R80m was budgeted for new buses and trucks, he said.





Moolman

The forum's proposals were a model of economic illiteracy. It wanted Transnet subsidiary Spoornet to re-open 400 redundant stations to create jobs and Portnet to cut tariffs to reduce the cost of trade, to cite just two examples.

When he released the proposals before the general election, forum chairman George Negota said he was sure an ANC-led government could accept them. So far, it hasn't given approval. *FM 15/7/94*

Says Moolman. "We need something like the forum but I doubt the current one is the right vehicle. I don't think the representation on it is good enough."

If a similar, less political body with a better knowledge of transport and less militant attitude were to be established, he would support it. "I would be at ease with it. We do need a new transport policy and what we need from it is how to integrate the modes of transport most effectively. In SA, we cannot afford to have any assets standing idle. We must use them all to benefit SA by, for example, boosting exports to help the Reconstruction & Development Programme."

He sees no need to shift State-owned Transnet around on the government organisational chart. Transnet falls under the Public Enterprises Minister, not the Transport Minister. A few decades ago, it would have fallen under the Railways Minister, who also had transport under his wing.

The most colourful Minister was Ben Schoeman, the former train driver who caused the first cracks in the NP government's job reservation policy by employing coloureds and Indians as shunters — jobs reserved for whites. When he was censured, he stunned parliament by telling it his job was to run the railways, not shore up apartheid.

*(269)*

**Not catastrophic**

Moolman says that if Transnet fell under the Transport Department, the Minister would have to oversee Transnet and devise the transport rules that Transnet had to follow. He believes falling under the Public Enterprises Minister "is the best way to go in theory, but being placed under the Transport Department would not be catastrophic in the short term and may even make some things easier."

He says transport policy must and will change, but adds "If the main reason for the Transport Department's existence is to look after roads and road transport, I have doubts that the department could judge objectively in the formulation of policy. There is a possibility it could be skewed." To ensure the department is objective, he says, it should have a division that looks after and does research on rail.

SA is one of the few countries where government doesn't set rules on how the

*FM 15/7/94*  
railways are run. Even if Transnet remains the responsibility of the Public Enterprises Ministry, Moolman says he wouldn't mind the Transport Department laying down rules for Spoornet, prohibiting it, for instance, from "taking customers for a ride by charging much more than double the cost or killing off competitors in certain areas by charging a fraction of the cost. There's nothing to stop us from charging, say, 10% of cost and, once the competition has been killed off, charging what we like." *(269)*

TRANSNET

*FM 15/7/94*

**Musings by Moolman**

*(269)*

**Transnet MD** Anton Moolman wants a new transport policy. But he kept quiet a few months ago when the National Transport Policy Forum recommended commercialisation be stopped and Transnet become a vehicle for creating jobs and projects with various social and economic aims.

TRADE

# Railways on a roll



ARC 15/19/94 (219)  
All systems go as SA trains net billions of rands from African neighbours

With the collapse of apartheid, neighbour nations in Africa have started to parley about new economic pacts. Behind the scenes, closer cooperation has already begun on cross-border rail links, reports Argus Correspondent MICHAEL CHESTER

**T**HE recent R40 million deal signed by South Africa to lease a fleet of 10 locomotives to the Kenya Railway Corporation was heralded as a landmark in progress toward economic cooperation in sub-Saharan Africa.

So it was what impressed insiders more than the size of transaction, however, was the publicity given the exchange of beaming smiles and handshakes between Spoornet chief executive Braam le Roux and Kenyan president Daniel arap Moi that sealed the deal.

At last, here was a South African business deal north of the Limpopo River where the signatories could dispense with the cloak-and-dagger disguises that had had to be used in any contact over the past decade or so.

The celebrations in Nairobi finally lifted the curtain of secrecy that until the collapse of apartheid served as camouflage for the bustle of heavily laden goods trains between South Africa and its northern neighbours all through the sanctions blockade.

Even Spoornet middle executives have been stunned by leakages about the extent of rail transport links that have been developed between South Africa and neighbour countries — and look poised for even faster expansion now that political barriers have been removed.

The tremendous scale of cross-border cooperation can be judged by first disclosures of the size of Spoornet earnings from the loan of rolling stock to neighbours, pooling rail and port know-how, and

keeping the wheels rolling on internal and export/import shipments.

Transnet general manager Andre Heydenrych estimates that income from cross-border rail deals has swollen to no less than R800 million a year.

At peak level, South Africa had no fewer than 70 giant locomotives and a staggering 15 000 trucks in behind-the-scenes operation north of the Limpopo River to help neighbours keep vital trade shipments on the move.

The value of the rail deals promises to grow still faster as economic cooperation between neighbours emerges out of the shadows — and once repairs have been completed on dozens of rail bridges that were destroyed by bombs or shells in armed conflict in Angola and Mozambique and still hold several key rail lines at a standstill.

"Lots of sweat and lots of tears went into keeping the wheels turning on the rail network in Southern Africa through the sanctions era," says Mr Le Roux. "But it's all paying off now."

"The rail infrastructure and good-neighbour relations that have been nurtured will now provide solid foundations for new initiatives to work out strategies for increased economic cooperation across the whole of Africa."

Building the foundations was not easy, especially when it had to be tackled under the handicap of running political gauntlets that forced operations to stay as invisible as possible until now.

"While political leaders on both sides of the Limpopo River were exchanging snarls

and insults," says Mr Le Roux, "Spoornet took the view that transport services should stay out of politics as much as possible."

"Our concern was and remains the steady improvement of the whole rail network — the trade arteries that are crucial to economic survival and expansion."

"There were political gauntlets galore that had to be run in recent years. The movement of goods trains and skilled personnel across borders — most of which were supposed to be barred — always demanded a lot of diplomacy to avoid a political rumpus."

"Now that political handicaps have been removed, the sharing of South Africa's huge rail transport resources and expertise can move ahead even faster — much to the economic benefit of the entire continent."

The movement of rolling stock north and south across the Limpopo is plotted on maps and computers inside a special division of the huge Spoornet headquarters in Johannesburg. Here rail experts from a number of neighbour countries join their South African counterparts to plan joint operations.

The bustle is constant, as demonstrated by Africa traffic manager Simon Swanich when a couple of days ago he took a spot count on cross-border runs going on.

Around dawn that day, Beit Bridge, on the border with Zimbabwe, had handled no fewer than 30 freight trains carrying shipments of imports and exports in two-way trade. On the border with Botswana, another 18 goods trains had crossed on the way

to Zambia and perhaps beyond — or else in the reverse flow.

All in all, the annual flow of freight in two-way trade with neighbours was running at a stunning 5 million tons or more.

Mr Swanich next turned to check on what rolling stock was out on hire — what and where. As many as 24 locomotives were on loan apart from the 10 juggernauts in Kenya, there were six in Swaziland, six more in Zaïre — and two at work as far north as the Sudan.

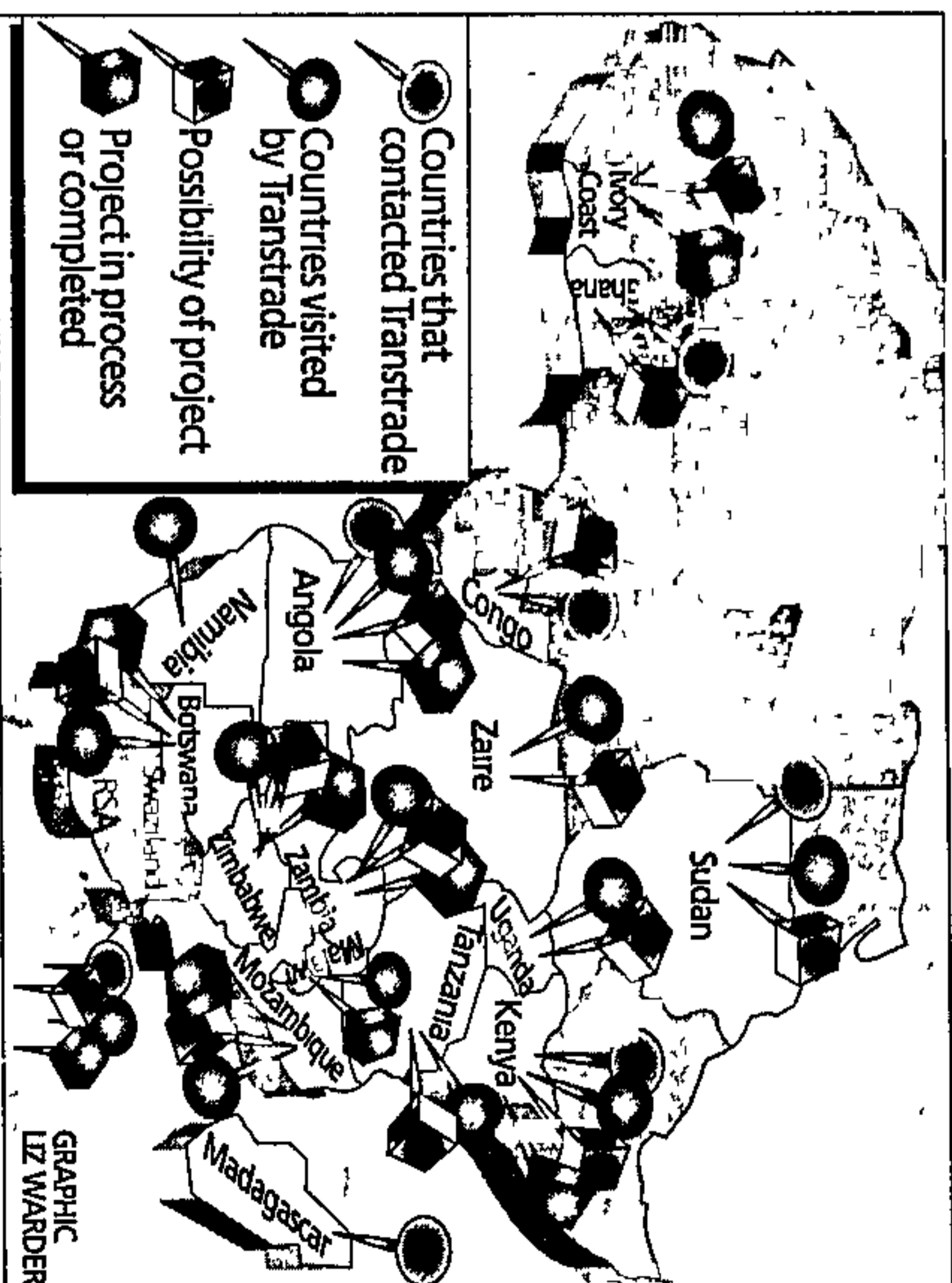
That was apart from around 3 500 rail wagons, nearly a third of which had been hired by Zimbabwe.

It's good business for South Africa. Transnet general manager Andre Heydenrych estimates that leasing a locomotive costs the customer between R2 000 and R3 000 a day. Even that, though, is dwarfed by income from the hiring of goods trucks, which brings in no less than R300 000 every day.

But even that can be improved upon as business links spread wider and wider. Mr Heydenrych maintains "Many countries in Africa turned to foreign aid assistance to improve their own railway systems and reduce reliance on South African rail and port facilities in the sanctions blockade," he says.

"Most of them have become disillusioned with the deals — especially the unsustainability of the rolling stock they were sent in 'aid-with-strings' packages and the failure of donors to think about wear-and-tear and maintenance."

"A lot of them are now turning to South Africa to work out cooperation pack-



**TRAINS FOR AFRICA:** South Africa is doing rail deals with most of its neighbours, thereby keeping vital trade arteries open. Transtrade is a new division created under the Transnet umbrella to cultivate new contacts and business deals.

ages and operate as partners in sharing resources and know-how."

That introduces Bettie Heckrood, managing director of Transtrade, an entirely new division created under the Transnet umbrella to cultivate new contacts and business deals.

Nowadays, he points out, more and more emphasis is switching to cooperate with neighbours on improvements in internal rail systems and regional linkages — the upgrading of infrastructure and rolling stock to help them develop sound rail systems of

their own to reduce dependence on outsiders.

Mr Heckrood's early successes can be tracked on a map of Africa on which more and more countries carry the pins he uses to monitor progress. (See graphic.)

At the moment, the most northerly pins are affixed to the Sudan, where a R22 million agreement has been struck on a complete new survey of the rail system and the supply by South Africa of a fleet of 100 giant rail tankers needed to bring in essential crude oil imports. Negotiations are also re-

ported to be under way about the chances of a multinational contract with Libya, though Spoornet ducks into low profile on that one because of risks of international political flak.

New contacts have been established in West Africa for the first time — in Ghana and the Ivory Coast.

All that is apart from the launch of new passenger train links — such as Blue Train tourist runs to Victoria Falls — and the resumption of services between Johannesburg and Maputo.

# Friday

CT 21/7/94

# food

269

## Claim against SAA kitchens

**By CLAIRE BISSEKER**  
**SHOCK revelations of unhygienic food served on SAA flights, prepared in a "filthy" D F Malan Airport kitchen, emerged yesterday during a R20 000 damages claim brought against the kitchen's head chef.**

Smith told him "My arse has been chewed from a dizzy height and now I am going to do the same to you. Whether they are your cockroaches or mine, you are going to take responsibility. You are going to write a letter of apology to SAA and the passenger concerned".

Mr Mantell refused and his large contract was later cancelled. A health inspection done at the D F Malan Airport kitchen in July after cockroaches were found in two pre-packed meals, noted that malfunctioning drainage facilities were causing occasional flooding.

The district health inspector noted in June that "long overdue" upgrading was taking place.

On the same visit he found floor channels and grates were unclean, trolleys for storing and preparing food were not properly cleaned and there was "some activity" of pests

The Bellville Magistrate's Court heard that a tea trolley on board an SAA flight in May 1993 was found to contain rat droppings and two in-flight meals contained cockroaches.

Mr Simon Mantell of Mantell's bakery is suing Mr Shane Smith of the SAA-owned catering company, Air Chefs, for the alleged degradation and defamation he suffered when he was accused of supplying SAA with pasta containing a cockroach

Last July Giving evidence yesterday, Mr Mantell said SAA regional manager Mr Bruce Lutman had not believed that he (Mantell) was responsible for the cockroach and had said Air Chefs' kitchens were "filthy".

The pasta was supplied sealed but was opened by Air Chefs who added a sauce and allowed the pasta to stand before resealing it.

In a letter to Air Chefs handed to the court and dated July 20, Mr Lutman castigates the caterer over the discovery of a cockroach in a passenger's meal and rat droppings in a tea trolley. Mr Mantell alleges Mr



El... The first cleaned and rehabilitated jackass penguins from Dassen Island waddle straight for the surf after being eased near Melkbosstrand yesterday. Experts say they would certainly have died if they had been left on the island. PICTURE BY BENNY GOOL

## Wounded penguins waddle to freedom

**By MELANIE GOSLING**  
**First of the 7 000 jackass penguins rescued when a massive oil-slick hit Dassen Island on Monday waddled to freedom from Melkbosstrand yesterday.**

They were expected to have reached Dassen Island late last night. The full impact of the oil-slick on island's penguin colony, the most important breeding site on the West Coast, will only be known when a census is taken next year.

Mr Bruce Dyer said yesterday Dassen Island's penguins had been declining by 20% every decade and were just starting to stabilise last year.

They were expected to have reached Dassen Island late last night. The full impact of the oil-slick on island's penguin colony, the most important breeding site on the West Coast, will only be known when a census is taken next year.

Cape Nature Conservation ornithologist Dr Tony Williams said research had shown that birds which had swallowed only 0.2ml of oil had failed to breed the following year.

"The oil-slick hit them right in the middle of the breeding season and may just push the jackass penguin from the vulnerable to the endangered category," Mr Dyer said.

The rest of the birds will be released when they are strong enough.

SEAFOOD SERVICE  
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TRANSPORT POLICY

Centralising the buses (269)

The ANC-led National Transport Policy Forum has sparked a heated debate with its proposal to centralise commuter bus operations in the Johannesburg area in an effort to redistribute and improve the service. Crit-

ics say that instead of tighter and more bureaucratic government control, privatisation is the only way to improve service and encourage more people to travel by bus.

The forum's view is that "public passenger transport decision-making has been undemocratic, unwieldy, unfocused and unaccountable to the majority of people. As a result, transport services are unco-ordinated, fragmented and ineffective. Scarce resources are being wasted on duplicated services. There is an oversupply in some areas and total neglect in others."

As true as that may be, the system envisaged by forum chairman George Negota, who believes government will go along with the plan, appears to be a reprise of the discredited apartheid-era NP policies of centralised control that led to huge government subsidies for poor services driven by political goals.

Vaughan Mostert, a lecturer at Rand Afrikaans University, who helped compile the forum's public passenger transport policy, pictures a central body to take over the fleets that are now serving the Johannesburg area, among others. The money from government and the councils that now goes to subsidise their losses will be paid to the central body, which will then contract routes to the fleet owners and pay them according to kilometres travelled.

Owners such as Putco, which supports the plan, will not be allowed to keep the fares they collect but will hand them to the central authority. This opens a Pandora's box of possible scams.

The central authority will also redraw the route map, set timetables and use "the appropriate buses on them, which may result in Johannesburg's double-deckers being used on Soweto routes where the traffic is denser," Mostert says.

This won't go down well with many passengers or the Johannesburg City Council, even though it has for years regarded its bus service as a money-loser. Those who run the city's bus routes have never felt that they have been granted sufficient money to market the buses. There are few passengers and service has deteriorated.

Paul Asherson, the councillor in charge of the city's public transport system, doesn't like any part of the forum's policy and plans to oppose it. "We have called for regional funding bodies to look at regional transport and find out whatever is necessary, but it's not efficient administration for one central body to own all the transport in the region."

Nor does he like the idea of nationalising city assets when the focus should be on privatising them. "Johannesburg has 400 buses with a replacement value of R200m. We would be unhappy to donate them to a central body. We're also unhappy with RAU's transport economics department's work. We need to privatise to increase efficiency, but its recommendations sound more and more like ANC policy."

Jackie Walters, a professor of transport economics at RAU and the executive direc-

tor of the SA Bus Operators' Association, which supports the forum's views on centralisation, believes that "the main thing is to get it going. We need integrated bus services to optimise resources, and a central planning authority at metropolitan level. We have been talking a long time about doing that, but we haven't done what we said should be done."

David Pincus

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# Portnet splitting ~~into~~ into two

BY CHARLOTTE  
MATHews

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Portnet, the harbour division of Transnet, will divide into two separate businesses this year — port management and terminal operations — according to an article in its latest quarterly journal, Portlink.

Portnet's current chief executive, Neil Oosthuizen, will be the chief executive of port management.

The chief executive of terminal operations is still to be announced.

(269)  
**Capacity**

Oosthuizen says it is considered necessary to increase SA's capacity for international trade by developing its ports because it is generally accepted that worldwide trade will expand and the pace of cargo flow will also increase.

The port management division will concentrate on port infrastructure, navigational safety and monitoring port performance and cargo handling.

The port operations division will concentrate on maintaining superstructures and controlling cargo throughput and service standards.

A key principle of the new structure is that there will be no discrimination between port users and Transnet's business divisions

**Fashion**

Port operations will enter into operational agreements with port management and competition should be introduced into port operations in an orderly fashion.

Port management will continue to function as Portnet.

The new name of the terminal operations will be announced shortly, says the journal.

## SAA in control — regionally

SAA has gained effective control of the southern African air travel market following the alliance between Airlink and SAA-aligned South African Express (SAX) (269) (332)

The move "will necessitate short-term re-trenchment" of some Airlink stewards and cutbacks in cockpit staff, Airlink joint MD Rodger Foster said.

Foster said it was likely staff would be re-employed once Airlink had consolidated its markets. CT 8/8/94

In terms of the alliance, Airlink's four 47-seater aircraft will be phased out in favour of 33-seaters, which will be used to service remote areas.

SAX would provide a secondary service using aircraft with a seating capacity of up to 70 passengers.

# Privatisation for some of Transnet

Star 9/8/94

■ BY JOHN SPIRA

Transnet's entire portfolio of R34 billion worth of assets is unlikely to be privatised in the foreseeable future.

However, it is possible that some of its divisions — in particular SA Airways and Autonet — will be, says Transnet MD Anton Moolman.

The privatisation decision did not rest with Transnet, but with the Government, which owned the group, he said yesterday.

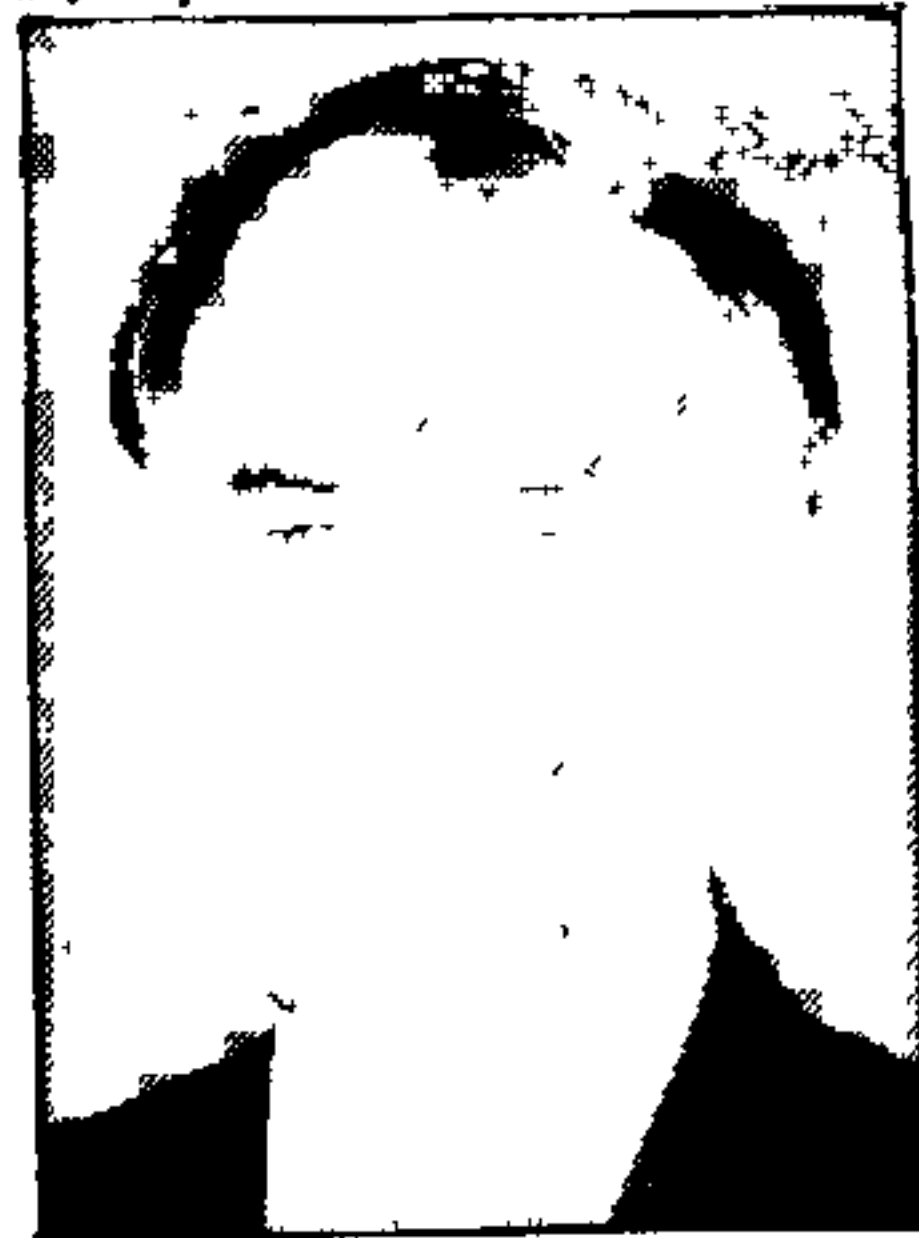
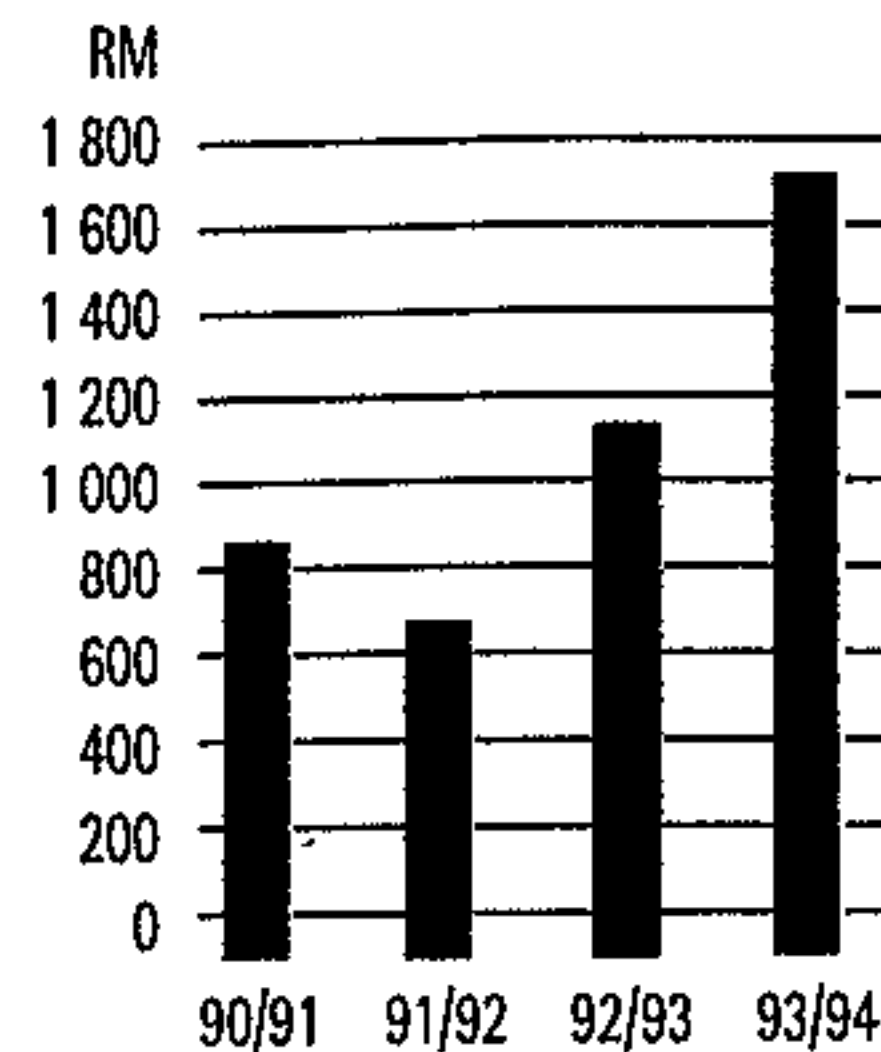
Transnet increased operating profit by 49 percent — to R2,97 billion — in the year to March.

Moolman said the marked improvement had been achieved in the face of tariff increases below the inflation rate and an economy which had experienced negative growth for the past four years.

The gain at operating level was heavily eroded by the legacy of the ill-fated Sats pension fund.

Finance charges and the retirement benefit costs of Sats pensioners and Transnet employees had more than wiped out the operating profit for a

Net profit before abnormal and extraordinary items



Anton Moolman . . . decision rested with government.

(269)

loss of R279 million.

This, nevertheless, compared favourably with the previous year's R1,7 billion loss after taking into account extraordinary "right-sizing" costs of R831 million.

Significantly, the right-sizing exercise has yielded advantages, with operating expenditure actually falling in 1993-94.

Moolman believed Transnet's return on assets — up from 5,3 percent in 1990-91 to 7,7 percent in 1993-94 — could be further improved upon.

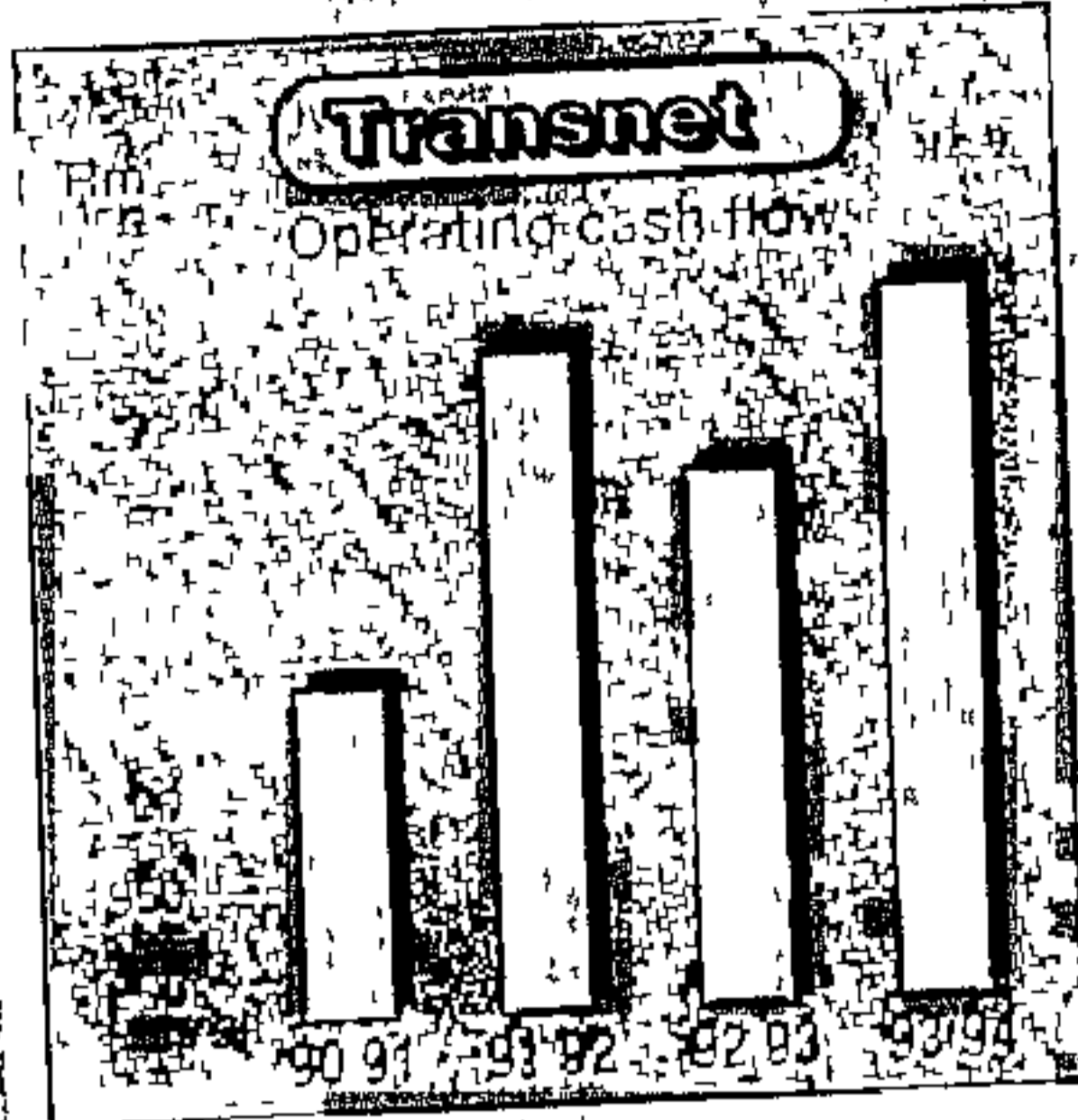
"Our medium-term objective is 8 percent and our long-term objective is 10 percent."

The burden of funding the pension fund, the shortfall of which had declined from R10,5 billion to R4,6 billion in the past two years, remained a drag on Transnet's results and would do so, Moolman estimated, for the next eight years.

He said the RDP, aiming as it did at broadening the South African economy, would create many opportunities for Transnet.

# Transnet posts R279m loss

MICK COLLINS



STATE-owned transport group Transnet improved operating profit nearly 50% to R2,9bn for the year to March, but the black hole in its pension fund swallowed the lot, leaving it with a net loss of R279m. (269)

This compared with the previous year's R1,7bn net loss, which included an extraordinary cost of R831m for rationalisation.

Turnover for the group — which operates SA Airways, Spoornet and Portnet — rose marginally to R14bn (R13,6bn).

Transnet had asked government to issue it R5,9bn in loan stock which would have yielded about R700m a year to help service

□ To Page 2

## Transnet

the nearly R6bn pension fund deficit.

But government refused, leaving Transnet to support pensioners who retired from the old SA Transport Services (Sats) before the formation of the present company in 1990. It was also supporting members who had retired since 1990. (269)

Transnet MD Anton Moolman said government accepted responsibility for the pension deficit, but could not accommodate the company's request within "its own limited budget".

"We hope it is not an indefinite no. But we have to be realistic and realise that even if a spare R1bn became available, government would have more urgent needs such as housing, education and hospitals." But Transnet would be able to handle the situation, albeit at a "dragged out" rate of many years. The liability in respect of Sats pensioners was R5,4bn, and there was a further R537m in respect of non-pension fund members.

Moolman said government had accepted the "inevitable" consequence that profitable divisions such as Portnet must remain within the group, that tariffs could not be lowered and that for many years dividends would be scant.

The board had adopted specific strategies to increase the pension fund's level of funding. The shortfall decreased from R10,5bn in March 1992 to R4,6bn in March 1994. The fund had a healthy cash flow and paid out R886m to 18 500 employees in the

past year. Total income was R3,3bn, while R2,6bn was spent.

Transnet's "right-sizing" strategy had seen 30 000 employees lopped off the payroll in the past year. The staff level was now at about 116 000, compared with 280 000 employees 10 years ago.

While employee numbers were considered appropriate, there were significant unproductive assets in the group. Productive use of these assets, currently hampered by market conditions, could further improve the group's return on operating assets, which was 7,7% in 1993/94 against 5,3% in 1990/91. The medium-term goal was 8% and long-term 10%.

Capex for 1995/96 would be R1,9bn while borrowings would come in at about R4bn, partly financed locally and, depending on market conditions, some offshore borrowing was envisaged.

The results were achieved against a background of below-inflation rate tariff increases and an economy that shrank in three of the past four years.

Chairman Marius de Waal said indications of reasonable economic growth this year and a possible improvement in traffic volumes meant prospects for a further increase in operating profit were good. This could result in the group breaking even, even after allowing for about R200m as a contribution to the pension fund-pensioners' medical aid.

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□ From Page 1



After several years of commercialisation, Transnet's financial statements for the year to March reveal steeply rising efficiencies on the back of stringent cuts in operational costs and capital spending (269)

They also show a bottom line — particularly at the level of retained income or, in this case, losses — still buckling under the burden of financing retirement benefits for Transnet or former Sats employees

So one wonders if efficiencies, margins and operating profitability can be made to rise this much in a slack economy, how much more might yet be achieved under aggressively competitive management — particularly if Transnet were privatised?

Regrettably, while group accounts are quite detailed, disclosure on operating divisions is limited. There is little scope for financial analysis of large divisions such as SAA, with its net operating loss of R23m

However, impressive gains have been made. Though Transnet's turnover rose only 3,5% to R14,1bn, operating profit jumped by almost a quarter to R2,97bn, with the margin climbing from 17,5% to 21,1%, high by almost any standards

Considering the huge asset base, this margin surge on turnover that was rising below the inflation rate seems extraordinary. It was certainly helped by the high profitability of Portnet, which reported net operating profit of R766m on turnover of R2,1bn

Staff reduction has been an important factor. Total employees (280 000 in 1982) dropped from 150 000 in 1992 to 130 000 in 1993 and 118 000 in 1994. Again, accounting practices have helped

All major operating divisions have cut staff in the past year. Spoornet by 14 854; Portnet by 297; SAA by 460, Autonet by 267, PX (the parcel transportation and distribution service) by 2 797; Petronet by 15

Progress has also been made with tightening asset management. Last year about R145m was lopped off inventories, which at March 31 totalled R833m, debtors were cut by R94m to R2,7bn. And net capital spending has been slashed from R1,95bn in 1992 to R501m in 1994. All this helped to produce a swing in net cash generation from last year's negative R277m to a positive R131m

Virtually no tax was paid as there are tax losses of R10,6bn. The directors note that assets valued at R920m have been identified as surplus to normal requirements and it's intended to "clear the balance sheets of divisions of all unproductive assets"

Benefits, however, disappeared under the weight of financing employee retirement

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costs which absorbed R674m at pre-tax level, with an additional R1,38bn charge below the line. The latest actuarial valuation of the pension fund at year-end still showed a deficit of R4,6bn (269) ■

# Transnet's privatisation drive loses steam

THE continued commercialisation of Transnet has full government backing, but privatisation is on hold.

Presenting financial results for the year to March, managing director Anton Moolman says privatisation is no longer under discussion at the moment as it has not been proved to be of benefit to the whole community.

Privatisation was considered a priority of the previous executive in an effort to break up the transport giant.

Mr Moolman is concerned, however, that there is no definitive national transport policy, and any discussion that has taken place in this respect lacks co-

contributions of about R2-billion a year for the next eight years to fund the actuarial shortfall in its pension fund and to top up medical aid.

In the year to March, this contribution amounted to R2,05-billion, unchanged from the previous year. It effectively wiped out an improved operating profit of R1,78-billion, after finance charges, compared with R1,1-billion.

As a result, the accumulated loss for the year amounted to R279-million compared with the previous year's loss of R1,7-billion, although this figure included a one-off R831-million for retrenchment packages. Turnover amounted to

R14-billion compared with R13,5-billion.

Chairman Marius de Waal says, however, that with the expected economic growth in the current financial year and with Transnet's spare capacity, traffic volumes should improve with a commensurate increase in profits.

"This could result in a break-even situation, after allowing for about R2-billion as a contribution to the pension fund and medical aid."

The shortfall in the value of the pension fund of R10,5-billion in March 1990, was reduced to R6,5-billion in March 1993 and further to R4,6-billion at the end of last year. This has increased the

funding level from 74,6% to 80,4%.

Capital investment in the past financial year was R501-million, compared with the peak level of R1,9-billion in 1991. Total borrowings at year end amounted to R14,5-billion, down from R15,2-billion in the previous year, of which R2,5-billion were foreign loans against R4,2-billion.

Transnet has total assets of R24-billion on which it returned 7,7% compared with 5,3% in the previous year. The long-term objective is a return of 10%, while 8% is budgeted for in the financial year until all unproductive assets have been removed.

By DON ROBERTSON

ordination.

"It is important that the process of establishing a policy be properly defined and that all interested parties be involved. We can play a part, but it is not our responsibility."

It is expected that the Minister of Transport, Mac Maharaj, will soon appoint a director-general whose first priority will be to shape a new policy.

Transnet, however, is not out of the woods. It will have to make substantial

## Transnet to shed assets

15/8/93  
MICK COLLINS

PARASTATAL transport group Transnet is to develop or offload surplus assets worth nearly R1bn

Deputy MD Barry Lesing said on Friday the group — which runs SA Airways, Portnet and Spoornet — wanted to clear the balance sheet of all unproductive assets. Assets to the value of R920m surplus to normal requirements had been identified in March.

"We won't just give them away or sell them off cheaply. We will use them to our best advantage."

More than half the assets were in the property sector; the rest were investments in rolling stock, equipment and vehicles.

The rationalisation was linked to Transnet's commitment to the reconstruction and development programme. "This doesn't mean we will specifically sell off assets. Some of the rationalisation could be the development of properties for community purposes."

More than R560m had been identified as surplus in the property sector; structures accounted for R61m. Rolling stock and containers came in at R218m; surplus vehicles at R11m; permanent way and works accounted for R7m, and machinery, equipment and furniture R63m. (26A)

The directors said in the annual report that the realisation of most of the assets required careful marketing since most of the assets were of a specialist nature.

TRANSNET *Fun 19/8/94*

## **Funding the fat years**

The taxpayer is still paying for apartheid. Among those who should feel aggrieved are Transnet's pensioners and customers. Transnet is open on the issue — if it did not have a R5,9bn deficit in its pension fund, it could reduce tariffs for at least some classes of customers. And its current pensioners would not have been forced to accept reduced benefits. *(269) (200)*

The reason there's a deficit is that government did not fully fund the retirement benefits when the old SA Railways & Harbours was a department of government. And the money which should have been growing for pensioners was "borrowed" by government through prescribed assets and used to finance, among other things, facilities marked "Whites Only."

The government is likely to have little sympathy for pensioners as, for decades, employment on the railways was a reserved occupation. It has already refused to issue stock to cover the deficit, citing other priorities. Had government acceded to Transnet's request, interest would have yielded about R700m a year to service the pension fund's needs. Now that sum must

FINANCIAL MAIL • AUGUST • 19 • 1994 • 31

*Fun 19/8/94*

be deducted from operating profits.

Tax considerations are interesting. Transnet is now a taxpaying entity and R700m represents a large chunk of 1994's operating profit of R1,79bn. But Ben van der Berg, Transnet's tax adviser, says that, even with an increased operating profit, the group would not be paying more tax — it has a calculated assessed loss of R10,6bn. But, had government agreed to the issue of stock, Transnet would probably have become liable for tax earlier than now seems probable. So, one way or another, the taxpayer pays. *(269) (200)*

Van der Berg says the issue of stock by government, on the other hand, could result in Revenue recouping allowances that were claimed for tax and were based on the amount of R5,9bn. But only a portion of the receipt would constitute a recoupment and it would not create an income tax liability for the company in the near future. He adds that it is impossible to state now when Transnet will be paying corporate taxes.

There is no doubt Transnet's members will get their dues as the fund is guaranteed by government until Transnet has made it fully funded. But pensioners have, temporarily at least, had to accept lower benefits as part of the funding drive.

But, at 82,4%, the fund is certainly healthier than the just over 70% it stood at when Transnet was commercialised.

Other implications, says Transnet, are that profitable divisions, such as Portnet, must remain within the group and that, "for many years, dividends will be scant."

The other issue is full funding. Transnet inherited its deficit, while deficits also occurred in almost all government pension schemes. With the funds debarred from normal investment avenues, the deficits were inevitable. There were also over-generous provisions to allow government employees to buy pension rights for years when they had not been employed.

After Transnet was commercialised, it was obliged to head for full funding — unlike remaining government pension funds which were allowed to stay in deficit.

In most Western nations, there is no attempt or reason to fully fund — government contributions are voted annually. The case in favour of full funding makes sense only if pension trustees are able to make full use of all available investment opportunities, with a good chance of beating inflation. The opponents of full funding argue that a State cannot go out of business; so its employees should have no feeling of insecurity. Or should they? ■

SAFREN

**Coming through**

FM 23/9/94

Through a 12-month trading period that included some of the worst violence, political unrest and economic uncertainty that SA has experienced, Safren lifted earnings for the 1994 year by 13,9% — a performance which underlines its inherent strength and potential

A year ago, when economists were searching for some indications that the economy was indeed improving, Safren's shipping subsidiary Safmarine, the largest profit contributor, was producing statistics which suggested an upturn was underway (Leaders November 19) Now, Safmarine's performance has underpinned the group result.

A year ago, when Safren's price was R7, chairman Buddy Hawton predicted that Safmarine's operating profit would rise by 48% in fiscal 1994

After adjusting for additional depreciation, it rose by 36,3% and was, by far, the largest profit contributor to the group — especially after Kersaf, Safren's hotel and leisure division, suffered an earnings setback because of the unrest in the North West Province (formerly Bophuthatswana) where Sun City is situated

The quality of Safmarine's earnings improved essentially because both volumes and rates increased in the liner trade. It was, however, dragged back by the depressed reefer business and by the Far East trade where volumes advanced but freight rates generally fell (269)

Safair performed considerably better, as demand for its services outstripped capacity, but the closure of its domestic freight operation with Flitestar's demise incurred additional costs of R13,5m

Kersaf's Sun International, its largest earnings contributor, endured unsettled trading conditions but lifted its attributable earnings by 9%

Aside from the influence of unrest, earnings of the country's legalised gaming industry were diluted by the plethora of unregistered casinos. Kersaf only posted a 7% increase in EPS

Rennes produced record profits, helped by better trading in the last quarter.

By division, Safmarine increased its contribution to attributable earnings by 21,4%, Kersaf by 7,8% and Rennes by 19,5%

However, Safren's operating profit rose

FM 23/9/94

only 9,8%, because depreciation rose by 26% to R365m and absorbed 30% (1993, 27%) of profit

For the first time, the group's offshore hotel and gaming subsidiary, Royale Resorts Holdings is consolidated into the accounts. The balance sheet appears stronger than ever, with cash of R1,1bn offsetting most of the borrowings

Hawton says shipping rates across the board have bottomed and will strengthen along with the continuing upturn in international economies. (269)

This could mean an additional boost to Safmarine's earnings, especially from the reefer market, which is operating off a low base now

Safmarine is intending to spend about US\$200m on acquiring ships and containers over the next two years to take advantage of current low prices and to act before the rand weakens further. These purchases will strengthen the profit base and cash flow. They will also enhance the currency hedge aspect.

**HIDDEN STRENGTHS**

Year to June 30	1993	1994
Operating income		

If peace pervades the country, if the local and international economy continues to strengthen, if some clarity is achieved about gaming laws, then increased trade and tourism should boost Safren's earnings in the current year and in future

At R11, the market is valuing the share (it was split 10 for one in July) on an historical p/e of 17,9.

That appears to represent reasonable relative value, especially when the rand-hedge element of Safmarine's earnings and, potentially, those of Royale Resorts, is included

Gerald Hirshon

# 'Afrikaners, boycott SAA'

JOHANNESBURG — The Afrikaner youth movement Junior Rapportryersbeweging announced yesterday it would take consumer action against South African Airways for allegedly ignoring calls not to phase out Afrikaans on flights

It said in a statement SAA's decision earlier this year to reduce the use of Afrikaans had elicited much opposition from Afrikaner cultural organisations

Since then, the youth organisation had held talks with SAA spokesman Mr Leon Els and managing director Mr Mike Myburgh. The JRB said these officials had agreed that only safety announcements would be made in English alone

The SAA representatives had also agreed to submit to Afrikaner cultural organisations a strategy to counter the perception Afrikaans was being neglect-

ed

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"Despite this agreement and long arguments about the interpretation of the policy of 11 official languages, the SAA after three months has still not submitted this strategy," the JRB said

Afrikaans-speakers and other South Africans opposed to the Anglicisation of the country would soon be asked to no longer support SAA's international flights. — Sapa

# On the road to trouble, with less and less money

Chris Louw

**S**OUTH Africa's road system, once regarded as comparable to the best in the world, is deteriorating at an alarming rate. Not enough money is available to maintain roads, let alone build new ones.

Department of Transport statistics show that the expenditure on national roads has dropped from R911-million in 1988/9 to R434-million last year.

Transport Minister Mac Maharaj recently warned that the country was heading for "serious problems" if the current budget for transport is not improved.

Maharaj's concerns are borne out by Council for Scientific and Industrial Research (CSIR) studies, indicating that erratic funding and decreased government allocations have led to a current roads backlog of R20-billion. The situation has been exacerbated by the abolition of the Dedicated Road Fund, removing its stabilising effect on the flow of funding.

Road improvement expenditure — including the upgrading of existing gravel roads to surfaced roads, and the upgrading of multi-lane facilities — has declined dramatically in the past decade. The present R200-million allocated for this purpose is only one-fifth of the

(269) WMM 7-13/10/94  
amount spent six years ago.

The prospects for improvement are bleak. Maharaj warned that the current budget perpetuates the tendency. Financing, he said, was a major problem.

"The investment in roads and road transport forms a major part of the government's stock of public capital. The commercial and social importance of roads and related economic assets make it vital that these should be well managed to ensure optimum use of the road network."

It is estimated that poor road conditions are costing vehicle owners R1,7-billion a year in unnecessary wear and tear.

In a recent Department of Transport document the following reasons are cited for the present problems:

● After the oil crisis of 1973, there was a marked decline in the funds allocated to roads.

● A network approach towards the estimation on inner-city road needs was undertaken from 1979 and road funding remained fairly constant in real terms until 1988/9.

● Since April 1988, the National Road Fund ceased to derive dedicated funds from the fuel levy and this led to a further decline in funds allocated to inner-city roads.

SAFETY  
COUNCIL  
REPORT

Wall Street

NEW YORK — US stocks posted solid gains in light trading, lifted by recovery rallies in auto and technology stocks amid optimism over upcoming quarterly earnings reports.

The Columbus Day holiday that closed the cash treasuries market kept action subdued but stocks nevertheless extended their rebound for a second-straight session.

The Dow Industrials finished up 24 points, or 0.63%, to 3 821.32. Volume dropped to about 212 million from Friday's 284 million.

Advancing issues outnumbered declines by about 2 to 1 on the New York Stock Exchange, with 1 417 up, 733 down and 679 unchanged. — Sapa-AP

# Privatisation possible route for SA roads

By ARI JACOBSON

269

CERTAIN sections of SA's roads could be privatised in the future and a smart card used to collect payment, said Engen's CEO Rob Angel at the Conference on Asphalt Pavements for Southern Africa (CAPSA) which began yesterday at the Cape Sun hotel.

Delivering the keynote address Angel said "in my opinion it's by no means unrealistic to envisage sections of trunk and main feeder routes owned, maintained and managed by local private enterprises".

He said that revenues would be derived from "tolls" and should be sufficient to cover operating costs, gradually redeem investment borrowings and "eventually meet profit expectations".

Angel said this need not mean that there would be a toll plaza "at every half-baked village".

"With some ingenuity in the design, it should be possible for a series of road section owners to collaborate to collect fees from road users."

Angel said that fleet and hire companies could be invoiced against "vehicles logged passing".

"Private operators of cars and trucks could utilise smart cards," he said



Linda Dollman has been appointed manager, retail banking, for Standard Bank's Constantiaberg area.



Rodney Manicom has been appointed marketing director of Wasteman.



# Train upgrading project unveiled

THEO RAWANA

THE SA Rail Commuter Corporation (SARCC) yesterday unveiled a R2,2bn, 10-year train coach upgrading programme which is aimed at improving comfort and safety and winning back passengers lost to taxis over the last few years.

Transport Minister Mac Maharaj, who opened the programme in Johannesburg, said the advent of the minibus taxi had left the railways with diminishing numbers of commuters.

People "in their masses voted with their feet" and went to a mode of transport that was more comfortable and convenient. The train violence in 1991 and 1992 had made matters worse, Maharaj said.

SARCC MD Wynand Burger said at the function technology had been developed locally to extend the life of the 4 500 coaches — with an average age of 22 years — at one-fifth of the cost of new coaches. New coaches would have cost R3,3m each, he said.

The 10-year coach upgrading programme would cost about R2,2bn.

Burger said the prototype coaches, Metro and Metro Plus, had more seats and were equipped with hand-grips and poles to accommodate more standing passengers.

Ventilation and heating had been improved and coaches had security cameras and public-address facilities. Toilets were being considered.

He said materials used were vandal-proof and fire-resistant.

The first phase of the programme would be the introduction of prototype coaches which would be tested in an extensive public participation programme at all major centres this month and next month.

It was hoped that the second phase, which involved the overall conversion of the old coaches, would begin next year, he said. (269)

# Roads shortfall: Call for task group

JOSEPH ARANES  
Weekend Argus Reporter

ARL 15/10/94  
269

A TASK group was needed to address the R1-billion shortfall in roads serving disadvantaged communities in South Africa, the Conference on Asphalt Pavements for Southern Africa was told yesterday.

Piet Myburgh, executive director of the SA Bitumen and Tar Association, told the conference, held in Cape Town, that the Minister of Transport, Mac Maharaj, should appoint the task group.

"There are 220 000km of uncharted roads serving townships, rural areas and informal settlements across the country," said Mr Myburgh.

"This inadequate road infrastructure is one of the most crippling legacies of apartheid and a task group endorsed by the minister must define and implement a solution."

Mr Myburgh said important role players in the industry would approach the minister in due course to discuss establishing a task group.

Mr Maharaj, who opened the conference, said the building and maintenance of roads offered an ideal opportunity to achieve most of the government's reconstruction and development programme's goals.

There was a need for a review of strategic planning and a redirection of technology to underpin the provision and management of roads at all levels of government.

# De Lille warns on toll road increases

(269)

CT 25/10/94

## Political Staff

PARLIAMENT needed to protect the public against unreasonable increases in the cost of South Africa's 13 toll roads, the chairwoman of the national assembly transport portfolio committee, Ms Patricia de Lille, said last night.

After the publication of the auditor-general's report on the National Road Fund for 1992/3,

Ms De Lille said an inquiry into the "apparently unauthorised expenditure of more than R5 million by the private toll companies needed to be urgently conducted.

The toll companies involved are Tolcon and the Toll Highway Development Company

Motorists, who were saddled with a 17,2% rise in toll fees in the 1992-93 financial year and 6% since then, may soon face

further rises.

Ms De Lille said there had been no response yet from the Transport Department over the auditor-general's report "but clearly the money is not being spent where it is supposed to be spent" Repeated queries to the department yesterday received no response

DP transport spokesman Senator James Selfe said the irregularities unearthed by the

auditor-general should be referred to the Joint Committee on Public Accounts "as a matter of urgency".

South Africa's roads were deteriorating "at an alarming rate".

Levies on petrol should be paid into a dedicated road-building and improvement fund, he said, "to avoid the mess into which toll roads have fallen".

members of staff employed by the Commissioner of Inland Revenue are qualified as chartered accountants and (b) for what purpose are these staff members utilised? N527E

†The MINISTER OF FINANCE

- (a) (i) 127  
(ii) None
- (b) At present the abovementioned 127 members of staff are utilised country-wide in Inland Revenue as follows
- |   |     |
|---|-----|
| Raising of income tax assessments of involved companies and mining companies        | 32  |
| Income tax audit  | 28  |
| VAT audit   | 29  |
| In-depth investigations in the case of serious tax evasion and fraud by the section | 31  |
| Special investigations  | 4   |
| Operational research  | 3   |
| Training  | 127 |

Certain MP: receipt of illegal arms

\*9 Mr R S MOLEKANE asked the Minister for Safety and Security:

- (1) Whether he has been informed of recent newspaper reports alleging that a certain member of the House had received illegal arms from a certain person, whose name has been furnished to the South African Police Service for the purpose of the Minister's reply; if not, what is the position in this regard, if so, what are the relevant details;
- (2) whether any investigation has been conducted in this regard, if not, why not; if so, what are the relevant details? N544E

The MINISTER OF SPORT AND RECREATION (for the Minister for Safety and Security).

- (1) Yes  
I took cognisance of the relevant newspaper reports. The matter is being investigated by a special investigation team under the auspices of the Attorney-General of the Transvaal and is at present *sub judice*

(2) Yes

See the abovementioned answer in (1)

Prevention of monopolies in transport sector

\*10. Mrs L MALONEY asked the Minister of Transport. (269)

- (1) Whether any steps have been or are to be taken with a view to preventing monopolies in the transport sector, if not, why not, if so, what steps,
- (2) whether it is the intention to introduce any legislation in this regard; if not, why not, if so, when? N545E

The MINISTER OF TRANSPORT:

- (1) Yes In the White Paper on National Transport Policy, 1987, which is still the current policy framework, the Department of Transport, *inter alia*, identified the following transport policy goals:
- to further effective and equitable competition
  - Regulatory constraints which prevent free competition and which give certain groups unfair privileges over others should not be allowed,
  - to further private initiative, and
  - to encourage small business development
- in the development of my Department's business plan for the implementation of the Reconstruction and Development Programme, these policy goals will receive further attention through the identification of opportunities where emerging smaller operators will be afforded the opportunity to render, for example, bus services

- (2) No The Maintenance and Promotion of Competition Act, Act 96 of 1979, as amended, was drafted with the purpose of, *inter alia*, addressing this type of practice. Section 6 of this Act, which describes the functions of the Competition Board, provides scope to address complaints in this regard, and the additional legislation by my Department is therefore considered unnecessary

Street children: removal from the streets

\*11 Mrs L MALONEY asked the Minister for Welfare and Population Development:

- (1) Whether any steps have been or are to be taken with a view to removing so-called street children from the streets, if not, why not, if so, what steps,
- (2) whether any steps have been or are to be taken with a view to preventing more children from ending up on the streets, if not, why not, if so, what steps? N546E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

- (1) Yes, continuously by the provinces and welfare organisations which render direct services to street children and their families. It is important that street children should be placed with their families and should be reunited. This is however, a difficult process. Many street children have no parents, have become estranged from their parents or originate from problem families

The following steps have already been taken:

- *Legislation*: Proposals for the amendment of the Child Care Act, 1983 (Act No 74 of 1983), to make provision for the specific needs of street children. These proposals, which make *inter alia* provision for the registration and financing of shelters as places of care or as children's homes as well as for training programmes, have been accepted
- *Funding*: Some provincial welfare departments have started financing shelters or registering them as children's homes with relaxed implementation of the regulations
- *Research*: The Department of Welfare requested the Human Sciences Research Council to do action research with regard to informal shelters for street children
- *A Working Committee: Street Children*: Has been appointed to facilitate and co-ordinate services rendered to street children and potential street children and their families and to

develop more effective strategies to deal with children *on and from* the streets;

- (2) yes, by placing future emphasis on prevention in the development of policy and legislation and by developing, implementing and monitoring a comprehensive, inclusive strategy involving all the role-players.

A national working conference is planned for 9 March 1995 to formulate policy guidelines to deal with the problem of street children.

Training in the implementation of policy and management of programmes for street children will be presented during the national working conference.

CCB/SADF: covert activities/destruction of documentation by SANDF

\*12 Mr C G NIEHAUS asked the Minister of Defence.

- (1) Whether he has been informed of any documentation or other information relating to (a) the activities of the Civil Co-operation Bureau and/or (b) covert activities undertaken by the South African Defence Force being destroyed by members of the SADF prior to 27 April 1994; if so, what are the relevant details,

- (2) whether he or the South African National Defence Force has taken any steps to ensure that the said members who are members of the SANDF at present are not committing such destruction of documentation or other information so as to prevent such activities from becoming known; if not, why not, if so, what steps? N547E

The MINISTER OF DEFENCE:

- (1) Yes I have been informed by the Chief of the National Defence Force that.

- (a) During the process of the disbandment of the Civil Co-operation Bureau, the proposed settlement agreement had to be referred to the Ombudsman for arbitration. Part of the settlement agreement was that after files had been audited by the Auditor-General, they could be de-

# 'Use petrol tax to maintain roads'

269  
M4529/10/94

DAVID BREIER  
Weekend Argus Reporter

ROADS in South Africa are deteriorating rapidly — but toll roads have failed to provide money to rectify the situation. The only answer, say transport experts, is to spend the billions of rands of fuel tax on the road network.

The country's accumulated losses for toll roads now amount to R472 million — representing loans which have to be paid back over 30 years from the tolls collected.

With this huge debt burden, the answer to funding road improvement is not to build more toll plazas to collect more tolls, says Democratic Party transport spokesman James Selfe. Instead the way to go is for the government to use the 60c litre fuel tax specifically to maintain the country's

petrol tax could release billions of rands to maintain deteriorating roads — provided it is spent on the road network and not diluted in the general treasury.

road system instead of putting it into the treasury with all other taxes.

This way the motorists would know that the tax was being used for their benefit, he said.

"We would be saying to motorists 'It is your choice. Either you drive on bad roads or pay more for petrol and drive on good roads'."

And the same should be done for other taxes. Tobacco and alcohol tax should be spent on health services and criminal fines should go towards financing the police, Mr. Selfe said.

The latest controversy over toll roads follows an auditor-general report that spending more than R5 million on toll roads over two years up to

June 1993 may have been unlawful.

In his report on the account of the National Road Fund, the auditor-general said an investigation into the spending on behalf of the fund by Tollcon and the Toll Highway Development Company had been carried out by consultants appointed by his department.

The report says toll road income increased by 17,2 percent from March 1992 to March 1993, due to new toll plazas and traffic growth.

The department of transport said the result of an investigation into the R5-million possible irregularity would be sent to the state attorney for possible steps, and evidence will be given

to the parliamentary joint committee on public accounts

The department said the financial performance of toll roads as a whole was better than expected. "At no stage has it been contemplated increasing toll tariffs to cover the accumulated deficit. In fact the projected accumulated deficit is at present lower than the initial forecasts," it added.

The toll companies collect tolls on behalf of the department which says toll tariff increases have been kept to 88 percent of inflation.

"Toll roads provide safe and economical roads to motorists without undue burdening of the exchequer for funds. The financial operation of toll roads is on par with the original planning, and motorists need not fear that they will become prey to unwarranted toll increases," according to the department of transport.

ARG. 19-20/11/94

# Plea as buses face dead-end

COLIN DOUGLAS

Business Staff

269

THE future of the bus transport industry is under threat, and operators are calling on the government to provide more support for public transport and tougher enforcement of regulations

The SA Bus Operators' Association (Sabo), which represents 185 bus companies employing 60 000 people, believes there is a dire need for a new government transport policy and is calling for greater subsidies. Sabo's argument is that cheaper commuter transport will play a key role in uplifting the poor and that public transport, therefore, qualifies as a social service requiring subsidisation.

"The bus industry has been under severe pressure, but it is wrong to regard it as a dinosaur," said newly elected Sabo president Nic Cronje, executive chairman of Cape Town's Golden Arrow. "Our South African cities would not be able to exist without buses as a major form of transport."

Bus passenger numbers have dropped from a peak of more than 1,3 billion in 1983 to 720 million last year, due mainly to the rise of the minibus taxi industry, which now enjoys

a 45% market share compared to the bus companies' 25%, according to Sabo. Bus passenger numbers dropped a further 9% in the first five months of 1994.

The bus industry was a "difficult" and high-risk undertaking, Mr Cronje said. Operators could not reduce the size of their operations as rapidly as the demand for their services declined, with the result that profit margins were being hit hard. He maintained, however, that an appropriate state transport policy, with rapid urbanisation, could bring about a "turning point" for the industry and a recovery in passenger numbers.

"We don't have a problem with taxis being part of the industry. What we do have a major problem with is the fact that they've been able to grow without any control," Mr Cronje said. "There is tremendous overtrading, which spills over into competition and then then into the deadly conflict we're seeing now."

Sabo's solution to the bus industry's woes is to "appeal to the authorities and to government to bring about an integrated town planning and transport plan. All the different modes can play a role. For example, taxis have a role as a feeder service for trains and

buses. With that will have to be some decent law enforcement," Mr Cronje said.

Mr Cronje, who this week appeared before parliament's transport select committee, proposed the following as elements of a transport plan:

- Better use of existing infrastructure: buses were the most efficient means of cramming more commuters on to congested routes, he said.

- Dedicated bus lanes on major routes. "But these are successful only when the traffic police enforce them."

- An end to "artificially low" train fares and effective steps to combat train-fare evasion.

- Increased subsidies for bus passengers.

- Greater control over private car-use. "The cost of private motoring is far too low. In Singapore, for example, you pay \$100 a month for a licence to bring your vehicle into the central business district."

Automobile Association public affairs manager Robin Scholtz acknowledged that roads were congested and supported measures to discourage single-passenger car-use.

In Britain a major report by the Royal Commission on Environmental Pollution has called for stringent steps to deter car-use and promote the use of

public transport, including doubling the petrol price and halving that country's roadbuilding programme.

The South African bus transport sector has been highly regulated for more than 60 years. Operators enjoy statutory monopolies over their routes and receive an annual state subsidy, calculated on the basis of passenger numbers, which last year totalled R680 million. Mr Cronje defended the monopoly to parliament's transport committee, arguing that "unless you have monopolistic control in place, you can't run a successful transport system. If you don't, then everyone wants to compete for the busiest routes and no one is prepared to run unprofitable, low-density routes".

The operators' subsidy is too low to make buses sufficiently competitive with trains, Mr Cronje said. The Rail Commuter Corporation, with 400 million passengers a year, received R1,2 billion in state subsidies last year, he said. Although taxis are not subsidised, "they pay no income tax or levies, so they get an indirect subsidy of 25 to 30%".

One of Sabo's most positive projections, however, is that the growth of tourism will have major spin-offs for the bus transport industry.

# R20 billion backlog in keeping roads in shape

(269)

ET 21/11/94

By ANTHONY JOHNSON

SOUTH AFRICA has run up a R20 billion backlog in maintenance and upgrading of the nation's 220 000km of formal roads.

The shortfall, which is escalating dramatically each year, could soon have a major inflationary impact and "suffocate the need for the much-needed increase in economic activity", the executive director of Southern African Bitumen and Tar Association (Sabit), Mr Piet Myburgh, warned

yesterday.

He noted that studies recently completed by the Council for Scientific and Industrial Research (CSIR) had also found an estimated 220 000km of previously unrecorded roads.

"Most of these roads have evolved from paths or tracks in informal settlements, townships and rural areas," he said. "This startling discovery reveals that only about half of the country's roads are being managed."

The CSIR findings noted that the lack of adequate road infra-

structure had an impact on a wide range of socio-economic issues. Health standards and medical help, crime, road accidents, access to education, access to the formal and informal business sector, and even household expenditure on cleaning materials.

Mr Myburgh said "Disadvantaged communities' needs for roads have not been adequately met."

"Unless a major and dramatic increase in road funding can be brought about, the situation will deteriorate even faster."

# Blacks to take to the road

**DURBAN.** — Plans to give black entrepreneurs a greater role in the building of national and provincial roads in KwaZulu-Natal have been outlined by KZN transport minister Sibusiso Ndebele.

The minister has also invited businessmen and transport industry leaders to participate in a major transportation summit here in January aimed at drawing up a new transport "vision" and policy framework for the province.

Speaking at a press briefing here, Ndebele indicated that at

least 12% of the budget for any particular road project could be devoted in future to emergent black road-builders.

"It cannot just be a question of the Stocks and Stocks or the Murray and Roberts benefitting from road contracts... At the end of a project we would like to leave behind a few 'half-millionaires' among the local black entrepreneurs."

Ndebele said his department would also like to ensure that large established road companies applied affirmative-action em-

ployment policies.

"We don't just want to see blacks performing unskilled labour under a white foreman."

● Ndebele has invited representatives of the business sector, the transport industry and leaders of civil society to a two-day regional transport indaba at the Durban Exhibition Centre from January 30-31.

The summit would explore a host of issues — from commuter transport subsidies to economic upliftment through better transport strategies.

CT 30/11/94

(269) (3)



# Transnet becoming shipshape

Star 8/12/94

BY IAN SHIFFMAN

The Transnet conglomerate which houses Spornet, Portnet, SAA and a host of ancillary companies, with assets of R34 billion, will ensure that if and when the politicians become ready to privatise the corporation, the balance sheet will be in good shape.

The Portnet division, with its substantial profit, could be one of the first sectors to be privatised.

Some R300 million was budgeted this year for expansion and improvement of the facilities of South African harbours. Already the commercialisation drive is paying off, with operating profit

after finance charges increasing by more than R1 billion in the past two years to R1,8 billion for the period ending March 1994.

Although results are overhung by huge liability resulting from the group's pension fund, several of the business units are ready to stand on their own.

SAA, after some torrid years in the red, returned a net operating profit of R155 million this year on its domestic services. The results were negated by a loss of R178 million in international markets.

Portnet has performed exceedingly well, returning an operating profit of

R766 million on a turnover of R2,1 billion.

The road transport unit Autonet also showed a R50 million turnaround from a net operating loss of R33 million in 1993 to an operating profit of R17 million for 1994.

The right-sizing strategy embarked on four years ago to align asset and human resources with Transnet's underlying business has resulted in a substantial reduction in operating expenses.

Barry Lessing, deputy managing director of Transnet, says privatisation is being explored but as yet has not come before the board for discussion.

Some 30 000 em-

ployees were retrenched over the past financial year — this retrenchment is now at an end. Staff levels are currently about 116 000, compared with 280 000 ten years ago. (269)

Evert van Eeden, acting-head of the Office for Public Enterprises, says the issue of privatisation has to be handled in a responsible fashion and both the negative and positive aspects of privatisation have to be investigated.

"Negative impact on jobs and the potential for job creation, better administration of assets and empowering through growth, have to be considered," he says.

# Alliance airline set for March take-off

**LIBBY PEACOCK**  
Staff Reporter

**DAR ES SALAAM.** — A new airline with South African Airways as the major shareholder has been launched at a high profile function here.

Alliance is a joint venture between SAA and the national airlines and governments of Tanzania and Uganda.

Among those at the launch were Tanzanian Prime Minister Cleopa Msuya, South African Minister of Public Enterprises Stella Sigcau and her Ugandan and Tanzanian counterparts

Alliance's first flight is scheduled for take-off in the first week of March and initial routes will be between Dar es Salaam, Entebbe, London, Bombay, Dubai and Johannesburg. The aircraft, sporting a

## SAA holds a 40% share in inter-Africa venture

lion as logo, will be Boeing 747s

SAA holds a 40 percent share in the venture. The rest of the shares are split between Air Tanzania and Uganda Airlines (10 percent each) and the governments of those countries (five percent each)

The rest of the shares are available for private investors

The managing director of Alliance is South African businessman Christo Roodt. The other South African directors are SAA chief executive Mike Myburgh, Transnet chairman Anton Moolman and lawyer Michael Katz.

Offices already have been rented and will open soon in Dar es Salaam and Kampala

Speaking at yesterday's launch, Ms Sigcau said the establishment of Alliance was a "positive step in determining our own destinies in the aviation industry. It is high time to stop following and waiting for other people to provide for us (Africans)."

She added, "In South Africa, we believe it is going to be important for us to form joint ventures and partnerships if we are to grow."

Ugandan Minister of Works, Transport and Communication Alli Kirunda-Kivejinja said the initial plan to start a new African airline was discussed first as far back as 1987 by eight countries, including

Tanzania, Uganda and Zambia

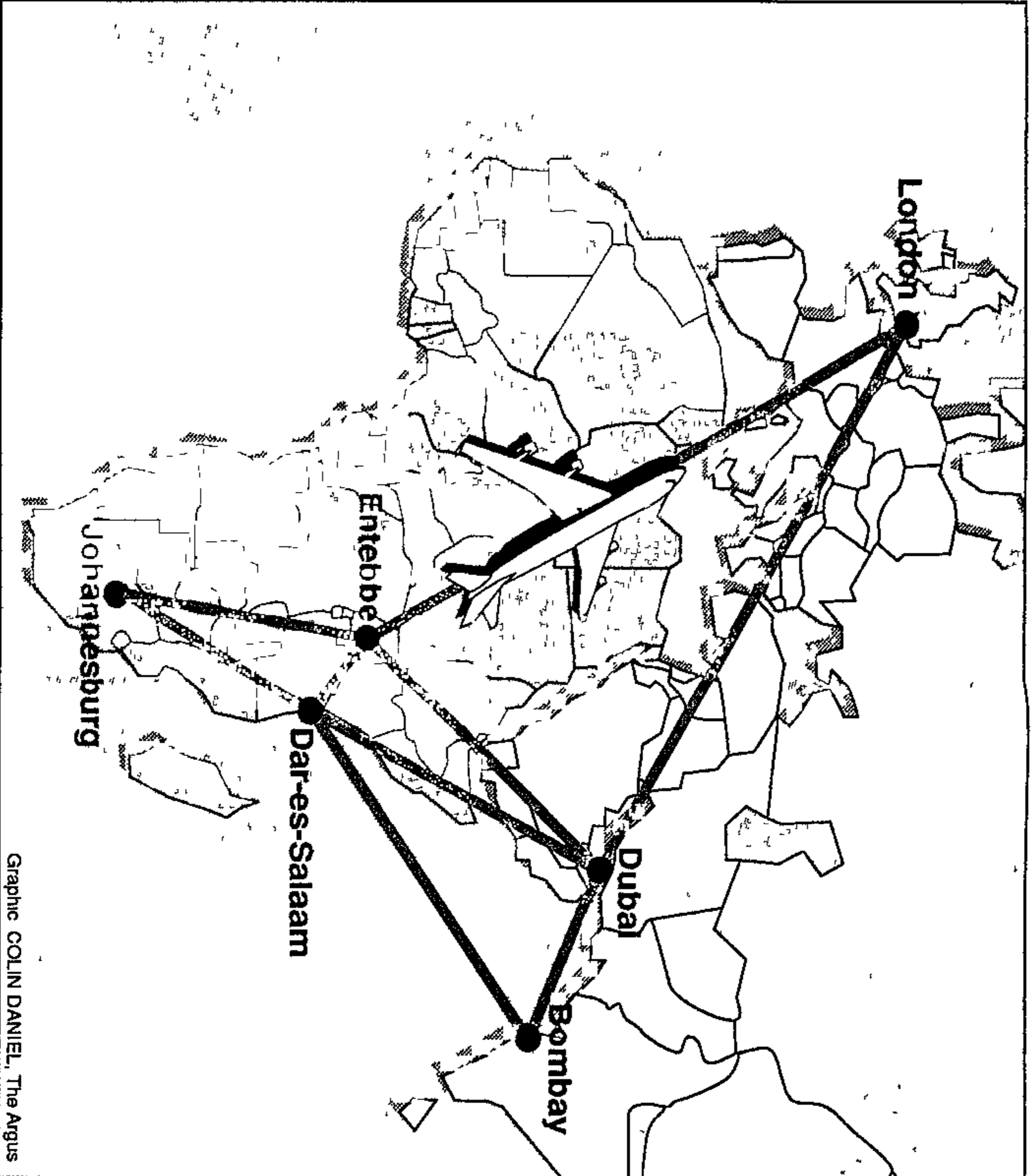
After political change in South Africa, SAA entered the equation and some of the others dropped out

The formal memorandum marking the launch of Alliance was signed by Ms Sigcau, Mr Kirunda-Kivejinja and Tanzanian Minister of Works, Communication and Transport Nalaila Kiula.

At a press conference afterwards, Mr Myburgh confirmed there were "mechanisms" which would allow other partners to join Alliance in future

Among the short-term benefits of the project for South Africa was an increase of access to the rest of Africa

He said about \$3-million in cash had been put into the venture but other forms of financing also had been used, including the provision of equipment and infrastructure.



Graphic COLIN DANIEL, The Argus

# SAA puts R11m into new airline

CT 13/12/94 (269)

**Own Correspondent**

**DAR ES SALAAM** — A new African airline, in which South African Airways has a stake of R11 million, will take to the skies in March, it was announced here last night

Alliance, a joint venture between SAA and the national airlines and governments of Uganda and Tanzania, was launched here at a function at-

tended by Tanzanian prime minister Mr Cleopa Msuya

Speaking at the signing of the African Joint Air Services (AJAS) accord, Public Enterprises Minister Ms Stella Sigcau said the accord demonstrated South Africa's commitment to developing Africa.

SAA holds a 40% share in the venture, with the remainder split between Air Tanzania and

Uganda Airlines (10% each), the two governments (five percent each) and private investors from the East African countries (30%).

Alliance managing director Mr Christo Roodt said that on top of SAA's initial capital investment of R11m, it would also provide the airline with information systems technology, air crew and ground staff.

SAA chief executive and a

director of Alliance Mr Mike Myburgh said it was expected that Alliance would become profitable within three to six months.

The directors of Alliance were named as South Africans Mr Roodt, Mr Myburgh, Trans-Net chief executive Mr Anton Moolman and Mr Michael Katz, Mr Josef Munga of Tanzania and Mr Adrian Sibö of Uganda.

# Phoenix takes off despite delays

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STEPHANE BOTHMA

SA's newest discount domestic carrier, Phoenix Airways, was carrying almost full loads on its Cape Town and Durban routes, a spokesman said.

The only complaints the airline had received since starting on December 1 had been of delayed departures.

The spokesman said Phoenix had only four departure counters at Jan Smuts Airport, leading to occasional congestion. It was negotiating for more departure counters.

Its Cape Town and Durban flights departed at almost the same time,

and about 300 passengers had to be processed through the four counters simultaneously.

Since starting operations, Phoenix had dropped its late Durban flight because of lack of bookings. It now flies to Durban twice a day.

It was operating four Johannesburg-Cape Town flights a week, but when holiday demand fell, it would consider dropping one daily Cape Town flight, she said.