PS _ TRANSPORT _ GENERAL

1997

Private sector 'opens the way' for further financing of roads

(269) BD 7/11/97

Robyn Chalmers

CONSTRUCTION of the R700m N1 toll road, due for completion in April, is the first major road contract to be funded by the private sector which should add impetus to government's future focus on the private financing of roads.

Northern Toll Road Construction MD Adrian Boyd said the N1 toll road between Warmbaths and Pietersburg was "a breakthrough project".

"It is the first major road contract to be funded by the private sector with repayment guaranteed by government.

"It has opened the way for further roads to be built with private finance," he said.

In terms of the N1 contract which was negotiated in 1994, Murray & Roberts and LTA, in association with Rand Merchant Bank, were responsible for the funding, design and construction of 120km of new road.

They also had to maintain the full 153km stretch between Warmbaths and Pietersburg up to the year 2018, by which time the funding would have been repaid from tolls collected by the SA Roads Board.

The awarding of the N4 toll road, part of the Maputo Corridor, to Trans African Concessions late last year along with an expected announcement this year on the award of the N3 (De Beers Pass) toll road would provide a further boost to government's initiative.

Transport Minister Mac Maharaj said at a recent conference the national road network faced a crisis as financial allocations from the exchequer had for years been insufficient to meet even the minimum maintenance needs.

He said there were various consequences of this neglect, but the most significant was large excess road user costs — possibly of about R7bn a year — which could be considerably reduced if adequate resources were allocated to roads.

"Solving these problems requires fundamental changes in the way governments manage, and especially finance, their road networks, particularly the primary segments of the system where most traffic is concentrated," Maharaj said.

In future, major rehabilitation works on the existing national road network would be financed increasingly through loan funds, redeemed by toll charges, he said.

He said continued attention would be given to justifying greater appropriations from the exchequer for transport infrastructure. "Where appropriate, infrastructure will be funded through user chargers and/or investments by the private sector. Attention will be given to seeking and developing new sources for financing of transport infrastructure."

Among the options being examined for roads were public ownership and operation by state departments, public ownership and operation by a state enterprise or agency, private ownership and operation and joint ventures between the public and private sectors.

EXTRA SAFETY PRECAUTIONS URGED

Africa flight warning by international body

CT 7/1/97

(269)

AT A TIME when the number of airlines flying over Africa has increased substantially, countries are being warned about the lack of air traffic control on the continent's airports.

THE International Federation of Air Line Pilots' Associations has sent an urgent warning to airlines around the world to take extra safety precautions when flying into and over Africa.

Ifalpa has issued the bulletin to its 80 member countries, including South Africa, because of the dangerous lack of air traffic control in Africa.

The bulletin lists several deficiencies, including:

- Inadequate information from air traffic control as to the height and distance separations between aircraft in the same region;
- Incompetent air traffic control personnel who have not been properly trained;
- Inadequate or no radar and navigational equipment at airports.
- Frequent use of communications in languages other than English, which results in misunderstandings;
- Badly maintained runways with accumulations of tyre rubber rendering braking action "poor to nil" in wet conditions. Rough or broken runway surfaces and faint or non-existent markings;
- Runway lighting that is often "inadequate" or not functioning.
- Inaccurate or unreliable wind and weather reports; and
- Ground manoeuvring hampered by people, animals and vehicles.

The warning comes at a time when air traffic has increased drastically over the continent.

"In the past three to four years the number of airlines flying into South Africa has increased from 20 to 80," said Mrs Cathy Bill, general manager of the Air Line Pilot's Association of South Africa.

"SAA, which previously flew around the bulge, now also flies via Africa to Europe."

The problem, said Mrs Bill, is that the infrastructure of airports in many African states has not been upgraded to accommodate the considerable increase in air traffic.

The lack of air control even occurs closer to home.

British businessman, Mr Adrian Greaves, said during a one-hour flight from Durban recently, he witnessed two alarming incidents over Swaziland's airspace.

The first was the sighting of a Nigerian 747 flying to Mozambique which flew directly across the path of the smaller aircraft just over a kilometre away at a height of 12 000 feet.

"The 747 had reported its altitude to air traffic control as nearly 40 000 feet," said Mr Greaves, who was sitting in the chartered plane's co-pilot seat.

Mr Greaves said when they tried to land at Matsapa Airport an unidentified cargo plane was also approaching the runway in the mistaken belief that the landing instructions were his.

Mrs Bill said a number of incidents such as these had occurred regularly and had been reported to Alpa. She declined to release the number for fear of causing a "panic".

SA Civil Aviation Authority chief director Mr Rennie van Zyl, said it was often left to the pilots to maintain their own separation distance from other planes in the same region, through an in-flight broadcasting procedure.

"Complaints have been received of aircraft deliberately ignoring such broadcasts and flying at the same altitude of another plane because the craft operated more efficiently at that level, and saved fuel, for instance," Van Zyl said.

"The danger also exists when pilots from areas with adequate air controls are not aware of the deficiencies."

Mr Van Zyl said the only solution was for the International Civil Aviation Authority to put pressure on such countries to maintain the minimum standards. — Own Correspondent

Commuter rail

Continued from Page 1

(269)

6/09/1996

significant amount of work on a pilot project to test private sector interest (in competing to operate commuter rail services). The proposal for such a project has already been tabled at national framework agreement meetings."

He said the transport department hoped to choose a project and prepare the tender for it this year. The project, which would get under way next year, would involve putting a particular route or a network with more than one line out to tender to private sector operators. Several possible routes and networks had already been identified.

Metro Rail has a current monopoly on commuter services via a contract with the SA Rail Commuter Corporation, which owns infrastructure such as lines and stations. However, the commuter lines have not been operating profitably for years, leaving the corporation nursing a deficit of more than R1bn for the 1994/95 financial year — before a R1,2bn state subsidy.

The white paper on national transport policy said rail operations would be based on operating and maintenance concessions awarded by transport authorities. They would be based on a transport plan with ownership of infrastructure and rolling stock being retained by transport authorities.

Step towards commuter rail competition

BD 9/1/97

Robyn Chalmers

COMMUTER rail service provider Metro Rail will be set up as a separate division of Transnet in the next few months, paving the way for government to introduce competition into the sector by next year.

Transport department director-general Ketso Gordhan said yesterday the nature of the contract with Metro Rail was being renegotiated to "resemble a concession contract" against the current deficit financing system.

Gordhan said government hoped to sign the new contract with Metro Rail in April, by which time it would have been separated from Spoornet and established as a new Transnet division.

"In the meantime, we are doing a

269

Continued on Page 2

Commuter rail

269

Continued from Page 1

BD 9/1/97

significant amount of work on a pilot project to test private sector interest (in competing to operate commuter rail services). The proposal for such a project has already been tabled at national framework agreement meetings."

He said the transport department hoped to choose a project and prepare the tender for it this year. The project, which would get under way next year, would involve putting a particular route or a network with more than one line out to tender to private sector operators. Several possible routes and networks had already been identified.

Metro Rail has a current monopoly on commuter services via a contract with the SA Rail Commuter Corporation, which owns infrastructure such as lines and stations. However, the commuter lines have not been operating profitably for years, leaving the corporation nursing a deficit of more than R1bn for the 1994/95 financial year — before a R1,2bn state subsidy.

The white paper on national transport policy said rail operations would be based on operating and maintenance concessions awarded by transport authorities. They would be based on a transport plan with ownership of infrastructure and rolling stock being retained by transport authorities.

Autonet's future in the balance

BD 16/1/97 (269)

Robyn Chalmers

A SERIES of meetings in the coming months will determine the future of Autonet, Transnet's passenger and road transport business, which could be Transnet's first full privatisation exercise.

Autonet CE Peter Mageza said yesterday a number of options were being explored for Autonet, from unbundling to an outright sale, but the issue had to be fully thrashed out within the national framework agreement.

"We are working on the principle that Autonet will be privatised following indications from government. We have had three years of solid growth and management will support any moves by the shareholder to privatise."

Autonet posted higher net profit after finance costs of R23m for the year to March 31 from R20m for the previous year on turnover of R431m, an increase of R32m from 1995's figure.

Mageza said Autonet's contribution amounted to less than 3% of Transnet's results. It received about 5% of its business from Transnet, the remainder coming from external sources.

There were, therefore, no financial concerns about privatising Autonet and there was little need to keep it within Transnet, although the parastatal's ailing pension and medical aid funds remained problematic.

Mageza said Autonet did not provide a utility service for its shareholder and was not a strategic holding. Public Enterprises Minister Stella Sigcau indicated last year that Autonet was a prime candidate for privatisation along with leisure group Aventura, Sun Air and Telkom.

He said a number of organisations had expressed interest in Autonet. Its main competitors included Unitrans, Cargo Carriers and Laser Transport. However, SA's philosophy on antitrust laws meant that a consortium of investors — with a strong black empowerment component — were likely to be more successful in any bid for the company.

He said Autonet had five businesses — the refrigerated cargo and cargo and tanker divisions along with passenger divisions Translux Express, Transtate Passenger Express and Transtate City to City — which were all at different levels of maturity. This made unbundling the organisation a possibility, but Mageza said a mandate for any sale, along with a timetable, still had to be decided upon within the national framework agreement.

Eskom's privatisation 'depends on its electrification programme'

Robyn Chalmers (260)

ESKOM was unlikely to be privatised until there was a substantial increase in the number of households supplied with electrical power, the European credit rating agency IBCA said yesterday.

IBCA was announcing that it had assigned an international-local currency rating of triple-B to Eskom. BD 23/11/97

The agency said Eskom's R3bn electrification programme over the coming years, aimed at achieving higher penetration rates than those achieved by traditional distributors, would have to gather pace before privatisation became an option.

It said that, as part of its contribution to SA's restructuring, Eskom had built up provisions of R1,2bn for municipal authorities unable to meet debts as a result of rent and service payment boycotts.

Nevertheless, the agency identified a steady improvement in the parastatal's financial position, saying that productivity gains and effective debt management had brought gains. This was despite Eskom's commitment to reducing the real price of power 20% over the seven years to 1998.

Sapa reports that the Independent Municipal and Allied Trade Union said it would oppose the restructuring of electricity distribution if it was not good for SA. Restructuring would not ensure delivery for all.

Govt announces time frame for partnerships in airway restructuring

BD 29/1/97

(269)

Stephané Bothma

GOVERNMENT yesterday announced a timetable for finding a strategic equity partner for SA Airways (SAA), a foreign equity partner for the Airports Company and for the privatisation of state-owned Sun Air.

Transport director-general Ketso Gordhan said yesterday that a partner for SAA would be found this year.

Similarly, a foreign equity partner would also be sought for the Airports Company, which controls the nine former state-owned airports, Gordan said during the official opening of a R7m British Airways World Cargo freight facility at Johannesburg International Airport.

Gordhan, who is also transport restructuring and transformation committee chairman, said government-owned Sun Air would be completely privatised in six months. He said an aviation safety agency, independent of the transport department, would be created to oversee air safety.

"A privatised agency should help overcome the problem of retraining skilled staff and result in a more professional and competent service. Government subsidies will be removed and the agency will be entirely funded by user charges," Gordhan said.

Although no details about the envisaged SAA and Sun Air deals were given by Gordhan, regulations allow foreign interest of only 25% in South African airlines.

Industry sources yesterday commented that SAA, due to heavy operating losses this year, would have some difficulty in finding an equity partner immediately.

Gordhan said government would explore the idea of strategic partnerships and joint ventures, citing the example of last year's British Airways/Comair franchise agreement.

"Such developments would help bring management skills, cutting-edge technology and equity to the local industry," Gordhan said.

SAA spokesman Leon Els said yesterday that the airline could not comment on Gordhan's statement.

A public enterprises department spokesman said he could not comment on the time frame expressed Gordhan had outlined

Sun Air spokesman Birgit Koster said although the airline and staff would welcome privatisation, the matter was now completely in the government's hands.

It is widely expected that the independent UK carrier Virgin Atlantic will buy a 25% stake in Sun Air. The two airlines entered into a code-share agreement last year.

Turbulence at SAA

M+G (BM) 7-13/2/97 (269)

As SAA limbers up for an equity partner there are increasing signs that morale and standards are slipping. Mungo Soggot and Max Gebhardt report

ZUKILE Nomvete grudgingly tells the story of how he was saved by rival Sun Air shortly after he assumed his Transnet post of executive director in charge of South African Airlines (SAA). Twenty minutes before his SAA flight to Cape Town was due to take off, the check-in counter informed him it was too late — even if he was who he said he was. So he rushed to the Sun Air counter, which graciously put him on a flight that left five minutes later.

Nomvete, one of Transnet's squad of R850 000-a-year executive directors, is not flattering of the airline he has inherited He concedes its management and staff are sheltered and, at times, arrogant — particularly when considering whether they need the help of a foreign airline to run the business This attitude perhaps explains why it is rival Comair that now sports the British Airways logo in a partnership that has flustered the national carrier

The government, it seems, is more realistic. Ketso Gordhan, director general of transport, says: "The government task team that recommended the partial privatisation of SAA in 1995 also recommended that capital, technology and management skills be brought in. It is vital that the transformation of SAA, which has been very sheltered, be given external impetus."

Many of Nomvete's senior staff put the blame on him when explaining falling standards, such as the increasing incidence of cabin crews failing to pitch up for flights. They say his intervention in day-to-day management has been disruptive and question his qualifications for the job. Nomvete's track record in aviation has in fact included a stint as a flight engineer for Ethiopian Airways, a post he was later ironically rejected for at SAA.

He has an irrepressible enthusiasm for the airline industry. In the midst of discussing airlines' aircraft buying habits he veers off into an exploration of America's domestic market. "The United States domestic market is a beast of its own. It behaves in its own particular fashion. It has its own momentum."

Some staff members were unimpressed by Nomvete's performace on a recent countrywide tour with SAA boss Mike Myburgh during which the two executives sought to lift the airline's spirits with glossy presentations.

Nomvete admits morale at the airline is shaky — a situation exacerbated by tensions between the old and new guard at a once closeted state enterprise that has been exposed to significant competitive forces.

But the affable executive director, who is also in charge of Transnet's sprawling property empire, is not entirely downbeat about the airline. Later on in the conversation he says morale is slowly starting to pick up and talks excitedly about plans to relaunch the airline with a new image. And he insists much of its troubles stem from the high cost of fuel and the weak rand

Bumpy ride: Zukile Nomvete admits morale at the airline is shaky
PHOTO COURTESY OF TRANSNET

Leon Els, the airline's representative, adds a "lower passenger turnout" to the list of "external factors" that has hit SAA.

Despite the dire state of SAA's finances, Nomvete still finds time for a personal touch with SAA's customers. The previous day he had flown to Guguletu, Cape Town, to visit the little girl who was recently savaged by an SAA toilet.

Nomvete's jocular approach to life is certainly a change from the dour style of management to which SAA employees have become accustomed. On a recent trip to London he apparently caused a stir — among first-class passengers and check-in staff alike — by joking that he had a couple of AK-47s in his luggage.

Nomvete, along with the rest of SAA's front men, does not want to talk about its looming partial privatisation in any detail. He will say, however, that SBC Warburg should finish assessing how much SAA is actually worth in the next few months He says this will be crucial for the forthcoming sale. "We must look at the process of evaluation of SAA so we can then have an idea of a value of the particular entity."

Asked to look 10 years down the runway and guess whether SAA, which has shed several international flights, will be an international or just an African carrier, he says: "Scenario planning in the aviation field is a dicey one." But he hints: "Our strength is not whether you can fly the intercontinental routes but will depend on the strength of our domestic feeder network ..."

Els, meanwhile, dismissed suggestions that tensions between old and new guard employees were materially affecting the running of the airline. He said SAA started an affirmative action programme six years ago that had filtered through to all its areas of operations. Asked why SAA was so concerned about the Comair/BA deal, he said he was worried about the precedent this would set for other airlines.

PRIVATISATION *State airline's employees will be able to buy shares*

Foreigners to get 49% of Sun Air

CT (PR) 11/2/97 (269)

JABULANI SIKHAKHANE
BUSINESS EDITOR

EMPOWERMENT IN THE AIR *Stella Sigcau, the public enterprises minister* PHOTO JOHN WOODROOF

Johannesburg — Foreign investors will be able to buy 49 percent of Sun Air, the state-owned airline, rather than the 25 percent previously offered for sale, Stella Sigcau, the minister for public enterprises, said yesterday.

Sources said the decision to increase the stake was likely to have been taken in response to concerns of some potential bidders that a 25 percent stake would be insufficient to gain management control.

Current airline regulations limit foreign ownership of a South African airline to 25 percent. A 49 percent stake would guarantee such control, given that the remaining 51 percent would be split among various other parties. Bidders would also be willing to pay a premium for a 49 percent stake, sources said.

Sigcau told delegates at a conference on black economic empowerment that the government felt a 25 percent stake would be limiting, given the expertise and financial injection the strategic equity partner would be expected to make.

The remaining 51 percent of Sun Air's equity will be split between various interest groups.

Sigcau said Sun Air employees would also acquire a stake in the airline through the employee share ownership scheme that the government had agreed to set up for all employees in state-owned enterprises.

Mechanisms would be put in place to assist them to buy the shares, she said. In the case of broader black economic empowerment, Sigcau said the creation of the National Empowerment Fund, to be launched next month, would "spread share ownership among millions of our people.

This fund will own a proportion of the shares in major parastatals such as Telkom, Eskom, Denel, Transnet and Safcol.

"Historically disadvantaged people will be afforded an opportunity to buy shares in the fund at affordable prices," Sigcau said.

□ **Cosmetic changes, Page 18**

Transnet R250-m down in '96

Sowetan 12/2/97 (269)

By Rafiq Rohan
Political Correspondent

TRANSNET incurred losses amounting to about R250 million last year alone but the tables are set to turn for the better, Minister of Public Enterprises Stella Sigcau told Parliament yesterday.

"Transnet has been showing losses and in 1996 they recorded losses of approximately R250 million. This is indicative of the economic cycle of the country as well as being attributable to contributions to the company's pension fund deficit," she said.

She said the situation was improving because Transnet recorded a turnover of almost R10 million during the six months end on September 30. But there are still tough times ahead for Transnet, she said.

"The company has already acknowledged that the six months of its financial year to the end of March will be a tough period with earnings remaining under pressure."

On the other hand, the revenue of Eskom has increased by 11 percent to R17,1 billion. All indications, Sigcau said, are that Eskom will exceed its budgeted revenue and net income

Its electrification programme had been a boon to South Africans.

"Eskom's electrification programme called for the connection of 300 000 homes by the end of last year and the company managed to improve the lives of many South Africans."

With the connection programme on track, there were indications that connection figures will be exceeded.

The other four enterprises under her ministry are Denel, arms manufacturer and distributor, Safcol, Alexkor and Aventura, the holiday resort company.

South African Airways, she said, had to speed up its restructuring programme. One of the issues at hand was to secure a strategic equity partner as the national airline moves towards privatisation.

SAA will have to change its management structure, legal form, moving staff, contracts and balance sheet structure, Sigcau said.

Transport department reform outlined

BD 13/2/97 (269)

The transport department has begun reform based on rightsizing, which could contain lessons for the whole public sector, writes Transport Minister Mac Maharaj

MAHARAJ

WHETHER you downsize or rightsize, reforming the costly and inefficient public sector has been a contested arena of debate since the birth of the government of national unity. Government, uncomfortable with structures and practices inherited in 1994, has been sensitive to the issues at stake while mindful of the need for fundamental reform.

The department of transport has already downsized from 1 380 to 1 066 members of staff and we are becoming more representative and accountable.

But over the past two years fundamental shifts in thinking have occurred, reflected in our white paper on national transport policy published last year.

We started out in 1994, like everyone else, with the view that the key issues in the department were promoting representivity, improving accountability and rightsizing the bureaucracy. While important, structural reform has done little more than scratch the surface of the underlying problem of how the department should function in the transport and development economy.

The question of whether government activities were in line with achieving its strategic objectives emerged. It became clear government should restrict its focus to three crucial areas — policy formulation, strategic planning and regulation. This showed the need for change in three areas of the department.

The first was in economic activity as government, through parastatals, is the largest player in the transport economy, both in infrastructure-provision and operational levels. We concluded that this level of involvement was inconsistent with government's policy objectives of reducing operating involvement and promoting a competitive environment.

We recognised every parastatal operates in a particular context with its own specific features, and that we should not become trapped in doctrinaire generalisations about whether "the state" should be a major economic player or, alternatively, leave the field entirely to the private sector. Of course, where government is a player in a fairly competitive market such as road haulage, airlines or port operations, restructuring — whether outright privatisation or a more mixed approach — will be a great deal easier than where it almost holds a monopoly.

In the latter case we need, in the short to medium term and before thinking about possible changes of ownership, to introduce a regulatory framework to ensure proper monitoring of tariffs, safety standards, quality of service and the abuse of monopoly positions. For example at airports, where a strong regulatory framework exists, it should be easier to move more rapidly towards a competitive environment than in ports or rail operations.

But the basic medium-term challenge in all areas is for government to step out of involvement in operations, to seek private-public sector partnerships in infrastructure provision and to concentrate on core regulatory functions. The Maputo Corridor project demonstrates the viability of such partnerships.

Finally, we believe government involvement in any subsector of the transport economy must continuously justify itself against the broad goals of the macroeconomic policy of growth, employment and redistribution, that is achieving growth, job creation and socioeconomic redistribution through competition and the stimulation of small, medium and microenterprises, and diluting monopolistic tendencies.

The second area of change is establishing the "user-pays" principle so government does not unnecessarily subsidise operational costs out of its sphere of business. We have identified four departmental services to industry that are not basic social services and which could and should be on the "user-pays" principle. These are travel permits, maritime and aviation safety and the national road network. Our proposal is to establish independent, professionally managed, user-orientated agencies operating at arm's-length from government to carry out these functions.

The issuing of permits for cross-border travel in terms of bilateral agreements with our neighbours is not operated on a commercial basis by the department. We propose to legislate for a permit agency with operating rules and managed by a board of directors made up of road users and other business and professional interests. The board will appoint a CEO, who will in turn appoint the agency's staff who will negotiate the bilateral agreements, subject to ratification by the transport minister. The cost of permits will be based on the operating costs of the agency, which will not be allowed to make a profit from these costs.

The agency will also control enforcement, ensuring cross-border users have the correct permits, and the revenue from fines will accrue to it. It is expected that by the end of the first year it will have covered its costs from permit revenue, and any major surplus from fines will be used to reduce the cost of permits for the following year. The agency will be independent but accountable to both its immediate clients and — through the minister — to Parliament, thus removing government from direct involvement but giving it sufficient control.

Agencies for maritime and aviation safety will be modelled in a similar way, by laying down professional standards, setting examinations and issuing licences, and checking safety requirements. In each case, the service will be provided for a market-related fee.

The staff doing this work now are public servants and there is no relationship between the tariff and the cost of providing the service. We have the worst of both worlds: costs are subsidised by the state, and we are unable to retain enough skilled personnel at current state salaries. An agency with a board and CEO could run the operations on the basis of user charges and a limited government grant to cover regulatory and advisory information no individual would buy.

The fourth service, roads, is more complex. We have about 7 500km of national roads, of which about 700km are toll roads, and propose to create an agency to construct, maintain and manage roads, financing operations through a petrol levy functioning as a surrogate for direct user charges. Accountable to the minister, it will have a board, a CEO and its own staff.

It is possible to commercialise some major economic roads — for example, the current N4 toll road to Maputo, where a 30-year concession to the private sector to build, operate and maintain the road by collecting a toll is regulated by government. For nontoll roads, we are looking at a system of counting traffic volume, approximating the revenue it would have tolled, and allocating it to the agency from the petrol levy.

In the long term we may need to question whether government should provide these services at all, even on a "user-pays" basis. But, for now, in order to ensure sufficient regulation and acceptable safety standards, it makes sense to retain the measure of control which flows from government provision of the service.

The third, and last, area of major reform results from our analysis of the role and function of the department, and the skills appropriate to carrying out the task. The department's redefined priorities require a new set of skills as the current structure is bottom-heavy with bureaucratic and administrative staff. It is estimated a core staff of fewer than 200 skilled people will be needed.

The four new agencies will not only provide a major improvement in service and relieve government of its crippling subsidy burden, it will also transform the staff into a small, skilled team equipped to deliver effectively in the key tasks of policy, planning and regulation. Thus rightsizing is a logical rational process and not an external, arbitrary imperative.

We are also tackling how the department should function in the economy. For the first time, we have a comprehensive policy and a business plan with general performance indicators and individual performance measures for each staff member.

The changes in the department raise the question of whether our experience has lessons for the rest of the public sector. We hope it does, but at the least it adds to the debate on the general policy principles to enable government to approach structural reform in a coordinated and consistent way.

SUNAIR (269)

NEXT STOP PICCADILLY?

FM 14/2/97

It seems that State-owned domestic carrier SunAir is on the verge of applying for a licence to fly the SA-London route This will obviously increase its value when it's either privatised or acquires a strategic partner, probably this year.

The rumour was strengthened when SunAir appointed a legal representative to object to a recent application to the International Air Services Council by new entrant Air SA to fly the SA-London route The application by Lawrie Hopkins (former manager of the infamous Avia Airlines) was turned down The council told him "to go back to the drawing board" and present Air SA's case at a later stage.

When asked if SunAir objected because it was planning to fly to London, MD Johan Borstlap says he wants to keep his options open.

The bilateral air agreement allows each country to designate more than one carrier The UK has British Airways and Virgin Atlantic, SA only has SA Airways — for the moment.

Four suitors are waiting in the wings to grab a slice of SunAir — Malaysia Airlines, Singapore International Airlines, Richard Branson's Virgin and the Dutch carrier KLM SunAir has code-sharing agreements with both Virgin and KLM.

If SunAir obtains an international licence, it will entitle the government to sell up to 49% of its share to a foreign buyer under International Civil Aviation Organisation rules. If SunAir retains its domestic status, a foreign partner would be entitled to just 25% of the equity

A stake in SunAir, if it obtains an international licence, would be worth a lot to Virgin, because it would help close the gap between it and arch rival British Airways. BA operates 17 SA-UK flights a week; Virgin has three flights. Next month, BA will add another flight and Virgin three Between them, they will operate the maximum 24 flights/week allowed by the agreement.

Richard Branson . Sun in his eyes

As it doesn't have sufficient aircraft, SAA operates only 13 flights a week to London, but plans to add another flight in June If SunAir becomes SA's other designated carrier, it will be entitled to some of the 11 weekly frequencies now not used, says Commissioner of Civil Aviation Japie Smit. This will suit Branson if he becomes SunAir's part owner The balloonist is obviously keen to battle BA on one of the world's most lucrative routes. *David Pincus*

Province's bus privatisation plans threatened

CT (BR) 14/2/97 (269)

Thabo Leshilo

Johannesburg — Differences over the interpretation of the national framework agreement on the restructuring of state assets (NFA) is threatening the North West government's privatisation plans for its commuter bus services, Business Report established yesterday.

The two bus services involved are Vaal Transport Corporation and Eastern Express, which has 34 buses.

At the heart of the dispute is whether provisions of the NFA, agreed on last year after a dispute between the government of national unity and organised labour to provide guidelines for the restructuring or privatisation of state-owned enterprises, should be automatically applied to the provinces.

Peter Dantjie, the southern Transvaal secretary of the National Union of Metalworkers of South Africa, said labour believed that the provinces were bound to abide by all the provisions of the NFA whereas the North West government did not.

He said the problem arose when the provincial government could not accede to union representatives' demand that the government pay for experts to advise the unions on the restructuring of the two bus companies.

Sello Rasethaba, the chairman of the restructuring committee, said the meeting decided to suspend its activities until a provincial restructuring committee was established. The province initially planned to sell the two bus companies by the end of January.

Vaal Transport operates in the Vaal region, while Eastern Express operates in Mpumlanga.

US announces R2,8 m grant for SA

(269) (~~[illegible]~~ CP 16/2/97

THE United States Trade and Development Agency yesterday announced it would make available US$645 000 (nearly R2 838 000) in grants for feasibility studies into improving the transport at Johannesburg International Airport and to investigate the viability of a new sugar mill in KwaZulu-Natal.

The announcement was made during US Vice President Al Gore's three-day visit to South Africa to attend the third summit meeting of the US-South Africa bi-national commission.

Some US$345 000 (nearly R1 518 000) of the money was made available to the Airports Company for a study, to be undertaken by a US firm, to evaluate transport options for linking the main terminal with a planned satellite terminal, the TDA said.

Another US$150 000 (nearly R660 000) has been offered to partially fund a feasibility study to evaluate options for linking the airport with mass transport systems in the Johannesburg metropolitan area.

The final US$150 000 (R660 000) will partially pay for a US$200 000 (R880 000) feasibility study of the establishment of a sugar milling facility in Makatini in KwaZulu-Natal.

The study, which will take four months, will also be done by a US firm. - Sapa

World Bank backs Maputo Corridor

Stephané Bothma (269)

WORLD Bank president James Wolfensohn had come out in support of the Maputo Corridor project and would structure proposals on how the bank could get actively involved, the transport department announced yesterday.

Transport Minister Mac Maharaj met Wolfensohn in Maputo on Saturday where details of the project were presented jointly by SA and Mozambican government officials, a ministry spokesman said.

Wolfensohn told US reporters last week that he wanted to step up lending to the region. Satisfactory projects were needed, he said.

The first phase of the Maputo Corridor project, one of the most ambitious cross-border development projects in southern Africa, will be the construction of a R600m highway from Witbank to Maputo. It will also include the upgrading and modernisation of the railway line between the two countries and of the Maputo harbour at a cost of about R150m.

"The project should be supported with equity on both sides," Wolfensohn said, adding that proposals would be drafted on how the World Bank could get involved in the "practical sense".

Describing the World Bank's stance as groundbreaking in that the bank traditionally only supplied money to governments and not to regions, Maharaj said it was important that the bank was prepared to commit itself to such a project.

Earlier, Wolfensohn said that during his SA visit he would focus on ways the bank could mesh with SA's own efforts to promote regional development with its Southern African Development Community partners.

BD 17/2/97

ernment funding and had to rely on its existing funding mix (where commercial revenue represented 78% and TV licence revenue 18% of the total funding mix) to fund these projects.

As stated, the SABC's funding mix increased by only 2% when compared to last year, with advertisement revenue posting a moderate increase of 8% whilst TV licences and other revenue decreased by 8% and 35% respectively. The drop in TV licence revenue has resulted in the piracy rate increasing to 57%. There was no tariff increase in the TV licence fee for the past two years, whilst costs have been increasing on an annual basis and this also adversely affected our bottom line. The drop in other revenue of 35% is primarily due to the separation of Sentech from the SABC.

Irregularities at Telkom

*6. Mr M C J VAN SCHALKWYK asked the Minister for Posts, Telecommunications and Broadcasting:†

(1) Whether his Department has carried out an investigation into irregularities at Telkom; if so, what was the total amount involved in the investigation;

(2) whether any person has been discharged in this regard, if not, what is the postion in this regard; if so, how many;

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

N99E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING:

(1) No.

(2) Not applicable

(3) In terms of the Post Office Act 1958 (Act No 44 of 1958), Telkom SA Limited is a state-owned public company. It operates telecommunications services on an exclusive basis under the aforesaid Act. The Department of Communications performs a policy function in so far as Telkom SA Limited is concerned and as such has no jurisdiction to investigate irregularities falling outside the regulatory sphere.

Transnet: credit card abuse 269

*7. Mr A J LEON asked the Minister for Public Enterprises:

(1) Whether any progress is being made with the investigation by Transnet into allegations of credit card abuse; if not, why not; if so, what progress;

(2) whether it is the intention to bring up a report on the investigation; if so, when is it anticipated that the report will be completed ?

N100E

The MINISTER FOR PUBLIC ENTERPRISES:

Transnet Limited furnished the following reply to the hon member's question:

(1) Yes. 121 cases of possible corporate credit card misuse have been identified and appropriate follow-up actions are being taken, including disciplinary action.

Progress on the above is as follows:

- Two employees were dismissed following disciplinary inquiries
- 16 employees resigned since initial investigations on the abuse of corporate credit cards started Action has been taken to recover monies owed to Transnet.
- One employee has been absent without leave since investigation started.
- 15 disciplinary cases are currently in progress.

- 87 cases are still under investigation

In cases where misuse of corporate credit cards has been proven, steps are being taken to recover financial losses incurred from the employee concerned It is Transnet's policy to institute criminal actions against employees who have defrauded the Company.

(2) Yes. A full report will be made available to the Transnet Board of Directors, who will in turn make it available to the Minister for Public Enterprises. This report will be issued by 31 March 1997.

Telkom: reconnection of telephones

*8. Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting.

(1) With reference to the reply to Question No 534 on 9 September 1996, (a) what was the nature of the consumer and union pressure which resulted in the reconnection of the 3 000 Telkom customers who had previously had their telephones disconnected and (b) what total amount was owed when these telephones were disconnected;

(2) whether these customers have subsequently incurred any further debt; if so, what amount is involved;

(3) whether any efforts have been made to recover this debt; if so, (a) what efforts and (b) with what measure of success?

N101E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING:

The Managing Director of Telkom has informed me as follows

(1) (a) The consumers and labour groups' view was that the former Ciskei Posts and Telecommunications Department had failed to either suspend or discontinue services to defaulters for some three to four years due to inconsistency in procedures. This inconsistency caused problems to people in meeting their obligations or aquiring telephone services, as people received their statements very late or not at all. The then department was also not prompt in fixing faults, implying that people in certain instances were required to pay for non-functional services.

Their view was that the people could not be punished for what the department allowed to happen.

(b) Although about 3 000 customers in the former Ciskei were supposed to be suspended and disconnected, only about 2 000 were suspended before the decision was reversed. It was too late to reconnect these customers but a list of names was handed to Telkom for reconnection These customers owed R2,384 million at that stage

(2) At the time of re-incorporation Telkom could not separately monitor these customers, who were treated as part of Telkom's normal customer base This information is therefore not readily available at this stage

(3) (a) As reported previously, a project team known as the Bridging Structure was formed to collect the outstanding amounts in the former TBVC territories. A toll-free number was installed where the customers could voice their complaints whereafter they were investigated and solved as far as possible Statements were also sent out and if no response was received a letter of demand was sent to the customer If there was still no response a final demand was mailed.

(b) The current outstanding amount regarding these customers is R2, 171 million. An amount of R 213 000

Portnet head in witch-hunt

MtG 21-27|2|97 (269)

The head of Durban's port is accused of racist behaviour and using spy tactics against his fired deputy, reports Ann Eveleth

THE head of South Africa's busiest port is bugging the offices of his subordinates, undermining black empowerment and operating behind the backs of senior port management, according to allegations by port employees and suppliers.

Employees at the Durban port say that manager Bax Nomvete is engaged in a witch-hunt against former associates of Sipho Nyawo, the deputy port manager who was fired last November.

Portnet, which operates the port, fired Nyawo because of alleged credit card irregularities, but his supporters say he was unfairly targeted by what they call the racist old guard at Transnet, the parastatal that owns Portnet. The allegations were rejected by Transnet chairman Louise Tager.

The disgruntled employees also say they have come under surveillance and investigation because of their support for Nyawo.

They said a new Transnet operation, the Business Information Services Department, is involved in the surveillance.

And according to documents in the *Mail & Guardian*'s possession, Portnet senior management have questioned Nomvete about the role of the new department, and his relationship to it.

In a January 29 memo, Portnet chief executive Ivor Funnel asked Nomvete to explain a visit to the port by department head Felix Ngwenya.

"Why were I and the office of the executive manager [security and risk management] not informed of the visit?" the memo said.

Nomvete replied to Funnel that it had been "to gain a better understanding of any security and risk-related problems that could compromise our ability to run an effective service".

Nomvete was unable to define the actual role of the new department, though he confirmed that he had discussed "security related matters" with Ngwenya. He denied he had any employees placed under surveillance.

Funnell could not be reached this week and. Ngwenya refused to comment.

In the meantime, Nomvete has also come under fire from Portnet suppliers whose contracts he cancelled last year. Joining together as the Black Economic Empowerment Committee, they say they have suffered "humiliation, financial loss and many other negative consequences" because of allegations at the time that the contracts were cancelled because of procurement irregularities.

Nomvete told the *M&G* he would reinstate the contracts "fairly soon", but added this would happen "along terms and conditions more conducive to a fair and transparent business environment".

Portnet insiders say that the allegations were false, and there had never been a problem with their service. They say Nomvete cancelled the contracts because they had been signed during Nyawo's tenure.

Under pressure from Transnet managing director Saki Macozoma and the Department of Public Enterprises, Nomvete reportedly has promised to reinstate the contracts.

Saki Macozoma: Put pressure on Nomvete

Nomvete said he cancelled the contracts because they did not comply with Transnet's tender procedures. "While we support black empowerment, we are not a charity so our businesses must provide a quality service," he said.

The decision also was linked to the suspension last year of six Portnet employees — most from the procurement section — pending investigation by Transnet's audit department. Department head Nigel Payne this week denied the two actions were linked, but according to a fax from Payne to Nomvete dated November 5 Payne actually instructed Nomvete to cancel the contracts. He told him to give "30 days' notice ... in terms of the contracts entered into between Portnet and the approximately 20 companies affected in Durban" and "to put in place a system to evaluate the current 'contractors' during the notice period".

AVIATION *Tender documents available next month*

CT(BR) 27/2/97

Privatisation of Sun Air draws widespread interest

(269)

Duma Gqubule

Johannesburg — Four years ago, Sun Air was a little-known airline with a turnover of about R6 million. It is now an operation attractive enough to get the attention of the likes of Richard Branson, the flamboyant boss of Virgin Airlines.

Today, Sun Air has eight aircraft. It operates on the profitable "Golden triangle" between Johannesburg, Durban and Cape Town where it has managed to capture about 20 percent of the market.

For the financial year to March 31, Sun Air is expected to report a turnover of more than R300 million.

Sun Air could become the first fully privatised company in the new South Africa, and the airline could find its place in economic history books if it beats Aventura, the state-owned holiday resort company, to that goal.

As the sole shareholder, the government would pocket anything between R100 million and R150 million. "The process has gone very smoothly. There have been no hiccups," said Johan Borstlap, the managing director of Sun Air.

Two weeks ago, the company's sole shareholder, along with its 500 members of staff and management, agreed to privatise. The staff would take up shares in the privatised Sun Air. "We do not have major unions at Sun Air. The staff have never felt the need for union representation because they are not getting a raw deal. And there will definitely not be any job cuts after privatisation," said Borstlap.

Tender documents would be available by March 11 at the offices of Board of Executives Natwest and Moseneke & Partners, the privatisation advisers. Interested parties would have four weeks to submit their tenders.

Important criteria for choosing the winning bidder would include black economic empowerment and the ability to grow the airline. "The partner must bring aviation expertise and cash for expansion. Sun Air has lots of potential. All we need is capital to unlock that potential," Borstlap said. The advisers would announce the winner of the bid by early July, and the transaction was likely be done the following month.

Despite the publicity given to the balloon-flying boss of Virgin Airlines, sources close to the government and the advisers said he was not necessarily a front-runner. Although the foreign partner was entitled up to 49 percent (in effect a controlling stake) of the company's shares, it was by no means a foregone conclusion that that would happen. Other contenders are the Dutch airline KLM and Safren, the shipping and entertainment group which used to own Flitestar, the local airline which closed down in mid-1994.

Whichever way the bidding goes, the winning consortium would have to include a credible black partner, probably entrepreneur Moss Ngwenya's African Leisure & Tourism Corporation, a broad-based consortium of leading black players in the tourism industry, which was at present preparing a bid for Sun Air.

"We do not prefer anyone. It will be an open bid. The government will obviously see who puts what on the table," Borstlap said.

Malawi and SA sign pact on transport

(269)

Nomavenda Mathiane

BD 4/3/97

ALTHOUGH the road transport industry in Malawi was composed mainly of small operators, it was very important to the survival of the nation, Malawian Transport Minister Harry Ian Thomson said in Cape Town yesterday.

At the signing of a road transport agreement between Malawi and SA, Thomson said Malawi was a landlocked country which relied on its neighbours for access to overseas markets.

He said that Malawi currently used the ports of Dar es Salaam in Tanzania, Nacala and Beira in Mozambique and Durban in SA.

He said his government would be introducing a road fund and a roads board to enable it to run Malawi's roads as a business entity.

SA Transport Minister Mac Maharaj said the agreement between Malawi and SA would facilitate the issuing of permits for transportation between the two countries in a way which ensured that operators could respond quickly to market demands, while at the same time the reduced administrative requirements would bring about a cost saving for operators.

The agreement also provided for private sector involvement in joint route management committees.

These committees would serve as consultative forums between the SA authorities and road transport industries, Maharaj said.

Council to screen rates defaulters

Jacob Dlamini (269) BD 4/3/97

JOHANNESBURG's southern metropolitan council announced yesterday that it would begin screening unemployed and indigent people to protect them from the crackdown targeting service and rates defaulters.

The council said it would begin by registering all those who claimed to be unemployed. They would be screened by a committee made up of a ward councillor, a social worker and community representatives.

Budget and finance committee chairman Shan Balton said the committee would then recommend to the council what action to take. Balton said the council would investigate options such as the issuing of coupons, the establishment of a contingency fund, the provision of contract council employment and possible training for job creation projects.

The council began a massive crackdown yesterday aimed at recovering more than R623m owed to it by residents and businesses in large parts of Soweto and Johannesburg's central business district.

Balton said residents who were in arrears and had not made arrangements to clear their debts would find themselves without lights and water while others would be evicted from their properties.

Balton said a number of businesses in the CBD owing more than R500 000 had already had their services cut off. He said the council would be issuing 1 000 summonses a day.

Balton said service levels in the council had gone up since the announcement of the crackdown last month. Many had entered special arrangements with the council to pay their arrears off over a 60-month period. These arrangements accounted for an estimated R5,8m.

"We expect more than 50 000 people to come through the screening process and if we catch any of the applicants lying we will immediately institute strict credit control measures without the option of 60 months to pay."

Balton also announced that eight CBD property owners had brought an interdict against the council challenging its rights to cut off services to payment defaulters.

"The eight property owners seem to hold the perception that their arrears should have been written off by the council and they are fighting our legal status to cut off services without a court order," Balton said.

According to Balton, the council had entered into a temporary agreement with the eight not to cut off their services for the time being while both parties sought legal clarification on the matter. Balton said the property owners would continue to pay the council for current consumption.

Students to march in spite of aid promises

Pearl Sebolao (269) BD 4/3/97

TERTIARY students plan to go ahead with their mass action campaign despite Education Minister Sibusiso Bengu's announcement at the weekend that planned subsidy cuts would not be as severe as expected and that R300m would be made available for student aid this year.

SA Students' Congress national deputy president Kgomotso Diseko said the protest march to Parliament in Cape Town and the stayaway by students planned for budget day next Wednesday was still on.

In KwaZulu-Natal the spotlight would fall on the University of Natal where the university management had made it clear it was not prepared to negotiate any further with students, Diseko said.

Diseko said the congress was taking Bengu's announcement "with a pinch of salt" because subsidy cuts were the finance ministry's domain and not his and therefore his comments could not be official. "We are still waiting for a formal response from the finance ministry," he said.

The announcement was a political attempt to confuse congress members and dissuade them from planned mass action on March 12, he said.

Funds allocated for financial aid were the same as last year and did not meet students' needs, Diseko said. The allocation did not take into account increased inflation, increased student fees and the increasing student population.

University of Natal student representative council president Sam Thobakgale said the financial aid crisis would be partly resolved but there would still be a shortfall. He said institutions were responsibility for ensuring that returning students got funding. The council was proposing that tertiary institutions used money from their reserves and borrowed from private financial institutions if necessary to create financial assistance.

PUBLIC TRANSPORT (269)

IT'S AN ILL WIND . . .

FM 7/3/97

Taxi violence is responsible, in part, for the sharp swing in the number of passengers opting for public transport, say industry pundits Figures from Central Statistical Service show 130,3m passengers used Transnet's road and rail services in the third quarter of 1996 — 10% up on the same period in 1995.

Passenger numbers on Spoornet's mainline services increased by about 35% to 6m last year, says a spokesman, who firmly believes taxi violence was partly responsible for the increase.

"Long-distance passengers feel safer on a train than they do in a taxi," he says He claims upgrading former third-class accommodation and replacing bunks with aircraft-type seats is also bringing passengers back to mainline trains.

SA Bus Operators' Association executive manager Eric Cornelius says his members have been reporting increased figures since early last year

While he attributes some of this to the improved economy, he has little doubt that the substantial increase in the use of both buses and trains is due to taxi violence "There have been numerous peace agreements between the warring factions, but few last longer than a day."

Golden Arrow chairman Nic Cronje says the downward trend of the past few years has been reversed. Incidents such as boycotts and stonings have not been seen since late 1994.

But he says "there hasn't been a massive swing to buses, even though people feel safer on them than in taxis "

Wynand Burger, MD of the Rail Commuter Corporation, whose passengers are included in Transnet's figures, says taxi users swing to buses and trains only when they think taxi travel is grossly unsafe. The swings benefit buses and trains for a while but passengers return to taxis when the violence subsides

He thinks a more likely reason for increased use of buses and trains is urbanisation and a modest upswing in the economy which saw more people in jobs. "That suits us," he says "Not only is the cake growing, but our share of it has been increasing since the 1994 elections when people started seeing trains as an acceptable means of transport Before the elections they were perceived as part of the apartheid government

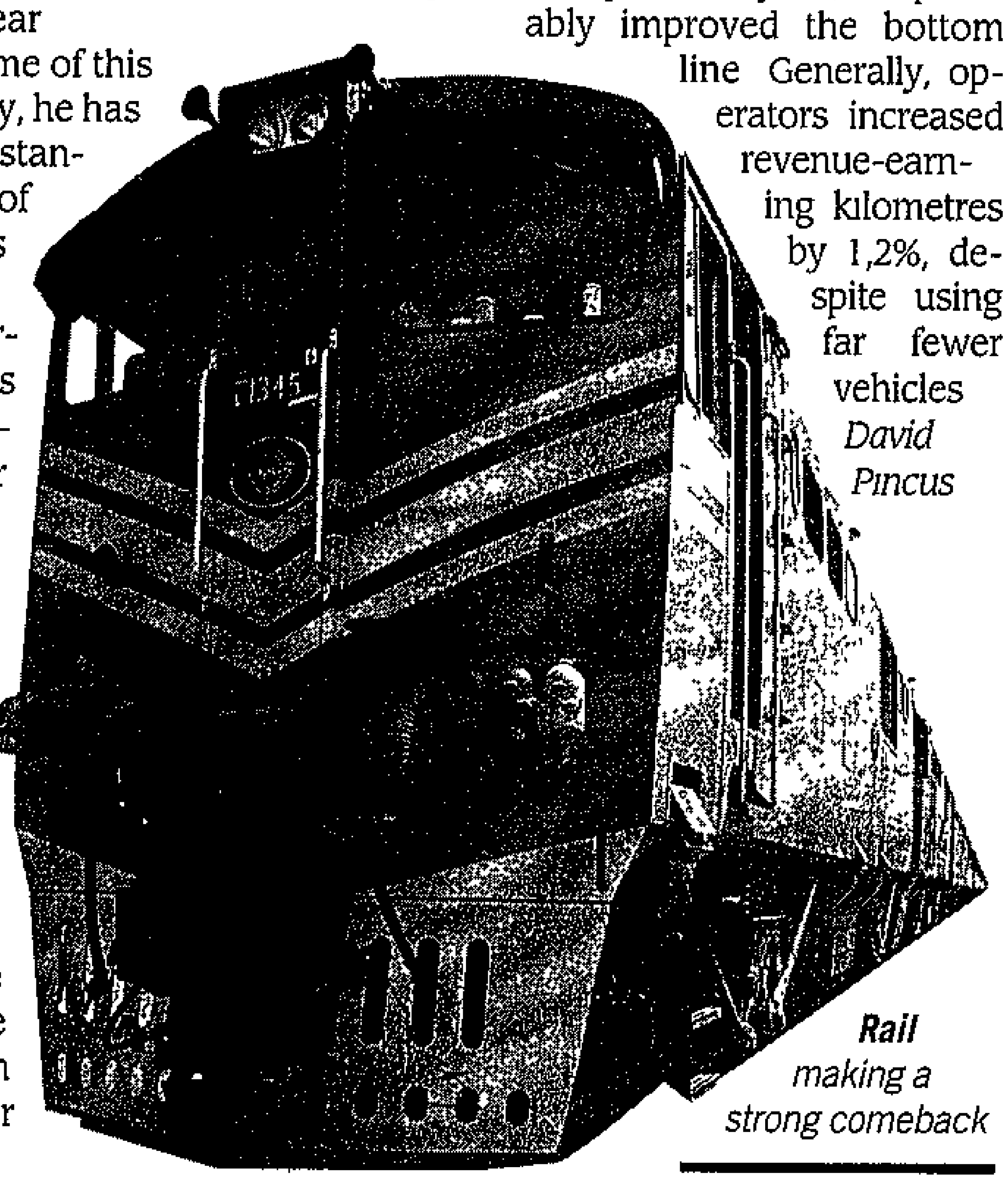
"Our turnover for financial 1996 was 17% up on 1995, and we're looking at a 15% increase to R475m in our current financial year, to March 31."

That improvement is also due to the Commuter Corporation slowly winning the war against fare evasion A year ago fare evasion was above 30%. Burger estimates it's now between 25% and 30%.

Municipal transport continued to decline, this time by 5%, from 26,1m passengers in August to October 1995 to 24,8m in the same period in 1996

Private-sector undertakings showed a modest 0,8% increase to 95,9m passengers, from 95,2m compared with the same period the previous year, but probably improved the bottom line Generally, operators increased revenue-earning kilometres by 1,2%, despite using far fewer vehicles

David Pincus



Rail *making a strong comeback*

Budget robs SA of economic development, says federation

BUSINESS EDITOR (269) ARG 18/3/97

The South African Road Federation has criticised last week's Budget saying it robs the country of future economic development.

In a statement, federation president Bob Kingdon said the road network administered by the Department of Transport suffered from a R7-billion maintenance backlog and insufficient funds had been allocated in the 1997-98 Budget.

The allocation to transport showed a reduction of 0,3 percent compared with the 1996-97 budgeted amount, equivalent to a cut of 6 percent to 7 percent in real terms, he said.

Current spending was only 70 percent of the level needed to keep the road network in its present state.

"To neglect care of a national asset is bad enough, but in fact the network needs upgrading and further investment."

"The Budget purports to set the scene for economic growth of around 3 percent during 1997-98 and if this is going to happen it has to be supported by transport and communication facilities," Mr Kingdon said.

"The National Transport Policy sees the national road network expanding to 80 000 km from the current 7 000. The allocation to roads in this year's Budget does not support these and other plans."

Closing the system 'is not cost effective'

No action on train fare evasion

(BR) CT 18/3/97 (269)

JONATHAN ROSENTHAL

Johannesburg — The South African Rail Commuter Corporation, the loss-making state commuter service, would not act to eliminate fare evasion even though this could cost as much as 30 percent of its fare income, the parastatal said yesterday.

The corporation requires state subsidies of about R1,4 billion a year. Its rail commuter services are operated on its behalf by Metro Rail, which is a division of Spoornet, the state-owned railway corporation.

Jakkie van Niekerk, the senior general manager of finance for the Rail Commuter Corporation, said it was not cost effective to completely "close" the open-ended system to eliminate fare evasion. Under the system, tickets are collected from embarking or disembarking passengers at some, but not all, stations.

This came after the auditor-general, the government accounts watchdog, issued a statement last week saying that he had presented a qualified report on the corporation to Mac Maharaj, the transport minister.

Shauket Fakie, the Gauteng provincial auditor, said "the external auditors of Transnet were not able to express an opinion regarding the completeness of fare income since inadequate physical entry and exit control procedures did not provide sufficient assurance that every commuter is in possession of a valid ticket during peak times".

He said this prevented him from expressing an opinion on the reasonableness of the fare income for the year to March 1996.

Van Niekerk said the qualified audit report was nothing new as the qualification "has been on our accounts for the last four years". He said it was not economical to staff many smaller stations and during peak times it was impossible for conductors to move along trains to collect tickets. Estimates of lost income are as high as R100 million a year based on an estimate of 30 percent evasion.

But Van Niekerk said investments in access control would not necessarily recover that amount as many fare-evaders would stop using trains if controls were tightened.

"It's really a business decision ... if you see my audit report in 2005 you will still see it (the qualification) there," Van Niekerk said. He said the corporation operated as "a social service" run by the state and could not close uneconomic stations.

Last year Maharaj said the Rail Commuter Corporation had 25 percent of the commuter passenger transport market and required subsidisation from the state of about R1,4 billion a year. At the time, the cost of fare evasion on the Cape peninsula was estimated at R35 million.

Last week Maharaj said Metro Rail would be launched as an independent arm of Transnet and would have to enter into concession-type agreements with the Rail Commuter Corporation instead of the current deficit funding system. Rail concessions would be put out to tender.

Transnet to change in next five years, says Tager

(269)

BD 19/3/97

Robyn Chalmers

TRANSNET would be a vastly different organisation in five years, likely to become a leaner group with a range of corporatised entities, some of which would be sold off and others with private sector partnerships, chairman Louise Tager said.

At a transport conference yesterday Tager said Transnet would be moving away from financing infrastructure to becoming a transport operator, although the parastatal was investing in upgrading dilapidated infrastructure.

While Transnet was aiming to move out of financing infrastructure, it was not looking to the state for financing or guarantees, but would rather enter into joint ventures with the private sector.

Tager said Transnet was a diverse organisation with R40bn in assets, but change was taking place, particularly with regard to private sector involvement. In the year ended March 31, Transnet posted a decline in profit to R1,1bn from R1,5bn the year before on a 17% rise in turnover to R17,9bn.

Transnet was moving away from being a white-dominated organisation to an "inclusive" company and was committed to transformation and affirmative action. "Our (affirmative action) appointments are real with real responsibilities involved," she said.

While Transnet's business units were separate divisions, they were not separate legal subsidiaries. There was a strong move towards establishing a separate identity for each division which would produce its own set of financial statements.

Looking at the separate business units, Tager said that Spoornet was often said to be a monopoly, but it had only 18%-20% of the freight market. The advent of road freight transport had adversely impacted on the rail transport company.

Spoornet was undergoing a huge restructuring exercise and was looking to becoming more efficient so it could compete fairly in the economy. The organisation was focusing on concessioning as a way to allow competition with private sector operators.

She said that significant funds would be spent on upgrading ports around the country this year, notably East London and Port Elizabeth. Transnet supported recommendations in the transport white paper that a port authority be established.

SA Airways had been identified by the sectoral task team as one division where a strategic equity partner could be sought, and labour was involved in talks on this issue.

Tager scotched rumours that the lossmaking PX division — responsible for container shipment and consignment distribution — was closing down.

"At this stage, the (restructuring) plan for PX looks very positive and we hope it will move forward rapidly. As of today, there is no decision that PX is closing down". A downsizing programme was, however, under discussion.

Bigger private sector role in roads seen

BD 20/3/97 (269)

Robyn Chalmers

PROVINCIAL governments would have to increase the level of private sector participation in the development of new roads to overcome growing financial constraints, transport sector experts said yesterday.

Development Bank of Southern African transport project leader Peter Copely said at a transport conference the investment to maintenance ratio for SA's road network had shifted to 25:75 from around 50:50 during the mid-1970s.

"This suggests that we have been using up capital stock ... but it also suggests that the network, with an average economic life of 20 years for a road, is approaching a point of critical replacement," said Copely.

He said the solution of straight privatisation of the higher-order roads — those carrying more than 4 000 vehicles a day — would be a step in the right direction as those roads would be particularly attractive to the capital market.

Creating a roads agency, along with a road fund, as government had planned to do, would largely take care of the middle order rural roads.

The creation of provincial and metropolitan land transport funds with existing powers of fund raising which had not yet been tapped, addressed the issue of main urban roads, Copely said.

"However, we are still confronted with a network of the same magnitude — approximately 230 000km of access roads — which is largely uncounted and undefined," he said.

The solution could lie in creating institutional frameworks supportive of a continuing, sustainable class of "access road entrepreneurs" who could be involved in building and maintaining roads.

KwaZulu-Natal transport department chief engineer Mossie Mostert said the underlying problem facing provincial governments as far as the road network was concerned, was the lack of financial resources.

Mostert said one avenue available to provincial governments was to team up with partners who were outside the sphere of government in order to obtain funds to stimulate the development or construction of new roads.

"This partnership would not necessarily merely revolve around the provision of development funds, but could also take the form of a contribution such as labour or materials," he said.

Mostert said, however, that the high cost of constructing new roads could act as a deterrent to private sector involvement and this avenue essentially lent itself to the development of minor access routes.

Transport dept ploughing funds into communities

Lukanyo Mnyanda

BD 1/4/97

(269)

THE transport department had spent about two-thirds of the R100m allocated by the reconstruction and development programme last year to upgrade roads, with 19% ploughed into communities.

A progress report released last week showed the department had spent R66,4m, with R12,9m spent on local communities, and R7,2m set aside for investment in labour-intensive construction

This covered "not only jobs created as a result of using intensive techniques but also all casual or temporary employment".

About R1,5m was invested in training, while R4,2m was set aside to promote emerging contractors. A total 154 524 man days of employment had been created.

"Taking only the unskilled component, which represents some 85 102 days, the average monthly wage comes to about R1 958."

The department said about 60% of training on the projects was in professional spheres, with average daily expenditure of R27 on skills development. About 74 emerging contractors were involved. The smaller players secured about 6% of total expenditure.

"The main reason for this seems to be the result of efforts by the department and the provinces to encourage consultants to make explicit provision for small, micro and medium enterprises during the planning and design phase."

Govt transport services to go commercial

(269)

Star 4/4/97

Plan includes independently operated ports and airlines within seven years

By Anna Cox

Government transport services around the country are to be commercialised.

The Department of Transport yesterday announced changes within the industry to introduce private sector partners for all modes of transport including aviation and shipping.

The changes will also bring bus and rail monopolies to an end.

The plan is to have independently operated airlines, ports and railways within the next four to seven years. South African Airways could also be privatised.

Announcing the moves in Pretoria yesterday, director-general Ketso Gordhan said they had become necessary because of the Government's changing role.

At present it was the biggest transport operator in the country, responsible for between 70% and 80% of all transport. The changes would bring about a reduction in the Transport Department's staff from 1 053 to 270.

A series of agencies would be set up and run by the private sector. Each would employ its own staff and have chief executive officers to run them.

A roads agency would take care of the country's 7 000km of national roads. The department was investigating a 0,6c fuel levy, for a dedicated road fund.

Here a Government representative would be appointed to the board to oversee financial control. The board would also take control of the 650km of toll roads.

Urban transport faces radical changes. Most of the department's powers will devolve to provincial and metro transport authorities.

Bus and rail operators' monopolies would end. This has already started taking place. From the beginning of this month, bus operators have been given interim contracts for their routes. When these expire, the routes will be put out to tender.

Commuter rail, would be put out to concession by 2000. A maritime safety agency will operate shipping functions and a similar agency will regulate air transport.

Govt outlines strategy to privatise SAA

BD 4/4/97

Robyn Chalmers

[redacted] (269)

GOVERNMENT has given details and broad timetables for restructuring the transport industry for the first time, including the possibility that SA Airways (SAA) could be fully privatised and listed within seven years.

Transport director-general Ketso Gordhan told a transport restructuring seminar yesterday that the restructuring of Transnet was "hugely complex", but there were several developments government would like to see take place within the next four to seven years. Gordhan admitted the task was made more difficult by the fact that the transport ministry had no direct say over Transnet, which fell under public enterprises despite this ministry having no transport skills or capacity.

He said government wanted to secure a strategic equity partner for a minority stake in SAA in the short term. While no decision had been taken yet on SAA's future, there was the possibility of listing a larger proportion or all of the state's shares in the airline over a number of years. These and other restructuring plans were still being negotiated with trade unions.

Gordhan said the reasons government wanted partially to privatise SAA mirrored those applying to Telkom. Government recently sold a 30% stake in Telkom for $1,26bn, of which the major portion will be ploughed back into boosting infrastructure. Skills transfer, improved customer service and technological advancements were also priorities.

He said government was finalising a concession-type contract for MetroRail, which became a separate division of Transnet in February. This was the first step towards allowing private operators to compete with MetroRail in providing commuter rail services.

"I can confidently predict that in the first year of operating on a more commercial business footing there will be a saving to the state of about R50m," Gordhan said. A demonstration concession on 10% of the network was planned for October next year, with full concession planned for 2001.

Passenger and freight transporter Autonet would be fully privatised in four to seven years, but loss-making consignment distribution business PX was more problematic.

PX posted a net loss of R433m (1995: R297m loss) in the year to end-March last year and Gordhan said a major internal restructuring was needed before considering the possibility of privatisation or the introduction of joint venture partners.

Transnet chairman Louise Tager said recently that restructuring at PX was moving ahead well, and negotiations were under way with unions to move 3 500 people out of the division.

Gordhan said internal restructuring was also needed at Spoornet before other options were considered to deal with the "high levels of overemployment" and other problems at the parastatal. The first step could be the introduction of concessions.

Continued on Page 2

SAA

(269) [redacted]

Continued from Page 1

BD 4/4/97

Government was working on plans to separate the port authority element from the port operations within Portnet, after which it was possible that the port operations could be privatised or a joint venture partner brought in and the authority restructured.

Petronet, which operates Transnet's liquid petroleum pipeline network and transports petroleum products, would be regulated but would remain a state utility, as it provided an important and basic service, he said. There were plans to find a strategic equity partner for a minority stake in the Airports Company, but no decision had been made on the parastatal's long-term future. A further tranche might be sold via a listing, or the state could remain the majority shareholder.

Gordhan said Sun Air would be privatised this year, with a short list of possible partners who would qualify to tender for the sale to be published on April 16. Government also planned to shift the focus of the transport department, with agencies overseeing roads, permits, shipping and aviation to be established next year to assume many of the department's tasks.

The transport white paper outlined a fundamental policy shift towards private sector partnerships and signalled a move in government's role towards formulating policy and strategy.

New controversy brewing over Transnet plan

ST (BR) 6/4/97 (269)

Two different government departments look set to clash over restructuring proposals for Transnet, writes SVEN LUNSCHE

RADICAL proposals for the restructuring of Transnet, released this week, look set to renew the debate between the Ministries of Transport and Public Enterprises about the future of the state-owned transport giant.

The director-general of Transport, Ketso Gordhan, was clearly exasperated when he bemoaned the departmental control structure of Transnet at a conference in Pretoria on Thursday.

"The task of restructuring the transport sector is made more difficult by lack of proper institutional arrangements. Public Enterprises has a line function over Transnet despite this Ministry having no transport skills or capacity. It is a fragmentation that makes our lives impossible," Gordhan said.

'Public Enterprises has a line function over Transnet. It makes our lives impossible'

His proposals for Transnet — ranging from the full privatisation of SA Airways, Autonet and PX, and the concessioning of metropolitan rail services — sit uncomfortably with both Transnet and Stella Sigcau, the Minister of Public Enterprises.

Both parties have argued for a more gradual approach focusing on the internal restructuring of most Transnet divisions. They are supported by most of the trade unions with which the restructuring of Transnet is being negotiated under the auspices of the National Framework Agreement.

Sigcau previously backed the partial sale of SAA and The Airports Company and the full privatisation of freight transport group Autonet.

However, Gordhan's proposals, which presumably have the backing of his Minister, Mac Maharaj, went beyond the current agenda.

Most significantly, he raised the spectre of a full privatisation of SAA within seven years. He said government wanted to secure a strategic equity partner for a minority stake in SAA in the short term. "While no decision has yet been taken on SAA's future, there is the possibility of listing a larger proportion or all of the state's shares in the airline over a number of years," Gordhan said.

Unveiling details on the privatisation of other Transnet businesses, Gordhan said government was finalising a concession-type contract for MetroRail, a scenario that in the long-term could also be extended to Spoornet.

Autonet, the transport firm's passenger and freight transporter, would be fully privatised in four to seven years.

Loss-making consignment distribution business PX was more problematic, Gordhan said, but he proposed that the group, after internal restructuring, should seek an equity partner before being sold in its entirety.

He launched a scathing attack on port operator Portnet, saying it was essential that the group separate the Port Authority from harbour operations.

Rising costs trigger heavy SAA losses

BD 7/4/97 (269)

Stephané Bothma

SA AIRWAYS (SAA) will show an unaudited loss of R345m for the financial year ending March 1997, but has tabled a budget which will allow it to break even during this financial year.

At a meeting with wider management and trade unions last week, SAA CE Mike Myburgh said the huge losses were attributable to the increase in operating costs and unrest among technical workers last year, which cost the airline R60m. Fuel prices were at least R130m more than budgeted for after a 30% fall in the value of the rand.

Yields from international services were low because so many international airlines were flying to SA. Many, including China Airlines and Gulf Air, showed subsidised losses and had withdrawn from the country.

A budget tabled for the 1997/98 financial year provided for a turnaround of R345m, resulting in a break-even situation, Myburgh said.

This would be achieved by a total revamping of operations, including introducing profitable new destinations such as Japan and Denmark and increasing the frequency of flights to lucrative destinations such as the US, Europe and the Far East. Loss-making destinations such as Munich, Dusseldorf and Rio de Janeiro would be axed.

Third-party technical maintenance contracts would be additional money-spinners. Contracts worth about R30m had been concluded by SAA recently.

SAA corporate relations senior manager Leon Els said the recent new corporate identity launch would not affect the airline's bottom line negatively as it would be phased in at relatively small cost.

Transnet executive director responsible for SAA, Zukile Nomvete, said he planned "ruthless" changes to the airline to ensure its profitability. During the 1995/96 financial year, SAA showed net profit of R147m as a result of an increase in tourism.

Union endorses job losses as Transnet restructures PX

(269) BD 7/4/97

Robyn Chalmers
and Reneé Grawitzky

THE SA Railway and Harbour Workers' Union (Sarhwu) has backed a restructuring of Transnet's consignment distribution business PX, which could result in the loss of more than 3 500 jobs.

Sarhwu said that government and Transnet have been considering ways to restructure PX after it posted losses of R433m in March last year, following a net loss of R297m the previous year.

Transnet chairman Louise Tager recently scotched rumours that PX was being closed down, saying "at this stage, the (restructuring) plan for PX looks very positive and we hope we can move forward rapidly".

Tager said that PX was being restructured with 3 500 people moving out of the division on a negotiated basis with plans to support those employees who were leaving.

Sarhwu said the transport unions had conceded that something drastic had to be done at PX. Sarhwu had accepted a number of agreements to effect staff reductions. These provided for the closure of a number of nonprofitable depots, specific manning levels for operational depots, early retirement and favourable voluntary retrenchment packages.

Transport department director-general Ketso Gordhan last week outlined broad timetables and the way forward for the transport sector, including the possibility of SA Airways (SAA) being fully privatised eventually. Autonet would also be fully privatised. Spoornet and Portnet would have to be restructured before a decision was made on their future, while Petronet would be regulated but remain a state utility.

On SAA, the union said it had agreed that there was a need to fast-track its privatisation.

However, the union had not "closed its eyes and ears to problems in SAA".

Sarhwu said it would consider a range of options for SAA which could include an equity partner, although this should not be considered above other options.

Gordhan said that government was overhauling the role it played in the transport industry and was aiming to move away from being an operator, infrastructure provider and regulator of bureaucratic detail.

It would look towards maximising competition with a strong focus on increasing the choice for customers and either lowering the cost of current services or improving the level of services for the current cost.

Sarhwu pensions won't bankroll Sun Air bid

ARG 8/4/97 (269)

ALIDE DASNOIS
Business Editor

SA Railway and Harbour Workers' Union members' retirement money will not be used to bankroll the bid for Sun Air by the Bhekilanga consortium, consortium chairman Sandile Zungu has said.

Mr Zungu heads the investment arm of the SA Railway and Harbour Workers' Union (Sarhwu), which as part of Bhekilanga is bidding for a stake in the airline with Virgin Atlantic.

BUSINESS INTERVIEW

'For us this is a portfolio investment. We are looking for investment value, not for control of Sun Air'

The five other members of the consortium, which announced at the weekend that it would bid for Sun Air, are the National Empowerment Corporation, Ukhozi Investments, Women in Capital Growth, Bophirima Investment Holdings and African Renaissance Holdings.

Mr Zungu told the Cape Argus in an interview that Sarhwu's stake in Sun Air would be relatively small.

"Our share could be as little as 6%," he said.

He expected that Sun Air workers would get up to 10% and the National Empowerment Fund up to 20%, leaving a 70% stake in the airline up for grabs. The six members of the consortium would share this with Virgin Atlantic if their bid was accepted, he said.

"For us this is a portfolio investment. We are looking for investment value, not for control of Sun Air. We will not be running it on a day-to-day basis."

Mr Zungu said Bhekilanga would go to the market for financial backing, "like any other black empowerment fund".

Sarhwu did not have its own pension fund, like the National Union of Mineworkers, for instance. Members contributed to the Transnet pension fund.

Absa Merchant Bank, which had been retained by Bhekilanga to look for financial backing for the bid, might choose to approach the R30-billion Transnet pension fund, he said. "But this fund has its own trustees and its own investment guidelines and they might tell us to move on. The Transnet pension fund has nothing to do with this bid," he said.

Asked about possible conflicts of interests if Sarhwu members were both employees of Sun Air and investors in the airline, Mr Zungu said: "We don't pretend there can never be conflict, but we think we can manage it better."

Sarhwu Investment Holdings' brief was to get the best investment returns for its shareholder, the Sarhwu Enablement Trust, he said. The union had a different brief.

"We pick investments on certain criteria which can be different from those of labour, so there can be conflict. We are not saying we can resolve this, but we have a better way of managing it so no-one loses out."

(269)

SAA *Maharaj cites worldwide trend*

CT(BR) 9/4/97

Privatisation of SAA will be 'pragmatic'

AUDREY D'ANGELO

Cape Town — The government should adopt "a pragmatic rather than an ideological approach" to the privatisation of SAA, Mac Maharaj, the transport minister, said yesterday.

He said a statement by Stella Sigcau, the public enterprises minister, that SAA could be sold off completely over time, was "in line with our thinking".

Maharaj said state-owned airlines all over the world were normally run at a loss but those in the private sector usually made some profit. It had taken seven years for British Airways to be privatised. "I don't think it will take us as long," he said.

Maharaj emphasised the importance of reaching agreement with the unions on how privatisation should be handled. Discussions with the unions were now in progress.

"We first need to arrive at an agreement with the unions over various strategic equity policies. We must ensure there will be direct benefits to the airline and the economy. Jobs must be safeguarded, skills transferred and management strengthened."

Pointing out that the formation of alliances between airlines affected the market and that there was a global movement towards deregulation of the industry, he said the privatisation of SAA had to be "taken in the context of global developments".

BENEFITS *Mac Maharaj supports Stella Sigcau's view of SAA privatisation*

"We must look at South African interests. There must be substantial benefits from privatisation. We must ensure that transforming the economy brings black empowerment."

Sigcau said in Japan this week that British Airways and Lufthansa had "expressed interest in buying a stake in SAA".

John Hanlon, British Airways' general manager in southern Africa, said his airline would need to look carefully at the terms and conditions of the sale and the value placed on the shares before deciding whether to bid for a stake in SAA.

SAA loss spirals

M+G (BM) re 11-17/4/97 (269)

Potential bidders may think again before taking on SAA's losses, now set to top R400-million, writes Ferial Haffajee

SOUTH AFRICAN AIRWAYS (SAA) may now be up for grabs, but potential bidders are likely to baulk at the extent of its losses — now tipped to top R400-million in 1996-97.

The disappointing prognosis comes at a bad time: earlier this week Public Enterprises Minister Stella Sigcau announced plans to fully privatise the national carrier. Until now, the government's stated intention has been to sell only a stake.

Last week, the airline's management told staff that unaudited figures showed a loss of R345-million, but industry sources say the figure is likely to top R400-million, with one pessimistic pundit placing it as high as R438-million.

It's been quite a slide for SAA. In the previous year, it showed a healthy profit of R147-million. But increased competition — 66 new airlines have come into the country since 1994 — and a weaker rand took their toll. Most of SAA's costs, such as fuel, maintenance and spares, are paid in dollars.

There are other reasons for the poor showing. Industry insiders say management needs a shake-up. They point out that other than the appointment of SAA executive director, Zukile Nomvete, there's no new blood at SAA. "There's no one new at SAA; the old-style *apparatchiks* still rule the roost," says an aviation analyst.

'There's no one new at SAA; the old-style *apparatchiks* still rule the roost'

There's also been a brain drain from SAA. Andre Venter, the president of SAA's staff association, Salstaff, says: "There's a terrible lack of trained supervisors and management. People are still in a comfort zone. They must know the *ossewa* [ox-wagon] age is over."

The staff association is likely to give privatisation its stamp of approval. So are the South African Pilots Association and the Flight Engineers Association. But the Congress of South African Trade Unions-aligned South African Railway and Harbours Union will take greater persuasion.

The SAA sell-off is still many negotiating hours away, however, as plans must be passed by all parties in terms of the National Framework Agreement agreed to by government and labour.

In the meantime, it may be difficult to find a buyer for an airline returning such a loss. The Transport Department's Director General Khetso Gordhan says: "The loss is of great concern to us. The Transport Department's policy is to maximise competition and SAA's loss is creating an unlevel playing field." Commercial airlines would not survive such a loss and SAA can only stay afloat because it falls in the Transnet stable.

Gordhan says SAA's privatisation should be "fast-tracked" to get it back into the black more quickly. Gordhan says that despite SAA's poor showing, there's great international interest in SAA, most notably from British Airways and Lufthansa.

But one aviation analyst doesn't think it will be so easy to lure a foreign buyer. He points out that British Airways has already tied up a lucrative (and free) deal with Comair. "They get their branding on all Comair flights. There's a natural flow of passengers and cargo; why should they invest in an airline that's losing money?"

Lufthansa's new business credo is "if we don't have to spend money, we won't". So that airline is likely to look for synergies — like complementary flights — instead. Both KLM and Virgin have set their sights on Sun Air.

SAA's fleet is also old and expensive to maintain. The airline has a bloated staff and a management corps that avoids making tough decisions about unprofitable routes. But this week it announced it would cut loss-making routes and take other "ruthless" business decisions to break even in the new financial year.

Despite the bad news, some local and regional aviation companies are keen to buy into SAA. The editor of *Air Report*, Linden Birns, says the airline has a competitive domestic network and strong regional links. And while complaints about shoddy service standards are growing, Birns says "the airline has a very highly trained staff, especially in the safety field".

TRANSPORT

FM 11/4/97

DANCING TO THE HAKA

(269)

SA looks likely to follow the transport model of New Zealand where government is no longer solely responsible for funding rail, road and public transport These are now provided by users (the user pays principle) through a dedicated fund operated by Transfund NZ, which is also the decision-maker

Department of Transport (DoT) director-general Khetso Gordhan and deputy DG Malcolm Mitchell recently visited New Zealand They note that the new role for New Zealand's central government led to "a sharp reduction in the scale of its daily management intervention, with substantial savings to the taxpayer"

A paper published on their return says the New Zealand model has also eliminated a basic flaw of bureaucracy "Public agencies responsible for the operation and regulation of policy start life with a built-in tendency to first protect their own bureaucratic interests Those of their clients come a poor second"

The key to structural reform, they say, is accountability In New Zealand's case, each organisation has been given clear, nonconflicting goals and targets Every organisation understands clearly what resources are available and the opportunities and risks involved

Gordhan and Mitchell say that in many respects New Zealand leads the way in showing how the public sector can be transformed "to conform with the management and governance principles usually associated with the private sector."

They say that in the Eighties New Zealand's economy was similar to that of SA's today The main factors that led to New Zealand transforming its transport policies included the realisation that.

- The public sector was not an efficient operator;
- The private sector stood little chance of becoming efficient or internationally competitive unless subsidies were removed,
- Where it made sense for government to remain as owner and operator, its enterprise should be moved into the private sector as far as possible, and
- The management and culture of what remained of the public sector had to be improved by modifying the controls.

There is no longer government protection for NZ Rail, which is now privatised While there is talk of Transnet's road freight operation Autonet being privatised, NZ Rail Road Freight has already gone that route. As in SA, there is no more quantity licensing for road freight.

However, other similarities exist The private sector has a share of the testing of commercial vehicles, which used to be a government monopoly in New Zealand; driving instruction was never a government function in SA but it was in New Zealand, where it has now been privatised The DoT seems set to implement a transport policy that will be almost a carbon copy of the New Zealand model

Mitchell

Gordhan and Mitchell say New Zealand had to cope with many problems that still exist in SA Its transport policy mirrors many solutions contained in SA's new Transport White Paper which could form the basis of SA's transport policy They are in regular communication with New Zealand's transport department and arranged for a high-powered New Zealand delegation to explain the policy at a DoT seminar held earlier this month

They have also had informal discussions with the newly appointed High Commissioner for New Zealand and say "his office will support this interaction in transport professional activities financially" *David Pincus*

COMING AROUND?... Stella Sigcau, who may be changing her views on privatisation

Transnet restructuring could pick up speed

ST(BT) 13/04/97 (269)

PRIVATISATION

By SVEN LUNSCHE

A DRAFT report to Public Enterprises Minister Stella Sigcau by her private-sector advisers recommends widespread privatisation of the company's numerous subsidiaries, including rail operator Spoornet.

The report (dated March 24), by UK investment bank HSBC and its local stockbrokers Simpson McKie James Capel, goes further along the privatisation route than Sigcau has publicly wanted to acknowledge to date.

It suggests that the difference in outlook between Sigcau and the Department of Transport is narrowing. Earlier this month Ketso Gordhan, director-general of Transport, expressed frustration about the divided government responsibility over Transnet.

The drive to restructure Transnet will be given a further push soon when, as expected, cabinet accepts recommendations by the Department of Finance to restructure the group's pension fund, which is saddled with an actuarial deficit of R8-billion.

HSBC and Simpson McKie James Capel were appointed advisers to Sigcau in December last year. They acknowledge in their report that they have not represented all the possible options.

"However, it focuses on those options which, in our preliminary opinion, are most likely to be practicable," they say.

Their most surprising verdict is that on Spoornet, Transnet's largest subsidiary and previously considered a candidate for restructuring only. The report suggests that Spoornet be maintained either as a single entity or split into several operations running the various industrial lines, such as coal, iron ore or timber. Thereafter the new company, or companies, should be "privatised by means of trade sales or flotation". The advisers recommend the concessioning or elimination of Spoornet's unviable passenger service.

Concessioning (contracting private sector operators to run a business) is also the favoured option for commuter rail group Metro.

The advisers recommend only one option for SA Airways: "Privatisation by means of a strategic equity partner or flotation." This option was expressed by Gordhan earlier this month and echoed by Sigcau this week after it emerged that the airline will report a loss of R345-million in financial 1996/97.

Among the other Transnet operations that should be privatised, according to the report, are pipeline operator Petronet, road freight and passenger operator Autonet, the heavily indebted parcel group PX, its telecoms arm Transtel, IT subsidiary Datavia and most of the properties once they are transferred to the relevant businesses.

HSBC and Simpson McKie James Capel also advise a separation of the port infrastructure and operations currently falling under harbour operator Portnet. Both divisions could subsequently be privatised. An alternative to this option would the the creation of companies around individual ports, to be privatised later.

Cape firms administer workers' service accounts

BD 15/4/97

Linda Ensor

CAPE TOWN — Port Elizabeth and Uitenhage employers are administering the monthly payments of the service accounts of their employees to the local municipalities.

An estimated 5 000 to 6 000 workers in Uitenhage had been incorporated into the system, Uitenhage deputy city treasurer Philip Nel said.

Small enterprises were involved, as well as large companies such as Volkswagen and Goodyear.

Nel said municipal officials had taken the initiative by arranging meetings with employers and employees and persuading the latter to sign forms consenting to stop orders. Deductions were being made for current debts as well as for arrears, which in Uitenhage amounted to about R30m.

Port Elizabeth Regional Chamber of Commerce and Industry CE Kevin Wakefield estimated deductions had been made to the salaries of about 2 300 workers in Port Elizabeth.

He said the chamber had played a facilitating role by getting employers and unions to agree to the scheme last September, despite the enormous administration costs for employers.

The union movement had encouraged its members to participate, but Wakefield said it was now up to the municipality to get consent forms signed by sending task teams into the workplace. Employers did not have the capacity to do this.

While business had proposed outsourcing this function to the private sector, the municipality was afraid of the complications which could arise if mistakes were made. Wakefield said another solution would be for provincial governments to legislate for a statutory minimum deduction from payrolls for municipal payments, with individuals being responsible for topping up the amounts owed.

Deputy Intelligence Minister and former ANC Intelligence Chief Joe Nhlanhla enters the Johannesburg High Court yesterday to give evidence at the judicial inquest into the 1994 Shell House shootings. Picture. GARTH LUMLEY

Police row likely to dominate debate

Wyndham Hartley

CAPE TOWN — Today's parliamentary debate of President Nelson Mandela's budget vote and Friday's debate of the money given to safety and security are set to become the battleground over the reasons for the row between Safety and Security Minister Sydney Mufamadi and SAPS national commissioner George Fivaz.

Opposition parties gave notice yesterday that they would use the two budget votes to question the African National Congress (ANC) about the recent clash between Mufamadi and Fivaz, particularly as both men failed to appear before Parliament's safety and security committee yesterday to explain the situation.

Committee chairman Radu Molekane (ANC) said he had, on his own initiative, asked the two to attend yesterday's committee meeting because of the "public debacle", but had been told first by Mufamadi and then Fivaz that preparations for the budget vote precluded their attendance this week.

Democratic Party (DP) committee member Douglas Gibson said the DP was disappointed that the two men could not attend yesterday's meeting, and said the party's leader Tony Leon would raise the matter during Mandela's budget vote today.

ANC committee member Mululeki George said the safety and security budget vote was too important to be dominated by a debate on the public row between Fivaz and Mufamadi.

'Good roads vital for strong economy'

BD 15/4/97 (269)

Jacob Dlamini

CAPE TOWN — SA loses an estimated R17bn to road accidents every year, the Southern African Bitumen and Tar Association (Sabita) told Parliament's transport committee yesterday.

In its presentation to the committee's road safety hearings, Sabita said the cost was due to the loss of productive output, property damage, pain and suffering, and administrative and legal costs.

Sabita said bad roads accounted for at least 3% of all accidents and warned that road authorities could lose R500m in potential claims from victims of accidents.

Sabita technical director Rob Vos said the association had commissioned the Council for Scientific and Industrial Research to conduct research on the full effects of roads on all accidents.

Vos said road freight would have to grow by at least 12% a year if SA was to realise the 6% gross domestic product (GDP) growth targeted by the government. He said every 1% of investment in road infrastructure could generate 2% to 3% GDP growth.

However, it cost the economy two to three rands on every rand not spent on maintenance costs. The SA civil engineering industry had lost 30 000 jobs between 1986 and last year, he said.

Vos said SA fared poorly when compared with countries such as Botswana in terms of the availability of paved roads per one million people. SA's roads, which should be regarded as one of the country's greatest assets, were inadequate to serve the disadvantaged communities.

Sabita public relations consultant Mamosedi Maleka said local government officials "were vulnerable to exploitation by greedy road developers".

Maleka said Sabita had conducted workshops designed to show local government the benefits of well-maintained roads.

Many city buses are on the road illegally

(269) Star 17/4/97

By Rodney Victor

Johannesburg bus commuters depend for some of their travel on vehicles which should not be on the road. They do not all have proper safety and fitness certificates.

A spot check by The Star yesterday on buses waiting at the city centre, Van der Bijl Square terminus revealed that many did not have certificates of fitness, awarded after an annual inspection and compulsory for vehicles that transport fee-paying passengers.

Of 12 buses at the terminus, only four had both certificates of fitness and licences on their windscreens. Three had neither certificates of fitness nor licences, and five had certificates of fitness only.

Tokens were missing from both new single-decker buses and from old double-deckers.

Bus drivers told The Star that missing tokens were the norm rather than the exception. They said this was because many of the buses would not be able to pass roadworthy tests.

Johannesburg's bus chief Fouch Fouche expressed surprise when told that many of the city's buses were on the road illegally.

"I am not aware of that. If that's the case I will take action immediately," he said.

Tokens could be missing if the windscreens had been replaced, or they might have been stuck on different windows, Fouche suggested.

Later an official in the city's bus department, Jack Kelly, said he could not understand why there were buses on the road without valid licences and certificates of fitness.

Missing tokens are a puzzle

The only time this happened was when the licences of many buses expired at the same time. Because of the heavy workload in the licensing department it sometimes took a couple of days for the new licences to be issued.

The Star asked Johannesburg traffic chief Titus Malaza whether the traffic department would act against buses on the road illegally.

"You've got me. That's a difficult issue," he said.

Council-owned vehicles were not immune from prosecution, Malaza said. If the drivers of council-owned vehicles were guilty of offences, the traffic department had no hesitation in acting against them.

SA AIRWAYS (269)

OPPORTUNITY LOST

FM 18/4/97

It's ironic that SA Airways' first flight to Japan's second most important airport, Osaka's Kansai, earlier this month has been hailed as a coup for the airline

It now transpires that SAA could have been flying into Japan's most important airport, Tokyo's Narita, for the past 14 years had SAA's top management appreciated the importance of the move.

Brian Watkins, now a business consultant specialising in Japan, headed SAA's Japanese operation in the early Eighties and persuaded the Japanese authorities to grant SAA landing rights at Narita in 1983 Watkins personally conveyed the good news to Frans Swarts, assistant GM: Airways, who headed SAA. But Swarts instructed Watkins not to pursue the matter further. After that, SAA CE Gert van der Veer tried to get slots at Narita — to no avail.

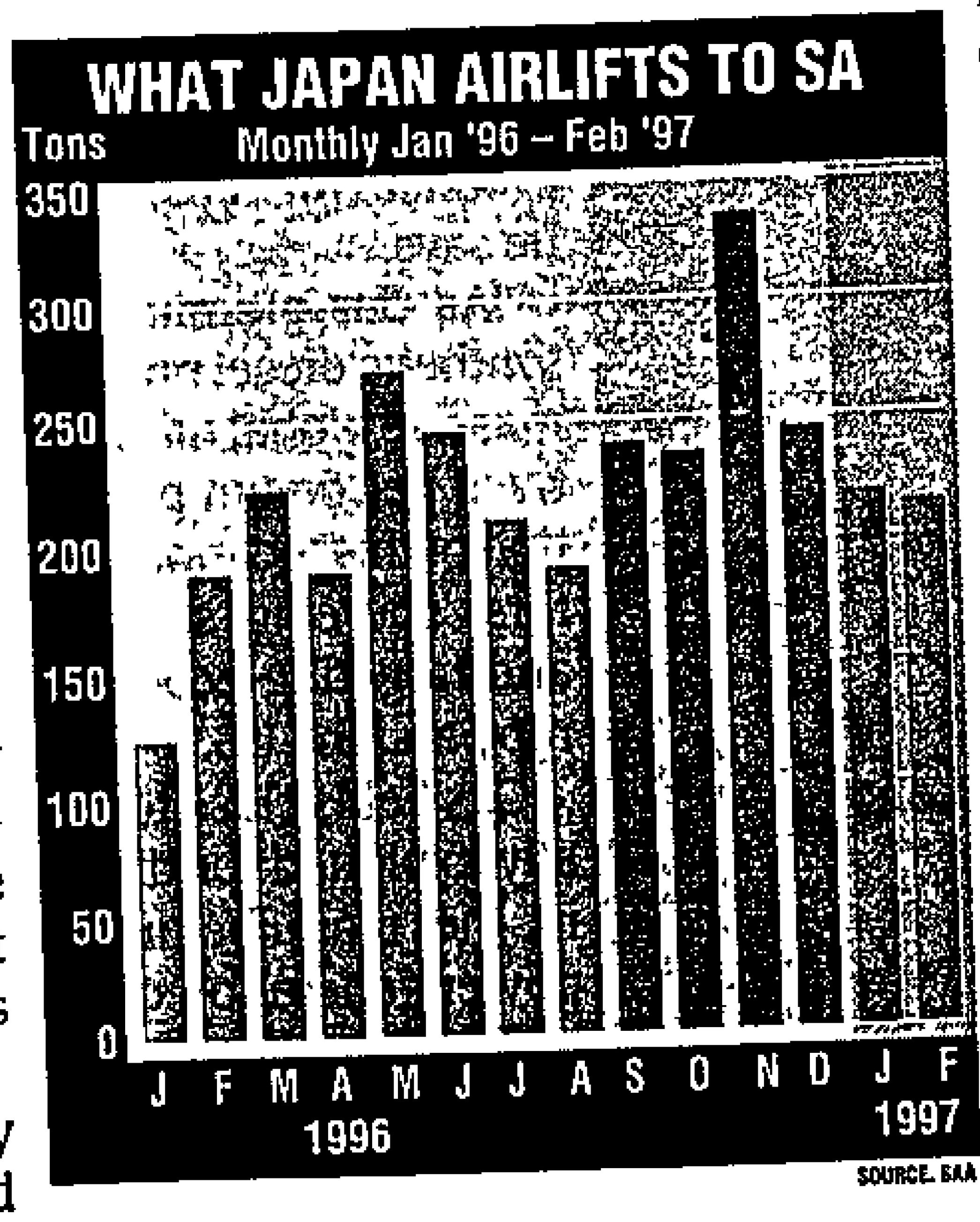
SAA management should have realised it was by then futile to try to obtain slots at Narita and the invitation to fly into Kansai should have been grabbed. The Japanese authorities made numerous approaches but SAA persisted with its demand to fly into Narita

A year after Kansai opened, on September 22 1995 Gary Webb, SAA executive manager of marketing and planning, said "we're watching Japan but can't get slots at Tokyo airport. They offered us access to the new Kansai but that's like offering British Airways access to Bloemfontein "

When the situation was accepted, there were only a few slots left at Kansai. Industry pundits say SAA is lucky to get the two a week it now has

SAA cargo senior manager Herman Fouche says the new service will open the opulent Japanese market to SA fruit, vegetable and cut flower exports and enable fishing factories to supply the Japanese market with fresh seafood — which sells at premium prices.

SAA cargo sales manager in Japan Tsukasa Itoh says the service will enable SAA to earn full fees on all air cargo between the two countries. "Before the Kansai service started, freight had to be transported interline. The 2 691,3 t of freight flown from Japan to SA in 1996 had to be flown to where SAA aircraft turned around — Australia, Hong Kong, Bangkok and Singapore — by other airlines which often earned more for transporting it than SAA did."



SAA cargo regional GM for Asia & the Pacific Anton Nöffke says two frequencies are not enough. All the outward bound cargo space is booked for the first two months

Safcor Freight and its Japanese partner, Hanshin Aircargo, were quick to appreciate the potential of the new service. They had established and were marketing their new service, JIT Express, before SAA's first Boeing 747-200 took off from Johannesburg for Osaka on April 3.

David Pincus

Union 'broke rules in bid for Sun Air'

BD 18/4/97 (269)

Reneé Grawitzky

THE SA Railway and Harbour Workers' Union (Sarhwu) had, in broad principle, transgressed the rules of Sun Air's restructuring committee, the transport department said yesterday, but it said it was satisfied there had not been any potential conflict of interest.

Transport director-general Khetso Gordhan said the union was unaware its investment arm was involved in Virgin-Bhekilanga consortium's bid for Sun Air.

This reaction comes amid reports that potential bidders had questioned whether there was a conflict of interest because of the union's involvement in the restructuring committee while its investment arm was bidding.

These parties felt that conflict existed because there was no real difference between the investment arm and the union and, therefore, the investment arm would have access to confidential information.

To add to this, it was incorrectly reported that the chief executive of Sarhwu's investment arm Sandile Zungu had represented the union on the restructuring committee. The union's committee representative was Ntombi Masikane, who had signed a confidential undertaking which strictly prohibited her from disclosing any information to a third party.

Gordhan said the union's role in the restructuring committee had in no way influenced Virgin-Bhekilanga's ability to have an advantage over other bidders.

Information disclosed in the committee to date was not sensitive and would be published in the tender document sent to all bidders.

The rules of the restructuring committee provided that a party could not be involved in the committee and in a potential bid at the same time.

Gordhan was satisfied, however, that union members were unaware that the investment arm was involved in the bidding process and that a distinction existed between the two structures.

Zungu said there was a fundamental difference between Sarhwu and its investment arm. Its investment arm was owned by Sarhwu Enablement Trust, which had been registered by Cheadle, Thompson and Haysom.

The union was not a beneficiary of the trust, so no money could flow from the trust to the union. Beneficiaries of the trust included all workers in the railway, harbour and airline industries, not just Sarhwu members.

In fact the investment arm had written to Gordhan last week telling him of the distinction between the two structures, Zungu said.

Private sector role at airport urged

MICHAEL MORRIS (269) APR 24/4/97

Quality shops and restaurants and other privately run facilities should be worked into the expansion plans for Cape Town airport to assure financial independence.

This is the advice of Gordon Edington, chairman of the British Airports Authority and a member of the delegation of high-powered British executives visiting Cape Town to offer expertise and experience to strengthen the city's Olympic project.

He said a successful, modern airport was effectively a "city within a city".

Spiralling consumer demand and steadily rising flight and passenger tallies placed enormous strain on airports, which, if they were to survive, had to expand facilities at great cost.

"As a result, the world's airports are at a crossroads.

"Funding for these hugely expensive projects must be found somewhere.

"Since most of the world's airports are state-owned or -run, it is the taxpayer who in many cases will have to bear the burden of developing and maintaining airport infrastructure at a time when demand for housing, hospitals and schools is growing."

He added: "But there is a solution.

"By involving the private sector it is possible to make an airport a profitable, going concern that raises the funds it needs for its continued development."

Govt urged to privatise harbours

269

Nicola Jenvey

DURBAN — Grindrod Unicorn chairman Murray Grindrod has urged government to move forward with its port privatisation plans, despite the difficulties associated with the release of state assets.

24/4/97

BD

Grindrod said in its latest annual report that privatising the ports and their facilities remained "a desirable move" for the SA marine industry, as the group continued to be adversely affected by port delays while these were state-owned. Although he acknowledged that privatisation was "not without its difficulties", he urged government to proceed as soon as possible.

During last year Unicorn's tanker division took delivery of two new product tankers, the Engen Rainbow and the Engen Simunye and bought another tanker, the Energos, for delivery in the second half of this year.

Grindrod said the prices paid had been highly competitive and the investment would stand the group "in good stead" in future. He expected that the state-of-the-art vessels would produce significant benefits in the current year.

The international shipping and transport market had been influenced by the level of international trade and the group had positioned itself to minimise the effects of fluctuations.

Trading income rose 48% to R160m in the year to December, while attributable income increased 38% to R54m.

Eight bidders line up for Sun Air

CT(BR) 30/4/97 (269)

DUMA GQUBULE

Johannesburg — The public enterprises and transport departments named the eight companies and consortiums yesterday which had prequalified to make a bid for the state-owned Sun Air, which is to be fully privatised by the end of July.

The companies are the Virgin Atlantic-Bhekilanga consortium; Malaysia Air; Air France; Comair-NSA Investments; Rethabile Consortium; Ukhozi Sanco Consortium; Phoenix Venture Partners and Maru Investment Holding.

Mac Maharaj, the transport minister, and Stella Sigcau, the public enterprises minister, announced the shortlist yesterday. Sigcau said tender documents would be available today. The eight groups had until May 22 to submit non-binding offers containing the information requested in the tender document, she said.

The eight groups, which will then be trimmed to a shortlist of three, will be given an opportunity to submit binding offers for Sun Air.

The airline has eight aircraft operating on the Johannesburg-Cape Town-Durban "golden triangle", of which it has a 22 percent market share.

There were only three foreign airlines on the shortlist.

THAT WAY FOR PRIVATISATION *Mac Maharaj, the transport minister, and Stella Sigcau, the public enterprises minister, name the prequalifiers in the bid for Sun Air* PHOTO JOHN WOODROOF

They will be permitted to take up to 49 percent of Sun Air.

If the Comair-NSA Investments bid is successful, SAA could have a formidable local competitor with more than 25 percent of the R4 billion domestic passenger market. Comair and Sun Air are the country's second-largest and third-largest airlines.

"This seems to be a serious bid to get a competitor out of the market. Comair is unlikely to maintain the Sun Air brand if it wins. If it loses, but gets to the next stage, it will have gained precious market information after doing a due diligence review of a bitter rival," an industry source said.

Other sources said it was possible for the foreign airlines, Malaysia Air and Air France, to link up with any of the four black consortiums which have prequalified.

ister A...

Qualifiers in sale of Sun Air named

BD 30/4/97 (269)

Robyn Chalmers

THE 100% sale of Sun Air, SA's first full privatisation exercise, should be completed by the end of July, with eight local and international consortiums having qualified to bid for the airline, Public Enterprises Minister Stella Sigcau said yesterday.

Qualifying bidders included Virgin Atlantic of the UK — in partnership with six black empowerment groups, among them African Renaissance and the SA Railway and Harbours Workers' Union Investment Company — Malaysia Air, Air France and Comair in consortium with NSA Investments.

Other qualifiers were the Rethabile Consortium, consisting of black businessmen involved in the tourism industry together with broadly based black investment groups, and the Ukhozi Sanco Consortium, comprising a newly formed black empowerment group and the investment arm of the SA National Civics Organisation.

Phoenix Venture Partners, an investment banking and emerging markets advisory consulting company, and Maru Investment Holding, a black economic empowerment group from North West, also qualified.

The consortium of Virgin Atlantic and its partners has been widely tipped as a frontrunner, but analysts were optimistic yesterday that the other bidders would ensure a highly competitive environment.

Both Sigcau and Transport Minister Mac Maharaj expressed their satisfaction that significant progress had been made on the privatisation of Sun Air. Initially there were 16 applications for prequalification.

Sigcau said tender documents would be made available to the various parties from today. The deadline for submissions was May 22, after which a short list would be announced. A decision on how the sale proceeds would be employed would be negotiated along the lines of the recent sale of a 30% stake in Telkom.

Sigcau announced earlier this year that the stake in Sun Air to be made available to offshore buyers had been increased to 49% from 25%. This paved the way for possible foreign control of a privatised Sun Air.

BoE Natwest corporate finance manager Steve Naude declined to comment on Sun Air's value, but said the airline had eight aircraft and operated on the profitable routes between Johannesburg, Cape Town and Durban. Analysts have estimated that government could garner R150m-R200m, depending on the goodwill factor.

Naude said the criteria for prequalification had depended on three issues — the identity of the parties involved, the level of financial backing and the motivation behind the purchase.

Restructuring and transformation committee co-chairman Donald Keth, who represents the views of labour, said the trade union movement fully backed the privatisation of Sun Air and no job losses were expected. "In order to ensure there are no job losses we have to have a growing and dynamic company, and for that reason we are behind the sale of Sun Air."

An employee share ownership scheme which would be established was still under discussion.

Picture: Page 3

Sun Air bid linked to empowerment

(269) [redacted]

Robyn Chalmers

MALAYSIA Air and Air France would have to link up with a local black empowerment group should either succeed in its bid to buy Sun Air, the public enterprises ministry said.

Public Enterprises Minister Stella Sigcau and Transport Minister Mac Maharaj announced earlier this week that eight local and foreign companies and consortiums had qualified to bid for the airline in SA's first full privatisation.

Sigcau announced in February that foreign investors would be able to buy a maximum 49% of Sun Air, rather than the 25% previously offered. This was in response to concern that 25% was not large enough to attract foreign bidders and that there was a need to inject foreign capital into the organisation.

While bidder Virgin Atlantic has linked up with six local empowerment groups, neither Malaysia Air nor Air France have indicated that they are planning to go a similar route. Both have entered the bidding fray in their own right.

"The stake they can hold will be limited to 49% and government has made it clear it wishes to sell 100% of Sun Air, so logically any successful foreign bidder would need a local partner," said Wandile Zote, a ministry spokesman.

Analysts said it was possible that Virgin, which many industry observers believed to be the bidding frontrunner, could take 49% of Sun Air if it won, with the remaining 51% divided among its local partners.

One analyst said that should this materialise, it was possible that a single foreign operator could end up with a controlling stake in Sun Air.

The other bidders for Sun Air announced this week were Comair/NSA Investments, Rethabile Consortium, Ukhozi Sanco Consortium, Phoenix Venture Partners and Maru Investment Holding.

The sale is expected to be completed by the end of July. Tender documents were made available this week and bids have to be made by May 22, after which a short list will be announced.

BD 2/5/97

The battle to control SA skies hots up

Sun Air up for sale

ARG 3/5/97 (269)

IAN SHIFFMAN
STAFF REPORTER

The battle to control South African skies hotted up this week with the announcement by the Minister of Private Enterprises that Sun Air is to be privatised by the end of July.

Minister Stella Sigcau and Transport Minister Mac Maharaj announced the eight companies and consortiums that had qualified to make a bid for the state-owned airline.

The local flight scene is about to undergo a major metamorphosis over the next few years that could be of a huge benefit to passengers and make non-profit airlines profitable.

Whoever is successful in acquiring Sun Air could provide some travel options now in common use in the US and Europe, but not yet available to domestic passengers.

This could include ticketless travel, the use of swipe cards to book a flight and obtain a boarding pass and a general upgrading of standards.

Sun Air, which has 22 percent of the R4-billion a year market, operates eight aircraft on the "golden triangle" route – Johannesburg, Cape Town and Durban.

Three foreign and one local airline are bidding for Sun Air, as well as several consortiums.

Air France and Malaysia Airlines refused to comment on how they would operate Sun Air if successful with their bids, but market analysts think that Sun Air would be used to feed passengers to South African and neighbouring destinations.

Richard Branson's Virgin Atlantic has submitted a bid under the Virgin Atlantic-Bhekilanga consortium.

Local carrier Comair, which operates its flights under a British Airways franchise, is bidding under the Comair-NSA Investments group.

Comair's managing director Piet Van de Hoven said that should Comair be successful in its bid for Sun Air, it would most likely operate the airline under its present name and could be part of a new holding company that could be formed.

Should Comair be successful in securing the permitted 49 percent of Sun Air, South African Airways could face a formidable competitor.

Mrs Sigcau said in Japan last month that SAA would be sold in one lot, but at present the issue is regarded as sensitive, and no comment could be obtained from SAA, which referred comment back to the minister's office.

Wandile Zote, press liaison officer for the minister, said no comment on the SAA privatisation would be made until Monday, when Mrs Sigcau was to hold a press briefing on restructuring of state assets.

SAA could be privatised next year, but it seemed more likely that a portion of the airline would be sold, according to Linden Birns, editor of the authorative publication, *Air Report.*

SAA was facing strong opposition from the unions, which were opposing privatisation, while the industry was pressing for finalisation of the issue.

Indications were that British Airways and Lufthansa could be contenders for a share of SAA. The local airline entered into an alliance with the German carrier, but Lufthansa recently entered into the Star alliance in Europe, leaving SAA out, because Lufthansa was objecting to SAA's code share agreement with American Airlines, according to Mr Birns.

Another option was that SAA could be sold in different lots to more than one contender.

In another move to recoup some revenue for unsold seats on local routes, SAA held its first auction on the Internet last month month.

The airline auctioned 10 seats on flights departing from Johannesburg on April 25 and returning on April 28.

Sixty people bid for the one-way flight seats, with the Johannesburg-Cape Town seats going for around R260 and to Durban from R130.

SAA plans to make auctions on its Internet site a monthly event and also plans to auction seats on its international flights to dispose off a few "dead seats" on certain flights.

Insufficient money to repair and maintain Gauteng roads

(269) Star 5/5/97

At least 30% of Gauteng's roads are in a poor condition and in urgent need of repair, but limited funds available made repair work impossible, according to Public Transport and Roads MEC Paul Mashatile.

Only R89-million had been budgeted for repairs this year, while R209-million was needed.

Mashatile was replying to written questions on the state of roads in the province by Democratic Party MPL Jack Bloom.

Bloom said yesterday the cost of carrying out repairs to existing roads, and new problems which arose, would increase significantly, making any improvement expensive.

He said R79-million was spent in the past financial year on repairing only 342km of roads. The amount was inadequate to address the backlog and allow for preventive maintenance on other roads which were deteriorating, he said.

Bloom further said that of 3 904km of tarred roads which fell under the Gauteng provincial administration, 1 163km were assessed as being in need of repair

"We are looking at a looming crisis as the road infrastructure breaks down further, with a very negative impact on vitally needed economic growth," he said. – Staff Reporter.

Centre burnt 'to hide licence fraud'

BD 6/5/97 (269)

Business Day Reporter

NELSPRUIT — Traffic officials accused of issuing up to 300 fraudulent drivers' licenses a day in the former KwaNdebele homeland allegedly burnt their R1,2m test centre in 1995 to destroy evidence of their activities.

Sapa reports that four officials suspected of running the fake licence syndicate and of the arson were temporarily suspended, but were later reinstated and promoted without disciplinary action against them, the Moldenhauer commission into fraudulent licences heard yesterday.

The commission was set up after a number of traffic officials alleged that a learner's and driver's licence had been irregularly organised and issued to parliamentary deputy speaker Baleka Mbete-Kgositsile.

Although Mbete-Kgositsile has no personal or constituency links to Mpumalanga, she received both licences on October 1 last year after provincial safety and security MEC Steve Mabona sent his car and bodyguards to fetch her from Johannesburg.

Yesterday Mbete-Kgositsile said she wished to "express my regret", if it had appeared that she used her official position to "jump the queue".

"I fully accept that members of Parliament should set an example in ensuring that proper procedures are followed at all times," she said.

However this was a separate matter from her licence application, which was done in "good faith", she said.

"I completed all the normal tests, paid the fees and had my licence issued by the most senior official in the Mpumalanga traffic department. As a lay person I complied with everything required of me."

Mpumalanga chief traffic inspector Francois Coombs, who headed an internal investigation into the alleged

Continued on Page 2

Licence fraud

(269)

Continued from Page 1

BD 6/5/97

syndicate, told the commission that after interviewing the four officials one Friday he was told he could get "master" licence books from the test centre safe only on the Monday.

However, on the Monday he found the centre had been burnt down. The only thing reported missing from the centre's fireproof safe was a briefcase containing money and licence books.

Police were unable to trace the culprits, but confirmed that the centre was destroyed by an act of arson.

Despite handing over "iron clad" evidence and video recordings of licence corruption by the four officials to provincial traffic director Henry Brazer, one of the officials was made an assistant director shortly afterwards.

All four officials, two traffic officers and two administrative officials, also allegedly refused to return the money they had accepted as bribes.

Officials at a driving school who were allegedly in cahoots with the four officials and who were paid R700 by undercover investigators, threatened to "cause trouble" for investigators with Mabona.

Coombs also said he was originally asked to investigate charges against Brazer after he allegedly bought a boat and diving equipment for personal use with departmental money, but was then told the investigation had been taken over by senior traffic inspector Roelf Smith. — Sapa.

SA, Mozambique start R3bn development project

(269) BD 6/5/97

Robyn Chalmers

MAPUTO — SA and Mozambique launched a R3bn "build, operate and transfer" (BoT) highway yesterday — the first such project undertaken in southern Africa — which effectively kick-started the huge Maputo Development Corridor.

Both Deputy President Thabo Mbeki and Mozambican Prime Minister Pascoal Mocumbi hailed the finalisation of the first key infrastructure project in the corridor, saying it signalled the seriousness with which both governments were approaching regional co-operation and integration.

The two governments also signed agreements dealing with road freight and passenger transport between the two countries which would facilitate the movement of goods and people by road.

The Maputo-Witbank toll road, or the N4, will be built, operated and maintained by Trans African Concessions (Trac) — made up of 21 companies including Basil Read, Stocks & Stocks, French construction group Bouygues, Investec and Nedbank — under a 30-year BoT concession contract. BoT is a mechanism whereby the private sector raises funds to build and operate projects at a profit, then hands them back to the state at the end of the contract period.

Trac spokesman Gérard Perceau said new construction and improvements on the N4, scheduled to begin in six months, included 70km of new road, 112km of rehabilitation and 240km of widening the road. Tolling would begin in about 18 months and would be phased in over the initial construction period. Toll fees had not yet been decided upon.

Mbeki said it was imperative to foster co-operation with regional partners and the development of infrastructure which positioned SA's exports competitively.

He said the port and rail upgrades as well as the one-stop border facility at Ressano Garcia/Komatipoort would be finalised soon.

Mbeki said Trac had given a number of important guarantees, having undertaken to comply with the social responsibility and environmental requirements of both countries.

Trac had also agreed to provide guarantees for the performance of the initial construction, estimated at about R1bn. While the financing of the debt funding still had to be finalised, Mbeki said most of it would be provided by local financial institutions.

Mocumbi said that with the signing of the N4 contract, the essential conditions to begin construction had been met.

He gave his assurance that the Mozambican government was securing financing for the rehabilitation and modernisation of the Maputo rail and harbour complex, despite delays.

Nicola Jenvey

Joint venture to link SA, Mozambican ports

(269) ~~(218)~~

DURBAN — A new Mozambican shipping line servicing the ports along the Mozambican coast is to be introduced this month as a joint venture between SA-based Unicorn Lines and Portuguese-based Tertir.

Mozline will call at Maputo, Beira, Quelimane, Nacala and Pemba on two different port rotation schedules and offer line-owned container equipment and a nationwide door-to-door service.

The company said it would offer both container and general cargo services and operate in conjunction with Unicorn's weekly Uni-feeder service, thereby linking the new service to SA ports.

Unicorn CEO Dave Rennie said that by extending the service to Durban, a gateway to a worldwide service into and out of Mozambique would be opened.

This would be beneficial in facilitating trade opportunities developing from the rapidly growing Mozambican economy.

Point Lisas, which is the first vessel dedicated to the new service, would call at Maputo next week to commence the maiden voyage.

Capable of carrying 158 containers, the ship is fitted with two modern 25-ton combination cranes and is well suited to the smaller ports along the Mozambique coast.

The vessel would be joined by additional ships later this year, he said.

BD 6/5/97

CORRIDORS OF POWER *Mac Maharaj, Thabo Mbeki and prime minister Pascoal Mocumbi at the signing* PHOTO RICHARD BARTLETT

ST(BE) 6/5/97

R3bn toll road boost for Maputo Corridor

(269)

RICHARD BARTLETT

Maputo — The Maputo Development Corridor received a R3 billion boost yesterday with the signing of a 30-year concession agreement for the construction and maintenance of a toll road between Witbank and the port city.

The new road, to be completed within four years, will be one of the few privately financed cross-border toll roads in the world, Thabo Mbeki, the deputy president, said at the signing ceremony yesterday.

The agreement for the "build, operate and transfer project" was awarded to Trans African Concessions, a consortium made up of Bouygues, the French construction group, and local groups Basil Read and Stocks & Stocks.

Financing for the road project is being arranged by Investec and Nedbank, with Msele Bank as co-arranger. The Hong Kong and Shanghai Bank is acting as a financial adviser on the project.

The new road will make the Gauteng-to-Maputo trip 150km shorter than that between Gauteng and Durban, Mac Maharaj, the transport minister, said.

Construction of the road is to begin within six months and will entail 112km of rehabilitation, 70km of completely new road and 240km of widening with some added interchanges.

The first tolls will be charged in November next year. A final decision on the toll fees will be made in consultation with the two governments. Ownership of the road, which will have a lifespan of 45 years, will revert to the respective governments after the concession agreement expires in 2027.

mping the queue

CT 6/5/97 (269)

MPs should set an example - Deputy Speaker

Baleka regrets jumping the queue

SHE WOULD ABIDE by the finding of a commission of inquiry into the issuing of fraudulent drivers' licences, ANC MP Baleka Mbete-Kgositsile said yesterday.

DEPUTY Speaker Ms Baleka Mbete-Kgositsile has expressed her regret over "jumping the queue" to gain a driver's licence and having used her official position to do so. Mbete-Kgositsile ended two weeks of controversy when she acknowledged that she had obtained a licence by "fast-tracking" the procedures and said she accepted that MPs should "set an example".

She had acknowledged two weeks ago that "because of heavy work pressures" she had speeded up the process of getting a licence with the help of Mpumalanga Safety and Security MEC Mr Steve Mabona.

Yesterday she said that she would abide by the findings of the commission of inquiry set up by the Mpumalanga government into the alleged granting of fraudulent licences in the province. Allegedly 44 licences were issued illegally by the provincial traffic authorities.

Mbete-Kgositsile said she had applied for a licence through the Mpumalanga government "in good faith". "I completed all the normal tests, paid the fees and had my licence issued by the most senor official in the province's traffic department."

She insisted yesterday that as a "lay-person", she had complied with everything required of me".

WILL COMPLY: Deputy Speaker Baleka Mbete-Kgositsile

"The commission investigating the matter will establish whether there were any irregularities."

Mbete-Kgositsile appeared before the Moldenhauer Commission of Inquiry last week.

A source close to her said last night that while she was in Mpumalanga to attend "various functions" she had mentioned to Mabona her frustration at not having the time to take her test and he had offered to "organise it".

Her guards were also concerned that she should not be tested for her licence in a congested public place.

Sapa reports that traffic officials accused of issuing up to 300 fraudulent drivers' licences a day in the former homeland of KwaNdebele allegedly burnt down their R1,2-million test centre in 1995 to destroy evidence.

Four officials suspected of running the fake licence syndicate and of arson were suspended, but were later reinstated and promoted without disciplinary action being taken against them, the Moldenhauer commission was told in Nelspruit yesterday.

Mpumalanga chief traffic inspector Mr Francois Coombs, who headed an internal probe into the alleged syndicate, said he had interviewed the four officials on a Friday and was told he could get certain documents from the test centre's safe only on the Monday.

The test centre was burnt down over the weekend. All that was reported missing from the fireproof safe was a briefcase containing money and licence books.

Although he had handed over video recordings and "iron-clad" evidence about corruption by the four officials to provincial traffic director Mr Henry Brazer, one of the four was made an assistant director, Coombs said.

All four — two traffic officers and two administrative officials — had refused to return the money they allegedly had accepted as bribes.

Officials at a driving school, who were allegedly in cahoots with the officials and who were paid R700 by undercover investigators, threatened to "cause trouble" for investigators with Mabona. Both Brazer and Mabona featured prominently in testimony before the commission last week in Mbete-Kgositsile's case.

Although she had no personal or constituency links with Mpumalanga, she had received both licences on the same day, on October 1 last year, after Mabona sent his own car and bodyguards to fetch her from Johannesburg.

Brazer, who was booked off work at the time after a minor heart attack, drove 350km from Nelspruit to Delmas to test her — although he was not registered as a certified testing officer.

No records were kept of the test or the licences. The documentation produced later to prove that there had not been any irregularities contained numerous errors or procedural irregularities, Coombs said.

He told the commission yesterday he had been asked to investigate corruption charges against Brazer after allegations had been made that Brazer had bought a boat and diving equipment for personal use with departmental money.

Before starting his inquiry, Coombs was told it had been taken over by senior traffic inspector Mr Roelf Smith.

"I was then asked to investigate the issuing of up to 300 licences a day in Kabokweni, but Brazer first forced us to tell him the names of our undercover officers and decoys," said Coombs.

"We staked the place out for two days and then sent our decoys in. The moment they asked for licences and showed their ID books, the officers chased them away, saying they had been warned we were SA Police Services."

Coombs added that when he complained about the handling of the Kabokweni case, he was threatened with disciplinary action and being transferred away from his home in Middelburg.

He was also suspended without explanation in April 1996 from all investigative duties and intimidated by senior departmental officials.

Brazer is expected to testify tomorrow. — Political Staff

Traffic centre torched to destroy evidence

(269)

Inquiry into MP's driving licence hears that 300 fake documents issued daily

Star 6/5/97

SAPA

An inquiry into how a senior Member of Parliament passed a driving test in Mpumalanga has been told that up to 300 fraudulent licences were being issued each day in that part of the province when it was still the KwaNdebele homeland – and a test centre worth R1,2-million was burnt down in [illegible] destroy all evidence of the [illegible].

[illegible] Speaker Baleka [illegible]gositsile insisted at the [illegible] in Nelspruit last week [illegible] licence was issued legally; but yesterday she apologised in Cape Town for using her position to jump [illegible] queue.

[illegible]malanga chief traffic inspector Francois Coombs told the Moldenhauer Commission of Inquiry yesterday that he had personally led an internal investigation into the fraudulent syndicate and four officials suspected of running the scam were temporarily suspended.

But they were later reinstated and promoted without any disciplinary action taken. When he had interviewed the four on a Friday about the fraud, he was told he could only get a number of "master" licence books from the test centre safe on the next Monday.

However, when he returned on the Monday to collect the books, he found the centre had been burnt down over the weekend.

All that was reported missing from the centre's fire-proof safe was a briefcase containing money and the relevant books.

Police confirmed that the centre was destroyed in an act of arson.

Coombs said he passed "iron clad" evidence of fraud, including video recordings by the four officials, to the provincial traffic director, Henry Brazer.

Nevertheless one of the officials was made an assistant director shortly afterwards.

The unnamed official was at the time still suspended and under investigation.

All four officials – two traffic officers and two administrative officials – are also alleged to have refused to return the money which they had accepted as bribes.

Other corrupt officials who were paid R700 by Coombs' undercover investigators threatened to "cause trouble" for his team with provincial safety and security MEC Steve Mabona.

Brazer and Mabona featured prominently in testimony last week, when a number of traffic officials accused them of organising and issuing both a learner's and driver's licence irregularly to Mbete-Kgositsile.

She has no personal or constituency links to Mpumalanga, but she received both licences on the same day, last October 1.

Mabona had sent his official car and bodyguards to fetch her from Johannesburg to Delmas for the test.

It was testified that while Brazer was on sick leave at the time he still the drove 350km from Nelspruit to Delmas to personally test Mbete-Kgositsile.

However, he was not registered as a certified testing officer.

Go-ahead for route between Witbank, Maputto

(269)

Construction of R3-billion toll road, likely to boost development and confidence, expected to start in November

Star 6/5/97

By Hopewell Radebe
Maputo

South Africa and Mozambique yesterday signed three agreements to allow the construction of a R3-billion Maputo-Witbank toll road.

Transport Minister Mac Maharaj and Mozambican Public Works and Housing Minister Roberto White signed the concession contract for the construction, operation and maintenance of the national route (N4) between Witbank and Maputo. The N4 will link Gauteng and Maputo.

The road will be started in November and should be completed within four years at a cost of R3-billion.

Trans African Concessions consortium, a company which won the tender to build the road, has been given a 30-year period to be responsible for the rehabilitation and operation of the toll road from Witbank to Maputo.

Two bilateral agreements on the carriage of goods and conveyance of passengers were signed by Maharaj and Mozambican Transport and Communication Minister Paulo Muxanga. These are aimed at eliminating bureaucratic proceedings at the borders of the two countries. It is hoped to allow quicker access of goods and promote tourism.

Deputy President Thabo Mbeki said the signing of the agreement marked the finalisation of a key infrastructure project that would develop and encourage economic prosperity.

Mbeki said other projects linked to the Maputo development corridor would soon follow. They involved the development of Maputo harbour and the railway between Gauteng and Maputo.

There would also be a one-stop border facility between Ressano Garcia and Komatipoort to speed up the inflow of passengers and goods-carrying traffic.

"These projects are the basis upon which investment and growth can be enhanced in the whole region," Mbeki said.

The project would result in about 7 900 full-time jobs on site, 19 700 indirect jobs and 14 500 induced jobs which would come from entrepreneurs taking advantage of the agreement.

Mbeki said the road would be transferred to the two governments after 30 years, with a future lifespan of about 15 years.

Mozambican Prime Minister Tascoal Mocumbi said the project gave the Maputo development corridor a practical life and existence.

It strengthened the two countries' relations with each other and with the Southern Africa Development Community.

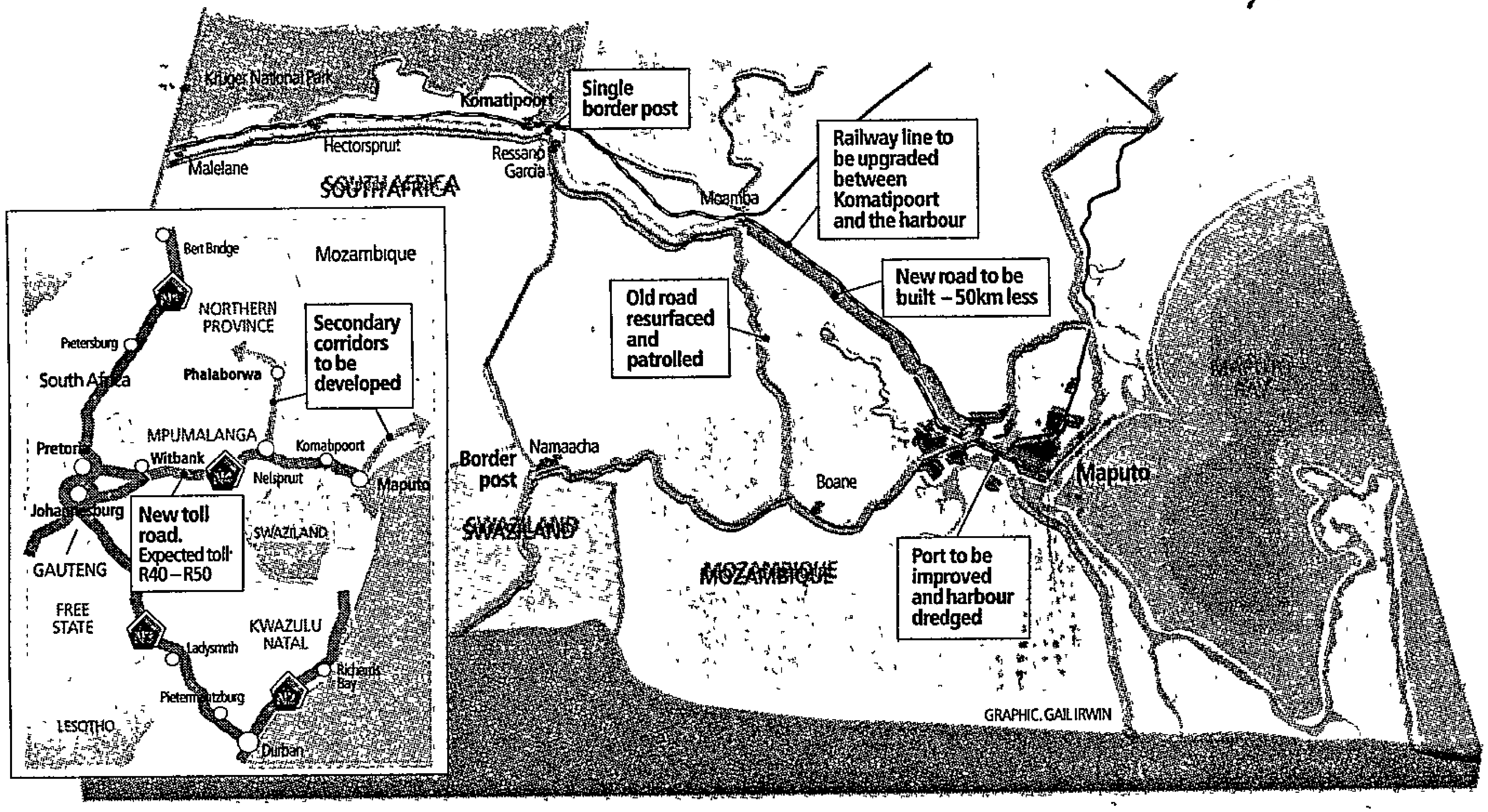
He said Mozambique would soon announce an invitation for tenders to develop Maputo's harbour so that it could reach international standard.

"We are building this road together with a clear expression of brotherhood, mutual trust and political willingness for co-operation,' said Mocumbi.

He said the development also signalled that the international community no longer viewed southern African as a risk and conflict area.

"We have transformed our region into being extremely business oriented," he added.

Mocumbi said the citizens of the region would benefit from the agreements because they would soon be travelling without a need for visas. They would use only their identity documents.



▶ R3-bn toll road boost
Business Report

The Star .... Wednesday May 7 1997

Inquiry told of 4 500 dubious driver's licences

(269)

Traffic official who raised the alarm tells Moldenhauer Commission he was threatened, harassed and victimised

Star 7/5/97

By Helen Grange
Nelspruit

About 4 500 possibly illegal driver's licences were handed to the police during the investigation which resulted in suspicions that Deputy Speaker Baleka Mbete-Kgositsile obtained her learner's and driver's licences fraudulently on the same day last October.

The Moldenhauer Commission sitting in Nelspruit heard a statement yesterday from John Muller, the traffic official who first revealed possible irregularities in the issuing of Mbete-Kgositsile's licences. He said throughout his investigation he had been threatened, harassed and victimised.

He primarily implicated provincial traffic director Henry Brazer, but named other officials who either frustrated his investigation or simply never co-operated.

Muller said that after he had joined the KaNgwane traffic department in 1988, "it became apparent that the illegal issuing of driver's licences was being cleverly done so as to avoid suspicion".

After a series of abortive attempts to expose corrupt traffic officials, "a major breakthrough in the driver's licence scam came on October 21 1994 when I was notified ... that Kabokweni (licensing department) was issuing about 1 000 driver's licences a month", he said.

The issuing of driver's licences in KaNgwane was suspended early in 1995 after Muller showed Premier Mathews Phosa some statistics. He soon afterwards handed 4 500 dubious driver's licences to detectives for further investigation.

Muller said he later received a fax from B A Mahlangu and Pat Shobed of Miliva Driving School in KwaNdebele, who listed 499 people to whom they had sold licences. Then, in August 1995, 14 traffic inspectors were arrested.

"Due to the threatening letters from Brazer and company ... I sent a letter to director-general Frank Mbatha requesting a commission of inquiry into the irregularities and disparities in the provincial traffic department," he said, adding that Mbatha had not contacted him again.

In December 1996 Muller was told by a Jack van der Schyff and a senior official of the then Transvaal Provincial Administration about a licence issued after hours at Kabokweni. It turned out to have been issued to Mbete-Kgositsile. Muller said he was then told by an advocate Soko to discontinue his investigation.

"This ... angered me and I was now more than determined to nail these people. I notified the press, and the result has been this commission of inquiry," he said.

Brazer is due to testify today.

Stride report 'could pave way for Transnet privatisation'

BD 7/5/97 (269)

Robyn Chalmers

THE Stride committee recommendations had the potential to overcome the biggest obstacle to Transnet's future privatisation, namely the R13bn pension fund burden, analysts and government spokesmen said yesterday.

Public Enterprises Minister Stella Sigcau said in her budget speech this week that the committee had recommended the Transnet debentures be cancelled and that all Transnet pensioners be taken over by the state.

Public enterprises ministry spokesman Wandile Zote said it had been hard to proceed with Transnet restructuring as the pension fund obligations had been problematic. "The Stride committee recommendations are positive and should pave the way for restructuring to move ahead far more rapidly," he said.

A transport spokesman said the pension fund was "in chaos". It was imperative to sort out its problems as soon as possible, before progress on restructuring talks could be made.

The report is before the interministerial cabinet committee, and other talks must still take place before it can be implemented.

A top Transnet finance division spokesman said recently Transnet would be burdened with payments of R2bn a year for the next five years from pension and medical aid fund deficits. The spokesman said Transnet was paying 16,5% interest — or R1,4bn a year — on R10bn stock it had issued to reduce the pension fund's deficit. The parastatal was also paying an additional R200m to the pension fund and R400m to the medical aid fund.

Comment: Page 9

Suspect licences reinstated

(269) CT 7/5/97

NELSPRUIT: Mpumalanga Safety and Security MEC Mr Steve Mabona illegally ordered the reinstatement of 3 000 suspected fraudulent driver's licences while they were still being investigated by the police, the Moldenhauer Commission into Fraudulent Licences heard yesterday.

Principal traffic inspector Mr John Muller told the commission the licences had been suspended from the Home Affairs population register computer system in 1995 after his investigations had revealed that they had been issued irregularly.

Mabona, however, sent a letter to Home Affairs director Mr Piet Colyn in August 1995 saying the investigation had been completed and that the 3 000-odd licences had been cleared and should therefore be re-instated on the computer system.

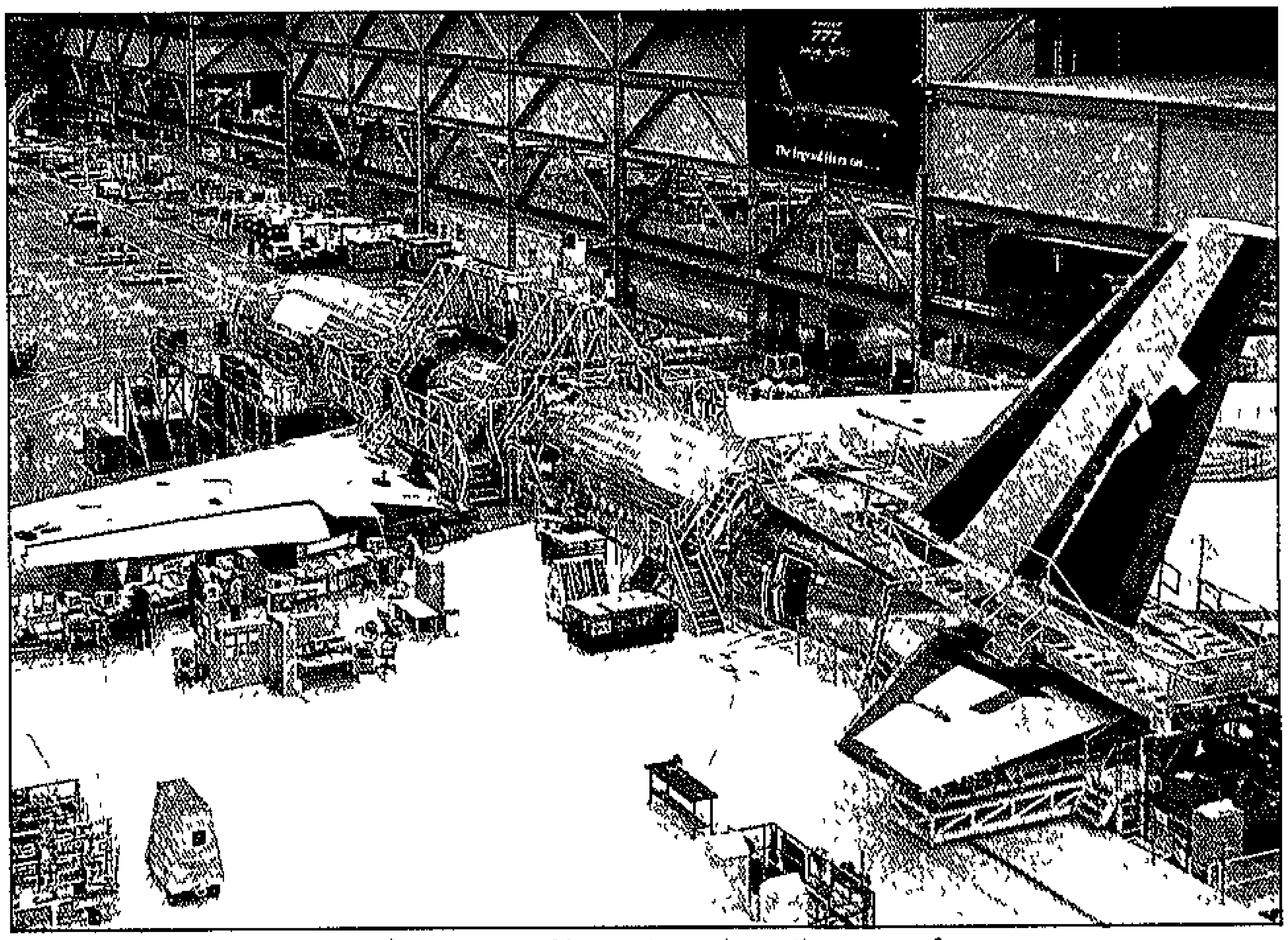
Muller, who had allegedly received death threats, had his salary stopped, his state car repossessed and was branded a racist on national radio by Mabona, reported the matter to the Justice Department and provincial director-general Mr Frank Mbatha, but was allegedly ignored.

Repeated requests for national intervention and a commission of inquiry were also ignored, Muller said, until he told a local news agency that one of the irregular licences had been issued to parliamentary deputy speaker Ms Baleka Mbete-Kgositsile.

Subsequent press reports resulted in the immediate establishment of the Moldenhauer Commission.

Despite having no personal or constituency links with Mpumalanga, Mbete-Kgositsile was issued with both a learner's and driver's licence on October 1 last year after she was driven from Johannesburg to Delmas in Mabona's official vehicle by his personal bodyguards.

Provincial traffic director Mr Henry Brazer drove 350km from Nelspruit to Delmas on the same day to personally test Mbete-Kgositsile. Brazer is not registered as a certified testing officer. — Sapa



Boeing 777 under construction . *can Nomvete pick up the pieces?*

SA AIRWAYS

Trouble on flight deck lands slap in Sigcau's lap

(269) FM. 9/5/97

Going cheap, loss-making State enterprise with ageing fleet and staff morale spread-eagled on the runway

Public Enterprises Minister Stella Sigcau is to revamp SA's ailing national airline She considers the matter crucial, due to its "importance as a national asset" SA Airways, say observers, is just about as important as the Voortrekker Monument in terms of national assets National airlines have traditionally haemorrhaged cash Alitalia, Lufthansa, British Air to name a few

It was only privatisation that saved Lufthansa and BA. Alitalia continues to bleed To her credit the Minister realises an equity partner is required But who will come aboard under present management?

The airline lost R350m for the year to March and all indications are that it will continue to freefall The dive looks like putting paid to any lofty thoughts of selling the airline (or part thereof) to the private sector

Who would pay top dollar for an enterprise that is losing nearly R1m a day? The carrier has had a downturn of almost R700m on the pre-audit R340m profit it made in fiscal 1996

Ever-faithful CE Mike Myburgh attributes the loss to last year's fall in the rand, and a hike in fuel prices

Those in the know don't buy that. They blame changing management styles for the airline's woes While he had sole responsibility, Myburgh turned a loss of R23m in 1994 into a R217m profit in 1995 — a turnaround of R240m He then went on and turned in a creditable R340m profit for 1996

Myburgh now has to report to executive director Zukile Nomvete, appointed this year

On a turnover of more than R4bn, pundits say the airline should have been able to absorb the R60m lost during a technical workers' strike earlier in the year and still show a profit

SAA's load factors are mostly good. It has 75% of the domestic scheduled market, and most of its aircraft flying between SA, the UK, and the US are full What has gone wrong?

The change in management style triggered off a number of repercussions

The most serious is the drop in morale following the loss of senior executives Former GM Nick Vlok, who was with SAA for 30 years, joined Comair Next to go was Gary Webb, executive manager of marketing planning It also lost advertising chief Ian Bromley The list continues Steve Donnelly, responsible for international marketing, Eric Kelbick, responsible for the African market; Roland Bungey, responsible for national and international sales, and Mickey Mitchell, flight operations chief for nearly 30 years, and 10 managers with 15 years service each

In November 1995 Sigcau announced SAA had placed an order with Boeing for seven 777s and two 747-400s A year later Nomvete inexplicably put the order on hold

Since then the order for the two 747s has been reinstated but they will come into service only next year There is no sign of a firm order for the 777s Meanwhile, SAA is losing out to competitors using modern aircraft

David Pincus

Special branch cut down to size

CT 9/5/97 (269)

NELSPRUIT: Mpumalanga safety and security department special branch members would be instructed to stay away from the proceedings of the Moldenhauer commission of inquiry into fraudulent driver's licences, the department said yesterday.

This followed allegations that special branch members intimidated witnesses and reporters at the commission's Nelspruit hearings.

The licence scam allegedly involves the issuing of thousands of fraudulent driver's licences including one for National Assembly Deputy Speaker Ms Baleka Mbete-Kgositsile.

Acting safety and security department head Ms Nina Charles said yesterday a circular would be sent to members informing them that they should stay away from the commission hearings.

Charles said the department viewed the allegations seriously and would like the commission to be able to carry out its mandate objectively.

Commission chairman Mr Heinrich Moldenhauer said he had telephoned the department and ordered it's officials to stop intimidation tactics, or police would remove them from the court.

The matter was also reported to Mpumalanga premier Mr Mathews Phosa.

Earlier this week the commission heard testimony from traffic department employee Mr John Muller, who exposed the scam.

Muller testified that Mpumalanga safety and security MEC Mr Steve Mabona had ordered the reinstatement of 3 000 fraudulent driver's licences in December 1995.

He said after this his work situation deteriorated and he received a threatening letter from provincial traffic director Mr Henry Brazer.

Muller said he was told of Mbete-Kgositsile's licence, allegedly organised by former Transvaal Provincial Administration chief Mr Jack van der Schyff and issued at the Kabokweni testing centre in the former KwaNdebele homeland.

Muller said he then presented Kabokweni licence centre chief Mr Tobie Coetzee with the information. Coetzee confirmed Mbete-Kgositsile's identity, which led to the inquiry. — Sapa

Maharaj calls for six-cent levy on fuel to finance SA's roads

JOVIAL RANTAO (269) ARG 10/5/97
POLITICAL CORRESPONDENT

Transport Minister Mac Maharaj has proposed a dedicated fuel levy of six cents per litre to finance a yet-to-be-established agency to construct, maintain and manage South Africa's road network.

"We propose a dedicated fuel levy of six cents per litre to be the source of the current national road network," Mr Maharaj said in the National Assembly yesterday. "Ideally, by April 1998, we would like to have a ... levy in place."

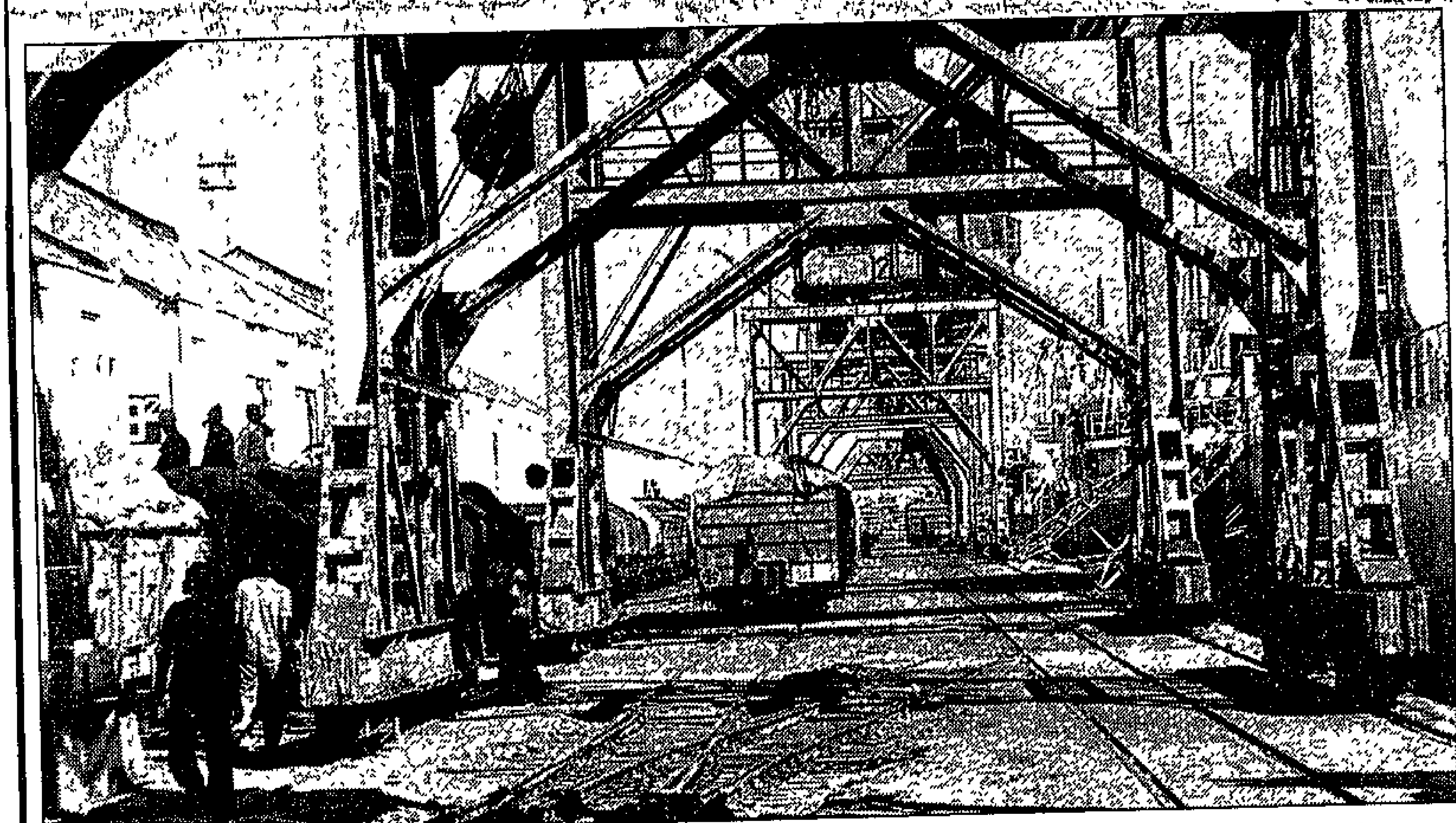
Mr Maharaj said a major focus of the agency would be the maintenance and upgrading of the current roads network.

He also announced that the Government garage would be privatised.

"We're currently negotiating changing the system ... to a dedicated car hire service owned by the private sector.

"This will result in greater efficiency and substantial cost savings," the minister said.

Mr Maharaj also unveiled an R18-million project – "Moving South Africa" – which will identify the country's key transport requirements for the next 20 years.



BUILD, OPERATE, TRANSFER ... Maputo harbour, which is to be modernised under the scheme

(269) (…)

Maputo toll road pact signed

ST (BT) 11/5/97

DEVELOPMENT CORRIDOR

By THABO KOBOKOANE

IT WAS, perhaps, appropriate that a run-down Maputo should host the signing of the agreement to build the Maputo-Witbank toll road, given South Africa's historic role in the devastation of Mozambique's road infrastructure.

The Maputo-Witbank road (N4), serves as part of the larger and ambitious Maputo Development Corridor, which aims to link Gauteng to the port of Maputo.

When fully complete, the corridor is expected to shorten the distance between Gauteng and Maputo by 150km, reducing transport costs for SA exports and boosting tourism in both Mpumalanga and Mozambique.

The rehabilitation of the Maputo rail and harbour complex forms part of the project. The first leg of the Corridor will be the construction of the R3-billion Maputo-Witbank N4 toll road.

This will involve the rehabilitation of 112km of road and construction of 70km of new road. The road will have SOS systems and patrol vehicles. Tolling at the first Plaza will begin in 18 months.

In terms of the concession contract, Trans African Concessions, a consortium comprising Stocks & Stocks, Basil Read and French construction group Bouygues, will be responsible for the N4 highway under a "build, operate and transfer mechanism".

In this system, the private sector raises funds for public projects, builds and operates them at a profit, and then hands them back to the state at the end of a 30-year contract period.

The agreement, including two others on road transport, represents the first such scheme undertaken in either South Africa and Mozambique and could serve as a model for future infrastructural development in the region.

Funding is expected to be sourced locally. There is interest from institutions, including the Development Bank of Southern Africa, Sanlam, Old Mutual, Investec and Nedbank. The DBSA is said to be ready to commit close to R200-million to the project.

'I was warned that traffic director was corrupt'

Star 14/5/97 (269)

Nelspruit – Mpumalanga safety and security director-general Stanley Soko yesterday admitted before the Moldenhauer Commission of Inquiry that he had been warned repeatedly over the past year that the province's traffic director was corrupt.

The commission was established to investigate allegations that hundreds of thousands of driver's and learner's licences were fraudulently or irregularly issued by the province's traffic department. It is headed by former magistrate Heinrich Moldenhauer.

Soko said he had dismissed the allegations against traffic director Henry Brazer because the junior official who made them, principal traffic inspector John Muller, was "problematic".

Muller eventually turned to the press after discovering that irregular learner's and driver's licences had been secretly issued to parliamentary Deputy Speaker Baleka Mbete-Kgositsile on October 1.

Brazer was accused of personally issuing the licences after interrupting his sick leave to drive 350km from Nelspruit to Delmas to test Mbete-Kgositsile. Brazer had just suffered a minor heart attack.

He was not registered as a certified licence test officer and allegedly used incorrect application forms. He also allegedly filled in incorrect information on the forms and tested Mbete-Kgositsile only on parts of the required driver's licence test.

No official records were kept of either the licences or the tests.

Soko said: "Muller made allegations of general corruption three times last year starting in February, and also called for a commission of inquiry into Brazer's activities after alleging Brazer had used state funds to send four relatives on a holiday to the US."

Mpumalanga Safety and Security MEC Steve Mabona is expected to testify before the commission today. – Sapa.

BUSINESS DAY, Friday, May 16 1997 3

Metrorail to be opened up to private competition

(269) BD 16/5/97

Robyn Chalmers

STAKEHOLDERS have agreed to open commuter rail service provider Metrorail up to private sector competition via concessions within four-and-a-half years, depending on the outcome of a pilot project scheduled to kick off soon.

Transport department director-general Ketso Gordhan said the decision to introduce competition to commuter rail services was the result of negotiations with labour and other stakeholders.

Government initially intended to introduce concessions on significant portions of SA's rail network within three years with labour looking at 17 years, but the final outcome was a continued monopoly for four and a half years.

Gordhan said talks were under way on the introduction of a pilot project on a specific route to test the viability of granting concession agreements.

"We want to ensure the route is representative of the SA rail commuter situation — one which is neither too lucrative or too unprofitable. We are also looking for a route on which we can introduce a build, operate and transfer (BOT) system," he said.

Gordhan said it was expensive to expand the rail network in SA and government was considering the possibility of the private sector both operating and expanding portions of the rail network.

The BOT mechanism envisaged the private sector raising funds for public projects, building and operating them, after which they would revert to the state at the end of the contract period. Concessions would see the private sector entering into an agreement with government to build or rehabilitate infrastructure and operate a facility for a fixed period.

Transport department land transport chief director Theo Maeder said Metrorail's contract with the SA Rail Commuter Corporation had been restructured to allow private sector competition.

"The target is to introduce full concessioning in four and a half years and to bring in both local and international operators," Maeder said.

Transport Minister Mac Maharaj said recently Metrorail had been separated from Spoornet from January 1, and was operating as a separate division.

Analysts said Metrorail would have to be convincingly turned around if it was to compete effectively with the private sector within four and a half years. It has been reliant on state subsidies via the SA Rail Commuter Corporation for years. The corporation posted a deficit of more than R1bn for the 1994/95 financial year, before a R1,2bn state subsidy.

Metrorail said it had made strides toward transformation by setting aside R2,8bn to upgrade its coaches over the next 15 years and committing itself to improved customer service practices. Measures being put in place included mobile ticket selling points, customer care programmes for all front line staff, station upgrades and a zone fare structure.

Hundreds convicted in Gauteng licence scam

(269)

Department of Home Affairs officials among those arrested for issuing fraudulent driver's licences

Star, 20/5/97

By Morgan Naidu

More than 500 people, including officials in the Department of Home Affairs, have been arrested by Soweto's police fraud unit for the fraudulent issuing of driver's licences.

In a crackdown, which began late last year, the unit has made 517 arrests, with 445 ending in court convictions with sentences ranging from fines of R1 500 or six months in jail.

Captain Sipho Ngubane, of the Soweto police, said the scam had been uncovered with the help of members of the public and a joint effort by the fraud unit and traffic department officials.

"Although some of the offences date back to 1995, most occurred late last year.

"So-called clients were being charged up to R1 000 for the issuing of valid driver's licences," Ngubane said.

The scam was made possible with the help of several officials from the Department of Home Affairs in the New Canada, Soweto and Roodepoort offices.

The clients paid their money, and gave in their ID books to home affairs officials who then processed and issued new ID books – with driver's licences.

This was done without the so-called client even setting foot at a driving-testing station, Ngubane confirmed.

"It is alleged the officials attached to the New Canada and Roodepoort offices fraudulently fed their computer system with the driver's licence particulars of an untested person," Ngubane said.

Home affairs had confirmed that 1 000 people in Gauteng had been fraudulently issued with driver's licences, Ngubane said, adding the fraud unit was expecting more arrests in connection with the scam.

And in KwaZulu Natal, a special police unit is hot on the heels of a group of suspects specialising in "organising" driver's licences through illicit means.

KwaZulu Natal road traffic inspectorate chief Peter Noppe said the investigations did not exclude the alleged collusion of certain traffic department officials, and arrests could be expected soon.

The Moldenhauer Commission is to hand its report on fraudulent driver's licences to Mpumalanga Premier Mathews Phosa today. The commission heard testimony on the fraudulent issuing of licences, in which senior provincial traffic officials were implicated.

Whistle-blower stands to lose his home

Nelspruit – The man who blew the lid off corruption in Mpumalanga's Safety and Security Department, principal traffic inspector John Muller, stands to lose his house after being served with a summons for failing to pay his bond.

The payments, which were previously dealt with by the traffic department, were stopped after traffic director Henry Brazer froze Muller's salary and benefits for the third time in a year.

Muller claimed his salary was stopped because of his corruption investigations into both Brazer and provincial Safety and Security MEC Steve Mabona.

His investigations revealed five weeks ago that two licences were allegedly irregularly issued to parliamentary Deputy Speaker Baleka Mbete-Kgositsile on October 1.

Muller insisted the repeated cancellation and reinstatement of his salary was being used against him and his family by vindictive officials.

"My six daughters and I are relying on my wife's small creche to support us while we fight this thing, but if we lose the house, I don't know what we'll do.

"We don't have the money to pay the bond and the deadline is looming."

Department head Stanley Soko, however, said Muller had refused to work under Brazer's supervision on the grounds he was "corrupt", and had refused to report for duty for months.

Mabona said paying Muller or his bond would "definitely be a form of corruption".

"This man is made out to be a hero, but for one year he refused to turn up for work. Then he demands to be paid. What type of morality is that?"

Attorneys Findlay and Niemeyer Incorporated confirmed that Muller had been summonsed to appear in the Pretoria High Court unless he settled his outstanding bond payments by the end of the month.

Muller's comments about Mbete-Kgositsile's licences led to the establishment of the Moldenhauer Commission, which last week exposed the fraudulent issue of thousands of licences to mail-order applicants and to untested driving-school pupils. – Sapa.

DP calls for swift release of probe results

(269)

Business Day Reporter

BD 21/5/97

THE Democratic Party (DP) in Mpumalanga has called for the swiftest possible release of the findings of the Moldenhauer commission of inquiry into the alleged issuing of fake driver's licences.

The office of Mpumalanga premier Mathews Phosa confirmed yesterday he was expected to receive the commission's findings late yesterday afternoon and that he would make announcements as soon as a study of the document had been completed.

Mpumalanga DP provincial leader Clive Hatch said that it would be in the interests of good governance and transparency to "release the report for public scrutiny without delay" because the allegations investigated by the commission was of great public concern.

The DP expected the findings within seven to 10 days, but urged Phosa to release them sooner. Hatch said Phosa's prompt appointment of the commission, was "a bold move in the interests of transparency".

Bonile Ngqiyaza

5 000 illegal licences under investigation

(269) BD 22/5/97

ABOUT 5 000 cases of licences that were issued fraudulently in Gauteng are under investigation by the fraud unit of the SA Police Services — a number law enforcement agencies said they believed was only the tip of an iceberg.

This comes in the wake of submissions to the Moldenhauer Commission of Inquiry that hundreds of thousands of drivers' licences were issued fraudulently by the Mpumalanga government, including one to the national assembly deputy speaker Baleka Kgositsile.

Police said yesterday the probe into fraudulently issued licences was continuing on a national basis and numerous arrests had been made in KwaZulu-Natal following extensive investigations in the area.

Capt Pieter Grobler said police had investigated 1 015 cases of fraudulent licences issued in New Canada near Soweto between March and November last year — resulting in 523 arrests and 470 convictions.

The people convicted, he said, had received sentences of R1 500 or six months imprisonment. "While this may seem ... harsh ... I think that due to the extent of the problem, the current sentences are light."

In Cullinan, Grobler said, 2 800 cases were under investigation and no arrests had been made.

5 000 illegal licences under investigation

(269) BD 22/5/97

Bonile Ngqiyaza

ABOUT 5 000 cases of licences that were issued fraudulently in Gauteng are under investigation by the fraud unit of the SA Police Services — a number law enforcement agencies said they believed was only the tip of an iceberg.

This comes in the wake of submissions to the Moldenhauer Commission of Inquiry that hundreds of thousands of drivers' licences were issued fraudulently by the Mpumalanga government, including one to the national assembly deputy speaker Baleka Kgositsile.

Police said yesterday the probe into fraudulently issued licences was continuing on a national basis and numerous arrests had been made in KwaZulu-Natal following extensive investigations in the area.

Capt Pieter Grobler said police had investigated 1 015 cases of fraudulent licences issued in New Canada near Soweto between March and November last year — resulting in 523 arrests and 470 convictions.

The people convicted, he said, had received sentences of R1 500 or six months imprisonment. "While this may seem ... harsh ... I think that due to the extent of the problem, the current sentences are light."

In Cullinan, Grobler said, 2 800 cases were under investigation and no arrests had been made.

Moldenhauer report calls for dismissal of officials

BD 23/5/97 (269)

Business Day Reporter

NELSPRUIT — The Moldenhauer report on fraudulent licences insists that Mpumalanga premier Mathews Phosa must fire his safety and security MEC Steve Mabona and Mpumalanga traffic director Henry Brazer if he hopes to stamp out corruption in law enforcement agencies.

Sources said the 655-page report, which is still confidential and will be publicly released on Wednesday, also advised that although safety and security department head Stanley Soko was innocent, he should be transferred to a post with fewer responsibilities.

Independent criminal investigations by police into both Mabona and Brazer's roles in issuing two irregular licences to parliamentary deputy speaker Baleka Mbete-Kgositsile are continuing and will be assisted by a special government investigation team which Moldenhauer's report suggests should probe licence fraud and other abuses within the department.

These are the core recommendations of the Moldenhauer commission, which last week concluded three weeks of hearings on the sale of thousands of fraudulent licences to mail-order applicants and driving school pupils who "did not even know how to find their steering wheels".

The report, handed to Phosa on Tuesday, details how Mabona and Brazer allegedly flaunted regulations to issue a learner's and driver's licence to Mbete-Kgositsile secretly "as a sign of respect".

Mabona used his state vehicle and bodyguards to set the test up while Brazer drove 350km from Nelspruit to Delmas to test Mbete-Kgositsile.

Brazer, however, admitted to the commission that he had failed to keep official records of the test, had used the incorrect Road Traffic Act and had not tested the deputy speaker properly for her driver's licence.

Brazer admitted that he was not qualified to test anyone for a driver's licence and was in fact not qualified for his job, as he had only a Standard Eight school certificate.

Despite the fact that the commission was a public hearing, Phosa has thus far refused to release the report, insisting it first has to be studied and discussed at executive council level before being publicly disseminated.

Spokesman Oupa Pilane said: "The report itself is 55 pages long, with 600 pages of evidence. We have to study all of this and then ensure that we have legal ways of implementing those recommendations which are sensible."

Licence fraud: officials face chop

WILLIAM-MERVIN GUMEDE (269)
POLITICAL STAFF
ARG 24/5/97

Mpumalanga Safety and Security MEC Steve Mabona and the province's traffic director, Henry Brazer, could be sacked for their involvement in issuing fraudulent licences to Parliament's Deputy Speaker, Baleka Mbete-Kgositsile.

Mpumalanga premier Mathews Phosa said yesterday he would make public the Moldenhauer Commission's report into fraudulent drivers' licences today.

He would then announce the provincial government's response to the commission's findings.

Mr Phosa received the 655-page report from chief magistrate Heinrich Moldenhauer on Tuesday after the commission heard three weeks of evidence from traffic officials on their role in the issuing of two irregular licences to parliamentary deputy speaker Baleka Mbete-Kgositsile.

Insiders said the main recommendations of the commission include the dismissal of Mr Mabona and Mr Brazer.

The report also recommended that although Mr Mabona's department head Stanley Soko had been exonerated, he should be transferred to a post with less responsibility.

Mr Phosa, remained silent last night about the steps that would be taken against Ms Mbete-Kgositsile.

Police confirmed she had surrendered her identity book with the two illegal licences to the provincial traffic authorities. She would be issued with a new ID book without licence details and would have to be re-tested for both her learner's and driver's licences.

Ms Mbete-Kgositsile said she had no comment on the commission's findings.

MPUMALANGA's controversial former safety and security minister, Steve Mabona, said yesterday that he would challenge the Moldenhauer commission's findings after studying the report.

He claimed that chief magistrate Heinrich Moldenhauer had a vendetta against him.

Mabona is still a member of the province's legislature and is entitled to a salary of about R16 000 a month. He is also still a member of the ANC.

In an exclusive interview Mabona said: "The assertion that I was incompetent is obviously unfair and I was also never given an opportunity to answer these accusations of financial irregularities.

"I am not bitter about this thing at all. I am human and perhaps made some mistakes, but I also did a lot of good . . . "

Mathews Phosa, the premier of the province, likened the corruption within Mabona's safety and security department to "worms crawling around on a piece of rotten meat".

"I told him (Mabona) the report was very damaging and then I gave him the salient points and told him to sleep on it. He came back to me on Friday and had the moral courage to accept its findings and resign."

Although Phosa refuses to confirm it, government sources said he would send a copy of Moldenhauer's report to Deputy President Thabo Mbeki for a decision on possible steps against Deputy Speaker Baleka Mbete-Kgositsile.

Concerns not addressed in the report's findings include the fact that her answers to a number of questions at the commission were vague or completely incorrect.

These include not remembering vital parts of her test or how she got from Cape Town to Johannesburg. Mbete-Kgositsile also insisted that she had been forced to stop and pull off from a number of robots during her practical driver's test.

There are no robots in Delmas, where she took the test.

Immediately after Phosa's acceptance of the report yesterday, Mbete-Kgositsile expressed regret that she had travelled to Mpumalanga for her licences but insisted that she had been inadvertently caught up in a "web of impropriety of which I was unaware".

Phosa praised junior traffic officer John Muller, who exposed the rot in the department. Phosa said Muller's investigations had led to the closure of all the province's former homeland test centres in 1995 and to the arrest of several officers.

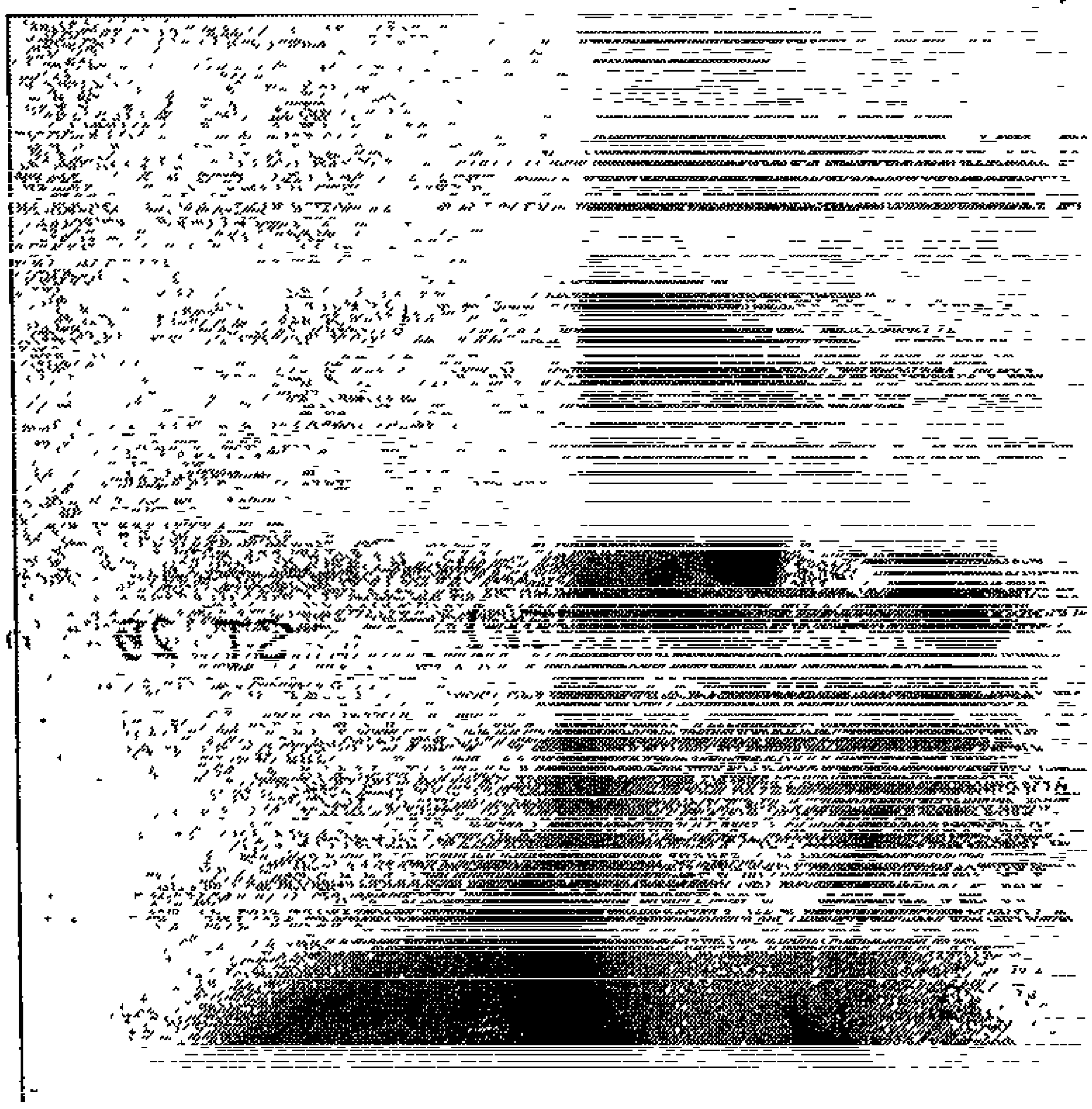
"These people did their country a great service and they must be protected from victimisation or other repercussions."

BANISHED TO THE BACK SEAT: Deputy Speaker Baleka Mbete-Kgositsile's driver's licence has been declared invalid

'I sit here ready with truth as a belt tied around my waist, with righteousness as my breastplate. Let us put on all the armour that God gave us so that we can stand against the devil's evil tricks. For we are not fighting against human beings, but against wicked spiritual forces in this heavenly world. I believe that at the end of this inquiry the whole truth about corruption will come out'

— Steve Mabona, during testimony

APRIL



FORCED TO QUIT: Mpumalanga safety and security MEC Ste[illegible] Moldenhauer commission

THE KEY FINDING[illegible]

STEVE MABONA, MEC for safety and security

"The commission wants to express its wish that Mr Mabona will apologise to the press and especially to the reporter, Justin Arenstein, for accusing them of racist remarks and false reporting while he himself was not well informed.

"His active role in creating an atmosphere where certain driving schools control some of the traffic officers is totally inexcusable. The evidence relating to the money he spent against the traffic control and traffic safety vote account is also very disturbing.

"Mr Mabona neglected to perform his assigned duty over the past three years. The commission therefore feels obliged to recommend that the Premier dismiss Mr Mabona as a member of the executive council in terms of Section 132(2) of the Constitution."

BALEKA MBETE-KGOSITSILE, Deputy Speaker of the House of Assembly

"The commission recommends that the licence issued to Ms Baleka Mbete-Kgositsile is not in accordance with the relevant Act. Section 73 of that Act therefore applies and Mbete-Kgositsile must, on demand by the registering authority which issued such licence, or a police officer, surrender her 'driver's licence'."

WILLIAM HENRY BRAZER, Mpumalanga Director of Traffic

"His inability to make important decisions, questionable decisions he took, as well as his total inability to manage the staff, make it impossible to rectify the chaos in his division while he is the director.

"The commission recommends that the director general of the provincial administration of Mpumalanga discharge

ick them out!

POWER OF THE BIG NEWS

op MP's 'fake' licence

ANC cries racism as police probe deputy Speaker's driver's test

APRIL 13 1997 — the Sunday Times breaks the Big News

Steve Mabona neglected to perform his duties, according to the findings of the
Picture: HERBERT MABUZA

RAY HARTLEY
Political Correspondent

(269)

ST 25/5/97

MPUMALANGA Premier Mathews Phosa announced in Nelspruit yesterday that his safety and security MEC, Steve Mabona, had resigned and his traffic director, Henry Brazer, had been suspended.

Releasing the findings of the Moldenhauer commission into malpractices concerning the issuing of drivers' licences, Phosa said Brazer and the head of the safety and security department, Mmeli Sokho, had been charged with misconduct and been suspended.

The commission was asked by Phosa to look into irregularities concerning the driver's licence of the deputy Speaker, Baleka Mbete-Kgositsile, after a Sunday Times report. Phosa praised the media for its role in exposing corruption.

The commission's chairman, Heinrich Moldenhauer, found that Mbete-Kgositsile's licence, which was issued after a special test ordered by Mabona and conducted by Brazer, did not meet the requirements of the law. He ordered her to "surrender" her licence.

Mbete-Kgositsile said yesterday she would hand in her ID document to the Department of Home Affairs to have the licence expunged, but asserted that she was "inadvertently caught up in a web of impropriety of which I was — at the time — unaware".

The commission found that Mabona had created an atmosphere in which driving schools had "control" over traffic officers, and that he had neglected to perform his duties during his three years in office

Moldenhauer ordered Mabona to apologise to the journalist who broke the Mbete-Kgositsile licence scandal in the Sunday Times "for accusing him of racist remarks while he himself was not well informed".

"The evidence relating to the money he spent against the traffic control and traffic safety vote account is also very disturbing," said Moldenhauer.

Mabona resigned late on Friday night, apparently after Phosa made it clear that he would be fired if he did not do so.

Moldenhauer found that Brazer should face charges for "wilfully or negligently" issuing drivers' licences.

"His inability to make important decisions, questionable decisions he took, as well as his total inability to manage the staff, make it impossible to rectify the chaos in his division while he is the director," he said.

Moldenhauer also recommended that Sokho be moved "to a post where he will not be in charge of a department or division" or, if this was not possible, that he be discharged from service.

He found that Phosa had been misinformed about corruption and about the issuing of Mbete-Kgositsile's licence by Mabona.

"For these reasons the commission is convinced that the provincial legislature and the premier cannot in any way be held liable for the disarray in the department of safety and security," Moldenhauer said.

The acting secretary general of the ANC, Cheryl Carolus, has meanwhile welcomed Phosa's swift action to deal with the corruption, adding: "We hope this will be emulated by other provinces."

GS:

Brazer in terms of Section 17 of the Public Service Act 1994 after consultation with the public service commission of Mpumalanga."

MMELI SOKHO, head of Mpumalanga department of safety and security

Transnet fails to stop the bleeding

ST(BT) 20/5/97

(269)

The parastatal will report huge losses when it discloses results, writes DON ROBERTSON

TRANSNET is set to report a substantially increased loss after provisions for its bankrupt pension fund when it reveals its figures for the past financial year in August.

In spite of efforts to restructure the PX parcel delivery operations, the division will show a massive loss of over R500-million for the year to March, while SA Airways is expected to announce a R350-million loss.

Of the six major divisions within Transnet, only Portnet, Petronet and Spoornet will be able to show any profit improvement.

In the 1995/96 financial year Transnet posted a taxed profit of R1.79-billion, but after its commitment to the pension fund, which had an actuarial deficit of R3.2-billion at year-end, and medical aid liabilities, a net loss of R253-million was shown.

It is now believed that SAA will show a loss of R350-million in the year to March 1997 compared with a profit of R324-million in the previous financial year. SAA is expected to show further losses in the next year.

The R350-million profit expected to be reported by Spoornet represents only R100-million in trading income — the rest is extraordinary items including the repayment of debts by countries such as Zimbabwe. In the 1995/96 financial year, Spoornet had a taxed profit of R98-million.

The major drag on profits, however, is the PX mini-container and parcel division. The rationalisation of PX will take longer to achieve than expected.

Joe Ndhlela, executive director of PX, is projecting a loss of at least R475-million for the year and says the company will not be profitable until 2000.

He adds that provisions for the 2 000 staff members who took voluntary retrenchment during the year could extend this loss and some think it could be as high as R540-million.

In the 1995/96 financial year, PX suffered a loss of R433-million. A loss of R295-million was forecast for the past year.

It is now believed that a further loss of at least R290-million can be expected in the 1997/98 financial year.

The reorganisation of PX involved the reduction in the number of handling centres from 96 to 33 and a cut in the network of area and local distribution centres from 96 to 44.

In addition, the division was restructured to focus on niche markets which include a special fast and guaranteed parcels delivery service, a separate parcels section, a mini-container division and an export unit called PX Africa.

As a result, 2 000 employees were asked to take voluntary retrenchment.

It was hoped that PX would be able to increase its share of the parcel delivery market from the current 18% to 30% within 15 months.

Ndhlela will not comment on how market share has increased save to say that strategies have been adopted to improve business and that a "massive recovery has taken place".

In a further move to improve profitability, rates for parcel delivery were increased by 6% on average from April 1, says Ndhlela.

Disgruntled customers, however, claim that tariffs have almost doubled in some cases.

In last year's annual report, outgoing managing director Anton Moolman said steps would be taken to stem the losses at PX.

55

56-80

16-46 6

47-80

16-46 7

47-80

16-46 8

3.6.2

Gibb did not get the axe because of Cobbett

CP 25/5/97 (269)

By DESMOND BLOW
and CHIARA CARTER

THE FIRING of Nedcor's general manager of personal credit, Kevin Gibb, and the request by the ousted Director General of Housing, Billy Cobbett, to the auditor general to investigate Motheo Construction, were done independently, City Press established yesterday.

According to the head of the Mpumalanga Housing Board, Steve Ngwenya, Gibb introduced the plan of rural housing and was asked to identify an emerging developer (Motheo).

Mike Leeming, executive director of Nedcor Bank yesterday said the firing of Gibb had nothing to do with any allegations by Cobbett.

He said investigations into Gibb's "misconduct" had begun in early April as a result of allegations made by clients regarding Gibb's alleged involvement in a rural project in Mpumalanga.

He said Gibb had been suspended from his duties on April 16, and was fired after a disciplinary hearing on May 20.

Leeming said that after Gibb was suspended, Cobbett had telephoned to confirm this and had informed Nedcor that he had already asked the auditor general to investigate Motheo because of his own misgivings

Leeming said the bank did not investigate Gibb's alleged involvement in the housing project because Cobbett had told them the attorney general had been asked to investigate the awarding of the contract to Motheo.

He said Gibb was claiming he had been fired for reporting irregularities at the bank, but an outside auditor had checked these allegations and found them to be untrue, as had the registrar of banks.

Leeming said Gibb knew why he had been dismissed. He said there had been a three-page document of allegations against him.

☐ Gibb has said he would appeal against the finding of the disciplinary hearing.

☐ Leeming refused to say why the bank had not honoured a R1-million cheque made out by Motheo even though they had a R9-million credit.

"Banks do not disclose information about clients. Motheo knows why we stopped the payment – it was explained to them in a letter. They are entitled to give these reasons to the media if they wish," he said.

☐ Gibb has been supported by Dr Thandi Ndlovu, MD of Motheo, and the Mpumalanga Housing Board.

☐ Two days after Gibb was fired Cobbett left his job as director general of Housing.

There have been conflicting reports – some stating that he was fired, others that he resigned.

There has been speculation that if he resigned, he had been pushed – perhaps because he went to the auditor general without going through Minister Mthembi-Mahanyele and because Gibb was fired.

At the time of going to press, Cobbett had refused to speak to the media.

His office, however, promised that Cobbett would make a statement to the media when he was ready.

☐ The question remains: Did Cobbett resign or was he pushed? Was there corruption involved in the granting of the R185-million contract to Motheo Construction or not?

☐ At a press conference yesterday Mpumalanga Housing Department head Steve Ngwenya and chairman Saths Moodley called on Cobbett to make a full public statement explaining his departure.

Moodley said media reports that Cobbett had quit because of his concerns about the housing project, or had been fired because he had referred the matter to the auditor general, were damaging the drive for housing.

☐ The shock dismissal/resignation of one of the most gifted technocrats in the ANC government has dismayed many senior ANC leaders and has led to opposition parties demanding a parliamentary debate and an investigation.

Cobbett, who is noted to be a stickler for ethics, appears to have been unhappy with the fact that a R185-million contract was given to Dr Thandi Ndlovu, a Gauteng-based medical doctor and a close friend of Housing Minister Sankie Mthembi-Mahanyele.

A back seat, please!

cp 25/5/97 (269)

Passenger class for deputy

BACK-SEAT DRIVING . Deputy Speaker Baleka Mbethe-Kgositsile's driver's licence has been declared invalid by the Moldenhauer Commission.

By WALLY MBHELE

DEPUTY Speaker Baleka Mbete-Kgositsile obtained her driver's licence in a most unusual fashion.

But now she has to surrender it – immediately.

A commission of inquiry appointed this month by Mpumalanga Premier Mathew Phosa – to look into alleged malpractices concerning the issuing of drivers' licences – yesterday found that "she does not qualify" to have a driver's licence.

The main culprit, according to the commission's chairman, Hendrik W Muldenhauer, was MEC for Safety and Security Steve Mabona, who arranged that Baleka Mbete-Kgositsile be tested in the province of Mpumalanga.

The reason for this arrangement, according to Mabona, was because of Mbete-Kgositsile's tight schedule.

Mabona had instructed a bodyguard to take her from Johannesburg to Delmas and back in one of his official vehicles.

Although it seems to have been a privately arranged trip, Mabona explained to the commission that government officials "are on duty 24 hours a day" and because they must be guarded all their travelling was "official" and the public had to pay for such trips.

Mabona also instructed Director of Traffic Control WH Brazier to do the testing for her learner's and driver's licence.

The testing took place at night.

Brazier testified that taking into account his experience as a traffic officer he would "never on my own initiative" have conducted the test in Delmas.

The reason why he had acted "against normal procedure" was only because Mabona had given him such instructions, he told the commission.

Although Brazier was on sick leave, he nevertheless went to Delmas to conduct the test.

During the evening of September 30, 1996, he called F J Bezuidenhout, a chief traffic inspector at Kabokweni – who is also his brother-in-law, to bring the date stamp and revelant forms to his house.

Brazier met Mbete-Kgositsile at the Delmas testing ground and immediately went to the magistrate's offices, where he conducted an oral test for her.

He said she had passed the test and he had then taken her to the business section of Delmas and "conducted a driver's licence test".

She had to park between two vehicles, turn right and left at intersections, and stop and pull off, he said.

According to Brazier's evidence he noticed that she could handle a motor vehicle "very well". She told him that she had "learned to drive while she was in exile".

He had then issued the driver's licence, the commission heard.

Brazier admitted, after being questioned by the commission, that prescribed measures for the granting of a licence had not been carried out and the driver's licence issued was invalid.

The commission recommended that the licence issued to Mbete-Kgositsile was not in accordance with the relevant section and therefore "such a licence must be surrendered".

☐ The commission heard that more than 100 drivers' licences and sometimes as many as 300 learners's licenses had been issued on one day by a traffic inspector at the testing station where Mbete-Kgositsile obtained hers.

'Sorry about my licence' – Mb[...]

CP 25/5/97 Mbete-Kgositsile (269)

MEC bows out

By WALLY MBHELE

IN A SHOCK MOVE, controversial MEC for Safety and Security in Mpumalanga province, Steve Mabona has resigned – shortly after the Muldenhauer Commission recommended he be fired with immediate effect.

Mabona, who for weeks has been reeling under allegations that he was involved in a fake driver's licence scam, saw it coming and duly resigned as MEC on Friday night – ahead of a press conference held at noon yesterday by Premier Mathew Phosa, who announced the commission's findings and recommendations.

Among the strong recommendations was that Mabona be fired with immediate effect.

□ And in another dramatic move yesterday, the deputy speaker of the national parliament, Baleka Mbete-Kgositsile – who was helped by Mabona to illegally obtain a driver's licence – apologised to the public and said she would surrender the licence.

Mbete-Kgositsile expressed her regret that she had gone to Mpumalanga to take the driving test – saying she had now "emerged the wiser".

She said she had taken advantage of what she had thought was a bona fide opportunity "to assist me in taking my driving test"

"I inadvertently got caught up in a web of impropriety of which I was at the time unaware.

"The commission has found that my licence was invalid. As I have previously indicated, I will submit the document to Home Affairs and make arrangements to take a driving test."

□ Addressing the press conference yesterday, Premier Mathew Phosa said Mabona's resignation was accepted with immediate effect

He accepted that the licence granted to Mbete-Kgositsile was invalid, said Phosa

□ As Phosa swiftly moved to implement the commission's recommendations, he announced that Mpumalanga's head of Safety and Security, Advocate Stanley Soko, would also be formally charged.

The head of the provincial traffic directorate, Henry Brazier, would also be formally charged, said Phosa.

Brazier would be placed under suspension while charges were formulated and investigated.

□ Phosa also announced that the Mpumalanga directorate of traffic would immediately be removed from the department of Safety and Security to the department of Public Works, Roads and Transport.

The current provincial commissioner of police, General A Malete, would in the meantime also act as the head of the department of Safety and Security.

□ Phosa could not say who would replace Mabona as MEC for Safety and Security. He said an announcement would be made soon.

□ The commission had also heard that large amounts of money had been wasted on hotel accommodation, car rental and travel expenses.

These expenses were incurred by Mabona, his bodyguards and drivers.

□ Phosa said the steps he was announcing were aimed at giving people hope in the fight against crime and corruption and also at shaping a government that was transparent, streamlined and effective in delivering

□ Meanwhile, in a statement released by acting ANC secretary general Cheryl Carolus yesterday afternoon, the ANC congratulated Premier Phosa on the release of the Muldenhauer Commission's report on its investigation into the Mpumalanga licensing process

The statement said the premier's acceptance and immediate implementation of the recommendations would enhance the ANC's commitment to clean and accountable governance.

□ Mbete-Kgositsile yesterday said: "I believe that this process has been a useful one – particularly as it has uncovered some of the problems relating to the issuing of drivers' licences."

□ Police on Thursday confirmed that Mbete-Kgositsile had surrended her identity book with the two illegal licences to authorities.

Mbete-Kgositsile would be issued with a new ID book without licence details – and would have to be retested for both her learner's and driver's licences before being issued either document again.

A gracefu[...]

ANOTHER SAVE! ... Andre Arendse played brilliantly but England scored in the [...] the UK last night.

Greed scuttles Ba[...]

CP CORRESPONDENT

MANCHESTER – Bafana Bafana's dreams of big money led to the team being beaten by England with 2-1 yesterday here in the stadium known as "The Theatre of Dreams".

The players' threat not to play if they did not get better pay was ended on the eve of the game by an ultimatum from the chief executive officer of South African soccer, Danny Jordaan.

"Play – or walk," he told the players, according to informed sources in the South African camp.

It was probably the money debacle which led to [...]

burst into song. The many [...] swollen with pride, while [...] song of their own. Even [...] porters joined in the cries "Shoes! Shoes!"

During the second half [...] Africa and even Radebe [...] wallet. But in the midfield Gascoigne, there were diffic[...]

Both teams used four [...] Gascoigne left the field with [...] Buthelezi tackled him in a [...]

Disgraced MEC to challenge Moldenhauer findings

(269)

BD 26/5/97

NELSPRUIT — Mpumalanga's disgraced former MEC for safety and security, Steve Mabona, intends fighting the damning Moldenhauer report into corruption and licence fraud which accused him of incompetence and the abuse of power and recommended his immediate dismissal.

Mabona resigned as MEC just hours before premier Mathews Phosa publicly released the report on Saturday, but remains a member of the province's legislature. He insisted in an interview on Saturday that he resigned of his own free will.

Traffic director Henry Brazer, who secretly issued the two licences to Mbete-Kgositsile on October 1 last year, and departmental head Stanley Soko, were both suspended from their posts on Friday.

They have been charged with misconduct in terms of the Public Service Act and the Labour Relations Act.

Insisting that chief magistrate Heinrich Moldenhauer had a vendetta against him, Mabona warned that he would be challenging the Moldenhauer commission's findings after studying the full report.

The report finds that Mabona blamed his subordinates for his own incompetence, that his relationships with various driving schools encouraged mismanagement and corruption among junior officials and that his continual interference in management decisions had paralysed sections of the department.

Phosa likened the corruption within the department to "worms crawling around on a piece of rotten meat".

Sources close to Phosa say he will forward a copy of Moldenhauer's report to Deputy President Thabo Mbeki for a decision on steps against deputy speaker Baleka Mbete-Kgositsile, who has released a statement expressing regret for travelling to Mpumalanga for her licenses, but insisting she was caught up in a "web of impropriety of which I was unaware". — Sapa.

RAILWAYS *The company's rebirth as a viable economic powerhouse is ascribed to a management focus on the bottom line*

Mkwanazi puts Spoornet back on the rails

CT(BR) 26/5/97 (269)

Spoornet has the potential to generate profits of more than R1 billion in the future. In its past financial year, the railway company was in the black to the tune of R346 million following a profit of R98 million in the previous year.

The upbeat forecast comes from Mafika Mkwanazi, the executive director of Transnet and the man responsible for the fortunes of an organisation which boasts more railway lines than the rest of Africa combined.

Mkwanazi ascribes Spoornet's rebirth as a viable economic unit to a change in management focus from the technical side of the operation to the bottom line. "Having partially completed this groundswell change, we are starting to laying additional stress on what we call the factory, which involves delivering on the promise."

Such delivery hinges on bottom-line performance, which has been forced on Spoornet managers by measuring them and paying them according to their results.

"This applies to the top 66. The same criteria will soon be applied to the next tier of management and thereafter right down to all levels of the organisation," he says.

"We are identifying what each manager is doing and asking if we need as many as we have. More changes are coming." He boils Spoornet's business plan down to centralisation, focus and rationalisation of management structures.

What does an organisation like Spoornet do with the profits it is generating and with the enhanced profits it expects to be forthcoming in the future?

"They are of direct benefit to the South African economy. The more profit we make, the greater our ability to reduce our prices. And that, in turn, generates more profit because it will increase our share of the market and hence our revenues. It will take time, but this is our ultimate goal."

JOHN SPIRA

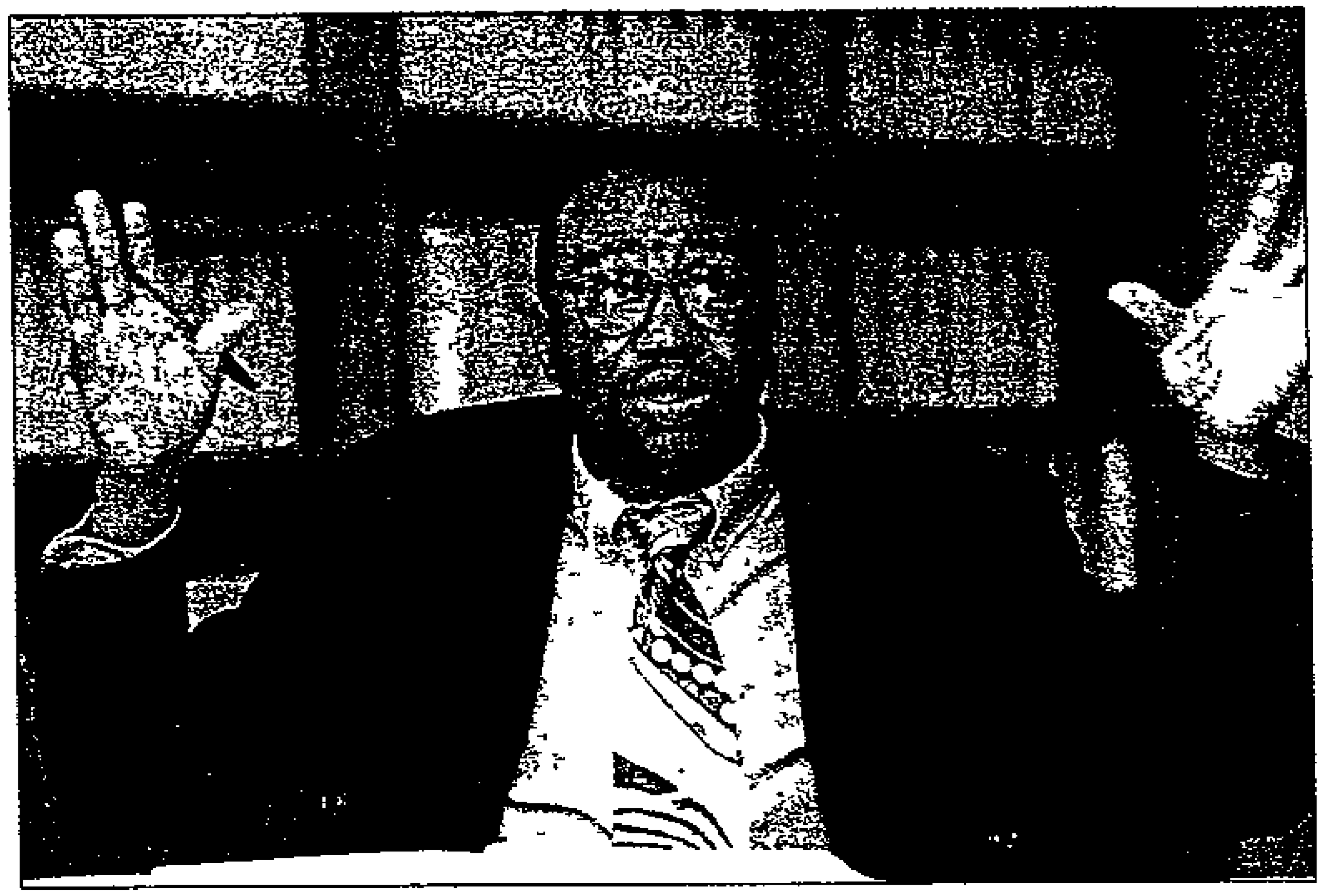
Mkwanazi came into Spoornet through Metrorail with the aim of taking Metrorail out of Transnet and making it a stand-alone business. Negotiations to that end have been dragging out for close on three years.

But he is not disheartened, saying progress has been made to the extent that the unions eventually agreed on Metrorail being moved out of Spoornet and becoming a division of Transnet.

It was agreed Metrorail would remain in Transnet until 2001, the intention being that at some time during that period concessioning would be tested.

Mkwanazi explains that the transport department is going to identify, in conjunction with other shareholders, a demonstration project within the Metrorail network, one in which Spoornet and Metrorail run in parallel.

"We are looking at bringing in, probably foreign, private operators, to run the demonstration project. We believe we are the best in South Africa, so to bring in someone from within the country would not make sense, it would not benefit the issue of testing the environment. Bringing in a foreign operator would help us learn how they do things differently."



BRIGHT FUTURE *Mafika Mkwanazi, Transnet's executive director, leads the change-management plan*

PHOTO JOHN WOODROOF

The future plan is to issue tender documents for about two years, hence "to open up the whole system for private sector participation".

Metrorail would be one of the participating operators. "When agreement has been reached, we would concession the Durban area, Cape Town, Johannesburg and Pretoria, and combine East London and Port Elizabeth. The concept of concessioning is being discussed by all stakeholders, and the detail will be finalised in due course."

Are these metropolitan networks profitable?

"They are not all profitable. At the moment Metrorail gets 60 percent of its operational cost from government, with the balance covered from its own resources. The concession periods will range from seven years to 30 years.

"The sum of money a concession operator is prepared to invest will determine the type of concession, as to time and region, it gets."

He says the scheme is designed to accommodate black economic empowerment and generate job creation. Blacks would not be involved in the operational side but by way of equity participation in the concession companies.

He estimates that R15 billion needs to be injected into the Metrorail networks to refurbish an ageing infrastructure. Reconditioning one coach can cost R700 000. And Metrorail runs about 4 600 coaches.

Mkwanazi says the key to future structures is a link with business, because Metrorail runs a peak, early morning and late afternoon, business. "We would like to see a situation in which during the morning you don't run as many buses as at present. Your bus drivers become train drivers. Off peak they act as bus drivers. That way a different model of running this business will evolve which will make it more profitable, since at the moment we run trains off peak at a loss."

The strategy allows for the subsidies to continue, "else there would be no incentive for private concession companies to come to the party". But Mkwanazi envisages the subsidy load being reduced.

"Right now government is paying subsidies to Metrorail and to the bus operators. Since the buses and taxis ply the same routes, it makes no sense for the buses to be granted subsidies. The idea on the table is to withdraw those subsidies, thereby reducing the burden on the fiscus and on taxpayers."

How will the concession companies earn profits for their shareholders?

"Subsidies will be negotiated up front. We will establish performance targets which, if achieved, would allow for a surplus to be available to the shareholders. It is up to the company to run as economically as possible."

Mkwanazi says a similar system works successfully in Argentina. The models would look different in the regions, depending on what is required. "For example, in the East London/Port Elizabeth area, additional lines are urgently needed, so it would make sense for a construction company to become a shareholder to build the lines and recoup their investment over time."

Does Mkwanazi envisage eventual JSE listings for the concession companies?

"It might be possible for the longer leases, though not for the companies operating the shorter leases."

Would unprofitable lines be discontinued?

"No. It will be a prerequisite that the companies operate unprofitable lines because of the subsidies they would receive and because we are talking here of a social service."

Deputy Speaker gets off lightly

(269) CT 26/5/97

A CROP of Mpumalanga traffic officers implicated in corruption in the Moldenhauer Commission's findings are next in the firing line — but it seems Deputy Speaker Ms Baleka Mbete-Kgositsile, who has an invalid driver's licence, has escaped lightly for the time being.

The commission's report, which has led to the resignation of Mpumalanga Safety and Security MEC Mr Steve Mabona, recommends only that Mbete-Kgositsile's licence be revoked, although it is understood that Deputy President Mr Thabo Mbeki may review her position in the light of her conduct.

Mbete-Kgositsile said at the weekend that she would hand in her ID document to the Home Affairs Department

☐ Turn to Page 5

Deputy Speaker 'caught up in a web'

(269) CT 26/5/97

☐ From Page 1

to have her licence expunged, but said she was "inadvertently caught up in a web of impropriety of which I was, at the time, unaware".

Her evidence during the inquiry was riddled with inconsistencies, the most glaring of which was testimony that she was made to stop at robots during her practical driver's test in Delmas. There are no robots in Delmas.

The commission's report, however, makes no comment on the quality of her testimony. She could not be reached for comment yesterday.

Meanwhile, the province's premier, Mr Mathews Phosa, has directed that a task team be formed by the Safety and Security department to look at all the commission's recommendations.

One of these is that all appointments of traffic officers under traffic director Mr Henry Brazer — whom, it was recommended, should be discharged — should be investigated by the Public Service Commission.

Two officers under Brazer, Mr Roelof Smith and Mr Frederik Bezuidenhout, were found to be underqualified, inexperienced and over-promoted.

Allowances that were pending or had been paid out on false claims should be audited, the report said.

Mabona intends fighting the commission's accusations against him of incompetence and abusing power, African Eye News Service reported yesterday.

Mabona resigned as MEC just hours before Phosa publicly released the report on Saturday morning but remains a member of the province's legislature and as such is still entitled to a salary of roughly R16 000 a month.

Insisting that chief magistrate Mr Heinrich Moldenhauer had a vendetta against him and had consciously allowed witnesses to distort information, Mabona said he would challenge the commission's findings after he had studied the full report.

Phosa likened the corruption in the Safety and Security department to "worms crawling around on a piece of rotten meat".

He said both he and Mabona had accepted the report's findings.
— Own Correspondent, Sapa

Star 26/5/99

Licence scam report: Deputy Speaker still under scrutiny

(269)

By Helen Grange and Jovial Rantao

A crop of Mpumalanga traffic officers are next in the firing line over the corruption uncovered by the Moldenhauer Commission, while Deputy Speaker Baleka Mbete-Kgositsile is surrendering the invalid driver's licence which exposed the scandal.

Parliamentary sources says Deputy President Thabo Mbeki may review her position in the light of her part in the affair, for which she made an apology over the weekend, saying she had been "inadvertently caught up in a web of impropriety."

At the time, she also insisted her licence was valid, despite being cautioned by the commission beforehand that she should take care in making assertions which could not stand up legally.

The commission's report forced the resignation of safety and security MEC Steve Mabona on Saturday hours before Mpumalanga Premier Matthews Phosa released it for public scrutiny.

Phosa has directed the safety and security department to set up a task team to look at all the recommendations.

One of these is that all appointments of traffic officers made under traffic director Henry Brazer should be investigated by the Public Service Commission. Brazer issued the learner's and driver's licences to Mbete-Kgositsile last October and has now been suspended.

Informed sources in Nelspruit say Phosa is likely to replace Mabona tomorrow with public works MEC Laxton Mathebula. This has presented Phosa with an opportunity to reshuffle his executive council.

But the disgraced Mabona is threatening to contest the report in the courts. He admitted to the commission that he had ordered Brazer to handle Mbete-Kgositsile's driving test.

Jackson Mthembu, the province's special delegate to the National Council of Provinces, is being considered for Mathebula's post.

HANSARD.

QUESTIONS (269)

† Indicates translated version.

For oral reply.

SAA: navigation facilities in Africa

*1. Mr J SELFE asked the Minister of Transport:

(1) Whether the South African Airways is currently experiencing problems with navigational facilities at any airports in the rest of Africa; if so, (a) at which airports and (b) what are the principal problems being experienced;

(2) whether such problems pose any threat to aircraft and/or passengers; if so, to what extent;

(3) whether he, his Department or the SAA is currently engaged in discussions with any civil aviation authorities in an attempt to put pressure on some African countries to improve their navigation facilities; if not, what is the position in this regard; if so, what progress has been made in this regard? C7E

The MINISTER OF HEALTH (for the Minister of Transport):

Mr Chairperson, hon members, I have the response here from the Department of Transport. It is rather long. I was wondering whether I could table it I will do so, unless you insist that I read it.

The CHAIRPERSON OF THE NCOP: Order! Dr Zuma, are you rising on behalf of the Minister of Transport?

The MINISTER: Yes

The CHAIRPERSON OF THE NCOP: Order! I ask you that for purposes of the record;

The MINISTER: Yes, I am.

(Reply laid upon Table with leave of House).

(1) Before the questions put by the Hon Councillor can be answered fully, a little perspective is required on two particular aspects. These are

(i) His reference to "navigational facilities". This terminology actually refers only to one aspect of the aviation environment Navigational facilities are usually specific radio aids located on the ground to provide guidance to aircraft en route from one location to another Today, most carriers equip their aircraft with satellite navigation systems which are in general very reliable. The additional technical issues are, however, approach facilities and surveillance and communication equipment These, together with navigation facilities, make up the environment in which an aircraft has to operate. If all these aspects are then viewed as a totality, the sad truth is that, yes, airlines are experiencing problems with these facilities in Africa, and these problems definitely do threaten the safety of aircraft and passengers.

(ii) The reference to "South African Airways". It is important to note that there are numerous other South African-based airlines operating in African airspace – charter companies, corporate companies and even the South African Air Force They all experience the same problems as SAA

(1) (a) It is therefore a relatively major task to draw up a list of all airports in Africa which are visited by South African aircraft. We can, however, note the following:

- At the majority of airports in the SADC region which have radio navigation and approach aids as well as surveillance and communication equipment, conditions experienced by pilots are generally satisfactory (Here it may be added that the Department of Transport does already undertake the calibration of navigational aids on the request of certain of our neighbouring states This calibration test ensures accuracy and optimum performance from the navigational aid).

- Further north in Africa - particularly in countries which have been seriously destabilised by war and civil strife-problems that detrimentally affect aviation safety are indeed being experienced.

(b) The principal problems being experienced can be listed as follows:

i. Navigational facilities The serviceability of these facilities is not as it should be When they are off the air, for whatever reason, pilots are not informed by way of Notams A Notam, (short for "Notice to Airman") is the internationally recognised way in which airmen are kept informed of such factors as the reliability of facilities The relevant Aviation authority of a country is responsible for issuing Notams

ii. Approach facilities The main problem here is also the serviceability of the equipment and the timely issuing of Notams This problem is potentially far more serious than that of navigational facilities.

iii Surveillance and Communication. This equipment generally refers to radar and radio. Radar is necessary in order to "see" aircraft, whilst radio is absolutely essential to control air traffic in all phases of flight Radar installations are not in an abundance in Africa, therefore radar coverage is minimal This makes traffic control more difficult. Where radar is available, its serviceability is again the critical factor Radio equipment in certain regions of Africa is of poor quality and suffers from reliability problems The introduction of satellite communications in the future will go a long way towards solving this problem

The one central point that emerges from all this is that virtually all the problems can be related to human resource, political and developmental issues Servicing of equipment, issuing of Notams and adequate traffic control all rely on human input

(2) Statistics shows that by far the greatest danger in flying over the affected regions of Africa today is the risk of a mid-air collision. Aircraft are not informed of conflicting traffic, different aircraft are cleared to the same flight levels, air traffic controllers act irresponsibly and many carriers do not regard it as important enough to equip their aircraft with Traffic Collision Avoidance Systems (TCAS) (SAA is in the process of equipping all its aircraft with TCAS).

All the relevant problems are being addressed by the various carriers themselves through the international authorities to which they subscribe The Civil Aviation Authority of South Africa also addresses the problems at the various forums available to it

(3) The International Civil Aviation Organisation (ICAO) – of which South Africa is a contracting state – specifically recognizes the sovereignty of each state's airspace ICAO also recognizes that the provision of air navigation services – which should primarily be dictated by general operational considerations inherent in air navigation – is in practice limited by the legal, administrative and budgetary constraints with which different national administrations have the contend.

In light of the above, it is not within the Department's jurisdiction to dictate to African countries how they should improve or investigate alleged deficiencies in their sovereign airspace However, strong pressure is at present being exerted by IFALPA (International Federation of Airline Pilots' Association) on ICAO (International Civil Aviation Organisation) to intervene in the situation The South African Civil Aviation Authority will address the matter at bilateral meetings with other states, with SADC (Southern African Development Community) and with AFAC (African Civil Aviation Commission).

An ICAO Accident Prevention/Investigating and Safety Seminar will be held in South Africa during May this year The purpose of this four-day seminar, which will include participants from Europe, North America and other regions, is to enhance the preparedness of state authorities and airlines which serve Africa and the Indian Ocean areas to contribute more effectively to accident prevention It is hoped that the seminar will significantly advance aviation safety in the AFI region

Another possible solution currently being considered is the convening by SAA of a meeting of all airlines involved in flying North-South routes across Africa in which it would be proposed that each airline "adopt" one of the affected countries, in the sense of taking responsibility for installing effective navigational equipment and providing the necessary training to personnel from those countries The costs of these programmes could then be deducted over a period, from the overflying fees charged to the various airlines

With the development of technology, the international aviation community has made a major commitment to move from current ground-based air traffic management systems to a space-based system. This system offers the prospect of accuracy and global availability unmatched by existing navigation facilities. The benefits of space-based management include improved safety with reduced separation minimums between aircraft, resulting in increased system capacity and greater fuel economy for operators The African and Indian Ocean region (AFI) will aim to take advantage of the system as soon as possible.

The MINISTER OF HEALTH: Mr Chairman, I rise on behalf of the Minister of Labour this time. He is not able to be here because he has a prior engagement in Durban. He has therefore requested that this question stand over until he is in a position to answer it

*2. Mr J SELFE - Labour. [Question standing over.]

Community service/correctional supervision sentences: records

*3 Mr W F MNISI asked the Minister of Correctional Services:

Whether his Department has on its records any persons who have been sentenced to community service and correctional supervision but whom it is unable to locate; if so, (a) how many and (b) what proportion of the total number of persons sentenced to community service and correctional supervision does this figure constitute? C23E

The MINISTER OF CORRECTIONAL SERVICES. Mr Chairman, I rise on behalf of the Minister of Correctional Services! [Laughter.]

The Department of Correctional Services has no record of persons who have been sentenced to community service and correctional supervision. The Department, however, has persons on its records sentenced to correctional supervision with a condition to render a certain number of hours community service, and who have absconded

(a) 4 318 as on 31 December 1996

(b) 6,13 % of the number of persons admitted since the implementation of this sentencing option by 15 August 1991.

Mr W F MNISI: Chairperson, arising out of the hon the Minister's reply, do I understand him to be saying that he does not have a record of people sentenced to do community service? Is his department not supposed to have those records, seeing that they are expected to supervise the people who are serving those sentences?

The MINISTER Mr Chairman, the question of sentencing is the prerogative of the courts and falls under the Department of Justice So the first part of the question should really be referred to the Minister of Justice. We are responsible for those people who are placed under correctional supervision: we have to provide the staff to supervise whatever activities they are engaged in But the total number of people sentenced can be learned from the courts.

Forged old South African passports: problems experienced

*4 Mr W F MNISI asked the Minister of Home Affairs:

(1) Whether his Department is experiencing a problem with forged old South African passports; if so, (a) what is the extent of the problem, (b) what is the estimated number of such passports; in circulation and (c) in which areas is the problem most prevalent;

(2) whether any arrests have been made and/or convictions have been obtained following the use of such passports; if so, what are the relevant details in each case:

(3) whether any specific steps are being taken to address the problem; if not, what is the position in this regard; if so, what steps? C24E

The MINISTER OF HOME AFFAIRS:

(1) Yes It is not possible to make any assessment because cases that come under attention are investigated on an individual basis. Indications are that the problem is not linked to specific areas

(2) As forging of passports is a criminal offence which in the normal course of events would be investigated by the SAPS, it is suggested that the hon member approach my colleague, the Minister for Safety and Security, for information on arrests and convictions

(3) A new format, machine-readable passport with advanced security features to protect it against forgery was implemented with effect from 22 May 1996.

Illegal export of wild-caught primates: prosecutions

*5 Mr E K MOORCROFT asked the Minister for Safety and Security

Whether any persons were prosecuted in (a) 1995 and/or (b) 1996 for the (i) illegal export of wild-caught primates from South Africa and (ii) use of wild-caught primates for medical experimentation, if so, what are the relevant details in each case? C137E

The MINISTER OF HEALTH (for the Minister for Safety and Security): Mr Chairman, I will be replying on behalf of the Minister for Safety and Security.

The CHAIRPERSON OF THE NCOP: Order! Dr Zuma, it appears as if it is true that you have your finger in every pie! [Laughter]

The MINISTER: Mr Chairman, I am sorry, but I was asked by the Ministers to reply on their behalf If that is acceptable, I will do so, if not, I will inform the relevant Ministers

The CHAIRPERSON OF THE NCOP: Order! Please proceed.

The MINISTER Thank you, Mr Chairman. The answer to questions

(a), (b), (i) and (ii) is no.

Wild-caught primates used for medical experimentation

*6. Mr E K MOORCROFT asked the Minister of Health:

(1) Whether any wild-caught primates are being used for medical experimentation in South Africa; if so, (a) how many and (b) by which institutions;

(2) whether her Department is responsible for regulating the use of animals for medical experimentation; if not, who is responsible therefor, if so,

(3) whether she intends introducing legislation to end the practice of using wild-caught animals for experimentation purposes, if not, why not, if so, when;

(4) whether she will make a statement on the matter? C138E

The CHAIRPERSON OF THE NCOP Order! The Minister of Health will reply to question 6 [Laughter] Dr Zuma, please rise and address the House. This confirms what Mr Mnisi said, that you are the busiest Minister of them all!

The MINISTER OF HEALTH:

(1) Yes.

The information on (a) and (b) is not available at present.

(2) No, once in captivity this is the responsibility of the Department of Agriculture. Research performed on animals is done under the control and supervision of the ethics committees of the relevant institutions

(3) No, the Animal Protection Act (Act No 71 of 1962) is at present the responsibility of the Department of Justice.

Animals are still being used in a variety of aspects in medical research and are in some

1 Supplement B

Phosa praised for speedy action on licence scam

(269)

By Pamela Dube
Political Reporter

POLITICAL parties across the spectrum have commended Mpumalanga premier Mr Mathews Phosa for his speedy implementation of the Moldenhauer Commission recommendations – expelling and suspending senior officials implicated in the driver's licence scam.

A few hours before Phosa announced the moves, MEC for safety and security Mr Steve Mabona resigned, an act which did not surprise many because indications were that the premier intended firing him.

Releasing the 665-page report, Phosa accepted Mabona's resignation and suspended his co-accused, traffic director Mr Henry Brazer, who secretly issued a learner's and driver's licence to Deputy Speaker Ms Baleka Mbete-Kgositsile on October 1 last year, and departmental head Stanley Soko.

They have been charged with misconduct in terms of the Public Service Act and the Labour Relations Act.

Mabona was found to be responsible for mismanagement, possible misspending and the abuse of power.

Mabona, however, told *Sowetan* yesterday that he was unhappy at the way the commission handled the inquiry, denying he had anything to do with financial irregularities in the traffic department.

He insisted he was not given a hearing to defend himself against Brazer's "lies that I used the department funds for personal use"

Brazer told the commission that Mabona used department money for hotel accommodation, car hire and other travel expenses including hiring a helicopter to attend a relative's funeral

"How can I do that when I was not controlling the finances?" Mabona asked.

Mabona said he did not resign because of the damning report. He said he informed the premier prior to him commissioning an inquiry that he intended retiring from politics

After suspending Brazer and Sokho, Phosa appointed the provincial police commissioner General Alfred Malete to temporarily assume the post of departmental head

In addition, Phosa said that the provincial traffic directorate would be removed from the department of safety and security and would now fall under the department of public works, roads and transport

Until a replacement was found for Brazer, public works department head Mr JN Mablio would take full responsibility for the traffic directorate.

Conceding that corruption and mismanagement within the department was far more widespread than initially suspected, Phosa also announced that a special task team consisting of Mbatha and Malete would study the full report.

Commending Phosa's actions, African National Congress acting general secretary Ms Cheryl Carolus said Mpumalanga had emerged "once more as a catalyst for decisive executive action against corruption".

Azanian People's Organisation liaison officer Mr David Lebethe said Mbete-Kgositsile could not claim ignorance of the licence scam because she "is the most senior of them all to have allowed herself to be caught up in the scam"

PAC parliamentarian Ms Patricia De Lille said Mbete-Kgositsile should be suspended from her position until the parliamentary ethics committee investigated the findings of the commission.

The National Party and the Democratic Party insisted that Mabona should also resign from his legislature seat.

Sowetan 26/5/97

Commission's recommendations

By Khangale Makhado

THE Commission recommended that Mabona, Brazer and Sokho were not suitable for their respective positions, saying they should be discharged from their jobs.

Mabona, the commission recommended, should be dismissed as a member of the executive council.

It also recommended that Brazer be discharged.

As regards Sokho, the commission recommended he be transferred to a non-managerial position and that if that could not be done he be dismissed.

The commission also noted the following in respect of the three:

Mabona

- Not only is there overwhelming evidence that Mabona did not know what was going on in his department, but there is evidence proving his lack of control and management of the department he headed,
- Mabona did not hesitate to blame others, especially the administrative staff, for his incompetence,
- His active role in creating an atmosphere where certain driving schools controlled some of the traffic officers is totally inexcusable,
- The evidence relating to the money he spent against the traffic control and traffic safety vote account is also very disturbing;
- It is sufficient to say that Mabona neglected to perform his assigned duty

Brazer

- He was directly responsible for the whole controversy surrounding the issuing of the "licence" to Kgositsile. He is not in control of his directorate;
- His inability to take important decisions and questionable decisions he took, make it impossible to rectify the chaos in his division while he is the director;
- He is also ignorant about what is going on in his division, especially regarding the problems relating to the issue of driver's licences; and
- His failure to take drastic steps to bring about discipline where staff did not comply with provisions, and his hesitation to act strictly and swiftly against corruption make him the wrong person for the job.

Sokho

- He had more than a year to adapt to his post of departmental head;
- The commission has sympathy with Sokho because he illustrated that he tried his best to steer the department in the right direction;
- It is clear that he does not have the ability to control his staff and that he, very often, did work that should have been done at lower levels; and
- The commission is of the opinion that he might perform better in a post other than that of manager.

IRD 5
(IRD)
16 1
17

Deputy Speaker faces growing demand to explain role in licence fiasco

(269)

By Helen Grange

Pressure is mounting on parliamentary Deputy Speaker Baleka Mbete-Kgositsile to give a fuller explanation about her conduct in the Mpumalanga driver's licence scandal – despite her insistence that she had been inadvertently caught up in a "web of impropriety".

DP provincial leader Clive Hatch has called for a full investigation into why she chose to travel 1 500km from Cape Town to Mpumalanga to obtain a "soft driver's licence", adding that there were still a number of serious questions about her actions and "possible complicity in the scandal".

These included her inability to remember parts of her tests, her insistence that she was asked to stop at robots during her test when there are none in Delmas, and her inability to remember how she got from Cape Town to Johannesburg.

Mbete-Kgositsile insisted she had done nothing wrong. However, she could not explain why she had travelled to Delmas to be tested for her licence, despite having no personal or constituency ties with Mpumalanga.

Three days after testifying, she released a statement in which she said she regretted perceptions that she had used her influence to "jump the queue", adding that MPs should "set an example".

After Premier Mathews Phosa's acceptance of the commission's report on Saturday, Mbete-Kgositsile said she accepted that her licence was invalid and that she would comply with the report's order that she surrender her ID book containing it.

It is understood the commission's report is being sent to Deputy President Thabo Mbeki – after which her position may be reviewed.

Star 27/5/97

Mpumalanga reshuffle expected soon

By Hopewell Radebe
Provincial Reporter

Mpumalanga Premier Mathews Phosa is expected to announce a reshuffle of his provincial executive committee this week following the resignation at the weekend of safety and security MEC Steve Mabona over the driver's licence scam.

Phosa's spokesman Oupa Pilane said the safety and security department had been placed under the office of the premier pending the shake-up.

The premier was said to be reviewing the performance of all political heads in their respective departments to see if they were coping with their functions and duties.

Government sources say legislator Jackson Mthembu, who headed the ANC's provincial campaign during the 1994 election, would replace Public Works, Roads and Transport MEC Luckson Mathebula.

The traffic department has been removed from the safety and security department and placed under the transport department. It is believed that Mthembu would be able to transform and restore dignity to the traffic department, which is plagued by allegations of corruption.

Sources say Mathebula would become MEC for agriculture.

Agriculture MEC January Masilela, who has a military background and is known to be a courageous reformer, is tipped to replace Mabona as safety and security MEC to bring back discipline and direction in the police force.

R1,2bn to transform major airport centres

BD 27/5/97 (269)

Robyn Chalmers

TRANSPORT Minister Mac Maharaj has unveiled a R1,2bn plan to transform the major airports at Johannesburg, Cape Town and Durban over five years, and to develop dormant land adjacent to airports around SA.

Maharaj also said at least eight international airport authorities had expressed an interest in taking an equity stake in the Airports Company. Government recently clinched an agreement with labour which paved the way for a strategic equity partner to take a minority stake — probably 49% — in the Airports Company.

Maharaj said about 15-million passengers used SA's nine national and international airports each year, and this was a huge market waiting to be serviced. "Why shouldn't these centres be developed as places of entertainment and commercial activity? Hotels, conference centres and commercial developments that enhance the airport environment all become options that need to be examined and planned for."

He said a national policy on airports and air space management, and a review of local civil aviation to ensure safety standards, was being finalised.

The R1,2bn would be used for projects including new domestic and international terminal facilities at Johannesburg International Airport. Durban International Airport would get upgraded passenger facilities and Cape Town International Airport faced a major redevelopment should the city be awarded the Olympic Games in September, otherwise the scale of the redevelopment would be downgraded.

However, the available funds are significantly less than the R2,2bn that Airports Company MD Dirk Ackerman recently estimated was needed over the next five to six years to meet the growing demand for services.

Ackerman said yesterday the potential of the dormant land holdings would be turned into real value through partnerships between the public and private sectors. Proposals included office and industrial parks, shopping centres, entertainment centres, hotels, service stations, exhibition centres and conference facilities.

Maharaj said by turning a 1993 deficit of R58m into a pretax profit of R143m in 1995 and R223m in 1996, the Airports Company "has been a story of rare success for a state corporation". It had been restructured last year into three divisions — aviation services, property development and retail.

He said from a base of almost zero in 1993, more than 40% of the company's middle management positions and 25% of its senior positions were now held by blacks.

The success of the Airports Company could be measured by the interest generated internationally among companies looking to buy into it. Companies understood to have expressed interest include Lockheed Martin AGI Soros Investments, the British Airports Authority, Schipol Amsterdam, Daimler-Benz, the Malaysian Airports Authority, Vienna Airport, Singapore Airport and the Challenger Group.

Maharaj said an important aspect that a strategic equity partner was likely to bring was a strategy to grow nonaeronautical income. Presently the aeronautical component was almost 80% of the company's total income, but at leading airports overseas this was often less than a quarter.

Maharaj previously said government expected to receive R1,2bn from the sale of a 49% stake in the Airports Company, which was valued at about R2,5bn. He said the proceeds were likely to go to the central fiscus.

State must act to ensure Transnet does not lose more value

BD 28/5/97 (269)

Another management shake-up might be necessary at Transnet if the parastatal's privatisation is to move ahead smoothly, writes Robyn Chalmers

THE face of the R40bn transport parastatal Transnet is set to change dramatically over the next five years, with the early stages of transformation likely to focus on the business and top management structure.

The debate on the restructuring, unbundling and future sale of most Transnet business units heated up recently with a two-day conference on the future of the parastatal held in Cape Town. Transnet's current and future structures came under much scrutiny, and there is a growing belief among observers and analysts that a major reshuffle is on the cards, focused on the top management structure in the short term.

In more private moments, top government officials admit that if they could undertake the past year's management restructuring again it would probably be done very differently. This is a startling admission, given the amount of time and effort that went into the original restructuring — which was itself highly controversial.

The appointment of six new, largely untested, executive directors and a chairman to Transnet's board last year was extremely traumatic for the organisation, something that was most evident in the rash of resignations which followed. It did bring Transnet decisively into the new SA, a move sorely needed, particularly in light of the resistance to change being put up by the old, white management structure. But the "big bang" route to boosting affirmative action and transforming the top management may not, in hindsight, have been the best way to go.

The real problem is that the current top management is not "managing" Transnet in such a way that it contributes proactively to SA's economy. Particularly worrying for government must be that its transport policy — worked out after years of negotiation — is not being implemented in anything like the way originally envisaged.

Latest indications that Transnet is expected to report a substantially higher loss this year backs up the lack of management issue. PX, which management predicted would be on the road to recovery by now, is expected to show a loss of more than R500m. SA Airways (SAA) has also moved into the red.

Government is understandably reluctant to have another major, unsettling, management reshuffle so soon after the first one. There are also a few strong and competent executives and there may be a sense that the apparently weaker links in the management team should be given time to prove their mettle. But the time is fast approaching where action will have to be taken, not least because competent and visionary management will be vital if the loss-making parastatal is to be turned around to the extent needed for any meaningful privatisation.

So while government could opt to replace a few top executives — and if it decides to take this route it should do so immediately — it is more likely to look at the overall management structure. An attempt could be made to shore up the weaker members of the team by linking them with strong, competent management teams, possibly even from the private sector.

The question of whether the state should remain the shareholder of major portions of Transnet while selling off the more profitable entities such as Autonet needs to be examined closely. A report by government's formal privatisation adviser, HSBC Simpson McKie James Capel, recommends the 100% sale of SAA, road freight and passenger operator Autonet, pipeline operator Petronet, parcel group PX, telecoms arm Transtel, information technology subsidiary Datavia and most of the physical properties.

On Spoornet, the report suggests either keeping it as a single unit or splitting it up into several operations, after which the company or companies should be privatised via a listing or trade sale.

An argument is made for retaining Portnet under state control, particularly the port infrastructure, management and profits, while other operations such as tugboat and stevedoring services could be sold off. However, this could be feasible only if an autonomous port authority is set up. The same argument applies to Metrorail, which previously fell under Spoornet and is now a separate division of Transnet.

Government wishes to keep control of the basic infrastructure operated by Metrorail, Spoornet and Petronet for strategic reasons, but when it comes to expanding and operating infrastructure, it is looking to the private sector.

A significant number of routes currently operated by Metrorail would, therefore, be concessioned with the private sector bidding to operate services, possibly even expand infrastructure via a build, operate and transfer scheme. But the infrastructure would remain in the hands of the state.

But SAA is perhaps the most revealing example of the power struggles and empire building taking place among certain factions within Transnet. A confidential and controversial report by SBC Warburg on steps needed to be taken at SAA was recently presented to government officials. While the contents of the report are a closely guarded secret, it is reliably understood that one of the recommendations is to reduce significantly the influence Transnet's management has over the airline.

Analysts go further, saying SAA should be stripped out of Transnet and set up as an independent entity with a separate board. One of the main reasons given for such action is allegations of growing tension within the top management structure. There has been no shortage of interested buyers in SAA — British Airways' top management was in the country recently to look into acquisition possibilities — but the management of the airline, along with the anticipated R350m loss in the current year, has been cited as cause for concern.

It seems there is a faction within top management which believes SAA should be kept in state hands, although SAA MD Mike Myburgh has said he is in favour of fully privatising the airline.

Theoretically, there is no need for government to retain a controlling stake and full privatisation may well be the only way SAA can survive in an increasingly competitive environment. Although there is agreement on selling only 25% of the airline at present, both Public Enterprises Minister Stella Sigcau and Transport Minister Mac Maharaj said recently that a 100% sale of SAA over the longer term was in line with their thinking.

The huge pension fund deficit plays a vital role in any future decisions to be made on Transnet's restructuring and its effect, to date, has been to stall progress on finding prospective strategic equity partners. Proposals to date include cancelling the T011 bonds totalling R10bn which were issued in 1990 to reduce the R17bn deficit and letting the state take over responsibility for all Transnet pensions in a bid to make the parastatal profitable. The problem is that the recommendation to cancel the stock contained within the report from the Stride committee — set up to investigate ways to deal with the pension fund problem — has serious implications for government and the bottom line is that the taxpayer will probably have to foot the bill.

Transnet brings with it a plethora of problems which appear not to have plagued other parastatals such as Eskom and Telkom, and which would challenge the most experienced of managers. If a new management structure is required, then government should not waste any time in starting negotiations on the implementation of one.

The coming financial results will give a better picture of what has happened to Transnet over the past year, but if analysts are correct in predicting that the situation has worsened, the state must act soon to ensure that one of its more lucrative assets does not lose even more value.

Successor to safety and security chief named

BD 30/5/97 (269)

NELSPRUIT — Mpumalanga's former safety and security MEC Steve Mabona has been replaced by public works MEC Lackson Mathebula.

Announcing the replacement, premier Mathews Phosa said yesterday that the move illustrated his administration's commitment to open and accountable government.

Conceding that Mathebula, who was not at the press conference, did not have a background in law enforcement, Phosa insisted he was chosen because he was the best man for the job.

"You do not have to be a lawyer to be the minister of justice. You just have to be a competent leader."

Jackson Mthembu, provincial ANC chief whip and a former senator, will replace Mathebula as public works, roads and transport MEC.

Phosa said the corruption-riven traffic directorate had been transferred from safety and security to public works and would therefore be managed by Mthembu.

Mthembu is one of the most influential leaders in the provincial ANC and has almost completely restructured the ANC's management of the legislature and its members in the past six months.

Party insiders say Mthembu was given the public works post instead of safety and security because Phosa hoped he would restructure the department, which is in a shambles.

The public works department is so inefficient that the health and education departments have been forced to establish their own internal works components to handle building and other projects.

Phosa refused to be drawn on whether Mabona would retain his position in the provincial legislature and the ANC in the light of the Moldenhauer report's findings on his management of safety and security over the past three years.

ANC Youth League leader James Nkambule said Mabona's fate would be decided at a special provincial caucus on June 22. The ANC's new provincial chief whip will be announced in about two weeks.

Phosa expressed support for housing MEC Craig Padayachee's handling of the investigation into Motheo Construction's R185m rural housing project.

"The investigation might lead us into taking further steps to secure clean and good governance in the province, as well as speeding up our already good standards of housing delivery," he said. — Sapa.

Ring road gets nod, but needs the Green light

ARGT 30/6/97 (269)

PETER GOOSEN
City Desk

A ring road from Retreat to Melkbosstrand, the first public road in the city to be privately built and owned, has been accepted in principle by the province and local authorities but has yet to face challenges from environmentalists.

Apart from easing traffic congestion, the new road – which will be given national road status – should prompt major office and other commercial development.

Part of the ring road will be developed along existing roads but several sections will be new. Four tolls are planned to help pay for building and maintenance

Murray & Roberts subsidiary Tolcon and the Western Cape Business Forum are behind the development.

The route will include a westward extension of the Cape Flats freeway to the Blue Route, and a northward extension of the R300 from the N1 towards Atlantis, emerging at Melkbosstrand.

The tricky part is the section that will run through the narrow gap between Zeekoevlei and the sewage maturation ponds close to the coast near Muizenberg, one of the biggest bird sanctuaries in Africa and due to become part of the planned False Bay Coastal Park.

The ponds could be in line to become conservation sites.

Environmentalists have expressed concern at the route but a spokesman for the consultants said he was confident a compromise was possible.

COAST-TO-COAST IN THREE PHASES

Private toll road to ci

C.T. 30/6/97 Circle City (269)

A PRIVATELY RUN toll road from Melkbosstrand on the West Coast around the city to the Cape Flats is being mooted by the Western Cape government.

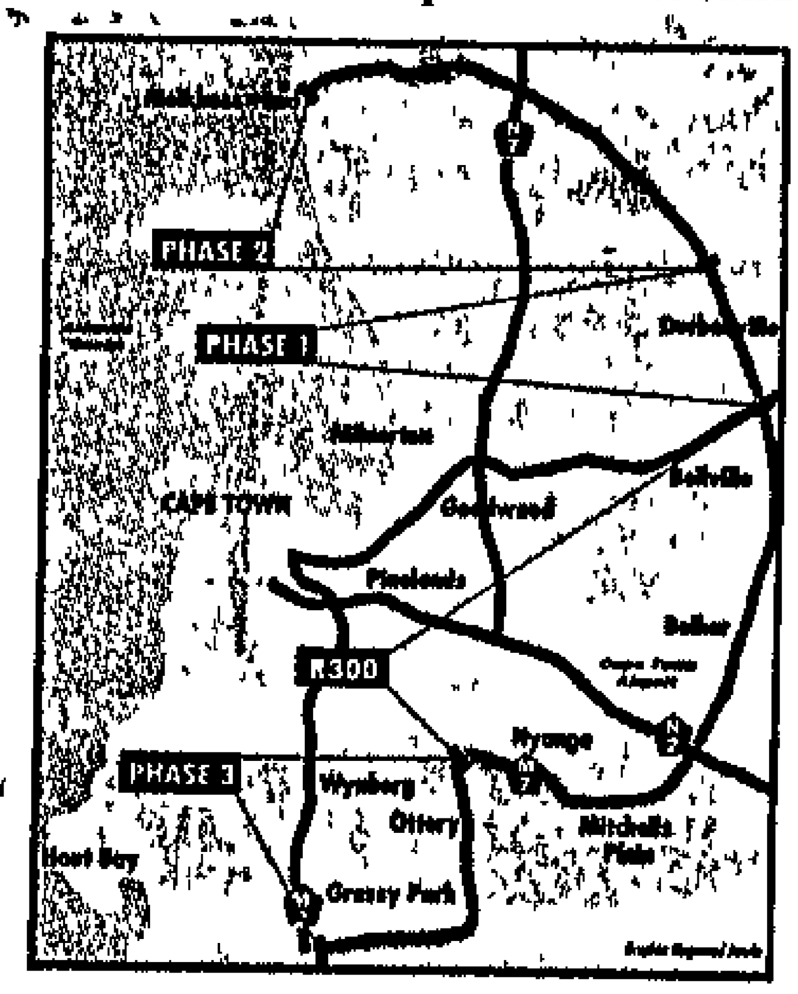
A BOLD ring road system to ease traffic congestion in the Peninsula is planned — but motorists will have to pay for the privilege at toll gates.

Provincial Transport MEC Mr Leonard Ramatlakane announced yesterday that the Western Cape provincial executive had approved in principle a private sector proposal to build the roads and operate a toll

In February last year a bill was tabled in Parliament to allow the government to override its obligation to provide and maintain alternative roads to the national toll roads system

The bill suggested that because there were not enough funds to maintain national roads and for capital expenditure on new roads, the SA Roads Board should be allowed to conclude agreements with "persons who are willing to plan, design, construct and operate a national road" in return for the right to charge a toll.

Ramatlakane first mooted the idea of the Cape Town ring road, running from the West Coast to the Cape Flats, when he took a drive up the West Coast road. He said then that repeated under-funding by the government had led to 1 200km of gravel roads being "nothing more than dirt tracks" with no surface covering.



Government funding to build the ring road route in the present economic climate was highly unlikely, he said yesterday.

However, the Murray & Roberts subsidiary Tolcon, which has long been involved in operating toll roads, and the Western Cape Business Forum — comprising local businessmen from previously disadvantaged communities — had suggested a possible solution.

In the Tolcon proposal, the first and second phases of the project would include extending the Kuils River freeway (R300) from the N1 to Durbanville, which would later be extended to the N7 at Melkbosstrand.

This road link would relieve the pressure on the Old Oak Road and Durbanville Road interchanges, which for the past few years have functioned above their intended capacities.

The third phase of the plan was to extend the Cape Flats freeway towards Diep River.

"They will, on a concession basis, construct all or part of the extensions at their own cost, maintain the road after construction and collect toll revenue for their own account for a period of 20 or 30 years, and will then transfer the concession back to the provincial administration," Ramatlakane said.

This type of proposal was known as a Build-Operate-Transfer contract and would be the first such contract in the Western Cape, he said.

"It is a very exciting development as it demonstrates that expansion of the road network need not be dependent on funding from the state," Ramatlakane said.

Consulting engineers had told the City of Tygerberg's executive committee that substantial growth in residential and commercial markets in Durbanville and upper Bellville had put pressure on the existing roads.

"The proposed freeway link to the N1 has been urgently required for many years," the engineers said.

Ramatlakane said the ring road should prove lucrative for the Peninsula and beyond. "There is much to be gained from the connection of business and industrial nodes in the South Peninsula, via Cape Town International Airport to Atlantis, (as well as) points along the West Coast," Ramatlakane said. — Staff Writer, Sapa

Overseeing proceedings

KEYNOTE SPEECH: With a portrait of her companion President Nelson Mandela behind her, Graca Machel delivers the keynote ad... Award for Health and Human Rights and the Kaizer Family Foundation Award for Excellence in Health Journalism last night. Cape T... dation award for his consistently excellent coverage of health issues. ● See Page 3

MEC WANTS CLASSLESS TRANSPORT SYSTEM

Plan for curbs on private cars

CT 3/6/97

(269)

CAPE TOWN will have a clean, safe, efficient and punctual public transport system before 2002, it was promised yesterday. Political Writer **KARIN SCHIMKE** reports.

CITY drivers will increasingly feel the pressure to leave their cars at home as the Western Cape's authorities implement a new policy to make public transport more desirable than private driving. Using the carrot-and-stick method, the province hopes to encourage private car owners to use buses, trains and taxis.

Transport and Public Works MEC Mr Leonard Ramatlakane will present the draft provincial transport policy document to the cabinet next week. Legislation is expected to follow this year.

Ramatlakane said this policy was not a "mere wish list". He said Capetonians could expect to see an overhauled, classless and environmentally-friendly public transport system in Cape Town by "long before the Olympics in 2004".

Transport authorities will not immediately crack the whip on private car owners, but will slowly discourage "private mobility" by adopting a "public transport first" policy, Ramatlakane said. Within three years, drivers in the Western Cape will start to feel the pressure of the authorities' efforts to introduce "private vehicle restraint" methods.

This will be done through new traffic safety management measures that could force drivers to complete a compulsory number of hours at a professional driving school; introduce far higher traffic fines and implement an annual roadworthy test for cars older than five years.

This test, plus proof that all outstanding traffic fines have been paid, will be needed before car owners can renew their licences.

Also, indirectly related to discouraging private car usage, is a proposal that car licence fees be increased. This would boost provincial coffers and is certain to increase the financial strain of owning a car.

"By world standards, South African licence fees for private cars are among the lowest," Ramatlakane said. He added that it was necessary for urban transport authorities to investigate "more realistic short-term and long-term public parking charges". The shorthand for this is that parking charges could increase.

Another way to discourage people from using their cars would be to increase the number of lanes on public roads that are exclusively for the use of buses or minibus taxis, he added.

The "carrot" will be the co-ordinated efforts of traffic authorities to establish a clean, safe, well-managed, pleasant and punctual public transport system. The transport system will be aimed at serving the needs of commuters, rather than the other way around, Ramatlakane promised.

"We have to develop a truly efficient, viable, affordable, safe and sustainable transport system," he said yesterday when presenting the policy document to the provincial standing committee on provincial services.

The policy document is in line with the international trend towards spending less money on roads and more on creating better public transport infrastructure.

The growth of private vehicle usage in South Africa — which could be partly blamed on inefficient public transport — has lead to road congestion and is causing environment harm, especially in the Cape Town metro area.

Using subsidy incentives as bait, the provincial transport authority will enlist the support of local authorities to implement changes that will see fewer people in cars and more in buses, trains and taxis by 2002.

Maputo corridor to benefit all parties

Star 5/6/97 (269)

When Mpumalanga established provincial relations with one of Mozambique's provinces, many wondered how the province hoped to benefit from a relationship with one of the world's poorest countries.

Today, the economic initiative between Mpumalanga and Maputo province has grown to such an extent that other regional governments have become involved.

The business deals that have come out of the relationship amount to billions of rands. The biggest deal is the Maputo development corridor – a project designed to improve rail, road and telecommunication links between South Africa and Mozambique.

Mpumalanga Premier Mathews Phosa says the agreement has set in motion economic co-operation in the southern African region. The interest in the corridor plan has snowballed and is attracting other neighbouring states.

This marks a transformation in the lives of Africans who have been subjected to abject poverty for decades because of the lack of a common economic objective in the region since the post-colonial era.

South Africa, Namibia and Botswana are considering plans to extend the Maputo corridor to incorporate these countries.

Botswana and Namibia want to join Mozambique in improving their technology and infrastructure.

They are proposing a trans-Kalahari development corridor

PROVINCIAL MATTERS

By Hopewell Radebe

which will start in Windhoek in Namibia and go through to Gaborone in Botswana via Rustenburg in the North West Province and join the Maputo corridor in Pretoria.

The project would be a blessing for Botswana, which would have a variety of transport options to improve its economy. It would have the choice of using either the Maputo or Walvis Bay harbours, which will be renovated to reach international standards.

Goods imported from the East will arrive in Maputo, while those from the West will arrive in Walvis Bay – all transported via the corridor.

The Maputo development corridor came into operation when five agreements were signed on the carriage of goods and conveyance of passengers, and to allow the construction of a R3-billion Maputo-Witbank toll road a few weeks ago.

Other agreements include the protection of investment capital between the two countries and the protection of land lease rights of South African farmers in Mozambique.

The agreements are aimed at eliminating bureaucratic proceedings at the borders of the two countries. It will also allow quicker access of goods, and promote tourism.

The agreements will immediately boost the economies of at least four provinces in South Africa and three in Mozambique, through which the corridor passes.

The advantage of the Maputo development corridor is even greater for Mpumalanga, which is poised to become one of South Africa's tourism giants because of the Kruger National Park and picturesque landscapes like the "God's Window" escarpment near Pilgrim's Rest.

Provincial officials expect unemployment levels will decrease in both Mpumalanga and Maputo during the construction of the toll road.

The project would result in about 7 900 full-time jobs on site, 19 700 indirect jobs and 14 500 projected potential jobs that would come from entrepreneurs taking advantage of the agreements. The labour force would be shared between both countries.

MAPUTO CORRIDOR

On the road to nowhere?

(269)

Harbour, rail contracts still being shunted about FM 6/6/97

Delays in issuing port and rail renovation contracts, coupled with a glitch in debt funding for road construction, have resulted in a six-month delay to the Maputo Corridor project

Karin Pearce, special assistant to the director-general of Transport and project manager of the corridor, confirms that the restructuring of CFM, Mozambique's equivalent of Transnet, hasn't gone as smoothly as hoped for "CFM has a vital role in bringing the corridor to fruition and is Mozambique's biggest employer outside government," she says.

And though the R1,2bn contract for the tollroad between Gauteng and Maputo was signed on May 5 "it has been delayed because the preferred bidder, Trac, is negotiating financial closure (debt financing) with national banks. It has to have this in place before it can start construction "

Delays in a project of this magnitude have to be expected, Pearce says, but she gives the assurance that by December construction of the road will have started and the concessions for the port and railway will have been awarded.

"Future delays will be minimised because the governments of SA and Mozambique have begun forming the Maputo Corridor Company to facilitate investment in the corridor and focus the attention of the authorities on problems affecting it."

The contract for the recommended improvements to the port should be worth US$60m, and the rail contract between $20m and $30m It will include upgrading the rail lines linking Maputo with SA, Swaziland and Zimbabwe.

A bilateral agreement for a single clearing facility at the border is being negotiated with the Mozambican government

Construction of the new section of road on the Mozambican side to shorten the distance between Gauteng and Maputo by 60 km should be completed by mid-1999

On the SA side the existing road will be rehabilitated, but Trac is obliged to inject capital for the 30 years of its concession to ensure the road keeps pace with traffic growth Already, it is expected that the road through Nelspruit will not cope with expected traffic volumes. **David Pincus**

Plan to reduce use of cars in Cape Town

BD 12/6/97

(269)

Linda Ensor

CAPE TOWN — The Western Cape cabinet yesterday adopted a white paper on transport policy which would serve to discourage the use of private vehicles in the Cape Town central business district (CBD), while giving greater emphasis to public transport.

Higher parking charges should be introduced to restrain the use of private cars in the CBD, transport MEC Leonard Ramatlakane told the cabinet. Other options included increasing vehicle licence fees and loading licences for commercial vehicles using on-street facilities.

"The more well-off section of society has virtually unlimited use of private vehicles. This has led to increased congestion and pollution, with increasing demands to build more and more roads," he said.

On the other hand, public transport would be promoted by increasing the range and variety of services available and by improving infrastructure.

To discourage land use proposals which fell outside the integrated transport, land use and development policy, a development tax would be imposed on those who failed to comply with the policy, while those who did comply should receive a development grant.

Ramatlakane said the white paper's aim was to produce an "efficient, equitable and sustainable" transport system. It would be implemented through an act which would consolidate all transport legislation in the province.

Future growth of cities and towns should occur along development corridors and at identified growth points, and transport routes would ensure that townships did not remain cut off.

Also, investment in major new roads would be discouraged until the provincial government was sure it was making optimum use of all the transport facilities already available.

Meanwhile, Transport Minister Mac Maharaj said in Parliament he was looking into the conversion of minibus taxis into diesel-driven vehicles. This would coincide with a plan to switch to 20- to 25-seater buses to lessen congestion.

R25-m cash injection as Flats link road takes shape

(269)

Lansdowne -Wetton Corridor gets on the go

Arg 13/6/97

JERMAINE CRAIG
City Reporter

The first tangible benefits of the Lansdowne-Wetton Corridor programme are expected to flow from a R25-million cash injection for the project from the Department of Transport.

The corridor is one of four projects proposed in the Metropolitan Spatial Development Framework, which aims to reverse the apartheid era separation of disadvantaged communities from the city's conventional business districts.

The Lansdowne-Wetton project envisages an economic corridor linking the business district of Wynberg to the proposed economic hub of Philippi, creating thousands of jobs.

The link road will pass through the heart of the Cape Flats, where a large percentage of the city's workforce live.

THE CHANGING CITY

CAPE ARGUS

TRACKING A CITY IN TRANSITION

Most Flats workers have to travel a long way to work in central Cape Town, Wynberg or Bellville.

It is hoped the link road will be a catalyst for more shopping complexes and job opportunities on the flats, creating thousands of jobs and enabling people to work closer to their homes.

About R15-million of the Department's pledge, which was announced at a function in Kenilworth yesterday, will be released soon and the rest within six months, clearing the way to begin several projects.

The Cape Town municipality is co-ordinating the programme on behalf of the department.

Amanda Younge, the municipality's director of town planning, said the aim was to improve the lives of the city's residents and it was believed that the Lansdowne-Wetton project would contribute to this.

"The Department of Transport has demonstrated its confidence in our ability to make meaningful changes to the way the city operates, and to get into real delivery instead of getting stuck on planning, planning, planning."

Ms Younge said the municipality had already budgeted R124-million for developments, and that the money from the department would be used immediately.

Govt to reduce direct role in transportation

(269)

CT 13/6/97

POLITICAL STAFF

THE government is to reduce its direct involvement in the provision of transport services and infrastructure in favour of public private partnerships, Transport Minister Mr Mac Maharaj said yesterday.

Speaking in the National Council of Provinces he said the role of the government would change from being a regulator of bureaucratic control, provider of infrastructure and transport operator to that of a regulator of substance, a policy formulator and strategic planner.

Maharaj said through restructuring and the devolution of power, the primary responsibility for land transport would be at provincial and local levels with the national Department of Transport playing a co-ordinating and facilitating role.

In the restructured industry, the authorities would be responsible for planning, funding, regulating and enforcing laws and the provision of service would be left to operators. Bus and taxi operators would be encouraged to compete for a route and not on a route.

Maharaj said as part of the restructuring of the rail service, Metro-rail would be removed from Spoornet to become a free-standing company under Transnet. A new output-based contract, including penalties for non-performance, would be negotiated.

He said negotiations on concessions were being held with trade unions in terms of the National Framework Agreement.

In the bus industry, Maharaj said there would be a move from the ticket subsidy system to tendered contracts with subsidies based on kilometres travelled and not multi-tickets sold.

"We have concluded interim contracts (one to three years) with bus companies and the companies will surrender permits at the end of interim contracts. Provinces will then invite competitive tenders for all subsidised services within three years, based on transport plans," Maharaj said.

Maharaj's new land transport policy, which underpins the restructuring of the transport industry, has received the support of all provincial governments.

● In a debate on taxi violence in the National Council of Provinces yesterday Transport Minister Mr Mac Maharaj said the presidential investigation team on taxi violence, appointed three months ago, had made good progress.

National roads agency given cabinet go-ahead

(269) BD 19/6/97

Wyndham Hartley

CAPE TOWN — Legislation which will create a national roads agency with a dedicated fund which will raise the fuel levy by up to 6c/l over the next two years was yesterday approved by the cabinet.

Transport Minister Mac Maharaj said the SA National Roads ~~Agency Bill~~ would, once signed into law, create an independent agency for the management, construction and maintenance of SA's 7000km road network.

"This will for the first time put the operation of our national roads on a commercial footing and establish a direct relationship between users and the suppliers, with government playing a regulatory role," Maharaj said. The creation of the dedicated agency followed extensive studies of international practice, he said.

Once approved by Parliament, the bill is expected to raise the fuel levy by 1c/l to 5c/l by April next year and by a further 6c/l by April 1999. Other forms of financing, such as share capital, toll fees and loan accounts, ~~will also be used.~~

Yesterday's decision by cabinet followed years of calls for a dedicated roads fund to maintain SA's vital roads.

"The SA National Roads Agency will plan, construct and manage national roads while corporatising and commercialising certain public functions. It will be managed by a board of directors, appointed by the minister of transport who will retain policy-making functions through determining national roads policy," Maharaj said.

An eight-member board and a chief executive officer will run the agency, which will also include a representative of the department of finance and five other members with specialist knowledge in roads matters. Its day-to-day activities will be administered ~~by the CEO with a~~ staff of about 150. The agency will be independent but answerable to the minister and to Parliament. Projects contemplated by the agency will have to be driven by business plans approved by the minister.

"Funding of the agency will be through sources such as share capital or a loan account as well as tolls payable in terms of the Act, interest and levies," Maharaj said.

"The transport department has also proposed using a surrogate for direct user charges, namely a petrol levy of 6c/l, to finance the agency's work. Ideally by April 1998 we would like to have a 5c levy in place, that is an increase of 1c over the current allocation which is the equivalent of 4c, with this increased by a cent to 6c by April 1999. This is still subject to negotiations with the department of finance."

He said national roads were the key to development and had been deteriorating because of less funding. The agency would maintain the existing network while attending to upgrading and increasing private sector involvement.

Unions accuse Spoornet of not giving information

BD 15/9/97 (269)

Robyn Chalmers

SPOORNET trade unions have accused management of withholding information on transformation at the parastatal, and have declared a dispute.

André Venter, general-secretary of Salstaff, the 13 000-strong affiliate of the Federation of Trade Unions of SA, said at the weekend the lack of information hampered the union's dealing with the effects of the transformation.

"We have been busy with consultations for the past seven months, dealing with the restructuring of middle management.

"As a result of the noncommittal attitude of management, progress is very poor, which causes a lot of uncertainty among our members," he said.

Spoornet CE Braam le Roux said earlier this month Spoornet's transformation, announced a year ago and focusing on a major management reshuffle, would be completed within two months.

Venter said these statements were indicative of management's apparent "don't care" attitude towards workers.

He said there were other issues that had to be resolved apart from the dispute on disclosure of information. The union claimed there were inconsistencies in the manner in which management had given positions in the new structure — certain managers had had to apply for positions while others were given lateral transfers or even promoted.

Labour disagreed with management's approach in identifying employees who might be retrenched. "Management wants to selectively choose employees to be retrenched instead of using an acceptable method such as Lifo (last in, first out) or Fifo (first in, first out)," he said.

The union said management still had to respond to certain measures proposed by labour to prevent retrenchments.

Spoornet spokesman Johan Hugo said the dispute was recently settled after agreement had been reached with labour on the disclosure of information. Salstaff labour relations head Linley Sharp and Venter denied the dispute had been fully settled.

Hugo said there were a number of phases Spoornet had gone through to determine how to handle the management transformation. Those managers whose positions had not changed dramatically — about 45% of the 2 000 middle- to upper-management — were given lateral transfers. Those whose positions were dramatically altered had to reapply with Spoornet.

It was difficult to use the Lifo method of retrenchment as most of Spoornet's black managers would then have to go. Negotiations on retrenchment packages were still under way, he said.

Hugo said management met labour regularly to discuss a range of issues, and gave constant feedback on labour's proposals.

FM 20/6/97

NATIONAL ROADS NETWORK

Cabinet drives road revolution

(269)

New agency will commercialise building and upkeep of major routes

The Cabinet has given Transport Minister Mac Maharaj permission to form a commercialised national roads agency, paving the way for government to abandon roads management and maintenance and leave the job to the private sector.

The SA National Roads Agency Bill will ensure that the Minister retains road-building policy, but will vest implementation of that policy with the independent agency

With a staff of about 150, the agency will be partly funded by a proposed fuel levy, and will co-ordinate projects to be undertaken by the private sector.

The Transport Department says it decided to establish a commercialised agency to outsource the planning, construction, management and finance of national roads because SA's national roads "have suffered extensive deterioration in the past because of a lack of adequate funding"

The national transport budget and spending on roads have declined steadily in the past 10 years

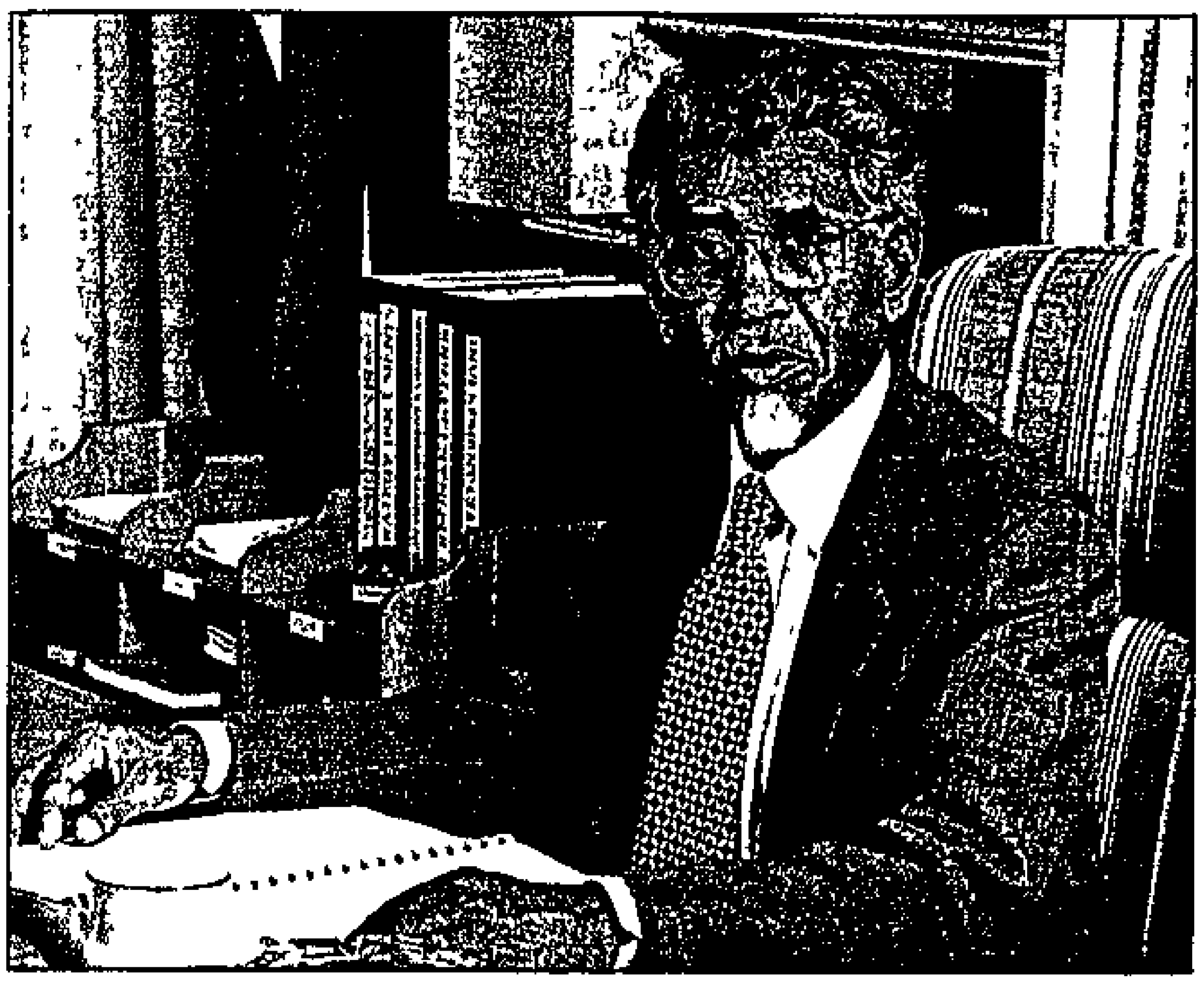
Figures supplied by the department show that around R4,1bn is needed to halt the deterioration of SA's roads.

In a ministerial memorandum, the department says "there is a need for the management of the national roads resource to be conducted more effectively, efficiently, accountably and safely in a focused manner"

If the plan works, the agency will ensure that SA's roads — currently run by the SA Roads Board — are run, for the first time, along business lines National roads such as the N1, N2 and N3 will receive optimal maintenance and upgrading with the participation of private consortia. New toll roads will also work on the principle that they are driven by the private sector and regulated by the agency

The memorandum further says the costs of building and maintaining national roads should be borne by the users and, wherever possible, jointly with the State In this regard the department has proposed the imposition of a dedicated fuel levy of 6c/*l* to finance the agency's work, especially the rehabilitation and maintenance of the national road network.

The department says it would like to see a 5c/*l* levy in place by April 1998, which is



***Mac Maharaj** . . . Cabinet nod for commercialised roads*

one cent above the current allocation. It hopes to reach 6c/*l* by April 1999.

The call for a dedicated levy breaks with past practices which allocated all such "taxes" to general revenue income

SA Bitumen and Tar Association chairman Dave Orton said recently that a national investment of more than R150bn in roads could go to waste if they were not properly maintained

The agency will be managed by a board of directors appointed by the Minister, comprising a non-executive chairman, a CEO, a representative of the Department of Finance and other members with relevant knowledge and experience.

The agency will be funded from share capital and loan accounts relating to the assets transferred to it (mainly roads infrastructure), tolls collected, fuel levies, money appropriated by parliament, loans and certain fines and levies. Justice Malala

TRANSPORT *Mac Maharaj announces projects worth R3,4bn*

Three roads, 100 000 jobs

CT(BR) 2/7/97 (269)

NCABA HLOPHE

Johannesburg — Three road construction projects worth more than R3,4 billion and capable of creating at least 100 000 jobs were announced yesterday by Mac Maharaj, the transport minister.

Each project is expected to create about 40 000 direct and indirect job opportunities once construction begins.

The projects, which are at various stages of planning, are:

- The N3 toll road from Heidelberg to Cedara, with an estimated value of over R1,2 billion;
- The Platinum road from Pretoria West to Lobatse in Botswana on the N4, with an estimated value of R1 billion; and
- The Wild Coast road from Port Edward to Port St Johns, at an estimated value of between R1,2 billion and R1,8 billion.

The four prequalifying tenderers for the N3 toll road — on which construction is scheduled to begin after October next year — have been handed tender documents.

The tenderers are Freeway Enterprises, Mafube Consortium, the N3 Road Consortium and Khadravia.

Prequalifying tenders for the Platinum road would be announced in September, and construction was planned to begin after March 1999, Maharaj said.

Tenders for the Wild Coast road would close at the end of next April, with construction scheduled to begin in April 1999.

Maharaj said the road projects were part of public-private partnerships, which were expected to raise R100 million to meet the R170 billion capital injection needed to upgrade the country's infrastructure over the next 10 years.

"It is our belief the critical success factors for this partnership are strong, committed private sector sponsors; the commercial viability of the projects; a limited number of projects; high level of government support and realistic risk transfer to the private sector," Maharaj said.

The partnerships would challenge both the government and business to efficiently manage their responsibilities in order to improve quality and competitiveness, he said.

He said his department would also encourage the private sector to generate and submit unsolicited proposals to unleash "hidden talent and potential for development".

"I would like to encourage proposals for infrastructure or other development projects from the private sector, whether it be new technology, new financing strategies, new empowerment options or new institutional arrangements," Maharaj said.

PAPER WEIGHT *Jasper van der Bijl, MD of Murray & Roberts Civils, with a bundle of tender documents for the new road construction projects* PHOTO: JOHN WOODROOF

Call for closure of Transnet subsidiary PX

BD 16/7/97 (267)

Lucia Mutikani

THE Road Freight Association accused Transnet of unfair competition yesterday and urged government swiftly to close or privatise its loss-making subsidiary, PX.

Association chairman Roger Naisby said that it was necessary to privatise or terminate some or all of PX's activities. The division had been recording losses of between R400m and R500m yearly over the past three years.

"We see this as unfair competition in that anyone who can record that magnitude of losses must of necessity be a drain on the taxpayer or certainly be cross-subsidised by other divisions within the Transnet stable," he said.

PX head Nico Heyns said recently that a huge restructuring at the company aimed at improving its financial situation had led to a backlog of about 25 000 parcels.

Heyns said the company was now trying to source additional manpower to deal with the backlog.

Naisby said that the association had, to some extent, similar views on Autonet, another Transnet division, which was competing in the road freight industry.

"While we are aware that they are profitable, they have certainly not produced an acceptable return on capital invested," he said.

"The fact that these companies are divisions of Transnet means that the taxpayer cannot establish whether there is, in fact, cross-subsidisation from the more profitable division of Transnet to those which are underperforming."

Naisby said that while the association appreciated that government had identified the need to privatise a number of Transnet's divisions, it was concerned that the process was progressing too slowly.

He said he understood the unions had expressed concern about potential retrenchment which might arise from the privatisation.

"We believe that if they (PX) have to privatise, which indeed they must with losses of R500m a year, the sooner they face up to the real price which has to be paid the better it will be for the taxpayer," he said.

While many people saw Spoornet as another area with which the association had a major problem, it viewed the parastatal as a potential partner, he said.

"We see it as an opportunity for intermodel freight transport co-operation. We do, however, have one concern with Spoornet in that we believe that they are cross-subsidising general freight haulage from their more profitable bulk haulage of ores and minerals.

"This, we believe, is creating unrealistic competition in terms of haulage of general goods and forcing up the prices of haulage of bulk ores and minerals."

He said government should look into the possibility of opening harbours to competitive businesses.

"Some of the rates being quoted for harbour activities and the handling of products, such as steel at Saldanha Bay, are unrealistically high and appear to be typical of monopolistic practices."

He said it was difficult to put a figure on the losses incurred by the association's members as a result of unfair competition from the parastatals. This could only be done through the intervention of the Competition Board.

Transnet contracts go to 'black empowerment fronts'

M+G (BM) 18-24/7/97 (269)

Black security companies have won contracts amid claims of being fronts for white firms, reports Ann Eveleth

RAILWAYS parastatal Spoornet is handing a huge slice of lucrative security work to a company linked to contracts currently under investigation by the Office for Serious Economic Offences (Oseo).

Spoornet, a subsidiary of Transnet, said this week that a new company, Bayete Security, was winning much of the work it is giving black-owned firms in its drive to favour previously disadvantaged entrepreneurs.

Bayete was formed seven months ago after a management buyout of SSH Security Services, with funding provided by a listed black empowerment group, Umbono Investments.

Oseo is investigating past contracts that Spoornet awarded to SSH and several other private security companies after an internal probe suggested fraud running to at least R100-million. SSH guards were also involved in the stampede at Tembisa station on the East Rand last year, in which 16 people died. An independent inquiry found that the guards' decision to use cattle prods on the crowd helped to spark the tragedy.

Bayete director and legal adviser Coenie Fick declined this week to say whether the company could be held liable for any findings against SSH. "Bayete is not SSH," he said. "Bayete bought out SSH and SSH no longer exists." He added that SSH management had told Bayete at the time of the deal that it had "nothing to hide".

Spoornet security officials said this week they had not seen the internal fraud inquiry, and so did not take its findings into account when allocating work. "We have never seen the report, so the dilemma is not ours," said Spoornet's deputy security chief, Alfred Woodington.

"The dilemma is with the people who commissioned the report."

The report, by forensic auditors Steve Ochse & Partners, was commissioned by Transnet's chair, Louise Tager, in May 1995. Its findings were reported by the *Mail & Guardian* earlier this year, just as Oseo was called in.

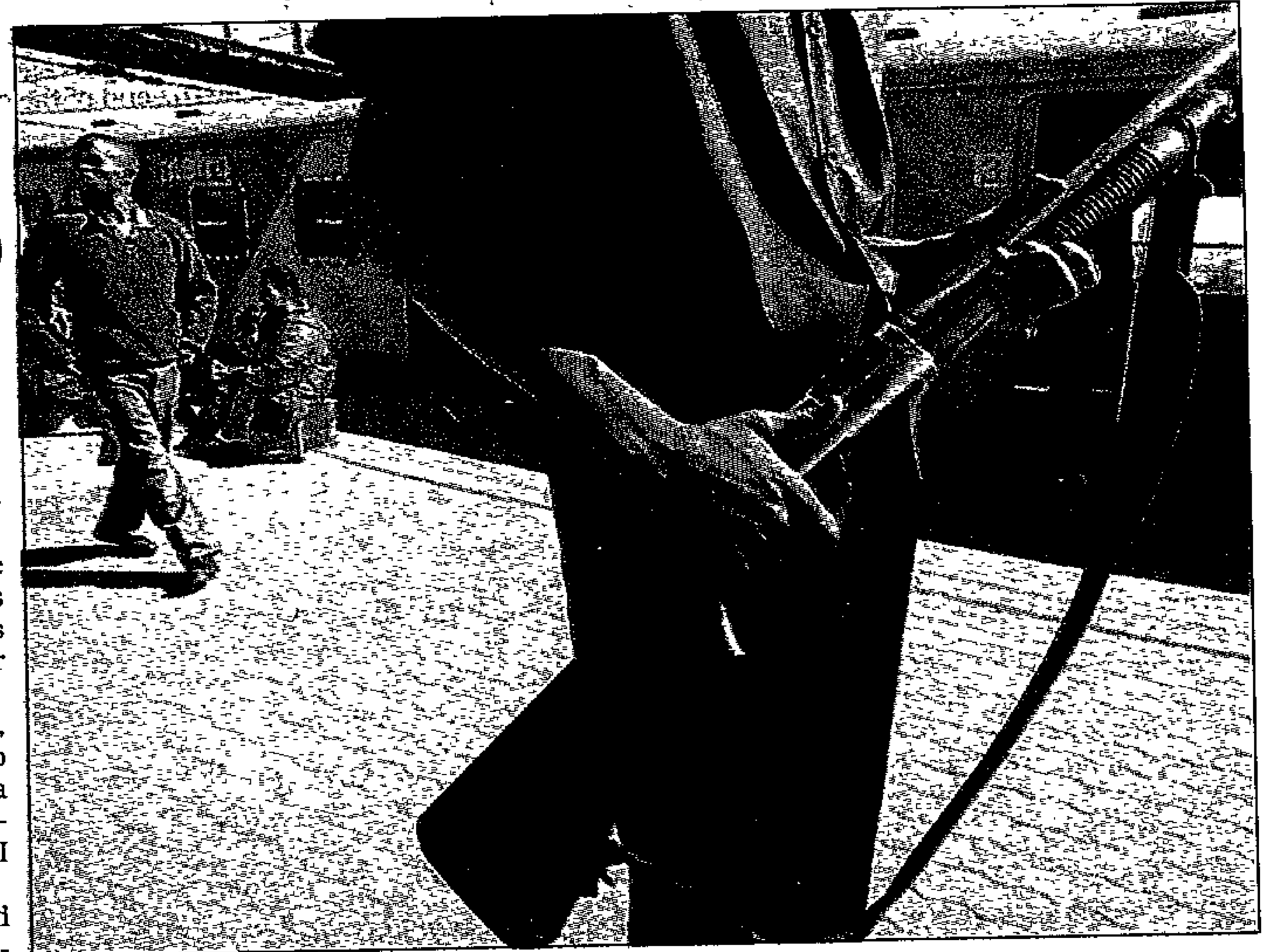
Tager also refused to comment this week, saying that the report — which boils down to the alleged misuse of taxpayers' money — is a "private, internal investigation. When the litigation and the whole process is complete, I assure you everybody will know about it."

Bayete's new position in the market emerged amid allegations from other black-owned security companies that white companies are using black empowerment "fronts" to win contracts.

The money at stake is large. In the last six months, Spoornet has handed out new security contracts worth more than R56-million. Sister company Metrorail has handed out work worth R136-million in the same period.

Transnet's figures show the black-owned companies and black empowerment joint ventures now enjoy the lion's share of the work, with white security companies suffering harsh cuts in their allocations.

But the South African Black Security Employers Association broke off talks with Transnet last month over the failure of its members to secure contracts.



On guard: Big money is at stake in the battle for security contracts PHOTO DANNY HOFFMAN

The association said successful tenderers are "nothing but fronts or window-dressing of the old companies that have been rendering services to Transnet for years".

The association handed a 10-page dossier to Transnet executives, alleging that Spoornet officials cited in the Ochse report were favouring certain companies, and that seven companies claiming to be black-owned to win work were actually white.

"You can't get a contract with Transnet unless you link up with these white companies," the association chair, Steven Dube, said this week.

The association plans to march against Transnet's tender policies this month, and is demanding Transnet fire its group security manager Gert Britz, audit chief Nigel Payne, and Spoornet security head Brigadier David Moore. Britz and Moore were cited by the Ochse report for various alleged conflicts of interest.

Both men denied the allegations and rejected the association's claims. They conceded, however, that the lack of clarity around the report may have fuelled the association's fears that its members had been sidelined.

Baleka confirms she lied in application

~~2000~~ (269)

Sowetan 21/7/97

By Simon Zwane
Political Reporter

DEPUTY Speaker of parliament Ms Baleka Mbete-Kgositsile's political career was hanging in the balance yesterday after confirmation by the police that she had lied in her application for an identity document.

Mpumalanga police commissioner Mr Alfred Malete said a police team from the province discovered an apparent fraud last week in Mbete-Kgositsile's application when they checked documents she had submitted to the Home Affairs office in Cape Town

The team had gone to the Mother City to check whether Mbete-Kgositsile had handed over her driver's licence which had been declared invalid by the Moldenhauer Commission of Inquiry.

The commission, set up after revelations that Mbete-Kgositsile had been irregularly issued with a licence without undergoing proper testing, had recommended that she should surrender her licence.

The police found that Mbete-Kgositsile had applied for a new ID document this month and had answered "Yes" in the space where she was asked whether she had a valid driver's licence, when she should have answered with a "No"

Former MEC for safety and security Mr Steve Mabona, who had arranged for Mbete-Kgositsile to be issued with the now invalid licence, resigned a day before the findings of the commission were made public The commission recommended that he be axed.

Mpumalanga traffic director Mr Henry Brazer was fired after the commission found that he had been directly responsible for the whole controversy surrounding the issuing of the "licence" to Mbete-Kgositsile

Malete told *Sowetan* yesterday that police were investigating charges of fraud against Kgositsile and a docket would be handed to the attorney-general's office this week to decide on whether to prosecute.

The National Party said it would table a motion calling for Mbete-Kgositsile's resignation or replacement should police investigations prove that she had indeed supplied false information on an application form.

The NP was ruled out of order by the Speaker Dr Frene Ginwala last month when it called for a parliamentary debate on Mbete-Kgositsile's licence scandal.

It then pledged that it would not rest until the deputy speaker was removed from her office.

Yesterday the NP said it would monitor the situation very closely and request the police for the results of their investigation, spokesman Gert Oosthuizen said in a statement

Transnet hits back at claims of unfair competition

Lucia Mutikani (269) BD ~~14/7/~~ 21/7/97

TRANSNET has shrugged off allegations of unfair competition levelled against it by the Road Freight Association (RFA), saying that the accusations are "nothing new".

Last week RFA chairman Roger Naisby urged government to urgently close or privatise Transnet's loss making subsidiary, PX, which he said had been recording losses of between R400m and R500m a year over the past three years.

He also accused another Transnet division, Autonet, of failing to produce an acceptable return on capital invested. Naisby said Spoornet was creating unrealistic competition in terms of haulage of general goods and forcing up prices of haulage of bulk ores and minerals through cross-subsidisation.

However, Transnet media liaison and corporate marketing manager Tami Didiza described Naisby's allegations as "unfortunate", saying he had implicated four of the parastatal's divisions "without the necessary facts".

"Transnet is a public company operating in terms of the Companies Act. All Transnet financial obligations are therefore met through revenues generated by its operations and not taxpayers' money as alleged by Naisby."

Didiza said PX was operating on sound business principles, while Autonet operated in an open market and its rates and service levels were in line with market demands.

"The acceptability of Autonet's returns produced is determined by the shareholder and (they) are in line with the shareholder's expectations as agreed with the Transnet board."

"The cost of capital to Autonet is determined by Transnet on the same risk evaluation as any tender would and with the expected returns."

In response to claims of unrealistic rates for harbour activities, Didiza said Portnet had quoted preliminary tariffs for the Saldanha steel project based on estimates regarding capital investment. These tariffs had not been finalised.

"Spoornet's price to the market is determined in a responsible manner, like any other business with a profit motive. It is not in Spoornet's interest to help create a fundamentally unprofitable industry for the general freight," he said.

"To the contrary, this segment is a substantial portion of Spoornet's business portfolio and Spoornet is striving for a healthy industry that can facilitate long-term profitability, with sound competition."

Didiza said Spoornet was in the process of aligning its total business portfolio to world class business practice. "This exactly excludes any cross-subsidisation strategy as part of an envisaged future.

"Spoornet's transformation is closely linked to the revamping of the total regulatory environment, despite the apparent disregard for the current laws by many transport operators."

"Government has made a principled decision to privatise noncore assets, and the process is under way and will be fulfilled within the necessary timeframe," Didiza said.

Expurgated ID books leave no room for licence

CT 22/7/97 (269)

CATCH 22: Baleka Mbete-Kgositsile

CHRIS BATEMAN

IT was similar to the Monty Python *Book of Birds* skit, where the exasperated attendant tears out the page depicting the gannet to satisfy the customer who insists on "the expurgated version — the one without the gannet".

Only this time the "customer" was the Deputy Speaker in Parliament, Ms Baleka Mbete-Kgositsile — and she wanted an expurgated identity book, one without the page bearing her "dodgy" driving licence.

Following weekend newspaper reports that the police probe into the irregular issuing of her driving licence by the Mpumulanga authorities had widened to fraud after her identity document application, Mbete-Kgositsile responded for the first time yesterday.

She forcefully denied she had used a "dodgy" driving licence to claim a new one in her recent application for a new identity document.

Her explanation depicted her as becoming further entangled in bureaucratic red tape as she attempted — with the best intentions — to unravel and correct her messy and embarrassing irregular licence fiasco.

Mbete-Kgositsile said that on May 26, just two days after the Moldenhauer Commission report into irregular licence issuing was published, she duly returned her ID book to the Department of Home Affairs to have her ("dodgy") licence expunged.

Home Affairs sent it back the next day, saying they could not remove the licence — she would have to apply for an entirely new ID document.

Mbete-Kgositsile duly lodged her application for a new ID with Home Affairs in Cape Town on July 3.

The ID application form requested particulars regarding driving licences issued during the past six months.

She duly provided details of the "dodgy" licence, issued in Mpumulanaga in October last year, and — here's the Catch 22 — "could hardly be claiming that it was valid as the ID book was being requested in order to expunge this (very) licence".

Mbete-Kgositsile said yesterday she was consulting her lawyers over claims that she had "lied and acted fraudulently".

All for an "expurgated" ID book ...

Journey to work is part of long walk to freedom

CT 24/7/97 (269)

WESTERN CAPE MEC: Transport and Public Works, Provincial Government, **LEONARD RAMATLAKANE**, outlines his vision for a new provincial transport system.

IF YOU talk to anybody about how the transport system works, you'll probably get a lot of negative comments

Some people will tell you about long and tiring journeys to work, others will tell you about the complete absence of public transport and how isolated they feel. Others will tell you that public transport is very poor, unsafe, and infrequent — totally inadequate for the needs of most people.

They will tell you how trains are dirty and unsafe, bus services unreliable and inconvenient and minibus taxis dangerous, and that "we only use public transport because we have to".

Others, who have private cars, will tell you about inadequate parking, increasing delays, congestion on many roads, unroadworthy vehicles, reckless driving and grossly inadequate traffic law enforcement. Most will conclude: "Why don't they do something about it?"

It doesn't have to be like this Many cities around the world have learnt how to manage their transport systems in efficient and equitable ways Others continue to live with transport systems which are chaotic — with all the waste of money and human effort that entails.

The choice is ours to make. The things that we need to do are not "shrouded in mystery", but are clear and straightforward. All we need is the political willpower and sense of purpose, together with the support and encouragement of our people, to make it happen.

The provincial Transport White Paper is the strong foundation upon which we will build, but it does not provide a "quick fix" solution. It recognises that there are many things wrong with our transport system that will take several years to sort out and improve.

But, what it does do, for the first time, is take a searching look at what is wrong — and the reasons why — and to propose a comprehensive set of policies which can take us from where we are to where we want to be.

However, some people have chosen to sensationalise one or two of the proposals and recommendations and are distorting the overall aims and intentions of the white paper.

Because of the range of issues the document has to address, it is comparatively long and involved. This summary may help to explain the principles on which the document is based and the main policy proposals. It is hoped that it will return a sense of balance and objectivity to this most important matter.

Apartheid had a pervasive influence on all aspects of our lives — from where we work and what job we do to where, and under what conditions, we live.

It has negatively affected our quality of life and that of our children. While the political struggle has been won, the struggle for jobs, decent housing, affordable, convenient and safe transport, good education for our children and adequate health care — all those aspects which contribute to a decent and dignified life — is only just beginning.

Our struggle now is against the legacy of apartheid as expressed in the physical structure of our towns and cities — the separation of people from each other and from opportunities — and in the difficulties and expenses we encounter in trying to travel around.

As a direct result of apartheid, South African towns and cities are grossly unjust and inefficient. They are extremely wasteful in the way in which transport resources are used and unfair in that the poorest people are faced with the longest journeys, at proportionately higher costs than those more privileged who live close to the things they need.

We first identified these issues in 1994 in the policy framework of the Reconstruction and Development Programme. At that stage, we committed ourselves to meeting basic needs

We argued then that "commuters should be encouraged to use public transport and should be actively discouraged from using cars (via parking, access and fuel levies). The funds so raised must be used to directly benefit the provision of public transport"

This principle has been extended in the national Transport White Paper, and has been amplified in the provincial Transport White Paper

It is truly a document of our time and of our circumstances It does not perpetuate the myth that we are a First World country — an affluent and highly mobile society with unlimited resources for road infrastructure provision. It recognises that we are a developing country with diverse needs and requirements, yet with limited resources.

Consequently, the white paper does not treat transport as an end in itself. It links transport with land use and reconstruction and development policies, to ensure that comprehensive, integrated planning occurs, which will result in the establishment of efficient and just urban areas that are sustainable into the future.

Increasing the density of residential areas and providing mixed land uses which more closely link where people live, work and shop will not only shorten journey distances but also improve the overall efficiency of the transport system.

It also has a main theme· "Public Transport First". This will involve a major improvement of the entire public transport system until it provides a real alternative to the private vehicle for most people, and for most purposes.

This will require improvements to rail and bus systems, and the integration of the minibus-taxi industry into the formal transport economy

The intention is to move towards a situation where a range of different public transport services are provided by a number of different operators, using a mix of different vehicle types and sizes. This will increase significantly the number of jobs in the transport sector.

The public will be involved in defining their different needs and requirements in the form of a Social Charter to which operators can respond.

In fact, we will use the performance of the public transport system as the yardstick against which we measure the performance of the urban transport system, and to judge how well we are doing.

The existing inefficient land use system and the continued growth in the use of private vehicles have resulted in rapidly increasing levels of congestion and delays for all road users — public and private.

If the use of private vehicles is allowed to continue at the present rate, it will not be possible, or desirable, to provide all the new roads necessary.

To restrain the growth and the use of private vehicles, and to encourage the use of public transport, it is necessary to introduce appropriate restraint measures on private transport.

This will centre primarily on better parking controls, more realistic parking fees and a parking tax on long-term non-residential parking — public and private.

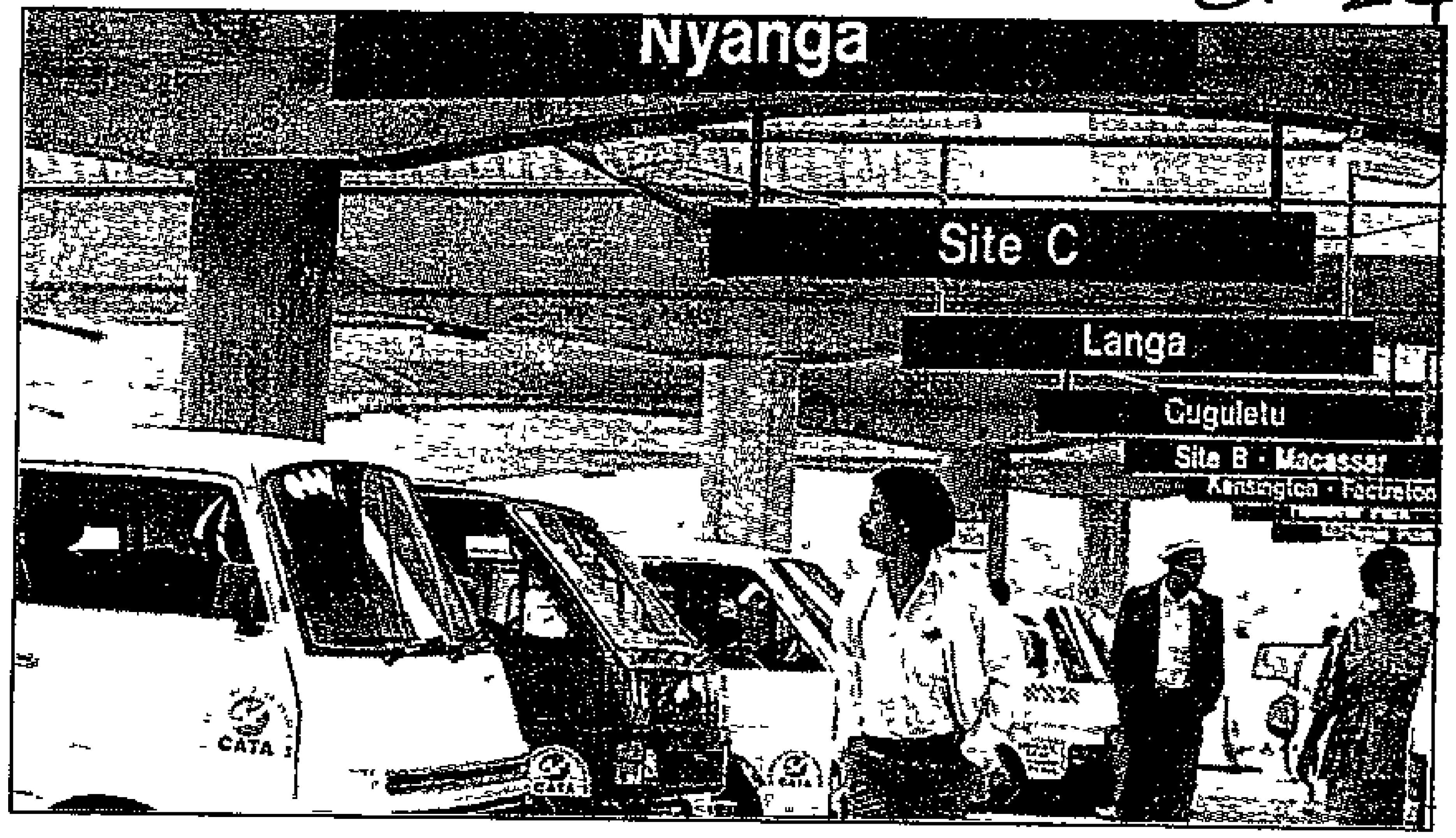
Lastly, it is proposed that the annual vehicle licence fee be increased to more appropriate levels and be based on engine capacity instead of vehicle mass.

The increase will be phased in over a number of years and will be made as equitable as possible — people with smaller-engined vehicles paying proportionately less than those with bigger-engined vehicles.

Four-month and six-month licences will be available, in addition to the standard 12-month licence. Provincial vehicle licence fees in South Africa are among the lowest in the world and have changed little in the last 10 years or so This anomaly must be corrected.

Car ownership and use is directly related to personal wealth and affluence, and there is no reason why private vehicle licence fees should have remained virtually unaltered, while public transport fees rose and subsidies fell.

The white paper is intended to provide a new sense of direction and purpose and redress the many problems and issues we have inherited. It is ambitious, and rightfully so. But it also achievable. It deserves your support.



FROM A DISTANCE: In South Africa poor people face longer journeys, at higher costs, than the more privileged who live close to the things they need. *FILE PICTURE*

Macozoma in bitter attack on Maharaj

BD 1/8/97

(269)

Robyn Chalmers

TRANSNET MD Saki Macozoma launched a scathing attack on Transport Minister Mac Maharaj yesterday, saying his recent statements on the parastatal and its subsidiaries could scuttle the restructuring process.

Maharaj said the initial stake of SA Airways (SAA) to be sold could rise to 49% from 25% and talks on the restructuring and possible sale of PX and Autonet would be speeded up.

Macozoma said: "Statements that disregard and undermine the process will only have the effect of introducing unnecessary tensions. I have no option, therefore, (but) to disassociate myself from ... Maharaj's recent statements."

He said Maharaj knew there were processes that had been set up by government and Transnet to develop and improve a restructuring master plan. Views and suggestions on the way forward should be routed through these processes and not via the media.

Asked why he had decided to go public rather than talking directly to Maharaj, Macozoma said there had been many attempts to deal with the issues directly, but this had not achieved anything. He also wanted to clear up any confusion.

"(Maharaj's) statements are made when the responsible minister (Public Enterprises Minister Stella Sigcau) and the deputy president (Thabo Mbeki) are out of the country. They are made in complete disregard to myself as Transnet MD or any other executive or nonexecutive management."

Macozoma said the policies of Maharaj's department and facilities under his control had "a lot to do with the difficulties that (SAA) is facing". On Monday, SAA is expected to report a loss of almost R350m for the year to March (1995/96: R324m profit).

Transport ministry spokesman Didi Moyle said she had drawn Maharaj's attention to Macozoma's statement and he had noted its contents.

Analysts believed Macozoma's comments were the culmination of rising tension between Transnet management and government, particularly the transport ministry.

Macozoma said there had been past differences in emphasis and nuances between Transnet and the ministry. "But anyway, we don't respond to the transport ministry."

Public enterprises ministry spokesman Wandile Zote said Sigcau was unaware of Macozoma's comments as she was in Malaysia. Zote said Transnet fell directly under the public enterprises ministry, which had a co-ordinating and shareholder function, while the transport ministry's impact was related to policy formulation.

Macozoma said a date had been set for Transnet's master plan to be presented to the interministerial cabinet committee, chaired by Mbeki. Thereafter, the plan would go to the National Framework Agreement — a consultative forum bringing together government and labour on the restructuring of state assets — for approval.

"At the committee meeting and other forums the transport minister will still have an opportunity to make his views felt and there is thus ... no need for him to raise proposals in the media," he said.

See Page 15

Big losses could force pace of change at Transnet

ST (BDT) 3/8/97 (269)

Stella Sigcau is backing the parastatal in the dispute with Mac Maharaj over its privatisation, write SVEN LUNSCHE and DON ROBERTSON

TRANSNET'S EXPECTED PROFIT/LOSS SCENARIO

	1995/96	1996/97	PROPOSED STATUS
Spoornet	R98-m	R350-m	Internal restructuring
Portnet	R1 39-bn	±R1.5-bn	Separate infrastructure from operations. Sell off operations
SAA	R324-m	(R350-m)	Privatisation of 49% or a majority holding
Petronet	R180-m	±R190-m	Restructuring
Autonet	R23-m	R26-m	Full privatisation
PX	(R433-m)	(R500-m)	Further restructuring before privatisation
Operating profit	R1.79-bn	±R1.25-bn	
Provision for pension fund and medical aid	R1 98-bn	between R1 5-bn and R2-bn	
Total loss	R253-m	R250-m to R750-m	(losses)

Graphic: RONA KRISCH

TRANSNET looks set to report a record loss of between R250- and R750-million for the year to end-March 1997 when the state-owned transport giant releases its financial results tomorrow.

In anticipation of the large losses, some government sources are calling for an acceleration of Transnet's restructuring and privatisation programme. But the pace of change led to a public altercation between Transport Minister Mac Maharaj and Public Enterprises Minister Stella Sigcau this week.

Transnet's commitment to servicing its bankrupt pension and medical funds is likely to cost the group at least R1 4-billion in 1996/97 and will wipe out any surplus funds that could arise out of potential combined trading profits of about R1 25-billion from its six main operations.

The overall trading profit hides large losses at two of the operations — the PX parcel division and SA Airways.

The pressure on Transnet executives showed this week when managing director Saki Macozoma publicly attacked the accelerated restructuring agenda put forward by Maharaj. On Friday, Macozoma was backed by the Transnet board and by Sigcau, who is responsible for Transnet. Sigcau's spokesman Wandile Zote said the minister shared the board's concern about Maharaj's statements on Transnet's restructuring.

Macozoma's attack, which labelled Maharaj's statement as reckless and as undermining the negotiation process with labour, brought to a head differences between Maharaj and Transnet/Sigcau about the extent of change at the group.

Government sources, however, say that Maharaj's proposals for the various divisions at Transnet have generally been backed by his cabinet colleagues. The proposals include the full or partial privatisation of Autonet, PX, SA Airways, and Portnet's harbour operations.

An inter-ministerial government committee, chaired by Deputy President Thabo Mbeki, will soon examine a master plan for Transnet. According to sources, the plan could entail the allocation of pension-fund deficits to the various operations and their subsequent ring-fencing.

This would provide potential investors with a clearer financial picture as well as eliminate cross-subsidisation.

The committee will also examine whether future investors could pay off the pension deficit instead of paying taxes, as recommended by the Finance Department.

Analysts are confident that Transnet will report a good overall profit from its six major divisions, but stress that its commitment to providing at least R1.4-billion to service the R10.3-billion of debentures raised to cover shortfalls in the pension fund will wipe out any surplus funds.

They also warn that the financial provisions could be even larger. In the 1995/96 financial year, the total commitment for the pension fund and medical aid was R1.9-billion, which included an additional R175-million for increased pensions and contributions to employees and R409-million for pensioners and medical benefits. These figures were similar to those made in the 1994/95 financial year and are likely to be repeated as staff shrinkage has been slight.

The combined profit of the trading divisions is expected to be about R1.25-billion, after taking into account the losses from PX and SAA.

A divisional breakdown of expected earnings shows that SAA is set to post a loss of about R350-million as increased operating costs including higher fuel prices take their toll. This compares with a profit of R324-million in the 1995/96 financial year. A loss is also expected by analysts in the current (1997/98) financial year, although SAA executives forecast a return to the black.

In spite of efforts to restructure the PX parcel division, a loss of at least R500-million is expected compared with the R433-million loss in the previous period.

Earlier this year, executive director Joe Ndhlela said the division had hoped to keep losses down to about R475-million, but the provisions for 2 000 staff members who took voluntary retrenchment would increase this figure.

He added that PX would not be profitable until 2000 and that the loss in the 1997/98 financial year would be about R290-million.

Spoornet will probably show a profit of R350-million against R98-million in 1995/96, but only about R100-million of this will represent a trading profit. The balance consists of extraordinary items including the repayment of debts by countries such as Zimbabwe.

Petronet should increase profits by about 10% from the R180-million reported in 1995/96. Petrol sales during the 1996/97 financial year were up by about 6%.

Portnet looks set to show some improvement, although increased costs will have affected operations. Earnings are expected at about R1.5-billion (R1.39-billion). Tonnages handled increased by 5.2% during the 1996/97 financial year.

Autonet's five-year profit strategy is running to plan and headline earnings are expected to show a 80% improvement on 1995/96. The result could be an increase in profits to about R26-million (R23-million).

TRANSPORT *The state-owned group cuts its loss to R170m*

Transnet's results better than expected

CJ (POR) 5/8/97 (269)

Duma Gqubule

Johannesburg — Transnet, the state-owned transport holding company, cut its loss to R170 million in the year to March 31 from R253 million in the same period last year, Saki Macozoma, the group's managing director, said yesterday.

Transnet's better-than-expected results were the first since its new executive management team was appointed on April 1 last year.

Macozoma said the group had "done well" to increase turnover by 12 percent to R20,1 billion (R17,9 billion) and lift operating profit by 5 percent to R3 billion (R2,9 billion), despite negative turnarounds at some subsidiaries.

Net finance costs had absorbed R1,1 billion and further payments of R2,1 billion to group pension and medical aids had resulted in a R170 million loss, he said.

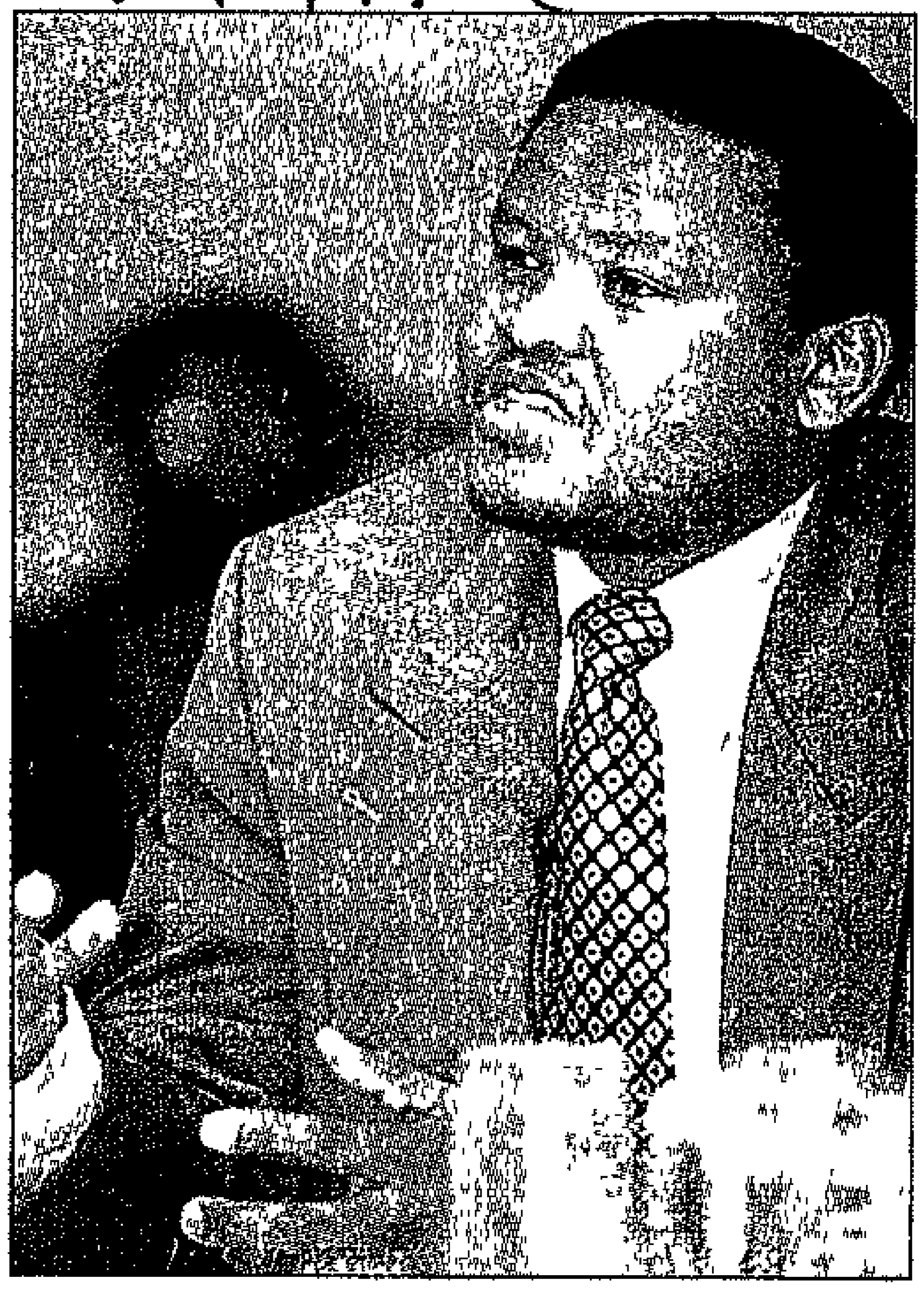
Gloria Serobe, Transnet's executive director of finance, said the group's pension fund was now 90 percent funded. Transnet did not need to make additional contributions to reduce the portion of unfunded liabilities.

There was a R614 million leap in profit at Spoornet, the rail transport subsidiary and group's largest division, and good performances at Portnet, Petronet and Autonet.

But this was offset by SAA, which reported a R323 million loss compared with a profit of R324 million last year, a R500 million loss at PX, the parcel delivery subsidiary, and a R104 million loss at Transtel, the cellular service provider.

Mafika Mkhwanazi, the Transnet executive director responsible for Spoornet, said the group had increased its profit to R712 million in the period under review from R98 million.

Portnet, the harbour operator, increased its profit to R1,7 billion (R1,4 billion), Petronet, the fuel pipeline operator, upped its profit to R273 million (R180 million). Autonet, the road transport subsidiary, reported a profit decline to R22 million (R23 million)



THUMBS UP *Transnet's Gloria Serobe and Saki Macozoma are pleased with the results*

PHOTO SHAUN HARRIS

Solid Spoornet performance makes inroads into Transnet's loss

(269)

Robyn Chalmers

A DRAMATIC increase in Spoornet's net profit, and reduced labour costs, helped Transnet cut its loss for the year to March to R170m against a loss of R253m the previous year.

Solid profit improvements by Spoornet, Petronet and Portnet were partly offset by profit reductions at SA Airways (SAA), parcel carrier PX and road transporter Autonet.

The group was still burdened with large pension fund and medical aid payments. A 7% increase in net operating profit to R1,9bn was effectively wiped out by the pension and medical aid fund burden totalling R2,1bn.

Transnet finance director Gloria Serobe said the fund's actuarially assessed deficit had been reduced to R3,2bn, with a funding level of 90,3% against 64,2% a few years ago. Government debentures on Transnet's account totalled R7,4bn.

She said the challenge of the pension fund deficit was being addressed by government and Transnet management under the Stride committee. However, the burden would be reduced in the current year due to the restructuring of health benefits and the phasing out of annual overpayments aimed at reducing the deficit.

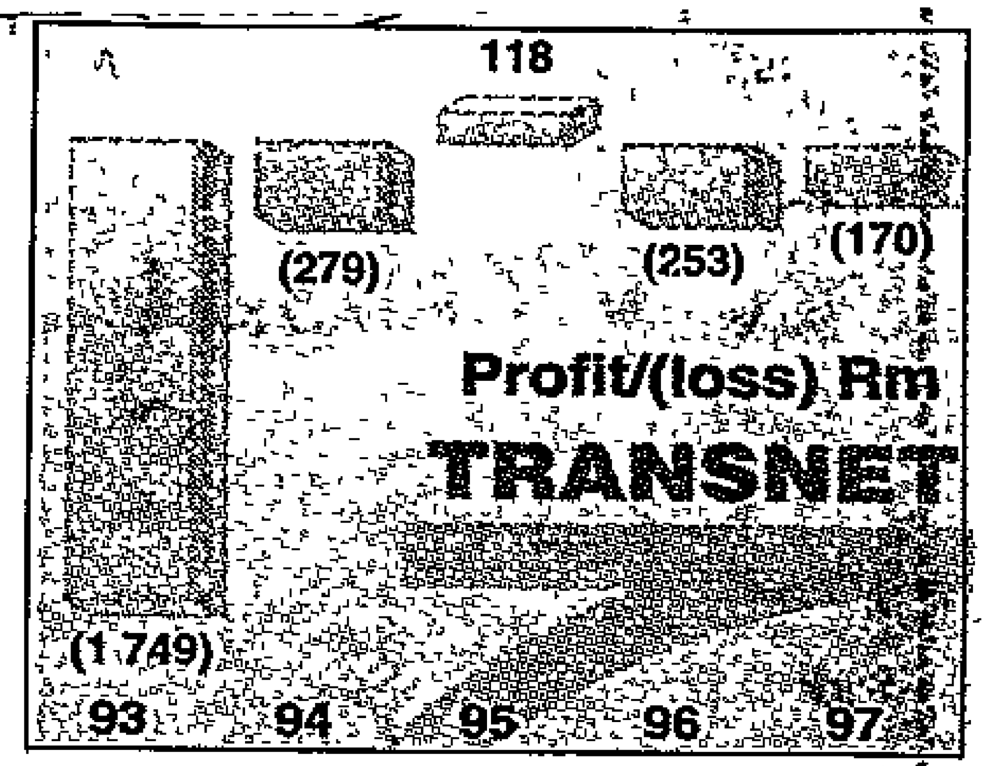
Group turnover rose 12% to R20,1bn with operating costs increasing 14% to R17,1bn as a result of higher energy costs, foreign input costs, increased service provider tariffs and higher levels of activity by all divisions.

Serobe said labour costs exceeded budget by 0,2% against a budget overrun of 9% in the previous year. Gearing rose to 72% from 71% but Serobe said if the pension fund debentures were stripped out, gearing would have been 51% (50%).

Transnet MD Saki Macozoma said he was satisfied with the results in the face of the prevailing economic and corporate circumstances. "(During the review period) we focused intensely on governance structures to clarify lines of authority and responsibility and to

Continued on Page 2

BD 5/8/97



Transnet

BD 5/8/97

Continued from Page 1

(269)

shorten the transition period as much as possible. Although our success has been variable, a positive start has been made," he said.

On restructuring, Macozoma said the state had approved the development of a holistic masterplan for Transnet which was different from the "cherry-picking" that characterised earlier proposals.

Sources said the plan would dramatically alter Transnet.

Macozoma said Transnet would undergo major transformation in the years ahead, capitalising on areas of strong growth potential in SA and beyond its borders.

Spoornet surprised analysts with a sharp increase in net profit to R712m (R98m), the result of operational improvements, with Portnet also putting in a strong performance by lifting net profit to R1,7bn (R1,4bn). Petronet improved net profit to R273m (R180m).

However, SAA moved into the red with a loss of R323m (1996: R324m profit) due mainly to increased competition, higher fuel costs and a weakening rand.

PX increased its loss to R489m (R433m) in the face of a restructuring programme which will lead to employee numbers being reduced to 3 500 from 7 000. The PX retrenchment bill currently stands at R250m but this could increase.

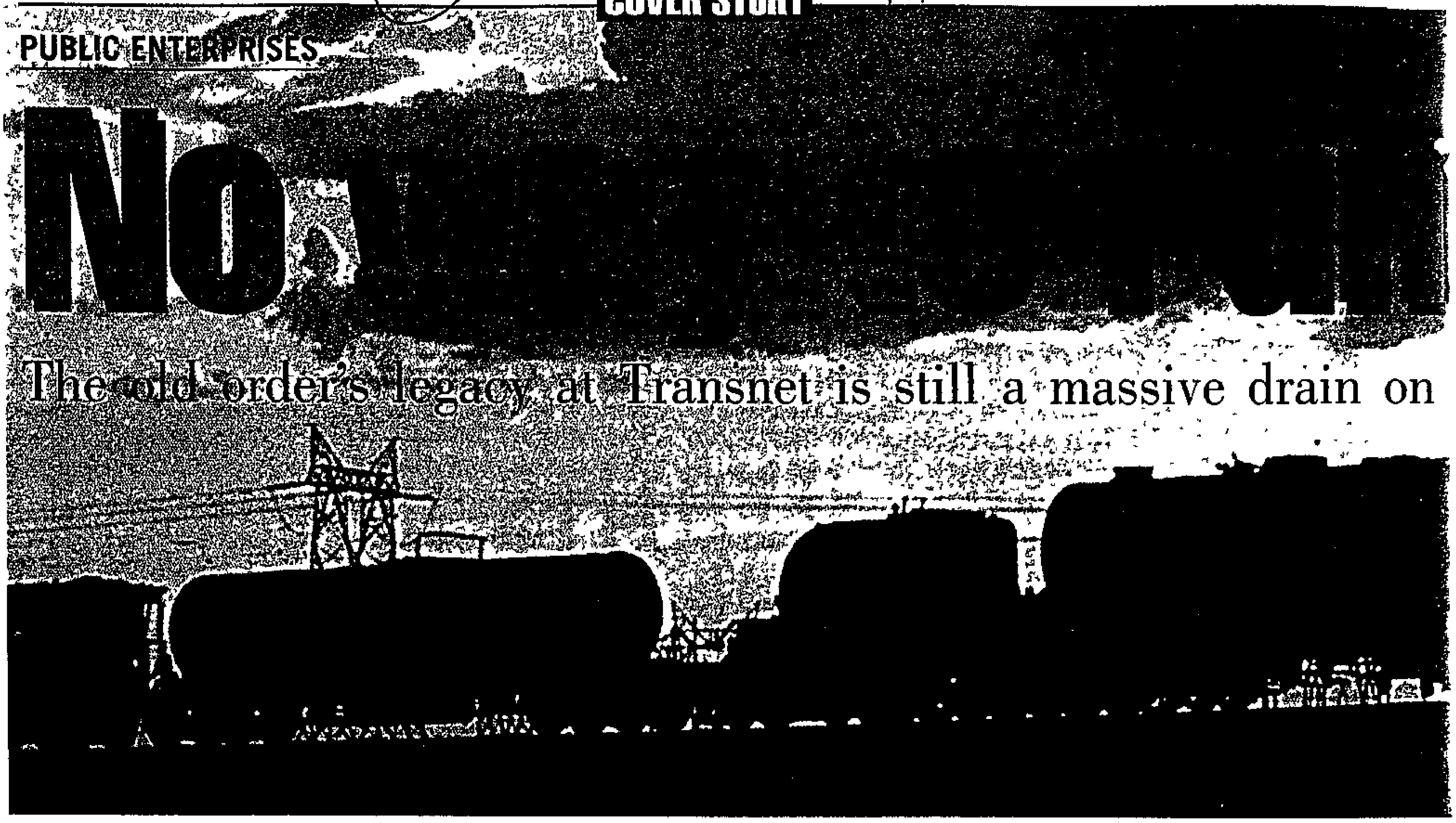
Autonet posted reduced net profit of R22m from R23m due to high maintenance costs for its fleet.

Picture: Page 3

PUBLIC ENTERPRISES

No

The old order's legacy at Transnet is still a massive drain on



Any business school looking for a case study to prove government should stay out of business need go no further than Transnet and its predecessor, SA Transport Services (Sats).

After 87 years, the transport giant has bequeathed to the nation a mountain of debt and contingent liabilities The State is surety for some R25bn worth of Transnet liabilities, worth some 15%, by comparison, of this year's national Budget

Transnet, converted into a company and "commercialised" in 1990 but still owned by the State, runs a clump of big businesses in the transport industry The core activities are Spoornet, involved in rail freight and passenger transport, SAA, the country's flagship domestic and international airline, and Portnet, which owns and operates SA's main harbours

Seven years on, commercialisation has proved no quick fix for the gross mismanagement displayed by Sats

Transnet, with government its only shareholder, is still paying the price of overspending on capital projects in the Seventies and Eighties, an overgeared balance sheet, foreign exchange losses and pension and medical aid deficits

Privatisation is still just a gleam in government's eye

Sats/Transnet has a peculiar history Once typical of apartheid socialism in action, it was a safe haven for blue-collar Afrikaners It still employed 235 000 people in 1985 — despite a drive to lower numbers By 1989, in preparation for commercialisation, it had cut staff to 180 000

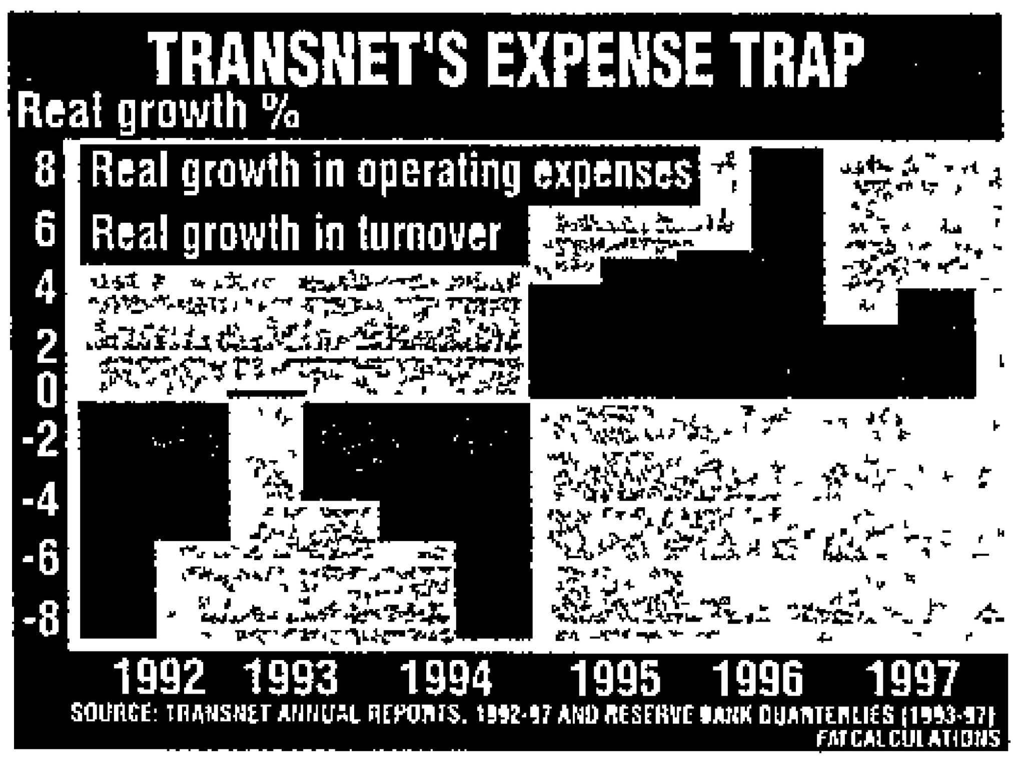
Now, with a new "rainbow" management under Louise Tager as chairman and former ANC MP Saki Macozoma as MD in the plush Transnet headquarters in Parktown, Johannesburg, staff numbers have shrunk to about 94 000

But downsizing and commercialising have not produced results Critics could blame the Sats old boys for plunging Transnet's balance sheet into perpetual misery, but at some stage the new regime will also be held to account

When Transnet came into being on April 1 1990, its net asset value was R14bn Seven years on, NAV stands at R11,6bn — hardly a growing asset for its sole shareholder.

The operating margin (operating profit as a percentage of turnover) has also fallen for the past three financial years It is notable that growth in operating expenditure has easily beaten inflation over this period after lagging for the previous three years — with the present management blaming the need to spend heavily on maintaining old assets

TRANSNET'S EXPENSE TRAP



SOURCE: TRANSNET ANNUAL REPORTS, 1992-97 AND RESERVE BANK QUARTERLIES (1993-97) FM CALCULATIONS

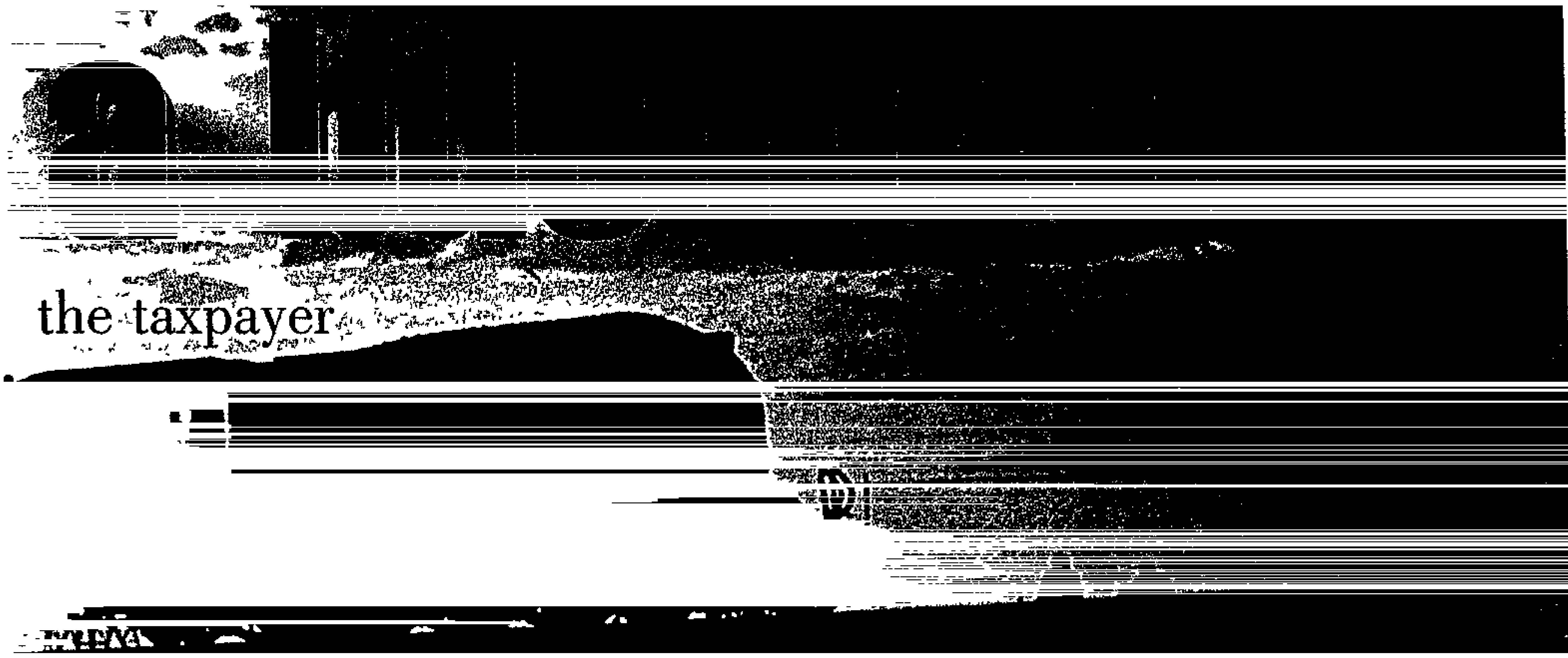
Not that the old assets are all the trouble Worst performer PX, the relatively young container shipment and consignment distribution business, lost an astounding R489m on turnover of R547m in the year to March Its 7 643 employees on average were each responsible for turnover of less than R6 000/month against costs of more than R11 000/month

No investor is likely to look seriously at PX. "We would be donating PX if we tried to sell it but it's a half-a-billion-rand business," says Macozoma This year could be even worse PX's next results will show the cost of retrenching half of its work force

SAA also took a dive in the last financial year after making handsome profits in the two previous years Macozoma avoids referring directly to privatisation here, preferring to use the buzzword "restructuring" to describe efforts in preparing for a selloff

SAA may be fit for privatisation despite the loss of R323m in the year to March but it is a good example of poor divisional disclosure at Transnet

The preliminary statement for 1996-1997 says SAA employs operating assets of R5,3bn, about 13% of Transnet's total Even if it earned the same profit as in the year to March 1996, its return on operating assets would be only 6,2% — lower than the group average of 7,5% The recorded loss occurs after taking interest into account, though



typically the interest figure is not disclosed.

Quite how much of Transnet's borrowings of R19,3bn are attributable to SAA remains a mystery In 1995-1996, Transnet showed aircraft at a book value of R3,1bn on its balance sheet. But SAA has opted for lease arrangements lately Aircraft leased are accounted for differently to aircraft owned. 1995-1996 lease charges were R265m and are likely to have risen last year The lease charges are strikingly similar to the R323m loss recorded by SAA.

Ironically, SAA last disclosed interest charges in 1990 just ahead of Transnet's commercialisation. Interest then stood at R113m, indicating borrowings of about R500m when investment in fixed assets was R613m, including aircraft of R439m Gearing appeared to be high at the time

SAA is probably still heavily geared. But the market needs proper balance sheets before any meaningful talk of privatisation.

Portnet is Transnet's star performer, with a return on operating assets of 37%, followed by Petronet, the liquid petroleum pipeline network with 19%. There is little inclination to privatise these high-yielding monopolies Yet Autonet, earning a return on operating assets of only 7%, is frequently mentioned as a candidate for privatisation.

Spoornet, the biggest employer in Transnet with more than 60 000 employees, staged a major recovery last year But its 3,5% return on operating assets is still far below the group average Spoornet employs about half of Transnet's operating assets — an area in which big investments were made in the Eighties.

The late Wim de Villiers, a former chairman of Gencor, investigated Sats in the Eighties and found that gross investments of R10,9bn were made between 1976 and 1984 Most were funded by borrowings Debt rose R7,8bn to R11,5bn

De Villiers, who later served in F W de Klerk's Cabinet, pointed out that the returns earned on those investments were too low to cover even the interest costs

TRANSNET'S TARGETS & ACHIEVEMENTS

		%	
	Target	1996	1997
Operating margin	18	16,2	15,1
Return on operating assets	*11,5	7,3	7,5

* Long-term objective

Source Transnet, annual report, 1996 and prelim report, 1997

Then, in February 1985, *Rapport* newspaper revealed Sats had made a disastrous foray into the foreign exchange market, losing hundreds of millions of rand. Three years later a committee chaired by James Cross, now deputy president of the Reserve Bank, confirmed forex losses of R3,2bn

Meanwhile, a huge pension fund deficit had been run up, largely because of investments made in low-yielding government and Sats stock

The string of disasters resulted from a lack of proper accounting standards. Sats had not been a government department but was considered a business undertaking subject to ministerial and parliamentary accountability As such, it was a bargaining tool for the ruling National Party

Its budget had to be approved by parliament and its books had to be audited by the Auditor-General But accountability through the political process clearly failed to produce results

Sats' debt on March 31 1990, a day before it was commercialised and renamed Transnet, stood at R19,6bn, including interest-free loans of R1,4bn and low-interest loans of R5bn from government for uneconomical services rendered This excluded contingent liabilities such as the pension fund deficit

It was decided Transnet would not house SA's uneconomical urban commuter services These were transferred to the new State-owned Rail Commuter Corp (RCC)

Amazingly, and quite without explanation, Transnet started operating on April 1 1990 with R10bn debt while RCC owed nothing There was still an inexplicable hole of R9,6bn — presumably written off by the previous government, a dreadful measure of the respect the nation had for capital resources under apartheid

Even so, the R10bn debt left Transnet with an overborrowed balance sheet Then the contingent liabilities had to be brought to book The result was a huge provision of R15,3bn in 1991. This included R10,4bn for the pension fund, R2,9bn for Transmed (the medical aid fund), R769m for accumulated leave and R1,2bn for other provisions

But a provision is merely a journal entry It still needs to be funded

The pension fund hole requires the closest scrutiny This week the *FM* gained access to the once-secret actuarial reports of the Transnet Pension Fund — for 1990, 1993 and 1996 — citing rights under Section 32 (1) of the new Constitution.

In 1990, the fund, involving a merger between the once all-white New Superannuation Fund and the Railway & Harbours Pension Fund for Non-White Employees, had about 168 000 members Actuaries Carson & Partners estimated the shortfall at R6,8bn with a funding level of 43%.

The actuaries calculated that if the fund had to give pension increases of more than the statutory minimum of 2%, the deficit would balloon They also worked out that an increase of 8,5%, a more realistic assumption, would result in an extra liability of R10,4bn and bring the deficit to R17,3bn

To help the pension fund reduce its deficit, Transnet issued debentures worth R10,4bn to the pension fund, helping it to raise the funding level to 74,6% by 1993 The fund also invested in equities and has shown an average real return of 7% over the past six years

About R2bn of Transnet debentures have been sold by the fund Though the debentures yield 16,5%, selling more debentures would flood the market and make it more expensive for Transnet to raise funding in the market In practical terms, the fund treats the debentures as a deposit — which means it will probably keep them until maturity in 2010

The pension fund's problems are almost solved with the deficit down to R3,2bn and a funding level of more than 90%

The Stride Committee, set up to investigate public-sector retirement funds, has recently recommended that the fund be changed to a defined contribution fund to relieve Transnet of some liability But the debentures remain a liability on the Transnet balance sheet And its commitments to the pension fund continue to devour operating profits

In the 1997 financial year, Transnet made an operating profit of about R3bn Interest on debt, excluding that on the stock issued to the pension fund, cost it R1,1bn, leaving a net operating profit of R1,9bn

Then came the additional retirement benefit costs of Transnet employees This last cost R668m, including R425m in interest on the debentures and extra contributions to bolster the pension fund

The contributions accounted for more than 15% of Transnet's salary bill The pension fund's latest annual report says this was cut to about 11% on April 1 The *FM*'s calculations show this step may reduce Transnet's pension contribution bill by about R100m in the current financial year

The R668m leaves a net profit before tax of R1,26bn After tax of R25m, more pension and medical aid expenses relating to old Sats pensioners destroy profit These run to R1,4bn and include about R950m in interest on the debentures The other R450m is a provision for increases in pensions and for medical aid benefits On balance sheet, these provisions, which represent a liability, now run into R3,4bn

Taking the R1,4bn into account on the income statement would leave a loss of R170m So, despite notching up operating profits of R1,54bn, R1,82bn, R2,38bn, R2,81bn, R3,14bn, R2,91bn and R3,04bn since 1991, Transnet's bottom line never seems to brighten

Starting with a profit of R515m in 1991, it ended up with losses in 1992-1994 of R90m, R1,74bn and R279m In 1995, it made a profit of R118m, this was followed by losses of R253m and R170m in 1996-1997 A dividend was declared in 1991 and there has not been a sniff of one since then

Dividends from Transnet were supposed to drive government's commitment to fund losses incurred by the RCC Now government is paying R1,5bn/year for that — at the taxpayer's expense, of course

Owing R19,2bn, excluding contingent liabilities and pension fund provisions, Transnet cannot go for a rights issue and is caught in a trap fixed asset replacement is likely to be funded by debt

If Transnet or parts of it are to be privatised, government will, in theory, get the proceeds But government has issued guarantees for Transnet's debt and contingent liabilities amounting to R25,2bn, more than twice the carrying value of Transnet's shares in government's own balance sheet

Surely it would make sense for government to write off certain of Transnet's inherited liabilities After all, the previous government started the process with the magical disappearance of R9,6bn in 1990

Such a move would mean government might one day reap bigger privatisation rewards For this to happen, though, the present management will first have to demonstrate it can generate a much higher return on assets

Deon Basson & David Pincus

SOURCE. ANNUAL REPORTS, SATS (1984 90), TRANSNET (1991 97) AND RESERVE BANK QUARTERLIES (VARIOUS) *FM* CALCULATIONS

CAN THESE ASSETS BE PRIVATISED?

Net profit after finance cost (Rm)

	1993	1994	1995	1996	1997
Spoornet	588	576	734	98	712
Portnet	623	766	1 111	1 397	1 709
SAA	(78)	(23)	217	324	(323)
Petronet	112	149	144	180	273
Autonet	(33)	17	20	23	22
PX	n/a	(344)	(297)	(423)	(489)
Other	(96)	492	145	199	26
Transnet (A)	1 116	1 633	2 074	1 798	1 930
Less. Retirement Exp					
Int cost T011*					
- Transnet employees†	(477)	(477)	(446)	(423)	#(423)
- Pensioners† ..	(982)	(981)	(981)	(981)	#(981)
Add contrib‡	(163)	(24)	(67)	(159)	#(100)
Provisions:					
- Transnet employees	nil	(17)	(15)	(16)	#(18)
- Pensioners	(46)	(28)	(30)	(33)	#(35)
- Medical benefits	(360)	(371)	(376)	(376)	#(508)
Med/Pension Cost (B)	(1 704)	(1 898)	(1 915)	(1 988)	(2 065)
(A) covers (B) (times)	0,65	0,86	1,08	0,90	0,93

* Interest cost on Transnet stock issued to Transnet pension fund

† Cost split between Transnet employees and ex-Sats pensioners ‡ To Transnet Pension Fund to restore solvability of Fund # Not disclosed separately in prelim report *FM* estimate

Sources Transnet, annual reports, 1993-1997 and Actuarial Valuation of Transnet Pension Fund, 1990, 1993 and 1996

Mkwanazi wants profit not polemic

(269)

ET (BR) 13/8/97

Duma Gqubule

Mafika Mkwanazi, a Transnet executive director, does not care who owns Spoornet, the company whose fortunes he has helped turn around over the past year. It could be the government or a private company, he says.

Neither will he engage Mac Maharaj, the transport minister, in a debate over the tonnages road hauliers are allowed to carry. "Such debates are fruitless I just want to make my organisation efficient and take market share from our competitors," he says.

On April 1 last year, Mkwanazi became one of a number of high-profile appointments to the Transnet board. Sections of the media said the new black directors were "inexperienced political appointments"

Few paid attention to the credentials of Mkwanazi, an electrical engineer with solid private sector experience, who was given the responsibility of Spoornet — Transnet's largest subsidiary with 65 000 employees and operating assets of R20,7 billion.

Last week, he had reason to celebrate. Spoornet, helped by a R105 million profit made on a lease buyback agreement, reported a surge in profit to R712 million for the year to March 31 from R98 million the previous year.

This was after absorbing interest payments of about R500 million. Mkwanazi attributes the success to a new-found customer focus and good cost management. "There has been some fundamental restructuring at Spoornet over the past year.

"We have proved that black people can run a business of this size. We have given contracts worth R135 million to black contractors over the past year; about a fifth of positions above middle management are filled by blacks and the target for next year is one-third," he says.

Mkwanazi dismisses suggestions that Spoornet is reaping monopoly profits· "We have an 18 percent share of the 1 billion tons a year freight market. Road hauliers have the other 820 million tons.

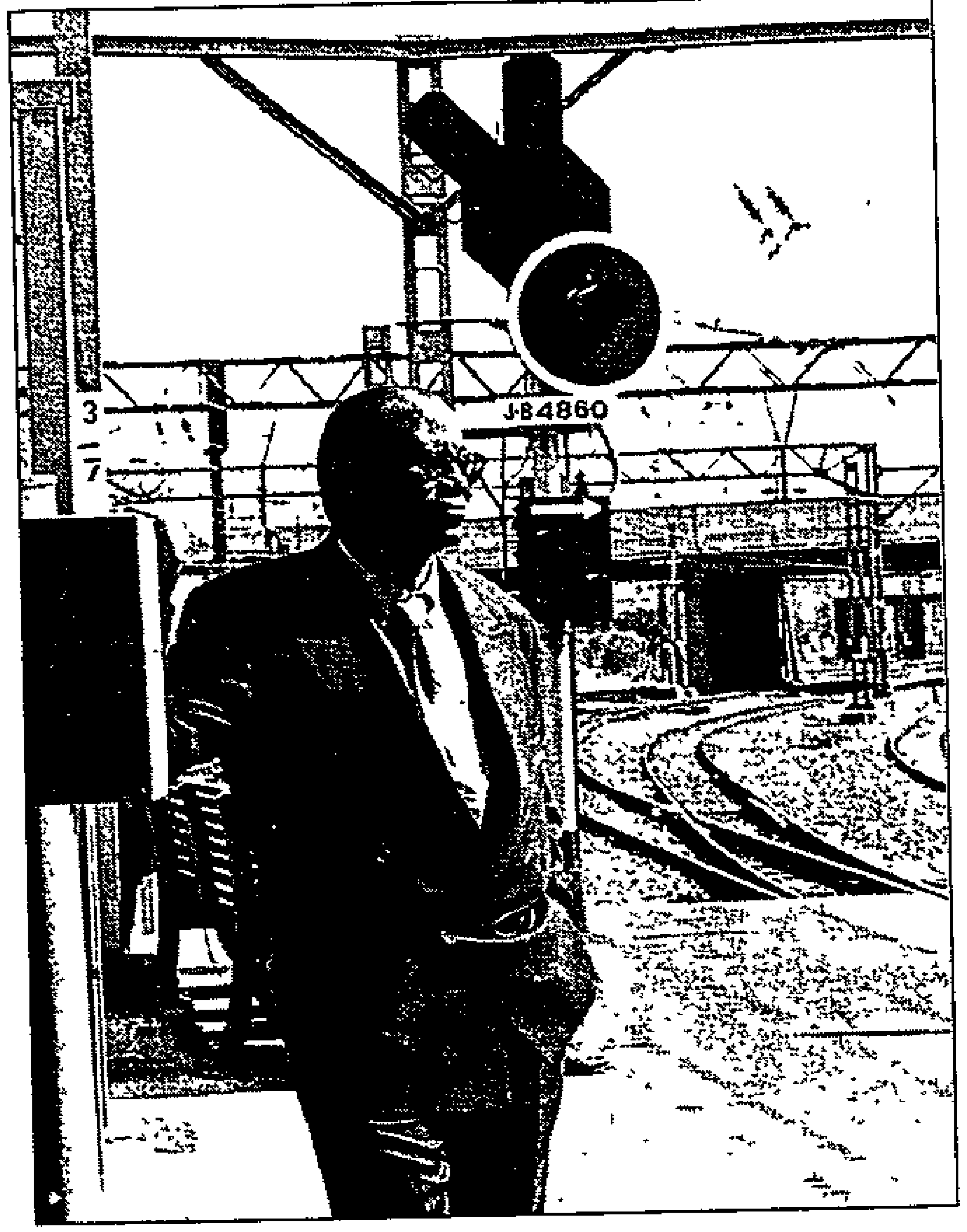
"We do have a monopoly transporting iron ore on the Sishen-Saldanha line and on the coal line to Richards Bay But we have lost market share to road hauliers in other areas since the industry was deregulated in the late 1980s," he says.

Over the past year, Mkwanazi says, Spoornet decided to be "truly customer focused". The group got rid of its 10 regionally based divisions and its tariff book.

Spoornet centralised decision-making and introduced new product-based business units to achieve greater focus.

Mkwanazi instilled a new marketing approach based on developing new products — "selling a total package to take goods from one door to another". Previously, he says, "Spoornet placed too much emphasis on achieving engineering perfection and too little on customer needs."

The changes have begun to bear fruit. For the year to March 31, Spoornet's turnover increased by R738 million to R8,4 billion. There were good performances from export maize (up R180 million to R240 million), coal (up R220 million to R2,5 billion), liquids (up R70 million to R750 million) and containers (up R40 million to R500 million).



TURNAROUND MAN *Mafika Mkwanazi, an executive director of Transnet, has helped Spoornet realise a profit of R712 million for the year to March 31*

PHOTO: JOHN WOODROOF

For the next financial year, Mkwanazi expects Spoornet to make a profit of between R500 million and R700 million. In future years, the target is R1 billion, which makes for a 5 percent return on Spoornet's R20 billion asset base.

"My vision is to improve operational efficiency. This will allow us to reduce unit costs for our customers and take market share from our competitors. Imagine what this will do to our bottom line," he says.

Taking on the road hauliers will be an uphill battle. "Competition in the industry is fierce and price cutting is the order of the day. The industry could go the way of the taxis. Road hauliers are allowed 40 net ton loads, but they frequently overload by 30 percent.

"The loads they carry are among the highest in the world, which damages our roads. But the road hauliers do not have to upgrade the infrastructure they use. We set up our rail network and maintain it."

Mkwanazi says privatisation is some way off. "There are countries where rail operations are fully privatised. But there are technical reasons why this will probably not happen here for many years

"When you privatise, you could adopt the Swedish model of separating Spoornet's rolling stock (of 3 500 engines pulling 130 000 wagons) from the rail network

"The problem is that the company with the rolling stock is unlikely to invest in new wagons. The same with a private infrastructure operator.

"If you sell the rolling stock and the infrastructure separately, Spoornet's unit loads would be uneconomical to operate The market here is not large enough to operate economical block loads. Sishen-Saldanha and the coal line are our only viable block load operations," he says.

Privatisation of Sun Air looks doubtful

(269)

Sowetan 19/8/97

By Maxwell Pirikisi

Delays in the privatisation of Sun Air have cast doubt on whether South Africa is serious about the restructuring of state assets.

Analysts suggest that the Government might be forced to abandon efforts to privatise the airline, a move which could question the Government's capacity to successfully manage its privatisation campaign. Sun Air's privatisation was to have been finalised at the beginning of this month

Concern

Concern about the pace of privatisation follows recent speculation that the Government might not want to sell Sun Air at a price below valuations determined by its advisers.

Initially it was believed that the Government could raise about R200 million from the sale of Sun Air before the figure was later revised down to R100 million.

However, it was rumoured last week that one of the two remaining bidders had offered less than R30 million for the airline The two bidders are Rethabile/Comair Consortium and Phoenix Venture Partners

Public Enterprises Ministry spokesman Mr Wandile Zote would not be drawn into discussing the possibility of the Government abandoning Sun Air's privatisation in view of current offers for the enterprise which are thought to be lower than expected.

A few months ago Public Enterprises deputy director-general Professor Sipho Tshabalala was quoted as suggesting that if offers for Sun Air fell far short of Government expectations, the sale might be re-negotiated.

Yesterday University of South Africa senior lecturer in the Department of Public Administration Dr Frank Smith, who is an expert on privatisation, said although privatisation seemed to be on track, there "could be signs that the Government had its own problems".

NEWS

Train commuters face 'staggering' fare hikes

Pensioners and the poor hardest hit

(269)

ARG 22/8/97

ASHLEY SMITH AND JOSEPH ARANES
STAFF REPORTERS

Commuter train fares will increase by up to 27,8% next month, a rise labelled "staggering" and "cruel" by consumers.

The increases, announced yesterday by Transport Minister Mac Maharaj, are effective from September 1.

The price of a third class single ticket will rise by an average of 21,4% while first class tickets go up by an average of 15,9%. Fares for short distances of 1km to 9km increase by between 20% and 25%.

First class weekly tickets rise by an average of 16,5% and third class weeklies by 11,8%. Monthly tickets will go up by 7,3%.

Increases will be higher than average for season tickets for journeys between 1km and 9km.

Previously disadvantaged communities, living between 15 and 30km from the city centre, will bear the brunt of the increases as fare hikes over these distances will rise by between 7,4% and 27,8%.

The Black Housewives League and the Association of Retired Persons and Pensioners condemned the increases.

The general secretary of the league, Stella Mohlamme, said the increases would punish commuters dependent on trains to get to their jobs.

"Paying commuters are being victimised because other people are not buying train tickets," she said angrily.

"The people who agreed to these increases have not taken into account the plight of the wage earner."

George Fourie, director of the ARPP, said poor people were already battling to make ends meet and the increase in fares was "shocking".

"Metrorail always says the customer comes first. Are they merely paying lip service to this statement?"

Regional Metrorail spokeswoman Riana Jacobs said the fares had been structured to discourage fare evasion and short distance travel and to encourage the sale of season tickets.

Star 29/8/97

Mpumalanga licence fraud case collapses

(269)

Carolina – Nine Mpumalanga traffic officers were acquitted of licence fraud yesterday.

The State's case in the Carolina Regional Court collapsed after 30 State witnesses accused the police of intimidating them into making damning sworn statements.

Magistrate Koos Pietersen said the turnabout was an obvious miscarriage of justice. Some outside force had clearly been brought to bear on the witnesses to force them to either make their initial statements or to change them without warning.

Middelburg chief regional prosecutor Ansie Venter said he was not accepting the setback as the end of the probe into licence fraud and would be charging all 30 witnesses with perjury.

The nine officials, including six traffic officers, one justice department clerk and two home affairs officials, were linked by police to a series of well organised fraudulent licence syndicates operating out of KwaZulu Natal, Eastern Cape, Western Cape and North West.

Venter said the first five witnesses will be charged with perjury and will face sentences of up to R40 000 or 10 years' jail if found guilty. The remaining 25 would be charged in the district court and would face sentences of up to R10 000 or 12 months in jail if found guilty.

All 30 witnesses alleged in their initial statements that they had bought learner's and driver's licences from the officials for prices ranging from R800 after they answered newspaper advertisements from driving schools.

A number of witnesses said that although they had received their licences through the post, they still could not drive.

The five witnesses who testified yesterday said they had been threatened with arrest or physical harm by the police unless they signed statements incriminating the nine officials.

Venter said: "We had a damn good case to begin with but then it turned into a nightmare. As soon as the witnesses started departing from their statements, there was nothing we could do."

A number of the officials who were acquitted by the court may be re-charged with similar offences allegedly committed at the Kabokweni licence test centre near Nelspruit, the same centre which issued parliamentary Deputy Speaker Baleka Mbete-Kgositsile with invalid learner's and driver's licences last year. – Sapa

'Outside influence' at licence fraud trial

BD 29/8/97 (269)

CAROLINA — Nine Mpumalanga officials were acquitted of licence fraud yesterday after the case against them in the Carolina Regional Court collapsed when 30 state witnesses accused the police of intimidating them into making sworn statements.

Magistrate Koos Pietersen said in his judgment that some outside force had clearly been brought to bear on the witnesses to force them either to make their initial statements or to change them without warning yesterday.

He called the events an "obvious miscarriage of justice".

Middelburg chief regional prosecutor Ansie Venter said the "setback" was not the end of the probe into licence fraud and all 30 witnesses would be charged with perjury.

The case had been running since August 1994 and was linked to recent exposés of widespread corruption in the Mpumalanga traffic department.

Six traffic officers, one justice department clerk and two home affairs officials were acquitted

Venter said the first five witnesses who testified would be charged with perjury by the regional court and faced sentences of up to R40 000 or 10 years in prison if found guilty.

After they testified, state prosecutor Matric Luphondo called for a recess to consult the remaining witnesses. These would be charged in the district court and faced sentences of R10 000 or 12 months in jail if guilty.

All 30 witnesses said in their initial statements that they had bought learner's and driver's licences from the officials for prices ranging from R800.

The five witnesses who testified told the court they had been threatened with arrest or physical harm by the police unless they signed statements incriminating the nine officials.

Venter said a number of those acquitted might be recharged for offences allegedly committed at the Kabokweni licence test centre — which issued parliamentary Deputy Speaker Baleka Mbete-Kgositsile with an invalid driver's licence last year. — Sapa.

Fraud case fails as witnesses back off

CT 29/8/97 (269)

CAROLINA: Nine Mpumalanga traffic officers were acquitted of licence fraud after 30 state witnesses accused the police of intimidating them into making damning sworn statements, causing the state's case against the officials in the Regional Court here to collapse yesterday.

Describing the surprise turn as an "obvious miscarriage of justice", magistrate Mr Koos Pietersen said in his brief judgment that some outside force had clearly been brought to bear on the witnesses to force them either to make their initial statements or to change them.

The collapse of the case, running since August 1994, but linked to recent exposés of widespread corruption in the Mpumalanga traffic department, is regarded as a severe blow to anti-corruption investigations in the province.

The nine officials, including six traffic officers, one justice department clerk and two home affairs officials, were linked by police to a series of well organised fraudulent licence syndicates operating out of KwaZulu-Natal, the Eastern Cape, Western Cape and North West provinces.

Middelburg chief regional prosecutor Mr Ansie Venter said yesterday investigators were not accepting the setback as the end of their probe into licence fraud, and would be charging all 30 witnesses with perjury.

The traffic officers who were acquitted by the Carolina Court are Mr Sidney Muwayi, Mr Charles Mdhluli, Mr Phillemon Skhonde, Mr Lawrence Khumalo and Mr Joseph Mokoena, and the home affairs and justice department officials are Mr Robert Mkhatshwa, Ms Lucy Nzimande and Mr Victory Masango.

At least one of the officials, Mdhluli, has resigned from the traffic department.

The five witnesses called to testify by state prosecutor Mr Matric Luphondo would be charged with perjury and could face sentences of up to R40 000 fines or 10 years' jail, said Venter. The other 25 witnesses could face sentences of up to R10 000 or 12 months, if convicted.

All 30 witnesses alleged in their initial statements that after responding to newspaper advertisements by driving schools, they had bought learner's and driver's licences from the officials for R800 upwards. — Sapa

ST 31/8/97

(269)

The heat is on Transnet

Sunday Times Reporters

TRANSNET is at the centre of a storm following claims by suspended executive director Joe Ndhlela that a top official at the state-owned transport group was a suspect in a theft investigation that he, Ndhlela, was heading up.

He was heading Transnet's Business Information Services (BIS), which was probing container theft from Portnet in an operation called Red Heat.

Lawyers representing Ndhlela, who was suspended two weeks ago pending a probe into misconduct, said in a letter to Transnet chairman Professor Louise Tager: "We see this suspension as nothing more than scare tactics."

The lawyers, Breytenbach Mostert, wrote that at the time of the suspension, BIS "had achieved a major breakthrough . It is common knowledge . . . that (the suspected official's name) was mentioned by BIS sources in a letter as one of the suspects to be investigated."

The letter claimed this information had been passed on to the suspect "against our client's better judgment".

RAILWAYS *SARCC paves the way for the private sector to run suburban routes on contract*

Everyone gains from rail concessioning

(269) J(BE) 1/9/97

JOHN SPIRA

The South African Rail Commuter Corporation (SARCC), a state corporation formed in April 1990, is dipping its toes deep into the privatisation waters.

Established to provide rail commuter services to the people of South Africa, SARCC operates Metro Rail Services, which employs more than 10 000 people, under contract to Spoornet.

Wynand Burger, the managing director of SARCC, has been restructuring the corporation along commercial lines.

"In the early days, the regional Metro managers fell under Spoornet. It had to change. First we ring-fenced the regional activities. The suburban activities were completely divorced from other Spoornet activities. At the same time we established, together with Spoornet, a proper Metro Rail head office. I am proud to have been part of that transformation process," says Burger.

Metro Rail is now on an equal footing with Spoornet, Portnet and Autonet

The result was a properly structured Metro Rail head office. Spoornet's influence was reduced, with the Metro Rail regional offices reporting direct to SARCC's head office. Earlier this year Metro Rail became an independent division of Transnet.

Metro Rail now ranks pari passu with Spoornet, Portnet and Autonet. "With Spoornet having been established as a separate entity within Transnet, the six Metro Rail regions are well defined. We are a fairly small, lean and agile operation.

We regard ourselves as an agent of central government's department of transport."

SARCC owns all Metro Rail's assets and provides all capital funding, which stands at R300 million a year plus a subsidy of R1,5 billion a year.

Metro Rail is a contractor, running the suburban services on SARCC's behalf.

The privatisation story begins with the concept of concessioning, which Burger regards as a crucial factor in SARCC's future because it opens up the possibility of bringing in private sector consortiums or joint ventures to run suburban services on a contractual basis on SARCC's behalf.

"We would retain ownership of the assets but entrust the operation and maintenance to someone else," says Burger.

SARCC's concessioning strategy takes a leaf out of the Argentinian model employed in Buenos Aires, which sold its metro rail assets and split the country up into 25 operational, franchised units with franchises extending from seven to 15 years.

Burger says that from the start many of those units broke even, with some paying dividends to the government from their profits, at which stage the subsidies they had been receiving were discontinued.

"The successful franchises have achieved profitability through efficiencies, improved services and higher passenger loads. It has been working well."

As one of the first steps along a similar road, SARCC intends changing the agreement it has with Metro Rail. Until December 2001, however, it will maintain the status quo, with the exception of what it has styled "a demonstration project".

"We have an agreement with the unions and the Metro Rail management until the end of 2001 that we will keep them on as contractors, but not under the old agreement, which is mostly cost and input based. We're busy finalising a new agreement, still with the same contractor, but operating under new criteria that will be mostly delivery based," says Burger.

ON TRACK *Wynand Burger, the managing director of SARCC, is proud to be part of the corporation's transformation*

"In other words, we will measure service. Inputs won't be measured in such detail, the argument being that input is reflected in the output. At the end of the day, we'll either penalise them or reward them.

"This way we'll be sure that we and the taxpayers are getting value for money."

In the meantime, the demonstration project is attracting keen attention.

"We still have to decide the magnitude and locality thereof. It has to be representative of the kind of business we run. We can't cherry-pick the line and have no challenges, but it has to be attractive enough for outsiders to operate. The idea is throw it open to public tender towards the end of this year or early next year."

Burger expects tenders to be forthcoming from national and international sources, with the successful tenderer becoming operational by the middle of next year on a 10-year concession basis.

"Taking a line through the passenger numbers and the revenue, and looking at our total business, it is possible that about 10 percent of the current business will be set aside for the demonstration project. Metro Rail will run the other 90 percent in the meantime."

Burger is conscious of the need to avoid the 'old civil service attitude'

Will Metro Rail staff be affected by the demonstration project?

"Very likely so I expect, though, that a large proportion of the affected people will be accommodated within the demonstration project. Those who aren't will probably be accommodated within Metro Rail."

For the next five years at least, Metro Rail will be able to benchmark itself against the demonstration project and vice versa.

"At the end of the five years, and this is perhaps the bottom line, we will open up the rest of the country, including Metro Rail, to the private sector." At that stage, Burger hopes, Metro Rail will be so efficient that it will be in a position to get most, if not all, of the concessions.

Burger is acutely conscious of the need to avoid perpetuating the "old civil service" attitude. "If that happens, we won't move forward. If not, people will work harder and smarter because of the threat of competition. There's nothing better than that to keep people on their toes.

"At the end of the day, the man in the street benefits from a more efficient service; the taxpayer benefits from the privatisation process, and the private sector gets the opportunity to participate. Ideally one would like to see these things happen overnight, but it will be a long-term process. In the meantime, the service should steadily improve.

"Our revenue has improved dramatically over the past few years, partly from improved efficiencies. If I were an outsider I would certainly start preparing myself for a concessioning investment down the line."

'SAA should be restructured by next year'

BD 1/9/97 (269)

Patrick Wadula

PUBLIC Enterprises Minister Stella Sigcau has set further targets for the privatisation programme, saying SA Airways (SAA) should be restructured by next year and restructuring at Eskom has kicked off.

At an Engen development forum on privatisation and empowerment, Sigcau said government had a major political commitment to the privatisation process. The right macroeconomic conditions were prevailing and effective regulatory mechanisms were being pursued.

She said that in view of the importance of SAA as a national asset and the highly competitive market within which it operated, the restructuring of the airline had to be considered a priority.

Government had started on its "corporatisation" and expected the restructuring of the national airline to be completed during next year. "Transparency is the key to the process and government has started with the process in earnest and is never going to look back."

On Eskom, discussions with relevant stakeholders within the distribution industry had taken place and a task team was to be appointed to move the process forward.

"The restructuring and transformation committees within Eskom have started working on the restructuring process," she said.

Eskom was committed to maintaining its position as one of the world's lowest cost providers of electricity for growth and development. "This will continue to create investment opportunities for infrastructure development in the region, in particular as far as electricity initiative industries are concerned."

The restructuring process at Alexkor was at a fairly advanced stage with options for its restructuring due to be taken to the interministerial cabinet committee.

The committee had endorsed the introduction of a strategic equity partner for the Airports Company, with a stake of up to 49% initially up for sale, and had also agreed to its listing within two years.

Some form of restructuring at the SA Forestry Company would be achieved by the end of this year or early next year, while a similar timetable had been set for Aventura, the state-owned resort centre.

"In the government's macroeconomic strategy, privatisation is regarded as one of the elements key to economic growth, job creation and wealth redistribution," she said.

'Gauteng has no driving inspectors'

BD 11/9/97

Dustin Chick

THERE were no driving inspectors or testing station inspectors in Gauteng, provincial transport and public works MEC Paul Mashatile said in response to a question tabled by the Democratic Party (DP) in the legislature last week.

Mashatile said inspectors ensured that vehicle examiners and drivers' license examiners acted within the road traffic laws by inspecting testing stations and, where necessary, instituting prosecutions.

He said there should be 20 inspectors, but that no such position existed in Gauteng.

He said the problem was being addressed and that his department was establishing a division of testing stations following the completion of a work study.

A conference would be held on October 6 to discuss the problem.

The DP's Jack Bloom said this was a "highly disturbing deficiency", as it meant that testing stations were not supervised in the province.

Bloom said provincial authorities needed to crack down on fraud and irregularities surrounding driver licenses and vehicle roadworthiness if Gauteng was to cut down on the yearly average of 4 000 road deaths.

The transport department has trained traffic officers to execute inspections until a testing division is established.

Disabled commuters drive their p

oint home

Star 4/9/97 (269)

Group chain their wheelchairs together in peak-hour protest to highlight the difficulties of

f using public transport

By Themba Sepotokele
City Reporter

The Greater Johannesburg Metropolitan Council is studying the costs and implications of making public transport accessible to disabled commuters, Metro Transport strategic executive Karen de Beer said yesterday.

Addressing the media during a peak-hour traffic protest by a group of disabled people at Milpark bus depot, De Beer said the council had converted one of its buses to allow wheelchair-bound passengers to board the vehicle

She did not say how much the project had cost.

She said the national Transport Department had allocated R40 000 a month to subsidise disabled people during the 1997/98 financial year

De Beer said the challenge was to make public transport accessible, or alternatively to find funding for the transport needs of the mobility impaired.

The protest, by the Transport Users' Group (TUG), started at 7am when a handful of protesters chained their wheelchairs together to block the entrance of the Milpark bus depot.

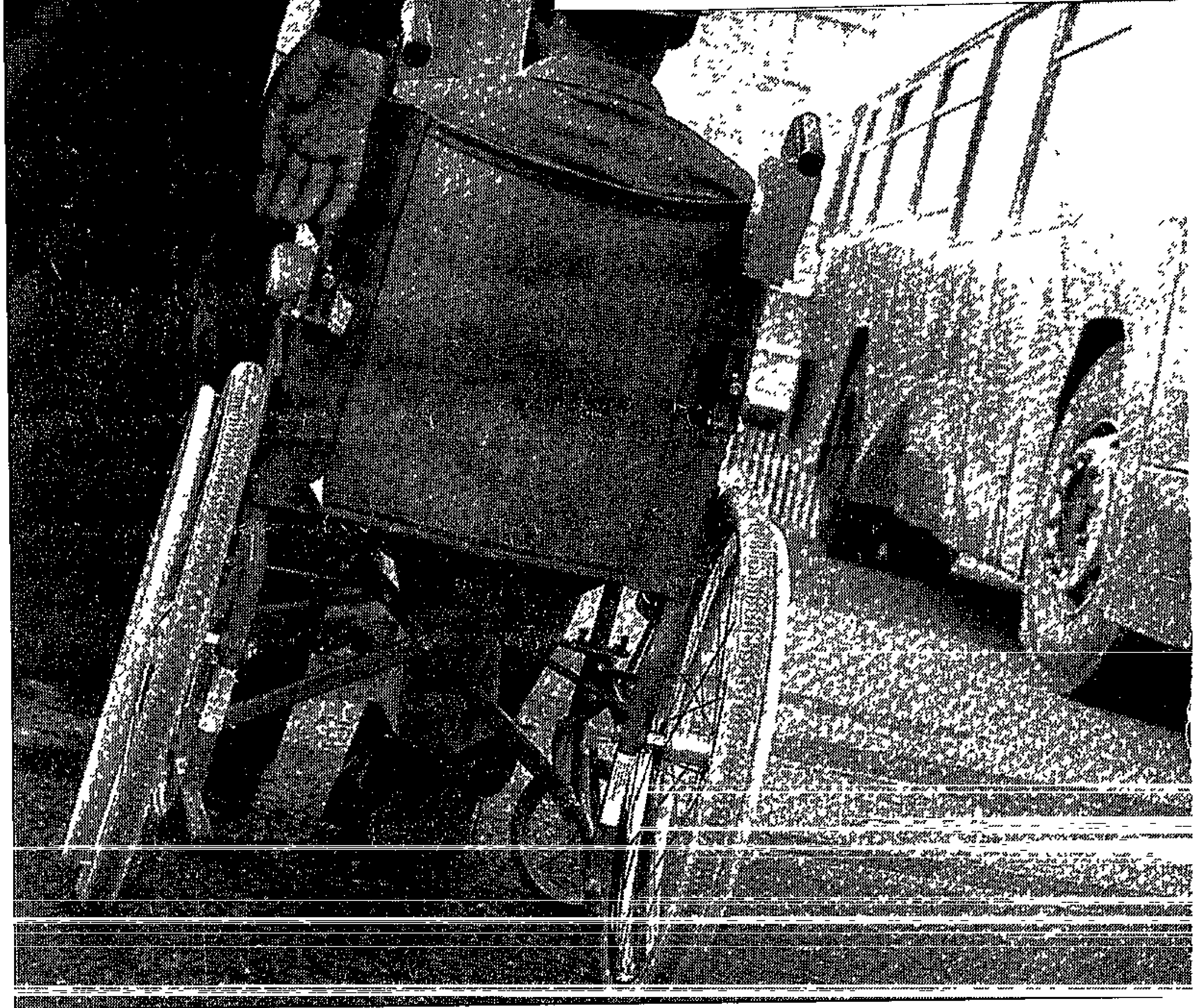
Traffic was disrupted between Raikes and Eric Sontonga roads.

TUG media liaison officer Dominique Souchon, whose wheelchair was chained to other protesters' chairs, said the council was discriminating against disabled people by not offering accessible transport for them.

Souchon said the Transport Ministry had given the council funds to start a pilot project to give disabled people access to public transport. But, he claimed, the council had not taken the project seriously and had not hired the right personnel.

"We are not here to highlight our plight, but the discrimination against the disabled. The council has turned us into beggars by not implementing the pilot project to alleviate our problem," Souchon said.

TUG ... tween 5 ... cil's ... cated ... for di-



Chain reaction ... a group of disabled people, with their wheelchairs linked together, stage a protest yeste-

y against the inaccessibility of public transport.

is demanding that be- and 12% of the coun- sport budget be allo- r accessible transport led people.

The council will meet TUG's executive within seven days to investigate how public transport can be made user friendly for disabled people.

Govt clinches Sun Air privatisation with R50m deal

Lukanyo Mnyanda

BD 2/9/97 (261)

SA HAD completed its first full privatisation with the sale of state-owned airliner Sun Air to the Rethabile/Comair consortium in a deal valued at R50m, the transport and public enterprises ministries said yesterday.

The Rethabile empowerment consortium and black-owned investment company Co-ordinated Network jointly would hold a 55% controlling stake, with Comair acquiring 25%.

Sun Air employees would take up 5% through an employee share ownership trust while the remaining 15% would be earmarked for the National Empowerment Fund set up for black investors.

Government said it would continue negotiating with the consortium with a view to finalising a share sale and purchase agreement.

The successful bid, subject to "certain conditions precedent", placed a R50m value on Sun Air's equity and incorporated "positive provisions" for the company's employees. Sun Air had interest-bearing debt of R47m.

Sun Air's sale represents SA's first successful full privatisation following the partial sale of Telkom which raised more than $1bn.

The R50m was at the lower range of expectations and government initially expected a price between R50m and R100m.

The sale, to the sole bidder after the Phoenix group withdrew from the race, follows concerns expressed by labour which said at the weekend it would support the halting of the process as it had failed to meet a range of objectives, including attracting a capable international trading partner. Labour sources said the transformation committee had not evaluated or held negotiations on the final offers, despite attempts to get government to do so. The sources declined to comment yesterday.

Government said that the consortium believed that Sun Air represented a sound base which would yield "exciting" earnings growth.

See Page 4

Twist in Transnet power struggle

M+G 5-11/9/97

(269)

A letter leaked to the media accusing top Transnet executive Macozoma of theft has proved false, reports **Ann Eveleth**

Suspended Transnet executive director Joe Ndhlela's allegation linking the transport parastatal's managing director, Saki Makozoma, to the theft of containers from the Port of Durban are false, according to police and justice officials.

Ndhlela's lawyers leaked the allegation to the media last week after his suspension pending an investigation into his alleged misconduct. In a "private, personal and confidential" letter addressed to Transnet chair Louise Tager but faxed to the *Mail & Guardian* and other media, Ndhlela's lawyer claimed Saki Macozoma suspended him to thwart a criminal investigation implicating Macozoma.

The letter also claimed the information had "been handed to the police as well as the attorney general's office".

But the Durban police commercial crimes unit director, Margaret Kruger, this week denied her unit was probing the matter: "I received some very scant information in June or July, but then one of the suspended business information services department [BISD] members took it back from me. There was no mention of Macozoma and the information was so scant I could not have used it," she said.

Superintendent Prize Phahla of Durban's truck theft unit, Director Cornelius McDuling of Durban's border policing unit, Senior Superintendent Piet Meyer of KwaZulu-Natal's organised crime unit and Senior Superintendent Beyers Marx of Durban's anti-corruption unit — the only police units also tasked to investigate port container theft or related fraud — said no investigation into this allegation had been handed to them by the BISD or implicated Macozoma.

KwaZulu-Natal Attorney General Tim McNally's office also denied it had received a docket on the matter.

Transnet's chief representative, Kallie Mabanstela, rejected Ndhlela's claims that the information was "known to" Macozoma and Tager.

This was despite claims by Ndhlela's attorney, Daan Mostert, that imminent arrests had been averted by Ndhlela's suspension — and that BISD had paid out R1,2-million in decoy payments related to the alleged probe.

Speculation has suggested that at least some of the misconduct charges being compiled against Ndhlela relate to the activities of the BISD

Ndhlela controlled BISD, the mysterious Transnet unit he formed last year and which he claims had carried out the investigation, codenamed "Operation Red Heat", which allegedly implicated Macozoma.

Mabanstela refused to be drawn on the reasons for Ndhlela's suspension — or on whether Ndhlela's counter-allegations would constitute misconduct — arguing that the parastatal would "not be diverted from the proper procedures".

But widespread speculation has suggested that at least some of the misconduct charges being compiled against Ndhlela relate to the activities of the BISD.

Two other members of the department — former military intelligence Lieutenant-Colonel Jan Holiday and ex-Umkhonto weSizwe operative Felix Ngwenya — have also been suspended.

Portnet employees told the *M&G* in February that they believed BISD was involved in bugging their offices in Durban. The allegations followed a visit to the port by Ngwenya, which elicited questions from Portnet chief executive officer Ivor Funnel.

Funnel said this week that was the only occasion when he had had any dealings with the department that now claims to have conducted a major investigation into his area of operation.

A private Durban de-bugging expert, Mike Mitten of Surveillance Inc, has confirmed that his company was called to attend to seven de-bugging requests from individuals — including managers — in Port of Durban offices last year.

"On four occasions we found something. Bugging is illegal, but it's common practice in Portnet and Transnet and all the parastatals. The old guys don't want to come out and the new guys want to get in," he said.

Mabanstela confirmed that Transnet had swept its Johannesburg headquarters for bugs last month following similar allegations, but found nothing at the time.

He would not, however, answer questions about the formation, mandate, role, size or budget of BISD until the investigation against Ndhlela, Holiday and Ngwenya is completed, possibly this month.

Mabanstela also declined to comment on insider allegations that Ndhlela had had his sights on the managing director's post prior to Macozoma's appointment. When asked why he had not handed an investigation involving his superior to the police, Ndhlela's lawyers responded: "What makes Macozoma his superior?"

Ndhlela's lawyers claimed that the "formation of BIS[D] and its activities are legitimate company operations approved by the executive committee of Transnet and ratified by the board of directors"

But Ndhlela's critics inside and outside the parastatal say the department has served as a covert surveillance unit targeting "change agents", tasked with transforming the parastatal.

They point to Ndhlela's involvement in the inquiry which led to Transnet sacking its first black executive director, Sipho Nyawo, amid credit-card abuse charges last year. He was also connected to the "Oesche investigation" into Spoornet security contracts.

Transnet is a prime target for the African National Congress's attempts to effect a Malaysian-style economic transformation. This entails an aggressive affirmative action policy, the promotion of contracts with black-owned companies, and streamlining the institution's role and functions to underpin new economic priorities.

To jump-start this process, the ANC deployed a handful of "change agents" to Transnet, but some of these argue they have faced a wall of opposition from the "old guard" — and some of its new black allies — which have retained power over a number of key positions in the institution.

Mabanstela, however, denied the parastatal's transformation had been held to ransom, arguing it had changed more rapidly than other public enterprises in the country. "If anybody is trying to cling to something that will prevent us from going forward, they will have no future at Transnet," he said.

Scene of intrigue: Transnet's headquarters in Johannesburg

Deal will boost SA economy

(269)

5/9/97 Sowetan

By Isaac Moledi

SOUTH African companies are likely to benefit by up to R80 million worth of business following the signing of a contract between the Ministry of Transport's Air Traffic and Navigation Services (ATNS) and a French company

The R70-million contract, which was awarded to Thomson-CSF of France by ATNS yesterday, enables the French company to upgrade the national aviation radar communications infrastructure.

As this contract exceeds US$10 million (about R45 million), it falls within the Ministry of Trade and Industry's Industrial Participation Programme (IPP)

The programme stipulates that any foreign company that wins Government contracts has to ensure that the local economy benefits by 30 percent of the imported content of the contract.

Thomson-CSF has agreed to meet its obligation through an export promotions initiative

This means that local companies such as Dorbyl and other companies within the Transnet Group, will refurbish and export 15 locomotives for the Indonesian-based company Tirtamas Comxindo over a three-year period.

This has the potential to create more than R80 million worth of business for these local companies

It was not yet certain whether Transnet would subcontract any of the jobs to emerging local businesses but IPP director Vasie Ponsamy said other businesses would be involved once the contract had taken shape

The supply of refurbished locomotives will take place in two phases.

Ponsamy said about R3 billion worth of revenue had been secured for South Africa as a result of the IPP.

Win or lose, bid effort has put transport on the high road

(~~235~~) (269) ARG 5/9/97

JERMAINE CRAIG
STAFF REPORTER

Whether or not today's Olympic vote goes Cape Town's way, the process has already provided a big boost for a public transport system in a desperate state.

The R240-million pumped into the Priority Olympic Development Programme has meant the realisation of many much-needed projects and created employment opportunities for thousands.

Cape Metropolitan Council director of transport Dave Eadie said the bid had "enhanced planning in the metropolitan area beyond value".

"What the Olympics has helped us do is go to a meeting with a collective vision and make decisions and act on them. Win or lose, transport has certainly won," Mr Eadie said.

Since the start of the bidding process, R208-million from the central government, provincial government and other sources has been spent on contracts for transport-related projects. Many have been awarded to emerging contractors and firms in previously disadvantaged areas.

Another R51-million is to be spent on projects awaiting tender.

Some of the projects under way or pending are:

- A R7,75-million experimental security project for nine months from October 1 at the Bellville, Cape Town, Wynberg and Nyanga stations – which is expected to provide employment for 300 people.
- A R8,2-million contract to Izinga Access for the construction of a public transport information centre.
- The Philippi, Heideveld, Nolungile and Nonkqubela (both Khayelitsha) stations will be upgraded to the tune of R54-million.
- A public transport system to make it easier for the disabled to commute, which is in the pipeline.
- A R11,5-million contract about to be awarded to upgrade bus and taxi facilities at Mowbray station.
- R6,5-million to be spent on taxi and trading facilities in Langa.
- R4-million to be spent on upgrading the Fish Hoek transport interchange and R17-million on five other transport interchanges.

Dire shortage of transport officials

STAR 9/9/97 (269)

Gauteng's transport department has lost 302 staff members, including senior professional and technical staff, in the past year.

Transport MEC Paul Mashatile said 211 of the former employees had accepted voluntary severance packages. He said a total of 195 vacancies remained unfilled, primarily because of unattractive salaries.

Among those who opted for severance packages were 20 provincial licence and testing-station inspectors, leaving stations unsupervised.

"The situation points to a diminishing ability to enforce the law," said Robin Emslie of the South African Guild of Motoring Journalists. — Staff Reporter

The Star Tuesday September 9 1997

Driving licence cheats are making millions

STAR 9/9/97

Falsified documents are enriching officials prepared to bend the rules and put unqualified drivers on the roads

Sapa
Cape Town

Some people were making up to R2-million a month selling fake driving licences, according to the man responsible for exposing the fact that an invalid licence was issued to Deputy Speaker Baleka Mbete-Kgositsile.

Nelspruit chief traffic inspector John Muller told the National Assembly's transport committee yesterday that while the number of operators issuing fake licences had diminished, the practice was continuing and politicians lacked the will to stop it.

"I'm sure it is a nationwide catastrophe," he said.

Muller told the committee he had had 20 of his 23 inspectors arrested on suspicion of being involved in issuing licences for money, but all the State witnesses in their cases had been intimidated and would not testify.

"It took six-and-a-half years to bring it (the licence fraud) to light and now they will get off scot-free."

Low pay seen as part of the cause

The officers implicated were all still working and some had been promoted.

In December 1994 and January 1995 he had personally confiscated 4 400 fake licences. Making credit-card-type licences would not solve the problem, because they too could be faked, he said.

One huge problem was that a number of senior traffic officials were political appointees, some of whom earned R191 000 a year.

Meanwhile, some provincial traffic officers were taking home only R900 a month, and could not survive on this.

There was much discontent among traffic officers.

Muller appealed for the formation of a national traffic police force with a uniform salary structure, which would eliminate the problem of disparities between municipal and provincial salaries.

He was not, however, in favour of traffic departments being amalgamated into the police force.

Thousands apply for licences in Mpumalanga

BD 9/9/97

(269)

Linda Ensor

CAPE TOWN — Thousands of people from all over the country had applied to Mpumalanga for driver's licences, with 4 400 illegal ones being confiscated in one two-month period, Nelspruit's chief traffic inspector John Muller said yesterday.

Muller spearheaded the investigation into deputy speaker Baleka Kgotisile's acquisition of a false driving licence.

Giving evidence before Parliament's portfolio committee on transport, which is conducting a three-day hearing into road safety, Muller blamed the low salaries earned by traffic officers (about R900 a month) for the widespread bribery and corruption which he said was becoming "very serious".

He said there were also a lot of politically appointed "fossils" occupying top positions who had no interest in what was happening on the road.

The committee had received three volumes of written submissions expressing anger at the high rate of road accidents and would hear 26 oral submissions over the next three days. Thereafter a report would be submitted to Parliament, chairwoman Patricia de Lille said.

Muller said driver's licences which should cost R15 in Mpumalanga, were obtained fraudulently at a cost of between R800 and R1 000, often without the applicant even being present. He had traced thousands of licences to one box number or one plot.

His investigations had extended to Kimberley, East London, Maritzburg, Durban and the north and south coasts of KwaZulu-Natal. He believed the scam had been going on since 1988 though only recently on such a vast scale.

Muller said he was tired of "bashing his head against political doors" and not being listened to and did not believe politicians were taking the matter seriously enough.

He was sceptical whether any of those allegedly involved in the scam would be convicted, noting that only five of the 23 suspected traffic officers had appeared in the Carolina Magistrate's Court. All were still working, with some having been promoted above Muller.

While admitting that control had been tightened up in Mpumalanga, Muller was not satisfied with the methods used.

He criticised the fact that traffic officers spent more time checking parking meters than enforcing the law.

"We are generating revenue but not saving lives. We must refocus our priorities," he told the committee.

Traffic officer Michael Anderson also believed law enforcement methods were not working, one of the reasons being the lack of proper backup by the courts.

"It is very frustrating to witness horrific accidents and then learn that cases have been withdrawn on a technicality," he said. "It becomes futile."

Anderson's appeal for a penalty points system for traffic offenders, dedicated traffic courts and regular testing of motor vehicles and drivers was largely supported by committee members.

Other people testified that road safety was sacrificed to the revenue needs of local authorities.

4. (1) (a) 20 March 1996 Hillcrest Hospital

(b) General Assistants strike as a result of a staff member being shot in the neck and chest inside hospital premises

(2) Increased security stepped up.

5. (1) (a) 26 April 1996: Midlands Hospital and Lower Umfolozi District War Memorial Hospital

(b) Personnel attended a COSATU March in Pietermaritzburg

(2) No work, no pay policy was applied Personnel advised to apply for authority and leave prior to attending any marches in future.

6 (1) (a) 30 April 1996. Midlands Hospital

(b) Personnel attended a COSATU March in Pietermaritzburg

(2) No work, no pay policy was applied. Personnel advised to apply for authority and leave prior to attending any marches in future

7. (1) (a) August 1996· Prince Mshiyeni Memorial Hospital

(b) Strike resulted (Group 8/96) NEHAWU alleged that there were certain irregularities with regard to the intake

(2) A dispute was declared at the Provincial Bargaining Chamber and a task team was appointed to scrutinise applications and the selection process.

8 (1) (a) 2 October 1996. Ngwelezana Hospital

(b) Clerical staff dissatisfied about new grading system of clerical occupational class with effect from 1-7-96.

(2) The Director for Personnel addressed them and explained to the personnel the new Grading System. They were advised to approach the Personnel Division in the hospital in future if similar situations occur.

9. (1) (a) 3 October 1996: Ngwelezana Hospital

(b) Student nurses strike because of the one professional male nurse who raped the visitor of another nurse

(2) The professional nurse concerned was suspended and charged for misconduct.

10. (1) (a) 8 October 1996: Northdale Hospital

(b) Clerks demonstrated at the Provincial Bargaining Council

(2) They all signed for a day's leave. Advised to apply for authority and leave prior to such demonstrations in future.

11. (1) (a) 6 November 1996 Montebello Hospital

(b) Professional nurses were not happy with rank promotion salary adjustments

(2) The Management of the Hospital met with their delegates and sorted out the problem

Northern Province

They had no hospital strikes in 1996.

Western Province

(1) (a) No strikes occurred at hospitals in the Western Cape during 1996. Mass protest marches took place to discuss socioeconomic issues and to hand over memorandums

(b) N/A

(2) The position in the Western Cape is currently handled in terms of the New Labour Relations Act (66 of 1996) through Collective negotiations

North-West Province

They had no hospital strikes in 1996.

Northern Cape Povince

None of their Institutions was affected by the Strike Actions.

Mpumalanga Province

(1) (a) 7 strikes occurred at hospitals in the Mpumalanga Province.

(b) National Nursing Strike : Conditions of Service

NEHAWU Strike : Provincial and Local Grievances

Student Training

Lack of Understanding of Labour Action and Grievance Procedure

(2) Contingency Plans Activated

Negotiations

Dissemination of Information

Labour Relations Training

Improvement of Working Conditions

Renegotiating Agreements with Unions

Application of no-work no-pay principle

Regular Meetings between Unions and Management

Free State Province

There were no strikes in 1996 in Free State Hospitals.

Eastern Cape Province

1 (1) (a) Uitenhage Hospital (2 days) in January 1996

(b) Reason for strike was alleged racism by Hospital Administrator

(2) Case was resolved by negotiation.

2. (1) (a) Empilweni Hospital (3 days) in March 1996

(b) Reason for strike was illegal occupation of Nursing Managers Office re duty allocation roster

(2) Case was resolved by negotiation

3. (1) (a) Frere Hospital, East London (2 days) in November 1996.

(b) All the posters demanding higher salary scale than General Assistants.

(2) Case was resolved by negotiation and grievance sent to Central Bargaining Chamber

Gauteng Province

(1) (a) There were three strike actions

(b) The following are the reasons for the strikes:

- the national strike from COSATU regarding the proposed Labour Relations Act
- NEHAWU's action regarding the Nursing Council
- NEHAWU's action regarding employment procedures

(2) With respect to the first two strike actions, the department had no jurisdiction and it was handled at national level. The strike by NEHAWU regarding the employment practices were referred back to the Central Bargaining Chamber who set up a task team to investigate the matter.

Surveys of commuter attitudes

*27 Mr G M E CARELSE asked the Minister of Transport: [Written Question No 977] 269

(1) Whether any surveys of commuter attitudes were carried out in (a) 1995 and/or (b) 1996; if so, what were the results of such surveys,

(2) whether any significant improvements were noted in 1996 as compared to 1995, if so, what improvements? N1682E

The MINISTER OF TRANSPORT:

(1) A survey of commuter attitudes was done during 1994-95. The purpose of the survey was to determine the perceptions of commuters of the Metrorail services

The survey revealed complaints from commuters as follows.

- In general commuters complained about the lack of visible security on stations and inside trains as well as the general level of crime, cleanliness of toilet facilities at stations was also identified as a matter needing attention

(2) Detailed monitoring of commuter perception through a complaint monitoring system is however performed regularly and improvements in service delivery can be deduced as follows:

Complaints as measured from 1995 to 1996:

Complaints related to security, station cleanliness and attitude of staff have all decreased from 1995 to 1996, indicating an improvement in these service elements Complaints related to station toilets have increased by 5% from 1995 to 1996

These results should be seen in the context of a constantly improving reporting system (more complaints are being reported than before)

UIF: income/expenditure

*28 Dr F J VAN HEERDEN asked the Minister of Labour: [Written Question No 978]

(a) What was the annual (i) income and (ii) expenditure of the Unemployment Insurance Fund (UIF) in (aa) 1995 and (bb) 1996 and (b) what was the state of the UIF's reserve as at the latest specified date for which information is available? N1683E

The MINISTER OF LABOUR:

(a) The annual income and expenditure of the Unemployment Insurance Fund is as follows

					R,000
(i)	(aa)	Income	1995		2 057 015
	(bb)	Income	1996		2 404 328
(ii)	(aa)	Expenditure	1995		2 021 287
	(bb)	Expenditure	1996		2 312 334

(b) Reserve as at 21-08-97 748 217

NB 1996 figures are unaudited and thus not final figures.

*29. Mr I J PRETORIUS – Home Affairs [Written Question No 979] [Removed]

*30. Mr B C BESTER – Home Affairs [Written Question No 980] [Removed]

*31 Mr I J PRETORIUS – Home Affairs. [Written Question No 981] [Removed]

Minister/Deputy Minister: present/absent on sitting days

*32 Mr K M ANDREW asked the Minister of Finance: [Written Question No 982]

Whether (a) he and (b) his Deputy Minister were present at Parliament on each sitting day during the first six months of 1997; if not, (i)(aa) on how many sitting days was he or she absent from Parliament and (bb) on how many of these days was he or she absent (aaa) on State business, (bbb) on leave and (ccc) on grounds of ill-health and (ii) on how many of the days on which (aa) he and/or (bb) his Deputy Minister were absent on State business, was he or she in (aaa) Cape Town or (bbb) any other specified city? N1687E

The MINISTER OF FINANCE

Minister Manuel

(a) No

(i) (aa) 28

(aaa) 28

(bbb) None

(ccc) None

(ii) (aaa) 1 day

(bbb) 27 days

(9 days in Jhb/Pta, 2 days in Cape Town; 1 day in Bisho, 2 days in Washington; 2 days in Harare, 3 days travelling to, and in, Abidjan; 1 day in Edinburgh, 1 day in London, 1 day in Bonn, 3 days in Tokyo; 1 day in New York and 1 day in Chicago)

Deputy Minister Marcus

(b) No

(i) (aa) 3

(aaa) 3

(bbb) None

(ccc) None

(ii) (aaa) None

(bbb) 3 days

(2 days in Johannesburg and 1 day in Durban)

Note.
Presence in Parliment is per decision of Cabinet that members of the Executive be present for own legislation on Wednesdays and Thursdays.

The balance of each week is spent fulfilling executive functions, primarily in Pretoria

Children living in poverty

*33. Mrs E J CHAIT asked the Minister for Welfare and Population Development [Written Question No 985]

(a) How many children were and (b) what percentage of the total child population was living in poverty in South Africa in 1996? N1690E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(a) Approximately 9 6 million children and

(b) this figure constitutes approximately 60% of the total child population.

Ladysmith floods: amounts paid out from fund

*34 Mr J W MAREE asked the Minister for Welfare and Population Development † [Written Question No 986]

(1) What amounts were paid out by the Government from the Disaster Relief Fund in each of the past ten years to support individuals in Ladysmith who suffered losses as a result of floods,

(2) whether the Government will be prepared to make funds available for individuals who suffered losses as a result of floods this year; if not, why not; if so, what are the relevant details? N1693E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(1) Ladysmith was declared a disaster area in 1987, 1988, 1989, 1994 and 1996. The following amounts were paid out

Year	Number of Applications	Amount
1987 + 1988	19 032	R 19 938 000
1989	455	R493 000
1994	1 947	R9 964 342
1996	1 135	R5 678 898
Total	22 569	R 36 074 240

(2) Ladysmith has not been declared a disaster area during 1997 and no funds will therefore be paid out to individuals In terms of Section 26 of the Fund Raising Act No 107 of 1978, financial assistance is given to individuals when the President has declared the area a disaster area

Northern Province: constructing/reconstructing/maintaining roads

*35. Col N G RAMAREMISA asked the Minister of Transport:† [Written Question No 987]

What amount (a) has been budgeted for the current and (b) was budgeted for the previous financial year for (i) constructing, (ii) reconstructing and (iii) maintaining roads in the Northern Province? N1694E

The MINISTER OF TRANSPORT

Out of the National Road fund the following amounts were budgeted:

Year	Maintenance (R million)	Reconstruction (R million)
1996-97	15 335	8 900
1997-98	17 658	89 093

Note The construction of the new toll road from Kranskop toll plaza to Pietersburg was financed by private sector funds and did not appear on the National Road Fund Budget The amount spent on construction of this road in the 1996-97 financial year was R300 million

Minister: trips outside RSA

*36. Dr W A ODENDAAL asked the Minister of Health [Written Question No 988]

(a) How many days in 1995 did she spend outside the borders of the Republic, (b) what was the (i) purpose, (ii) destination, (iii) duration and (iv) cost of each visit and (c) who accompanied her in each case? N1695E

The MINISTER OF HEALTH

I regret that I am unable to answer this question at this time.

The information will be provided as soon as the records for 1995 have been obtained from Pretoria partners The Department is aware also that the collective bargaining process that has been achieved so far cannot be merely legislated away without a social upheaval, so that any proposals in this regard have to be compatible with our commitment to collective bargaining as the mechanism for ensuring stable and sound industrial relations Nevertheless, ministerial discretion with regard to the extension of collective bargaining agreements is exercised to the degree allowed for by the law to allow for greater variability in application and compliance

3 *Wage Determination*

3.1 The Department has already accepted the recommendations of the Comprehensive Labour Market Commission in this regard that future wage determinations should take cognisance of differences based on the capacity and ability of firms to shoulder the higher remuneration (e g with regard to small scale firms and those in which unit labour costs are already high), based on the possible impact of such higher remuneration on vulnerable segments of the labour force (such as youth and women), and based on the possible general impact of such higher remuneration on employment of unskilled and semi-skilled workers especially in regions with high rates of unemployment It should be noted that these are considerations that already inform wage determinations in any case even if they are being pursued much more pro-actively at present

4 *Employment Flexibility*

4 1 Measures concerning the need to promote greater flexibility in employment and the utilisation of labour have been proposed in the draft bill on Basic Conditions of Employment and they relate to the reduction in working hours, an increase in the overtime premium, averaging hours of work, re-alignment of shifts to allow for more workers to be employed and for continuous operations, overtime, and the lifting of restrictions on Sunday work. These and other provisions in the draft bill are currently being negotiated with social partners.

5 *The Social Agreement*

5.1. It is government's intention that a social agreement should be the outcome of a general consensus on an Employment Strategy which should bind the social partners to particular commitments with respect to delivery of public services, formulation of targeted incentive packages, stabilisation of wages and prices, and deployment of private sector investment A committee of ministers has been appointed to oversee the formulation of an Employment Strategy, which should be the basis for a social agreement that will be cemented at a Presidential Jobs Summit Background research and interdepartmental consultation pertaining to the Employment Strategy has already begun and the Executive Council of NEDLAC has accordingly been briefed

6 In sum then, there are policy processes under way to put into effect a coherent labour market policy We will in the not too distant future, publish a consolidated labour market policy document

Road building projects: completion 269

*20 Mr A E REEVES asked the Minister of Transport:†

(1) Whether any road building projects cannot be completed in time this year due to a shortfall in the budget allocated therefor; if so, what projects;

(2) whether he will make a statement on the matter? N1862E

The MINISTER OF TRANSPORT:

(1) Some projects identified by the pavement management system which should have started this financial year were delayed because the allocation received from Treasury for non-toll roads was insufficient to cover all the urgently needed rehabilitation and maintenance needs on national roads. While some projects had to be delayed others are being investigated as possible toll roads The delaying of projects also has a knock-on effect as projects which should start in the following years have to be delayed as well Each delay results in rehabilitation and maintenance becoming more costly

25 Projects have already been delayed or will be delayed if more funds are not made available. Rather than take up the Houses valuable time I would like to request permission to file the list.

	Project	*Original Start date*	*Delayed until*
N1/7	Special maintenance Koedoesloop - Steynstasie	Apr 1997	Apr 2000
N1/7	Special maintenance Steynstasie - Beaufort West	Apr 1997	Sep 1998
N1/7	Special maintenance Platdoring river - Nelspoort	Jun 1997	Feb 1999
N1/21	Reseal Brakfontein - Rigel Ave	Jun 1997	Oct 1998
N1/29	Rehabilitation Punch Bowl - Wylliespoort	Apr 1999	Jun 2000
N2/2	Special Maintenance Sir Lowry's Pass - Palmiet river	Apr 1997	Feb 1999
N2/6	Reseal. Mosselbay west - Grootbrak river	Apr 1998	Apr 1999
N2/6	Reseal. Albertina -Gouritz mouth	Apr 1998	Apr 1999
N2/6	Reseal Mosgas - Mosselbaai	Jun 1998	Apr 2000
N2/9	Reseal Witelbos - Kareedow	Jun 1997	Jul 1998
N2/16	Special maintenance Beacon Bay - East London	Jun 1998	May 1999
N2/21	Rehabilitation Harding - Izingolweni	Jun 1998	Jan 1999
N2/25	Durban Southern Gateway Phase II	Jul 1997	Jul 1998
N2/25	Reseal Isipingo I/C - E B Cloete I/C	Apr 1998	Oct 1999
N2/29	Joint seals. Msnduzi - Kangela	Jan 1998	Jan 1999
N2/31	Rehabilitation Mkuzi - Pongola river	Apr 1999	Apr 2000
N3/1	Reseal Candellan road - Pinetown	Apr 1999	Apr 2000
N3/7	Reseal Van Reenen - Blackspruit	Aug 1999	Jan 2000
N3/12	Reseal Geldenhuis I/C - Gillooleys I/C	Jun 1998	Oct 1999
N3/12	Repair rutting: Dwars - Geldenhuis I/C	Jul 1999	Jul 2000
N3/12	Reseal. Modderfontein - Buccleuch	Apr 1997	Oct 1998
N6/1	Reseal Homeleigh - St Luke	Apr 1997	Jan 1999
N8/8	Surface Alexanderfontein - Avondster	Apr 1997	Jan 1999
N10/4	Rehabilitation Cypress Grove - Middelburg (Cape)	Jun 1999	Oct 2000
N11/3	Reseal Nkunzi - One Tree Hill	Jun 1997	Sep 1998

Impact of Lotteries Bill on welfare organizations

*21 Mrs T J MALAN asked the Minister of Trade and Industry †

(1) Whether a study has been made of the impact that the proposed Lotteries Bill will have on welfare organisations; if not why not, if so, what are the relevant details,

(2) whether he will make a statement on the matter? N1863E

The MINISTER OF TRADE AND INDUSTRY

(1) Yes In the investigation and research during 1994/95 by the former Lotteries and Gambling Board to advise Government on appropriate policy and legislation relating to gambling and lotteries, thorough attention was given to this matter The Board's main report submitted to government contains its views in this regard.

As a general observation it seems that the introduction of a national lottery may negatively impact on the capacity of welfare organisations to raise funds through voluntary contributions

This potential negative result will be tempered if not eliminated by the direction in the Lotteries Bill that a percentage of the distributable income of the national lottery will be paid to charitable organisations

Furthermore, the Lotteries Bill provides for the introduction of small, private and society lotteries which for the first time establishes a legal framework and therefore a new opportunity for welfare organisations to collect funds legally through lottery competitions

(2) No

Upgrading of N1 from Matoks to Louis Trichardt

*22 Mr A FOURIE asked the Minister of Transport:

(1) When is it envisaged that the upgrading of the N1 road from Matoks to Louis Trichardt will be completed,

(2) whether he or his Department has had a change in viewpoint in respect of the upgrading of the road between Louis Trichardt and Beit Bridge, if not, why not, if so, what are the relevant details? N1864E

Killer licences

Argus 20/9/97 (269)

Perhaps the most telling point made in the snap debate on Deputy Speaker Baleka Mbete-Kgositsile came from Patricia de Lille, chairwoman of the portfolio committee on transport.

Angered by revelations to her committee this week about widespread selling of driver's licences, Ms De Lille labelled as "murderers" those who sold licences to people who had never touched a steering wheel.

An ANC amendment to Democratic Party MP Mike Ellis's motion on the licence saga was carried, so that by 192 votes to 64, with 27 abstentions, the National Assembly declared its confidence in its deputy speaker. ANC speakers pointed out that the authorities had found no reason to prosecute her.

But Mr Ellis was clearly driven to frustration by the fact that he had requested the debate four months ago, and it had been granted only after the outcome of the investigation.

ANC blocks bid to re-open probe into Baleka's licence

(269) CT 10/9/97

THE ANC blocked a bid yesterday to have a special parliamentary committee investigate the issuing of an invalid driver's licence to Deputy Speaker Ms Baleka Mbete-Kgositsile.

Instead, its chief whip, Mr Max Sisulu, tabled an amended motion expressing MPs' full confidence in Mbete-Kgositsile, which the National Assembly accepted by 192 votes to 64, with nine abstentions.

Mr Mike Ellis (DP), who originally proposed the investigation into the Deputy Speaker's conduct, accused the ANC of covering up the issue.

No-one could deny that Mbete-Kgositsile had obtained the licence in an abnormal and secretive way, or that she must have known her actions were wrong, he said.

The investigation into the illegal licence scam in Mpumalanga by the Moldenhauer Commission was insufficient, Ellis said.

He also accused the ANC of delaying the debate on the issue for four months.

Mr Eechesa Tsenoli (ANC) said the Deputy Speaker could not be held accountable for the actions of the licence testing officer who had not complied with the law.

"She was not to know that the test was improperly conducted; she accepted the bona fides of the testing officer," he said.

"The only questions raised about the Deputy Speaker's integrity are raised by those who wish to discredit her for party political gain."

Mr Nomatyala Hangana (ANC) said the government had taken strong action whenever it discovered corruption, much of which had been inherited from decades of National Party rule. The Mpumalanga scam had existed since 1988.

Ms Patricia de Lille (PAC), who chairs the National Assembly's transport committee, refuted claims that the Mpumalanga authorities had taken sufficient steps to stop the licences being issued illegally.

To date no-one had been charged and all 27 state witnesses due to testify in the case against former Mpumalanga transport MEC Mr Steve Mabona, who was sacked on the recommendations of the Moldenhauer commission, had been intimidated, she said. — Sapa

Metropolitan transport is doomed to die, says CMC

(269)

CT 10/9/97

CLAUDIA CAVANAGH

METROPOLITAN transport is in a bad way, and without additional income "is doomed to die", says the CMC's (Cape Metropolitan Council) director of transport and traffic Mr Dave Eadie.

Keeping the Metropole's road-based transportation system intact — including the building and maintenance of roads, the developing of bus lanes on major routes and the upgrading of 22 transport interchanges — requires at least R250m a year, he says.

"But we're getting less and less — it's just not good enough to carry on the way we are," said Eadie.

More money must be found or the whole system will take a "nosedive" he said.

Trains will run less frequently, doors won't close and potholes in roads will just get bigger.

The safety aspect on trains will also be negatively affected, according to Eadie.

The CMC's transportation and traffic committee heard yesterday that there is growing concern that the council would not be able to fund vital metropolitan transport improvements.

"The closer one gets to completing the new draft transport plan called Moving Ahead, the greater the concern about securing adequate funding has become," reported a study tabled at the meeting.

The CMC plans to raise the much-needed funds by implementing a road toll system using prepaid tokens, increased vehicle licence fees, a fuel tax and tax on parking space.

It will also levy a charge on land development, as well as a surcharge on general tax.

Because of its seriousness, the issue will be debated on a metropolitan scale at a workshop of all members of local councils on October 17, said Eadie.

Baleka a 'victim of bickering'

(269) Sowetan 11/9/98

Opposition insists Deputy Speaker acquired licence in 'abnormal way'

By Rafiq Rohan
Political Correspondent

DEPUTY SPEAKER Baleka Mbete-Kgositsile was used as a target for bickering by political parties over the driver's licence controversy, Speaker Dr Frene Ginwala said in Parliament yesterday.

Ginwala said that while she was pleased the matter had now been settled by Parliament in a debate on Tuesday, it was "unfortunate that a parliamentary official became a victim of political bickering".

In the Tuesday debate a motion by the Democratic Party for a special parliamentary committee to probe the issue was defeated as the National Assembly with the majority African National Congress vote adopted a motion of confidence in the Deputy Speaker.

Ginwala said that the matter should have actually been laid to rest after the release of the Moldenhauer Report, which said that Mbete-Kgositsile had not obtained her licence fraudulently.

However, on Tuesday the Democratic Party's Mike Ellis said in a fiery debate that the issue was not going to go away.

He said that whatever the circumstances, it had to be accepted that "the Deputy Speaker acquired her licence in an abnormal way".

Ellis said that while he "liked the Deputy Speaker" and that she was good at her job, it still did not allow "her or anyone to abuse their position".

He said no one should be allowed to bring Parliament into disrepute.

Some of his sentiments were echoed by the National Party. Its speaker, André Fourie, said that "if we make the laws we should set the example of abiding by those laws".

He accused her of contravening the "acts of Parliament".

The ANC, in the debate, closed ranks around Mbete-Kgositsile. ANC MP Mr Lechesa Tsenoli defended her by pointing out that after it had considered the facts, the Moldenhauer Commission and the Western Cape attorney general found no evidence that she had behaved improperly.

"To a great extent, many opinions have not been informed by the facts and some, like those expressed by members of the National Party, have been motivated by malice and political opportunism," he said

Similarly, the ANC's Ms Nomatyala Hangana said that it was "disgraceful" that parliamentarians were seeking to besmirch the reputation of Mbete-Kgositsile when an independent commission and a law officer had found there was no case.

Deal on Transnet's future

Linda Ensor BD 11/9/97 (269)

CAPE TOWN — Government and labour this week reached agreement on a restructured future for Transnet, Public Enterprises Minister Stella Sigcau said at a parliamentary media briefing yesterday.

The corporatisation of SA Airways to prepare it for privatisation had started and was likely to be completed by end-March next year. A strategic equity partner was being sought for the airline, the restructuring of which was considered a priority, she said.

It had been decided that the Transnet restructuring master plan should be submitted to the inter-ministerial cabinet committee next month to deal with Transnet's debt allocation and suggest a solution for its pension and medical aid fund problems. Labour and government had appointed steering committees to investigate Transnet's restructuring.

Labour had also agreed to the restructuring of Autonet to be taken forward by a special committee.

Sigcau revealed that her ministry was drafting an enabling bill to facilitate the fast-tracking of the privatisation process.

NEWS

Minister claims R550m of damage is done each year

Overladen trucks are destroying SA's roads

(269) CT(BR) 17/9/97

ROY COKAYNE

Johannesburg — The overloading of heavy vehicles resulted in about R550 million of damage to South Africa's road network each year, Mac Maharaj, the minister of transport, said yesterday.

"Of the 58 904 heavy vehicles that were weighed in South Africa last year, 33 percent were overloaded. In 1985, 35 percent of our national road network was classified as being in good condition. This figure fell to 25 percent in 1991, and in 1995 only 9 percent .. could be classified as being in a good condition.

"To a large extent, this deterioration has been caused by an estimated 15 percent to 20 percent overloading of heavy vehicle traffic, with some vehicles carrying more than double their legal loads," Maharaj said at the opening of the Transport Expo 97 at Nasrec

The expo was expected to result in deals worth more than R30 million being concluded, he said.

DRIVEN MAN *Mac Maharaj, the minister of transport*

He said transport operators were overloading because transport rates had increased by about 50 percent over the past 10 years, which meant rates had dropped in real terms; truck prices had risen; and deliveries had become smaller and more frequent — all of which had placed pressure on profit margins.

But Maharaj said overloading compounded the problem for operators and the government. This was why the government was levelling the playing field by building traffic control stations on national roads.

Maharaj said overloading was closely tied to road safety because rigs were designed to carry a certain capacity. Their brakes, tyres and drivers simply could not function efficiently with an extra 50 percent load.

He said hijacking was another challenge facing the transport industry. "The dire consequences of truck hijacking cannot be underestimated. More than 108 000 vehicles were hijacked or stolen on our roads last year, and many of them were commercial vehicles, often at the cost of injury to human life."

He said the government was doing its best to solve the problem, aided by the industry, which was installing anti-hijacking devices.

Increase of 1c is 'about to be approved'

Motorists face higher fuel levies

CT(BR) 22/9/97 ~~(180)~~ (269)

NCABA HLOPHE

Johannesburg — Motorists would have to pay more in fuel levies and toll road fees from next year as part of the commercialisation of the national roads network, Khetso Gordhan, the director-general of the transport department, said last week.

He said a recommendation to increase the road levy on petrol from 5c to 6c a litre was about to be approved and would form the first phase of the commercialisation of the country's national roads network.

The roads network would be run by a revamped South African National Roads Agency (Sanra), Gordhan said.

"Road users would get adequate value for their money as the national roads would be managed on business imperatives. Studies have indicated that users were willing to pay and support the levy as long as they got adequate returns for their money."

Gordhan said the road ownership system would be restructured within four years, which would result in a 10 percent increase in the number of toll roads.

At present the national network comprises 90 percent non-toll roads, with the remaining 10 percent being state toll and concessioned (private sector) roads.

"We want to change that to 80 percent non-toll roads and 20 percent toll and concessioned in four to five years ... (This means) road users would shoulder the increased fuel levy on non-toll roads but still pay for the toll roads (whether) state or concessioned."

Khetso Gordhan

Sanra, which would be responsible for 20 000km of the country's roads network, would be transparent in its operations and motivated by incentives to improve efficiency.

He said the agency's key challenge would be road traffic management, which was in a shambles.

"We are paying some R12 billion for road accidents a year and over R500 million in overloading because government tends to take traffic management as a chore. As a result every aspect of the system is not working."

Sanra would be the sole provider of roads and operate as a commercial company with the government as sole shareholder.

"The board of directors would sign a memorandum of understanding with the ministry of transport specifying its powers and responsibilities, and would have to sign a performance contract specifying its business plan and targets."

There would be provisions for punitive measures should the business operations be found wanting, he said.

The agency will be manned by 130 people. Its formation is part of the the ministry of transport's restructuring aim of reducing its staff to 220 by October next year.

Roads to be managed by private sector

Robyn Chalmers (269) (~~222~~)

MORE than 90% of SA's road network could be managed by the private sector in the longer term, with discussions on the way forward planned over the next few months, transport department director-general Khetso Gordhan said at the weekend.

He said government wished to move towards the New Zealand model of greater private sector involvement in the management of the road network.

He said the first phase of achieving this was through the National Roads Agency, legislation for which was recently approved by the cabinet. The agency would initially manage, construct and maintain SA's 7 000km national road network, but this was likely to be extended to the 20 000km of primary roads in five to six years.

"Ultimately we would like to set up a holding company for the National Roads Agency with nine provincial agencies in place as well ... but this is further down the line."

The agency would be set up by April next year, and the board would be made up of eight people, one from the finance department and the remaining seven from the private sector.

Retired chartered accountant Barry Adams and Grinaker Construction MD Bean Bornheimer had been approached to play a role in setting up the agency. National road chief director Nazir Ali had been offered a two-year contract as CEO of the agency. In the next two months, directors for financial, engineering and corporate services would be appointed.

The agency would initially be responsible for operating the national road network, including overseeing toll roads and managing the build-operate-and-transfer system.

Gordhan said there was growing acceptance of the need for a dedicated fuel levy to fund the national road network, with a 5c levy likely next year rising later to 6c. It was estimated that a 1c levy at the current petrol price would garner R150m.

"The levy will be transparent as it is being promoted as a user charge. As the current (budgetary) allocation is roughly equivalent to a 5c levy, and if the proposed additional 1c is approved, this will effectively amount to a 1c increase in the petrol price," he said.

There would be four agencies at provincial level in Gauteng, KwaZulu-Natal, the Western Cape and the Eastern Cape which would not be mere "appendages", but would have responsibility for budgets, planning, toll road operations and maintenance.

"This is not going to happen overnight, and the national head office could keep responsibility for about six months before it is devolved," he said.

The National Roads Agency would have a staff of about 150 with about 30 people in the national head office.

BD 22/9/97

Decision on SAA privatisation soon

BD 25/9/97 (~~232~~) (269)

Ingrid Salgado

THE interministerial cabinet committee was likely to decide on the process of privatising SA Airways next month, a spokesman for Public Enterprises Minister Stella Sigcau said yesterday.

No decision had been made on the percentage stake for sale, Wandile Zote said. However, he was certain the committee would decide on October 16.

Transnet MD Saki Macozoma said in London on Tuesday that government would sell 25%-30% of SAA to a strategic equity partner. The number of shares sold could be boosted by sales to employees and an allocation to enhance black economic empowerment.

Macozoma's comments appear to bring him closer to Transport Minister Mac Maharaj after they clashed in public recently over the percentage stake in SAA to be sold.

Maharaj had said the initial stake of SAA to be sold could rise to 49% from 25%. Macozoma disassociated himself from the statement, saying it undermined the restructuring process.

Zote said Macozoma's comments did not contradict Maharaj's earlier statement that the initial stake could rise to 49%. "That 49% is not the chunk that will go to the foreign investor." Should the higher percentage be accepted, it would include stakes for the National Empowerment Fund and the employee share ownership plan.

Sigcau has indicated it was "unlikely" that less than 49% would be sold.

Asked whether Maharaj and Macozoma had resolved their differences, Zote said: "They are both very important to the process. That whole incident was unfortunate. My guess is that they have resolved it."

Macozoma said Transnet and SAA were looking for a privatisation adviser for the sale. In the interim they were using HSBC, the overall adviser on restructuring state assets.

Several carriers have expressed interest in acquiring a stake in SAA, including British Airways, Deutsche Lufthansa and Virgin Atlantic.

TRANSPORT

SA's city drivers may soon be forced to fill their passenger seats

(269) CT(BR) 26/9/97

ROY COKAYNE

The days of people driving alone in their cars into South Africa's cities may be coming to an end as the authorities take a closer look at ways to ease traffic congestion

Measures restricting the use of private motor vehicles, particularly single-occupant vehicles, were suggested by Nazir Alli, the chief director for national roads of the department of transport, at a conference at the end of last year.

Alli, who stressed he was speaking in his personal capacity, suggested a high occupancy lane should be created on the Ben Schoeman Highway between Johannesburg and Pretoria for multi-occupant vehicles

He also suggested a "double decker" toll road could be built on the same road

This theme was taken a step further last Friday by Roland Mirrilees, an economist in the transport programme of the division of road and transport technology (Transportek) at the CSIR.

Speaking at a transport conference, Mirrilees highlighted both the economic and social benefits of limiting the use of private motor vehicles.

He said South African cities had reached a stage of development at which consideration should be given to travel demand management (TDM), a set of measures aimed at reducing the city use of private vehicles, especially by single occupants.

Mirrilees said TDM had been introduced in a number of cities worldwide, usually with great reluctance on the part of the authorities, and usually only once traffic growth had caused serious congestion problems in those cities

Mirrilees said such traffic growth was beginning to cause similar problems in South Africa.

He said the problems were of five kinds: the improvement of public transport was inhibited, the environment was negatively affected; traffic congestion was aggravated; financial costs were imposed on the community, and wasteful land use was encouraged.

"The success of a city's public transport system depends on its providing a high level of service," Mirrilees said "To do so, it must have a large number of users.

"The increasing use of private motor vehicles reduces patronage.

"This creates a vicious circle, with reduced service levels causing still more users to switch to private vehicles; public transport operators then find themselves with surplus capacity and their economies of scale reduced.

"Increased subsidies are required but they go hand in hand with poorer service. Public transport's competitive position gradually becomes eroded even further." Mirrilees said this trend, evident in all South

African cities, conflicted with the country's commitment to improving the quality of public transport.

He said to date the authorities in South Africa had responded to forecasts of increasing congestion by increasing road capacity — that is, by building more roads

"Time and again, in other countries this 'predict and provide' approach has shown itself to be ineffective," Mirrilees said.

"The additional capacity merely leads to the generation of additional travel

"It is now generally acknowledged that cities cannot build themselves out of congestion Continuing to attempt to do so is very costly, and it must be recognised that this cost is completely unjustified if it cannot produce any lasting solution to the problem of congestion "

Mirrilees said if the past trend continued, the number of vehicles on South African roads would increase by roughly 50 percent over the next 10 years

In recent years there has been an influx of new motor manufacturers and models into the South African market Almost universally, these manufacturers admit they regard southern Africa as the last emerging market and have invested or plan to invest in the country

This marketing influx, together with the provisions of the motor industry development programme (MIDP), has led to intense competition in the South African motor industry and has improved the affordability of motoring to consumers.

The big attraction to motor manufacturers is not the size of the current vehicle market — which by world standards is extremely small — but the long-term growth prospects.

In the long term, congestion in South Africa's major cities can be expected to increase unless measures are introduced to alleviate the situation.

Bill Cameron, the managing director of TRC Africa, a transport research consultancy, said the proliferation of private ownership and car usage had been a large factor in the new world.

Cameron said in old-world cities, which evolved before the motor vehicle was highly popularised, the dependence on public transport and the quality of that transport — including underground systems, rails, trams and buses — had helped shape urban form

He said in appraising the difference between the new world and the old world, the influence of powerful lobbies such as the motor industry should be noted

"South Africa has followed the new-world model for reasons relating to its history and the politics of power, particularly the aspirations of the former elite," said Cameron.

"As yet, there is no indication that the necessary measures will be taken by the new governing powers to curb car usage and address the imbalance between public and private transport.

"Despite the fact that the White Paper on National Transport Policy claims it will promote the use of public transport over private car travel, all the tax relief which encourages car ownership and use — company cars and car allowances — is still in place."

Cameron concluded that in South Africa, where limited resources and the history of urban development both supported and were dependent on the car, substantial change would clearly be difficult.

CAPE TIMES
★ THURSDAY, SEPTEMBER 25, 1997

Watch your own backs, rail commuters warned

(2b9) CT 25/9/97

CLAUDIA CAVANAGH

IT WAS ONCE considered the gem of South Africa's commuter rail service where conductors issued fines for spitting and solitary travellers were safe well into the night when the last train ran.

Now "Moenie Spoeg Nie" signs on carriages have given way to Metro's new set of 10 Golden Rules — to be posted up in carriages within the next month — which advises commuters not to travel with articles of value and to keep the window closed when the train pulls into a station.

Cape Town's main passenger artery to the suburbs, Cape Flats and townships is being slowly severed by spiralling crime and commuters are being urged to take some of the responsibility for themselves while using the lines.

"This is not only the problem of the police or protection services — it's the problem of all of us," said head of Metro's protection services, Mr Lukas Speelman.

A total of around 750 people — including contract guards, Metro officials, rent-a-cops and policemen — are employed to police the lines. These figures will soon swell by an additional 50 odd people.

But extra personnel are not the only answer, says Speelman.

If passengers abide by the advice of the new 10 Golden Rules, the chances of them getting mugged will decrease, he says.

Modalink rail transport and security manager Mr Pete Lotz concurs: "The issue of crime is probably the prime item on everyone's agenda, which is why we have money to deploy security. But the issue must be tackled across the whole spectrum.

"People must care for themselves. If I had to work late, I'd have someone meet me at the station. I'd even sit in a smoking compartment if there were more people there," he said.

So what happened to the glittering service of old?

"A lot of the facilities were not constructed with this problem in mind," says Metro public relations manager Mr Eddie Mkuchane.

"They're too easily accessible, not as safe as they should be and control systems are lacking." It has been proven where strict access control is applied, crime does diminish.

"Salt River, Woodstock, Ysterplaat and Esplanade stations are all to be remodelled to improve access control and there's money in the kitty to improve Khayelitsha, Philippi, Nologili, Nonkibela and Mandalay stations."

"Plans are also afoot to try to make things safer off-peak to attract more people at these times," says Mkuchane.

Unique package for Wild Coast corridor

(269) (

NCABA HLOPHE

Johannesburg — A unique investment package was being developed to prop up the Wild Coast spatial development corridor (SDI) as the anchor road which would not be sustainable on its own, Mac Maharaj, the transport minister, said this week.

"The road, which will run between Port Edward and Port St Johns, will need a minimum of six bridges and cost something in the order of R1 billion.

"We would not be able to build that road as a government, and the private sector would not be able take it because even toll roads would not sustain it," Maharaj said.

He said a different planning strategy was under way to create a basket of projects to package the road with agriculture, forestry and tourism projects to attract investment to the Wild Coast corridor.

"We have a duty as a government to structure a package that will be acceptable to both the communities in the region and at the same time attract the private sector," Maharaj said.

The road is expected to create a more efficient transport route between the northern and southern part of the region to open it up to the rest of the Eastern Cape province.

The total value of investment inflows into the region is estimated to be in excess of R3,5 billion.

Maharaj was recently nominated by a US journal as one of the top eight transport ministers worldwide. He was specifically cited for his role in conceptualising and driving the Maputo Development corridor.

Maharaj said the construction of the road to Maputo would start by January next year, while contracts for the development of ports and rail should be awarded by December this year.

"We have been working with the Mozambican government to establish a one-stop border post to facilitate trade and we will be finalising that soon," he said.

Maharaj said he was working to elevate transport as the "grease" in driving the South African and regional economy and welcomed the proposed commercialisation of the South African National Roads Agency (Sanra).

"We know that road users are willing to pay so long as they are provided with good services, and we will work hard to stamp out overloading, reckless driving and other offences to make it easier for people to use our roads."

CT(BR) 26/9/97

Redrawing SA's communication links

(269) Star 29/10/97

New socio-economic strides in SA are worth little if the road infrastructure is inadequate

Reports by
Cecilia Russell

Apartheid left South Africa with a skewed spatial geography. No man's lands separated areas designated for different race groups and, on a larger scale, isolationist policies dominated the infrastructural developments in the country.

Basic elements in effective planning – distance and ease of access – were distorted to create a road map which reflected the demands of creating a divided society.

But the 1994 democratic elections opened up new highways of opportunity.

South Africa found itself with a role in the world trade economy, with its new policies based on human rights and equity. It found itself with new political allies on its borders and in the rest of Africa.

The elections also brought with them the obligation on the part of government to provide its citizens with basic services and access to health, education and economic opportunities.

But many believe that the strides which have been made in health, access to free primary health care and the enshrined rights to education are worth little more than the paper they are gazetted in if the road infrastructure is inadequate.

In rural KwaZulu Natal, people often have to stretcher the sick on foot for more than 15km before they can reach a road, notes South African Roads Board spokesman Nomsa Modise.

Redesigning the roads with these new priorities underpins much of the road policy and development at all levels of government which has developed since 1994.

At a national level the Department of Transport's (DoT) privatisation of the Roads Board has become a priority.

Shrinking government funding for road development and maintenance has seen the transport department seeking out new avenues of funding. By April next year the National Roads Agency is expected to be up and running. This agency will harness private sector resources in the planning construction, management and finance of national roads while the transport ministry retains the road building policy function.

"We are piloting this public-private partnership with toll roads which have already shown themselves to be potentially profitable," says Modise.

It is planned that existing toll roads, now run by the DoT, will be leased out to private contractors for 30-year periods.

Drivers will also be roped in to help finance road development with the introduction of a road tax. The tax, initially of 5c/l increasing to 6c/l later, is likely to be debated in Parliament before the end of November, Modise says.

While consumers may feel angered at being saddled with another financial burden, the road tax is defended by the DoT which argues that falling financial allocations for roads could lead to a collapse of its road system.

A DoT publication, *A Future for Roads in South Africa*, argues that average allocations for roads have fallen in real terms and has averaged at about R3,2-billion a year. About R7,9-billion is needed to maintain existing road stock and build new contracts.

Priority for new roads will be given to consortiums who have formed business partnerships with small and medium sized businesses from previously disadvantaged communities, Modise says.

"This will fulfil the training and development priorities of the department," Modise says.

Public works programmes – building roads – also fulfil the dual road delivery objective while creating employment.

National Public Works Programme deputy director-general, Lulu Gwagwa, says these programmes are particularly important in alleviating poverty in rural areas.

"The creation of large scale jobs for the unemployed normally in turn enhance skills levels within the society. While this programme is geared towards a direct attack on poverty it avoids the pitfalls of dependence creation commonly associated with anti-poverty social welfare schemes," Gwagwa says.

The NPWP has initiated 154 road projects in all provinces with a total budget of R250-million, of which R150-million was allocated to the nine provincial governments and R100-million was channelled though NGOs.

Earlier this month Minister of Public Works Jeff Radebe opened the Mbuzini road in Mpumalanga. The project cost was about R15,94-million and included the upgrading and surfacing of 12km of road.

Also in Mpumalanga 5,3km of surfaced road on the Matsulu bus route was opened in July.

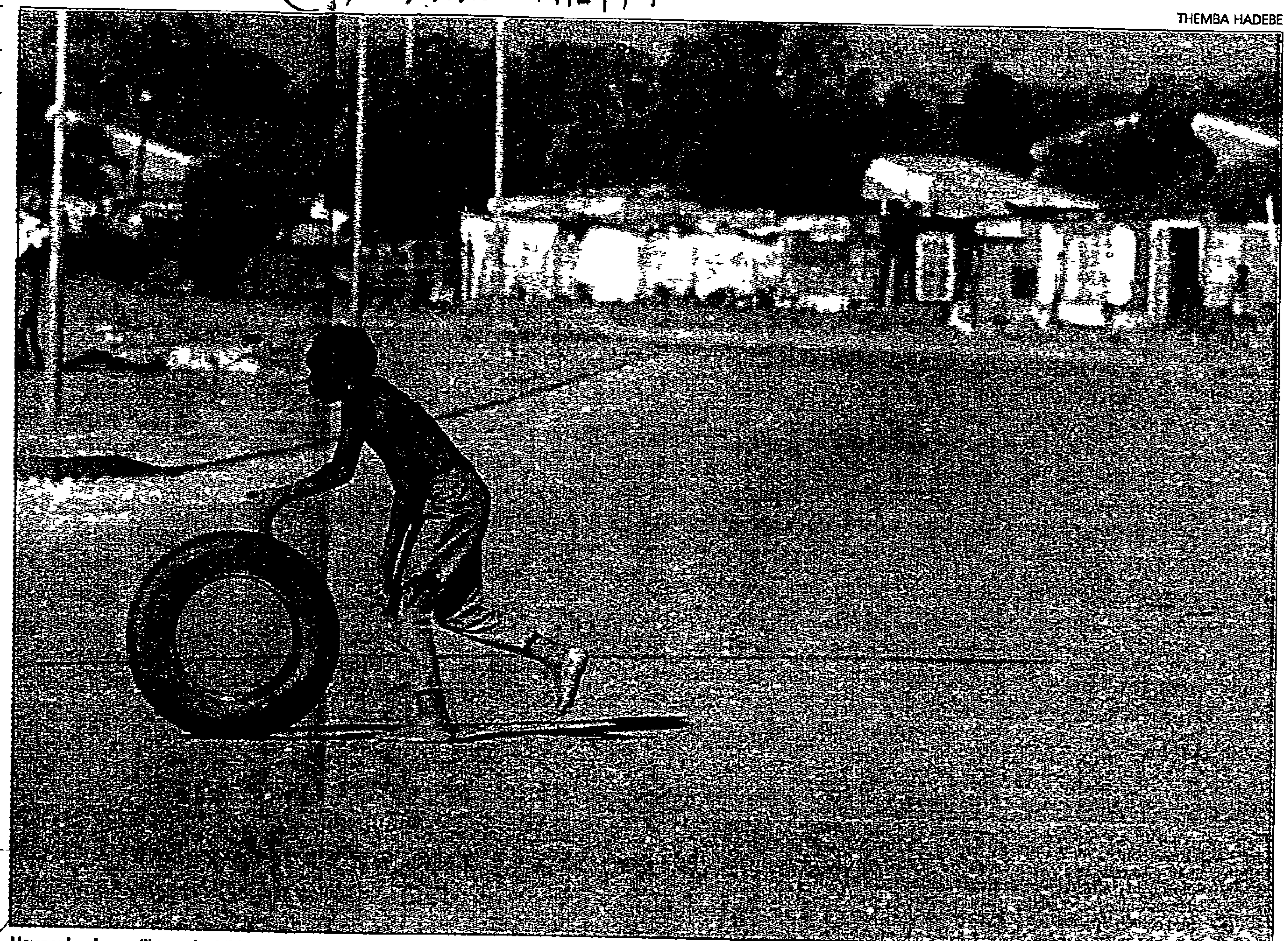
The Vulamehlo and Hlabisa projects in KwaZulu Natal are soon to be opened. In total 20,6km of gravel roads and two playing fields were upgraded.

In Schoonnoord in the Northern Province 15km of an existing gravel provincial road was completed at a cost of R15,9-million.

At Cala in the Eastern Cape 63km of new and upgraded gravel roads and associated drainage with the town was developed in a public works programme.

In the Free State the Botshabelo Project will upgrade about 40km of gravel streets with associated stormwater drainage.

THEMBA HADEBE



Have wheels ... will travel. Children in Thembalihle play age-old games along one of the newly constructed roads in the informal settlement near Lenasia.

Main road to economic development

Star 29/10/97 (269)

A good road network is considered to be one of the major catalysts for economic development in a country and plans are being made to make sure that South Africa's road system is poised to maximise international trade and tourism opportunities.

Since the 1994 elections the Department of Transport (DoT) has identified and proclaimed 7 800km of roads as national roads, with a target of 20 000km of roads before the launch of the National Road Agency in April next year.

Many of the roads are existing provincial roads which are to be upgraded, while others like the Lubombo road is a mere gravel road, which, because it links South Africa, Swaziland and Mozambique has been identified to bring economic empowerment to one of the most economically depressed areas in South Africa, DoT spokesman Nomsa Modise says.

The estimated cost of construction of the Lubombo Spatial Development Initiative is around R180-million. The road will result in the upgrade of the existing MR 432 from Hluhluwe in Northern KwaZulu Natal to Ponta do Oura in Mozambique.

It is hoped that the development will give new impact to tourism in the KwaZulu Natal region in which about 90% of the rural households live on incomes less than R800 per month and which have high rates of unemployment.

According to the project specifications at least 30% of the contracts are to be filled by small and medium emergent contractors, using labour intensive techniques.

Apart from the trading and tourism advantages of the Lubombo scheme, which will provide a direct link between Northern KwaZulu Natal at Hluhluwe and Mozambique, once the road is completed in 1999 it will place at least 50% of the population living in the high-risk malaria area within 3km of a national road giving the population access to hospitals and clinics.

The DoT estimates that other benefits include the reduction of the reaction time of the police, children will have easier access to education and the cost of transport will fall.

Paperwork on the Maputo Development Corridor is nearing completion but when the groundwork is done the link between Gauteng with and Maputo in Mozambique will help re-establish the trade link which has been lost since the 1970s.

It was estimated that in the 1970s, 40% of the Gauteng region's exports went through Maputo harbour and about 300 000 tourists from South Africa visited the country.

But not all new projects have been successful. A proposed national toll road between Port Edward and Port St Johns was shelved last week after viability assessments showed that most traffic using the roads could not afford the toll fees.

The project hoped to harness the tourist potential of the Wild Coast and kick-start agriculture and forestry development in the region.

Tarred surfaces making a major difference

A ribbon development has already grown up along the newly constructed tarred road into the Thembalihle informal settlement near Lenasia, south of Johannesburg.

A spaza shop has opened on the corner where a taxi rank has been built, a hawker sells fruit and vegetables at the crossroads, and a car-seat upholsterer has turned his shack into a busy business.

The road was tarred about 18 months ago, fulfiling a promise by the Johannesburg's Southern council to deliver services and infrastructure to the sprawling informal settlements south of the city. At the taxi rank concrete seats under shade are provided for waiting commuters.

For the taxi industry there is brisk business transporting commuters home after a day's work in the city.

A bus service is also provided to the city and to Lenasia, where many residents in the community work.

"It has made a big difference, especially when it rains," said Samual Mkhonza of the Masibamba Civic Association.

Mkhonza has lived in the settlement for about seven years. Before the road was built he would take off his shoes and walk barefoot to the taxi rank rather than risk ruining them.

Mkhonza added there remains a desperate need for other services in the area. Women must still walk each day to a communal water tap, and no sewage or electricity is available.

In the last year the council, which administers Soweto, Lenasia, Eldorado Park and Johannesburg's southern suburbs, has built 20km of new roads, 30kms of roads have been resurfaced and another 20km upgraded. In Thembalihle 5km of new road has been constructed, said council spokesman Jameel Chand.

Strategic executive for roads Liam Clarke says at the present rate of road delivery, it will take 30 years to deal with the backlog. About R1-billion is needed to upgrade 2 700km of roads in the area.

Informal settlements at Poortje and Hospital Hill have also had new roads constructed, assisting the council with the provision of refuse and portable toilet facilities, Clarke added.

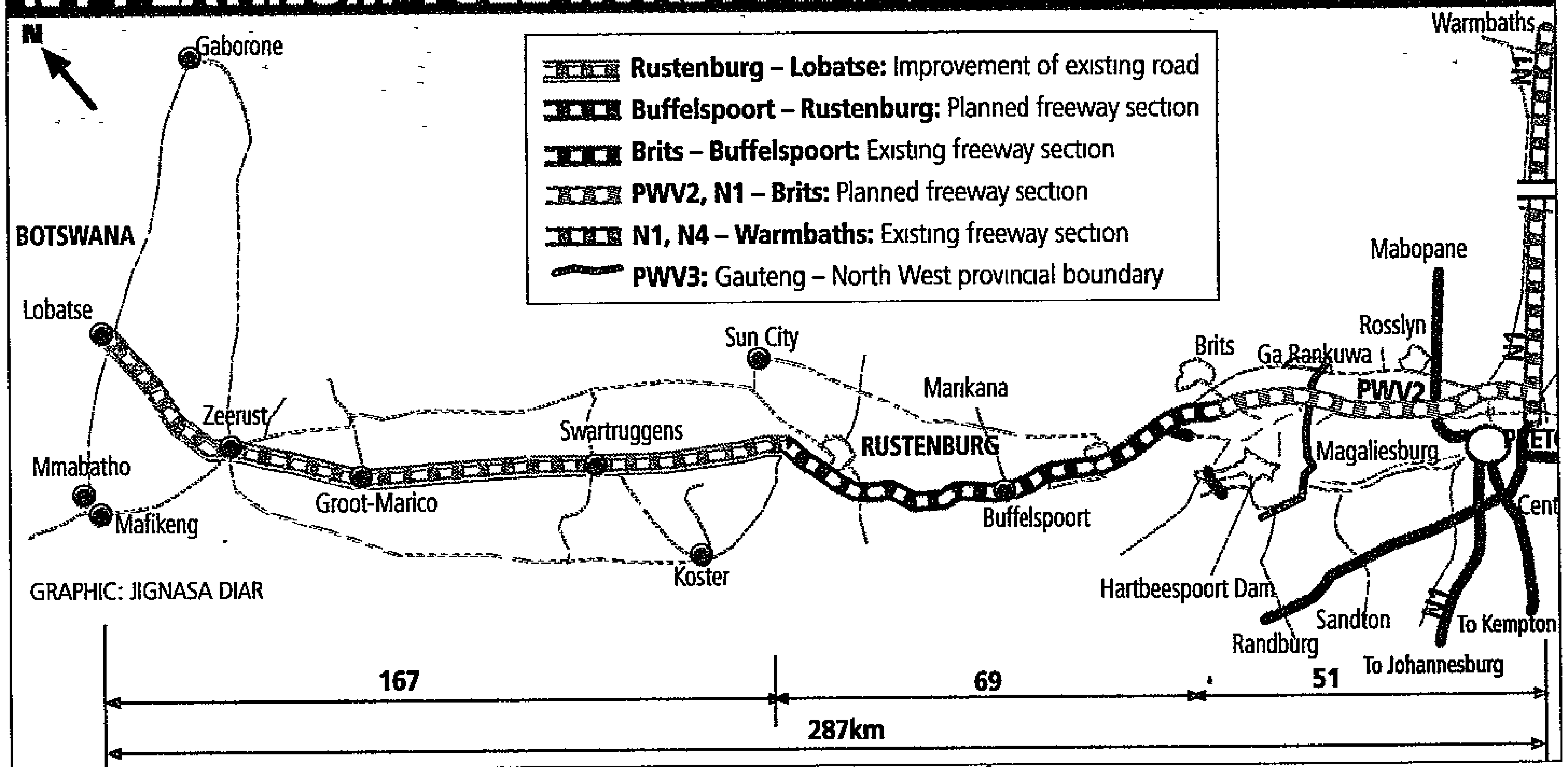
But the roads have also had a negative impact: the natural speed controls which a gravel road provides in holding traffic back are no longer there on the new roads, and the speedsters have come into the small settlement.

Coast-to-coast link for subcontinent

Soon you may be able to drive from Maputo to Walvis Bay and save hundreds of kilometres

By Anna Cox

N4 PLATINUM TOLL ROAD: PLANNED SECTIONS



GRAPHIC: JIGNASA DIAR

The R3-billion Platinum highway to be built next year will cut the driving distance between Gauteng and Walvis Bay by up to 500km.

It will also create a direct link between the Indian and Atlantic oceans, stimulating trading opportunities, according to Department of Transport toll road director Neil Tolmie.

The highway would also create jobs and training for about 2 500 people, he said.

Transport Minister Mac Maharaj handed over the tender documents to three companies for construction of the toll road on Tuesday.

The highway, named for the platinum deposits in the Brits/Rustenburg area, is the fourth major toll highway launched by Maharaj in the past year, and will cover 1 300km.

The Platinum toll highway includes a portion of the N1 between Pretoria and Warmbaths, and a portion of the N4 between Pretoria and the South African-Botswana border. This covers about 380km.

To the east, the highway will link up with the Maputo Corridor, and to the west with the Trans Kalahari Route through Botswana, creating an international highway linking Maputo harbour and Walvis Bay.

The highway would play a vital role in creating an efficient east-west transportation corridor, reducing the distance between Gauteng and Walvis Bay, Tolmie said.

Star 30/10/97 (269)

It is expected to stimulate agriculture, manufacturing, mining and tourist opportunities in the area and to be a catalyst in creating new growth potential outside urban centres.

The road is being built by the private sector in accordance with specifications set by the SA Roads Board.

Gauteng Transport MEC Paul Mashatile said the road meant not only construction spinoffs, but the opening of areas for development: "For Gauteng the Platinum road means the facilitation of development in northern Pretoria, which is at present depressed."

North West Transport MEC Star Vilakazi said the road would create jobs, boost economic activity and ease the delivery of services.

Tenders for the Platinum toll highway are expected to be approved in May, with work starting immediately.

Construction is expected to take between three and five years.

Coallink a precursor to Spoornet going public

CT (BR) 3/10/97 (269)

JONATHAN ROSENTHAL

The still air of northern KwaZulu Natal's Umfolozi river valley is shattered 24 times a day by the sound of trains trundling to and from the world's largest coal terminal at Richards Bay Look down from the high bridges and your perception is foreshortened, turning the villages, veggie patches and goat herds below into toy-town caricatures of hidden poverty

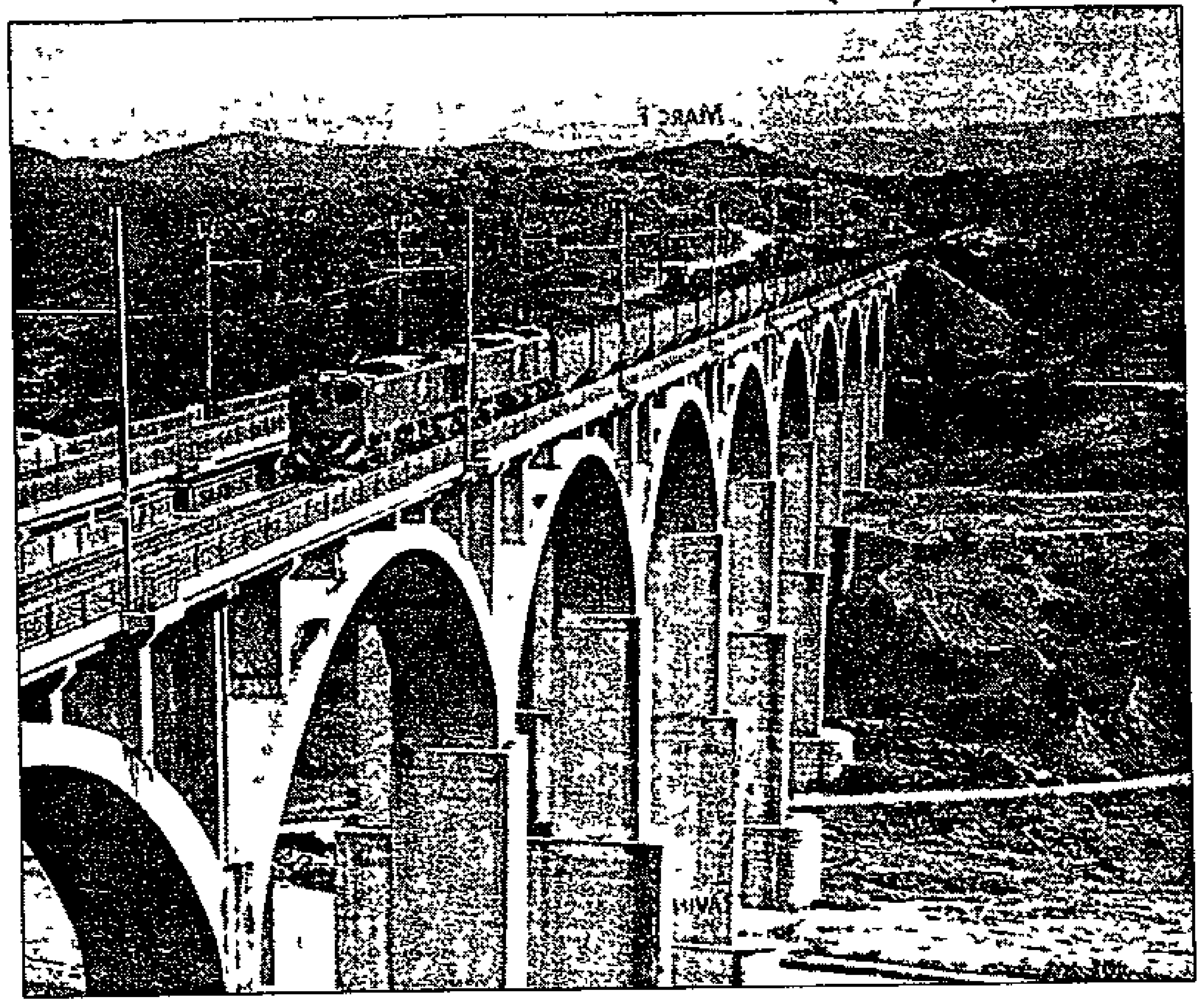
Look back again at the soaring arches which carry some of the world's heaviest coal trains and one cannot help but be left with a feeling that apartheid's planners simply hoped to bypass most of the country in its unrelenting drive of progress for a few

And yet the change in priorities in the past few years has been so complete that the land reclamation for the next expansion phase of the Richards Bay coal terminal will have to wait until a fish eagle has hatched her eggs and left her nest.

But perhaps the greatest change to Spoornet's coal line, which carries South Africa's second largest foreign exchange earner, is a change of attitude and culture to place the bottom line first and make the railway look like an attractive prospect for private investors.

In 1994 Spoornet brought in consultants to benchmark the Richards Bay coal line, which was upgraded in the 1980s to carry 200-truck trains, against similar heavy haul operations around the world. The consultant classed it a world leader in efficiency by a margin of 8 percent.

In the past three years that margin has begun to fall as Spoornet battles with an ageing infrastructure while its foreign competitors began installing the latest in electronic gizmos.



Spoornet's response earlier this year was to ringfence the coal line into Coallink, a dedicated coal export operation with control over its own assets and budgets.

The official rationale at the moment is that this allows it to focus better on serving the coal industry and on identifying its capital needs to keep the line going Ian Bird, Coallink's executive manager, deferred any questions on privatisation to his superiors And while splitting the line off into a semi-autonomous business unit should do wonders for efficiency in its use of capital, it is also clear that the formation of Coallink cannot be anything but a precursor to privatisation.

And when this occurs it is likely to be a very different model from those currently envisaged. The privatisation of most railways has followed a path of splitting railway operations away from ownership of the infrastructure. Spoornet executives have previously hinted that privatisation would likely see the railway lines themselves remain in state hands as a common carrier, almost like the national road network, and several competing railway operators would run their own trains on these lines.

What makes the coal line different is the heavy loads of 26 tons an axle exerted by coal wagons, which make the rail-wheel interface a crucial aspect of the line's competitiveness. Spoornet has already doubled the theoretical lifespan of the railway by meticulously grinding, planing and polishing the rails into a profile which reduces stress and metal fatigue.

The flip side of this is that it only allows railway wagons onto the line if they have passed a "roadworthy" to ensure that their wheels are as meticulously groomed so as not to damage the rails. Most of Coallink's capital spending over the next few years is likely to be spent on new rolling stock to increase capacity, but in the new century it is also going to have to significantly ramp up its spending on progressively renewing and replacing parts of the line.

Spoornet has already given Coallink exclusive control over a significant chunk of the rail network stretching from Wonderfontein and Machadodorp in the north down to Richards Bay. Splitting this off from the rest of the network has been made easier by the fact that it is already relatively self-contained and the general freight it carries to and from Richards Bay is hauled by its own locomotives.

Combine these factors with a 10-year contract to haul coal to the terminal at tariffs that will decline in real terms and it seems that splitting infrastructure from operations is a remote possibility.

For gamblers, the best odds offered are that Coallink will be sold to the Richards Bay Coal Terminal, a joint venture non-profit export facility owned by seven coal groups including Ingwe, Amcoal and Tavistock The terminal already schedules Coallink's trains and matches these to stockpiles at the port. But some kind of staff or management buyout, perhaps with outside partners, should also not be ruled out.

Within the heart of Spoornet new forms are beginning to take shape, casting off the mould of the old bureaucratic arrogance of state-controlled industry But when the fish eagle has flown from her nest, and Coallink's wagons are painted with new corporate livery, will the rural poor living below the railway line even notice the difference?

New twist in Transnet theft saga

(269) CT (BR) 3/10/97 (~~270~~)

NCABA HLOPHE

Johannesburg — The marathon investigation into the theft of Transnet containers in Durban took a dramatic twist this week when the security firm contracted to carry out the investigation claimed Transnet owed it over R2,2 million for breach of contract.

Michael Swartz, the executive director of the security company, said a "senior" staff member of Transnet had authorised and paid his company to launch an investigation into the theft of Transnet containers. The investigation included bugging the offices and telephone conversations of suspects, he said.

He said Transnet had authorised an initial contract for over R200 000 for the investigation for one suspect, but the contract had to be extended for a cost of over R800 000 to investigate eight more suspects.

"On September 16, Transnet paid us R200 000, and as of now we are owed over R700 000," Swartz said.

He said payment for the bill of entry documents for the second leg of the investigation was delayed by the absence of the relevant officials, who were said to be overseas.

The security company had to borrow R1,5 million to fund the purchase of the relevant documents but it has still not received reimbursement, said Swartz.

Tami Didiza, the public relations officer for Transnet, said the firm was free to sue Transnet in court for the amount it claimed. "As far as we know they can go to court and sue us, but we do not owe them anything.

"At no stage did Transnet instruct anybody to bug people's offices because that is illegal. But I cannot say much about the case because things are complicated and sensitive at this stage."

Swartz said early last month police had indicated that they would not proceed with an investigation into the container theft. This was partly because police rejected the tapped evidence as inadmissible, since it is illegal to bug people's offices.

"If you add the R1,5 million and R700 000, you get something well above R2 million. And the fact that they paid us R200 000 as recently as September 16 for running costs clearly indicates that they acknowledge us as a contracted client," Swartz said.

Political agendas 'have no place in SAA sale'

(269)

British Airways and Malaysia Airlines are vying for a stake in SAA, writes ROGER MAKINGS

ST (BT) 5/9/97

THE two main contenders for a stake in SAA appear to be megacarrier British Airways and Malaysia Airlines, with Virgin Atlantic still claiming interest.

However, foreign sources are adamant that top management in the airline will have to be depoliticised — a reference to the political appointments that have been made at parent company Transnet in recent years.

Said one source: "If the government is to retain control, as has been stated, foreign bidders will have to be reassured that management would run the airline on solid commercial principles without thought to political agendas."

To this end public enterprises minister Stella Sigcau has already proposed a master plan which she hopes will see each division of Transnet with its own board chaired by an executive from the private sector, as a forerunner to seeking full corporatisation and possible privatisation.

A cabinet committee is reviewing her plan and a decision can be expected later this month. Public enterprises spokesman Wandile Zote said on Friday no thought had yet been given to the appointments of private sector businessmen to head up Transnet boards.

Although no decision has been made on the percentage stake for sale, informed SAA sources believe this will be between 30% and 35%. Employees will get from 5% to 10%, with the balance going to the National Empowerment Fund to make up 49%.

The state is expected to retain its controlling interest for up to five years before selling off its remaining shareholding. SAA's partial privatisation is likely to loosely follow the Sun Air model which, hiccups aside, eventually saw its successful privatisation.

Says Virgin's southern African general manager David James: "We are still interested in SAA. The proposed stake for foreigners is not huge, but also not insignificant. It gives the foreign partner a foot in the door in Africa."

However, foreign observers are adamant that if the government is to retain control of SAA in the short term, controlling management must be competent. British Airways said some months ago, when disclosing its interest in SAA, that one of the SA carrier's greatest limitations was its lack of new aircraft to increase revenue-earning opportunities.

In 1995 SAA announced it had selected two Boeing 747-400s and four B777s, with an option on another three, to upgrade its fleet in the face of growing international competition.

The B777 part of the decision was put on hold by Transnet executives and a government department which led to SAA's losing its production slots for the badly needed aircraft as well as having pay up for contractual obligations.

This week a British aviation weekly claimed the decision was costing the airline about R200-million a year and that even if it was reversed, the B777s may not be available before the turn of the century — seriously affecting chief executive Mike Myburgh's Operation Clean-Up — which, since its implementation in June, has already saved the carrier R85-million.

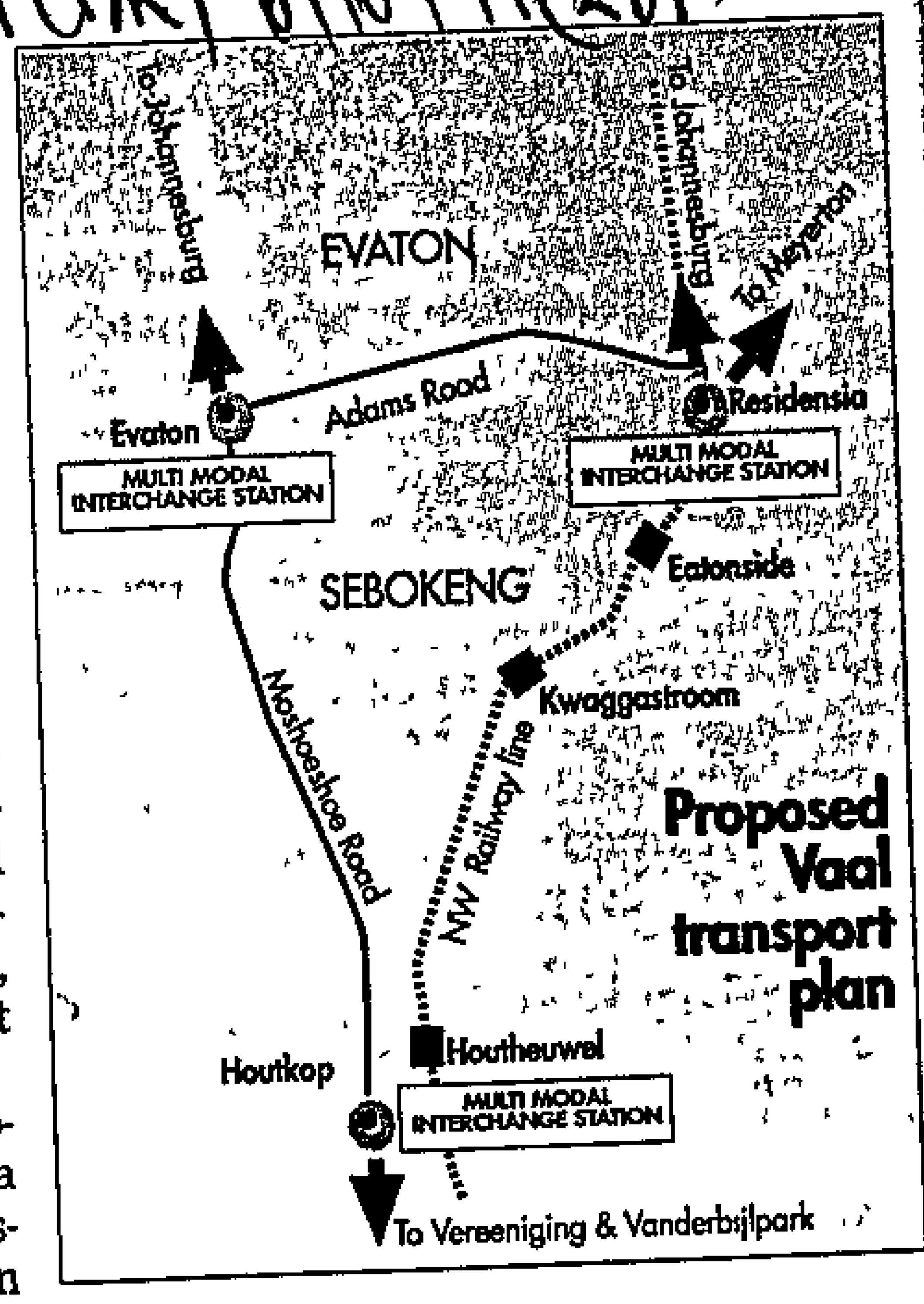
It is expected that by end-March next year, Operation Clean-Up will have saved R170-million, going some way in eradicating the R323-million loss reported by SAA in the year to end-March this year.

Some of the problems SAA will have to address before it finds a foreign equity partner, will be its lack of profitability, high operating costs, falling service standards, low productivity, greater route optimisation and crime prevention.

R930m plan for new Vaal transport system

ET(MR) 6/10/97(269)

Ncaba Hlophe



Johannesburg — South Africa could have its first world-class integrated transport system developed as a pilot project in the Vaal area in Gauteng within five years, said the consultants backing the proposal.

Miller Servas and Associates, the consultants, have submitted their proposal to the Gauteng committee on transport, estimating the cost at R930 million.

The proposed project would consist of a light rail transit system which would run along with dedicated lanes for heavy buses and three integrated multi-modal interchange stations at identified nodes.

The project would also include the first-ever joint venture between bus operators and taxi operators, which is expected to come to fruition by 2001.

Vladis Servas, a senior partner, said the joint venture would cost at least R300 000 a year, amounting to R1,5 million over five years.

The framework of the system would consist of an internal corridor, external services and interchange nodes and would roll out over a period of 10 years between 1997 and 2007.

There would be a "high traffic density corridor" passing through Evaton and Sebokeng running along Moshoeshoe road and Adams road.

The system would also include at least three interchange nodes in Residensia, near the Evaton terminus and in the Houtkop area.

"At each node new facilities and passenger information would be provided to ease inter-nodal transfers for both passengers and operators," he said.

"This option offers the most improved integrated public transport for this area. It would have a considerable development impact, but the drawback is the high initial cost. This should be balanced with the fact that it is the most durable solution over the long term," said Servas.

ECONOMIST SLATES TRANSPORT SCHEME

Pupil bus subsidy 'too low'

ET 10/10/97 (269)

THE NATIONAL EDUCATION and Transport departments should take more responsibility to provide safe transport for pupils, says a transport economist. **TROYE LUND** reports.

THE subsidy to bus operators providing the free transport for pupils to and from school does not begin to cover running costs, a transport economist has claimed.

The Western Cape Education Department (WCED) — the only provincial department that subsidises contractors to provide a school bus service so that 60 000 pupils can travel to and from school for free — pays R51 million a year to contractors.

The money subsidises 367 transport schemes across the province.

The WCED, already anticipating overspending by R440m on this year's budget, said it could not spare a cent more to increase subsidies.

Although the owner of Ahmed Transport, Mr Jean du Toit, which runs the school bus service in the Boland/Khayelitsha area for 4 000 pupils, is confident he will succeed in providing an efficient and safe service, transport economist Mr Eric Cornelius is not optimistic.

Ahmed Transport is paid between R2,30 and R4,60/km by the department for each of the 68 buses used to provide transport for the pupils.

Cornelius said operators should be getting a subsidy of at least R6/km just to cover running costs. Including maintenance costs would push the subsidy up to R9/km. He stressed that a R9/km subsidy did not allow for any profit.

"The R2,30 does not even cover running costs. What Du Toit is getting is definitely not enough to run a reliable, efficient and safe service with proper maintenance. Operators are just going to stop because this business is just not viable."

Cornelius said that because contractors were only granted contracts for one year, it was not viable for them to invest too much if they were not guaranteed at least eight years of service.

"New buses cost R500 000 and secondhand ones around R70 000 each. Operators save on costs by cutting on vehicles and maintenance and running older and older buses," he said, adding that nowhere in the western world was school transport not subsidised.

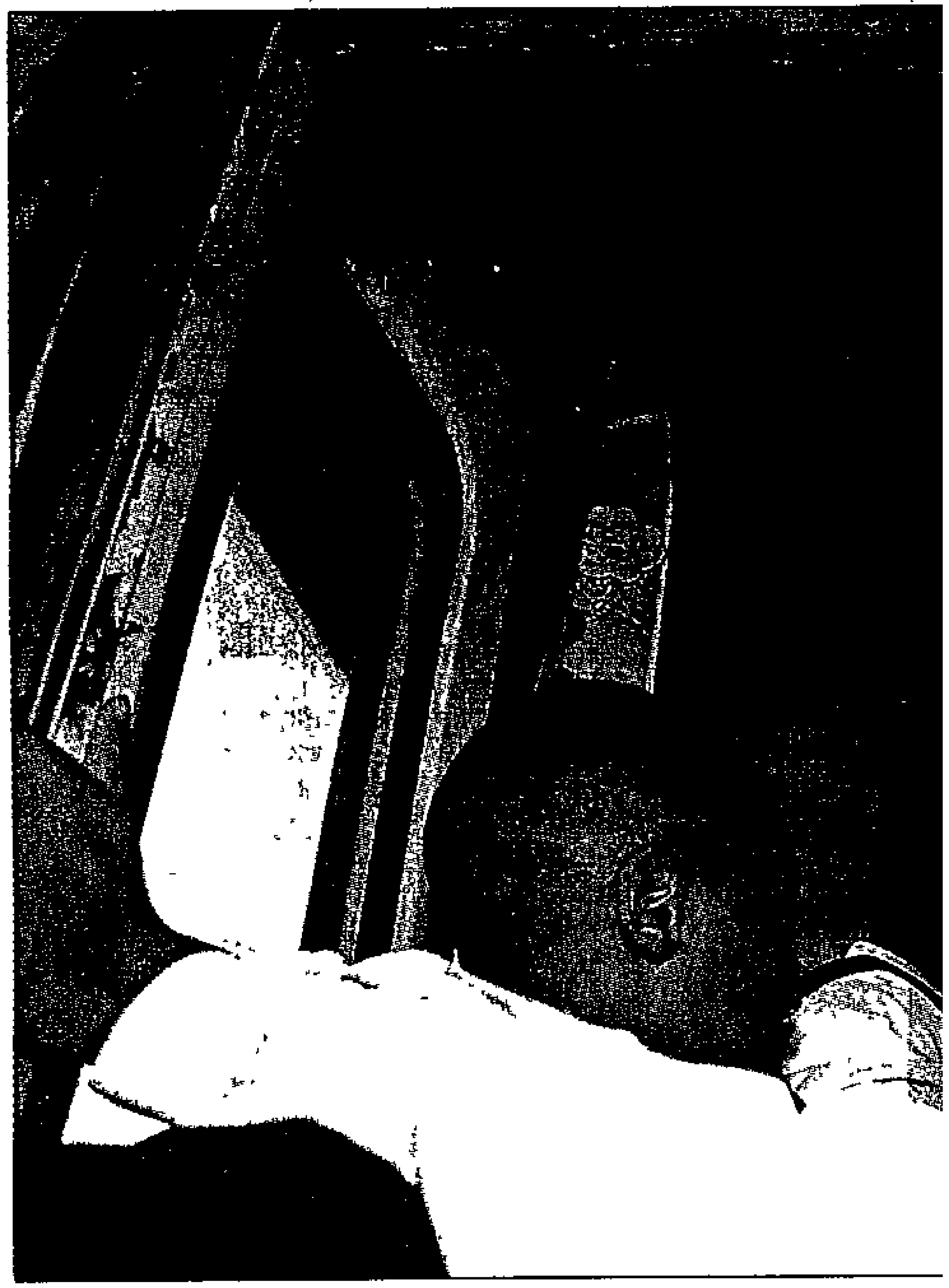
"And in Africa, where so few people have transport and where education is so important, there is no safe, subsidised transport. Scholar transport has been a major problem for years and it is getting worse," said Cornelius, who believes that neither the National Education nor Transport departments are taking adequate responsibility for the problem.

The office of Education Minister Dr Sibusiso Bengu said it was up to individual provinces to allocate money to transport pupils.

The office of Transport Minister Mr Mac Maharaj acknowledged that the problem was severe and dangerous for pupils who had no other means to get to school. But, it said, it had no money to subsidise school buses as it could not afford to reduce the services it provided in other areas of public transport.

The WCED said all tenders were made to the State Tender Board. Tenders were recommended and approved by the WCED if they complied with specifications.

It said that although some defects "were not always visible", all buses of prospective contractors were inspected before the tender was awarded. After contracts were awarded, all complaints were investigated and it was checked whether contractors were complying with the contract.



BUS(TED): Overcrowding on unroadworthy school buses are a way of li

Death-trap school buses are a 'grave danger' to 60 000

CT 10/10/97 (269)

TROYE LUND

SCHOOLCHILDREN's lives are in "grave danger", the South African Bus Association (SABA) has warned as overloaded and unroadworthy buses ply their daily route filled to the brim in Cape Town. Many of the buses are also unlicensed.

But the state of transport for these 60 000 kids in the Western Cape should come as no surprise. The only way operators can make their business viable is by cutting maintenance costs and running old vehicles, as the state subsidy is way too low.

The Western Cape Education Department subsidises 367 transport schemes across the province. The service is contracted to several operators.

The state that school buses are in was highlighted after a pupil fell through the floor of a bus belonging to Ahmed Transport recently, the contractor who runs the service in the Boland and Khayelitsha areas.

Harry Gwala High School pupil, Ms Lumka Ntontela said: "I know buses are no good because sometimes when robots turn red drivers have to swerve off the road because they cannot stop before the light.

"When it rains the water comes straight through the holes in the roof. We often arrive a few hours late. The buses are not good about time."

A mechanic employed by Ahmed Transport — also the Belhar area contractor — told The Cape Times many buses had faulty alternators, unreliable starters and suspect brakes.

"Some of the engines are literally hanging on by two bolts. Most have no roadworthy certificates and no licenses," said the employee who also claimed that the contractor did not run the full contracted quota of buses.

The employee contacted the Cape Times to publicise the problem and asked not to be named.

An Elsie's River traffic department spokesman said the buses had to be pulled over frequently and that "there was a lot of room for improvement". The main problems were overloading, unroadworthy and unlicensed buses.

Teachers from Harry Gwala School said they had marched on the education department about this issue before. They were sure it would take a fatal accident before "serious action" was taken.

The Cape Times was informed that children often had to walk home — sometimes up to 20 kilometres — because traffic authorities had pulled buses off the road.

Ahmed Transport's drivers who were collecting pupils outside the school said traffic officers did stop them frequently and that they did not feel safe driving the buses. But, their employer, Ahmed Transport had promised drivers that their buses would be upgraded.

Transport subsidy benefits 200 000

(269) Sowetan 14/10/97

By Dan Fuphe

Service operating for a year, but only runs in Springs, Nigel, Devon

THE Gauteng Scholar Transport Scheme (GSTS) initiated by education MEC Mrs Mary Metcalfe has become a roaring success, say the organisers.

According to GSTS committee member Mr Jabu Tshabalala, a survey was conducted in 1995 by a task team following a directive from Metcalfe. The survey revealed that at least 70 percent of pupils in the province were transported to school everyday.

Tshabalala said to put the plan into action, the Gauteng department of education had to make savings and cuts from funds which did not include pupils from previously disadvantaged communities.

"A dossier of budgetary allocations of R1,2 million was initially set aside for farm schools, followed by R4,165 million in the fiscal year 1996/97.

"This amount was divided into 40 percent for farm schools, 40 percent for special schools and 20 percent for needy and deserving cases in the urban mainstream," Tshabalala said.

The buses started operating in 1996. Areas that are presently serviced by the buses are Springs, Nigel and Devon.

"An initial 93 000 pupils were transported a day but this has since increased to almost 200 000 pupils a day. This has had a tremendous impact on the budget

"Approximately R10 million was set aside for the current financial year," Tshabalala said.

The department of education pays 10c per child per kilometre for rural and urban pupils, while contributing R17,58 a child every month for special schools pupils.

The province has 15 such schools.

SA institutions help finance rail link to the north

(269)

Belinda Beresford BD 17/10/97

SA FINANCIAL institutions are providing $65m for an international venture to build and run a "toll rail" link between Beitbridge and Bulawayo in Zimbabwe.

The line, which will shorten transport times between SA and its northern neighbours, is claimed to be the first public-private railway development partnership in southern Africa.

Nedcor Investment Bank (NIB), Sanlam, Old Mutual and First National Bank (FNB) have raised equity and debt funding worth $65m for the project, known as the Beitbridge Bulawayo Railway (BBR) project. The first three have a combined 25% equity stake in the venture, while FNB is one of the debt providers.

NIB MD Izak Botha said yesterday projected returns met the requirements of the private sector investors.

More than two years had been spent researching the technical and financial viability of the project, he said. Cargo of about 1-million tons a year was forecast, which included predictions of an increase in trade between SA and more northern countries.

Tolls paid by railway users would be set in US dollars, although actual receipts could be in other currencies.

Botha said the venture carried the full risk of the project with no recourse to other parties.

Another 60% of the project's equity is held by New Limpopo, a company whose shareholders include international investors and engineers.

The National Railways of Zimbabwe (NRZ) had received a 15% stake in the project thanks to its donation of the 90-year-old railway line. The existing line is about 160km while the new link will total 317km.

The Zimbabwean government has given BBR the concession to build and operate the line. After 30 years, the rail link will be transferred to NRZ and the Zimbabwean government.

Botha said construction of the line would take about two years. Development and building of the new component would start next year.

Govt hunts for new SAA boss

ST (BT) 19/10/97 (269)

Picture: JULIAN VAN DER WESTHUIZEN

RECRUITMENT

By ROGER MAKINGS

THE government has approached a New York-based recruitment firm to headhunt a senior executive for SA Airways, possibly to replace both MD Mike Myburgh and executive director Zukile Nomvete

Minister Stella Sigcau's Department of Public Enterprises, under whom SAA falls, has apparently accepted a recommendation by Transnet advisers, merchant bankers SBC Warburg, that the two be replaced

Sources say the New York recruitment agency of Spencer and Stuart has been approached to find the person whom, it is believed, will take the airline to full privatisation.

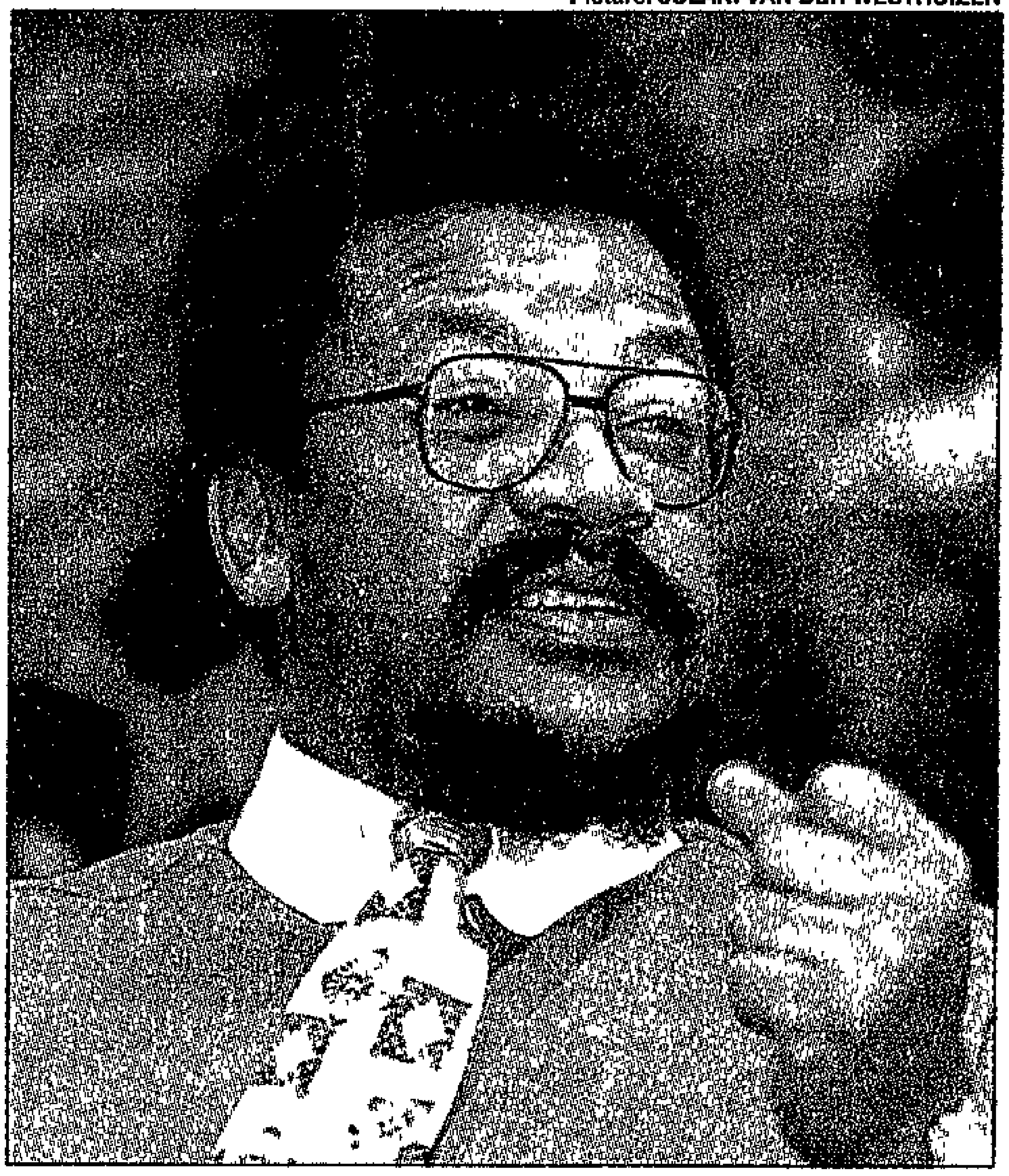
However, Sigcau's spokesman Wandile Zote denied the move. "This is far from the truth Neither Myburgh nor Nomvete's jobs are on the line," he said

Sigcau is considering a master plan for Transnet in terms of which each Transnet division, including SAA, will have its own board chaired by an executive from the private sector. This would be a forerunner to seeking full or partial privatisation

SBC apparently recommended Spencer and Stuart after it was hired this year by ailing US megacarrier Delta Air Lines to recruit chief executive Leo Mullin to bring a "fresh style" of management to the airline.

When Business Times contacted Spencer and Stuart this week, a secretary in Dennis Lyons's office inquired about the nature of our business "It has to do with the SAA chief executive job."

"Oh, how did you hear about the search?" asked the secretary. "From government sources," I replied. "Are you applying — well why don't your fax over your resume?" On hearing the call was from the press, BT was referred to the company's office in Johannesburg. The office did not return phone calls.



ON THE LINE... Zukile Nomvete may be replaced

Myburgh, who holds master's degrees in civil engineering and business leadership, has been chief executive officer of SAA since 1993 He was responsible for Project Success which saw a turnaround in the airline from a R23-million loss in 1994 to a profit of R217-million in 1995 in his second year as chief executive

He is highly regarded in international aviation circles, not least of which is British Airways, which has stated its interest in buying into SAA.

Zukile Nomvete, a former flight engineer for Ethiopian Airways, was appointed Transnet executive director, responsible for SAA, in April last year

SAA announced a loss of R323-million for the financial year ending in March, due mainly to rocketing fuel prices, the fall in the value of the rand as well as declining service standards, high operating costs, low productivity and an ageing fleet.

Negotiations to acquire new aircraft from Boeing have been delayed since late 1995, which is affecting SAA overheads and the ability to service new and existing routes.

CT(BR) 30/10/97

SAA claims it may be a victim of dirty tricks

(269)

AUDREY D'ANGELO

Johannesburg — South African Airways (SAA) could be the victim of dirty tricks by a competitor or a would-be strategic partner "who wants to buy us cheaply", Zukile Nomvete, the Transnet executive director responsible for the airline, said yesterday.

He and other senior SAA executives also blamed "a handful of disgruntled employees" for spreading rumours that the airline was endangering the safety of passengers by employing under-trained and over-worked cabin crew, or skimping on maintenance.

They called a press conference yesterday to rebut suggestions in a Sunday newspaper that safety was being sacrificed as part of a cost-cutting exercise.

Mike Myburgh, the chief executive of SAA, said: "We are a decidedly safe airline."

Insisting that there had been no question of sacrificing safety standards, Myburgh said cabin crew worked only 100 hours a month, a maximum of 15 hours overtime and had adequate rest on longhaul flights to the US.

R6bn upgrade for SA roads

ET (BE) 31/10/97 (269)

NCABA HLOPHE

Johannesburg — More than R6 billion would be spent upgrading South Africa's road network through the construction of state and private toll roads by 2000, Neil Tolmie, the director of toll roads in the department of transport, said yesterday.

Tolmie said more than R2 billion would be spent on the development and upgrading of various state toll roads, while more than R4 billion would be used to fund private-public partnerships under the build, operate and transfer (BOT) system.

Under the BOT partnership system, private operators construct and operate the toll road before handing it back to the state at the end of the contracted period.

"This mechanism will allow the private sector to design, construct, finance, operate and maintain the toll roads in accordance with the South African Roads Board," said Tolmie.

"In return the private sector would be granted a concession right for a period of 30 years during which the concessionaire will collect tolls to cover their financial obligations ensuring that the contractual commitments are met," he said.

Minister Mac Maharaj

State toll roads would include the rehabilitation of the N11 between Ladysmith and Middleburg at an estimated cost of R528 million.

The money was expected to be raised through state loans and private sector support. Feasibility studies were already under way and the project was likely to come on stream around the turn of the century.

Other planned state toll roads included the R240 million N4 road between Pretoria and Witbank, which was expected to take-off next year and the R216 million rehabilitation of the N1 road between Louis Trichardt and Beit Bridge.

Privately operated toll roads included the building of a new four-lane facility on the N3 at De Beers Pass between the Free State and KwaZulu Natal, at an estimated cost of R960 million. This project is at the tender stage and is due for implementation by 1999.

Equally significant would be the R432 million PWV2 N1 at Pretoria, which would involve the construction of a four-lane dual carriageway and would be implemented by 1999.

The R6 billion figure for road development excludes the R1 billion toll road that was planned as part of the Wild Coast spatial development initiative (SDI). This road has been ditched because it was deemed unviable.

Mac Maharaj, the transport minister, announced that the Wild Coast road would be shelved because studies had indicated it would be too costly and would require the construction of at least six complex bridges between Port Edward and Port St John's via Umtata.

Satra, Telkom meet over cellphone spat

BD 21/10/97 (257)

Robyn Chalmers

A MEETING between Telkom and the SA Telecommunications Regulatory Authority (Satra) will be held later this week in a bid to iron out the squabble over the recent tariff increase for calls to cellular telephones.

Post, telecommunications and broadcasting ministry spokesman Connie Molusi said the ministry would not interfere in the issue — even though Satra had threatened to revoke Telkom's licence.

"This is an issue between Telkom and the regulator ... and we will not be getting involved," he said.

However, analysts were sceptical yesterday that Telkom's licence would be revoked. The licence gives Telkom a five-year exclusivity period with a possible sixth year available should the parastatal meet a range of stringent delivery and customer service targets.

The enforced monopoly was an important factor in the sale earlier this year of a 30% stake in Telkom to US-based SBC Communications and Telekom Malaysia and is seen as vital to achieving the target of delivering 3-million new telephone lines.

Satra councillor Noluthando Gosa said she did not wish to pre-empt government's approach should it become necessary to revoke Telkom's licence.

"We are merely implementing the act and section 100 is very clear on this (the tariff increase) issue. We respect government's jurisdiction in certain areas as they do ours in others. Government drafted the (telecommunications) act and we must implement it," she said.

Satra has said Telkom did not follow the correct procedures before raising its tariffs for calls to cellular phones by up to 20% on October 15 and it refused to reverse the increase when instructed to do so.

As a result, Satra said it could impose a fine should Telkom go ahead with the increase and it could ultimately revoke Telkom's exclusive licence to provide telecommunications services and a network.

A Telkom spokesman said the organisation did not wish to debate the issue further in the media, and a meeting would be held in the course of this week in an attempt to settle the issue.

Transport strategy launched

BD 21/10/97 (269)

Robyn Chalmers

TRANSPORT Minister Mac Maharaj launches a national strategy for the implementation of transport policy today, aimed at taking SA's transport sector into the 21st Century.

A transport spokesman said the "Moving SA" project, scheduled to end next August, would focus on the structure and functioning of the transport system in the medium and longer term.

"The purpose of this project is to provide the relevant government authorities, at both national and provincial levels, with a national strategy.

"(This will be) designed to achieve substantial improvements in the efficiency and effectiveness of the surface based transport system within the policy framework."

Some goals of the project include identifying the key requirements of the transport system over the next 25 years as well as the challenges of building a transport system which met the key aims of the transport department as laid out in the white paper.

The project would identify the nature, extent and causes of the major problems affecting the efficiency of the transport system and categorise those problems which could be solved in the short, medium and long-term.

It would develop specific goals for the transport system of 2020 and incorporate the findings of the initial analysis into a comprehensive strategy for improving the transport system.

It was the department's policy to reduce its direct involvement in transport operations. The white paper said in the past government had been a "regulator of bureaucratic detail, a provider of infrastructure and a transport operator, but had weak policy formulation".

Government had reversed this legacy. It focused on policy and strategy formulation and substantive regulation, with reduced direct involvement in operations to allow a more competitive environment.

Although the project would only be officially launched today, it had been operational since June.

SA's land, sea and air transport needs to be identified by project

BD 22/10/97

Louise Cook (269)

TRANSPORT Minister Mac Maharaj's R18m strategic planning project, Moving SA, would show whether SA needed to build another harbour, project manager Harold Harvey said yesterday.

At the launch in Pretoria of government's 14-month project to determine SA's land, sea and air transport needs over the next 20 years, Harvey said the idea was not to jump to conclusions before the completion of the study, but to base strategic decisions made during the course of the project on sound data and analysis.

"The study is aimed at determining in which areas SA needs to be a global transport trend-setter as against areas where it is enough to provide minimum bottom-line requirements."

The Moving SA project would focus on the structure, infrastructure and functioning of the SA transport system and categorise problems which could be solved in the short, medium and long term.

Transport Minister Mac Maharaj said the R18m study was a "worthwhile investment in view of the likely benefits to an industry with user costs exceeding R40bn a year. We will have to make key choices about which customers we give priority to, at what level of cost and at which level of service. If we want to compete in the world, we have to develop strategies to improve our competitiveness in trade and investment."

The project team included transport department officials, CSIR personnel, and international consulting firms Monitor Company and Mercer Management Consulting. The team planned to consult 302 industry stakeholders and interview 80 organisations.

Harvey said the first phase of the project had been completed. The second phase was under way and included extensive market research on urban, rural and freight transport patterns and needs.

Users in Johannesburg, Pretoria, Cape Town and East London were targeted and in rural areas, the commercial agricultural sector's transport needs would be among issues investigated.

It was the department's policy to reduce its direct involvement in transport operations to allow a more competitive environment. The study would be completed in August next year, Harvey said.

Road users are told: 'Belt up, and listen'

Star 27/10/97

Transport minister sets out to change the SA mindset: building in a new culture of caring will help save lives

(269)

By Jovial Rantao
Political Correspondent

Mac Maharaj spent most of his adult life toiling to change the attitudes of the apartheid government Getting nowhere, he at one stage, along with fellow ANC comrades, resorted to the armed struggle to achieve liberation

It took some time – but the attitudes finally changed Three years into the new democracy, Maharaj is the first black transport minister and has embarked on yet another campaign to change all the people's attitudes

But he won't be resorting to the armed struggle to drastically change the attitudes and behaviour of motorists and other road-users.

Maharaj believes the chilling statistics on road fatalities and accidents can be reduced by developing a caring nation "The grim realities of the type of society we have today are very stark – 10 000 deaths a year, 50 000 injuries with a cost to the economy of R12-billion

"That's higher than all deaths from car hijacking and other violent crimes. It shows our society takes life too cheaply and tells us that, in rigorously tackling the carnage on our roads, we will be making a contribution to a larger problem of changing the attitudes of our people from every walk of life.

"We will be building and reconstructing our society on the basis that one of the litmus tests is how we build a caring society A caring society is measured by whether you care for the next person's life and not so much on whether you care for your own life So I believe that, in attacking the road casualty problem, we're also tackling the problem of changing the attitudes of our people."

Maharaj identified alcohol abuse, speeding and the use of safety belts as the short-term focus of the Arrive Alive Campaign, a R53 million offensive launched by the Government to reduce road accidents and introduce a responsible way of living for road-users

He believes, more than anything, that education and enforcement will go a long way in helping the Government and the people to achieve their long-term goal.

"The solution in changing the culture of drinking and driving, speeding and use of safety belts is education, so that people become aware I believe that education must find

Mac Maharaj ... a man with a mission.

a way to tap a response from an the audience

"If we're doing a whole lot of propaganda work, and it is just bouncing off our backs like water off a duck's back, it is not the people that are wrong: it means our means of communication is wrong.

"The second solution is enforcement There's a feeling you can break the law and get away with it ... an act you can be proud of. That goes not only with the person breaking the law but also the family and the social circles

"It's seen as something to boast about People must know if you commit traffic offences you're a criminal. Your behaviour is irresponsible and antisocial. If you're not prepared to change voluntarily you will be caught and you can expect to be severely dealt with

"The law enforcement will have teeth It will be rigorously enforced and backed up by a concerted effort to begin changing road users' perceptions. We're engaged in a process of changing our own behaviour Our aim is simply not to punish people"

A message must be sent out that speedsters must use tracks in racing facilities and not public roads.

"It's a macho thing to be speeding The reality is speed not only kills but affects judgment, and also seriously affects the nature of injuries ... a culture and an attitude problem again Here's a driver speeding and aware he is not only endangering his life but anything else he hits has no chance of surviving

"Merely trapping people is one dimension If people think after they have been trapped their cases will disappear in the system or they will culminate in a ridiculously small penalty, then again we're not tackling the problem.

"So bringing about uniformity in penalties, ensuring the penalties are high enough, relative to the offence, is a critical component we have to attend to in this campaign"

He said it was only by bringing the three elements into alignment that voluntary compliance with the law would be established, reducing the amount of enforcement required

"Part of nation-building is respect for the diversity of our culture and religions, but the bedrock of that is the caring attitude

"The second bedrock is that the future will be built by the people themselves there's nobody who's going to do it for you from above.

"The campaign's aim is not to catch an offender The end result is people will voluntary be conscious about other people's lives and voluntarily comply with the law We want people to arrive alive rather than be caught breaking the law. And that is deeply enmeshed within the principles of nation building, Masakhane, etc".

Arrive Alive, Maharaj said, was a long-term campaign to reduce the deaths and to change the attitudes of people It was also a campaign to restore faith in law as being just, and faith in the law enforcement agencies as the protectors of people and property

The R12-billion that accidents cost the economy could be used somewhere. "If I had R12-billion today as a minister, I can assure you we would find a long- term solution to infrastructure and transport

"We will have a public transport service that will be affordable and we would have begun the reconstruction of our cities and towns which would centre on ensuring that people work, live and spend their leisure time within a manageable geographic distance so that the quality of family life does not suffer.

"There's no quality family life when a person from KwaNdebele has to leave home at 3 or 4am and return at 10pm Those children are left without any sense there is parental guidance and that they are loved members of the family"

Maharaj said the human cost was far beyond the individual injured or killed

"Some of us wake up when it happens to our family members. The caring society we seek to create is that we must wake up now, even when it has not happened to our families ... because the price is too high"

Mission impossible? Maharaj does not think so

■ *Jovial Rantao's second article on road safety will appear tomorrow*

SAA claims 'dirty tricks' campaign by unhappy staff

'It's still safe to fly with us'

ARG 1/11/97 (269)

IAN SHIFFMAN

South African Airways has denied allegations that its safety and service standards have declined.

SAA has instead attributed media reports to a "dirty tricks" campaign by a few disgruntled staff members.

Zukile Nomvete, Transnet Executive Director responsible for SAA, said the airline viewed in a serious light the recent allegations on the airline's safety standards made by various cabin and crew members and trade union representatives.

Most of the published allegations were completely untrue and untested, he contended.

A small group of people who could not accept the affirmative action policy implemented by the airline were trying to discredit its safety standards, crew training and service levels.

The "dirty tricks" campaign was an attempt to create an impression in the public's eye that it was not safe to fly with SAA. The airline had received many phone calls from travellers about the allegations, but there had been only a few cancellations.

Mr Nomvete said maintenance of SAA's aircraft and the safety of its passengers was of prime importance and its maintenance and service facilities were rated among the best in the world.

World class airlines, including Singapore Airlines and Lufthansa, had contracted SAA to undertake their maintenance and servicing in Johannesburg. British Airways-Comair had recently signed a R300-million contract to have their aircraft serviced by SAA for the next five years.

SAA's maintenance and service facilities were rated among the best in the world

SAA had also received a worldwide stamp of approval by obtaining certification from various aviation authorities for its exceptionally strict standards of workmanship.

The average age of SAA's fleet was 15 years.

Mr Nomvete said the decision to go ahead with the purchase of Boeing 777 aircraft would depend on the outcome of the fleet rationalisation policy now being looked at.

SAA felt it had too many different types of aircraft in its fleet and could save substantially if it reduced its fleet configuration.

Mike Myburgh, Chief Executive of SAA, said that since the carrier had embarked on "Operation Clean Up" four months back, it had saved more than R105-million and was likely to end the current financial year with a profit.

Better utilisation of staff and aircraft, restructuring of the African operation and inflight services contributed towards this saving which represented more than R210-million on an yearly basis.

Load factors were above 70% and yields were improving which showed the airline was heading out of the red.

But he said the airline would in no way allow its safety standards, training and service levels to be affected by the cost-cutting programme.

This also did not affect employees and there had been no staff retrenchments.

Satra defends ruling on Internet provision

BD 6/11/97 (267)

Jacob Dlamini

CAPE TOWN — The SA Telecommunications Regulating Authority (Satra) yesterday defended its decision to deny Telkom exclusive rights over Internet provision, saying it would contest Telkom's legal challenge to its ruling.

Appearing before Parliament's communications committee yesterday, Satra also disclosed that the Reserve Bank had agreed to stop remitting funds from callback operators.

Satra chairman Nape Maepa said the authority's decisions had been fair and had been made in the public interest.

Maepa said the Internet was a valuable source of information and a basic service which had to be made available to everyone.

Satra would not have been able to realise its objective of bringing blacks and women into the information technology (IT) industry if it had accepted Telkom's request that the Internet be declared a basic service to be provided only by the parastatal for a limited period.

This would have prevented new entrants from moving into the IT industry. Therefore, Satra would oppose Telkom's court challenge to have the decision overturned, Maepa said.

Maepa also defended Satra's August decision to declare callback operators' activities illegal.

Maepa rejected claims that Satra had failed to give the operators adequate time to close down their operations.

The telecommunications act had been written over a lengthy period, during which time green and white papers were drafted and discussions held with various stakeholders before the legislation was enacted, he said.

Callback operations were illegal and provided a service which, in terms of the law, only Telkom could provide.

Maepa said Satra had merely performed its function and informed the operators that their activities were illegal.

"We cannot hold public hearings to debate whether people should be arrested for breaking the law. We merely enforce the regulations," he said.

Callback operations would continue to be illegal unless a court decided otherwise, Maepa said.

Maepa said Telkom would have to balance its tariffs to ensure its operating costs matched its pricing structure.

It was possible that the cost of local calls would go up while that of international calls could come down, he said.

However, this could not be done immediately as Telkom had a major responsibility to provide telephone services to disadvantaged areas, Maepa said.

PUBLIC TRANSPORT

Concrete controversy coming

fm 7/11/97 (269)

A new Gauteng tollway proposal reawakens calls for a mass transit system and stimulates the ground swell against more roads

Midrand and Johannesburg oppose it, but Gauteng's department of transport and public works (Gautrans) is about to ask the provincial cabinet to approve the PWV9 highway, which will cut a concrete swathe from Randburg to Mabopane, north of Pretoria

Pretoria considers the highway "essential" for development of Mabopane and its western areas, but the other two authorities claim wide support.

Johannesburg's Eastern Metropolitan Local Council opposes the road because a Local Development Objective process among residents this year drew a clear call for "no more highways." PWV9 will cut through Bryanston and farming and rural residential land in Blue Hills, Kyalami, Barbeque and Crowthorne in western Midrand

Midrand Local Council objects mainly because it has embraced the Compact City principles of the Development Facilitation Act (DFA) These encourage denser urban areas that make public transport possible, integrate richer and poorer areas and protect rural and open spaces For Midrand this means development east of the N1.

PWV9 creates a third highway between Pretoria and Johannesburg, west of the N1 Johannesburg and Midrand argue that instead, the money should be spent on a mass transit system along the N1

"PWV9 neatly bypasses most disadvantaged areas and perpetuates the need for a motor car to exploit job and other economic opportunities," says Herman Pienaar, Midrand's chief town planner He also believes the highway will encourage capital- rather than labour-intensive industry, against the main aim of the development.

"Not so," retorts Gautrans chief director of planning and chairman of the PWV9 task team, Hartmut Hoffmann "About 65% of public transport goes by road today and the new highway will open work and business opportunities via taxis and buses.

"Besides, the N1 is already over capacity — it is made for 85 000 cars a day but carries over 100 000 — and a third highway is undoubtedly needed. Private enterprise will pay for the toll road They are unlikely to pay for a mass transit system"

Midrand has been working on a public transport system that will link with the current railway lines and integrate Gauteng's teeming townships with business and industry in the wealthier areas It also preserves the present open space system.

"If we start on a mass transit system now there will be short-term burdens, such as more congestion on existing roads," says Pienaar. "But we will break the cycle of road development encouraging increasing use of cars and more demand for roads"

What also concerns Pienaar is that the integration of departments and disciplines required by the DFA does not seem to be happening. "Provincial Planning says one thing Gautrans does another."

Urban designer Erky Woods puts it more strongly. "Gauteng is looking down the double barrel of a shotgun," says Woods, one of whose responsibilities was Midrand's Town Centre development, "and Midrand is at the centre of it.

"Barrel number one is that 80% of the population is place-bound and excluded from the urban systems of transport, jobs and amenities Barrel number two is an economy producing more wealth for the established but not enough jobs

"The population will double by 2010. As long as the rich make the urban systems inaccessible to the poor, they are feeding a parallel urban system of seething discontent." Sharpeville in 1961 may have been about passes and Soweto in 1976 about Afrikaans, but were really peak moments of this growing discontent, he claims

Wood cites the Watts, Los Angeles, riots of the Sixties, which one rioter said happened because "the trouble with this city is the bus stops where you ain't and ends up where you don't want to be"

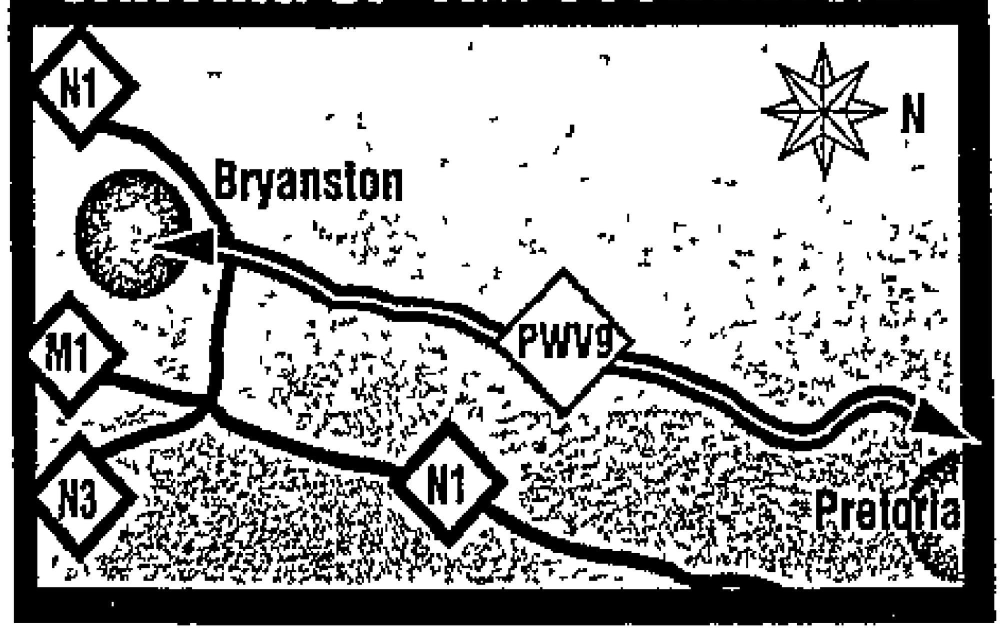
Johannesburg is already worse than that, he adds. "I met a man in Soweto who had to save for two weeks for taxi fare to look for a job

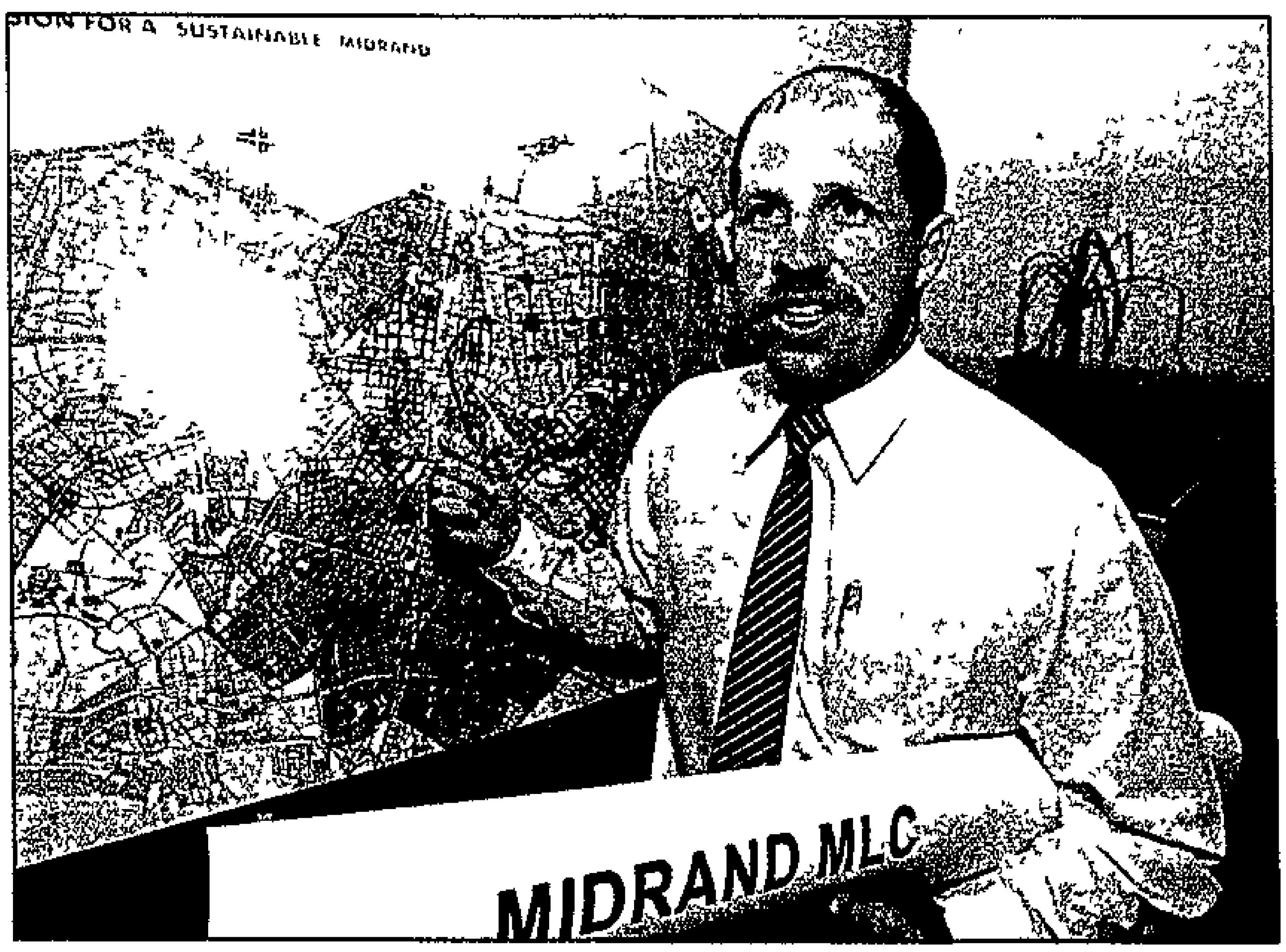
"A Machiavellian pattern has emerged from combining western spatial planning and apartheid — and it still exists For instance, a train leaves Braamfontein marshalling yards at 3 am empty for Soweto It leaves Soweto bulging with passengers to Springs

"Then it returns empty to Braamfontein It returns empty to Springs in the afternoon and travels, again bulging with people, to Soweto Then it returns empty to Braamfontein"

Ian Fife

CARVING UP THE COUNTRYSIDE





Robbie Tshabalala

Midrand town planner Herman Pienaar. . . *perpetuating the need for a motor car*

Precious looks forward to the day when her life won't be on the line

CAROL CAMPBELL

Khayelitsha mother Precious Nfecane's journey to work is a daily flirtation with death

She is one of thousands of commuters who run across the railway tracks in Philippi to catch a connecting train

Philippi is one of the stations earmarked for improvements in a multi-billion rand plan by Intersite – the property arm of the South African Rail Commuter Corporation

Mrs Nfecane has only a few minutes to get to the opposite platform and push her way into a packed carriage on the train to Mitchell's Plain, where she works.

"It's a rush because a lot of people change at Philippi and unless you move very fast you can't get through the crowd and over the bridge,' she said

"I can't do it so I go over the tracks Sometimes I just make it in time"

Commuters' railway line dashes in front of oncoming trains have Cape Metrorail staff at their wits' end

Every second day a person is killed somewhere in the Cape Peninsula by speeding trains Most of these deaths occur on the Khayelitsha track, which winds its way through vast informal settlements

As Khayelitsha grows, so does the pressure on the rail infrastructure – trains, bridges and platforms

The trains, say residents, are too full and security is haphazard

People are reluctant to pay because they see so many others travelling free

Kevin Roman, a manager at Intersite, the company responsible for upgrading railway properties, said the long-term plan was to create a "development tunnel" from Khayelitsha all the way into Cape Town.

Private developers would be encouraged to build property along the line which would limit public access to the track

"This way people will be forced to cross at safe points where there are bridges or level crossings " he said

Louis Beukes Cape Metrorail manager of infrastructure, said the upgrade of Khayelitsha station would probably start in the new year

"For this development to be successful we need the support and co-operation of the community "

The plan is to develop Khayelitsha station along similar lines to Nyanga Junction, where business people have opened shops and food stalls

"At Nyanga the involvement of the private sector has worked well. They save us a fortune by securing the property at night and during the day they help to keep the station clean " said Mr Beukes

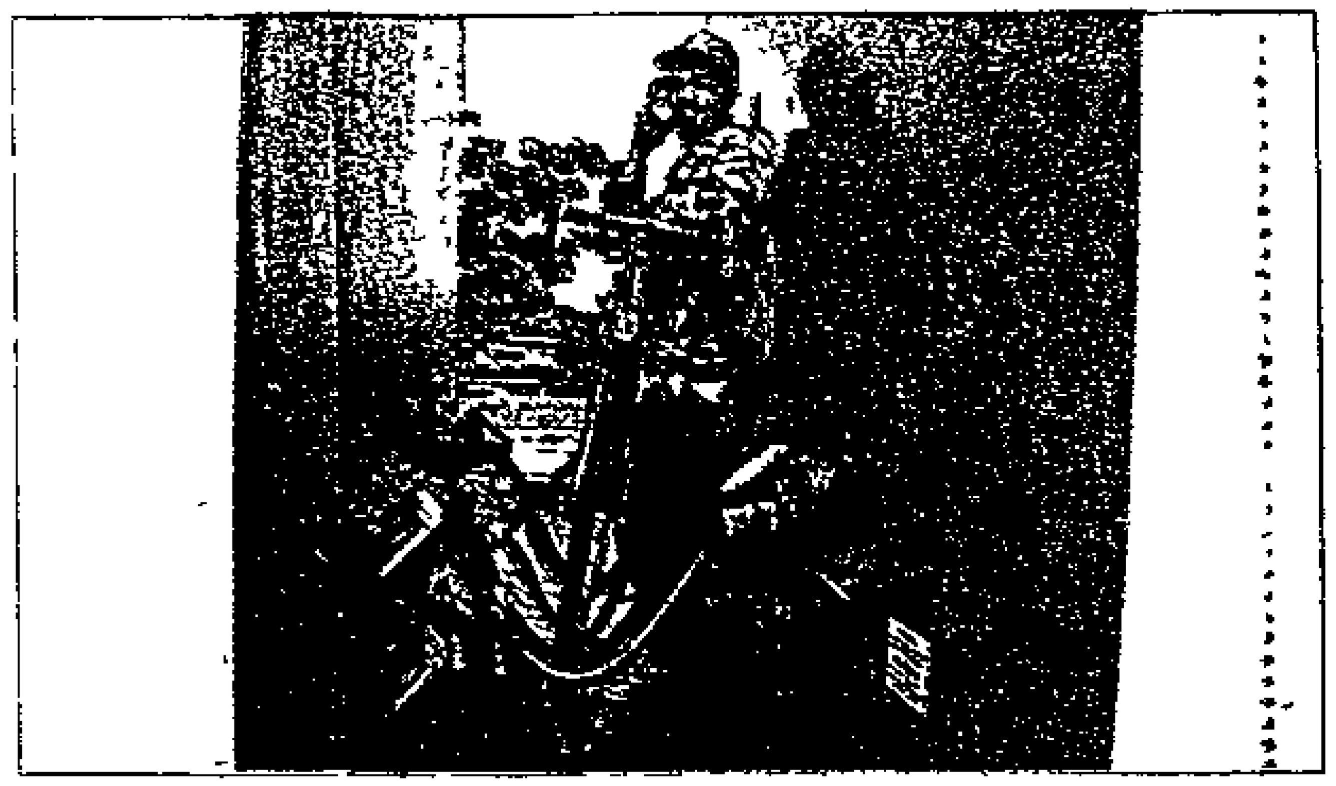
"The shops create a commuter-friendly atmosphere – it really has been a win-win relationship '

Like most projects funded by the Government money is tight - especially after the failure of Cape Town's Olympic bid

"If we had won the Olympics much of the upgrade would have happened a lot faster It will still happen but it will take time," said Mr Beukes

For Mrs Nfecane, the development will mean a far safer and pleasant journey to work and back

"All I ask is a place to sit on the train, a bigger bridge to cross the track, cheap tickets and no tsotsis (criminals). ' she said



Sandwiched: this is much easier than riding a bike

Hit and run: these commuters risk their lives every day by running over the tracks

R2-bn facelift for city railways

Games bid accelerates massive improvements

(269) ARG 7/11/97

SPECIAL REPORT

PICTURES: OBED ZILWA
WORDS: SHARKEY ISAACS

A R2-billion development and upgrading programme for Intersite – the property arm of the South African Rail Commuter Corporation – is three years ahead of schedule thanks to the city's bid to host the Olympic Games, according to Western Cape senior regional manager Kevin Roman.

"Let's forget about the unsuccessful Olympic Games bid," he said "Let's visualise the development of projects and the general impact on tourism, and concentrate on going ahead with the overall programme "

He said in a general "overview of the suburban station scenario" that stations earmarked for a major upgrade included the main concourse at Mitchell's Plain Town Centre station and at Kapteinsklip station.

Development projects were envisaged from Langa to Mitchell's Plain in one direction and from Philippi to Khayelitsha in the other

A R35-million access and retail shop development at Mitchell's Plain station would mark the beginning of a five-year programme early next year

Developments at the existing Mitchell's Plain station included escalators and lifts to link the station to the Town Centre shopping complex Better access to the proposed taxi rank terminus was also envisaged.

A new retail development was planned for Kapteinsklip, the end of the Mitchell's Plain line Cape Town station was set for major redevelopments and investment of R250-million.

Claremont and Wynberg stations in the southern suburbs were due for multi-million rand upgrades

Simon's Town and Fish Hoek were earmarked for extensive developments, and upgrades worth R5-million each were planned for Woodstock, Salt River, Ysterplaat and Esplanade stations

Of the 18 projects in the pipeline, seven were in progress, while 19 new projects had been approved.

The programme would transform former drab "stand-alone brown station buildings" to modern terminals merging with commercial and shopping complexes.

Mr Roman said. "For instance, the redevelopment of Cape Town station is envisaged not only as a tourist attraction but for the 300 000 commuters who use the station daily.

"Safe havens will be created around stations and incorporated into stations Intersite intends bringing to reality plans from the drawing board and architectural models "

Light industrial parks were planned at Bellville, Fish Hoek, Retreat, Tygerberg, Stellenbosch and Mitchell's Plain

Free ride: why pay when you can hang on to the back of a train?

Crush the doors stay open during the ride

THIS IS WHERE THE MONEY WILL BE SPENT

Signed agreements on multi-million rand station developments: Cape Town, Mitchell's Plain, Maitland, Nyanga, Wetton, Retreat, Lakeside, Kalk Bay, Crawford, Mutual, Newlands and Bellville.

Urgent and imminent station developments envisaged: Wynberg, Elsies River, Koeberg Road, Fish Hoek, Simon's Town, Langa, Lavistown, Bonteheuwel, Tygerberg Kapteinsklip and Stellenbosch

Project plans in the pipeline: Claremont, Philippi, Mandalay, Khayelitsha, Nolungile, Nonkqubela, Netreg, Heideveld, Nyanga, Mowbray, Salt River, Woodstock, Ysterplaat, Esplanade, Vasco, Parow, Glencairn, Kuils River and the Strand

CAPE ARGUS, **TUESDAY,** NOVEMBER 11, 1997

Tough conditions, but Transnet in the black

(269)

Reduced pension fund payment

ARG 11/11/97

Johannesburg – A reduced pension fund payment helped state transport group Transnet move into the black for the six months to September, offsetting tough market conditions and retrenchment costs.

The group's interim results released yesterday showed that Transnet earned R48-million net profit in the half year, up from a revised R34-million over the corresponding period in 1996.

Financial director Gloria Serobe said turnover increased by 6% to R10,63-billion (R9,99-billion) while expenditure, including the costs of retrenching about 4 000 workers at container division PX, rose by 8% to R9-billion. Operating profit amounted to R1,624-billion, slightly down on the previous R1,644-billion.

Finance costs from additional borrowings attributed to the repayment of T7 bonds, and a Eurorand issue, increased from R570-million to R652-million, leaving income before the pension fund contribution down at R968-million (R1,06-billion)

The additional payment into the group's pension fund was lower at R920-million compared with the R1,026-billion paid in 1996.

Managing director Saki Macozoma said the group had struggled under very difficult market conditions The economic slowdown had impacted heavily on the group's operations, while the El Nino weather phenomenon, and its associated drought, had already cut Spoornet business because of a sharp drop in maize shipments.

Other divisions were performing fairly well, although further restructuring and retrenchments might be required at PX.

Mr Macozoma said South African Airways was facing a difficult future, but he expected conditions to begin improving.

Portnet performed well and would receive major capital investment over the coming years. – Sapa

Top businessman may oversee splitting of Portnet, says Macozoma

(269) BD 11/11/97

Robyn Chalmers

PORTNET could be split into two entities to separate its port authority and operational functions, Transnet MD Saki Macozoma said yesterday.

He also said he hoped to announce within the next few weeks that a "prominent businessman" had been appointed to run Portnet. A Portnet spokesman said the businessman would replace former Transnet executive director Sipho Nyawo, who was sacked last year after an internal probe found him guilty of gross misconduct relating to credit card abuse.

Macozoma said the proposal to split Portnet was at "concept stage". Work was first being done on the restructuring of entities such as SA Airways, passenger and cargo transporter Autonet and consignment distribution business PX, where it was urgently needed.

"We need to approach the restructuring of Transnet in a holistic sense… we need to see how the privatisation of one entity will effect Transnet as a whole," he said at the release of Transnet's interim results to end-September, which showed net profit jumping 41% to R48m (1996: R34m) on turnover of R10,6bn (R9,99bn).

The proposal to separate the port authority element from port operations within Portnet is in line with government thinking. A recent draft report by HSBC Investment Bank advocated the separation, after which it is possible port operations could be privatised, or a joint venture partner wooed and the authority restructured.

The report said several vertically integrated companies based on individual ports or groupings of ports could be introduced and later privatised by means of trade sales or flotations. Top transport department officials have also previously supported the introduction of independent port authorities to manage SA's seven harbours.

Macozoma said the port regulatory environment would have to be sorted out as it was necessary to have some sort of regulatory regime in place.

Portnet would account for the major portion of Transnet's investment funds in the current year to end-March.

Record capital expenditure of R1,442bn had been approved for Portnet. Macozoma said Portnet was still grappling with the possibility of providing an industrial port at Coega near Port Elizabeth.

Other initiatives included a possible second coal terminal and upgrading of the dry bulk terminal at Richards Bay, and provision of vehicle terminals at Durban and Port Elizabeth facilities.

See Pages 3, 17

Transnet holds profits steady

CT (BR) 11/11/97 (269)

NCABA HLOPHE

MAINTAINING THE PACE *Gloria Serobe, the executive director of financial services at Transnet, and Saki Macozoma, the managing director, are happy with Transnet's performance so far and ready for the challenges that lie ahead* PHOTO LINDSAY [illegible]

Johannesburg — Transnet managed to keep turnover and operating profit steady in the six months to September 30, but the state transport company warned yesterday that it would come under pressure from the expected drought, retrenchment costs and the pension fund drain.

Saki Macozoma, the group managing director, said yesterday that Transnet was bracing itself for the effects of El Nino, which could shatter maize production and hit Spoornet, a large profit generator Maize transport forms a significant part of Spoornet's freight operations.

Of the R300 million budgeted for retrenchments for the year, almost R120 million was gobbled up by the axing of 4 000 employees from PX, Transnet's moribund retail distribution division.

Macozoma would not rule out further retrenchments at PX because he believed it was involved in non-core businesses

Turnover rose 6 percent to R10,6 billion while operating profit reached R1,624 billion, virtually unchanged from the R1,644 billion reported in the same period last year.

The group reduced its contributions to the pension fund from 15,5 percent to 11 percent, resulting in savings of R180 million.

Macozoma said negotiations were still under way to change the fund from the defined benefit system to that of defined contributions. He also wanted existing pensioners to be transferred to the state pension fund.

"We are still considering options to make sure such a process would not be deleterious to the government's macroeconomic strategies," he said

Transnet was still refining the details of its forthcoming masterplan, which aims to present a vision of how the parastatal would be restructured, and what divisions could be privatised

Macozoma said the state transformation adviser, Hong Kong and Shanghai Banking Corporation (HSBC), would present details of the plan to the interministerial cabinet committee on restructuring shortly

But he stressed that the setting up of the masterplan would not delay the urgency of swinging around the underperforming PX, and the restructuring of Autonet, the road transport division, and South African Airways

Macozoma said the group would concentrate on cost-saving measures to turn around the embattled airline instead of trying to increase its market share.

"The markets are not growing and everybody is under pressure. And the fact that SAA might be performing badly now does not mean that it is a bad airline We believe that it is a viable business and has scope for growth," Macozoma said.

Portnet, though not immune from the restructuring exercises, remained the group's darling and accounted for the bulk of the larger investments that would be undertaken by the group

He said Transnet would spend about R250 million refitting midlife tugs in its harbours It would also be involved in expansion investments in Durban, Richards Bay and Saldanha Bay.

Transnet remained "equally aware of the opportunities of the proposed Coega industrial zone in Port Elizabeth", he said

□ Business Watch, Page 20

Transnet's final restructuring plan 'to be finalised next year'

BD 13/11/97 (269)

Robyn Chalmers

A DECISION on Transnet's master plan, which would reshape the transport parastatal, was scheduled to be taken next year, public enterprises ministry spokesman Wandile Zote said yesterday.

Zote said government's adviser on privatisation, HSBC, was working on the proposed plan with top managers at Transnet.

"They hope to submit a final draft of the plan to Transnet's board as well as the interministerial cabinet committee in early January, after which a final decision will be made," said Zote.

Public Enterprises Minister Stella Sigcau has said the master plan would seek full corporatisation of Transnet's business units before considering privatisation. It was likely separate, business-like boards of directors for six of the divisions would be set up.

While the Transnet board would be retained, Sigcau said that ideally, people from the private sector would be solicited to chair the boards of those divisions which were set up as separate companies.

Transnet MD Saki Macozoma said this week Transnet had come up with the concept of a master plan to get a clear understanding and provide for any effects restructuring proposals might have on other business units and the group as a whole.

"The approach is qualitatively different from the 'cherry-picking' that characterised earlier restructuring proposals. (These proposals) showed a reckless disregard for the underlying obligations of the Transnet group to clients, employees and providers of capital."

While working on the plan, Macozoma said Transnet had agreed with unions within the National Framework Agreement that those divisions requiring urgent restructuring attention — such as SA Airways — could move ahead.

Although he declined to give details, Macozoma said SAA, consignment distribution business PX and cargo and passenger transporter Autonet were being transformed to react to market conditions.

Part of the process at Transnet involved retrenchments. Finance director Gloria Serobe said this week 4 000 people had been retrenched at PX and retrenchments were taking place at Transwerk and Transtel. The total retrenchment bill for the year ended March 31 would be R300m.

Cost savings keep Transnet on track

PARASTATALS

By THABO KOBOKOANE

TRANSNET, the transport giant, expects to post a modest profit in the year to March 1998, largely on the back of cost savings to offset poor trading conditions.

At the presentation of the parastatal's interim results, MD Saki Macozoma said he expected the second half to be "extremely tough, especially because of sluggish economic growth — which tends to hit the transport industry first — and the effects of El Niño on agricultural production"

In the six months to end-September, Transnet reported a marginally reduced operating profit of R1 62-billion against R1.64-billion for the comparable period last year due to a R650-million rise in expenditure to R9-billion The increase was due to R116-million costs for to the retrenchment of 4 000 employees at PX, the loss-making container shipment and consigner unit.

Transnet reported a profit of R48-million against the restated R34-million last year

Finance costs were up to R652-million (1996 R570-million) as borrowings rose to repay loans and finance new capital expenditures.

Transnet's biggest headache remains the pension fund deficit inherited from the old SA Railway Services. Profit before contributions to the pension and medical aid funds stood at R968-million, but of this R920-million had to go to the funds.

However, it is expected government will take over the pension liability in line with its policy at other parastatals.

Macozoma says he has presented Transnet's restructuring plan to a Cabinet committee, which was refining the plan with the assistance of HSBC, government privatisation adviser.

Spoornet, which surprised everyone by reporting a sharp rise in net profit to R712-million from R98-million in the year to March 1997, expects to make an operating profit of R600-million. Mafika Mkhwanazi, executive director in charge of Spoornet, said the expectation was "positive" given that maize production, its largest profit contributor, was set to decline.

Macozoma said Portnet, the ports business, may be split to separate harbours administration from the operational side.

He said loss-making SA Airways "still finds itself in difficult times, but is slowly pulling its way out of the mess. At the end of the year we believe it will show fairly positive results."

PX had a "tough time" and the position of Joe Ndhlela, executive director suspended on full pay pending an investigation into allegations of misconduct, had yet to be resolved

(269) ST(BT) 16/11/97

Metro bus service in a hell of a mess – councillor

Star 18/11/97 (269)

Allegations of unroadworthy vehicles on roads; skilled managers and mechanics leaving and not being replaced

By Bunty West

The Johannesburg metro bus service is "in a hell of a mess" because of a lack of management skills and a shortage of mechanics, according to Metro council transport committee head Peter Horwitz.

A near-fatal accident at the Milpark bus depot last Sunday, when shunter Richard Khoza suffered severe internal and leg injuries, has fuelled drivers' concerns about the safety of the buses.

According to drivers, Khoza was moving a bus when its brakes failed. Official sources said an internal inquiry would be held before any accident details were released.

"We are expected to drive these buses, but if we were stopped and they failed the roadworthy tests, we would be jailed. If we refuse to take out a bus, a report is sent to head office saying we wouldn't work," said one driver, who did not wish to be named.

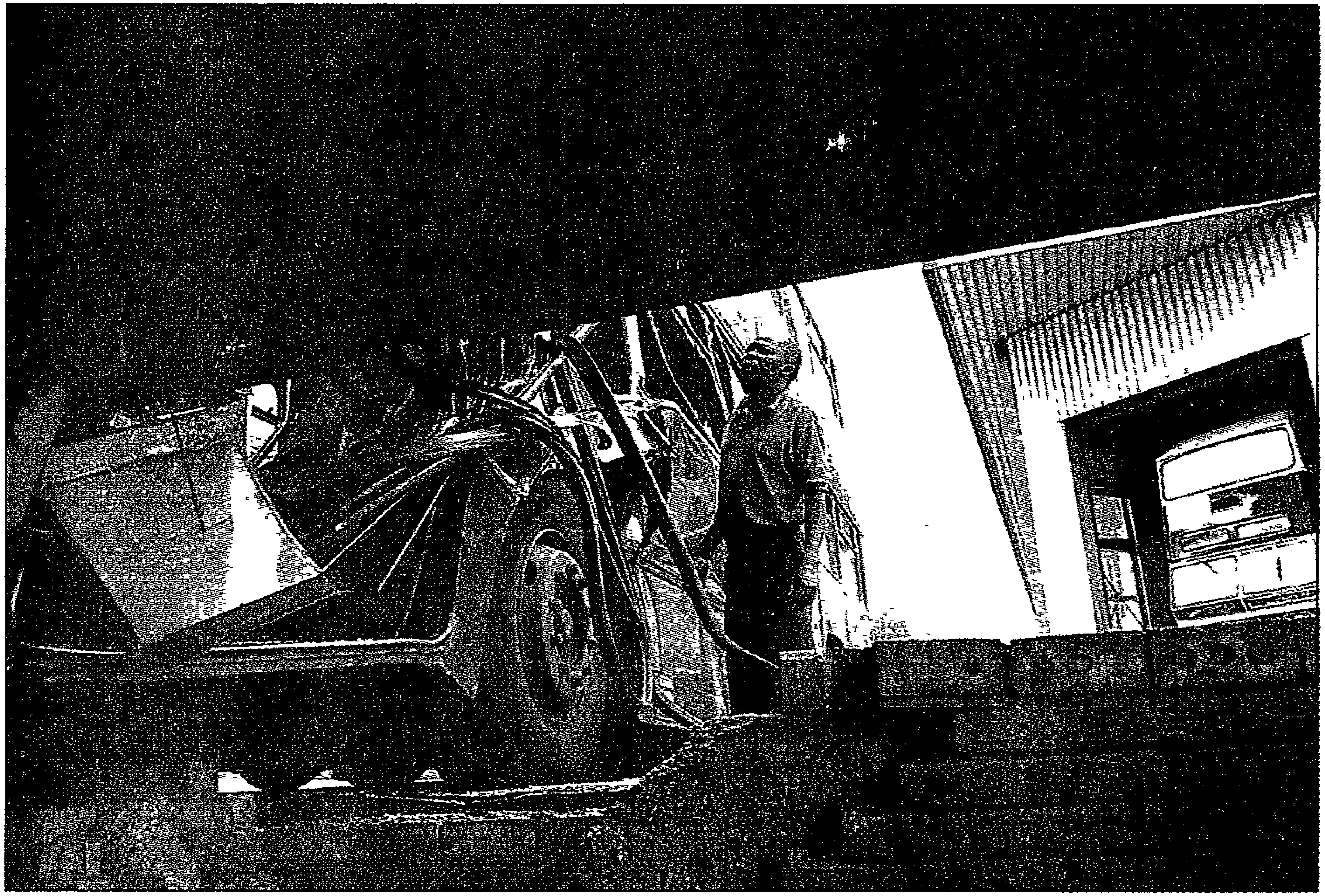
Another driver said buses which should not be on the road were being used daily in the city.

"Because it is a metro bus service, traffic officers never pull us over to check for roadworthiness. Some of the buses do not have current licences and no one bothers to check," said one driver.

Metro bus spokesman Toni van Niekerk said, however, that buses did not leave the depot if they were not roadworthy.

Aware of the crisis, and that the service is treated with contempt by many of the commuters who use it daily, Horwitz said the committee was continually addressing inadequacies.

DEBBIE YAZBEK



End of the line ... this Johannesburg Metro bus will not be used again after a near-fatal accident at the Milpark depot last Sunday.

"Problems cannot be fixed overnight because of a lack of skilled management and mechanics to service the vehicles," he said.

But bus black boxes or Tachologs, which were installed in the fleet but never used, are in operation now and will provide details of driver skills and efficiency.

Johannesburg bus service, which includes Roodepoort, carries 28-million passengers on 92 routes annually. To run one bus on any given route costs R9,79 a kilometre.

"If we could run the Johannesburg depots the way Roodepoort runs it, there would be a great improvement in the service. Management problems in Johannesburg have filtered down to the lower levels and we are trying to resolve them a level at a time," Horwitz said. "Because of a moratorium on the hiring of staff, skilled workers who leave are not replaced and this has led to a critical shortage of mechanics."

For passengers this is not good news and several regular commuters said they were fed up with what the service had to offer. Their gripes included rude drivers, the late arrival of buses which often display no destination, fumes seeping into the buses and reckless driving.

Anglovaal executive director Nick Segal chairs a session at a conference held by the Forum for the Globalisation of SA Business. Picture LORI WASELCHUK

Transnet on track for foreign expansions

(269)

Robyn Chalmers

BD 18/11/97

TRANSNET was increasingly following companies, particularly mining houses, expanding into foreign countries with the aim of providing backup transport services, MD Saki Macozoma said yesterday.

Macozoma said at a Forum for the Globalisation of SA Business conference that the state-owned transport entity planned to take greater control of expansion into foreign countries. This was preferable to finding itself sucked into areas for geopolitical and other reasons, as had happened in the past.

"Spoornet, for example, leases locomotives and other rolling stock to countries north of SA and, to ensure that tabs are kept on these assets, Transnet needed telecommunications." It had therefore set up Transtel and found itself becoming a major telecommunications operator, he said.

Macozoma argued that it was important for Transnet to take opportunities which opened up in other countries, particularly those countries into which SA companies were moving.

Finance Minister Trevor Manuel said that in the present era of global integration, the internationalisation of SA firms was both inevitable and desirable.

The integration of the local economy into the world economy was an essential element of the SA's growth and development strategy.

However, Manuel said an important element in the internationalisation of the local economy was the role of SA's relations with its neighbours in Africa and southern Africa. "Whereas we were criticised three or four years ago for envisioning a southern African platform for regional development, we are now criticised for not moving fast enough in opening up our borders for mutual trade and investment."

Government was preparing a multilateral regional trade integration proposal which it hoped to put to its partners in the Southern African Development Community in the first half of next year, he said.

JCI executive director Brett Kebble said it was vital for SA gold mining to expand internationally if it was to regain its previous global importance.

SUN AIR

First privatisation finally takes off

At last something's bubbling on the tarmac at Johannesburg International airport. After bumbling about for a while — it's on, it's off, there's no cash, the partners don't want to wed — the privatisation of Sun Air became a reality this week — much to industry surprise

Rethabile-Comair consortium was given the nod with its offer of R50m, and acceptance of Sun Air's R47m interest-bearing debt.

Earlier the signing was in danger of unravelling due to a quarrel between Comair and Sun over the more lucrative domestic routes.

There were several delays before the nuptials were complete. The November 10 signing was delayed because rumour had it that Rethabile couldn't raise the cash. This proved untrue

Another rumour, which Comair MD Piet

(282) (269)

van Hoven shot down, was that Sun Air MD Johan Borstlap didn't want Comair as a partner, and had suggested that Swissair replace it

But the real delays emanated from the squabble over the Durban/Johannesburg route, the Harare/Johannesburg route and the Cape Town/Johannesburg link There was no quarrel over the rats and mice which include Bloemfontein, Port Elizabeth, East London, Upington, Nelspruit and Pietersburg.

Public Enterprises Minister Stella Sigcau must have thought she was having a nightmare after the dispute between members of the Rethabile/Comair consortium threatened to derail her department's only successful privatisation to date

However, Rethabile and Co-ordinated Network Investments — the black partners holding a 55% stake in the consortium — eventually patched up their differences and signed the shareholders agreement with Comair this week.

Nevertheless, the agreement makes for some strange bedfellows One is an airline which has made a profit every year since its inception 51 years ago, the other has made a loss every year since its formation as Bophuthatswana Airways a decade back. Renamed Sun Air four years ago, the fledgling carrier undoubtedly outshines every airline in SA as far as catering and service aloft is concerned But obviously at a cost to itself.

As one industry pundit puts it. "You can't supply five-star service at two-star rates "

Van Hoven says Sun Air will retain its identity and its management Comair will provide only technical and management assistance

That's an amicable arrangement, but old habits, such as showing consistent profits — or losses — die hard

No-one expected the privatisation to be smooth sailing After all it is the first full privatisation of a State-owned asset, and as such there were no guidelines

Everyone hoped to learn from the experience The State's first lesson was don't distract the diners from the main course by offering the pudding halfway through the meal

FM 21/11/97

This is what happened when several parties interested in acquiring Sun Air lost interest They decided to keep their options open when government announced, while it was calling for bids for Sun Air, that it was toying with the idea of selling a stake in SA Airways (SAA) Those who pulled out included Virgin Atlantic and the Malaysian Airline Consortium.

SAA may have been deeply in the red at the time, but it had more potential than Sun Air SAA recorded a loss of more than R300m in its past financial year, to March 31 1997, but it had posted a R324m profit the year before The national carrier could be turned around with more aircraft, and a change in management style

In the end two offers were made in early August for SunAir by Phoenix Venture Partners and the Rethabile-Comair consortium

Rethabile and Co-ordinated Investments hold a controlling 55% of the consortium, Comair 25%, employees 5%, and the rest is held by the National Empowerment Fund

The State may have got more had it not mentioned SAA before the final binding offers were in Call it an expensive learning experience **David Pincus & Duma Gqubule**

Public Enterprises Minister Stella Sigcau held a briefing at the African National Congress's Shell House headquarters in Johannesburg yesterday. Picture: TREVOR SAMSON

Portnet to be split in two, says Sigcau

(269)

Robyn Chalmers

BD 26/11/97

PORTNET would be split into two entities by next year to separate its port authority and operational elements, Public Enterprises Minister Stella Sigcau said yesterday.

In an overview of her ministry's work for the past three years, Sigcau defended delays in the privatisation process, saying much work and consultation had to be done first and solid progress was being made now.

She said it had been decided that the operations and authority functions of Portnet would be separated next year and a regulator would be established, as it was government's function to oversee the regulation of ports.

A decision had been made at a recent interministerial cabinet committee meeting to significantly increase the public enterprises ministry's capacity next year to cope with its greater work load. The ministry and office of public enterprises had a staff complement of 39 but was responsible for state-owned entities which employed more than 300 000 people.

Sigcau said there was a need to accelerate implementation of the national empowerment fund and the employee share ownership scheme. A strategy for the development of human resources and a management cadre in SA in general, and in state-owned enterprises in particular, was vital.

"We must explore the need for and possibility of establishing new strategic state-owned enterprises, for example, in the liquid fuels industry. The possibility and feasibility of consolidating the housing portfolios of state-owned enterprises and combining them with existing housing parastatals (is being considered)," she said.

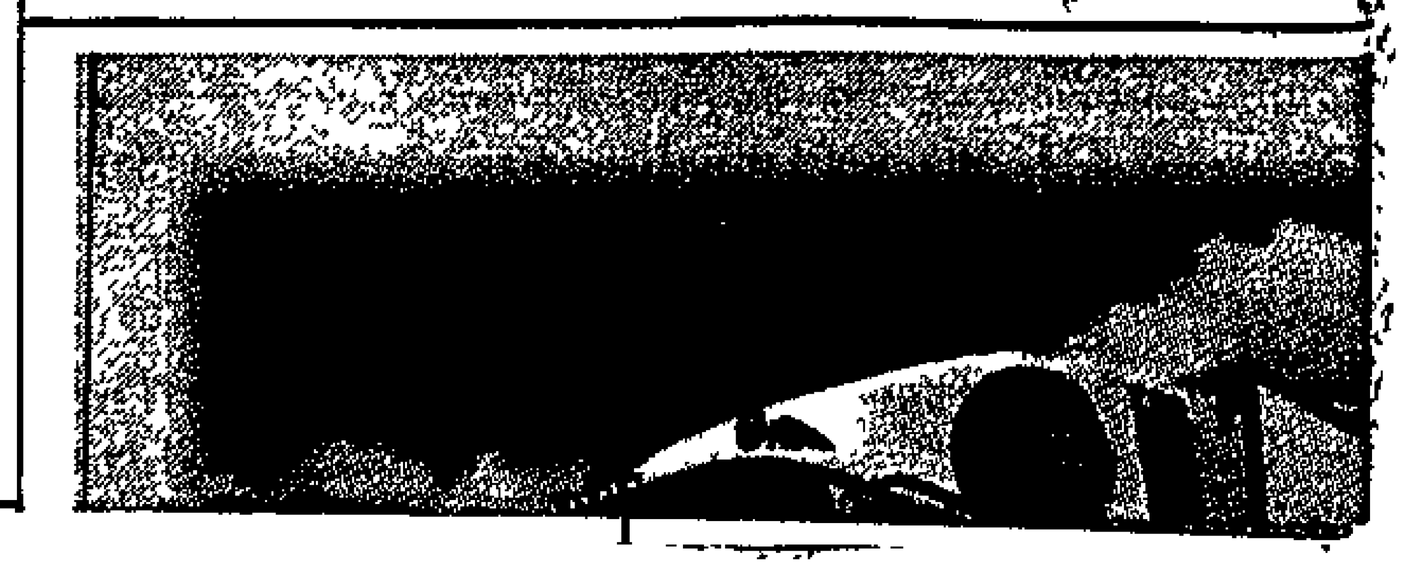
On privatisation, Sigcau said despite problems with land claims, the sale of holiday resort company Aventura would be completed by next year.

A short list of five bidders had been announced.

The privatisation of the SA Forestry Company (Safcol) was back on track although the overall strategy was being re-examined, particularly in the light of spatial development initiatives under way in provinces where Safcol had major forestry holdings.

Other developments included a significant increase in the number of black people and women who were represented on boards.

On Eskom's electricity council, for example, the number of black members had increased to 52,6% this year from 30% in 1994, Sigcau said.



Transnet's first step to privatisation

(269)

Robyn Chalmers

(23?)

TRANSNET had invited black economic empowerment groups to bid for a 30% equity share in the restructured Viamax Fleet Management, MD Saki Macozoma said yesterday. BD 27/11/97

This is Transnet's first step down the privatisation road, although government has indicated it planned to sell passenger and freight transport group Autonet and a stake in SA Airways — possibly by next year.

Macozoma said agreement had been reached on structures that would facilitate the restructuring of Viamax Fleet Management. The company provided a maintenance leasing service of company vehicles at Transnet and for the private sector market.

He said Viamax Fleet Management would be separated into a fleet asset-owning operation and a fleet management services operation. This would be known as Viamax Fleet Solutions.

The restructuring of Viamax Fleet Management was seen as the beginning of the privatisation process for the rest of the Viamax group, a wholly owned subsidiary of Transnet.

Transnet executive director Mafika Mkwanazi said the preferred criterion for the black economic empowerment partner would be that it was a local company which was black controlled or managed.

Interested companies had to make submissions by December 27 after which a short list would be drawn up. He said a 10% equity stake in Viamax Fleet Solution would be available for employees to participate in a share option scheme.

SAB man is appointed to oversee Portnet

(269) BD 28/11/97

Robyn Chalmers

SA BREWERIES' (SAB's) southern regional operations director Rob Childs has been hired to steer Portnet through the challenge of splitting into separate port authority and operational entities.

Childs will replace sacked Transnet executive director Sipho Nyawo on the Transnet main board with responsibility for Portnet, the parastatal's star performer. His appointment takes effect on February 1.

Transnet MD Saki Macozoma said Portnet was key to Transnet's transformation strategy and Childs was well equipped to address a number of urgent and complex issues.

One of his top priorities will be to oversee Portnet's separation into port authority and operational functions.

Transport department director-general Ketso Gordhan said yesterday it was vital that a regulatory framework be put in place for Portnet, as the only legislation governing ports was the Transnet Act.

Cabinet committee approves fuel levy

~~1837~~ (269) BD 28/11/97

Robyn Chalmers

A CABINET committee had approved the transport department's proposed dedicated fuel levy to fund the national road network, with the proposal expected to go to cabinet next week, transport department director-general Ketso Gordhan said yesterday.

Speaking at a transport ministry briefing, Gordhan said the department had proposed that a 5c/l levy be imposed by next year, rising to 6c/l the following year.

The funds would be spent on maintaining the non-toll road network.

Gordhan said the current budgetary allocation for roads was roughly equivalent to a 4c levy. If the proposed additional 1c/l was approved by cabinet, analysts said it would effectively amount to a 1c/l increase in the petrol price.

The levy would be transparent as it was being promoted as a user charge. It has previously been estimated that a 1c/l levy at the current petrol price would garner about R150m.

Cabinet approval was recently given to set up a National Roads Agency which would be open for business on April 1 next year. The new agency initially would manage and maintain SA's 7 000km national road network, with the likelihood of including the 20 000km of primary roads in the next five to six years.

Gordhan said tough negotiations were under way regarding the concession agreement between commuter rail service provider Metrorail and the SA Rail Commuter Corporation, but a pilot project should be in operation by April next year.

Stakeholders earlier had agreed to open Metrorail to private sector competition via concessions within four-and-a-half years, but this would depend on the outcome of the pilot project.

On the subject of rail, Gordhan said a significant number of retrenchments were likely to be implemented at Spoornet over the next four to five years.

"The problem (at Spoornet) is one of overemployment. It is very difficult to restructure without losing some jobs," he said.

However, lengthy negotiations would take place with labour before any decisions on this score were taken, he said.

Department roads director Nazir Alli said the R1,2bn N3 toll road from Heidelberg to Cedara, which is at the tender phase, was likely to move ahead rapidly as it was "pretty straightforward".

Alli said the R3bn N4 platinum toll road from Pretoria East to Rustenburg, which could be extended to Lobatse, was not as much an investment risk as originally perceived and presented significant opportunities for the private sector.

He said that in international terms, the Maputo development corridor toll road had moved ahead at a record pace. Financial closure, which means all aspects of the contract must be agreed upon by all the parties, should be achieved by next month.

proposal

Privatisation of Airports Company gains speed

(269)

Six bidders have been named but only three have a realistic chance, writes THABO KOBOKOANE

ST(BT)30/11/97

THE partial privatisation of Airports Company SA (Acsa) got off the ground this week when government announced the names of the six international airports authorities that had prequalified to bid for 20% of Acsa.

However, only three of the six — Montreal, Rome, Amsterdam, British Airports Authority, Frankfurt and Milan — stand a realistic chance, an analysis of their various strengths shows.

The six companies have been invited to undertake due diligence at Acsa before bidding. The successful bid will be announced by the second quarter of next year.

The partial privatisation of Acsa, worth about R2-billion, s in line with government's privatisation programme. The introduction of a foreign partner will be followed by he sale of 10% of Acsa to black investors, 9% to staff nd 10% to the National Em-owerment Fund. Governent will retain a majority take but will over time reuce its holding through a sting of the company.

The Department of Transort said that while price ould be an important conderation, it would also look : which partner could add le most value to its assets in eas such as retail and property development.

Of the six contenders, BAA id Amsterdam Airports hiphol must rank as clear vourites with Frankfurt in th a slight chance.

BAA, privatised in 1987, is obably one of the largest mmercial airports authores in the world, managing ven airports in the UK — :luding Heathrow and twick — handling 71% of . air passenger traffic and % of its cargo. Outside of the UK, BAA manages the Indianapolis airport systems and the shops and catering facilities at Pittsburgh.

In fiscal 1996, about 44% (£556-million) of revenue came from its retail side while property accounted for £213-million and airport traffic charge for £434-million. During the year its UK airports handled more than 93-million passengers and with US operations included the figure exceeds 100-million.

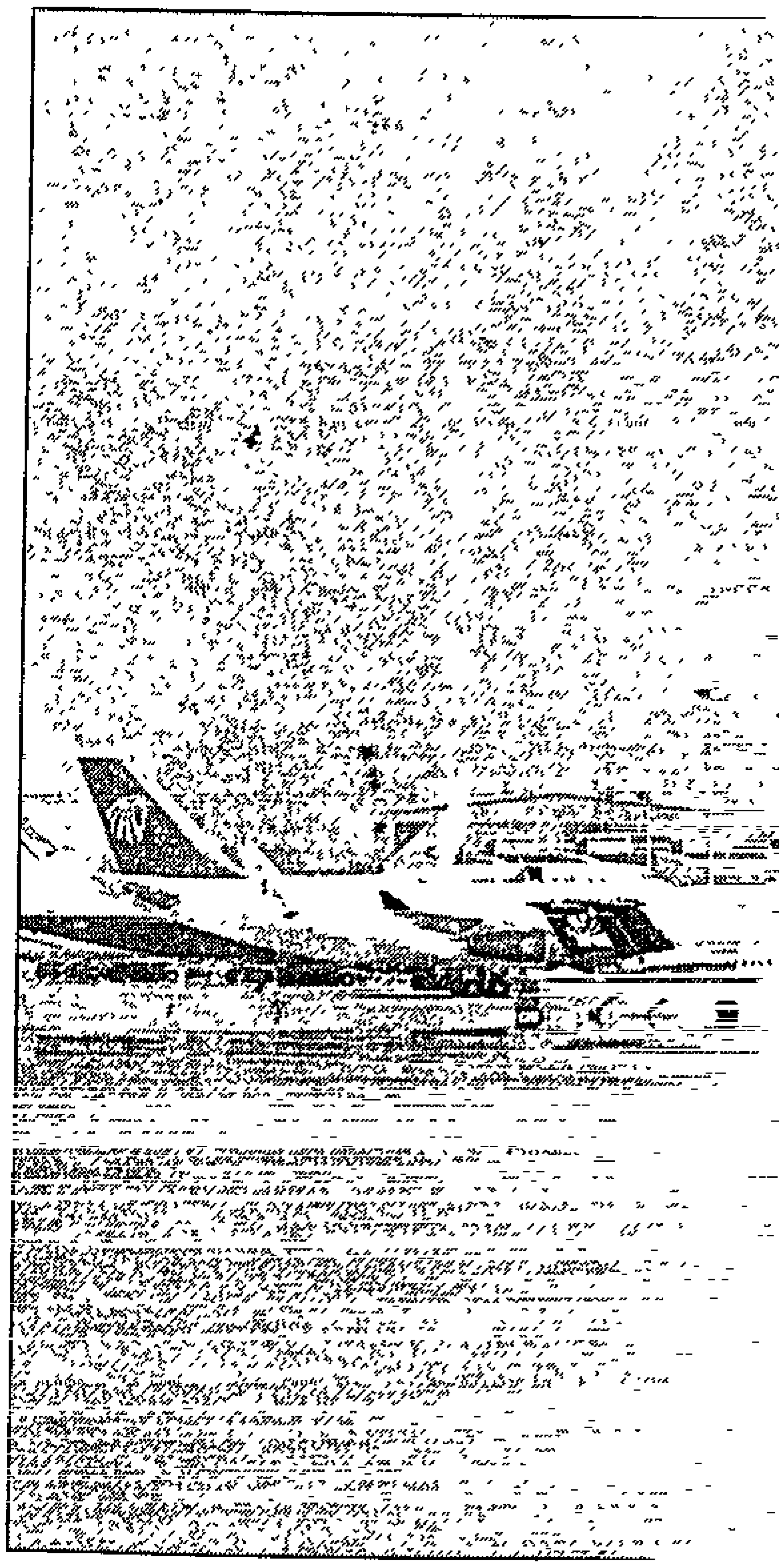
It has said that it is seeking opportunities to own and operate airports overseas with priority accorded to the US and Australia — where federally owned airports are scheduled for privatisation.

Amsterdam Airports Schiphol has been pursuing privatisation opportunities on international markets through its management and consulting arm Schiphol Management Services.

The irony is that while AAS favours its own privatisation, its shareholder, the Dutch government, is still grappling with the issue. To date, its international strategy has been to tie up with other partners in its bids, but the structure of Acsa once complete rules that out When the process is finalised, the state will be left with 41%, empowerment partners 10%, employees 9% and the strategic equity partner 10%.

Schiphol owns 15% of Brisbane Airport Corporation Consortium which runs Brisbane Airport and owns 40%, via its US subsidiary Schiphol USA, of JFK International Arrivals Terminal, a consortium building an international arrivals terminal at JFK for non-US airlines.

In fiscal 1996 AAS reported net profit of 174-million



GOING, GOING ... international ai

guilders with landing fees accounting for 45% of income It handled 27.8-million passengers (at four airports in Amsterdam) and nearly 1.1-million tons of cargo.

The Frankfurt Airport authority — also state owned — generates most business from ground han ity (37%) and (31%). In 1992 it DM55-million loss, covered from this.

Its international through consult FAG Airconsult, ground handling

tion
›rts
›ly
›ed

(269)

›amed but
› chance,
›OANE

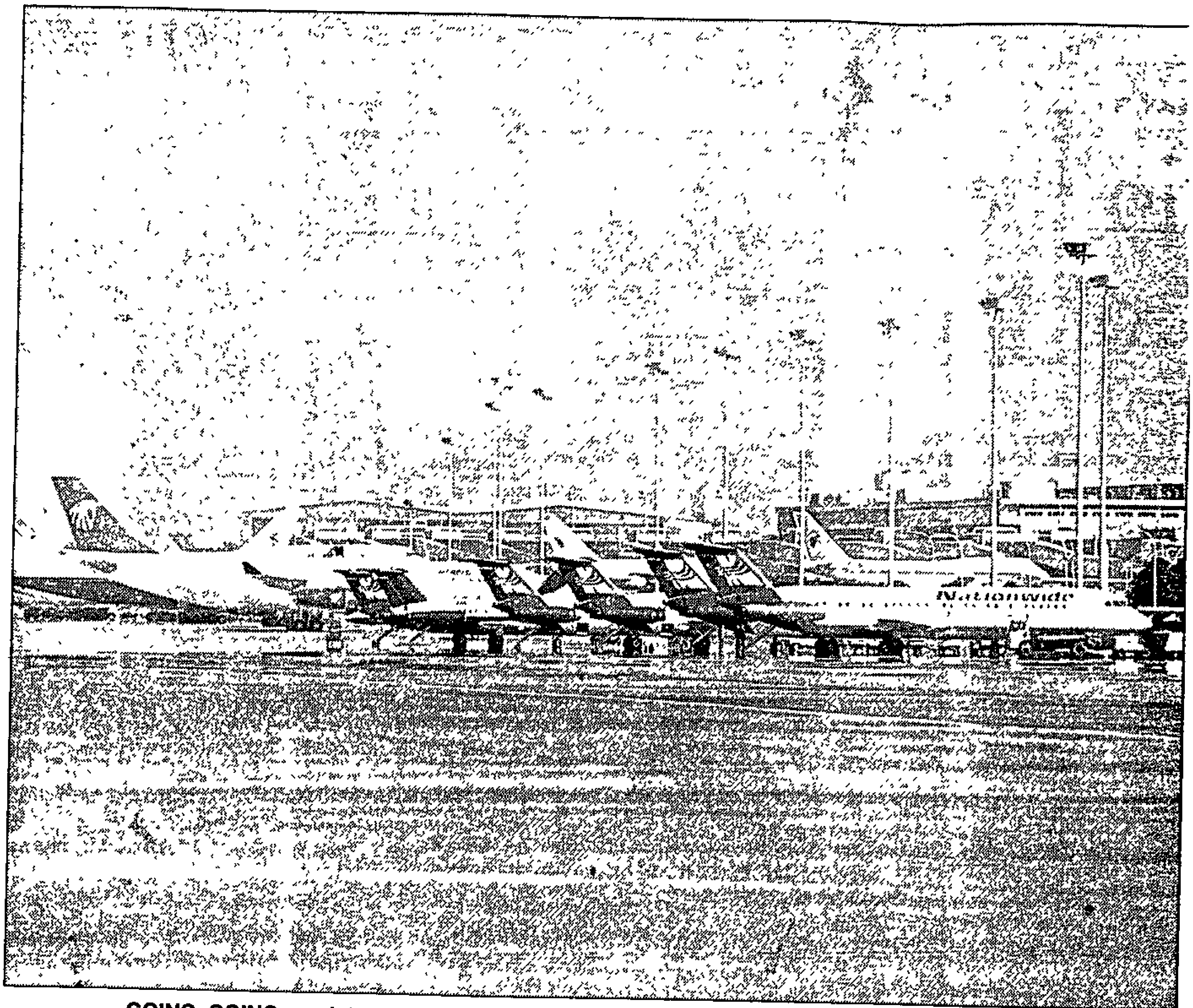
› Services.
is that while AAS
›n privatisation,
›der, the Dutch
› is still grappling
›e. To date, its
› strategy has
› with other part-
›ds, but the struc-
› once complete
›t When the pro-
›ed, the state will
› 41%, empower-
›s 10%, employ-
›he strategic eq-
› 10%.
›ns 15% of Bris-
›t Corporation
›which runs Bris-
› and owns 40%,
›diary Schiphol
›ternational Ar-
›al, a consortium
›nternational ar-
›l at JFK for non-

›6 AAS reported
› of 174-million guilders with landing fees accounting for 45% of income. It handled 27.8-million passengers (at four airports in Amsterdam) and nearly 1.1-million tons of cargo.

The Frankfurt Airport authority — also state owned — generates most business from ground handling activity (37%) and airport fees (31%). In 1992 it suffered a DM55-million loss, but has recovered from this.

Its international presence, through consulting group FAG Airconsult, handles the ground handling services at six airports in Spain and is part of a consortium planning to build and operate for 30 years the Athens International Airport.

The Montreal airports authority (known as the ADM and a non-profit organisation) has been responsible for the management, operation and development of two of Montreal's international airports — Dorval and Mirabel — through a 60-year lease. It is small in comparison to the other three, posting an annual turnover of $109-million.



GOING, GOING . . . international airports authorities are competing for a 20% stake in Acsa

Fuel levy to stabilise road fund

(269) CT 4/12/97

THE cabinet has approved using part of the fuel levy to stabilise the National Road Fund.

The president's office said this was done after the cabinet was told that the amount for maintaining and repairing roads, which had a vital role in the country's economic development, was too little.

Yesterday the cabinet applauded the Department of Transport's Arrive Alive campaign, and gave its support for a contribution to the campaign of R37 million from the Road Accident Fund.

The cabinet also approved the three white papers: "Getting the Nation to Play", by the Department of Sport and Recreation; "Tourism in GEAR — A tourism development strategy for 1998 to 2000", by the Department of Tourism; and A new human management policy for the public sector.

The cabinet also concurred with the appointment of prominent advocate Mr Zac Yacoob, who co-chaired the Codesa talks, to the Constitutional Court to replace Mr Ismail Mahomed, now Chief Justice of the Supreme Court of Appeal. — Parliamentary Bureau

TRANSPORT *Freight contract extended at last minute after ultimatum over R200 million debt*

Spoornet and Congo get rail service back on track

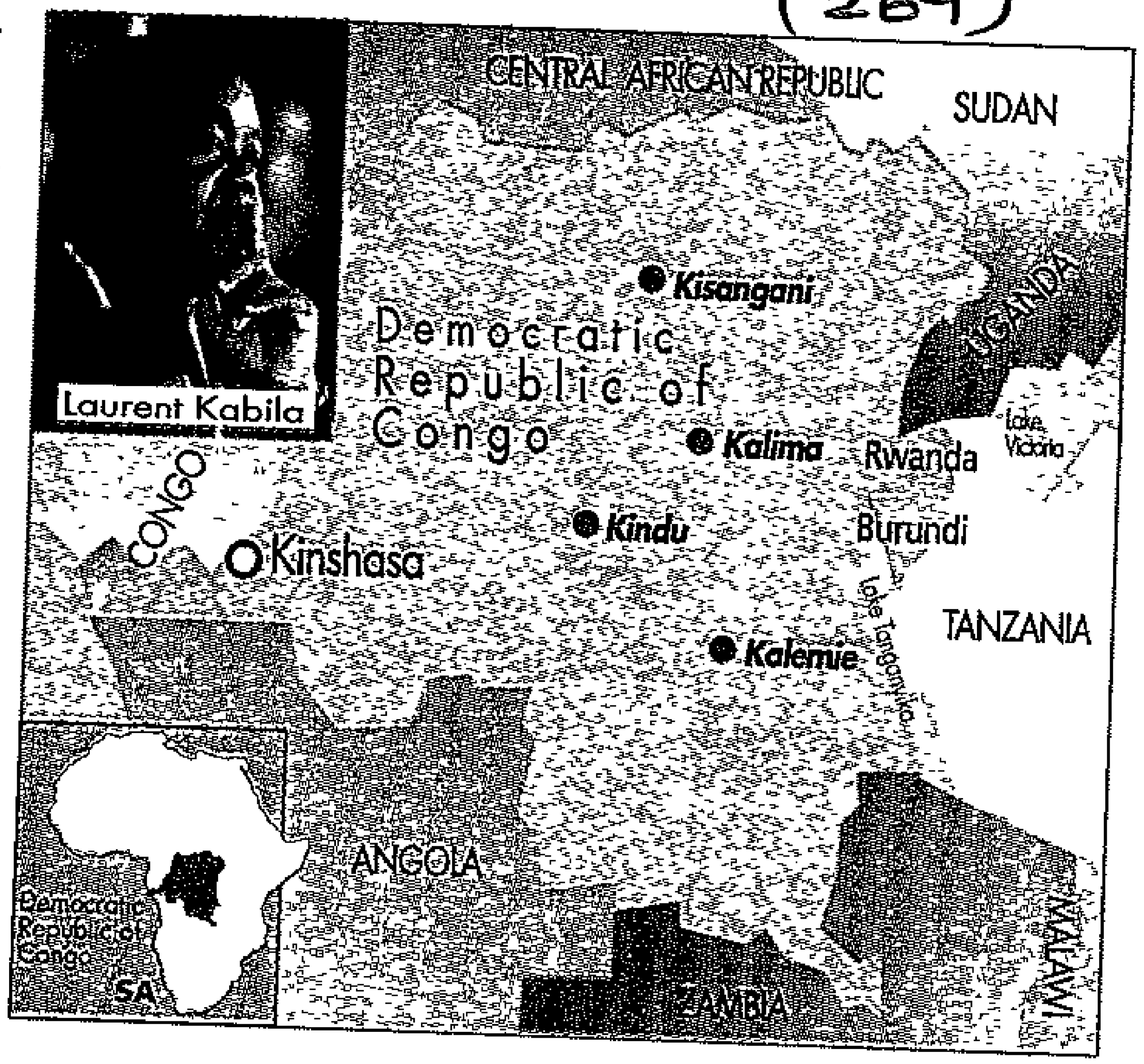
(269) CT (BR) 6/12/97

Ncaba Hlophe

Johannesburg — Spoornet, the state-owned rail company, and the Democratic Republic of Congo reached an eleventh-hour agreement to extend their contract for six months to June this year after Spoornet threatened to cut off rail transport in protest over more than R200 million in unpaid debts and the detention of a Spoornet director, Rina Wessels, a Spoornet spokesperson, said yesterday.

Spoornet had earlier informed SNCC, the Congo's railway company, of its intention not to renew the contract which expired on December 31 unless conscious efforts were made to settle its unpaid debts with Spoornet.

"SNCC has subsequently accepted Spoornet's conditions to address the outstanding debt, thereby ensuring the continuation of rail operations between the countries, until a new contract has been negotiated," said Wessels.



At issue was an old debt of R136 million and a new one of R68 million, which the SNCC owed to Spoornet.

"We had agreed with the new government that it would develop strategies to settle its debts within six months, but up until now the new government has not shown any willingness to recognise that debt," said Mafika Mkhwanazi, the Spoornet executive director, when announcing the decision not to renew the contract in mid-December.

The Congo's mining industry, which relies on rail-freighted fuel and acid products, was expected to feel the pinch of Spoornet's decision.

However, it was not possible to ascertain either the terms of the extension or the fate of Patrick Claes, the Spoornet director and Belgian national detained in the Congo since August.

Claes was in charge of a joint venture company between Transnet, Spoornet's parent company and the Belgian government. Mkhwanazi said that top-level politicians from South Africa and Belgium were involved in negotiations with Kabila's government for the release of Claes.

However, Emmanuel Dungia, the Congo's ambassador in South Africa, denied any knowledge of the extension of the contract and said Claes had not been released because of the gravity of the unspecified accusations against him. "The extension of the contract is news to us and Claes will stand trial regardless of the pressures put on us," Dungia said yesterday.

The row forms part of an offensive which Laurent Kabila's government launched against South African companies such as Anglo-American and Transnet, which had invested in Zaire during the reign of Mobutu Sese Seko, the late president. The offensive involved the confiscation of a "lot of things" from Spoornet and discrimination against Anglo-American in the award of a copper-cobalt tender.

The tender was then given to Arkansas-based America Mineral Fields (AMF), as it had reached a deal with Kabila while he was a rebel leader, but last week AMF disclosed that it had terminated its involvement in the project. The Congo's state mining agency, Gecamines, has called for a renegotiation.

City set to privatise parking facilities

Solution to shortage and 'aggressive' attendants

(269) ARG 15/12/97

JERMAINE CRAIG
STAFF REPORTER

Six major municipal parking areas in Cape Town, including the Grand Parade and Riebeeck Square, are to be privatised to address the shortage of parking and aggressive, unofficial "parking attendants".

Self-appointed attendants, who have become increasingly aggressive and negative to the city's image, have caused city managers endless headaches.

They cost the city hundreds of thousands of rands in income because they coerce people into not putting money in parking meters, volunteering to look after cars for a fee instead.

Executive director of municipal services Alan Dolby said six parking areas in the city had been earmarked for privatisation

They were the Grand Parade, Harrington Square and Riebeeck Square in the central business district, and Draper Street, Newry Street and Warwick Square in Claremont.

These areas would be cordoned off and meters replaced by a boom system with hourly rates for parking. Existing parking attendants would be commissioned as agents and trained to collect parking fees and look after cars.

A pilot project at Fountain Square in Rondebosch had been successful.

The council also intended to address parking problems in peripheral areas of the CBD by removing parking meters and restricting parking to one hour or two hours.

Mr Dolby said it was hoped this would clear up the streets and make parking in the CBD less of a headache.

Public gatherings at the Grand Parade would not be affected. There was a special condition in the contract allowing the council access to the area at a *pro rata* rate.

It was hoped that by bringing the parking attendants into the formal job market and training them, they would become less of a danger.

The city's parking meter revenue had dropped 70% in the past three years. Car park income in October 1995 was R237 655, but in October this year only R61 488.

Income from parking meters in October 1995 was R168 851, compared with only R22 432 in October this year.

Mr Dolby said that until a few years ago unofficial parking attendants were mostly homeless people, well known at night shelters and by welfare bodies.

Although they were seen as an irritation by motorists, their pleas for handouts were low-key.

But more recently the situation had "changed dramatically".

Most unofficial parking attendants were now jobless people, who were not homeless. They travelled to the city and other CBDs, where they had staked claims to specific parking bays.

"Their behaviour is aggressive, to say the least, and complaints include damage to vehicles, verbal abuse, sometimes physical abuse and and vandalism."

Mr Dolby said many motorists supplied coins to parking attendants who inserted them in meters only when traffic officers appeared.

Tickets please: parking attendant Michael Sauls displays the new bibs attendants will wear as part of the council's plan to regulate parking in t

Ferry group seeks big role in Cape tourism

Autshumatu in 'sensitive' talks

ARG 15/12/98

THABO MABASO
BUSINESS REPORTER

Autshumatu Investments, the group of former political prisoners operating the Australian-built ferry to and from Robben Island, intends to increase its involvement in the Cape's multi-million rand tourism industry.

Autshumatu managing director Vincent James told the Cape Argus that the company was involved in "sensitive" negotiations with another company, which he did not want to name.

"We intend to go into business in a big way. We are not asking for any favours – we are serious business people who have experience and dedication," Mr James said. "We are confident that in time we will become major players in the tourism industry and there are more deals to come."

Autshumatu, which is the name of the Khoi-Khoi chief who was imprisoned on Robben Island by Jan van Riebeeck, runs the ferry jointly with Tourvest and owns 56% of the venture, with its partner getting the remaining 44%.

The ferry is named Makana after a Xhosa warrior who led a rebellion against the British in 1819. It cost R7,5-million and seats 150 people. It takes 20 minutes to get to Robben Island and makes five daily trips.

Mr James said funds to buy the ferry were raised by Johannesburg Stock Exchange-listed Tourvest.

Part of the turnover derived from the ferry's profits would be donated to the Robben Island museum.

R471-million roads project for Eastern Cape

ARG 15/12/98 (269)

East London – A proposal for a multi-million rand road network linking the Eastern Cape towns of Maclear, Mount Fletcher, Matatiele, Rhodes, Elliot and Cala has been signed in Barkley East.

The upgraded R471-million road network is expected to promote economic growth, political stability, security and social communications, and development in the area.

The success of the project will depend on the Government's willingness to make up some 30% of the initial costs as start-up capital.

Herman Haasbroek, an economics development advisor to consulting engineers Gibb Africa, said informal talks had already been held with trade and industry deputy minister Phumzile Mlambo-Ngcuka.

He said signed proposals would be handed to national ministers Derek Hanekom, Alec Erwin, Kader Asmal, Jeff Radebe, Pallo Jordan, Eastern Cape premier Makhenkesi Stofile, public works & transport MEC Thobile Mhlahlo, economic affairs MEC Enoch Godongwana and local government and housing MEC Smuts Ngonyama.

More than 100 interested parties and organisations from the affected regions had already pledged their support for the project. Gibb Africa's Bloemfontein office would handle road construction while project management would be handled by the East London office. – Sapa

Eastern Cape road network proposal signed

(269) BD 15/12/97

EAST LONDON — A proposal for a multimillion-rand road network, linking Matatiele in KwaZulu-Natal and the Eastern Cape towns of Maclear, Mount Fletcher, Rhodes, Elliot and Cala, was signed in Barkley East on Friday.

The upgraded R471m road network is expected to promote economic growth, political stability, security and social communications, and development in the area.

The project's success will depend on government's willingness to provide about 30% of the initial costs — R100m — as startup capital.

The proposal has the approval of the Hughes Corporation, a US development facilitator represented in SA by James Crosswell Associates.

SA consulting engineering group Gibb Africa will play a major part in the project. Herman Haasbroek, economics development adviser to Gibb Africa, said informal talks had been held with Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka.

He said signed proposals would be handed to ministers Derek Hanekom, Alec Erwin, Kader Asmal, Jeff Radebe and Pallo Jordan, Eastern Cape premier Makhenkesi Stofile, public works and transport MEC Thobile Mhlahlo, economic affairs MEC Enoch Godongwana and local government and housing MEC Smuts Ngonyama.

Haasbroek said the funding mechanism to be used for the project would essentially gear the R100m contribution from government through medium-term bank notes in the international money market to procure a yield sufficient to cover the cost of the project over a four to five year period.

He urged government to consider seriously the proposals to enter into the public-private partnership and contribute the required start-up capital for the project, which he said would have vast potential benefits.

More than 100 interested parties and organisations from the affected regions have pledged their support for the project.

Haasbroek said the idea for an upgraded road network had first been mentioned to him by Matatiele town clerk Errol Putziere.

A steering committee, representing all the towns in the region, had held talks with Godongwana.

Haasbroek said there were two guarantees incorporated in the proposals — the leader bank would guarantee that the initial R100m deposit would be returned to government, and funders of the project would guarantee to deliver the yield within a certain time frame.

Gibb Africa's Bloemfontein office would be involved with the construction while the project management would be handled by the East London office. The company envisages being assisted by Eastern Cape consulting firms, including previously disadvantaged firms. — Sapa.

Witbank-to-Maputo toll road given green light

BD 15/12/97 (269)

Robyn Chalmers

THE R2bn Maputo toll road from Witbank to Maputo was given the green light at the weekend when toll concessionaire Trans African Concessions (Trac) announced it had raised the capital and loan financing for the project.

Institutions involved have raised R1,3bn to cover their debt and R330m in equity has also been taken up. Along with agreement on all other aspects of the deal, it means the toll road has reached financial closure — one of the fastest closures of its kind in the world.

Trac appointed HSBC Investment Bank as financial advisor on the project, with Investec and Nedcor Investment Bank as lead arrangers, and FBC Merchant Bank and the Development Bank of Southern Africa as co-arrangers of the debt facilities.

Trac CEO Trevor Jackson said construction of the new portion of road, along with upgrading the existing N4, would kick off next March and was due for completion by late 2001. Three years from now, Gauteng and Maputo would be only four hours apart, which opened up a wealth of opportunities for both SA and Mozambique, he said.

Jackson said the toll road was the first major project in southern Africa to be handled on a build-operate-transfer basis. This meant Trac had been granted a 30-year concession to build, operate and maintain the road, after which it would transfer the responsibility back to government.

Transport Minister Mac Maharaj said the project had broken new ground in private and public sector partnerships, and in the development of infrastructure that spanned international borders. "The private sector has shouldered the risk in terms of construction costs, traffic growth and further expansion works as well as the maintenance of the road (for 30 years)."

Government would retain the actual property and a regulatory role in terms of setting the toll tariffs.

The Maputo toll road is the core project of the Maputo Corridor Development Project, which has raised an additional R20bn worth of development to the region as well as R2bn worth of retail development in Mpumalanga.

Maharaj said the project had been a steep learning curve for everyone involved and government had gained valuable experience.

Spoornet to halt all transport to Congo

(269)

NCABA HLOPHE

CT (BR) 17/12/97

Johannesburg — Spoornet, the state-owned rail company, would stop all rail transportation to the Democratic Republic of Congo (formerly Zaire) at the end of this month in protest over the arrest of a Spoornet director and R200 million in unpaid debt, Mafika Mkhwanazi, the executive director, said this week.

"We agreed with the new government that it would develop strategies to settle its debts within six months. This period expires by the end of this month. Up until now the new government has not shown any willingness to recognise that debt," Mkhwanazi said.

He said at issue was an old debt of R136 million and a new one of R68 million which the government of President Laurent Kabila owed to Spoornet.

Mkhwanazi said Kabila's government had also detained Patrick Claes, a Spoornet director, since August.

Claes was in charge of a joint venture company between Transnet, Spoornet's parent company, and the Belgian government.

"This detention has involved top-level politicians in South Africa and Belgium to negotiate with Kabila to release Claes," Mkhwanazi said.

"Kabila's stance flies in the face of efforts to cement economic ties between the Congo and South Africa," Mkhwanazi said.

The Congo's mining industry, which relies on rail-freighted fuel and acid products, is expected to be the first to feel the pinch of Spoornet's decision.

Mkhwanazi said Spoornet would forge ahead with its expansion programme in other sub-Saharan countries such as Zimbabwe, Tanzania, Uganda, Angola and Zambia.

Spoornet had embarked on a multi-pronged transformation drive to slash operating costs and boost its market share throughout the continent.

He said Spoornet, with an asset base of R19 billion, would increase its operating income from the R712 million this year to R1 billion by 2000.

Between April 1996 and March 1997, Spoornet had moved 3,4 million tons of freight to neighbouring countries and returned with 1,3 million tons.

Fuel remained its main export commodity and accounted for 750 000 tons while coal at 211 000 tons was the main commodity moved to South Africa.

He also said that Spoornet was pressing ahead with its offshore business plans, with the first shipment of 30 locomotives to leave for Brazil shortly.

Spoornet set to cut rail links to Congo as it detains director and fails to pay R200-m debt

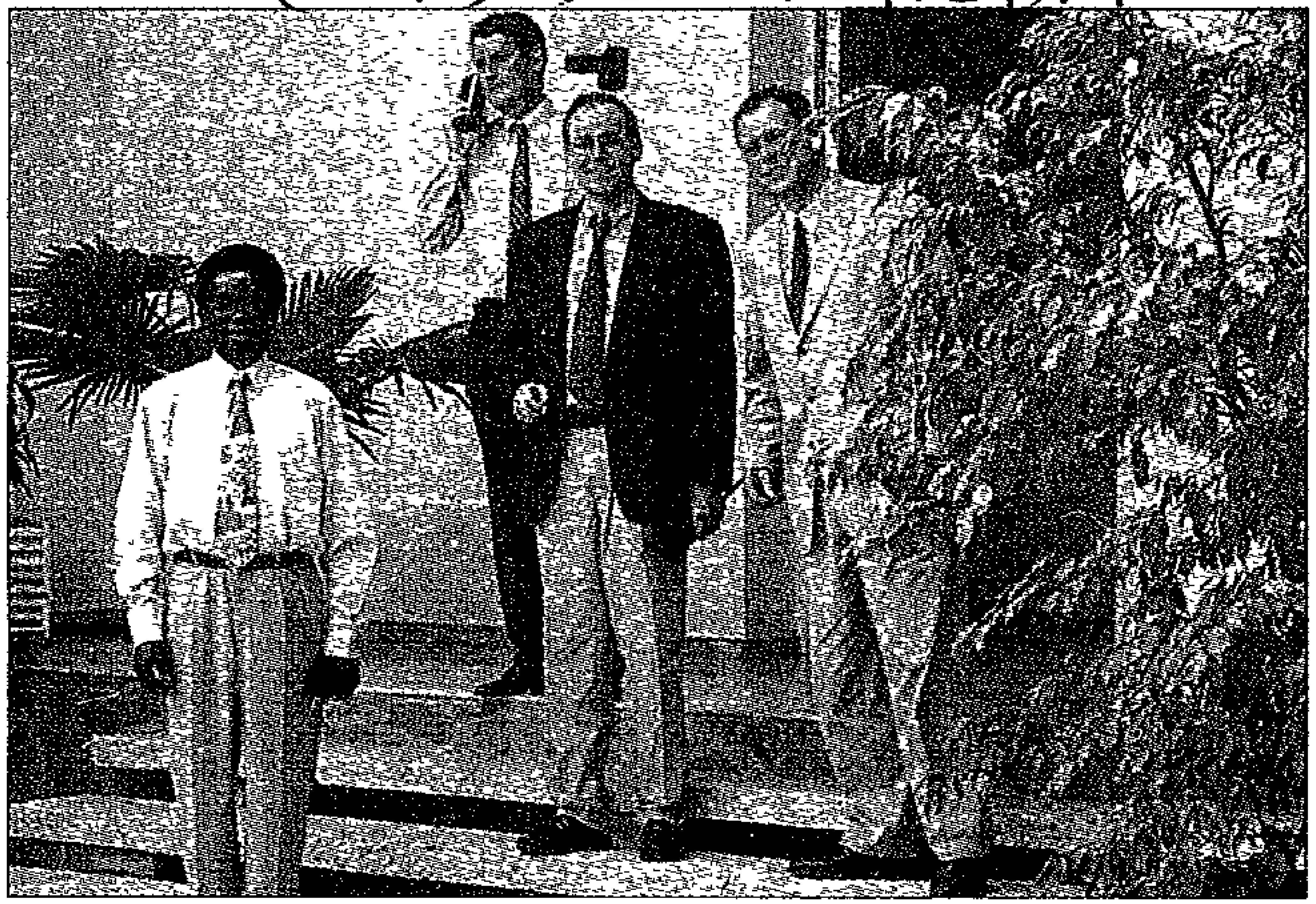
(269) Star 20/12/97

By JEAN LE MAY

A diplomatic row is looming between South Africa and the Democratic Republic of Congo over the detention without trial of Spoornet director Patrick Claes (45) who has been held in a Kinshasa jail since August.

The South African and Belgian governments are putting pressure on Congolese President Laurent Kabila to charge or release Claes, who is a Belgian citizen.

And Spoornet executive director Mafika Mkhwanazi has said South Africa would stop all rail transport to the Congo at the end of the month because of Claes's detention and in protest at the Congo's failure to pay R200-million owed to South Africa for rail services.



DETAINED WITHOUT TRIAL: Spoornet director Patrick Claes (in the dark jacket) in happier times at the company's headquarters in Gauteng

Kabila's attitude flew in the face of attempts to cement relations between his country and South Africa, Mkhwanazi said.

South African Department of Foreign Affairs spokesman Marco Boni said the detention of Claes, which took place soon after Kabila's visit to South Africa in August, had been taken up "at the very highest level".

Frederic Meurice, spokesman for the Belgian embassy in South Africa, confirmed that Claes's detention had been discussed with Belgian Foreign Minister Eric Derycke when he was in South Africa last month.

A spokesman for the Congolese chargé d'affaires in Pretoria said "charges would be made when they are ready". He could not say what charges were contemplated.

Spoornet general manager Dr Friedel Mülke told the *Saturday Star* that Claes was managing director of the joint South African-Belgian company, Siza Rail, which since 1995 had run all the railways in the Congo except for the stretch between Kinshasa and Matadi.

"Mr Claes was arrested without warning on August 16 and no charges have been laid," said Mülke, who is managing director of Spoornet subsidiary Comazar, which has a controlling interest in Siza Rail.

"The Belgian embassy in Kinshasa is allowed to take him food and toiletries every day, as these are not supplied in the prison. Various informal allegations have been made, but the dossier is clean. All we were told was that the new Congo government wanted to investigate the activities of Siza Rail."

Claes's family had returned to Brussels, Mülke said.

Claes had extensive experience of rail transport in the Congo, he added. South Africa had leased rolling stock to the Congo, then Zaire, for many years and at one stage more than 2000 South African railway trucks had been marooned there. However, Claes had succeeded in "an efficient turnaround of rolling stock – there are only about 60 of our trucks and 16 locomotives in the Congo at the moment", Mülke said.

Stopping rail transport to the Congo from southern Africa could have serious economic consequences for the country's mining industry, which depends on rail-freighted fuel.

Licence scandal man gets his job back

ST 21/12/97 (269)

JUSTIN ARENSTEIN and MZILIKAZI WA AFRIKA

THE man who admitted to irregularly issuing an invalid learner's and driver's licence to parliamentary deputy Speaker Baleka Mbete-Kgositsile has been reappointed as Mpumalanga's traffic director.

Henry Brazer was reinstated this week without any censure or reprimand by the provincial government after an internal disciplinary hearing found him innocent of any "wilful" misconduct.

Advocate Stanley Soko, Brazer's superior, was reinstated as departmental head after the hearing found that although his handling of the issue had bordered on gross negligence, he should be given a second chance to prove his competence.

The scandal's only victim to date — Steve Mabona, the province's former safety and security MEC — has attempted to use the reinstatements to clear himself. He said on SABC radio that he was a victim of "whites ganging up on me".

Mabona was forced to resign for ordering officials to issue Mbete-Kgositsile's licences so she would "not have to stand in queues".

The hearing's findings fly in the face of recommendations by chief magistrate Heinrich Moldenhauer's judicial commission of inquiry. He ruled that Brazer had knowingly issued an irregular licence to the deputy Speaker and had attempted to cover up his actions, while Soko had failed to control his department and allegedly crushed early warnings about the scandal. He recommended Brazer be dismissed and that Soko be transferred or dismissed.

But this week's disciplinary report said that while Brazer was guilty of negligence and had failed to follow procedures, he had acted as any other traffic officer in the province would.

Mabona, meanwhile, insists Brazer's vindication means Mbete-Kgositsile's licences are legal.

Possible fraud charges against Mbete-Kgositsile are still pending, with Transvaal Attorney General Jan D'Oliveira scheduled to decide on prosecution on December 30.

P.S - TRANSPORT - GENERAL

1998

SUN AIR PRIVATISATION (219)

Rethabile still cash-strapped

FM 23/1/98

Government will charge prime until bucks are on the barrel

Rethabile, lead member of the black empowerment consortium that acquired Sun Air in SA's first full privatisation last year, has failed to meet the payment deadline for its acquisition

Payment of R9m for the first half of Rethabile's 35,75% stake in the R50m price tag was due by January 15.

Last November the *FM* was assured that rumours that Rethabile was having difficulty raising the cash were untrue The rumours persisted, and this week Rethabile CEO Moss Ngwenya agreed that payment has not yet been made

"We have asked for an extension to February 15 because the institutions that are going to fund us didn't have enough time to consider the application due to the holidays," he says

Government has agreed to the 30-day extension, but will charge Rethabile prime rate interest on the outstanding R9m for the period

The consortium's offer of R50m — plus its shouldering of Sun Air's R47m interest-bearing debt — was accepted after rival bidders Phoenix and Bhekilanga pulled out of the race

Rethabile's consortium partner Co-ordinated Network Investments (CNI) holds 19,25%, giving the two empowerment groups control with 55% Comair has 25%, the National Empowerment Fund 15% and 5% is earmarked for management and staff

Both CNI and Comair met the January 15 payment deadline, handing over their cheques for R4,8m and R6,25m respectively

There is a two-year period of interest-free grace before the consortium members must stump up their proportional shares of the R25m price tag balance

Says Ngwenya. "We asked for an extension as the bank (FNB) wanted to do further due diligence But we have a letter from the bank showing that we've secured financing subject to this due diligence "

The "sticking point," he adds, is that the bank needs to assure itself "there is a co-operation agreement between Sun Air and Comair " The airlines have been quarrelling over the more lucrative domestic routes

CNI executive director Sam Nematswerani is aware that Rethabile missed the payment deadline "We're totally separate from them and I'm not sure what happened," he says

Rethabile was advised in the Sun Air bid by Kagiso Financial Services Martin Bloch, senior manager of Kagiso's corporate finance department, says "The bank has given us a letter offering us finance subject to certain conditions precedent "

Asked to comment on Ngwenya's statement that the sticking point was a co-operation agreement between Sun Air and Comair, Bloch says "That's probably reasonably accurate Certainly there are a number of issues that need sorting out "

Steven Naude, head of corporate finance at BOE NatWest, which advised government in the sale, says "Government has given Rethabile an extension We've closed the transaction from a handover point of view and the consortium should be running with it from now "

Jack Lundin

SAA 'strongest African airline'

(269) CT(BR) 8/1/98

AUDREY D'ANGELO

Cape Town — Africa had a huge potential for growth in business travel and South African Airways (SAA), which had a commercial partnership with Lufthansa, the German airline, was the strongest airline on the continent, Dan Lewis, the general manager of corporate communications at Lufthansa, said yesterday

Lewis said SAA was "still a good cultural fit" with Lufthansa, despite difficulties caused by restructuring in preparation for SAA's privatisation, and there had been no suggestion that the partnership should end.

SAA was Lufthansa's preferred partner on the continent, despite uncertainties about any future alliance it might form as a result of privatisation, Lewis said.

Strengthening speculation that Lufthansa might offer to buy a stake in SAA despite comments by senior executives that it was not group policy to take equity in another airline, Lewis said Africa was "one of our most important markets" and airlines which expanded their African networks now would benefit the most from future growth.

Spoornet deal part of drive to go global

Spoornet's signing of an agreement with Cameroon tomorrow is another step forward in its increasing focus on Africa, and part of its broad-based plan to go global. Francois Misser and Robyn Chalmers look at the road ahead.

(269) BD 9/1/98

SPOORNET's plans to expand internationally are taking off, with its part-owned subsidiary Comazar playing a pivotal role in the parastatal's increased focus on Africa and further afield.

Announcing a major restructuring exercise late last year, Spoornet CEO Braam le Roux said identification of international joint ventures would be a key element of the revamped Spoornet.

At the time of the announcement, Spoornet and the Belgian railways had already formed the Comazar joint venture company to run the railway serving the Democratic Republic of Congo's copper mining province of Shaba.

Comazar has also bid for operation of the Regifercam Cameroonian railways network, and is taking a 7,5% share in a Brazilian company called Interferrea Logistics. The company also plans to bid for a concession contract to operate the Malagasy railways; to operate the Congo-Ocean railway; and is negotiating traffic rights for Spoornet block trains — cargo trains operating on a fixed route — in Tanzania.

Spoornet executive director Mafike Mkwanazi says Spoornet is looking at a host of other possible projects in Zambia, Angola and Zimbabwe while exploring international joint venture opportunities in South America, the Far East and sub-Saharan Africa. There have also been exploratory trips to Thailand, Malaysia and the Philippines.

Spoornet's decision to go global dovetails with the recently announced plans of Transnet, Spoornet's holding company. Transnet MD Saki Macozoma says the parastatal is increasingly following companies, particularly mining houses, which are expanding into foreign countries, with the aim of providing back-up transport services.

Countering criticism that Transnet and its subsidiaries should "stick to their knitting" and concentrate first on getting their entities in shape locally, Macozoma argues that it is necessary to take control of expansion into foreign countries. This is preferable to finding Transnet sucked into areas for geopolitical and other reasons, as has happened in the past.

He believes it is important for Transnet to take advantage of opportunities which are opening up in other countries, particularly those countries into which SA companies are moving.

However, Mkwanazi says Spoornet is being cautious in considering foreign joint ventures as it is handling government assets. While the number of joint ventures undertaken by Comazar has been steadily rising, exhaustive planning was necessary.

Comazar's recent bid with other partners to become the operator on the Regifercam Cameroonian railways parastatal network involves plans to invest about $75m over 20 years in the network. The deal also includes payment of a R3,75m track right to the Cameroonian state, along with additional sums which would vary, depending on traffic volumes.

The Cameroonian Railways Company is to be set up, owned jointly by Comazar, Geodis (a subsidiary of French railways company SNCF) and smaller shareholders such as Mobil Oil and the Belgian Six Construct company.

Preliminary estimates indicate a 50% return on investment at the end of the 20-year period can be expected. The railway company group also expects a $60m turnover in the first year of exploitation. These estimates could be conservative, particularly as the Cameroonian government expects a sharp increase in timber and cotton exports. Transporting equipment for the construction of a future oil pipeline between Chad and Cameroon could also boost traffic volumes.

However, the Cameroonian Railways Company is facing tough competition in its bid to operate the network from a rival French consortium which includes the SDV-Bollore group and another SNCF subsidiary Sistra. Technical offers have already been submitted.

The SDV-Bollore-Sistra consortium has one advantage over the Cameroonian Railways Company — it plans to invest more in the first period of the contract. SDV-Bollore is already in control of 70% of Cameroon's maritime traffic and also owns a large share of the road transport market. If it also managed Cameroon's railways, it would find itself in a near-monopolistic situation which would harm the interests of the economy, say its adversaries.

Comazar may bid for a similar concession contract to operate the Malagasy railways, but Comazar Belgian board member Eric Peiffer says prequalification for the contract could take some time.

The organisation was recently approached by advisers to the president of Congo-Brazzaville, Denis Sassou Nguesso, who wants to privatise the local Congo-Ocean railway between the capital and the port of Pointe-Noire.

Comazar may put in a bid for a concession contract. Again, it faces competition from the Bollore group, whose partner Sistra-SNCF managed the Congo-Ocean railways for two years previously. Preliminary studies show exploitation costs would be $9m in the first year, rising to $25m at the end of the 10-year contract period, but returns should increase in the same proportions.

Comazar is negotiating traffic rights for Spoornet block trains to Kidatu station in Tanzania at the junction between southern Tanzanian Zambian Railways and the northern Tanzanian Railways Company networks, to be operated to Mwanza on Lake Victoria.

The aim is to ease the transport of SA goods like spare parts, fuel and manufactured products to Tanzania and nearby countries.

From Mwanza, goods could be transported on a ferry boat to Entebbe in Uganda and then sent by road to Rwanda, Burundi and Eastern Congo. Or block trains could be sent from Kidatu to Kigoma on Lake Tanganyika. Goods could then be ferried across the lake to the Congolese city of Kalemie, in northern Katanga.

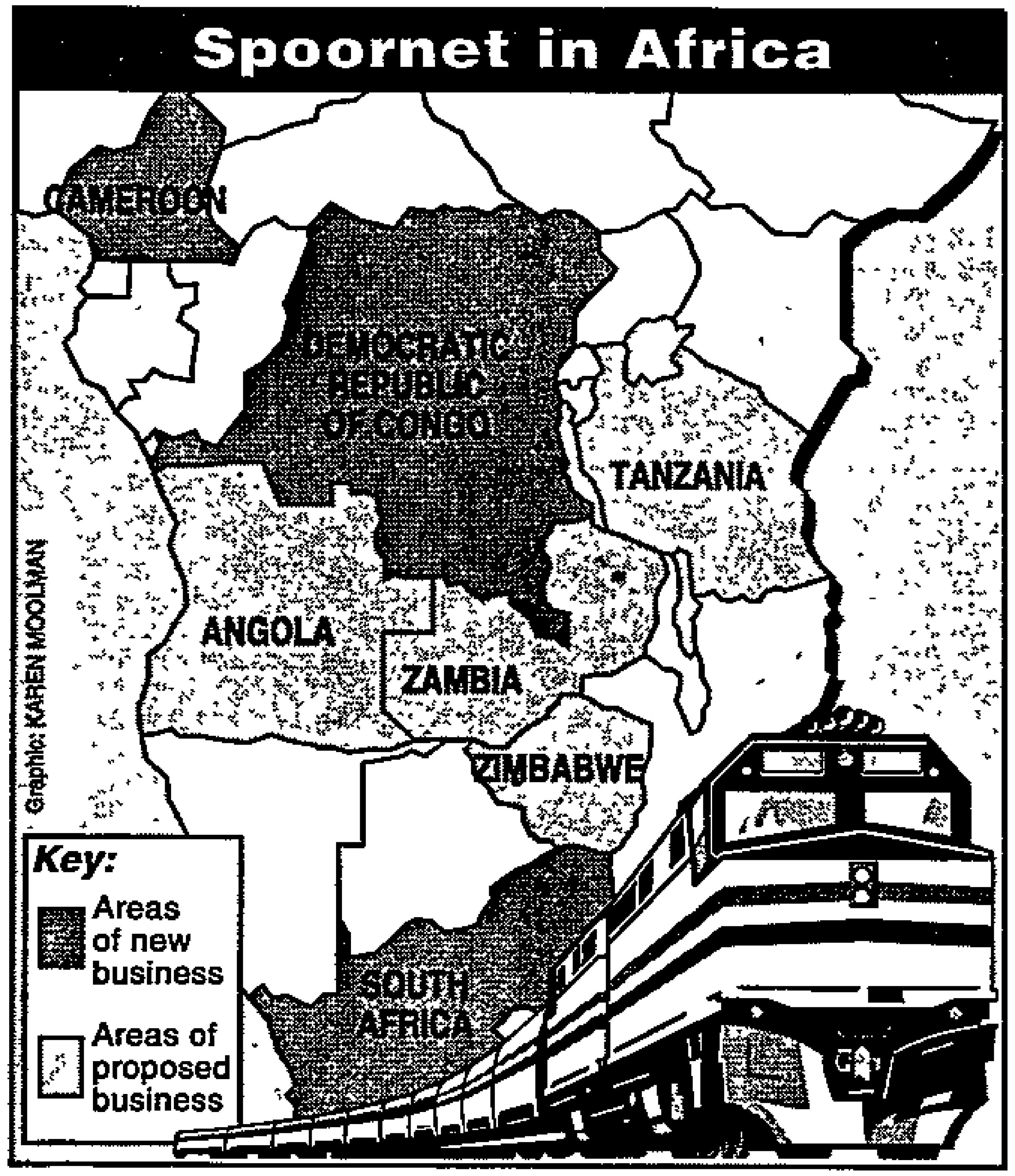
The deal would involve a several million dollar investment by Comazar in construction of a transhipment terminal at Kidatu, to allow goods to be transferred on the Tanzanian Railway TRC trains which operate on the narrow gauge (1m) network.

Peiffer says the deal is almost concluded and six locomotives are currently being adapted in SA for use on the narrow gauge network. The main problem facing Comazar, which hopes to send up to two block trains a week on the TRC network, is to get a sufficient return on the way back to SA.

Comazar has taken a 7,5% share in a Brazilian company called Interferrea Logistics. This group is co-owned by Spoornet and the main private Brazilian investors in the different Brazilian railway systems, which are not interconnected. The north-south railway traffic is thus complex as goods are ferried to ports, loaded on ships and then transferred to another railway network.

The aim of the Interferrea-run project is to create and manage rail and road transhipment terminals which would allow for improvement of the north-south traffic. Spoornet has developed a software management system for the traffic of containers and of the integration of the various functions.

While many of Spoornet's — and subsequently Comazar's — projects are still in the feasibility or planning stages, there are enormous growth opportunities for the parastatal which could go some way towards offsetting restructuring costs and establishing it as a key international player in the transport industry.



Tough task for new transport minister

ARG 15/1/98

Outgoing Ramatlakane leaves corruption problem unsolved

(269)

NORMAN JOSEPH
STAFF REPORTER

Outgoing provincial Transport and Public Works Minister Leonard Ramatlakane says his successor, Michael Louis, faces a tough task dealing with corruption in the department.

In an interview in his last week in the job, he said a former department official soon would be criminally charged with corruption.

Mr Ramatlakane said the Meyer Commission he set up to investigate corruption had gathered enough evidence on the suspect who had "made unlawful land deals in his official capacity".

"This is one of the problems I regret I didn't have enough time to sort out. There is a lot still to be unravelled regarding corruption and unlawful land deals.

"I have opened up and exposed corruption, but now can't continue."

Mr Ramatlakane is one of three ANC ministers leaving Hernus Kriel's National Party-dominated cabinet.

He said he hoped Mr Louis of the African Christian Democratic Party, who emerged from Mr Ramatlakane's office yesterday just before a Cape Argus news team entered, would show commitment to investigate corruption.

"I hope he can continue what I've started in my three-and-a-half years as an MEC," Mr Ramatlakane said.

Problems in the taxi industry were another legacy he was leaving.

For example, a way had to be found to include the metered taxi industry in a transformation process.

"The taxi formalisation process, in which I have personally played a major role, is only now coming to fruition and I won't be around to see it through."

On the positive side, Mr Ramatlakane said the process of registering taxi drivers was well advanced and certificates were being posted to taxi associations and their members.

"I look forward to seeing visible evidence of the registration in the form of permanent markings on all taxis indicating their home ranks and destinations. This will, I hope, eventually lead to a conflict-free industry."

The significant progress that had been achieved towards implementing a new transport policy for the Western Cape was pleasing.

Following the release of the Green Paper on Transport Policy just over a year ago, the White Paper was approved by the Cabinet last June.

Mr Ramatlakane, with a broad smile, labelled this as one of his achievements.

"A National Land Transport Bill is scheduled for publication during this year and it is my intention that a Provincial Land Transport Bill should be simultaneously introduced in the legislature. My department is busy drafting this vital legislation.

"One has to deal in a holistic way with all the stakeholders, such as Metrorail, the Provincial Taxi Representative Council, the bus industry and the property market, to name a few."

Mr Ramatlakane said that in spite of serious financial constraints there were many road construction contracts worth millions of rands, especially in Boland areas.

And his personal future?

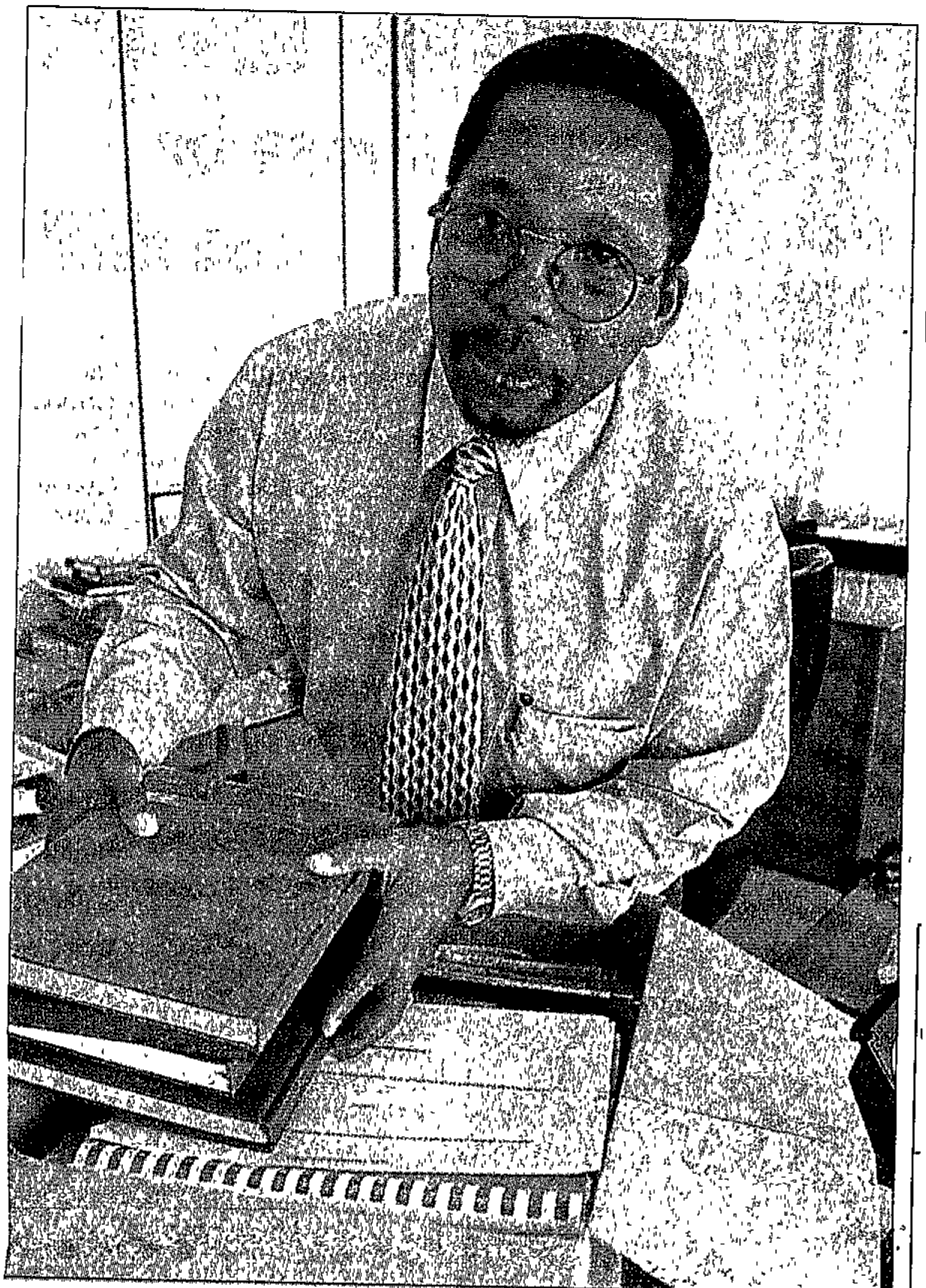
"I will be fighting from different trenches in the near future as a member of the provincial legislature.

"I will ensure that the ventures and other things I have put in motion are carried forward.

"Time will tell whether Mr Louis will carry on with the transformation process."

209

CAPE ARGUS, **THURSDAY**, JANUARY 15, 1998



LEON MULLER

Last days: outgoing provincial Transport and Public Works Minister Leonard Ramatlakane

Ex-Transnet executive director to seek legal advice after firing

BD 22/1/98 (269)

Robyn Chalmers

FORMER Transnet executive director Joe Ndhlela was taking legal advice after being dismissed on Tuesday, his lawyer Daan Mostert said yesterday.

Mostert said Ndhlela was "carefully considering" an action in the Labour Court on the grounds that Transnet had not followed the proper procedures in the course of his dismissal.

He said Ndhlela also denied all the charges brought against him.

Transnet said Ndhlela had been sacked for gross misconduct. An internal disciplinary inquiry found him guilty of bugging company telephones, receiving secret commissions and not disclosing his material interest in the Transnet Funeral Benefit scheme.

Ndhlela was also found guilty of not disclosing his directorship in Screenworld, paying recruitment agencies for services not rendered, and contravening the company's firearm policy.

Transnet spokesman Tami Didiza said yesterday the Transnet board would seek a replacement for Ndhlela, who was in charge of Petronet, ailing parcel carrier PX and transport equipment manufacturer Transwerk.

He had responsibility for Transnet's human resources division as well as its production house and the Esselenpark Centre of Excellence.

Didiza said it had been agreed by the board that the allocated number of executive director positions would be filled, so it was likely that Transnet would look for another executive committee member.

Transnet MD Saki Macozoma had taken over the majority of Ndhlela's responsibilities with the exception of human resources.

Transnet announced late last year that SA Breweries' southern regional operations director, Rob Childs, had been hired as executive director with responsibility for Portnet.

Childs, who starts on February 1, will replace former Transnet executive director Sipho Nyawo.

Nyawo was dismissed last year for gross misconduct concerning allegations of credit card abuse.

PORTNET

fm 30/1/98

Government dragging the anchor on privatisation

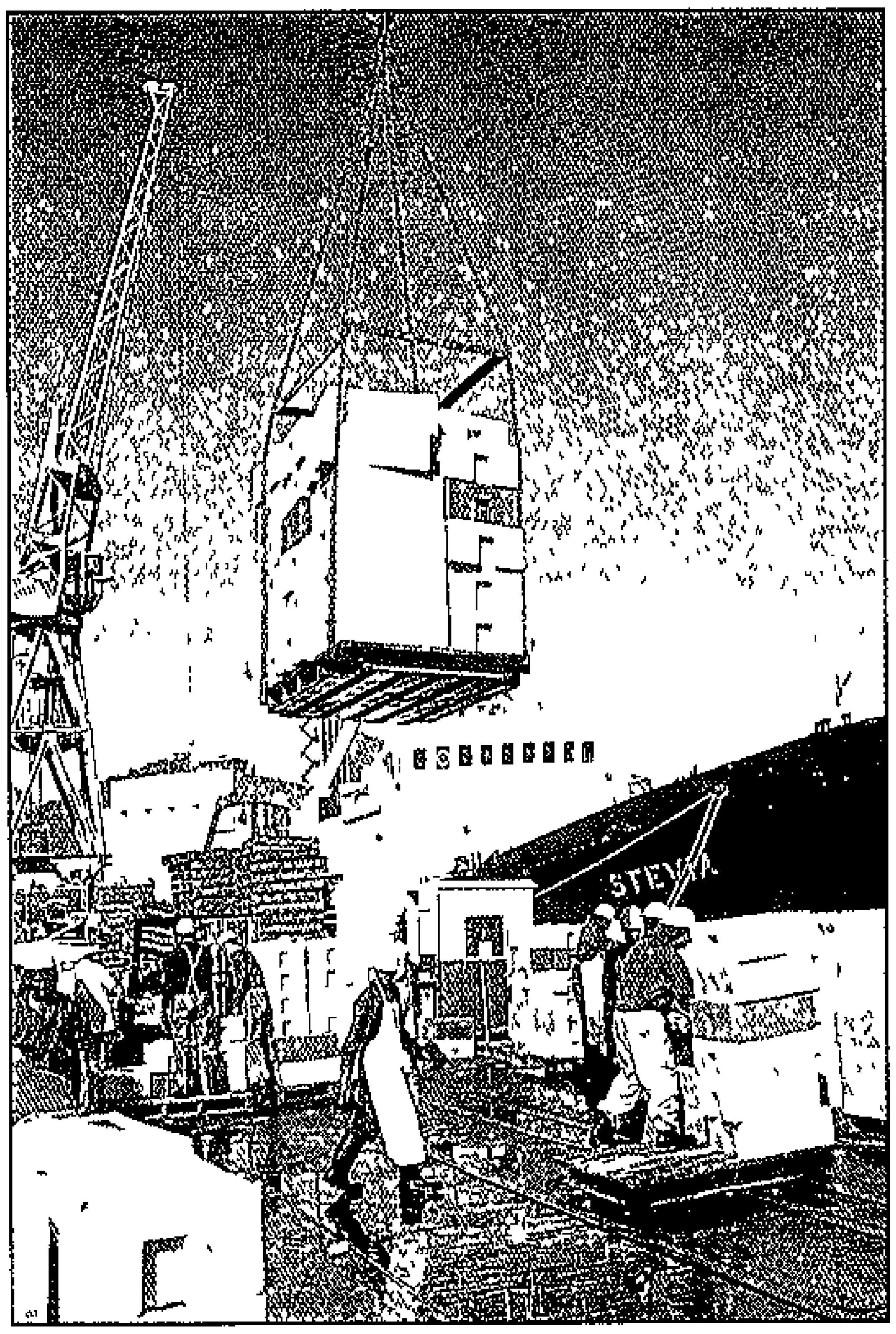
(269)

Wharfage charges being used to prop up monopoly are pushing SA harbours into backwater

SA trade is growing at least twice as fast as gross national product and for the first time ever the export of beneficiated products is beginning to rise as a proportion of total exports

It should be good news all round But it's not Instead of meeting the challenges of upgrading ports and inland transport infrastructure to ensure traders can take advantage of these new circumstances, government is instead dragging its feet in urgently needed privatisation This, say industry experts, is hindering trade and badly affecting SA traders' competitiveness

Nothing symbolises this sad state of affairs more than the departure from Cape Town harbour of a P&O Nedlloyd-owned ship in early January — without its cargo of exports worth R20m It was the Christmas period and no Portnet labour could be secured to load the containers P&ON was stymied by an antiquated ports law which rules that only port labour can be used to carry and haul containers within 110 km of a port



Cape Town wharf *over priced and out of sync*

This was at the height of the fruit season and, to add insult to injury, the next day P&ON received notification of a 9% hike in container handling charges This "uncommercial" attitude is holding up trade, says P&ON MD John Turner

Government realises this and there are moves towards privatisation But, as Department of Transport director-general Ketso Gordhan resignedly admits, "things move slowly in government " And there are those within government who are chary of privatisation

Gordhan himself feels strongly that change is required Most of Portnet's profits come from wharfage charges which, says Gordhan, are structured in a way which is out of sync with the rest of the world They are hitting SA's competitiveness, he says And the profits they generate, instead of being reinvested in ports, are being used to prop up the monopoly and make it look as though it is breaking even

Gordhan says Portnet would still be making money if the wharfage was 50% of what it is now P&ON's Turner says wharfage is nothing less than a tax on trade "It has nothing to do with commercial practice "

"Part of the complication is that Portnet is playing three roles," says Gordhan "It is a regulator, deciding on issues such as port safety, quality of service and charges It is also a landlord And thirdly, it is an operator, running all the port services "

In effect, says Gordhan, it is an unregulated conglomerate And this, he says, must end Government is looking at separating the three functions, retaining control of regulating ports but having a type of public corporation in charge of the landlord functions and privatising the operations

Commerce and industry has also demanded these changes Turner says the monopolistic and inefficient way Portnet and Transnet operate is a hindrance to the growth of trade He believes ports must be made to compete with each other to improve efficiency In the shipping industry today, turnaround time is crucial to competitiveness "A port which offers the most efficient and cost-effective turnaround times will attract the most business," he says

But railways would also have to be upgraded Spoornet, says Turner, is only beginning to see users as customers and is still too bureaucratic He believes there should be privately owned railheads which could use their own labour

Once the ports have an incentive to be efficient and competitive, investors will be prepared to invest in the expensive resources necessary to develop SA's ports up to world standards, says Turner

Meanwhile, SA is nowhere near ready to cope with its entry back into world trade

With the lifting of sanctions and the election of a new government in 1994, shipping container traffic growth shot up to 19,6%, rather than the predicted 3,5% Volume surges caused a huge traffic backlog at Durban and Cape Town, causing delays in turnaround times and costing shippers and shipping lines millions of dollars

Portnet seems keen to do something about its infrastructure requirements Capital investments increased from R185m in 1993/1994 to R646m in 1996/1997 For 1997/1998 a record capital budget of R1,442m was approved for the seven SA commercial ports

Vicki Sussens-Messerer

WHISKY WISDOM

Just a wee dram

Nearly 600 entries were received for the *FM*'s "Test Your Whisky Wisdom" competition The following are the winners, drawn from the correct answers received

1 A case of The Famous Grouse. H McCulloch, Box 1516, Eshowe 3815

2 A case of J&B Rare E R Badenhorst, 28 Emu Crescent, The Heads, Knysna.

3 Three bottles of Dimple P K Durr, Box 22238, Windhoek, Namibia

4 A case of Glen Grant Dr J F C Morgans, 10 Bedford Road, Cowies Hill, Pinetown 3610

5 Three bottles of Chivas Regal J C de Jong, 6 Le Roux Street, Eden Glen 1609

The prizes are donated by the manufacturers ■

Disaster fear in city air chaos

(269)

(288)

Bid for controls

ARG 30/1/98

CHENÉ BLIGNAUT
STAFF REPORTER

The tourist boom has turned the skies above Cape Town into a free-for-all and pilots, fearing a crash, want strict new controls imposed on air traffic.

Aircraft movements over the Peninsula have more than doubled over the past three years, giving rise to serious concern about the safety of pilots, passengers, aircraft and the residents of coastal suburbs – over which dozens of aircraft fly daily.

Apart from a few restricted areas such as those over Cape Town International Airport, Simon's Town, Koeberg and Cape Town docks, airspace over the Peninsula is uncontrolled and pilots are required only to "broadcast their intentions".

The problem is greatest along the coast

Pilots fear the increasing number of airliners, helicopters, private, sightseeing and rescue aircraft, paragliders and aircraft used for stunt flying and sky advertising, all flying at various heights and in different directions, could lead to a crash.

There have already been unconfirmed reports of near-misses.

The problem is expected to get worse if current initiatives succeed, seeking to allow private aircraft to operate from airfields other than Cape Town airport, Fisantekraal and Stellenbosch.

In an attempt to solve the problem, the Civil Aviation Association of South Africa, the Helicopter Association of South Africa and the Peninsula Pilots' Forum met last month and drew up a draft document containing proposals for stricter controls.

This has been submitted it to the Department of Civil Aviation. If the proposals are accepted by all aircraft operators, they could be enacted within the next few months.

The rules would prohibit pilots from flying lower than 1 500 feet, said Andy Cluver, Western Cape chairman of the Helicopter Association. Emergency and medical rescue aircraft would be exempted from this rule.

At present pilots flew as low as 500 feet over the sea and 1 000 feet over land in uncontrolled areas.

The minimum height for helicopters had already been raised to 2 000 feet by the Helicopter Association.

The captains of airliners which flew very low over the Peninsula to show tourists its scenic glories had been asked not to fly lower than 5 000 feet. But they could not be forced

To page 3

Disaster feared in city air chaos

(269) (288)

from page 1

ARG 30/1/98

to comply, Mr Cluver said. Low-flying jets posed the biggest danger to air safety over the Peninsula.

It was also desirable that pilots broadcast on a single frequency, whereas now they used three around the Peninsula

"We want to police and rectify this ourselves and do something before a problem occurs and the authorities get involved "

Willie Lombard, manager of air traffic control services at Cape Town airport, said although he had had no official complaints, he had heard stories of pilots who had had to bank to avoid paragliders, and of near misses between aircraft.

Some areas, such as Camps Bay, had become a "free for all"

Moving South Africa into the 21st century

By Anna Cox

The Department of Transport is the only national department to have launched a 20-year plan.

An R18-million project called Moving South Africa (MSA), aimed at developing a strategy to ensure the transportation system meets the needs of the country in the 21st century, was recently launched by Transport Minister Mac Maharaj.

The project, which will take 14 months to complete, involves all aspects of transport, including shipping and aviation.

For transport to be a driving force for economic growth and social development, it should be efficient and effective and meet the needs and demands of all transport customers within the present constraints of our resources, said Maharaj.

"Transport is a key factor in creating sustainable economic growth. An efficient transport system will ensure that South Africans are mobile and that we will be able to trade competitively in the global environment. Although South Africa does possess a basic transport infrastructure, it is characterised by serious problems.

These include a high fatality rate, lack of investment in road system maintenance, declining usage of rail and bus transport, large numbers of people having to commute long distances, disproportionately high charges for transport, overloading by road hauliers, and the lack of finances, capacity and information to address these problems effectively," he said.

The plan will work alongside the White Paper, which deals with more immediate problems.

"If we want to compete in the world, we have to develop strategies to improve our competitiveness in trade and investment. This is an ambitious project; no other has been undertaken on this scale before.

"The challenge for the project is to break out of the mould of considering only immediate, short-term solutions to the major structural problems which are inhibiting our ability to deliver on the major goals of the Reconstruction and Development Programme.

"Neither Government nor the private sector is in the habit of thinking five years ahead, let alone 20. MSA challenges us to do just that, and ensures we are in the position to act on the critical factors which will determine whether or not we are able to turn our century around towards growth, employment and improving standards of life," he said.

Six representatives from the Department of Transport, CSIR, transport stakeholders and two internationally renowned firms were appointed to serve on the MSA board after a tender process.

"By the end of the project all government and transport stakeholders should have a clear strategic focus to guide their future actions in meeting the transport challenges of the 21st century," said Maharaj.

No more waiting: urban transport heads for fast lane

Radical changes to be put into effect

Department's powers will be devolved

Star 2/2/98

(269)

By Anna Cox

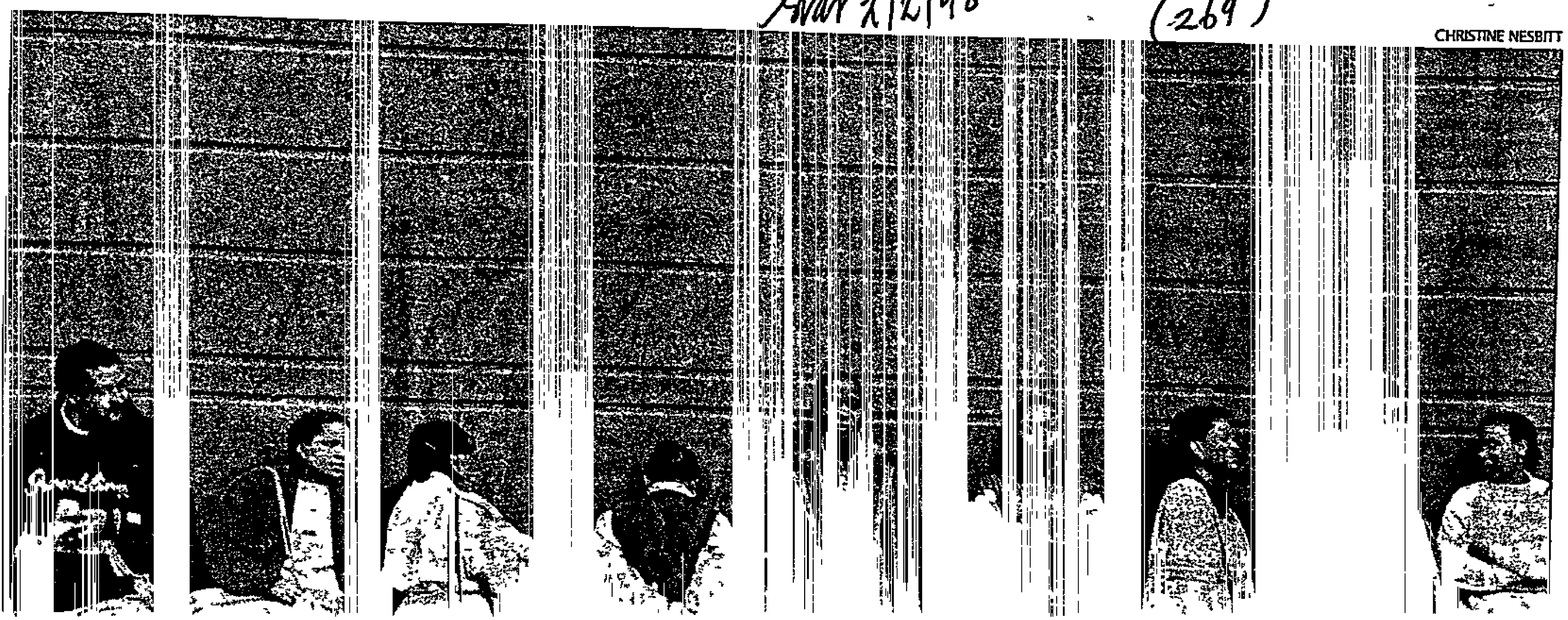
The Department of Transport will be undergoing radical changes this year with the introduction of commercialised agencies for roads, shipping, aviation and cross-border travel.

The plan is to have independently operating airlines, ports and railways within the next four to seven years.

This restructuring of transport administration in South Africa will bring about the running of all modes of transport along commercial lines, with private sector partners. There will be no more bus and rail monopolies.

The transport sector has always been highly regulated, with extensive protection measures, limited competition, rigid rules, and a high degree of government involvement. It has been a large and relatively inefficient part of the public sector.

It needs transformation to



CHRISTINE NESBITT

and aircraft for safety.

In each case there will be a fee for the service. The current reality is that the staff carrying out these tasks are paid as civil servants and the department is unable to retain enough skilled personnel. The cost of these services to the client are subsidised by the state and there is no real link between the tariff and the cost.

An agency with a board and a chief executive officer created by legislation could run these operations with a limited government grant, with users paying for services.

Roads, and national roads in particular, are a more complex issue.

There are approximately 7 500km of national roads, of which some 700km are toll roads. The proposal is to create an agency which constructs, maintains and manages roads using a surrogate for direct user charges, namely a petrol levy to finance ...

to be put into effect

urban transport heads for fast lane

powers will be devolved

Star 2/2/98 (269)

BY ANNA COX

The Department of Transport will be undergoing radical changes this year with the introduction of commercialised agencies for roads, shipping, aviation and cross-border travel.

The plan is to have independently operating airlines, ports and railways within the next four to seven years.

This restructuring of transport administration in South Africa will bring about the running of all modes of transport along commercial lines, with private sector partners. There will be no more bus and rail monopolies.

The transport sector has always been highly regulated, with extensive protection measures, limited competition, rigid rules, and a high degree of government involvement. "It has been a large and relatively inefficient part of the public sector.

It needs transformation to assist it in realising the country's social and economic goals, said Department of Transport deputy director-general Malcolm Mitchell.

Four agencies are to be set up and run by the private sector for roads, shipping, aviation and cross-border travel. Each of these agencies will have a chief executive officer and employ its own staff. Employees will not be public servants.

"The process of the institutional reform of transport in South Africa has the aim of liberalising the transport sector and establishing a stable macro-economic environment within which the private sector is exposed to real economic signals and market forces. At the same time the public sector will be reformed," said Mitchell.

"Ultimately we will need to ask whether it is necessary for the Government to even provide the services – even on a user-pay basis – but for now, in order to ensure sufficient regulatory and safety control, the services should remain under some government control," he said.

CHRISTINE NESBITT

Wait on their minds ... standing around and hoping that a taxi turns up is the lot of many commuters, but the Department of Transport plans to take the trauma out of urban travel.

The most drastic changes will take place in urban transport. Most of the department's powers will be devolved to provincial and metro transport authorities. Other changes include the ending of bus and rail operators' monopolies. In the longer term, commuter rail services will be put out to tender to encourage competition.

Four services have been identified which should be paid for on a user-pay principle, said Mitchell.

"The first is the provision of permits for cross-border travel for passengers and goods. Permits are issued on the basis of bilateral agreements with neighbours, which limit the numbers and place certain conditions on road users. The Government does not currently operate this service on a commercial basis – there is no income expenditure account for the operation, and expenditure is made from the department's budget.

"This is a good example of the type of activity that can be managed at arm's length by the Government in a commercial environment," he said.

Very similar agencies for maritime and aviation safety are envisaged.

A maritime safety agency will operate the shipping functions and an aviation safety agency will regulate air transport and safety. They will regulate standards for professionals in their fields, setting examinations and issuing licences, and will check ships and aircraft for safety.

In each case there will be a fee for the service. The current reality is that the staff carrying out these tasks are paid as civil servants and the department is unable to retain enough skilled personnel. The cost of these services to the client are subsidised by the state and there is no real link between the tariff and the cost.

An agency with a board and a chief executive officer created by legislation could run these operations with a limited government grant, with users paying for services.

Roads, and national roads in particular, are a more complex issue.

There are approximately 7 500km of national roads, of which some 700km are toll roads. The proposal is to create an agency which constructs, maintains and manages roads using a surrogate for direct user charges, namely a petrol levy, to finance work. Created by legislation and accountable to the minister and parliament, it will also have a board and its own staff.

The net effect of these charges, which it is hoped will be in place by mid-1998, is that the activities should be more efficiently managed.

The cost should be borne by the specific user or beneficiary, and accountability and transparency in the provision of the services should be strengthened.

The size of the department will be considerably reduced with the main focus of its activities being policy formulation, planning and legislation, regulation and the promotion of safety and new and improved developments.

At this stage the department would probably constitute no more than about 250 people, instead of the current 1 053, and have a much clearer focus on policy, planning and regulation.

Email· fmeco bus@tml.co.za

JOHANNESBURG'S BUS SERVICE (269) FM 6/2/98

Privatisation could protect passengers

The wheels are coming off the municipal transport service

A large proportion of Johannesburg's municipal buses are old, dilapidated and even unsafe, a consortium of consultants has warned the Greater Johannesburg Metropolitan Council (GJMC) and the four local councils which fall under its aegis

The finding is part of an organisational review undertaken by Price Waterhouse, Ebony Financial Services and KMMT Brey for the GJMC

The consultants caution that the situation has "serious implications for passenger safety" and that the GJMC could be exposed to costly legal action for negligence if commuters are injured in one of its deteriorating buses

According to the Metropolitan Bus Service's own assessment, nearly 75 of its fleet of just more than 550 buses — slightly more than 13% — are in "need of urgent refurbishment"

Of the 75 buses, 15 are considered positively unsafe and are "currently being withdrawn from service"

The situation is likely to deteriorate Nearly 295 double-decker buses — more than 53% of the total — will "require refurbishing" before the end of the year One of the reasons for the problem is the average age of the double-decker buses is 14 years "compared to an SA industry average of approximately eight years"

But the Metropolitan Bus Service cannot refurbish its ageing buses, because of budget constraints Its capital budget has been cut from R6m to nil, as part of the set of emergency measures introduced last year to restore the GJMC to financial viability

As buses are withdrawn from service, another problem develops — congestion on main roads in the Johannesburg metropolis gets worse

More and more commuters take to their cars or minibus taxis because the bus routes are no longer serviced or are serviced less frequently The cash-strapped GJMC simultaneously suffers a loss in revenue from its bus service

As the consultants — who were paid R3m for their review — note "The age of the fleet could result in the compromising of passenger safety and the regularity and dependability of the bus service (while) the appearance of the fleet could cause passengers to use alternative modes of transport, thus resulting in revenue loss for the Metropolitan Bus Service"

These problems are compounded by the service's top-heavy management While all managerial posts are filled, nearly 310 or a third of the nonmanagerial posts are vacant

Understaffing is particularly acute in the vital technical section

Of the "super-critical technical posts" — mechanics, bodybuilders, autoelectricians and workshop assistants — almost as many posts are vacant (47) as are filled (59)

Yet, despite the large number of unfilled posts, salaries and allowances account for more than 40% of the Metropolitan Bus Service's expenditure, well in excess of the 30% target set by the GJMC and the four local councils that serve the Johannesburg metropolis

One way out of the impasse, the consultants advise, is to privatise or commercialise the municipal bus service

They note the Metropolitan Bus Service has already started to lease its buses to the private sector, with promising results income from the hire of buses has grown from R173 230 in July 1996 to nearly R320 000 last July

But, the consultants add, the hiring-out of buses is constrained by the budget cuts which have made it "impossible to run the existing service to an acceptable standard"

The option of privatising the service has been under consideration for some time, the consultants write But a political decision is required for definite steps to be taken in that regard

DP leader in the GJMC Mike Moriarty believes that opposition to selective privatisation of GJMC assets and "outsourcing" of its functions has diminished in the ranks of African National Congress councillors, who control local government structures in Greater Johannesburg

He describes Kenny Fihla, chairman of the

P.T.O.

Committee of 10 which has been overseeing financial restructuring in the governance of Greater Johannesburg, as a competent pragmatist and believes that he is open to persuasion by the financial realities

Apart from the bus service, the consultants urge that consideration be given to privatisation of Rand airport and outsourcing management of the fleet of municipal vehicles.

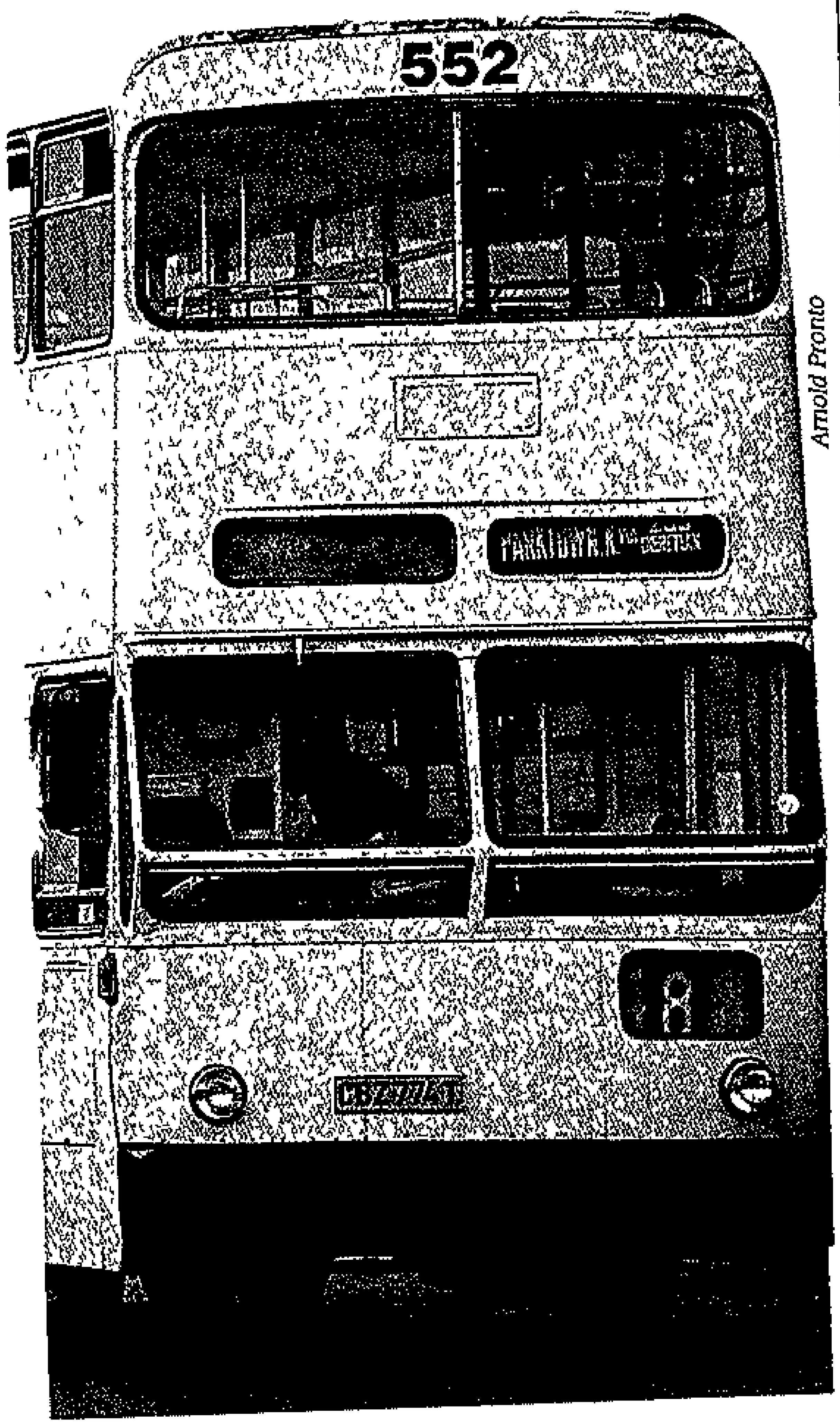
On the airport, the consultants say: "The operation of a commercial airport . . . cannot be regarded as a core function of local government."

They describe the GJMC's management of its fleet of vehicles as ineffective (and, by extension, costly).

Moriarty, however, warns that opposition to privatisation and outsourcing is still formidable and predicts a tough battle lies ahead.

He identifies three sites of resistance — council officials who do not want to lose control of their "empires", ANC councillors who are ideologically reluctant to surrender municipal assets and functions to the private sector, and the SA Municipal Workers Union, which fears the changes may lead to retrenchments

Patrick Laurence



Arnold Pronto

MANAGEMENT

Macozoma has learnt a lot as Transnet MD

(269) BD 12/2/98

Michael Acott

SAKI Macozoma has used customer service and the profit motive as key elements in getting Transnet staff to support transformation at the giant transport parastatal.

The message he has hammered home is that satisfied customers and a profitable business are the only true paths to job security.

"I have told top management to forget about any timidity when it comes to making money. As long as you make a profit, somebody will listen to you," he said in an interview.

"This notion that parastatals should not make profits is ridiculous. If you are not in a mode of making a profit, you will never survive as an organisation."

Macozoma, now 40, joined Transnet in April 1996 as deputy MD and became MD in September that year.

He does not see it as a career job, and Transnet, or major portions of it, might be privatised before his five-year contract is up. But the former African National Congress (ANC) parliamentarian and party spokesman believes transformation will be the single most satisfying achievement of his tenure.

Under the National Party government, Transnet jobs were reserved for whites, and particularly Nationalist Afrikaners. The change of government started a transformation process under Macozoma's predecessor, Anton Moolman, which Macozoma accelerated when he took over.

Macozoma says one of the major issues he faced was a lack of management cohesion, morale and direction. As a result of expectations of privatisation, management had been "in a state of drift" for five or seven years. People were focusing on the politics of the organisation, not its business activities. "I emphasised that a manager's job is not to worry about the future of Transnet, but to make sure flights leave on time, trains leave on time and customers are satisfied. That is also the only way to preserve the job," he said.

MACOZOMA

Two months after he took over, Macozoma began a six-month exercise called shared vision, designed to ensure that everybody in the organisation understood where it was going and why, what their role was and how performance would be measured and rewarded.

Not everybody agreed and some left because they did not see themselves fitting in. Others have blossomed, including some long-serving staff members who say they are allowed to think in their jobs for the first time.

Macozoma says an immediate benefit was customer service. Some clients found themselves visited for the first time to have their needs discussed.

And this is where he believes the emphasis should be.

"We do not sell trains or pipelines. We are in the business of providing transport solutions, and if we cannot solve the customers' problems, we will not be in business for too long."

Service and profitability are also means to turn both transformation and the possibility of privatisation from threats into opportunities, he says.

To counter increasing competition from road hauliers, Spoornet is offering a one-price door-to-door service, including road transport legs of the journey.

"We will go to a factory and ask what their inputs are, what their production plans are, what output they expect, and we will provide a total solution."

That solution comes with a delivery guarantee backed by a penalty clause.

"These things are new and people are really excited about them," he says.

Transnet is focusing on clawing back market share in traditional areas, and on identifying growth opportunities at home and elsewhere in Africa.

Macozoma speaks with confidence now, but says he had to earn his authority.

This included establishing his integrity and persuading staff that he was fair, had no hidden agendas and would take decisions in the interest of the company.

"Initially I had to take the reins and say to everybody that I was in charge, whether they liked ~~it or~~ not. But until people see a black senior manager take what they see to be a good business decision, there will be lingering doubts. That suspicion has now gone."

Macozoma has learned much at Transnet, including, for someone brought up in a culture of collective decision-making, the meaning of the phrase "the buck stops here". With that, he has learned that painful decisions cannot be postponed, and to trust his instincts.

He has also learned to listen. Not that politicians do not listen, he says, but failure to act on what they are told need not have immediate effects. In business it can affect the next quarter's results.

Macozoma believes two things are essential to success in his post: his continuing links with the ANC — his position on its national executive gives him an insight into the reasoning and motivation for government policy — and his contract appointment, which gives him "a sense of dispensability". A Transnet career manager would have been too cautious to do what needed to be done, he says.

He has learned, too, the inevitable role of the public servant. "I accept that when I fail, the failure is mine, but when I succeed, the success is the minister's."

CAPE TIMES
FRIDAY, FEBRUARY 20, 1998

R250m Japanese loan for railways

(269)
CT 20/2/98

ANDRÉ KOOPMAN

THE Japanese government is to give the South African Rail Commuter Corporation a R250 million low-interest loan to replace ageing rolling stock on the Soweto-Johannesburg line.

Foreign Minister Alfred Nzo and Japanese ambassador to South Africa Mr Atsushi Hatakenaka exchanged notes in the city yesterday to establish the "Urban Rail Passenger Transport Modernisation Project" to upgrade trains on the Soweto and Southwest Corridor commuter lines.

Hatakenaka said the loan was not "tied" and the rail project would go to the highest international bidder. However, he hoped that Japanese firms would "join" the bidding process.

The 25-year loan has a seven-year grace period and a 2,7% interest rate.

Nzo expressed appreciation to the Japanese government "for its ongoing commitment to strengthen democracy and promoting economic development in South Africa".

Japan offered South Africa R6,24 billion in aid after the 1994 elections.

The agreement yesterday marked the second Exchange of Notes involving the Japanese Official Development Assistance (ODA) loans to South Africa. The first was signed on April 30, 1996, for the R313m KwaNdebele Region Water Augmentation Project and the Rural Social Infrastructure Programme.

About six percent of the R6bn package had already been committed to projects, Hatakenaka said.

Hatakenaka said the package was made up of R1,4bn in development aid, R2,4bn as a credit line for investment insurance and R2,4bn to be made available through the Japanese export-import bank.

Hatakenaka said his country was committed to providing assistance which would lead to improvement of life at "grassroots" level.

Japan is South Africa's fourth largest trading partner, with current two-way trade amounting to more than R16bn.

Since 1993 twenty-four direct investments in South Africa have been announced by Japanese companies, including those by Toyota (R466m), Bridgestone (R290m) and Nissan (R361m).

Govt receives R250-m boost from Japan

Sowetan 20/2/98 (269)

By Ido Lekota
Political Reporter

THE Government has received a R250 million boost from Japan to upgrade railway commuter services in Soweto and surrounding areas.

This follows an agreement signed by Foreign Affairs Minister Mr Alfred Nzo and Japanese ambassador Atsushi Hatakenaka in Cape Town yesterday

Since 1993 Japanese companies have made direct investment in South Africa amounting to about R1,02 billion. This included investments by Toyota (R466 million); Bridgestone (R290 million) and Nissan (R361 million).

The R250 million is a loan to be repaid over 25 years (with a seven-year grace period) at a nominal interest rate of 2,7 percent.

In terms of the agreement, international companies (including Japanese) can bid for the supply of the 60 coaches included in the deal.

This means that South Africans may soon have the opportunity of using Japan's famous hi-tech coaches.

Nzo said the R250 million was aimed at replacing old coaches as part of the Government's Urban Rail Transport Urbanisation Project.

He also indicated that the money was part of a loan package amounting to R6,24 billion which Japan had committed to South Africa since the ushering in of democracy in 1994.

Hatakenaka said that his country was pleased to contribute towards the establishment of more reliable means of transportation for the disadvantaged majority in South Africa

The Japanese ambassador also revealed that more loan agreements aimed at assisting in community development and education were still under negotiation.

Yesterday's loan agreement was the second of its kind with the first, amounting to R313 million, signed in April 1996 for the provision of water and infrastructure development in Mpumalanga.

CAPE ARGUS, WEDNESDAY, FEBRUARY 25, 1998

Rail commuters get Olympic bid perk

(269) ARG 25/2/98

SHARKEY ISAACS
Transport Reporter

Cape Town may not have got the Olympics but the bid is still having a positive spin-off – for at least 650 000 daily suburban train commuters in greater Cape Town.

New easy-to-read timetables and tariffs lists are appearing at suburban stations throughout the city, a joint project between Metrorail and Electroserve, Eskom's advisory service to commerce which includes the transport sector.

Eskom public transport project manager Marc Ruwiel said at yesterday's launch in Observatory that Eskom was alerted to the need to upgrade the public transport system through its involvement as the electricity supplier to projects for Cape Town's 2004 Olympic bid.

The aim of the project was to improve customer services by providing regular rail users and tourists with maps and easy-to-read timetables.

Western Cape Minister of Transport and Labour Piet Meyer said the regional transport system had developed with the economic growth of the province.

Although the economy of Western Cape had grown since 1985, unemployment figures were far too high. This was of great concern to the regional government.

"What makes this project special is that service to the public transport user has been improved in a practical and sustainable manner at no cost to them or taxpayers."

The boards will be paid for by advertisers.

Regional Metrorail manager Andre Harrison said Metrorail conveyed 650 000 commuters daily.

The Metrorail network planned to ferry a million commuters daily by 2000, he added.

It's showtime for mediocre Maharaj (269)

MtG 27/2 - 5/3/98

Lizeka Mda
CROSSFIRE

Of course British political commentator Brian Walden was talking tripe when he called President Nelson Mandela "incompetent, amateur and feckless".

To blame Mandela for the failings of the South African Communist Party, the naivety of the Freedom Charter, the devastation of bantu education, the demolition of Sophiatown and the incompetence of Umkhonto weSizwe as a guerrilla army, is stretching the point a mite

There is an area, however, in which Mandela is not only feckless but reckless, and that's in his running of the Cabinet.

Over the past four years, he has dragged so much dead wood it's a wonder he has not caught fire. In that time he has fired only three ministers, not because they were incompetent, but because they were not sufficiently subservient to him.

The Cabinet is full of mediocre ministers who do not invite the same ire from the media and public as Minister of Education Sibusiso Bhengu and Minister of Housing Sanki Mthembi-Mahanyele. Minister of Transport Mac Maharaj is a case in point.

"Maharaj presides over what is arguably the most efficient government department," claimed the *Mail & Guardian* in the Cabinet's report card for 1997, and went on to award him an A.

This rating was based solely on the brilliance of the Maputo Corridor development project. His chaotic "attempt to revamp the third-party state accident insurance system, which had brought him into conflict with the legal profession" was brushed aside.

Strangely enough, in the same newspaper's Cabinet rating for 1996 Maharaj earned an unremarkable five out of 10. Again on the strength of the Maputo Corridor, but then he lost points for the motor vehicle accident fund Could this mean this is all he has done since coming to office? For those of us who were hoping for a good public transport system, it is tempting to say "yes".

Maharaj and his outgoing Director General, Ketso Gordhan, have put a lot of emphasis on policy formulation and regulation The department has produced half a dozen policy documents on, among others, unsolicited bids, road traffic management strategy, airports and airspace management, and cross-border road transport.

It has also launched projects like the Arrive Alive Campaign last quarter, the credit card format driving licence to be effected on March 1, and Moving South Africa: Towards a Transport Strategy for South Africa for the year 2020, which is supposed to be finalised by August.

When one considers that in the past there was hardly any policy at all, as successive apartheid governments concentrated on regulation and completely botched provision, these are impressive advances. But they are only on paper.

Minister of Water Affairs and Forestry Kader Asmal can honestly claim to have delivered water to the farthest reaches of rural black South Africa, just like Minister of Health Nkosazana Zuma provided free health care for small children, the elderly and expectant mothers. Neither Asmal nor Zuma have been tardy in policy formulation.

Maharaj has been in office for four years. Can it be said that he has improved the woefully inadequate transportation system he was charged to overhaul? The hundreds of thousands who wait in queues for buses and taxis for hours each day would say "no". So would small-scale farmers who continue to struggle to transport their products from many rural areas to markets.

We have not seen the "safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure" promised by the department.

No alternative has been presented to coax motorists, many travelling alone in their cars, away from the daily traffic jams What about the damage to the environment? Must our cities be completely choked by pollution like Mexico City or Athens before Maharaj takes any action on car emissions?

We've heard *ad nauseum* about taxi task teams. They have yet to stop the carnage on the roads caused by taxis that are not roadworthy, or are overloaded and driven by uncouth men whose licences should be revoked.

It is not so important "for South Africa to become world leaders or global trend setters in each area of transport" as the Moving South Africa document claims, but to provide the most basic transport system that the poor need to get to work, to hospitals, to schools.

Delivery should be the mantra for Maharaj and his colleagues. The country will tolerate nothing less. Neither should Mandela.

Trains, planes and automobiles: Minister of Transport Mac Maharaj has put on paper impressive advances on policy and regulation, but his department now needs to take real action. PHOTOGRAPH: PICTURENET AFRICA

:WS

Transnet moves towards autonomous boards

CT (OR) 27/2/98 (269)

NCABA HLOPHE

Johannesburg — Transnet, the state-owned transport operator, launched independent boards of seven divisions this week as part of its transformation to accelerate decision-making and improve efficiency, Saki Macozoma, Transnet's managing director, said yesterday.

Consequently, Petronet, South African Airways (SAA), Autonet, Portnet, Metrorail, PX and Spoornet will have semi-autonomous boards to drive the business operations of each division.

Macozoma said the main board would be relieved of operational tasks and focus on strategic planning for the group.

"They will facilitate the implementation of the strategic planning process by the main board and will be responsible for setting annual budget frameworks within which the day-to-day business of the division may be operated," he said.

The decentralisation programme would devolve more power to the business units and shrink the stranglehold of the corporate centre on operational matters, he said.

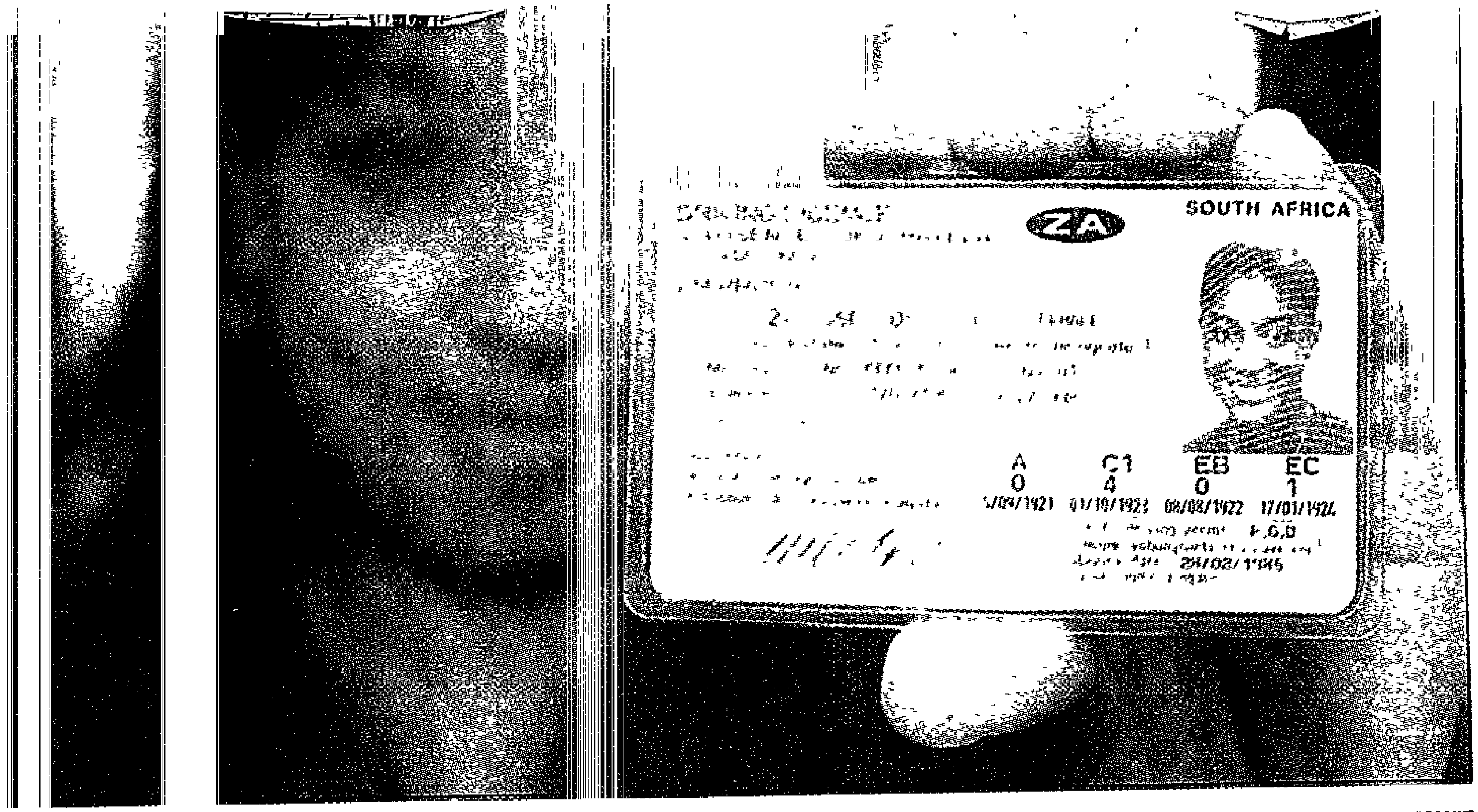
The improvement in divisional efficiency was expected to boost investors' confidence in Transnet's bonds, which had already performed well.

The second issuer of bonds after the government, Transnet's bond was valued at R18 328 million, with an interest cost of R1 141 million last September.

The transformation will tally with the restructuring programme, which will see peripheral and non-performing divisions hived off from the group.

SAA is expected to be the first to be corporatised next month and privatised by October this year, followed by Autonet and PX.

"We are optimistic that SAA will get a new strategic equity partner to add tremendous value to enhance its market leadership in the continent's aviation industry," Macozoma said.



NEW LOOK: Nazley de Vries of the Department of Transport shows what the new driving licences will look like. *PICTURE: NASIEF MANIE*

New licences to rid roads of illegal drivers

CT 27/2/98 (269)

KARIN SCHIMKE
POLITICAL WRITER

SOUTH African drivers take the first step into the 21st century on Monday when the new credit card type licences replace the old licences in identity documents (ID) — a system authorities believe will rid the roads of illegal drivers.

The new licences will also be valid in all the Southern African Development Community states. This means you will not have to apply for an international driver's licence to drive in countries such as Mozambique, Namibia, Tanzania, Botswana and Zimbabwe.

The cost of the credit card format licence is R100.

The new system will take five years to implement.

People passing their driver's test for the first time will automatically receive the new licence card.

Professional drivers, such as those who drive goods vehicles larger than a bakkie or a passenger vehicle carrying 12 or more people or transporting people for profit, have two years in which to make the change.

The rest of the population is bound to a roster based on the month in which they were born.

The licences are the same size as a credit card, are more durable and are easier to carry than an ID book. As it is mandatory for drivers to have their licences with them when they are driving, this should come as good news.

However, one of the main reasons for the change, said Ms Didi Moyle, media liaison officer for Transport Minister Mr Mac Maharaj, was to get rid of illegal drivers. The new licences are "virtually impossible to forge".

"The credit card licence incorporates several advanced security features which are so difficult and costly to copy or reproduce that forgery should be eliminated," she said.

The system, it is said, will also allow for more effective traffic policing. Eventually, drivers will have points deducted for traffic offences and these de-merits will be recorded on the card.

Together with the new cards, a new licence coding system is being implemented. One of the implications of this is that any new drivers wishing to tow a caravan, boat or horse trailer will have to do the driving test with the trailer hitched to their car. This will not affect people who already draw any of these or anyone already in possession of a driver's licence who has never drawn anything, but wants to start.

The advice from City of Cape Town traffic manager Mr Mark Sangster to new applicants is: "If there is anything you're not sure of, phone your traffic depot and speak to the driver's licence section first. It'll save you a lot of time."

Sangster said it was difficult to estimate how long the application procedure would take, but he didn't think it could be done in less than 20 minutes.

More information about the new licences is available on the transport ministry's web site. Click on the icon marked CCF licences. The web site can be found at http://www.transport.gov.za

Toll road to Maputo on track

BD 27/2/98 (269)

Robyn Chalmers

TWO working groups will be established to discuss upgrading an alternative route and the fixing of toll tariffs on the R2bn toll road from Witbank to Maputo which recently reached financial closure.

Mpumalanga government spokesman Oupa Pilane said agreement had already been reached between stakeholders in the Middelburg-Witbank area on the location of a toll plaza on the N4 toll road.

Pilane said that after having examined the results of a study commissioned by the Middelburg-Witbank group, it had been agreed that the toll plaza would be built on the N4 toll road in this area.

A working group would now be set up to talk about the upgrading and maintenance of the R555 alternative road between Middelburg and Witbank. It had already been agreed that the upgrading would be done simultaneously with the establishment of the toll plaza.

The transport department said last December the upgrading and extension of the N4 toll road had been given the green light after concessionaire Trans African Concessions (Trac) had raised the capital and loan financing.

Institutions involved raised R1,3bn to cover their debt and R330m in equity was also taken up. Along with agreement on all other aspects of the deal, it means the toll road has reached financial closure — one of the fastest closures of its kind in the world.

Trac CEO Trevor Jackson said small, medium-sized and micro enterprises were playing a vital role in the construction of the toll road. To date, more than 600 mini-contracts had been identified for tender.

Jackson said many of these contracts would be issued when construction began in Mpumalanga in April. "Involving emerging contractors in the project has always been a priority and we are committed to outsourcing up to 20% of initial construction works and up to 30% of maintenance and operation works to small enterprises," he said.

The work carried out in Mozambique would also involve local small businesses.

Jackson said construction on the road was due for completion by late 2001. Three years from now Gauteng and Maputo would be only four hours apart, he said.

SPOORNET

(269) FM 27/2/98

Railroad plan is just-in-time

Fight is on to woo back customers

After two years in the making, State-owned rail operator Spoornet has finally started implementing its freight reservation, or "just-in-time" arrival management system.

"Our primary goal is no longer to know where every truck is, but to let customers tell us when they want their consignments to arrive," says Spoornet CE Braam le Roux

He estimates that at present, only 25% of Spoornet's traffic is benefiting from the new system, which should be in full swing by the end of the year. He adds that it has already reduced by two days the time needed to send a rail truck from an inland destination to wharfside With the new system Spoornet can change train departure times to tie in with customer needs

"We had to do something If we continue to lose market share to road transport we will die," says Le Roux.

According to the latest figures released by the Central Statistical Service (CSS), a total of 169 Mt of goods were carried in the three months to October 1997 — 7,1% up on the corresponding period in 1996

Private-sector carriers saw a 7,4% increase in tonnages carried, while State-owned carrier Transnet's share increased by 6,6%. The CSS figures include loads carried by Spoornet and its sister road haulage company Autonet

But more far-reaching changes are required of Spoornet if it is to become competitive. Private hauliers not only convey consignments from door to door (which Spoornet cannot do), but they deliver faster and often cheaper than Spoornet

The legal limits on road truck loads in SA are among the highest in the world Despite this, many operators are still deliberately overloading at no extra cost for the extra tonnage. Some bulk hauliers overload so heavily that they can transport grain for less than Spoornet does.

KwaZulu-Natal Road Traffic Inspectorate director John Schnell says his province spends more than R1m/year, and allocates 32 000 man hours checking for overloaded vehicles.

Schnell says overloading will continue to thrive until the law is applied uniformly throughout SA, making it impossible for overloaders to slip through **David Pincus**

Licence move angers road chiefs

ARG 5/3/98 (269)

'It's all too hasty'

SHARKEY ISAACS
Transport Reporter

Western Cape traffic chiefs have entered the row over the new credit card-style drivers' licences, saying their introduction is too hasty.

They claim the Government gave them too short a notice period to start issuing licences this month and too little time to train staff.

A statement from the Western Cape Traffic Chiefs Forum said executive members had decided at a meeting to "distance themselves" from the Government's 11th-hour notice to start converting licences.

The forum chairman, Western Cape traffic chief Sherman Amos, said too little time had been allowed to train traffic officers.

One of the main problems licensing departments are facing is a flood of inquiries from drivers. There is confusion over the ruling that new drivers over 65 – but not experienced drivers converting their licences – have to produce doctors' certificates stating they are fit to drive.

Some drivers are furious at being charged R100 for a new licence and others object to being asked to indicate whether they consent to donate organs in case of death.

The licences are being phased in over five years. In February 2003 all old licence documents will become invalid.

Conversion will start with drivers born in June and close with those born in May. Each group will be given four months to apply. The licences will be valid for five years

While existing licence holders are not required to have driving tests, they will be tested for colour-blindness, short-sightedness or long-sightedness.

Applicants wearing glasses or contact lenses will not be exempted even if they produce proof of recent eye tests. They will be required to wear their lenses when tested.

The new system also requires two fingerprints.

Too fast? Transport Minister Mac Maharaj with his card-format driver's licence – one of the first of the new type to be issued

Trains get 'payday patrol'

SHARKEY ISAACS
TRANSPORT REPORTER

(269)

ARG 10/3/98

Police that monitor trains are being reinforced on paydays to protect commuters carrying their wages home.

A team of 280 police and reservists has been deployed on trains in the east and west metropoles since the end of January.

The operations would take place at the end of each month to prevent robberies and assaults, said spokesman Wilhelm Hattingh.

Mobile units of about 50 policemen each had been established at Bellville, Cape Town and Philippi stations, and Retreat would follow.

The units would monitor 28 stations each, which would ease the burden on the unit at Cape Town station, which previously had had to monitor all 114 stations, Superintendent Hattingh said.

"In addition the mobile unit's effectiveness will be improved by the appointment of crime intelligence officers, who will focus on crime information.

"In spreading the mobile units across the metropole we hope to respond swiftly to reports.

"Steps are also being introduced to make trains safer at weekends," Superintendent Hattingh said.

Permit scam: A-G may protect those who give info

in transport industry

ARG 10/3/98 (269)

Cape Argus reporter verbally abused by angry 'Mr Big'

BLACKMAN NGORO
STAFF REPORTER

The attorney-general's office will "probably" protect taxi operators from prosecution if they help blow the whistle on what is claimed to be a massive gifts-for-permits scam in the Local Road Transportation Board.

This has been confirmed by Christinus van der Vyver of the attorney-general's office in the Western Cape.

"There are people who would like to come forward and give evidence against some in the taxi industry," he said. "You sometimes make a decision that you are going to prosecute one person and use the other as witness. But we need proper affidavits."

These comments follow the Cape Argus exposure of alleged corruption in the granting of taxi permits.

Taxi operators claimed some officials handed out permits in exchange for gifts and bribes.

Debbie Miller of the Human Rights Consultancy – who has been working with taxi operators opposed to the corruption – said she had collected no fewer than 68 affidavits from operators seeking indemnity.

She would hand these to the attorney-general's office and believed they would strengthen the case against corrupt officials.

Ms Miller added: "Taxi operators will definitely be protected from prosecution and will have a chance of their permits being legalised as soon as a deal on indemnity is struck with the attorney-general's office."

In response to the Cape Argus report, Bernard Miskey, chairman of the Local Road Transportation Board, invited anyone who felt they had an axe to grind to come forward and have their files examined.

One operator, who was fed up with the board for not granting him the permits he had applied for legitimately, took up the invitation and asked the Cape Argus to accompany him.

When the reporter and the operator arrived at the offices of the board, they were accosted by a hostile Achmat Dyason, out-going chairman of the Western Cape Taxi Representative Council.

ARG 10/3/98 (267)

Mr Dyason – who is not a member of the board, but is an influential figure in the local taxi industry – angrily accused the Cape Argus of interfering in the work of the board.

Shouting at the top of his voice, he blamed the newspaper for giving the taxi industry a bad name, and "making us look like gangsters".

He was joined in the attack by a member of his own association, the Hanover Park-City Taxi Association.

The rumpus was so disruptive that a board official, Debbie Page, had to ask Mr Dyason to quieten down as there was a private consultation taking place, but he kept up his attack on the newspaper.

Later, board secretary Cathy Buzby said:"You should lay a charge against him.

"We don't encourage this kind of thing and we don't want to be held responsible, even if it took place in our offices."

TRANSPORT *Commuter corporation and 10 unions may pull out of restructuring deal in funds row*

Transnet privatisation in peril

CT (MR) 10/3/98 (269)

Frank Nxumalo
LABOUR EDITOR

Johannesburg — Ten unions and the South African Rail Commuter Corporation (SARCC) threatened yesterday to pull out of negotiations on the restructuring of Transnet, the transport parastatal, in a row over the funding of advisers.

The prospect of the unions withdrawing from negotiations threatens to severely retard the restructuring process of the parastatal. Chris de Vos, the general secretary of the South African Footplate Staff Association (Safsa), said the move hobbled the search for an equity partner.

The unions, representing 102 000 workers, accused the government of treating them "as second-rate partners" and have given Stella Sigcau, the minister of public enterprises, seven days to respond in writing to a list of their grievances

"Failing to respond by this date without acceptable notice therefore shall be deemed to be an impasse between government and labour on the issues, and labour reserves the right to consider remedies afforded it in terms of law, agreements and otherwise," the unions said.

Christo van Heerden, the chairman of the Transnet Restructuring Labour Caucus (TRLC), said labour wanted adequate funding, access to all information deemed necessary and requested by labour, implementation of processes necessary to facilitate the restructuring of Transnet, and of its divisions, including South African Airways, and that labour contracts, both individual and collective, be unconditionally transferred to new post-corporatised companies before concessions are negotiated.

"Government is limiting labour's role by limiting our capacity to engage suitably qualified advisers," he said .

"Thus, while it is clear that government will approve any such amount to fund their rates of suitable international advisers for themselves, (it) is paying millions of rands while wanting to restrict labour's advisers to a rate of R200 an hour."

Van Heerden said the unions did not want to rubberstamp the government's positions in the negotiations but wanted to influence the outcome.

"The TRLC would not be party to or support implementation of any change until an acceptable social plan for Transnet and agreed national government guidelines were in place," he said.

However, government spokesman Kennedy Memane said the state only differed with the unions in approach to the process and not in principle

ULTIMATUM *Christo van Heerden, Transnet Restructuring Labour Caucus chairman, with, caucas members on his right, Derick Simoko, Chris de Vos and Simon Willems* PHOTO JOHN WOODROOF

Union threat 'won't hold up privatisation of SAA'

(269)( ) CT (BR) 11/3/98

Audrey D'Angelo

Cape Town — The threat by unions to pull out of the restructuring of Transnet was unlikely to cause delays in the privatisation of South African Airways (SAA) and the choice of a strategic equity partner, said Mac Maharaj, the transport minister, yesterday.

He said problems would in any case have arisen over the internal restructuring of SAA. "I don't think the unions' reaction will cause delays. We'll get it back on an even keel. I don't regard this as a major hiccup."

Kennedy Memani, adviser to Stella Sigcau, the public enterprises minister, said the privatisation of SAA would not be jeopardised. Discussions would be held with labour and it would be involved in the restructuring.

Maharaj said the privatisation of SAA would be given special treatment within Transnet and he expected it to be completed by the end of this year.

It was important that what was on offer and what was expected from the strategic equity partner should be set out clearly in the tender documents, as had been the case with the Airports Company.

Bids for the Airports Company closed on Monday and he thought it would take only two weeks for the preferred bidder to be chosen.

Maharaj said the second phase of the privatisation of the Airports Company would come when, with the help of a foreign equity partner, sufficient value had been added for a JSE listing of the shares still held by the government.

This final phase was likely to take longer in the case of SAA which, unlike the Airports Company, was not yet profitable.

BUDGET

Private sector participation to be promoted

Robyn Chalmers

(269)

GOVERNMENT is to extend the range of infrastructure projects that make use of private sector participation, with the focus on prisons, airports, harbours and roads.

The move was broadly welcomed yesterday by the private sector, which has invested heavily in a range of infrastructure projects, including the Maputo development corridor and major water and sanitation schemes.

However, analysts said that the private sector was most likely to look to projects where it could make good returns — such as toll roads — where the risk could be forecast and managed.

The Budget Review said programmes such as electrification and telecommunications were self-financing and were able to draw on domestic and foreign financial markets.

However, proposals were under review for the private construction and maintenance of prisons under long-term contract. Private finance and management would be brought into airports, harbours and roads.

Finance Minister Trevor Manuel said government aimed to extend the delivery of basic services by bringing private sector finance into infrastructure projects.

"Business partnerships are encouraged between municipalities and private concerns for financing, extending, operating and managing infrastructure services," he said. Eighteen pilot projects had been established countrywide. These included water, sanitation, refuse collection and transport projects. The private sector invested R1bn in these projects in the 1997/98 financial year which amounted to R5 for every R1 spent by government.

A number of government agencies would be used to promote private sector involvement. The Development Bank of Southern Africa, for example, was playing an increasingly active role in financing infrastructure.

The review said the bank would "act as a catalyst for public-private" partnerships and was expected to mobilise at least R10bn in co-financing in the current year.

It said the bank's disbursements for 1998/99 were expected to exceed R1,8bn from R1,38m the previous year. "Based on an average of 20 persons employed for each R1m invested, about 60 000 jobs will result from these project commitments."

Investment in transport infrastructure was expected to accelerate over the next three years, both as a result of increasing government spending and greater use of private finance. The national roads agency, which would be up and running soon, would draw on user charges and private finance as well as a more stable allocation of budget resources.

Comment: Page 15

Budget 'shocks' retirement fund institute

BD 13/3/98

Lukanyo Mnyanda

THE Institute of Retirement Funds said yesterday it was "shocked and dismayed" by government's decision to increase the tax on rental and interest income of tax funds, accusing it of breaking a promise to consult widely before making changes.

Institute president Chris Newell said Finance Minister Trevor Manuel's decision to increase the tax to 25% from 17% had come as a shock and could lead to the closure of some funds as people sought value in other instruments.

He said low-income earners, who would find themselves "paying more tax inside the pension funds", would be hardest hit.

Manuel said in his budget speech that the increased levy would boost government's coffers R1,2bn in the current financial year. The tax was being investigated to "determine the most appropriate method of taxation of the flow of funds through retirement funds to the ultimate beneficiaries".

However, Newell was not convinced and accused government of going above the National Retirement Consultative Forum which was supposed to investigate the taxation of retirement funds.

He said the imposition of a 17% tax two years ago was supposed to be a temporary measure, while the forum investigated the taxation issue. It was not clear if government intended to take the increase to the forum.

The Institute of Retirement Funds says the effect of government increasing tax on rental and interest income of tax funds would be felt by low-income earners who would 'pay more tax inside the pension funds', taking the sparkle out of the funds

'Extra R1,2bn will not swell province's coffers'

BD 13/3/98

GRAHAMSTOWN — The R1,2bn increase in the Eastern Cape's allocation would not represent a real increase in the amount of money the province would be able to spend next year, Democratic Party MP Eddie Trent said yesterday.

He "did not share the general enthusiasm for the Eastern Cape's R15bn allocation" and was "absolutely certain" the allocation would be less than was spent by the province in the past fiscal year if the province's overdraft and the amount still owed to suppliers was added to the previous budget.

He said all departments, including those responsible for social delivery, would therefore have less to spend in real terms next year than they did this year. He said he would have to wait until the provincial government released its budget next Wednesday before seeing how the Eastern Cape would deal with these real budget cuts.

Finance and economic affairs department spokesman Khulile Radu dismissed Trent's comments as "groundless electioneering".

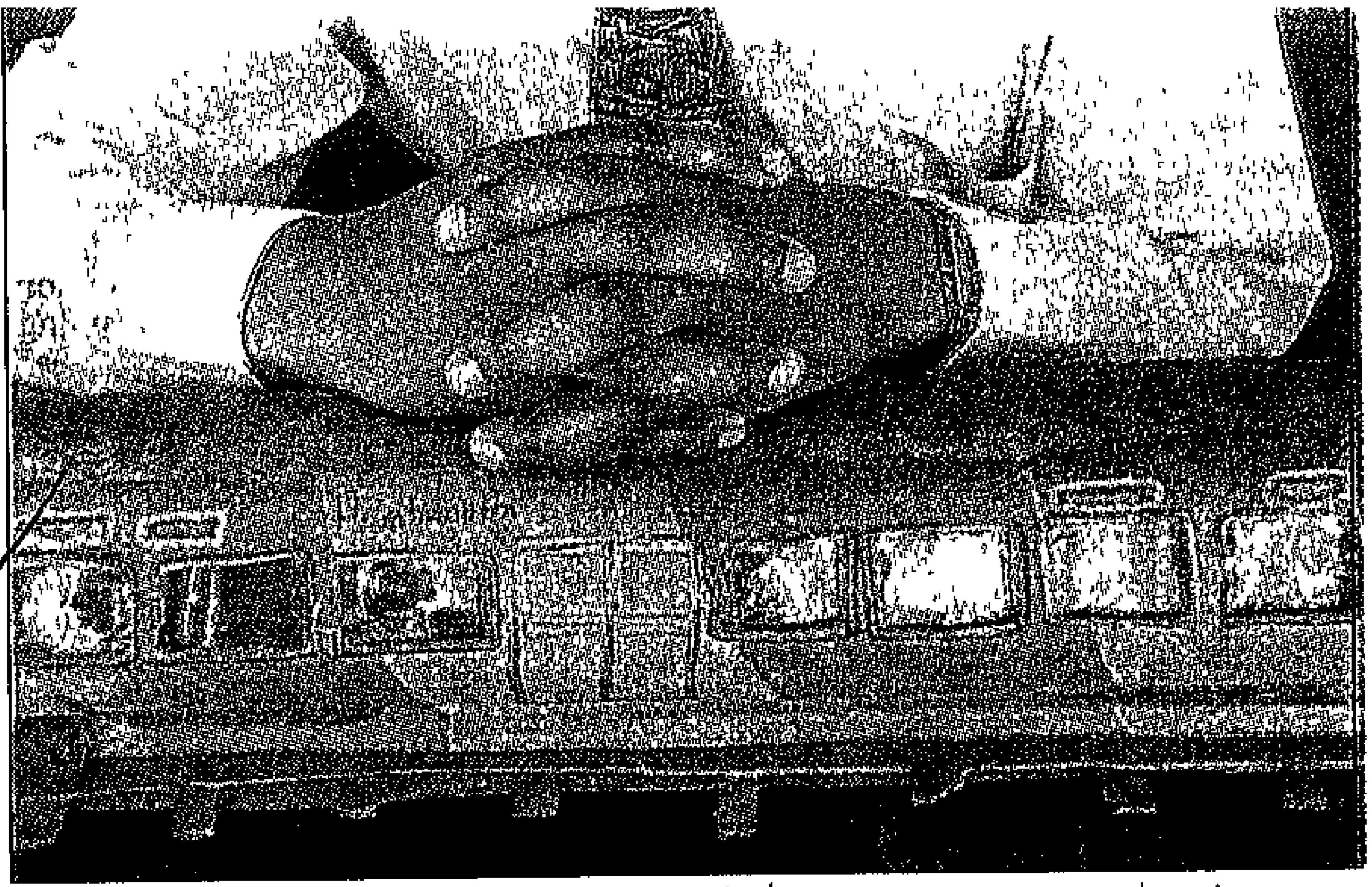
Radu said his arguments were "very simplistic" as they did not take cognisance of the fact that the provincial administration has taken huge steps to enact credible budgets which "conform to treasury norms and standards".

Radu said the increase in the budgetary allocation was an "affirmation of the confidence that the national government has in the leadership of the province and in the financial control systems they have put in place".

Eastern Cape business activist Kevin Wakeford said yesterday the Eastern Cape's "kindergarten government" still did not have the capacity to deliver the goods to the "people at grassroots level" and was heading for a mammoth R2bn deficit for 1998/99.

He said the budget was "great in theory and in line with the fundamentals of the growth, employment and redistribution strategy", but that the Eastern Cape would be left in the lurch again at the end of this financial year with pensions and welfare grants unpaid and education in the province still in chaos. — ECN.

Home loan penalties 'can be harmful to property market'



CUTTING THE APRON STRINGS ... Zandile Jakavula, CE of Metrorail

Metrorail shunting itself into shape for competition

ST (BT) 15/3/98 (269)

PUBLIC TRANSPORT

By THABO KOBOKOANE

METRORAIL, the rail commuter service, is gearing itself up for private sector competition following the government's decision to introduce competition in the industry through concessioning.

Last year, the Ministry of Transport announced it was considering plans to hive off possibly 10% of Metrorail to the private sector as a demonstration project. To compete effectively, Metrorail will have to reduce its current subsidies in the face of government attempts to extend social services without too much pressure on the fiscus.

It is encouraging that the subsidy levels are being reduced. In the 1996/97 financial year, Metrorail was a recipient of about R803.7-million in state subsidies, declining from about R1.2-billion in the 1994/95 financial year. Income, primarily from ticket sales, came in at about R500-million.

Zandile Jakavula, CE of Metrorail, says he is committed to reducing subsidy levels even further. "We are aware that subsidies will be reduced and that we will be called upon to provide high levels of service. The gap between what we generate in ticket sales and what we receive in state subsidies is narrowing, and it is our commitment to reduce this even further."

Measures to achieve the goal include reducing high cost structures while growing income levels, especially from ticket sales.

Jakavula says ongoing cost-cutting measures such as re-negotiating contracts with suppliers, outsourcing non-core activities and freezing non-critical new appointments have been implemented. He says the rail commuter company has five strategic objectives to maximise income: providing a reliable and customer-friendly service; guaranteeing the safety of passengers (including property and that of employees); offering affordable prices; providing clean stations and trains; and ensuring the involvement of the community in decisions that affect them as consumers.

However, Metrorail's income levels are likely to be depressed by the wave of fare-evasion that is costing it about R100-million a year. It is estimated that 30% of its approximately 2.2-million daily passengers evade fares.

The problem is that of the 470 stations under Metrorail's supervision, about 54% are properly enclosed while the rest are open. This means that the incidence of fare-evasion is prevalent.

In the past two years, Metrorail has spent part of its R2.8-billion expansion programme upgrading and enclosing its stations more adequately.

"There has been a noticeable increase in fare revenue and a decline in fare-evasion as a result of the upgrades," says Jakavula.

A further problem is that between 50 and 60 stations are not financially viable, making policing a serious problem. "To police these effectively will need lots of manpower and we cannot afford that luxury.

"If I had the authority to make decisions like closing down financially unviable stations, I would be happy to close them. But that remains a shareholder issue," he says.

Jakavula says as far as transformation is concerned, Metrorail will play its role in developing the skills base of its employees and ensuring that the workforce reflects the demographics of the country. The parastatal says it will spend about 5% of its total wage bill on skills development and training. To date, it has trained and placed 35 black train drivers while another 85 are currently undergoing training.

Transnet lands contract to supply ore trucks to Sweden

(269) BD 17/2/98

Robyn Chalmers

TRANSNET has been awarded a five-year contract with a potential value of more than R450m to supply ore trucks to Swedish mining company LKAB.

Transnet MD Saki Macozoma said yesterday Transnet subsidiary Transwerk would supply five prototype trucks with a total value of $1,56m in the initial stage of the contract.

"If the testing of the five prototype trucks yields positive results, LKAB will place further orders in stages for the next five years," he said.

Macozoma said the project might open doors for Transnet to enter the railway supply market in Europe.

Last year, Transnet identified one of Transwerk's objectives as being to increase its market share by penetrating international markets.

"As a result, Transwerk developed and implemented strategies to pursue international ventures, focusing on Europe including Sweden, Africa and southeast Asia," he said.

Transwerk is a transport equipment refurbishment and manufacturing parastatal with a particular focus on the rail transport sector.

The company, which had a turnover in 1997/98 of close to R1bn, refurbishes rolling stock, ancillary equipment, components permanent way products and road trailers.

There was speculation earlier this year that the contract was linked to a second deal which would entail Sweden supplying up to 48 Saab Gripen fighters to the SA Air Force. The contract was worth about R2,5bn.

However, Transnet media liaison manager Thami Didiza said yesterday there was no formal link between the two contracts and they were being negotiated separately.

Macozoma said Transwerk would be giving technical assistance to LKAB.

Last year, Transwerk was awarded contracts to manufacture 100 tank wagons for Sudan; modernise the first Blue Train set and convert baggage vans into motor car carriers for cross-border transport. It also concluded an agreement with GEC Althorn for the maintenance of traction motors.

Restructuring of Transnet

A MASTER plan for the restructuring of Transnet has been completed and was tabled yesterday at an inter-ministerial Cabinet committee (IMCC) dealing with restructuring of state assets. (269)

Public Enterprises Ministry adviser Kennedy Memani said while the IMCC had acknowledged the need for urgency on Transnet's restructuring, no decision had been taken on when it would be finalised.

The issue would probably be discussed at the next meeting of the IMCC in one month.

Once the Cabinet has approved the masterplan, it will be proposed to the labour unions in terms of the National Framework Agreement.

It was recently reported that 10 labour unions had threatened to pull out of the restructuring process. One reason cited was their unhappiness over the amount they were allocated to pay advisers.

Memani said Public Enterprises Minister Stella Sigcau had met with the labour unions this week, and that some consensus had been reached.

Sigcau had played down the dispute with the unions, denying that Transnet's restructuring process was under threat.

Transnet reported a R170-million loss for the year ending March 31, 1997. – *Sapa*

Sowetan 20/3/98

Metrorail hits govt snags in attempt to rationalise

BD 23/3/98

Vuyo Mvoko (269)

CAPE TOWN — Metrorail, facing private-sector competition in the light of concessions that could be implemented in the next four-and-a-half years, is hitting snags in attempts to get authority from the government to take "business decisions" that will allow it to curb losses of between R85m and R95m a year.

Transport Minister Mac Maharaj told Parliament an estimated R142m was lost in 1997/98 as a result of evasions by commuters against R141m the previous year. The figures accounted for 30% of the parastatal's revenue for 1996/97 and 26% for 1997/98.

Maharaj said actions implemented by Metrorail included the closing of underutilised stations in order to concentrate staff; manning all possible access and escape routes; on-train verification on routes with high evasion; surprise checks on trains and in stations; and commuter-education programmes.

Yesterday, however, Metrorail CEO Zandile Jakavula lamented that the department had not delivered on a promise of furnishing Metrorail with guidelines to be followed in the closure of stations. Metrorail had asked for permission to close one station and there were 40 others it wanted closed.

Metrorail's budget for the coming financial year was R1,4bn, of which R560m would be self generated and the rest come as finance from the state, he said. Management was conscious of the need to turn things around to relieve government from subsidising it, "but we need to be given authority to make business decisions", Jakavula said.

SAA 'needs change before privatisation'

CT (BR) 24/3/98 (269)

AUDREY D'ANGELO

Cape Town — SAA would have to complete the internal restructuring now in progress before it could call for qualifying bids from foreign airlines, Steve Gorman of Merrill Lynch, the government adviser in the privatisation process, said yesterday.

Gorman said it was still too early to set any sort of timetable for the privatisation of SAA, or the choice of a foreign airline or airlines as its strategic equity partner. "Clearly, the airline will have to get itself in order first."

But it was still hoped the process would be completed by the end of the year, he said.

Gorman said Lufthansa, the German airline, and Singapore Airlines, its ally, would derive no advantage from having been the first to inform the South African government that together they were interested in taking a stake in SAA. It had been decided to go through the full process of calling for qualifying bids and weighing the advantages of each offer.

Senior executives of SAA would not comment officially on the move by Lufthansa and Singapore Airlines, but some executives and senior managers said yesterday it would be "a bonus" to have the two together.

Lufthansa had been SAA's commercial partner since 1995 and the two worked closely. Singapore Airlines was strong in south-east Asia, where SAA was not.

One senior manager said SAA was confident that air travel in south-east Asia, which had been affected by the economic turmoil in the region, would have recovered by next year.

International airlines have been forming global alliances in opposition to each other. SAA has a foot in two camps. It has been co-operating with other airlines in Lufthansa's Star Alliance but also has a code-sharing agreement with American Airlines, which is British Airways' ally.

Singapore Airlines recently broke away from the Global Excellence alliance with Swissair, Austrian Airlines and Delta to ally itself with Lufthansa.

Five-year wait for Metrorail concessions

BD 26/3/98 (269)

Robyn Chalmers

PRIVATE sector participation in managing SA's metro rail network will be postponed for at least five years in terms of an agreement between labour and government.

Metrorail, which will receive a state subsidy of about R880m this financial year, is expected to sign a contract with government in July securing its status as sole concessionaire for five years.

Government initially intended to introduce concessions on significant portions of SA's rail network within three years, with labour looking at 17 years Recent negotiations between labour and government indicate that the compromise will be five years.

Transnet executive director Mafike Mkwanazi, who is responsible for Metrorail, said yesterday government would negotiate with the private sector during the five-year period.

Mkwanazi said the vision was to undertake private sector concessioning on a regional basis, depending on where the need was greatest.

"We will encourage the formation of private-sector consortiums between international operators and local business entities, with the focus on black economic empowerment."

He said Transnet believed it should acquire a minority stake in Metrorail, largely for technical reasons. This would ensure technical standards were uniform throughout the network.

Public enterprises adviser Kennedy Memani said the delay in introducing private sector management was due in part to labour's wish for more information on the process.

He said government had agreed that it would not be in its best interests to allow Metrorail to bid against private-sector entities at this stage.

Labour and government met recently and agreed on terms of reference for Metrorail, he said. "We will look at setting up a pilot project in the interim to test private-sector interest and the principle of concessioning."

Memani said government's subsidy of Metrorail would not be phased out with private sector management. Providing transport for rail commuters was seen as part of the state's social responsibility, although the reduction of subsidies was preferable.

Mkwanazi said Metrorail was in a financially stable position, with fare income growing 15,6% in 1996/97 over the previous year. Fare income was expected to amount to between R540m and R550m this financial year.

Spoornet 'on track for R1bn net profit'

(269) BD 27/3/98

Robyn Chalmers

SPOORNET is expected to consolidate its profitability in the year ended March 1998 by producing net profit, after finance costs, of more than R720m, says executive director Mafika Mkwanazi.

Spoornet delivered a strong performance in the 1996/97 financial year, raising profit to R712m from R98m in the 1995/96 financial year. This was largely the result of operational improvements and a good maize crop.

Mkwanazi said Spoornet was still on track to produce net profit of R1bn by the turn of the century, although the coming financial year "will be tough". While it was still too early to predict final results for the year ended March, he said there were indications that the benefits of a recent decision to centralise functions were beginning to flow through.

"Trading conditions this financial year have been tougher and we are picking up the fact that the economy is starting to slow down. But we believe Spoornet will be able to consolidate and even grow profit," he said.

While some savings from the centralising of functions were likely, growth in the transport of mining products and maize had exceeded budget.

Spoornet's transformation, focused on management, had been completed. The transformation aimed at making Spoornet, a Transnet subsidiary involved in rail freight and passenger transport, a competitive, market-driven organisation over three years.

Mkwanazi said the management reshuffle had been undertaken with minimal disruption and no forced retrenchments, although there had been about 270 voluntary retrenchments.

Spoornet contributes a significant portion to Transnet's bottom line, second only to Portnet. Expectations of solid profits from these two business units, along with Petronet and Autonet, should offset any profitability problems at SA Airways and parcel container business PX.

Transnet finance executive director Gloria Serobe said that for the six months to September retrenchment costs of more than R300m for the year, along with tough trading conditions, were likely to constrain Transnet to a "modest" increase in profit. This would still be an improvement on the previous financial year when a loss was recorded.

Admin error blamed for consultant's double pay

(~~760~~) (269)

CLIVE SAWYER
POLITICAL CORRESPONDENT

ARG 27/3/98

The man at the centre of a controversy about allegedly having got double pay working for the Public Enterprises Ministry and Transnet was never employed simultaneously by both, says Public Enterprises Minister Stella Sigcau.

She said this in the National Assembly in reply to questions by Democratic Party leader Tony Leon.

Prompted by reports in December, Mr Leon had asked whether it was true that Kali Mabentsela was paid R48 000 a month as a consultant to Transnet while being employed by the ministry, allegedly enabling him to be paid a total R76 000 a month.

Mr Mabantsela said at the time he was given the Transnet contract only once his contract with the ministry was drawing to a close.

An invoice sent by his consultancy company to Transnet for R48 000 was just a way of receiving payment while he was finalising his employment conditions, he was quoted as saying.

Mr Leon asked whether any action was to be taken against Mr Mabantsela because of the alleged conflict of interest from doing both jobs simultaneously.

Ms Sigcau said Mr Mabantsela had a contract as an adviser to the ministry and office of public enterprises.

During April and May 1996 changes were made to the structure of the department which led to the closure of the policy unit.

She said that after the unit's closure, it emerged that Mr Mabantsela had not been informed of the impending closure.

His contract said that termination required three months' written notice.

"As such period of notice had not been given it was mutually agreed that in view of the abrupt ending of his contract, he would be compensated with one month's fee in lieu of period of notice.

Transnet gives signal to offload operations

ST (DT) 29/3/98

Mkwanazi's promotion is a foretaste of bigger moves at the transport behemoth, writes SVEN LUNSCHE

(269)

THE unbundling craze that is sweeping corporate SA has now reached the corridors of the state-owned transport giant, Transnet.

Sketching his long-term vision for Transnet, managing director Saki Macozoma said in an interview that in two years' time "Transnet will be 60% on the way to becoming a holding company".

The unbundling is set to leave its vast cargo and rail operations under Spoornet as its only remaining operating division.

Transnet will retain a "treasury function" to look after restructured pension and medical aid funds.

MAFIKA MKWANAZI

Transnet's remaining parts will be either partially or fully privatised, a process that starts with SA Airways later this year.

The unbundling scenario — with Spoornet at its core — gives credence to a number of recent developments at the R40-billion transport giant.

On Friday, Macozoma confirmed that Spoornet executive director Mafika Mkwanazi would become Transnet's deputy MD on Wednesday. This will groom him for the top post should Macozoma decide to leave Transnet after the 1999 general election.

The highly respected Mkwanazi also indicated that there was little scope for Spoornet's privatisation.

Spoornet is the largest of Transnet's divisions, with almost 50 000 employees, and has returned to profitability over the past two years.

In the year to end-March, it is expected to exceed the previous year's R720-million net profit.

Former ANC MP Macozoma would not comment on speculation about his future or Mkwanazi's promotion, but he is clearly quite confident about his ability to steer Transnet through the troubled waters that have been plaguing it since the government made a number of political appointments to the board about two years ago.

Earlier this month, cabinet backed his master plan for the group — a plan that will be tabled with the powerful inter-ministerial committee on restructuring of public enterprises in April. The committee will examine some of the details of the blue-print.

Picture: ZOE SELSKY

MASTER PLANNER . . . Transnet MD Saki Macozoma plans to consult with unions before any changes are made

He did not disclose details, but said it contained a feasible solution to the group's vast R10-billion deficit on its pension and medical aid funds, which has been overhanging the group since 1990. As part of the funds' restructuring, some assets will be taken out of the pension fund to service current pensioners.

A special-purpose financing vehicle is proposed and will service obligations related to pensioners who are to be taken over by the state. Transnet will pay dividends and taxes to the vehicle and privatisation proceeds will also be channelled into it.

"In order to attract new equity partners to Transnet's operations, we need a clear structure for existing obligations. The proposed restructuring of the pension funds achieves this."

Macozoma was also adamant that the restructuring of the group will be pushed forward only after consultations with the unions, which recently threatened to withdraw from the forum established to discuss Transnet's future.

The unions are particularly opposed to plans to bring in a strategic equity partner for SAA. The airline will be corporatised and split from Transnet next month as a first step to selling off between 25% and 30% of its equity to a foreign airline later this year. The top names in the industry, including British Airways and Lufthansa, have already expressed an interest.

"We all acknowledge there are significant problems at SAA and that the group faces enormous competition both domestically and internationally. This calls for strong global leadership which an experienced equity partner will bring," Macozoma said.

The sale to a strategic partner will be accompanied by bringing in black empowerment groups and a sale to the National Empowerment Fund. "We will initially retain 51% but eventually hope to float the remaining stake interests," said Macozoma.

Autonet, which runs Transnet's road cargo transport operation, is in line for full privatisation later this year. Transwerk, which manufactures trains, carriages and other rail equipment, is already working well with joint venture partners and could follow the equity partner route set by SAA.

There is less clarity about Portnet and PX. Macozoma agreed with the common view that the harbours should separate into a regulatory port authority and a commercialised infrastructure.

Transnet has committed itself to the sale of the loss-making PX parcel division but wants to put it on a sounder commercial footing before a possible sell-off. One of Mkwanazi's functions as deputy MD will be to oversee PX's return to profitability.

On Spoornet, Macozoma said the group, while trading profitably, is still only halfway down the track in its "get-fit" period. "Its export lines are profitable but other operations are still some way before they make a strong profit contribution," he says.

Metrorail, which runs Transnet's commuter passenger lines, this week postponed concessioning routes for a further five years.

Commercialisation of transport directorates will save public R90m

(269) BD 1/4/98

Stephané Bothma and Robyn Chalmers

PRETORIA — Three transport department directorates would be commercialised today, bringing about an immediate saving of more than R90m annually to taxpayers, Transport Minister Mac Maharaj said yesterday.

The three chief directorates will be renamed the SA National Roads Agency, the Cross-Border Road Transport Agency and the SA Maritime Safety Authority and come into existence today. A fourth, the Civil Aviation Safety Agency, is planned for October 1. The agencies will operate as autonomous statutory agencies along business lines with government as shareholder.

"There are no plans to take these new agencies down the road of privatisation," Maharaj said.

Each agency would have its own income stream. A total of 405 staff members from the department would move to the agencies, cutting its wage bill by about R50m.

Dipak Patel, land transport deputy director-general, said that in 1994 the department was bureaucratic, hierarchical and funded by fiscal and budgetary allocations. Up to 20% of these allocations were used for purposes other than they were originally intended.

As a result, Patel said a range of strategies had been employed to streamline functions and downsize the department. These included setting up agencies, privatisation, public and private sector partnerships, concessioning and outsourcing.

Maharaj said the transformation of the transport department would see the number of employees reduced to 200 from 1 383 in 1994.

He said the roads agency would provide and manage SA's primary road network, including road safety and traffic law enforcement. It would take over state assets worth R35bn. Its income would be derived largely from petrol levies, toll fees and fines and its creation would save the state R21m. Barry Adams was appointed chairman of the roads agency with its CEO being Nazir Alli.

The creation of the cross-border transport agency would save government R40m and its source of income would include cross-border permit fees. Lawyer and businessman George Negota was appointed chairman of the agency and Bokana Maluleka CEO.

The maritime safety authority would look after the safety of life and property at sea and prevent and control sea pollution, amongst other tasks.

It would be funded by levies on ships calling at SA harbours, user charges and fines.

Its formation would save the state some R22m and maritime law professor Hilton Staniland has been appointed chairman with Brian Watt as CEO.

Sapa reports another R34m a year would be saved when the Civil Aviation Safety Agency came into being.

Maharaj stressed that there would be no forced retrenchments in the department this year. Describing the commercialisation move as a milestone in transformation, he said: "This is a bold, correct direction. If it doesn't work, blame me." — Sapa.

TRANSPORT *Mac Maharaj transforms his department into three income-generating commercial ventures*

R200m detoured back to state

CT (PMR) 1/4/98 (269)

NCABA HLOPHE

Johannesburg — The department of transport had restructured itself into three independent, commercial agencies in a bold move to cut staff and save the government more than R200 million, Mac Maharaj, the transport minister, said yesterday.

The agencies are the South African Maritime Safety Authority (Samsa), the South African Roads Agency and the Cross-Border Road Transport Agency (CBRTA). A fourth agency, the Civil Aviation Authority, will be launched in October.

These agencies would be autonomous, charging service users to generate their own income, but there was no plan to completely privatise them, Maharaj said.

"The new and leaner department will focus on policy, strategy and regulation as its core activities and steer away from operational matters which should be taken over by the agencies," he said.

The department would reduce its staff complement from the 1 383 inherited in 1994 to 220, and would transfer 405 people to the new agencies. The rest would either take voluntary severance packages or be retrenched.

This rightsizing transformation is expected to save the government more than R50 million a year.

MONEY MOVERS *George Negota, the chairman of the Cross Border Road Transport Agency, left, and Nonkululeko Gobodo, the deputy chairman of the SA Maritime Safety Authority, sign the agreement on the new agencies as Mac Maharaj, the minister of transport, looks on* PHOTO JOHN WOODROOF

The roads agency would handle assets worth more than R35 billion and save the country more than R21 million a year, while the CBRTA would save R14 million, Maharaj said.

The maritime and aviation agencies are expected to save the government a total of more than R76 million a year.

The roads agency is expected to run the 6 200km national road network and to generate its income from levies on petrol, traffic fines and penalties, and toll charges.

The restructuring programme would also include the outsourcing of the government motor vehicle fleet by five departments — transport, health, labour, water and correctional services — saving the state more than R70 million a year.

The outsourcing of cars is expected to devolve to the provinces as well.

Hilton Staniland chairs the Samsa board with Brian Watt as chief executive officer; Barry Adams chairs the South African Road Agency with Nazir Alli as CEO; George Negota chairs the CBRTA board with Bokaba Maluleka as CEO.

SA to get intercity bullet-train

(269) CT (BR) 1/4/98

Brian Whistleblower
International Trade Editor

Johannesburg — A multimillion-rand project to build a high-speed monorail between Pretoria and Johannesburg in a joint venture between a Japanese company and the government is on the cards, a source in the department of transport said yesterday.

The bullet train would take only six minutes to travel between the two cities, meaning a train would depart the Johannesburg or Pretoria terminus every 15 minutes. The exact location of the line is under wraps to avoid escalation of property prices.

The Japanese government will fund the development and run the services along the lines of private toll roads.

The deal includes an empowerment agreement and an extensive technology swap between Japan's Wakazushi High Speed Train Corporation and South Africa's defence industry. One of these involves integrating the famed Unimog suspension into the train's undercarriage to deal with high-speed stress.

Observers say the venture lends considerable strength to proposals to transfer parliament to Pretoria. A major stumbling block to the relocation of parliament to Pretoria is that most ANC officials refuse to live in the capital and do not consider commuting on the slow M1 as an option.

The government has been negotiating secretly with the unnamed Japanese holding group over the last six months. The final details of the deal were ironed out this week, and the contract is expected to be signed today. The source, who is known to Business Report, admitted the deal was dependent on parliament being moved to Pretoria.

Ellis Park rugby stadium has been identified as a likely site for the core Johannesburg terminus. Interim blueprints propose converting the ground into a massive minibus taxi rank to handle peripheral commuting needs. The Union Building's lawns have been targeted as Pretoria's main terminus. Developers do not expect much resistance to this idea.

Breker Moerant, ardent rugby supporter and head of Keep Pretoria's Jacarandas Purple Foundation, said he would ensure the project never went ahead: "If any Japanese businessman thinks he can just come over and dig up Ellis Park, then he had better think again. Anyone who believes this project will go ahead has to be an April Fool."

Transport Ministry overhauled

(269) Sowetan 1/4/98

By Shadrack Mashalaba

TRANSPORT Minister Mac Maharaj yesterday announced three chief directorates that will take over some of the department's activities worth more than R35 million

The three chief directorates whose functions become effective today will operate as autonomous statutory agencies.

They are South African Maritime Safety Authority (Samsa), South African National Roads Agency (Sanra) and South African Cross-border Road Transport Agency (Sactra).

The introduction of the directorates, said Maharaj during the signing of the Memorandum of Understanding (MOU) in Pretoria, was in line with the department's intention to outsource its line functions to improve service delivery.

In terms of the MOU, Samsa gets the authority to render services or assistance in regard to maritime matters and keep the minister abreast of international and national maritime legislation. The safety authority can also make recommendations to the minister.

Sanra will foster development of investment in the cross-border road transport industry, providing high quality cross-border freight and passenger road transport services at reasonable prices. It will also encourage small business development involved in the industry.

Sactra, according to the memorandum, will assist the minister in regard to the construction and maintenance of safe national roads, encourage road users to drive safely and cooperate with Government departments concerned to reduce the impact of incidents

Maharaj said the directorates would shape the future of his Ministry and provide a facilitative mechanism to carry out tasks

Businessman George Negota is chairman of Sactra, while Samsa will be chaired by Professor Hilton Staniland and Sanra by Barry Adams

The Ministry said the Roads Agency will be managing assets worth more than R35 billion

Staff complement

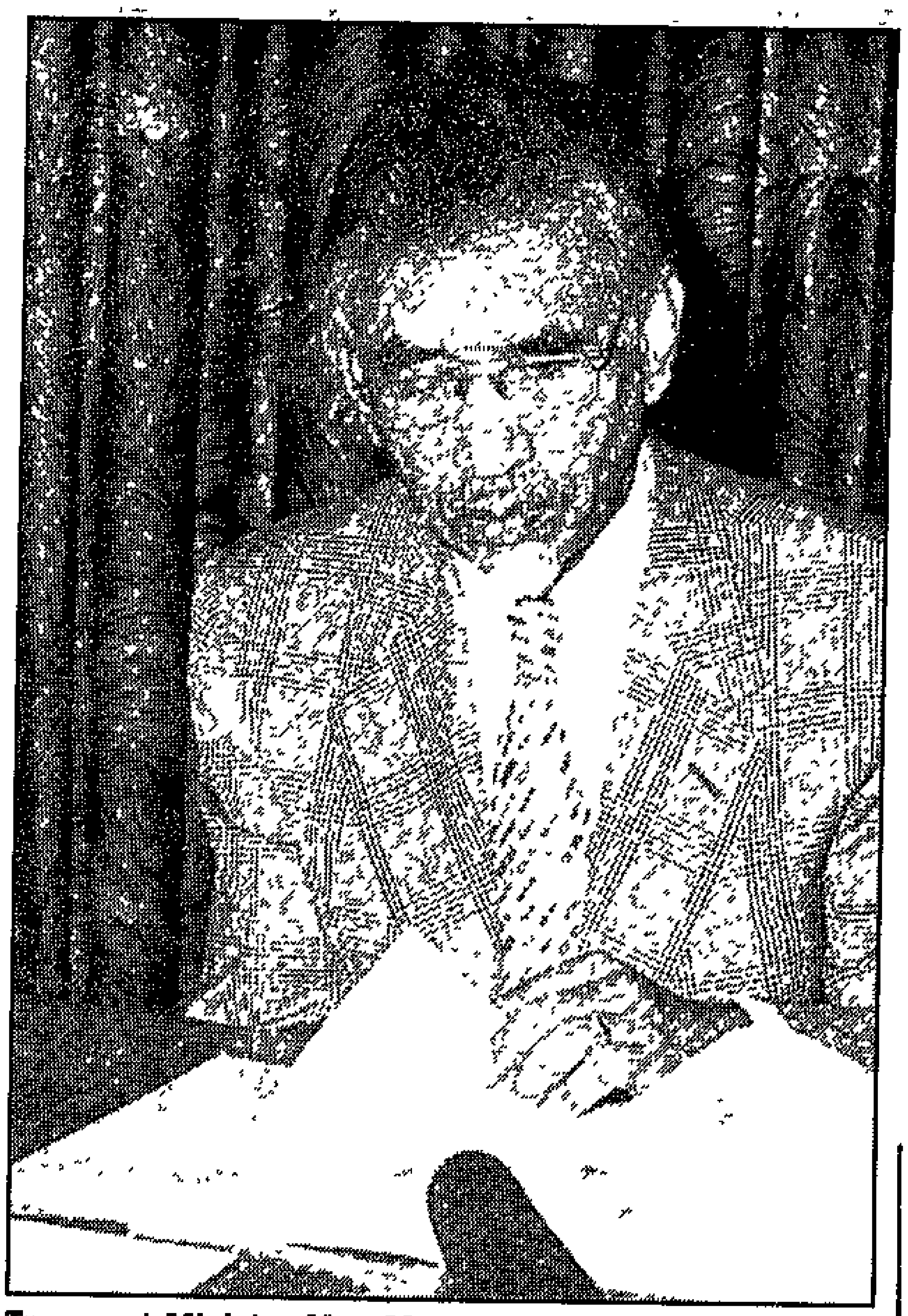
Maharaj said his Ministry would second a staff of 405 people to the agencies The new-look Ministry of Transport would have a staff complement of 220 people, Maharaj said.

Although 60 people are set to lose their jobs during the next financial year, 219 staff members have applied for retrenchment packages and some have already left the ministry.

"The right-sizing currently under way will save the treasury R5 million a year, the cross-border activities R14 million rand, Samsa R22 million while the Roads Agency R21 million," Maharaj said

He said: "We are embarking on restructuring for the sake of it. The Ministry will now focus on policy issues.

"We need to develop three functions to be adequately run and these include human resource, corporate services and the information department."



Transport Minister Mac Maharaj.

White paper makes transport proposals

(269)

Bonile Ngqiyaza 20/1/4/98

THE Gauteng transport department on Tuesday released a white paper proposing an "integrated, affordable and accessible" transport system for the province with particular emphasis on the promotion of widespread public transport use.

Initially, it envisages emphasis on the provision of public transport to be on low cost-high impact solutions and proposes the promotion of public transport over private car use.

It says the aim should be for commuters to spend less than 10% of disposable income on transport.

The use of existing facilities will be optimised before new ones are provided.

The paper also highlights the importance of minimising the negative impact of transportation on the environment and supports the application of integrated environmental management.

The white paper also calls for the maintenance of a comprehensive database on total transport needs and their social and economic impact on people and services.

The Star Thursday April 2 1998

New-look Dept of Transport to save millions, says Maharaj

(269) Star 2/4/98

Three independent, commercial agencies have opened their doors

By Anna Cox

The face of the Transport Department has changed, with the establishment of three new directorates, and a fourth to be launched later.

Three commercial, independent agencies (national roads, cross-border travel and maritime) opened their doors yesterday. The fourth agency (civil aviation) opens in October.

Transport Minister Mac Maharaj said in Pretoria the three agencies would initially save the Government an estimated R86-million a year.

When the fourth agency was opened, an additional R34-million would be saved, bringing total savings to about R120-million a year.

The SA National Road Agency, the Cross-Border Transport Agency and the SA Maritime Safety Authority have signed a memorandum of understanding detailing the nature of their relationship with the minister.

Maharaj said the biggest saving, about R50-million, came from reducing the department's staff from 1 100 to 370. There would be a further reduction of 120 posts when the civil aviation agency opened.

Maharaj said the move would redefine the Government's role in transport. The Government would ultimately retain regulatory control through business plans which each agency would have to submit to the minister, along with performance contracts between the board and the minister, and between the chief executive officer and the board.

One of the areas identified was the issuing of cross-border permits for the transportation of passengers and goods to neighbouring states. "It had been bureaucratically done for years without any correlation between the price of the permit and the cost of producing it. This will save the Government R14-million a year."

He added: "The new agency will work on a cost-recovery basis and any profits will be ploughed back through a price reduction in the next financial year."

Maharaj said the roads agency would be responsible for providing and managing the country's road network. This would include road safety and the enforcement of traffic laws.

Its income would come from petrol levies, toll fees, fines and interest on investments.

The maritime agency was expected to save the state R22-million because the taxpayer would no longer subsidise the shipping industry. Its mission was to serve the maritime industry by ensuring the safety of life and property at sea and preventing sea pollution by ships.

It would be funded by levies on ships calling at SA ports, fines, user charges, and a government service fee.

The civil aviation agency was expected to save the Government R34-million.

Passenger rail rolls in heavy losses

(269) CP 9/4/98

By JIMMY SEEPE

TRANSNET'S Main Line Passenger Service is incurring operational costs of over R100 million a year, City Press has learned.

The Main Line Passenger Service (MLPS), which was privatised seven years ago, is continuing to show losses totalling R103 million per year, and which are likely to continue into the foreseable future.

The company is expected to publish the losses in its year's financial statement, which ended on Wednesday.

MLPS executive manager Bheka Manana this week declined to be drawn into answering questions regarding the main line services' financial status.

He said he did not have the authority to discuss the financial statements of the company.

The losses have fueled speculation within the company that thousands of workers could face retrenchment in order to offset the losses.

Manana, although not wanting to confirm the R103 million loss, told City Press that he was "not aware of any rail commuter company in the world, except in Japan, that is currently operating on a profit basis".

He said while the primary motive of the MLPS is "to break-even in the near future", there were various initiatives that they are currently busy with which they "need to be put in place first".

Currently the main line passenger services continues to be the only source of transport for millions of people in South Africa and foreign, migrant workers.

At present, the MLPS transports about 5 million people a year, especially during major public holidays such as the Easter weekend.

Manana said they cannot be expected to break even, within the current economic circumstances, as they have held back from raising passenger fees in order to continue to provide an accessible, affordable and safe transport mode.

"The people we transport are not millionaires," he said. "We have to hold price increases every year."

But Manana said several initiative and programmes have already been put in place in order to turn the loss-making company into a profitable one.

He said they hoped to do this "by not cutting their cost expenditures but by trying to contain them" so that they could be of service to millions of people who continue to rely on them for transport.

Manana, who was supported by his manager for customer services, Lawrence Branford, and his assistant, Mandisa Kalako-Williams, said they are currently planning to introduce a service that could link up and provide passengers not only with rail services, but with buses and taxis that would transport them until they had reached their destinations.

Manana said in the past, the main line service was not geared towards helping customers reach their homes safely, after reaching particular stations in the rural areas.

"What happened to people after they reached train stations in the Transkei and other areas at 4 am was not of particular interest to those who managed the service," he said.

"We want to change all that by linking the main line service with other service providers such as buses and taxis, while providing a single ticket for all their transportation."

He said the customers also need to be educated about the value of paying for the service they wanted, while the service providers would be "retrained to deliver efficient work".

☐ Meanwhile, Transport Minister Mac Maharaj this week said the state would save R91 million from the "commercialisation of sections" of the Department of Transport, a process begun this week.

Three chief directorates started operating as autonomous statutory agencies along business lines. A fourth was to be set up later in the year.

"Each of the new bodies will have its own income stream," Maharaj said.

A total of 405 staff from the department would move to the agencies, saving R50 million on the state's wage bill, he said.

The three bodies are: The SA National Road Agency, the Cross-Border Transport Agency, and the SA Maritime Safety Authority. A Civil Aviation Safety Agency is due to be set up in October.

Huge budget cuts 'condemn Western Cape roads to ruin'

ARG 7/4/98

(269)

JERMAINE CRAIG
City Reporter

The province's roads are in a desperate state and hardly any road maintenance is being done due to budget cuts. This means the situation is bound to deteriorate further.

It is feared that 30% of the province's roads could lose their surface in the next five years and the proportion of poor or badly surfaced roads may rise from 6% at present to 44% in 20 years if no funding is found.

This was disclosed at a meeting between Western Cape Transport and Labour Minister Piet Meyer and representatives of the roads industry.

Mr Meyer said budget cuts had resulted in the elimination of some road maintenance activities from this year's schedule and also to a skills drain and limited forward planning.

"My department accepts that good roads play a vital role in the social and economic life of this region and clearly it is imperative that we look closely ... at funding and management alternatives, which may also include the establishment of rationalised, commercially based roads agencies as is now happening at national level," he said.

The private sector could play a key role in helping solve the roads crisis.

Southern African Bitumen Association technical director Rob Vos said a public-private sector partnership needed to be established to revitalise the Cape's deteriorating road network.

"Countries throughout the world have encountered increasing difficulty in funding roads from state coffers.

"Many of these countries have solved the problem by drawing on private-sector expertise.

"By establishing innovative partnerships between the public and private sectors, (other countries) have created mechanisms to ensure stable and assured funding to maintain existing roads and to build new infrastructure," said Mr Vos.

Other sources of funding mentioned were toll roads and dedicated road levies.

Fury over new toll-levy plans

Star 17/4/98 (269)

Higher cost of travelling between Jo'burg and Pretoria would hurt commuters and could raise the price of delivered goods

By Anna Cox, Tefo Mothibeli and Samira Esat

The Gauteng government has walked into a storm with its plan to impose toll fees on freeways between Johannesburg and Pretoria.

The proposal, in terms of which toll gates will be set up on the existing Ben Schoeman highway, the Pretoria-Johannesburg Airport highway and the proposed PWV9 route, has been severely criticised by taxi associations, transport organisations and economists.

Outgoing Transport MEC Paul Mashatile announced yesterday that the province would become the first to take advantage of the constitutional provision enabling provinces to raise road-building and maintenance revenue by setting up toll roads. The plan has been accepted in principle by the Gauteng cabinet but it will still be subjected to a process of public participation.

The government will begin by upgrading and tolling the Ben Schoeman highway and the Pretoria-airport route. At the same time, construction will start on the PWV9, a 40km stretch of freeway linking Mabopane and Pretoria with Johannesburg.

Eight toll roads, costing billions, will be constructed in Gauteng over a 20-to-30-year period.

South African Black Taxi Association president Joe Mabaso said the planned toll gates were bad news for the taxi industry.

"It means we will have to increase our taxi fares again because of the additional costs in our running expenses and it will hit commuters hard. They will not be happy," he said.

He said he would be making representations to the government for allowances for special fees for minibuses.

The Automobile Association said it was opposed to existing roads being tolled.

"We predict there is going to be a major outcry from motorists. We don't know how the department is going to manage such volumes of traffic," AA spokesman Robyn Scholtz said.

Econometrix's Tony Twine said tolling the two freeways would create substantial additional costs in transport for hauliers and commuters along the entire N1.

"Because Gauteng is very much a part of a long-haul journey, it could escalate road transportation costs for all surrounding provinces and ultimately increase costs in delivered goods and increase personal transport costs, particularly for those in the large cosmopolitan area of Greater Johannesburg, Pretoria and Midrand," he said.

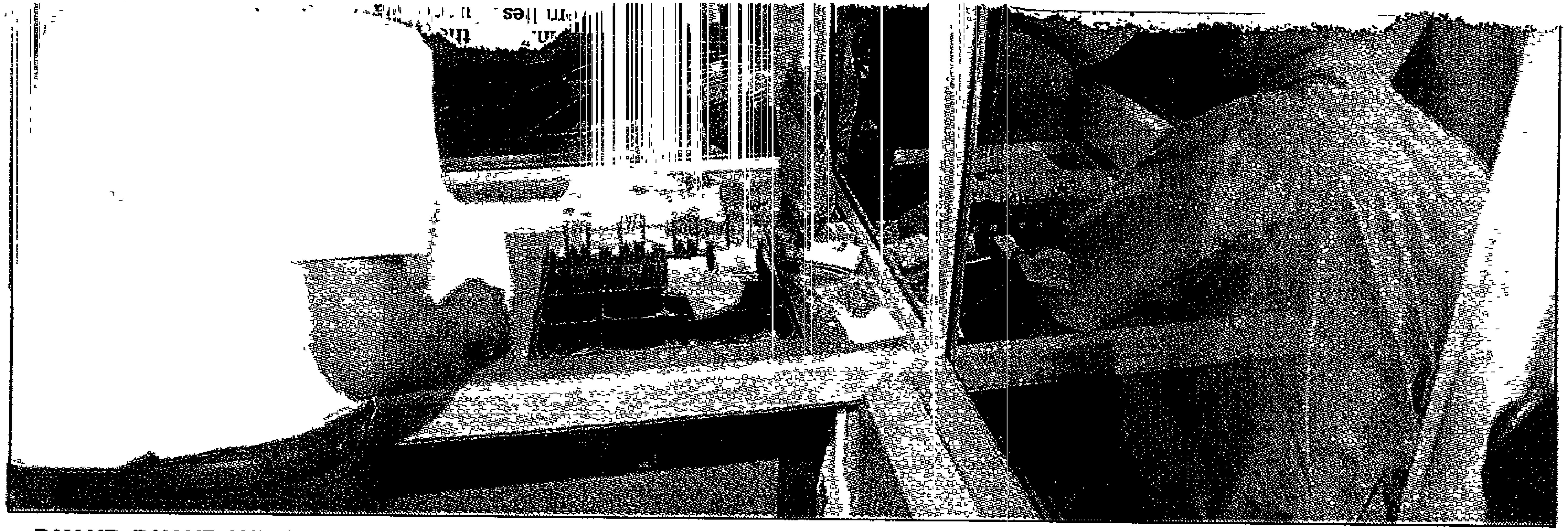
Local municipalities are concerned that motorists who want to avoid paying toll costs on both freeways will start using suburban roads.

Taxi drivers carrying commuters between Johannesburg and Pretoria said that while they welcomed the planned PWV9, they were opposed to the extra money they would be forced to pay on toll roads.

"We are not happy about it because we have to pay money each time were make a trip. We cannot afford to pay money each time we go. If we have to pay, then the price of petrol will have to be dropped," said taxi driver Ntate Boroko.

Boikie Makume said the government should look elsewhere for funds to build much-needed new roads.

But Edgar Matsoso welcomed the toll roads as a necessary evil.



PAY UP, PAY UP AND SMILE . . . a motorist is served by a toll booth attendant. Eight new toll roads have been announced for Gauteng

For whom the Gauteng roads toll

Motorists are sure to be incensed by further levies on their use of roads, writes DON ROBERTSON

(269) ST(PT) 19/4/98

THE Gauteng transport department has taken an unpopular route by introducing eight new toll roads as the only option to prevent further deterioration and congestion on existing freeways.

Most significant in terms of the proposals is a plan to introduce toll plazas on the Ben Schoeman highway between Johannesburg and Pretoria, which is part of the national road network, for which central government has responsibility.

All other freeways in the programme are the responsibility of the province.

Jack van der Merwe, head of the Gauteng transport department, said the national department had agreed to the establishment of a toll on the Ben Schoeman and would help to finance the project.

Whether Gauteng or the department will receive the toll levies is still to be negotiated.

Announcing plans for new toll roads in and around Johannesburg and Pretoria, the department said the bottom-line was that the province had no funds for new freeways. This could lead to additional damage to roads, with a dramatic impact on the economy and quality of life in the province.

The toll road option, although accepted by Gauteng's transport department in principle, is subject to response from the public in terms of an environmental impact assessment. However, it will be viewed as another blow to vehicle owners.

In the March Budget, Finance Minister Trevor Manuel grabbed a further 10c/l levy on fuel sales. Only 4c/l or R662-million will go towards a dedicated road fund aimed at maintaining and upgrading national roads — excluding provincial roads. In spite of this injection, the road fund is desperately short of money.

The overall project, which will take between 20 and 30 years to complete, will cost about R6.8-billion. The idea is that build-operate-transfer contracts will be signed with private groups, which then arrange finance. Early estimates suggest the first three toll roads between Johannesburg and Pretoria will need to charge a toll levy of between 10c and 15c/km.

The toll road concept has never been popular and the fact that the existing Ben Schoeman freeway, which carries over 100 000 vehicles a day, will also be tolled has come in for severe criticism.

Economists suggest that 75% of all goods are eventually transported by road, so costs will rise. Taxi associations are also strongly opposed to the proposals.

Paul Mashatile, outgoing transport MEC, says more than 85% of Gauteng's provincial budget is spent on health, welfare and education. These needs are growing and will continue to absorb most of the budget for years to come.

The first phase will consist of a new PWV9 toll road running parallel to the Ben Schoeman freeway. It will link Johannesburg to the Mabopane freeway north of Pretoria. The cost of the PWV 9 will be R1-billion and is expected to be completed by 2004.

None of the proposed freeways are capable of funding themselves from tolls, so cross-subsidisation from other freeways will be needed, says the department.

The Ben Schoeman highway as well as the existing freeway between Pretoria and the Johannesburg International airport will be tolled in order to provide support finance for the PWV9.

This goes against earlier guarantees, when the first toll roads were introduced, that no existing freeways would be tolled.

Justifying this, the department says that according to the proposals, about R230-million will be spent on improving these freeways this year, before tolls are introduced.

In essence, however, the province has approved the toll road proposal and suggests that considerable savings will result in running costs, time and the accident rate by using the proposed toll roads.

R6,8bn for Gauteng toll roads plan

CT 20/4/98 (269)

Ncaba Hlophe

Johannesburg — More than R6,8 billion would be invested in the proposed eight toll roads as part of a public transport strategy to ease traffic congestion in Gauteng, Paul Mashatile, the outgoing MEC for transport, said at the weekend.

The plan includes toll gates on the Ben Schoeman freeway between Johannesburg and Pretoria, the PWV9 linking Mabopane-Pretoria and Johannesburg, and the Pretoria to Johannesburg International Airport highway.

He said priority would be given to the Johannesburg-Pretoria toll corridor, including the PWV9, which is expected to cost about R1,5 billion.

The expansion of the PWV9 to four lanes would cost close to R1 billion. The project would be completed in five years and create more than 5 000 jobs during the construction period.

Mashatile said the toll roads were expected to reduce costs for light vehicles from the present R945 every 1 000km to R855, and from R3 370 to R3 020 for every 1 000km for heavy vehicles.

ROADWISE *Paul Mashatile, Gauteng's MEC for transport*

Road users were expected to pay R4 in toll fees every time they used the Ben Schoeman freeway, which carries more than 100 000 vehicles a day.

"It was also found the accident rate for both light and heavy vehicles should decrease from one accident a 100 000 km to less than 0,3.

"The associated accident cost would consequently decrease from R40 000 to less than R26 000," Mashatile said.

Of 25 possible freeways studied for the project, eight were chosen because they had viable economic rates of return and would be implemented over the next 20 to 30 years.

The public transport strategy also includes a high-speed train between the Johannesburg city centre and Johannesburg International Airport, and dedicated lanes for heavy vehicles.

Mashatile said the R280 million budgeted for road maintenance by the Gauteng government this year was not enough because of accumulated backlogs and continuing deterioration of the roads.

The capital cost for the other roads would be: PWV5 (R1,2 billion), PWV16 (R1,2 billion), PWV15 (R665 million), PWV13/14 (R680 million), PWV3E (R650 million), PWV3W (R475 million), PWV12A (R1,7 billion).

The plan, announced last Friday, was attacked by transport and minibus taxi associations, which condemned it for raising operational costs.

CITY TOLL ROADS LOOM

N2 a likely target as province seeks cash

ARG 22/4/98 (269)

EY ISAACS
ORT REPORTER

roads are likely to be introduced in Town soon to pay for road construction and maintenance, adding substantially to the cost of commuting doing business by car.

Legislation allowing for metropolitan tolls could be adopted by the Western Cape legislature as early as June.

A furore erupted in Gauteng last week when it was announced that tollgates were to be placed on urban roads, including the Ben Schoeman Highway between Johannesburg and Pretoria.

People driving between these cities can expect to pay R4 each way, adding R8 to the trip, or about R2 000 a year if they commute daily.

In Cape Town, tollgates could be placed on the N2 near the international airport and on the N1 near Goodwood. A tollgate could also be placed on the Kromboom freeway (the M5).

Motorists on these roads could expect to pay about R2 a trip.

Dwindling reserves in provincial coffers and the rising costs of road construction and maintenance are behind the move.

Provincial Transport Minister Piet Meyer said regional toll-road legislation was expected to be adopted in the middle of June and promulgated soon afterwards.

"Toll roads are on the cards because of the lack of funds for maintaining existing roads and building new ones," he said.

"The constitution allows provinces to build and operate toll roads, whereas in the past it was the preserve of the national Transport Department."

He said his department had to seek alternative funding because about 80% of the

To page 3

Cape toll roads on way to raise cash

(269)

From page 1

ARG 22/4/98

Western Cape budget was spent on education, health and welfare.

"Putting tolls on some existing freeways in the province will be necessary to cross-subsidise new freeways and prevent increasing congestion of existing freeways."

Local authorities would have to be consulted on which routes to target.

The Department of Transport has two toll roads in the Western Cape – part of the N2 on the Garden Route and the Huguenot Tunnel route on the N1 over Dutoitskloof.

Discussing the planned eight tolls in Gauteng last week, provincial Transport Minister Paul Mashatile said it was envisaged that regular commuters would fit transponders to their cars, enabling them to pass automatic gates recording their trips. They could be billed monthly.

Cars without transponders would have to use manually operated gates, slowing them down.

Mr Meyer said: "Toll roads are part and parcel of the future. It is a necessary step because the national government derives only 2c a litre from vehicle fuel tariffs for road construction."

He said the toll roads could be privatised, but there would have to be some form of control by the regional government to protect motorists.

New toll roads would pay for themselves, because they would be fully financed and maintained by the private sector. New roads would be more direct or would circumvent traffic bottlenecks, benefiting motorists because they would save on running costs, travel time and accident costs.

New roads would relieve the pressure on busy freeways such as the N2 and the N1.

Dave Eadie, executive director of the Cape Metropolitan Council's directorate of transport, said an environmental impact study was being done for the proposed ring highway toll road which will circle Cape Town, running from Bloubergstrand through the farmlands of Philippi via Strandfontein to Steenberg Road.

SAA to wage war on low service standards

(269)

CT(BR) 22/4/98

AUDREY D'ANGELO

Johannesburg — Lower service standards have caused South African Airways (SAA) to lose out to competitors in a growing aviation market, Mike Myburgh, the airline's managing director and chief executive, admitted yesterday.

In an effort to correct this situation, the airline has launched an incentive scheme, whereby staff dealing with the public will qualify for overseas holidays and other prizes. The judges will be members of SAA's Voyager frequent flyer programme.

Myburgh claimed the falling standard of service had not caused SAA to lose existing customers, but, he admitted, the airline had not gained as much as it should have from growth in the market. "We could have been standing in a better position."

He said the fall in standards was due to several factors, including changes that had taken place while the airline "sought transformation ethnically and in terms of its business culture".

Many of the staff had been uncertain about their future. Some had lost pride in the airline because of losses it had incurred and financial difficulties, which delayed replacing equipment.

It had been realised that staff attitudes needed to be changed and that this should be done by offering a carrot as well as using the stick of fines, suspension and other disciplinary actions, Myburgh said.

Israel Skosana, the managing director of SA Express, and Rodger Foster, the managing director of SA Airlink, which form an integrated network with SAA, said their staff would also take part in the "Flying with Pride" scheme and be in line to receive awards.

Myburgh said he thought these airlines had been offering service "a cut above SAA in the recent past".

Marie Helena Maguire, who has been brought back from six years representing SAA in Hong Kong to run the incentive scheme, said members of the Voyager frequent flyer club were demanding in their expectations of service and would be the best people to judge standards.

The success of the scheme would be reviewed after six months.

In addition to the new scheme, SAA has upgraded its business class, with more space between the seats, and engaged "flying chefs" from the Wits Hotel School to help improve the quality of meals on long-haul flights.

WS

The toll road ahead is full of 'wild stories'

CT 23/4/98 (269)

STAFF REPORTER

WHILE the Western Cape will be getting toll roads in a bid to raise money to support the province's road infrastructure, "wild stories" about where these would be are premature and probably inaccurate.

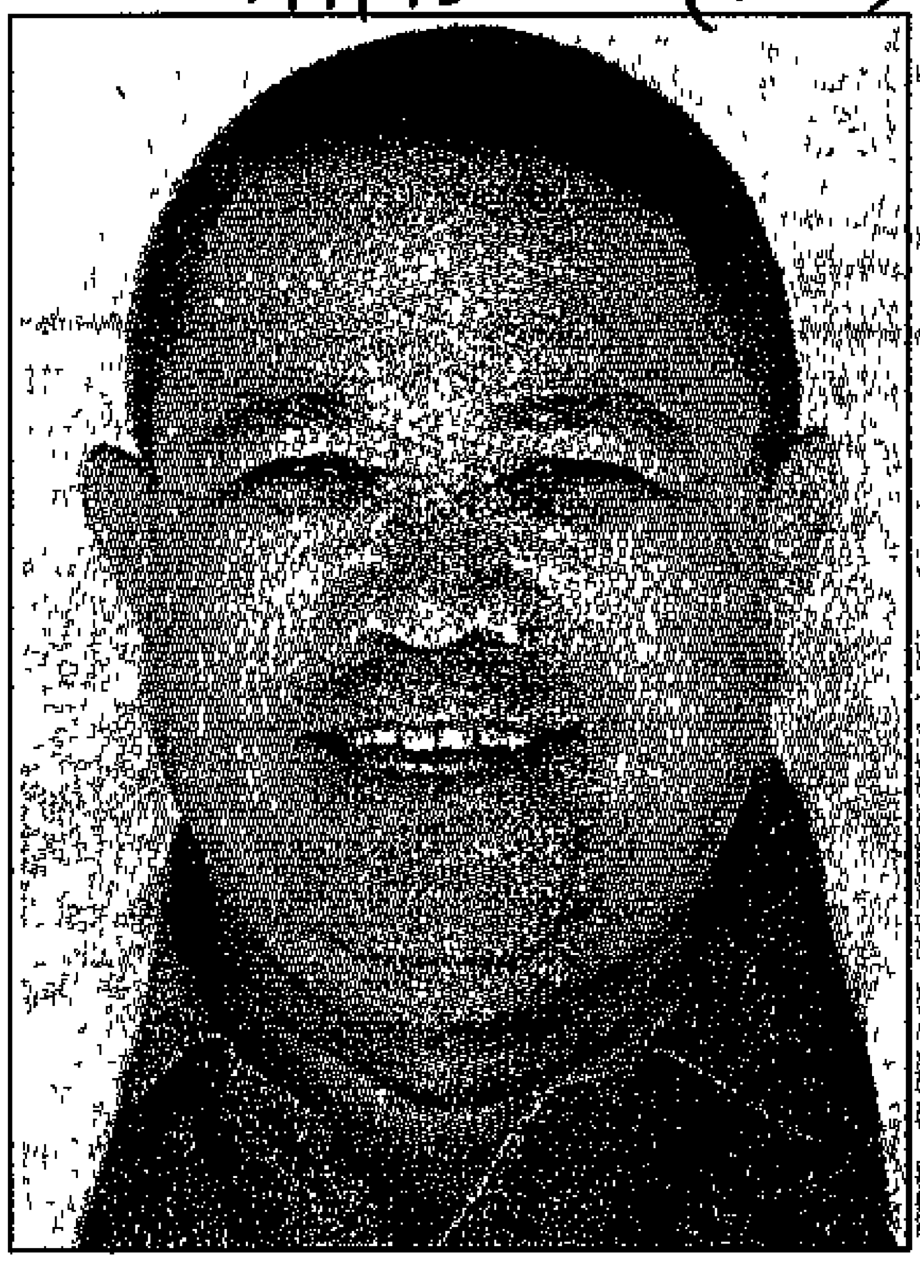
This is the word from the provincial Transport and Labour Minister Piet Meyer's office. His press liaison officer Mr Danny Abrahams said yesterday there was a possibility that toll gates could be erected on the N1, the N2 or the N7. However, since a study to decide where best to locate them had not even begun, no one in the province knew where they would be, or how much it would cost drivers to use them.

"I can tell you that they aren't likely to be in or around the city centre," he said, casting doubt on speculation that the toll gates would be on the N2 near the airport and Khayelitsha, on the N1 near Goodwood and on the M5.

A study will be done to determine the best location for toll gates and the possible cost to road users. Everyone — including commuters, local governments, communities and the private sector — is to be consulted before the study is finalised and presented for consideration. Legislation to allow for toll gates is expected to be ready in the provincial legislature by the middle of June and building could start in less than two years.

The toll gate debate is hotting up with Gauteng announcing recently that toll gates would be installed on urban roads.

"The reason toll gates are being considered," said Abrahams, "is that the provincial coffers must be kept full so that construction and maintenance of roads can continue. We will not be getting enough money for that from central government in the next 10 to 20 years."



PIET MEYER: Location of toll gates not yet decided, says the minister.

Studies have shown that the cost of having badly maintained roads is usually much higher to the tax payer than keeping the roads in good condition.

Abrahams said bad roads also led to accidents and road deaths.

The private sector is to be asked to become an active partner in the toll road venture, "but the province will still have a role to ensure that the motorist is not exploited", Abrahams said.

NE

RESTRUCTURING *Talks continue on master plan for R10bn 'special vehicle'*

(261)

Transnet 'crafts' its deficit

ET(BR)23/4/98

NCABA HLOPHE

Johannesburg — Transnet and the government were locked in negotiations to set up a special vehicle to absorb Transnet's R10 billion pension and medical aid funds deficit ahead of the implementation of its restructuring programme, Saki Macozoma, the managing director of Transnet, said yesterday.

"We would be able to move on with our master plan programme once the department of finance is comfortable with the structure of the vehicle, which is still being crafted," he said.

The funds knocked R2 billion off Transnet's turnover last year and plunged the R20 billion transport parastatal into a R170 million loss.

He said the government's transformation adviser, Hong Kong & Shanghai Banking Corporation (HSBC), was engaged with Transnet and financial experts to set up an appropriate structure for the special vehicle.

Macozoma said the inter-ministerial cabinet committee (IMCC), which drives the government restructuring programme, had accepted the removal of the pension fund from Transnet as a condition to the success of restructuring programme.

He said the vehicle was expected to be an "in-between" structure, which would remove the deficit from Transnet's balance sheet but not transfer it on to the government's books.

While he would not disclose further details, it had been widely speculated the vehicle would service obligations to existing pensioners and privatisation proceeds and that Transnet, once it becomes a corporate entity, would pump dividends and taxes into it.

A master plan based on recommendations of the Stride committee had proposed changing the pension fund from a defined benefit to a defined contribution fund.

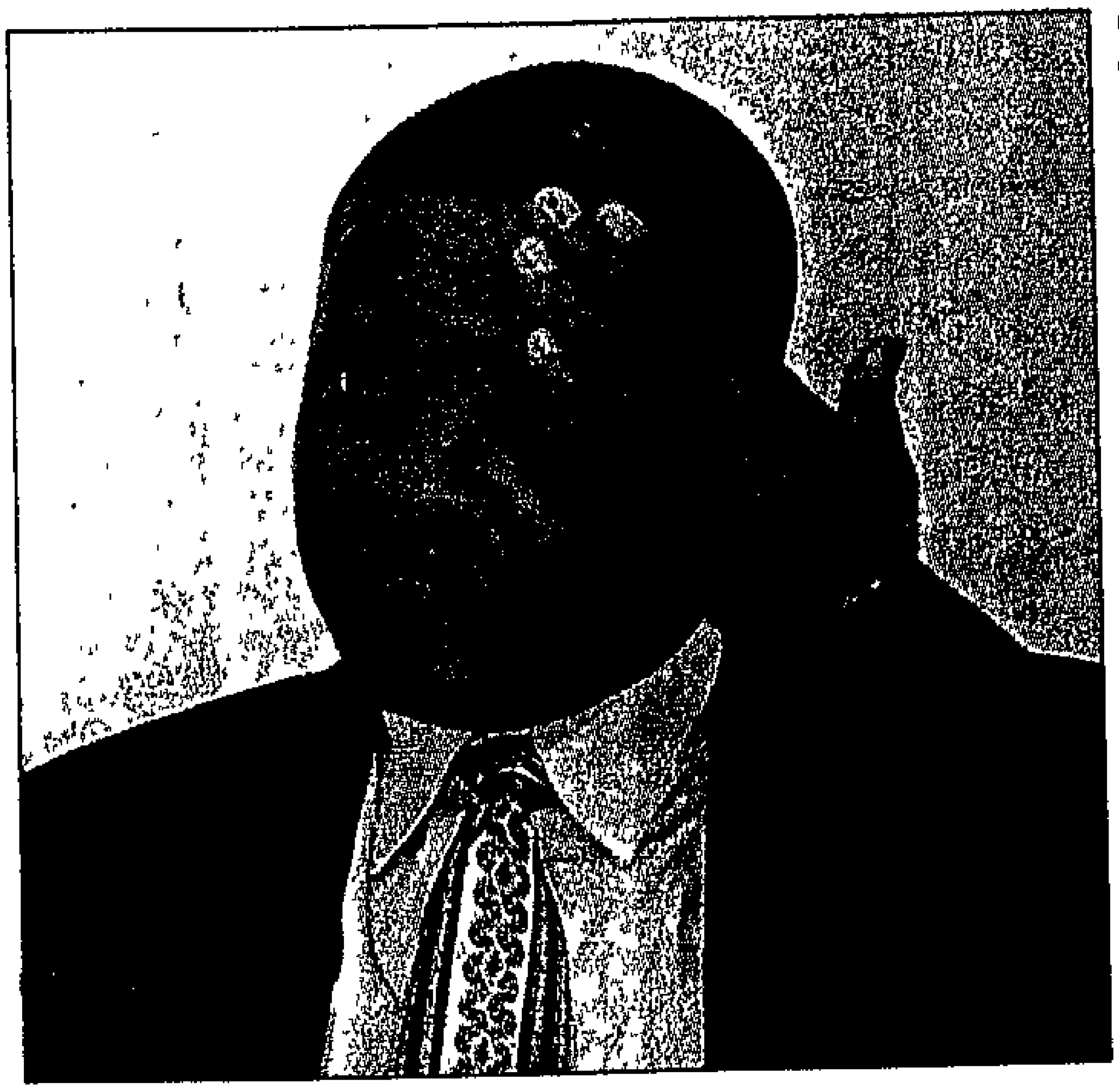
The plan would also spell out a holistic blueprint for the corporatisation and subsequent privatisation of Transnet's divisions.

Macozoma said Transnet was expected to post positive results to the year to March 31 1998 but would experience difficulties as a result of the restructuring programme.

Last year, the group had budgeted R300 million for retrenchments, of which R120 million was spent on packages for 4 000 employees from PX, the parcel division.

He said the group would to recruit more senior executives in the next two months as part of a strategy to strengthen its management capacity.

The strategy has already seen the promotion of Mafika Mkhwanazi, Spoornet director, to become the deputy managing director to boost the group's operational management capacity.



MASTER PLAN *Saki Macozoma, the managing director of Transnet, pores over a knotty problem* PHOTO: JOHN WOODROOF

Toll roads plan condemned by motorists and taxi industry

(269)

'Congestion inevitable'

ARG 24/4/98

SHARKEY ISAACS
Staff Reporter

The Automobile Association and the taxi industry have attacked the plan for toll roads in the Western Cape.

But provincial Transport Minister Piet Meyer says they are inevitable and Western Cape traffic chief Sherman Amos believes motorists should be prepared for toll roads, with legislation pending as early as June.

Toll gates could be put on the N2 near the airport and on the N1 near Goodwood. One could also put on the Kromboom freeway (the M5).

Mr Amos said the question of peak-hour disruption was a key consideration, and this would probably be a factor in the introduction of toll gates on existing roads.

He favoured electronic tolling to counter traffic congestion, and this would require the installation of high-tech scanners homing in on transponders fixed to vehicles.

It was envisaged that regular commuters would fit transponders to their cars, enabling the automatic scanners to record their trips. Cars without transponders would have to use manually operated gates, slowing them down.

Motorists would be billed monthly and those who did not pay would be prosecuted when they renewed their car licences.

Mr Meyer said: "Toll roads are on the cards because of the lack of funds for maintaining existing roads and building new ones."

His department had to rely on other funding because about 80% of the Western Cape budget was spent on education, health and welfare.

"Putting tolls on some existing freeways in the province will be necessary to cross-subsidise new freeways and prevent increasing congestion on existing freeways," said Mr Amos.

It was a necessary step because the Government derived only 2c a litre of the price of fuel for road construction."

The Automobile Association said motorists were already heavily taxed through fuel levies, and would not accept extra costs to use existing roads.

Although the AA was aware of pressures on scarce financial resources from socio-economic and strategic requirements, the collection of toll fees had been found to be an expensive way of raising funds.

Tolling the N2, N1 and the M5 could result in the existing traffic moving to alternative routes to avoid paying the toll, resulting in increased congestion and accelerated road damage.

Western Cape taxi industry consultant Nesha Mohamed said tolling existing roads would harm the industry.

Ms Mohamed, a member of the Convention for a Democratic Taxi Association and a consultant to the Reformed United Taxi Association, said tolling should be rejected because a levy for road construction and maintenance was already included in the fuel price.

Editorial comment, page 13

Plan to resolve SAA debt ahead of privatisation

(269)

Robyn Chalmers

BD 30/4/98

A PLAN to deal with SA Airways (SAA's) loans and pension fund deficit amounting to billions of rands is expected to be tabled at today's interministerial cabinet committee meeting.

One of the key recommendations is likely to be the establishment of a special purpose vehicle to house a portion of the debt and assets held by SAA and Transnet's pension fund deficit, which amounts to more than R10bn.

This would help clear the way for the long-delayed partial privatisation of the loss-making SAA. The sale of up to 49% of the airline to an international equity partner, employees and empowerment investors is still targeted for October this year.

However, there is growing scepticism among analysts that the deal will be concluded this year. SAA's corporatisation, planned for last month, was postponed to an unspecified date, a business plan for the airline has yet to be finalised and a proposed turnaround strategy must still be approved by stakeholders.

"There is a belief in certain quarters that SAA's partial privatisation should be delayed for a few years rather than the airline being sold off now for a song. This would allow it to return to profitability, restructure and unload its debt. We are, after all, talking about SA's national carrier," one transport industry source said.

SAA made a loss of R323m in the year to end-March 1997 and although the airline has slashed costs over the past year, it is unclear whether it made a profit for 1997/98. At March 31 1997, it had loans of R3,7bn and current liabilities of close to R2bn — apart from its portion of the pension fund deficit.

Public Enterprises Minister Stella Sigcau said the issue of SAA's loans and its portion of Transnet's pension fund deficit was crucial to any talks on the sale of the airline. Ways of dealing with the debt were being scrutinised.

Sigcau said a top-level management team was working on a business plan and turnaround strategy for SAA.

Too many white high-flyers

MtG 30/4-7/5/98 (269) (~~[illegible]~~)

Lizeka Mda

The government may be laughing all the way to the bank after snagging R819-million from the Aeroporti di Roma for a 20% stake in the Airports Company, but some company employees are unhappy.

Black managers at the company say the strategic equity partner in the partial privatisation of the Airports Company was acquired at the expense of the company's transformation.

They charge that "there is a lack of transparency in the key appointments to senior management positions, and that white males keep getting appointed to key management positions understood to be earmarked for black appointments".

Many of the problems are articulated in a document prepared last November by Sipho Sithole, then assistant general manager for strategic planning and industrial relations, who headed the company's transformation committee.

"The undermining of the transformation programme," charges Sithole in the document, "has been seen through in filling of key positions in the company with complete disregard for existence of [the transformation] committee as no proper consultation ever took place.

"The continued lack of transparency with regard to these appointments is a display of outright undermining of the transformation programme. It is safe to say that there has never been any meaningful and genuine transformation at [the Airports Company]."

It is also alleged that these appointments have gone to friends of the managing director, Dirk Ackerman. The simmering anger of black managers boiled over when Justin Williamson was appointed finance general manager last October.

Williamson, a chartered accountant, had worked for Ackerman's father when he was chair of security group Chubb.

Ackerman says Williamson was appointed after the company could not find a suitable black person for the position.

"[Williamson's appointment] was not made by myself," he says, "but by the human resources committee, a subcommittee of the board."

Black managers say Williamson's appointment is part of a pattern that undermines affirmative action at the Airports Company, and followed the appointment of Kevin Cockcroft, general manager, asset management; Jon Heeger, group manager, projects; Kevin Schroeder, group manager, retail; and Wimpie van Aswagen, group manager, finance.

"There is a stated policy that the company has to meet certain affirmative action targets," responds Ackerman. "That policy was followed to the letter."

But he does not deny these positions were not advertised, or that all the managers are known to him.

Sithole continues: "The recent spate of appointments has also seen the undermining of key managers who have, over the years, exerted a lot of energy and time to turn this company around — long before the new kids on the block came to chase shares at Airports Company."

The share option has increased tensions at the company. The government is going to sell 10% to empowerment investors, another 10% to the National Empowerment Fund and 9% to the company's 1 700 employees.

The steering committee of the Airports Company's restructuring committee, with representation from the transport and public enterprises departments, as well as labour and management, recommended the 9% be split 2,45:6,55 between senior management and staff.

The black managers say this is a perpetuation of discriminatory practices because only 63 of the 1 700 staff are senior managers, and more than 90% of those are white. They say the shares should be shared equally among all staff.

"There are not enough blacks and females in the higher echelons," says a staff member. "There is only one black general manager. We don't think the company is transformed enough for white males to benefit exclusively. They haven't done anything to deserve it. Instead, they are the ones who do everything to frustrate the transformation of the company."

Ackerman says he is not aware of any dissent among black managers regarding the share split.

Khetso Gordhan, director general of the Department of Transport and co-chair of the steering committee of the Airports Company's restructuring committee, says if anyone is to be blamed for the split it is labour, because they came up with the proposal.

"Labour were much more generous than the government was willing to be," says Gordhan. "One of their preconditions for the strategic equity partner was that the current management should be retained. They said they were very satisfied with the current management policies and philosophies."

A delegation of black managers took their concerns about the lack of transformation at the company to Gordhan late last year. He attended to their grievances immediately and brought in Minister of Transport Mac Maharaj and the board. The transformation committee was disbanded and replaced by a subcommittee of the board.

The Department of Transport is happy with Ackerman. Since taking the company's reins in September 1995, profits have multiplied from around R60-million to about R370-million.

"Dirk Ackerman is an extremely capable and energetic manager," says Gordhan. "As far as the department is concerned, he does a bloody good job running the Airports Company of South Africa."

New proposals on Transnet's huge deficits

THE government has tabled yet another proposal on how to deal with Transnet's massive R10-billion pension and medical aid deficit, writes **SVEN LUNSCHE**.

However, an interministerial government committee meeting on Thursday also gave backing in principle to the privatisation of Transnet's loss-making PX subsidiary and the split of Portnet into regulatory and operational functions.

In terms of Transnet's vast deficit, the Department of Finance tabled a proposal seeking "to limit the impact of the Transnet deficit on government budget targets", says Public Enterprises Minister Stella Sigcau.

Transnet, on the other hand, has proposed the establishment of a special purpose financing vehicle to house part of the deficit as well as other debts and assets.

Both Sigcau and Transnet consultant Kennedy Memane denied the proposals would delay the 49% sale of SAA this year. The cabinet backed the sale of SAA and Autonet last year.

The next step in the SAA privatisation will see Transnet executives going overseas this week to meet bankers to discuss the future of Transnet's estimated R8-billion foreign loans — the majority of these are linked to SAA assets. The bankers need to approve the proposed special purpose vehicle as it represents a material change in the loan conditions.

The meeting also dealt with the future structure of Denel, which has recently been in the news for management dissatisfaction with the slow pace of privatisation at its IT arm Ariel. Sigcau said she would not like to see Ariel sold outright while Denel is still completing its restructuring.

"But it would also not make sense to retain 100% of the group." Infoplan, a potential core for a government IT company, has been separated from Ariel, she added.

She said Denel would soon table its own masterplan, identifying its core businesses. "Non-core operations could then possibly be sold."

On whether Eskom should pay taxes and dividends — a foregone conclusion, according to analysts — Sigcau was confident that recognition would be given to the utility for its electrification programme.

This suggests the establishment of a separate fund to finance the electrification plan.

(269) ST(BT) 3/5/98

Post Office says 90,8% of its mail arrives on time

(269)

BD 4/5/98

Robyn Chalmers

THE Post Office has again raised its delivery times, with about 90,8% of all mail now being delivered on time, a preliminary report shows.

The report, which still has to be audited by Deloitte & Touche, shows that the amount of mail delivered on time rose to above 90% in the first quarter of this year from 86% in the final quarter of last year.

However, the report indicates that the Witwatersrand region lagged behind other regions in terms of the timely delivery of mail.

It delivered 82,5% of its mail on time within towns and 90,9% between towns.

KwaZulu-Natal had the best record, delivering 98,4% and 97,5% of mail on time within towns and between towns. This was followed by the Eastern Cape, the Western Cape, the central region — including the Free State and the Northern Cape — and the northern region which includes Pretoria, Mpumalanga and the Northern Province.

Post Office corporate communications head Ben Rootman said two years ago it was estimated that 29% of all mail was delivered on time. "We have made great strides and will continue to do so," he said.

The crippling problem of postal crime by Post Office employees and external syndicates was also being dealt with. Rootman said 370 postal employees were now "out of the system" as a result of crime.

The Post Office raised postal tariffs 10% on average last month, increasing the cost of posting a standard letter to R1,10 from R1.

The move follows a dramatic increase in postal tariffs of 40% on average last year aimed at lifting revenue and reducing the ailing Post Office's reliance on state subsidies. The subsidy has averaged about R500m a year.

Huge lawsuits as roads go to pot

(269) Star 4/5/98

Warning that claims for damages, loss of life could consume Government's entire R617-m roads budget

By Anna Cox

Claims totalling millions of rands have been lodged against local, provincial and national government for damage to vehicles and loss of life caused by bad roads.

These claims, which mount up every day because of the poor state of roads, could in time equal or exceed the Government's entire national roads budget of R617-million, according to South African Bitumen Association (Sabita) executive director Piet Myburgh.

Bad roads contribute to 20% of all collisions in South Africa, according to an investigation by the CSIR Transportek Division, commissioned by Sabita.

Already, claims have been lodged against two provinces – Free State and Western Cape – for about R11-million.

Another case which is pending could cost the Government hundreds of millions of rands if the victims win the case.

It arises out of an accident in which five Swiss tourists were killed, and several seriously injured, in December 1995 when the bus in which they were travelling left the road near Riversdale in the Western Cape – allegedly because of bad road conditions.

"If the authorities are found not to have maintained roads to acceptable standards, and the road environment is a contributory factor, the resulting claims could exceed the Government's entire roads budget," said Myburgh.

"Road authorities, as public entities, are responsible for the maintenance of road infrastructure, and negligence opens them to a charge under the law."

In Gauteng, the provincial road network has deteriorated markedly over the past 10 years, to the point where more than 60% of the roads are classified as being in a bad, poor or critical state. In 1985, more than 80% of Gauteng's roads were in good to very good condition, according to the province's toll-road strategy report.

The Greater Johannesburg Metro Council has 141 claims against it, totalling R50 000.

Sabita is urging the Government to spend more on roads, saying the money it may have to fork out in claims could be used for road construction.

"The Government should spend more on road building and maintenance, especially since it collects R12-billion through fuel levies.

"It should loosen its grip on this money, which it rakes in through duties and taxes on fuel.

"These taxes and duties comprise about 42% of the current fuel price, while an equivalent of only 6,5% is allocated by the fiscus for the building and maintenance of roads. The rest of the revenue is siphoned off for general expenditure," said Myburgh.

Chief executive officer for the SA National Roads Agency, Nazir Alli, said contractors doing road repairs often bore the cost of claims as they carried insurance.

The Government carried no insurance, he said.

"As a whole, the state of South African roads is second to none and we are satisfied with the condition they are in – we can easily compare very well with developing countries," he said.

Nomvete 'failed to turn airline around'

Marching orders for SAA chief

ET(PR) 7/5/98 (269)

Ncaba Hlophe

Johannesburg — Zukile Nomvete, the Transnet executive director responsible for SAA, could be transferred to another portfolio within the utility for failing to turn around the ailing airline, a top SAA official said yesterday.

As part of a management reshuffle, Transnet senior management had already approached Nomvete and offered him a position as chief executive in other portfolios, including Transwerk and Autonet, because they were not impressed with his performance at SAA, sources said.

Zukile Nomvete

But Nomvete was challenging the decision to move him from SAA as well as the benchmarks used to appraise his performance.

The removal of Nomvete was expected to deal a blow to the airline's corporatisation, whereby it would become an independent entity as a basis for its privatisation later this year.

The airline lost R323 million in 1997 as a result, among other things, of persistent internal revenue leaks and artificially high jet fuel prices that are 30 percent above the world average. But Nomvete's interventions on the leaks had spurred the airline into exceeding its revenue budget in March this year, for the first time in 12 months, sources said.

"The money is coming in, and the airline has begun to turn the corner. It is well poised for sound privatisation and the introduction of a strategic equity partner," a source close to the reshuffle said.

"He inherited the problems when he came in, and the airline lost R14 million in April 1996, the very first month he was brought in. He hardly had time to settle down," the source said.

However, Kali Mabentsela, Transnet corporate strategy manager, said the state-owned transport giant was engaged in a radical realignment of its human resources as part of a strategy to strengthen its senior management capacity.

He said the group's senior management had been weakened by the departure of two directors — Joe Ndlela and Sipho Nyawo — and required a reshuffle that also saw Mafika Mkhwanazi, current Spoornet chief executive, promoted to deputy managing director of Transnet.

Nyawo had been replaced by Rob Childs as head of Portnet, and Ndlela's portfolios had been vacant, which prompted the reshuffle as the group needed strong people to fill the vacant human resources and operations portfolio, he said.

"Various portfolios within the group will be affected by the reorganisation, which is necessary, and should be taken without any ill-feelings," Mabentsela said.

Nomvete refused to comment.

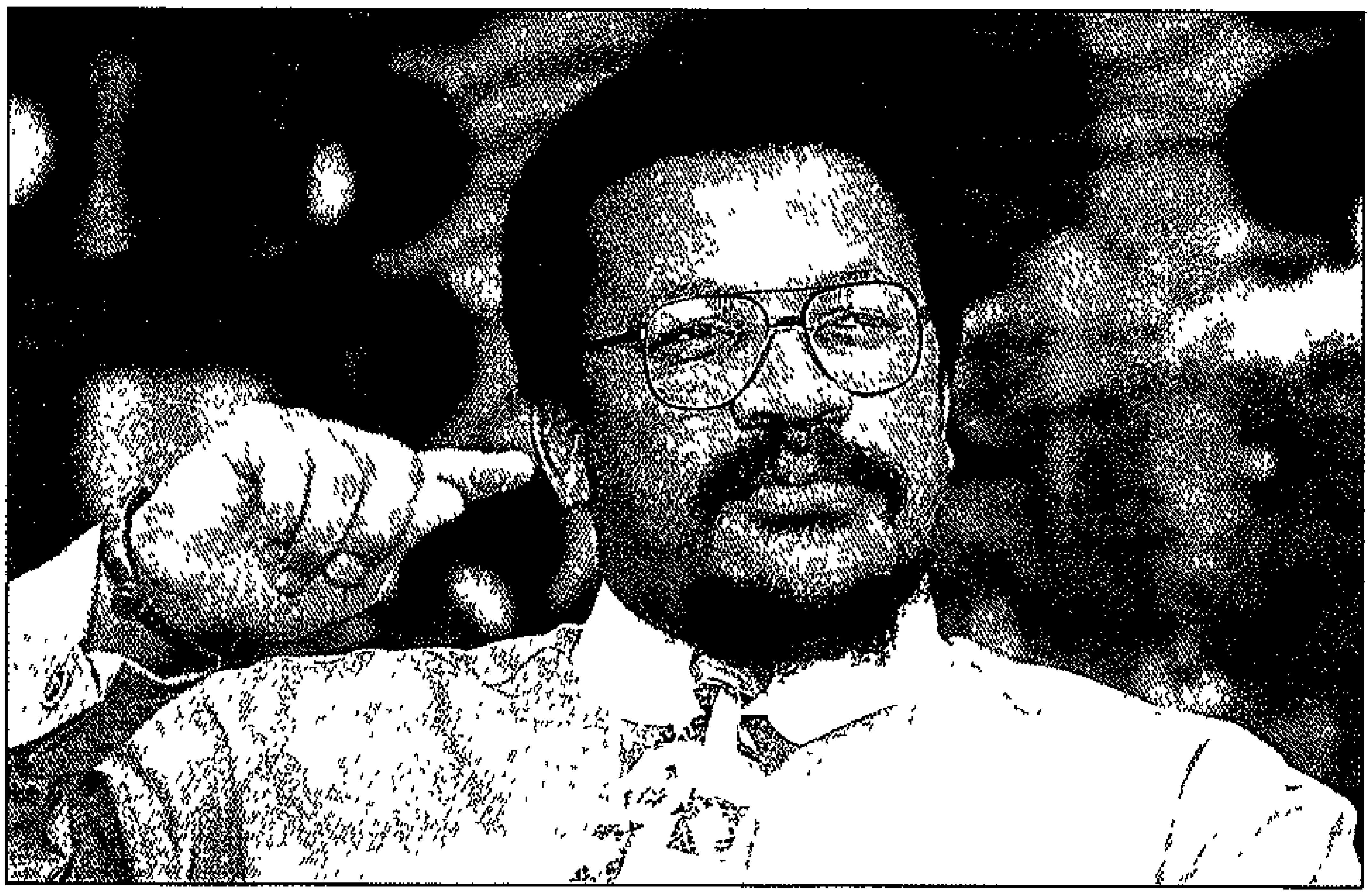
□ Business Watch, Page 2

AVIATION (269) CT (BR) 7/5/98

SAA is 'still on privatisation track'

South African Airways (SAA) was "definitely still on track with its programme for privatisation", Leon Els, the airline's senior public relations manager, said yesterday. He told delegates to the Indaba travel fair: "We are still confident that SAA will be in existence and with its strategic equity partner by the end of October." He said the financial year ending two months ago would again show a loss, but this would be smaller than in the previous year. — *Audrey d'Angelo, Durban*

Email. fmfocus@tml.co.za



Zukile Nomvete *differing accounts of his problems as SAA chief executive*

SOUTH AFRICAN AIRWAYS

(269)

Where should the buck stop?

FM 8/5/98

Shunting aside executive director will not cure the airline's ills

Efforts to restructure the State-owned transport giant Transnet have suffered a setback following the decision to remove Zukile Nomvete, the Transnet executive director in charge of South African Airways (SAA), from his post Nomvete is the third casualty from an original team of six black executive directors appointed by public enterprises Minister Stella Sigcau two years ago to spearhead radical changes at the loss-making public corporation.

Government and Transnet spin doctors give contradictory accounts of Nomvete's fate A Transnet spokesman says Nomvete's move was part of a "general reshuffle of responsibilities" Sigcau referred inquiries to Transnet MD, Saki Macozoma, saying that this was an operational matter But her spokesman, Wandile Zote admits that any decision to reshuffle responsibilities would have to be rubber-stamped by the Minister

However, the *FM* has been told that Nomvete has been offered a lesser portfolio to manage, including Transnet subsidiaries Autonet, Viamax, Chemical Services, and Transwerk He has sought explanations for the "demotion" in a letter to Macozoma A lengthy legal dispute could follow unless Nomvete, who is keen to leave Transnet, is paid for the last three years of his contract

This would be the third dispute involving a Transnet executive director Sipho Nyawo, the former executive director responsible for Portnet was fired by Transnet in November 1996 after being found guilty of 65 cases of credit card abuse He tried, unsuccessfully, to contest the dismissal in court Nyawo was replaced by Rob Childs

Joe Ndhlela, the former executive director of human resources, was fired in January this year after being found guilty of, among other things, bugging the phones of his colleagues In a bizarre twist to the case, Ndhlela unsuccessfully tried to challenge the dismissal, accusing Macozoma of having stolen company property

Nomvete's position at SAA will be taken over by Transnet deputy MD, Mafika Mkwanazi, the executive director responsible for Spoornet Under his management, Spoornet's profits soared to R712m for the year to March 1997 from R98m the previous year Mkwanazi will become SAA's chairman later this year after corporatisation — the process of cutting its legal ties with Transnet and becoming a separate business entity — has been completed and a new board has been appointed

If Nomvete eventually leaves the group, as appears likely, Transnet will have four remaining executive directors — Macozoma, Mkwanazi, Childs and group financial director, Gloria Serobe — who will need additional managers to help them stem the group's losses and oversee its restructuring Transnet's board has 15 directors, with seven seats earmarked for executive directors The board will have to appoint three new executive directors to avoid further delays in the restructuring process

There are two explanations for Nomvete's dismissal The one is that he failed to deliver in a crucial portfolio The company reported a R323m loss for the year to March 1997 This year SAA is expected to report another R300m loss despite the success of Project Clean-up which cut R200m from the airline's cost-base Nomvete's critics say that after more than R600m of losses, there was no alternative but to move him

However, the *FM* has been told Sigcau has dithered over a decision to move him for over a year Concerned board members and officials in the department raised the issue last year But the feeling at the time was that it would not look good firing another black executive so soon after Nyawo's dismissal A compromise plan which Sigcau (and senior Transnet executives) toyed with was to balance the decision by simultaneously redeploying two white SAA executives, including SAA CE Mike Myburgh or deputy CE John Hare

Nomvete's allies paint a different picture They point out that SAA was reporting heavy losses when he was appointed in April 1996 A confidant says that on his arrival Nomvete found an intransigent white management steeped in the "old ways" of doing business which would not let him into their inner circle

At the same time, Nomvete received no support from a Transet board that did not have the courage to implement real changes, including massive retrenchments

A Transnet source says "Transnet's board has spent little management time addressing the problems at SAA A board committee — including Transnet chairman Louise Tager, Macozoma, Derek Cooper and Serobe — was appointed early last year to discuss implementing recommendations by consultants to get rid of senior SAA management and flatten the top structures

"The meeting never took place because Macozoma was at an ANC National Working Committee (NWC) meeting Since then, the committee has not had a single meeting to discuss SAA's problems What direction did Nomvete get from the Transnet board? In fact, Macozoma and Nomvete hardly talk to each other."

Whatever the case, Sigcau would be ill-advised to believe that removing Nomvete will sort out SAA's problems There are good reasons to believe that the current management is not up to scratch SAA needs a dynamic leader with the political backing to make tough decisions

"It is clear that SAA management needs to be improved If one assumes that Nomvete did nothing at SAA, this implies that management has been running the airline What have they got to show for that?," says a source at a top international airline

Since Myburgh became CE of SAA in April 1993, the airline reported a R23m loss for the year to March 1994, a R217m profit in 1995, a R324m profit in 1996 and a loss of R323m last year Another R300m loss is expected this year despite the success of Project Clean-up, illustrating the depth of the company's malaise

SAA makes some money on most of its domestic routes and those in the rest of Africa It is making huge losses on most international routes — except the obvious money spinners such as London and New York — because there are not enough passengers to recover costs

There are two solutions The first is to scale back operations — cut the number of routes and planes in the air — and only fly to profitable destinations But this would not look good with potential strategic equity partners The other is to find a good equity partner which can share routes and help SAA increase passenger loads on loss-making routes and improve its internal systems and forecasting abilities

Attracting a partner could be difficult Aside from the fact that corporatisation, which was supposed to have been completed at the end of March, could take another six months, a sensible valuation of the airline is impossible Assessing SAA's potential is proving illusive in the absence of a coherent strategy or business plan

SAA's long term and current liabilities (which are shown on its balance sheet) are nearly R6bn It has emerged that there are other debts relating to SAA — worth nearly R8bn according to one report — tucked away in Transnet's balance sheet

Few people outside Transnet know the exact figure because of (deliberately?) poor disclosure by the public corporation How the airline got into this mess, nobody knows But Sigcau will be missing the point if she thinks the problems will evaporate as a result of a minor management reshuffle

Duma Gqubule

Transnet moves to reshape its costly baggage

ST (BT) 10/5/98 (269)

SA Airways chief Zukile Nomvete has been shafted, write ROGER MAKINGS and SVEN LUNSCHE

THE board of state-owned Transnet launched a number of key proposals on Friday to restructure the R40-billion transport giant.

Heading the list are management changes at loss-making SA Airways with Zukile Nomvete being moved from his position as executive director of the airline.

Appointed in his place is Mafika Mkwanazi, Transnet's deputy MD. Mkwanazi will retain control of Spoornet, Metro Rail and PX.

Transnet MD Saki Macozoma is embarking on a two-week tour to seek the backing of global bankers to restructure the group's R22-billion loan book.

Macozoma said the loans were currently linked to Transnet. "As we corporatise our various operations, such as SAA, the loans have to move with the new structures. I'm confident our bankers will back the move, as the loans are still guaranteed by government."

Macozoma, however, expressed concern that new finance department proposals to restructure Transnet's R12-billion pension fund deficit could slow the restructuring of the group.

"We would prefer to place the deficit in a special finance vehicle so they would not impede the operations of our company," said Macozoma, adding that he was confident of an imminent solution.

The board also agreed that Transnet's telecommunications arm Transtel should raise its stake in cellular phone group MTN by 3.5% to 23%. (See page 3)

The focus of the board meeting, however, was SAA. Nomvete was removed from his position following the airline's dismal performance during his two-year stewardship. Last year SAA recorded a loss of R323-million and it is expected to lose a further R300-million at the financial year ending March 1998.

CEO Mike Myburgh, who reported to Nomvete, will retain his position. Macozoma indicates, however, that the entire management structure will be reviewed ahead of SAA's partial sale by the end of the year.

Nomvete has been shifted to take charge of Transwerk, Viamax, Chemical Services, Production House and Autonet, which will be fully privatised later this year. These are smaller operations.

Airline executives welcomed the shifting of Nomvete. "The problem in SAA over the last two years was that any decisions taken by white managers were viewed with suspicion," one source said.

"We had delays in major decision-making which resulted in problems becoming crises — as we saw in our fuel price and staffing problems. In a nutshell, our leadership lacked experience."

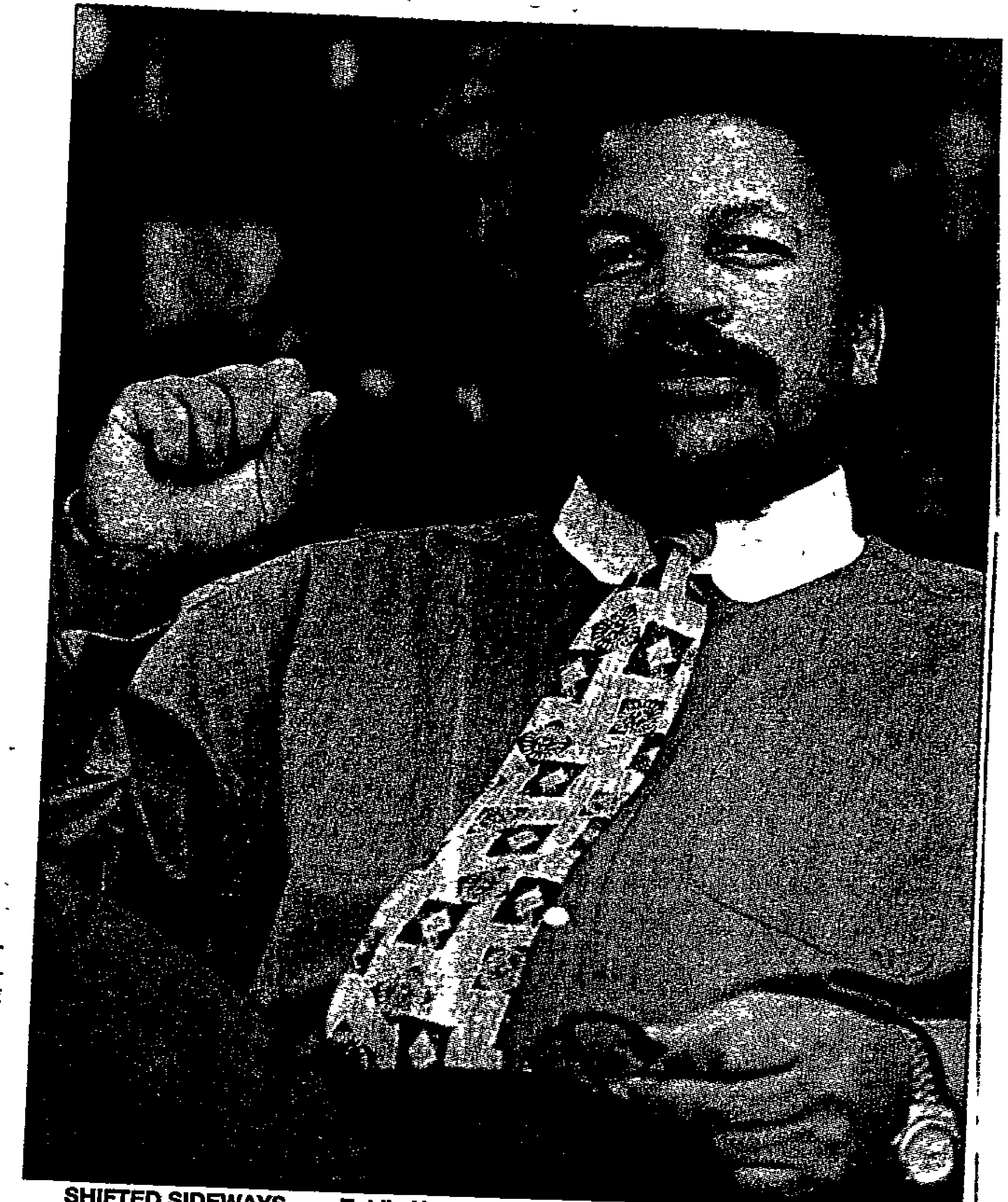
In the past two years, SAA has suffered some serious setbacks — the most notable of which was a confirmed purchase of four Boeing 777s, with an option on a further three, being put on hold indefinitely at a time when the aircraft were desperately needed on new routes and to replace ageing fleets.

The delay is said to have cost the airline millions in penalties. It also took a pounding in the press over the declining levels of service, while labour disputes have also featured strongly.

Many key personnel have taken packages rather than remain with a loss-making airline in which morale is said to be at an all-time low.

Nomvete's removal is believed to have been put off for over a year. Sources say that while he accepted the decision at the board meeting on Friday, he could well challenge in at a later stage.

Nomvete's leaving will open the way for CE Myburgh — who introduced Operation Clean-up last year, saving the carrier R170-million — to take full management responsibility. Mkwanazi has seen a dynamic two years as head of Spoornet, which he restructured, retaining experienced white managers in the process and increasing efficiency and profit.



SHIFTED SIDEWAYS... Zukile Nomvete loses his status as chief of SA Airways

Bus service for disabled hits the road

(269)

SHARKEY ISAACS
TRANSPORT REPORTER

ARG 13/5/98

South Africa's first Dial-a-Ride bus service for disabled people has been launched by the Cape Metropolitan Council with the help of the private sector and welfare organisations.

By the end of the month four buses will be operating in Mitchell's Plain and Khayelitsha in a pilot project, benefiting more than 1 000 physically disabled and visually impaired people in the area.

A telephone call to the toll free number 0800 600 895, will send a bus to the doorstep of a physically or visually disabled person and cost no more than a normal bus fare.

At the project's launch yesterday deputy Cape Metropolitan mayor Isobel Edelstein said the buses had been specially equipped to meet needs of disabled commuters

Dial-a-Ride was the first service of its kind and she hoped it was a sign of things to come.

The project is a partnership between the Cape Metropolitan Council, the Association for the Disabled, the Cape Town Society for the Blind the council's transport agency, Modalink, and the Golden Arrow Bus Company. The buses will operate daily from 6.30am to 6 30pm.

SHARKEY ISAACS

Mobile: Ruth Davids, assisted by Yusuf Abrahams, is hoisted aboard a special Dial-a-Ride bus for the physically disabled and visually impaired

CAPE ARGUS, WEDNESDAY, MAY 13, 1998

SAA jets in nightmare series of near-misses over Africa

Maharaj unveils anti-collision system

(269) ARG 13/5/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

South African Airways reported 36 "near-miss" incidents in African airspace last year, and eight in the first three months of this year, Transport Minister Mac Maharaj told Parliament.

Mr Maharaj said yesterday that he was able to give details only of the incidents involving SAA aircraft, and did not have statistics of the total number involving other airlines.

In one incident in January, an SAA Boeing 747 bound for Johannesburg from London had to dive to avoid a collision with an Air Chad Russian Tupolev aircraft over Ndjamena in Chad.

The incident was caused by lack of co-ordination by Chad air traffic controllers and the Air Chad jet's failure to broadcast on the proper frequency.

The incident had been reported to the authorities.

Replying to questions in the National Council of Provinces by James Selfe, a Democratic Party delegate from the Western Cape, Mr Maharaj said SAA was equipping all its long-haul aircraft with the Traffic Collision Avoidance System.

SAA had established an incident-reporting databank through the sophisticated British Airways Safety Information System (Basis) which would enable it to establish incident trends to prevent recurrences.

SAA was represented on various forums dealing with flights over Africa, and these forums were continually analysing problems and adopting measures to prevent air traffic conflict.

These included improved communications between countries and continual discussions on flight routing.

Mr Maharaj said his department was involved with international bodies planning improved navigational and airport facilities in Africa.

South Africa was implementing the Global Communication Navigational Surveillance Air Traffic Management System, which Mr Maharaj termed "the single most important project to have been introduced by the International Civil Aviation Organisation".

South Africa also was co-operating with Southern African Development Community partners to implement reliable voice and data communications between several of the 16 SADC states.

Other steps had been taken to improve communications between pilots and air traffic controllers and between air traffic service units on African routes.

Mega airport set for take-off

R150-million upgrade kicks off one of the biggest developments in Cape Town's history

ST (CM)

17/5/98 (269)

BOBBY JORDAN

A MULTI-MILLION rand plan to transform 2 000ha of Cape Town International Airport land into one of the province's major industrial and commercial centres — including a new mega airport terminal four times its present size — appears set for take-off.

Approval for the first phase of the development — a R150-million airport upgrade — was granted on Thursday at the Airports Company in Johannesburg.

This is part of a startling 2,4-million square metre development, about the size of the entire city CBD, is expected to incorporate 650ha of vacant airport land surrounding the runway and is being touted as one of the biggest potential developments in the city's history.

In terms of the phase-one revamp plan approved this week, the new airport will feature:

- Massive additional aircraft parking facilities;
- A revamped domestic departures terminal, including shops and kiosks, expected to be ready by mid-December;
- A new international arrivals terminal;
- A new cargo-handling centre;
- Three new office developments;
- Two new hotels, including conference facilities.

The project — dubbed "the 50-year master-plan development" — should create tens of thousands of jobs and transform the Bishop Lavis/Belhar/Delft area into a thriving business hub.

"This is definitely one of the most exciting things to happen to this city," airport assistant general manager Amien Nieftagodien said yesterday. "This could be the catalyst for the economic revolution everyone is hoping for in this province."

Drawn up over the past four years, the mega-airport plan seeks to make Cape Town International Airport a major player in the global aviation industry.

The company has forwarded some of the plans to the Tygerberg City Council and is awaiting the outcome of a detailed impact study undertaken by the Cape Metropolitan Council.

"Phase one has been given the green light and now we begin a process of sorting out the details with the consultants and architects," Nieftagodien said.

"At the moment the airport is handling about four-million passengers a year. When this is finished we hope to be able to handle 16-million," said urban planner Simon Nicks. "Next we'll have to start looking at the bigger picture in more detail."

Nicks, one of the team who drew up plans for phase one, said the planners were already investigating the implications of the huge expected increase in traffic flow.

"One of the big problems we've had in this part of the world is how to stimulate economic development where we need it most — that's what we hoped hosting the Olympic Games would do," Nicks said.

"This project will do even more than sports stadiums could have — it's going to be a fantastic boost for Cape Town.

"The airport has been growing at a phenomenal rate and they really needed to get this development going to make it into a premier tourist destination of international standing," Nicks said.

Tygerberg council is expected to appoint an officer to oversee implementation of the project.

In a report to be tabled at next week's corporate services committee meeting, the council said the project would dramatically increase the city's tax base and create jobs.

"It's a mega project which will undoubtedly have by far the largest land use, transport and economic impacts on the city in comparison with any other projects being contemplated," the council report said.

The 2,4-million square metre site was significantly bigger than even the Waterfront development and the Sunwest Casino plan.

"The sheer scale and magnitude of the CTIA development and its impacts are unprecendented," the report said.

According to the Tygerberg director of planning and economic development, Shaheed Solomon, the airport development would have a significant impact on surrounding communities.

Redundancies spiral in gold mining sector

BD 25/5/98 (269)

David McKay

THE SA gold mining industry, struggling against a decline in the gold price and dwindling ore resources, had labelled one-fifth of its total employees redundant in the past 18 months, industry sources said at the weekend.

The SA Minerals Bureau estimated that of the 345 000 miners employed on SA's gold mines at the beginning of last year, 60 000 or 17% were redundant.

Mining companies Anglogold and Gold Fields said, however, that a large proportion of their affected employees had not been lost to the industry.

This chimes with what Minerals and Energy Minister Penuell Maduna said in Parliament on Friday — that about 25 000 or 42% of threatened jobs in the industry had been saved. This was the result of a number of initiatives by the recently founded gold crisis committee to minimise retrenchments, including job-sharing.

Gold Fields, created through the merger of the gold assets of Gencor and Gold Fields of SA, told the committee about 17 000 jobs at its mines were redundant. It employs 70 000 people.

Gold Fields' Adrian du Plessis said the group and the National Union of Mineworkers (NUM) entered into agreements in March and April on its affected mines including Kloof, Libanon, Leeudoorn and East and West Driefontein.

"Natural attrition, replacement of nonspecialist contractors, early retirement, extended leave, job sharing and voluntary separation procedures have resulted in 12 500 employees leaving the mines." None of these miners was "compulsorily" retrenched.

Analysts said further redundancy agreements had been formed between Gold Fields and the NUM at Evander Gold Mines in Mpumalanga, affecting about 2 500 jobs.

Anglogold executive officer for labour relations Steven Lenahan said his group had also undergone labour changes with about half of the 60 000 jobs at its Free State complex of mines affected by restructuring.

However, the loss of jobs did not always result in a loss of employment. Anglogold had set R4m aside for retraining miners for jobs in different industries. Anglogold had also disposed of shafts considered unprofitable in the context of the group's cost structure to smaller operators who, with less overheads, had managed to rehire many of the affected workers.

Sources said Anglogold and Gold Fields had taken measures to boost profitability by increasing the number of blasts per shift, multiskilling underground teams and educating miners.

No SA gold producers had been exempt from job-reducing restructuring as a $100/oz decline in the gold price since 1997 had dented margins.

Last year JCI's gold mines retrenched several thousand workers at its Western Areas and Randfontein mines. Harmony and Durban Roodepoort Deep also recently carried out restructuring programmes.

Analysts said, restructuring costs had also been steep in the past year. SA's gold industry for example, was thought to have paid out or made provisions for restructuring costs totalling R600m, assuming R10 000 was paid out per employee on average. Of this, about R273m was provided for or paid out to employees in the March quarter alone, one analyst said.

New plan to deal with Transnet's pension burden

Robyn Chalmers BD 25/5/98 (269)

A NEW plan by the finance department to deal with Transnet's R12bn pension fund burden — which involves hiving off and dealing with the debt associated with each Transnet subsidiary — is under scrutiny.

This goes against an earlier proposal contained in Transnet's master plan where the debt would be placed in a special finance vehicle and Transnet pensioners taken over by the state.

Government officials said the finance department was concerned about the effect on its growth, employment and redistribution strategy targets should it take over Transnet pensioners and cancel Transnet debentures. It had proposed that the debt be dealt with in a "piecemeal fashion". This would mean calculating SA Airways' portion of the pension fund debt, for example, and government taking over smaller parts of the debt.

"The proposal is being examined by Transnet to assess the impact this would have on each subsidiary," said one official.

The proposal will be further examined at the next interministerial cabinet committee meeting, scheduled for Thursday. However, Transnet MD Saki Macozoma previously expressed concern about the finance department's proposal as he feared it could further delay the transport parastatal's restructuring initiative.

Macozoma had said Transnet would prefer to place the deficit in a special finance vehicle so it would not impede the operations of the company.

The issue of the pension fund burden has hampered Transnet's privatisation for years and also forced the organisation into a loss each year.

In the year to March 1997, a 7% increase in Transnet's net operating profit to R1,9bn was effectively wiped out by the pension and medical aid fund burden totalling R2,1bn. This left Transnet with a loss of R170m against a loss of R253m the previous year.

Transnet finance director Gloria Serobe said the fund's actuarially assessed deficit had been reduced to R3,2bn by March last year. Government debentures totalled R7,4bn.

HANNES THIART

Postman Jay: Minister Naidoo dons his cap ready to deliver post in Khayelitsha

Postman Jay is on his way

ARG 26/5/98

(269)

NATALIE KAMMIES
STAFF REPORTER

Businesses and residents in Khayelitsha had a visit from a postman with a difference yesterday – Minister of Posts, Telecommunications and Broadcasting Jay Naidoo.

He donned a postman's cap and hopped on a bicycle to deliver mail to businesses and homes to inaugurate street deliveries in Khayelitsha.

Mr Naidoo told residents, community organisations, Khayelitsha councillors and Tygerberg mayor Lucas Olivier: "I have a dream that one day all people in every house across the country will have an address. When we have that we can say all the people in South Africa are equal."

The post office stopped introducing street deliveries to new areas about seven years ago. "Policies like that resulted in hugely disparate access and distribution of postal services, benefiting a single population group. Today all of that is changing."

Residents and businesses at 46 000 addresses in Khayelitsha, Philippi, Nyanga, Crossroads, Langa and Guguletu will now get their post delivered.

"The White Paper on Postal Postal Policy, which I launched in Cape Town two weeks ago, sets out policy guidelines which commit the post office to delivering a universal postal service, providing equitable access and becoming financially sustainable," said Mr Naidoo.

Over the next few years, the post office would deliver to more than 4-million new addresses.

It was estimated that 200 000 addresses could get postal deliveries in the Western Cape within the next two years.

'SA's transport industry in decline'

IDN 26/5/98 (269)

CAPE TOWN — SA's transport industry was in a sustained state of decline, Transport Minister Mac Maharaj said yesterday.

The greatest challenge lay in the fact that levels of investment and reinvestment were below what was needed to maintain cost and service levels.

"The strategy we adopt will have to make some hard choices and trade offs ... about which customers and which national policy objectives to prioritise," he said. To continue with the present allocation of resources would ensure further decline and further entrench the legacies and distortions of the past.

All three levels of government spent four times more on the road network than on public transport. "This is a legacy of prioritising the private and commercial road user over public transport customers."

Tendered contracts will allow bus services to be rationalised, he said. — Sapa.

PARLIAMENT *Project to revitalise the industry will be unveiled in September, MPs told*

Maharaj talks tough on transport's decay

(269) CT (MR) 26/5/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Some tough choices and trade-offs based on hard data would have to be made to arrest the sustained decline of the transport industry, Mac Maharaj, the transport minister, said yesterday.

Speaking during the national assembly debate on his budget vote, Maharaj said the R20 million Moving South Africa project to revitalise the industry was on track and would be unveiled in September.

The aim would be to restructure the national transport system to provide cost-effective public transport and to meet the needs of the government's export-led economic plan.

"But the greatest underlying challenge we face is that across the entire transport system, in both the public and the private sectors, the levels of investment and reinvestment are below what is required to maintain the current levels of cost and service," he said.

"In short, our transport industry is in a sustained state of decline."

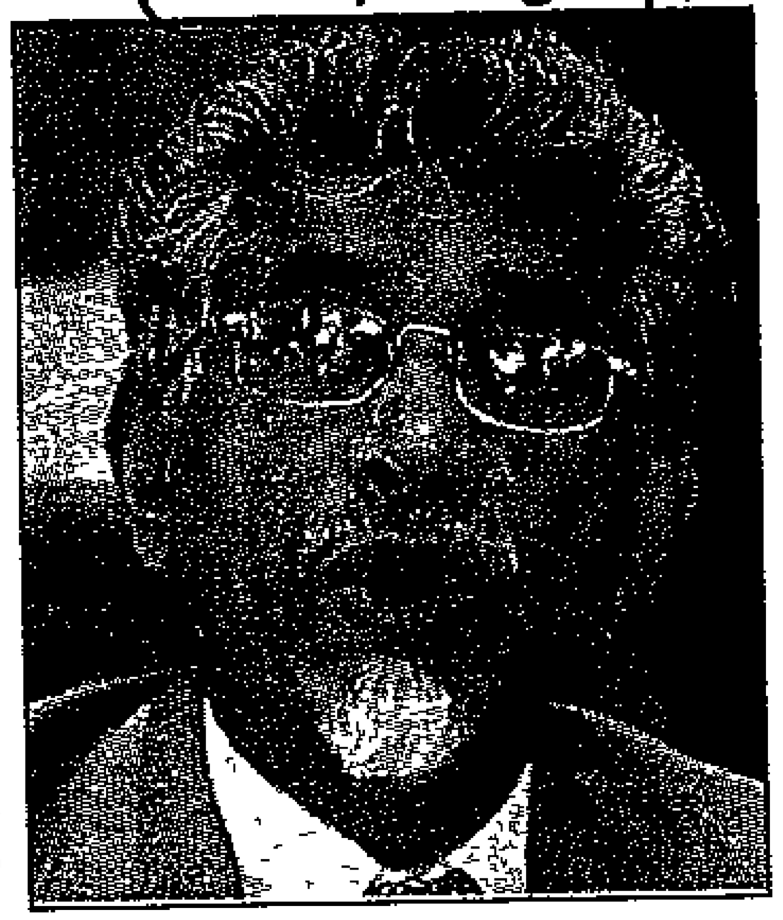
By the middle of the year, the government hoped to be ready to sign an agreement with Metrorail that would "move us from deficit financing to a more performance-orientated, concession-type contract that will not only give value for money but also improve efficiency and service, which is the cornerstone to developing a reliable and safe public transport system in our country.

"This contract will be the first step towards the full concessioning of the rail commuter network."

Interim performance-based contracts had been negotiated with all subsidised bus companies to end the previous system of life-long permits and subsidy allocations.

These were now being translated into tendered contracts that would allow bus services to be rationalised and redesigned according to passenger plans by the provinces and through metropolitan transport authorities.

Through negotiations, 67,5 percent of current jobs had been guaranteed and a social plan would cushion job losses.



TRADE OFFS *Mac Maharaj*

Maharaj said progress was also being made on outsourcing government motor transport. Next month he would release the names of the three shortlisted candidates to tender for the transport needs of five national government departments.

He said the establishment of the cross-border transport agency, national roads agency, maritime safety authority and the civil aviation authority would save the government millions of rands a year in subsidies and introduce the user-pays principle.

"This principle is important because it sets up a firm commercial relationship between the cost of providing a service and the users of it, while creating a new service-orientated culture."

A roadshow to identify black empowerment participants for the Airports Company would start next month and raise another R400 million for the state.

Public-private sector partnerships continued to be an important strategy in the provision of transport infrastructure and it was expected that the successful bidder for the De Beers Pass project on the N3 would reduce government debt by R1,2 billion while improving existing sections and building new sections.

The Platinum Route from Rustenberg to Lobatse on the Botswana border was expected to be finalised in the coming year.

Licence graft report shelved

(269)

Council and Gauteng government ignored chief's warnings a year ago that department was facing a crisis

Star 27/5/98

By Cecilia Russell and Lee-Ann Alfreds

Proposals to save the Johannesburg licensing department from a wave of corruption, fraud and intimidation have been gathering dust for almost a year since the dangers facing the department were first highlighted in July.

And while the report was left to gather dust, Johannesburg has gained a reputation as the easiest licensing department in the country to "legally" get a stolen or hijacked vehicle back on the road.

Neither the provincial government nor the Greater Johannesburg Metropolitan Council have taken steps to root out the fraud menace, which has turned the department into a virtual no-go area for police trying to crack hijacking syndicates.

The deterioration at the licensing department is outlined in a report drawn up by acting head Gerrie Gerneke.

He was reinstated last week after arbitration, and after having been suspended for five months on the basis of two anonymous letters claiming he was a racist.

As early as July last year, Gerneke warned the Johannesburg council – which administers licensing on behalf of the province – of the corruption.

And, in a similar report handed to Gauteng's transport committee two months ago, Gerneke painted a picture of widespread corruption, intimidation of officials, theft of documents and the mass licensing of stolen and hijacked vehicles.

"The progress made by syndicates on duplication of vehicle-registration documents is in fact becoming a national crisis," he warned.

"The fact that bodies such as the Institute of Licence Officials, the SAPS and even to a certain extent the province themselves are not aware of certain issues relating to the fraud is a cause of great concern," Gerneke said.

In his report, Gerneke said:

- Nearly half the vehicles stolen in Greater Johannesburg are "legalised" within 30 days of being stolen, and the situation was so chaotic that it "would need more than a miracle to normalise".
- Johannesburg authorities could not account for between 3 000 and 6 000 face-value documents which could be turned into "legal" certificates of registration with the help of a normal laser printer.
- Three serious cases of internal corruption were ignored after the intervention of a senior licensing official who later justified himself by asking: "Do you want me to cause a riot?"
- In March, members of the police's vehicle theft unit were refused entry to the microfilm section when they wanted to arrest an official.
- Staff and union members, in collaboration with fraudsters, have scared away senior managers and security guards.

When Gerneke first alerted the authorities, the council recommended that 10 temporary staff members be employed, that the manual issuing of licences be banned during periods when the computerised national traffic information system was down, and that all acting positions be filled within three months.

The proposals were approved, but before they could be implemented, control of the city's finances was handed over to a technical task team and the Committee of Ten.

This committee froze all new appointments and approved only "necessary and critical expenditure" – a situation which still exists today.

In March, Gerneke addressed Gauteng's transport committee. Gauteng Safety and Security MEC Paul Mashatile has since said he is in discussions with provincial police commissioner Sharma Maharaj on the crisis.

Gerneke said yesterday that while none of the recommendations had been implemented, six security guards had been deployed.

"They're there in full force, but the touters have just moved to the foyer and the staircase," he said.

Greater Johannesburg Metropolitan Council spokesman Kenny Fihla said staff shortages were not the main reason for the fraud. The main causes were the lack of accepted accounting and management practices; and the total breakdown in the discipline of employees, many of whom had been implicated in the corruption.

He said an investigation would be conducted to see which of the recommendations made last year had been implemented.

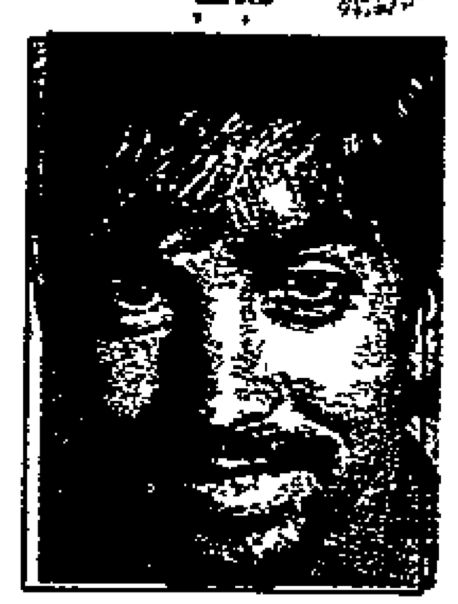
New face for Cape Town's public transport

(261) CT 28/5/98

HAEMORRHAGING buses, geriatric trains and rickety minibus taxis are in the firing line as the Cape Metropolitan Council gears up to pilot a revitalised public transport service for the new millennium, reports Special Assignments Team

ROGER FRIEDMAN

and



BENNY GOOL

ABOUT half of all commuters in the Cape metropolitan area run the public transport gauntlet to and from work each day. Overcrowding, muggings, erratic scheduling, road congestion and ageing vehicles are part of their daily grind.

Clearly, promised improvements won't come a moment too soon.

Dates have been set: Legislation to be promulgated this year will devolve responsibility for upgrading public transport from national to metropolitan level, subsidised bus contracts in the Cape expire in June 2000, when they will be re-evaluated in terms of the region's broad new public transport plan, and Metrorail will soon enter into an "interim" five-year contract to continue to provide the rail service, whereafter the service will be put out to competitive tender.

Existing permit rights in the minibus taxi industry will have to be respected, but players in the regulated industry could soon compete for low-volume bus-routes.

Given the high number of fatalities in collisions involving taxis, perhaps motor vehicle manufacturers should be pressured into building more safety features into minibuses, which are essentially delivery vehicles with windows and seats.

"Or, perhaps, the 25-seater midibus is the vehicle of the future.

"Presently, what we have is a rather haphazard commuter service.

"We intend to convert it into a fully-fledged public transport service so there will be no need for you to rely on a fancy private vehicle, other than to impress your girlfriend," explains Ron Kingma, the Cape Metropolitan Council's public transport chief.

He is in charge of driving the process that will lead to the adoption as policy of a Land Passenger (Public) Transport Plan.

The plan is in its infancy, though much of the foundation has been laid.

"We have already completed a lot of research on perceptions of what the issues are with regard to public transport. We have collected data from surveys and previous studies.

"We are busy with a series of public workshops," Kingma says. The last in the series will take place in Kuils River on June 1.

The framework of the plan is guided by national and provincial policy.

Five key areas of the framework are: The promotion of public transport over private transport; public transport must be customer-based; promote regulated competition, promote integration and must be sustainable.

"What we are doing is looking at our present public transport system.

"Then, guided by our framework and input from interested parties at our public workshops, we will go away and redevelop our public transport system in the form of a draft policy document.

This will be taken back to the public for further comment."

A number of "key issues" had been identified, he said.

● Personal security. People were mugged on trains and maimed in taxi wars and taxi crashes.

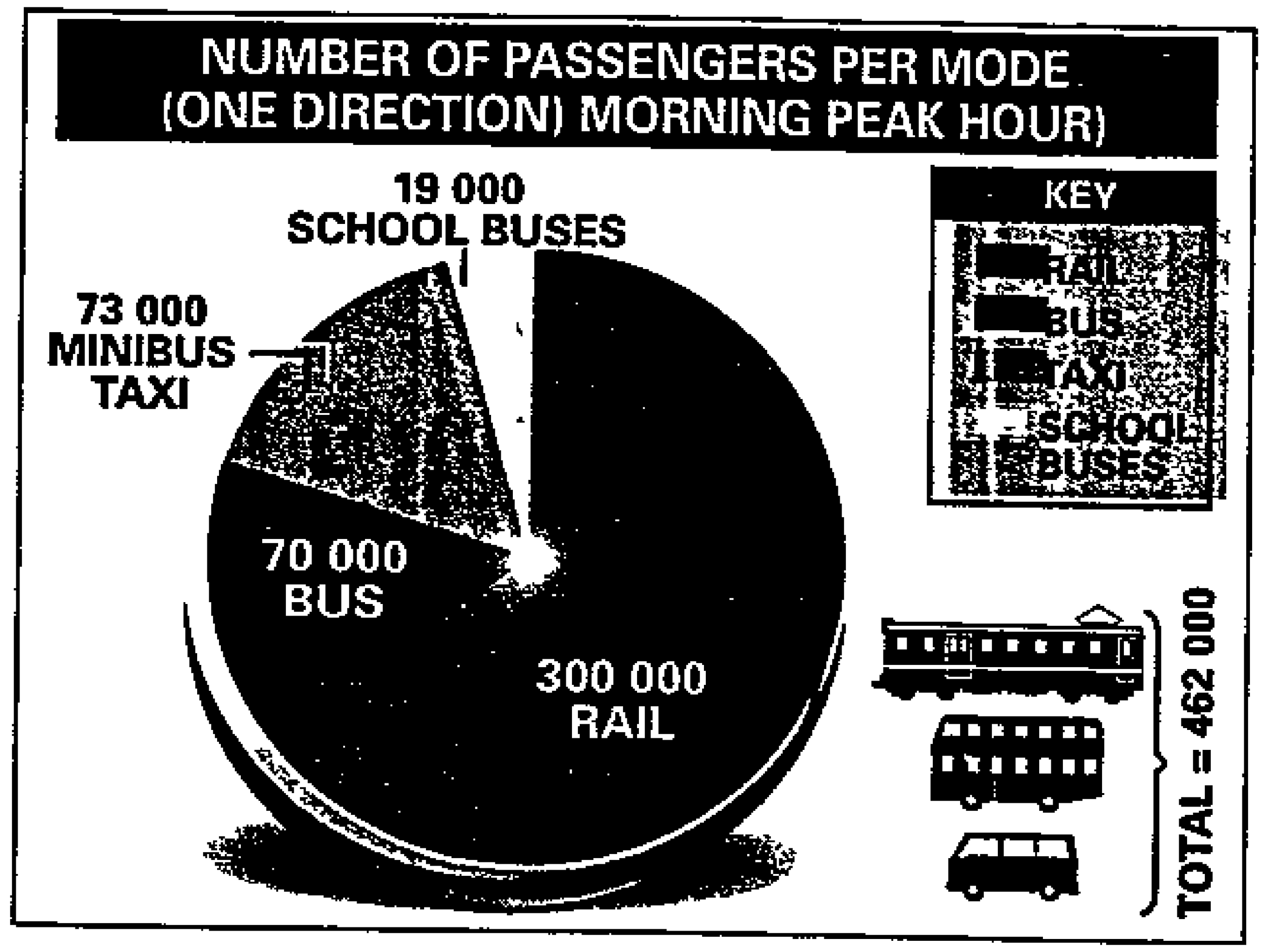
● Reliability of the service. This was particularly problematic outside peak commuter hours.

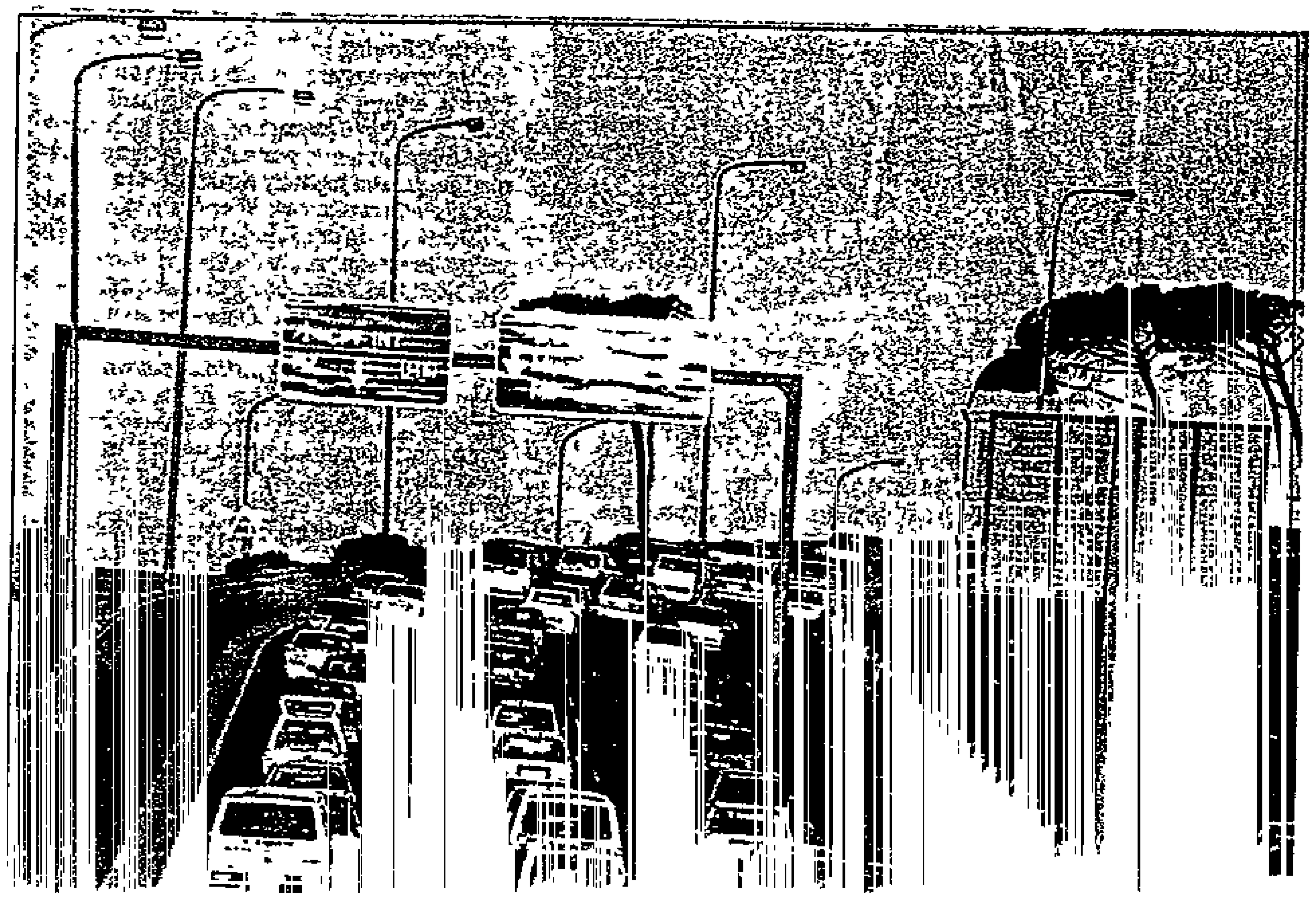
● Condition of vehicles. The average age of the bus fleet in the metropolitan area is in the region of 15 years (about double the world norm), 30- and 40-year-old train carriages continue to labour, and the taxi fleet is in many instances beyond its expiry date.

● Road congestion, which exacerbates the unreliability of services.

● Lack of incentives to improve services. Rail subsidies, for example, have historically been paid on a deficit basis. It has been proposed that the new system will run on contracts issued by a metropolitan transport authority, and that the contracts be performance-based with penalties incurred if the service is not up to specified standards.

Kingma said the viability of the contract-with-built-in-incentives system had been proved in cities such as Sao Paulo and Curitiba (Brazil), and Buenos Aires (Argentina).

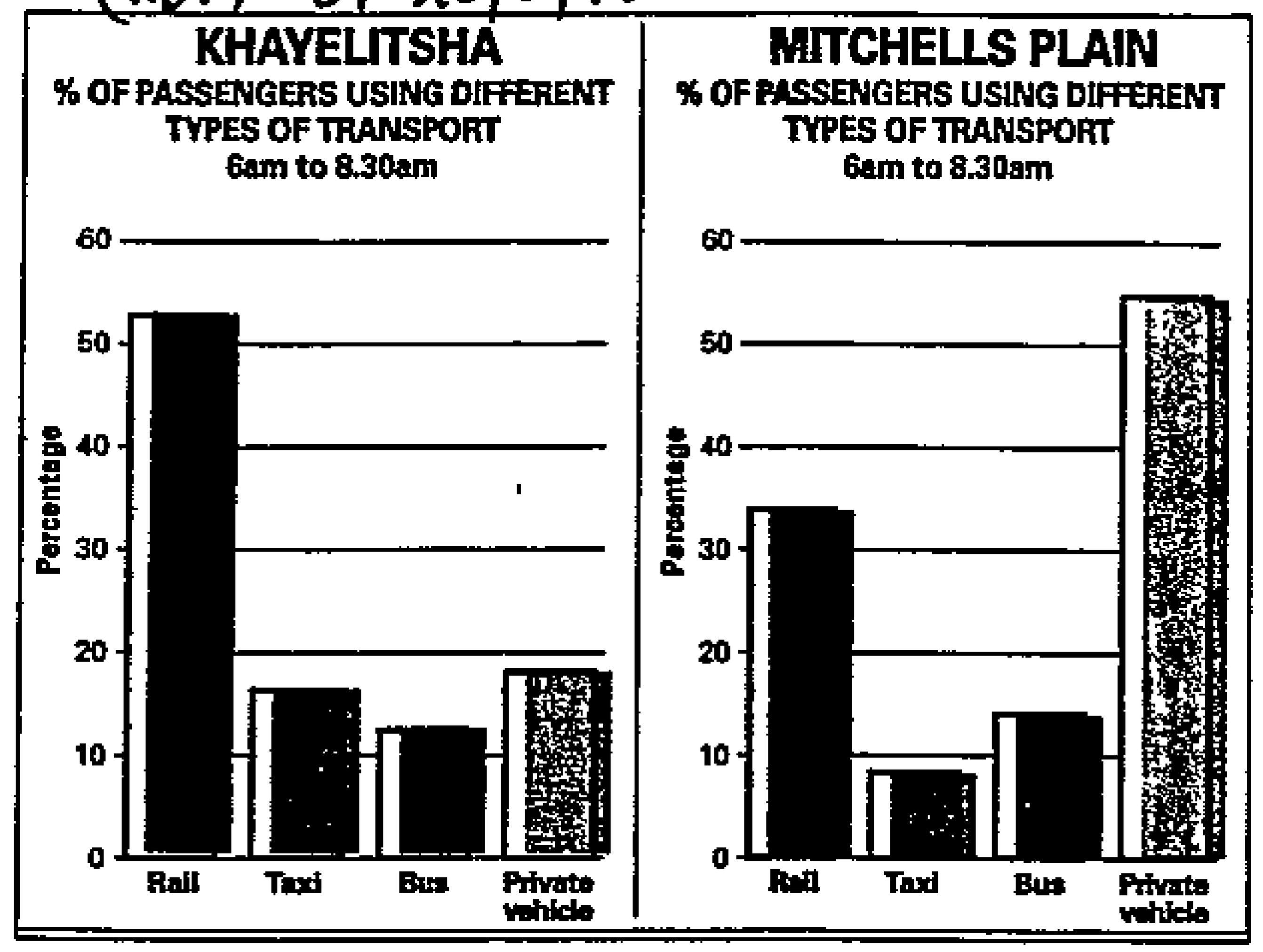




quality of services, panic buttons could be installed, and on-board surveillance systems could monitor the movement of vehicles and numbers of passengers.

The number of passengers is expected to double in 20 years, if population and economic growth projections are to be believed.

Another feature of the new Cape public transport service landscape could be what is known internationally as integrated ticketing.



The land passenger public transport plan should provide:

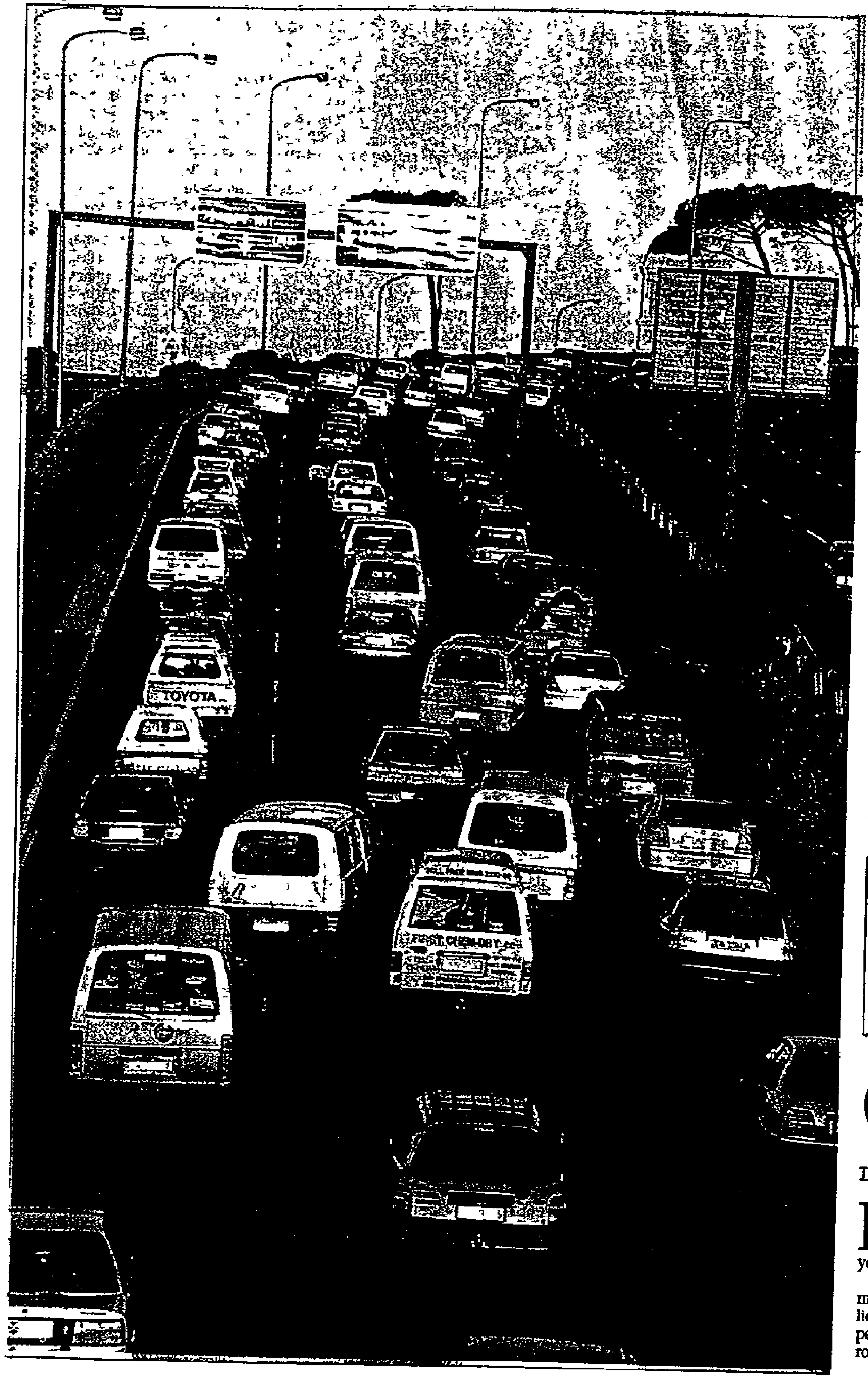
● *An environmentally friendly transport system;*

● *A system which is a viable option to commuting by private vehicle;*

● *Services which will facilitate the restructuring of the Metropolitan urban form;*

● *A service for all, including young, old, and mobility disadvantaged, that is accessible and supported by the public, and*

● *A transport plan which is driven and owned by the general public.*



MOVE OVER: Taxis hustle between lanes on Eastern Boulevard near Groote Schuur hospital during the homeward-bound evening rush-hour A plan is at hand to help

... be taken back to the public for further comment."

A number of "key issues" had been identified, he said:

● Personal security. People were mugged on trains and maimed in taxi wars and taxi crashes

● Reliability of the service. This was particularly problematic outside peak commuter hours.

● Condition of vehicles The average age of the bus fleet in the metropolitan area is in the region of 15 years (about double the world norm), 30- and 40-year-old train carriages continue to labour, and the taxi fleet is in many instances beyond its expiry date.

● Road congestion, which exacerbates the unreliability of services.

● Lack of incentives to improve services. Rail subsidies, for example, have historically been paid on a deficit basis. It has been proposed that the new system will run on contracts issued by a metropolitan transport authority, and that the contracts be performance-based with penalties incurred if the service is not up to specified standards.

Kingma said the viability of the contract-with-built-in-incentives system had been proved in cities such as Sao Paulo and Curitiba (Brazil), and Buenos Aires (Argentina).

These cities had shown "a huge turnaround in financial efficiency and quality of services", he said.

"In terms of their contracts if service providers are unable to stick to their timetables, for example, they could be fined.

"Or if they were found to be operating unroadworthy vehicles they could be fined, not only under the usual road traffic ordinance, but also on their contracts."

The metropolitan transport authority could employ people to monitor the quality of services, panic buttons could be installed, and on-board surveillance systems could monitor the movement of vehicles and numbers of passengers.

The number of passengers is expected to double in 20 years, if population and economic growth projections are to be believed.

Another feature of the new Cape public transport service landscape could be what is known internationally as integrated ticketing.

This would allow commuters to buy a single ticket to get to their destination using the mode of transport of their choice. So, for example, a domestic worker wishing to travel from Khayelitsha to Scarborough could travel by train to Simon's Town and then transfer to a taxi for the remainder of the journey, on a single integrated ticket.

Kingma is at pains to point out that his department does not yet have all the answers, and to stress the importance of the public consultative process which is presently under way

ROGER FRIEDMAN

and

BENNY GOOL

... provide:

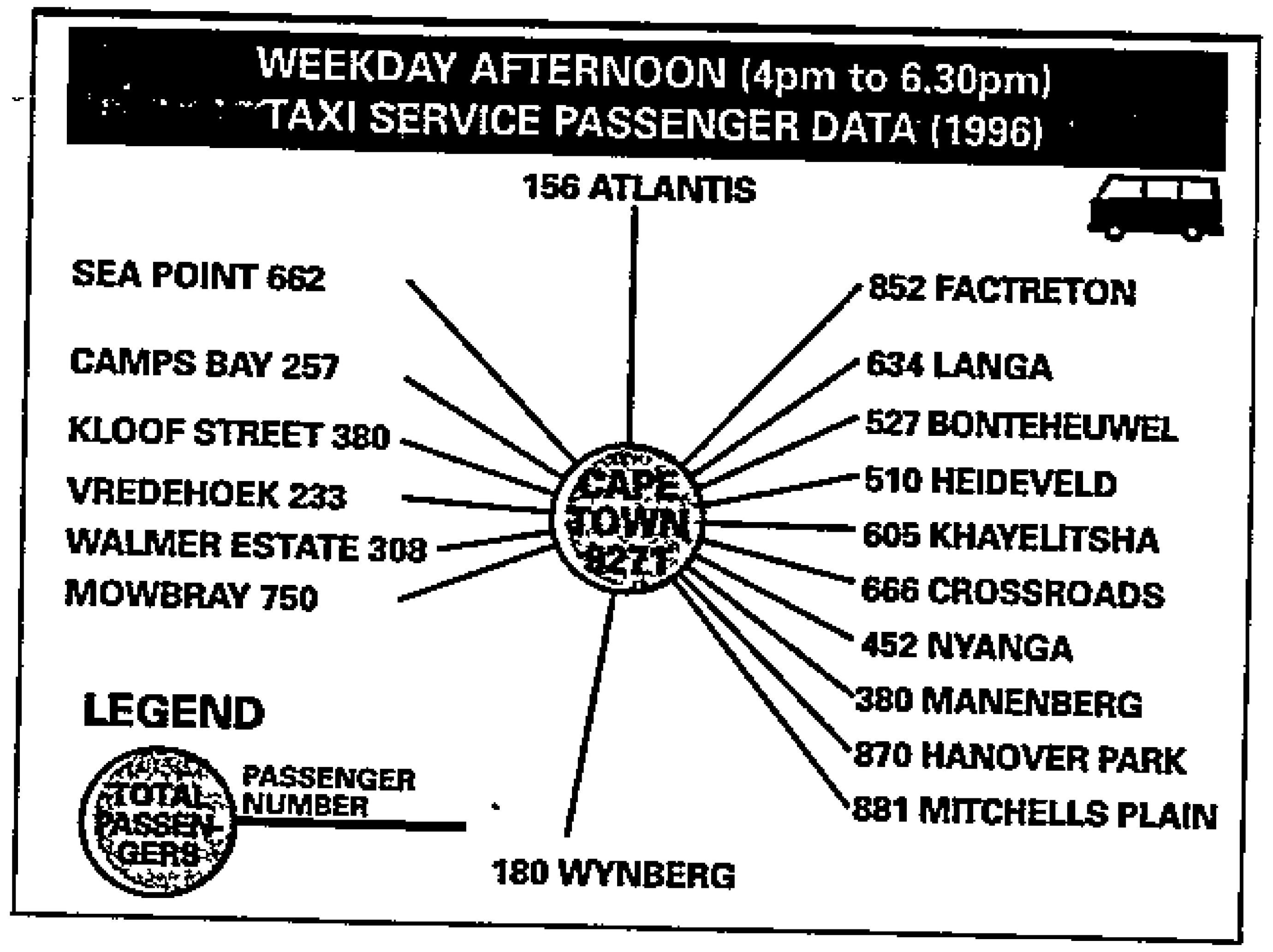
● *An environmentally friendly transport system;*

● *A system which is a viable option to commuting by private vehicle;*

● *Services which will facilitate the restructuring of the Metropolitan urban form;*

● *A service for all, including young, old, and mobility disadvantaged, that is accessible and supported by the public, and*

● *A transport plan which is driven and owned by the general public*



WHERE to send public transport plan submissions: Cape Metropolitan Council, Directorate Transport PO Box 16548, Vlaeberg 8018

"We intend to convert it into a fully-fledged public transport service so there will really be no need for you to rely on a fancy private vehicle, other than to impress your girlfriend."

— Ronald Kingma, CMC public transport chief

Green light for synchronised robots

TROYE LUND

FED up with stop-start, tear-your-hair-out journeys to work because every traffic light turns red just as you get close?

A R36-million plan to appease commuters and to save them up to R3 million a month in time, wear and tear and petrol, has been passed by the Cape Metropolitan Council (CMC)

Technocrats have been working on the state-of-the-art traffic control computer since 1993 and are ready to start using it next month.

The system, used in most European cities, will control over 600 traffic signal points on major routes.

The computer will "read the roads" and adjust the amount of "green time" according to the time of day, volume of traffic and importance of each road.

The busier the road, the more green time there will be, which will stop congestion and allow cars to flow from one point to the next faster and more easily

"This is a dynamic and live system Routes will be linked together, creating a platoon effect Traffic lights will be synchronised based on the time of day, volume of traffic and hierarchy of road," said the metropolitan council's acting director of traffic, Ian McDonald.

McDonald assured motorists the centralised control system would dramatically enhance traffic flow patterns, especially in peak hours and for special events in specific areas

CMC executive committee chairperson Pierre Uys said "The system should make life a lot easier for motorists and it is part of our long-term planning for integrated transport management."

One of the "headache routes" that will benefit most from this system ... Buitengracht route into the city

The area control system will be operated and managed by a special team in the CMC transportation and traffic division

The team of controllers will work 12-hour day shifts and will co-ordinate closely with traffic control authorities in each local council, except the Helderberg municipality, where the system has not been implemented yet.

Cape Town's traffic manager Mark Sangster welcomed the system as part of his strategy to claim back the city streets by making traffic policing and control, as ...

Fury over TRTC assets could lead to bitter conflict

CP 31/5/98 (269)

By ANDILE NOGANTA

AMID claims of gross mismanagement of the erstwhile Transkei Road Transport Corporation assets by the Eastern Cape government, fears of a backlash by disgruntled former workers is mounting.

Threatened action by the more than 1 200 former TRTC employees could affect transport in many parts of the province and lead to conflict.

Until it was closed down in July 1995, the TRTC, a state corporation, was the main transport provider in the former Transkei – with an estimated 17 depots, some in Johannesburg, Cape Town and Port Elizabeth, and employing 1 600 workers.

The closure of the corporation followed the controversial suspension of its entire management after a long strike by workers had forced the company to a halt.

The government allegedly sold 40 buses for just over R600 000 to the Sibuyile Community Bus Company, a new company run by former TRTC employees and operating from the old TRTC depot in Butterworth.

Each Sibuyile bus is said to cost Bisho R25 000 per route per month in subsidy, even though the buses allegedly do not travel all the routes they are subsidised for.

It is estimated that millions were lost in the sale of the corporation's buses.

TRTC West alone, composed of seven depots including the Butterworth one, had 150 buses – said to be worth about R65 000 each.

Meanwhile, the retrenched TRTC employees, some of whom claim up to 20 years' service with the company, say they are still waiting for their severance packages.

They say they were promised they would be paid out of revenue from the sale of company assets.

These workers have warned that time is running out for the government before they force Sibuyile and Manyano, another bus company operating from the old Umtata depot of the TRTC, off the road.

A former member of the TRTC management, who asked not to be named, said the transport department in Bisho did not consult the corporation's directors or management before appointing Ian Wiles Auctioneers to liquidate the company.

He said that when the liquidators took over they did not have a complete inventory of assets because they had failed to meet with the company's board of directors or management.

City Press failed to get a response from Steward Waymark, who is in the employ of the liquidators, after he asked for questions to be faxed to him. His Durban office said he would be back next Thursday.

Bisho has been sharply criticised for opening up TRTC assets to abuse by not closing down the company properly.

And now the Heath Special Invesigative Unit is expected to open a file on the matter.

"I still see some of the company cars running in Umtata," a source said.

Mangisi Ma ki, who was a senior security officer at the corporation's Umtata headquarters, said that some employees of the company, whom he knew, were still in possession of firearms belonging to the company.

He gave City Press a list of firearms that are still missing – including semi-automatic rifles with their serial numbers registered to the company – and said there were more that he was still tracing.

He said he still had the keys to the safe that held the firearms – even though he has not been employed by the TRTC for the past four years.

At the time of going to press, Luzuko Jacobs, a representative of the public works department in Bisho, said the department still needed time to compile a statement on the allegations.

Emergency rescue for licensing dept

Star 3/6/98 (269)

By Cecilia Russell
Political Staff

The Gauteng provincial government is putting together an emergency rescue package in an attempt to solve the crisis at Johannesburg's fraud-hit licensing department.

Local government MEC Sicelo Shiceka, safety and security MEC Paul Mashatile and transport MEC Joyce Kgoali intend to form a task team to monitor and direct the rescue package, which involves the filling of critical vacancies in the department and ensuring that police crack down on corruption and fraud.

Shiceka said at a transport standing committee meeting yesterday he would lift a ban on staff employment to allow the Greater Johannesburg Metro Council to fill critical staff vacancies in its licensing department in a bid to prevent further corruption, fraud and intimidation.

He said he was investigating the lifting of a freeze on posts (imposed in October last year to control expenditure in Johannesburg) to allow the council to make the appointments necessary to run the department efficiently. He would meet with Johannesburg's Committee of 15 before the end of the week to discuss this with them.

Recent reports on Denis Beckett's *Beckett's Trek* and in The Star show that the situation in the licensing department has deteriorated so much that there was widespread corruption, intimidation of officials, theft of documents and the mass licensing of stolen and hijacked vehicles.

In a report given to the standing committee in March, acting head of the department, Gerrie Gerneke, told the committee it would take "more than a miracle" to sort out the problem of corruption.

Several key positions remain unfilled, including that of finance manager. All five posts for senior bookkeepers and all four licensing manager and assistant manager posts were vacant.

But despite a report, which ANC MPL Oupa Monareng described at yesterday's meeting as "terribly scary", two months later neither Gauteng nor the council had taken decisive action, Gerneke said.

He, Mashatile and Kgoali would form a task team to ensure corruption was rooted out.

AIRLINES *Labour action likely as privatisation takes off*

SAA searches foreign skies for strategic ally

ST (BR) 3/6/98 (269)

Lynda Loxton
PARLIAMENTARY CORRESPONDENT

Cape Town — Transnet hoped to be able to start negotiations with potential strategic equity partners (SEPs) in about two months' time in the lead-up to the privatisation of South African Airways (SAA), Saki Macozoma, the managing director, said yesterday.

He also warned that Transnet as a whole was heading for a rocky period with its trade unions as the full implications of restructuring sank in.

Briefing the portfolio committee on public enterprises, Macozoma said a major priority to date had been transferring all SAA's assets and liabilities from Transnet, including leases for planes and pension liabilities.

This had involved extensive trips abroad to talk to the bankers who had backed various loan obligations and assuring them that government would continue to guarantee all loans that now fell into SAA's books.

"We hope in the next month or two we will be able to get all the consents we need from the lenders to change and transfer the assets from Transnet to SAA.

"Once we have done that, we will proceed with corporatisation and the SEP process, which implies we will have to construct a sales story for SAA and go out to the market place and say the potential we are offering is this or that. Then we will bring in the alliance partner," Macazoma said.

The possibilities here ranged from the so-called Star Alliance of British Airways and American Airlines; Swiss Air and Delta and others; to North West and KLM and its Asian partners.

Macozoma warned that some might be tempted to go for the highest bidder, but then this bidder could well decide to dismantle the SAA identity and put its own name on the airline.

"Do we want to have a domestic airline called KLM?" he asked. "I don't think so. Would this be a partner willing to build a brand that we have developed here, (to respect) the investment that the South African people have put into this and move into the future with a robust SAA?"

Macozoma said the restructuring process had started to take its toll on staff and that from Monday, Transnet and its unions were in deadlock about salary negotiations. They were due to go to conciliation on June 17.

"We cannot rule out industrial action," he said.

"Our sense of the issues is that (the deadlock) is not (about) what we are offering. It is the larger issues such as transformation, restructuring, (and) the drive we are putting into profitability.

"Those are the issues we have to resolve and take a stand on now. If we do not do it, they will still be there there next year and the next year."

In the past, Macozoma said, Transnet had tended to sweep under the carpet the problems associated with transformation in the hope that whoever bought SAA, for example, would accept it "holus bolus".

But it had been realised that if this happened, the buyers could "discount it to the bone. They will cut all the fat and put up a new lean and mean company. You will look at it and cry."

Metrorail takes new track

Service given five years to 'get fit'

ARG 3/6/98 (269)

SHARKEY ISAACS
TRANSPORT REPORTER

Capè Town's suburban train service could be taken over by a foreign transport company, like British Rail, if it fails to get on to a more profitable track within the next five years.

Gearing up for a fully privatised service opened to international operators is the first phase of a national suburban rail revamp.

The Government is expected to announce plans soon to privatise all Metrorail services and to invite tenders from foreign operators to run them for specified periods.

The introduction of so-called "concessionary operating rights" will mean that any company, local or foreign, can run any one of South Africa's six commuter rail services.

Metrorail is a Government-owned company in the Spoornet group. It runs at a loss, and depends on Government subsidisation.

The unveiling of the concession contract plan is intended to force the six Metrorail services in to "get fit" programmes ahead of full privatisation.

This will give the services the chance to be in a position to compete when the concession contracts are offered.

National Transport Minister Mac Maharaj told Parliament his department was poised to sign an agreement soon with the South African Rail Commuter Corporation (Metrorail) that would shift their relationship from deficit financing to a performance-oriented, concession-type contract.

The new agreement would change fundamentally the way that the Government subsidised commuter transport.

The contract system would be the first step towards the full concessioning of the commuter railway network.

While Cape Metrorail, with the most efficient service, is expected to hold its own against overseas competitors, there is uncertainty about the future of operations in other regions.

The Cape's service ferries 807 000 commuters in 664 trains daily.

The "get fit" period of four to five years is intended to give Metrorail time to improve service management efficiency and to reduce running costs, before tenders are called for on the international market.

Rail services will face another challenge when the Government phases out its commuter train subsidies from as early as the end of this year.

Regions have been briefed to prepare for subsidy cuts of up to R100-million.

Regional manager André Harrison said all regional commuter train services were "facing a very challenging time".

But he added that he was confident that "Cape Metrorail, with the most efficient regional service, would be in the forefront of contenders for concessions in its area, with its services rated among the best in train time-keeping in any developing country".

He emphasised that no province was ready for privatisation at this stage, and that the "get fit period" would enable them to prepare for open-market competition from top operators like British Rail.

Because of subsidy cuts, fares would have to increase, some services might have to be shelved and others cancelled, he said.

"For instance, while daily services from Cape Town to Wellington might be retained, the extended service to Malmesbury and Wolseley might be discontinued and some stations near to other stations, like Clovelly, might have to be shut."

Low-key demonstration services were also envisaged on new routes to Century City and to De Noon on the West Coast.

He said Metrorail was not yet able to extend its services to Atlantis, whose residents had been clamouring for years for a train service.

Metrorail takes new track

Service given five years to 'get fit'

ARG 3/6/98 (269)

SHARKEY ISAACS
TRANSPORT REPORTER

Cape Town's suburban train service could be taken over by a foreign transport company, like British Rail, if it fails to get on to a more profitable track within the next five years.

Gearing up for a fully privatised service opened to international operators is the first phase of a national suburban rail revamp.

The Government is expected to announce plans soon to privatise all Metrorail services and to invite tenders from foreign operators to run them for specified periods.

The introduction of so-called "concessionary operating rights" will mean that any company, local or foreign, can run any one of South Africa's six commuter rail services.

Metrorail is a Government-owned company in the Spoornet group. It runs at a loss, and depends on Government subsidisation.

The unveiling of the concession contract plan is intended to force the six Metrorail services in to "get fit" programmes ahead of full privatisation.

This will give the services the chance to be in a position to compete when the concession contracts are offered.

National Transport Minister Mac Maharaj told Parliament his department was poised to sign an agreement soon with the South African Rail Commuter Corporation (Metrorail) that would shift their relationship from deficit financing to a performance-oriented, concession-type contract.

The new agreement would change fundamentally the way that the Government subsidised commuter transport.

The contract system would be the first step towards the full concessioning of the commuter railway network.

While Cape Metrorail, with the most efficient service, is expected to hold its own against overseas competitors, there is uncertainty about the future of operations in other regions.

The Cape's service ferries 807 000 commuters in 664 trains daily.

The "get fit" period of four to five years is intended to give Metrorail time to improve service management efficiency and to reduce running costs, before tenders are called for on the international market.

Rail services will face another challenge when the Government phases out its commuter train subsidies from as early as the end of this year.

Regions have been briefed to prepare for subsidy cuts of up to R100-million.

Regional manager André Harrison said all regional commuter train services were "facing a very challenging time".

But he added that he was confident that "Cape Metrorail, with the most efficient regional service, would be in the forefront of contenders for concessions in its area, with its services rated among the best in train time-keeping in any developing country".

He emphasised that no province was ready for privatisation at this stage, and that the "get fit period" would enable them to prepare for open-market competition from top operators like British Rail.

Because of subsidy cuts, fares would have to increase, some services might have to be shelved and others cancelled, he said.

"For instance, while daily services from Cape Town to Wellington might be retained, the extended service to Malmesbury and Wolseley might be discontinued and some stations near to other stations, like Clovelly, might have to be shut."

Low-key demonstration services were also envisaged on new routes to Century City and to De Noon on the West Coast.

He said Metrorail was not yet able to extend its services to Atlantis, whose residents had been clamouring for years for a train service.

Metrorail takes new track

Service given five years to 'get fit'

ARCT 3/6/98 (269)

SHARKEY ISAACS
TRANSPORT REPORTER

Cape Town's suburban train service could be taken over by a foreign transport company, like British Rail, if it fails to get on to a more profitable track within the next five years.

Gearing up for a fully privatised service opened to international operators is the first phase of a national suburban rail revamp.

The Government is expected to announce plans soon to privatise all Metrorail services and to invite tenders from foreign operators to run them for specified periods.

The introduction of so-called "concessionary operating rights" will mean that any company, local or foreign, can run any one of South Africa's six commuter rail services.

Metrorail is a Government-owned company in the Spoornet group. It runs at a loss, and depends on Government subsidisation.

The unveiling of the concession contract plan is intended to force the six Metrorail services in to "get fit" programmes ahead of full privatisation.

This will give the services the chance to be in a position to compete when the concession contracts are offered.

National Transport Minister Mac Maharaj told Parliament his department was poised to sign an agreement soon with the South African Rail Commuter Corporation (Metrorail) that would shift their relationship from deficit financing to a performance-oriented, concession-type contract.

The new agreement would change fundamentally the way that the Government subsidised commuter transport.

The contract system would be the first step towards the full concessioning of the commuter railway network.

While Cape Metrorail, with the most efficient service, is expected to hold its own against overseas competitors, there is uncertainty about the future of operations in other regions.

The Cape's service ferries 807 000 commuters in 664 trains daily.

The "get fit" period of four to five years is intended to give Metrorail time to improve service management efficiency and to reduce running costs, before tenders are called for on the international market.

Rail services will face another challenge when the Government phases out its commuter train subsidies from as early as the end of this year.

Regions have been briefed to prepare for subsidy cuts of up to R100-million.

Regional manager André Harrison said all regional commuter train services were "facing a very challenging time".

But he added that he was confident that "Cape Metrorail, with the most efficient regional service, would be in the forefront of contenders for concessions in its area, with its services rated among the best in train time-keeping in any developing country".

He emphasised that no province was ready for privatisation at this stage, and that the "get fit period" would enable them to prepare for open-market competition from top operators like British Rail.

Because of subsidy cuts, fares would have to increase, some services might have to be shelved and others cancelled, he said.

"For instance, while daily services from Cape Town to Wellington might be retained, the extended service to Malmesbury and Wolseley might be discontinued and some stations near to other stations, like Clovelly, might have to be shut."

Low-key demonstration services were also envisaged on new routes to Century City and to De Noon on the West Coast.

He said Metrorail was not yet able to extend its services to Atlantis, whose residents had been clamouring for years for a train service.

Road Fund white paper moves into higher gear

(269)

NCABA HLOPHE

CT (PR) 3/6/98

Johannesburg. — The transport department would table a draft bill in parliament within six weeks to implement its controversial White Paper on the Road Accident Fund, Mac Maharaj, the transport minister, said yesterday.

The Cabinet had already approved the recommendations.

The white paper caused a stir when released early this year. It was opposed by the Association of Law Societies in South Africa (ALS) and organisations representing people with disabilities.

The paper had called for a radical overhaul of the present Motor Vehicle Accident Fund to put it on to a sound financial footing. But it ran into opposition from lobby groups over its call for the removal of the common law right to recover excess damages from the wrongdoer and claims below R5 000, and by putting a limit on benefits.

"Leaving this common law right intact has many disadvantages and would create uncertainty, anxiety and loss of confidence among private motorists and have grave implications for the transport industry," the white paper said.

The ALS and disabled people's organisations argued that removing the right was unconstitutional and would leave many accident victims worse off.

The white paper proposes ring-fencing the current R8 billion deficit, which is growing at R80 million a month and could rocket to R39 billion in 10 years.

The government had ring-fenced the old fund on April 30 — sealing it from any new claims arising before that date — and would then create a new fund from May 1.

A commission would be set up as part of the process to decide the final structure of the old and new funds and implement the recommendations of the paper, Maharaj said yesterday.

Maharaj said the current system was beset with problems that "could not even be solved by increasing the fuel levy to 52,5c".

The government increased the levy from 12,5c to 14,5c early this year in a bid to increase the premium income from R1,5 billion to R2 billion and reduce expenditure by 18 percent from R2,4 billion to R2 billion.

Licensing department puts brakes on fraud

(269)
Star 8/6/98

Out go the touts, and in come the security guards in effort to clean up the 'stock exchange of fraud'

By Cecilia Russell
Political Staff

Touts bar the entrance to the Johannesburg licensing department in Loveday Street, harassing customers to buy passport photos and number plates, but inside the building a new sense of order prevails.

This order was the result of stringent measures being put in place over the past 10 days to get the fraud-hit department up and running again.

Hand-picked security guards, with strict orders to keep out people who are not in the department on official business, and new personnel systems are already beginning to improve the department, according to acting licensing head Gerrie Gerneke.

The improvements were also noted by Gauteng's transport standing committee.

Pointing to the ground floor foyer, committee chairman Kgabiso Mosunkutu said: "This used to be the stock exchange of fraud."

The touts, who would sell fraudulent certificates, have also been moved from the first and fourth floors.

Gerneke said firm controls introduced during the past 10 days had already borne fruit.

Internal security had been beefed up and he had managed to get agreement from the unions about disciplinary action for staff found involved in fraud.

A new system ensures that all face-value certificates – currently sold illegally for R350 – are accounted for. These certificates can easily be forged with the help of a laser printer.

"About 90% of the staff are supportive but there are still sections which are not co-operating," Gerneke said.

Strict supervision and a policy of regularly rotating staff had been introduced, he added.

But there were major problems which had to be addressed. The filing and microfilming department, described by Gerneke as the "heart of the fraud", needed urgent attention.

There was a nine-month backlog in filing and microfilming of documents.

Gerneke said manual transactions, made when the computer system was down, continued to be a weak link because vehicles could easily be registered without checks, and the fraud was picked up only four or five months later. This system had to be stopped.

Because of severe staff shortages there was a backlog of 3 000 manual transactions. Randburg had a backlog of about 8 000, Gerneke said.

Other good news was that critical staff vacancies were to be filled. The council had agreed that 25 cashiers, 10 supervisors and four assistant manager positions would be filled by transferring people from within the council, Gerneke said.

Despite the new measures, fraud continues. Last week, about 30 fraudulent change of ownership certificates were found, each one for a stolen car, Gerneke said.

In the same period about 100 false registration papers were found. These "paper vehicles" enable people to obtain finance from banks.

Four cases where false learner's licences were obtained were also picked up.

Mosunkutu said he was happy to see the 'dramatic" changes but warned that this was the first step to sorting out licensing fraud.

The committee would be monitoring the outcome of police investigations.

TRANSPORT *Maputo Corridor project finance awarded highest grade*

Top rating for toll road

(~~218~~) (269) CT (BR) 8/6/98

Ncaba Hlophe

Johannesburg — The R1,8 billion Maputo Corridor toll road was awarded the highest rating ever in project finance worldwide, for its ability to meet long-term debt, by CA-Ratings, the local rating agency, Charl Kocks, the chief executive, said at the weekend.

The road was awarded an A-rating, the highest given to a toll road project financed by way of non-recourse debt.

"Toll road projects utilising non-recourse financing structures normally do not achieve debt ratings greater than BBB because of their inherent risk profile, caused by the risk that traffic demand may be less than envisaged," Kocks said.

The toll road was launched at the weekend by presidents Nelson Mandela and Joaquim Chissano of Mozambique.

The 440km-long road will link Maputo and Witbank. It will be constructed, operated and maintained by Trans Africa Concessions (Trac) under a 30-year contract.

The build, operate and transfer project will be financed through R1,494 billion of debt and R330 million equity and revenues generated by toll plazas.

A debt to equity ratio of 80:20 will be maintained during the construction phase, expected to last more than three years.

Nedcor Investment Bank and Investec were the joint lead arrangers and underwriters of the R1,294 billion senior debt and subordinated debt. The Development Bank of Southern Africa, which was responsible for R200 million, was a co-arranger with Future Bank Corporation (FBC).

The senior debt would consist of a R464 million term loan facility, a R175 million standby debt facility and a R455 million CPI-linked facility. The project sponsors provided R132 million of the equity while FBC raised the remaining R198 million.

Of the non-sponsor equity, R33,1 million was committed by a consortium of Mozambican corporate investors, and R30 million has been set aside for investment by South African empowerment investors.

"A warehousing facility to house the equity for empowerment investors was being created because they would have difficulty raising finance for their stake," said Trevor Jackson, the chief executive of Trac.

He said that over 700 mini-contracts had already been identified for tender by small and medium enterprises.

NATIONS UNITED *A young girl welcomes the Maputo Corridor toll road launch at the weekend*

PHOTO JOHN WOODROOF

Solution is co-operation between transport department and the provinces

When Transport Minister Mac Maharaj delivered his budget vote in the National Council of Provinces this month he was met by cries for more money from many of the provinces. This is an edited excerpt from his reply.

(269) 15/6/98

TODAY has given me a good opportunity to recognise I should never aspire to be the minister of finance.

Clearly, such a post would not sit comfortably on me, judging by what has been raised in regard to transport alone.

There has been a common theme expressed with different degrees of earnestness: the lack of resources. I think that is a reality, but I am surprised by the manner in which it has been raised.

Colleagues have raised the issue as if to say they were not part of a corporate enterprise called government in which we have a responsibility for a whole set of competing needs, needs which were never addressed in the previous history of SA and around which there are genuine expectations on the part of our people.

If one takes the recent example used by the deputy president in the National Assembly, it is clear the problems of this country, in terms of poverty and the disparities between rich and poor, will spell disaster unless they are addressed.

However, they have to be addressed not by imagining that there is an unlimited pot of gold down the road, but by developing strategic implementation plans which prioritise within limited resources. There are not only limited financial resources but also institutional constraints we have inherited.

I have not heard one province say they have been looking at specific experiences and are therefore taking up the challenge in a different way.

It is not for me as a national minister to present myself and my department as a model, but we certainly should be looking at one another's experiences. For example, by setting up agencies such as the SA National Roads Agency, the Cross-Border Traffic Agency and the Civil Aviation Authority in October, we estimate that we will save R57m with better quality services being delivered to the industries these agencies serve. In addition, we will save R70m a year on the salaries bill.

These savings represent a real shift from consumption expenditure and make more money available to government for much-needed capital expenditure.

Northern Province reports that we are working together after they approached my department for help. We agreed they have a problem because all the money in their roads budget is going into salaries and nothing is left for building roads.

We could work together and, through careful institutional change, reduce the salaries bill, thereby making money available for infrastructural development.

None of this must be done without due regard to retrenchments that may arise.

The transport department, through careful management and strategic planning, has effectively reduced the department's staff complement from 1 400 in 1994 to 240 by October this year. We are already down to about 300.

So far we have done this without retrenchments. We have done this with 340 applications for voluntary severance packages, 292 of which were approved, while other members of staff have been transferred to the private sector as we outsource certain functions which the department no longer needs to do, or the roads agency.

To avoid retrenchments, we are constantly looking at the remaining staff members who will not be needed in terms of how they can be retrained and how we can find them jobs in the private sector.

We could point to the past in terms of mismanagement and corruption, and the fact that the previous system was for the benefit of the white minority and neglected the needs of the majority.

However, we cannot simply insist that the only way to cope with our problems in transport is to keep demanding more money. What message are we sending to the public if we keep using this forum for moaning? We should be saying, these are the constraints, but within these difficult constraints we are improving service delivery.

Unless we do that, we are asking the public to lose all interest in our political institutions, and we are creating a mindset which says that the solution is more money.

In managing the change from lifelong permits and a system of subsidies based on tickets produced by the bus owners, which gave us no capacity to bring efficiency, we had to negotiate with all the key unions and the bus operators to change that system.

It took us three years. The unions said we could move to interim contracts, leading to tendered contracts, but what about job security? Through negotiations we facilitated an agreement that there would be a 67,5% job security guarantee, with all sorts of other mechanisms thrown in, but we also went on to encourage the operators to set up a retrenchment fund.

We could have walked away from the problem and said: "That is for the employers. We cannot help it that the workers are going to be retrenched." When we found the employers and the unions were not agreeing, we went back to our department and ask ourselves: "What do we do to persuade these two parties to come to a workable solution on how to handle retrenchments?"

We sat down studiously and meticulously, testing out our administration of subsidies, and said that under the interim contract we could save R75m on the subsidies.

I then went to my colleague, Trevor Manuel, and to the cabinet, to say: "From that saving in subsidy, can you allow me to make a contribution to that retrenchment fund that the employers would have to find?" We got agreement.

I did not go to Manuel to say: "I give up. Unless you give me more money we are going to be saddled with the apartheid system of bus subsidies for the rest of our lives."

If one looks at the total budget of the 1993-94 financial year, and one looks at the total budget of last year, and one allows for changes in monetary value, the budget is effectively the same in real terms, give or take a few per cent.

Whereas the budget for 1993-94 was primarily deployed in expenditure patterns which reinforced the apartheid system, benefiting a minority, we now have to readjust that expenditure to benefit 100% of the population in SA, black and white together.

Obviously there is going to be strain involved in transforming the society, but surely we have a duty, as political leaders, to explain this.

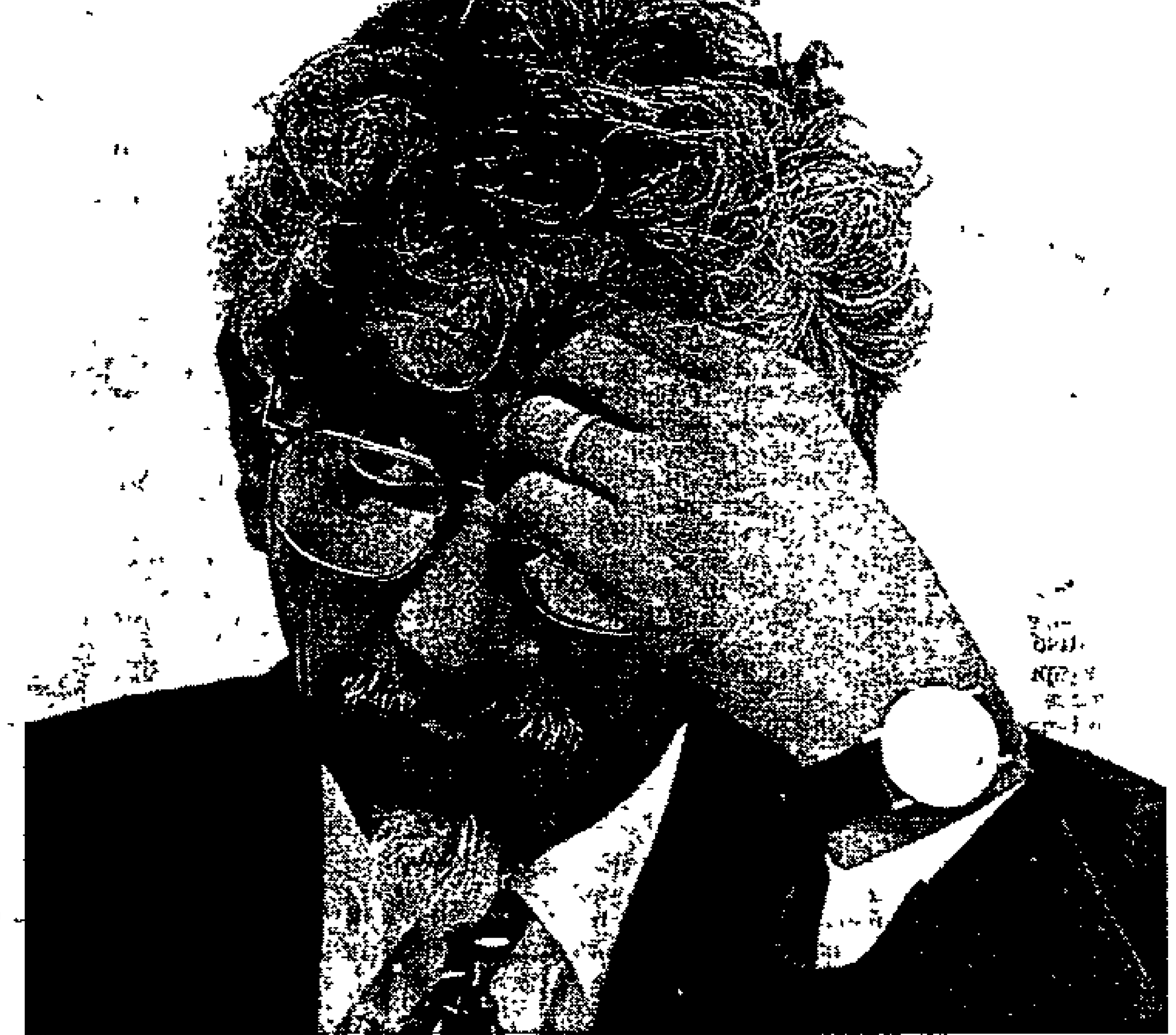
What are we doing to make the economy grow, to enhance the collection of revenue, to focus our minds on what changes we need to make to the institutions to free resources for increased capital expenditure, streamlining delivery and altering those institutions so that they now serve the entire population, and do so in the context of achieving savings and greater efficiency?

I cannot guarantee that everything that we are doing in transport is going to produce the results we expect. However, we can say the chances are extremely high that we will succeed.

I am pleading with the provinces who have made this call so strongly, to ask themselves what they have done, and more importantly, what they intend to do to bring about savings within their systems.

I can give figures of what is going to their supernumeraries who are sitting doing nothing and are being paid out of that transport budget. In essence they are using up the money that should be used for building roads and for providing services.

I hope this has put the question of more money into perspective. I hope Manuel will give me a few pats on the back!



MAHARAJ

Transnet board accused of boarding gravy plane

BD 18/6/98

(369)

Robyn Chalmers
and Reneé Grawitzky

SA AIRWAYS (SAA) will buy two new Boeing 747's this year for $300m on an operating lease funding scheme.

The move follows a recent decision to downscale the order for a full new fleet from Boeing.

Transnet finance executive director Gloria Serobe said yesterday these were the first aircraft SAA had bought in four years.

Delivery of the first plane was scheduled for June 30, and the second in November.

Serobe said a credible business plan was required to justify the original purchase of a fleet of Boeing aircraft, decided on in 1996.

"Obviously, this is a significant transaction and due diligence required that it had to be carefully studied," she said.

New SAA CE Coleman Andrews said he was happy with the purchase. "The acquisition of the most modern Boeing 747s fit in with the airline's future plans," he said.

Serobe brushed aside analysts' suggestions that the transaction had cost SAA significantly more than originally envisaged as the rand had depreciated significantly since the purchase decision was put on hold.

"The dollar price has not changed other than normal escalation, as with any product. With regard to foreign exchange, it is the job of the Transnet treasury to manage the risk in respect of foreign exchange commitments," she said.

Reacting to criticism that Transnet's entire board would travel to Seattle to accept the new aircraft, she said it was an extremely important event in the history of the airline. It marked the beginning of a programme of fleet renewal aimed at taking the competition head-on. Serobe said it was "perfectly normal" for important executives to be present at the handing over of a new aircraft.

Labour yesterday criticised Transnet's decision to send all board members to Seattle for the aircraft delivery as "ill-informed" and showing a lack of responsible leadership.

The SA Railway and Harbours Workers Union (Sarhwu) said such a move, in the middle of wage negotiations, would send the incorrect signal to workers.

The union urged Transnet to reconsider its decision and to use the money instead for ailing divisions. The union was not, however, against the delivery which should be conducted in SA where it could have a positive effect.

Salstaff general secretary Andre Venter said the company came to the bargaining table pleading poverty but at the same time spent huge amounts of money on such events.

"One wonders why they do not become more accountable and responsible and signal proper leadership instead of management carrying on as if it is business as usual."

Wage negotiations are continuing with management offering between 6% and 7,5%, depending on the divisions. Unions such as Sarhwu are demanding a 12% increase.

Tender irregularities are denied

Robyn Chalmers

TRANSNET has denied National Party allegations that there were irregularities in the awarding of lucrative contracts by the transport utility to public relations firm Simeka TWS Communications.

NP MP Daryl Swanepoel said an NP probe indicated that there had been a "gross conflict of interest" in the awarding of tenders to Simeka TWS, of which Transnet MD Saki Macozoma is a director.

Swanepoel said the contracts were awarded despite Simeka TWS not having the lowest tender. "From copies of correspondence between the chairperson of Transnet's tender board and Transnet's chairperson ... it is evident that discomfort exists with the continual awarding of contracts to Simeka TWS," Swanepoel said.

Transnet spokesman Tami Didiza said the allegations were "completely without foundation". Macozoma's directorship of Simeka TWS had been disclosed at a Transnet board meeting and he was not involved in awarding the tenders.

Fasten your seatbelts as SAA's new chief tries to turn the tide

(269) CT 18/6/98

DAN SIMON
TOURISM WRITER

FORMER White House presidential adviser Coleman Andrews, who took over the task this week of extricating SAA from its financial morass, pulled off a similar rescue mission in 1986 when he reversed the fortunes of ailing World Airways in just over a year.

Andrews, 43, who replaces Mike Myburgh as SAA chief executive, takes over the controls at a time when the troubled airline has been in the red for two consecutive years.

His credentials are said to be impeccable and he has exactly the qualities needed to turn SAA into a profitable and competitive airline. Furthermore, his contract with SAA lasts for three years and is renewable for a year.

SAA's profit of R324 million in 1995/96 turned into a R323 million loss in the 1996/97 financial year.

The national carrier is expected to announce a further loss of between R300 million and R350 million for the 1997/98 financial year.

Commenting on his appointment, Transnet managing director Saki Macozoma said Andrews' appointment came at a "crucial time" for the airline.

"What we needed was one of the world's top airline experts," said Macozoma. "We found Coleman and he happens to be American. His nationality is not important, his expertise is. We believe Coleman is the right man to guide SAA into partial privatisation and beyond. By having him at the helm, we will add value to the airline, improve customer service and benefit our country as a whole."

RESCUE MISSION: Coleman Andrews

Andrews, who is chairperson of World Airways, took over as president and chief executive in 1986 when the airline was showing cumulative losses of over $200m (about R1,1 billion).

World Airways was highly profitable until the deregulation of the US airline industry in 1979 which heralded the age of cut-throat discount pricing.

The airline began operating at a loss and it was not until 1986 and a succession of CEOs that Andrews was brought on board to reverse the trend.

Within a year of abandoning the airline's scheduled route services, rationalising its fleet and concentrating on its traditional core business of contract flying, cargo and US military transportation flights, the airline showed a profit.

The company has maintained a profit ever since except for one year.

Before his foray into the airline business, Andrews worked as a White House economics assistant to then President Gerald Ford in the mid-1970s and was a managing partner of Bain Capital before he was appointed to bail out World Airways.

World Airways, which was bought for $50 000 (R255 000) in 1950, celebrated its 50th anniversary this year.

Now with Andrews at the helm, World Airways motto: A Standard of Excellence ... A World of Difference, may be just the motto needed to steer SAA back to success

Transnet chief in corruption probe

ARG 18/6/98 (269)

CLIVE SAWYER
POLITICAL CORRESPONDENT

The National Party has asked Public Enterprises Minister Stella Sigcau to confirm in Parliament that Transnet waived tender regulations to give a contract to a company of which MD Saki Macozoma is a director.

It has also asked Auditor-General Henri Kluever and Public Protector Selby Baqwa to investigate the matter.

The NP dubbed the awarding of the R1-million tender to print Cape Metrorail's information sheet "Transgate".

NP media director Daryl Swanepoel alleged at a news conference yesterday that the tender was awarded in conflict with Transnet's aim of an equitable spread of business and even though it was not the lowest.

Mr Swanepoel said Transnet internal correspondence, copies of which were supplied to journalists, showed there was "discomfort" about "continual" awarding of contracts to Simeka TWS, the company in which Mr Macozoma has an interest.

"There is concern about the awarding of contracts to companies ... in which senior Transnet employees and directors have direct interests in the form of directorship or shareholding."

Protector: Selby Baqwa

The NP was extremely concerned at what appeared to be self-enrichment at the expense of taxpayers.

"Were these serious allegations to be proved true, it amounts to corrupt government in that such a senior African National Congress national executive committee member and government appointee is allowed to get away with it."

According to the correspondence, Transnet tender board chairman Delisiwe Dludlu asked Transnet chairwoman Louise Tager for advice on how to proceed with the contract with Simeka TWS, and for direction on future dealings with enterprises in which Transnet executives had interests.

The photocopies said a company called Strategic Communication Management offered the lowest tender for the Cape Metrorail business, at R700 500.

Simeka TWS's bid was second lowest, at R810 300 before VAT.

To page 3

Nats call for corruption probe of Transnet chief

ARG 18/6/98

From page 1 (269)

Cape Metrorail allegedly said Strategic Communication Management had produced the company's staff newsletter and had "failed to demonstrate the level of sophistication the publication requires".

Mr Macozoma could not be reached for comment because he is overseas.

In a statement, Transnet dismissed the NP's allegations and said it was a company driven by commercial considerations. Political affiliations of the MD had no bearing on the running of the company.

The Transnet board approved all budgets. The tender board was independent of management and considered all tenders in terms of rules that governed procurement.

"I believe Mr Swanepoel is not even aware of such rules," said Transnet spokesman Tami Didiza.

The MD was not involved with receiving or deciding tenders and offers.

Mr Macozoma was a non-executive director of Simeka TWS and his directorship and interest had been disclosed fully to the Transnet board.

Privatisation of SAA 'held up by Asian banks'

269

ARG 23/6/98

Hamburg – Asian banks are delaying the partial privatisation of loss-making South African Airways, Transnet managing director Saki Macozoma said today.

He said Transnet, the state transport corporation, would not be able to take on a strategic equity partner before the first quarter of next year.

The banks, which he declined to identify, were blocking the transfer of the airline's debt from owners Transnet Ltd to a corporatised airline company.

"Our original time to finalise a strategic partner was September this year, but there is no way we can make that. Now we hope that, all things being equal, we can finalise the process in the first quarter of next year," he said.

Mr Macozoma was in Hamburg for the annual Europe-South Africa Business and Finance Forum, where he met airline officials and port operators. – Reuters

'Fast-track' privatisation of airline to take longer than expected

BD 24/6/98

(269)

Tim Cohen

HAMBURG — Government has delayed the sale of a 49% stake of SAA from October to the first quarter of next year following delays in organising the financial affairs of the Transnet division.

Government had decided to fast-track SAA's privatisation because of trends in the airline industry and the entity was due to be corporatised last month prior to taking on a strategic equity partner in October.

Although government was still fully committed to the process, it had "presented us with some problems", Public Enterprises Minister Stella Sigcau said yesterday.

The date of corporatisation was being delayed until July, although the underlying work would continue unhindered, she said.

The delay was caused by, among other things, difficulties in determining the pension requirements to be held by different divisions of Transnet.

Transnet had recently completed a trip around the world to discuss its restructuring with its lenders, Sigcau said. She denied, though, that the delay had anything to do with the Asian crisis or new management at SAA. The national airliner has just hired a new CE, Coleman Andrews.

Due to its strength in the region and in the domestic market, government believed that SAA would be a "good solid investment". A lot of work was being done to develop and turn the company around into profitability, she said.

The sale of a 49% stake would include a proportion for black economic empowerment and for an employers' stake.

Speaking at the Europe-SA forum, Sigcau defended government's record on the pace of privatisation by saying it was important for government to ensure that it was selling assets in a good position to fend for themselves and that all stake-holders were sufficiently involved.

Sigcau went marginally further than government has stated previously when she said the total privatisation of Telkom would take place when Telkom was floated, which would enable the public to buy the remaining equity.

In the case of Telkom, government had taken the strategic equity partner route because it was essential to put the company on international best practices footing and this required technological transfer as well as significant recapitalisation.

"Government is not in the business of being in business," she said.

SAA's new CEO blames World fiasco on another

Simon Barber (269) BD 24/6/98

WASHINGTON — Coleman Andrews, the new CEO of SA Airways, yesterday distanced himself from World Airways' disastrous foray into scheduled passenger service in 1995 and 1996, blaming the fiasco on another executive and stating that World had ceased to be under his "direct stewardship" in 1993.

According to filings with the US Securities and Exchange Commission, Andrews was CE of World until March 1996, when he was replaced by Charles Pollard, and became chairman. Pollard has since departed.

After taking over World in 1986, Coleman restored it to profitability by concentrating on subleasing crewed, fuelled and insured aircraft to the US military, Malaysian Airlines and Indonesian airline Garuda.

In search of "growth opportunities", World began scheduled flights between New York and Tel Aviv in July 1995. Between then and February 1996, the service lost money even though 72% of seats were sold.

The losses did not discourage World from seeking US Federal Aviation Administration (FAA) clearance to take over the rights to the SA route previously held by US-Africa Airways.

World received the FAA's go-ahead in early 1996, the same month Andrews moved from CE to chairman, and began SA service as the only US carrier directly competing with SAA in June. In July, the company announced that it would abandon all scheduled service by October.

In his statement yesterday, Andrews said Pollard, whom he did not name, had only been "authorised by the board to conduct a limited test of scheduled air services. He exceeded his mandate by spending more than was authorised and losses resulted."

In its 1997 annual report to the SEC, World said the experiment cost it $5,25m in 1995 and $32,4m in 1996.

Andrews glossed over the loss, saying that World had made a "profit on continuing operations on approximately $17m" in 1996.

Andrews yesterday reiterated that he had not been forced out of World or its parent, Worldcorp.

Reducing train security 'only as last resort'

Chamber of Commerce offers expertise to Metrorail over subsidy cuts

(269) ARG 26/6/98

SHARKEY ISAACS
TRANSPORT REPORTER

Reducing security staff on suburban trains to cut costs should be viewed only as a last resort, says president of the Cape Chamber of Commerce and Industry Johann Baard.

He was commenting on a statement by Metrorail that cuts in government subsidies meant the service would have to prune spending – and one of the first casualties could be security on trains.

Mr Baard said concern about the safety of commuters prompted the chamber to offer its knowledge and expertise to Metrorail. He extended an invitation to Metrorail to discuss the problem.

Cape Metrorail regional manager Andre Harrison said the Government's cut in suburban train subsidies could triple in the wake of downward economic trends and the drop in the value of the rand. In an interview last night, he said the cut, initially expected to be R100-million, might now be as high as R300-million.

Fears of an upsurge in muggings on trains followed his announcement earlier this week that security staff may be reduced to save costs to meet the first estimated cut of R25-million in the subsidy on the Western Cape service.

Other proposals are to scrap trains on Sundays, dispense with conductors, close some stations like Clovelly, do away with trains to Wolseley and Malmesbury, remove the "silver bullet" trains on the Khayelitsha route and clean trains less often.

Cape Metropolitan Council executive director of transport and traffic Dave Eddie said suburban railway services were the backbone of public transport in the Western Cape.

"The number of passengers ferried daily by trains in Cape Town is nearly equivalent to a third of the number of passengers transported daily on the London underground, which gets a far greater subsidy from the British government. This shows government subsidies are part and parcel of public transport services.

"Cape Metrorail is already contributing 38% to the national income of the South African Rail Commuter Corporation and this factor alone should influence senior management to retain security staff."

Commuter Ganief Hendricks, public relations manager of Radio 786, said passengers would feel insecure on trains with fewer security staff and would be forced seek alternative, safer means of transport.

The Government is expected to unveil its concessionary public transport contract plan soon.

It is intended to force the six Metrorail services into a five-year "get fit" programme ahead of full privatisation.

CAPE ARGUS, FRIDAY, JUNE 26, 1998

Fare evaders forcing cuts in train services

(269)

SHARKEY ISAACS
Transport Reporter

ARGT 26/6/98

ROY WIGLEY

Peak practice: commuters crowd the main concourse at Cape Town station yesterday

If all train commuters paid for their tickets there would be no need to cut suburban rail services – including security on trains.

The Government is reducing its public transport subsidies, forcing Cape Metrorail to find ways to trim its budget. Among the measures mooted is one to reduce the number of contract security guards.

Cape Metrorail regional manager Andre Harrison said: "Although we have significantly reduced fare evasion, there are still some people not buying tickets and catching free rides. If these fare evaders bought their tickets there would be no need to consider these drastic steps."

He said funding had been cut by R25-million this financial year, which meant Metrorail would run out of money by Christmas.

"We will have to prepare people for more streamlined, cost-effective running. We are not considering these steps because we want to but because we are forced to."

Other proposals are to scrap some trains on Sundays and the service to Wolseley and Malmesbury, dispense with conductors, close some stations and do away with the "silver bullet" trains on the Khayelitsha route.

But commuters fear increased train violence if security staff are reduced.

Regular train commuter Gaffoor Shaik of Claremont said he expected a renewed outbreak of muggings on trains when the crunch came.

He said he usually bought a first class ticket and travelled in a first class carriage – which was often invaded by commuters with third class tickets.

Fatima Barnes of Athlone said she usually travelled by train in the morning and returned home by taxi at night because muggings usually happened in off-peak hours when there were fewer passengers.

Jacob Zingelwa of Guguletu said he would feel very insecure on a train with fewer security guards.

He would feel safer in taxis or buses.

Cape Town traffic chief Mark Sangster said scrapping some trains would lead to an increase in taxis on the roads on Sundays, which might require putting extra staff on duty.

French transport system points the way

Government must act soon to prioritise the country's transport infrastructure if it is to avoid urban fallout down the line, says specialist writer Robyn Chalmers

BD 30/6/98 (369)

GOVERNMENT will have to consider giving more priority and a bigger share of the national budget to longer-term infrastructure initiatives, notably transport, if SA is to avoid a situation 10 years hence of ailing infrastructure and congestion.

As with SA's electricity industry, there is a lack of urgency among some decision makers — excluding the transport ministry, which has already implemented huge changes — to deal with the urban transport system. After all, there is still mobility. Millions of commuters travel to and from work each day, the roads are driveable and the trains, buses and minibus taxi systems are functional.

There are more pressing needs elsewhere in a country which has a housing backlog of more than 3-million units and many millions without water, sanitation, education and health care.

What happens 10 years down the line, however, when urbanisation has done its work and the population has increased significantly, limited funds have gone into infrastructure maintenance, let alone upgrading and new construction, and government is still spending less than 2% of its budget on transport?

The French urban transport experience shows that governments ignore transport systems at their peril.

After the Second World War, France found itself incapable of catering to the transport requirements of the population, with public transport systems under-equipped and run-down. It took the country 25 years and many billions of francs to recreate an efficient and integrated bus, taxi and metro-rail system.

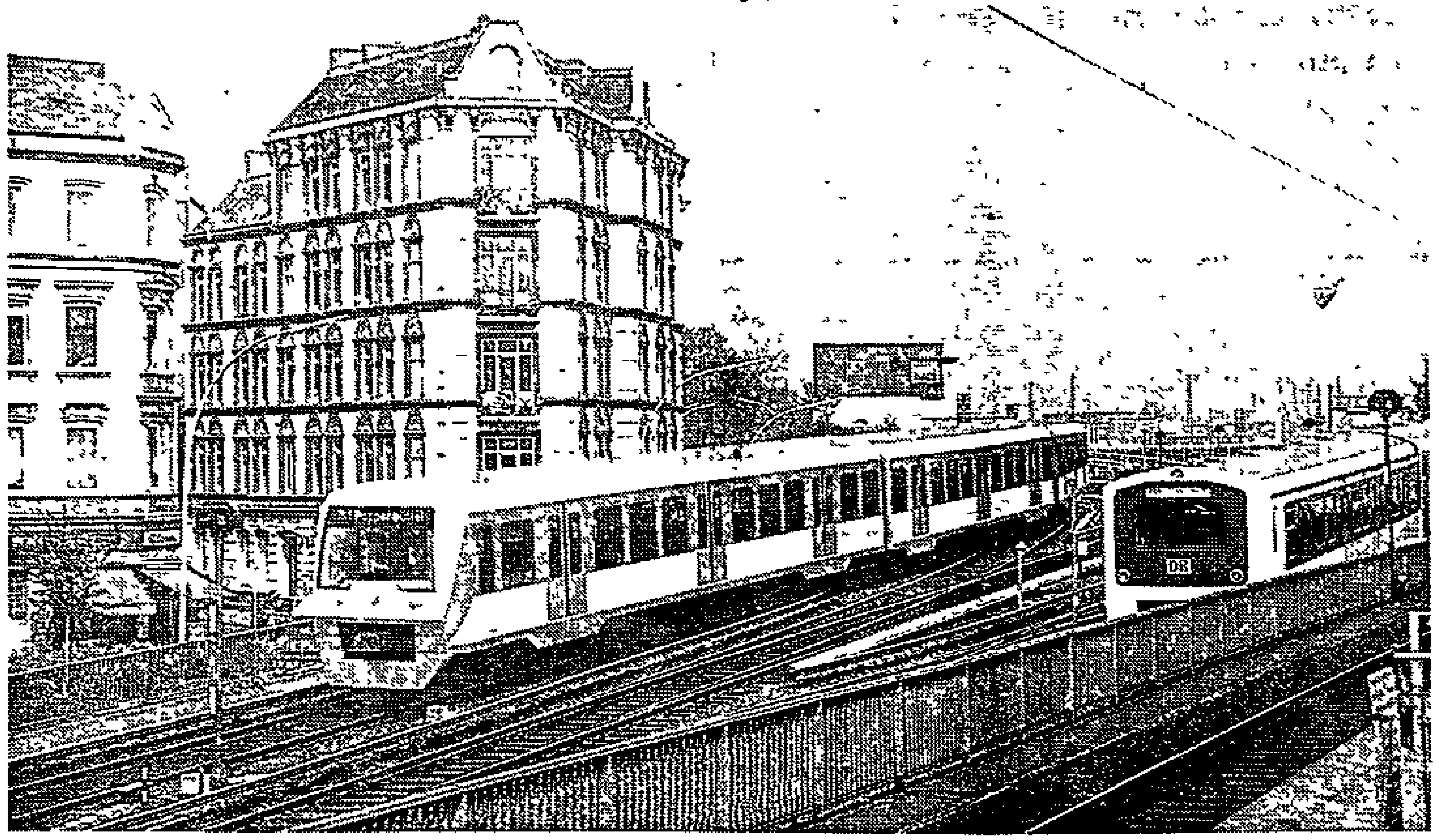
France is a first-world country with high urban population densities, and its urban transport systems may appear to have limited relevance to SA, which has looked rather to South American countries such as Brazil and Chile for its transport solutions.

Nevertheless, there are a number of key lessons to be learnt from France, particularly how to avoid burdening future generations with a crumbling road and rail network which will cost many billions of rands to restore to health.

Funds to maintain existing roads and build new ones in SA have fallen sharply over the past 20 years, and it is now estimated that 20% of the road network is in good or very good condition, against 80% in 1985. No new railway lines have been built for 15 years, although the first is now in the pipeline, linked to the concessioning of 10% of the rail network operated by commuter rail operator Metrorail.

A key lesson for SA is the need for commitment at political level to deal with transport issues. Yves Amsler of RATP, the largest transport operator in Paris, says SA still has the assets and potential to develop an efficient and reliable transport system. "The vision of those making the decisions may not be fully developed. There is a great need to develop (SA's) rail system in the future, but there is a perception that the political will is lacking," he says. There is a general consensus among French players that government at all levels has to pay far more attention to transport development.

There also has to be more creative thinking on the integration of SA's various transport systems. Millions of people are carried short and long distances each day by minibus taxis. In many other countries, buses and taxis are used for comparatively short journeys and their main function is to act as feeder systems into the rail or metro systems.



France's advanced urban transport system shows governments ignore transport systems at their peril

Because of apartheid, SA's minibus system has to some extent taken on the role of buses and rail systems Apart from the violence and political problems resulting from this modified role, issues of congestion and road damage will grow. Government will have to concentrate far more on integrating the bus and minibus taxis into the rail system, which should ultimately be developed as the main mode of transport in SA.

This will not happen overnight, but should become a longer-term project. SA Rail Commuter Corporation MD Wynand Burger says there are indications that the level of rail subsidisation cannot be sustained in the face of growing demands on government's budget. The size of the subsidy — the majority of which ultimately goes to commuter rail operator Metrorail — has been significantly reduced over the past few years. This has put pressure on the corporation and Metrorail to reduce costs, which could involve closing stations in the future or cutting down on the work force.

Massive investment in new railway lines as well as coaches is needed. The SA Rail Commuter Corporation holds about 4 500 coaches, most of which are about 23 years old, with some approaching 45 years. There are safety implications with an ageing fleet, and a growing number of coaches are no longer operational. Burger warns that if no upgrading of rail lines and coaches takes place in the foreseeable future, it is possible that the rail network will no longer be able to function in 20 to 25 years' time.

The obvious answer, and the route upon which government has already embarked, is concessioning, and other forms of partnerships between the public and private sectors. This does not mean government will abdicate its financial and regulatory responsibilities. There is a perception in the private sector that, due to budget constraints, government is looking to private companies to fund infrastructure needs.

The French experience shows that it is crucial for the public sector to invest a significant portion of the funding required for new transport infrastructure — thereby carrying some of the risk — if they want the private sector to come to the party. In 1993, the French government allocated Ff52bn to transportation — or 4% of its overall expenditure. Much of the initial capital expenditure to establish the French urban transport system has already taken place, so a significant portion of the funds go to operation rather than capital investment. The state is responsible for regulating transport activities and is the overall organising authority for urban transport, setting the pace for communes, departments and regions which make up France's administrative system.

Generally, the European experience shows that governments invest in urban transport only when they are forced to. SA is already heading for a situation where massive traffic jams will become the order of the day, bringing pollution and deteriorating infrastructure. It can ward off such an eventuality, but only if it is prepared to take action now and make key decisions about investing in transport infrastructure in such a way that it attracts local and international partners from the private sector.

□ *Chalmers was part of an SA government delegation studying France's urban transport system. The trip was sponsored by France's official promotion agency, Cfme-Actim.*

Industry gears for demand

(269) ARGT 30/6/98

The Transport and General Workers Union which ended a strike earlier this year has seen an increase in membership.

And, members say, this is due in part to their campaign for regulations that focus on safety.

The illegal practice of paying drivers by the kilometres driven or the load carried still occurs but since it was outlawed in 1996, union officials claim that trucking accidents had decreased.

Regulations such as this can only be to the advantage of transport brokers as industry becomes increasingly professional.

Neil Mardell of ERF says the transport brokers will truly come into their own when fleet operators begin to appreciate the benefits of becoming operators of a "park" of trailers only.

"South Africa's transport industry has experienced allegedly unprofessional truck brokers to date.

"That is bound to change according to market dictates and hopefully without regulation," says Mardell.

"Picture the following scenario. An independent owner/driver arrives at, say Durban, with a load from Johannesburg.

"He calls his local truck broker to establish whether a load is in the offing.

"The broker informs him that there is indeed a load, intended, hypothetically, for Empangeni and he quotes him a rate for the job.

"The truck owner then has the option of accepting the job, perhaps bidding the price up, or simply rejecting it.

"Rates will naturally vary according to the commodities carried or the destination.

"For example, a hazardous load would command a higher rate than say, a load of produce and a trip into an area with poor road conditions would, similarly, command a better rate than one on a high-quality toll road.

Mardell feels that in this way the market mechanism is allowed to work smoothly and efficiently with controls being applied through proper enforcement of safety and weight regulations.

This scenario is ideal for the growth of the independent owner/driver. "The fittest of both the truck brokers and owner/drivers will survive in this market and a truly competitive market will emerge in the process, with classical supply and demand factors dictating where business goes," he says.

"Strong relationships will be built between owner/operators and truck brokers. Bad brokers and owner/ drivers will simply go to the wall.

Official interference will be totally unnecessary.

Road Transport is one of the fastest growing industries in South Africa but it is severely constrained by the shortage of trained drivers.

Some analysts project an increase in the sale of heavy and medium trucks to go from present figures of 5 000 per year to 27 000 within a few years.

The government has taken the initiative on promoting safety and training in the industry. Recently the KwaZulu-Natal transport department and the Freight Transport Industry met in Durban to discuss ways of developing a plan for restructuring and transforming freight industry in the province.

Provincial transport MEC S'bu Ndebele said the meeting was a direct result of a number of serious road crashes involving heavy vehicle in the past year which claimed the lives of about 68 people in the province.

The department felt it was important to get stakeholders to look at the problems confronting the industry.

The department and the Freight Task Force, which was formed in 1995, had developed a policy and strategic framework which addressed issues of major concern to the freight transport industry.

These were diminishing funding, freight vehicles crashes, overloading and under utilisation of rail transport had been identified as issues requiring urgent attention.

Ndebele urged the industry to co-operate with the authorities in attempts to establish order, safety and profitability within the industry.

40-b giant Transnet under heavy pressure to unbundle holdings

(264) ARG 30/6/98

Coleman Andrews: new chief executive at South A[illegible] Airways

South Africa's transport industry has had to go back to the drawing board in order to position itself in a competitive environment.

The process has not been without some difficulties, however.

Transnet Limited, a public company, was founded on April 1 1990, and is now a R40-billion giant, employing more than 96 000 people

It consists of a number of subsidiaries, including a railway system (Spoornet), a service provider in the parcel market (PX), a comprehensive road transport service (Autonet), port support services (Portnet), South African Airways (SAA), pipelines for the conveying of petroleum products (Petronet), and a telecommunications arms (Transtel).

The board, under the chairmanship of Louise Tager, with Saki Macozoma as managing director, consists of 15 members, eight of whom are non-executive directors.

For the last four or five years, Transnet Limited has faced increased pressure to unbundle its various holdings and pursue a path to privatisation.

On top of this it has had to deal with a massive R12-billion pension and medical aid deficit. Earlier in the year, the master plan was that the debt be placed in a special finance vehicle and the Transnet pensioners would be taken over by the government.

However, recently the Department of Finance felt this would impact too strongly on its growth, employment and redistribution strategy and has therefore proposed that the debt be dealt with in a "piecemeal" fashion. In other words, calculating the portion of debt of each subsidiary within Transnet.

Macozoma has expressed concerns about the plan. The deficit has hampered privatisation plans and he feels this strategy will further delay the restructuring initiative.

Already, plans by the Minister of Public Enterprises, Stella Sigcau, for the restructuring of Transnet has raised a number of questions. She has been criticised for not stating the government's intentions regarding the transformation of the transport giant.

The government has declared that privatisation is part of the growth, employment and redistribution strategy. This was welcomed by business. But business no more wants to replace a state monopoly with a private equivalent than it wants Cosatu determining wage structures. Nor should government put strategic assets into foreign hands.

Sigcau cannot afford to ignore the labour constituency, and rightly so, in light of South Africa's unemployment problem. Besides, the terms of the National Framework Agreement states that all restructuring plans include representatives from government, the relevant union and the company itself.

The unions for their part say that Transnet has failed to show transparency in its dealings with labour.

Christo van Heerden, the chairman of Transnet's restructuring labour steering committee, has said that labour was involved in and agreed to the need to put in place a "social" plan. He said there had been no formal talks about retrenchment except within Transtel, where some 500 workers may be retrenched.

As if privatisation were not a big enough headache, Transnet has been hit by a number of allegations of corruption and incompetence.

An internal probe found Transnet executive director Joe Ndhlela committed several acts of misconduct and impropriety and he was promptly suspended. The transport parastatal's board of directors will consider disciplinary action against Ndhlela himself.

Retired judge John Trengove headed the inquiry, and the findings, which were dated December 18, had been kept under wraps pending the board's decision.

Ndhlela is now alleging that Macozoma is linked to the theft of containers from the Port of Durban. According to police and justice officials, the allegations are false.

However, further allegations of corruption have been aimed at Macozoma. A row has erupted over the granting of lucrative contracts to the public relations firm Simeka/TWS Communications of which Macozoma is a non-executive director. Simeka/TWS recently won a R1-million contract to print Cape Metrorails information news-sheet.

More recently, Transnet subsidiary SAA had a top-level shakeup when it replaced SAA executive Zukile Nomvete with Mafika Mkhwanazi, who was then deputy managing director. In the wake of this, Transnet then axed CEO Mike Myburgh and his deputy John Hare. Myburgh was replaced by Coleman Andrews, a 43-year-old US executive who is reputed to have saved World Airways from going under

Andrews may not be the answer to SAA's woes. The Washington Post recently ran a critical assessment of his tenure at World Airways. The Post quoted sources saying that World Airways was unprofitable and had been unable to pass on money to its holding company WorldCorp.

In the first quarter of this year, World Airways lost $3-million on revenues of $69-million, down from $79-million a year earlier.

Transport department says it did its homework

(269)

Vuyo Mvoko

BD 1/7/96

THE transport department yesterday dismissed suggestions that it had forged ahead with the implementation of the new credit-card sized driver's licence — as well as that it had imposed fines on those who did not meet set deadlines — without first ascertaining whether issuing offices had capacity.

Outraged licence-holders lashed out at the department on Monday after queuing for hours to convert their licences to the new system as was now required by law, only to be turned back because staff at the issuing offices could not cope with the numbers.

Werner Koekemoer, the department's project manager for the credit-card format licence, said yesterday there was no shortage of personnel to handle applications.

Applicants had started flocking in over the past few days when the closing date was approaching, he said, increasing the work load of the offices.

Koekemoer said only 20% of the people who were supposed to have converted their licences by today's deadline had done so. The department had decided, however, that fines would not be imposed as was originally envisaged, and that there would be a 30-day grace period.

The department was looking into outsourcing the operation, Koekemoer said, and would ask provinces to provide additional staff and computer equipment where needed. He said more than 5% of SA's driving population of 6,5-million had applied for the conversion of their licences.

Sapa reports that police were called in to quell violence at the Rossburgh licensing centre outside Durban on Monday when a group of angry applicants tried to storm the building, apparently after being told their applications could not be processed.

New head of SA Airways under the microscope

(269) BD 1/17/98

Washington correspondent Simon Barber digs deep into Coleman Andrews' uninspiring past

COLEMAN Andrews, the new CE of SA Airways (SAA), says World Airways was not "under my direct stewardship" in 1995 and 1996, when it ventured disastrously beyond its core business to offer a scheduled passenger service from New York to Israel, SA and Ireland.

The company booked losses and write-downs of more than $37m on that failed experiment.

The public record says Andrews was CEO of World Airways from August 1986 to March 1996, when he became chairman, which post he has only lately relinquished to take up his new position in SA.

The record also says he was CEO of Worldcorp from its creation as a holding company for World Airways in August 1987 until April last year. Throughout that period, Worldcorp controlled World Airways as its majority shareholder.

Andrews says his "direct stewardship" ended in 1993. This was not divulged to shareholders.

There is no reference to any change in his responsibilities, or compensation, in Worldcorp's 1994 "10K" report to the US Securities and Exchange Commission. The report does, however, show that Worldcorp, which wholly owned World Airways until a Malaysian company, MHS Berhad, bought 25% in February 1994, had operating losses on its aviation business of $36,9m in 1992 and $22,8m in 1993.

The 1992 loss was attributed to the fire sale of Key Airlines, which Worldcorp had bought in 1987 for $18m. Before taking the helm at World, Andrews had been chairman of Key since 1984.

Bain & Company, the Boston management consultancy that had hired him out of Stanford business school in 1978, had a stake in the small Nevada-based airline flying Boeing 727s. Andrews more than doubled Key's sales to $45m in three years by marketing blocks of seats or whole aircraft to tour operators and the defence department.

It was Andrews' success at Key, according to a 1987 issue of Business Week, that attracted the attention of World Airways' board and led to his appointment as CEO. He brought Key along with him. The company was acquired from its then owner, Presidential Airways. Key went from posting a small profit of $200 000 in 1991 to losing $6m in 1992, according to Worldcorp.

What happened may now be seen as an omen for World Airways's 1996 debacle.

In 1992 Key stopped wholesaling "block hours" of flight time and started retailing seats directly to passengers. Revenues fell and overheads soared.

Key's stock was sold to Savannah Aviation Group in October 1992 for notes valued at $6,5m. Worldcorp never collected.

Key declared bankruptcy in February 1994 and "certain disputes arose" between seller and buyer leading to cancellation of the notes.

Worldcorp had kept Key's 727s, but, unable to offload them for anything other than parts — and then only on consignment — recorded an overall loss on the sale to Savannah of $31,4m.

Arguably, therefore, even when Worldcorp's flying business was under Andrews's "direct stewardship", its fortunes were mixed. Put it like this: aviation ventures with which he has been associated have been viable only so long as they did not try to become scheduled airlines.

Every time Andrews has been involved with the kind of thing SAA does for a living, he has either put a stop to it (that's how he saved World Airways in 1986 and again in July 1996 when the SA fiasco obliged him, by his account, to don his Superman's cape once more) or has seen his company take a bath.

The question arises: what, apart from the 1996 intervention, has he been doing since 1993? One answer is running for office. His bid for the lieutenant-governorship of Virginia, a stepping stone to governor or senator, started swimmingly. He proved an ace at raising money and had the party nomination all but locked up.

Then, just weeks before the primary last year, he pulled out, citing family illness.

He also, if his corporate titles mean anything, was stewarding Worldcorp's holdings in Intelidata Corp, a money-losing infotech firm involved in software and hardware for telcoms and electronic commerce.

It started life as US Order, a start-up offering "smart telephones" that would enable consumers to bank and shop in the comfort of their own homes. The company came to Worldcorp for venture capital.

Founder William Gorog had been Andrews's mentor when Andrews joined President Gerald Ford's economic staff as an intern in 1975.

Gorog had launched some exciting companies, including the premier on-line database, Lexis-Nexis, but US Order was not one of them. Its technology was rendered redundant by the Internet.

By 1992, Worldcorp had put enough capital into US Order to gain a controlling interest in what was rapidly turning out to be a dog. Solution: acquire another not terribly exciting infotech firm and merge it with US Order to form Intelidata, a real zinger of a firm which lost $96m its first year, 1996, and another $90m in 1997. Massive reorganisation and downsizing slowed the bleeding in the first quarter of this year to a loss of $4,8m.

Tally up what SAA's new CEO leaves behind him. It is not inspiring. Worldcorp, of which Andrews was chairman until last month, is on the edge of liquidation, praying that its new partner (or possibly owner), Paper Acquisitions, will provide enough cash flow to stave off the creditors.

Aside from Paper, Worldcorp's only holdings are 29% of Intelidata, of which the share price is now measured in pennies, not dollars, and 51% of World Airways, which has lost money five out of the past eight years.

Analysts believe once World Airways has the Worldcorp monkey off its back, it will be a solid if unsexy little business.

Who put the monkey there? Who decided that Worldcorp should play venture capitalist for its CEO's friend and mentor? Evidently, and unless he was in non-stewardship mode on each relevant occasion, it is the same whizz-kid who has been hired to turn around SAA even though he has not been successful at SAA's kind of business.

Andrews, says Transnet, was hired in part because he has the international connections to ensure a decent price for however many shares of SAA the government may place on the market. Do not count on it.

SAA chief's rightwing links revealed

CT(9R) 1/7/98 (269)

JONATHAN ROSENTHAL

Johannesburg — Coleman Andrews, the newly appointed chief executive of state-owned airline South African Airways (SAA), was a director of a rightwing US lobby group that aimed to protect Judeo-Christian Western culture from "the cultural and moral decay of political correctness".

Andrews, who last year ran for the post of lieutenant governor of Virginia on the Republican ticket, was a board member of a group calling itself the Free Congress Foundation (FCF) in the early 1990s.

The FCF's Internet site describes it as a politically and culturally conservative think-tank.

"Will America return to the culture that made it great, our traditional, Judeo-Christian, Western culture?" the the FCF web site asks.

"Or will we continue the long slide into the cultural and moral decay of political correctness? If we do, America, once the greatest nation on earth, will become no less than a Third World country," the site declares.

The web site claims one of its television shows, Next Revolution, is dedicated to fighting multi-culturalism and political correctness.

Andrews issued a statement through his spokesman yesterday saying that he had served as a director of the FCF from 1989 to 1990, to train aspiring democratic leaders in the former Soviet Union.

"I can't comment on what the Free Congress Foundation's policies are because I am no longer associated in any way with the organisation," he said.

"But if there are those in the FCF who espouse racism I disassociate myself from them completely Frankly, such people embarrass me as an American."

Andrews said he had accepted the job at SAA because he believed he could make a positive contribution to South Africa.

"My job is to turn an ailing airline around for the benefit of all South Africans," he said. "To do that I need top people and when I find those people I will use their services regardless of their colour or nationality."

He said racism was a divisive evil that he had always opposed.

"To my knowledge, it is not true that the Free Congress Foundation supported tax exempt status for segregated schools," his statement said, or "I would have immediately resigned from the board. Nor have I any knowledge of the World Anti-Communist League, and I have never heard of the FCF being linked to the Moonies."

☐ Business Watch, Page 2

Autonet 'to post 40% losses in earnings'

(269) CT (PR) 2/7/98

Jonathan Rosenthal
Industrial Editor

Johannesburg — Restructuring costs and losses at Autonet's Transtate passenger-transport business would reduce its full-year earnings by 40 percent, a company source said yesterday.

The full-year results for Autonet, the state-owned road transport utility, are to be released with Transnet's early next week.

Insiders said Autonet's earnings were expected to fall to R14 million from R23 million, despite a 5 percent rise in turnover to R515 million. Much of the decline was attributed to losses of about R11 million at Transtate.

Sources said Autonet split Transtate into two divisions, in anticipation of government moves to increase competition on passenger routes. Its city-to-city non-luxury division generated earnings of R6 million. The remaining Transtate operations were hit by the slow pace of legislative reform that has failed to open new routes to competition. The mine-worker transportation business was also hit by a slowdown in the gold industry.

Other expenses included redundancy costs and a rise in insurance costs — the knock-on effect of a series of road accidents in previous financial years. Sources said the cost of cover was likely to fall this year as Autonet's accident record had improved by more than 50 percent last year.

It is understood that Autonet's operating assets increased by R13 million to R335 million. Total expenditure is thought to have moved up 8 percent, mainly as a result of a more than 55 percent increase in the cost of insurance premiums to about R11 million.

Capital expenditure was expected to drop to about R67 million from the R84 million reported in the previous year's results.

It is understood that Autonet's management expects sound profit growth in the next 12 months.

SECURITY CUT ON TRAINS

Jack up service or else, Metrorail told

MD 6/7/98 (269)

THE DECISION by Metrorail to cut security services on commuter trains has drawn a strong warning from the South African Rail Commuter Corporation. **CLAUDIA CAVANAGH** and **FATIMA SCHROEDER** report.

METRORAIL has been given five years to jack up its service or face competing international tenders, says the SA Rail Commuter Corporation

"In this time the service must be made to run like a private organisation. If it hasn't buckled under the pressure by then, it will probably be able to continue," says the commuter corporation's finance manager Jakkie van Niekerk.

The corporation's threat to put the commuter service out to tender follows a recent announcement by Metrorail that it is to slash services on trains — especially security services — to manage with a provincial budget cut of R25 million. Since then there have been two vicious attacks on the southern suburbs line.

● On Friday, Wynberg station-master Deon Johnson was stabbed repeatedly when he confronted a fare evader on the station

● Two weeks ago an armed robber was shot dead and five people wounded after a nightmare train ride from Wittebome to Heathfield.

Van Niekerk told the *Cape Times* the corporation would set up a team to monitor Metrorail's performance in three vital areas·

● The cost of the service to commuters.

● The amount of fare revenue Metrorail collects.

● The level of the service it provides, including punctuality and passenger safety

Metrorail is planning to save about R3,5m by reducing contracted security staff numbers.

"We believe reducing security is not the right way to go about cutting costs," said Cape Metropolitan Council public transport chief Ronald Kingma "They should rather be looking at increasing their profitability by cutting back on fare evasion, and to do that they need more security, not less Reducing the number of security guards might lead to an increase in fare evasion and a decrease in fare revenue."

Metrorail loses about R50m a year in fare evasions So how does it plan to increase its income if it has fewer security guards to monitor the payment of tickets?

"That's the catch-22 situation I'm sitting with at the moment," admits Metrorail's Western Cape regional manager, André Harrison.

"I have considered the possibility of assistance from the community to combat fare evasions, but I have to look at certain labour laws first. I'm sure that if we work together as a community we can come up with workable solutions."

Harrison said services in others areas had already been cut. "The only things left are maintenance and staff. I'm not prepared to cut my own staff, so the contracted security had to go"

By cutting the Sunday service completely, about R10,5m will be saved. But what about the loss of Sunday fares?

"We have found out that monthly and weekly ticket-holders do not travel on Sundays," says Harrison "And it will affect fewer people than if we cut train services on a Saturday"

Does Harrison believe Metrorail will be up to scratch by 2003?

"If we don't make it, I'll lose my job It's one of those self-motivating things as well," he says

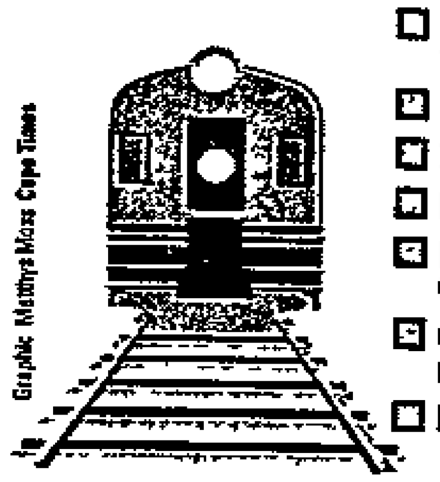
Meanwhile, the commuter corporation has lashed out at Cape Metrorail for prematurely announcing the reductions

"The government has been given a list of general ideas and will have to decide on the best course of action," says Van Niekerk. "Metrorail should have waited for a response from us before letting commuters in on the secret."

But Cape Metrorail spokesperson Riana Jacobs disagrees "What's the point of waiting until it happens? People complain that we don't inform them about what we're doing. It's only fair that we tell them."

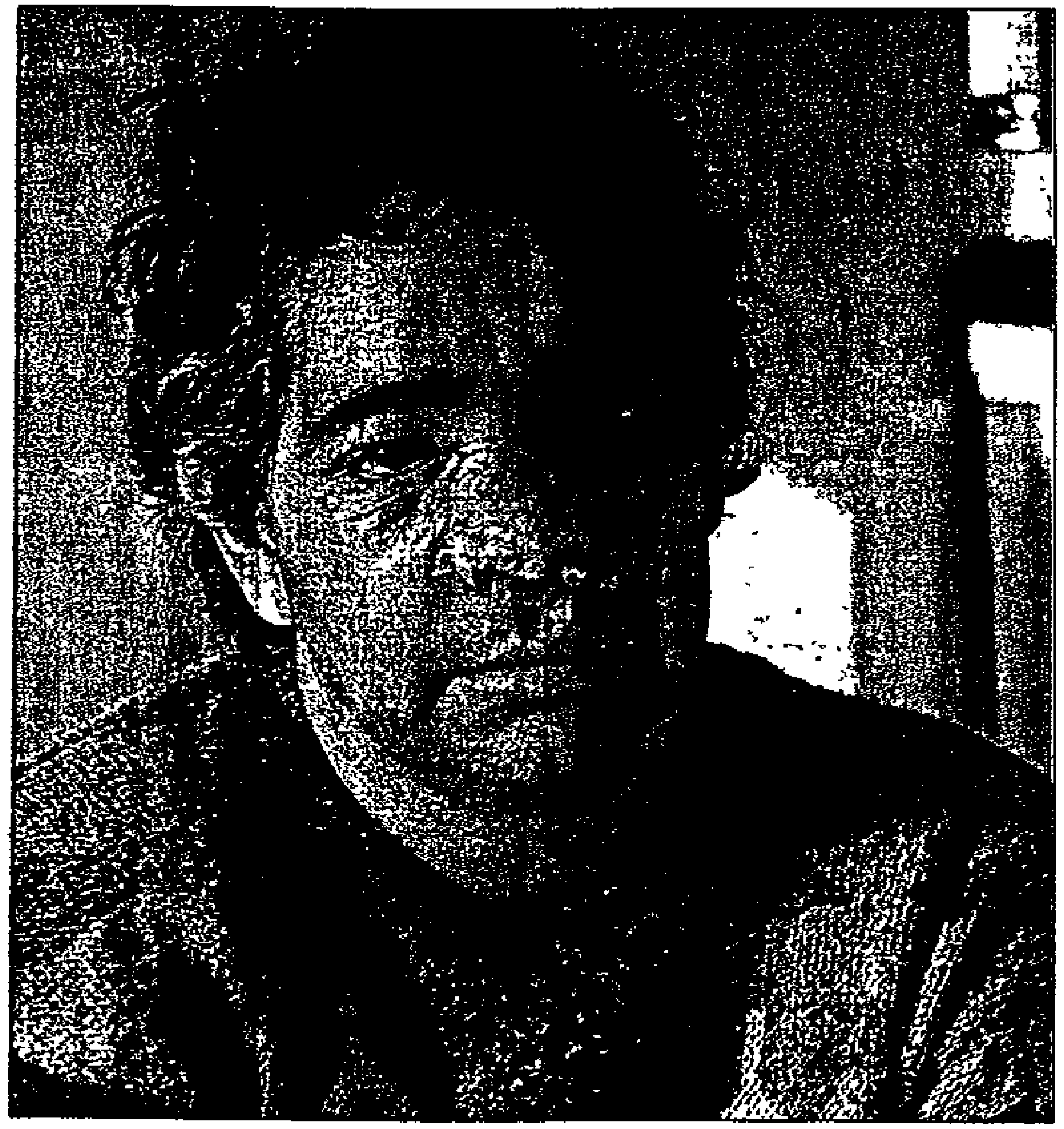
Budget Cut Implications

In order to cut R25 million off their budget for public transport, Metrorail has proposed to cut a number of train services



Graphic Matthys Moss Cape Times

	Cost saving R
Remove Silver Bullet trains from the service	5 500 000
Eliminate Wolseley service	15 808
Eliminate Malmesbury service	1 522 812
Eliminate Sunday service	10 573 658
Reduce Security Contingent. Contracted Security	3 500 000
One man trains (only driver, no conductor)	3 600 000
Double the Train Cleaning Cycle	600 000
	25 312 278



IN THE LINE OF DUTY: Acting station-master at Wynberg station, Deon Johnson, in hospital yesterday. Johnson was stabbed repeatedly during peak hour on Friday when he confronted a fare evader on the station platform. *PICTURE: THEMBINKOSI DWAYISA*

Station-master survives stabbing

CLAUDIA CAVANAGH

ACTING Wynberg station-master Deon Johnson can't really remember what happened to him on Friday afternoon.

But hundreds of peak hour commuters on Wynberg station who watched in horror as he was repeatedly stabbed and left for dead, saw his assailant coolly stroll away still holding the bloody knife.

"From the little I can remember, I confronted three men on the platform One didn't have a ticket, and the next thing I remember is a knife coming for me," he told the *Cape Times* yesterday from his hospital bed.

Johnson was stabbed twice in the back and twice in the head His face was slashed from his eyelid down to the corner of his mouth.

Although Johnson is not employed as a security officer, cuts in the number of security personnel mean he has to spend some of the time watching what is happening on the platform.

"I'm often exposed to violent behaviour Sometimes I handle it well, sometimes I don't. And Friday was simply not my day"

Johnson says he is "most definitely worried" about Metrorail's plans to cut back on contract security staff to save money.

"It can only make things worse," he said.

Two weeks ago, an armed robber was shot dead and a policeman, two security guards and two commuters were wounded in a shootout on the southern suburbs line.

The three men robbed dozens of terrified commuters between Wittebome and Heathfield before the shootout began

Transnet to hive off R12bn pension, medical aid deficit

BD 7/7/98 (269)

Robyn Chalmers

GOVERNMENT and Transnet have broadly agreed to hive off the utility's R12bn pension and medical aid deficit into a separate legal entity, although the method of achieving this is still being debated.

The deficit has hampered Transnet's privatisation process and forced the parastatal to pay about R1,4bn of its profits into the fund each year. The creation of a new entity will take the debt off Transnet's books without burdening government with it.

Announcing that Transnet had moved back into the black, Transnet MD Saki Macozoma said yesterday there was general agreement that a special purpose vehicle be created to house the debt. Income streams, and possibly privatisation proceeds, could be injected into the vehicle to service the debt.

Macozoma said clarity was still needed on the practical implications of this approach.

It was possible that this route could be adopted in a piecemeal fashion, starting with the pending partial privatisation of SA Airways.

Transnet executives recently went on an international roadshow to restructure the group's foreign loan book to allow subsidiaries to expand into new markets.

This was complicated by the currency crises and Japanese bankers in particular were "jittery" about any risks involved in restructuring Transnet's debt, he said.

Public Enterprises Minister Stella Sigcau said the restructuring and privatising of Transnet was not an easy task.

One of the difficult areas was apportioning the parastatal's debt so that companies being hived off were not penalised.

Sigcau also defended the decision by government to transform Transnet's top management structure a few years ago, which "sceptics look on as a mistake". The decision was made as government believed there was a need for all roleplayers in SA to participate in the parastatal's restructuring.

"It was never a question of colour, never a question of race but rather a question of who would be the change agents transforming Transnet," she said.

Into the black: Page 13

TRANSPORT *First profit since '94 despite pension fund drain*

Transnet R278m in the black

(269) CT(PR) 7/7/98

Ncaba Hlophe

Johannesburg — Transnet, the state-owned transport utility, announced yesterday its first net profit since 1994 of R278 million, in defiance of both its nagging pension fund drain and depressed trading conditions.

The pension fund bludgeoned the company to a loss of R170 million last year, after a previous loss of R258 million.

Gloria Serobe, Transnet's finance executive director, said a stringent cost control strategy had steered the group out of its debt morass.

Transnet's gearing of 52 percent was stretched to 72 percent by the pension fund, which has debenture liabilities of more than R8 billion.

Serobe said the group had scrapped an additional 4,5 percent contribution to the fund which cost R445 million this year, to reduce the total contribution to the fund from R1 397 million to R1 393 million

Turnover increased 7 percent to R21,6 billion, despite high finance costs of R1,3 billion. Operating profit rose 13 percent to R3,4 billion.

South African Airways (SAA) and PX, the parcel division, emerged as star performers, as both units reduced their losses this year.

SAA was down R80 million, from R323 million to R244 million on a R6,4 billion turnover, while PX was down from R489 million to R322 million on a turnover of R536 million.

Both Portnet and Spoornet were dented by depressed conditions and recorded reduced net profits.

Spoornet was knocked from last year's net profit of R712 million to R573 million while Portnet slipped from R1,7 billion to R1,6 billion.

Serobe said Transnet was covered against the turbulence in the markets despite its exposure to R7 billion in external loans out of R22 billion in total loans.

Saki Macozoma, Transnet's managing director, said the group was still locked in talks with the department of finance over strategies to curb the pension fund drain.

"There is general consensus that we need a special purpose vehicle to warehouse the debt such that it does not reflect on the balance sheets of both government and Transnet," said Macozoma.

"But the department of finance seemed to favour a gradual approach."

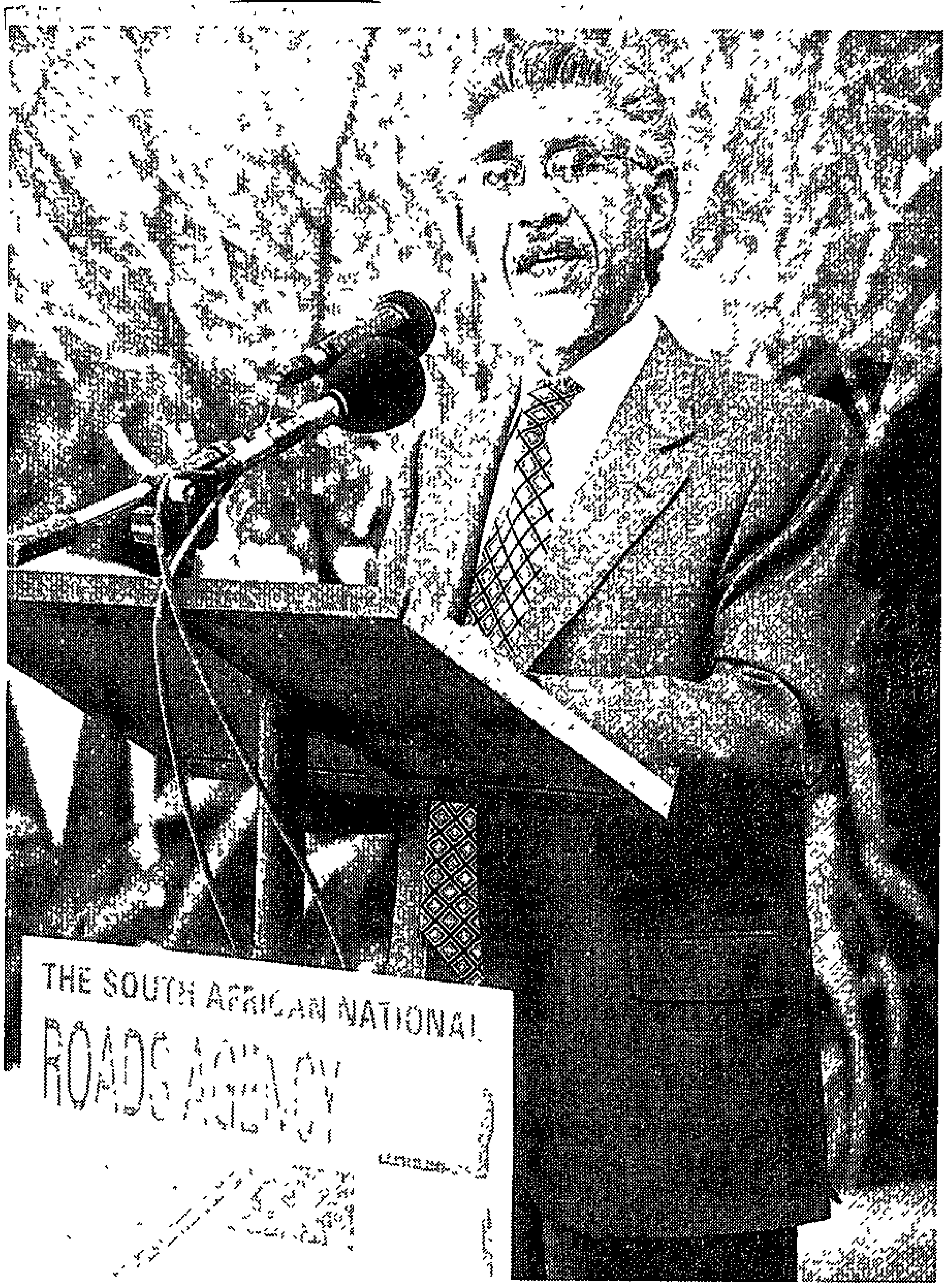
He said restructuring the pension fund and negotiations with lenders would determine the success of the privatisation programme, which had suffered delays.

"You ask yourself who will buy the debt from the pension fund and at what level would they discount it," he said.

"At the same time, you cannot form the new corporate entities without the approval of the lenders, because you would have defaulted."

GO FIGURE *Gloria Serobe shows off the net profit for Transnet's first positive report in four years* PHOTO JOHN WOODROOF

☐ **Business Watch, Page 2**



Transport Minister Mac Maharaj unveils the agency's new logo. Picture TREVOR SAMSON

Roads agency assesses private sector proposals

(269) BD 8/7/98

Robyn Chalmers

THE new SA National Roads Agency is assessing five private sector proposals for road infrastructure projects around the country, says Transport Minister Mac Maharaj

At the launch of the agency, Maharaj said yesterday the organisation was looking to foster a dynamic partnership with the private sector where both parties could bring innovative ideas to the table.

Three projects on the N1 and N2 in the Western Cape, one in the Eastern Cape which incorporates the Kei Cuttings section of the N2 and a section of the N17 traversing Gauteng and Mpumalanga, were under review

The roads agency is one of four organisations that were created out of the restructured transport department to run as independent, statutory authorities operating on commercial lines at arm's length from government.

The roads agency will maintain SA's 7 000km national road network and manage assets worth more than R135bn It would also look to developing road infrastructure and meet government's commitment to the reconstruction and development programme.

"Last year we put out work to the value of R800m, with about 20% targeted for small, micro and medium-sized enterprises and training This year we expect to put out contracts of more than R900m, with small business and training getting 25% of the budget," he said.

Agency CEO Nazir Alli said that in the face of limited state funds for infrastructure, the agency had embarked on the formation of public-private partnerships where there had already been progress.

The construction of the N4 Maputo development corridor was already under way and the preferred bidder for the R2bn N3 De Beers Pass road between Durban and Johannesburg would be announced at the end of this month.

Three short-listed tenders for the R1,5bn Platinum Route, linking Pretoria through Rustenburg to Lobatse, were being evaluated and the preferred bidder should be announced late in September.

Transport department making headway

(269) Star 16/9/98

Major road projects break new ground

By Anna Cox

The Transport Department has made innovative changes in its relationship with the private sector and the way in which national roads are funded, says Transport Minister Mac Maharaj.

Speaking in Pretoria recently at the opening of the newly commercialised National Roads Agency (NRA), Maharaj said the most significant changes had been to rethink the role of government in the provision of road infrastructure and apportioning financial risk to the party best able to bear it.

"By doing this, not only does the national department move closer to its core business of policy formulation and regulation, but it also gives focus to key areas of transport activity that will now take place in agencies dedicated to maximising productivity and the growth of services in their respective areas," he said.

> **We aim to ensure that quality services are provided**

The NRA is the third commercialised agency to be opened this year. The Maritime Safety Authority and the South African Cross Border Transport Agency were launched in April and the Civil Aviation Authority will be opened in October.

The agencies will operate as independent statutory bodies run by a chairman and a board of directors.

The NRA will take care of some 7 000km of declared national roads and over the following decade is expected to expand these to nearly 20 000km of new roads.

In three major roads projects currently under review, the Government was no longer required to act as financial guarantor in any of the concession agreements, said Maharaj.

"New ground was broken with the N4 when the concessionaire agreed to carry the full financial costs of building the R2-billion road between Witbank and Maputo," he said.

"This was taken further on the R2-billion N3 De Beers Pass road between Johannesburg and Durban, where the concessionaire will not only raise the money for the road but will make sure the state's existing R1,3-billion debt on the road is also taken over.

"The third major project is the R1,5-billion Platinum Route which will link Pretoria through Rustenburg to Lobatse," he said.

NRA chief executive officer Nazir Alli said the agency's actions would be aligned with the visions of providing a primary road network which was safe, reliable, effective and fully integrated with other transport modes.

"We aim to meet the needs of our investors and customers and ensure that quality services are provided at optimum cost," he said.

We also aim to support the strategies of government for social and economic development, while making certain that they are environmentally and economically sustainable," he said.

Two-hour traffic jams lie ahead

Urgent call for new transport systems

ST(CM) 19/7/98 (269)

TOM HOOD

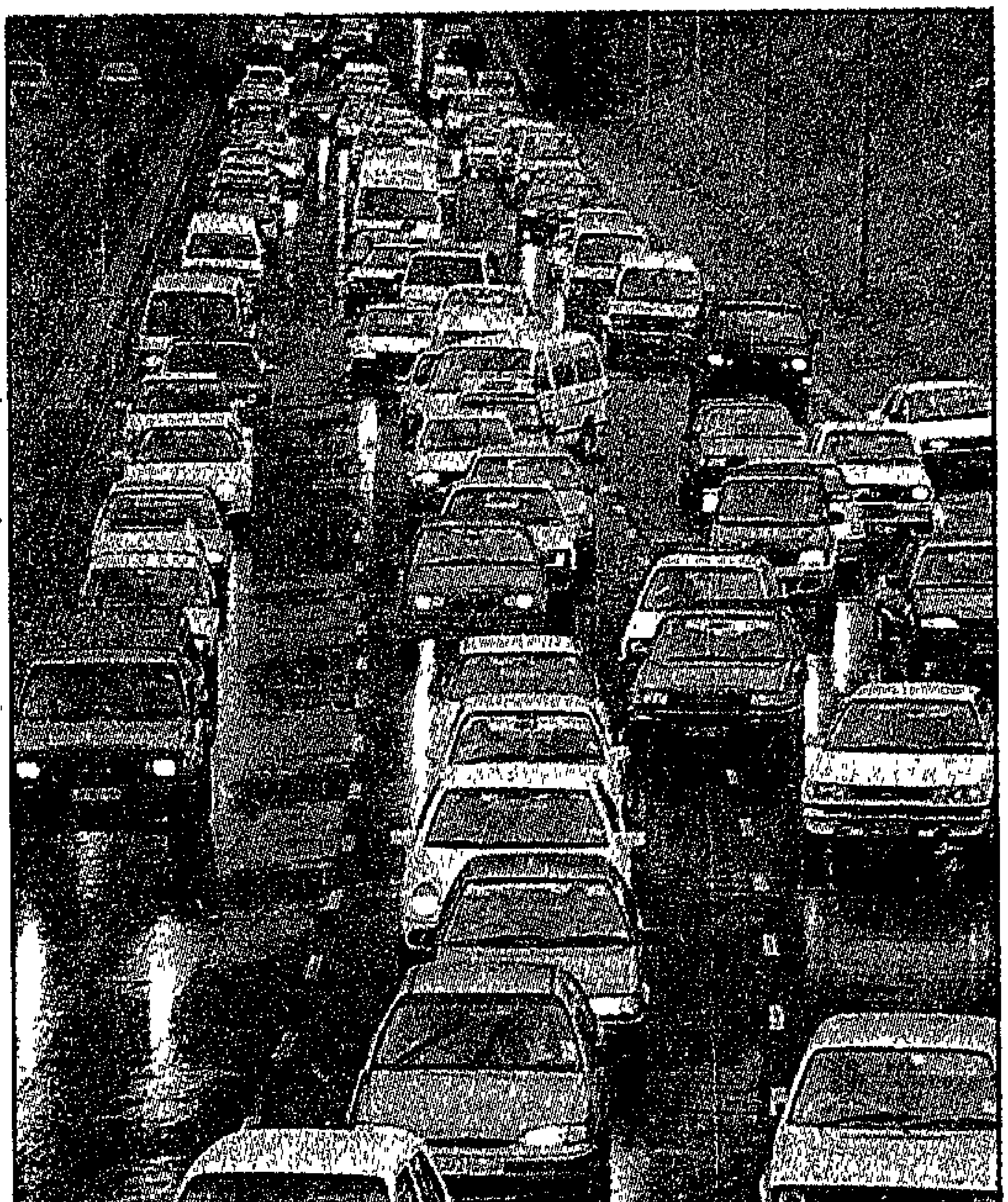
TRAFFIC on Cape Town's major roads will come to a standstill in a few years unless motorists are provided with an alternative public transport system.

These findings are given in a top-level report commissioned by the city and the Department of Transport and released this week.

The report calls for a new centre-city light rail and bus system to be developed by a private company. The system would cost about R1,5-billion.

It is expected that by the year 2015, the 50 minutes it takes to complete the bumper-to-bumper drive from the suburbs into Cape Town every morning will take about two hours.

"This is not scare-mongering but an assessment of the impact of growth of population and unchecked car travel," says urban planner Geoff Underwood. "No one is doing anything to get commuters out of private cars and into public transport."



PACE OF TODAY: By 2015, driving from the suburbs on the N1 will take more than twice as long Picture: RICHARD SHOREY

Underwood, consulting engineer Peter Thomson and accountant Ken Biggs form the Inner City Planning Consortium, which has completed an investigation into a public transport system for metropolitan Cape Town.

They estimate that the number of workers in the inner city will increase by 53 percent from 232 700 in 1996 to 356 300 by 2015. The population in the city will more than double from 91 000 to 199 800, as will the number of dwellings — from 32 000 to 62 500.

The increased use of cars would swamp the road network, making it impracticable to run road-based transport services and placing excessive demand on rail transport, the consortium said.

To meet the demand for central business district parking, an extra 450 000m² — equal to 20 tower blocks with a construction cost of R1,4-billion — would be needed.

The report calls for tough action to improve the quality and safety of public transport. It suggests that parking restrictions and tariffs, toll roads and bus lanes could encourage motorists to switch to public transport. In a car-free inner city, public transport could be provided by a light-rail system or a high-quality bus system. Buses carrying more than 100 passengers were already in use in European cities, said Thomson.

The capital cost of a light train system was estimated at R1-billion and a bus system at R460-million.

(08)

Freight firms 'harming roads by overloading'

269

Stan Maphologela

SA's roads are still being damaged by overloaded heavy vehicles from freight companies transporting cargo above the legal tonnage limit in a bid to gain advantage over competitors.

Much of SA's cargo used to be transported by rail until recently, when a growing number of companies began transporting their goods by road, which in turn resulted in the growth of road haulage companies.

This coincided with government allowing a higher tonnage to be carried by trucks on SA's roads.

SA's roads were not originally built to ferry a large number of trucks carrying very heavy loads and they were being badly eroded.

National Roads Agency CEO Nazir Alli said the trend from rail to road transportation was purely operational, driven by market forces and the quality of service.

"However, overloading is a criminal act and people must respect the law. We should encourage people to be law-abiding citizens," he said.

He suggested that if people were caught overloading, their cargo was immediately offloaded on the side of the road to deter potential overloaders.

It is estimated that R4bn a year is being spent in SA on the replacement and reconstruction of eroded roads.

However, penalties imposed on overloaders are in most cases negligible compared with the damage caused to the roads.

The transport department says convicted people will be sentenced to a fine of R20 000 or a year's imprisonment or a maximum R120 000 or six years' imprisonment. However, the magistrate has the discretion to pass his judgment in relation to the case.

Failure to clamp down would eventually result in law-abiding operators being forced to imitate overloaders in order to make a profit.

BD 20/7/98

Airlines may save R36m thanks to new jet fuel deal

Linda Ensor

CAPE TOWN — The prolonged dispute over the price of jet fuel at Jan Smuts International Airport, among the highest in the world, was resolved last week in a way that will result in an annual saving of R36m for the airline companies.

The main beneficiary will be SA Airways (SAA), which each year consumes about 40% of the fuel sold at the airport.

Petronet CE Charl Moller informed a parliamentary hearing on the draft energy white paper that agreement had been reached to reduce the transport tariff on jet fuel by 3c a litre to 10,518c, to take effect from yesterday.

The cost of the reduction would be borne equally by the parties to the negotiations, namely Petronet and Spoornet, the partners in the Natref refinery — Sasol and Total — and the other oil refiners.

The airlines had previously complained that the high cost of jet fuel at the airport was one of the factors that rendered them uncompetitive internationally. So concerned were they, that at one stage the Airline Association of Southern Africa asked government for permission to import its own jet fuel.

Moller said the transport tariff was based on the railage cost from Durban to the airport. However, only 20% of the fuel used at the airport was transported in this way, the remainder coming through a pipeline from the Natref refinery in Sasolburg. The reduced tariff would be based on the cost of transport by pipeline.

The negotiations were prompted by the draft white paper's comment that the high local costs of jet fuel should be addressed as a matter of urgency.

"Government would be prepared to consider an interim option whereby a benefit would be passed on to the national airline by mutual consent with role players.

"However, following the privatisation of the national airline, a long-term solution will have to be found to benefit all airlines operating in the country in an equitable manner," the document stated.

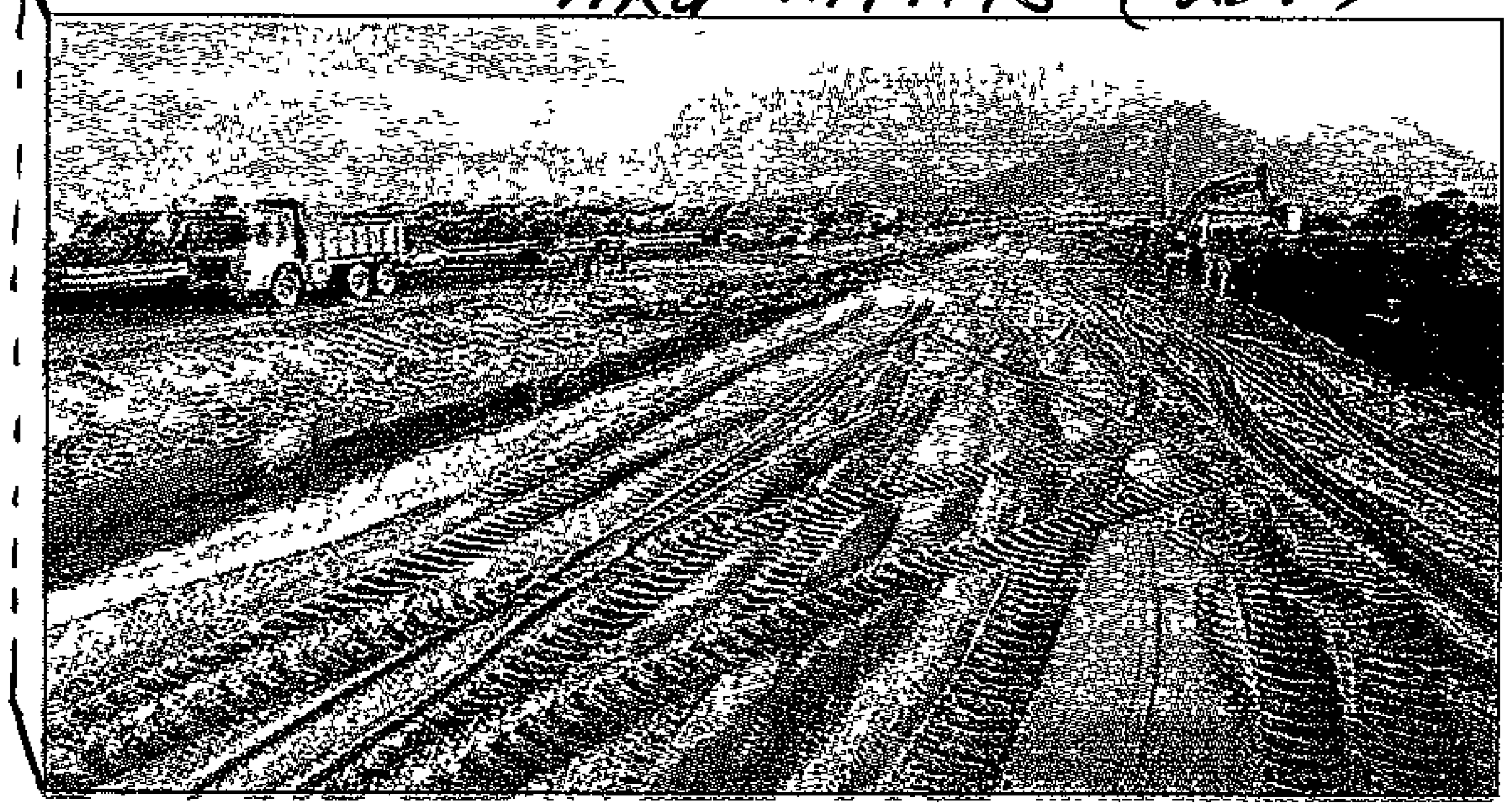
BD 27/7/98

Millions spent in drive for better Cape roads

Projects to ease traffic congestion

ARG 27/7/98 (269)

SHARKEY ISAACS
Transport Reporter



On track: a new road will link the N1 freeway to the Century City bridge interchange

Multi-million road upgrading projects are in progress to ease peak hour traffic congestion in the Peninsula, says Steve Fanner, provincial director of planning at the Department of Transport.

The programme started with the first stage of the N2/Black River Parkway interchange with the construction of extensions to the N2 bus and taxi lane, plus another river bridge at the sharp horse-shoe interchange loop at Mowbray, giving motorists easier access to the freeway.

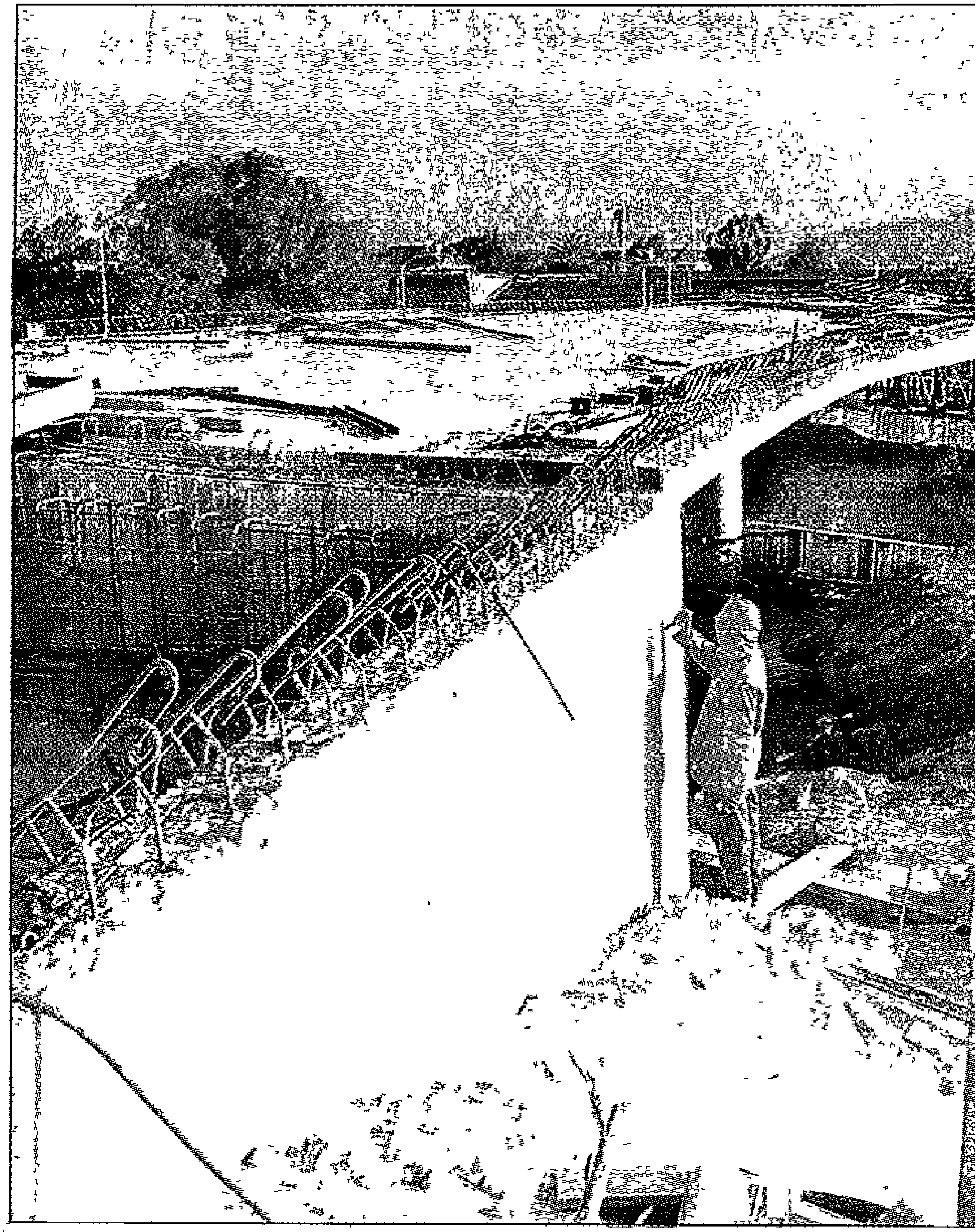
The next step will include the widening of Liesbeek Bridge in both directions and the remodelling of the interchange at Hospital Bend.

Cape Town traffic chief Mark Sangster said the next phase – the widening next year of the Settlers Way stretch of the highway together with the rehabilitation and widening of existing bridges - would further ease congestion.

The construction of a R47,2-million interchange project giving highway access to Century City from the N1 would also help. This interchange, due for completion at the end of year, was being constructed in partnership with the Blaauwberg sub-structure and Monex developments at the N1 feedoff to Sable Road.

Approach roads to Cape Town International Airport were being improved with a R40-million double-carriageway after the completion of upgraded access from Borchards Quarry and Modderdam roads as well as approaches from Bellville and Durbanville.

Provincial expenditure this financial year for maintenance and rehabilitation of roads in the Western Cape was R113-million.



New bridge: taking shape across the Black River at Mowbray is a bridge which will ease Peninsula

(162)

Tuesday July 28 1998

Franchising should bring far better train services

(269)

BY ANNA COX

Star 28/7/98

The millions of South African commuters who use trains daily can expect a vastly improved railway service, including more frequent trains, additional lines, improved safety levels and punctuality, as the SA Rail Commuter Corporation (SARCC) prepares to concession Metrorail within the next few weeks.

SARCC transport economist Dries van der Walt said concessioning (franchising) would change the face of the commuter rail system which transports more than two million passengers daily, but which has a poor reputation.

For Government it should mean a big reduction of the R1,2-billion annual subsidy.

Metrorail, a division of Transnet, which operates the passenger rail services for the SARCC, will operate under a negotiated concession agreement for five years, after which the whole passenger railway system will go out to tender.

The commuter rail system at present carries less than 20% of the total commuter market, yet receives 50% of the total government subsidy available for commuter transport.

The aim of opening the rail system to private/public concessions is to increase rail's percentage of the commuter market to between 40% and 50% within eight years and to lower the subsidy substantially.

Concessions involving the taxi industry and bus companies are also in the pipeline, said Van der Walt.

WORKER UNITY: More than 3 000 SA Commercial and Allied Workers' Union members marched through the Johannesburg CBD yesterday to present a protest memorandum against a wage freeze to the management of the Edgars group **Photograph: CHRIS ADLAM**

R17-m to revamp and rejuvenate Gauteng's transport system

(269)

Gauteng's metropolitan and service councils yesterday received more than R17-million from the provincial transport and public works department.

Departmental spokesperson Dorcas Mokoetsi said that the money was to be used in planning and work on the province's transport system, which would soon be divided into six different areas.

Mokoetsi said: "The six regions in Gauteng will soon have transport authorities not only dealing with urban transport, but also with rural transport."

The transport areas would plan and manage road infrastructure; traffic; and public transport, which would later include rail transport.

The councils had been asked to prepare plans for the first integrated transport plans .

The comprehensive plans, developed in co-operation with land development objectives, were expected to be submitted to the department for approval early next year.

Mokoetsi gave a breakdown of the amounts given to the six councils.

They are: Greater Johannesburg Metropolitan Council (R5,38-million); Eastern Gauteng Services Council (R4,5-million); Greater Pretoria Metro Council (R3,4-million); Western Gauteng Services Council (R2,8-million); Lekoa-Vaal Metro Council (R1,5-million); and Khayalami Metro Council (R103 000). – Sapa

Star 1/8/98

Road management to go commercial

CT (PR) 7/8/98 (269)

Lynda Loxton

Cape Town — The government was planning to set up a commercially run road management company to tighten up the fragmented road management system, Mac Maharaj, the transport minister, announced yesterday.

Maharaj said this would replace the 500 traffic authorities currently in place, which employ about 7 000 officers.

He said these officers were not being effectively used to monitor traffic. "The vehicle and driving testing stations in this country are also not properly managed or run."

'Traffic officers and authorities are not being used effectively to monitor the country's roads'

An inter-provincial task team had examined the problem and was now completing proposals for a road traffic management corporation that would hire traffic officers from local authorities and use its revenue from licences and fines to employ more officers.

Asked if municipalities would be willing to give up this source of revenue, Maharaj said most were only collecting about 50 percent of the fines due, and there was no way to ensure that what was collected was used for road management.

Provincial and local authorities would have a vested interest in the new company.

"They would get their dividends after expenditure," said Maharaj.

"The revenue streams will be properly ring-fenced so that they can see what is coming from that process of better enforcement and see what they are using that money for."

A new system of fines would also be introduced to distinguish between major and minor offences.

People who paid their fines quickly would get a discount, while those who did not would be penalised by withholding their licences.

The new road management company would use the national traffic computer network to ensure that drivers who were not properly licensed were quickly identified.

Drivers with outstanding fines would not be able to license their vehicles, while drivers who continued to break the law would get demerit points — which could result in their losing their licences.

Blitz targets deathtrap school buses

ARG 11/8/98 (069)

SHARKEY ISAACS
STAFF REPORTER

Unsafe buses carrying children from the Cape Flats to schools in Cape Town have been ordered off the road by traffic police.

The safety of children cannot be compromised, say traffic authorities, who sent unroadworthy buses for tests.

Even Education Department officials have been stopping buses to check their roadworthiness.

A campaign to check the buses follows a directive from the Public Transport Task Team of the Western Cape Traffic Chiefs' Forum, which monitors minibus taxis and buses. Forum chairman Sherman Amos said the team had been set up because traffic department chiefs believed "there can be no compromise" on the safety of public transport.

The safety of children was regarded as being of paramount importance and every effort would be made to ensure this, he said.

Cape Town traffic chief Mark Sangster said several buses had been ordered off the road in two blitzes, one four months ago and another last week.

SHARKEY ISAACS

TRANSPORT REPORTER

Some vehicles had been found to have oil leaks and poor brakes and tyres – and their licences had been suspended until their owners obtained roadworthy certificates.

"While seven buses were suspended in the first blitz, only one bus needed to be suspended in the second. This shows a definite improvement."

Meanwhile Transport and General Workers Union secretary Mathi Mfundisi said 20 union members had embarked on industrial action, refusing to drive buses they claimed were unsafe.

He said discussions had been opened with the bus contractor who had apparently sub-contracted some vehicles from other companies to meet school contracts.

Tygerberg traffic chief Heathcliff Thomas said private buses transporting children from Khayelitsha to schools in other areas had been monitored and sent to roadworthy testing depots.

"Generally speaking, most buses passed the tests in our municipal area."

A spokesman for Chilwans' school bus division said the company was being restructured and this had resulted in a fleet cutback.

Western Cape Education Department media spokesman Tony Eaton said the department was "very much aware" of the problem facing pupils attending Vuyiseka and Zinza Secondary schools in District Six. Department staff were also stopping and boarding buses regularly to check their roadworthiness, he said.

Vuyiseka principal Pat Mazimela said Chilwans did not have enough buses to ferry his pupils from their homes. For instance, only two of the 13 scheduled buses arrived at the school last Thursday.

Zinza principal Bongani "Pro" Mfikile said the service had deteriorated steadily.

The Star ... Wednesday August 12 1998

100 trains halted, other services rescheduled

(269)

Star 12/8/98

Routes either unsafe or not profitable: peak times unaffected

By Chriswell Nqwelo

More than 100 passenger train departure times have been withdrawn in Johannesburg and surrounding areas by Wits Metrorail to streamline services.

The rail company has halted the services and at the same time re-routed about 35 others – most of them scheduled for late evenings and mornings.

Officials said there was an unacceptably high risk to commuters and the services were also unprofitable.

Areas affected include Naledi, Vereeniging via Midway, Vereeniging via Meyerton, Daveyton, Leralla, Katlehong, Springs, Randfontein and Olifantsfontein.

Metrorail spokesman Bintu Petsana said the reason for cancellation was under-utilisation by commuters, which rendered the services unprofitable.

"Only a small percentage of our commuters were affected as the majority travel during our peak hours between 5am and 8am in the morning and 4.30pm and 8pm.

"Apart from improving efficiency of the services and ensuring better fare protection, the changes will mean effective deployment of security personnel because of the reduced number of trains to avoid lesser crimes being committed on the trains as the victims were late night or early morning travellers," he said.

Petsana said the trains in question had been running between 9pm and 3am.

He also said an improvement in the punctuality of the service is expected because more time will be available for maintenance of the train coaches as well as the tracks.

He added that some trains and routes were changed with the aim of enhancing the total service. Further information concerning train services will be published in the Metrorail commuter paper, Stimela. For enquiries contact Wits Metrorail at (011) 773-5878 or the toll free number 0800-127070.

Cabinet backs toll roads for W Cape in bid to cover maintenance costs

ARG 14/8/98 (269)

SHARKEY ISAACS
STAFF REPORTER

Toll roads in the Western Cape are around the corner.

The cost of motoring is set to increase with the approval by the provincial cabinet yesterday of draft legislation to introduce the controversial toll points. It is not known which roads will be tolled.

In Gauteng a proposed toll on the Ben Schoeman Highway between Johannesburg and Pretoria, used by thousands of commuters, will add R8 to the price of the return trip.

In spite of claims that tolls would be expensive, and would disrupt traffic and cause congestion, Minister of Transport Piet Meyer said the system was necessary to pay for the maintenance of roads.

The draft legislation makes provision for the declaration, operation, maintenance, construction and management of toll roads and the establishment of a Western Cape Toll Road Fund. Dwindling reserves in provincial coffers and the rising costs of road construction and maintenance are behind the move.

Mr Meyer announced earlier this year that toll roads were coming because of the lack of funds for maintaining existing roads and building new ones. At the time he said: "The constitution allows provinces to build and operate toll roads, whereas in the past it was the preserve of the national Transport Department."

The possibility of establishing tolls on some existing highways to cross-subsidise new ones and avoid increasing congestion would also be explored. Local authorities would be consulted on which routes to toll.

The text of the draft legislation will be published for comment in the Government Gazette and Provincial Gazette soon.

Comments can be sent to the head of the Department of Transport, Roy Petersen, PO Box 2603, Cape Town 8000.

CAROL PATON

A road fit for a king

And for the women who toiled for months to build it

(269) ST 16/8/98

THE gravel road from the Great Place of the King of the Tembus, King Buyelekaya Dalindyebo, to the villages surrounding it is wide and smooth with expertly made stone and wire culverts, and low concrete bridges.

As the road turns away from the Great Place at Bumbane, 35km south of Umtata, and heads east into the hills, a vista of thatched huts and people appear — many of them walking to the village of Sitebe.

However, until recently this road was impassable and a visit to the clinic in the neighbouring village meant a walk of up to two hours or a long drive via a circuitous route.

The rebuilding of the 13km road started in November last year. It cost R2,5-million and most of the labourers were women from nearby villages.

On Friday, President Nelson Mandela and Transport Minister Mac Maharaj rode down the new road into the Great Place in a shiny motorcade, cut a yellow ribbon tied across the road and declared it open

It was a happy day for King Dalindyebo. Ever since his father, Sabata Dalindyebo, earned the anger of the Transkei government in the '80s for his outspoken opposition to apartheid and was driven into exile, the roads around his Great Place had fallen into disrepair and the king had been physically cut off from most of his subjects.

"The road is the beginning of the renovation of this home and has brought its dignity back," said King Dalindyebo, who, as the Tembu heir, returned to Bumbane in 1990

"It is the reawakening of the pride of the Tembus because the Tembus themselves had no pride in their own Great Place."

While for the king the road has fulfilled a political purpose, for others its significance is far more practical.

For Sizeka Thintelo, who helped build the road, it has brought her her most-prized possession — a R1 200 double bed, the biggest purchase she has made in her life.

With the wages she earned over the past eight months — about R240 a fortnight — she also bought two goats.

Thintelo — the only member of her family with a job — used the rest of the money to feed eight adults and 14 children.

Now that the road is passable, she does her shopping in town and if she wants to visit the clinic she can take a bus or get a lift. "Before it was built we had to walk 5km to the nearest road to get a taxi to go into town," she said.

On Friday, Thintelo was honoured by Mandela for her work on the road, which included passing several courses in road building — skills which are accredited by the Civil Engineering Training Board

Nyameka Vube is another young woman who has benefited from the road. She and her husband once worked in a factory in Butterworth, which has now closed.

While her husband was not pleased that the government wanted mostly women to work on the road, he had no choice but to accept it, she said.

With her income, she built a new hut for her grandmother on her modest plot.

"Now that the road is here I can go to the clinic at Sitebe. Before I would have to walk for an hour to get there. In the rainy season I couldn't cross the river to get there," said Vube.

Like many other villages in the Transkei, the poor roads in the area deprived people of health care and made it difficult for them to reach schools and shops, particularly in the rain.

The road is one of six in the Eastern Cape to be proclaimed by the Department of Transport to help to provide more than 3 000 villages with access to basic services.

King Dalindyebo's wife, Noluntu, was the main organiser, mediator and problem-solver on the Bumbane road project.

She was the one who explained to the community that Mandela — who was the principal motivator for the road — had said that women should be the ones to benefit.

"There was no quarrel. Men accepted that women would bring the money into the home," said Noluntu.

While the dignitaries cut ribbons and gave speeches on Friday, Noluntu was engaged in preparing her own party.

She slaughtered two oxen and prepared numerous pots of potatoes and samp so no one who came to the King's Great Place would go away hungry.

But the ceremony also meant the end of the project. The women, armed with new skills and confidence, and proud and resplendent in their traditional garb, would return to their homes at the end of the day, without work once again.

What they will do next is the question they cannot answer.

"I don't know," says Vube, looking uneasily beyond the road and into the distance.

LIFELINE: Nowezile Mandoyi,

Rail fare rises hit Cape Flats

(269)

3rd-class tickets up 19%

ARG 17/8/98

SHARKEY ISAACS
STAFF REPORTER

The low-paid will be hardest hit as commuter train fares rise by up to nearly 19% from September 1.

The increases announced today by the Ministry of Transport mean first class passengers will pay on average about 3,6% more but third class passengers will be paying as much as 18,9 % more.

The increases come at a time when Metrorail is planning to cut security and some train services to save money and offset large cuts in government subsidies.

The service has to become self-supporting before it is offered to the private sector.

Average monthly fare rises of R2 to R4 are facing most third class commuters, but those in outlying sub-economic areas will be worst hit, with increases up to R5 and R6.

For instance, the monthly fare between Mitchell's Plain and the city rises from R43 to R47 and the weekly fare from R15 to R18. The Khayelitsha monthly fare rises from R60 to R65 and from R18 to R25,40 weekly.

Short-haul first class commuters travelling in between 1km and 14km, between the city and Observatory for example, also face a steep monthly increase – from R80 to R90.

Metrorail spokeswoman Riana Jacobs said third class fare increases to poorer areas had up to now been out of kilter with annual increases in other fares and had to be adjusted accordingly.

But long-haul third class commuters could get some relief by buying weekly tickets, which would rise by only R1,50 – R2.

"The increases were unavoidable due to rising maintenance costs, as a result of continuing vandalism of train coaches in the form of graffiti, broken windows and doors.

Third-class passengers on the Cape Flats have labelled the increases "staggering".

What you will pay, page 3

Rail cheapest if you compute the commute

JOSEPH ARANES
STAFF REPORTER

ARG 18/8/98 (269)

In spite of looming huge fare increases, it is still cheaper to commute by train. But if it's comfort and peace of mind you're after, nothing beats the car.

After the announcement of the fare hikes yesterday, the Cape Argus set out to determine the cheapest, safest and most comfortable mode of transport between Cape Town and Mitchell's Plain, 30km away.

Four reporters joined the homegoing hordes travelling by train, taxi, bus and car.

Alongside the daily truths of overcrowded trains, minibus taxi drivers' recklessness, the drudge of the bus and, of course, the ease and convenience of the car, we discovered a big disparity in fares and times:

- The single third-class train ride cost R3,50 (a weekly ticket costs R15,50, or R1,11 a ride) and the journey took 40 minutes.
- The taxi ride from the station deck to Mitchell's Plain Town Centre cost R4 (the fare was last increased almost a year ago) and took 25 minutes.
- The bus cost R8,50 – but a 10-ride clip-card costs R43,70, almost halving the price – and the journey took 65 minutes.
- The car journey, at Automobile Association rates of 152,8c a kilometre, cost R50,42 and took 22 minutes.

So while the car was the quickest and most comfortable, it was also the priciest.

In terms of public transport, the minibus taxi appears to be the best option in terms of speed and cost. But the taxi industry has a bad reputation, and so far this month at least 21 people have lost their lives in Peninsula road accidents involving taxis.

On the upside, most taxi operators have not raised fares in spite of petrol price increases from R2,19 a litre in May to the present R2,34. The taxi fare to Mitchell's Plain was last increased 10 months ago.

At the beginning of the year Golden Arrow bus company put fares up by 9% as a result of the increasing fuel price and rising maintenance costs.

For the private motorist, the harsh truth is that even if the number of passengers is increased to four, commuting by car costs almost three times more than using a taxi.

Metrorail spokeswoman Riana Jacobs said the 18,9% increase in the price of third-class train tickets, which comes into effect on September 1, was an attempt to bring fares into line with other modes of public transport.

Dangerous, crowded or pricey, page 3

If it's not dangerous or crowded, it's very pricey

Cape Argus reporters test transport options and find no clear winner

ARG 18/8/98 (269)

40 minutes, R3.50

By train: Sharkey Isaacs finds this a bit of a squeeze at rush hour – but it's relatively safe and comfortable

SHARKEY ISAACS
Staff Reporter

A pulsating rhythm of life surges towards you as you join hundreds of peak hour commuters at Cape Town station heading for trains to take them home.

You are caught in the rush hour throng and swept along to platforms 17 and 18 after buying a single third class ticket at R3,50 – the cheapest fare to Mitchell's Plain on public transport. This will increase to R4 on September 1. As digital signboards announce the imminent departure of train 9233 from platform 18 at 4.20pm, you dash for the train on the Kapteinsklip line.

Suddenly you are just one of many squeezing on board the nearest coach – which often results in getting into first class coaches with third class tickets

Things sort themselves out at the next station when those who have paid third class fares get off, move along the platform and board the correct coaches.

The arrival of security guards on the train hastens their exit.

Lentegeur resident Dianne Barry puts it this way: "The last thing crossing your mind as you rush to board the train is whether you have a third class or first class ticket."

Alexander Vokwana of Langa says he always goes first class.

"I travel with a first class monthly ticket because I prefer safety and comfort. I believe it is important to pay for what you want."

Isaacs Hein of Lentegeur says: "I am prepared to pay more for safety and first class comfort, so I will be prepared to pay the fare increase on September 1."

25 minutes, R4

By taxi: Norman Joseph says this is a cheap, fast option – but your life is always on the line

NORMAN JOSEPH
Staff Reporter

It's cheap and fast by minibus taxi – as long as you're prepared to put your life on the line.

For only R4 you can travel the 30-odd kilometres from Cape Town to Mitchell's Plain in a swift but terrifying 25 minutes.

Between 4.30pm and 5pm commuters do not have to wait in long queues for taxis to the Cape Flats – there are plenty waiting in line for the rush.

Yesterday when I arrived at the Mitchell's Plain lane at the taxi rank on the Cape Town station deck at 4.33pm, slick hand signals by a taxi "controller" showed me the way.

A few minutes later we were on the road.

At the intersection of Hertzog Boulevard and Oswald Pirow Drive, the driver jostled for a better position in the inside lane as we approached the red lights.

A motorist gave way and, in a split second as the lights changed to green, we negotiated the first fly-over at speed.

The passengers were dead quiet.

Then two commuters sitting in front held out their hands to those sitting at the back, where I sat awkwardly among three others.

This was a silent hand-sign that all fares had to be collected and sent to the front.

The 16 passengers appeared oblivious to the high speed of their transport.

Some even dozed off, while others read books.

As the taxi entered A Z Berman Drive, about a kilometre from the Town Centre, commuters started gathering their belongings. They had survived another journey.

20 minutes, R50.42

By car: Joseph Aranes takes the luxury option – you can't beat it for comfort, but the cost is high

JOSEPH ARANES
Staff Reporter

Expense aside, for convenience and comfort our public transport services are no match for the privately owned car.

I took a drive in a family-sized sedan from the Grand Parade to Mitchell's Plain Town Centre, a distance of 33km. Using the Automobile Association's rates of 152,8c a kilometre, the trip put me back a cool R50,42.

But in the process I managed to outsprint three of my colleagues, one commuting by train, another by bus and the third surviving a nail-biting minibus taxi ride. And the time? Well, I covered the distance in just over 20 minutes and I tried keeping my speed within what is legally allowed.

The car I used was not fitted with an air conditioner or a radio, but the bucket seat sat easy, I could light up my cigarette as I pleased and even make funny noises without being frowned upon.

I left the city centre at 4.20pm and parked in front of the Mitchell's Plain police station at three minutes before 4.45pm.

Granted, I left just before the real afternoon peak-hour snarl-up started. So I had it easy on the Eastern Boulevard, around Hospital Bend, and got held up for a few minutes as the traffic slowed while we moved under the rail bridge in Mowbray.

From there it was plain sailing until I slowed down and left the freeway to go on to the R300. Even an accident on the road did little to stop the flow.

A few traffic lights in A Z Berman Drive, most favouring me, and there I was at my destination, safe and sound.

65 minutes, R8.50

By bus: Chantel Erfort needs patienc[e] for a long ride home – it's bumpy crowded and not cheap

CHANTEL ERFORT
Staff Reporter

The bus ride from the Grand Parade to Mitchell's Plain is long, bumpy and expensive.

After boarding my bus, R8.50 poorer – buy a clipcard and you'll pay about half that – I rushed for the upper deck.

When you're young, the upper deck is always more enticing and you'll do anything to get up there. I rushed for it hoping for better ventilation.

Within minutes the bus had filled up almost to capacity. I was still asking the driver whether the bus was going to the Town Centre when commuters rushed passed me, flashing their clipcards and racing for seats.

Everyone settled in, reading books or newspapers, obviously preparing for a long journey.

The bus left the Grand Parade at 4.25pm and five minutes later we were still battlin[g] to get out of Plein Street amon[g] bumper-to-bumper buses.

We cruised along Main Roa[d] and before we took the N2 turn off in Mowbray, the upper dec[k] was full. Two passengers wh[o] failed to find seats decided th[at] the next best thing was to sit o[n] the stairs, ready to run for th[e] first seats that became availabl[e].

It was clear many passenger[s] had bus-commuting down to fine art.

Once we hit Vanguard Driv[e] the traffic, which had been mov[ing] quite freely, slowed down.

I noticed that bus passenger[s] don't talk to one another – o[r] maybe it was the rattling of th[e] windows and noisy engine th[at] drowned out conversation.

At 5.30pm the woman next t[o] me shouted in my ear: "There Town Centre!" After just ove[r] an hour on the road I ha[d] reached my destination.

Commuter safety comes under the spotlight

(269) ARG 18/8/98

TRANSPORT REPORTER

The safety of 600 000 Peninsula commuters is being discussed by the Cape Metropolitan Council today at a workshop on security at key public transport interchanges.

The first commuter safety pilot project, costing R7,75-million, was launched last year with a contingent of 230 trained security workers at some key train, bus and taxi interchanges on the Cape Flats, Southern Suburbs, Cape Town station and the Golden Acre/ Grand Parade complex. The projects were so successful that consideration was now being given to extending it, at a cost of R16-million.

Councillors and officials from the CMC and the local councils will also discuss the issue of who is responsible for providing security.

They will assess the suitability of proposals for providing security and evaluate the effectiveness of in-house security in comparison to private "rent-a-cop" operations

CMC Executive Committee chairman Pierre Uys said: "We want to make sure commuters are safe "

Fast work sees cops nab truck robbers

JOHAN SCHRONEN
Crime Correspondent

Eight armed men were arrested early today, just hours after they held up a warehouse near Milnerton and stole electrical appliances and two lorries worth R650 000.

Police said the men attacked two guards at the premises of Value Truck Rental in Killarney Gardens at about 1am.

They held their victims at gunpoint while they broke the locks on a fleet of trucks until they found two loaded with goods

Minutes later a BBR Security patrol discovered the robbery. A description of the lorries was broadcast on the police radio network in the Peninsula and at about 1.30am police Crime Reaction Unit patrol saw th[e] lorries in Eisleben Drive, Mitchell's Plain.

After a short chase, police opened fire o[n] one of the lorries and stopped them, bu[t] found them empty. The suspects later le[d] police to Guguletu, where they raided a sh[...] been and recovered most of the stolen good[s].

Transport study findings 'alarming'

(269)

BD 19/8/98

Robyn Chalmers

TRANSPORT department officials will present a number of findings from its wide-ranging Moving SA study to the Southern African Development Community next month in a bid to develop methods of bolstering regional transport initiatives.

Describing the findings of the 14-month study as "alarming", Transport Minister Mac Maharaj said yesterday it was crucial to begin dealing with structural transport problems at a regional level.

He said a number of practical obstacles to transport had been identified, including the difficulties experienced by the transport industry in moving goods across borders within Africa.

"We as government are only too aware of constraints at the various border gates, which cause delays and higher costs to the industry, and this is one of the areas that we are pursuing with our partners in the SADC," Maharaj said at the launch of the Cross-Border Road Transport Agency, the third such agency created this year out of the transport department's unbundling. The agency, an independent statutory authority, will help the department negotiate and implement road transport agreements in terms of the SADC protocol.

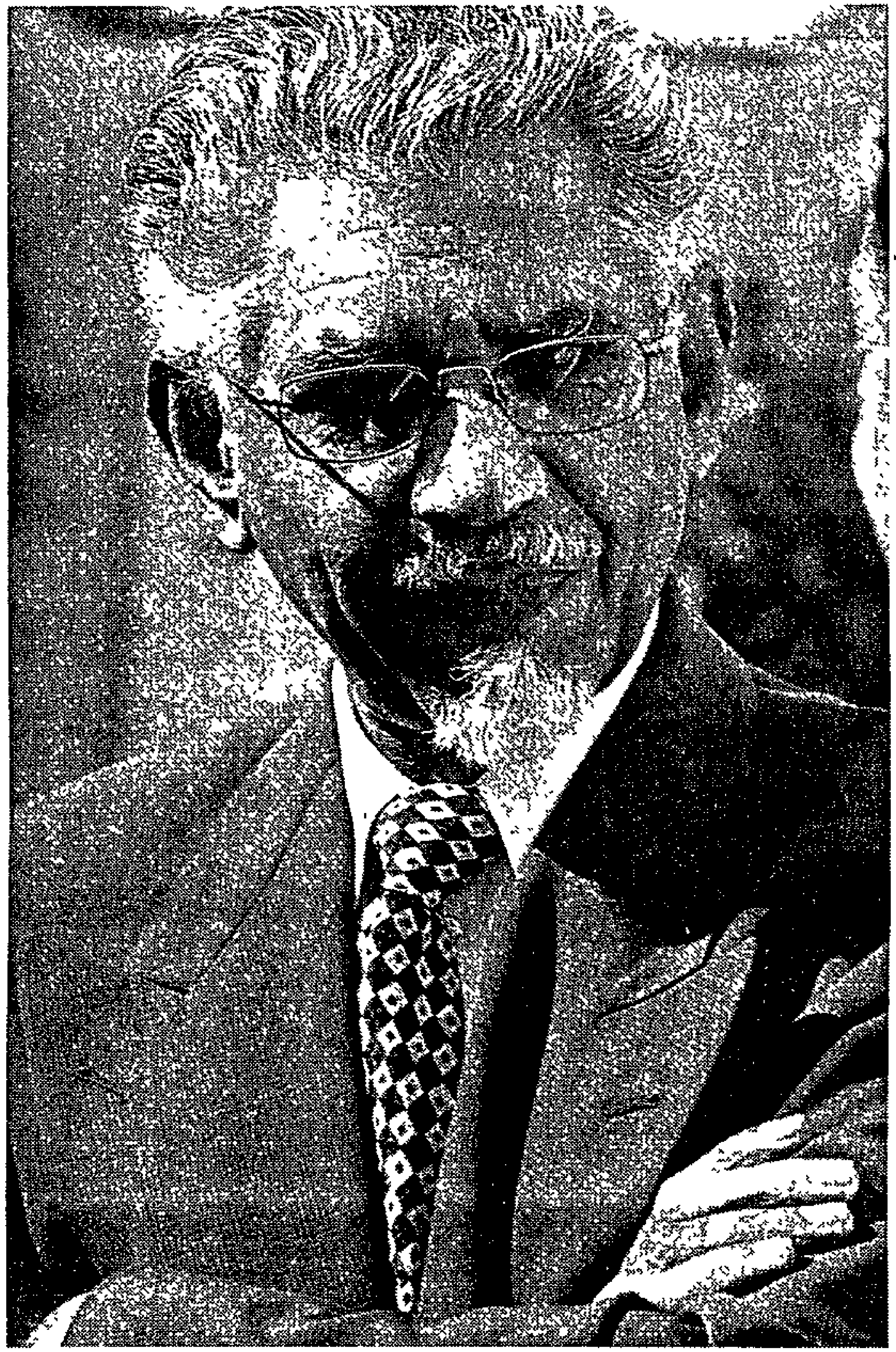
"The facilitation of the cross-border movement of passengers and goods is vital to the economic development, growth and integration of southern Africa."

Agency chairman George Negota said the composition of vehicles on SA's roads was set to change in terms of initiatives being undertaken by the agency. There was a need to encourage the use of larger vehicles such as buses and 16-seater minibuses rather than the smaller minibuses used now.

This is driven by the urgent need to begin recapitalising SA's taxi industry as many of the eight-seater and 12-seater minibus taxis are more than nine years old and unsafe.

Agency CEO August Maluleka said the agency's role was to ensure that goods are moved in the shortest possible time and at the most reasonable transport cost to the end consumer.

"It is for this very reason that we have successfully concluded and implemented various multi- and bilateral agreements on road transport with countries in the region," he said.



Transport Minister Mac Maharaj at yesterday's launch of the Cross-Border Road Transport Agency. Picture TREVOR SAMSON

(SAcdyxu)

Business Day

;DAY, AUGUST 25 1998 www.bday.co.za

:c VAT Subscription R2,00 inc VAT (where available)

BDFM A BDFM publication

Government could raise R1bn from sale of minority stake in SAA

(269) BD 25/8/98

David Greybe

CAPE TOWN — Government could raise more than R1bn from the sale of a minority stake in SA Airways (SAA), newly appointed CEO Coleman Andrews told Parliament yesterday.

Andrews, a US airline executive and consultant brought in to turn SAA around in the run-up to its partial privatisation, said he had introduced measures which had cut costs by about R140m in the two months since taking over at the loss-making airline. Only four jobs had been lost.

SAA made a loss of R244m in the year to March and a R322m loss the previous year.

Andrews told the parliamentary environmental affairs and tourism committee that government could greatly assist in reversing SAA's fortunes if it made changes in two areas which were proving costly. These were:

□ Granting SAA permission to allow domestic passengers to join the initial and closing legs of international flights, subject to the relevant security and immigration procedures; and

□ Permitting SAA to obtain jet fuel at world prices, rather than being subject to the so-called inbound landed cost formula which resulted in inflated domestic schedule prices.

Andrews said SAA was required to pay fuel prices "which, by any world standard, are dramatically above market rates" and amounted to a penalty of about R80m a year.

Allowing domestic passengers on international flights was a "very straightforward" exercise, he said. Transnet MD Saki Macozoma said recently SAA was losing R100m a year because of the passenger restriction.

Andrews said the savings of about R140m were made in a number of areas. Fuel transportation charges had been cut by R15m; R7m was marketing related; between R60m to R70m was due to information technology related cuts; R18m had come from scaling down SAA's Dubai operation; and R30m was due to reorganising South America operations. The four jobs lost concerned sales staff based in Dubai.

Andrews said he had made a number of senior appointments — promotions within SAA and new appointments from Europe and the US — mainly in the marketing and revenue-generating areas.

Andrews said SAA would cease to exist within two years if it continued to operate as before. He had taken over a "very fragile" airline which lacked a clear vision. Substantial changes could be expected in the weeks ahead.

Picture: Page 3

'Revise SA transport system'

(269) Sowetan 27/8/98

By Isaac Moledi

SOUTH Africans should urgently address the country's changing transportation needs if they are to become internationally competitive.

That's the view of Roy Petersen, President of Codatu VIII – a five-day international transport conference and exhibition to be held in Cape Town from September 21.

"Our cities need efficient, safe transport systems in order for the workforce to commute easily and safely," says Petersen.

"Unfortunately this cannot become a reality until we have a public transport system in place that caters for the needs of all passengers."

He says public transport system of the past, and still today, supported the distorted land use inherent in previous political policies giving the country a system which was disjointed, uncoordinated and racially segmented, geared mainly towards transporting workers.

"This has got to change," says Petersen.

He says the recent strike actions by workers in the chemical industry, which seriously affected commuter traffic, particularly during peak hour travel, was proof that economic growth for South Africa was largely dependent on a sustainable transport policy.

"Our transport system needs to become more passenger friendly, reliable, cost effective and above all, supported by all communities, in order for us to solve the problems of increased traffic on our roads

"We cannot expect car users to move to public transport when there is no public transport alternative and, where the alternative does exist, it tends to offer low-frequency, slow vehicles which are regarded as expensive and low-status in comparison to the use of a private car," says Petersen.

He believes that the transport crisis South Africa is facing is a global problem that develops with economic growth.

"That's why this international transport conference is so important for South Africa," he says.

The conference, with its theme, "Urban Transport Policy – a Sustainable Development Tool", will give participants the opportunity to learn from the experiences of other countries and to tap into their innovative solutions.

Topics include road safety, mobility and space, environment and energy, the role of the transport authorities, and financing.

Toll in human life

"In 1996 road accidents cost South Africa more than R11,9 billion as well as a devastating toll in human life.

"One of the papers that will therefore be of particular interest is a case study of how Brazil achieved an over 40 percent reduction in fatal accidents and how they set about changing motorists attitudes.

"If we can learn from them and implement a similar programme, combined with improved public transport, we would look at vastly changing our road death statistics."

RAILWAYS *Cecil Rhodes' dream is fast becoming reality*

From Cape to Cairo, by rail

(369) CT(BR) 28/8/98

THABO LESHILO
BUSINESS EDITOR

Johannesburg — The pan-African dream of linking the continent by rail from Cape to Cairo appears to be becoming reality.

Trans Africa Railway Corporation, a Tanzanian registered company, launched a R33 million project to link southern Africa and the rest of the continent by rail yesterday.

"For the first time, Cecil Rhodes' dream (of a trans-Africa railway line) is starting to become reality," said Philip Chen, managing director of South Africa Infrastructure Investment.

The fund is a 48 percent shareholder in the project to build and operate a trans-shipment facility in Kidatu, near Dar-es-Salaam, for $2,5 million and a $2,5 million concession from the Tanzanian Railway Corporation to operate the facility for 20 years.

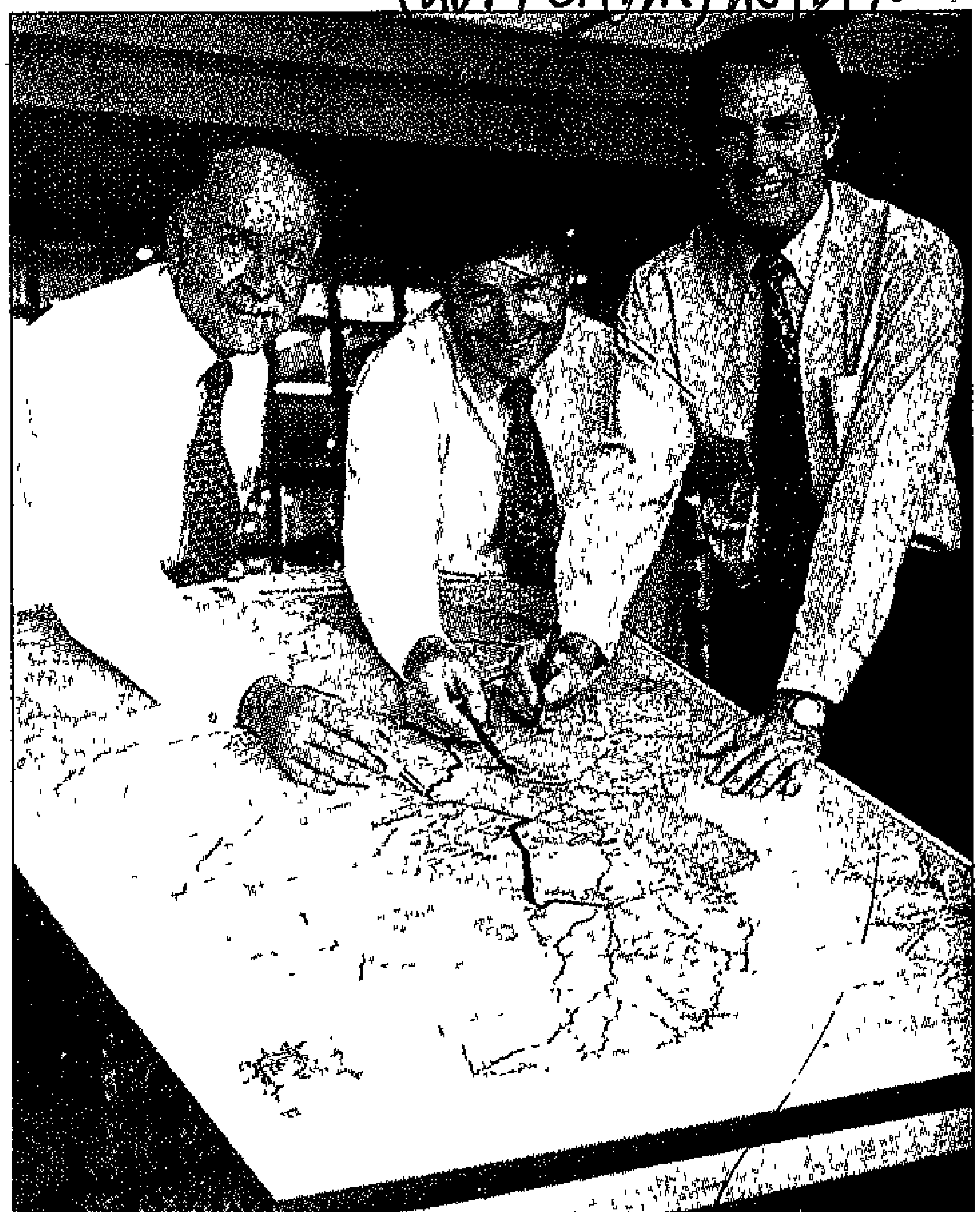
Other investors are Africa East Coast Corporation (32 percent) and Comazar, the railway company controlled by Spoornet (20 percent).

Phillip Morrall, chief executive officer of Metropolitan Asset Management, one of the institutional investors in the South Africa Infrastructure Fund, said the project would benefit business by reducing the time South African exports spend en route to northern Africa from about three months to about 14 days.

"Currently, the only effective and safe way to transport freight to northern Africa from Gauteng is by coastal shipping through Durban, which is long and costly," said Morrall.

The Kidatu facility would trans-ship goods between trains on the two railway systems used in Africa. The southern part has a track gauge of 1 067 mm and the north 1 000 mm. Trains cannot run on both gauges.

Friedel Mulke, managing director of Comazar, said Trans Africa would have five locomotives and about 300 wagons, carrying 80 000 tons of goods a year from South Africa and about 250 000 within Tanzania.



FROM THE DRAWING BOARD *Philip Morrall, CEO of Metropolitan Asset Management (left), Mark Gordon, director of Trans Africa and Friedel Mulke, managing director of Comazar*

PHOTO JOHN WOODROOF

Project to link Africa by rail has already started

(269) Sowetan 28/8/98

By Shadrack Mashalaba

A NEW multimillion rand project which will link Africa by rail was announced yesterday in Johannesburg.

The initiative, spearheaded by Trans Africa, will foster links between countries of the African continent.

The project to contract the railway link from Cape to Cairo started a few weeks ago and is expected to take months to complete.

The project will focus on promotion and the operation of export traffic from Gauteng to western Tanzania, Uganda, Rwanda and Burundi among other countries.

At present the only effective and safe way to transport freight to northern Africa is by coastal shipping, which takes long and is costly.

Shareholders in Trans Africa are Africa East Coast Corporation (32 percent), Comazar (20 percent) and the South Africa Infrastructure Fund (48 percent).

Africa East Coast Corporation is owned by entrepreneurs.

Trans Africa has secured three concession contracts. The first is a 20-year contract from the Tanzania Railway Corporation. The others are to transport goods to Kenya and Tanzania.

● THE office of the short-term insurance has announced that all insurance companies who are members of the South African Insurance Association (SAIA), with one exception, have agreed to accept the ombudsman's formal recommendations.

Ombudsman for short-term Michael Bennett said the move was a significant progress which emphasises confidence in the office of the ombudsman.

"By doing this, the insurance industry has increased the confidence of the public in the ombudsman, the public perception of his independence and their belief that the ombudsman is now able to exercise his authority to satisfy justifiable complaints," said Bennett.

During the year under review the office received 1 775 complaints and dealt with 1 542.

In 1996 the office received 1 355 complaints and 1 243 were finalised.

Cape to Cairo rail link begins to take shape

Madeleine van Niekerk

THE dream of Cecil John Rhodes to have a rail link from Cape to Cairo is starting to become a reality.

Trans Africa Railway Corporation Tanzania (Trans Africa) will build and operate a transhipment facility, or goods yard, at Kidatu in Tanzania, which will link Africa's two different railway systems, it was announced yesterday.

"This facility would tranship goods between trains on Africa's two different railway systems, being the Imperial gauge and the German gauge," said Friedel Mülke, MD of Comazar.

Comazar is Spoornet's international arm and holds a 20% shareholding in Trans Africa.

The different rail gauges posed a barrier to north-south conveyance of freight and passengers and the new facility would provide the link between the gauges.

He said the Kidatu Transhipment facility — a project with initial development costs of $5m — would be opened in October this year.

Kidatu — situated 250km from Dar Es Salaam — is the only place where the two railway systems converge at a distance sufficiently close for a cost effective transhipment facility to be placed.

Trans Africa would develop the Kidatu goods yard and install a new gantry crane, build access roads, construct a stacking area between the tracks for goods containers and erect security fencing and lighting.

It is estimated that eighty thousand tons of container goods would be transported from Gauteng to Kampala within the first year.

Other shareholders in Trans Africa besides Comazar are Africa East Coast Corporation — owned by two entrepreneurs Mark Gordon and Hobart Anthony Kay — with a 32% shareholding and the SA Infrastructure Fund with a 48% share.

The SA Infrastructure Fund is the first private equity fund of its kind in Africa and invests in infrastructure projects within southern Africa.

The fund's capital base, which is made up of irrevocable capital commitments from 14 SA institutions and the African Development Bank, has grown from R500m at its launch two years ago to the current R806m.

The fund is managed by Standard Bank Infrastructure Fund Managers, a wholly owned subsidiary of Standard Bank Investment Corporation which has a 30% share in the fund.

BD 28/8/98 (269)

Maharaj unveils unified transport vision

ET(PM) 2/9/98 (269)

AUDREY D'ANGELO

Cape Town — Transport for passengers and freight has been identified as a key factor in creating sustainable economic growth in South Africa, Mac Maharaj, the minister of transport, said yesterday.

He said though South Africa had a basic transport infrastructure, it had been characterised by serious problems. A long-term strategy to meet anticipated demands over the next 20 years was vital.

"An efficient transport system will ensure that South Africans are mobile and have the ability to trade competitively in the global environment," Maharaj said.

"We have .. created a proposed long-term strategic framework for the transport sector in South Africa which focuses on an integrated strategy for passenger and freight transport."

His department had invested more than R20 million in its Moving South Africa project. This is a strategic framework covering all modes of transport, including aviation, rail, shipping, walking, private cars, minibus taxis and buses. It will be launched on Monday at Gallagher Estate, Midrand.

Maharaj said the project was a world first: "No other country has produced a comprehensive long-term strategy for transport which includes all modes. There has been considerable international interest in it."

Rethink urged over road repair funding

BD 3/9/98 (269)

Robyn Chalmers

THERE is a R4bn backlog on SA's primary, secondary and rural roads which will be addressed only if current spending on roads is reconsidered, says the new SA National Roads Board (Sanra).

Sanra CEO Nazir Alli said yesterday that SA needed top-quality primary roads — the national highways — as they were the economic arteries for the movement of goods and people.

However, in view of budget constraints it was not always possible, or necessary, to have high quality nonprimary or secondary roads with costly design features.

Trade-offs would be necessary although road safety would remain a priority, Alli said.

The growth of private-public partnerships on road construction was helping meet the demand for new road construction and maintenance.

A key problem has been the limited sum in government's transport budget which has been reinvested in the road network for maintenance and upgrading in the past decade and more.

This has led to a deterioration of the network, made up of about 500 000km and with a replacement value of more than R165bn.

Alli said about R800m was spent last year on road construction and this should increase in the coming years. New routes were being considered and a number of feasibility studies had been commissioned for proposed new toll roads.

Sanra is an independent, statutory body responsible for the national road network, made up of about 7 000km of declared national roads — both tolled and nontolled roads — which is expected to expand to nearly 20 000km over the following decade.

It is estimated that 90% of passengers and freight are carried by road, but treasury funds are adequate for only 60% of maintenance needs.

Full steam ahead for Transnet privatisation

ST (Bus.) 6/9/98

(269)

RESTRUCTURING

By SHERILEE BRIDGE

TRANSNET disclosed this week it would sell 40 companies within the next 24 months, a move that should help dampen fears that the parastatal is dragging its feet on privatisation.

An announcement on the first privatisation step at Transnet is expected next week when Viamax Fleet Solutions, a minor subsidiary, announces the winning black empowerment bidder for the 30% stake up for sale in its partial privatisation.

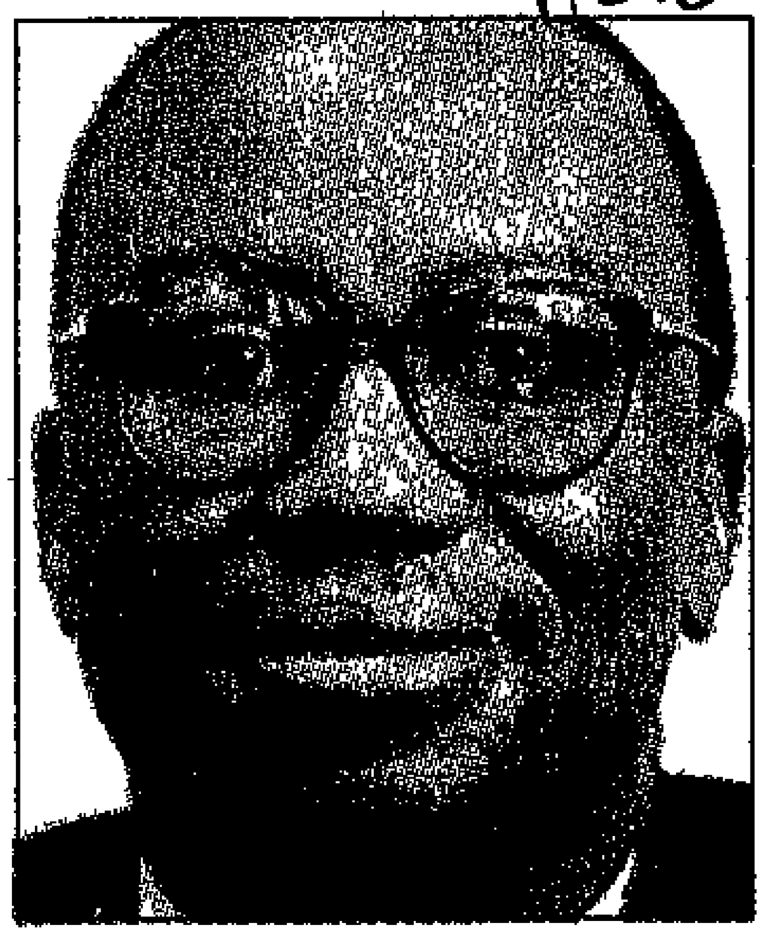
Deputy MD Mafika Mkwananzi says Viamax Fleet Solutions will be used as the acid test.

Viamax Fleet Solutions is a recently created management company which has been separated from Transnet subsidiary Viamax.

Mkwananzi says the success of this deal will determine which companies are fully or partially privatised.

Interest in the Viamax deal attracted 25 black empowerment companies. This fell to 10 before a selection of two contenders for the stake was chosen.

One of the two bidders on the final list is the SA Railways & Harbour Workers' Union Investment Company, which has enjoyed other commercial business with Transnet.



MAFIKE MKWANANZI

Among shortlisted groups are Alisa, a joint venture between Nail and Hertz; a consortium including Kunene Motor Holdings and the Tlakula and Foster families; and a consortium including Imperial Holdings, Khaya Car Hire and Khwezi.

Mkwananzi is confident that restructuring and privatisation plans will follow soon after the deal is closed. Transnet subsidiaries next up for full or partial privatisation include SA Airways (SAA), road transport subsidiary Autonet, and PX, a package distribution and mini-container services company.

Mkwananzi says SAA's privatisation is proceeding slowly but is expected to meet its deadline for taking a strategic equity partner by May next year. Its privatisation has been held back by a pension fund and medical aid deficit of R12-billion.

Because of complicated vertical and horizontal linkages between Transnet's divisions, it is difficult to separate out Transnet companies with pension and medical fund debts.

But Mkwananzi says government and Transnet are close to finding a solution. Among options are the establishment of a special debt entity to take the debt off Transnet's books and ensure government is not responsible for the burden.

Income streams and proceeds from the privatisation could be used to service the debt.

Transnet says it is not possible to proceed piecemeal or dismantle the parastatal overnight.

Public Enterprises Minister Stella Sigcau says privatisation of Transnet is not going to be easy, as is typical of "giants" of this size.

But the transformation process has already begun to pay off with Transnet this year declaring its first profit (of R278-million) in four years.

Transport industry studied in depth

Robyn Chalmers (269)

THE creation of a top-level institution is proposed to drive a new strategic thrust for transport, setting the tone for the industry over the next 20 years.

Transport Minister Mac Maharaj will launch the findings today of the Moving SA project — a R20m, year-long study into the transport industry to implement objectives set out in the transport white paper.

The study shows that there has been limited re-investment in transport infrastructure, paving the way for massive future expenditure and safety problems. Only 10% of the annual R2,8bn transport subsidy is earmarked for capital investment. The remainder is swallowed up by operating costs. For example, a huge bill looms for the upgrading of Spoornet's hitherto profitable coal line and limited investment in expanding and upgrading public transport means an estimated 2,8-million people have no access to affordable transport.

Moving SA project leader Harald Harvey indicated that the ultimate aim was to provide safe and reliable transport with high levels of service at a reduced cost.

He said the study also showed transport must facilitate export competitiveness, employment and redistribution, while becoming a decreased burden on the fiscus. The distorting effects of cross-subsidisation had to be decreased through focused subsidies and bottlenecks in the systems removed along with barriers to entry.

Harvey said the study also revealed that SA had no tourism strategy and future investment required in providing rural transport was significantly less than originally envisaged.

Transport sector set for major change

(269)

BD 8/9/98

Robyn Chalmers and Jonny Steinberg

SA's transport sector faces radical changes over 20 years in terms of an official strategy unveiled yesterday.

The plan, Moving SA, if implemented, means residential and industrial development will increasingly be concentrated in a small number of high-density corridors.

The plan also envisages a drastically reduced role for taxis in favour of 22- to 28-seat buses. This will be achieved partly by spinning off government-owned bus companies to the taxi industry and by redirecting subsidies, now heavily concentrated on commuter rail transport, towards the bus industry.

The strategy will be submitted to various cabinet committees for support. Transport experts said building support for the proposals across a wide spectrum of public and private constituencies might be difficult.

The report says large sections of the transport system, such as urban and freight transport, continue to struggle with the apartheid legacies of dispersed townships and industrial areas.

At the heart of Moving SA is the creation of "transport corridors" — well-populated business, residential and industrial areas, in some cases linked to specialised ports. Land-use controls and incentives, plus low-cost housing developments, will be implemented to attract residents and businesses.

The study says ports, airports, roads, trucks, cars, taxis and airlines are all ageing. It will cost billions to bring new infrastructure on stream.

"It became clear early that tough choices were needed in a country with limited resources and many diverse needs. We could not serve everybody's needs to the same level, and so were compelled to prioritise," said Transport Minister Mac Maharaj.

The report says the public transport system does not meet customer needs and is underutilised while the R2,8bn paid out each year in transport subsidies is not focused on the greatest need. Trains have the largest share of the subsidies but account for only 15% of trips, for example.

The goal is to improve the performance of private sector companies in the transport industry through competitive tendering, with incentives for productivity innovations.

Dipak Patel, transport department acting director-general, said that in the medium term, government envisioned taxi concerns running bus companies and negotiating concessions in rail operations. Government was already negotiating with the taxi industry over the sale of government shares in existing bus companies.

Maharaj said government was not responding to an immediate crisis in the transport industry, but was anticipating one in 10 years. The report said there had been limited reinvestment in all transport infrastructure in conjunction with a diminishing state budget for subsidies, paving the way for huge future bills and safety problems.

The report said the rail system would need to focus on core lines, invest in operating efficiencies and sell off or concession noncore services.

Picture: Page 2

Maharaj's R20-m plan 'to move SA'

Star 8/9/98
(269)

By Anna Cox

A 20-year national transport strategy was launched yesterday by Transport Minister Mac Maharaj to pre-empt a future crisis on the country's roads.

The strategy, believed to be the first of its kind internationally, was compiled by international experts, local consultants, the CSIR, transport officials and other transport stakeholders.

Releasing a report entitled "Moving South Africa", Maharaj said it was essential to plan in advance for the country's transport needs.

He said the report proposed a strategic framework for the next 20 years and was the culmination of 14 months of analysis and consultation.

"Our strategy is to invest time, effort and resources now to ensure we do not face a crisis in the future, and that transport can play its role to enable economic growth," Maharaj said.

"We have to develop a sustainable transport industry to serve the needs of freight customers, urban commuters, rural passengers, international visitors, domestic tourists and long-distance passengers, all within the constraints of a tight fiscal discipline and based on a system designed often for a very different purpose," he said.

The strategy aimed at ensuring that all South Africans were mobile and also had the ability to trade competitively in the global environment.

"Moving South Africa", which cost R20-million, covers both passenger and freight transport.

It covers all modes of transport, including walking, private cars, minibus taxis, buses, rail, aviation and shipping.

"'Moving South Africa' is a world first. No other country has produced a comprehensive long-term strategy for transport which includes all modes of transport.

"As a result there has been considerable international interest in the project. We are under no illusion that the challenges are daunting and that to implement the recommendations requires determined, co-ordinated action from Government, parastatals, private sector firms, labour and others," the minister said.

End of road near if transport plan fails

Government's plan to overhaul the transport industry must succeed to stave off a crisis caused by years of neglect, writes associate editor **Robyn Chalmers**

(269) BD 9/9/98

MOVING SA, an ambitious strategy aimed at realigning the transport industry to meet future challenges while rectifying imbalances of the past, will require the support of all stakeholders if it is to get off the ground.

Launching the strategy earlier this week, Transport Minister Mac Maharaj said the transport industry was not yet in crisis but it would be in about 10 years.

The quality of SA's roads is declining, much of the transport infrastructure is ageing, there is insufficient capital to maintain and expand infrastructure and millions of urban and rural people have no access to transport.

The statistics emerging from the Moving SA study are startling.

A mere 10% of annual transport subsidies — currently at around R2,8bn a year — is earmarked for capital investment, the remainder being swallowed up by operating costs.

The cost of transporting goods by rail, road or sea is rising rapidly, only 18% of roads are in top condition; there are lengthy delays at ports; and the overall quality of the freight system is deteriorating due mainly to limited reinvestment.

Perhaps most important is the economic cost of ageing infrastructure that supports a skewed transport system. Take the freight system, for example, which evolved into supporting a two-pronged industrial strategy. It revolved around an import-substitution economy that aimed to ensure self-sufficiency in a world of sanctions and uncertain international acceptance.

It also promoted the development of specific commodity export capabilities to generate sufficient foreign exchange to keep the state operating.

As a result, the freight system operates at world class standards in select areas such as the export of coal and iron ore. But it does not reflect, and generally cannot support, government's shift to the export of value-added manufactured goods. Given the context of a changing global economy with falling tariff barriers and rising global trade, SA's economic growth will be hampered unless significant changes are made to its transport industry.

Government is also investing heavily in the expansion of basic services to previously disadvantaged communities.

The new developments springing up around the country must be physically connected, increasing demand for public transport.

The apartheid transport strategy aimed to link dormitory townships with urban employment nodes, leaving noncommuters largely stranded.

Public transport commuters on average travel 20km a day — 11km longer than in developing Asian countries — while the subsidy system is skewed in favour of rail but does not take taxi transport into account.

So how does government and industry overcome the legacy of an apartheid transport system?

Moving SA indicates that the first step must be to dismantle old-order institutions, which the transport department has already embarked upon by setting up new transport agencies to replace old entities in many cases.

The second step is to create a "transport platform" to service the needs of customers and the nation. This will be the most challenging aspect of the strategy. The plan is to encourage the development of low-cost housing, businesses and industrial projects in high-density corridors, well served by public transport. Land use controls and incentives are outlined in the Moving SA report while the performance of transport companies are set to be bolstered through competitive tendering and concessioning, regulated competition and investment.

The strategy poses enormous challenges. High levels of funding will be needed initially to kick-start the transformation and unlock benefits as quickly as possible. Trade-offs will have to be made and government's programme of private/public partnerships will, in all likelihood, be expanded if funds are to be raised in anything near the volumes that are required.

A full implementation programme must be drawn up as soon as possible to give direction and clarity for the transport industry.

If implemented, the strategy will also have significant implications for segments of the transport industry. The allocation of subsidies, for example, will be based on the efficiency of the organisation and demand for specific services. Government will, therefore, no longer subsidise the shortfall on rail services at the end of each financial year. It will allocate a subsidy upfront and the rail operator, currently Metrorail, will have to ensure it does not overrun its budget. Rail services are underutilised on average, so it is likely that subsidies will fall significantly until the use of this service can be bolstered. Any reduction in rail subsidies could be offset by government's rail concessioning programme which will see private sector companies operating portions of the rail network in the next five years.

Segments of the Moving SA are currently still a pipe-dream, notably the high-density corridors, but this is clearly a long-term strategy. It will take decades to change land use patterns and to replace ageing infrastructure assets, let alone build the long-term financial sustainability of the deteriorating road network.

The strategy is unlikely to be welcomed by everyone in the industry. Many who have grown fat on the old system — which allowed companies to secure advantage by lobbying government — will be hit by the new strategy.

The only way in which this programme can be effectively implemented is if Maharaj and his officials can gain the support of relevant ministries at national level. Should this be achieved, the buy-in from provincial departments and local governments must be obtained.

Negotiations will have to be held with parastatals and private sector companies.

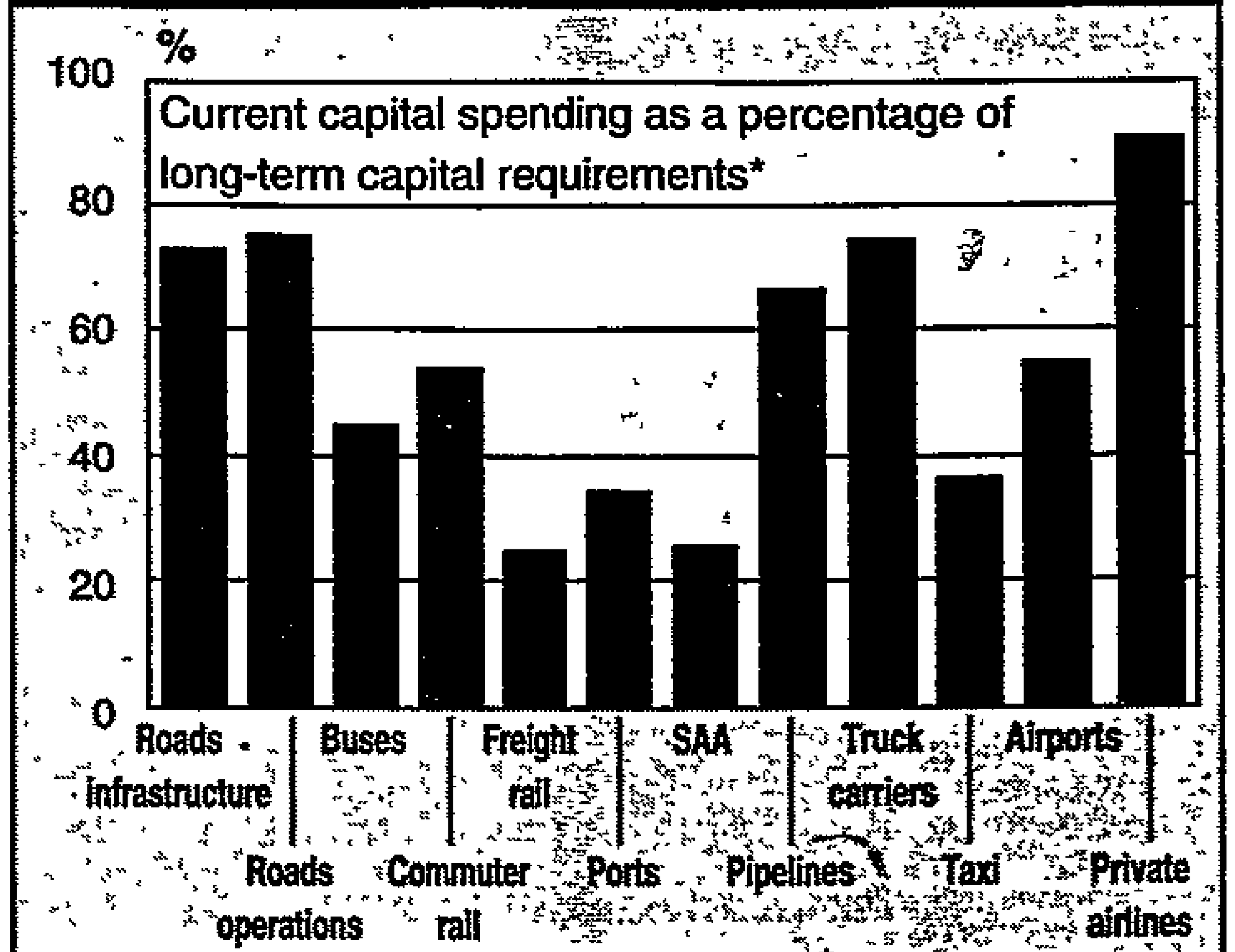
A high-level institution with a specific mandate to co-ordinate the initiative appears to be crucial to the success of the initiative.

The strategy makes it clear that providers of transport infrastructure, such as Transnet, and decision-makers in the private sector will have to prioritise their needs. This does not mean, however, that government will be able to abdicate its financial responsibilities. International experience shows that it is crucial for the public sector to invest a significant portion of the funding required for new transport infrastructure — thereby carrying some of the risk — if they want the private sector to come to the party. Such experience also shows that governments generally tend to invest in urban transport only when they are forced to.

It will take decades to implement the Moving SA strategy. But SA is one of the few emerging countries which has recognised the crisis looming in transport, and has begun planning for it.

The transformation of the transport industry is one of the key initiatives which are necessary to turn SA into a high-growth economy. If Maharaj can get political and industry support for the new strategy, and if this can be devolved down to provincial and local level, transport as we know it today will be revolutionised.

Transport infrastructure shortfall



Graphic: KUBEN DAVID Source: DEPARTMENT OF TRANSPORT *DOES NOT INCLUDE BACKLOG

Transnet denies cross-funding, despite study

BD 9/9/98 (269)

Robyn Chalmers

THE Moving SA study indicates that Transnet has been cross-funding some of its businesses, a practice the transport parastatal has long denied.

The study, released this week by the transport ministry, said Transnet business units that generated sufficient cash flow, such as Portnet, were not able to reinvest at sustainable levels. This was because of the demands for capital from other business units.

"The cross-funding conceals important reinvestment and signalling problems, with short-term implications for pricing and long-term implications for service quality and reliability," said the study.

There has been speculation in the industry, and within government, for a number of years that Transnet uses its profitable companies to subsidise its loss-making ones. It was rumoured that Spoornet's profitable coal line subsidised a number of other units.

Transnet has on a number of occasions denied that it cross-funded its businesses. A Transnet spokesman said yesterday that there was no cross-funding and never had been.

The spokesman said Transnet's parcel carrier PX would not have shown such a large loss — at R322m in the year ended March this year from a R489m loss previously — had it been subsidised by other Transnet business units.

The Moving SA study said the sustainability of SA Airways (SAA) was also muddied by its position as a part of Transnet. "The ability to cross-subsidise SAA has affected its long-run sustainability by insulating the firm from outside economic pressures," it said.

SAA is soon to be set up as a separate company, and the study said this would end the distorting effects of Transnet's support.

On the airline industry in general, the report found that SA's domestic airline sector was still profitable enough to sustain itself, but this was not the case for SAA's international operations.

The airline had invested enough to maintain the most modern fleet in SA, but the fleet was ageing well beyond the industry average and SAA was unable to expand its fleet in accordance with growth in international passenger volumes.

The report suggested SAA's future sustainability depended on government's ability to secure a strategic equity investor or an international alliance partner.

Ambitious plan: Page 15

Strategy launched to avert transport crisis

(269)

PRETORIA: A strategy to pre-empt a crisis in South Africa's transport system was launched at Midrand on Monday

BD 9/9/98

Releasing a report entitled *Moving South Africa*, Transport Minister Mac Maharaj said it was essential to plan ahead for the country's transport needs.

"If we look a few years ahead, it becomes apparent there will be a crisis. The quality of our roads is declining and there is insufficient capital available to maintain and upgrade them," he said.

Maharaj said the report proposed a strategic framework for the next 20 years. The services of two of the world's leading consulting firms were secured at a cost of R20 million to help draw up the strategy.

Maharaj said he inherited a system that worked to the advantage of a privileged and powerful elite.

Redesigning the old system would be based on meeting the needs of all citizens, while supporting industrial growth.

The Department of Transport would work with parastatals and private firms to limit what he described as the pain of the realignment process. Interested parties should not hesitate to discuss and debate the proposed strategy. — Sapa

'SA is pricing itself out of tourism market'

Oil industry, airlines clash on fuel prices

CT(BR) 9/9/98 (269)

Lynda Loxton
Parliamentary Correspondent

Cape Town — The oil industry and international airlines crossed swords in parliament yesterday at a special hearing on allegations of profiteering in the sale of jet fuel at Johannesburg International Airport.

John Morrison, the chief executive of the Airlines Association of Southern Africa, told the transport and minerals and energy committees that jet fuel prices were "excessive and above world averages".

He said the airline industry was paying between R200 million and R300 million more for jet fuel in Johannesburg than at 100 other airports around the world.

He blamed this extra cost on an archaic pricing system for jet fuel and high transport costs, and warned that this system was pricing South Africa out of the international tourism market.

He was backed by senior officials from British Airways and South African Airways as well as Jerry Batik, the Geneva-based fuel trade adviser of the International Air Transport Association.

But their views were disputed by representatives of the South African Petroleum Industry Association (Sapia), Sasol, Petronet and the department of minerals and energy. They said prices at Johannesburg were competitive and could not be strictly compared with other prices around the world.

Colin McClelland, Sapia's director, said it might not be as easy or cheap to import refined jet fuel as some might think. Issues such as quality control, safety, freight costs and losses had to be taken into account.

Charl Moller, the chief executive of Petronet, denied allegations that Petronet was making "massive profits" by still charging higher rail tariffs for jet fuel moved by pipeline from Secunda.

"We have come a long way from the time when we were branded as the snake in the grass," Moller said.

Hein Baak, the deputy director-general in charge of liquid fuels, said the government remained opposed to jet fuel imports unless demand exceeded local supplies.

Duma Nkosi, the chairman of the minerals and energy committee, said all the parties involved had a long way to go before seeing eye to eye. He said he would urge the department to speed up its planned deregulation of the liquid fuels industry, which could resolve many of these problems.

□ Business Watch, Page 2

Business Day

RSDAY, SEPTEMBER 10 1998 www.bday.co.za

VAT Subscription R2,00 inc VAT (where available)

BDFM A BDFM publication

Transnet privatisation plan to see noncore assets sold over 18 months

(269) BD 10/9/98

Robyn Chalmers

TRANSNET will sell more than 12 noncore assets, including the Blue Train, baggage handler Apron Services and parcel carrier PX, within 18 months in terms of a privatisation programme announced yesterday.

Concessions or joint venture partners will be introduced to strategic businesses such as Spoornet, commuter rail operator Metrorail, and Portnet, while an equity- or joint-venture partner will be found for Petronet.

Plans are to be finalised by next year.

Analysts said this would bolster SA's much-criticised privatisation programme. Transnet has about R40bn in assets and one analyst said the overall programme would help raise billions of rands to cut state debt and to reinvest in an ageing transport infrastructure.

A government official said a decision had been made on the preferred empowerment bidder for a 30% equity stake in Viamax Fleet Solutions, which manages part of Transnet's fleet.

The SA Railway & Harbours Workers' Union Investment Company, possibly in a joint venture with Super Group, is believed to have won the bid. An announcement is expected soon, kickstarting Transnet's privatisation initiative.

Transnet restructuring GM Kennedy Memani said at the Pan African Investment Summit that Transnet had to restructure and privatise as it was hampered by its pension fund deficit and debt burden.

Transnet held debt of R23bn against equity of R12bn and was not a viable concern.

"If we do not privatise soon, we will have to start closing units down. We are talking to labour about all the privatisation initiatives," he said.

In the year to March 1997, Transnet recorded a profit of R278m, net debt of R20,4bn and had a capital expenditure budget of R2,8bn which was "very low", said Memani.

Government and Transnet have broadly agreed to hive off company's R12bn pension and medical aid deficit into separate legal entities.

The debt has to date blocked the privatisation initiative. Several international banks carrying Transnet loans recently withdrew objections to this agreement.

The pension fund deficit and debt is now being divided among the various entities. In one scenario, Spoornet would be apportioned R7,67bn, SA Airways (SAA) R4,7bn, parcel carrier PX R1,13bn and Portnet R740m. However, SAA, up for partial privatisation by

Continued on Page 2

Transnet

(269) BD 10/9/98

Continued from Page 1

next April, could not absorb R4,7bn of debt and still be viable, so ways to manage the debt were being discussed.

Noncore assets to be privatised include road transporter Autonet, travel company Connex, data processing unit Datavia, equipment manufacturer Transwerk, parcel carrier PX, and telecoms subsidiary Transtel.

Printer Production House, engineering subsidiary Protekon, the chemical services division, Transnet Housing and the medical aid division were also up for sale.

Public Enterprises Minister Stella Sigcau said several new privatisation initiatives — including government's crippled abattoir company, Abakor — would be announced within two weeks.

Losing sight of the long-term goal would be a fatal mistake

(269) BD 15/9/98

Transnet managing director Saki Macozoma defends the transport parastatal against allegations of cross-funding made in the Moving SA study released by government last week

IN APARTHEID SA, economic planning was characterised by an inward-looking industrial policy aimed at import substitution and an infrastructure was developed to meet these priorities. Now SA has rejoined the global economy and our country needs a fundamentally improved transport vision and strategy.

Because of this, Transnet supports and participates in the Moving South Africa project that is spearheaded by the transport ministry. We are working with transport ministry officials to devise a long-term strategy for transport that will serve our people and our country well.

Throughout the many months of analysis, reflection and engagement, we have been painfully aware of the danger of tilting what should be a 20-year vision for transport towards providing or reinforcing arguments aimed at solving current constraints of capacity, high cost and inefficiencies. Our dilemma is that we might be unable to fulfil that vision because of pressure to immediately resolve these problems.

It would be a fatal mistake to lose sight of the long-term goal. We must not allow a debate on the minutiae of short-term issues to deflect us from forging the 20-year vision into reality.

One such short-term issue is cross-funding within the Transnet group and its impact on the sustainability of some of its units.

It is not true to say that Transnet is unaware of, or has not taken appropriate action, with regard to reinvestment in coal and iron ore rail lines because cross-subsidisation makes such investment impossible.

It is unequally false to argue that Transnet is unaware of problems existing in the movement of general rail freight.

Both these issues were identified and analysed, and government appraised of the situation, long before the "Moving South Africa" project was conceived.

For example, we have always acknowledged that in the long term, all of Spoornet's components need to be viable and profitable units if sustainability is to be achieved. To attain this goal we have identified investments that need to be made and have to face the issue of employment costs squarely.

The brouhaha about cross funding misses the point. At the moment Transnet is not sustained by cash flow generated by its business units. Our cash flow is gobbled up because we use the money to fund the enormous requirements of the Transnet Pension Fund, a situation we inherited from the apartheid regime. The reality is that, at the moment, Transnet is sustained by its ability to borrow against its assets. That is why restructuring the funding of the Transnet Pension Fund is so important in any restructuring or privatisation of Transnet business units.

The Transnet Group, like all conglomerates, does allocate resources within the group. It does not do so by artificially inflating prices or by distorting the system.

Challenges

In fact, pricing for the users of coal and other export rail lines is based on a declining formula. Wharfage as a percentage of Transnet income has not gone up because of price increases. Wharfage has increased since 1994 because of an increase in business at our ports and our reintegration into the world economy.

It is obvious that we cannot continue to borrow to sustain Transnet. The solution lies in restructuring the group and it would be a malicious person who did not acknowledge that we face special challenges in doing so. SA is a developing society in the process of changing the trajectory of its industrial policy. To make our task more difficult we are operating in an economic environment that was completely skewed by apartheid mismanagement.

This does not mean we must tolerate the antiquated and wasteful systems we inherited. It does mean, however, that our policy choices cannot be determined by the meretricious appeal of Harvard Business School-concocted orthodoxies.

The "Moving South Africa" report is at its most tendentious and least helpful when it makes conclusions about South African Airways. The report concedes that SAA's domestic fleet is the most modern in SA, but the report stresses that our fleet is ageing in comparison to international competitors and that there are profitability deficiencies when benchmarked internationally.

These and other arguments are used to arrive at the conclusion that, regardless of how it restructures, SAA will not be able to expand its fleet to accommodate international passenger growth.

I see a hidden agenda here. Buried somewhere in the analysis is a conclusion that the "real opportunity for growth" lies in the "development of domestic tourism". If that conclusion is correct, why then a lengthy argument, using dubious figures, that SAA's international operations are inadequate?

The answer probably lies closer to the desire by some in the transport department to grant additional landing slots to SAA competitors when the airline is preparing for privatisation.

Can you imagine what would have happened to British Airways during the five years leading up to its privatisation if the British government had indiscriminately granted additional landing slots at London's Heathrow airport to American Airlines on the pretext that BA was stunting tourism growth?

There is a simple answer to that question. American Airways, sitting comfortably with Heathrow slots, would not need British Airways as a partner. The commercial opportunities of BA would have been severely limited. I am happy that the transport minister sees through this stratagem and involves Transnet in the effort to manage capacity in this area.

The Moving South Africa report has been presented to the nation as a well thought out detailed strategy, that would lead SA onto the path of growth.

The truth is that there are many issues in Moving South Africa that need to be debated, a debate in which we at Transnet will gladly participate.

□ *Macozoma is responding to an article in Business Day titled Transnet denies cross-funding, despite study (September 9).*

Treasury bill will erode autonomy — Transnet

BD 16/9/98

(269)

Linda Ensor

CAPE TOWN — Transnet has warned that its inclusion as a national institution under the Treasury Control Bill — which will replace the present Exchequer Act — will erode its managerial autonomy and create negative perceptions among potential equity partners.

The bill, which is being considered by parliament's finance committee, aims to regulate financial management in national and provincial governments and other government institutions.

In its submission to the committee, Transnet said the bill, if enacted, would effectively remove financial management and control out of the hands of the board of directors and effectively stop it transacting in the domestic money and capital markets.

"This arrangement will take the powers to borrow away from the board or even Transnet if it is not transferred to the managing director by the minister of finance," the submission stated.

The bill would give the national treasury powers over the parastatal's bank accounts and also its cash and debt management and investment policy.

Also, Transnet, which has it own treasury norms and standards, would have to submit to those imposed by the national treasury which may be incompatible. The same would apply to procurement and provisioning systems. The submission argued that Transnet should be excluded from the definition of the national government institution in the bill.

Finance Minister Trevor Manuel said exclusions would be made for the Reserve Bank and the auditor-general's offfice. He said there were 802 public entities but of those who received direct transfers only 60 should be held accountable.

'WS

CT 16/9/98 (BR)

Control bill 'could affect privatisations'

(269)(

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Transnet yesterday warned that plans to apply the Treasury Control Bill to parastatals could affect its privatisation and ability to attract equity partners.

In a letter tabled before the portfolio committee on finance yesterday, Nelson Ndinisa, the senior manager in charge of government and parliamentary liaison, said this would be "a step in the wrong direction" when the government had said it wanted to reduce its involvement in the economy.

Trevor Manuel, the finance minister, yesterday acknowledged that some parastatals were opposed to falling under the bill, but said this "goes against the grain" of what the bill was trying to do.

The committee is due to hold public hearings on the bill next month and has already started receiving submissions.

Ndinisa said that in terms of the bill, the Transnet board's borrowing powers would be removed, while the fact that the proposed national treasury could prescribe a framework for effective cash and debt management as well as investment policies would create uncertainty.

He said that Transnet had its own policy and control manual and was unlikely to benefit from the prescribed uniform norms and standards being developed for provincial and local governments.

"Again, if the national treasury has the power to prescribe but does not do it, it will create uncertainty with potential equity partners and debt providers," Ndinisa said.

The same applied to the buying systems that the national treasury could prescribe.

The national treasury would also have the power to investigate "any system of financial management and internal control instituted by the board".

Ndinisa said that it seemed "a bit superfluous" to appoint a board of directors and auditors and then empower another body to investigate financial management and internal control.

In addition, the treasury would insist on different types of accounting practices than those now in use in terms of the Companies Act.

"Transnet believes in effective control mechanisms by the shareholder, but not to the extent that these effectively usurp the normal powers of the board such as to create a cloud of doubt around whether or not the company is truly committed to good governance practices," he said.

SA expert sets out vision for post-2000 transport

(269)

SHARKEY ISAACS
TRANSPORT REPORTER

AGS 29/9/98

South Africa's transport system has basic infrastructure but it also has serious problems, including 10 000 road deaths a year and a lack of road maintenance, warns a transport expert.

Vivienne Lipman, senior policy adviser to the Department of Transport, was outlining the Moving South Africa initiative, a R20-million investment by the Government aimed at developing a strategy for the transport challenges of the 21st century.

She told delegates to the Codatu VIII transport conference in Cape Town other problems were:

■ Declining rail and bus travel.

■ Large numbers having to commute long distances and spend a high proportion of their income on transport.

■ Overloading by road hauliers.

■ A lack of capacity and information to address transport problems effectively.

Development of a long-term strategy, positioning the system to meet the anticipated demands of the next two decades, had become vital.

"For transport to be a driving force in economic growth and development, it must be efficient and effective and meet the needs and demands of all transport consumers within the constraints of our resources," she said.

"The challenge of Moving South Africa is that it breaks out of the mould of thinking about immediate, short-term solutions, to the major structural problems that inhibit SA's ability to deliver on the major goals of the Reconstruction and Development Programme."

The project would "study the transport system through the eyes of customers", she said. "A transport system based on the old apartheid ideology means there are serious design gaps."

Experts sound alarm on urban transport crisis

SA's long-term strategy wins international praise at city conference

ARG 26/9/98 (269)

SHARKEY ISAACS
TRANSPORT REPORTER

Developing countries are facing an urban transport crisis which needs urgent intervention if the downward spiral of pollution, congestion and road fatalities is to be stopped.

This was the core finding of Codatu VIII, an international transport conference held in Cape Town this week.

Codatu is a French acronym which translates loosely as Co-operation for the Continuing Development of Urban and Suburban Transportation, an organisation based in France.

The forum provided a platform for 160 experts from more than 40 countries to present technical papers on urban transport issues to more than 520 delegates from South Africa and overseas.

Conference president Roy Petersen said the assembly of international experts had provided fertile ground for inspiration.

"Our Moving South Africa strategy received praise from international experts as a good example of a long-term plan," he said.

Among the main points to emerge from the five-day conference was that the spirit of co-operation and recognition that global co-operation was vital if local problems were to be solved and cities function effectively

"Codatu can certainly play a central role in the future in training and institutional strengthening, encouraging studies and research in various fields of urban transport," Mr Petersen said.

Financing was an essential element and it was felt that Codatu's main objective should be to convince policy makers at local, national and even international level that urban transport was a priority.

This was difficult to achieve because of heavy competition for funds from such sectors as housing, health and education, so innovative funding mechanisms had to be pursued.

"Without effective transport, cities can't function as they should and therefore a comprehensive urban plan is needed to ensure that they do," Mr Petersen said.

Delegates also focused on the need for interactive planning and innovative funding to improve the quality of transport and promote economic growth, industry and tourism.

Issues highlighted included the need for access and mobility in towns and cities, visionary traffic management to minimise the use of private cars, the need for planning to prevent traffic congestion and pollution and the importance of comprehensive public participation in planning an effective system.

■ Codatu IX is scheduled to take place in 2000 in Mexico City.

Co-operation is answer to urban transport crisis

Star 28/9/98 (261)

Own Correspondent
Cape Town

Developing countries are facing an urban transport crisis which needed urgent intervention if the downward spiral of pollution, congestion and road fatalities are to be halted.

This was the core finding of Codatu VIII, an international transport conference at Cape Town's Good Hope Centre.

Based in France, Codatu is a French acronym and loosely translates as "The Cooperation for the Continuing Development of Urban and Suburban Transportation".

Conference president Roy Petersen said the assembly of international experts had provided a fertile ground for inspiration.

Financing was an essential element

"Our Moving South Africa strategy received praise from international experts as a good example of a long-term strategy".

Petersen said one of the main issues to emerge from the five-day conference was the spirit of co-operation and the recognition that global co-operation was vital if we were to solve transport problems locally.

"Codatu can certainly play a central role in future in training and institutional strengthening, encouraging studies and research in various fields of urban transport."

Financing was an essential element and it was felt that Codatu's main objective should be to convince policy makers at local, national and even international level that urban transport was a priority.

This was difficult to achieve because of tough competition for funds from different sectors such as housing, health and education.

Therefore, innovative funding mechanisms had to be actively pursued.

"Without effective transport, cities cannot function and a comprehensive urban plan is necessary...," said Petersen.

Delegates also focussed on the need for interactive planning and innovative funding to improve the quality of transport to promote economic growth, industry and tourism.

Issues highlighted included the need for access and mobility in towns and cities.

Another issue of importance was visionary traffic management to minimise the use of private cars, the need for advanced planning to prevent traffic congestion and pollution and the importance of public participation in the planning of an effective system.

The forum provided a platform for 160 experts from more than 40 countries to present technical papers on urban transport issues to more than 520 local and international delegates.

■ Codatu IX it will take place in the year 2000 in Mexico City.

Debate vigorously, but keep the focus on our country's needs

Transport Minister **Mac Maharaj** takes issue with Transnet MD Saki Macozoma in the debate on future transport strategy

BD 25/9/98 (269)

THE response by Mr Saki Macozoma, MD of Transnet (Business Day, September 15), to your article on crossfunding in the giant transport parastatal raises issues which are part of the substantive debate around our transport strategy report Moving South Africa.

The MSA report puts forward proposals on how we as a nation can ensure that the transport needs of our country, that of our customers and operators, can be met on a sustainable basis into the next millennium.

I put the draft report into the public domain for debate so that the final report can take on board proposals that will enhance its findings. My role as minister of transport is now to listen to the debate, and therefore this is not a response to the substance of Mr Macozoma's letter.

But I do feel compelled to respond to his approach to the debate, which runs the risk of diverting attention from the real issues on the table.

In the first instance, thinly disguised insinuations regarding the integrity of the report (which by a large margin of consensus is regarded as path-breaking) is less than helpful. The report is the product of a highly inclusive, data-driven process at the centre in which all key stakeholders, including Transnet, participated. To cast aspersions now attempts to divert debate away from the critical strategic issues in the report and this cannot be healthy for transport or the national development agenda.

He compounds these diversionary tactics with his proneness to alleging "hidden agendas" on my or my department's side. Mr Macozoma should know better than to engage in this fashion, unless, of course, the narrow company-level interests of Transnet have compelled him to avoid dealing with the substantive facts and conclusions in the department's MSA report.

It appears that Mr Macozoma has allowed himself to fall into a trap which characterised transport debate in this country historically, and which the MSA process actively set out to avoid. That is the trap of assuming that the national interest is equal to the interests of a single parastatal operator.

The White Paper on National Transport Policy sets out clearly the policy of this government on transport and the question of the role of government in transport.

In setting out the steps to implementing the white paper, the MSA report suggests that government, having determined the role it sees for transport in our economy, has a key role in setting out the strategic vision, setting the playing field and defining the rules of the game.

At an operational level, government's primary role is to create the environment which would enable individual companies and institutions to make the appropriate choices about how to provide services which meet both national and customer objectives.

Firms' interests

A past practice, where operators have been allowed to set national policy, is part of the inherited legacy which underlies the inequitable and poor performance of the transport system today. If we accept Mr Macozoma's assumption that short-term, firm-level interests are equal to the long-term national interest, then we are allowing individual companies to embroil themselves in the core business of government.

Allowing companies to define policy effectively means that firm-level interests end up as a priority above the needs of the country and its customers. This is clearly not acceptable to government.

A case in point are his comments on the MSA report's handling of SA Airways (SAA) in the context of developing a strategy to support tourism. When my department prepares for negotiations on any bilateral air services agreement, it takes three matters into account: the existing and projected capacity requirements on a particular route, the tourism objectives of the country and the interests of the designated national carrier (SAA).

It is critical that these short-term agreements are aligned to a long-term strategy. We must avoid the situation where the regulatory regime of international air transport services has to trade off between protecting an airline and ensuring sufficient air service capacity to meet the growing trend in international tourism.

My appeal to Mr Macozoma and all stakeholders is to debate the proposals vigorously, but let us ensure that our focus remains sharply placed on the long-term needs of our country and the customers of transport services.

For my part, I will be listening closely for clearly argued and data-driven proposals on where we can take MSA further, so transport can play its role in growing and developing our economy.

Transport Minister Mac Maharaj, right, says Transnet MD Saki Macozoma's response to the Moving South Africa strategy runs the risk of diverting attention from the real issues that need to be discussed.

Public transport policies 'must be a priority globally'

(269) BD 25/9/98

Robyn Chalmers

CAPE TOWN — Cities and towns around the world are under pressure due to the international urbanisation trend, making it imperative for developing countries to come up with sustainable transport policies.

This was a key message from the Codatu VIII transport conference, attended by global transport experts. Delegates were told that the increase in the amount of private cars in developing countries was not sustainable. Policies to promote means of public transport such as buses, trains and trams were crucial if overcrowding, congestion and pollution were to be avoided.

It was agreed within the Codatu scientific committee that a co-ordinated international effort to make transport a priority was required, particularly regarding the financial aspects. There was also a need for international co-operation on training and strengthening transport institutions.

United Nations Centre of Human Settlements official Brian Williams termed the 20th century the "era of urbanisation", saying half of the developing world's population would be living in cities in the next few years, against a fifth in the 1960s. Their transport needs had to be managed.

Indian transport specialist Bharat Singal said most developing countries' national debt was generated by its cities. Transport policies had to emphasise intermodal transport whereby buses, taxis and trams feed into main rail lines, which should be accessible and affordable.

World Bank transport division manager John Flora said public transport often needed to be subsidised if it was to be affordable, so cities had to be able to raise sufficient revenue to pay their bills. They could explore the establishment of capital markets for this.

Brazilian transport economist Joseph Barat said public-private partnerships were often essential to raise sufficient funds to invest in transport infrastructure.

SA's recently launched Moving SA project, a 20-year strategy for transport, was generally welcomed by transport experts as a step in the right direction. A comprehensive and coherent transport policy could be considered as a tool for development, economic competitiveness and social cohesion, delegates agreed.

The turmoil inside Transnet

OUT OUT THE THREE BOSSES

(769) ep 4/10/98

WANTS TO BE REINSTATED . . . Joe Ndhlela

CLASHED WITH MACOZOMA Zukile Nomvete

WAS 'CONSULTED' BY NDHELA . . . Prof Louise Tager

'DICATORIAL STYLE' . . . Saki Macozoma

NO COMMENT THIS WEEK . . . Stella Sigcau

All is not well at the government parastatal Transnet Limited. Brother has turned against brother with no holds barred. The winners are alleged to be the "old guard", the broederbonders, who, it is claimed, have entrenched their positions by fueling a bitter war which has led to the ousting of two executive directors in the last eight months.

AN EXPLOSIVE court case involving top Transnet officials and a former colleague is set to blow the whistle on how the parastatal conducts its affairs.

Revelations are expected to expose personal clashes, alleged kickbacks, and the alleged awarding of contracts to businesses in which certain Transnet directors have a financial interest.

According to court documents in support of a Labour Court application in which former Transnet executive director, Joe Ndhlela, seeks to be reinstated or be given a retirement package, many allegations of irregularity and corruption will be aired.

City Press put all these allegations to Transnet early last month for comment but Transnet spokesperson, Thami Didiza this week said Transnet managing director Saki Macozoma felt it was inappropriate to comment at this stage.

Public Enterprise Minister Stella Sigcau also would not comment.

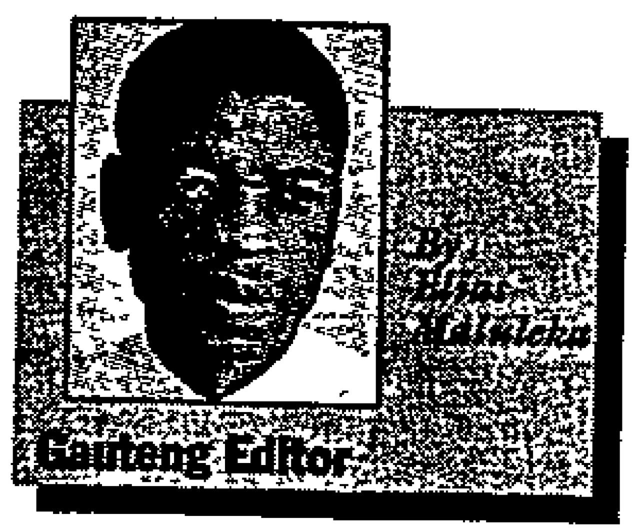
According to Transnet insiders Ndhlela's fight with the parastatal will hang out a lot of dirty linen in public

The case is due to proceed on November 26, more than a year after accusations of mismanagement first surfaced at Transnet. It will spotlight allegations of container theft, bribery, corruption, forgery and cover-ups involving tens of millions of rands.

This includes the financial shambles of the Transnet Funeral Benefit Scheme which was robbed of millions of rands.

Ndhlela was axed in January by Transnet for allegedly receiving commissions from a funeral benefit scheme and for not declaring his personal interest in the scheme's broking company now under liquidation.

Ndhela brought an urgent court application alleging Transnet had delayed his action being heard in an effort to ruin him financially and that he had earned no income since his sacking in January The court ruled that the proceedings



By Elias Maluleke
Gauteng Editor

continue on November 26

Among the allegations which City Press put to Transnet for comment were:

☐ That Transnet indirectly funded an investigation of Ndhela by the Office for Serious Economic Offences, hoping that the OSEO would dig up something against him before his application came before the Labour Court;

☐ That a senior "broeder" was appointed to a position worth R700 000 a year at Transnet for doing a senior Transnet official a favour;

☐ That certain Transnet employees claimed free voyager miles although they flew free on South African Airways as part of their fringe benefits,

☐ That one director made exclusive personal use of a R600 000 Transnet flat which was supposed to be used only for business; and

☐ That the personal hotel bill for a senior Transnet manager and his wife was paid from Transnet funds, and that Transnet funds were also used to pay for a personal security guard for the manager, air flights and rented cars for the manager and the guard.

It is also alleged that Transnet managing director Saki Macozoma is provided with three bodyguards for around the clock security at Transnet's expense.

Ndhlela claims in his documentst he has proof that a Transnet executive was involved in a container theft scam, and that another executive influenced the Transnet board to shift its major account to a bank where he was a director.

Ndhlela claims the same director also had interests in other companies that dealt with Transnet contracts.

Three other Transnet executives had formed a company as a front for them to buy into a shedded Transnet when it is privatised.

Ndhlela claims that as he was a cabinet appointee neither the Transnet board nor the managing director had the authority to sack him without cabinet approval.

Ndhela was axed after being found guilty of misconduct at a Transnet disciplinary hearing.

He denied all charges levelled against him, saying the disciplinary hearing had focused on issues dating back to 1992 and early 1996, before his appointment to the board of Transnet.

A fallout between friends

By ELIAS MALULEKE

PERSONAL and business differences between Saki Macozoma, Joe Ndhlela and Zukile Nomvete have led to their fallout.

The three former Transnet Limited colleagues and friends have turned their backs on one another.

At the centre of their dispute is Macozoma's alleged dictatorial management style. Macozomo, a former ANC cadre, is MD of Transnet and its national spokesperson.

Out is Nomvete, ex-Transnet executive director and former ANC military strategist. He was forced to take a severence package on August 14.

Out is Ndhlela, ex-Transnet executive director, a master of business administration and production who is also close to Deputy President Thabo Mbeki and Steve Tshwete, Minister of Sport. He was allegedly pushed out of Transnet after a row with Macozoma in August, last year.

The shouting match involved an internal investigation by Transnet intelligence unit Business Information Services (BIS).

Ndhlela approved the BIS investigation after information was receiv-ed that Transnet containers were stolen at the Durban port.

The theft syndicate allegedly involved two Transnet executives, a custom official and a Durban businessman. Macozoma apparently objected to BIS's alleged use of bugging devices at Transnet Park, the headquarters of Transnet in Parktown, and he hired a private security company to debug the premises.

Ndhlela objected to the presence of the security company and told Macozoma that the security people created discomfort among staff members who felt their privacy was being monitored by Transnet when this was not true as no bugging devices were used at Transnet Park.

Ndhlela allegedly also told Macozoma that as the head of the Transnet security department and BIS, he should have been consulted before Macozoma used the security company

Although the security company continued with the process, an internal memorandum issued by Kallie Mabentsela, general manager corporate strategy, stated no telephone bugs were found.

The fighting between the two came to a head on August 15 when it is claimed Macozoma walked into Ndhlela's office and handed him a letter suspending him. Transnet security guards were ordered to escort Ndhlela from Transnet premises. Ndhlela says after he was bundled out, his office was searched and his personal files, artefacts and documents were removed.

In the letter of suspension, Macozoma said Ndhela was being suspended for "gross misconduct". He said the decision was reached after he had consulted with Public Enterprise Minister Stella Sigcau and Board chairman Louise Tager

Sigcau later wrote a letter to Ndhlela's lawyers denying Ndhlela had been suspended. Despite the letter, Ndhlela was barred from entering his office or attending board meetings, he says.

Ndhlela then launched a court application to have his suspension set aside, but Transnet said the court had to take into account Ndhlela's investigation by the Office for Serious Economic Offences.

Transnet then held a disciplinary hearing.

The hearing was chaired by retired judge J J Trengove, who cleared Ndhlela on most charges.

In his findings Trengove ruled that Transnet had proved "on the balance of probabilities" that Ndhlela had failed to disclose his alleged personal interest in an external company which allegedly paid him commission fees between 1993 and 1996, had unlawfully approved the bugging of phones and kept Transnet firearms in his office safe.

He was found guilty of allegedly authorising payments to staff recruitment agencies without verifying whether new employees had been recruited by the agencies.

However, Trengove said although he was mandated to make recommendations for appropriate disciplinary action, he was unable to do so Transnet then dismissed Ndhlela on January 20 and he immediately challenged the decision and took the matter to the Commission for Conciliation Mediation and Arbitration. The matter will be heard in the Labour Court on November 26.

Macozoma closed down the activities of BIS in October last year, and so ended the container theft investigations.

Arrive alive: train carriage upgrades will make commuting more comfortable for Ruth Davids

Metrorail gears up for disabled commuters

(369) ([illegible])

SHARKEY ISAACS ARG 5/10/98
Transport Reporter

Relief is in sight for a disabled Kensington woman and thousands of other disabled people who are unable to use public transport.

Plans are moving from the drawing board to the Salt River railway workshops to answer the prayers of wheelchair-bound people.

When she was two Ms Ruth Davids, 44, was struck down by polio which left her with limited use of her limbs.

After intensive therapy she has become a mobile paraplegic and earns her living today as a contributing editor to a weekly journal for the physically challenged. She also works as a telephone switchboard operator.

But despite her capabilities, she has been unable to catch a train – until now.

Passenger carriages are being sent to the workshops in Salt River to be fitted with wheelchair hoist ramps, spacious doors, hand rails and wheelchair clamps.

The hoist outside the coach will be activated when Ms Davids swipes her special ticket, fitted with an electro-magnetic strip, through an access strip alongside the coach.

Maintenance engineering manager Mike Paterson said the strip would simultaneously lower a wheelchair ramp and prevent the train from moving until the wheelchair commuter was aboard.

At present people in wheelchairs have a problem with the fact that train doors are some way above platforms, and with the pole that divides train doorways.

The only coach they are able to board, with difficulty and with help, is the guards van attached to the driver's cab at the front or back of the train

Ms Davids describes her life as "one big uphill struggle".

She said: "But I had wonderful support from my parents who ensured that I had a mainstream education just like any other child. Although I am bussed to work every day, I have occasionally commuted by train and would like to do so regularly."

The engineering step by Metrorail comes close on the heels of a "dial-a-ride" pilot bus service for disabled people introduced by the Cape Metropolitan Council with the help of the private sector and welfare organisations.

The bus project is a joint one between the CMC, the Association for the Disabled, the council's transport agency Modalink and the Golden Arrow Bus Company.

A telephone call to the toll-free number 0800 600 895 will send a bus to the doorstep of either a physically disabled or visually impaired person at no more than a normal bus fare.

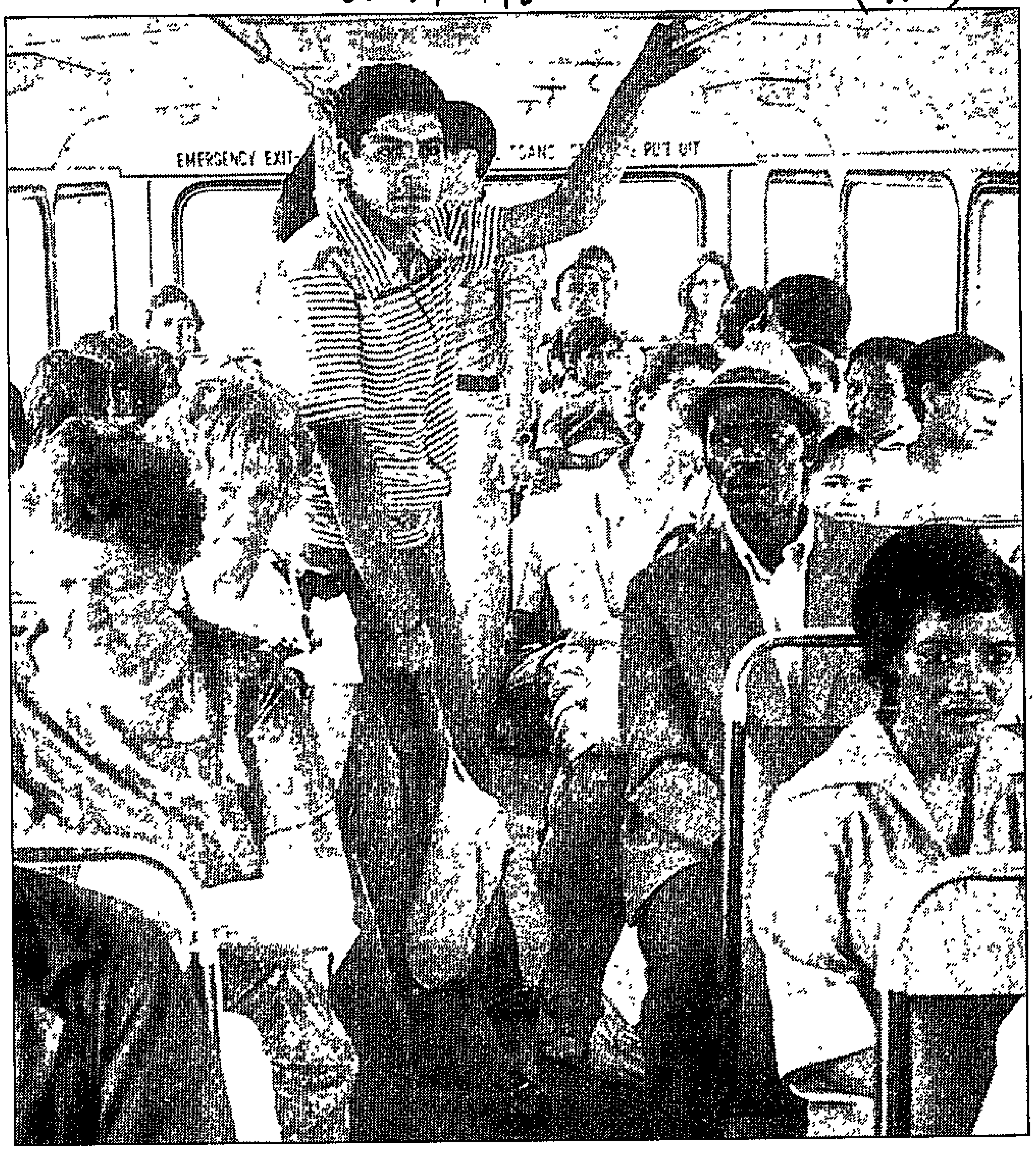
The bus project, operating in Mitchell's Plain and Khayelitsha since the end of May, is helping 1 000 people a month.

BUS SUBSIDIES TO BE OVERHAULED

Commuters face changes

CT 7/10/98 (269)

WITH THE government giving R1 billion a year to the provinces in transport subsidies, upgrading a crumbling commuter network has become a priority. **CHRIS BATEMAN** reports.



COSTLY COMMUTING: These city commuters are "paid" the daily equivalent of up to R8 in bus subsidies to compensate for their living far away from their work places. ***PICTURE: FILE***

AN outdated bus transport subsidy system with its roots in the apartheid era is draining the national coffers, preventing competition and rapidly eroding standards.

Even more alarming is that the planned "cure" is in danger of failing because of a lack of regional funding

This is the opinion of two men at the centre of the Cape Metropolitan Council's (CMC) urban transport planning initiative who are shaping the future of the bus and rail service in Cape Town.

The changes are due to begin being implemented in June 2000.

With an efficient public transport system being a key factor in tourism development in the Western Cape, CMC public transport head Ron Kingma and transport planner Peter Clark believe generating local revenue for funding will be crucial to the initiative's success.

However, at present all transport revenue is collected and disbursed by central government, with what the pair regard as an "unhealthy proportion" being spent on road maintenance and building

Single bus contractors in the main metropolitan areas are still given millions of rands annually to provide affordable transport to geographically marginalised workers and to "compensate" commuters for living so far from their workplaces.

In Cape Town the Golden Arrow bus service (formerly City Tramways) is paid R120 million a year to transport an average of 60 000 people daily — the equivalent of paying every commuter R5,30 each day.

The subsidy for people in Khayelitsha works out to nearly R8 per person per day.

"The legacy of the old system is that we have an unsustainable annual increase in bus subsidy as populations grow," says Kingma.

"Under apartheid, the cost wasn't an issue, as long as the goal (of separating communities) was achieved."

Cape Town pales in comparison with other cities such as Bloemfontein and Pretoria, where many black people spend more time travelling than working. It is estimated that in these cities the government forks out nearly R16 per person per day in bus subsidies.

Kingma says of the ageing subsidy system: "It worked when it was brought in but it hasn't adapted to change and people's current needs. Now it's like sitting with a slide rule when everyone else is using a computer".

The burgeoning taxi industry — unfettered by timetables and fixed routes — has made major inroads on the more profitable commuter routes, leaving Golden Arrow to the "social service" routes and providing another reason to force up bus subsidies.

All this is set to change from June 2000 when the bus routes, of which there are 900 in the Cape metropole, are thrown open for public carrier tenders which will have strict service criteria with built-in penalties for non-compliance

Subsidies on the less-profitable routes will continue while those contractors who secure the profitable routes will have to pay a portion to the CMC for the privilege.

The national department of transport has estimated that in Vereeniging alone the new contract system will save nearly R60m over five years.

Harald Harvey, senior general manager in the department, admitted that the current system was "costing the fiscus a lot of money".

He said about R1bn per year was disbursed to the provinces for transport subsidies.

He warned that there would be no major savings in the newly designed transport scheme for at least five years.

"The spatial absurdities we inherited can't be fixed overnight and we're redesigning the entire system on a needs basis," he said.

Harvey disputed that there would be insufficient funding for a more user-friendly, efficient system.

"Local authorities will be able to charge a developer levy whereby developers in areas which have no transport infrastructure will have to pay a percentage to councils or provinces, while the national department will provide substantial funding."

Harvey said the exact local funding formula was still "up for negotiation".

Savings would be redeployed for transport needs, but the entire scheme would take two decades to implement properly, he predicted.

Immigration agents' conduct code

SA IMMIGRATION agents would have to adhere...

Call on govt to end jet fuel price formula

Stephané Bothma (269) BD 8/10/98

PRETORIA — Government has been called upon to end a "hypothetical formula" used by Petronet and the National Oil refinery for establishing jet fuel prices at Johannesburg International airport.

The formula results in an annual excessive charge of more than R200m for airlines serving the region.

Airlines Association of Southern Africa chairman John Morrison said the pricing structure of jet fuel arose out of an "in-bond landed cost formula" that was developed more than 20 years ago when conditions in SA were dramatically different from today.

"However, the formula is still applied regardless of market realities, resulting in excessive profits accruing mainly to the National Oil Refinery, which is majority owned by Sasol, and Petronet, which is owned by government," Morrison said.

The two organisations between them resulted in an excessive charge of up to 20c a litre, which was directly payable by the airlines. "On behalf of the airlines, we call upon government ... to introduce a transparent and fair system," Morrison said.

Partly as a result of high charges and levies instituted by government and parastatals, Morrison said the southern African aviation industry had become a high-cost industry. He said an example of the unfair pricing practice was that Petronet, which owns the pipeline between Durban and Johannesburg, had for many years charged a pipeline tariff based on the assumption that all jet fuel was brought to Johannesburg by rail tanker car. "In reality, 80% of the fuel is brought by pipeline."

Following representations by the airlines association and other parties to the minerals and energy ministry and to the parliamentary portfolio committee on transport, Petronet recently for the first time filed a pipeline tariff which was 3c a litre less that the rail tariff, Morrison said. The new fee would result in savings to the airlines of about R30m in the next year.

"But I am not satisfied that the reduction by Petronet is fair and reasonable, as it is still some 6c a litre higher than similar pipeline costs in terms of distance and volume in Europe and the US," he said.

Transport MEC threatens to scrap govt fleet

Citizen 8/10/98 (269)

By Justin Arenstein

Nelspruit – Theft, corruption and gross negligence account for at least 50% of Mpumalanga's monthly transport expenses and are forcing the province to consider scrapping its government fleet completely, provincial transport MEC Jackson Mthembu says.

Confirming that at least eight government cars had been stolen every month since 1996, and that officials crash at least 26 others every month, Mthembu said he was giving the provincial government an additional three months to improve its performance or he would scrap the 3 500 vehicle fleet.

"Government and the taxpayer pay for this incredible waste of resources. In addition to the theft and accidents, we lose at least R2-million per month to petrol fraud.

"It's unacceptable and unless there is a dramatic change by the end of the year, we will have to scrap the fleet."

Departmental heads have been warned they will be held personally liable for all costs connected to accidents or theft of vehicles assigned to their department during the three month trial.

They will also be billed for any petrol or other fraud detected in their departments unless department heads can prove that reasonable measures were put in place to combat petrol-card abuse.

> "Unless there is dramatic change we will have to take action"

"Wesbank, which administers the system for us, supplies detailed printouts of all petrol and other expenses, so it is very easy for department heads and their managers to monitor exactly what their officials are doing," said Mthembu.

"If they can't be bothered to curb fraud or over-expenditure, they're obviously not good managers and we'll fire them.

"I am convinced that we'll be missing a lot of old faces by year-end."

He said the department had also requested Wesbank to create a fraud investigation team to probe private garages and mechanics who conspired with officials to defraud the government.

"We have already suspended all services delivered by 44 private sector merchants and will be permanently blacklisting them if the Wesbank probe verifies our information," he said.

Companies that are blacklisted will be prevented from ever winning government contracts or other work again.

"It takes two to tango and while we accept that there are plenty of corrupt officials, we know that they would get nowhere without private citizens who either assist them or buy their stolen goods.

"There is no excuse for stealing state resources. This is a war and we will win it or we are not fit to serve." – African Eye News Service

Business Day

NESDAY, OCTOBER 21 1998 www.bday.co.za

c VAT Subscription R2,00 inc VAT (where available)

BDFM A BDFM publication

Private sector is invited to help keep urban rail transport on track

BD 21/10/98

(269)

Robyn Chalmers

GOVERNMENT has outlined criteria for private sector involvement in urban transport for the first time, as it emerged that at least R16bn is needed to upgrade SA's ageing rail fleet.

Wynand Burger, MD of state-owned SA Rail Commuter Corporation, which oversees commuter services, told the African Rail '98 conference yesterday a consortium set up to study investment needs had tabled its initial report.

The consortium — Investec, investment and management consultancy Safika and consulting engineer Gibb — found that R300m to R400m a year was needed over 40 years to refurbish and renew the 4 500-strong rail fleet.

This was in addition to the corporation's capital budget, which amounted to R300m in 1998/99.

Concessioning is on the cards for urban and freight rail, largely due to the estimated billions needed to upgrade Spoornet and Metrorail infrastructure. Analysts say the true size of the investment bill is not known.

Burger said criteria had been drawn up to select a private sector partner for a demonstration project to run concurrently with Metrorail's five-year exclusivity period for operating commuter services. It was likely to be linked to the extension of an existing line on a build, operate and transfer basis.

Burger said the private sector would have to demonstrate service improvements and cost savings as well as introduce new skills and best practices. Private sector capital to fund new projects was necessary, as was "sensitivity to employment security".

The concessionaire would be expected to take on a percentage of existing staff that could be as high as 80%. The project itself would be in an area where there was high fare evasion, a variety of lines and minimum annual fare revenue of R50m.

Burger said the East Rand was well suited as a pilot project, but there were candidates throughout SA. Labour would participate in choosing the demonstration project, which would probably get under way in about April 2000. After Metrorail's five-year exclusivity period was over — in about April 2004 — the total suburban rail business would be open to competitive tendering with the private sector.

A government team is also assessing a proposal from labour calling for commuter rail operator Metrorail to be split into four companies with partners from the bus and taxi sectors, labour, empowerment groups, Transnet and a strategic equity partner.

Spoornet revamp: Page 3

EU approves R311m loan for N3 toll road

(269) CT(MR) 21/10/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The European Investment Bank, the long-term lending institution of the European Union (EU), had approved a 45 million ECU (R311 million) facility for financing part of the cost of the R2,5 billion N3 toll road, Mac Maharaj, the transport minister, said yesterday.

He said the European Investment Bank's first loan to the transport sector in South Africa would be made available to the private sector consortium responsible for operating the road.

Maharaj said this loan was another tangible example of international support and confidence in the South African economy, following the improved Moody's rating that the country had obtained earlier this month.

The financing falls under the European Investment Bank's 376 million ECU, long-term facility for South Africa through the framework agreement signed between the European Investment Bank and the South African government in March this year

The N3 Consortium, consisting of construction groups LTA, Grinaker and Murray and Roberts together with consultants BKS and Africon, recently won the R2,5 billion contract to upgrade and build new sections on the stretch from Cedara to Heidelberg on the N3 between Johannesburg and Durban.

Other shareholders in the consortium include Rand Merchant Bank, NBS Boland, Sumitomo Bank, Impumelelo empowerment group, Evzone, the Women's Development Bank, Fikile Projects, Infra Africa, Nkobi Investments and the Public investment Commissioners' Development Fund.

EURO FINANCED *Mac Maharaj, the minister of transport*

This is the second major Build, Operate and Transfer (BOT) road project undertaken in South Africa by the South African National Roads Agency.

BOT is a way of implementing projects which relies upon the private sector to raise funds for public projects, to build and operate them at a profit, and then hand them back to the state at the end of the contract period.

The ownership of the road remains with the government while its management is undertaken by the private sector.

SA railways enter period of spiralling decline

Robyn Chalmers 269 BD 22/10/98

SA RAILWAYS are in a funding trap with railway assets entering a period of spiralling decline and the state having other funding priorities, says Gibb Rail UK MD Chris Green.

Speaking at the African Rail '98 conference in Midrand, Green said the nation wished to keep and expand its freight and commuter rail network, but could not afford the investment catch up.

Gibb Rail is part of a consortium called SIG, appointed by the SA Rail Commuter Corporation earlier this year to investigate ways to modernise the ageing rail fleet. SIG also consists of black-owned investment and management consulting group Safika and private banking group Investec.

Green said Gibb's work on the condition of the rail corporation's rolling stock had established that no less than 900 of the 4 500 strong fleet were now unavailable for service and about 200 of these had been declared wrecks.

"This number will increase remorselessly with each year of delay and timetable reductions cannot be far away," he said. The consortium found the corporation would have to invest R300m-R400m a year over 40 years on refurbishing and renewing its fleet.

Green said SA would be well advised to address the imperative of the funding trap and not be drawn into the more distant issue of track authorities and the full sale of assets.

This pointed to a focus on the sale and leaseback of rolling stock; engineering concessions; and some train operating concessions. Concessioning means the private sector is granted a five to 30-year right to manage an asset but never owns it.

Godwin Punungwe, railways specialist at the Southern Africa Transport and Communications Commission, said that it had recently been agreed that concessioning was the preferred method of restructuring Southern African Development Community railways.

Punungwe said this opened up hitherto unavailable opportunities for private sector participation in African railway operations.

Plan to put people near transport links

(269)
ARG 23/10/98

LYNNE RIPPENAAR
STAFF REPORTER

Getting more people to leave their cars at home and use public transport is the key to cutting Cape Town's pollution, curbing urban sprawl and using limited space better.

The alternative will be an inefficient, more costly and more polluted city.

This is the view of Peter Tomalin, executive director of planning, environment and housing at the Cape Metropolitan Council.

"A city that is viable, a city that is managed in a sustainable way into the next century, must have a good public transport system including buses, trains and taxis, rather than the private car," Mr Tomalin said.

This was among the key themes at a Unesco Management of Social Transformation conference hosted by the CMC and attended by top foreign experts on urban planning.

Although public transport, carrying many people in a single vehicle, is logically a better option than private transport in the bid to lower pollution and use urban space more efficiently, the question is: how will Cape Town achieve this ideal?

It has long been a thorny topic in the city and officials warn there are no quick-fix solutions.

Mr Tomalin argued that one of the ways of achieving a more "viable" transport system was to increase the densities of populations living and working along "corridors and activity spines".

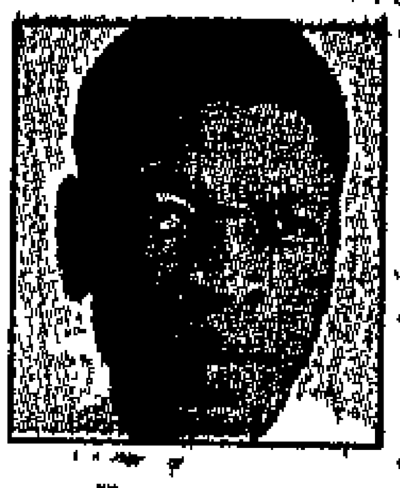
"It is a way of governing the city in an integrated fashion so that transport and land-use programmes are integrated and not running on separate tracks," said Mr Tomalin. This meant, for instance, building homes in areas well served by public transport.

This approach is at the heart of the Metropolitan Spatial Development Framework, a planning guideline for a more efficient metropolitan region.

It envisages a framework of corridors criss-crossing the metropolitan region, linking business nodes – the city centre, Wynberg-Claremont, Bellville and a future business and industrial complex in Philippi.

Saki's gr

Free SAA air tickets for relatives, friends



Gauteng Editor

A Special City Press Investigation By ELIAS MALULEKE

TRANSNET managing director Saki Macozoma, who earns almost R1 million a year, claims his SAA Voyager frequent-flyer miles for free air tickets for relatives and friends,

He does this at the expense of the loss-making parastatal, South African Airways.

Macozoma's annual package totalled R920 000 in 1996. He also flies business class locally and overseas for free, at the expense of Transnet.

Transnet board chairperson

Louise Tager, Board chairman:

On Saki's Voyager miles

"If anyone is doing that, it is fraud."

Louise Tager told City Press on Friday that no senior managers and executives at Transnet were allowed to make us of frequent-flyer miles because they travelled free of charge anyway.

"They don't need to do that because they travel at Transnet's expense. If anyone is doing that, it is fraud," she said.

When Tager was told that Macozoma had logged up the miles and exchanged them for tickets, Tager replied: "He would not do such a thing!."

But information with City Press indicates that Macozoma has claimed more than 700 000 free miles since he joined Transnet in 1996.

His frequent flyer number is 308713. Records show he has rewarded many people with free tickets, including his and his wife's relatives and friends

The requests to SAA for these tickets came from Macozoma's office and were made by his secretaries.

City Press is in possession of the names of the people who received these tickets. They include well-known personalities and young women.

However, we have decided not to publish their names as they could not be reached for comment on whether they had actually received the tickets.

A source at Voyager said she had personally warned Macozoma to stop claiming and exchanging miles for tickets because he was a Transnet executive and was not entitled to the benefits. But he ignored her.

Macozoma and senior managers, and executives at Transnet were also entitled to unlimited free air tickets for their immediate family members as part of their fringe benefits.

They had also been issued with Transnet travel cards which they could use anytime to catch a flight, a bus or even the Blue Train.

"No Transnet executive is supposed to claim Voyager miles and tickets," the Voyager source said.

"However, we allocate frequent-flyer miles to some junior managers so that they can enjoy VIP status when travelling, but they too are not allowed to exchange the miles for tickets," she said.

All free tickets issued for free miles are paid for by Voyager.

"Exchanging the miles for tickets by a Transnet employee is a criminal offence, and those who have been caught doing it in the past were dismissed for fraud," she said.

The Voyager frequent-flyer miles programme is a marketing tool of SAA. It was set up to promote the use of SAA flights among the business community and touring public. Regular users of SAA flights are rewarded with miles each time they take a trip.

The allocated value of the miles can be exchanged for either free tickets, accommodation or car

■ Turn To Page 2

P.T.O.

Warden takes a i

UNHA...
Goodwill ...
(above) th...
from grac...

R2 m suit agair

(269)

By ELIAS MALULEKE

CP 25/10/98

TRANSNET managing director Saki Macozoma is facing a R2 million personal defamation lawsuit from axed Transnet executive director Zukile Nomvete.

Nomvete said he was forced to resign from Transnet in August.

Nomvete and another axed Transnet executive director Joe Ndhlela are said to have nominated Macozoma to the Transnet Board of Directors in 1996 ahead of the more fancied Max Sisulu.

Nomvete said he was suing Macozoma for defamation and unfair dismissal.

Nomvete said his axing from Transnet was both personal and political and had nothing to do with the affairs of Transnet as Macozoma had allegedly claimed in a media report that Nomvete was a "fool who was going to perish".

Nomvete said the alleged fight with Macozoma started when he held a meeting with Deputy President Thabo Mbeki last year.

He said Macozoma was not happy with the meeting with Mbeki and started to show mistrust in him.

He said their clashes grew from bad to worse when he questioned why a senior executive had accepted an appointment to one of four banks handling Transnet accounts.

He also questioned the appointment of a communication consul-

gravy plane

(269) CP 25/10/98

...kes a hard fall for king and country

UNHAPPY LANDING ... A warden controls traffic during King Goodwill Zwelithini's visit to Pretoria this week (left). All is well, until ... (above) the warden tries to get out of a moving car when — oops, he falls from grace, tumbling on the tarmac. ■ *Pic: GEORGE MASHININI*

...t against Saki

(269)

...al and had nothing to do ...he affairs of Transnet as Ma...a had allegedly claimed in a ... report that Nomvete was a ...ho was going to perish".

...vete said the alleged fight ...Macozoma started when he ... meeting with Deputy Presi...habo Mbeki last year.

... said Macozoma was not ... with the meeting with ... and started to show mis...n him.

...aid their clashes grew from ... worse when he questioned ... senior executive had accept... appointment to one of four ... handling Transnet ac...

...lso questioned the appoint...f a communication consultant who allegedly acted as spokesman for both Transnet and Publics Works Minister Stella Sigcau.

The other issue involved Macozoma's alleged regular travelling which took up most of his time from running Transnet business as managing director.

"The differences flared into the open when I questioned the appointment of the company Simeka of which Macozoma was a shareholding director," Nomvete said.

He said the two ended not talking to each other.

He said he was approached by Macozoma three months ago and told to take another job or a package. He refused to do either and was told he was out of Transnet.

☐ See Page 30

Free SAA air tickets for relatives, friends

■ From Page 1.
hire. SAA picks up the tab.

Macozoma, by virtue of his position at Transnet, is also head of SAA.

SAA had an estimated loss of more than R250 million in the first three months of this year. The figure for the 1997/98 financial year is expected to be tabled in November.

A study of the world's top ten airlines by the company KPMG has found that the Voyager programme was the most susceptible to abuse and fraud.

Asked why Macozoma was allowed to cash miles for free tickets when he was a Transnet employee, SAA communications manager, Leon Els said he would investigate the matter.

He called City Press later to say he had been asked not to discuss the issue and to refer all inquiries to Macozoma's office.

Macozoma confirmed that he had claimed miles and exchanged them for free tickets and said he was entitled to do so.

"I am not a full-time employee of Transnet and do not benefit from the group's pension fund," he said.

"The tickets I received benefited people who otherwise could not afford to pay for their flights.

"I have also used the tickets to help the families of exiles whose next-of-kin died outside the country and businessmen who wanted to travel business class but could not afford it," he said.

Macozoma said the person who warned him to stop cashing in the miles did not understand he was different to other Transnet employees.

However, Tager said this was not the case. She said no Transnet employees who accumulated free miles was allowed to cash them in.

Tager emphasised that it was fraud to do so.

Mbeki looks into affairs at Transnet

(269) CP 25/10/98

Disgruntled executives, fired board members and bad reports lead to probe

By ELIAS MALULEKE

THE OFFICE of Deputy President Thabo Mbeki is investigating the affairs of Transnet following numerous reports from disgruntled executives and axed board members, City Press was informed this week.

The furore began when the chairperson of Transnet's Tender Board, Delisiwe Dludlu, alleged her contract was not renewed after she refused to sign a contract with a company in which she claimed some Transnet officials had a personal interest, either as directors or shareholders

The National Party has labelled the Transnet turmoil as "Transgate" and alleged this was one of many examples of African National Congress "nepotism/cronyism".

NP chief director Darryl Swanepoel called on Public Enterprises Minister Stella Sigcau to explain why she had not taken steps to correct the situation.

He said Sigcau, who is in charge of Transnet, should have acted immediately when the scandal erupted over the contract granted to Simeka TWS of which Transnet managing director Saki Macozoma is a director.

An insider in Mbeki's office told City Press an investigation had been going on for some time and was highly confidential.

Mbeki's office refused to comment on the reported investigation.

City Press also understands that one of the allegations being investigated by Mbeki involves container theft at Transnet which led to the suspension of several senior managers this week.

Dludlu told City Press two weeks ago that she had been axed for refusing to sign contracts favouring companies being managed by Transnet senior officials.

She said her problems began when she questioned the involvement of Transnet managers in companies doing business with Transnet.

She said she was told to sign the contracts or be axed.

"I stuck to my guns and refused to sign for ethical reasons, and was told my contract would not be renewed."

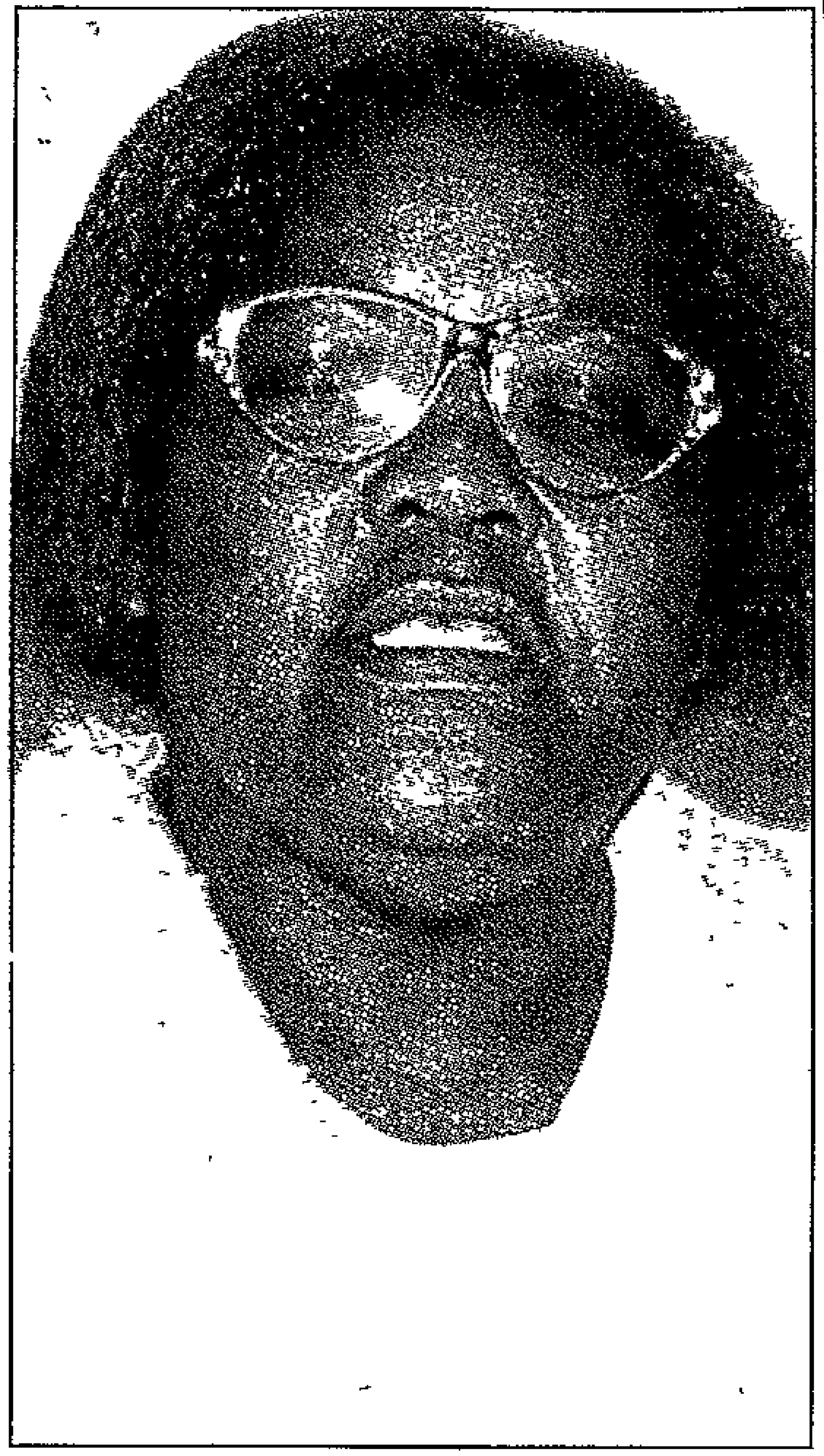
Dludlu also said she had taken the matter up with Mbeki.

She was the third sacked senior Transnet executive to complain to Mbeki.

The first was Joe Ndhlela, whose axing as executive director was linked to an investigation into the theft of containers last year.

The second executive to leave under a cloud was Zukile Nomvete, who alleges he was forced to take a package after falling out with Macozoma early this year.

Transnet has claimed that Dludlu's contract expired in July and could not be renewed because members of the Tender Board could not serve for more than two years.



***EXPLAIN...** Public Enterprises Minister Stella Sigcau has been asked by the National Party why she did not act to remedy the situation at Transnet.*

TRANSPORT (269) CT (BR) 30/10/98

Imperial the preferred bidder for state tender

Mac Maharaj, the transport minister, announced yesterday that Imperial Holdings had been chosen by the state tender board as the preferred bidder to supply transport services to five national government departments.

Maharaj said the move to outsource part of the government's needs for motor transport was in line with his department's policy to establish public-private sector partnerships for the provision of services. The provision of government transport was not a core business function of the government and was better placed within the private sector, he said.

Maharaj said it was anticipated that through the envisaged contract much of the risk and responsibility for the fleet would be transferred from the government to the private sector. — *Lynda Loxton, Cape Town*

Heads to roll at Transnet over abuse of free SAA voyager miles

(269)

By ELIAS MALULEKE

HEADS are to roll at Transnet including that of board chairman Louise Tager following disclosure by City Press last week of the abuse of free SAA Voyager miles.

A source in the Voyager department said an internal inquiry had been launched in a bid to root out executives and senior managers abusing the system.

Transnet employees are not entitled to claim free miles or cash them for air tickets, she said.

Tager is allegedly being sidelined by some board members and gagged from speaking to the media after her comment on the abuse of the miles.

Transnet MD Saki Macozoma, who reacted angrily to last week's article, was quoted in daily papers as saying Tager spoke "nonsense".

Tager was regarded by many as the head of Transnet by virtue of her position on the board, and Macozoma her junior.

However, it is understood that she is being bypassed by members of her board on crucial decisions.

She also cannot take any action against Macozoma in connection with the miles scandal.

Macozoma used the free Voyager miles for friends and relatives contrary to Transnet policy.

Macozoma claimed he was entitled to cash his miles. But some Transnet executive have said the free miles were "untouchables" and Macozoma had no right to use them for free tickets.

Transnet management board member Dr Willie Coetzee drafted a policy document on the Voyager miles for Transnet employees and executives.

The policy, which barred all board members, executives and Transnet managers from cashing in free miles, was adopted at a Transnet Board meeting in 1996.

The ban was put in place to stop executives and senior managers from taking unnecessary trips at Transnet's expense solely to accumulate more miles for free air tickets, and other benefits enjoyed by other regular frequent flyers.

An insider said all miles accumulated by Transnet employees and executives were exchanged for cash benefits which were then pooled into the Transnet pension fund.

No amendments have been made to the policy document which ruled that the exchange of the miles by an executive or any Transnet employee was tantamount to fraud.

In a scathing attack on the article revealing that Macozoma exchanged more than 700 000 free miles since he joined Transnet in 1996, he said the report was "hogwash".

The report indicated that Mocozoma, whose annual package totalled R920 000 in 1996 and who also flew business class locally and overseas at the expense of Transnet, had given free Voyager tickets to friends and relatives.

This is despite the fact that his immediate family members are entitled to fly free on all SAA flights as part of his fringe benefits.

However, Macozoma claimed he allocated the tickets to "needy people".

But according to Voyager documents most of the beneficieries are certainly not among the "needy".

CP 1/11/98

ANGRY... Saki Macozoma, Transnet MD.

Transnet could report as much as R100m loss

(269) BD 4/11/98

Results expected to reflect the effects of high interest rates and depreciation of the rand

Amanda Vermeulen

TRANSPORT parastatal Transnet is poised to report a substantial loss for the six months to September, with some analysts predicting the half-year figures could be as much as R100m in the red.

Transnet, which has been restructuring for several years, reported its first profit in four years in the year to March, with earnings of R278m. However, analysts say the interim results of Transnet — one of the first key industries to be hit by the economic slowdown — will reflect the effects of high interest rates and depreciation of the rand when they are released on Monday.

At the year-end results, reported in July, chairman Louise Tager and MD Saki Macozoma warned that market turmoil and a depreciating currency would affect Transnet companies across the board.

BOE Securities analyst and director Syd Vianello said reports coming in from all sectors revealed an economy in deep trouble, with transported volumes significantly down.

"Interest rates are killing the economy. Small declines in the rate are not going to undo the damage which has already been done."

In addition, analysts said the resulting decline in trading volumes across the board meant that Transnet was unlikely to have been able to make much of a dent in reducing its high borrowings, which stood at R22bn at the 1998 year end.

One analyst said high interest rates would probably remain a major income statement item. Last year, Transnet's net finance costs were almost R1,3bn, wiping out more than a third of its operating profit "and with the interest rates rise, interest costs must remain a major expenditure".

A decline in volumes combined with high fixed operating costs could put pressure on Transnet to increase prices to offset the reduction in revenues from smaller payloads.

Transnet said it could not comment on the details of the results at this stage, but acknowledged that it had been "a difficult trading period".

One analyst said Transnet's largest contributor to group income, Portnet, was likely to show a significant knock. In the 1998 financial year, it turned in net profit of R1,65bn after finance costs.

"Everyone was expecting Portnet and Petronet to make good profits again in the first half, but this seems very unlikely with the recession already here, leading to lower trade volumes and throughput. But it's possible that Portnet will probably still make a reasonable profit."

Another factor likely to have an effect is the 25% decline in the value of the rand since the beginning of this year, which will increase Transnet's capital costs.

Strategy should ease privatisation process

Transnet to share deficits with Pretoria

NCABA HLOPHE (269) ET(BR) 4/11/98

Johannesburg — A strategy to share the burden of the Transnet pension and medical aid deficit with the government was expected to be completed next year, Saki Macozoma, the managing director, said yesterday.

Macozoma said the debt-sharing mechanism was expected to boost the privatisation of the state-owned transport utility.

"Otherwise many of the businesses due for privatisation will be impossible to sell with a balance sheet that would reflect the pension and medical aid deficit," he said.

"In the aviation industry, for example, there is no way one could hope to sell an airline with a debt-equity ratio like that."

The pension fund and medical aid deficits have been a major problem for Transnet's profitability, slowing attempts to speed up its privatisation.

Last year, the pension fund bludgeoned the transport utility's performance to a loss of R170 million.

But Transnet had staged a dramatic comeback in its interim results in July, reporting its first net profit in three years: R278 million in the black.

In the July interim results, Transnet said the funds' debenture liabilities of about R8 billion stretched Transnet's gearing from 52 percent to 72 percent.

Macozoma said Transnet had adopted a strategy to sell off its non-core businesses such as Transwerk, Autonet, Blue Train, Apron Services and Transtel.

July results showed debt liabilities of about R8bn, putting gearing up to 72%

It planned to keep businesses such as Spoornet, Portnet and Petronet as transitional entities while the pension fund burden was being addressed.

However, he did not commit to any transition schedule.

Macozoma said Transtel was expected to consolidate its interests in MTN.

It would position itself to bid for a licence to become the second telecommunications provider after the expiry of Telkom's exclusivity in 2001.

Macozoma said he expected the corporatisation of Eskom and the clarification of the regulatory framework in the telecommunications industry to boost the privatisation process.

Transnet retrenchments loom after R100m loss

(269) ST (BT) 8|11|98

TRANSPORT

By THABO KOBOKOANE

TRANSNET will tomorrow announce a loss of around R100-million in the six months to September against a R48-million profit previously.

"It is substantially what we expect due to the effects of the downturn in volume as a result of difficult market conditions," says MD Saki Macozoma.

Most divisions will report either a loss or reduced earnings. The group will soon announce retrenchments of an unspecified number of workers at Spoornet and PX, the parcel divisions, but not on the same scale as last year when it laid off about 4 000 at PX and 2 000 at Spoornet.

Macozoma says it is difficult to adjust costs other than labour to return the group to profitability. "Even that may not be as easy," he says.

But Macozoma is pleased that the group has been able to "manage down" working capital, given that most of it is dollar-denominated. "It is very important to bring that down."

"Slightly, but significantly hit" is Portnet as a result of a decline in exports, despite the rand's sharp fall. Spoornet, which surprised everyone with a sharp rise in net profit to R712-million in the year to end-March 1997, will be hit by substantially reduced volumes.

SAKI MACOZOMA

Loss-making SAA will show a "great improvement" at the bottom line, but will still report a loss. The airline is showing signs of turning around as it reaps benefits of recent marketing exercises. Due for partial privatisation, it recently entered into alliances with Swissair, Singapore Airlines and Lufthansa.

At least 30% of the airline is due to be sold off to a strategic equity partner early next year. Fierce bidding is expected from the likes of BA, Malaysia Airlines and airline consortiums including Swissair-Delta, KLM-Northwest, Malaysia Airlines and Lutfhansa-Singapore.

Macozoma is confident that by the end of the current financial year there will be a confluence of views between Finance Minister Trevor Manuel, Public Enterprises Minister Stella Sigcau and other stakeholders on how to proceed with the pension fund deficit.

This will pave the way for a possible further round of overseas trips by Macozoma to lenders on the basis of the agreement.

The group recently announced it would privatise a range of non-core businesses over an 18-month period. But these divisions are proving problematic, he says.

"We are finding that as soon as we identify a division for privatisation, management gets unsettled and leaves. "We lose control of the business and are learning to deal with that."

A case in point is the departure of Peter Mageza, who was CE of Autonet, a division earmarked for privatisation.

Real power is economic

Transnet in the red by R133-m

(269)

Sowetan 10/11/98

By Shadrack Mashalaba

STATE-OWNED transport group Transnet is deep into the red, showing a loss of R133 million in its interim results for the period ended September 30

The loss, according to the group, makes retrenchments inevitable.

Addressing a media briefing in Johannesburg yesterday, Transnet managing director Saki Macozoma said while he could not say how many people would be retrenched, the group was looking at granting voluntary packages as one option

"We are busy negotiating with labour movements We are compelled to look at skyrocketing costs

"The decision of how many people will be retrenched and in which group divisions will be decided by managers at individual operating divisions concerned in consultation with all stakeholders

"As a company undergoing restructuring we will continue to be a net destroyer of jobs," Macozoma said

Retrenchments

Some of the units that face "major" retrenchments include PX and South African Airways Macozoma said "there are people who are working in operations such as SAA who should never have been there in the first place".

He cautioned that if there was no restructuring the group would not be able to meet its targets.

Macozoma also expects the group to report a loss at the end of its financial year.

"It (1998) will be a difficult year. It looks as if there will be no rainbow after the floods. In the current economic climate many companies try to find space to survive rather than grow"

The Transnet group includes trading divisions such as SAA, PX, Autonet, Spoornet, Portnet, Petronet and Metrorail.

Spoornet reported a loss of R105 million and Transnet executive director of finance Gloria Serobe described the loss as "modest"

Petronet reported an improved profit of R186 million.

Autonet, after years of operating at a profit, reported a R5 million loss.

The SAA also reported a loss of R207 million

Portnet reported a net profit of R759 million against Metrorail's loss of R28 million.

Serobe cautioned that in order to achieve a turnaround in the group's operations both operational and financial efficiencies needed to be improved.

Macozoma added that there was no problem with the group's pension fund. "The problem lies in the R10 billion loan which will be redeemable in the year 2011"

He said Transnet's pension fund had a deficit of more than R2,3 billion and the group was discussing the issue with the Ministry of Finance.

Challenges coming

Among candidates for privatisation at Transnet are SAA, which is due for partial privatisation next year, and Autonet. On the human resources front, major challenges were coming.

"We have not been reluctant to commit funds to the Coega project. To date we have spent R50 million and have spoken to the Trade and Industry Ministry and Billiton about risk sharing"

Transnet managing director Saki Macozoma says adjustments will have to be made to turn his company around. PIC PETER MOGAKI

Transnet takes steps to 'stop the bleeding'

(269)

Loss of R133m triggers retrenchments and cutbacks in capital projects

MD 10/11/98

Robyn Chalmers

TRANSPORT parastatal Transnet has outlined a programme of retrenchments, capital project cuts and financial restructuring to stem further losses in the face of a global economic decline.

The move, unveiled yesterday when Transnet announced a R133m loss in the six months to September from a R48m profit previously, will hit suppliers in the construction, engineering and other related industries.

Transnet MD Saki Macozoma would not say how many of the 100 592 employees would be laid off.

Analysts said thousands might have to be retrenched and they expressed concern that the huge backlogs facing much of the infrastructure falling under Transnet — such as ports, rail and air — would be exacerbated.

"In times like these, something has to give. Given the situation, we have to look at where to cut to stop the bleeding. We must be fit for any future upturn," said Macozoma.

Divisions likely to be targeted include Spoornet along with loss-maker PX, a parcel distribution company and SA Airways, although retrenchments will take place across the board. Spoornet shed 12 694 jobs in 1997/98.

Union group Salstaff said it was "extremely difficult" to estimate numbers as the various joint transformation committees were still talking.

A labour source said the company previously threatened up to 20 000 retrenchments in the long term, but no definite figure had been given

Gloria Serobe, the executive director in charge of finance, called on all divisions to review their approved capital expenditure projects. Those which were not essential would be postponed or cancelled.

Transnet's R4bn capex budget for this financial year was unlikely to be cut, but higher interest rates meant some projects were not viable and those which did go ahead could have tougher conditions imposed on them. The parastatal was, for example, talking to government about sharing the risk of developing a deep water port at Coega in the Eastern Cape, in which Portnet had already invested R50m and had agreed to inject a total R1,5bn.

"Transnet must follow a more conservative investment programme and focus on financial re-engineering to the benefit of the balance sheet," Serobe said.

It aimed to improve its gearing ratio, contain costs, focus on cash-flow management and fund innovatively.

The biggest stumbling block to Transnet's restructuring remained the R12bn pension and medical aid fund liability, which Macozoma said should be resolved by the end of the year. The solution could be to share the burden equally between government, Transnet and its employees.

The global economic decline could force Transnet to accelerate its restructuring and partial privatisation exercise to ensure it did not become "bogged down", he said.

Reneé Grawitzky reports that Transnet unions were unable to shed light on the format or number of retrenchments. They said talks about a social plan were at an advanced stage with broad agreement on the framework. A union source said discussions about Transnet's restructuring were proceeding, with the company engaging the unions.

Outlook for Transnet: Page 11

Big Maputo Corridor small business deal sealed

Star 11/11/98 (269)

Nelspruit – The Maputo Corridor initiative delivered one of the single largest contracts yet to small business in South Africa yesterday with the granting of a R30-million contract to two small road contractors.

The 30-year construction and maintenance contract is part of a broader equity participation scheme between Maputo toll road concessionaire Trans Africa Concessionaires (Trac) and emergent contractors such as Vula Kabusha.

Vula Kabusha co-director Steve Skosana said at a caviar and champagne function in Nelspruit yesterday that the contract had been possible only because of government facilitation.

"Black economic empowerment is absolutely essential to rebuild South Africa, but it would all be window-dressing if there are no real technology and skills transfers," he said.

"This deal, which took months and a lot of hard bargaining to put together, offers real opportunities for such transfers."

> "Empowering just window dressing if no skills are transferred"

Pointing out that Vula Kabusha was itself a joint venture between Vulakusile Africa and Kabusha Holdings, Skosana said emergent business had to learn to combine strengths and bargaining positions to win the really large contracts.

Kabusha Holdings representative and joint venture co-director Sipho Majombozi said the contract was the largest yet granted to a small business consortium and would serve as a model for similar future deals.

However, Trac chief executive Trevor Jackson cautioned that the deal would create only an estimated 250 permanent jobs and roughly 900 temporary jobs.

"This is by far the largest small-medium-micro-enterprises contract to date, but will not in itself create too many jobs.

"What is important here, however, is the domino effect which our experts believe could create as many as 40 000 sustainable spinoff jobs along the length of the corridor," said Jackson. – African Eye News Service

Maputo road boosts business

Sowetan 12/11/98

SMALL, medium and microenterprises in Mpumalanga this week signed a memorandum of understanding for equity participation in a R30 million contract for the construction of the N4 Maputo Corridor tollroad

Two black road construction companies, Vulakisile Africa and Kabusha Holdings (Vula Kabusha), will become equity partners for a 30-year period with road constructors Trac.

Thirty years is the duration which has given for building the road

Vuka Kabusha will subcontract the majority of projects to emerging local entrepreneurs in Mpumalanga

Trac chief executive officer Trevor Jackson said this memorandum of understanding was a proof that the buisness sector did not pay mere lip service to commitments such as empowerment

"The R30 million contract is by far the largest awarded to small and medium business organisations to date and this alone will make a real and significant contribution to encouraging black empowerment and stimulating social upliftment," said Jackson. – *Sowetan Business Reporter.*

(269)

TRANSNET

WEEDING OUT THE ROT BRINGS IN THE CASH

Stronger cash flow raises some hope FM 13/11/98 (369)

Transnet is beginning to turn the corner This is revealed by a closer look at its financial figures and comes despite the transport parastatal's return to the red during the six months to end-September this year in which the group lost R133m

One area in which Transnet showed a marked improvement during the past six months was the group's ability to generate cash Transnet closed the six-month reporting period with cash resources of R1,7bn compared with R674m at the end of September 1997

Strong cash flows are important to Transnet because any improvement in cash generated internally will reduce the group's reliance on borrowed money

This is because the group dedicates a large chunk of its net cash resources to funding the liabilities on its pension and medical aid funds After paying for these liabilities, Transnet is left with little cash to invest in the upgrading of its assets, hence the group's reliance on borrowings to finance continuing capital expenditure

During the six-month period to end-September, Transnet managed to squeeze R639m more cash out of its operations to increase cash from operations to R3,5bn Transnet also achieved a R1bn turnaround in its working capital requirements through tighter management of its debtors, stocks and creditors

This means that, after accounting for the R916m (R935m) charge for the funding of the pension fund and medical aid liabilities, Transnet was left with net cash of R2,5bn (R688m)

Finance director Gloria Tomato Serobe attributes the improved cash flows to a greater focus on the management of working capital "The tendency has been to settle with creditors quickly but delay collecting from debtors Throughout the group, working capital was the least attended to," she says

Group managing director Saki Macozoma explains that to cut out unnecessary stock holdings, Transnet has introduced a just-in-time management concept This means that Transnet operating divisions will hold in stock only those spare parts and other materials necessary to ensure the smooth running of operations

Macozoma explains that the tendency has been for divisions to keep what within Transnet has been termed a "long grass" spare parts policy — termed that because nobody knew about them

Turning to Transnet's financial performance, Macozoma says the group was hit hard by tough economic conditions, particularly the problems in Asia, which is one of SA's major export destinations All of the group's core transport divisions, with the exception of the liquid fuel pipeline operator, Petronet, either reported a loss or reduced profits.

"At the beginning of the financial year, we consoled ourselves that a decline in imports would be offset by increased export volumes

"But the reality is that exports have not increased to compensate for the decline in imports," he says

LIGHT AT THE END OF THE TUNNEL

Saki Macozoma

>> Within Transnet, we have a term, 'long grass' spare parts, which refers to all those parts that nobody knows about<<

	Sep 30 '98 reviewed Rm	Sep 30 '97 reviewed Rm
Working capital changes	591	(550)
Net increase/(decrease) in cash	1 274	(30)

In the case of South African Airways which reported a loss of R207m (-R145m), Macozoma says the airline showed an improvement during the past two months

SAA now has a strategy to reverse its financial bleeding The plan revolves around improving revenue management, fleet diversity and connecting domestic and international flights Jabulani Sikhakhane

IDC

MOUNTAINS OF MONEY

IDC set to report higher profits

State-owned Industrial Development Corp (IDC), SA's industrial megaproject initiator, is expected to unveil dramatically improved results in two weeks, doubling its profits in 1997/1998 to R525m

"The performance flows partly from the good results posted by affiliates Foskor (fertilisers), Sapekoe (tea and coffee producer) and ADE (diesel engine manufacturer)," says IDC GM, finance, Gert Gous

Improved labour productivity at Sapekoe resulted in an R8m profit following the previous year's strike-induced R24m loss Gous says the IDC hopes to reduce its control of 100%-owned Foskor — which also controls the Richards Bay-based phosphoric acid exporter Indian Ocean Fertiliser — to a minority stake "within a few years"

The IDC's equity partnerships with leading European groups, such as Siemens AG, Steinmuller, Degussa and Daimler Benz also contributed to the profit figures

Though the IDC has changed its financing focus by increasing its support for the emerging black businesses, megaprojects such as Alusaf, Columbus Stainless, Namakwa Sands and Saldanha Steel continue to play a vital role in its long-term economic success Testimony of this ongoing trend is its 25% equity stake (coupled with loan financing) in the US$1,34bn Mozal aluminium smelter at Maputo, Mozambique, and its "driving-seat" equity in the $2bn Maputo Iron & Steel Project

The IDC doesn't use taxpayers' money — instead, it swells the State's coffers by paying taxes It has three main sources of funding — internally generated cash flows, capital profits from the realisation of capital assets, and borrowings on foreign markets Arnold van Huyssteen

TRANSNET

(269) FM 6/11/98

TAKING A DIFFERENT TACK ON TRANSFORMATION

Macozoma refines the State corporation's role

SA's privatisation lobby is in for a surprise A new view emerging from government suggests that significant elements of the Transnet privatisation programme are under review And what is becoming clear is that though noncore assets will be sent off to the private sector, those businesses considered essential to the Department of Trade & Industry's inclusive industrial development policies won't

What has stimulated the debate is a growing belief that, for a period at least, Transnet will be needed to support the development of SA's economy In addition, there's a view that, if there is to be an African renaissance, SA will have to provide a variety of assistance across the subcontinent That will inevitably include measures to stimulate local economies through the rehabilitation of economic corridors (Maputo and Beira included) and providing help further north too

If such a role is to be played, it's thought unlikely SA's private sector will step into it An obvious candidate, therefore, especially since so much of the early development will be transport linked, is Transnet

The man assigned the job of ensuring Transnet fulfils this role is MD Saki Macozoma, a man who draws praise and fire in almost equal measure

At least some of the anger Macozoma inspires has its origins in his approach to management efficiency "The principal issue for Transnet is that the experiment of putting black management en masse into the top echelons of the businesses is watched by all constituencies carefully And any failure to perform adequately attracts attention I came to the conclusion that, in some instances, I had no alternative other than to take what I thought was appropriate action

"And what I wasn't prepared to countenance is an attitude among some that they are untouchable because they are black The principle is that, whether an individual is black or white, there's no job without performance I can't subscribe to the creation of an underclass of managers of whatever colour "

> **»Much of my work is highly political. I can't deny that. And I couldn't do this job if I pretended otherwise«**
>
> **Saki Macozoma**

Macozoma (41) has also branched out to embrace new responsibilities in the organisation of SA business and is prominent in the new Business Initiative launched barely two months ago He says he considers himself morally bound to involve Transnet more closely with the business community and predicts a new umbrella business organisation, representative of all commercial constituencies, will become a reality in the next year

Government's plan for a broader role for Transnet will disappoint those who believe that privatisation offers the best way of modernising SA's public sector while simultaneously achieving a substantial reduction in public debt The extent of the debate in Cabinet isn't known

If this is how Transnet is to be reorganised, then its core businesses will be Portnet (shorn of some of its port operations), Spoornet (including the highly profitable Richards Bay coal line), Petronet (perhaps with partners and expanding to embrace gas pipelines such as that proposed from the Pande field to SA) and SAA (with an international partner)

Elements to be spun off will include Autonet, Transwerk, Transtel and aspects of airport apron services and port operations

But concepts of this kind need to take account of some uncomfortable underlying economic realities Principal among these is that Transnet, despite its return to profitability (probably short-lived given the current downturn), is hopelessly under-funded This public-sector company's financial structure is in urgent need of a comprehensive overhaul, if this isn't done quickly, any hopes for its involvement in a major regional economic impetus may be stillborn

However, Transnet is hobbled by its near-disastrous pension fund, a legacy of previous management policies and of a desperate need on the part of the fiscus to push the liabilities out of its own balance sheet

In 1990, the pension fund was actuarially estimated to be R17,2bn below its potential liabilities (this implied a funding level of as little as 22%) This wasn't a problem as long as it was held inside the government net But it became a major issue as soon as it was externalised

Transnet's interim solution was to issue an IOU to its pension fund for R10,4bn in the form of its T11 bond, repayable in 2011 and carrying a 16%/year coupon

The drain this represents on its cash flow, however, is huge Macozoma says the cost of funding the retirement benefits, along with another R286m/year in Sats' pensioners' medical aid obligations, consumes around R3,1bn

> **»If we're serious about privatising it, even partially, then a solid balance structure has to be put in place«**
>
> **Saki Macozoma**

And, since such a large portion of Transnet's net cash flow is applied in funding its pension fund obligations, little is available for reinvestment Transnet has to borrow heavily to finance capital investment, general operations and maintenance

Macozoma says that, in the past, corners were cut to make ends meet but this policy cannot be perpetuated "There's now an urgent need," he says, "for major capital investment, particularly in the ports " Capital expenditure in the current year is expected to run at R1,5bn and will be above R1bn next year

So, what Transnet needs is a major financial restructuring programme The proposals in front of the Inter-Ministerial Cabinet Committee (charged with responsibility for restructuring and comprising Public Enterprises, Finance, Transport and Trade & Industry) are for government to absorb the pension debt, especially the T11 bond (which it guarantees anyway), and then to refinance Transnet to reduce its borrowings substantially

Transnet is in a classic debt trap, best illustrated by its gearing ratio (74% with the T11 bond, 54% without it)

And this raises potentially serious borrowing difficulties What happens, for example, to a putative SAA privatisation if the airline is required to take on board its allocation of the Transnet debt burden? "It'll be insolvent before an aircraft takes off," says Macozoma

Under current circumstances, SAA's balance sheet would probably reflect total assets of around R6,9bn, equity of R1,6bn and its share of Transnet's debt at R4,7bn The debt equity ratio in this scenario is virtually 300% This compares poorly with the average for the global industry of about 120%. "If we're serious about privatising it, even partially," Macozoma says, "then a solid balance sheet structure has to be put in place "

So far, however, moves to restructure Transnet's finances have foundered on the Treasury's unwillingness to be lumbered with what it regards as an unacceptably heavy burden The way around this may be to create what Macozoma calls a special purpose vehicle in which Transnet's pension fund obligations and some others can be parked. In compensation, Transnet would then become a fully tax-paying entity (it is now tax-exempt), of which an element could be isolated to support the requirements of the special purpose vehicle

This proposal has been accepted in principle by all the concerned Ministries with the exception of Finance However, for the past 18 months Transnet's restructuring has not been steady.

Macozoma is at pains to point out that Transnet's borrowing profile has to be viewed as a composite It consists of general corporate debt, project finance (much of this associated with Portnet) and SAA specific debt.

However, any proposed changes to the debt structure require the formal, prior approval of lenders And their attitude has been that a further approach must be made after proposals to restructure Transnet's balance sheet get the nod from government Macozoma says "90% of SAA's specific debt remains in this category It's difficult to move as long as Transnet's financial restructuring remains unresolved "

And that boils down to an acceptance by government of the special purpose vehicle proposal With it, the creation of an acceptable balance sheet for SAA is possible, without it — or some other structure which produces a similar result — there's not much chance

"This has to be resolved soon," says Macozoma. But when? He says it will be approved by Cabinet before year-end, but narrow time frames such as these have a habit of being ignored

Meanwhile, it isn't possible to ignore the attacks to which Macozoma has been subjected in recent weeks These have centred principally on allegations in *City Press* that he has seriously abused SAA's Frequent Flyer programme to the extent of handing out free travel to members of his family or to political and business associates most likely to be of assistance to him

Macozoma's response is that both he and his family are able to fly where they like without charge — it's part of the package The Frequent Flyer points he earns are applied, he says, as far as possible on a charitable basis or for those people he believes will best assist SAA to achieve its commercial targets "Much of my work," he says, "is highly political I can't deny that And I couldn't do this job if I pretended otherwise "

He has described *City Press*'s accusation as "hogwash", and was also quoted as saying Transnet chairman Louise Tager was "silly" to suggest that Transnet executives were barred from collecting Voyager miles because they travelled free

Asked by the *FM* for comment, Macozoma says his response to *City Press* is that he thinks it would be silly for anyone to offer an instant judgment without first determining the true contractual arrangements

Does this mean he and Tager labour under a strained relationship? No, says Macozoma, they get along perfectly well, indeed better now than at the outset

But then he would say that, wouldn't he?

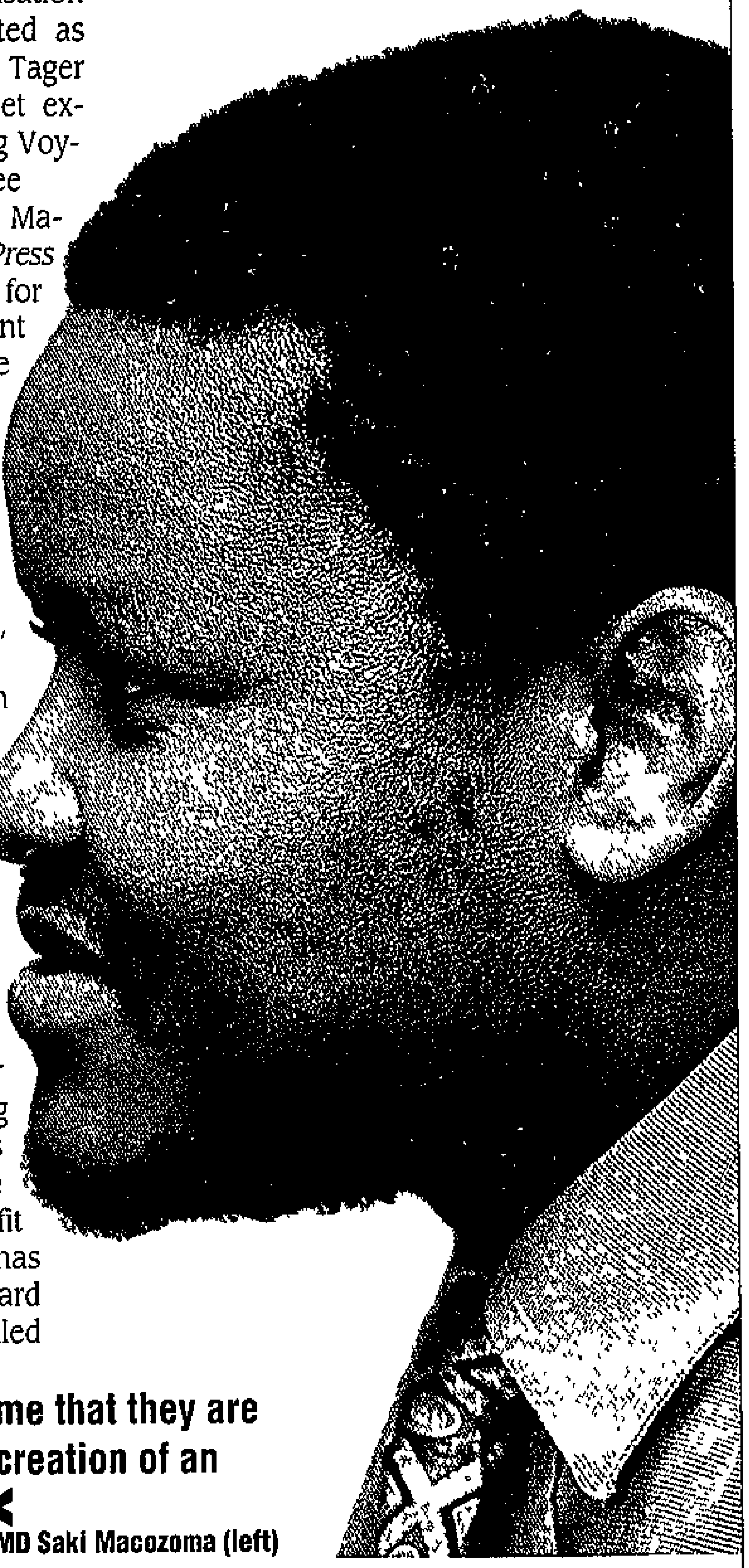
In fact Macozoma's real human relations problems arrived in the shape of Zukile Nomvete, SAA's executive director, Joe Ndhlela, who ran human resources along with Petronet, PX and Transwerk, among others, and Delisiwe Dludlu, chairman of the Tender Board

Nomvete was offered, but declined, an alternative portfolio after Macozoma decided SAA was sliding down a slippery slope Ndhlela was found by a disciplinary committee to have misused a funeral benefit scheme and was dismissed He has since applied for his case to be heard by the CCMA, a hearing is scheduled for November 26 Dludlu, a part-time appointment initially, wanted full-time employment and finally left at the end of her contractual notice period with the restructuring unresolved

The backlash from these disturbances, however, has been substantial Macozoma says that, in some instances, the arguments were politicised and tribalised and, in one case, an attempt was made to have the matter considered at Cabinet level He confirms also that he and his family have been the subject of threats to their personal safety

Though he remains peppery, Macozoma shows all the signs of a man with his hands firmly around the elements of his business His problem now is that he's lumbered with such a poor financial hand to play.

David Gleason



>> What I wasn't prepared to countenance is an attitude among some that they are untouchable because they are black. I can't subscribe to the creation of an underclass of managers of whatever colour<<

Transnet MD Saki Macozoma (left)

Y
frica

Transnet must fix its pension fund, debt

BD 13/11/98 (269)

Transnet's fortunes do not look good, says associate editor Robyn Chalmers, who looks at how it might get out of the mess and help drive economic growth in SA

TRANSNET finds itself between a rock and a hard place. Buffeted by the global market turmoil, a deteriorating local economy and plagued with ageing infrastructure, the transport parastatal has only a few options to survive. The most compelling of these is privatisation in one form or another.

To unbundle and begin the privatisation process, however, Transnet and government have to come to grips with the R10bn pension and medical aid fund liability. This was one of the many nasty surprises left by the former government which this government must now manage if it is to stop Transnet from deteriorating to such an extent that it can no longer operate.

Currently, Transnet is not a viable concern. It holds debt of around R23bn against equity of R12bn. It is heavily geared at about 74% and significantly underfunded, a situation which does not bode well for the building of new and upgrading of ageing infrastructure. Billions of rands will be needed to rehabilitate SA's undercapitalised ports, rolling stock and railway lines, let alone the construction of new infrastructure.

A key point — driven home by the release this week of Transnet's poor interim results — is that it cannot realistically borrow much more.

A significant portion of Transnet's cash flow is swallowed in servicing the T11 bond issued to fund the R10,4bn deficit on the pension fund. This forces it into a debilitating borrowing cycle to cover costs such as capital investment and maintenance. It reported a net loss of R133m in the six months ended September from a R48m profit previously, and the outlook for the full year is poor. To survive in the short term, it is forced to cut back on its capital projects, restructure its balance sheet and retrench thousands of people. The latter will bear fruit only in the medium term due to the high cost of retrenching, but the idea is to position Transnet as a leaner, meaner organisation able to take advantage of a future upturn.

So what is to be done to restore Transnet to financial health? The options are to continue down the current path, which ultimately will lead to Transnet's demise, to the detriment of the country as a whole; adopt the middle path and spin off some business units while retaining other functions under a holding company; or fully privatise the organisation.

Make no mistake, there are industry and government officials who believe the latter is the only viable solution. They reason that government has no place being involved in the operation of transport services, but should rather play a regulatory, supervisory and policymaking role. At a push, it could retain ownership of transport assets and infrastructure, but should concession out the operation to the private sector.

What is Transnet doing in telecommunications (via Transtel) or information technology (via Datavia) or even property development (via Propnet), they ask? "The only areas there could possibly be an argument for the state to be involved is in social-type services, like commuter rail," says one analyst. "If Transnet does not privatise soon, it will have to start closing down units," says another.

All things considered, government is likely to adopt the middle path. There is a growing belief that, given the enormity of the task of developing transport infrastructure, some sort of state-owned entity is necessary to drive the process. They have a point.

The Development Bank of Southern Africa's recently released development report confirms estimates that R200bn must be invested in total infrastructure in the next five to 10 years. The report says that while the transport white paper supports the restructuring of Transnet, it remains slow. This could negatively affect rail-against-road-based modes, as the efficiencies of rail transport for low-value, high-bulk goods are not reflected in tariff structures. This extends to ports where a monolithic institutional structure mitigates against cost-efficient transport for exports and imports.

"Commercialised management, accurate pricing and, in general, market-driven approaches will need to form key elements of a strategy to rectify these problems," says the report.

Many argue that government should have placed Transnet under the transport ministry rather than under public enterprises, which has neither the capacity nor the expertise to manage Transnet effectively or place it on a new path. With the transport ministry formulating and implementing transport policy, the rationale behind placing responsibility for Transnet with public enterprises escapes many. In any case, Transnet will probably fall under transport next year in line with plans to replace public enterprises with a privatisation agency and hive off its responsibilities to line functions.

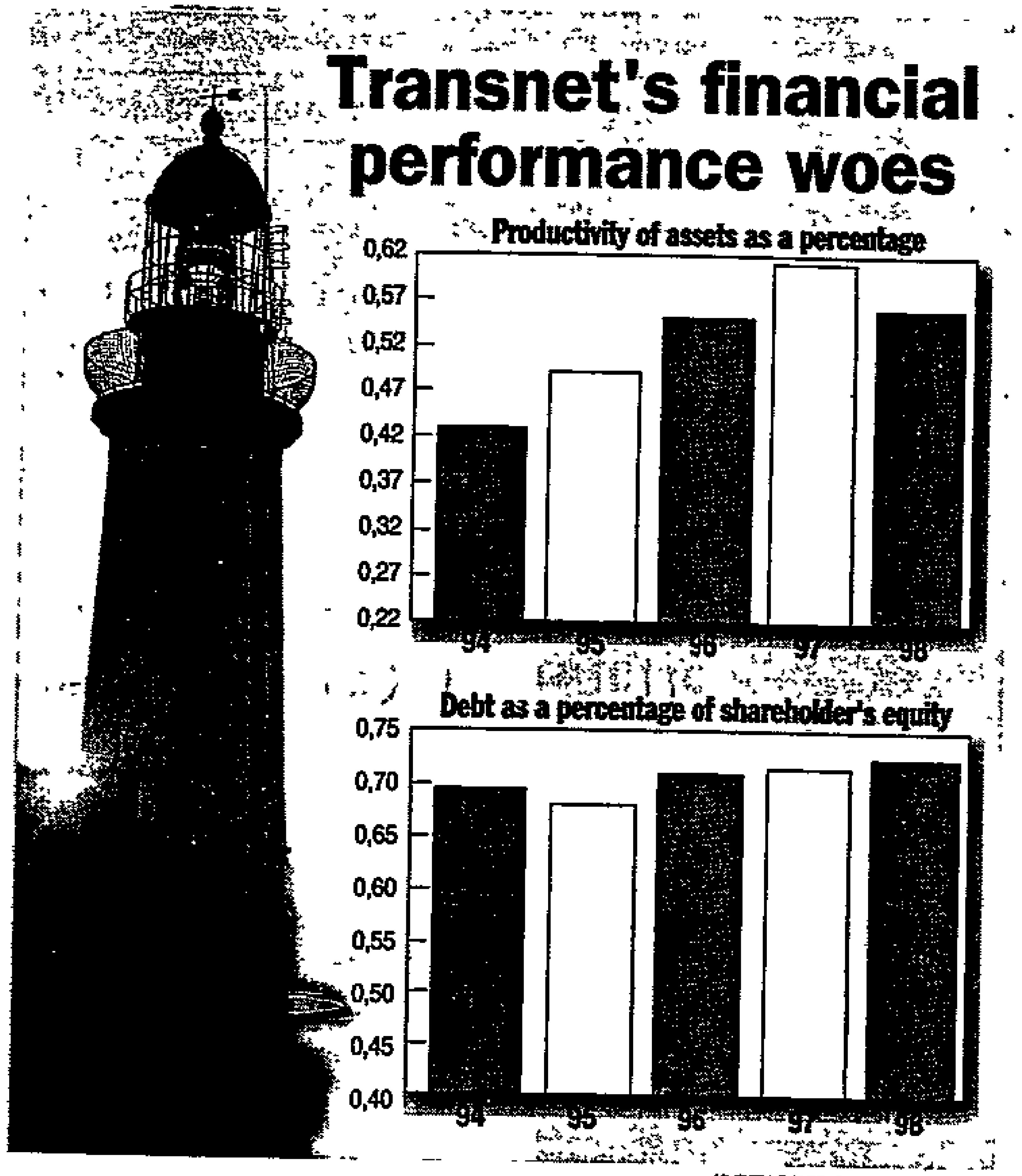
So who will take Transnet into a new era and what will transport inherit? After a significant management upheaval in the past two years, with three executive directors leaving somewhat acrimoniously, top management is confident it has come to grips with its awesome task. Some would dispute this in the light of the poor interim results which management says are the result of external factors and structural constraints.

Despite denials, Transnet MD Saki Macozoma's future as the head of Transnet remains dogged by rumours that he will take over as transport minister from Mac Maharaj next year. Maharaj, who has set the transport industry on a new path of public private partnerships, appears to be looking to other portfolio's in the future. His ministry's Moving SA report, which aims to provide a 20-year platform for transport, has come under much scrutiny and some criticism, but it has already stimulated the debate which will give certainty in terms of the industry's final structure.

In terms of what the transport ministry will inherit, the answer is a financially crippled organisation unless the pension and medical aid fund problem, and the R22bn debt burden, can be resolved soon. Government is concerned about assuming full responsibility — as it is being asked to do by Transnet — for the T11 bond. The compromise is likely to be a sharing of risk between government, Transnet and its employees, possibly combined with placing the liability and the debt into a special purpose vehicle and injecting privatisation and tax proceeds into it. Once the pension fund issue has been resolved — hopefully by the end of this year — non-core assets will be spun off over an 18-24-month period. These include road transporter Autonet, travel company Connex, Datavia, equipment manufacturer Transwerk, parcel carrier PX, and Transtel.

Transnet will be left with the assets of Spoornet, with the private sector operating much of the freight transport; Petronet, where restructuring plans have yet to be outlined; 51% of SAA and Portnet's assets. The private sector will be running port operations under an independent national port authority. SAA is likely to be fully privatised.

Government now needs Transnet to become effective and efficient quickly, if it is to help drive economic growth. Finalising the Moving SA strategy will provide the entity with an overarching legislative framework within which it can implement a more market-driven approach and involve the private sector. This will not address Transnet's financial concerns, but these can only really be grappled with when agreement is forged with government on the pension fund and the debt burden.



KUBEN DAVID Source: TRANSNET

Rail cuts will leave thousands stranded

(269)

SHARKEY ISAACS
TRANSPORT REPORTER

ARGT 13/11/98

Thousands of after-hours commuters will be stranded when Cape Metrorail cuts rail services at night and over weekends because of a cash crisis.

Severe traffic congestion is expected on city roads when train commuters are forced to find other ways to get to and from work.

The situation is compounded by the lack of taxis and buses after hours but Golden Arrow public relations officer Jeane Welsh said today: "Now we will have to look again and see if we can help."

She said most bus services ended at 7pm.

Few taxis operate from the city after sunset unless they are contracted to firms, restaurants or hotels.

Cape Metrorail will start the huge cost-cutting exercise in January and review the situation in April at the start of the new financial year.

On weekdays, trains will not run before 5am or after 7pm. On Saturdays, they will run between 5am and 2pm and on public holidays, between 7am and 7pm, and only one train an hour.

The move will cut 202 trains on weekdays and 62 at weekends

Dave Eadie, director of transport with the Cape Metropolitan Council, said the announcement was a blow to the metropolitan area's vision of people using public and not private transport.

The Cape Chamber of Commerce has criticised the move, pointing out that transport to and from work was one of the highest costs for the ordinary household.

"Commuter transport is a top priority that has to be supported," the chamber said.

Projected statistical breakdowns show about 25 000 additional people could use the city's roads daily.

Provincial transport minister Piet Meyer said that while the step was expected to

To page 6

ARGUS, FRIDAY, NOVEMBER 13, 1998

Metrorail strands workers

From page 1 (269)

cause unprecedented road congestion, it was regarded as the only feasible way to reduce railway running costs. ARGT 13/11/98

The Western Cape needed to reduce its commuter rail spending by R25-million in a national programme with a target of saving R100-million.

He believed rail commuters would not be financially hurt if they travelled by train in the morning and returned home at night by another form of transport.

He said he had joined Cape Metrorail acting regional manager Eddie Mkuchane in a meeting with Transport Minister Mac Maharaj to make a special plea on behalf of Western Cape commuters.

Mr Mkuchane said: "There is no money and these cuts are necessary to generate the savings required.

"In the medium to long term, the Department of Transport is looking at options including concessions and strategic equity partnerships.

"We have tried to ensure that our working public can get to work from Mondays to Saturdays."

He said he regretted the step, which was set to affect workers in several industries, including newspapers, restaurants, hotels and catering, and late-trading shops such as those at the Waterfront and at Cavendish Square in Claremont.

He said Cape Metrorail hoped to use the opportunity to improve the reduced service by stepping up security, improving service at ticket offices, stepping up fare collection and doing more maintenance.

COMMUTERS WILL BE HARD HIT

Drastic cuts to train services

CT 12/11/98

METRORAIL announced yesterday that it will dramatically reduce its train services starting on January 1. Cuts in train schedules will affect up to 100 000 commuters each week, and people aren't happy about it. **RHODA DAVIDS** reports.

TRAIN services for Western Cape commuters are expected to be severely curtailed following drastic cost-cutting measures, Metrorail announced yesterday.

From January 1, trains will only run between 5am and 7pm from Mondays to Fridays and from 5am to 2pm on Saturdays. On Sundays and public holidays they will run from 7am to 11am and from 3pm to 7pm.

Approximately 220 trains on weekdays and 62 trains over weekends will be eliminated from the schedule, and about 100 000 passengers will be affected every week.

Metrorail claims that not paying security and maintenance staff overtime will dramatically improve its cost-cutting moves.

The service reduction follows an earlier announcement by the National Ministry of Transport indicating difficulties in its effort to sustain public transport subsidies. As part of a national effort to save more than R100 million, the Western Cape is required to reduce its spending

Metrorail spokesperson Eddie Mkuchane said: "The reduction of train services will reduce the annual expenditure and will evade the need for retrenchments. It will also generate the saving of R25m in the Western Cape."

Metrorail hopes to improve the reduced service by enforcing tighter security measures, improving the service at ticket offices and stepping up fare collections and maintenance.

According to Metrorail, factors that stand in the way of financial performance are fare evasion, vandalism and staff fraud. Metrorail has appealed to the public to assist in minimising these incidents, which waste money that could be used to deliver better service.

The new train times have been determined to ensure that the majority of the public can get to work from Mondays to Saturdays, says Metrorail.

MEC for Transport and Works Piet Meyer said: "It is not our wish to cut services, but the position that we are in is that there is no money and there is nothing that we can do about that. We will not be raising fares and this is only a temporary measure."

The cutbacks are also likely to add to the summer congestion on the city's roads.

The Cape Chamber of Commerce has expressed its dissatisfaction with the reduction of train services.

In a statement the chamber said: "Transport to and from work is one of the highest cost factors for the normal household. The South African government has the moral and public duty to assist in the provision of reliable public transport. Commuter transport is a top priority that has to be supported."

When the *Cape Times* approached commuters yesterday, their reaction to the cuts was heated and lively.

"This is crazy. We, the passengers, are going to be affected. Our company does a lot of stock-taking and we work weekends and after hours, and if there aren't any trains from 7pm, how are we getting home? I do not think that they thought about this," Achmat Jacobs said.

Peter De Bruin of Eerste River asked: "The fact that there is going to be one train every hour — do you know how many people are going to get inconvenienced? And if people take their cars to work, where are they going to park?"

Robin Prins of Parow said: "Why don't they leave things the way they are? What's going to happen to some of us who work on the weekends? I guess I will stay at home and not go to work on weekends."

NATIONAL

Maharaj seeks cure for transport crisis

(269)

Investment and resources to be focused on corridors

Robyn Chalmers and Dustin Chick ND 16/11/98

COMPETITIVE tendering for bus and taxi operators along with private concession contracts for commuter rail are key factors in government's strategy to overcome its transport reinvestment crises.

Discussing the transport ministry's recently launched Moving SA strategy, Transport Minister Mac Maharaj said none of the transport modes were reinvesting sufficient amounts to cover recapitalisation costs.

Maharaj said commuter rail spent only 20% of its subsidy on capital investment, its rolling stock was 25 years old on average and at least R350m a year was required to halt rising maintenance costs and to improve operational safety.

The average age of the bus fleet was 13 years, having risen from 10 in 1991. Passenger use had declined and the subsidy per trip had increased by up to 50% in the 1990s. The average age of the minibus fleet was close to its useful life.

This was one of the many transport challenges outlined in the Moving SA 20-year strategy. Maharaj said four key challenges emerged from the study and strategic actions had been developed to meet them.

The challenges were the lack of affordable basic access to transport; an ineffective public transport system; an increasing dependence on cars; and poor land use planning.

To meet these challenges, the ministry proposed creating transport corridors and focusing investment and resources on them; investing in viable public transport within these corridors; and ensuring that government and operators were more productive.

This would be achieved through innovatively planned and fairly tendered public transport services, effective industry regulation and redirecting a portion of the subsidy bill away from operations towards capital investment.

At another function, to announce details of the release of the National Roads Agency's properties on to the market last week, Maharaj said that public-private partnerships were crucial in finding solutions to the problems in the public transport system.

The properties, which include those next to the William Nicol and Hans Strijdom turnoffs on the N1 north of Johannesburg, will be released over the next six to 18 months by property and asset management company Intersite.

Intersite is a wholly owned subsidiary of the corporation and aims to develop long-term recurring incomes in unlocking the previously underdeveloped state property sector.

Intersite MD, Jack Prentice said that since 1992 the company had created about 80 000 direct and indirect jobs and injected about R2,9bn into the economy.

C

Valuation of massive asset base raises auditors' eyebrows

Transnet's accounts qualified once again

CT (MR) 18/11/98 (269)

Ann Crotty

Johannesburg — For the third year in succession the auditors of Transnet have qualified the parastatal's accounts because of issues related to the valuation of its massive asset base.

In the report of the independent auditors, contained in the recently released annual report for the financial year 1998, a note states: "We have been unable to satisfy ourselves as to the recoverability of individual amounts of certain fixed assets in the categories of: land; buildings and structures; permanent way and works; and rolling stock and containers."

The notes to the financial accounts reveal that land, building and structures are valued at cost at R8,7 billion; permanent ways and works were valued at cost at R8,6 billion and rolling stock and containers were valued at cost at R10 billion.

This represented a large proportion of Transnet's total cost of investment in property, plant and equipment of R45,6 billion.

The balance sheet shows a valuation for property, plant and equipment of R34 billion at end-March 1998, which is little changed from the end-March 1994 valuation of R33,6 billion.

One accounting expert noted it was significant that the auditors had not qualified the accounts until financial 1996, and suggested that the qualification could reflect a more vigorous approach rather than any deterioration in the value of the assets.

Saki Macozoma joined the group as managing director in April 1996.

In 1996, the first year that a qualification appeared on the accounts, the auditors noted that they had been unable to satisfy themselves "as to the recoverability of the carrying amounts of individual categories of Spoornet fixed assets".

QUALIFIED APPROVAL *Transnet's accounts were qualified for the last time in 1996, the year Saki Macozoma became managing director*

PHOTO: JOHN WOODROOF

A note in the accounts stated that this was because the recoverability was dependent on the outcome of restructuring efforts by Spoornet in accordance with government plans for restructuring of state-owned assets. The 1997 qualification was the same as that included in 1998.

The annual report for financial 1996 was also the first time that reference was made to the directors' programme to "classify, evaluate and record fixed assets according to their business use. The directors have decided to give effect to a policy of revaluation upon completion of the programme, which is expected to take three to five years."

Some analysts have raised questions over Transnet's use of replacement cost, which they say is inappropriate and highly academic as many of the facilities in question would not be replaced.

SAA deal paves way for partial privatisation

(269) (~~366~~) (~~[illegible]~~)

Robyn Chalmers

GOVERNMENT has agreed that SA Airways will take responsibility for R1bn of Transnet's pension fund deficit and debt, paving the way for SAA's balance sheet restructuring and partial privatisation.

In terms of an interministerial cabinet committee agreement, government and Transnet will absorb SAA's remaining R3bn portion of Transnet's liabilities. The committee is still assessing the financial mechanism required to take over this burden, the impact of such a move and how to deal with the remainder of the R10bn pension fund liability and debt.

Government, Transnet and its employees recently agreed to share the huge pension fund and debt burden. This raised problems as the loss-making SAA, up for partial privatisation by next April, could not absorb its R4bn portion of the debt and remain viable.

Public enterprises department head Nomonde Mapetla said yesterday the deal unblocked the path for SAA to be set up separately. However, by taking responsibility for R1bn, SAA was likely to be profitable only in two to three years.

SAA moved further into the red for the six months to end-September, reporting a net operating loss of R207m from a R145m loss in the previous six months.

Mapetla said there was interest in SAA from international airlines including Swissair, British Airways, Virgin Atlantic, Air Malaysia and Lufthansa. Government is expected to sell 49%, with between 30% and 35% going to a foreign partner and the rest likely to go to employees and the National Empowerment Fund.

She said SAA had completed its business plan, focusing on routes, aircraft, marketing and a new corporate structure. A number of Transnet executives were abroad on a second international roadshow, at which the new business plan was being presented to international lenders.

Transnet has accrued about R22bn in debt through, among other things, bonds, direct loans and syndicated loans. In terms of its unbundling, Transnet plans to apportion much of this debt to its business units.

Crisis-hit Japanese banks only recently withdrew key objections to the debt-transfer proposal. Government had to postpone the privatisation exercise to early next year after Asian lenders objected to a balance sheet restructuring.

BD 24/11/98

Gauteng to Uganda transport route opens

Trans Africa carves a path northwards through Africa, writes **Claire Pickard-Cambridge**

(269)
BD 24/11/98

THE Trans Africa Railway Corporation, which launched its service from Gauteng to Uganda last week, plans to carve out a significant trading corridor through seven African countries.

The service is expected to revolutionise trading patterns in the region which have been hobbled until now by inefficient east African ports, incompatible rail gauges and deteriorating roads.

The Johannesburg-based director of Trans Africa, Mark Gordon, says transport time will be cut dramatically, and the $14m project could prove a springboard for extending its service into Kenya next year if negotiations with Kenya's rail authorities are successful.

The project includes plans to build an $8m inland port in Uganda which would serve as a hub for trade with the country's neighbours.

Trans Africa is a Tanzanian-registered company but is 48%-owned by the SA Infrastructure Fund. The remaining shareholders are Comazar, which has rail services in several African countries and has SA's Transnet as a 66% stakeholder; and the East Africa Coast Corporation which is owned by two SA entrepreneurs, Gordon and Hobart Anthony Kay.

Rolling stock will be leased from SA's Transnet — some of which will be adapted to the German gauge — as well as from the Ugandan and Tanzanian railway authorities.

Tracing the route on a large Spoornet map, Gordon said the goods trains would take 14 days to get from Johannesburg to Uganda, with red tape being reduced because goods remained under one agency. While the travelling time is not exactly supersonic, it must be compared with the torturous routes previously available.

For instance, SA goods to Kampala previously had to be shipped via Kenya's rusting port of Mombasa. Ships in Mombasa harbour can wait 10 days to have cargo offloaded, and trucking from Mombasa to Kampala can take another two weeks.

Trans Africa, which does not cater for passengers, goes from Johannesburg via Gaborone, Bulawayo, Victoria Falls/Livingstone and Lusaka to Kapiri Mposhi in eastern Zambia, which is the start of the Chinese-built Tazara Railway Line.

The linchpin on the route is a R20m transshipment centre built by Trans Africa in Kidatu, Tanzania, to link trains on the British "imperial gauge" line with the narrower German gauge of east Africa. High-tech "reach-stacker" cranes transfer the goods between trains within hours.

From Kidatu the trains travel via Kigoma to Tanzania's port of Mwanza, roll on to a wagon ferry and cross Lake Victoria to disembark at Port Bell in Uganda. The last leg to Kampala includes Namwanve, a station 5km outside the capital, where Trans Africa will build an $8m inland port with container depots next year.

Trans Africa hopes to carry 80 000 tons a year of cargo between Gauteng and Kampala, as well as 250 000 tons of domestic cargo within Tanzania. It has obtained a 20-year concession to operate on Tanzania's state-run rail network and is negotiating a similar deal with Uganda.

Gordon said he had had a positive response from SA business. Companies such as SA Breweries in Tanzania and Uganda are expected to use the service. "Britain has been replaced by SA as the biggest investor in Uganda and this rail link will make trade with SA even more attractive."

In Tanzania, Trans Africa has already signed a five-year contract with the Tanga Cement Company to transport 120 000 tons of cement a year from the coast to other parts of the country.

Mining is also opening up in northern Tanzania and the company hopes to transport machinery and supplies there.

At this stage, the greatest demand lies with north-bound traffic — a reflection of SA's trade surplus with most African countries — and Trans Africa expects to fill these trains.

However, it has budgeted for only a 10% return-load factor. Gordon said it was hoped the return-load would increase to 50% within six months, thereby enabling Trans Africa to provide a cheaper service for northbound traffic.

He believes the slightly cheaper fares and much faster service will spawn rapid growth in trade. Trans Africa's expansion plans include the possibility of linking Kampala to Nairobi and Mombasa.

Gordon said negotiations had started with Kenya Rail. "We are hoping Trans Africa Kenya will be born and feel it is important for Kenya to play a role in this corridor as well."

Trans Africa also plans to expand its service next year by reopening the old railroad from Kampala to Kasese, a strategic mining town in south-western Uganda close to the Congolese and Rwanda borders. Kasese was once at the end of the line for goods destined for Rwanda, Burundi and eastern Congo, which meant the new project would boost trade and development in these countries.

Gordon said donor organisations had estimated it would cost $9m to reopen the Kasese line, but Trans Africa believed it could be made operational at less than R9m with upgrades being done as traffic picked up.

The Ugandans, and President Yoweri Museveni in particular, are keen on the inland port near Kampala because illegal imports have been hard to police. Customs duties will be collected more easily when container depots are consolidated into one controlled area, instead of being scattered around the capital.

Trans Africa has completed negotiations with the Ugandan authorities to lease 30ha of land and is negotiating to lease the barely functioning terminal from Uganda Railways Corporation.

Ezra Bunyenyezi, the MD of Elgon Holdings which owns part of Trans Africa Uganda, said a consolidated port facility had been the Ugandan government's dream for many years.

It would be a hub for trade with other countries, and Trans Africa Uganda would be responsible for building the port and raising finance on international markets.

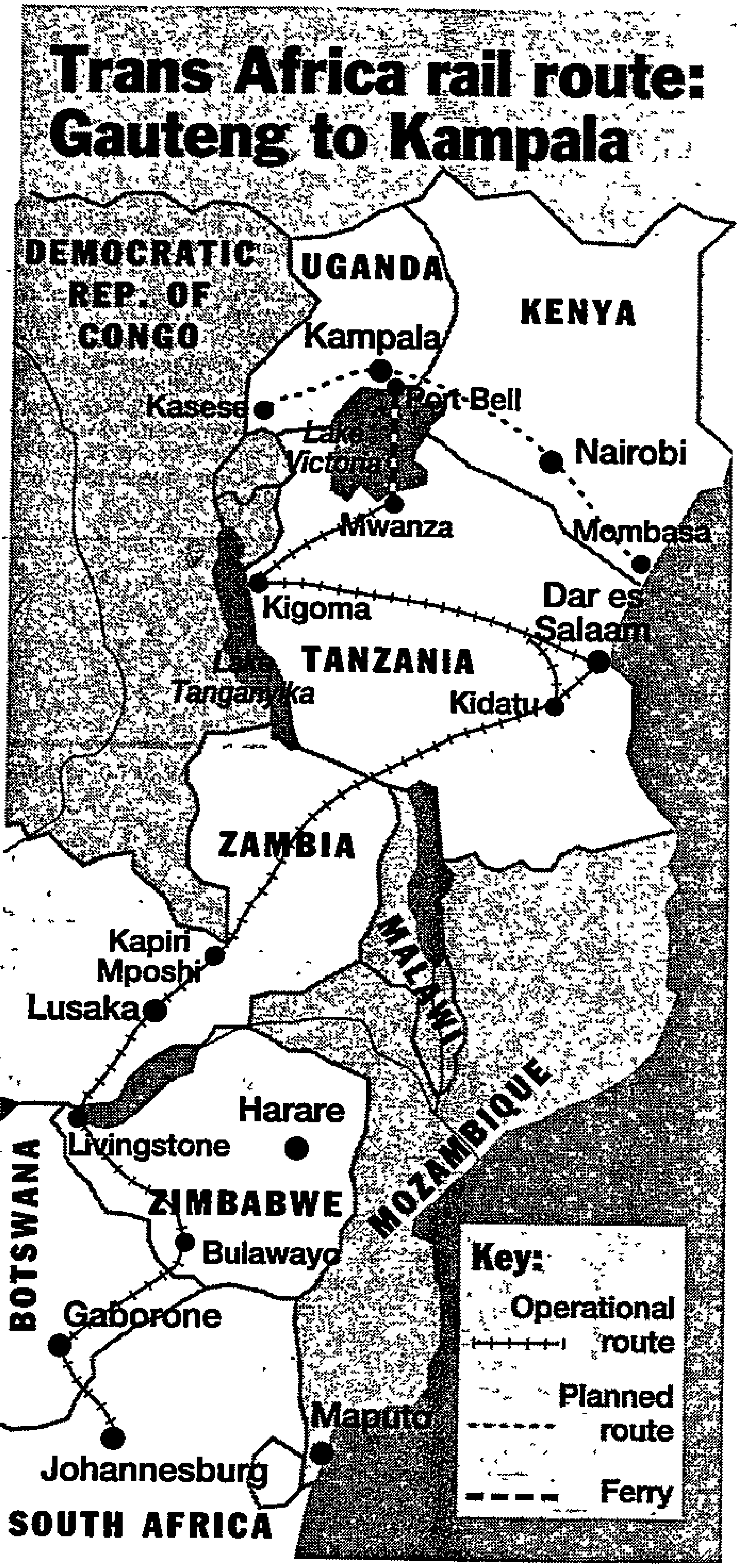
Despite the obvious regional benefits, the service has predictably generated some controversy. Several private sector players — spearheaded by the Kenya National Chamber of Commerce — are concerned that Trans Africa's service will lure customers away from Kenya Rail and reduce trade volumes at Mombasa port.

Chamber CE Rem Ogna has predicted a "deflection of focus from Mombasa port, which has long enjoyed the status of a landing point for the northern corridor linking Kenya, Uganda, Rwanda, Burundi and eastern Congo".

He also fears the new service will make Durban port the loading point for goods going to east Africa and the Great Lakes region.

Gordon argues that competition will be healthy. "In the past there was never an alternative for SA-Uganda trade so there was no incentive for Mombasa port to jack up its act. We would like to incorporate Kenya into our scheme and want our customers to be able to choose whether they will use Mombasa, Dar es Salaam or Durban."

The fears of Kenyan business only highlight the need for Kenyan transport authorities to improve efficiency if they wish to be competitive. Trans Africa is not only providing new opportunities, it is also going to shake up the moribund old order.



KAREN MOOLMAN

SAA accused of anti-competitive behaviour by three airlines

Three domestic airlines – British Airways-Comair, Nationwide and Sun Air – said they had filed a complaint with the Competition Board yesterday arising from South African Airways conduct in the market.

They said in a statement that the board's attention had specifically been drawn to large capacity increases in a number of domestic routes combined with pricing policies which, in the view of the carriers, were clearly below cost and therefore constituted predatory behaviour on the part of a dominant market shareholder.

On the Johannesburg-Durban route, SAA had seen fit in an overall declining market to increase capacity by 50% and to market this increase at fare levels that in terms of the number of seats offered could not achieve full cost recovery, they said.

SAA for the first six months of the current financial year had reported a record financial loss of R204-million.

The three airlines stated that SAA's conduct was a clear case of anti-competitive behaviour.

SAA spokesperson Leon Els said the airline had not received official notification of the complaint from the board and he was not able to comment. – Sapa and Staff Reporter.

Star 1/12/98 (269)

SAA monopoly costing W Cape 2 500 new jobs

(769) CT10/12/98

DAN SIMON
TOURISM WRITER

WESTERN CAPE Tourism MEC Hennie Bester says he will urge South African Airways to surrender its monopoly of international air routes to the UK.

Addressing a one-day tourism workshop — Gloves Off, Hands On — Bester said South Africa had been turning business away for some time, despite significant increases in tourist numbers.

"Two extra plane loads of tourists each week would create 2 500 new jobs ... two plane loads would translate into 10% of our employment creation target in this province for the next year.

"We have, unfortunately, simply been turning business away.

"We need only look as far as Cape Town International Airport for evidence of this.

"It is not the fault of the airport management or staff. The blame lies firmly with central government and a state-owned monopoly."

Bester said the airport could handle about 35 international flights each day, but at present only 25 international flights were coming in.

"We have the capacity to bring 5 000 extra visitors into Cape Town every day by air in the peak season. Out of peak season, we can bring in

OPTIMISTIC: Hennie Bester

as many as 9 000 extra visitors into Cape Town, but the Airports Company of SA is prevented from doing so."

Bester said red tape, extending from the Department of Transport through to an "over-protected" SAA, was severely constraining tourism, not only in the Western Cape, but throughout South Africa.

"There have been strong inflows of tourists this year, and we have the resources in this province to cope with a far larger influx of tourists.

"We have the hotel accommodation ... numerous guest houses and bed and breakfast establishments have opened throughout the province.

"We can't afford to be throwing away jobs through red tape."

Bester said that on the UK-South Africa route the three carriers operating — SAA, Virgin Atlantic and British Airways (BA) — all confirmed high occupancy levels.

Virgin does not fly to Cape Town, and BA has some direct and indirect flights to Cape Town. Both want extra flights to Cape Town.

"SAA and the Department of Transport have, until now, said that they can't have more," Bester said.

He added that it was with this in mind that the Western Cape needed to ensure that it was accessible to visitors.

"I am lobbying SAA to give up its monopoly on international routes. We know that SAA is not using eight of the 26 SA-UK routes available to it. Virgin and BA are using all 26 British allocations between them.

"SAA has promised to raise its slots to 19 from the present 17 shortly, but this will mean that six slots will still not be used.

"Either it should give up these slots to competing airlines, as SAA does not have the capacity to fill them, or the bilateral agreement — to be renegotiated in April — must make room for at least another four flights a week to South Africa from Britain," Bester said.

PRIVATISATION

Transnet's first stop: reassembly

CT(MR) 15/12/98 (269)

Ann Crotty

Privatising Transnet would involve a process not just akin to unscrambling an egg but also getting it back into the shell.

In hindsight, the corporatisation process of the old South African Railway Service to form Transnet in 1991 could hardly have been better designed to ward off attempts at privatisation if its architects had been the South African Municipal Workers' Union.

For this reason, some hesitant progress in efforts to sell part of SAA is likely to be the closest Transnet will come to privatisation in the foreseeable future.

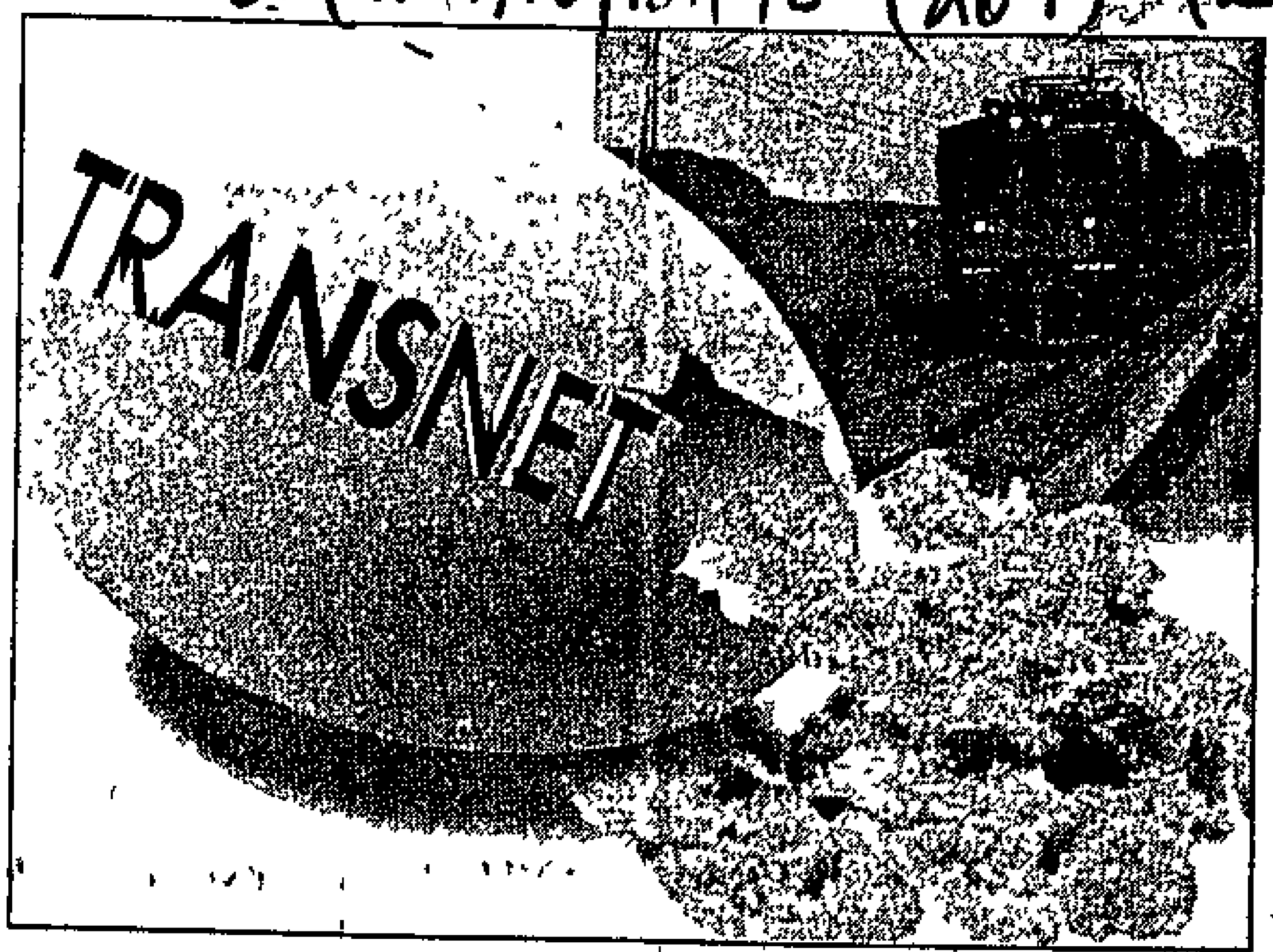
At the time of corporatisation — when it might have been easier to package Transnet in preparation for privatisation — there was little thought of such an option for the parastatal.

As financial director Gloria Serobe explains, Transnet's businesses are spread throughout the country; no division operates on a standalone basis. For example, many services used by Spoornet are provided by other Transnet divisions such as Datavia, Transwerk, Promat, Propnet and Protekon.

While privatising these service businesses might be reasonably straightforward, attempts to privatise the transport businesses would be much more complex.

For instance, a piece of property in Durban might not only house facilities belonging to Portnet but could also have assets belonging to Spoornet, Petronet, Autonet and even Metrorail. It is also likely that some of Transtel's facilities cut across the property.

This situation, replicated thousands of times across the country, is why privatising any division will be so complex.



The encouraging news from Serobe is that the current restructuring at Transnet will create standalone entities. But this could be a lengthy process.

Then there are the rather complex matters of the pension fund liability and Transnet's lenders, who as at March 31 1998 were providing about R15 billion of funding for the unwieldy parastatal.

Much of this funding was provided to Transnet — not its operating divisions — restraining Transnet from selling any of its assets. Such restraint can only be removed with the agreement of what is likely to run to hundreds of lenders.

The assumption of political will for privatisation is an extremely heroic one. Serobe refers to the fact that most South Africans have widely different expectations about the role Transnet should be playing in the economy: "This is inevitable given that, one way or another, Transnet touches almost everybody's life." This sort of diverse expectation is likely to be mirrored at Cabinet level.

It is possible to consider at least eight ministries with different objectives for Transnet. If so, then trying to organise a concerted push for widescale privatisation of its operations could be a difficult exercise.

In the meantime, given the divergent performance demands on Transnet, Serobe's strategy is to focus on growing the bottom line.

Although corporatisation took place in 1991, it was only in 1996 that the auditors qualified the parastatal's accounts. They have been qualified every year since. Serobe says every effort will be made to ensure that the 1999 financial statements will not be qualified.

The qualification was required in terms of the new accounting standard AC 123. Tom Wixley, a partner at auditors Ernst & Young, and Mveleli Booi, a partner at auditors APF — Transnet's joint auditors — explain that before this new standard became effective, the assets of an entity were looked at in their entirety.

The new standard required that assets be broken down into categories and that the auditors satisfy themselves of the value of each category.

The theory behind this standard applies to the value of a company on break-up. Transnet represents one of the few examples in which the theory is valid in practice.

As Wixley notes, under the previous accounting standards, it was possible to look at the total asset base and, for example, to make up for undervaluing the rail front with generous valuations on the airline front.

In 1996 the Transnet auditors began a revaluation exercise on the pipeline network, which estimates the cost of the asset "according to its remaining economic life, redundancy and over-engineering of the actual assets".

In 1997 a revaluation of the port facilities began, which "estimates the cost of replacing the assets with a modern system to perform the same functional operations, adjusted by the remaining economic life".

Some outsiders have pointed out that in an open market situation it is possible that many of Transnet's facilities would not be replaced. But Wixley stresses that it is the most appropriate method of revaluing the assets.

He refers to AC 123, which states: "The fair value of land and buildings is usually its market value for existing use, which presupposes continued use of the assets in the same or similar business."

Whatever the outcome of all the processes that are accompanying Transnet's move into the new South Africa, it must be extremely comfortable for citizens that it is all much more open and accountable.

It is also comforting to know that, in the meantime, Serobe and her colleagues are focusing on the bottom line.

Metrorail cuts 'mismanagement'

Warning of extra pollution as service is slashed

(ab9) ARG 15/12/98

JOHN YELD
ENVIRONMENT REPORTER

Metrorail's decision to reduce its Western Cape rail service sharply from next year flouts South Africa's national transport policy, warns the Environmental Monitoring Group (EMG).

The Wynberg-based, non-government organisation also points out that this "top-down" decision appears to have been made without assessing any short- or long-term environmental impacts, and argues that the real cause of the crisis is mismanagement

The EMG has sent a memorandum to national Transport Minister Mac Maharaj, his Western Cape counterpart Piet Meyer and Metrorail's regional chief executive, asking for the proposed cutbacks to be delayed pending a full strategic assessment of the social and environmental impacts of the proposal.

Large amounts of money and energy from the public and the private sectors had been spent preparing policies for the transport sector.

These included the National Transport White Paper, the National Department of Transport's Business Plan for 1997/8, the Moving Ahead document: Towards A Transport Strategy for 2020 and the White Paper on Western Cape Provincial Transport Policy.

"All of these indicate the need to adopt a 'Public Transport First' policy that expands services and caters for user needs as a viable alternative to private transport. The proposed cut-backs are therefore contrary to the guiding principles of the national Department of Transport."

The EMG told the ministers that neither the short- nor the long-term environmental impacts of the proposed cut-backs appeared to have been assessed.

"These include increased pollution from increased road traffic, increasingly congested roads, more people being forced to buy private vehicles that may not be road-worthy , more roads and road maintenance and loss of public open spaces.

"This all results in the widening of the gap between rich and poor, with urban mobility becoming a privilege of the rich."

According to the Cape Metropolitan Council (CMC), an average of 12 500 people daily used the trains that Metrorail proposed scrapping from January, the EMG said.

The CMC also had predicted that the demand for public transport was likely to double within the next 15 years and the total train network would be required to carry about 1,6 million passengers daily.

"To replace this with vehicular traffic would require 4 000 to 8 000 buses or 20 000 to 40 000 taxis.

"Given the associated social, environmental and economic costs associated with these options, moderate investment now in an improved rail service would appear to make sense."

The EMG said the rationale for the cutback was based on "ineffective management at all levels" and was not a true reflection of the economics of the situation.

"Instead of cutbacks, management should be looking at effective ways of ensuring payments and improving fare collection.

"Figures from 1996 indicate fare evasions to be as high as 30%, and reports indicate that evasions have subsequently increased."

The EMG said a serious commitment to improving Metrorail's management would "create a quite different understanding of what is economically necessary or desirable ...

"The death – through mismanagement or political short-sightedness – of the Cape Metrorail network simply cannot be an option."

PS - TRANSPORT - GENERAL

1999

TRANSPORT *Parastatal's former finance manager to steer restructuring*

Transnet brings new director on board

(269) CT(BR) 15/1/99

THABO LESHILO

Johannesburg — Transnet had appointed an executive director to drive the company's restructuring, said the $40 billion-a-year transport parastatal with 51 business units

Sango Ntsaluba, a chartered accountant, was appointed at the beginning of last month. He was previously Transnet's general manager for group finance.

Ntsaluba said his responsibilities were primarily the "co-ordination and implementation of the restructuring process in Transnet".

He was quick to point out that restructuring did not necessarily mean privatisation

"Privatisation forms part of restructuring, though it may not always be the significant part," he said.

He said Transnet's privatisation was primarily a government process. "They (the government) set the macro scene."

Mafika Mkwanazi, Transnet's deputy managing director, said Ntsaluba's position was that of a line executive director.

"(Ntsaluba) will interact with the companies' CEOs and the five other executive directors on restructuring We wanted to create an intellectual capacity to engage the business units on various models of restructuring" Mkwanazi said.

Ntsaluba said the biggest challenge in restructuring or privatising Transnet lay in the way the company was designed

DRIVER'S SEAT *Sango Ntsaluba says privatisation is a state process* PHOTO JOHN WOODROOF

in 1990 — as an entity with numerous intertwined units.

"Separation has to be done carefully so that the privatisation of one entity does not harm others," he said.

Twelve of the entities are to be fast-tracked for restructuring. This includes corporatisation, bringing equity partners on board for some and outright privatisation of others.

Ntsaluba said some of the companies still had to be corporatised and become independent entities, while others had already achieved that status. These included SAA; Datavia, the IT company; Viamax, with interests in fleet and corporate cost management; Production House, the printing company; and Fastword — formerly PX — the freight company.

Transnet expects SAA to have appointed a strategic equity partner during the first half of this year.

with the FINANCIAL TIMES worldwide

(269) BD 19 1/1/99

Transport ministry seeks finance to ward off Metrorail service cuts

Robyn Chalmers

THE transport ministry has been forced to ask the finance department for bridging finance for commuter rail operator Metrorail to ward off further service cuts and retrenchments before the election.

Metrorail is facing a R300m shortfall on its 1998/99 budget and has warned that it will have to reduce services, close stations and retrench workers this year if no further funding is received.

Discussions were taking place between the transport and finance ministries, Harald Harvey, transport department senior GM of policy, strategy and implementation, said yesterday. "We should have a clear idea of where we are going in the next few weeks." He declined to say how much was requested.

The problem arose when government informed Metrorail last March that its subsidy for rail in 1998/99 was R1,105bn, against the operator's requested R1,55bn.

Transport Minister Mac Maharaj indicated that he was not satisfied that all possible efficiencies had been achieved and would not request further funds until this was done. However, he subsequently obtained a further R100m for the budget.

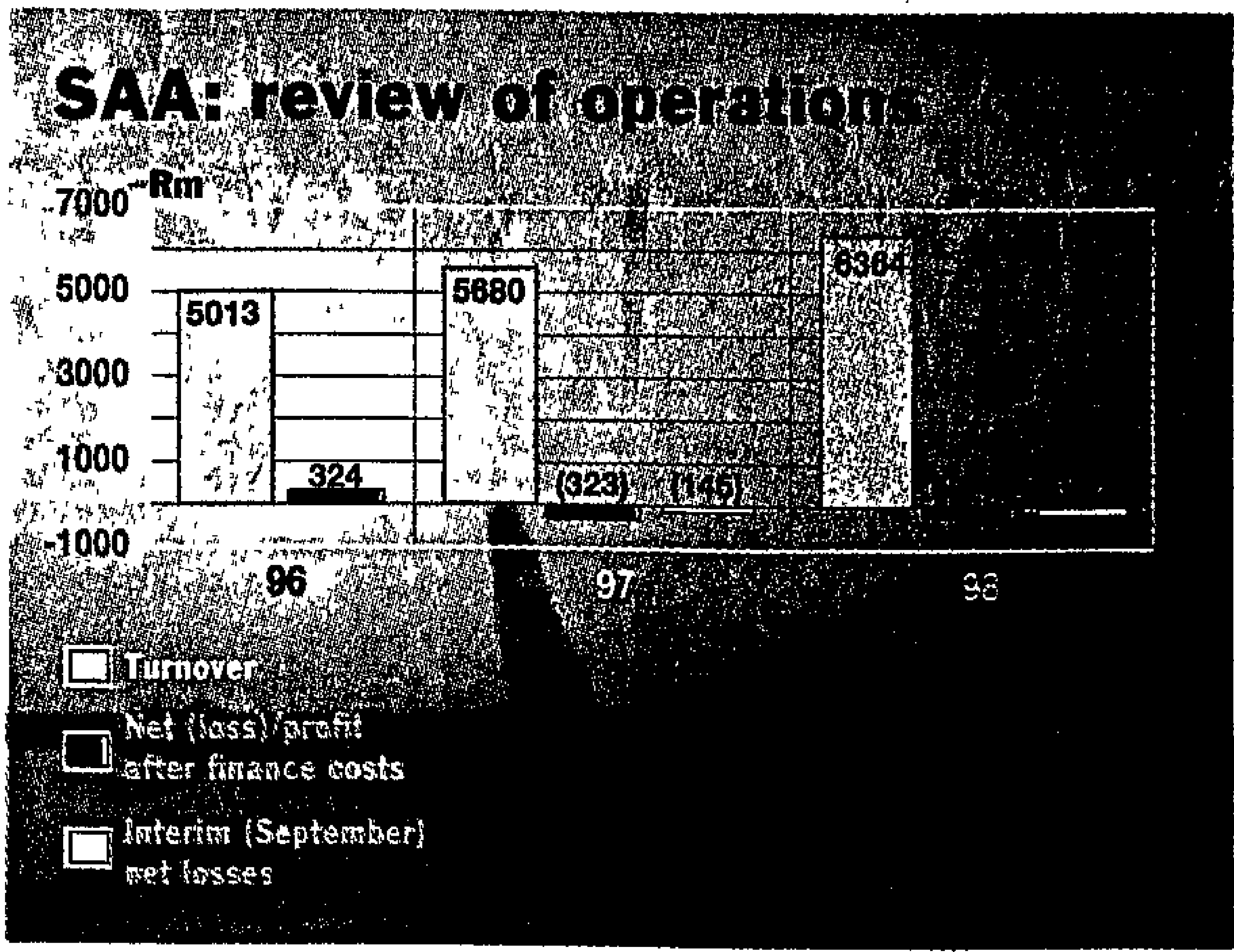
Selomane Maitisa of the SA Rail Commuter Corporation, which holds SA's commuter rail assets, said further representations were made to government last year. "It is trusted that the funds to bridge the current 1998/99 shortfall will still be provided by the fiscus," she said.

Harvey said government was looking at the budget shortfall in the short term, but within the context of the longer term where significant restructuring and concessions were on the cards for Metrorail.

Government plans to transfer commuter rail services by concession to the private sector, although Metrorail is expected to run these services under a concession agreement for five years. Concessions mean the private sector will operate, expand and upgrade the network for a period, but assets stay state property.

Harvey said government remained convinced the core problem was the inherited deficit-subsidy system. Under this system, the operator had historically been able to operate services without due regard to efficiency because government was expected to cover any and all losses.

"If SA is to build a sustainable public transport system in this country this arrangement has to end," he said.



KAREN MOOLMAN Source:TRANSNET

New strategy set to stop SAA's free fall

BD 21/1/99 (269)

Robyn Chalmers

SA AIRWAYS' strategy, unveiled by CE Coleman Andrews this week, is set to transform the ailing airline into a profitable entity with a new route network, modernised fleet and powerful alliances.

Andrews said SAA had already embarked on the new strategy, which had the support of government, trade unions, employees, new alliance partners and holding company Transnet.

The strategy involves forging a new route network, upgrading the ageing fleet, securing new alliances, ensuring revenue management gains, flying on time and improving customer service. A new management team has also been put in place.

Andrews said SAA was losing millions of rands each year through an expensive and flawed route network. He said SAA would in future fly to key international hub markets including São Paulo, Miami, New York, London, Zurich, Frankfurt, Hong Kong, Singapore and Sydney. SAA or its new alliance partners would then fly passengers to other destinations.

SAA has recently tied up alliances with Singapore, Swissair and Lufthansa and is on the verge of finalising new arrangements with partners in Asia, Africa, and the Americas.

On its fleet, SAA has now cancelled a deal to buy four Boeing 777s ordered three years ago and acquired two 747-400s "at record low prices". Boeing and Airbus will compete to meet SAA's new fleet requirements in coming months.

There have already been major improvements at SAA since Andrews took over in June last year. In the past four weeks, domestic passenger numbers have risen more than 16% and the airline has posted "sharply improved" financial results in the past three months.

Government apparently plans to sell 25% to 30% of SAA to an international airline this year, with a range of airlines having formally indicated they are interested in bidding. These are KLM/Northwest, Swissair, Lufthansa/Singapore, Virgin Airlines and American Airlines.

Andrews said a 10-week probe into SAA's problems showed the airline was bleeding badly and would have been bankrupt within 12-18 months.

He said there were strategic, operational and organisational problems, although the most significant flaw was the lack of a clear and coherent future strategy. In terms of strategy, there were weaknesses in revenue management, the route network — particularly on the international side — was flawed and SAA had limited alliances with other airlines. Operationally, costs were too high and revenue too low; crew productivity was low and overheads high; and service levels were generally unacceptable. Organisationally, the airline tended to be inwardly focused, inactive and defensive, and corruption was at unacceptably high levels.

Andrews said the effects of these flaws were evident in the amount of market share SAA had lost since 1993/94, with international market share almost halving.

There were various options open to government, including retaining the status quo and watching the airline decline further; liquidating; downsizing; or coming up with a new strategy and focus.

SAA moved further into the red in the six months ended September, with a net operating loss of R207m from a R145m loss in the previous six months. It posted a loss of R244m in the year to March 1998 against a loss of R323m in 1997 and profit of R324m in 1996.

Journalists vanish as Zimbabwe's government cracks down

(269)

Michael Hartnack

HARARE — The Zimbabwe authorities' crackdown against independent journalists continued yesterday when six were assaulted, and detained editor Mark Chavunduka and reporter Ray Choto of the Sunday Standard "disappeared" from police cells.

Colleagues feared the journalists were in army hands despite police pledges that they would be formally charged in court today or tomorrow with publishing a "false report liable to create alarm and despondency".

Simultaneously, a member of the Central Intelligence Organisation stormed into offices of two independent weekly newspapers in the southern town of Masvingo and assaulted six reporters, demanding: "So where is this coup? This is irresponsible journalism. Whatever happened to your patriotism?"

Norna Edwards, editor of The Mirror, where two reporters were beaten up, said her weekly newspaper did not even cover politics. The other four reporters were beaten up at The Tribune.

Friends taking food to Chavunduka and Choto, last seen at Harare Central Police Station late on Tuesday, found their names had not been entered in the detention book. BD 21/1/99

The intelligence organisation first said they had been taken to Cranborne Barracks, where Chavunduka was held for a week, then refused to disclose their whereabouts.

Judge James Devittie yesterday issued a fourth order demanding Defence Minister Moven Mahachi and defence secretary Job Whabira appear before him in open court at 3pm today to explain the fate of Chavunduka and Choto.

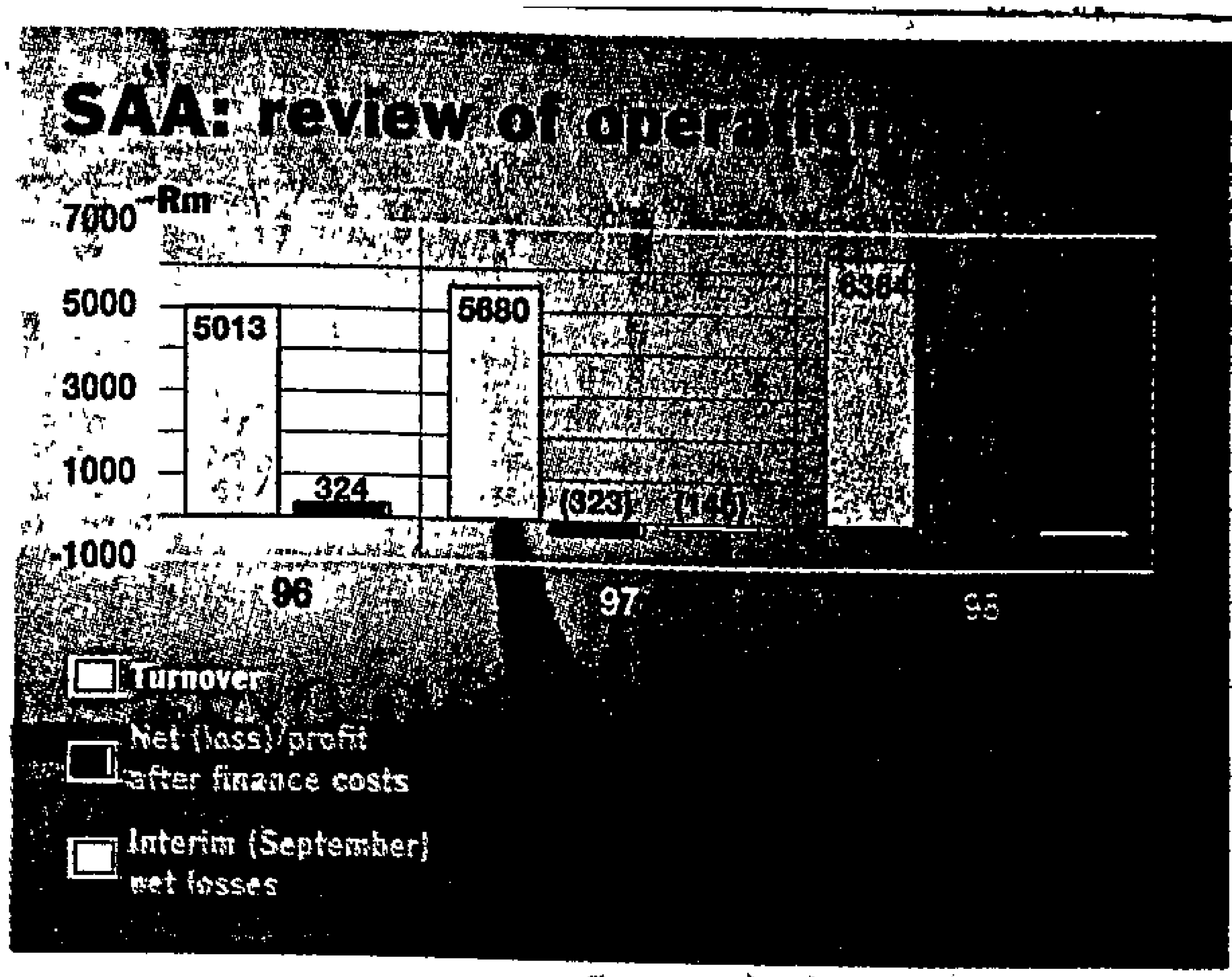
Three previous injunctions have been ignored since Chavunduka was seized by military police on January 12, with lawyers and court sheriffs finding it impossible to locate and prove service of the orders on Mahachi and Whabira.

The judge ruled the fresh injunctions on Mahachi, Whabira, police commissioner Augustine Chihuri and attorney-general Patrick Chinamasa could be handed to any responsible person at their places of work or their homes, or attached to the principal doors.

"If they didn't know what was going on, they would have stayed still," Erik Morris, counsel for Chavunduka and Choto, said at a hearing before Devittie in chambers late yesterday.

Chavunduka and Choto, who turned himself in on Tuesday, are supposed to appear for remand within 48 hours on a charge under the 1960 Law and Order Maintenance Act, the repeal of which has been passed by parliament but awaits President Robert Mugabe's signature. It carries a maximum 10-year jail term.

Comment: Page 9



KAREN MOOLMAN Source: TRANSNET

New strategy set to stop SAA's free fall

BD 21/1/99 (269)

Robyn Chalmers

SA AIRWAYS' strategy, unveiled by CE Coleman Andrews this week, is set to transform the ailing airline into a profitable entity with a new route network, modernised fleet and powerful alliances.

Andrews said SAA had already embarked on the new strategy, which had the support of government, trade unions, employees, new alliance partners and holding company Transnet.

The strategy involves forging a new route network, upgrading the ageing fleet, securing new alliances, ensuring revenue management gains, flying on time and improving customer service. A new management team has also been put in place.

Andrews said SAA was losing millions of rands each year through an expensive and flawed route network. He said SAA would in future fly to key international hub markets including São Paulo, Miami, New York, London, Zurich, Frankfurt, Hong Kong, Singapore and Sydney. SAA or its new alliance partners would then fly passengers to other destinations.

SAA has recently tied up alliances with Singapore, Swissair and Lufthansa and is on the verge of finalising new arrangements with partners in Asia, Africa, and the Americas.

On its fleet, SAA has now cancelled a deal to buy four Boeing 777s ordered three years ago and acquired two 747-400s "at record low prices". Boeing and Airbus will compete to meet SAA's new fleet requirements in coming months.

There have already been major improvements at SAA since Andrews took over in June last year. In the past four weeks, domestic passenger numbers have risen more than 16% and the airline has posted "sharply improved" financial results in the past three months.

Government apparently plans to sell 25% to 30% of SAA to an international airline this year, with a range of airlines having formally indicated they are interested in bidding. These are KLM/Northwest, Swissair, Lufthansa/Singapore, Virgin Airlines and American Airlines.

Andrews said a 10-week probe into SAA's problems showed the airline was bleeding badly and would have been bankrupt within 12-18 months.

He said there were strategic, operational and organisational problems, although the most significant flaw was the lack of a clear and coherent future strategy. In terms of strategy, there were weaknesses in revenue management, the route network — particularly on the international side — was flawed and SAA had limited alliances with other airlines. Operationally, costs were too high and revenue too low; crew productivity was low and overheads high; and service levels were generally unacceptable. Organisationally, the airline tended to be inwardly focused, inactive and defensive, and corruption was at unacceptably high levels.

Andrews said the effects of these flaws were evident in the amount of market share SAA had lost since 1993/94, with international market share almost halving.

There were various options open to government, including retaining the status quo and watching the airline decline further; liquidating; downsizing; or coming up with a new strategy and focus.

SAA moved further into the red in the six months ended September, with a net operating loss of R207m from a R145m loss in the previous six months. It posted a loss of R244m in the year to March 1998 against a loss of R323m in 1997 and profit of R324m in 1996.

Journalists vanish as Zimbabwe's government cracks down

Michael Hartnack

HARARE — The Zimbabwe authorities' crackdown against independent journalists continued yesterday when six were assaulted, and detained editor Mark Chavunduka and reporter Ray Choto of the Sunday Standard "disappeared" from police cells.

Colleagues feared the journalists were in army hands despite police pledges that they would be formally charged in court today or tomorrow with publishing a "false report liable to create alarm and despondency".

Simultaneously, a member of the Central Intelligence Organisation stormed into offices of two independent weekly newspapers in the southern town of Masvingo and assaulted six reporters, demanding: "So where is this coup? This is irresponsible journalism. Whatever happened to your patriotism?"

Norna Edwards, editor of The Mirror, where two reporters were beaten up, said her weekly newspaper did not even cover politics. The other four reporters were beaten up at The Tribune.

Friends taking food to Chavunduka and Choto, last seen at Harare Central Police Station late on Tuesday, found their names had not been entered in the detention book. BD 21/1/99

The intelligence organisation first said they had been taken to Cranborne Barracks, where Chavunduka was held for a week, then refused to disclose their whereabouts.

Judge James Devittie yesterday issued a fourth order demanding Defence Minister Moven Mahachi and defence secretary Job Whabira appear before him in open court at 3pm today to explain the fate of Chavunduka and Choto.

Three previous injunctions have been ignored since Chavunduka was seized by military police on January 12, with lawyers and court sheriffs finding it impossible to locate and prove service of the orders on Mahachi and Whabira.

The judge ruled the fresh injunctions on Mahachi, Whabira, police commissioner Augustine Chihuri and attorney-general Patrick Chinamasa could be handed to any responsible person at their places of work or their homes, or attached to the principal doors.

"If they didn't know what was going on, they would have stayed still," Erik Morris, counsel for Chavunduka and Choto, said at a hearing before Devittie in chambers late yesterday.

Chavunduka and Choto, who turned himself in on Tuesday, are supposed to appear for remand within 48 hours on a charge under the 1960 Law and Order Maintenance Act, the repeal of which has been passed by parliament but awaits President Robert Mugabe's signature. It carries a maximum 10-year jail term.

Comment: Page 9

NEWS

Minister releases transport bill for public comment

CT(BR) 25/1/99

Roy Cokayne (269)

Pretoria — The National Land Transport Transition Bill, which provides for the restructuring and transformation of the national land transport system of South Africa in the short term, has been published for public comment.

According to a memorandum on the objects of the bill, published in the Government Gazette along with the bill, the legislation was designed to bring about a fundamental restructuring of the laws regulating land transport, with the emphasis on public passenger transport.

The memorandum said it was decided that the full policy of the national department of transport, as formulated in consultation with the provinces, could not be implemented immediately owing to the need to dovetail it with the new and proposed local government legislation.

For this reason, the bill was transitional in nature and was scheduled to be replaced by final legislation within the next three years, it said.

"The bill therefore also sets the scene for the long-term restructuring of the land transport system as envisaged by the Moving South Africa project," it said.

The memorandum added that by providing for formalisation and regulation of the minibus taxi industry, the bill would act as an invaluable tool for the government to achieve order and harmony in the industry.

"The current bill focuses on the short term, as it is planned to draft a final bill at a later stage. This bill sets the stage for medium- and long-term policy implementation," it said.

This new national system envisaged by the bill would be structured to prioritise public transport, and would be developed in accordance with formalised, defined and standardised principles, and procedures,

Competition for the operation of public transport services would be regulated so as to ensure they were effective in meeting demand and were efficient and economic in the use of resources.

Further, a formalised, viable, efficient and secure environment would be established for the operation of unscheduled services, with specific reference to taxi services.

Interested parties were asked to lodge their written comments on the draft bill with the department of transport in Pretoria by February 2 1999.

GRIDLOCK CITY

Transport bosses warn of nightmarish traffic conditions for cash-strapped Cape Town

BOBBY JORDAN

(269)

CAPETONIANS should brace themselves for worsening traffic problems over the next five years, with two-hour gridlock traffic jams on some routes, the city's transport bosses warned this week.

The crux of the problem is a chronic shortage of money for public transport, particularly the railway system that carries the bulk of the city's one million commuters.

Without funds to upgrade or maintain the railways, commuters have to increasingly rely on buses, taxis and private vehicles, already causing major traffic bottlenecks at several points around the city.

The main problems are the N1 and N2 highways, particularly the Koeberg interchange on the N1 and the two-lane restriction on the N2 bridge over Liesbeeck Parkway.

"The fact is we're not really in a position to do anything about it now. Funds have dried up.

"In the short term the thing is to make sure the system doesn't deteriorate to something irrecoverable," said the Cape Metropolitan Council's executive director for transport and traffic, Dave Eadie.

He said the morning and afternoon rush hours had increased from half an hour to two hours.

"Block off just one lane in this city and you know all about it," Eadie said.

"We haven't provided roads on the same scale that Johannesburg has. That doesn't mean things will just come to a halt, but we are pretty oversaturated. It means that our peak hours will get longer and longer."

He said there was little point to limiting the number of road users until viable alternatives became available.

Massive investment in the nationally-owned railways was the obvious solution to Cape Town's woes — the principle problem being a CBD sandwiched between the ocean and a 1 000m mountain.

"It's vital to our metropole for the rail system to improve. But there'll be nothing dramatic until the bucks arrive," Eadie said.

"Transport is essentially a national thing. We're not getting a whole lot of help — less than before. We don't know whether government is unable or reluctant to help."

Funds from provincial government were also in short supply.

"We used to get a lot of help from the province but not really any more. There seems to be a general drying up of funds".

He said road and rail maintenance alone cost about R135-million a year.

The average commuter train was about 30 years old, but cost about R90-million to replace.

"Somewhere down the line we have to add to or replace our trains. That's a huge expense. But they're still the most economical mass mover. "Cape Town is the only South African city that has rail as the major mover of people. Public transport systems in the other cities are more reliant upon buses and taxis," Eadie said.

Funds for public transport were likely to decline over the next five years, according to a hard-hitting report tabled this week at a metropolitan council transport and traffic committee meeting.

"All indications are that the metropolitan public transport system will experience a further decline in service levels over the short term.

"Premium (or first class) services may deteriorate even further, to a point where the system will be perceived as a single-class basic service," the report said.

ST(cm)

The service was suffering from a R250-million shortfall and the total budget required was R600-million. Central government provided R300-million and the metropolitan council about R50-million a year.

City officials are calling for public and private sector partnerships to help alleviate some of the congestion, particularly in the city centre.

The metropolitan council and the city council were investigating a Daimler Benz proposal for a light rail transit system to assist inner-city commuters.

According to the latest figures, the city experiences a daily influx of some 230 000 commuters during the two-hour morning peak time, of which 40 percent travel by car.

An overall transport plan for the Cape metropolitan area would go before council later this month.

The head of the metropolitan council's transportation and traffic committee, Thweni Zenzile, said transport was a complex matter that required consensus between the council and provincial government.

7/2/99

Satour needs to capitalise on its potential with improved transport facilities

Public transport, signposting need work to boost tourism

Star 10/2/99 (269)

By Winnie Graham

The importance of improving South Africa's public transport system, particularly to and from the airports, has been listed as "the biggest challenge facing tourism" by Willem Fick, newly appointed executive director of the Federated Hospitality Association of South Africa (Fedhasa).

He said recently that Satour now had a new marketing strategy in place and stood poised to capitalise on its enormous tourist potential - but before it could capture its full share of the international market, it needed to address the problem of public transport.

South African airports were among the few in the world not connected to adjacent cities by rail. In addition, roads from the airports were so badly signposted that any foreign visitor in a hired car intent on reaching, say, the Kruger Park, would be totally confused by signposting "directing them to Germiston and Durban".

The lucrative "backpacker" market, so much a feature of Australian tourism, had not taken off in South Africa because young backpackers could not get around and were largely excluded from places such as the Kruger Park through lack of public transport.

"These are challenges we must address quickly," he said.

Last year's tourism summit, he said, had led the way for the private sector to join forces with the Government and Satour in marketing South Africa. Private sector involvement in tourism was in keeping with global trends, where governments were spending less on tourism and more on housing, health, education and security.

"The days are gone when government had the resources to fund everything," he said.

The creation of a trust fund - known as Tomsa - (Tourism and Marketing South Africa) and to which the private sector had committed R50-million through a 1% hotel levy, would enable Satour to focus on selling the country to its core markets overseas.

He felt strongly that shopping in South Africa should be marketed along with its conference facilities, game lodges and wildlife.

"Our inexpensive currency makes clothing and jewellery very cheap," he said. "And our conference facilities are outstanding."

Asked if in South Africa hotels were not "overpriced", Fick said that the average four or five-star hotel charged round R600 a night for a hotel room, yet in the United States it would not be possible to buy a bed at a luxury establishment for $100. The costs involved in running a top hotel were high. In addition, they needed to be marketed internationally.

"Our hotels are not expensive, particularly for the corporate market," he said.

He accepted that white South African families now seldom had hotel holidays, preferring timeshare resorts or self-catering facilities.

Fick is positive about service standards. He believes a new generation of South Africans are working in the hospitality industry and are not questioning the hours. They have realised that with the right attitude and attentive service they receive bigger tips.

"South Africans are a bit like Americans," he said. "We have the same welcoming culture and relaxed attitude. In the past, staff training has focused on formality, but the 'Ubuntu - We Care' programme shows that this is out of place in our country."

Fick believes South Africa offers one of the best "value for money" tourist destinations in the world. Crime remained a "serious negative" but if Mexico City could effectively tackle the problem, so could the cities of South Africa.

He said it was of great concern to the hotel industry that South Africa had not marketed itself as an exotic destination for the millennium celebrations this year. Even without this, however, many of the top resorts in the country were already booked out.

Fick appealed to every hotelier in South Africa to join Fedhasa so that the industry can speak with one voice.

Maharaj seeks to reassure local authorities

(269) - BD 16/2/99

Linda Ensor

CAPE TOWN — There were no grounds for local authorities to fear the proposed new road management system would undermine their powers and revenue-raising capacity, Transport Minister Mac Maharaj said yesterday.

Maharaj told a parliamentary media briefing that the Road Traffic Management Corporation Bill tabled in Parliament would enhance the powers of local government and generate more revenue for investment.

Local authorities would be represented through the SA Local Government Association on a new statutory body which would consist of the minister and the nine transport MECs.

It would appoint a number of dedicated agencies in the different areas of road traffic management and draft the regulations to govern their operations.

Local and provincial governments or the private sector would continue to undertake vehicle licensing, and vehicle and driver testing on an agency basis on a user-pays principle.

Vehicle licensing as a tax would not be touched, but more revenue would flow to local authorities by pooling resources and powers.

Maharaj said the current system of road traffic management was unsustainable as road traffic law enforcement, which cost about R1,98bn, was running at an enormous loss of about R1,4bn a year. All 70 local authorities which had been investigated lost money on vehicle testing, and while this and driver and vehicle testing cost about R354m a year to provide (before the payment of agent's fees), they raised only about R320m.

This meant there was no money to reinvest in road traffic management, personnel, training and equipment. Potential revenue was further eroded as only 35% of serious road offences were successfully prosecuted. Furthermore, there was no co-ordination of the activities of the 7 000 traffic officers employed by 500 authorities.

Maharaj expressed dissatisfaction with Metrorail's attempts to save money by cutting services, and said a solution to the problem had to be found at the highest political level.

"We cannot dismantle the existing public transport system in any way which (affects) users. We are taking emergency steps to ensure cutbacks do not take place as they are being done now but that issues are addressed in a more comprehensive way."

Mozambique, SA in farming venture row

BD 17/2/99

Deputy agriculture minister claims SA body failed to provide funding

Claire Pickard-Cambridge and AENS

AN SA-backed farming venture in Mozambique has run into stormy weather following a dispute between Mozambique's agriculture ministry and the SA Chamber for Agricultural Development in Africa (Sacada) over funding and controls for the project.

Sacada, established with President Nelson Mandela's backing to help stimulate the regional economy, resettled export-orientated farmers in 1996 in Niassa province which the Mozambican government wanted developed. The project was launched as a joint venture, called SDM, with grants from both the SA and Mozambican governments.

However, Mozambique's Deputy Agriculture Minister Helder Muteia accused Sacada recently of failing to provide promised funding, saying the government would sign a loan agreement with Banco Comercial de Moçambique to save the venture. He claimed Sacada was not a serious partner because it had failed to contribute its portion of share capital to the scheme.

Sacada said Muteia's statement was uninformed or "intended as misinformation for some sinister purpose".

Sacada had paid \$50 000 as share capital for SDM as required by its articles of association, and was "under no obligation to increase share capital at this stage".

Sacada said it had settled 13 SA commercial farmers and 10 emerging farmers from Mozambique over the past two years at a cost of millions of rands, of which R5m was for production loans.

Difficulties faced by farmers last year included the destruction of almost all their crops by heavy rains.

Sacada said it had often sought a shareholders' meeting with Mozambique's agriculture ministry to appoint a board of directors and office bearers, and to approve a budget and financial controls for SDM. It had never received a reply and "without such controls, Sacada is not prepared to transfer any further funds to the SDM".

Sacada said it did not regard SDM as legitimate because Sacada, as a 50% shareholder, was not represented on SDM's board as required by its articles.

Muteia, however, said his ministry wanted a more reliable partner. "This project is a priority in the region and we refuse to let it sink just because Sacada let us down."

The issue had been discussed with SA Deputy President Thabo Mbeki's office, Muteia said. The farmers were still operating their estates despite financial problems and had been pledged help by the Mozambican government.

Muteia said the government was negotiating a similar scheme for Zimbabwean farmers to settle in Mozambique's Manica province.

They would get soft loans to produce tobacco, cotton and maize.

Red tape holds up transport agreement

MAPUTO — An agreement to promote the free movement of people and goods between Mozambique and SA had become bogged down in bureaucratic red tape and budget cuts, Mozambique's national roads director, Lucas Nhamizinga, said this week.

Confirming that the agreement had still not been implemented, Nhamizinga said a joint binational committee would meet in Pretoria early next month to redraft portions of the 1997 protocol.

The major sticking points, Nhamizinga said, remained weak or nonexistent binational communication channels, Mozambican budget cuts and internal government capacity problems on both sides of the border.

Nhamizinga said that Mozambique's representatives on the joint commission created by the 1997 agreement were funded by the World Bank.

However, the Mozambicans were facing a complete funding cut in June this year.

No alternative funding had been found yet and the Mozambican government had also failed to supply bridging funds for existing staff shortages.

The major problems on the SA side remained its inability to process information requests by their Mozambican counterparts and a failure to co-ordinate regulations and control measures by the multitude of SA authorities dealing with border control.

Nhamizinga said only 61 Mozambican organisations had registered as goods transporters and 27 others as passenger services in terms of the 1997 protocol.

Only 41 South Africans had registered as goods transporters to date, while 47 others had registered as passenger services.

A total of 447 vehicles had registered with the joint committee. — AENS.

BD 17/2/99 (289)

Spoornet launches campaign to reduce rail theft

SPOORNET launched a campaign yesterday to raise awareness of crime on its rail network which had cost it more than R187m in the past two years.

The company's losses from the looting of goods trains, theft of copper cable and pilfering of scrap metal were "quite staggering", the head of Spoornet's asset protection services, David Moore, said.

Delays in train services, due to vandalism and theft, and the loss of the freight business, in turn, cost the company several millions more.

(269)

Moore said the campaign would complement Spoornet's R60m-a-year security programme.

"We can't tackle crime by ourselves — we need the support of the community." Posters warning scrap metal dealers against buying stolen cable had been distributed and a toll-free line had been set up so that people could report crimes.

Nationally there had been 813 cases of overhead and signal cable theft since last April. In the same period, there were 287 cases of goods in transit being stolen and 335 reports of general theft were received.

Johannesburg and Pretoria accounted for about half of the cable and goods theft in the country. Last year, 1714 of the 377916 containers moved by Spoornet had to be resealed after the seals were tampered with or broken, suggesting theft or attempted theft.

Moore said the police did not take theft from Spoornet, especially of cable, very seriously. — Sapa

BD 19/2/99

10-m used Jo'burg airport last year

Star 23/2/99

(269)

BY ANNA COX

Johannesburg International airport (JIA) handled 10 million passengers last year, making it the busiest airport in Africa.

Since the inception of the Airports Company South Africa (ACSA) in 1993, the airport had achieved an average yearly growth of 9,5%, JIA general manager Rory Mackey said.

The 1998 statistics indicated that domestic passenger traffic grew by 6% and international and regional traffic by 12% from the previous year.

The 20% growth in cargo movement has also led ACSA into developing major expansion plans for the freight and cargo facilities.

The company has identified a site of about 20 000sq m adjacent to the existing freight area for warehouse development.

The airport is currently undergoing major renovation work and a total of R850-million has been budgeted for improvements until 2003.

Other plans include: an upgraded international terminal building including a new international arrivals and transfer terminal, an extended international departures check-in area and the installation of 100% hold baggage screening.

A 4 000-bay multistorey parkade and the commissioning of a user-friendly pay-on-foot parking payment system are also on the cards as well as a duty-free mall, additional retail outlets and the construction of 13 500sq m office space.

SAA profit begins to take off under improvement plan

(269)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — SAA, the loss-making national airline, had experienced a strong turnaround over the last few months and was expected to make a profit of R50 million or at least break even in the the second half to March 31, Coleman Andrews, the chief executive officer, said this week.

Briefing the portfolio committee on environmental affairs and tourism, Andrews said this compared with a loss of R106 million in the same period last year.

Between October and December 1997, SAA had lost R24 million; in the same period last year it made a profit of R8,4 million. It lost R247 million in the first six months of 1998/99.

The improvement had been achieved through extensive training, the development of new alliances to increase load factors and the matching of competitors' lower fares.

Andrews said that when he had first joined the airline last year, he had found an airline bogged down in inertia and corruption which faced massive job cuts because of growing losses.

He launched a campaign to revitalise the business, improve customer service, cut costs, reorganise routes and build profitability.

New alliances had been formed with Singapore Airlines, Lufthansa and Swiss Air to open up new markets and negotiations were under way to upgrade the alliance with American Airlines.

Job losses had been limited to 1 100 instead of the 3 000 originally envisaged.

(STAR) 25/2/99

CAPE ARGUS, **FRIDAY**, FEBRUARY 26, 1999

Uniform look for trains, taxis and buses (269)

ARGT 26/2/99

SHARKEY ISAACS
SPECIAL CORRESPONDENT

An integrated public transport system with buses, taxis and even trains all in the same livery is on the cards for Cape Town.

This has been announced by Chris Peckett, chief executive of Modalink, joint public transport agency of the Cape Metropolitan Council, the Department of Transport and the private sector.

He said the vehicles would be painted a deep air-force blue and each would display the interwoven zigzagged logo of red, yellow and green. The first three vehicles in the new livery – an ordinary bus and two 22m articulated buses will be ceremonially unveiled in three weeks.

The articulated buses, which can carry 150 passengers, have a rubber join which enables them to bend as they go around corners.

Operators of the estimated 3 500 taxies applying for route corridor permit renewals would be encouraged to make their vehicles match the new livery.

TRANSPORT

Road and rail are speeding towards financial collision

(269) CT(BR) 26/2/99

VAL MILLAR

South Africa's road and rail systems were at dire risk and the government needed to take urgent steps to reduce their decline, transport economists have warned.

"The future of the country's road and rail systems are now at stake, while the public and most politicians appear sublimely unaware of the dangers," said Ray Sowman, a transport consultant.

He said the authorities either did not understand or deliberately ignored the economic implications of critical links between vehicle size, weight and operating costs; road conditions and rail viability.

"The quality of our roads is declining," Mac Maharaj, the transport minister, said recently "There is insufficient capital available to maintain and upgrade them."

Even Kruger Park, one of the country's most popular tourist attractions, is effectively warning tourists to avoid some road routes to the park — a poor state of affairs for a country determined to create jobs through tourism.

To save on road maintenance, Mpumalanga has started digging up tar roads to replace them with gravel roads

"South Africa is at the crossroads," said Sowman. "It must decide whether it wants a balanced road and rail transportation system, for which the infrastructure still exists, or to gamble on whether the economies that could possibly be derived from a largely road-based system would ultimately provide the country with the optimised transportation system it needs."

He said the public's perception that roads had deteriorated dramatically in the past few years under the new government was incorrect.

"In a nutshell," he said, "the rot began in 1988, when the Nationalist government slashed the national roads budget.

"The following year it deregulated the road transport industry without implementing adequate controls.

"Hauliers were able to undercut rail and coastal shipping prices, which resulted in more road freight traffic and a dramatic escalation in road damage

"Perceptions that our rail system is inefficient are also unfair. The Richards Bay coal line is benchmarked as the most efficient in the world.

"We have the ability to operate an efficient and economically viable rail system It just needs economic space to survive.

"Road is the Rolls-Royce of freight transport, but you can only run one if you can afford to pay for one," Sowman said.

Countries that cannot afford

purely road transport for their freight cargo spread the freight to rail by limiting heavy-vehicle loads to reduce the overall cost of their transport infrastructure.

Gavin Maasdorp, a professor and transport economist, said the government had increased the legal limit for gross vehicle mass (GVM) from 48 to 56 tons.

This move effectively increased road hauliers' payloads by 30 percent and their profits by 25 percent.

"But the government failed to adequately increase hauliers' contributions towards the costs of road maintenance, congestion, safety and environmental degradation," Maasdorp said.

"These costs are far greater for road than for rail.

"We allow some of the heaviest payloads in the world on our roads In the UK for example, the maximum lorry load is 38 tons In Europe and the US it averages 44 tons.

"The Road Freight Association is lobbying to have the maximum load in South Africa increased to 64 tons.

"Studies reveal that approximately 35 percent of all heavy vehicle traffic is overloaded. There is very serious cause for concern," Maasdorp warned.

Maharaj has disclosed that overloading costs the country over R500 million a year in road damage.

Meanwhile, the recently formed South African Roads Agency (Sanra), a division of the department of transport, faces an estimated R20 billion backlog in government funding

Many transport economists share the view that the Moving South Africa report — a 20-year transport plan compiled last September under the auspices of the department of transport at a cost of R20 million — fails to adequately address it subject.

It lacks, among other things, sufficient information on rail transport. It also fails to investigate GVM strategies used in Europe and the US.

Transnet and its largest division, Spoornet, remained unavailable for comment on the Moving South Africa report, despite being approached several times.

Nazir Alli, Sanra's chief executive, said Moving South Africa was incomplete in many areas but it formed a basis for identifying the issues facing the industry.

"We have to stop moaning about the lack of funding and come up with new ideas and innovative ways of generating revenue," Alli said.

He said many transport economists would disagree with the view that road hauliers did not pay their fair share of road costs

Maasdorp said it had become increasingly difficult for rail to compete with road hauliers.

"The transport industry is skewed in favour of road transport," he said. "The playing field needs to be levelled." He said road transport was privately owned whereas railways were generally owned by the state.

"Some of the world's most powerful lobbyists exist in oil companies, haulage companies and motor manufacturers.

"They are continually putting pressure on governments to increase the GVM and build more roads at the expense of rail."

Spoornet is looking to privatise about 40 of its unprofitable rail branch lines through its special business unit, LinkRail.

But Charlie Lewis, the managing director of Alfred County Railway (ACR), KwaZulu Natal's independently operated line, said: "Only the few rail routes in the country that do not compete with road transport can make a profit today.

"ACR is now threatened with the loss of another major customer to road transport, which places our operating viability at even greater risk."

Andre Freemantle, LinkRail's executive manager, feels there is a place for both road and rail transport in South Africa and there should be a balance between the two in government funding.

"Branch lines provide a service to the community and the country as a whole and should be allowed to operate profitably," Freemantle said.

Mpumalanga taxi industry wants a stake in toll roads

CT (MR) 2/3/99 (269)

Bontle Headbush

Johannesburg — Trans African Concessions (TRAC), the toll road operator, said yesterday that the Mpumalanga Provincial Taxi Office was interested in acquiring an equity stake in TRAC.

Trevor Jackson, the chief executive of TRAC, said talks between TRAC and the taxi industry about a possible acquisition in TRAC began in December last year.

"The taxi industry is very interested in becoming a stakeholder, and even though all shares in TRAC have been allocated, it would still be possible for them to purchase a stake from someone," said Jackson.

TRAC, which won the 30-year concession to build and operate the N4 toll road in 1997, also announced a partnership it had entered into with the Mpumalanga taxi industry aimed at improving safety along the route.

This included payment of a standard fee of R8,00 by all taxis travelling along the N4 toll route through the Middelburg plaza.

TRAC would also train all the taxi drivers in road reserve conditions and first aid, and provide them with a toll-free number to report any accidents on the route.

"It is encouraging to have the taxi industry join hands with us in the interests of the success of the N4 toll route and in particular in the common goal of safety along the route," said Jackson.

He said the partnership would mean improved safety and co-operation, benefiting both parties, the N4 toll route and the Maputo Development Corridor Initiative.

Death threats follow probe at SAA

BD 3/3/99 (269)

Robyn Chalmers

SA AIRWAYS CEO Coleman Andrews and members of his management team have received death threats after clamping down on corruption at the airline and dealing with alleged fraud in its freight division

Security at SAA has been tightened significantly and Andrews now has two bodyguards. Other management team members have also been allocated bodyguards, including cargo GM Kevin Wilson, although he was appointed after the fraud investigation was initiated.

Andrews declined to comment yesterday due to the sensitivity of the security arrangements, but government officials said the situation was "serious"

Andrews, an American, was appointed in June to turn the ailing airline around

"There is now a huge emphasis on security at SAA as the management team is determined to root out all corruption," one official said.

Last year Andrews launched a number of internal investigations of fraud and theft allegations at the airline. As a result of the inquiry the freight division was restructured and six senior employees were removed from their positions.

Criminal charges have been laid against a number of former SAA staff members, but their names have not yet been released. It appears that the allegations concern theft and overbilling for freight ferried around the country

In October the national directorate for serious economic offences raided 30 Morgan Air Services offices around the country on suspicion of fraudulent activities.

Andrews ... clamped down

This prompted SAA to terminate its dealings with the freight handler and ban Morgan Air Services staff and vehicles from its property.

Airline spokesman Leon Els said recently that the company was a "minor contractor" which provided cargo handling and distribution services to SAA.

Internal investigations had uncovered "potentially fraudulent activities" in its dealings with the company

SAA officials say Andrews' clampdown on corruption at the airline is one of the reasons for his confidence that profitability is set to improve significantly

He recently told Parliament's environmental affairs and tourism committee SAA would announce a sharply reduced loss for the year to end-March, after losing R247m in the first half of the year

He expected the airline to at least break even, and possibly make R50m profit, for the current six months

SAA has also begun a retrenchment exercise, with Andrews estimating the airline will shed up to 1 100 of almost 11 000 jobs, fewer than the 3 000 job losses envisaged initially.

Officials say that while retrenchments will take place across the board, "some management heads will roll"

SAA is one of government's assets in line for partial privatisation, with indications that up to 30% will be offered to an international equity partner in the coming months The identity of the preferred bidder is expected to be released in June, with a number of international airlines and other consortiums having expressed interest in bidding for the stake.

Province's road system in ruins says Ramatlhodi

By SELBY MAKGOTHO

(269)

Business called on to help rebuild it

NORTHERN Province simply doesn't have the money to rebuild its road network and still deliver basic social services to the millions of rural poor, so big companies and mines must chip in to help save the region's crumbling transport system, Northern Province Premier Ngoako Ramatlhodi warned.

Ramatlhodi's call follows growing public concern at the state of rural roads and a similar appeal to big business by Deputy President Thabo Mbeki at the province's economic summit in Warmbaths last weekend.

The summit was staged simultaneously and in apparent opposition to the Mopani II black business conference in the Kruger National Park, and starred Ramatlhodi and Mbeki as keynote speakers.

Both were originally billed as speakers at Mopani II but withdrew at the last moment.

Mbeki remarked in his keynote address to the summit that growing traffic volumes through the region overburdened the N1 highway between Gauteng and Zimbabwe, apparently because almost all other major feeder roads were rapidly deteriorating.

"This is of course the case with other roads in other parts of the country, but the situation [here] is aggravated by the Beit Bridge border post's inability to cope with the sheer volumes of traffic," said Mbeki.

Stressing that the transport department was attempting to address the problem, Mbeki called on mines exploiting Northern Province's vast mineral wealth to consider rebuilding vital public infrastructure in partnership with the government.

"We make this suggestion mindful of the fact that many mining houses and other businesses are making important contributions in the area of school and clinic building," said Mbeki.

Ramatlhodi added on Thursday that a functional road network was vital to regional economic development and job creation and was the key to Northern Province's goal of developing into South Africa's gateway to the rest of Africa.

Northern Province remained South Africa's poorest province with personal per capita income at just 27 percent of the national average, said Ramatlhodi.

The province decided during the summit to target mining, agriculture, tourism and beneficiation of raw resources through manufacturing nodes.

Ramatlhodi said the province had therefore decided to immediately begin tailoring special technical education and vocational training programs, to provide the necessary human resources to develop mineral and other assets.

"We are going to aggressively target economic development and are even going to begin using cultural festivals and the like to boost tourism to the region," he said.

Ramatlhodi also pointed out: "We have a unique and strategic position as South Africa's physical link to the Southern African Development Community and we're going to use that to our full advantage."

He added that the province would announce a technical committee to steer the new economic strategy within three weeks.

The committee will be led by provincial director general Benedicta Monama and will include leading academics and members of the private sector.

Road traffic management reforms on schedule

(269) . CT(BR) 10/3/99

Audrey D'Angelo

Cape Town — The department of transport had halved its salary budget in the past five years and reduced the number of employees to 20 percent of those in 1993.

This had occurred without any involuntary retrenchment of staff, Mac Maharaj, the minister of transport, said in his budget speech yesterday.

Outlining the effectiveness of the "user-pay" principle and the restructuring of the department into four agencies, Maharaj said: "As the new department started to take shape, 292 of the 340 applicants for voluntary severance were allowed to take the package.

"The other members of the staff were transferred to the private sector, as we outsourced functions the department no longer needed to perform.

"The saving to the taxpayer has been significant — R70 million alone in the annual salary bill since 1994 and more than R50 million in the informal subsidisation of services, that are now provided on a 'user pays' principle.

"I will bring our last major piece of institutional reform, the Road Traffic Management Corporation Bill (RTMC), before this house in two weeks' time.

"The RTMC Bill aims to reform the way in which we do road traffic management on all three levels of government, in order to develop the 7 000 officers employed in this country into a coherent force to eliminate criminal behaviour by road users

"At the same time we want to establish the income stream for road traffic management, including traffic law enforcement, by putting mechanisms in place that will ensure road users pay the full cost for breaking the rules of the road."

FREEZE FIGHTER *Mac Maharaj, the transport minister, delivers his budget*

The minister said provinces were now registering taxi associations, to form the basis of a regulated taxi industry

It was hoped that this year an agreement would be signed with Metrorail "that will finally move us away from deficit financing to a more performance-related contract".

The contract would "not only give value for money but also improve efficiency and service, which is a cornerstone in developing a reliable and safe public transport system in this country

"This contract will be the first step towards the concessioning of a rail commuter network to the private sector."

The Moving South Africa report to be released next month would state clearly the tough choices and strategic trade-offs that must be made to form sound transport decisions for long-term social and economic development, said Maharaj.

"We will need to clear the way for the creation of transport authorities by both metropolitan and district council levels which will be responsible for planning intermodal transport services."

These services "will co-ordinate rail, bus and taxi to serve the needs of their customers for safe, efficient and effective public transport.

"We have lived under a moratorium on increases in bus and rail subsidies as we undid the unsustainable legacies of open-ended life contracts for bus operators and the deficit financing of rail operations.

"In the foreseeable future we will have to lift the freeze if we want our public transport system to grow," said Maharaj.

Transport Minister Mac Maharaj delivers his last speech in the National Assembly yesterday, before retiring from government after this year's elections.
Picture: TYRONE ARTHUR

Bus, rail subsidy freeze must go, says Maharaj

BD 10/3/99

(269)

Linda Ensor

CAPE TOWN — The freeze on increases in bus and rail subsidies had to be lifted to ensure the growth of the public transport system, Transport Minister Mac Maharaj said in his last budget vote speech in Parliament yesterday.

Maharaj said the moratorium on subsidy increases was imposed while the unsustainable, open-ended, "contracts for life" for bus operators and the deficit financing of rail operations were being undone.

However, he warned of the need to maintain a balance between funds spent on operating costs and investment in the rehabilitation, maintenance and expansion of transport infrastructure.

Maharaj said that the fundamental principle in restructuring transport was the reliance on the private sector, either exclusively or in partnership with government, to provide resources for infrastructure.

"Through these partnerships, R8bn of national road construction is being financed by the private sector. With every billion spent on road construction, 42 000 jobs are created (17 000 directly in construction and the rest indirectly)."

Instead of underwriting the construction of all toll roads, government had removed this requirement in the tender for the N4 to Maputo and the tender on the N3 between Johannesburg and Durban, and had written the state's R1,2bn debt on the road into the contract. The contracts also carried job creation and empowerment specifications.

He said that the R3,8bn spent on construction and maintenance since 1994 had created 33 000 man years of employment, and led to the investment of R70m in the development of small businesses.

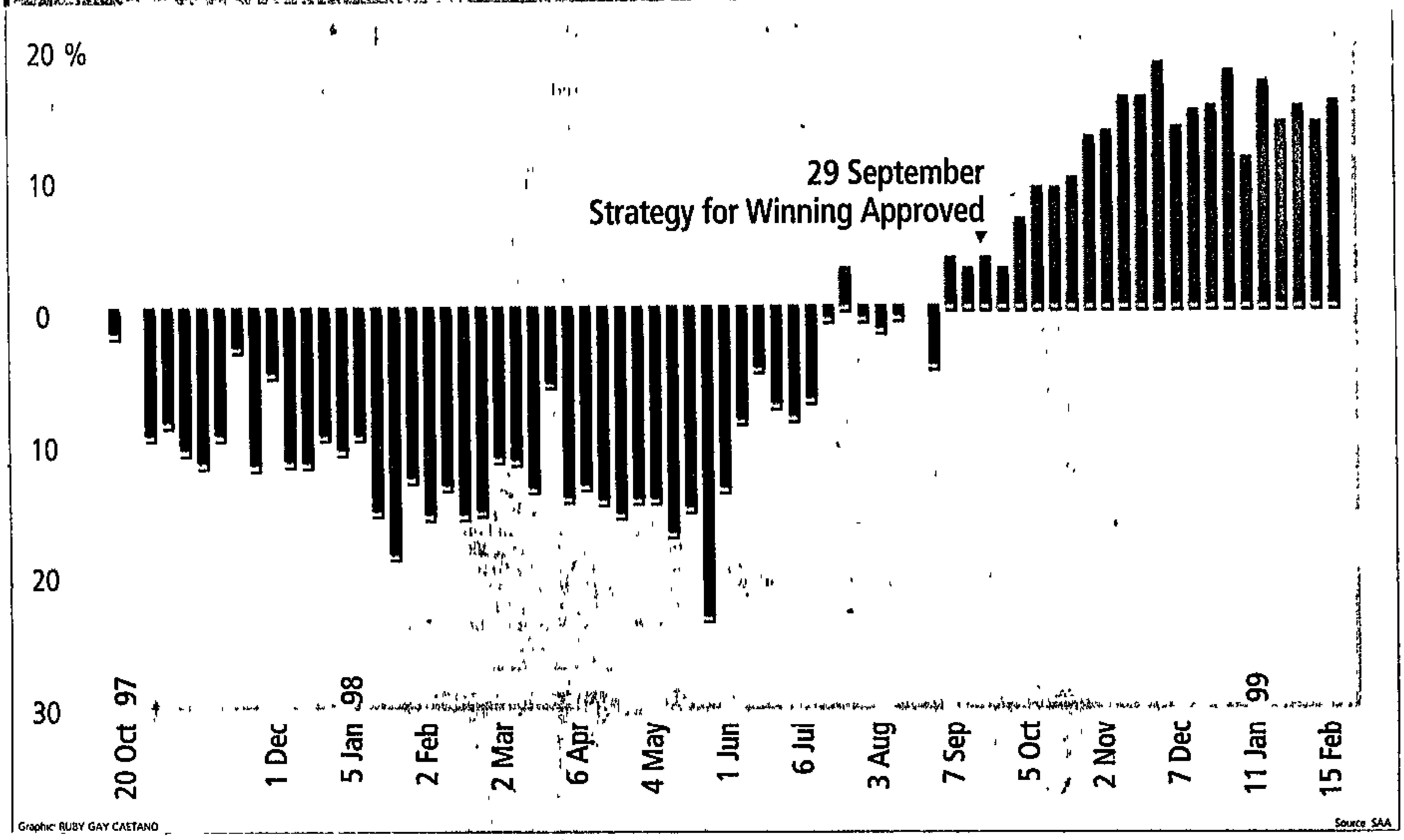
In the 30-year concession period of the Maputo road, the contract stipulated that 20% of the design and construction work and 30% of the maintenance and operation work had to be allocated to developing sustainable small businesses. This amounted to more than R800m during the life of the contract.

The introduction of user-charges, and outsourcing was another way to involve the private sector.

Outsourcing the government garage operation, into three contracts worth over R6bn over the next six years, would save government millions of rand lost every year in theft, corruption and abuse.

Maharaj said government was looking at a public share offer as part of the final phase of privatising the Airports Company.

SOUTH AFRICAN AIRWAYS DOMESTIC COUNTS UP



Graphic: RUBY GAY CAETANO

Source: SAA

SAA lifting out of financial nose-dive

(269)

Staff and cost cuts, streamlined services, and an effort to improve efficiency are beginning to put the airline back in the black, writes ROGER MAKINGS

ST(PT) 14/3/99

SA Always appears to be pulling out of its death dive following a ruthless overhaul that should see the airline return a sizeable profit by the end of the next financial year.

However, CE Coleman Andrews says it will still show a loss of some R137-million for the financial year ending March '99, against more than R300-million for 1998.

During Andrews's nine-month tenure, his Strategy for Winning campaign has seen a total restructuring of the airline's top management, the introduction of a profitable international network, sharply improved customer service — including improved on-time departures and reduced fares — an ongoing fleet upgrade, broadening of international alliances, and paring of staff

"When I arrived in June last year, the airline was on course to lose R500-million," he says. "This has been reduced by more than R350-million We are now profitable. The next year will see a healthy return"

Andrews adds that, for the quarter from October to December '97, SAA lost R24-million in the same period last year, the airline made R8 5-million Between January and March last year, the airline lost R82-million, for the same period this year it expects to make more than R100-million.

He says that, in the six months from October '97 to March '98, SAA lost R106-million but will make more than R110-million for the corresponding period for '98-'99

Through the elimination of most stopover flights, in which SAA paid heavy landing and ground-handling fees but was prevented from taking on new passengers, the cheaper procurement of spares through its alliance partnerships, and the reduction in outstation costs, including several closures, the airline will save R200-million annually

Andrews's staff changes have been sweeping — and costly The airline is shedding nearly 10% of its staff — 1 100 by April, although the figure is lower than the projected 3 500 expected a year ago — through either voluntary or enforced retrenchment, the cost of which would go to "eight figures", he says

Besides promoting younger SAA managers, he has also brought in managers from the US, Canada and Switzerland, all experts in their field. He has introduced software designed specifically to boost load factors and yields

Customer service, he says, has also been improved, with cabin attendants benefiting from five-day retraining courses using the expertise of partner carriers Lufthansa, Swissair and Singapore Airlines

There has been a marked improvement in on-time departures "This has brought the business passenger back," he says "Our domestic departure times have improved from between 70% and 80% to well over 90%"

Andrews says SAA's fare reductions, which sparked an outcry from domestic competitors and led to their laying a complaint with the Competition Board, has dramatically increased SAA's domestic passenger numbers from about 60 000 a month in July-August to 80 000 for October-November last year

"From October '97 passenger numbers declined at a monthly rate of 11% and we stopped the bleeding only by early September '98, seeing sharp weekly increases since then," he says Yields, he says, were up by 4% in the corresponding period

International service load factors have also increased through a revamp of schedules and improved on-time departures

Andrews says passenger counts improved by between 12% and 13% between October '98 and January this year Yields, he added, were also slightly up.

Most encouraging is the increase in passengers from Zurich to SA as part of the new codeshare agreement with Swissair

Andrews says 30 passengers per flight have been generated as opposed to the expected five or so Similar benefits are expected from codeshares with Singapore, Lufthansa and British Midlands within the coming weeks.

AVIATION *Agreement to improve network of services*

SAA and Ghana Airways to co-operate

CT(BR)26/3/99 (269)

Audrey D'Angelo

Johannesburg — SAA and Ghana Airways, the state-owned carrier, would co-operate in providing an improved network of joint services throughout sub-Saharan Africa and to the US, it was announced yesterday.

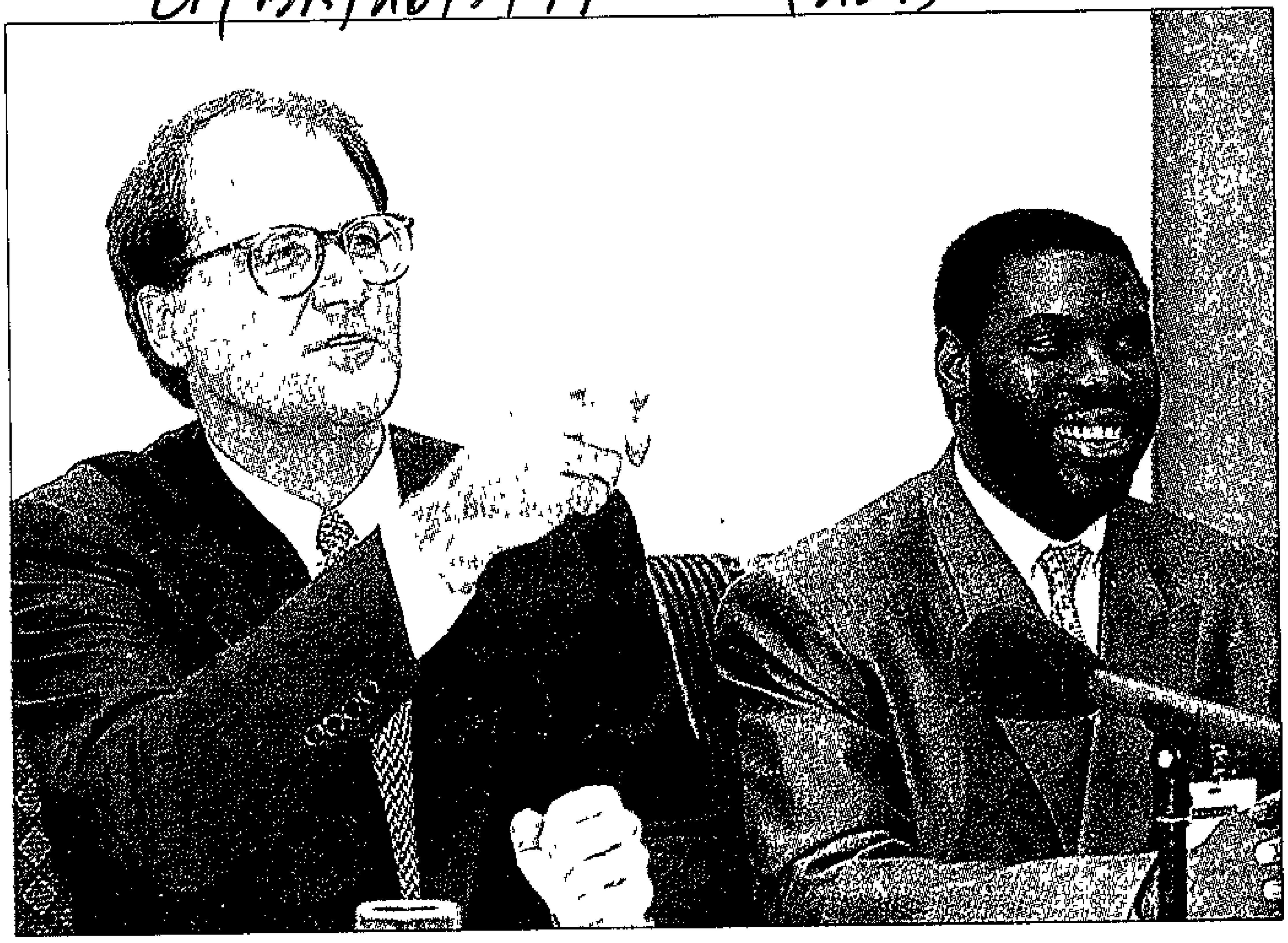
Coleman Andrews, the chief executive officer of SAA, and Emmanuel Quantey, the chief executive officer of Ghana Airways, signed a memorandum of understanding for a commercial partnership

Andrews and Quantey said this would mean more frequent flights between African cities and provide better connections between east and west Africa

They would fly jointly to the US, possibly adding Atlanta to their destinations Andrews said this was part of SAA's strategy to improve connections between South Africa and the rest of the world.

More partnerships would be announced soon that would result in more flights to South America and Asia.

However, SAA has had to postpone its new service to Singapore, which was due to start on Saturday, because of a failure to reach agreement with its ally, Singapore Airlines, over add-on fares to other Asian destinations.



MORE FLIGHTS *Coleman Andrews (left) of SAA and Emmanuel Quantey of Ghana Airways, signed a memorandum of understanding in Cape Town yesterday* PHOTO ANDREW BROWN

The agreement with Ghana has resulted in the withdrawal of the twice-weekly flights from Johannesburg to Dakar, which will now be served by Ghana Airways from Accra.

Andrews said SAA and Ghana would "very soon" provide daily or almost daily flights between African cities, using Johannesburg and Accra as joint hubs. They planned to develop a third joint hub for east Africa, which would probably be Entebbe in Uganda.

SAA was bidding for a 49 percent stake in Uganda Airways and had been short-listed for this. It also hoped to buy a stake in Air Tanzania

Ghana Airways flies to New York. SAA flies to both New York and Miami Both airlines have an A1 rating from the US civil aviation authorities.

Lesson from Kenyan lengthmen

DURBAN — The so-called lengthman contracts used in Kenya and Malawi to maintain roads are to be introduced in KwaZulu-Natal to promote development, transport MEC S'bu Ndebele said yesterday.

Presenting his budget report to the provincial legislature in Maritzburg, Ndebele said in terms of the lengthman contract a number of kilometres of road were allocated to an individual on an annual basis to maintain.

"What is unique to our approach is that rather than issuing contracts to individuals, we will identify households with significant poverty levels and they will be contracted as lengthmen," he said.

He said in rural areas 30 people could be dependent on one breadwinner. Giving these contracts to households instead of individuals would ensure that if a breadwinner died, others in the household could still benefit financially.

Ndebele also announced what he called basket funding to develop roads in impoverished areas. The first area to receive funding would be Nkandla.

"We have said if we cannot afford to address our equity goals, we will create baskets of funding, district by district, to improve roads," Ndebele said. — Sapa.

(269) BD 30/3/99

Rail sector loses deficit subsidy system

BD 31/3/99 (269)

Transport department is now ready to move to a new phase of delivery

Robyn Chalmers

THE transport department has shifted away from deficit subsidies in the rail sector, and lifelong permits and subsidies for bus services have been done away with, says Transport Minister Mac Maharaj.

Outlining the department's business plan for 1999/2000, he said yesterday the department was now positioned to move out of the phase of restructuring to a new phase of delivery.

"What we now have is a set of prioritised goals for transport, and a framework to guide the actions of government and the private sector towards ensuring that we are able to deliver against these goals."

Maharaj listed among the department's achievements the removal of the deficit subsidy system in the rail sector. The business plan said this was achieved through the imminent establishment of a five-year concession agreement between rail commuter operator Metrorail and the SA Rail Commuter Corporation.

Maharaj said the taxi industry had come out in support of regulation measures recommended in the final report of the national taxi task team and had for the first time united itself under the umbrella of the SA Taxi Council.

The plan said that as the department moved into 1999/2000, the basic institutional platform was now in place. The department's role had changed from that of administration and bureaucratic regulation towards that of policy, regulation and facilitation. This had created a new set of institutions and relationships.

Transport director-general Dipak Patel said the department had downsized from 1 047 posts in November 1996 to 250 posts. A number of agencies, including the SA National Roads Agency, the SA Civil Aviation Authority and the SA Maritime Safety Authority, were created as a result the department's restructuring.

"The size and shape of the new department allows it to be positioned at the heart of a cluster of institutions, agencies and parastatals."

The departments' first focus area for 1999/2000 was the Moving SA report, a 20-year strategy for transport in SA which was now complete, he said. Maharaj would launch the finalised strategy next month.

Department senior GM Harald Harvey said a number of policy issues were under the spotlight, including a review of aviation policy, the development of rural transport policy and the forging of a special needs policy.

The department had already begun work on the development of a fresh approach to ports policy in SA.

AIRPORTS *Cabinet to give parastatal's privatisation date this year*

Phase two of airports sell-off on cards

CT (BR) 31/3/99 (269)

ROY COKAYNE

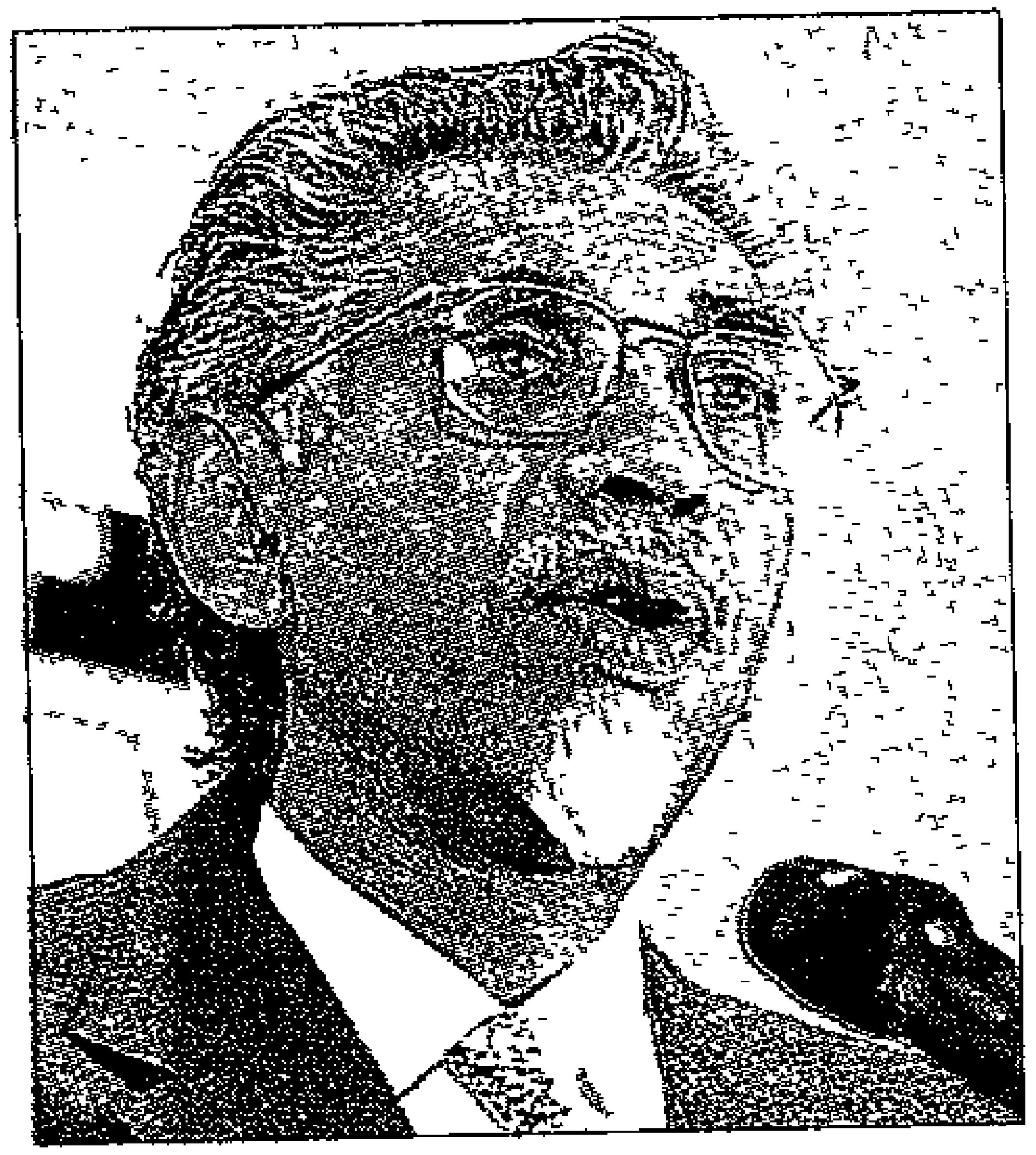
Pretoria — The timing of the second phase of the privatisation of the Airports Company of South Africa (Acsa), the airports parastatal, would be determined by the Cabinet this financial year, said the transport department's business plan released yesterday by Mac Maharaj, the transport minister.

In the second phase the government would sell its remaining shareholding through an initial public offering

"It is expected to take place within the next 12 to 18 months," said the report.

Maharaj said. "The framework provides a clear path into the long-term future.

"Its greatest value is that it not only ensures that government now has a long-term view of its role and where it should be focusing its investments, but it also sends clear signals to the private sector about how its role is seen by government and where it should be investing.



CLEAR PATH *Mac Maharaj, the transport minister, says the department's business plan emphasises the government's long-term view and investment focus. It will give transport providers a clearer sense of long-term planning priorities and constraints*

"The customers and providers of transport will be able to determine what their long-term future will look like and to confront the difficult decisions that will have to be made with a clearer sense of long-term planning priorities and constraints."

In April last year the transport department oversaw the successful sale of 20 percent of Acsa to an international consortium led by Aeroporti di Roma for R819 million.

In July last year, the department announced the R172 million sale of 21 million shares, representing 4,2 percent of Acsa's issued share capital, to six South African empowerment groups The groups represented roughly 6 million individual shareholders or beneficiaries.

The department is offering 9 percent of Acsa's shares to Acsa management and employees. It would set aside a further 10 percent for the National Empowerment Fund, said the report

In terms of Acsa's budget for 1999/2000, net income before taxation was budgeted to decline from a projected R413 million in 1998/99 to R382 million Total revenue was budgeted to rise from a projected R891 million in the 1998/99 financial year to R934 million in 1999/2000 and dividends to rise from R55 million to R58 million.

However, the report said the 1999/2000 budget quoted was an extract from Acsa's five-year plan. It had not yet been approved by its board.

Acsa was in the process of compiling its detailed budget for 1999/2000, it said.

Dipak Patel, the director-general of the department, said another focus of the business plan was public transport, which would place the three public modes on a new footing.

This would aid the development of a customer friendly integrated transport system in the next few years.

Patel said the department had had three rounds of restructuring from a highly bureaucratic department with 1 047 people in 1996 to 250 people today.

He said change in the size and shape of the department resulted in it moving from doing nearly everything in-house to the co-ordination of a network of transport clusters geared towards delivery.

Patel said parliament had voted R3,495 million to go to the department. The department's restructuring would mean only 4 percent of this would be spent within the department and 96 percent earmarked for transfers to policy, strategy and implementation; corporate support services; and regulation and safety. This showed "that the department is truly lean"

New plans launched for transport (269)

By Gershwin Chuenyane

PUBLIC transport will be improved next year because the Department of Transport will be ready to deliver after completing preparatory work on its restructuring.

The department introduced its 1999-2000 business plan in Pretoria yesterday which presented a shift from a restructuring and transformation phase to the one of delivery

Outgoing Minister of Transport Mr Mac Maharaj said. "This business plan is published at a time when the critical preparatory work has been completed, enabling us to present our plans for the coming year in the full confidence that they represent a decisive shift from an agenda of transformation to an agenda of delivery."

Maharaj said his department's main focus this year would be key areas as they were required to consolidate the transformation processes and position themselves to ensure that goals set in the White Paper on national transport policy could be delivered on a sustainable basis into the future.

He announced that the Moving South Africa process, which was the intensive customer-focused, data-driven strategy, was now complete and that he would in the coming month announce the final long-term strategic framework.

Referring to public transport, Maharaj said the process of disentangling South Africans from the chaotic legacy of the past continued, but he was confident that a critical point was reached where the momentum that had been developed in creating foundations for sustainable, regulated and effective public transport was now in place.

Other issues included the consolidation of gains made in the past two years through the Arrive Alive campaign. Maharaj said his colleagues and provincial MECs had in the past year teamed up in an intensive process to come up with a long term solution to the levels of deaths and injuries on the roads.

Sowetan 31/3/99

Maharaj maps out the road ahead

The outgoing Transport Minister has left his department a solid legacy, writes DON ROBERTSON

(269) ST(BT) 4/4/99

THE Airports Company will be listed on the JSE within the next 12 to 18 months, and the national passenger rail system will be up for grabs in five years' time, according to the latest business plan from the Department of Transport.

Completing his five-year stint as Minister of Transport in what has been one of the most successful ministries in the new democracy, Mac Maharaj has presented a R3.5-billion budget for this financial year, a plan to list the Airports Company (Acsa), as well as a vision for the industry for the next 20 years.

Maharaj has decided "by choice" to retire from his current position, but has promised that the "new" department, now trimmed to 250 people from 1 047, will "be customer driven and will be fully responsible to government and the taxpayer".

In the next five years, the commuter rail network will be opened to "competitive tendering" when Metrorail's exclusive concession expires.

In a third report, which recognises the many problems in the transport industry, Maharaj says Acsa, in which Italian-based Aeroporti di Roma recently acquired a 20% stake for R819-million, will continue with a second phase of its privatisation. This will involve the sale of about 25% of its shareholding to empowerment groups, employees and the National Empowerment Fund. The group, valued at R4-billion, will then be listed.

Among other matters discussed in the new business plan this week, Maharaj concedes the SA Rail Commuter Corporation (SARCC), which transports over 2-million passengers a day, has recognised that the ageing and unreliable rolling stock has affected its efficiency and safety.

The report says the public transport system is "ineffective and inefficient ... and in slow but sustained decline".

To counter this, the SARCC will upgrade existing rolling stock and buy new coaches.

Tenders to provide the first 60 new trailer and motor coaches were issued last year and the delivery of the first trains is expected in 2001.

Next month, Maharaj will present a long-term plan for the industry. "This will enable role players to make their own choices within the context of reasonable certainty as to government's intentions."

Public transport is 'ineffective and inefficient ... and in slow but sustained decline'

In the context of the SARCC, though, the plan is to continually buy new coaches while upgrading the older ones, "eventually achieving a scenario in which, in about 40 years' time, the SARCC will have replaced all of its 4 500 suburban coaches. This includes the refurbishing of about half of the existing coaches, extending their lives by 15 to 20 years at a cost of about 20% of a new coach."

It is also proposed to table the National Land Transport Transition Bill in the first session of Parliament after the elections, which will create the legal framework for passing the transport White Paper and the Moving South Africa land passenger strategy.

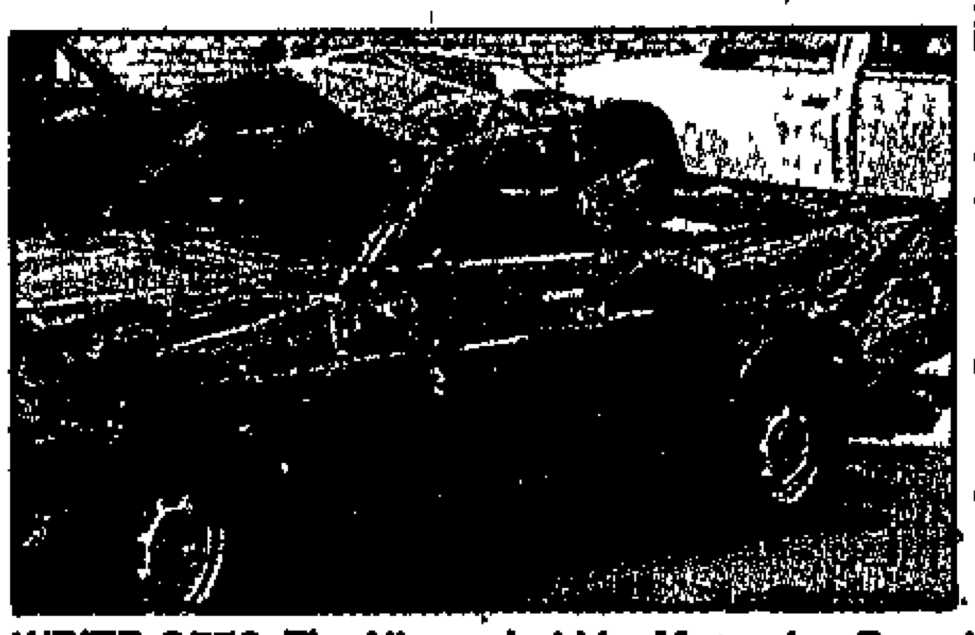
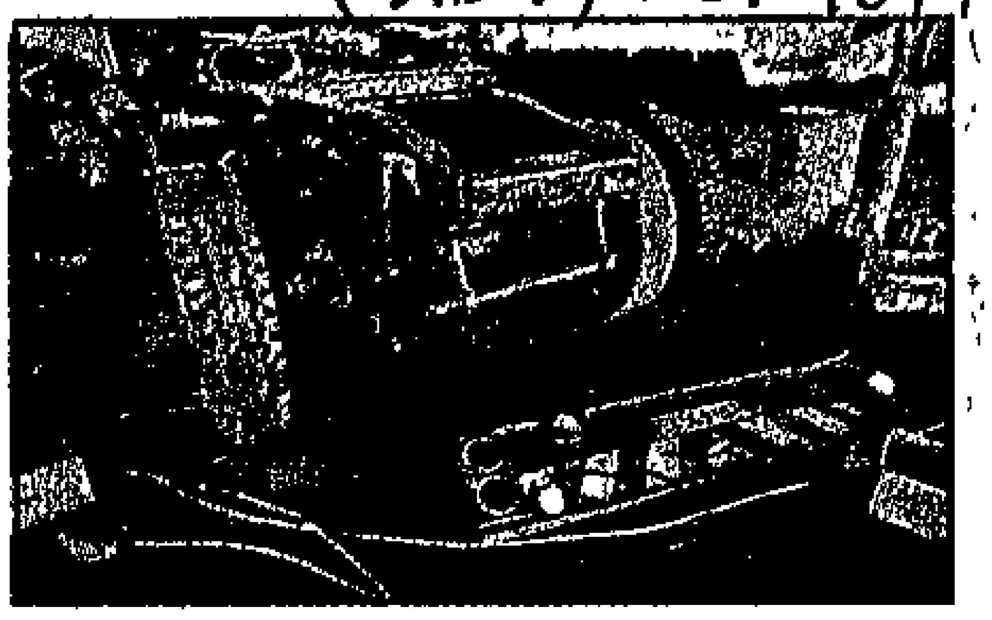
This will allow metropolitan and district councils to establish transport authorities, allow the monitoring of bus contract schedules and for the restructuring of publicly owned bus companies.

The report says freight transport is "not meeting the needs of customers in terms of cost and service" and "in some areas, is actively working against export competitiveness. The levels of investment and reinvestment are not sufficient to sustain even current levels of service and cost in the long run."

The main proposal to overcome these problems will be the restructuring of all ports.

LICENSED TO K

(269) ST 18/4/99

WRITE-OFFS: The Nissan bakkie, Mercedes-Benz truck, Isuzu truck and Fiat Uno for which we got roadworthy certificates Pictures: BRETT ELOFF, JULANI VAN DER

JAN HENNOP

INSPECTOR JOHN McAULEY 'Finished'

For as little as R200, this mar these wrecks to be roadv

THIS man sold us roadworthy certificates for these mangled cars — without even seeing them

For as little as R200, he was willing to allow death-trap cars on our roads

John Duncan McAuley, an inspector at the private Pretoria West Testing Centre, sold the Sunday Times roadworthy certificates for four scrapped vehicles last week

Even though we gave him deregistration papers which clearly said the vehicles — some smashed, some just bare shells — were scrap, he gave us certificates certifying that they were in a fit condition to be driven on South African roads

Unbeknown to him, the vehicles were in a scrapyard about 20km away at the time they were "tested"

The deal took place only a week after police anti-corruption officers raided the test centre, arresting a policeman, two traffic officers and another employee

Last year more than 18 000 vehicles went through the testing centre, official figures show

The ease with which the Sunday Times was able to buy bogus certificates — which allow owners to license vehicles — confirms what many, including Transport Minister Mac Maharaj, say is widespread corruption in the system and contributed to the 44 018 deaths on South African roads between 1994 and mid-1998

It also mocks legislation which requires any heavy vehicle, bus or minibus taxi to undergo roadworthiness testing once a year

Confronted this week, McAuley would not comment and referred the Sunday Times to his boss and station owner, Kuhn Pretorius

At first Pretorius would not believe McAuley had sold us the certificates for scrap, but after physically checking the cars with the Sunday Times, he said his employee was "finished".

"There is no way these could have got through a roadworthy," said a stunned Pretorius, who suspended McAuley on Friday morning, pending a hearing.

"How can I let it go through the station? It is bad news for me. He has been suspended We are trying our best not to let this happen," he said.

The Road Traffic Act provides for a maximum fine of R4 000 or one year's imprisonment for anyone who issues a false certificate.

But this did not deter 52-year-old McAuley

Last week we approached him and asked how much it would cost to put papers through the test without the vehicles being there.

He quoted a price of R200 for a standard saloon car (the normal price is between R75 and R100), R800 for a heavy vehicle (normal price around R190) and R400 for a taxi (normal price around R95)

In the end, he charged us R2 000 to "test" a Mercedes-Benz truck, an Isuzu truck, a Fiat Uno and a Nissan 1 400 bakkie

Two days later, the papers and the money were taken to the station, where the deal was done. While legitimate vehicles were being put through the test, the underhand papers were prepared McAuley said they were done in this way because he was worried the station might still be under surveillance by the police.

Money changed hands and he told the Sunday Times to return a few hours later, when the papers would be ready.

Just over an hour and a half later, the papers with the bogus roadworthy certificates were handed back.

Anti-corruption unit officer Captain Koos van Wyk, who led the raid on the police vehicle-clearance office and testing station two weeks ago, said he would be meeting a Public Prosecutor's representative tomorrow to see if a prosecution would follow our investigation.

There has been growing concern about corruption at testing stations since the government passed laws in 1991 allowing private companies into the system

There are 164 private testing stations in South Africa but only four SABS inspectors to check at least once a year that they — and 271 public testing stations — are up to scratch

Maharaj this week vowed to plug the holes in the system after being told of the Sunday Times investigation. He said bogus roadworthy certificates were part of a broader problem including fake driver's licences, car licences and insurance scams.

"There is widespread knowledge about corruption in the system which we have inherited But we are putting measures in place to stop it," Maharaj said.

UNDER THE COUNTER: The testing station where we

Archibald Ndungane, SABS section head for road testing stations, said the situation could not continue. He said financial constraints limited the SABS's ability to check stations

"But the SABS is not there to stamp out corruption We are rather the custodians of quality. Should we uncover corruption in our inspections we could put it in a report to recommend the station's suspension or cancellation [closure]."

But around the country authorities are attempting to thwart test-station corruption.

In Durban on Friday two private inspectors appeared in court on 25 charges of taking bribes for bogus roadworthies.

"In this province it's a widespread problem There are investigations against officials issuing roadworthy certificates in Durban, Stanger, Isipingo and Chatsworth, to name just a few," said Captain Louis Helberg of the Durban Commercial Crime Unit

He has focused on investigating corrupt test officials for the past three years

THE TALE OF DEATH

- 44 018 people died between 1994 and mid-1998 in fatal accidents,
- An estimated 4 242 died in the first half of last year — the most up-to-date figures available,
- 12,7 percent of all fatal accidents in the first six months of last year were caused by faulty vehicles,
- 2,1 percent of those fatal accidents were caused by faulty brakes,
- 7,5 percent were caused by tyre bursts,
- One percent were caused by smooth tyres,
- 1,2 percent were caused by faulty lights; and
- 18,3 percent of fatal accidents over the Easter weekend were attributed to faulty vehicles

Source Marlene Ronald, spokesman for Arrive Alive Campaign, and Transport Minister Mac Maharaj

ED TO KILL

.b9) . ST 18/4/99

Uno for which we got roadworthy certificates   Pictures: BRETT ELOFF, JULANI VAN DER WESTHUIZEN and MICHAEL WALKER

or as little as R200, this man declared these wrecks to be roadworthy

e has been growing concern orruption at testing stations e government passed laws allowing private companies system

are 164 private testing stations South Africa but only four spectors to check at least year that they — and 271 esting stations — are up to

aj this week vowed to plug s in the system after being the Sunday Times investile said bogus roadworthy ies were part of a broader including fake driver's car licences and insur-

is widespread knowledge orruption in the system have inherited. But we ing measures in place to stop it," Maharaj said.

Archibald Ndungane, SABS section head for road testing stations, said the situation could not continue. He said financial constraints limited the SABS's ability to check stations.

"But the SABS is not there to stamp out corruption. We are rather the custodians of quality. Should we uncover corruption in our inspections we could put it in a report to recommend the station's suspension or cancellation [closure]."

But around the country authorities are attempting to thwart test-station corruption.

In Durban on Friday two private inspectors appeared in court on 25 charges of taking bribes for bogus roadworthies.

"In this province it's a widespread problem. There are investigations against officials issuing roadworthy certificates in Durban, Stanger, Isipingo and Chatsworth, to name just a few," said Captain Louis Helberg of the Durban Commercial Crime Unit.

He has focused on investigating corrupt test officials for the past three years.

In Johannesburg Gerrie Gerneke, deputy chief traffic officer of licensing, is conducting his own investigation into corrupt testing officials and says the practice is widespread. He has evidence of a scam at a private Johannesburg testing station where a taxi driver paid R400 for a false certificate.

Traffic authorities in Cape Town said they had a running investigation into test-station corruption but had never had to close a station.

The insurance industry, hard hit by fraud in the past, said it was aware of the problem but hoped the new National Traffic Information System would help curb the problem. "We know about the problem. We just don't know how big it is," said Caroline da Silva, an executive at the South African Insurance Association.

● See also page 7

UNDER THE COUNTER: The testing station where we bought bogus roadworthies

THE TALE OF DEATH

18 people died between mid-1998 in fatal acci-

estimated 4 242 died in the last year — the most up-to-date figures available;

percent of all fatal accidents in the first six months of last year were caused by faulty vehicles;

percent of those fatal accidents were caused by faulty brakes;

● 7,5 percent were caused by tyre bursts;

● One percent were caused by smooth tyres;

● 1,2 percent were caused by faulty lights; and

● 18,3 percent of fatal accidents over the Easter weekend were attributed to faulty vehicles.

Source: Marlene Ronald, spokesman for Arrive Alive Campaign, and Transport Minister Mac Maharaj

LICENSED TO KILL
SUNDAY TIMES SPECIAL INVESTIGATION

ST 18/4/99 (269)

Wrecked cars make the grade

JAN HENNOP

ELIAS Senosi could not believe the Sunday Times had obtained a roadworthy certificate for the car in which he had an accident four months ago.

"But I was in the car when it was written off," an amazed Senosi said on Friday.

A BBR Security technician in Roodepoort, Senosi cut his chin and damaged his ribs in the accident in Ontdekkers Road on December 5.

He was in hospital for four days and the car, which would have cost R25 000 to fix, was deemed irreparable.

"I cannot believe it. How can a car like that be


STUNNED: Driver Elias Senosi

roadworthy?" asked BBR's managing director's assistant, Elaine Faber.

Faber and Senosi's reaction was not unique. Most previous owners of vehicles that received test certificates reacted with surprise.

The Isuzu truck belonged to the Avril Elizabeth charity in Johannesburg until it was smashed in an accident with another car on February 2. The truck's driver was not seriously injured.

"I don't believe it. This is absolutely appalling. It makes you wonder what else is on the road. Good grief, it's very scary," said Grant Davis, maintenance manager for the charity.

But Mike Bruce of Clarke Nissan in Randburg, who sold the blue Nissan 1400 bakkie, said he was not surprised to hear it had received a roadworthy certificate.

"That's what's been happening since they [the government] deregulated the industry. They used to be a lot stricter before," he said.

Engen Petroleum, the former owners of the Mercedes-Benz truck, were the only ones unable to trace the history of their vehicle.

Engen's corporate affairs consultant, Zukiswa Mpati, said that, despite all their efforts, the company was unable to trace the vehicle's history

SCRAPPED: The Sunday Times has a roadworthy certificate for this car Picture: BRETT ELOFF

THE IMPLICATIONS OF A BOGUS ROADWORTHY

- Any vehicle, regardless of its condition, may be driven on the road. Thousands of unroadworthy death traps, including minibus taxis, buses and trucks are on the country's roads in contravention of the standards set by the SABS and the Road Traffic Act of 1989.
- Loss of income for honest officials who fail cars during tests. Many vehicle owners would rather pay more and get their vehicles fraudulently roadworthied than put them through an honest test.
- Insurance fraud. It's possible to get a roadworthy certificate *after* an accident. Without a roadworthy certificate, insurance companies do not pay out any claims, though insurance companies do send assessors to check a vehicle's roadworthiness.
- A roadworthy certificate is one of the documents required to register and licence a vehicle — even if it doesn't exist (a "ghost vehicle").
- Information used by the government in their research to improve conditions on SA's roads becomes incorrect and makes it impossible to decide where to correctly spend state money.

SAA privatisation set to take off at last

(269) BD 19/4/99

Government is expected to raise more than R1bn by selling a maximum of stake of 20% in airline to a foreign partner

Robyn Chalmers

THE long-awaited partial privatisation of SA Airways (SAA) takes off this week when government issues an information memorandum, the first step in the sale of the state-owned airline.

The memorandum is expected to show that government will sell a maximum 20% stake in the airline to a foreign equity partner, against previous estimates of up to 30%. The state is expected to realise more than R1bn for the equity stake.

A Transnet spokesman said at the weekend that the information memorandum would indicate the conditions of the sale, the bankers involved, what will be up for sale and SAA's expected profitability, among others.

The spokesman said interested parties would then have to submit preliminary nonbinding bids by the end of this month, after which a short list would be drawn up. Government hopes to have completed the sale by June this year.

Potential bidders could include KLM with Northwest, Lufthansa with Singapore Airlines, Swissair and American Airlines. Aviation entrepreneur David Bonderman of the Texas Pacific Group, who owns stakes in a number of carriers such as Continental Airlines and Irish-based Ryan Air, has also expressed an interest in SAA.

Bonderman made a low-key visit to SA last week to look into the partial privatisation and is understood to have met with top executives from Transnet, SAA's holding company.

Industry officials indicated that up to 50% of bidders could fall out of the race after the information memorandum is issued. Virgin Atlantic Airways pulled out recently, but officials said the airline was never a serious bidder.

The officials said, however, that new bidders could come forward this week in light of expectations of a significant improvement in SAA's financial prospects.

Sources at SAA indicated that the airline had moved back into the black in the year ended March against earlier predictions that it would record a significant loss. It had a loss of more than R300m in the year ended March 1998.

Expectations of profitability were the result of a new strategy for the airline, largely driven by CE Coleman Andrews who was brought in from the US last year to help restore the ailing airline to health.

The strategy involved forging a new route network for SAA, upgrading the ageing fleet, securing new alliances, ensuring revenue management gains, flying on time and improving customer service.

Tolls the way ahead in Gauteng

(ab9) CT(OR) 20/4/99

Lynda Loxton

Cape Town – Toll roads were poised to become a permanent feature in Gauteng, Mac Maharaj, the transport minister, said yesterday.

In a written reply to a question from the national council of provinces, Maharaj said toll road legislation would be submitted to Cabinet in the second half of 1999

It had been planned to toll all freeways in the Pretoria-Johannesburg corridor. These would include the R21, Ben Schoeman N1, Krugersdorp-Pretoria freeway and the planned PWV9 between the airport and Johannesburg.

Maharaj said the tolling strategy had been prompted by the need to tackle capacity problems in the network, ensure adequate long-term maintenance and develop improved access to marginalised areas

"In the context of tight central government funding constraints, full funding to address all three of these problems is simply not available; neither is it likely to become so in the future," Maharaj said.

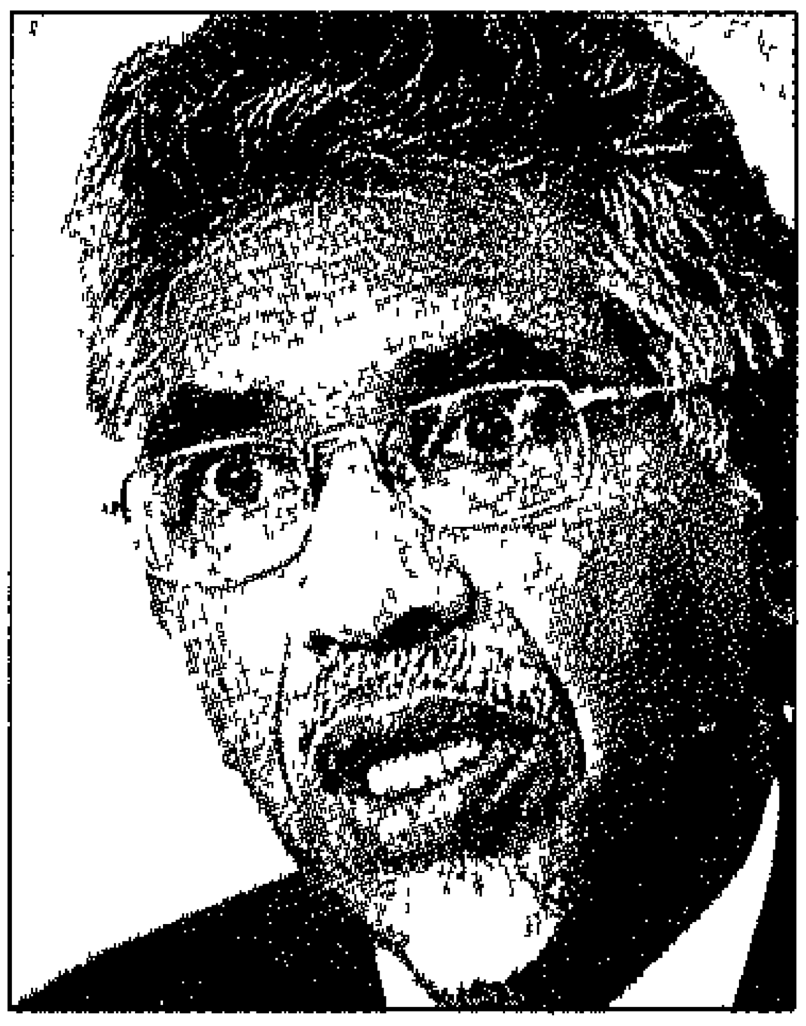
"Tolling – based on the 'user pays' principle – is therefore seen as the only practical route towards providing the necessary dedicated funding mechanism, within the context of a viable freeway and secondary road network."

Studies had shown that the long-term costs to motorists would be lower under a tolling system than from the accumulated costs of congestion and damage to vehicles caused by steadily deteriorating road surfaces.

At the same time, supporting road networks were under pressure as the shortage of government funding had limited efforts to maintain and upgrade them

The effect of a provincial toll road development strategy on property prices would be addressed as an integral part of an environmental impact analysis, Maharaj said.

But it was generally accepted that property values rose when a major transport corridor was developed.



ONE WAY *Mac Maharaj says tolls are a practical solution*

Transport strategy goes public

(269)

Robyn Chalmers BD 13/5/99

TRANSPORT Minister Mac Maharaj will today unveil government's strategy for transport over the next 20 years.

The Moving SA strategy, which addresses the needs of freight and passenger customers over the next two decades, will form the framework within which government will interact with the transport industry. It comes after six months of consultation with industry on the draft.

The strategy, now called the Action Agenda, is believed to follow broadly along the same lines as the original document but focuses more on the choices that will have to be made if SA is to have a sustainable, practical transport system.

A host of interested parties ranging from Transnet subsidiaries Spoornet, Portnet and Autonet to bus and taxi organisations submitted comments on the strategy. A number of these comments were constructively critical of the strategy while others were supportive.

Maharaj said earlier that Moving SA had set prioritised goals for transport and a framework to guide the actions of government and the private sector.

"Its greatest value is that it not only ensures that government now has a long-term view of its role and where it should be focusing its investments.

It also sends clear signals to the private sector about how its role is seen by government and where it should be investing," he said.

Maharaj said that the strategy was positively received by local authorities.

The transport department's business plan indicated that the heart of SA's transport problem lay in the issue of "density" as the apartheid legacy had left an unwieldy transport network.

The Moving SA strategy therefore suggests SA needs to integrate its land use and transport planning so that residential and industrial developments are concentrated around transport corridors.

Too many cars: Page 18
Opportunity for small businesses: Page 24

First wean SA commuters off their cars

Government's transport strategy, Moving SA, which is released today, is well intentioned, but the department's medicine could be improved upon further by proposing a more ambitious package, writes Bénédict de Saint-Laurent

BD 13/5/99 (269)

"THE transport department's Moving SA strategy, which is being launched this week, is not responding to a crisis in the transportation system. In general the system is working. But if we look 10 years ahead, it becomes apparent that there will be a crisis." This is the foreword by Transport Minister Mac Maharaj to the final report of Moving SA which looks at a transport strategy for the country over the next 20 years.

Urban transport is clearly one of the areas where crisis is looming. Within major metropoles, it is more and more difficult to move. Congestion is reaching unprecedented levels. Millions of people have no physical or financial access to transport.

Buses and commuter rail have lost clients to taxis. The taxi industry suffers from poor control and insufficient provisions for depreciation. There seems to be a consensus that the car is the only right choice for most citizens.

The problem is that the model does not work. In the main metropoles, it is not possible to sustain a transport policy based on the indefinite provision of road capacity according to demand. With some delay, SA will be experiencing the same path as Europe or America: enthusiasm for car freedom, booming mobility, then a (futile) race between demand and capacity, and finally, awareness that restrictions have to be put on car usage, in conjunction with encouragement for public transport.

Despite the presence of a third world population relying on public transport, SA cities have significantly lower demand than European cities. The vicious circle that affects urban transport was initially fuelled by apartheid and space availability. This justified the development of a good road network and created urban sprawl, making it difficult to organise efficient public transport. People are obliged to rely on cars.

Fiscal incentives and security concerns reinforce this trend This in turn generates congestion, feeds the need for more roads or more virgin areas to be developed. Long distances, low densities and disinterest of most decision-makers make public transport less attractive.

The first investment made by any household earning more R3 000 a month is a car. SA has 3,1-million taxpayers, but 6-million drivers.

Present urban transport strategy is based on a short-term optimisation, where costs perceived and collected are low. It ignores the long-term effect of a poor urban transport-land planning mix, such as the need to link remote developments to energy, water, telecommunication networks, high recurrent operating costs; and long-term environmental effect.

Urban P[illegible] Segmentation

Customer Segments	Key Transport Needs	% of SA Urban Population (1996 = Black, 2020 = Grey)	Number in 1996 (m)	Growth to 2020
Strider (prefers to walk or cycle)	Cost	25% / 23%	5.4	28%
Stranded (no affordable public transport available)	Cost	13% / 12%	2.8	28%
Survival (captive to cheapest PT option)	Cost, speed	19% / 17%	4.1	24%
Sensitive (captive to PT but selects 'best' option)	Speed, cost., choice	10% / 9%	2.1	25%
Selective (can afford car but willing to use PT)	Speed, choice, convenience	19% / 19%	4.1	39%
Stubborn [illegible]	Convenience, speed	14% / 19%	3.0	88%
Note: All customer segments rated safety as a key transport need. Public transport		Total urban population	21.[illegible] million	[illegible]

Graphic: MATTHYS MOSS Source: MOVING SA

This strategy is inefficient. SA citizens spend 16% of their revenues to move around, compared with 9% in Asian cities, and 7% in well organised European cities. This affects the competitiveness of Gauteng, Durban, or Cape Town. It implies that commuters are more tired, less efficient, less inclined to produce and consume than elsewhere. Most of the SA domestic product is made within cities, making their efficiency a national challenge.

This strategy will inevitably lead to an impasse. Urban roads are expensive and while the national road agency has access to privileged financial means (fuel tax, right to toll 10% of roads) for its world class intercity network, who will pay for municipal roads?

Facing this situation, the Moving SA strategic proposals for urban transport are threefold: densify transport corridors, optimise mode economics, improve operators' performance.

Densifying transport corridors is an excellent concept, linking space use, economics of utilities, transport policy, creation of activity poles, on a few corridors of each city, rather than accepting developments everywhere. Because of long-term effects, corridors should start implementation as soon as possible. There are practical challenges. Where are the incentives for land densification? Are wide and low-density SA corridors fit for public transport? How will the main decisions (transport, land planning, trade and industry locations) be co-ordinated?

The second proposal, to optimise mode economics, means: give priority to busways and a few rail corridors, dedicate taxis to a feeder role, improve transfers, limit car demand and reorient subsidies. This is a must, but the challenges are enormous. Reassigning adequate roles to taxis, buses and trains will be difficult, as well as charging for real car usage. Does the required political will exist?

Improving operators' performance relies on systematic tendering, re-regulation of taxis, and industry recapitalisation.

Difficulties are foreseeable for the restructuring of city transport departments which are not able to compete for tendered services.

In big cities, public transport is often collectively more efficient, but this does not necessarily translate into operator cashflows. One should also consider benefits to nonusers (a decrease in road congestion, accidents), expenditures saved or delayed for municipalities and indirect benefits to "accessible" shops or jobs.

Despite its efficiency, the "market" does not spontaneously lead to the optimum transport system. Urban transport is not a pure market. Distortions and externalities exist.

For instance, one-third of car casualties in SA involve pedestrians. The corresponding social costs are probably not reflected in insurance premiums. Market functioning leads to the sharing, with other economic factors, of indirect costs, such as accidents, pollution, congestion and space use. Users do not fully pay for the costs they generate. Thus, there is a need for some public interventions.

The Moving SA concepts go in the right direction. However, the department's medicine could be further improved by proposing a more ambitious package:

□ In the main cities, commuter rail should be the backbone of the transport and land use policy. Because of its existing assets, which amount to about 80% of the needed investment, rail is the easiest way to develop new transport foundations. The attractiveness of alternative policies also needs to be highlighted;

□ Urban transport needs to be integrated and fully co-ordinated with land policy. The devolution of powers to local authorities does not go far in the future land transport bill: provinces (not the ideal player) and, by delegation, municipalities will define and tender bus services, but get a limited role on rail and most roads, still kept at state level. A full integration could be tested within a pilot region; and

□ Money is a major issue. Efficient urban transport needs dedicated resources such as taxes on fuel, employers or real estate. Opportunities in terms of public-private partnerships or foreign investments are not sufficiently stressed, despite the need for financing other than budget. It is crucial to look at low-cost solutions.

Take the example of Gauteng, with its well-developed rail network. Braamfontein, Roodeport, Soweto, Germiston, Springs, Tembisa, Ivory Park, Centurion, Pretoria, Akasia and Mamelodi are all served by Metrorail.

With relatively modest means, it is possible to create a passenger service on the basis of the existing network. The only missing link concerns the Johannesburg-Sandton-Midrand corridor.

The next step would be to make land available for low-cost housing (and other activities) close to rail stations.

Right now, people benefiting from house subsidies can only afford land in remote locations and spend more on transportation than they save on real estate. It seems judicious to densify land use around stations, as does Intersite.

A similar breakthrough is possible for first class service. Numerous commuters could be interested in a reliable and safe daily trip on a modern train, provided that secure parking is offered at origin, and a good feeder bus at destination. Private operators could be interested in this.

Let us hope that the urban transport issue will be placed at the top of parliament's agenda. SA cannot afford to ignore for too long the need for a more balanced urban transport strategy.

As shown in Gauteng, the potential exists for good projects. Who will take the lead? This is a bold challenge for a champion fully committed to public interest in the long term.

□ *De Saint-Laurent has been seconded by France to the Development Bank of Southern Africa and is dealing with project finance for infrastructure.*

Maharaj bemoans the death-traps on SA roads

Star 14/5/99 (269)

Most minibus taxis and buses are death traps, according to Transport Minister Mac Maharaj.

Speaking at the launch of his department's "Moving South Africa – the Action Agenda" at the Presidential Guest House in Pretoria yesterday, Maharaj said the average age of minibus taxis was nine years – two years away from full economic life – while the average age of a bus was 13 years and a railway carriage 25 years.

This was as a result of the long legacy of neglect.

"These facts have not only highlighted how close we have come to system unsustainability in service provision, but have also shown us the dangerous levels of risk that pervade the entire system," he said.

For this reason, the Department of Transport, together with the departments of Finance, Trade and Industry, and Minerals and Energy, had launched a programme to facilitate the rapid provision in the market of low-cost vehicles, carrying between 18 and 28 passengers.

Access to these vehicles would be linked to compliance by operators with new traffic legislation and regulatory standards.

"This initiative is under way already and a set of proposals will be presented to the Cabinet within the next few months," said Maharaj.

In the bus sector, tendered contracts already specify maximum and average ages within bus fleets, and vehicle roadworthiness standards are specified as a contractual requirement between operators and provincial governments in terms of the standard contract documents.

Maharaj said the South African Rail Commuter Corporation had given him a set of proposals to systematically improve the quality and safety of rail transport. This programme would cost the rail system an additional R300-million a year over the next 10 years.

"My department is in discussion with a number of role-players in government and the private sector to support this programme," said Maharaj. – Pretoria Correspondent

Transport sets trends in infrastructure policy

BD 18/5/99 (269)

This portfolio is a leader in public-private sector partnerships, writes Jenny Cargill

FIVE years ago, no one could have guessed the transport portfolio in government would have emerged as a trendsetter in new policy on infrastructure delivery. Or that it would lead the way in showing just how effective public-private partnerships could be But it has, and today transport infrastructure is positioned as a leader for private sector investment in a traditional public sector domain

New forms of infrastructure delivery through the use of private sector capital and expertise have been taken on board with remarkably little political resistance.

The potential lies not just in SA, but in the Southern African Development Community region (SADC)

BusinessMap's latest annual review, Transport 1999: New paths to investment, published today, indicates that the level and value of potential investments over the next decade is high It is difficult to assign value to this potential, except to note that aggregated investment opportunity extends into the multibillion-dollar realm.

Financing the transport sector

Project	Deal size Rm	Status	Credit	Finance	Cost of funds
N1 Warmbaths Pietersburg	1 000	Closed	State	CPI-linked	4% real
N4 Maputo Corridor	2 019	Closed	Project and partial state	CPI-linked Bank debt	6% real 2,5% margin
N3 Heidelberg Cedara	3 000	Negotiation	Project and partial SA National Roads Agency	CPI-linked Eurorand Bank debt	7% real
N4 West Platinum Toll Road	2 300	Best and final offers			

KAREN MOOLMAN Source BUSINESSMAP

On the SADC drawing board are a number of privatisations and concessions under the public-private sector model, where the private sector bears much, if not all, of the risk Major projects include

- Airlines, airports and handling operations at least seven privatisations have been completed, with a further six at conceptual stage and two at bidding stage,
- Railways. a high level of concessions on rail lines and railway operations is being considered, mainly in Zimbabwe and Mozambique Three concessions have been awarded, 10 are at the conceptual stage and two at bidding stage In SA, preparatory work to introduce an international concession for commuter rail is proceeding, and Spoornet is considering concessions on "fringe" lines,
- Ports and port operations there are at least eight significant concessions at conceptual stage, and
- Roads: these remain highly attractive for concessions, with at least five major projects awarded, two at bidding stage and eight at conceptual stage

A potential problem with all this activity in the pipeline is the absence of a coherent policy and regulatory environment.

Governments have tended to respond on an ad-hoc basis towards the introduction of private sector-driven delivery of transport infrastructure.

Not surprisingly, they have been somewhat pushed and cajoled into action by the dual squeeze of budget constraints and depleted infrastructure.

However, tolerance for ad-hoc responses is running out, and there is a growing concurrence of views in both the private and public sectors that the development of transport infrastructure must be placed within an adequate policy and regulatory framework with consistency and transparency in the contracting process.

The rules and guidelines for partnerships between the public and private sectors must be established — and backed by adequate institutional capacity An important addendum is black economic empowerment, where there are few benchmarks and experience has been patchy at best.

On the whole, the SADC has progressed well in the design of the appropriate environment. The SADC protocol on transport, communications and meteorology is being refined At the centre of these initiatives is the Maputo-based SADC transport and communications commission. This commission, which also acts as an adviser to SADC governments, helps to provide the much-needed institutional capacity to underpin change in a key sector

SA is playing an additional regional role by extending its spatial development initiative, or development corridors, into the SADC. With a R50m budget, the trade and industry department is helping to spearhead 22 corridors — 11 in SA and 11 in other SADC countries, with the latter all having a strong transport emphasis.

On the plus side, the corridors offer the potential of a focused and planned approach towards the development of transport infrastructure On the negative side, a number are bedevilled by instability and governments could be overextending themselves with too many initiatives.

The role of leadership in positioning transport as a key sector of change was raised repeatedly in the contributions to Transport 1999. Transport Minister Mac Maharaj provided the launch pad within government for public-private partnerships, setting an example that is likely to be felt in much of the state's infrastructure and service delivery over the next decade.

Transnet also attracted some of the cream among the emerging black business leaders Here, the requirement was to balance the plethora of micro or internally related problems and constraints — such as operating debt, pension deficits and overstaffing — with the demand for far-reaching strategic restructuring

Transnet MD Saki Macozoma speaks of the necessary scaling down of ambitions from the belief in a masterplan for restructuring to a case-by-case approach, simply because the internal issues were too complicated and varied to get consensus between government and Transnet

It is perhaps an anomaly that the transport sector should have acquired some of the best among the ANC leadership. However, it is not as a consequence of good leadership that transport has emerged as a sector offering a new private sector investment platform This is very much the international trend, which highlights the value and ease of private sector involvement.

The benefits of a Maputo corridor are evident to both SA and Mozambique, and this helps cross-border co-operation

What is particularly of value in the emerging public-participation programme environment is the new level of contractual and other expertise.

Foundations laid now in every aspect of the process — refined finance instruments, strategy blueprints, empowerment benchmarks and the devolution of skills — would provide the bedrock for development that can be sustained and learnt from

Cargill is CEO of BusinessMap

New body to woo investment

BD 19/5/99 (255)

Stephen Laufer

GOVERNMENT is to establish an advisory council with strong international participation to help it increase foreign direct investment, says Deputy President Thabo Mbeki.

Addressing fund managers and CEs representing up to R1-trillion of domestic investment at an investment seminar in Johannesburg yesterday, he made the announcement in a speech in which he sought to answer private sector questions about his future administration; dismiss speculation on his cabinet and economic policy; address concerns about crime and the pace of restructuring state enterprises; and reassure business that the African National Congress did not plan to amend the constitution.

Mbeki said: "Attracting foreign investment remains a matter of concern." Although levels of investment were stable, they were not yet high enough to support all of government's growth, job creation and poverty alleviation aims.

Government had been "interested and inspired" by the idea of the advisory body, mooted by leading international business figures. A number of internationally known private sector figures had volunteered to serve on it. Details were still being discussed and the council would be launched after the election.

A new mechanism would also allow government, business and labour to "focus on high growth and labour stability", despite competing views on some issues. Besides the activities of the National Economic, Development and Labour Council, there was a need to build on the social partnership created between labour and business during a recent visit to Ireland.

Mbeki said there was some concern about the meaning of black empowerment. He had agreed to meet black business soon because "we cannot have self-enrichment which is corrupt posing as black empowerment", an apparent response to the events surrounding the recent departure of two Nail directors.

On economic policy, Mbeki said the growth, employment and redistribution strategy "remains correct and the next government should continue to be bound by it, including fiscal discipline and deficit reduction".

However, he warned that poverty alleviation was critical. It was crucial that South Africans should "see direct benefit from the democratic system and the economic policies being implemented".

Efforts to improve the performance of the police and courts would continue. It was clear that anticorruption units had to be strengthened, he said.

Mbeki told the crowd to ignore speculation on the make-up of his future cabinet. Worthwhile information on the subject could be the result only of a leak "and the only place it could have leaked from is my head. That has not happened."

In what could have been a hint that he did not plan to downsize, Mbeki said significant savings could not be achieved by cutting ministries which employed six or eight officials. Experience with combining the land and agriculture portfolios after the National Party left the national unity government had shown that most departmental officials remained in office because they were still needed.

Real reform was needed at local government level. A joint effort between government and the private sector was needed to ensure local government had the capacity to meet people's basic needs.

Reform was also needed in the provinces, but there was no intention of altering "the constitutional relationship of the provinces to national government".

Equally, there was intent to affect "the independence of statutory bodies such as the Reserve Bank".

Emerging market outlook: Page 17

Mkwanazi spells out Transnet's future

BD 19/5/99 (269)

Robyn Chalmers

TRANSPORT utility Transnet will become a financial investment holding company within about four years, housing a limited number of strategic transport assets, according to deputy MD Mafika Mkwanazi.

This comes despite Transnet being forced to abandon its restructuring masterplan as it could not agree with government on ways to resolve its huge pension fund liability and operational debts.

Mkwanazi said at a Business Map transport meeting yesterday that while it would take four years to complete Transnet's transition, a number of key restructuring initiatives would take place before the end of this year. "We expect a Transnet announcement every month."

The restructuring was intended to ensure that Transnet units were developed into viable stand-alone businesses.

In the year to end-March last year Transnet posted a net profit of R278m, compared with a loss of R170m the previous year. Business units Fast Forward and SA Airways (SAA) recorded losses, while Spoornet, Autonet and Portnet reported reduced profitability.

Analysts believe Transnet will ultimately comprise the assets of Spoornet, with the private sector operating much of its freight transport business; Petronet; some Portnet assets; and a port authority.

An announcement on Portnet's restructuring is imminent and is likely to point to the private sector running port operations and facilities. Transnet will temporarily retain more than 50% of SAA, where bidding for a 20% stake is under way. The airline is likely to be floated on the Johannesburg bourse.

Government and Transnet are still grappling with options for Spoornet. Analysts believe private sector concessions will be granted on fringe lines.

Mkwanazi indicated that the sale of nonstrategic assets such as Autonet and Fast Forward would continue apace. A 30% stake in fleet management company Viamax Fleet Solutions and travel group Connex have already been sold. A compromise had been reached to deal with problems arising from the R10bn pension fund and medical aid liability on a case-by-case basis. "We could not keep waiting for consensus on every issue," he said.

Whistle-blower on misconduct charge

(269) Sowetan 19/5/99

By Simon Zwane

A whistle-blower who exposed irregularities in the Free State Transport Department is to be charged with misconduct in an apparent attempt to white-wash corruption in the department.

Public works, roads and transport spokesperson Khotso de Wee said disciplinary charges against Alex Xaba had been prepared and would now be instituted.

This follows publication, in *The Star* in March this year, of a report alleging rampant corruption in the department, implicating its chief director, Jerry Ragoale.

De Wee said a departmental investigation, launched immediately after *The Star's* report was published, had found that "all allegations are invalid".

But the police, who were investigating allegations that Ragoale had irregularly issued a driving licence to an under-age person, have not cleared him.

Inspector Rulene Kuhn said police investigations had been completed and a docket had been handed to a state prosecutor for a decision. Investigations by the public protector had also not been concluded.

Although numerous allegations were levelled against the department and Ragoale by at least nine officers in separate documents, the department decided to single out claims contained in one document compiled by Xaba for investigation.

Some of the complainants said the head of the investigation, Bertus Venter, did not even call them to testify. De Wee explained that this was because he only knew about Xaba's document on alleged irregularities.

But *The Star* is aware of other documents – including sworn statements in which questionable employment practices, abuse of government property, failure to act against corruption and a possible coverup – are alleged.

The Xaba document did not deal with all these allegations but covered only alleged corruption involving embezzlement of state funds, fraudulent transactions, and improper arrangements by senior officials at Lengau testing station in Bloemfontein.

(269)

SA Airways in R324m turnaround

ST(BT) 23/5/99

AVIATION INDUSTRY

By ROGER MAKINGS

SAA is expected to report a profit of about R80-million for the year ending March — a dramatic turnaround from the R244-million loss recorded in 1998.

In the previous year, the airline showed a loss of R323-million.

The reversal of fortunes can be attributed primarily to a restructuring of top management, the slashing of unprofitable routes, sharply improved customer service, an ongoing fleet upgrade of fuel-efficient aircraft, broadening of international alliances and a 10% cut in staff.

The turnaround could not come at a better time for SAA — the airline is seeking a 20% foreign equity partner, which will be named within a month, and its return to profitability is almost certain to hike offers by international bidders.

However, for chief executive Coleman Andrews, who took over the reins 11 months ago, the job is far from done.

The fleet needs further upgrading, and speculation is that its 18-year-old A300s will be sold off and replaced by newer A310s, probably from Singapore Airlines.

SAA has now sold off all its fuel-guzzling, long-range Boeing 747SPs. The airline is replacing them with B747-400s and, according to speculation, Airbus A340s.

Two more 380-seater B747-400s are expected to be acquired later this year, pushing up to 10 the number that will serve the planned extra frequencies to the long-range, high-density destinations of London, New York and Miami.

Joining them will be two 265-seater Airbus A340s which will serve the long-range, low-density destinations of Australia, Hong Kong and South America.

The 200-seater A310s will serve Lagos, Tel Aviv and Mumbai.

(269) Star 24/5/99

Carriers of death, disaster and damage

*In an effort to cut down on the millions of rands lost and immeasurable human suffering caused by overloaded trucks, the department of transport is targeting carriers and shippers in Gauteng and KwaZulu Natal writes **Ryan Cresswell***

JIM MCLAGAN

Carnage ... the cost in loss of life, injuries and human suffering can no longer be tolerated.

Hundreds of carriers and shippers in Gauteng and KwaZulu Natal have been targeted in a campaign that is trying to cut down the R600-million a year in road damage caused by overloaded trucks.

Research over the last few years has also shown that the cost to the economy of heavy vehicle accidents is about R80-million per annum, but the real cost of these accidents is human suffering when drivers and motorists are injured or killed.

Now the KwaZulu Natal Transport Department has sent pamphlets to 547 carriers and 486 shippers in Gauteng and 378 carriers and 71 shippers in KwaZulu Natal warning them that overloading control activity will increase this year and the names of carriers and shippers that overload will be published.

The campaign was launched about two weeks ago and includes radio slots and newspaper adverts encouraging operators to obey the law and refuse to overload, traffic officers to show zero tolerance and prosecutors and magistrates to impose maximum fines of R120 000 or six years in jail.

It also suggests shippers check up on the track records of hauliers that habitually overload and refuse to do business with them.

Campaign organisers liken carriers and shippers who overload to criminals involved in "organised crime" because they get significantly better returns and can force legal payload operators out of business.

Roy Sowman, a transport economist with TMT Projects who is helping coordinate the campaign, said it was mainly aimed at traffic on the N3 between Johannesburg and Durban.

He said the annual road damage caused by overloaded trucks was negotiate lower freight rates.

"This is the first time we are going to publicly link shippers to overloading, and we don't think companies will want their names to be known in connection with this," said Sowman.

He said recent research showed that overloading was getting worse in every province except for KwaZulu Natal which had taken a pro-active stance.

It has been estimated that about 20% of all loaded heavy vehicles travelling in this country are overloaded.

Sowman explained that many smaller trucks supposed to carry legal loads of nine tons piled on an extra five tons which was an overload of more than 50%. He said even many big trucks capable of easily hauling 36 tons often loaded on many extra tons. A five ton overload on the route from Durban to Cape Town equals R1-million additional profit per annum.

Sowman said legal loads meant a road lasted about 20 years, but four ton overloads shortened road life to just four years.

> **"Extra-heavy cargo raises the risk of catastrophic brake failure"**

Research in South Africa and the United States has shown that damage to roads caused by overloading increases out of all proportion to the load; double the legal load may cause from four to 60 times more damage than a normal load.

Overloading causes potholes, large cracks and longitudinal grooves and ruts that let water through the asphalt to strength layers beneath the road surface and are hazardous for motorists in small cars.

A process called "bleeding" is also encouraged by overloading. This is when stone chips in the road surface sink deeper into the base layer, resu...

accidents on the route involved heavy vehicles, yet they comprised only 12% of the total vehicles using the motorway. It also found that fatigue, negligence and speeding accounted for 66% of heavy vehicle accidents.

During the survey period there were 1 539 heavy vehicle accidents in which 94 people were killed, 178 peo...

difficult to control and are very hazardous to motorists. A high percentage of overloaded heavy vehicles also fail braking efficiency tests and the extra-heavy loads raise the risk of catastrophic brake failure.

Last year about 80% of the overloaded trucks on the N2 north of Durban registered faulty brakes. Overlo...

Ruining the country's roads, risking your life

Road damage

- Very heavy vehicles force stone chips in the surface down to the base layers.

Safety problems

- Premature deterioration meaning less safe roads.
- Lon itudir ...

brakes, weak couplings and smoother tyres.

- Vehicles that are too heavy force stone chips in the surface

...mage ... the cost in loss of life, injuries and human suffering can no longer be tolerated.

nals involved in "organised crime" because they get significantly better returns and can force legal payload operators out of business.

Roy Sowman, a transport economist with TMT Projects who is helping coordinate the campaign, said it was mainly aimed at traffic on the N3 between Johannesburg and Durban.

He said the annual road damage caused by overloaded trucks was about R55-million in Gauteng and about R40-million in KwaZulu Natal.

"The Road Freight Association has also found that carriers claim shippers often force them into overloading because they can then

Overloading causes potholes, large cracks and longitudinal grooves and ruts that let water through the asphalt to strength layers beneath the road surface and are hazardous for motorists in small cars.

A process called "bleeding" is also encouraged by overloading. This is when stone chips in the road surface sink deeper into the base layer, resulting in less skid resistance.

A 1977 Council for Scientific and Industrial Research (CSIR) study that looked at six sections of the N3 in KwaZulu Natal between January 1993 and July 1996 found that 25% of accidents on the route involved heavy vehicles, yet they comprised only 12% of the total vehicles using the motorway. It also found that fatigue, negligence and speeding accounted for 66% of heavy vehicle accidents.

During the survey period there were 1 539 heavy vehicle accidents in which 94 people were killed, 178 people were seriously injured and 531 were slightly injured.

The heavy vehicle accidents during the survey also resulted in full closure on the N3 for 2 342 hours and partial closure for 3 244 hours.

Overloaded vehicles are more difficult to control and are very hazardous to motorists. A high percentage of overloaded heavy vehicles also fail braking efficiency tests and the extra-heavy loads raise the risk of catastrophic brake failure.

Last year about 80% of the overloaded trucks on the N2 north of Durban registered faulty brakes. Overloading also causes faulty steering, weak trailer couplings and smooth, overstressed tyres.

But the bottom line is that overloading costs taxpayers millions, damages their quality of life and creates a dangerous driving environment which causes accidents.

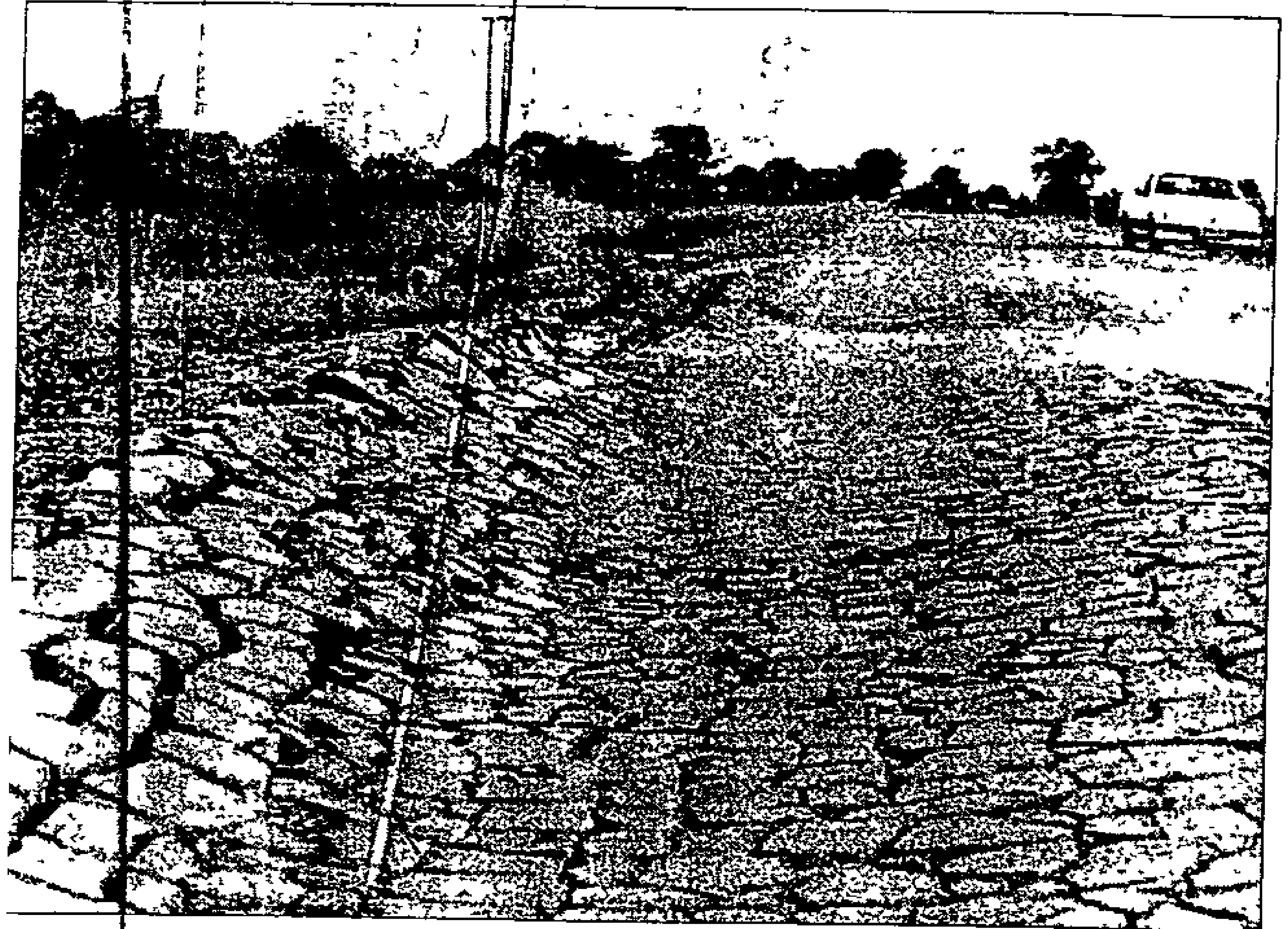
Ruining the country's roads, risking your life

Road damage

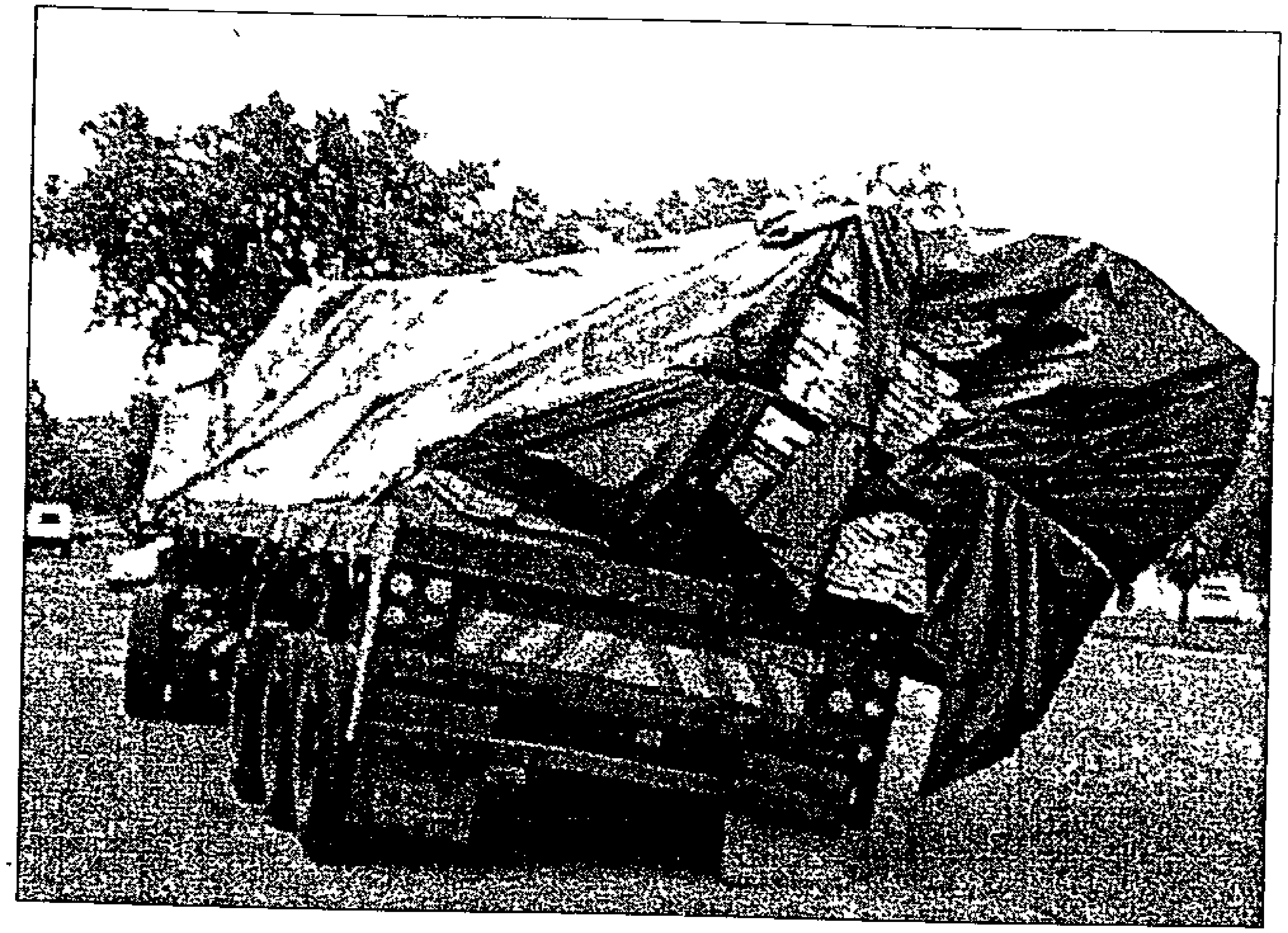
- Very heavy vehicles force stone chips in the surface down to the base layers.
- Overloading causes longitudinal grooves and ruts in the road.
- Overloading also causes cracks and potholes that allow water to get down to the strength layers and damage them.

Safety problems

- Premature deterioration meaning less safe roads.
- Longitudinal ruts and grooves are hazardous for smaller cars.
- Water collects in the ruts when it rains and can result in aquaplaneing and increased spraymist.
- Overloaded trucks are harder to control.
- Overloading encourages bad brakes, weak couplings and smoother tyres.
- Vehicles that are too heavy force stone chips in the surface into the base and increase the possibility of skidding.
- Very heavy vehicles also travel at crawling speed up hills and cause congestion and frustration.
- They are hard to manoeuvre around corners and this can be hazardous for motorists.



Serious damage ... too much weight causes sections of road like this one to develop a network of cracks.



Should never be on the road ... this truck's overloading is so severe that it is about to tip off the lorry.

Whoosh ... ruts fill with rain, causing cars to aquaplane.

Deep ... cheating on loads leads to dangerous potholes f...

Commission seeks solution for accident fund

Business Day Reporter (287) (269) BD 24/5/99

JUDGE Kathleen Satchwell of the Transvaal provincial division of the High Court will head a commission of inquiry into the Road Accident Fund which will investigate a sustainable compensation system for crash victims, Transport Minister Mac Maharaj said on Friday

Judge Satchwell will be assisted by two part-time commissioners, Riah Phiyega and Zakhele Sithole. Phiyega is senior manager corporate social investment at Transnet, and Sithole is a senior partner with accountants Fischer, Hoffman, Sithole

The commission must report to the president within a year.

The commission is the latest in a series of attempts since 1996 to resolve the problems of the fund, which has an accumulated deficit of R7,2bn The deficit grows by nearly R1bn a year, despite three increases in income from the petrol levy over the past 18 months

The fund's failure to recover is blamed by government on "a financial mismatch between premium income and benefits"

Maharaj said the commission was the shortest route to a credible system acceptable to all stakeholders It was the most effective way of dealing not only with the fund's financial crisis but also of reaching an equitable and affordable system of compensating victims

The fund played an important role in the social welfare of many South Africans, said Maharaj, "but it has been in crisis since the mid-1980s when its expenditure outstripped income from the fuel levy, as adjustments were not made over the years for inflation"

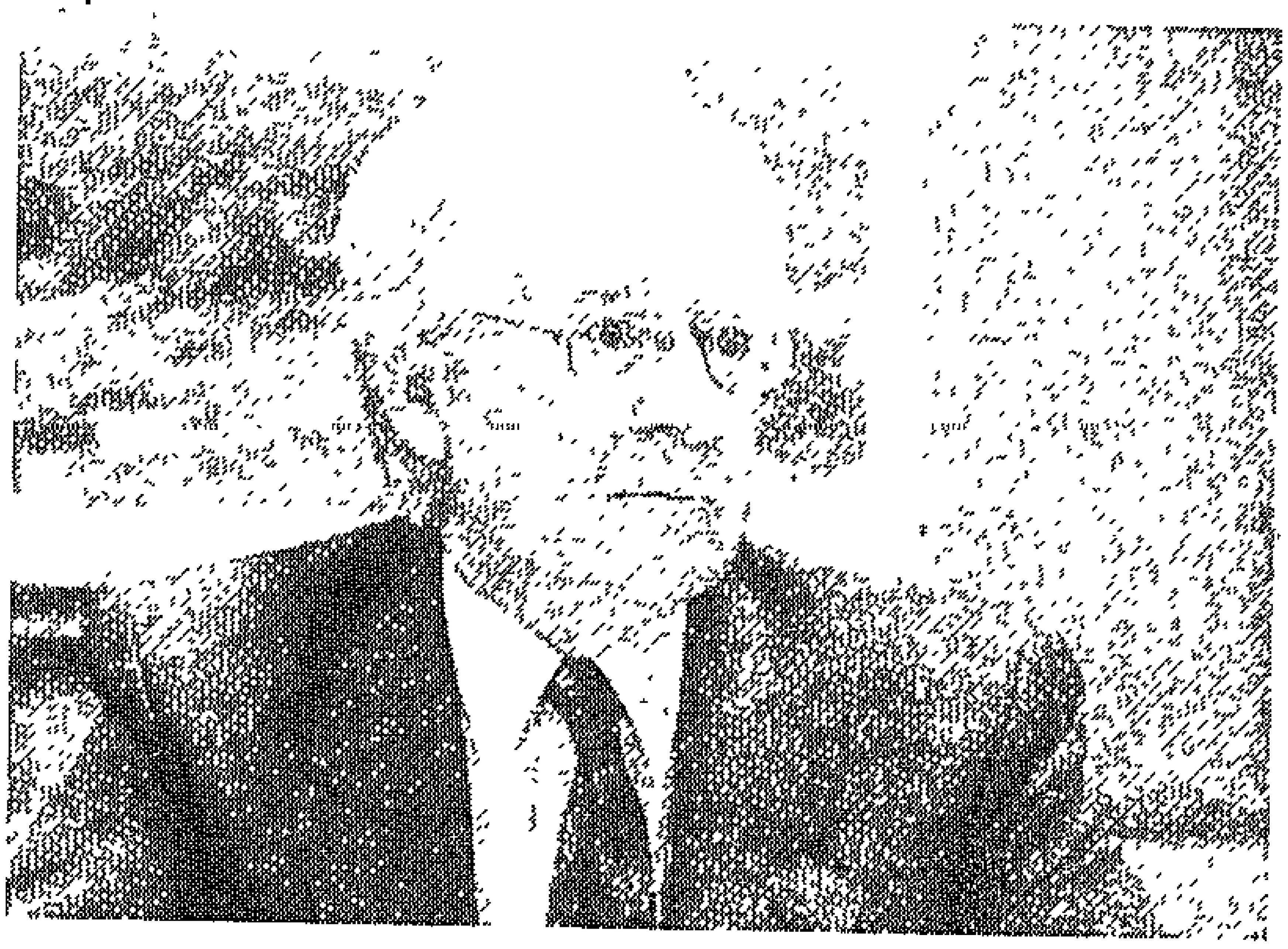
The commission will "inquire into and make recommendations regarding a reasonable, equitable, affordable and sustainable system for the payment of compensation or benefits, or a combination of compensation and benefits, in the event of the inquiry or death of persons in road accidents"

The commission will be housed in the Forum Building, corner of Bosman and Strubens streets, Pretoria The contact person is commission secretary Annami Roux: 082-564-6961

Tough negotiator Le Roux leads Spoornet's rebirth

(269) BD 24/5/99

A nuts-and-bolts railwayman is preparing SA's rail parastatal to meet its new challenges, writes associate editor Robyn Chalmers



Spoornet CE Braam le Roux ... thriving in his position

SPOORNET CE Braam le Roux has one of the more daunting tasks in a country facing enormous challenges. It is his job to lead the charge in restructuring SA's vast rail network, a challenge he welcomes.

Le Roux has led Spoornet since taking over as CE in August 1992. He has taken the rail parastatal through a huge restructuring exercise to meet the challenges of an increasingly competitive transport world.

The odds are that he will continue to head Spoornet for some years. Le Roux is one of the few members of the original Transnet team to survive the massive management upheaval and organisational transformation that has been taking place at the transport parastatal since early 1996. Some of his colleagues were not as fortunate.

The exodus of former white male managers over the past three years was highlighted by the departure of Transnet's previous MD, Anton Moolman, who left somewhat abruptly in 1996. With the exception of Petronet CE Charl Möller and Le Roux, all the heads of Transnet's main business units have been replaced at Portnet, Autonet, SA Airways and Fast Forward. Some saw the writing on the wall and left voluntarily, others were edged out.

The question, then, is why Le Roux has survived and, indeed, thrived in his position at Spoornet. Industry talk is that Le Roux wished to retire late last year, and informed his bosses Transnet MD Saki Macozoma and deputy MD Mafika Mkwanazi of his decision. It is reliably understood that he went on pension in February this year. Yet he is still sitting in the recently refurbished CE's office on the 11th floor of Umjantshi House in Braamfontein.

The word is that Macozoma and Mkwanazi persuaded Le Roux to remain at Spoornet on a contract basis as they did not believe they could afford to lose him. It is likely that a new, probably black, CE will be identified at Spoornet in coming months, with the approval of Le Roux, and be required to understudy Le Roux for at least a year or two before taking over.

The reason Macozoma and Mkwanazi are so determined to retain Le Roux is because, as his colleagues will attest, he knows his stuff. Le Roux says he joined Spoornet — then called SA Railway and Harbours — in 1963 as an engineer in truck design. He worked his way steadily up the ranks to planning engineer, regional manager in Saldanha, regional manager in Johannesburg, assistant GM and senior GM.

Leo Petkoon, Spoornet's GM of rail and terminal services, has worked with Le Roux since 1974. Petkoon says Le Roux's two greatest strengths are that he is a strategic thinker but can also work at operational level.

"I have seen him in the rain, at night, out on the tracks, working on a fault. He knows more about rail than almost anyone in the world," he says.

Petkoon says Le Roux is a hard taskmaster who knows the nuts and bolts. "You can't get away with anything." Colleagues say he is a tough negotiator but prepared to admit he is wrong if need be.

He has an international profile as a management board member of the International Railway Conference Association, founding membership of the International Heavy Haul Association and a membership of the Southern African Railways Association.

Le Roux's standing was enhanced by his ability to withstand the pressures of overseeing the most extensive organisational reshaping in Spoornet's history. He makes it clear that Spoornet no longer operates as a government department. "We are on our way to being a freight logistics solution company. This is moving ahead well. People do need to be more innovative. We have not yet reached this stage at Spoornet, but we are making great strides."

Le Roux says the company has made progress with race and gender issues. "This is more than just numbers, it's also about the feel of the place. We now have black and white managers working closely together. There is a wonderful atmosphere."

Le Roux is a storyteller and loves theatre. He revels in the philosophical side of life, but is a realist. He does not have the air of a man struggling to cope with a swiftly changing SA and Spoornet's new dynamics. His rapport with Mkwanazi, who has executive responsibility for Spoornet, testifies to his adaptability.

When Le Roux finally leaves Spoornet, he is unlikely to disappear from the transport scene. Colleagues believe he will continue to play a role on the international stage and particularly sub-Saharan Africa to further Deputy President Thabo Mbeki's vision of an African renaissance.

Tough negotiator Le Roux leads Spoornet's rebirth

(261) BD 24/5/99

A nuts-and-bolts railwayman is preparing SA's rail parastatal to meet its new challenges, writes associate editor Robyn Chalmers

SPOORNET CE Braam le Roux has one of the more daunting tasks in a country facing enormous challenges It is his job to lead the charge in restructuring SA's vast rail network, a challenge he welcomes.

Le Roux has led Spoornet since taking over as CE in August 1992. He. has taken the rail parastatal through a huge restructuring exercise to meet the challenges of an increasingly competitive transport world.

The odds are that he will continue to head Spoornet for some years Le Roux is one of the few members of the original Transnet team to survive the massive management upheaval and organisational transformation that has been taking place at the transport parastatal since early 1996. Some of his colleagues were not as fortunate.

The exodus of former white male managers over the past three years was highlighted by the departure of Transnet's previous MD, Anton Moolman, who left somewhat abruptly in 1996 With the exception of Petronet CE Charl Möller and Le Roux, all the heads of Transnet's main business units have been replaced at Portnet, Autonet, SA Airways and Fast Forward Some saw the writing on the wall and left voluntarily, others were edged out

The question, then, is why Le Roux has survived and, indeed, thrived in his position at Spoornet. Industry talk is that Le Roux wished to retire late last year, and informed his bosses Transnet MD Saki Macozoma and deputy MD Mafika Mkwanazi of his decision. It is reliably understood that he went on pension in February this year. Yet he is still sitting in the recently refurbished CE's office on the 11th floor of Umjantshi House in Braamfontein.

Spoornet CE Braam le Roux ... thriving in his position

The word is that Macozoma and Mkwanazi persuaded Le Roux to remain at Spoornet on a contract basis as they did not believe they could afford to lose him. It is likely that a new, probably black, CE will be identified at Spoornet in coming months, with the approval of Le Roux, and be required to understudy Le Roux for at least a year or two before taking over

The reason Macozoma and Mkwanazi are so determined to retain Le Roux is because, as his colleagues will attest, he knows his stuff. Le Roux says he joined Spoornet — then called SA Railway and Harbours — in 1963 as an engineer in truck design He worked his way steadily up the ranks to planning engineer, regional manager in Saldanha, regional manager in Johannesburg, assistant GM and senior GM.

Leo Petkoon, Spoornet's GM of rail and terminal services, has worked with Le Roux since 1974 Petkoon says Le Roux's two greatest strengths are that he is a strategic thinker but can also work at operational level.

"I have seen him in the rain, at night, out on the tracks, working on a fault. He knows more about rail than almost anyone in the world," he says

Petkoon says Le Roux is a hard taskmaster who knows the nuts and bolts. "You can't get away with anything" Colleagues say he is a tough negotiator but prepared to admit he is wrong if need be.

He has an international profile as a management board member of the International Railway Conference Association, founding membership of the International Heavy Haul Association and a membership of the Southern African Railways Association.

Le Roux's standing was enhanced by his ability to withstand the pressures of overseeing the most extensive organisational reshaping in Spoornet's history. He makes it clear that Spoornet no longer operates as a government department. "We are on our way to being a freight logistics solution company. This is moving ahead well. People do need to be more innovative We have not yet reached this stage at Spoornet, but we are making great strides "

Le Roux says the company has made progress with race and gender issues. "This is more than just numbers, it's also about the feel of the place We now have black and white managers working closely together There is a wonderful atmosphere "

Le Roux is a storyteller and loves theatre He revels in the philosophical side of life, but is a realist. He does not have the air of a man struggling to cope with a swiftly changing SA and Spoornet's new dynamics. His rapport with Mkwanazi, who has executive responsibility for Spoornet, testifies to his adaptability.

When Le Roux finally leaves Spoornet, he is unlikely to disappear from the transport scene. Colleagues believe he will continue to play a role on the international stage and particularly sub-Saharan Africa to further Deputy President Thabo Mbeki's vision of an African renaissance

Inquiry launched into R7,2-bn deficit in road crash victim fund

ARG 24/5/99 (a69)

Pretoria – An extensive inquiry aimed at overhauling the bankrupt Road Accident Fund for road crash victims formally kicked off in Pretoria yesterday.

Transport Minister Mac Maharaj told reporters the fund's R7,2-billion deficit was growing by nearly R1-billion a year.

The fund played a vital role in the social welfare of South Africans suffering as a result of road accidents.

"But it has been in crisis since the mid-1980s when its expenditure outstripped its income from the fuel levy," Mr Maharaj said.

Other major problems included the high cost of settling claims from the fund. This consumed more than a fifth of money paid out, of which 75% was for legal expenses.

Another complication was settlement delays of between 34 months and 46 months. The current ceiling of R25 000 in damages paid to a passenger in a car crash was also unacceptable, Mr Maharaj said.

The Presidential Commission of Inquiry into the Road Accident Fund was proclaimed in the Government Gazette yesterday.

Its brief is to "inquire into and make recommendations regarding a reasonable, equitable, affordable and sustainable system for the payment by the fund of compensation or benefits".

The body will be headed by High Court Judge Kathleen Satchwell. Part-time commissioners are social scientist Riah Phiyega and attorney Zakhele Sithole.

The commission will start by studying 50 volumes of submissions, records and other information.

The debate over the future of the fund began in March 1996 with public hearings in Parliament, followed by a draft white paper on the matter.

Mr Maharaj said the commission's brief was separate from a probe by the Heath special investigating unit into allegations that members of the legal profession were defrauding road crash victims.

The commission would, however, be kept informed of the progress of the Heath unit's investigation, Mr Maharaj said. – Sapa

Probe of accident fund

(269) Sowetan 24/5/99

By McKeed Kotlolo

OUTGOING Minister of Transport Mr Mac Maharaj has named three commissioners to investigate the activities of the cash-strapped Road Accident Fund with the aim of finding a long-term and sustainable system to compensate victims.

Maharaj made the announcement in Pretoria on Friday, the day the proclamation of the commission by President Nelson Mandela was published in the *Government Gazette*.

According to Maharaj the fund accumulated a deficit of R7,2 billion which, he said, increased by about R1 billion annually. "This is despite three increases in income from the petrol levy over the past 18 months as there is a financial mismatch between premium income and benefits".

Maharaj said the fund's R7,2 billion deficit was growing by almost R1 billion a year.

The fund played a vital role in the social welfare of South Africans suffering as a result a road accidents.

"But it has been in crisis since the mid-'80s when its expenditure outstripped its income from the fuel levy," Maharaj said.

Other major problems included the high cost of settling claims from the fund. This consumed more than a fifth of money paid out, of which 75 percent was for legal expenses.

Another complication was settlement delays of between 34 months and 46 months. The current ceiling of R25 000 in damages paid to a passenger in a car crash was also unacceptable, Maharaj said.

The three-member commission, comprising two women and a man, will be headed by Judge Kathleen Satchwell of the Transvaal Provincial Division of the High Court.

Satchwell practised as an attorney, notary and conveyancer in Johannesburg for 18 years before she was appointed as an attorney to the Transvaal Bench. She had also chaired a number of other commissions of inquiry including one into the management of the Bophuthatswana Pension Fund.

The other members are Ms Riah Phiyega, a senior manager of Corporate Social Investment at Transnet and Mr Zakhele Sithole, a senior partner in Fischer, Hoffman and Sithole accounting firm.

***AN EFFICIENT ANGLE** (from left) Eugene Erasmus, the project leader of N3TC, Mac Maharaj, the minister of transport, and Nazir Alli, the chief executive of the National Roads Agency, signed a contract yesterday assigning the N3 concession to N3TC* PHOTO JOHN ROBINSON

R2,5bn toll road deal signed

(269) CT(AR) 28/5/99

BONTLE HEADBUSH

Johannesburg – Mac Maharaj, the minister of transport, yesterday signed the R2,5 billion contract for the maintenance and upgrading of a portion of the N3 toll road between Heidelberg in Gauteng and Cedara in KwaZulu Natal.

The project will create more than 25 000 jobs and benefit more than 500 small, medium and micro enterprises.

In terms of the concession contract, N3 Toll Concession (N3TC) would be responsible for portions of the N3 route under a build, operate and transfer system.

N3TC would build and operate the toll road at a profit over 30 years, then hand it back to the government.

"The stream of income through toll roads allows for the maintenance and growth of facilities and services without waiting for government to find the funds," said Maharaj.

"Government, which has inherited an infrastructure backlog of more than R7 billion, does not have the money for large projects."

N3TC shareholders would provide equity totalling about R400 million for the project. The rest of the finance would come via the Rand Merchant Bank, the Development Bank of Southern Africa, BoE Bank and the European Investment Bank.

Empowerment investors' stake in this project would constitute about 40 percent of the equity, similar in magnitude to that of the major established businesses. The balance of 20 percent would come from institutional investors.

"This contract also plays a greater role in the economy of this country," said Maharaj. "It will take on the state's existing debt of R1,3 billion on the road as well as improve existing sections and build new ones."

The financing structure would facilitate an initial payment of this R1,3 billion for the concession by the N3TC to the South African National Roads Agency, enabling the agency to liquidate the existing government debt for the highway.

Construction was expected to start in the first half of 2000, after which the road would be upgraded periodically over the 30-year concession period.

Government, consortium sign R2,5bn contract to upgrade N3

BD 28/5/99 (269)

Sibonelo Radebe

THE contract for the second significant toll road project, to upgrade the N3 between Heidelberg in Gauteng and Cedara in KwaZulu-Natal, was signed yesterday with the N3 Toll Road Consortium

At the signing of the R2,5bn contract in Johannesburg, Transport Minister Mac Maharaj said the upgrading of the N3, the main artery for SA's economy, would prove a useful investment in the future. "The N3 stands between the industrial heartland of Johannesburg and SA's major harbour in Durban," said Maharaj.

The project carries significant spin-offs for government which, according to the contract, will hand over its R1,3bn debt to the N3 Toll Road Consortium

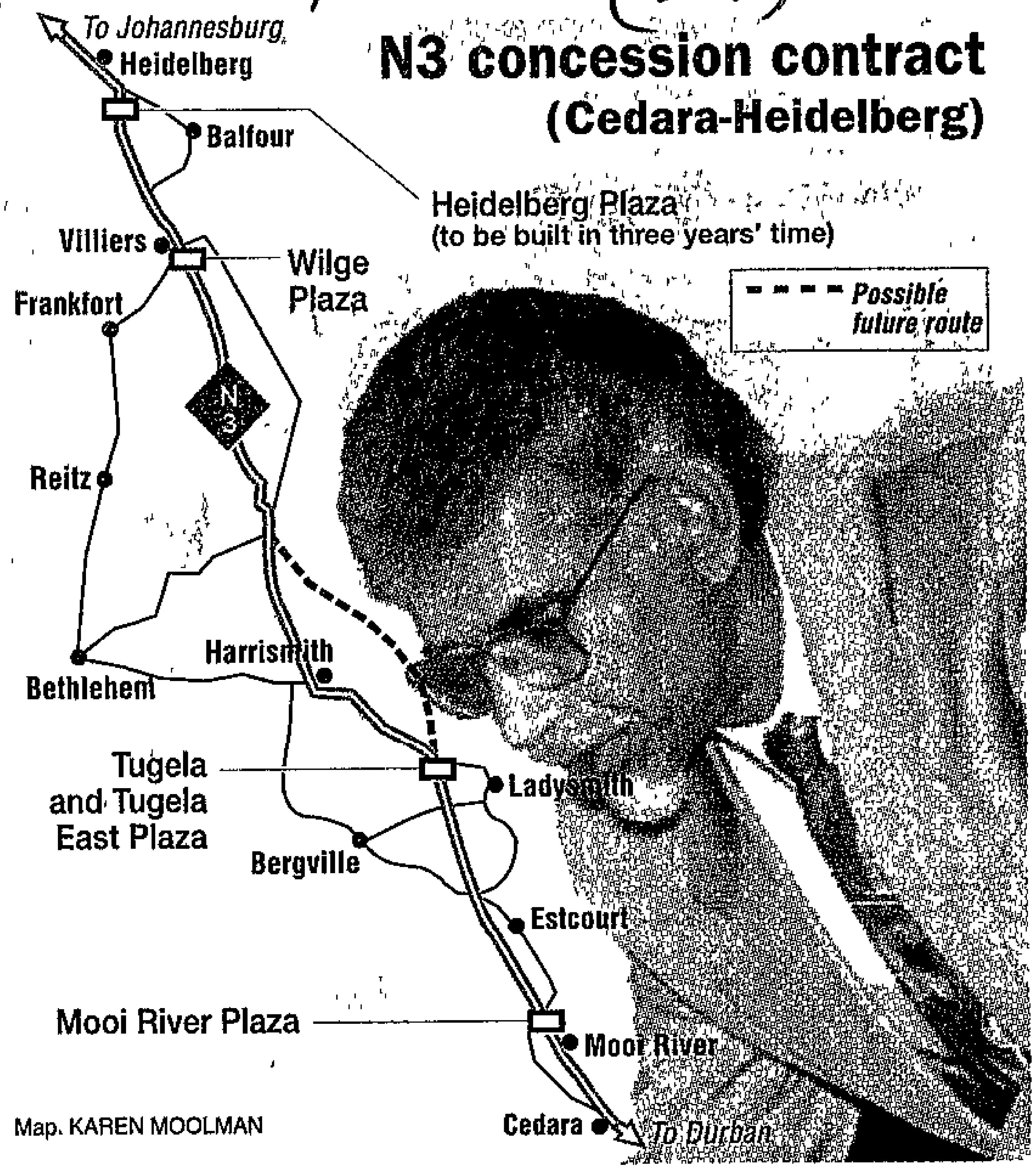
The consortium will also upgrade, build new sections and operate the route for 30 years, after which it will hand back control of the N3 to government free of debt and in good condition The ownership of the road remains with government.

New developments will include the construction of a dual carriageway between Villiers and Heidelberg. Existing toll roads between Cedara and Keeversfontein and between Warden and Villiers will be upgraded

Tim Ivins, CEO of the consortium, said work was expected to start in the the first half of next year

The build, operate and transfer approach was promoted by the current transport ministry after it became clear that government had limited capacity and funds to develop infrastructure

The ministry launched the SA National Road Agency, which has so far signed two significant build, operate and transfer contracts, including the N3 project. The other project is the N4 toll road that runs from Mpumalanga to Maputo in Mozambique.



Map. KAREN MOOLMAN

The tender system used for toll road contracts includes training and skills transfer programmes and creation of jobs for small business. In total the N3 project is expected to create employment for about 25 000 people and 500 job opportunities for small business

"This project is therefore not only an investment in infrastructure but also an investment in the people of our country," said Maharaj

The N3 Toll Road Consortium consists of construction groups LTA, Murray & Roberts and Grinaker, and consultants BKS and Africon

Other shareholders include Rand Merchant Bank, NBS Boland, Sumitomo Bank and five black empowerment groups. the Women's Empowerment Group, Fikile Projects, Infra Africa, Nkobi Investments and the PIC Development Fund.

Saki sees Transnet overhaul in three years

(269)

Parastatal MD says privatisation will be stepped up without resorting to a garage sale, writes ANDREW GILL

ST(BT) 6/6/99

THE restructuring of state transport giant Transnet should be completed within three years.

This bold prediction comes from Transnet MD Saki Macozoma, who told BT this week that the pace of privatisation in SA was set to step up a gear following years of teething problems related to pension fund and debt burdens.

"The whole process should be completed within three years, and that means the seven major businesses of Transnet. I really believe we can do it," he said. "But I don't think you should expect a garage sale."

The first step in the restructuring is SA Airways, which is on its way to announcing a strategic equity partner within a month. Macozoma says binding bids should be received from the shortlisted bidders by the third week of June. He hopes to have negotiations completed and the partner named by the first week in July.

The four key bidders for the 20% SAA stake are believed to be Lufthansa, SwissAir, Texas Pacific Group (TPG), and American Airlines. The shortlist represents three major alliances — Lufthansa's Star, SwissAir's Qualiflyer and American's oneworld — and an independent in David Bonderman's TPG.

Macozoma says the decision on who will get the 20% stake is complex, covering the bid's value, likely value creation, fleet purchasing leverage, and alliance strategy.

The choice of alliance is proving to be a major issue. Macozoma indicates that Bonderman's TPG may have the edge owing to the fact that SAA would not be compelled to join any single alliance — a benefit for SA because of its geographic position.

"There is no single alliance today that makes total logic. This I think is going to be an issue of major negotiation. If the other alliance wants to dictate exclusively that we belong to their alliances it may not make sense to us in America or Southeast Asia, while it may make sense in Europe.

"It will put a premium on flexibility while we also seek the benefits of an alliance."

Macozoma says the bid will be decided by the balance of cash on the table and future value creation.

"The important thing is to grow the airline. If someone were to give a lot money and say: 'Retire all the international fleet and from now on just fly in southern Africa', we would not do that."

He says that in order to have completed restructuring at Transnet, the thorny issue of a R10-billion pension and medical aid liability will have to be solved. "We can't keep going back to government. There are other solutions."

He says a legitimate change in actuarial assumption could unlock R3-billion to R5-billion in value for the fund, and Transnet is looking at changing its investment strategy.

"There has to be a solution within the three years envisaged for restructuring."

He also said he did not expect Public Enterprises Minister Stella Sigcau to take the fall for the slow pace of restructuring state assets in recent years.

"The Deputy President is close enough to these issues to know what the reality is. I don't think there is any minister who could have produced some kind of alchemy to solve the problem we have had on the pension fund."

New railway line project linked to concession plan

Robyn Chalmers (269)

GOVERNMENT has narrowed its options for the construction of SA's first new railway line in 15 years, with projects in the Western Cape and Gauteng emerging as the two frontrunners.

The project is to be linked to an international tender inviting private sector bids to operate 10% of SA's commuter rail network. Transport sector officials say the extension of the East Rand rail link in Gauteng is the strongest contender for the project, with the extension of the Blue Downs line in the Western Cape a close second.

Outgoing Transport Minister Mac Maharaj has indicated that the pilot concession project on 10% of the rail network should be contracted out by early next year. Concessions on the commuter rail network are being considered as part of a plan to raise the billions of rands needed to upgrade commuter rail infrastructure.

The concession process will begin with a pilot project to test international operators' interest. The project will run concurrently with a five-year exclusivity period for Metrorail, which currently operates the commuter rail system. After that eight to 10 concessions on various parts of the rail network will be put out on international tender.

Metrorail and the SA Rail Commuter Corporation, which holds the state's commuter rail assets, are on the verge of signing a contract governing the exclusivity period — a "get-fit period" to prepare Metrorail for competition.

Metrorail CEO Zandile Jakavula said plans were being implemented to run the business on a sound commercial basis and wean it off state subsidies. He was convinced it was possible to make progress via "cost savings, greater efficiencies and increased fare income".

Despite delays caused by trains and rail systems that are about four decades old, Jakavula said punctuality was up to 98% in the year ended March.

BD 7/6/99

Jo'burg council airs plan to upgrade rail network

Xolani Xundu

A NEW proposal to upgrade and revitalise Johannesburg's commuter rail network is to discussed by the council's transport committee early next month, acting transport CEO Melissa Whitehead said yesterday.

The proposal, which could be implemented over 10 to 20 years, includes a high-speed rail link with Johannesburg International Airport and a new commuter railway line in the northeast to link Alexandra, Midrand and Pretoria

The proposal, a new initiative of the greater Johannesburg council, was part of an integrated transport plan developed by Johannesburg city manager Ketso Gordhan.

The scheme sought to ensure a better service for people using buses, taxis and trains. The focus would not be on private transport Part of the proposal would also see upgrading of the existing Soweto rail line to make it more accessible to commuters.

Whitehead said there might be extensions to the Soweto line, but the focus was on the north at the moment

The council would only look at costs, expected to run into millions of rands, once the proposal had been approved by the SA Rail Commuters Corporation

Once it had been discussed and approved at committee level of the metropolitan council it would be presented to affected communities, local councils and other role players.

It is at this stage that actual planning and a search for funding would start.

"It is too early in the process to put figures on how much it will cost. Yet the costs are substantial," said Whitehead.

"The aim is to take pressure off the Johannesburg roads and people's dependence on cars. We want to swing them into using public transport. Our services are in a bad state, they need to be redesigned They are not servicing our customers effectively," she said.

Some of the decisions on streamlining of existing bus services and improving the service offered by taxis would be taken immediately, and would have to be implemented within five years.

Whitehead said the fast rail system proposal would be submitted to council committees in early July, while those relating to streamlining of buses would be dealt with by committees on June 23.

On funding, she said the rail project would possibly be funded by the SA Rail Commuters Corporation, provincial and central government and international agencies.

About the taxi industry, she said the Greater Johannesburg Taxi Forum had been established to seek solutions to problems facing the industry, and to improve service

"We are currently investigating a proper registration system, and route allocation so we can start managing taxis better. We are working very closely with the province to do that

"We are building toilet facilities and taxi ranks to assist the taxi industry in improving its service," she said.

BD 8/6/99 (269)

Free-riding cops mean safer trains

TYRONE SEALE
SPECIAL WRITER

(269) ARGT 11/6/99

Cape Town's rail commuters are in for a safer ride from today, thanks to 460 police officers who have volunteered to crack down on crime on trains in return for free travel.

But Metrorail regional security manager Steven Ngobeni says: "It's not simply a matter of being eager to get free transport. These officers are also willing to offer their services outside working hours. That is admirable."

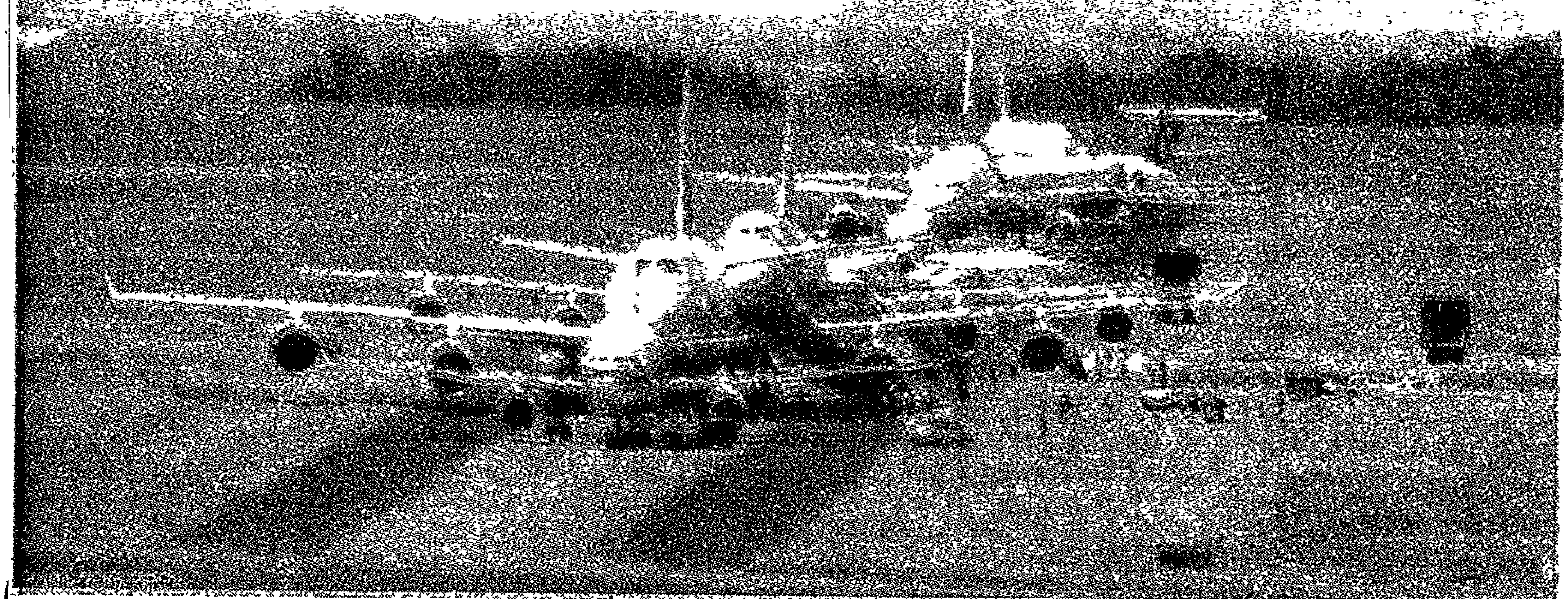
Tickets have been issued to the first few hundred of a potential 1 500 police personnel who are interested in becoming part of the scheme.

The agreement between Metrorail and the police is part of a range of strategies designed to make it difficult for vandals, violent criminals and people who disregard Metrorail rules to continue to harass commuters and cause damage to property.

In the next two weeks, Metrorail and Business Against Crime are expected to adopt the final version of a proposal setting out the installation of video surveillance cameras at stations and depots where vandals often operate after hours.

Mr Ngobeni is confident that the new form of surveillance will be as successful as Business Against Crime's monitoring of the CBD, where dozens of cameras have led to numerous arrests and convictions.

DAVID BONDERMAN of Texas Pacific Group



LINING UP FOR SAA ... potential equity partners have until midnight to touch down with their binding bids for a 20% stake in the national airline

Now or never for SAA's foreign suitors

(269)

AVIATION

By ROGER MAKINGS

TOMORROW is the deadline for final bids by potential foreign equity partners to take a 20% stake in SAA.

Binding bids have to be submitted by midnight. The final evaluation will be done in London this week as Transnet executives, headed by MD Saki Macozoma, meet the bidders. It is expected that the successful partner will be announced early in July.

The four shortlisted contenders are the Lufthansa/Singapore consortium, Swissair, David Bonderman's Texas Pacific Group and outsider American Airlines.

Key factors in the bidding process are expected to be based on the foreign equity partner's ability to grow the airline within its alliance or company and how much cash is offered. The price tag is unknown, but is expected to be significant given the changed financial fortunes of SAA, which is now believed to be in a position to show a profit of about R80-million for the year to end-March. In the previous year, SAA lost R323-million.

Insiders say the race for the stake is expected to be fought out between Lufthansa and Bonderman's TPG. The deciding factor is likely to be SAA's decision on its best alliance strategy.

Bonderman does not insist that SAA join any specific alliance, a benefit for SAA because of its geographic position. This could later see a two-way partnership developing for SAA.

Until TPG was revealed as a serious bidder it was always assumed that SAA would join a European alliance — a vital survival strategy in the growing globalisation of world airlines — the favourite being Lufthansa, with which SAA has long-standing ties.

TPG, which counts among its assets Northwest Airlines (a Wings alliance partner with the Dutch carrier KLM) and Continental, says it would have no problem with SAA joining an alliance like Star, of which Lufthansa is a founding member. "Not at all," said Bonderman this week.

His only criterion is that the alliance must have economic advantages for SAA and not be limiting in any way.

Star alliance spokesman Christian Klick would only say: "Let's see what the outcome of the bid is. Then we can begin negotiations."

Swissair, a founding member of the Qualiflyer alliance, is on record as saying it does not mind SAA forming partnerships with airlines outside of its own alliance.

ST (BT) 20/6/99

Short list for routes on commuter rail network

BD 25/6/99 (269

Analysts believe Gauteng and the Western Cape are the strongest contenders

Robyn Chalmers

A SHORT list has been drawn up out of route proposals for SA's pilot commuter rail concession project that were put forward by a number of provinces, says the SA Rail Commuter Corporation

The process will lead to the selection of a particular route, which should total 10% of the commuter rail network. It is expected that in coming months the operation of the route will be put out to tender both locally and internationally.

SA Rail Commuter Corporation communications manager Selomane Maitisa said yesterday that a committee was studying the short-listed proposals. The pilot project is expected to be implemented by April. Concessioning the entire network should take place by April 2003, depending on talks with parties concerned

The four provinces that have rail commuter networks are the Western Cape, KwaZulu-Natal, the Eastern Cape and Gauteng. Analysts have speculated that the two strongest contenders for the selected route are the Western Cape and Gauteng, although there was no confirmation yesterday that they were short-listed.

In terms of speculation that the construction of a new railway line could be linked to the pilot project, Maitisa said it was unlikely a decision on this would be taken until the route had been decided

Maitisa said Metrorail, which operates the commuter network, had effectively been operating under a concessioning contract since April this year, although the contract had yet to be formally signed.

"The contract is for four years; during which time Metrorail will run the network along commercial lines. This is seen as a get fit period for Metrorail before full concessioning takes place," she said.

In terms of the concessionaire contract, performance targets have been set for Metrorail and the company, currently under Transnet, is upgrading services.

The transport department said in its 1999/2000 business plan that the commuter rail industry was in serious financial and market decline. Commuter rail services have to date been run on a deficit subsidy system funded by government.

It said the long-term objective was to create conditions for effective market competition through competitive concessioning. The state of the industry, however, required systematic intervention from government to place it on a footing that would attract private investment, it said.

PRIVATISATION *R1,4 billion paid by Swissair would go to Transnet*

Swissair awarded 20% stake in SAA

ARG 26/6/99 (269)

AUDREY D'ANGELO

Johannesburg – Swissair has been chosen as South African Airways strategic equity partner, Coleman Andrews, the chief executive officer of SAA, said yesterday.

The R1,4 billion paid by Swissair for 20 percent of SAA would go to Transnet, Andrews said. He said SAA would save millions of rands on interest rates, obtain favourable terms for aircraft purchases, create hundreds of jobs and gain access to state-of-the-art technology as a result of choosing Swissair.

But SAA would start its new existence – 80 percent owned by Transnet and 20 percent by Swissair's holding company — with "a conservative balance sheet".

Swissair is a leading member of the Qualiflyer alliance, including Austrian Airlines and Sabena, and has just entered a commercial partnership with American Airlines – which was also one of the final bidders for a stake in SAA.

Andrews said SAA would be able to retain existing codeshare agreements, including the one with American Airlines, as a result of choosing Swissair as its partner. He said it had not yet been decided whether SAA would become a full member of the Qualiflyer alliance.

SAA had been valued at R6,9 billion, but it was not yet known when it would be fully privatised and apply for a JSE listing.

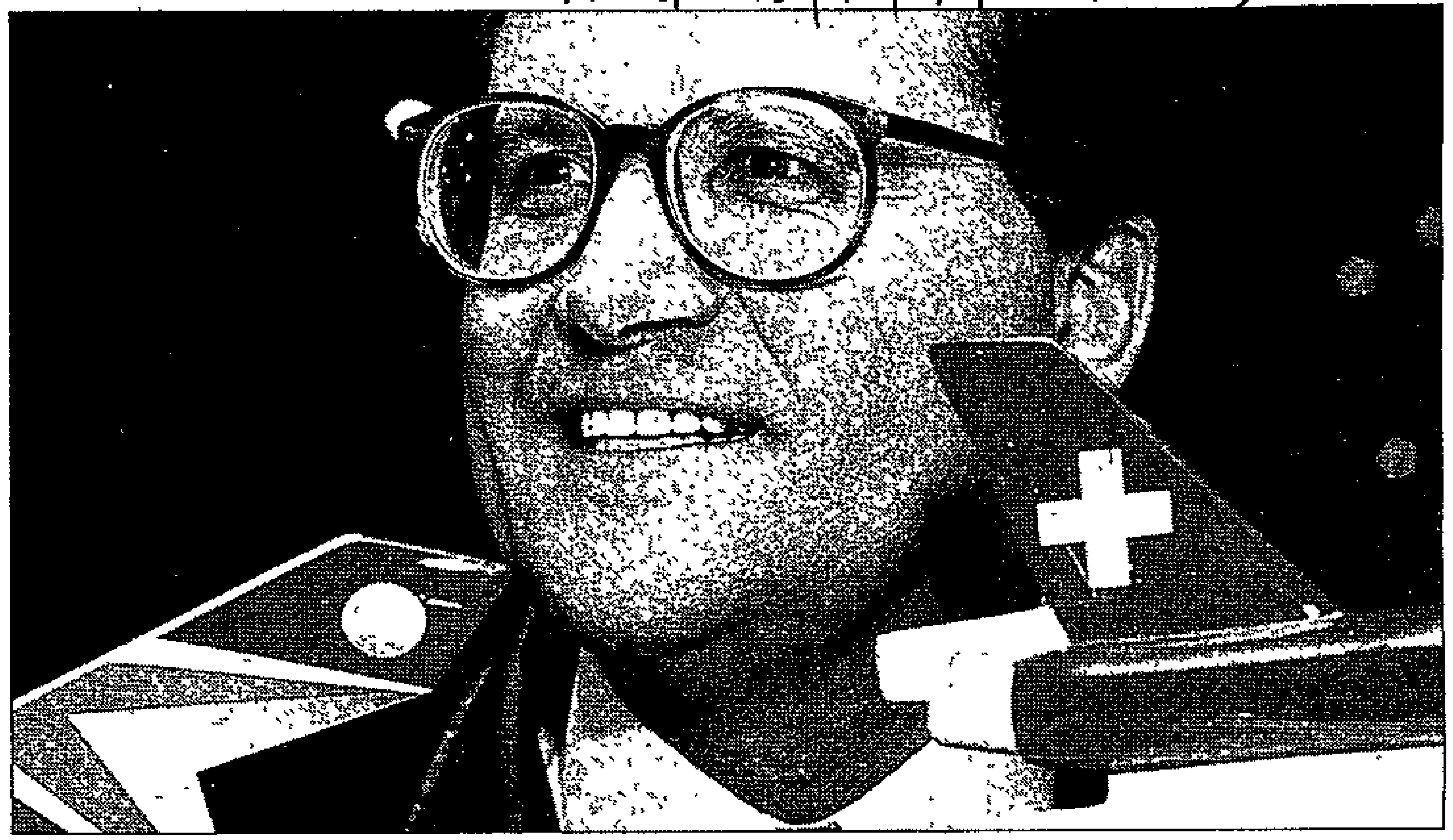
Andrews said Swissair would support SAA in negotiations with aircraft manufacturers Airbus and Boeing and help it to obtain interest rates of 7 percent or 8 percent.

Swissair would also export the famous Swissair apprenticeship scheme, under which 18-year-olds were trained, not only to SAA but to South Africa as a whole. Swissair would offer training to 10 SAA executives and 50 middle management staff.

Swissair had also guaranteed to provide 15 widebodied aircraft for high cost heavy maintenance checks by SAA's engineering department every year, providing hundreds of jobs.

Andrews said agreement had been reached with Swissair at 8pm on Thursday evening. SAA's negotiating team had been impressed by Swissair's detailed proposals for working together in the long term.

The two airlines already had experience of working together harmoniously as a result of codeshare arrangements.



TAILS YOU WIN *Coleman Andrews, the chief executive of SAA, says the choice of Swissair as equity partner would result in the creation of hundreds of new jobs* PHOTO JOHN WOODROOF

CP 27/6/99

Govt goes techno to fight fraud

THE department of transport is to spend R17 million on new fuel management technology to combat escalating fuel fraud in the government vehicle fleet, minister of transport Dullah Omar is expected to announce today.

The move is aimed at saving R45 million over the next two years and should come into effect from July 1.

The two-year contract, clinched with the Automated Fuel Systems Group, followed a year-long investigation by the transport department "to fight corruption, theft and other fraudulent practices in the public sector".

About R300 million of the government's R428 million annual auto bill is spent on fuel. (269)

About 13 600 government vehicles are involved in the project, to be piloted in the Northern Province, Free State, Mpumalanga, Eastern Cape and North-West.

By way of smartcard technology installed in state-owned vehicles, transaction information would automatically be recorded and processed electronically in the new project.

In terms of the contract for the project, Automated Fuel Systems will contribute three percent of gross sales over the next six-and-a-half years to a trust to develop small, medium and micro enterprises and disadvantaged communities. – Sapa

NEWS

Omar signs R17m plan to halt state fuel fraud

(269) CT(MR) 28/6/99

RICHARD STOVIN-BRADFORD

Johannesburg – Automated Fuel Systems (AFS) had won the tender to pilot a vehicle identification technology (VIT) system to combat fuel fraud involving government vehicles in five provinces, Dullah Omar, the minister of transport, said yesterday.

The two-year contract, worth R17 million, followed a year-long investigation by the department of transport into a comprehensive fuel management system, said Omar. It was the government's latest step in fighting fraud in the public sector.

The vehicle identification system, called Fuel O Mat, uses smart-card technology built into the state-owned vehicles to stop millions of rands of government petrol going into the tanks of private vehicles.

VIT systems, used worldwide, automate the entire refuelling process, capturing all relevant transaction information on the fleet department as well as driver identification.

The project would pioneer the technology in South Africa, Omar said. It would start in Northern Province, Free State, Mpumalanga, Eastern Cape and North West Province.

About 13 600 government vehicles would participate, and several other large fleet operators had shown interest in adopting the system at the end of the government pilot project.

Approximately R300 million of the government's R428 million annual vehicle bill goes on fuel.

It is estimated that VIT will save R45 million over the two years of the contract, which means the government will recover the initial capital outlay of R17 million within the first year of the contract.

AFS said it also would donate 3 percent of gross sales between the start of the contract and January 1 2006 to a trust as part of its commitment to the transport ministry and to economic empowerment.

SAA's privatisation stake set to be doubled

BD 28/6/99 (269) ([redacted])

Robyn Chalmers

AS MUCH as 40% of SA Airways (SAA) could be in private hands by the end of this year, government has indicated

This would be double the 20% stake sold to Swissair last week. Swissair will pay R1,4bn for its shares, putting the total value of SAA at about R7bn and making the deal SA's second-largest privatisation exercise. The sale of 30% of Telkom in 1997 garnered R5,6bn

Public Enterprises Ministry spokesman Zaid Nordien said Swissair had an option to buy another 10% of SAA within six months. Another 5% stake would go to the state's National Empowerment Fund with a further 5% earmarked for black empowerment shareholders.

There has been speculation SAA could be fully privatised via a listing on the Johannesburg Stock Exchange.

SAA CE Coleman Andrews said Transnet would retain the R1,4bn raised through the Swissair sale, using it to improve its balance sheet.

Transnet MD Saki Macozoma has indicated that to allow SAA's partial sale, the airline needs a clean balance sheet with acceptable gearing. As a result, Transnet is to retain R1,5bn of SAA's debt while government keeps R1,3bn. The debt is the result of a pension fund deficit and operational debts.

Officials close to the process indicated that the bidding contest ended in a two-horse race between Swissair and the US-based Texas Pacific Group. Lufthansa, in partnership with Singapore Airlines, pulled out of the process, while American Airlines, believed to have been a short-listed bidder, forged a partnership with Swissair days before the SAA deal was announced.

Swissair, which has a sizeable interest in Belgium's Sabena, plans to establish a partnership with American Airlines, code-sharing on flights to Chicago, Boston and Miami.

Public Enterprises Minister Jeff Radebe said the link with Swissair would help SAA cement major relationships in Asia and north America while improving its competitive position in Europe.

The deal is expected to help SAA cut interest rates on loans to 6%-7% from 18%. The Swiss have also agreed to train scores of SAA managers and to export their apprentice programme to SA.

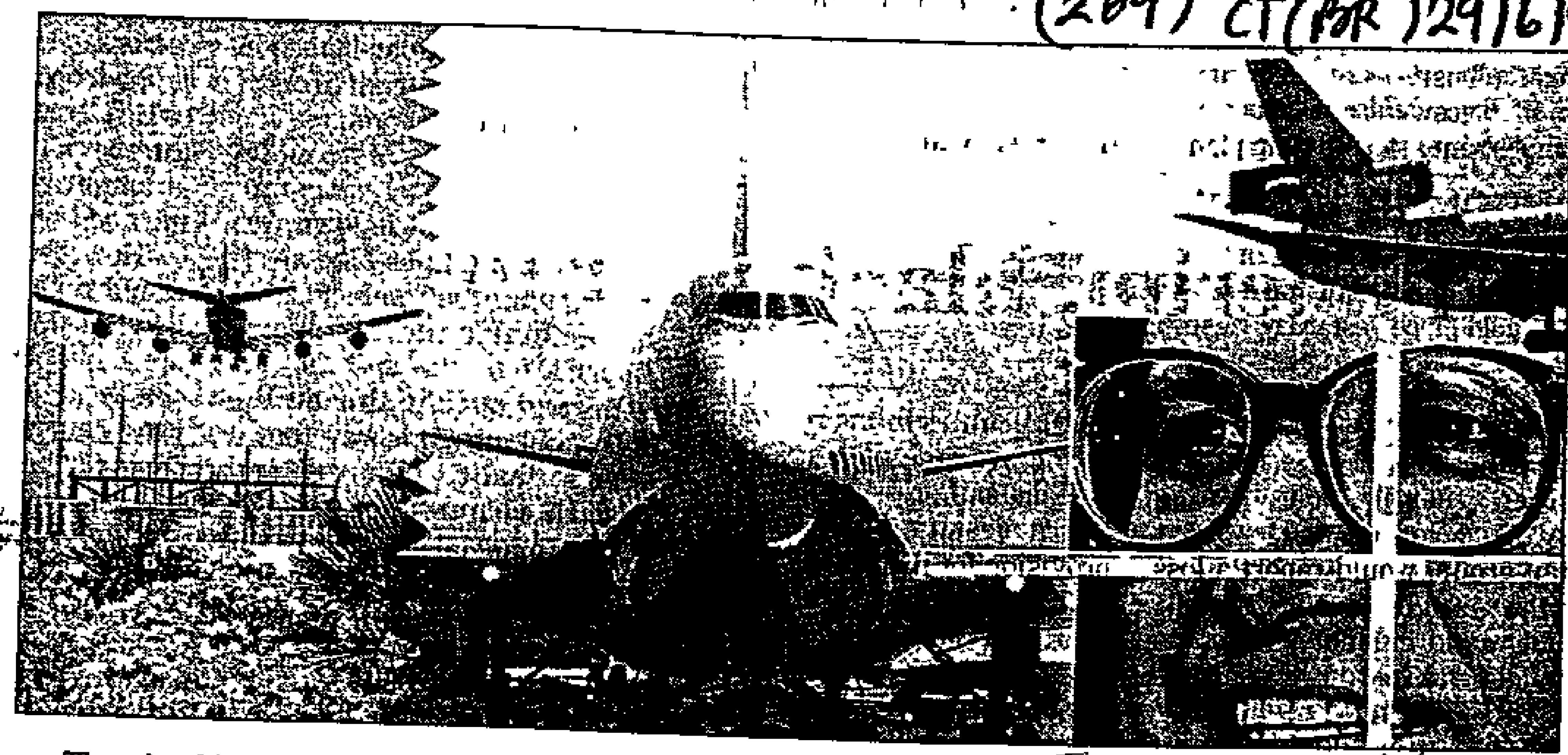
Swissair will help SAA negotiate cheaper aircraft deals and will have 15 wide-bodied aircraft a year overhauled by SAA, sustaining about 300 jobs in the technical field.

Something to think about: Page 2

'Sleeping around' pays dividends for SAA

(269) CT(BR) 29/6/99

AUDREY D'ANGELO



South African Airways (SAA) has chosen Swissair as its strategic equity partner at a time when the aviation industry is in a state of flux

Until earlier this month, most of the world's airlines were divided into four competing alliances, each of them aiming to offer a complete global network of connecting routes. This enabled corporate passengers to travel anywhere on one ticket, with stopovers en route.

The position was complicated by the fact that some airlines belonging to one alliance had codesharing arrangements with members of another – a practice known in the industry as "sleeping around".

But now it has been further complicated by the launch of a fifth competing alliance by Air France and Swissair's long-time US ally, Delta.

Swissair has been following a policy similar to that declared by Coleman Andrews, the chief executive officer of SAA, of forming alliances and codesharing with as many airlines as possible without being tied to one group

Swissair is a founder of the Qualiflyer alliance of 11 European airlines and, with Delta, Austrian Airlines and Sabena, of the Atlantic Excellence alliance linking Europe and the US Last week it formed a new tie with American Airlines.

SAA seems likely to end up allied to every reputable airline, while retaining ties with Lufthansa and Singapore Airlines with whom Swissair is on unfriendly terms

Lufthansa and Singapore have both announced their intention of retaining codeshare agreements with SAA despite its new link with Swissair. Singapore has said it is discussing "possible opportunities for closer co-operation" with SAA.

This should be no surprise as the annual air traffic forecasts by aircraft manufacturers Boeing and Airbus Industrie, and aircraft engine manufacturer Rolls-Royce, are unanimous in predicting high growth in the African market over the next 20 years. As SAA is Africa's dominant airline, it is the most desirable ally.

Singapore has another reason to remain friendly with SAA It has for years wanted to offer a route to South America, which is too far to reach without a refuelling stop in South Africa, where it also wants to take on more passengers

Repeated attempts to secure permission have been foiled by objections from SAA, which serves the South American market. But by retaining ties with SAA, Singapore can expect co-operation on this route.

If it broke with SAA, the South African carrier could turn to Singapore's rival Malaysia Airlines, which is an ally of Swissair. With this in mind, SAA could expect Singapore to become more co-operative over proposed codesharing.

SAA was embarrassed by having to cancel this proposed service earlier this year, after announcing a date for its commencement and accepting heavy advance bookings.

The new partnership with Swissair will have solid advantages for SAA. The South African carrier is using outdated technology, and Swissair can help it to acquire state-of-the-art systems similar to its own.

SAA has been paying interest rates of 18 percent compared with the 6 percent or 7 percent paid by most of the world's airlines.

Swissair will help it to obtain lower interest rates and more favourable prices for new aircraft. It is a more important customer to both Airbus Industrie and Boeing than SAA could afford to be, and is in the process of renewing its own fleet.

It has an engineering unit which carries out maintenance for other airlines and has promised to pass on some of its work to SAA, creating hundreds of jobs. It has also promised to export its famous apprenticeship scheme to South Africa.

Swissair's holding company, SAir, is a diversified aviation group with interests ranging from in-flight catering to aircraft maintenance. It is expected to bid for stakes in Transnet's catering and ground handling companies, Air Chefs and Apron Services, when they are privatised soon. Transnet is the transport parastatal that owns SAA.

Swissair has a fleet of 67 aircraft flying to 163 destinations in 78 countries. Its Qualiflyer alliance includes small carriers, as well as Austrian Airlines, Turkish Airlines and TAP Air Portugal. Combined, they transported 56,7 million passengers last year.

SAA has a fleet of 50 aircraft – 45 carrying passengers and five freighters. It carried 5,3 million passengers in the year to March 1999.

Philippe Bruggisser, CEO of SAir, has said Swissair would not dictate to SAA or interfere with its codeshare arrangements.

"We will offer SAA assistance but only when we are asked to do so. We shall invite it to join our Qualiflyer alliance as an equal member, but it will not be pressured to do so," he said.

Govt's plan to stop fuel fraud uses identification technology

(269) (34)

Stan Maphologela

THE transport ministry has unveiled a plan to fight fuel fraud in government departments through new technology that could save millions of rand a year.

Automated Fuel Systems has won the tender to pilot a vehicle identification technology (VIT) system (effective from July 1) to fight fuel fraud in government vehicles in five SA provinces. The technology could be extended to commercial fleets as well.

Minister of Transport Dullah Omar said the R17m two-year contract followed a one-year investigation by the department into a comprehensive fuel management system and was part of government's commitment to fight corruption, theft and other fraudulent practices in the public sector.

About 13 600 government vehicles will take part in the scheme. Several fleet operators are interested in using this system once government's project has been tested.

According to the contract, Automated Fuel Systems will contribute 3% of gross sales between the start of the contract and January 1 2006 to a trust which will use the money to develop small, medium and micro enterprises and economic empowerment of disadvantaged communities.

Through the introduction of smart card technology fitted to government vehicles, the vehicle identification system, called Fuel O Mat, is expected to prevent millions of rand of government petrol going into private vehicles.

About R300m of government's R428m annual motor vehicle bill is for fuel. It is estimated VIT will save R45m over the contract's two years. That means government will recover the initial R17m capital outlay in the first year.

VIT systems, which are in operation around the world, automate the entire refuelling process while simultaneously capturing information for fleet management, including identification, date and time of transaction, as well as driver identification (optional).

BD 29/6/99

Transnet keeps an eye on its vision

Undue haste in the transformation process, which has been urged by critics, could derail it completely, writes **Sango Ntsaluba**

(a69) BD 1/7/99

THE restructuring directorate of Transnet often has to ponder the nature of the "end state" — the Transnet of the future. Though the vision is clear and can be concisely spelt out, at times it feels like throwing the proverbial bones. The end state is like an ever-retreating mirage.

This is not an effort to water down the evocative power of vision. Without a vision of the end state, we would experience corporate paralysis. This is an attempt to elevate the importance of the process.

It is for this reason that we often caution those who seem to be stuck on the urgency of the restructuring process instead of placing equal focus on concretising the fundamentals of the process.

This undue haste has been spurred on by would-be guardians of public interest who cheer when there is a jolt forward in the process. When there is a setback, they sigh and bathe the minister concerned with the restructuring of state assets in an avalanche of cynical criticism.

Some of the key fundamentals of this process — as we see them — are getting the financial aspects right, ensuring the possibility of the future success of the privatised entities, and putting in place sustainable solutions for black economic empowerment.

Turning to the vexed issue of getting the finances right, the reality is that Transnet accumulated a lot of debt before 1990. Most of this went into funding "sunk" or nonreturnable costs. The problem has direct bearing on the privatisation process. Though there have been a number of helpful solutions, none of them has been far reaching enough to eradicate the dogged "debt problem".

The issue is further compounded by the fact that there will be no takers for any future privatisations unless we ensure that the entities being privatised are successful. The contentious part of this is that, in most instances, ensuring the attractiveness of these companies means looking at their financial statements.

Often, after scrutinising these financial statements, we have come to the conclusion that some debt must be left behind in Transnet. Needless to say this exacerbates the Transnet debt problem and heightens the need for solutions on how to service debt in the corporation.

Akin to this is the next fundamental element of the restructuring process — ensuring the future success of the privatised businesses.

Allow me to begin with a disclaimer. Transnet is quite prepared to let these companies graze in the pastures of their own individual futures. We do not seek to cocoon them from future necessary adaptive challenges. Each of these companies will have to clarify its values, develop new strategies and learn new ways of operating beyond our stable.

After all, we believe Charles Darwin to be correct in his assertion that "it is not the strongest of the species that survives, nor the most intelligent that will survive — it is the one that is most adaptable to change".

However, in the future success of these privatised entities, Transnet and the privatisation process have a significant vested interest. The first interest is in the job security of previous Transnet employees and an interest in the job situation in the country more broadly.

The second is respect and concern for the investment made by the buyers who buy these companies from us. After all, what are the investors buying? The answer is simple — future income.

Finally, if these companies are uniformly unsuccessful, there will be serious psychological ramifications that may affect the credibility and continuity of the privatisation effort. Opposition to the privatisation process has come from formidable quarters. For us, this means we must be solid on the macroeconomic reasons for privatisation and ensure the success and the good face of the process.

We have therefore had to ask ourselves earnestly where lie the limits of our responsibility in this situation? If you have, as we do, businesses which as from 1910 only existed to support other business units in our stable, it is irresponsible to say that these businesses ought to fend for themselves after the sell-by date. We have to lend some support.

In some instances we feel that some of the provisions of the competition commission need to be re-examined and interpreted in the light of these concerns.

Black economic empowerment must be ensured through the process — in fact, it must be a distinct feature. There are many models out there and equally there are numerous, sound and eloquent critiques of such models. The luxury of this debate, for now, is best left to the black economic commission.

Suffice for now to look at those aspects of black economic empowerment that have an impact on the privatisation effort as we currently experience it in previously state-owned enterprises. There are a number of dilemmas. There is, for instance, the question of how best we can pair a strategic equity partner and a black economic empowerment partner to achieve meaningful empowerment.

One of the ways is to ensure that when proposals are asked for, joint proposals are also examined. While this approach has some merit, including the fact that it is a voluntary alliance, we are concerned about the following flaws in it.

- Selling shares to the strategic equity partner and the black economic empowerment partner does not mean genuine alliance between the two parties. They are just co-investors and governance principles can take their course thereafter,
- In evaluating the investors, we are looking for different qualities from each of them. For instance, in the case of an equity partner we may be looking at the skills it brings, while from the empowerment groups we may look at the levels of active participation in the various structures of the company; and
- In dealing with foreign investors, we do not expect them to have in-depth knowledge of local empowerment processes. In fact, if we were to insist on this, we could easily find ourselves working against the interests of certain better placed empowerment groups in the country.

It is these hurdles and others which need skilful handling. If we fall on these key indicators, we may not lose only the race of time towards completion of the process, but the entire race itself.

Commuter rail will be one of the first Transnet business areas on concession

Ntsaluba is Transnet's executive director in charge of restructuring

Blue Train set to steam into the private sector

BD 9/7/99 (232) (269)

Robyn Chalmers

THE Blue Train — one of the world's most famous and luxurious rail services — and SA's other long-distance passenger trains are set to be run by the private sector.

Unveiling Spoornet's transformation plan yesterday, CEO Braam le Roux declined to comment on specific plans for non-core assets, but confirmed that the focus would in future be on the core business. "Freight makes up 97% of Spoornet's turnover and as such it is certainly our core business," he said.

Government and labour sources said a decision had been made that, as non-core operations, Mainline Passenger Services and Blue Train operator LuxRail were non-core operations and did not belong within Spoornet.

Transnet deputy MD Mafika Mkwanazi said Public Enterprises Minister Jeff Radebe would make a number of announcements, including the fate of non-core assets, next week.

Industry analysts expect Transnet to follow a similar route with Mainline Passenger Services as it has done with commuter rail division Metrorail.

SA's commuter rail network is scheduled to be fully concessioned to international private operators by April 2003.

Long-distance rail transport is likely to be concessioned to the private sector, with subsidies to make the services attractive to investors.

The Blue Train could be fully privatised. Government said last year that it was among a number of Transnet's non-core assets that would be sold by early next year, but the sale was placed on hold to ascertain buyer interest, partly because of losses following hefty investments.

Analysts say there could be international interest in buying the Blue Train, but occupancy rates would have to be increased and the luxury service should be the subject of an international marketing campaign.

An estimated 90% of the Blue Train's patrons are international visitors, mostly from Europe and the US. Only 6% are from Africa.

Bitter union leaders demand Macozoma's head

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – The Federation of Unions of South Africa (Fedusa) yesterday called for the immediate resignation of Saki Macozoma, the managing director of Transnet, and his entire top management team for allegedly losing a massive share of the parastatal's market and planning to axe 27 000 Spoornet workers over the next three years as a direct result.

The trade union federation represents four Transnet affiliates with 40 000 members.

"Losing such a large portion of the market does not happen overnight, it has been a long time coming and if anybody has to be replaced, it is Macozoma and his top managers and not the employees," said Chez Milani, the general secretary of Fedusa.

Thami Didiza, Macozoma's spokesman, said: "Top management has not employed itself, it is for the shareholder (the minister of public enterprises) to take on this matter."

Milani refuted Macozoma's claims that workers had been consulted every step of the way, saying what had taken place were discussions on planned restructuring and "never any consultations on job cuts as laid down by the Labour Relations Act".

"Apart from failing to enter into proper consultations with the unions, Transnet has also failed to adhere to the Social Plan which emanates from the Jobs Summit," Milani said in an urgent letter to Membathisi Mdladlana, the minister of labour.

The letter formed part of the labour federation's 13-point response to the crisis, which essentially entailed calling for immediate government intervention, including the immediate axing of Macozoma.

Fedusa wanted the government to implement immediately the first two phases of the Social Plan, namely saving jobs through management working with labour to explore jointly all alternatives to lay-offs and managing unavoidable retrenchments in a humane way, especially securing fair severance packages – including for those retrenchees from companies going into liquidation, such as the ERPM gold mine.

"Retrenchments will be a strain on the pension fund industry ... They are going to have to liquidate all their fixed assets to pay benefits," said Chris de Vos, the general secretary of the South African Footplate Staff Association, a Fedusa Transnet affiliate.

Fedusa said it would be serving a Section 77 notice to Nedlac for planned mass action against the retrenchments

(269) ARG 10/7/99

Transnet reports R426m loss

CT(MR) 13/7/99 (269)

Zintle Filtane and
Frank Nxumalo

Johannesburg – Transnet, the state-owned transport utility, yesterday reported a loss for the year to March 31 as its downsizing drive to reposition it for the new millennium sapped more than R704 million worth of profit.

Saki Macozoma, the managing director, said Transnet had to be prepared to operate in a new environment and that would mean some retrenchments. Its structure was inappropriate for today's way of doing business, and customers wanted to deal with companies that were "fleet of foot and of a manageable size".

The R1,4 billion in costs incurred in the provision of post retirement benefits for South African Transport Services (Sats) pensioners and a R400 million retrenchment bill took the rap for the company's R426 million loss. Additional retirement benefits cost a further R445 million.

Transnet's profit before expenses incurred on behalf of the Sats pensioners amounted to R973 million, compared with the R1,7 billion reported for the previous financial year. A contribution of R1,4 billion was made to the Transnet Pension Fund, and Macozoma said a sensible solution to the challenge of the pension fund deficit was a priority.

He declined to elaborate on what steps were being contemplated, but said the programme would kick off before year-end.

Jeff Radebe, the minister of public enterprises, said the government did not know of Spoornet's plans to retrench 27 000 workers, nor had the Transnet division been formally identified as a candidate for restructuring under the National Framework Agreement, which is a bilateral agreement between labour and government on the privatisation of state assets.

There had not been "any approval of any proposals for the restructuring of Spoornet by government as the shareholder", Radebe said. "Thus, any reports that imminent retrenchments are on hand are premature to say the least, and are merely speculative at this stage.

CUSTOMISING *Saki Macozoma, Transnet's managing director, says the company's structure is inappropriate for today's way of doing business*

"We do not have ... lots of time to come up with workable solutions to Transnet's problems."

Turnover rose 10,1 percent to R23,9 billion from last year's R21,7 billion. Operating profit declined by 27,5 percent to R2,5 billion on the depressed domestic economy, falling volumes and increased competition faced by most Transnet businesses.

South African Airways turned last year's loss of R244 million after finance costs into a R51 million profit, and "as the airline starts to see benefits from its new partnership with SwissAir and the results of its greater efficiency, its performance should improve further".

Transnet's net cash flow from its operating activities increased to R4,6 billion from last year's R3,8 billion.

Its cash balance rose from R381 million to R2,2 billion, a further example of the stronger financial disciplines now evident within Transnet, Macozoma said.

Spoornet made a loss of R136 million from a R573 million profit while Portnet's profit declined to R1,4 billion from R1,7 billion.

Macozoma said better operating efficiencies meant that Petronet, Fast Forward and Metrorail improved their performances, although Fast Forward still showed a loss.

Management would continue its drive to contain costs, accelerate transformation and improve customer focus.

Economy to determine Transnet's fate

(269) BD 13/7/99

Spoornet is one division of the parastatal likely to have the most job cuts

Robyn Chalmers

TRANSNET's return to profitability in the current year to March will depend on economic conditions, but analysts expect retrenchment costs to result in largely stagnant results.

Transnet MD Saki Macozoma said yesterday operating conditions remained fiercely competitive and the business was under pressure.

"In the year ahead management will continue its diligent drive to contain and, where possible, reduce costs, accelerate transformation and improve customer focus," he said.

Macozoma said there was no cost estimate for retrenchments this year. Most of the job cuts are likely to be at Spoornet and the cost has yet to be quantified. Transnet's employee numbers fell to 100 500 in 1998/99 from about 240 000 a few years ago.

Transnet's R426m loss in the year ended March 1999, from a R278m profit previously, is largely the result of higher operating expenses, retrenchment and pension fund costs and reduced earnings from some key divisions.

Macozoma said the results also reflected SA's depressed economic conditions, falling volumes and the increased competition that most Transnet businesses face. In the review period, he said, Transnet's management focused on transforming the organisation into a streamlined and tightly focused group of companies.

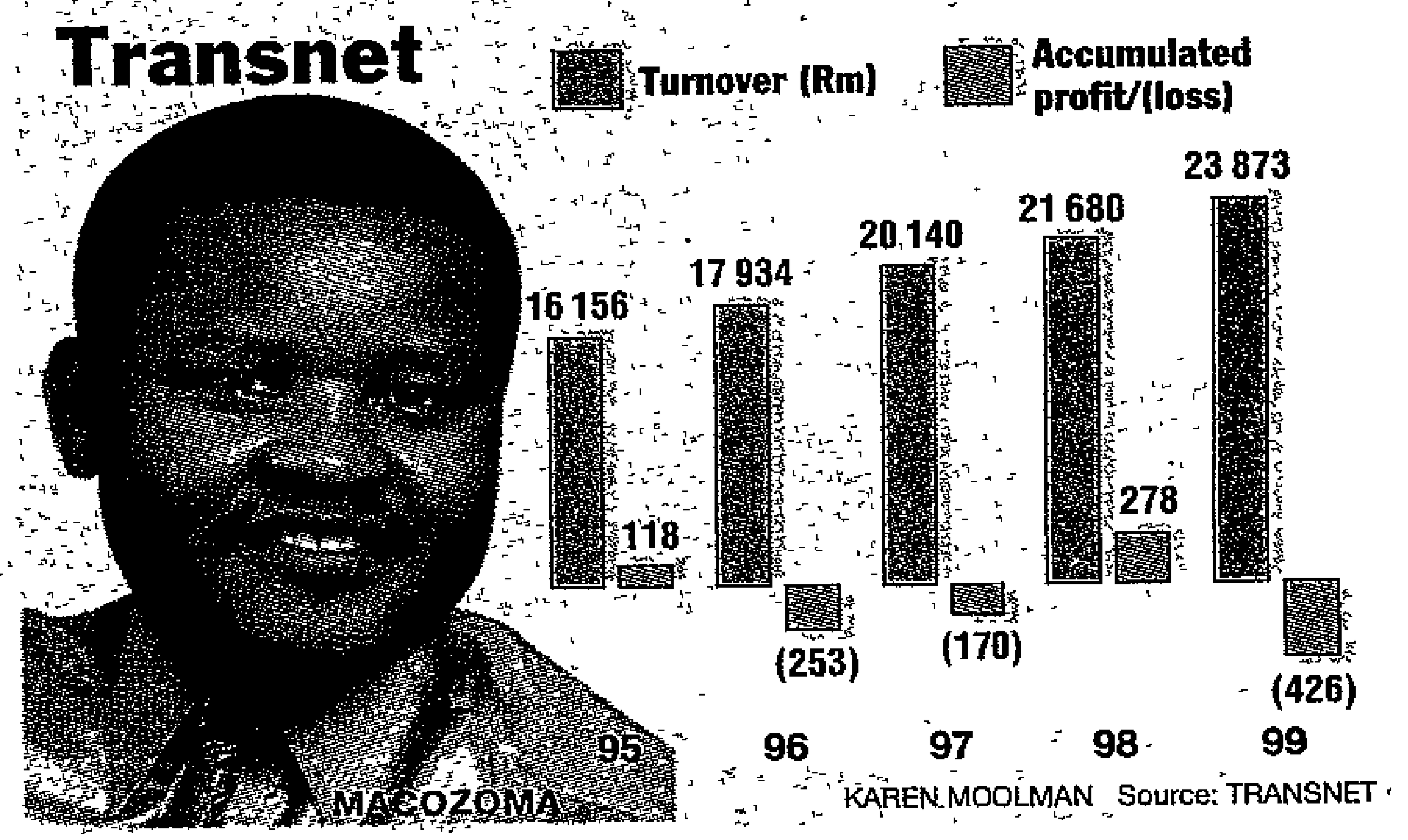
The retrenchment of 2 200 people, largely from SA Airways (SAA), cost R400m. A further drain was the pension fund, which absorbed R1,4bn from the bottom line.

Gloria Serobe, Transnet finance executive director, said the group was investigating a method of changing the valuation assumptions of the pension fund to deal with the deficit, but this could not be done overnight. The fund was also being changed from a defined benefit to a defined contribution fund.

Serobe said Transnet's gearing ratio remained largely unchanged at 72%, despite a R4,5bn rise in borrowings to R21,5bn. This encompassed two eurorand issues, one of R2bn in April last year and a second of R1,5bn in March. Transnet has a big borrowing requirement this year and a funding plan was being put in place, she said.

An investigation into the valuation of Transnet's assets led to a total asset value of the group rising to R38bn from R35,5bn previously. The biggest change was at Portnet where the value of assets rose to R8,5bn from R2,4bn.

Rail parastatal Spoornet reported a loss of R136m (1998: R573m profit) while Portnet saw net profit slip to R1,4bn (R1,7bn). Both divisions were hit by lower volumes which eroded revenues and cash. Autonet moved into the red with a R74m loss (R8m profit) while parcel carrier Fast Forward posted a further loss of R276m (R322m loss). The stronger performers were Petronet, where profit rose to R392m (R321m), SAA with a net profit of R51m (R244m loss) and Metrorail with a profit of R54m (R41m).



KAREN MOOLMAN Source: TRANSNET

Turnaround king has SAA soaring

BD 16/7/99 (269) (260)

Others need a miracle too, writes associate editor Robyn Chalmers

SA AIRWAYS (SAA) CE Coleman Andrews was asked at a packed business breakfast yesterday when he was going to sort out the rest of Transnet's subsidiaries and particularly Spoornet.

Andrews took this in the good humour that was intended, but he appears to have become SA's new turnaround king.

The reason? A loss-making airline, valued at about R1,6bn in June last year, has been restored to profitability and is now valued at R7bn. SAA has single-handedly wiped out a chunk of Transnet's R9bn pension fund deficit.

The acid test will be the airline's ability to keep on making gains in the coming years. Andrews emphasises that the management team has still a lot of work to do.

The successful turnaround of SAA says as much about Transnet MD Saki Macozoma and President Thabo Mbeki as it does about Andrews and his management team. They took the potentially unpopular decision of appointing a white foreigner and giving him a free hand to restructure SAA.

The business community and trade unions are now calling for a similar miracle at Transnet and its other divisions.

Chances are this will not happen overnight. SAA is a different animal from other Transnet divisions like Spoornet, Portnet and Petronet. They all provide strategic services, and their restructuring has widespread political and socioeconomic implications.

What is clear following this week's release of Transnet's 1998-99 results, which saw it move back into the red with a R426m loss, is that the current structure of the parastatal cannot continue for much longer. Transnet must soon be transformed into a holding company with a streamlined, focused group of companies if it is to survive in the next century.

With the benefit of hindsight, analysts argue that government and Transnet should have bitten the restructuring bullet three or more years ago. At the same time Transnet management can point to the significant reshaping that has already taken place. The group has reduced its staff complement from about 240 000 to less than 100 000 employees in the past few years — largely through voluntary retirements and natural attrition — and there has been much re-engineering of divisions.

Many of the big changes have happened in the past few months with the 20% sale of SAA, the split of Portnet into port authority and port operational arms, and the sale of two noncore divisions, Connex and Viamax. There is hope, therefore, that the restructuring initiative is gaining pace.

There are several reasons for drastic action on key divisions like Spoornet, where management has been aware of looming problems for years, is only now being put forward. One reason may be a lack of political will to implement the job cuts and other changes required during the initial five-year reign of SA's first democratic government.

Another possible answer is the enormity of the task and the need for massive consultation.

Arguably the key factor in the pace of restructuring is Transnet's R9bn pension fund deficit. Government and Transnet management have been grappling with the pension fund and debt problem for years to no avail.

Only a decision for Transnet to retain R1,5bn and government to warehouse R1,3bn of SAA's share of the burden allowed the partial sale to go through. A new plan to change the valuation assumptions of the fund is now in the offing.

Progress has been made in transforming Transnet, but the group today still faces big financial and structural problems.

In a world of globalisation and increased private sector involvement in areas which were the historical preserve of government, Transnet in its current state is not a viable concern.

Its debt is far greater than its equity, the group remains heavily geared at around 74% and it is underfunded. Transnet cannot realistically borrow much more, a situation which does not bode well for the building of new and upgrading of ageing infrastructure.

Billions of rands will be needed to rehabilitate SA's undercapitalised ports, rolling stock and railway lines, let alone the construction of new infrastructure.

Its structure with massive fixed overheads is too unwieldy to respond to market changes — evident in the effect the recent economic downturn had on Transnet.

After almost four years of talks, government is now acknowledging that it does not have the luxury of time to come up with workable solutions to Transnet's problems.

Public Enterprises Minister Jeff Radebe, in a well reasoned first statement on Transnet, says the need to restructure is urgent. "This is necessary to not only eliminate the losses that afflict the group, but also because we need to have a streamlined instrument at our disposal to ensure the success of government's economic development programme. I intend to make sure we find . solutions quickly."

The challenge facing government is how to restructure Transnet without adding to SA's huge unemployment pool. After delaying for so long Spoornet's proposal to retrench between 18 000 and 27 000 people came the news that many thousands of jobs in the gold mining and telecoms industries are in jeopardy.

This seems to be a key reason for Radebe's cautious approach to Spoornet's plan.

The plan, called the full efficiency/middle network option, is an aggressive proposal to transform the business, driven by a study done by international consultants Mercer. It aims to reduce the operating cost of the general freight business by R3,8bn by 2002-03. This will be done by huge staff reductions, the closure or putting to concession 9 700km of rail track and the reduction in numbers of 68 000 wagons and 1 700 locomotives.

There are now signs that government may stop Spoornet from taking such drastic action. Should this materialise, the question is how Spoornet will survive over the coming years. Spoornet could adopt a less stringent option involving fewer cuts to the rail network, locomotives and wagons which will, in turn, result in fewer job losses. However, if the company is losing R100m a month, as has been reported in some quarters, this will merely delay the pain.

Spoornet could be fully put to concession in the private sector, a move which some analysts believe is the only viable option, but it is unclear whether this will result in fewer or more job losses. It will certainly lead to further delays in taking action.

While the fate of Spoornet is being decided, analysts believe that Transnet must continue to move ahead rapidly with its sale of noncore assets. Those entities which are still making losses with no sign of a turnaround — parcel carrier Fast Forward being a case in point — should be offloaded.

As Radebe says, Spoornet and Transnet's problems are SA's problems. Clearly a bankrupt Transnet will not be able to serve the needs of this country or its citizens.

MACOZOMA

Graphic: KAREN MOOLMAN

Transnet's MD Saki Macozoma has a rough ride ahead.

TRANSNET

(269) fm 16/7/99

OUTSIZED 'PEOPLE PAYMENTS' LEAVE BLOOD ON THE TRACKS

'Rightsizing' and shrivelled economy wound transport giant

So the basic idea of business is that profits go to the shareholders, right? Well, that's not the custom at Transnet.

Company figures for 1999 suggest shareholders are pipped in the profit queue by Transnet employees The company dished out R2,2bn in "people payments" during the year, which wiped out all the remaining profits generated by the transport conglomerate It left shareholders (that's the taxpayer) with an attributable loss of R426m for the year to March

The R2,2bn figure breaks down into retrenchment costs (R400m), additional retirement benefit costs (R445m) and post-retirement benefit costs to pensioners (R1,399bn) It is the latest instalment in the drive to stabilise the retirement fund and "rightsize the business for the new millennium" During the year, 2 200 people were retrenched, mostly from SA Airways

"This past year we have made good progress in transforming Transnet into a group of companies well equipped to progress in the years ahead, but that transformation has had a cost attached to it," says MD Saki Macozoma.

The other side of the losses was a weaker performance from group companies. Operating profits came in 28% lower at R2,491bn, the lowest level since 1993 Two of Transnet's operations, in particular, let the side down Spoornet and Portnet Macozoma says both were victims of the depressed local economy and had to cope with sharply lower margins

Spoornet swung from a net profit after finance costs (NPAFC) of R573m in financial 1998 to a loss of R136m this year Portnet, traditionally the group's big money-spinner, dropped its NPAFC from R1,653bn to R1,383bn.

SAA was 1999's big comeback story in the group The national carrier produced a R295m turnaround to fly back into an NPAFC of R51m, "reflecting the new energy infused into the airline" Macozoma describes this turnaround as the highlight of the second six months of the year.

Performance in the other business units was not especially exciting. Better operating efficiencies helped Petronet, Fast Forward (PX) and Metrorail produce modest improvements in profitability. Autonet dipped into the red, partly because of an accounting adjustment of R36m

SPOORNET

Rm	1999	1998
Turnover — External	9 013	8 875
— Internal	89	98
Net profit/(loss) after finance cost	(136)	573
Total operating assets	14 827	19 727
Capital expenditure	532	460
No of employees	43 736	47 782

SAA

Rm	1999	1998
Internal & external turnover	7 664	6 364
Net profit/loss after finance costs	51	(244)
Total operating assets	7 795	6 011
Capital expenditure	1 725	582
No of employees	10 331	10 235

PORTNET

Rm	1999	1998
Internal & external turnover	4 000	3 845
Net profit after finance costs	1 383	1 653
Total operating assets	12 478	5 570
Capital expenditure	1 042	891
No of employees	11 921	11 948

PETRONET

Rm	1999	1998
Internal & external turnover	724	636
Net profit after finance costs	392	321
Total operating assets	1 936	1 494
Capital expenditure	663	41
No of employees		620

AUTONET

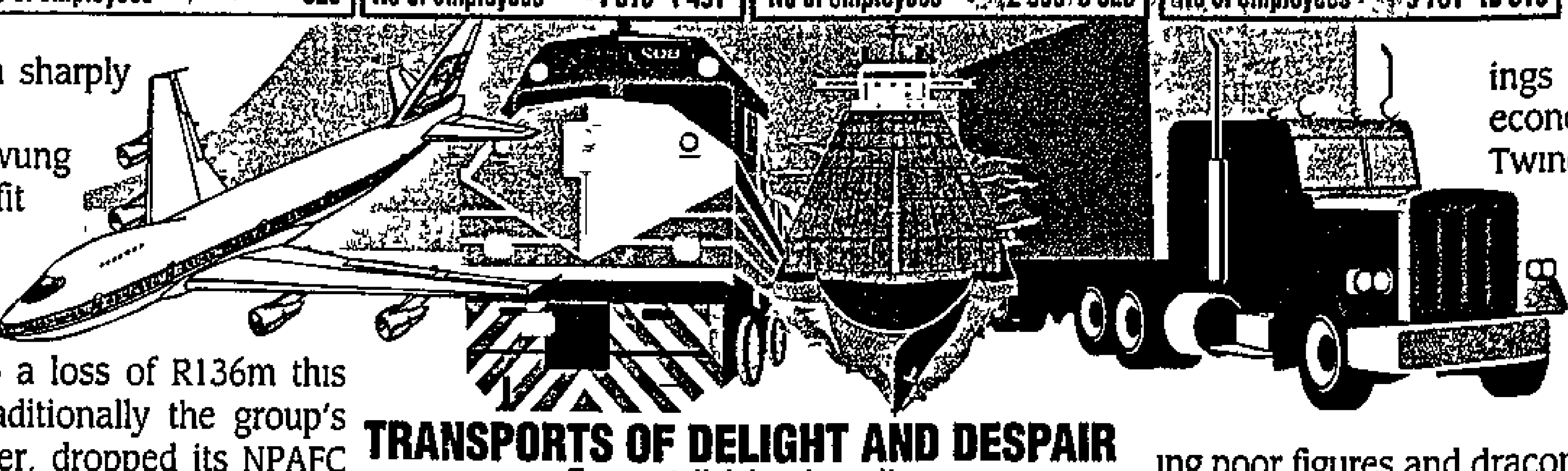
Rm	1999	1998
Internal & external turnover	537	514
Net profit/loss after finance costs	(74)	8
Total operating assets	280	335
Capital expenditure	49	67
No of employees	1 310	1 491

FAST FORWARD

Rm	1999	1998
Internal & external turnover	453	536
Net loss after finance costs	276	322
Total operating assets	207	261
Capital expenditure	17	5
No of employees	2 990	3 920

METRORAIL

Rm	1999	1998
Internal & external turnover	—	—
Net profit after finance costs	54	41
Total operating assets	69	139
Capital expenditure	—	—
No of employees	9 781	10 619



TRANSPORTS OF DELIGHT AND DESPAIR
Transnet divisional results

The group continues a protracted fight against its pension fund deficit, contributing a further R1,4bn to the Transnet Pension Fund during the year. Macozoma says the group is inching closer to a sensible solution to the fund, and that he hopes to announce a plan later this year.

Cash generated from operating activities sailed up 20% during the year, helped by lower finance costs and a drop in working capital requirements, despite turnover growth. Big investments inside the company (R5,1bn) meant borrowings were again needed — increasing by R3,3bn to R15,272bn, against total shareholders' funds of R14,024bn.

Newly appointed Public Enterprises Minister, Jeff Radebe, says he is "looking forward to accelerated restructuring of public enterprises". Transnet certainly promises action during financial 2000 Macozoma says the passenger transport side (buses) of Autonet is up for privatisation, and that Transnet is studying options for Autonet's freight side and Fast Forward. The biggest shakeup, however, is expected in Spoornet. Much has been made of expected job cuts in the division. But Transnet and Radebe both emphasise that nothing has yet been agreed "Job losses all depend on what option we want to go for and the economic position, and even that will be reviewable," says Macozoma "The numbers range from 18 000 to 27 000."

The group says it will be some time before lower interest rates filter through to the economy and generate growth Meanwhile, operating conditions remain fierce

Management promises to "continue its diligent drive to contain and, where possible, reduce costs, accelerate transformation and improve customer focus" The year ahead promises hefty, unquantified, restructuring and retrenchment costs and more borrowings As Econometrix economist Tony Twine says, Transnet is "being forced to face up to life in the real world. So we are seeing poor figures and draconian remedies — all in just seven days."

Stuart Rutherford

To survive, Spoornet

Transnet MD Saki Macozoma looks at the rationale behind Spoornet's transformation and sketches measures being considered to restore the rail network to profitability. It is a pig that can fly, he says

A DECLINE of R709-million in the profitability of Spoornet, taking it from a profit of R573-million in 1998 to a loss of R136-million in 1999, became the main financial story in SA this week

Spoornet's poor performance, exacerbated by the R400-million in retrenchment costs incurred up to March 1999 at Transnet Group, dragged Transnet from a profit of R278-million in 1998 to a loss of R426-million in 1999

In the depressed economy of the 1998-1999 financial year, even such a serious reversal of fortunes is easy to explain and understand But the water was muddied when union leaders informed the media of possible job losses after they left a briefing meeting about an option recommended by the Transnet board to transform Spoornet

The numbers bandied about hit a country still reeling from the gold crisis, and from an announcement by Telkom and others to retrench thousands of workers

Given Spoornet numbers of between 18 000 and 27 000 people leaving the company (as opposed to losing a job) and the plunge in its profitability, many people have been perplexed One of the questions often asked is how did such a situation develop, and why was it allowed

Colonies

The Transnet organisation is as old and as complicated as the Union of South Africa. Railways and Harbours developed in the four colonies and in the subsequent Union of SA mainly to support an agricultural and mining economy As new modes of transport were commercially developed, they were added to the predecessors of Transnet, with SAA incorporated in 1934 and Petronet, the petroleum pipeline system, in 1962.

Cash flows were healthy, and when they were not they could be hidden in the Department of Transport

In the early 1980s the South African Transport Service (SATS) was separated from government, preventing hidden subsidies. More important was the deregulation of the transport industry in 1988.

Before deregulation, transport was an instrument of social policy Road freight was strictly regulated and only 28-ton payloads were allowed on the roads Deregulation introduced intense competition between road and rail

Vehicle loads

The declining competitiveness of rail against road freight is illustrated by the fact that finished goods moving a distance of 775km by road were 15 1% more expensive than by rail in 1991 when vehicle loads allowed were 48 tons In 1997, vehicle loads allowed were 56 tons and road was 14 9% less expensive than rail — a change of close to 30%

The consequences, compounded by overloading (giving road freight a 7% cost advantage per ton at 10% overloading and 12% at 20% overloading), are clear

Rail became uncompetitive It entered a vicious circle of declining cash flows that led to under-investment, which results in deteriorating operating performance, with higher costs and poorer service.

Customers voted with their feet

What did Spoornet management do to address the problems?

In the early 1990s the problem was tackled more from the asset side, with the removal of rail commuter services from Transnet and the separation of PX, involving a total of 13 343 employees, from Spoornet These moves were not enough

In 1992/93 the Manpower Utilisation Project was instituted after consultation with unions At the end of the project, 18 228 people left Spoornet — 18 000 of them took voluntary severance packages. Since 1996 Spoornet has introduced a number of measures such as relationship marketing and more consistent service.

A major strategic intervention was the creation of Freight Logistics Solutions, which has expanded the role of Spoornet in the logistics value chain in order to create value-added transport solutions for customers

A two-year "get-fit" programme was negotiated with the unions to increase employee productivity Link Rail was created as a separate business to manage light density lines and to learn what could be workable when it comes to concessioning All these measures created a cash flow respite for Spoornet

We were always aware, though, that it would take only one economic downturn to burst the bubble Thus, as part of the search for restructuring alternatives, management began studying various scenarios as early as 1997

The serious employment consequences of some of these scenarios were shared with the Inter-Ministerial Cabinet Committee on Restructuring, chaired by the then Deputy President in August 1997

At the same time, management began discussions on a possible social plan with the unions

Ratings

Spoornet management, after observing the half-yearly results in November 1998 and the projections for the rest of the year, announced the search for a drastic solution to the problem This was also made urgent by questions management was facing from the rating agencies such as Standard & Poor

In March 1999 Spoornet management sought permission from the Transnet board to develop a number of scenarios The board set the parameters of six policy objectives. provision of high-quality service to customers, achievement and maintenance of financial viability, maintenance of maximum employment without sacrificing business sense, retention of routes and facilities to support SA's macroeconomic objectives, optimisation of long-term shareholder value and the enablement of restructuring objectives.

The Spoornet team and their consultants examined three options They used Spoornet sources, Moving South Africa data and benchmark studies on Spoornet and other railroads On July 2 the options were presented to the board which, fortunately, was being visited by the new Minister of Public Enterprises

Cannibalisation

There are thus three possible options for Spoornet Not much time is being spent on the first one — the status quo It means, simply put, the cannibalisation of the company for a decade or so before it collapses It is not sustainable, is cash negative, relies on cross funding and results in under-investment

International experience suggests that countries which fail to transform their railroads timeously are often forced into pure commercial solutions Mexico had to cut its workforce by 63%, New Zealand by 75% and Canada, considered successful, by 45%

The second option is the Full-Efficiency-Siding to Siding Plus, which maximises profit above all other considerations In this option, employees would be reduced from 42 700 to 11 500, while the network would be reduced from 20 000km to 7 100km Operating costs drop R4 6-billion from R8 4-billion to R3 8-billion — the change that makes the company profitable by 2003 after payment of transition costs

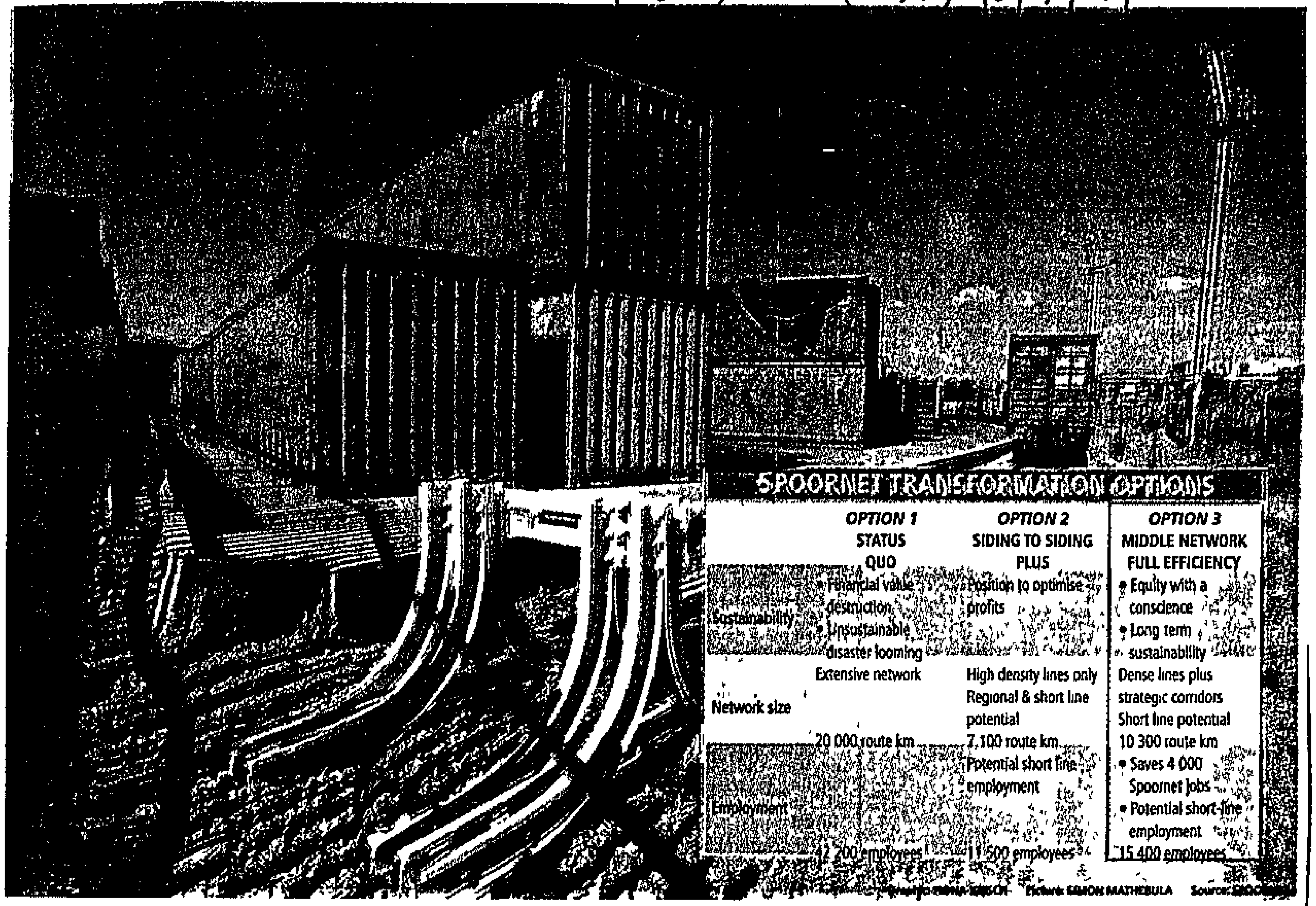
The Transnet board considered the social cost of this option to be unaffordable.

The third and recommended option is called Full Efficiency/Middle Network. It incorporates, into the second option, R800-million of unprofitable lines with an annual loss of R200-million that contributes towards the SA economy without compromising Spoornet's viability This option saves 4 000 jobs within Spoornet so that there will be 15 000 employees in the system with a rail network of 10 300km.

In this model freight

must take the pain now

(269) ST (BT) 18/7/99



SPOORNET TRANSFORMATION OPTIONS

	OPTION 1 STATUS QUO	OPTION 2 SIDING TO SIDING PLUS	OPTION 3 MIDDLE NETWORK FULL EFFICIENCY
Sustainability	• Financial value destruction • Unsustainable disaster looming	Position to optimise profits	• Equity with a conscience • Long term sustainability
Network size	Extensive network 20 000 route km	High density lines only Regional & short line potential 7 100 route km	Dense lines plus strategic corridors Short line potential 10 300 route km
Employment	42 200 employees	Potential short line employment 11 500 employees	• Saves 4 000 Spoornet jobs • Potential short-line employment 15 400 employees

Picture: SIMON MATHEBULA

conveyed goes up by 10% to 64 1% of current volumes The option is vulnerable to adverse economic conditions However, it allows the Spoornet system to keep more lines operating and more people employed.

The question that remains is what is the net effect on employment levels at Spoornet Although this model still threatens 27 000 jobs, there are a number of factors that are likely to reduce job losses.

Firstly, Spoornet intends to concession light-density lines to other companies These companies will absorb Spoornet employees

Competitive

Secondly, a better-regulated road freight industry with commensurate law enforcement can, in the medium term, improve rail's competitiveness against road

Thirdly, an upturn in the economy will help save jobs as rail traffic grows None of these factors, though, can save us from the transformation pain that Spoornet has to undergo.

Ultimately the choice that Spoornet, as a company, and South Africa, as a country, faces is to save an industry that is essential, not only in South Africa, but in the region

If we do not take the pain now, we will face even more bitter choices in the future One of those is that Spoornet eventually crashes and has to be rescued by government, or the World Bank, as has happened in many places

The transformation effort is intended to avert the greater disaster down the line. We have faith in a transformed Spoornet It is a pig that can fly

Airlines object to new charge

BD 22/7/99

Aviation safety contribution to replace fuel levy

Stephané Bothma (269) (332) (183)

PRETORIA — Foreign airlines operating scheduled services to SA will have to pay almost R17m to the SA Civil Aviation Authority (CAA) over the next 18 months as a contribution to a general aviation safety charge.

The general safety charge was implemented after some foreign airlines refused to pay a fuel levy to fund the CAA.

Although the new charge has been agreed upon by the International Air Transport Authority (Iata), several foreign carriers strongly objected yesterday to funding SA's CAA, saying they fund their own aviation authorities.

"We are not saying the charge is not valid, but unless the CAA gives full details of exactly what it is for, we will not pay," said a Virgin Atlantic spokesman. He said UK-based airlines subsidised the British civil aviation authority; SA Airways was not required to contribute to the UK authority.

The charge will replace a 1,5c a litre levy on aviation fuel that was implemented in January this year to fund the CAA for activities which were not directly attributable to any specific user or product but which benefited the industry as a whole.

These services include the promotion of aviation safety, the management of the national airspace committee and route planning over Africa.

The fuel levy had to be scrapped after several foreign airlines refused to pay, saying the government-to-government bilateral air services agreement that covers their operations to SA specifically excluded a fuel levy.

Foreign carriers flying to SA on a non-scheduled basis and domestic carriers will continue to pay the fuel levy, the CAA said.

According to Board of Airline Representatives chairman Juan van Rensburg most of the foreign airlines were "not too happy to pay" contributions to the CAA.

"Some paid the fuel levy under great protest while others refused to pay," Van Rensburg said.

The board, however, agreed that the new charge was preferable to a fuel levy.

"At least now there will be a structured mechanism of paying," Van Rensburg said, referring to a decision that the safety charge would be applied in addition to existing air traffic and navigation service charges using the Eurocontrol air traffic formula.

The agreement between the CAA and Iata to implement the general charge comes into effect from September 1.

"It was agreed that a total amount of US$1,3m will be charged for the CAA's April 1 to March 31 2000 financial year but be collected over the seven-month period from September 1," CAA CEO Trevor Abrahams said.

"A total of US$1,5m will be charged for the following financial year and will be collected monthly over the 12-month period," he said.

Abrahams said the foreign operators that had been paying the fuel levy would be credited for any payments already made against payment due under the safety charge.

TRANSPORT MINISTER ON CHALLENGES

'Transport must make economic sense'

(269) CT 26/7/99

THE new Transport Minister, Dullah Omar, says he is determined to make South Africa's roads safer by using his experience in the judicial field. In a rare interview Omar outlined his transport vision to the *Cape Times*. **GUSTAV THIEL** reports.

OMAR says it has always been one of the ANC's strongest priorities to make sure that transport contributes to the growth of the country's economy

He remains confident that a continuation of (former Transport Minister) Mac Maharaj's White Paper on National Transport Policy and the "Moving South Africa" strategy will remain a key to his vision for the future.

"In particular, we must ensure that our transport infrastructure and services enable people to access employment, education, as well as basic services. Similarly, producers and buyers must be able to transport and receive goods efficiently and cheaply."

Although vague about the transformation he has perceived in the department over the last five years, Omar believes this process has been sufficient for South Africa's social and economic development.

He says that the department's "work in public transport, in infrastructure provision, in safety and economic regulation, in facilitating freight transport, is all focused on this question".

"We see ourselves not as bureaucrats administering transport regulations, but as facilitators whose job it is to deliver, to unblock obstacles to growth and to marshal the role-players in government, in business and labour behind the common programme of building transport as a means for social and economic development."

Omar realises that there are thorny issues that he will have to address

A key issue in the Western Cape is how Omar plans to manage the expansion of the taxi industry — to rid it of an image of violence and accusations of skulduggery. Omar says he plans to concentrate on regulating and formalising the industry

"It is our belief that a long-term solution to the current wave of violence and unsustainability of the industry lies in three areas.

"The fundamental restructuring of the industry . consolidation of the unity process ... effective and uniform implementation of a new regulations."

Safety and security in public transport is another area of concern for Omar. "In many respects this issue cannot be separated from the issues of crime prevention in society in general", he says, and adds that the entire public transport system will become "unviable" if the crime situation is not addressed.

The Department of Transport will continue to require a monthly update from Metrorail on crime statistics and an annual audit into security operations on trains will continue.

Regarding the phenomenon of road rage in South Africa, Omar says road traffic management must be adjusted to "force" drivers to behave in acceptable fashion. He plans better education and communication, enhanced traffic law enforcement and increased highway patrols, and an improved adjudication system to ensure that offenders account for misbehaviour.

Omar says the continuation of the Arrive Alive Road Safety Campaign, the implementation of an Administrative Adjudication System for Road Traffic Offences and the creation of a Road Traffic Management Corporation will help.

Violence on our roads aside, Omar believes the quality of roads will be an important issue to address, through ensuring co-operation between the different tiers of government. "One of the problems we face in our country is the number of road authorities.

"We need to rationalise this to ... make better use of our staff and limited funds.

"A probable outcome of this would be better accountability for the expenditure incurred on our roads."

Under Omar, the Department of Transport will seek to foster partnerships with the private sector to provide a better transport infrastructure for South Africa over the next five years. "As Minister of Transport, I am determined to ensure that, while we join hands with the private sector, we do so in a fashion which opens opportunities for emerging black businesses to enter markets in a substantial way."

Omar says his ministry will try to ensure an effective public transport system by concentrating on improving roads for rural and urban people, denied basic infrastructure in the past.

Omar also aims to make sure private and commercial road users pay for roads which meet their needs.

"At the moment, the trucking industry in particular pays less in terms of licence fees and fuel tax than it receives in terms of the infrastructure we provide," according to Omar, who believes that the Department of Finance should co-operate with that of transport, to ensure that road users pay their way and that basic road infrastructure is funded adequately in the long run.

SAA soars high with R51-m profit

(269)

Sowetan 16/7/1999

By Shadrack Mashalaba

THE main challenge facing South African Airways as it enters the 21st century is to standardise and modernise its operations, its chief executive, Coleman Andrews, said.

Speaking at a *Finance Week* breakfast yesterday in Johannesburg, Andrews said since the national airline adopted its "strategy for winning" last year, "we have been turning levers and gears and wanted to resolve the domestic riddle and also to leapfrog the international competitors"

SAA announced last month that it has sold a 20 percent stake to Swissair for R1,4 billion Andrews estimated the value of SAA's equity after the Swissair deal to be R6,9 billion by June

Last week SAA returned from red by reporting a profit of R51 million against last year's loss of R244 million

Andrews also confirmed that Swissair still had an option to exercise for an extra 10 percent stake in SAA.

"Our objective is to harmonise the relationship with Swissair. We need to develop a brand that is truly African without copying anyone Our strategy is opening the country to the outside world by opening new routes.

"Currently we are engaged in negotiations with Sun Air about the possibility of a working relationship," he said

Andrews acknowledged there was still a long way to go. "We want to be an airline of choice."

Since taking over as chief executive in June 1998, Andrews said, he had revamped the airline previously characterised by a lack of strategic vision with its inward focus, high operation costs and poor organisational culture.

He developed a new strategy which included improving customer service, substantial cost reduction, fleet upgrade, the formation of powerful alliances and the development of new first and business class sections.

"The airline had severe management weaknesses which is the black box of any institution. This was fuelled by uncompetitive pricing, flawed routine network, incoherent fleet strategy and limited alliances.

"In order to improve the situation we had to cut costs and improve crew productivity," he said

SAA has also set ambitious targets to grow the airline in domestic, African and international markets

Car scams busted

Sowetan 23/7/99 (269)

By Noxolo Nxusani and Siphiwe Mpye

AT LEAST 72 traffic officials have been suspended during the last two years for their involvement in the R7,4 billion-a-year car theft industry

Scams in which traffic officers and clerks are allegedly involved include the fraudulent issuing of drivers' licences, roadworthy certificates and car registration documents.

A *Sowetan* investigation has revealed that car thieves work with unscrupulous traffic officials to fraudulently register stolen vehicles

The investigation revealed that thieves take registration numbers from scrapped cars and through their contacts in the department are able to obtain the owner's identity number and details of any car They then use this information to re-register stolen cars with these officials' help

This is giving both the police and traffic officials headaches as their computer system is swarming with duplicate cars.

According to a National Traffic Information System report, theft of vehicles costs the taxpayers at least R7,4 billion a year – R1 200 per vehicle an annum – excluding the cost of police investigations and the simultaneous loss of other property

Cases involving traffic officials include:

- About 23 traffic officials in the Free State are being investigated for corruption, theft of state money and fraud Three have been suspended

Officers from Senekal, Kroonstad, Bloemfontein, Reddersburg, Bethlehem, Bultfontein, Paul Roux, Thaba Nchu, Wesselsbron, Sasolburg, Botshabelo, Bothaville, Petrusburg and Welkom are involved Acting director Ms Pat Mokhali said four have been found guilty of corruption, issuing fraudulent roadworthy certificates and common assault Others are being investigated

- Fourteen administrative staff members, traffic cops and supervisors have been suspended in the Western Cape for cases including issuing fraudulent drivers' licences, roadworthy certificates and other documents

Chief Inspector Wernon Little said some of the officials had appeared in court. Their cases resume in early August

- Eleven employees in KwaZulu-Natal were suspended in cases involving bribery, corruption and drivers' licence scams. Deputy director Mr Rex Duma said no one has been dismissed
- In Mpumalanga three cases of misconduct have been reported Two were dismissed and another suspect resigned
- Eastern Cape traffic department chief director Mr Charles Reynolds said they had three officers on suspension Their offences include drinking on duty and misuse of a state car
- Provincial deputy director of the road traffic inspectorate in Northern Cape Mr Mohammed Zane Abrahams said no cases were reported in the province
- Northern Province chief director for transport Mr Ben Mehale, who promised to come back to *Sowetan* yesterday, had not done so at the time of going to press
- In North West 15 officials have been implicated in accepting bribes Some of the officers have already been found guilty and demoted.

Others are awaiting the outcome of their cases, department of transport and civil aviation spokesman Mr Butler Matlapeng said

- In Gauteng, *Sowetan* reported two weeks ago that three officials were on suspension for fraudulent car registrations at the Johannesburg Traffic Department

● See page 3

CAR THEFT INVESTIGATION Reports by Noxolo Nxusani and Siphiwe Mpye

Sowetan 23/7/99 (269)

Police launch probe of luxury car scam

NORTH West police are investigating a scam in which luxury cars are apparently stolen from the assembly line, and given new chassis and engine numbers before being sold to unsuspecting customers.

This was revealed after Lichtenburg police impounded Old Mutual manager Mr Ezrom Ramadiro's Ssangyong Multi Purpose Vehicle (MPV) on suspicion of its being stolen.

Police spokesman Captain David Müller said Ramadiro's car may have been stolen at Ssangyong Motor Distributors in Randburg and later given new chassis and engine numbers.

The MPVs are manufactured in Korea and assembled by a South African distributor in Randburg.

Müller said police received information about the car and checked it with the distributors.

However, when police made inquiries with Ssangyong, they were told that the chassis and engine number of Ramadiro's car did not exist.

"The company informed us that the numbers did not register on their database This means that someone at the factory may have tampered with the original numbers during the assembly process, later giving the car false numbers," Müller said

Ezrom Ramadiro had his car impounded.

Police investigations are continuing.

Ramadiro was still sleeping at his Pimville, Soweto, home when two policemen of the Lichtenburg vehicle theft unit arrived.

He said police told him his car was stolen with five other cars from Ssangyong distributors in Randburg six months ago

Ssangyong refused to comment and referred *Sowetan* to the police

Police impounded the car, which Ramadiro bought for R92 000 from a private owner through Tso Executive Cars in Wynberg, at the Lichtenburg vehicle theft unit

Tso Executive Cars representative said they had sought legal advice regarding the car

"We were acting in our capacity as agents to get the deal done We only ask them for police clearance and do a hire purchase inquiry to check if the car has been paid for or not We established that it had been paid for," Lee Mphela, co-owner of the company, said

Police said Ramadiro's car was either a duplicate or a false car

"We are investigating if this car was stolen from the factory six months ago or whether it's a duplicate or a false car," Müller said

Chances of Ramadiro getting the car back are very slim at the moment.

Sowetan's investigations revealed that Ramadiro's car was registered in the Free State, North West and Gauteng in March, May and June.

Owner's private investigation fingers policeman

WHEN Mr Soul Mabena of Dobsonville, Soweto, reported at the local police station that his car had been stolen, he never dreamt it would be found and handed over to a total stranger.

Mabena's car was stolen on January 1997 and was recovered 11 months later

According to information in *Sowetan*'s possession, the car was allegedly given to Mr J Xakana by Sergeant H Mbuli

Police spokesman Inspector John Shiburi said Mbuli, who is stationed at Meadowlands police station, denied involvement in the matter

Shiburi said that according to investigating officer Sergeant RG Ndovo the car had not been recovered.

Stolen from his house

Mabena said his car, a blue Toyota Hi-Ace, was stolen from his house in Extension 2 Dobsonville on January 20 1997.

"I reported the matter at Dobsonville police station immediately. I waited for a long time and no one contacted me about the car."

Earlier this year Mabena noticed a vehicle he suspected was his at the Zola taxi rank.

"I took down the registration number, which was different from mine, and went to check at the police station.

"That's when I discovered that my car was recovered in December 1997 and later handed to Mr J Xakana," Mabena said.

When he asked the police why the car had been given to Xakana, they referred him to Mbuli, who they said had signed the car out and could not trace him at the time.

Inspector Shiburi suspected that someone had stolen police equipment and later used it to release the car and change its registration number.

It is still not clear where the car was recovered and by whom.

Provincial police spokesman Captain Sipho Ngubane suspected that Mabena's case docket was doctored.

Ngubane said it was difficult to say what exactly had happened and advised Mabena to open a case so that the police could investigate.

Asked about the use of Mbuli's force number, Ngubane said police force numbers were easily accessible.

Soul Mabena had his car stolen in January 1997.

This is how car thieves go about it

THE Johannesburg licencing department has identified seven ways in which fraudulent transactions are done by criminals and corrupt officials.

They are:

- New cars stolen from manufacturers,
- Stolen vehicles transferred with duplicate documentation – the owner of the original car discovers the fraud only when annual licence reminders do not arrive or when he attempts to pay the annual licence fee;
- Use of stolen blank face value documents;
- Manual registration of a non-existent vehicle,
- Manual reregistration of a stolen vehicle
- Reregistration of a stolen vehicle as if it were a rebuilt car; and
- South African Police Service and South African National Defence Force auctions

According to the report released by Johannesburg Traffic Department chief officer Mr Gerrie Gerneke other common problems in regard to these fraudulent transactions are:

- Police clearance certificates – about 200 clearance books have been stolen; and
- Multiple reregistrations of the same vehicle within a short time frame.

Johannesburg police spokesman Inspector Mark Reynolds offered these tips on buying a car:

- Do not finalise the deal until all the paperwork is properly checked and is in good order;
- Check with Superintendent Scooby Becker or Captain Smiley Smith at the vehicle crime investigation unit at the Old Brixton primary school at (011) 837-6001/2/3/4/5. There are about 51 units countrywide;
- Confirm with your local police or traffic department whether the seller is the owner of the car;
- Buy from reputable dealers who will not abandon you in case there is a problem; and
- Check the documents of the car with the traffic department to verify that are not fraudulent

ɔirth


HANNES THIART

k

or would like to get moting sterilisation, ɪe kennels at (021) 790 ·0, or after hours at 438 8685.

Tolls set to pass on roads cost to users

New bill seeks way to fund maintenance

(269) ARG 6/8/99

TARZAN MBITA
STAFF REPORTER

Tollgates will become a regular feature of Western Cape roads if new legislation goes through aimed at helping to finance badly needed maintenance.

At a press briefing in Cape Town yesterday, provincial transport MEC Piet Meyer said the legislature was considering a bill that would allow for the establishment of a number of new toll roads.

He said Western Cape roads had deteriorated extensively due to lack of funding for maintenance.

"Once the Toll Roads Bill has been adopted, it will necessitate the building of toll roads, which will act as a catalyst for economical and social interaction throughout the province."

Mr Meyer said the provincial transport infrastructure was a big asset and needed to be effectively managed, administered and financed so that it met the needs of users. The road network had to be expanded and improved where necessary.

"The bill will allow the province to collect money at tollgates to be used to fund the construction and upgrading of roads," he said.

If passed, the bill will enable Mr Meyer to declare specified public roads or portions as toll roads and collect payment at toll plazas.

But first the province has to invite comments and submissions.

Transport authorities said toll fees meant that users paid for the roads, removing the necessity to impose direct taxes on the wider population.

The bill will also empower the minister of transport to authorise municipalities or the private sector to operate, manage and control toll roads or plazas.

These sectors may also be authorised to finance, plan, design, build and rehabilitate the roads.

Enforcement agencies to deal with drivers who fail to pay will be set up, and penalties of up to R1 000 will be administered.

Toll bill to boost road upgrading

(269) BD 6/8/99

Linda Ensor

CAPE TOWN — The Western Cape has a R1bn backlog in the development of its existing road network, but the provincial government hopes that proposed legislation opening the way for toll roads will help address the problem.

The Western Cape Toll Roads Bill, accepted by the cabinet this week, is the first of its kind to be put forward by a provincial government. Similar proposals are being considered in Gauteng and KwaZulu-Natal.

The road department budget amounted to R336m this year, but only R258m of this was available for road building and maintenance. Planning director Steve Fanner said yesterday that an additional R150m was required to begin to address the backlog.

The department estimates that 41% of all provincial roads, 8% of surfaced roads and 60% of unsurfaced roads do not meet minimum performance standards.

"The roads of the Western Cape, like those in other provinces, have suffered extensive deterioration in the past, mainly due to a lack of funding," Transport MEC Piet Meyer said.

"Funds from all levels of government for transport are diminishing in real terms.

"This is rapidly leading to a critical situation when our roads will enter into serious decline that will then require major funding to restore them to serviceable conditions," Meyer said.

The act would provide for joint ventures between private-sector organisations and the province, ranging from operating concessions to the complete management and financing of toll roads.

Fanner said that while revenues would flow into the provincial treasury, some toll roads might not generate an income stream but would ensure that roads were built and maintained.

The province would prefer self-funding schemes rather than state-subsidised ones, Fanner said, although public-private partnerships would be preferable for some projects.

No provincial roads have been earmarked for toll systems yet as preparatory work has still to be completed. However, several national and international companies have expressed interest in the development and operation of toll roads in the Western Cape.

Omar targets corruption in licensing departments

Linda Ensor (269)

CAPE TOWN — A new structure within provincial and local governments to deal with an increase in corruption in motor vehicle licensing and registration and driver licensing is on the cards, Transport Minister Dullah Omar said yesterday.

Departmental sources said corruption was particularly high in Mpumalanga, Gauteng, KwaZulu-Natal and Eastern Cape and sometimes involved officials accepting bribes to issue a licence Fly-by-night firms were hiring out new tyres to taxis for the duration of roadworthiness tests and could be acting in collusion with the testers

Omar, speaking at a briefing in Parliament to the portfolio transport committee, said the department was committed to the eradication of weak law enforcement and violence and was consulting provincial MECs to devise ways to combat them.

These would be executed through provincial and local governments in conjunction with national policing authorities and others involved in the national crime prevention effort.

"In the long run it is envisaged that the management and control of this effort will be located in the Road Traffic Management Corporation," he said

The departmental official said the aim was to formulate an overall strategy to deal with corruption and malpractice and to develop the capacity to deal with it. No details of the structure were available as it was still on the drawing board.

Omar said the National Land Transport Transition Bill, which will provide for the establishment of local transport authorities and the regulation of taxis and buses, will be tabled in Parliament this session

"This legislation is regarded as urgent since further delays in its promulgation will lead to a clash with the local government demarcation and elections process, which would delay the implementation of key transitional aspects by a further two years "

BD 20/8/99

Unwelcome passengers in privatisation cabin

Anticompetitive moves by SA Airways and bad choices by government may have played a role in Sun Air's crash, writes Raenette Taljaard

BD 26/8/99 (232) (269)

WE FREQUENTLY forget that Sun Air represented the first full privatisation of a state-owned asset While there was no template to guide the process, the collapse of this maiden privatisation a mere two years after its conclusion gives early warning signals of what to avoid — and the many costs involved in failure

There are also lessons about the competitive conditions that must be fostered as a corollary to privatisation

The costs involved in the botched privatisation of Sun Air transcend the narrow confines of the R20m still owed to the fiscus by the Rethabile/Comair consortium or even the R25m-R30m it will ultimately cost the taxpayer if SA Airways (SAA) gets the go-ahead for its bid to acquire 75% of the airline

Casualties, apart from the staff who will join the ranks of the unemployed, include the integrity of SA's privatisation process and the competitive environment we are trying to forge as our economy undergoes structural changes

Questions must be asked about the role of the Competition Board and why it did not intervene earlier to curb the anticompetitive behaviour of SAA in its aggressive bid to reclaim lost market share at the cost of competitive skies There was no clear ruling from the board as to whether SAA was guilty of anticompetitive behaviour or whether there was a connection between the airline's exploitation of its dominant position and Sun Air's demise.

Questions abound as to whether the country's deregulated market is too small to support a fourth carrier, or whether the broader interest in having to attract foreign equity into the "crown jewel" of SA's privatisation process, SAA, could have trumped concerns of competition

Some lessons have emerged from Sun Air's privatisation that show the pitfalls to be avoided A rigorous assessment of the managerial capacity and experience of bidding firms must be made Questions must be raised about the fact that Sun Air was awarded to a bidder with practically no experience of running an airline bar that of its competitor with representation in Sun Air's management, Comair

It cannot be denied that much of what made the airline falter was built into the composition of the management team that included a 25%-strong Comair, giving a rival access to the balance sheet of a competitor

Government must be much more circumspect when it carves up equity stakes to ensure that a similar schizophrenic management structure does not emerge

Government must not do anything to jeopardise the bidding process midstream Instead it must maximise the realisable value of the asset to be privatised

This was not the case with Sun Air Initially eight local and international consortiums lodged bids and analysts placed a price tag of R200m on the airline.

However, government made a fatal error in simultaneously announcing it had intentions to sell an equity stake in SAA.

The end result was that the Rethabile/CNI/Comair consortium clinched the deal for a mere R50m

It was an expensive learning experience In this drama SAA has typecast itself as the hero willing to fly all Sun Air passengers

But Sun Air's demise is strengthening SAA's dominance in the domestic market.

The SAA section of the public enterprises' department review 1994-1999 contains the following statement "In the highly deregulated domestic market, airfare price wars were common occurrences as airlines strove to achieve dominance in the marketplace. The airlines' major goal is to remain dominant, regain lost market share and maintain yields at an acceptable level "

In the same review, the public enterprises ministry states that the promotion of fair competition and the enhancing of competitiveness forms part of the restructuring process If the minister thus allows SAA to obtain 75% of Sun Air and the liquidation process goes ahead this will conflict with the department's stated objectives

Action is needed on the part of competition authorities to give a clear-cut answer as to whether the demise of Sun Air, Phoenix, and FlightStar in recent years represents clear evidence that the domestic market cannot sustain a fourth carrier — or whether their demise was related to anticompetitive behaviour and predatory actions by the national carrier

On September 1 the Competition Tribunal and the Competition Appeal Court will come into effect as a result of new legislation.

Hopefully these bodies will lobby for their powers to be strengthened regarding state-owned and enterprises. A thorough investigation is needed of SAA's anticompetitive behaviour and whether its regaining of market share was a quid pro quo for the equity sale to Swissair.

At the end of the day we could see a resurgence of the stifling dominance of SAA, albeit with a foreign equity partner, if SAA's bid for 75% of Sun Air gets the green light. Hopefully proposals for financing the refloating of Sun Air with new investment from the private sector will win the day instead of allowing a further concentration of market power in the hands of SAA.

The collapse of SA's flagship privatisation means that government must fast-track the Facilitation of Restructuring Transactions Bill, the blueprint for SA's privatisation process, to restore local and international confidence in the privatisation process

SAA CEO Coleman Andrews: is he Sun Air's saviour or the plotting predator?

□ *Taljaard is an MP and the Democratic Party spokesman on public enterprises.*

‘Practices a banana republic would envy’

(269) M+G 20-26/8/99

The time has come for the government to restructure the board and management of transport parastatal Transnet, writes **Zukile Nomvete**

When Transnet, the government transport parastatal, announced and published its audited financial results for the year ended March 31 1999, it blamed its poor performance on the pension fund liability

To quote from their overview: "The R1,4 billion post-retirement benefit costs for pensioners resulted in the company showing a R426-million loss against the R278-million profit achieved 12 months earlier" This is very far from the truth

What has to be borne in mind is that Transnet has been paying the R1,4 billion post retirement costs since inception The same applies to the additional benefit cost of its employees, which has remained unchanged in the past two financial years at R445-million

In other words, management knew at the beginning of the year that these costs needed to factor into the planning and budgeting process Despite these cumbersome liabilities, the company was in the position to post a record profit in the 1997/1998 financial year of R278 million

Analysts might wonder how this was possible, the answer lies in the 1997/1998 annual report There was greater focus on business and less on politics and the management team, especially in middle management, which had greater resolve, confidence and commitment to the leadership and future of the company

That was before the onset of the exodus of competent management cadre, both black and white Why? Because money was lavishly spent carrying politicians on the Blue Train and huge events organised for naming of aircrafts in Port Elizabeth and Pietersburg; alleged abuses of the Voyager Miles frequent flyer programme, and so forth

Such practices even banana republics of yesteryear would envy.

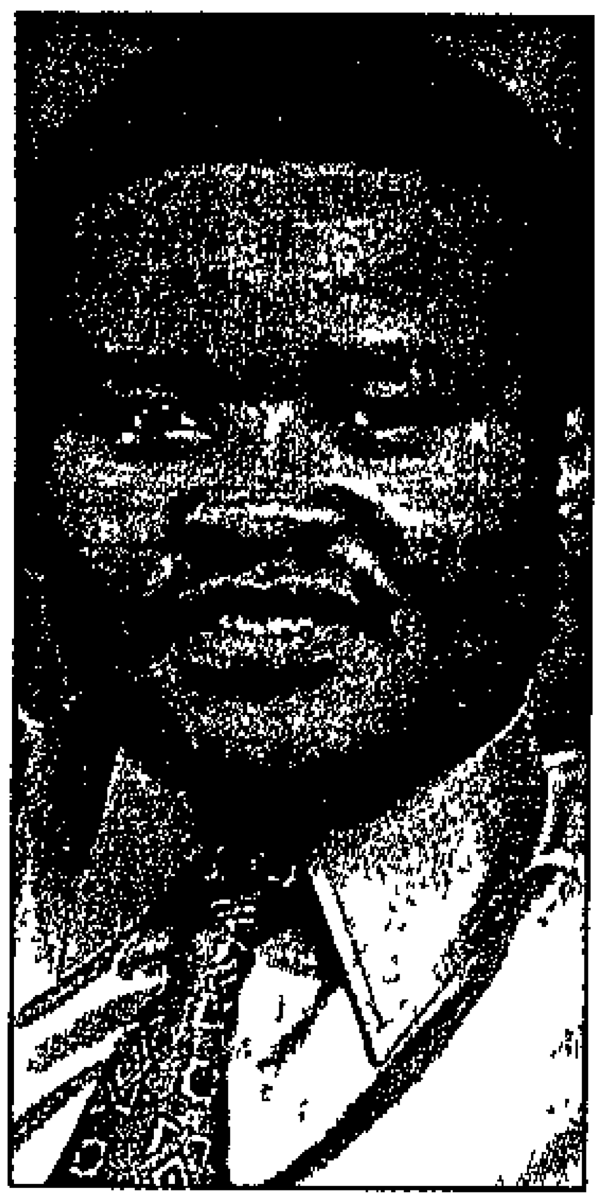
In the same vein, it is reported that Spoornet lost 28% market share! Spend R70-million refurbishing the Blue Train then sell it!

Let us picture a scenario where a listed company with a R21-billion turnover turns around a net loss of R170 million to post a profit of R278-million, that is a 263% turnaround in 12 months. The shareholders have every reason to believe that this is a watershed achievement and the company has turned the corner.

Nevertheless, if the company reverses those gains within a 12-month period to post a massive loss of R426-million, with no logical and sound reason, what would the shareholders do?

On to substantive issues In the directors' report for the 1997/1998 financial year we are made to believe that the "first wave of trans formation, that is the appointment of new and additional executive directors and the challenges that are facing them, is under way"

The report continues and informs us that the company, in 1998, was in the second wave of transformation which "places a strong emphasis on performance of individual businesses and those responsible for managing them Transnet therefore introduced the balanced scorecard



Saki Macozoma: Transnet MD

as a performance management system

"The second wave focuses less on people and 'political' issues and more on re-engineering and restructuring of businesses to ensure growth in operating profit "

Although there is an improvement (10,1%) in the turnover com pared to the previous financial year (7,6%), ironically the same cannot be said for the operating profit The previous year's 12,9% improvement has been dismally eroded by a negative 27,5% decline. A 40,4% erosion!

Executive director of finance Gloria Serobe referred to the 1997/1998 financial year as "a watershed and turnaround year in the history of Transnet Limited" All because "strict financial discipline and focus on working capital management has resulted in improvement in operating margins and return on assets, despite the deteriorating exchange rates and the cost of retrenchment programmes"

The same retrenchment costs (R400-million) are now the further cause for this year's decline in pre-tax profits, according to Transnet managing director Saki Macozoma I guess the difference is the decline in the operating profit due to costs that have skyrocketed because of mismanagement

In his 1997/1998 financial report, the managing director says "Our major aim has been to defend value and market share, and to retain the strategic initiative "

He continues to make what have proven to be empty promises "The fruits of such a pragmatic approach will become obvious in the 1998/1999 financial year." Well, we all know that the fruits have been rotten to the tune of R704-million

After all the flowery words and expressions contained in the directors' report, let us reflect on the current results against the vision and targets/commitments undertaken by Transnet in the 1997/1998 annual report

Perhaps the board of directors also have a balanced scorecard performance agreement with the shareholder, in this instance the state

- Operating profit dropped by a massive R947-million (27,5 %) com pared to the previous financial year.
- Operating costs increased by a whopping R3,1 billion (17%)

This is the highest operating costs increase in the history of the company since 1990 This is occurring against promises in the last year from Transnet that "management will continue its diligent drive to contain and where possible reduce costs [sic], accelerate transformation and improve customer focus"

In a response to Ann Crotty of *Business Report* last month, Macozoma would have us believe the R300-million would have been saved if he had not hired consultants Can he elaborate further as to what value has been created by these consultants and what has been the increase, if any, year on year in paying consultants?

One can guess that is the price you pay when you hire spin doctors to improve your image and ignore your company's entire communications department and the agency that has its corporate account

A case in point is the appointment of David Barritt to do public relations for Macozoma and minister Stella Sigcau How many more such "consultants" have had a slice of the R300 million cake?

If Macozoma is quick to shun creative accounting, can he inform us if the "profit" of South African Airways had nothing to do with sale of obsolete stock, outsourcing of the duty free programme, aircraft sale and leaseback, rollover of accounts payable at the end of the financial year without creating the necessary provisions and the allocation of payment within the forward sales accounts?

Perhaps the revenue was actually from ticket sales realised from "bums-on-seats" sold

Macozoma and his management team cannot hide behind the pen sion fund smokescreen this time around. We all agree that the pension fund liability is a burden to the company That is no excuse for mis managing an important asset such as Transnet

Macozoma and his management team failed dismally to meet the targets they had set themselves

The time has come for the government to restructure the board and management of Transnet

Some of the directors have been overseeing the demise of Transnet since 1990 and it's time they go

Zukile Nomvete is former chief executive of South African Airways

Take the road more travelled to urban equity

Building houses far from job sites repudiates government's aims, writes **Richard Tomlinson**

MUCH has been made of the fact that new low-income housing is being forced to the periphery of urban centres and that this often has dire economic and social consequences for the households concerned

This is especially the case when, as in Gauteng, most new work opportunities are located between the Johannesburg and Pretoria city centres — and most new housing is located on the far side of each city's centre.

The dislocation between residence and work opportunities is a direct repudiation of government's aim to build compact, integrated cities. It seems an inevitable consequence of a limited housing subsidy and the higher cost of land closer to work opportunities and to retail centres.

This dilemma is not insoluble There are four parts to a solution and they entail changing the location of both high-income property developments and low-income housing developments

The first part is found in the transport department's policy paper, Moving SA. Instead of calling for mixed-use, high-density cities, the department instead seeks such development along urban transport corridors These entail work opportunities dispersed along the corridor, giving rise to reverse ridership, with a seat on the bus or train being occupied by a number of different riders as people take short trips from home to work in both directions along the corridor.

The second results from the possibility of government's predisposing new investment to sites along the corridor Government hopes to achieve compact development through integrated development plans and planning controls — but planning controls seldom work and frequently give rise to problems.

Instead of controls government should aim to create a market predisposition that leads to the building of more efficient and equitable cities.

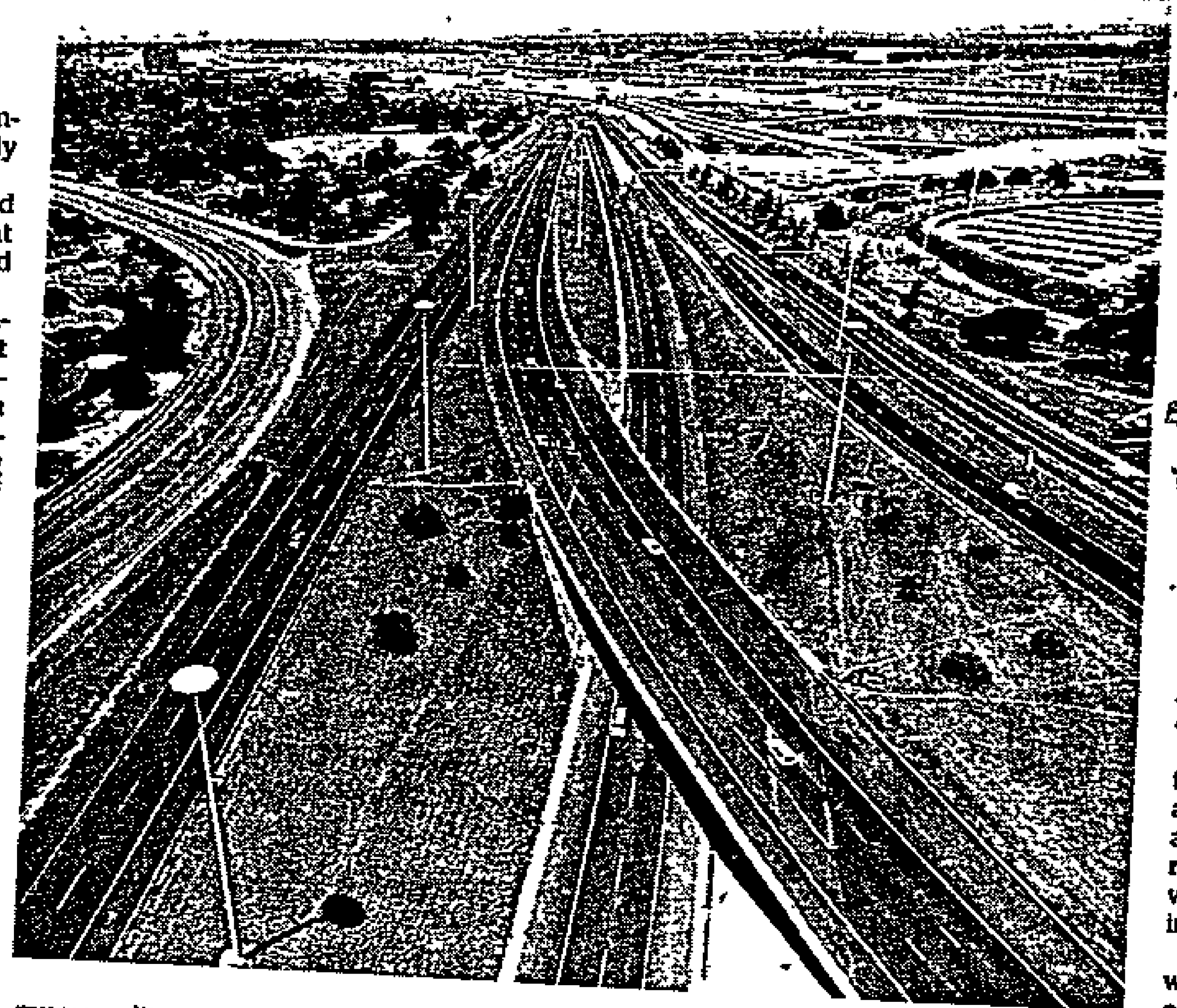
This can be implemented through ensuring that new property development rights are made available in direct proportion to existing vacancies and increases in demand for the relevant space (commercial, industrial and retail), and auctioning new development rights, with the cost of the rights increasing with distance from transport corridors and existing bulk infrastructure.

In other words, private investors will not be prevented from distant greenfield developments, but the cost of the urban inefficiency so created will be theirs

This is in contrast to present arrangements where the public sector pays for new bulk infrastructure, municipalities from which decentralisation is occurring see their rates base diminish and low-income groups lose due to reduced access to jobs. It can be assumed that with increasing demand an initiative of this sort will not prevent new property development so much as restructure the manner in which it occurs

For example, in countries where governments have imposed betterment levies to recapture the unearned profits arising from rezoning land, the levies have not slowed development

The third aspect to a solution is to use the revenue generated by such auctions to cross-subsidise the location costs of low-income housing This is possible because municipalities are nowadays adopting the mantle of low-income housing developers and can use the revenue as an addition to the present housing subsidy for land costs.



This vision would be rounded off if the housing programme were changed so that instead of being given a subsidy delivered (mostly) through developers, qualifying low-income households were given housing vouchers and could use them to select the housing unit that best serves their needs In this way they could choose between location, service levels and the size of the housing unit

This idealised version of housing delivery is not central to the realisation of more equitable and efficient cities and should not be allowed to confuse the issue.

In line with the transport department's vision, municipalities are well-positioned to vary the auction price of development rights in direct proportion to distance from transport corridors and to use the increased revenue for land costs. The key question centres on how this vision might be implemented.

In regard to siting new development along transport corridors and close to bulk infrastructure it is proposed an independent board of public and private-sector representatives be mandated to implement the policy. It will have to determine the limits to increases in the supply of property development rights in relation to increases in demand, taking into account existing vacancies; and procedures for auctioning development rights in different areas in such a way that it leads to the creation of more compact cities.

This body would have to be an inclusive initiative, as the area between the Johannesburg and Pretoria city centres constitutes an integrated property market. For example, if prices were increased in Johannesburg, then developers could be expected to move to Midrand.

This will produce a slow turnaround in the decentralisation process and, as the available development rights are used up, a drift back towards major transport corridors and towards Gauteng's main cities, which are most accessible to the low-income population.

Prior to this it is likely that the policy will have reversed the decline in central city land values and may also have induced some anticipatory refurbishment of office buildings and also some new development. The impact on the rates base for existing urban areas will be positive.

The impact on areas of decentralisation will be less rapid growth and a slowdown in the rate of increase in the rates base.

☐ *Tomlinson is a visiting professor at Wits University's school of public and development management.*

(269) BD 31/8/99

CT(BR) 2/9/99

World's most profitable airport is in Gauteng

(269)

JAMES LAMONT AND PETER GALLI

Johannesburg – Johannesburg International Airport, Africa's busiest airport, has been ranked the most profitable in the world by a research group.

Cape Town International Airport was placed second in the group's independent report, understood to have been drawn up by the UK-based Transport Research Laboratories. It is expected to be released next week

An independent transport consultant said the report compared the operating performance of a number of international airports around the world.

"Johannesburg and Cape Town international airports were regarded as stand-alone airports However, the Airports Company South Africa taken as a whole, including its far-from profitable smaller airports, would never head the list of most profitable international airports groups," the consultant said.

Dirk Ackerman, the managing director of the Airports Company, said yesterday that Johannesburg and Cape Town had the highest profit-to-revenue ratios in the world in June.

International passenger traffic has increased by 23 percent at Johannesburg airport over the past three years In 1998 it handled 10 million passengers and 10,85 million are expected this financial year.

The airport employs about 17 500 people, 800 of whom are Airports Company employees.

The Airports Company, the partially privatised parastatal with a 20 percent holding by Aeroporti di Roma, is making a R1,7 billion investment in the airport's infrastructure over the next five years.

The company reported an after-tax increase in income of 20 percent to R280 million on a turnover of R844,2 million for the year to March 1999

"I am confident that this airport will play an increasingly important role in the commercial and social life of the country and will strengthen links between South Africa and the rest of the world," Gaetano Galla, the managing director of Aeroporti di Roma, said last week.

Ackerman said productivity increased by 30 percent across South Africa's airports in the past two-and-a half years.

The company is preparing for its next phase of privatisation. It is expected to list on the JSE within the next 12 to 18 months.

Road repair backlog is growing

(269) CT 10/9/99

KARIN SCHIMKE
POLITICAL WRITER

MOTORISTS will have to fork out between 10 and 15% extra on their car licences every year for the next five years — but even these stepped-up efforts to boost provincial coffers will not prevent the backlog in road maintenance from growing.

This sad reality of the province's imperfect roads became clear yesterday when Transport and Works MEC Piet Meyer unveiled his department's plans for the next five years.

Meyer said about R150 million would be spent annually on regravelling about 600km of road every year. "This is only about 75% of the actual need, with the result that the backlog for regravelling continues to grow and starts coming down only after the 2002/3 financial year."

Even more dire is the fate of tar roads. Over the next five years, R95m is to be spent on resealing them, resulting in the resurfacing of about 234km a year.

This is only 27% of what is needed, with the result that the backlog for resealing will continue to grow year by year

Not all the news from the transport department is gloomy, though

Among Meyer's plans is to create opportunities for emerging entrepreneurs, with contracts of up to R49m being put out to tender over the next five years.

Based on the assumption that about R153m worth of large contracts and about R18m worth of community road projects would be undertaken in the next five years, about 3 600 months of employment would be created, Meyer said.

Between 2000 and 2004, about 12 access roads to previously disadvantaged communities are to be constructed at a cost of about R18m.

As far as road safety is concerned, Meyer said an accident bureau is being established to create a single, comprehensive database on accidents in the province. Around 400 new traffic officers are to be trained and Meyer aims at reducing by a quarter the rural accident rate, which would result in the saving of about 300 lives and R250m a year.

Regular users of the N1 out of Cape Town can also expect improvements in the safety of the national road. Work is soon to begin on the construction of a median wall between the Durban Road and Monte Vista interchanges.

Progress is likely to be slow, however, since the wall will cost around R1m a kilometre to complete and its construction may need to be staggered.

Competition board's controversial findings

BD 13/9/99 (269) (232)

David Lewis questions decisions made on alleged irregularities in airline industry

WITH the repeal of the Maintenance and Promotion of Competition Act, the Competition Board ceased to exist The new Competition Act has come into force — a new legislative and institutional framework now regulates competition. However, certain decisions taken by the board in the last period of its existence have raised considerable controversy

I refer, firstly, to the complaint submitted to the board by Comair, Sun Air and Nationwide that alleged predation on the part of South African Airways (SAA), secondly, to the board's decision to condone a proposed transaction that, if implemented, will enable SAA to acquire a majority stake in Sun Air

In late 1998 the smaller airlines Comair, Sun Air and Nationwide approached the board alleging that SAA was engaging in a practice known as 'predation'

Predation investigations are notoriously complex In order to sustain a predation charge it must be demonstrated that the alleged predator was pricing at below average variable cost for a sustained period That is that the predator was willing to sustain an operating loss to drive its smaller competitors into a similar loss-making situation

With shallower pockets, the competitors would be driven out of business and the dominant company would then be able to recoup the losses by charging monopolistic prices In support of their claim, the complainants referred the board to fare cuts and increases in seat capacity (particularly in the lower-priced travel classes) introduced by SAA on the Johannesburg-Cape Town and Johannesburg-Durban routes

SAA insisted that it was simply reducing prices and increasing output to competitive levels SAA management claimed that its predecessors had set uncompetitive prices and load structures SAA argued that its competitors were not being subject to predation, but simply to the sort of robust competition that is both legitimate and desirable under competition law

> There is a thin line between predation and robust competition.

Competition authorities must treat predation claims with caution There is a thin line between predation and robust competition Competition, by definition, hurts competitors but it does so by lowering prices or by innovation that differentiates a competitor's products from those of its rivals.

However, because predatory behaviour harms competition, the authorities will step in and take action against the predator In so doing the competition authorities effectively defend the competitor under attack. The task of the authorities is to defend competition — they are not charged with protecting individual competitors from the process of competition

A full-scale charge of predation can only be sustained after a detailed forensic audit

Mindful of the complexity of a formal investigation and of the legal requirement to establish a prima facie case of predation before launching a formal inquiry, the board elected to undertake an unusually elaborate informal investigation

The parties committed themselves to provide the information required. Board officials undertook this informal investigation although in April 1999, one of the complainants, Sun Air, withdrew its complaint without explanation

This further investigation similarly failed to establish predation

It appeared that SAA was showing a profit on both routes on which the predation was alleged to be taking place

Subsequent information confirming that SAA, Comair, and, it appears, Sun Air, were profitable during the period of the alleged predation, cast further doubt on the validity of the complaint.

Despite the thin evidence, the board attempted to resolve the differences between the remaining parties to the dispute Under the board's auspices the parties met to consider a mechanism that would maintain competition while simultaneously limiting the possibility of predation

The parties were unable to reach a mutually satisfactory arrangement This investigation had taken the board to the end of its statutory life and the matter could proceed no further under its auspices

In the midst of this SAA approached the board with a proposal to purchase a majority share in Sun Air

This proposed transaction originated in an approach by Sun Air management and shareholders to SAA in April this year, precisely the time at which it withdrew its allegation of predation

Sun Air, already in distress, was looking for a 'white knight' When information regarding these discussions surfaced, the board reminded SAA that any change in the relationship between SAA and Sun Air would require its authorisation

SAA subsequently reported that it had considered various optional relationships with Sun Air

However, it had concluded that it was unable to construct a commercially viable arrangement It concluded that Sun Air's high cost structure was undermining its profit potential.

This high cost structure stemmed, it appears, from a variety of factors, including the high level of service offered as well as the decision to operate a small fleet with three different aircraft types

Much has been made of a media release by the board arguing that the size of the domestic market limited the number of potential participants in the airline industry

There is, of course, not a predetermined, finite number of players in any market

If a player with very deep pockets, experience in airline management, and a creative strategy entered the market, then a fourth airline may prove viable

However, in the board's research it has encountered no case where a domestic airline market of similar size to the SA market, has been able to sustain four competitors. This factor, in combination with spiralling costs appear, on the face of it, to underpin Sun Air's problems

On August 3 1999, the board was again approached by SAA. The company averred that Sun Air was threatened with imminent collapse It appeared, from the information at our disposal — information provided by SAA in the aftermath of its discussions with Sun Air and confirmed by Comair, a major shareholder in Sun Air — that key trade creditors were refusing to extend further credit to the company and were threatening its liquidation in order to protect their interests

This squared with information received over the previous months In taking its decision, the board was confronted with important questions that had to be answered Immediately would competition be impaired if SAA were allowed to purchase a majority share in Sun Air, bearing in mind also that Comair, SAA's largest competitor, is a shareholder and board member of Sun Air

Secondly, would the public benefit from the planned acquisition?

The board concluded that competition would not be impaired provided that SAA was required to liquidate Sun Air

SAA could not be permitted to operate Sun Air because this would indeed diminish competition, especially if it did so in a control situation in which Comair participated

Certainly, the upshot was the disappearance from the market of a competitor However, the information at the board's disposal led it to conclude that Sun Air would, as a result of its parlous financial situation, exit the market anyway

The board was then effectively faced with deliberating alternative mechanisms whereby Sun Air exited the market The first alternative was an SAA acquisition conditional upon immediate liquidation, alternatively, liquidation at the instigation of its creditors

The public interest appeared better served by the first option In an airline liquidation, a key public interest question concerns those holding tickets on the failed carrier Comair and SAA were, under the first option, prepared to guarantee these tickets and to absorb certain of the staff of Sun Air

Accordingly on competition and public interest grounds, the board condoned the transaction Competition board authorisation is only one regulatory hurdle that has to be cleared before the transaction can be concluded

It appears that in privatisation transactions there is a standard limitation, for a specified period, on the resale of the privatised assets There are also air transport regulations that have to be complied with

These are not matters within the board's jurisdiction and the relevant authorities may justifiably turn down the transaction on these various grounds The board simply adjudicated competition and certain public interest matters and on these grounds the transaction was acceptable.

Two final points the most disturbing competition aspect of this whole sorry affair is that Comair was ever permitted to hold an interest in Sun Air This has certainly immensely complicated matters

The new Competition Act expressly discourages cross shareholding and common directorships between competitors

Finally, it is, of course, wholly possible that competition law violations may occur in future in the airline market These would be fully subject to the jurisdiction of the new competition authorities

☐ *Lewis is the former chairman of the competition board and recently appointed chairman of the competition tribunal*

MAIL & GUARDIAN
September 23 to 30 1999

Paving the way for new roads

M+G 23-30/9/99 (269)

Barry Streek

A minimum amount of R3-billion is needed to build new roads in the rural areas outside commercial farming areas to overcome apartheid backlogs, Minister of Transport Dullah Omar has told Parliament.

It has been established that 62% of the roads in densely settled areas, 85% of the roads in rural villages and 91% of the roads in scattered settlement areas in the former homelands are "inadequate", but in the farming areas where the needs of white commercial farms has historically been prioritised, only 32% are classified as "inadequate". In the scattered settlement areas there are no roads of high or intermediate quality, and 9% are of basic quality.

Based on the maximum assumption of need (the estimate for the total spend required on rural road maintenance, rebuilding and new construction nationwide), R17-billion was required.

Omar said that to meet this challenge, the Moving South Africa study developed an approach wholly consistent with the strategy currently implemented by the government.

The strategy states "that an effective developmental approach to roads must form part of an overall, integrated infrastructure package so as to ensure efficient total spending and consistent approaches across line function".

"The approach says that roads investment must be directly linked to community sustainability and development. It is clear that an approach which indiscriminately throws money at the problem is neither possible nor sustainable," he added.

Omar said the Cabinet has recently made available approximately R100-million through the presidential poverty alleviation programme to his department, in conjunction with the Northern and Eastern Cape provinces, to maintain and upgrade key rural roads in areas where a package of integrated development initiatives is in the process of being delivered.

In reply to a question asked in Parliament by African National Congress MP Cas Salojee, Minister of Welfare and Population Development Zola Skweyiya said that R203-million is allocated under the 1998/99 poverty relief programme to provincial and national projects. Of this amount, R145,1-million has been allocated to 2 538 national projects, aimed at all the provinces.

He said the programme has a definite bias for the deprived areas of the country or "poverty pockets", and "to substantiate this fact, the poorer provinces with larger rural components had far bigger allocations, for example the Eastern Cape, KwaZulu-Natal and the Northern Province".

● Meanwhile, Minister of Agriculture and Land Affairs Thoko Didiza said the process of restitution claims would be fast-tracked by setting specific timetables for the completion of the claims and the projected cost to the state of settling each category.

She wants to speed up the time it took to settle restitution cases, principally by resolving as many cases as possible by administrative means.

Didiza said she will review the land acquisition grants currently offered by the Department of Land Affairs and restructure the grants "in such a way that they are able to support rural livelihood, small-farmer development, local authority commonage acquisition, share equity schemes, and the establishment of large-scale black commercial farmers".

She also wants to improve the agricultural support services which were available to land redistribution beneficiaries.

(269) (288)

26 tourists die

Sowetan 28/9/99

UK visitors perish as bus loses control

By McKeed Kotlolo and Sapa

TWENTY-SIX British tourists and a tour guide were killed and 14 seriously injured in an accident when the brakes of their bus apparently failed and it overturned near Lydenburg in Mpumalanga yesterday.

The dead were touring Mpumalanga in a Springbok Atlas bus from Johannesburg when the tragedy occurred along the Sabie-Lydenburg Road shortly before noon.

The bus was travelling from Sabie to Lydenburg when the accident occurred about 3km from Lydenburg.

The Department of Foreign Affairs said it was deeply shocked and saddened by the accident. It expressed the Government's condolences to the British government as well as to the families and friends of those who died.

Politicians also expressed shock at the death of the tourists.

Chairman of Parliament's transport portfolio committee Mr Jeremy Cronin said he was deeply shocked by the incident. He extended the committee's condolences to the families of the dead and injured.

Cronin said the accident highlighted the need for the high-level summit on road safety proposed by Transport Minister Dullah Omar.

"It clearly underlines the need to look firstly at enforcing safety regulations, and also increasing capacity to enforce those regulations," he said. "Obviously every death on the road is one too many."

The independent road safety organisation, Arrive Alive, has asked for an immediate meeting with President Thabo Mbeki to discuss the recent spate of major bus accidents.

Arrive Alive spokesman Mr Richard Benson said about 60 people had been killed in bus crashes during the past week.

Benson said his organisation would demand that all vacant posts in the traffic services be filled and that all traffic police cars be fitted with video cameras that will run whenever the car and its occupants were on duty.

Police said 23 of the tourists died instantly and four after they were admitted to Lydenburg Provincial Hospital.

Mpumalanga police spokesman Director Mandla Mahlangu, who was at the scene of the horror accident, said: "The situation is terrible. Bodies and personal belongings are strewn all over the place."

He said one body was flung into a thick bush and members of the emergency services had to cut down trees to reach it.

Mahlangu said the bus appeared to have lost control after its breaks apparently failed and it rolled and landed metres away from the road. The roof of the bus was ripped off.

He also said the tour was called "Best of South Africa" and operated by African Travel Options from Johannesburg.

Lydenburg district manager of health Ms Kathy Olivier said: "Fourteen severely injured tourists, including the local driver of the bus, were treated at the provincial hospital".

● See page 3.

Superbus can carry 160 passengers

BUNTY WEST (269)
METRO WRITER

CT 29/9/99

CITY residents will soon be seeing a strange articulated vehicle patrolling the city's streets, with the launch of a new 18m articulated bus by the Cape Metropolitan Council.

On lease from Volvo, the new bus can carry 160 passengers (55 seated), and will be used on the Khayelitsha/Cape Town route. It will be operated by Golden Arrow.

The pilot project, using a bus with a mid section resembling a concertina, is aimed at alleviating the city's transport problems in the new millennium.

If successful and accepted by commuters, the new buses will be added to the fleet as old vehicles become worn out.

Sporting the new Cape Metropolitan transport colours, it heralds the start of a new system of colour-coding for public transport.

Four drivers have already been trained by Volvo to use the buses. New personnel will receive in-house training from Golden Arrow.

The CMC currently receives an annual bus subsidy of R150m from central government.

Range of measures designed to 'transform' bus industry

(269) (288)

PRETORIA: The government said yesterday that it would implement a range of road safety measures in response to a spate of fatal bus accidents that have killed 59 people — including 26 British tourists — in just 10 days.

Transport Minister Dullah Omar said after a cabinet meeting in which the policies were endorsed that his department would embark on short- and long-term action designed to clamp down on road traffic violations. "The measures are designed to achieve the total transformation of the bus industry so that it is law-compliant and, where it fails to comply with the law, that there is effective law enforcement."

Among the measures are the immediate intensification of law enforcement, checking vehicle fitness within the next month and lowering the maximum speed limit for buses, as well as a special training programme for tour bus drivers.

Bus operators and owners are due to meet in Cape Town today to discuss the government's strategy, designed to bring down the average of 26 people killed each day on South Africa's roads.

The government has been spurred into action after a series of bus accidents, the most notable being on Monday when 26 British tourists and a South African guide were killed when their tour bus veered off the road on a steep mountain pass.

The crash has cast a pall over South Africa's key tourism industry and the widespread coverage it has received overseas has led to fears that foreign tourists — some already chary of the country because of concerns about crime — will be turned off by concerns over road safety.

Former president Nelson Mandela said yesterday that he hoped for positive results from proposals by the government to enforce road safety. "It's a tragedy, and we hope immediate steps will be taken to make sure such tragedies do not occur," Mandela said in an interview — Reuter

Cabinet cracks down on bus industry

(288) (269)

Stephané Bothma

PRETORIA — Far-reaching measures intended to improve public transport safety will be implemented following a spate of bus accidents in the country in the past week, including a crash in which 26 British tourists and one South African died

The measures, approved by the cabinet yesterday, include the immediate intensification of law enforcement and the lowering of the maximum speed limit for buses There will also be a targeted programme of vehicle fitness testing for public transport vehicles, Transport Minister Dullah Omar said.

Immediate steps will also be taken to establish the cause of recent bus and coach crashes, including the accident near Lydenburg, Mpumalanga, in which the tourists were killed.

A commission of inquiry would also be established in consultation with the safety and security ministry, Omar said. The commission, likely to be headed by a judge, would not interfere with police investigations into the recent accidents, and possible prosecutions.

Role players in the bus industry will meet in Cape Town today to discuss a common programme of action, Omar said after a cabinet meeting.

The objective was the total transformation of the bus industry, he said.

Medium-term measures to be taken by a government task team would include the regulation of maximum driving hours and the compulsory installation of recording equipment on buses to monitor speed and driving hours

There would also be a review of technical standards for bus safety, including the possible requirement for bus passengers to wear seat belts on long-distance trips. "It is a requirement in some other countries, and could be a very useful proposal for us that will contribute towards the saving of lives," Omar said.

The National Road Traffic Act of 1996 would also be amended to enable access by traffic officials to bus operators' premises for on-site inspections and audits of driver certification, vehicle fitness and operating procedures and policies.

Regulatory standards of professional drivers would also be continuously reviewed, Omar said. He stressed that the Lydenburg crash should be seen as an exception since charter tours had an excellent safety record in SA.

BD ~~29/9/99~~ 30/9/99

New law aims to beef up safety in tourist industry

(288)

POLITICAL CORRESPONDENT

ARG 30/9/99

A proposed new law will allow the Government to demand safety information from tour operators and bar those who do not comply from acting as tourist guides

The draft Tourism Amendment Bill was published on the Government website yesterday – ironically, only two days after 26 British tourists died in a bus crash in Mpumalanga, raising questions about the safety record of tourist bus services

The Bill, which will probably be gazetted tomorrow, provides for the appointment of national and provincial registrars of tourist guides People wishing to operate as tourist guides will have to meet certain conditions to register and their details will be entered on a central database.

The national registrar, who will be an employee of the department of environmental affairs and tourism, has to draw up a code of conduct.

The Bill will give provincial registrars the power to suspend or withdraw the registration of tour guides who do not operate according to the code of conduct or who are found guilty of "disgraceful conduct"

The Bill also gives the national registrar the power to demand information from anyone which is necessary for the performance of his functions, including monitoring the tourist guide industry and promoting or developing the industry

Operators have to comply with a request for information regarding the safety of the services they offer.

The information may then be publicly disclosed if it is likely to result in "better informed choices by persons seeking to make use of those services".

CAPE TIMES
FRIDAY, OCTOBER 1, 1999

100KM/H SPEED LIMIT ON THE CARDS

Bus industry meets on safety measures

(269) CT 1/10/99

A REPRESENTATIVE group working with the state is to examine measures to bring down the high bus accident rate. Political Correspondent **ROBERT BRAND** reports.

MAJOR bus operators have agreed to submit all their vehicles for roadworthy tests to restore confidence in an industry whose image has been battered by a spate of fatal accidents in recent weeks.

Speaking after a summit meeting with bus operators in Parliament yesterday, Transport Minister Dullah Omar said the tests would be voluntary, but hinted that government could step in if operators failed to comply.

The summit had been in the planning for months, but was brought forward following the Lydenburg bus accident in which 26 British tourists died.

Omar said although the death of the tourists was a tragedy, government was concerned about the safety of all bus passengers, not just tourists.

"As the government, we have witnessed events of the past week with concern.

"We have taken the step of convening this summit so that as an industry we are able to close ranks and work together to guarantee the safety of our people, and to earn back the confidence of our customers."

SAFETY FOR ALL: Transport Minister Dullah Omar

Omar said safety should not only be the concern of government and bus operators, but also of unions representing bus drivers.

He called on unions — which had representatives at the meeting — to play an active role in ensuring the safety of passengers.

The meeting agreed to establish a joint working group between government, operators and unions to address safety issues.

Among the issues on which the group will decide are on a time frame for roadworthy tests on all buses, as well as the question of who should bear the cost, Omar said.

He added that the government would also reconsider the existing legal requirement of regular annual roadworthy tests for public transport vehicles, which appeared to be inadequate.

The operators also agreed to steps announced by Omar after a cabinet meeting on Wednesday.

These include lowering the speed limit for public buses to 100km/h, a review of safety standards and the possibility of making seatbelts for passengers compulsory, and an undertaking to root out corruption in roadworthy testing.

The issue of law enforcement was discussed, and operators agreed that compliance with traffic laws was as important as enforcement, Omar said.

Environmental Affairs and Tourism Minister Valli Moosa, who also attended the meeting, said the state was considering including tour coach drivers in new legislation which will make the registration of tour guides compulsory.

24 crash dead unidentified

JOHANNESBURG: Establishing the identities of the remaining 24 British tourists killed in Monday's bus crash on the Long Tom Pass in Mpumalanga could take up to three weeks, police said yesterday.

British High Commission spokesman Mike Doig said identification would be done through dental records and passport photographs. Family members were reportedly also sending photographs over the Internet to assist police.

Twenty-seven people died when the bus crashed on Monday afternoon. The driver, who survived the crash along with nine other people, claimed the hydraulic brakes had failed

A police spokesperson said tests on the bus had been completed and statements had been taken from most of the survivors

He said police were still waiting for the dental records from Britain to help in identification of the dead

So far only two of the 26 British tourists who died had been officially identified They were Tony Sparrow, 62, and Wendy-Ann Smith, 55.

South African tour guide Reggie Dennett, 27, was also killed.

Meanwhile, a critically injured woman, in her 50s, who was being treated at the Nelspruit Medi-Clinic was identified yesterday by her son as Catherine Thompson

Bus driver Titus Dube, 41, had surgery yesterday on his broken back and a broken leg

No charges have yet been laid because the investigation has just started. — Sapa

Commuter demand set to soar

NORMAN JOSEPH
STAFF REPORTER

(269)
ARG 14/10/99

Demand for commuter transport in the Cape metropolitan area is expected to double by 2015.

Growing demand would come from the lower-middle and middle-class income groups, a Cape Metropolitan Council transport plan said.

The rail system looks set to remain the backbone of the metropolitan public transport system.

The metro south-east areas, better known as the northern parts of the Cape Flats, such as Eerste River, show great demand for commuter transport towards the southern suburbs and Atlantis, the report says.

The Khayelitsha line is in need of upgrading because of the large volumes of daily commuters.

Investigations are under way into the feasibility of a junction at Mutual Station, allowing trains to turn and go back to Khayelitsha Station.

Within 10 years, the Khayelitsha line will be extended by 4km.

The metro council is also planning to provide lines linking Blue Downs and Atlantis to Cape Town within 20 years. The Atlantis line will end at Du Noon in Milnerton.

Omar upholds aviation rules

CT (BR) 22/10 (2b9) 99

AUDREY D'ANGELO

Cape Town – The government could not completely abandon the regulation of the aviation industry and did not want to harm other important interests such as tourism, Dullah Omar, the minister of transport, told delegates yesterday at the annual conference organised by African Aviation magazine.

In a speech read on his behalf, Omar said the formation of airline alliances posed serious challenges for aviation and competition authorities worldwide, particularly if a national airline opted for a multiple alliance.

"The exchange of equity between and amongst airlines seriously challenges the historical tenet of ownership and control," he said. "The same applies to the move by airline partners who, in the name of better aircraft utilisation, resort to the wet leasing of foreign registered aircraft and crew.

"The changing relationship between governments and their airlines adds another dimension. As governments increasingly relinquish their equity in airlines, the traditional concept of flag carrier is fast becoming a thing of the past."

Omar said with regard to the regulatory system and exchange of traffic rights: "Our view is that government as regulator must create an enabling framework within which role players may exercise reasonable flexibility and make air travel a possibility for larger numbers of our population."

Monday October 25 1999 SOWETAN

Omar counts cost of building rural roads

sowetan 25/10/99

(269)

By Waghied Misbach
Political Correspondent

SOUTH Africa needs about R23 billion to upgrade and build new roads in the country's rural areas, Parliament was told last week

Of this amount, about R6 billion would be needed to build new roads that were "economically and socially viable", according to Transport Minister Dullah Omar

In the past upgrading and building of new roads had been skewed towards the needs of white commercial farmers.

Road building costs were expensive, Omar said, adding that the Department of Transport had estimated that the rebuilding of deficient roads and the building of new unpaved rural roads varied between R35 000 to R60 000 a kilometre.

Considering these costs, Omar said he would not "throw money" at the problem, but would attempt to ensure that road investment was directly linked to community sustainability and rural development

A pilot initiative had already been started to ensure that any new roads built would not be a loss to the taxpayer.

Omar said Cabinet had recently approved R100 million from the Presidential Poverty Relief Fund to upgrade and build new roads in the Northern and Eastern Cape provinces

According to basic research commissioned by the department, the majority of South Africa's roads were in a poor state.

In densely settled areas, it was found that eight percent of roads were of a high quality and 62 percent were inadequate

The remaining roads in these areas were of intermediate and basic quality.

In villages, the research found that only three percent of roads were of a high quality, 12 percent was of basic quality and 85 percent were totally inadequate.

In scattered settlement areas, nine percent of roads were of basic quality and 91 percent were inadequate.

In farming areas, where the "needs of white commercial farmers had historically been prioritised", eight percent were of high quality, 28 percent of intermediate quality, 32 percent of basic quality and only 32 percent were inadequate.

Roads of ruin face SA drivers

(269)

POLITICAL CORRESPONDENT

ARG. 27/10/99

South Africa's half-a-million kilometres of roads are heading for ruin because of inadequate funding, under-skilled roads authorities, and shortcomings in the rail network.

Briefing Parliament's portfolio committee on transport, National Roads Agency chief executive Nazir Alli shattered the myth that the country had a sophisticated road network.

In rural areas, roads were in an "appalling" state, he said.

Half of the 6 750km of national roads were past the 20-year lifespan for which they had been designed, and 15% were between 15 and 20 years old.

Worsening the situation were bad road-using habits.

About R600-million damage was caused to roads last year by overloaded vehicles.

Mr Alli said that in real terms, national funding for roads was lower now than in 1966.

Postponing maintenance eventually led to repair, at a far higher cost.

He called for rationalisation of the unaffordably large number of road authorities and argued for toll financing of roads.

Inquiry into R200-m for rail service bail-out

(269)

CLIVE SAWYER
POLITICAL CORRESPONDENT

ARGT 2/11/99

Government action on rail commuter services appears to be pulling in opposite directions, with the treasury stoking an extra R200-million into the SA Rail Commuter Corporation to save it from running out of steam because of cuts in government subsidies.

Parliament's finance committee is to summon the Department of Transport to explain the apparent contradiction, revealed in adjustments to this year's Budget.

State expenditure officials yesterday told the committee that subsidies to the Rail Commuter Corporation had been cut, in spite of a continually increasing number of passengers, jeopardising the sustainability of rail commuter services.

For this reason, the Government's treasury committee had agreed to make up the shortfall.

Andrew Feinstein, an African National Congress member of the committee, said there did not seem to be much point to cutting subsidies if the money was later spent on the same purpose in adjustments estimates.

Parliament's watchdog public accounts committee, which reviews state spending, is also to be asked to pursue the issue.

The bail-out paid by the Government this year is linked to broader questions about the future of rail commuter transport.

In its 1999/2000 business plan released earlier this year, the Department of Transport said the commuter rail industry was in "serious" financial and market decline. The plan called for government intervention to ensure the industry was attractive to investment.

The Rail Commuter Corporation has proposed a 10-year, R3-billion investment programme to repair and replace rolling stock, and has had talks with the Government and private sector about financing.

■ Also to be summoned to the finance committee is the SA Police Service, to explain why it transferred funds from its crime prevention budget to its administration budget apparently to pay for overspending on medical aid.

Parliament to probe transport spending

BD 2/11/99 (269)

Jonathan Katzenellenbogen

CAPE TOWN — The parliamentary portfolio committee on finance is to look closely into spending by the transport department due to overspending by the SA Rail Commuter Corporation.

It also wants to look into requests for additional funds by the foreign affairs department and the SA Police Services.

Committee head Barbara Hogan says she also plans to look into the "roll-over" of unspent funds by departments from last year, particularly those allocated to the trade and industry department.

The committee was briefed yesterday by state expenditure chief director Nols du Plessis on government's request for additional spending on the February budget. The committee will formally consider adjustment estimates for this and the past fiscal year when it meets tomorrow.

Government requires approval from Parliament for a finance department allocation of R200m to the SA Rail Commuter Corporation to maintain essential rail operations in the last fiscal year.

Interest rate rises have also meant a larger than expected shortfall by the state-owned operator of commuter rail lines.

In another request for additional spending on last year's budget, the finance department is asking for an additional R200m to cancel the bank overdraft that arose as a result of last year's bale-out of the Free State by national government.

In its adjustment estimate released last week, the government expects to spend R218,55bn this fiscal year. This is R3,3bn over the level of the February budget, of which some R143m falls under the category of unforeseen and unavoidable over-expenditure.

The department with the largest request for funds due to overspending is the transport department, which has put in a request for R457m, including R432m more for commuter rail subsidies.

Meanwhile, the government says it expects to spend R250m more than anticipated on civil service salaries, despite a supplementary estimate earlier in the year of about R3bn.

Justice M
national
company'

court

ng services
d that Telkom had written
including the Automobile

State slams brakes on runaway rail debt

(269)

Plea for R300m to keep service on track

ARG 4/11/99

CLIVE SAWYER
POLITICAL CORRESPONDENT

The Government has slammed the brakes on borrowing by the SA Rail Commuter Corporation, action on fare dodgers has been stepped up, and the treasury has been asked for an extra R300-million to keep commuter rail transport on track.

This emerged from evidence given by the corporation to Parliament's portfolio committee on finance.

It was summoned to appear because of concern about the apparent contradiction in topping up its finances while subsidies were being cut back annually.

Parliament has been asked to approve sundry additional spending by departments, including a treasury committee decision to pay R400-million to the Department of Transport to bail out rail commuter services.

Department of Transport director-general Dipak Patel told the portfolio committee it was inevitable that Metrorail, which operates commuter services on behalf of the corporation, was going to cost the public in the form of subsidy, because it could not earn enough to cover its costs.

Complicating matters had been the institutional relationships between bodies involved in providing commuter transport.

The Rail Commuter Corporation had the minister of transport as a 100% shareholder, and Metrorail was a stand-alone division of Transnet.

This arrangement made it difficult to determine the cost structure of Metrorail.

However, the relationship was to be restructured to clarify the contractual and price obligations of Metrorail.

There was to be a "concession" for Metrorail for the next four years to run commuter services.

An application had been made to the Department of State Expenditure for a R300-million increase in the transport allocation in the medium-term spending framework.

Adding to the financial troubles of the corporation had been a previous Cabinet decision allowing the corporation to borrow on the open market

This had led to debt "spiralling out of control", Mr Patel told the committee.

The corporation was to be stripped of these borrowing powers.

Mr Patel cautioned the corporation was not yet happy with the rate of success in reducing fare evasion, but he said there had been "substantial increases" in fare collection in Cape Town, Durban, Pretoria and Johannesburg.

Ben Turok (African National Congress) said he had been told by local rail authorities that the rate of fare collection could not be increased in the absence of a railway police force.

Mr Patel said his department had not "taken a view" on a railway police force, but Transport Minister Dullah Omar had instructed him to probe ways to improve safety and security on public transport and "transport in general".

Andrew Feinstein (ANC) said the coincidence of cutbacks in the deficit subsidy system and the requests to the Government to make up shortfalls pointed to "fundamentally bad financial management".

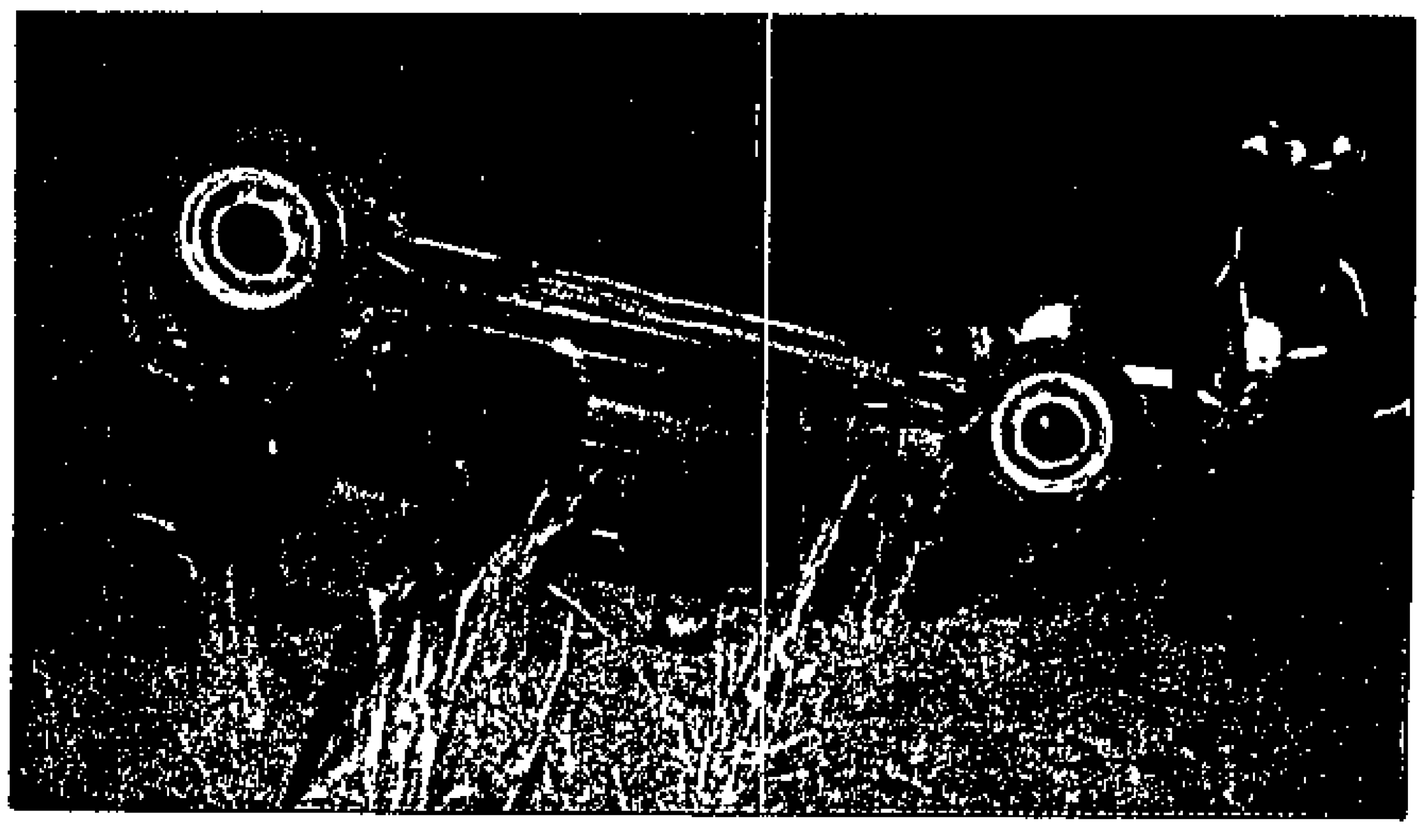
Committee chairwoman Barbara Hogan said it was disturbing that the department had had to "cannibalise" its own budget in order to secure extra funds, which meant solving one problem at the expense of creating another.

Parliament's public accounts committee, the watchdog over state spending, is to hold hearings next Wednesday on a range of issues arising from Department of Transport spending.

National roads crisis looming

(269) MHG 5-11/11/99

After Durban's recent heavy flooding many roads in the city collapsed or were so badly damaged they cannot be repaired — and experts say it may only be a matter of time before South Africa's entire road network collapses, **Paul Kirk** *reports*



Unworthy roads: 'If the authorities want to have zero tolerance for unroadworthy vehicles, how about zero tolerance for roads that are not vehicle worthy? Why pay fines when the authorities don't do their part for road safety?' PHOTOGRAPH: NADINE HUTTON

The backlog in repairing South Africa's roads exceeds R53 billion and much of it emanates from the 1970s, when then state president PW Botha redirected the road maintenance budget to fighting the total onslaught

In the democratic South Africa, new roads are being built to open up the rural areas of the country, but very little is being spent on maintenance

"In an ideal world a road should be resurfaced every eight years or so But we have some roads that have not been resurfaced for more than 20 years And this is a recipe for disaster said Jenny Gray, deputy director general of the KwaZulu-Natal Department of Transport

Gray is at pains to explain that the black surface of a road is only a waterproof layer - put on to protect the pavement underneath from water

"When cracks appear in the road we can fill them, but after a while the cracks start to appear more and more frequently and eventually the pavement layer underneath is damaged to the extent that the road has to be scrapped," she says

"To resurface a road costs an enormous amount - less than what it costs to build a new one, but more than just filling in the cracks, which is the most short sighted approach If the resurfacing is not done then the road will eventually deteriorate to the extent that it will become unsafe and have to be rebuilt

In KwaZulu Natal a number of roads have deteriorated to such an extent that they may soon have to be closed At least one formerly busy stretch of tar the road from Winterton to Ladysmith is now closed to all traffic except residents and no money is available to repair it

And it is not only in KwaZulu Natal that roads are falling apart

A report tabled at a meeting of the Cape Metropolitan Council Transportation and Traffic Committee in Cape Town earlier this year described eight major roads in the metropolitan area as "unsafe", and in one particular instance as "dangerous"

Included in the report was a warning that public protection demanded that severe restrictions on speed and carrying capacity would have to be imposed However, in some cases this would not be enough and authorities would have to consider removing the damaged asphalt surface, allowing the road to revert to its gravel state

The roads listed as dangerous — some of them major tourist routes — include Chapman's Peak Drive, portions of Tygervallei Road, the Stellenbosch Arterial, Sir Lowry's Pass Road, Main Road south of Simonstown to the Cape Point Nature Reserve, Ou Kaapse Weg, Strandfontein Road and Vissershok Road

Simon Fourie, editor of *Bike SA*, says he is outraged at the state in which our roads have been left He refuses to pay traffic fines, partly as protest against road conditions

"The traffic police generate enormous amounts of money fining motorists The problem is none of this money gets back into the roads

"If the authorities want to have zero tolerance for unroadworthy vehicles how about zero tolerance for roads that are not vehicle worthy? Why pay fines when the authorities don't do their part for road safety?"

And while the refusal of a few to pay traffic fines may be a headache for local authorities and those who maintain roads, the admission that roads are falling apart on a national basis may expose authorities to lawsuits from motorists involved in accidents resulting from poor road conditions

In 1996 the Cape High Court awarded damages of R2,5 million to Neil Graham following an incident on Chapman's Peak Drive This judgment set a precedent that made authorities legally liable for accidents resulting from poor roads

Says John Fensham of the South African Bitumen and Tar Association "We have been warning authorities for years that we are heading for a disaster and for years we have been ignored Now that a few people are taking notice of the situation it is probably too late "

Many provincial roads authorities look to KwaZulu-Natal's Department of Transport as the leader in the fight to keep roads usable The N3 which runs through KwaZulu Natal is the busiest road in Africa, and one of the better maintained partly because KwaZulu Natal weighs 80% of all the trucks weighed in the country And the province has recently resolved to take overloaders to court to make them pay for the roads they damage. But even so it is still way behind in maintenance

"It is all about a battle for money And if it is a contest between a clinic that will save children's lives and resurfacing a road we all know what the right choice is," says Grey

"My latest sales pitch looks back on Roosevelt s economic revival of America in the 1930s He invested nearly everything in roads as a job creation exercise Once a road is built — and as long as it is usable - it is an asset that allows a community to trade and to generate wealth "

Govt paves way for concessioning

(269)

BD 8/11/99

Robyn Chalmers

GOVERNMENT's plan to take on R2,2bn of the SA Rail Commuter Corporation's debt is part of an overhaul of commuter rail services that will see the full network concessioned to the private sector within five years.

A call for interest from international rail operators for a pilot project on a portion of the network has been issued as negotiations continue between government and labour. The success of the project will dictate whether the full network is concessioned.

Corporation MD Wynand Burger said the state's decision to take over the debt would relieve the entity of the interest burden that had affected its operational budget negatively for years.

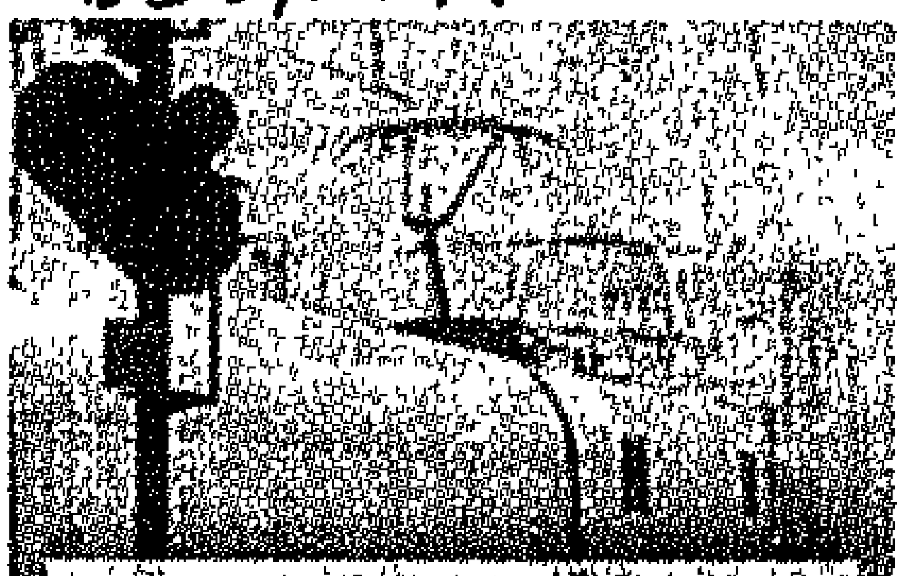
The corporation had borrowed from capital and money markets because it needed to fund capital requirements.

"Since the commuter rail operations, which are subsidised by government, have been underfunded in some years we also had to borrow for this purpose," he said.

Transport director-general Dipak Patel said the deficit funding of commuter rail services was a historical problem that was now being tackled. "There is a continual gap between fiscal resources at the beginning of the year and the actual expenditure during the year. This cannot continue," he said.

Metrorail faced a R300m shortfall on its 1998/99 budget of R1,1bn and warned that it would have to reduce services, close stations and retrench staff if no further funding was received.

The department was forced to ask the finance department for bridging finance last year to cover the shortfall. It recently requested an additional R432m on top of its R1,162bn budget for the corporation. Patel said a restructuring of the system was required.



Commuter rail subsidy

Year	Amount
95/96	R1,4bn
96/97	R1,4bn
97/98	R1,2bn
98/99	R1,1bn
99/2000	R1,2bn

The overhaul will see a reshaping of the corporation and its balance sheet, a move away from deficit subsidies and a new concession arrangement between the corporation and Metrorail. The corporation's borrowing powers will be removed as part of a total package agreed between the departments of state expenditure, transport and finance.

Metrorail, which is a Transnet subsidiary, operates SA's commuter rail network. SA's rail assets are held by the corporation, which is an agency of the transport department.

A new agreement between the corporation and Metrorail was signed earlier this year. It is based on business and concessioning principles and will guide the contractual relationship until March 2003. Patel said the contract was not yet fully operational as several issues were still under discussion.

However, the parties would have to keep within the budget set in the contract to avoid financial penalties.

Profits eroded by heavy debt-service burden

Transnet gets to grips with R700m loss

(269) ARGT 27/11/99

STEWART BAILEY

Johannesburg – Transnet's interim financial results for the six months ended September were released yesterday with the company showing a R700 million net loss despite turning in a healthy operating profit of R1,2 billion.

Profits had been eroded by Transnet's heavy debt-service burden as well as its sapping contribution to retirement costs. In all, the parastatal pumped R926 million into the pension and medical aid fund abyss between March and September and had paid out more than R270 million in voluntary severance packages.

Saki Macozoma, Transnet's managing director, said yesterday that the payment of voluntary retrenchment packages was "an expensive way of doing things, but better than doing nothing at all".

He added that the poor results had been exacerbated by difficult economic trading conditions over the period. Spoornet too had played its part in the company's flagging fortunes with revenues down five percent on budget and a total loss of R266 million, more than 25 percent worse than expected.

Group turnover had crept up by 5,5 percent to R12,2 billion, well short of expenditure increases which rose by 8,6 percent to R11 billion.

Macozoma cited further reasons for the deterioration in the group's performance as the increase of Transnet's shareholding in MTN from 20 percent to 30 percent.

The purchase of four Boeing 747-400s – two from Philippine Airlines at "bargain basement prices" – had also contributed to increased expenditure. This refleeting of SAA had been undertaken to make the company a more attractive privatisation prospect and had been financed solely by Transnet.

The aircraft and MTN investments had effectively increased Transnet's net borrowing by R4,5 billion, pushing debt service costs up by a massive 54 percent to R350 million.

Asset revaluation resulted in a net increase of R2,6 billion in the company's assets, which had given rise to "a significant increase in overall depreciation costs, particularly in Portnet and Petronet".

Although the pension fund was now fully funded and showed a modest surplus, Transnet would continue to contribute to the fund. "This is the first year that the fund is in surplus so we have to manage it carefully to maintain the situation," said Gloria Serobe, the group financial director.

Transnet losses deepen as Spoornet crashes

(269)

But pension fund is now fully funded as deficit is cleared, writes JANETTE BENNETT

TRANSNET dived deep into the red in the six months to end-September as losses at key division Spoornet and a weak economy hammered the state-owned transport giant

The parastatal on Friday reported a net interim loss of R700-million from R133-million in the corresponding six months in 1998

But the group did notch up a major success by wiping out a sizeable deficit on its pension fund

The fund, which reported a R3-billion deficit last year, and a R17-billion deficit in 1990, is now fully funded with a surplus of R88-million, Transnet executive director finance, Gloria Serobe, said at the release of results.

"We ve been working very hard on the pension fund," Transnet managing director Saki Macozoma told BT "It has removed an important psychological barrier to further restructuring "

The move into surplus was achieved through adjusting assumed future pension increases from 7 5%, the level it has held since 1990 and through double-digit inflation to 5% Transnet continues to put money into the fund (with medical aid costs, this came to R926-million in the six months) and will do so for the foreseeable future "This is our first year in surplus," Serobe said "The market can go against us any time "

The next phase she said, would be to unlock more value in the fund through asset restructuring for pensioners probably from next year Also on the cards is converting from a defined benefit to defined contribution fund

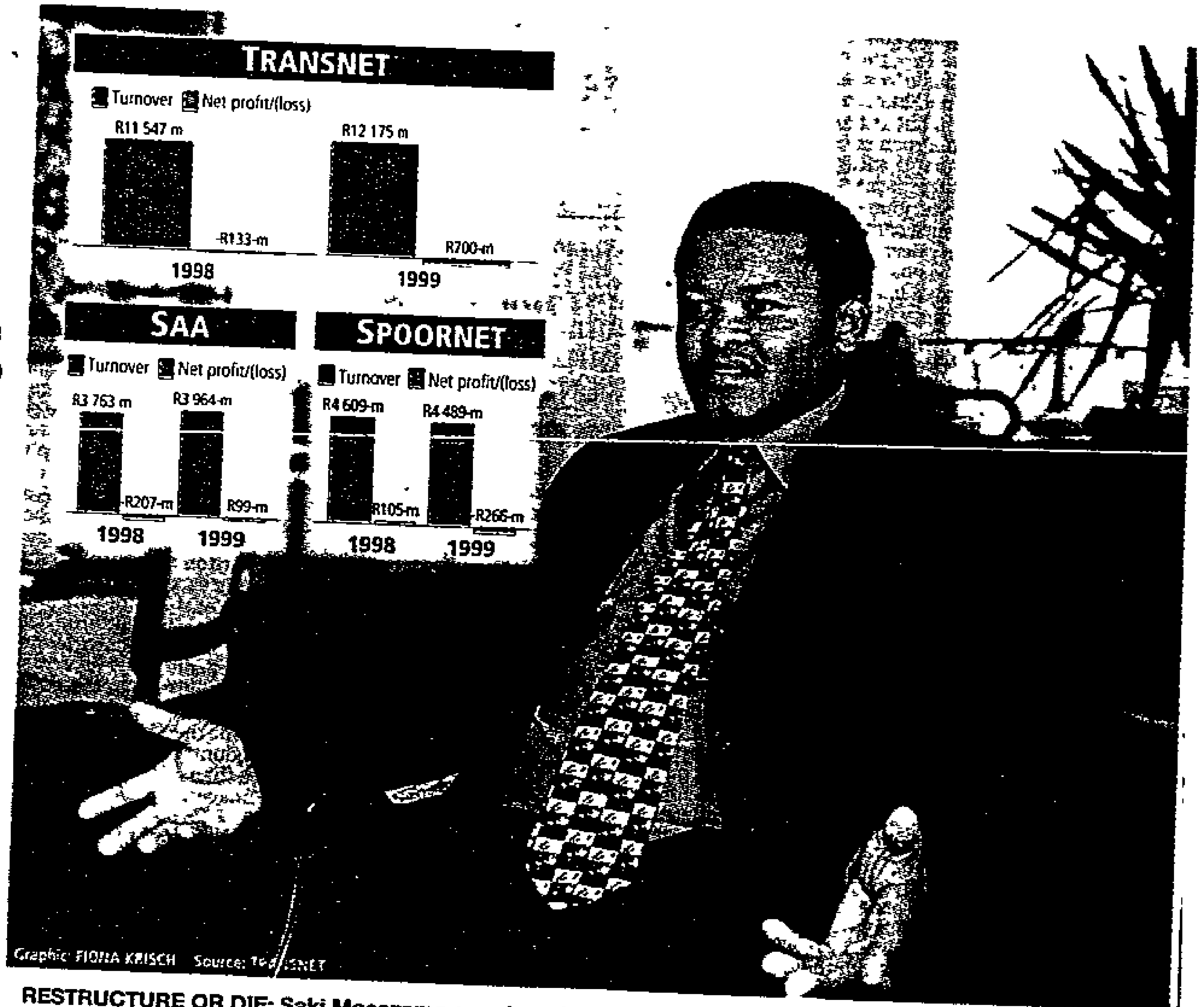
Transnet aims to cancel the R10 4-billion T11 bond, created in the early 1990s as an asset to the fund — "good for the pension fund, bad for the company," Serobe said She did not say how the bond would be redeemed

The group reported an operating profit of R1 2-billion, 17% down on last year's R1 4-billion, but was taken into a net loss by an 8 6% increase in expenditure to R11-billion, increased finance costs and the pension fund and medical aid contribution A 5 5% increase in turnover to R12 2-billion was inadequate compensation

Net borrowings were up by 30% to R4 5-billion to cover acquisition of four Boeing 747-400s for SA Airways — "a necessary investment for the creation of an entity which can be privatised," Macozoma said — and increasing Transnet's stake in MTN to 30% The result has been to take debt service costs to R350-million, up 54% He pointed out that Transnet did not bring into its accounts the performance of MTN "If we did we would have slightly different results It does create some distortion "

Closely watched SA Airways recorded a R99-million operating loss as expected on turnover of R3 94-billion It is expected this will pick up for the full year

The good news on the pension fund does not ease pressure on the parastatal to restructure or die with an estimated 27 000 jobs on the line "Less than 5 000 out of 40 000-plus people are producing profits " Macozoma confided "It is inconceivable to continue like this We have to do something about it while we still have control over the process "



RESTRUCTURE OR DIE: Saki Macozoma says less than 5 000 out of 40 000-plus people are producing profits

Spoornet turned in a dire performance with a net operating loss of R266-million on turnover of R4 5-billion from a R105-million operating profit a year earlier

Spoornet management has proposed to reduce the rail network significantly by outsourcing non-core lines and cutting the workforce by up to 27 000 workers, many of whom would be absorbed by the outsourced operations

This has not yet been finalised and Macozoma did not say whether this lack of finality had soured relations with government, which was seen as reluctant to agree to wide-scale job cuts

In the six months under review Transnet provided for retrenchment costs of R270-million to cover voluntary severance packages for 4 000 people "This is much more expensive (than retrenchment)," Macozoma said "And it tells a story, of morale — those 4 000 people do not want to be here — and of the need for a properly planned approach "

Macozoma was widely expected to announce a successor for Spoornet chief Braam le Roux on Friday, but he said this announcement would be made within weeks. This would be an important announcement because Spoornet "needs to undergo a painful exercise"

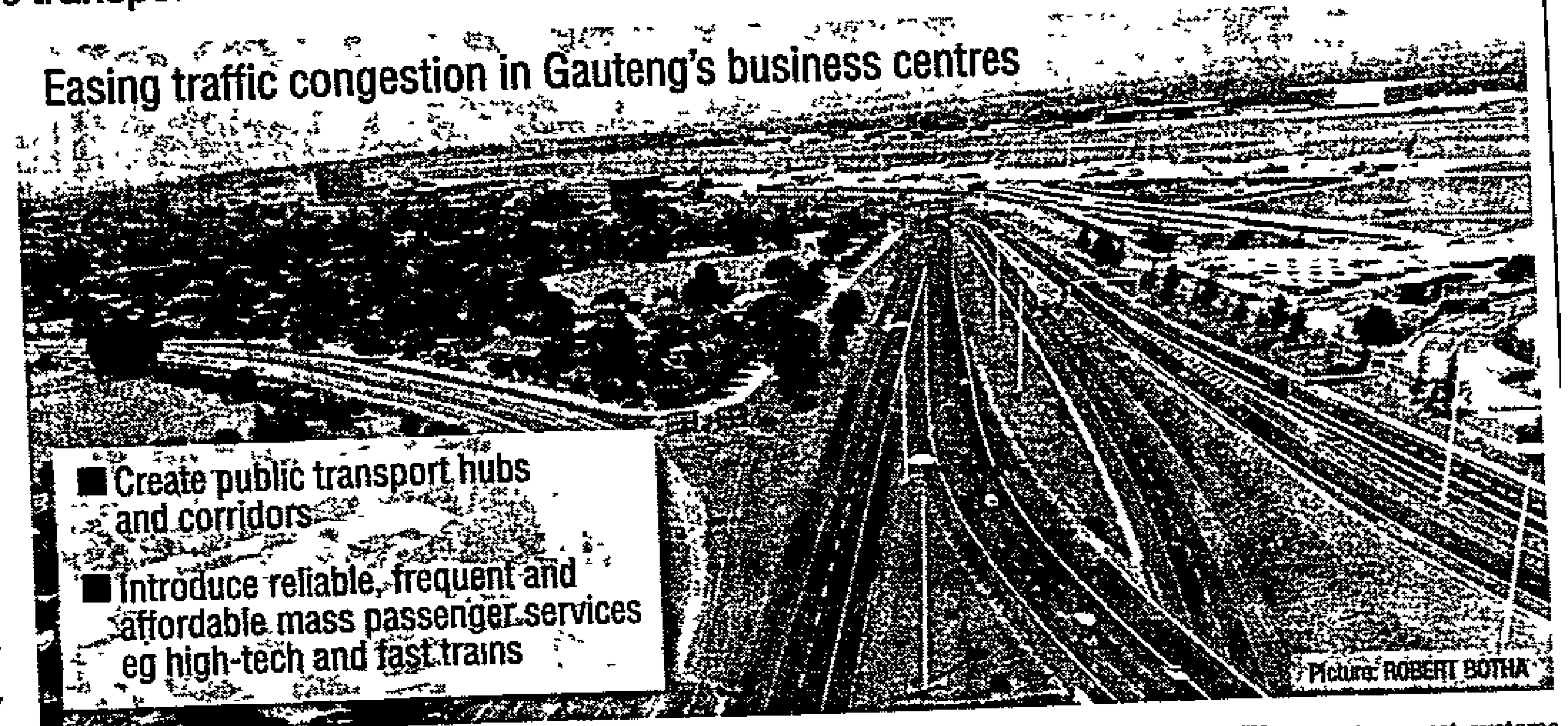
For the full year Transnet would try to take advantage of an improving economy, but it was unlikely that there there would be significant upturn for its business units, apart from SAA, over the festive season Results would probably "not be that different from the last full-year results (a R426-million loss) but will be better than we expected".

Macozoma announced two major investments: R1.7-billion for modernising its Iron Ore Export Channel, allowing SA to export 30-million tons of ore a year against the current 24 tons, and R1-billion for the South Dunes Coal Terminal, resulting in an extra 12-million tons of coal for export.

Road less travelled is one not built

BD 30/11/99 (269)

Academic says public transport holds solutions for SA's clogged urban arteries, writes Trevor Bisseker



Picture: ROBERT BOTHA

TRAFFIC is clogging roads leading to Sandton and Midrand, which are fast becoming Gauteng's main business centres, but the solution is not to build more roads, according to Prof Jackie Walters, acting head of transport economics at Rand Afrikaans University.

"There are no easy solutions We will have to play 'catch up' for many years," he says

"We cannot keep building roads, such as another highway between Johannesburg and Pretoria. More roads bring more traffic, and our cities cannot handle more congestion — not to mention the pollution "

Sandton's problem, says Walters, is that people approach it from many directions. In future there will have to be public transport interchange facilities linked to Sandton by light rail or high-capacity bus systems.

Walters says the only way cities will overcome traffic problems is by creating mass transport services that are frequent, reliable, and affordable.

"We have to get people out of their cars and into the mass transport modes This can be done by limiting access to central business districts through road pricing, limited parking spaces and so on, thus making it very difficult to enter by motor vehicle unless you have a permit But this is not feasible unless an efficient public transport system is provided first "

Whose job is it to provide the system? Walters says government must provide an enabling framework allowing for private companies to run the services profitably.

Walters points to the rail concessionary system in the UK, where about 16 companies operate different aspects of the service on a franchise basis

He feels there are potential passenger volumes to sustain similar approaches in Gauteng, Durban and the Western Cape.

Government has already accepted the principle of moving passenger rail system management to the private sector on a concession basis

Government's Moving SA strategy, which was launched in May, sets out the framework and strategies for the development of all aspects of transport over 20 years, as well as a restructured transport department to implement them

Walters says that worldwide, supersonic aircraft and high-speed trains are the future, with road transport taking a back seat "Information technology will reduce the need for business travel, but where this is necessary, people will be able to fly anywhere in the world within two to three hours, using aircraft developed from space shuttle technology

"There will be airport hubs linked to cities by fast rail systems, with trains propelled to 500km/h and more by magnetic levitation systems Motor vehicles won't have a significant role in this fast-moving scene."

Walters says SA's commuter patterns will not change for some time.

"How our transport systems develop will depend on our economy In the short term, emphasis is on creating jobs, while also being internationally competitive Unfortunately, these are contradictory aims "

Walters says "If we are to have an export-led economy and compete with Europe and the far east, we have to go mostly high tech and beneficiate our raw materials exports This is not necessarily labour intensive

"The way we go will influence our transport systems "

Transnet records huge loss

(269) CP 28/11/99

Restructuring programme is on course, says MD

By GAONGALELWE TIRO

TRANSNET, the transport and related services parastatal, on Friday posted a hefty interim net loss of R700 million for the six months to September 30, spelling doom for a halt to the ongoing retrenchments.

The loss was significantly worse than the one recorded in the corresponding period last year, which came in at R133 million.

Saki Macozoma, the managing director of Transnet, said the restructuring process was progressing well and a sizeable number of employees had already taken voluntary severance packages.

"I would say about 80 percent of the intended retrenchments have been accomplished," he said.

Transnet aimed at retrenching about 40 000 workers

Macozoma said the group would continue engaging government on issues related to the restructuring with a view to arriving at a consensus on the way foward.

Further delays on the matter were not in anyone's interest, he said.

The group's net loss was attributable to borrowing activities, provision for retrenchments, revaluation of assets, and pension and medical aid costs.

"In view of the borrowing activities in respect to the acquisition of the four Boeing 747-400s and an increase in MTN investments to 30 percent, our net borrowing increased by R4,5 billion in this period," Macozoma said.

"This has resulted in our debt service costs increasing by about R350 million over the six months."

A provision of R270 million had been made for retrenchment costs, and the net increase of R2,6 billion in the company's assets following a revaluation had led to a significant rise in depreciation costs.

In addition, the pension fund and medical aid cost Transnet R926 million.

Macozoma said difficult trading conditions had affected Transnet negatively

The group reported a 1,7 percent drop to R1,2 billion (from R1,4 billion) in operating profit before finance and retirement costs.

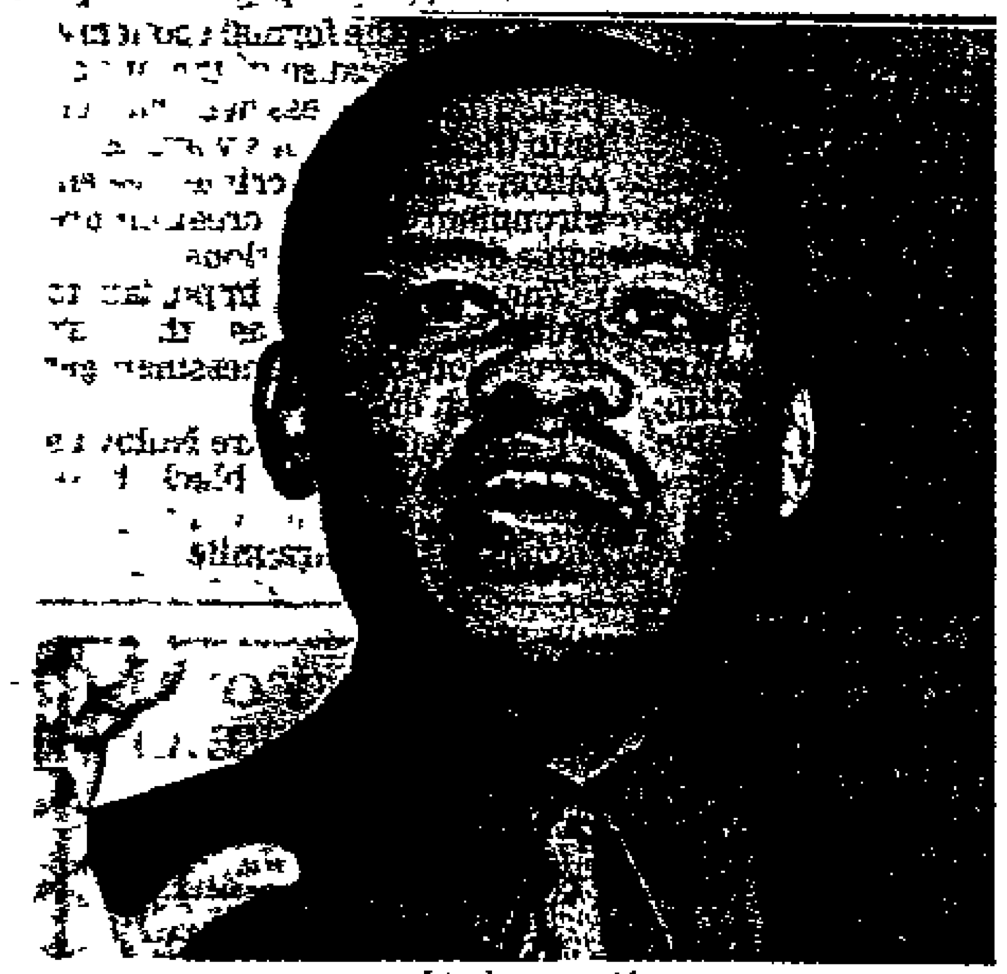
Turnover rose 5,5 percent to R12,2 billion (R11,5 billion) but was largely offset by the 8,6 percent increase in expenditure to R12,2 billion (R10 billion).

Transnet also announced it had made progress in dealing with the pension fund deficit.

"Over the past two years we have embarked on benefit and investment strategies for the pension fund to deal with the problems resulting from the deficit," said Gloria Serobe, Transnet's executive financial director.

The fund was now fully funded with a surplus.

Serobe said the issuing of a T11 bond of R10,394 billion as an asset to the pension fund was one solution that had been implemented to deal with the deficit.



'NO MORE DELAYS'... Transnet's managing director Saki Macozoma

TRANSNET

A behemoth greater than the sum of its parts

CT(PR) 7/12/99 (269)

ANN CROTTY

Lest anyone forget just how enormous Transnet is, an annual report is produced each year which reminds us that this transport parastatal is about the size of a small country

Its 1999 annual report, released two weeks ago, eight months after the year-end, revealed that Transnet had R41 billion in capital employed – up significantly from the previous year's R36 billion

It spent R10,3 billion in personnel costs, paid out consultancy fees of R300 million – enough to keep several international consultancy firms thriving – and provided accommodation and refreshments worth a staggering R750 million

Much of this last item was for the thousands of passengers carried on the parastatal's planes and trains

In 1999 the bottom line for this huge entity was an accumulated loss of R2,6 billion, compared with R2 1 billion at the end of 1998 The 1999 loss includes pensioners retirement benefit costs of R1 4 billion

Each year it seems this unwieldy parastatal becomes bigger, costing the taxpayer ever more money

Referring to the delay in the release of the report, Gloria Serobe Transnet's financial director points out that the financials were ready for printing some time ago but could not be released until the actuaries were satisfied with the statutory valuation of the pension fund

"There is a statutory requirement to provide a formal valuation every three years" Serobe adds that Transnet management does a valuation every year

The statutory valuation revealed that, for the first time since 1990 when an actuarial liability of R17 billion was identified Transnet had a fully funded pension fund with a modest surplus of R88 million

A significant factor in creating the surplus was that a rate of 5 percent, instead of 7,5 percent, had been used to estimate future pension increases This reduction, which is in line with the downward trend in inflation, substantially reduced the level of liabilities in the fund Serobe points out that the rules of the pension fund only require a 2 percent increase

Despite the surplus, Transnet must still finance the R8,4 billion of debentures, which have a coupon rate of 16,5 percent, that were created in 1990 as an asset for the pension fund

Another disappointing factor is that the pension fund liability is not necessarily reduced by the payout of R400 million in retrenchment costs in 1999 and R270 million in the first half of 2000

"There are different types of retrenchment packages," explains Serobe "Some retrenchees stay on in the fund"

An additional liability is that some employees have the right to buy back pensionable years Serobe says it is difficult to estimate this liability accurately but it is no more than R50 million

She explains the growing consultancy fees by saying that in view of Transnet's size, complexity and need to restructure, "it would not be possible not to use consultants The main issue is to contain the cost as much as possible"

She says the 1999 consultancy bill was inflated by the privatisation of South African Airways (SAA) and the fall in the rand (many fees are paid to international consultants) 'It is cheaper to buy in specialist knowledge as and when we need it, rather than employ it permanently"

Analysts say much of the difficulty in the attempts to restructure the parastatal stems from the fact that for decades Transnet and its predecessor, the South African Transport Service (Sats) did not focus on the transport of people and goods as their primary function

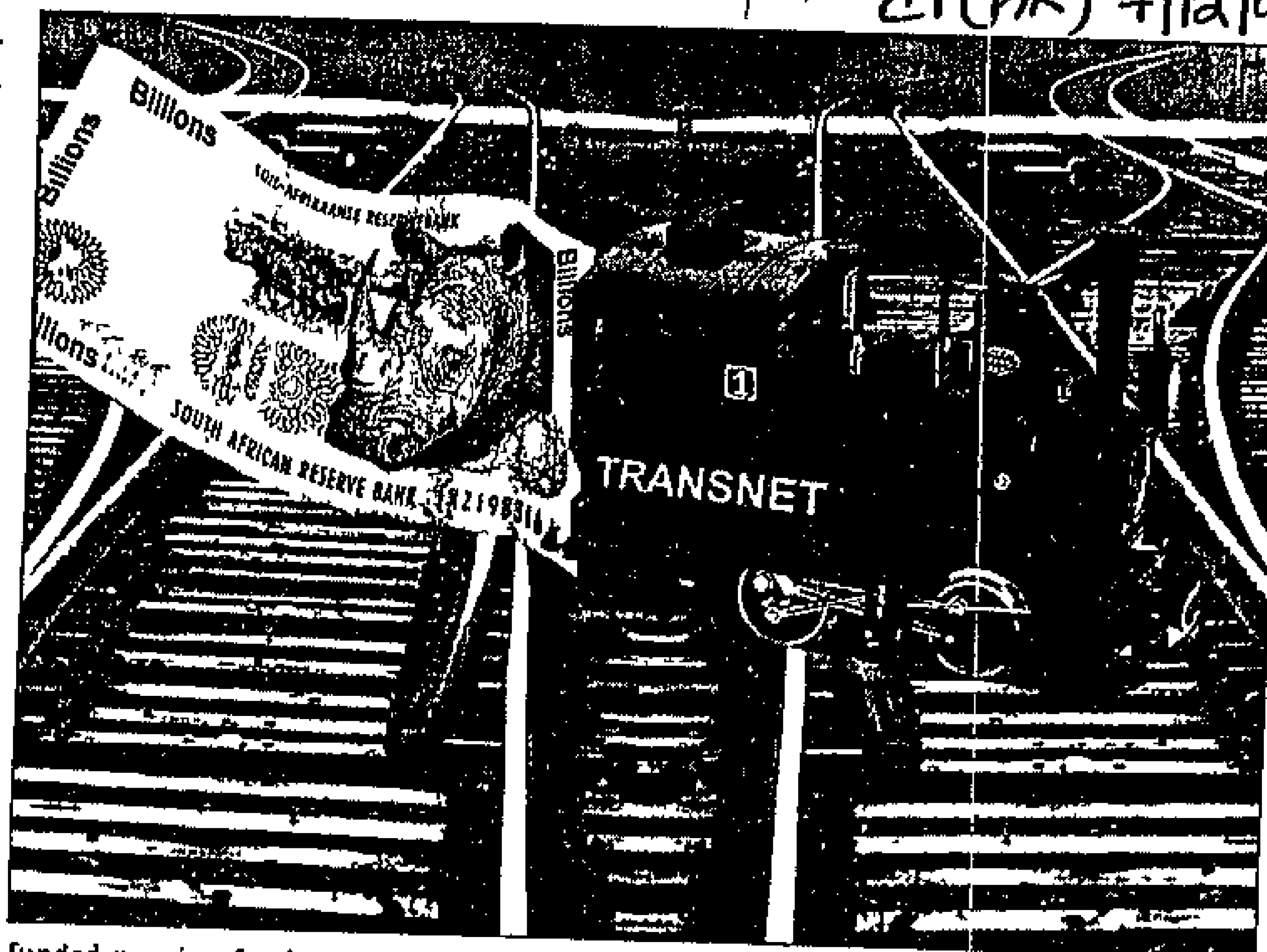
"Sats was, in effect a social and welfare department with some transport facilities attached to it," says one analyst

This sort of strategy was feasible when the government of the day had only to provide welfare facilities for a few million people It became an impossibility when the democratically elected government had to account to the total population

What Transnet management must do is identify Transnet's proper business and shed all the other energy and profit sapping activities

The complex interrelationship of the various Transnet divisions has been named as one of the parastatal's major drawbacks

In addition, consent from the



providers of Transnet's R15 billion-plus debt will be necessary before any assets can be disposed of

With regard to the former hurdle, the good news is that an extensive and extremely costly valuation exercise, initiated in 1996 in terms of accounting standard AC 123, has been completed

AC 123 requires that assets be broken down into categories and that the auditors satisfy themselves of the value of each category

As a result of this new standard, each year until 1999 Transnet's accounts were qualified In 1999 this qualification was lifted, involving the write off of almost R5 billion of the assets of Spoornet, the rail division, and the R8 billion combined revaluation of Portnet, the ports division, and its assets.

Again, reflecting the complexities in Transnet's life is the fact that this net boost to the balance sheet has added substantially to income statement costs in the form of increased depreciation

Completion of the complex valuation exercise means that Transnet management knows precisely what assets reside in each division and what their value is

But in the case of an unbundling there remains the difficulty of handling Transnet property that includes assets belonging to Portnet Spoornet, Petronet, Autonet and even Metrorail

With regard to the restrictions imposed by the providers of finance, the successful partial sale of SAA indicates there are ways around this hurdle, assuming sufficient political will

Indeed, given the enormity and complexity of the problems facing this huge state-like entity, any move towards a solution presumes a hefty dose of political will

Transnet restructuring to focus on loss-making Spoornet, says Radebe

(269) (232) CT(BR) 8/12/99

Stewart Bailey

Johannesburg – The government yesterday announced restructuring plans for Transnet, the loss-making, state-owned transport company, which included the introduction of a strategic equity partner for Spoornet's lucrative iron and coal freight lines.

Jeff Radebe, the minister of public enterprises, made the announcement just a day after Transnet management had been informed of the pending changes

Spoornet lost more than R266 million in the six months to September this year.

Radebe said the partner would be found for Spoornet's iron ore line between Sishen and Saldahna Bay (Orex), as well as its coal lines to Richards Bay (Coal Link).

"We will initiate the process of identifying strategic equity partners for Orex and Coal Link by September 30 next year," he said.

The two wide gauge lines are Spoornet's most lucrative and have guaranteed business tied in by long-term contracts with mining houses and Iscor.

Spoornet management would also be "augmented" to focus on general freight business and main line passenger services. This included the appointment of Sandile Jagavula, Metrorail's managing director, as Spoornet's new chief executive.

Jagavula was aware he had been "put forward" for the post but had not been formally advised of his appointment.

Wisconsin International, a US-based transport company, was recently in South Africa to survey potential investment opportunities in Spoornet.

John Bradshaw, a spokesman for Wisconsin International, said on Monday there were synergies between Spoornet's narrow gauge lines and Wisconsin's rail infrastructure in New Zealand. Orex and Coal Link fitted in with its US business.

"We have looked with interest at Spoornet's business and will consider any opportunity that presents itself, whether it involves a strategic equity partnership or a management contract. But as yet we have not conducted any due diligence exercises," said Bradshaw.

He said the company would prefer to manage Spoornet's entire operation as it would be "best done as an entire unit".

Radebe said Transnet would also have to undergo debt restructuring to deal with its estimated R25 billion debt. This would include an audit to determine the values and terms of the company's liabilities. A task team would announce the audit results in January next year.

Radebe said a burden-sharing arrangement between the government and Transnet would be considered. Sivi Gouden, the director-general of public enterprise, said Transnet's plans to spend R2,7 billion on upgrading its coal and iron ore operations would be reviewed in the light of yesterday's announcements.

The government would sell off non-core assets to finance the recapitalisation of certain state enterprises.

Thami Didiza, Transnet's spokesman, said Transnet welcomed this strategy to get rid of the problems at Spoornet.