Public Sector - Telecom - General

1993
GROOTE SCHUUR Hospital has called on Telkom to review its policy of charging doctors the R250 fee for repairing their telephones after hours and Telkom has said they will "look into it".

A spokesman said it was unreasonable for Telkom to charge so much to doctors who provided an essential service and have a responsibility to patients.

A Telkom spokesman said: "The problem is how to decide who is bona fide and who is not. But we are looking into the matter."
Car phone network sold to Vodacom

MELANIE SERGEANT

TELEKOM has sold the cellular C450 system car phone network, which has 13 000 subscribers, to Vodacom - the company which has been running two new cellular phone networks.

The sale was not put out to public tender, which is likely to give the ANC/Contra alliance further ammunition in its campaign to force government to delay the issuing of the two cellular licences.

Government is loath to disclose the price paid for the network, but Postmaster-General Turie Oosthuizen said: "Other competitors in the market would not have paid as much as Vodacom was made to do."

It is understood that UK-based Vodafone, which is a Vodacom shareholder with Telkom, was "not at all keen on the deal".

One company competing for the other cellular phone licence estimated that the C450 infrastructure should have cost about R300m, but depreciation would have lowered this amount. An executive said: "Telkom could have written down its value even further to make it an attractive offer."

He believed it could have cost about R100m.

Vodacom CEO Allan Knott-Craig refused to divulge the price paid, and said that the figure was too high.

Oosthuizen said rules being drawn up for the operation of the C450 network could include restricting its expansion.

Knott-Craig said: "When Vodacom's shareholders' agreement was drawn up, Telkom was not keen to be left with a cellular network so it requested that when Vodacom was set up, it would look after C450 and its users."

Sources said Vodacom was a reluctant buyer, "because the C450 is expensive technology, and the new Global Systems Mobile will provide cheaper handsets and better services."}

Knott-Craig said the Simbodet would become redundant, but users could be found.

Public Enterprises and Privatisation policy unit chairman Eugene van Rensburg said the network could be auctioned publicly, or offered to the second licence holder, but the term was not as simple as that. The network was maintained by personnel connected to Telkom's mobile section. When they moved to Vodacom "it made sense that it took over the C450 network".
Govt to license cellular phones

Own Correspondent

JOHANNESBURG. — The government plans to go ahead with the issuing of two cellular telephone licences despite the rejection by the ANC and Cosatu of the move.

It is understood that the cabinet could be considering the decision on Wednesday depending on behind-the-scenes discussions with the ANC and Cosatu.

Government sources said yesterday: “We have backed down on many issues in the past, like VAT and in education, but this time there is a great deal more at stake — the reputation of the state and honouring its promises.”

They said that with a total investment of $2 billion, with at least R1bn being the first major foreign investment since the scrapping of apartheid, the long-term harm to the economy and investor confidence in other projects could be irreparable.

Opposition

Added to this, they said the four companies tendering for the licences are likely to take legal action against the government for breach of contract as the government had given them written assurances that the process was going ahead. One of those tendering has spent R10 million on research and setting up its tender documents, the source said.

According to the sources, weekend meetings between Postmaster General Mr. Ters Oosthuizen and ANC information systems head Mr. Andile Ngcaba made some progress but did not alter the ANC's opposition.

Mr. Ngcaba insists that Telkom should remain a monopoly.

The source said there were three licences created for cellular phones with one being “left in the cupboard as a threat to the two that if there is not sufficient competition, a third licence could be issued later. The next government could then do what it wants with that one, including tending from the US once sanctions are lifted.”

Companies competing for the tender are consortiums involving foreign investors spearheaded by Anglovanl’s Cellstar, Barlow Rand, and M-Net which formed Mobile Telephone, Networks (MTN).
ANC opposition defied

Govt resolute on cellular phone plans

GOVERNMENT plans to go ahead with the issuing of two cellular telephone licences despite the rejection by the ANC and Cosatu of the move.

It is understood that the Cabinet might consider the decision on Wednesday, depending on discussions with the ANC and Cosatu.

A government source said yesterday: "We have backed down on many issues in the past, like VAT and in education, but this time there is a great deal more at stake — the reputation of the state and honouring its promises."

Another source said that with a total investment of R2bn, with at least R1bn being the first major foreign investment since the scrapping of apartheid, the long-term harm to the economy and investor confidence in other projects could be irreparable if the project was scrapped.

Another factor was that the four companies tendering for licences would probably take legal action against government "for millions" due to breach of contract.

Government had given written assurance that the process was going ahead. The source said one company had spent R8m preparing tender documents.

The sources said weekend meetings between postmaster-general Terso Oosthuizen and ANC information systems head Andile Ngcaba made some progress but did not alter the ANC's opposition.

Last week, SA's plans for the two new cellular phone networks were in danger of being derailed. ANC chief negotiator Cyril

MELANIE SERGEANT

Ramaphosa and Public Enterprises Minister Dawie de Vilhers tried to find a compromise. But the government source said it had been difficult. "We have been looking for a face-saving mechanism for the ANC but there appears not to be one."

An announcement of the successful tender, which would compete with the 50% Telkom-owned Vodacom, was due this week. However, meetings between President F W de Klerk and ANC president Nelson Mandela were held 10 days ago and senior government sources told The Star the process would be put on hold. Tenders expire at the end of the month.

Gncaba insisted that Telkom should remain a monopoly. "We don't want to kill Telkom by introducing competition which will steal valuable income from it. We want a national cellular network, owned by the state," he said.

Companies competing for the tender are consortiums involving foreign investors spearheaded by Anglovaal's Celtel, Anglo American's Barlow Rand, and MetNet.

Government sources said factors threatening to derail the project included "vested interests" by the ANC, and by companies unable to tender because American sanctions were still in place.

Other factors included threats of mass action by Cosatu and the ANC, and the possibility that existing telecommunications suppliers would seek to prevent the

Cellular phones

entry of overseas competitors."

Another source said some suppliers were working with political parties and trade unions to delay the introduction of the cellular network.

One potential operator said if the current licence award process was aborted, it could delay the implementation of the network until mid-1998.

MTN director Ian Wilkinson said the

introduction of competing and affordable cellular services could create about 50,000 jobs, attract R10bn in foreign investment and produce billions in taxes and licence fees.

A government source said there were not two, but three licences created for cellular phones. One was being "kept in the cupboard as a threat to the two that if there is not sufficient competition, a third licence could be issued".
Cellular phones decision awaited

BY HELEN GRANGE

Telkom is anxiously waiting for a resolution to the deadlock between ANC leader Nelson Mandela and the Government over the granting of cellular phone licences, one of which has been promised to Vodacom, a consortium with a 50 percent Telkom shareholding.

"Telkom spokesman Asher Adler said yesterday that as far as Telkom was concerned, Vodacom was "going ahead"." But it's now a political question, the outcome of which we will have to await."

He added that Telkom had expected Vodacom to be up and running by April.

The deadlock between Mandela and President de Klerk concerns the Government's bona fides in granting two cellular phone licences before a new government takes over.

The ANC has accused the Government of secretly trying to restructure the telecommunications industry before the election and of trying to "give the airwaves to their friends".

The Government believes the ANC is engaging in a political power play and wants to award the licences to its favoured companies after the election.

The Government is under pressure to grant the licences before the tender adjudication expiry date at the end of the month. If the licences are not granted by then, the Government could face the withdrawal of these tenders and litigation from companies which have spent millions of rands on their presentations.
Cellular phones objections dismissed

TOS WENTZEL
Political Staff

THE names of consortia which have successfully tendered for a new cellular telephone system will be announced before the end of the month, says Postmaster-General Ters Oosthuizen.

This would be done in spite of objections from the African National Congress and Cosatu, which were trying to block the move, he said. He was still consulting the two bodies.

It is estimated that implementing the new system will cost R1.6 million, of which about half will come from overseas.

Mr Oosthuizen said there would be a great loss for South Africa in overseas investment as well as overseas investor confidence if the plan was scrapped at this stage.

The government has denied ANC and Cosatu allegations that the plan for the new system amounts to a "unilateral restructuring" of the telecommunications system just before a new government assumes power. It has also denied that it has not consulted properly.

It appears as if one licence will go to Vodacom, a consortium with a 50 percent Telkom shareholding. A British company, Vodafone, has a 35 percent stake and Rembrandt a 15 percent share.

Another consortium is Mobile Telephone Networks, including M-Net, a British company, Cable and Wireless, Transnet's Transatel and two black-owned companies, Fabcos and Natel.

Mr Oosthuizen said the aim was to provide a reliable system of good quality to as many people as possible as cheaply as possible.

The successful tenderers would be under an obligation to provide a service to areas that had been left behind by the provision of telephone services.
ANC lashes govt over mobile phone services

Lloyd Coutts 8/Dec 1

Government could not privatise mobile telephone services and lock SA into the world’s most sophisticated telecommunications technology while the country needed schools, housing, health services and basic telephones, the ANC said yesterday.

It was responding to an announcement last week that Telkom had sold off its C450 ear phone network to Vodacom, one of two companies guaranteed rights to operate a cellular telephone network. Vodacom is jointly-held by Telkom and UK-based Vodafone.

The ANC said by “giving away” the existing mobile telephone network, government was continuing to privatise the telecommunications network.

It said the only possible reason Vodacom could have taken on the C450 system, which it described as a “white elephant”, was because it did not wish to offend government after being granted a licence to operate the Global Systems Mobile (GSM) network.

“The ANC has raised the question of GSM mobile licences as a major political issue because the apartheid way of doing business cannot be tolerated, especially when we are entering the transitional period.”

The ANC said government and Vodacom could not promise the GSM mobile system would service townships with public telephones when they had no idea of real township needs for telecommunications.

It said preliminary studies suggested a local call on the GSM network would cost 10 times as much as a local call on the ordinary phone network.

Draft legislation aimed at authorising the postmaster-general to act as licensor of cellular telephones was published yesterday, Sapa reports. The Posts and Telecommunications Amendment Bill proposes to amend the Post Office Act and the Radio Act.

Comment: Page 10
Deadlock over cellular phone licences
EIGHT HUNDRED post boxes were delivered to the Orange Farm informal settlement in the Vaal Triangle yesterday — the beginning of a nationwide effort to create postal addresses for up to 6 million people over the next four years.

Post office auxiliary services manager Ms Nana Griffiths said 500 000 post boxes would become available in informal settlements in the Witwatersrand alone within the next 12 to 24 months. Local government associations have approved the units and have allocated sites for them.

Boxes, part of a mobile unit, will cost R15 a year compared to the R30 rental for boxes at post offices.
Cellular phone row goes on.

Owner Correspondent
Johannesburg. — The US-based Computer Sciences Corporation (CSC) yesterday threatened not to invest in South Africa if the government bowled to-pressure from the ANC and Cosatu over cellular telephones. The company is poised to "invest millions" in the development of cellular phones.

CSC business development manager Mr Derek Arnold said "If the threats to derail this process materialize, we, as foreign investors, will back off completely." CSC, a California-based company, has a contract with its local partner, Altech subsidiary ISIS, to develop management systems for network operators and service providers.

It is not trying to secure a network licence and only when networks are in place will it offer consumers a range of customer-specific tariffs and services.

Meanwhile, the ANC is "outraged" at "secret moves" to introduce legislation to deregulate telecommunications and postal services during the current session of Parliament.
Govt moves on plan for cellular phone tenders

BY ESTHER WAUGH
POLITICAL STAFF

The Cabinet has decided to push ahead with awarding tenders for a multimillion-rand cellular telephone deal.

The decision comes in the wake of strong criticism from the African National Congress and Cosatu, which have accused the Government of unilaterally restructuring telecommunications.

Effort (257)

In a statement issued last night after the weekly Cabinet meeting, the Postmaster-General, Ters Oosthuizen, said the Government had "confirmed its determination not to deviate from the published tender conditions providing for the allocation of the respective licences before the end of September 1993".

He said discussions took place yesterday with the ANC and "every effort will be made to address remaining points of difference in order to reach agreement".

The ANC earlier yesterday said the proposed Posts and Telecommunications Amendment Act, which was tabled in Parliament on Monday, was an act of bad faith by the Government.

The organisation said the Government had assured the ANC and Cosatu on Tuesday that no such legislation was being planned.

But Oosthuizen said the legislation was intended "to rectify the untenable position of personnel of the Department of Posts and Telecommunications serving in Telkom and the postal company, and vice versa".

"It is emphasised that this has nothing to do with restructuring and that it is a mere administrative matter," he said.
Post Office rings up loss.

The commercialised SA Post Office (Sapo) had an operating loss of R939.6m on a turnover of R1.7bn.

But with other income, interest and a R708.9m government subsidy, Sapo's auditors said it had retained income of R36.4m for the 12-month period which ended on March 31. The company, whose audited statements were tabled in Parliament yesterday, also said the actuarially valued deficit of its pension fund was estimated at R955m.
Telkom's commercialisation debated

CAPE TOWN — The commercialisation of Telkom was being used to the detriment of the private sector and taxpayers because, while necessary, it had persisted for too long. Soweto City Council public relations officer Mongafe Mosetu said at the Telkom '93 conference yesterday.

Lengthy commercialisation programmes would serve to weaken the national economy, as commercialised public parastatals enjoyed considerable advantages over the private sector.

These advantages included their monopolistic grip on the market, skilled labour force and capital stock, state subsidies and favourable concessions for tax write-offs.

Mosetu expressed support for privatising sections of the telecommunications sector and said that in 1991 governments throughout the world had raised $50bn by selling state-owned firms to private investors.

There was an accelerating trend towards privatisation in Africa with 80 state-owned companies in Mozambique earmarked for privatisation, 150 in Zambia and 160 in Nigeria.

In the '80s, Sub-Saharan Africa's reliance on parastatals, at 17% of GDP, was one of the highest in the world. By October 1991, Mosetu said, there were 2,164 parastatals in developing countries, of which 384 were in Africa, and 5,308 worldwide.

ANC information systems and telecommunications department head Andile Ngcaba said the ANC was opposed to privatising the public telecommunications network and believed it should be included in the interim government arrangements because of the important role it would play in elections.

"It is strategically important that communications should also fall under the transitional executive council or interim government because, for major transitional work, be it elections, constitutional writing or security plans, communication constitutes the major ingredient in these processes," Ngcaba said.
R928.6m loss
by Post Office

Political Staff

The commercialised SA Post Office (Sapo) has reported a turnover of R1.7bn and an operating loss of R928.6m.

Yet owing to other income, interest, and a R700.3m government subsidy, it has retained income of R95.4m.

The company's audited statements for the 18-month period to end-March were tabled in Parliament yesterday.

The actuarially valued deficit of Sapo's pension fund was estimated at R593m.

This deficit was being funded over a period not exceeding 15 years out of operating income, at a fixed amount of R27m a year, the company said. (267)

Sapo had guaranteed the financial obligations of the Post Office Pension Fund and this had in turn been guaranteed by government to the amount of the actuarially valued deficit plus interest.

A provision of R73m had also been made for medical benefits for retirees of the Posts and Telecommunications Department.

Telkom chairman Jack Clarke said the company had achieved a 1.68% growth rate during the 18-month period to end-March.

"Our results were therefore below expectations."

Telkom had inherited a gross interest-bearing debt of R16.2bn and this had had a negative impact on its ability to compete, Clarke said.

"In every rand spent by our clients on telephone services, 19c is used to pay the interest on these loans," he said.
We must always be vigilant in our pursuit of peace and justice. The government's role is crucial in maintaining order and ensuring the well-being of its citizens. It is our duty to hold our leaders accountable and to work towards a better future for all. Let us strive for a world where peace and prosperity are within our reach.
Playing broken telephones

WHEN and where South Africa follows other parts of the world in getting a new digital mobile telecommunications system—usually known as cellular phones—is fast developing into a political crisis.

The government and the African National Congress have failed to find common ground. The government has vowed to press on with its plans to introduce cellular phones next year, the ANC has threatened to revoke the licences when it takes power.

Of the two licences available, one has been granted to Vodacom, a consortium comprising Telkom, Rembrandt and British telecommunications company Vodafone. The second licence is up for tender and the results should be known within days.

The seemingly insignificant issue of cellular telephones is now the biggest area of conflict between the government and its opponents, laying the ground for a showdown similar to the Value Added Tax of two years ago. While the government says it’s too late and potentially harmful to delay the commission until the process is completed, the ANC has vowed to block the introduction of the second licence if it’s awarded.

Two high-powered meetings, one between President FW de Klerk and ANC legislator Nelson Mandela, and another between delegates led by Cyril Ramaphosa and Peter Henson, have failed to resolve the dispute. It has now been referred to the judiciary council.

The Congress of South African Trade Unions, civic associations and several major black telecommunications companies have backed the ANC and decided not to tender for a licence.

Methods were not helped when government last week sold the existing mobile phone network to British company Vodafone, which, in the Vodacom consortium, is already the holder of the other licence.

Already growing rapidly in the West and in Japan, cellular telephones are exploding telecommunications services worldwide. The Global System for Mobile telecommunications (GSM), which is the standard in Europe, is favored by most of the companies bidding for the second licence.

Vodafone’s interests using GSM, as does the most likely recipient of the second licence, British Telecom, have been attributed to the two licences. The remaining 20 percent could be allocated to a third government-owned operator. Alternatively, less space could be allocated to the two operators, says BT.

The two licences are a way of ending the impasse in which the economy will not move as fast.

Only 80 percent of the spectrum has been allocated to the two licences. The remaining 20 percent could be allocated to a third government-owned operator. Alternatively, less space could be allocated to the two operators, says BT.

Vodafone’s chief executive Allan Knott-Craig believes there is a way out of the impasse in which technology will be able to move as fast.

The two licences are a way of ending the impasse in which the economy will not move as fast.

Three is a strong feeling in the telecommunications industry that the only reason for the ANC’s strong opposition to the phone licences is that it would like to give its allies the licences.

America’s many companies, some of which have given the ANC support in the past, have been unable to jump on the bandwagon due to state and local authority sanctions.

What the fuss is all about

Cellular telephones, such as those on offer in a Siemens advertisement, will be licensed in South Africa soon. The argument is whether or not, or when, the technology will be legalised but who will get the contracts.

In the industry, it seems black-owned Sanitel, where managing director Sapa Mabuza has close ties with the ANC, would have liked to have come in with an American backer.

The other major players, including those that have invested heavily in analog technology, say that the country is beginning to become obsolete in terms of its infrastructure.

The licensees say that they’re being denied a market already enjoyed by one of the main service providers, which is the 1.8GHz spectrum.

Vodacom chief executive Allan Knott-Craig believes there is a way out of the impasse in which technology will be able to move as fast.

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Vodacom also insists on having a second-opinion switch-on date, the second operator should not be allowed to use certain Vodacom equipment.

Transnet Operations senior manager Peter Daubino expects that the phone licences will be awarded to a few months ago, but Vodafone says it prefers to have one operator for the country.

It is doubtful whether the South African market could accommodate a third operator. Research sources from Coopers & Lybrand revealed that the South African market could only accommodate two operators and this would be sufficient for competition.

That coverage will only be in some of the major centers and that the cost of handsets and calls will initially be expensive and thus restricts the size of the market. The total investment needed to start up such an operation is estimated to be R5 billion and R8 billion.

The lack of a third operator will also reduce the market without definite information about the market, says University of the Western Cape’s electronic communications professor Hu Shanghala.

Within the industry itself, there are still unresolved questions. Other license applicants have complained that the playing fields are not level and that Vodacom has a head start.

Vodacom is already in business and has an infrastructure that is necessary to operate the service.

They have suggested that in addition to having a second-opinion switch-on date, the second operator should be allowed to use certain Vodacom equipment.

Transnet Operations senior manager Peter Daubino expects that the phone licences will be awarded to a few months ago, but Vodafone says it prefers to have one operator for the country.

"A lot of work will be required to re-establish the operator's user base. The task will be made very difficult but if we can succeed, we will have a market that is sustainable," said Mr. Daubino.

If there is any connection with the public towards the public, this will be settled on a national level and the ANC will be responsible for telephone installation and billing.

Maje electronics manufacturers, particularly Panasonic and Sony, are phasing money into developing cellular technology and are aggressively marketing their products to service providers and the public.

This new company, Telephone Technologies, announced it would be installing 30,000 public cellular phones around the country.
ANC-linked Thebe in group calling for rethink on cellular phones

A CONSORTIUM which includes the ANC-linked Thebe Investment Corporation has been lobbying the ANC to use its influence to block a final government decision on cellular telephone licenses.

The African National Congress Forum is a consortium consisting of Black-owned companies in the computer and telecommunications field.

Black officials said Wednesday it had told the ANC it was being excluded from the cellular market because of the consortium's failure to accommodate its members, including Thebe Investments, British Telecommunications (Pty) Ltd and AFRPT."We have been having delays in the decision process. The minister has not been satisfied. The ANC is concerned," a Black official said.

The consortium initially approached the cabinet to request a postponement of the decision on cellular licenses. The consortium's representatives were told that the decision had been deferred until September 1.

The consortium said it would revisit its strategy if the government failed to accommodate its interests. It has offered to invest heavily in the cellular industry if its request is granted. The consortium's representatives were told that the decision would be made after discussions with the minister.

ANC officials have previously suggested that the consortium's representatives were not satisfied with the decision.
But ANC threatens action against R2-billion system

Cellular phones go-ahead

CITY
Anger as cellular licences given
Telkom's cellular phone fears unfounded - rival

FEARS that Telkom will lose massive amounts of revenue through 'competition' from new cellular phone operators are unfounded, say leading industry sources.

Although cellular network operators have until December to negotiate final "interconnect" fees with Telkom, provisional figures have been released.

One network operator says "Telkom has a good core infrastructure which is not fully utilized. Broadening the distribution network through having more subscribers on cellular phones will make better use of the network and will in fact earn valuable income for Telkom."

This is because almost all cellular calls will be routed through Telkom's network, and Telkom will be paid for this service.

Also, one operator says "Given the fact that cellular calls will cost more than those made on the fixed wire network, we won't be able to beat Telkom's low tariffs."

"So it's unlikely people will flock to cellular if they have access to a standard phone service."

He estimates that 55% of all cellular calls will go through Telkom. Equipment for the cellular networks is hired from Telkom, and there will be more demand for leased lines for cellular networks, which will benefit Telkom.

Working on a low 50,000 cellular subscriber base, it is projected that between the two operators, fees to Telkom and taxes to government (which is the sole shareholder of Telkom), will amount to a minimum of R1bn. (2.55)

As far as long-distance calls are concerned, he says, these have been set for cellular operators at actual costs, so they could still undercut Telkom. It is estimated that 30% of all calls are long-distance today.
CARDPHONE SYSTEM LAUNCHED

Telkom MD Dene Du Toit yesterday launched its cardphone service involving the installation of 20,000 cardphones throughout SA over the next two and a half years.

"Research has shown that cardphones can be used effectively in high-vandalism areas, remote country districts, high-density residential areas and poor socioeconomic regions," Du Toit said.

Users would be able to buy cards at various outlets such as cafés, chemists and selected post offices. Each card would be programmed for a specific monetary value, which would be reduced by the cost of phone calls made.

"The first card series will have a value of R10 a card," he said.

The cardphone system used the latest card technology, the "smart" or "chip" card, which had the advantage of being reliable and open to various future improvements, including the amendment of telephone software to read magnetic credit cards.

Du Toit said he expected the card collectors' market to expand locally and Telkom would be entering the collectors' market in November this year.

"The additional revenue which this action will generate can offset the manufacturing and distribution costs of the cards," Du Toit said.

The first phonecard series depicts the wildlife of SA, and was chosen to highlight nature conservation, he said.
Cosatu threatens mass action

Defiant govt issues cellular phone licences

GOVERNMENT yesterday awarded SA's two new cellular licences to the M-Net led consortium Mobile Telephone Networks (MTN) and 50% Telkom-owned Vodacom in the face of Cosatu/Cosatu opposition.

Cosatu general secretary Jay Naidoo reacted with outrage: “This is scandalous. We will not accept this unilateral decision. We are now going to mobilise our members to oppose, obstruct, and prevent the implementation. This will include mass action and strike action at the companies concerned, including our members in Telkom.”

He said the decision reneged on a government undertaking that the matter would be resolved by a negotiated settlement.

The ANC/SACP/Cosatu alliance has threatened mass action and has said a new government would withdraw any licences issued by the present government.

Posts and Telecommunications Minister Piet Welgemeer said last night Cabinet had decided to go ahead despite the fact that agreement had not been reached with the ANC and its allies on Tuesday.

“Objections were expressed during the last nine months when government had already been quietly committed to this through intensive negotiating during the past few weeks,” he said.

Tuesday’s talks, “it became evident that negotiators would not be able to reach settlement on a major conflict relating to the awarding of the licence”.

TIM COHEN reports that Welgemeer said in Cape Town both licencees would pay R100m each plus an annual royalty fee of 5% to use the frequency spectrum.

The decision would allow the creation of more than 200 000 jobs. About 30 000 cellular community pay phones would be installed countrywide as part of the agreement. He estimated that the first cellular service would be operational by the second quarter of next year and the costs would be 50c a minute for the ordinary service and 20c a minute for the community service.

Postmaster-General Ters Hoosen said he hoped the transition to a new dispensation would take place in an orderly way and that the next government would take over the previous government’s responsibilities. But whatever happened, the state would be contractually bound to its agreements with the licencees.

In answer to ANC criticism that privately owned operators could “not be forced to provide an affordable service to those without access to phones”, he said both MTN and Vodacom fully understood the need for an affordable service.

Vodacom, which consists of UK-based Cable & Wireless, black investment consortiums - Naftel, Fibcom, Transtel and M-Net/Multichoice, reckoned 75% of SA’s population would be covered by cellular infrastructure within its fourth year of operation, and half the population by next year’s switch-on date.

The Vodacom consortium consists of Telkom, Vodaphone (UK) and Rembrandt.

M-Net’s share price fell 2% to 96c yesterday after negative political comment.

1 To Page 2

Cellular phones

Commenting on losing the tender, Cellstar chairman Jack Sauls said: “We are very disappointed. Our partners, including Telecom Finland, were very optimistic because our solution was a good one.”

He was surprised there was not more cooperation between government and the ANC. “This is an enormous business with lots of room for many players. Meaningful black participation is possible,” he said.

Vodacom CEO Alan Knott-Craig said the competing companies would bring better prices and services to users, and Telkom’s services would improve.

He added: “Government will also win because it will make lots of money out of this.”

Driving on a very low subscriber base of 50 000 over 10 years, government and Telkom stand to gain at least Rbn in terms of taxes and fees from the two operators.

Depending on demand, it is expected to cost at least Rbn to roll out each of the cellular networks. About 35% of this will be funded by foreign investment. Except for Telkom’s 50% share in one network, the rest will be funded by private investment.

“The country has nothing to lose if the service doesn’t work, it’s the operators who will lose,” said Knott-Craig.

MTN spokesman Ian Wilkinson agreed: “Government retains ownership of the airwaves. In effect, we are paying for using them.”

1 From Page 1
Telkom's cellular phone fears unfounded — rival

FEARS that Telkom will account for Telkom's cellular revenues through complete network ownership are unfounded, say leading operators. "Telkom's cellular is strongly asserted that it will only be able to work through having complete ownership of all cellular networks. This is unlikely to be the case," says Telkom. "Telkom has a good network, but it's unlikely to be the case," says Telkom.
Johannesburg — The ANC had briefed counsel with a view to bringing a court action to invalidated the cellular telephone licences the government issued this week, ANC legal department head Mr. Matthew Phosa said yesterday.

He said the ANC believed the telecommunications service should be nationalised and maintained that the government had acted in bad faith.

However, Mobile Telephone Networks (MTN), one of the licensees, said yesterday that it was going ahead with its network development despite the future.

At a joint briefing held with Cosatu and the SA National Civic Organisation (Sancol), Mr. Phosa said the government had deliberately negotiated outside the technical committee on broadcasting and telecommunications and had effectively issued licences to private companies to use a national resource — the airwaves.

"The future democratic, non-racial government reserves the right to revoke the licences. In the meantime, the tripartite alliance, Sancol and the democratic movement will develop a comprehensive programme of mass action which will be announced soon," the parties said in a statement.
Cabinet dials a wrong number

BY MARK HARRIS

The Weekly Mail Edition

SOUTH AFRICA
Telkom debt takes 20c out of a caller’s rand

By JEREMY WOODS

He confirmed that 20c of every rand spent by telephone clients was used to finance Telkom’s debt. “

“We have a five-year plan to reduce debt levels where only 10c a rand goes towards financing costs. The plan includes a block on capital expenditure unless financed from Telkom’s R2-billion internal cash flow, increased marketing and a more effective selling force.

“We are also looking at realising cash through selling non-core assets,” says Mr Erasmus.

Originally, when Telkom was “commercialised” the intention was to privatise it, possibly with a JSE listing. “That is now a political decision which will have to be taken by our shareholder, the Government,” says Mr Erasmus.

A listing on the JSE will enable Telkom to raise cash from an enlarged share capital to reduce its loans, most of which are guaranteed by the Government. Will the creation of a cellular phone system hurt Telkom’s cash flow?

“We have looked at this quite carefully and believe that, if anything, it will generate business for us. The companies concerned will have to pay inter-connect charges to use our system, and we believe the volumes here will make up for any loss of calls. If people can carry phones around with them 24 hours a day we believe they will use them more often.”
Cellular network likely to start up within a year

SA's cellular phone system was likely to start up within a year, but possibly only after a new government took power in the April elections, spokesmen for the two licencees said at the weekend.

Postmaster-general Ters Oosthuizen confirmed that the network operators were discussing when they would switch on, but there were still many loose ends — including finalising "interconnect fees" with Telkom. These negotiations had to be settled by December, he said.

The ANC and Cosatu have raised serious objections to the decision to go ahead with the cellular system and have warned that the operation could be nationalised.

A new government can look forward to receiving R230m in cellular licence fees from the two operators, Mobile Telephone Networks (MTN) and Vodacom. The licences allow the money to be paid over five years. The first instalment will be due only after next year's elections.

Spokesmen for MTN and Vodacom said at least 70% of SA's population would have access to cellular phones within five years.

MTN project director Tim Lowry said his company would "proceed with our network development at full speed", despite ANC and Cosatu objections. He said MTN was open to discussion and would do its best to resolve any group's problems.

Each of the two cellular networks is expected to cost about R1bn, of which about 35% will be foreign investment.

The networks are expected to create about 4 500 jobs directly and through their dealers and service providers. An additional 50 000 to 70 000 jobs are expected to be created indirectly.

MTN estimated that 10 000 jobs could be created among spare shop owners, individuals and agencies renting out payphones. Another 10 000 people could work on charging and renting out payphones, according to MTN's estimates, while 6 000 Jobs could be created for handset dealers.

Vodacom estimated the local content of its equipment would be about 30%.

Lowry said MTN 80% shareholders Cable & Wireless would invest about R125m in equity, and MTN would probably take out a long-term overseas loan to equal this amount. "Also, MTN will buy the major equipment only from suppliers with a local presence."

The market is open to several companies to act as intermediaries between the operators and the public. They will handle sales, billing, and technical back-up for users.

MTN estimated service providers would need funding of between R1bn and R2bn, and payback would be in less than two years. Payphone agencies, dealers and operators, would have far lower funding requirements, and good paybacks.
Swedes in on cellular phone deal

Own Correspondent

JOHANNESBURG—Despite ANC alliance objections to government handling of the cellular phone issue, Swedish firm Ericsson is at an advanced stage of negotiations with a local partner believed to be Plessey SA.

Ericsson is tendering to supply network infrastructure equipment to both cellular licensees, Vodacom and MTN.

Ericsson supplied MTN's R13m test system in the Cape.

Ericsson's local representative, Mr Christer Hohenthal, who is in Sweden to prepare tender documents, said "the relatively small market in South Africa does not justify setting up a local manufacturing operation."

But he said, "We have plans for other types of electronic products which could be made in South Africa and exported."
Phones: ANC softens

Own Correspondent

JOHANNESBURG. — The ANC has backed down on the cellular phone licence issue.

Vodacom and Mobile Telephone Networks (MTN), which were granted 15-year licences last week to set up two competing networks, can now pursue plans for cellular phones to be operational within a year.

However, as a matter of urgency, they will enter talks with the government and the ANC to avert "destructive economic action being taken".

It is understood that the agreement between the parties indicated that the ANC had accepted that the granting of the licences was a reality.

It is believed the aim of the meeting with the companies will be to satisfy the ANC that they would make cellular phones accessible to the poorer sections of the community and that jobs would not be sacrificed with their introduction.

ANC government and union representatives held urgent talks yesterday to prevent the issue spilling over into the negotiating forum.
No cellular phones for time being

BY ESTHER WAUGH
POLITICAL CORRESPONDENT

The Government has undertaken not to proceed with the Post and Telecommunication Amendment Bill — which will introduce cellular telephones — during the November session of Parliament.

After discussions yesterday between the Government and ANC at Kempton Park, it was agreed that an Independent Telecommunications Authority (ITA) be established.

It was also agreed that talks be held between the Government, ANC and the licensee companies on cellular telephones and "that the matter will not be taken further before discussions have been concluded".

These agreements signify the end to a public dispute between the ANC and Government over the introduction of cellular telephones. The ANC accused the Government of unilaterally re-structuring telecommunications.

The Government, however, continued with the introduction of cellular telephones by awarding licences to two companies.

The deadline for awarding tenders for cellular telephones expires today.

The licences were awarded to Vodacom, in which Telkom has a 50 percent share, and Mobile Telecommunications Network, in which M-Net owns a share.

The ITA will regulate telecommunications in the country during the transition. The ITA was to have formed part of the Independent Media Commission Act, but the Negotiating Council had decided to separate the two issues.

Although the ANC demands that licences already awarded should be suspended, these will not be revoked, in terms of yesterday's agreement.
Telkom urged to serve community

TELKOM has to work far closer with community organisations to improve its credibility.

This was one of the views raised yesterday at Telkom's first local client forum. The forum gave over 70 representatives from political, civic, consumer and business organisations the opportunity to raise issues informally with Telkom officials.

It was attended by members of the DP, NP, CP, Saneo and consumer, tourism, environmental and women's groups.

It was felt Telkom had not consulted with "interested stakeholders" about how social investment or affirmative action programmes could be applied in the broader community.

Also, Telkom should be more open about its assets so communities could see where its money went, the forum heard.

Suggestions made by the forum would be taken back to Telkom management, he said.
A WIDE range of organisations, including the IDT, the Kagiso Trust, Sacoca, the National Education Co-ordinating Committee and student groups, have set up a multimillion-rand scheme to grant loans to tertiary students.

The scheme, on which the IDT and the Kagiso Trust had been working for some time, was agreed on at an IDT-convened consultative conference in Johannesburg yesterday.

It is understood that the IDT will pump R80m into the scheme, to be called the Tertiary Education Fund of SA (Tefs), while the EC will contribute about R46m through the Kagiso Trust.

IDT education director Prof Merlyn Mehl said yesterday the scheme would assist academically gifted but "financially deserving" students who were unable to get loans from commercial banks.

Mehl said unlike bank loans, Tefs's loans would not be granted on the basis of the creditworthiness of students but on the the students' potential to succeed.

He said the IDT and the Kagiso Trust had been granting loans to tertiary students for some time.

Mehl said the two organisations had granted about 30 000 loans.

He said the scheme's board, of 25 members, would meet formally for the first time next Thursday to discuss its functions, including how it would raise funds.

Apart from student groups, participants had already named their representatives on the board.
ANC declares it will nationalise both cellular telephone networks.
ANC will not hang up on industry

Star 23/10/93
JOE LOUW

NO SOONER had the Government and ANC resolved the controversy surrounding the country's fledgling cellular phone industry in a "satisfactory" manner yesterday, than the prickly issue of the ANC's "nationalisation policy" reared its head again. At a hastily called press conference, ANC secretary-general Cyril Ramaphosa was at pains to correct "the impression that the ANC wants to nationalise the telecommunications industry and the cellular phone industry".

An earlier report said the ANC had "backed down on its plans to nationalise the cellular phone industry" in exchange for an agreement from the two private sector enterprises involved, and the Government, to incorporate shareholding by black business.

Ramaphosa said the ANC wanted a moratorium in order to look into the structure of the two consortia involved, before entering negotiations to bring it in line with norms found elsewhere in the world.

Excluded

It wanted to ensure the agreement entered into did not harm, stagneate or make the country's mixed economy less competitive.

He said the ANC emerged from the negotiations with the Government pleased with the agreement because it reflected "an economic mosaic of public and private sector mix that included an opportunity for black business, which had up to now, been excluded from participation in such deals".

TO PAGE 2.
ANC, govt settle cellular phone row

JOHANNESBURG — The government and the ANC yesterday resolved the controversy surrounding the country's fledgling cellular phone industry.

The ANC backed down on its plans to nationalise the cellular phone industry in exchange for an agreement by the government and the two companies involved to incorporate a shareholding by black businesses.

A joint statement by ANC secretary-general Mr Cyril Ramaphosa, Public Enterprises Minister Dr Dawie de Villiers and Transport, Posts and Telecommunications minister Dr Piet Welgemeer said Vodacom and Mobile Telephone Networks could proceed "as soon as possible" with setting up their cellular networks.

The licences issued to Vodacom and MTN would be recognised by the ANC, the Congress of SA Trade Unions and the Post and Telecommunications Workers Association.

The agreement reached between the government, the ANC and the two companies still has to be formally approved by the Postmaster General Mr Tertius Oosthuysen, who said he saw no difficulties.

According to the details of the agreement:

- Vodacom's 70% stake in MTN will be increased to 30% (Vodacom 5%)-shareholding by black business.
- Transnet's current 10% stake in MTN will be increased to 20%.
- At least 20% of Vodacom's service providers should be black business represented by black business. A similar arrangement exists for MTN — Sapa
UK cellular firm joins forces with Plessey Tellumat

JOHANNESBURG — One of Britain's largest independent cellular telephone service companies, Astec Group Plc, and South Africa's Plessey Tellumat SA Ltd have formed a joint venture following agreement on cellular phone licences between the ANC and the government.

"The new company, to be called Astec Plessey Communications (APC), will focus on corporate and business users as well as consumers in the emerging SA cellular telephone market," Plessey Tellumat's group MD John Temple said on the weekend.

The announcement that Vodacom and Mobile Telephone Networks (MTN), the mobile telephone licensees, may now proceed to roll out their networks has paved the way for the formation of our new company," said Temple.

The ANC on Friday effectively backed down from demands that the state hold majority stakes in the Vodacom and MTN ventures. But prescribed minimum stakes for black business in the two.

In a joint statement, the government and the ANC said 30% of MTN would have to be held by black business, with a minimum five percent for Vodacom.

Details of the APC joint venture were finalized in Cape Town on Friday with David Savage, chairman and managing director of Astec, the sixth largest company of its kind in Britain.

Savage said the agreement represented direct investment in SA.

"If the South African market is mirrored by the UK experience, the concept of competing networks will invariably create substantial new jobs and business opportunities," he said.

Vodacom is currently 50% held by parastatal Telkom, 35% by Vodafone (UK) and the Rembrandt Group.

MTN comprises Nafcel, the M-Net television channel, Cable and Wireless (UK), the state-owned Transnet transport network and Fabcos, a black business group.

— Reuters
Massive order placed for cellular phone systems
Govt, ANC clear the air in cellular phone deal

Johannesburg: Differences between the government and the African National Congress on the country’s fledgling cellular phone industry have been resolved. The ANC backed down on its plans to nationalise the industry in exchange for an agreement from the two private-sector enterprises involved, and the government, to incorporate shareholding by black businesses.

A joint statement by ANC secretary-general Cyril Ramaphosa, Public Enterprises minister Dikele de Villiers and Transport, Posts and Telecommunications minister Pesi Weidgenoed and Vo- dacom and Mobile Telephone Networks, could proceed “as soon as possible” with setting up their cellular networks.

The licences issued to Vodacom and MTN would be recognised by the ANC, the Congress of SA Trade Unions and the Post and Telecommunications Workers’ Association. 

The agreement reached between the government, the ANC and the two companies still has to be approved by the Postmaster-General, Tertius Oosthuizen.

However, he said he foresaw no difficulties in approving the deal.

“I am very satisfied with the agreement, because we have maintained the competitive element in the cellular market. There’s no public-sector pre-eminence in the set-up.”

Mr Oosthuizen pointed out that although Telkom held a 50 percent interest in Vodacom, it would not be exercised as a majority shareholding. Another parastatal, Transnet, holds only 10 percent of the equity in MTN.

According to the details of the agreement:

- MTN’s shareholding structure has to accommodate a 50 percent shareholding by black business, while in the case of Vodacom it is five percent;
- Transnet’s current stake in MTN would be increased to 20 percent; and
- At least 50 percent of Vodacom’s service providers should be represented by black business, while a similar arrangement exists for MTN.
CARL RAMAPHAUSA

End 27.10.1992

Telecommunications

right solution for the

mixed economy
Black business wants cellular phone stake

THE African Telecommunications Forum (ATF) has called for a third cellular telephone licence to be issued in addition to those granted to Vodacom and Mobile Telephone Network (MTN) through an agreement between government and the ANC.

The call came yesterday after the forum criticised last week’s agreement as it excluded black business except in the provision of service contracts.

The forum, which represents black businesses with interests in telecommunications, includes among its members corporates such as Afratel, SunTel, Thebe Investments, Media Investment Trust and National Information Technologies.

ATF convener Mark Headbush said the agreement provided for only token participation by blacks.

"The ATF must now call for the issuing of a third licence to provide for a balanced ownership of this strategically important industry. This would mean two-thirds of the industry would be owned by majority non-blacks and one-third owned by majority blacks," Headbush said.

He said major community-based organisations and prominent industry figures supported the ATF’s call.

Headbush said the expected changes in black participation in the political environment should be matched by a comparable participation in the economic arena.

"With virtually all of the black community not being served adequately with telephone services throughout the country, it is time for blacks to take greater responsibility and ownership, to ensure that they begin to bridge the gap."
In case there was any lingering doubt about the ANC's desire for State control of the economy, it was eliminated with ANC secretary general Cyril Ramaphosa's call (later denied by him) last week for the nationalisation of telecommunications.

The ANC, which qualified Ramaphosa's statement by reiterating its call for a so-called mixed economy and affirmative action, says that to help repair the damage done by apartheid, "the State will embark on joint ventures with the private sector, with parastatals holding majority shares in such ventures."

Fall nationalisation, per se, was not the result of the agreement over the two cellular phone licences hammered out last week between the ANC, government and the licence holders, and the State did not even get majority control. But critics see the end product as a chilling crackdown on private business deals.

Others see the agreement as a major success for private enterprise. They point out that the ANC originally demanded that only one licence be issued, with State-controlled Telkom as the majority shareholder. The ANC finally agreed to the wisdom of competition and, eventually, to private-sector control. While the compromise was being worked out, Cosatu was promising mass action, and the ANC was threatening legal action to invalidate the licences and some black businessmen aligned to the ANC were unhappy about having been left out of the deal (Business October 1).

The idea of awarding just two licences dates back to October 1991, when Posts & Telecommunications Minister Pet Wellgemoed commissioned accountancy firm Coopers & Lybrand's UK office to analyse the restructuring of the telecommunications sector. Government accepted the firm's suggestions, which were published in September 1992 for comment.

In February, Wellgemoed announced that the licences would be awarded and that one would go to a consortium in which Telkom held half the shares. The two 15-year licences were awarded in September and each network is expected to invest R1bn for infrastructure. Wellgemoed has reserved the right to issue a third licence, if the demand is there.

The new arrangement means that in the case of the Vodacom consortium, which expects to start service in March, Telkom will maintain its 50% shareholding and the other partners, the UK's Vodafone (35%) and Rembrandt (15%) will have to sell a 5% share of the licence to black business interests.

Vodacom MD Alan Knott-Craig is adamant that it won't be a handout: "It's not a gift. These are not free shares. It's a straight business arrangement I don't know how much the shares are worth, but those who are interested are putting in bids."

In the MTN consortium, which expects to start service on June 1, M-Net will see its shareholding reduced from 32% to 25%, as will its UK partner, Cable & Wireless National Afastel Telecommunications (Nafel), a group of black businessmen represented by Ntsho Mthlana and Enos Mabuza, sees its shareholding reduced from 25% to 20% Of the remaining 15%, Transatel, the telecommunications business unit of State-owned Transnet, has its shareholding doubled from 10% to 20% and a Cosatu-aligned pension fund has been given an opportunity on a 5% stake Fábco, another black business group, keeps its 5%.

Initially, Transatel had wanted 20% but settled for 10% because "the consortium felt it should have a more meaningful black shareholding," says Transatel executive manager Alf Schulze. Now, Nafel's black shareholders will give up a chunk of their stake so Transatel's stake can grow.

Says Schulze: "It looks strange and I suppose it is a bit strange. But the push did not come from us. The push came from the ANC. They wanted a bigger stake for government. They felt Transatel would be a vehicle for more State ownership."

Schulze would not say how much the Transatel stake is worth but points out that its parent, Transnet, will not use tax money to pay for the new shareholding. If the money is not readily available, he adds, it will be raised commercially.

MTN consortium director Ian Wilkinson, trying to put the best face on the compromise, says the new arrangement is "appropriate and positive" and reflects a well-balanced partnership between the private sector, the State, black business and overseas investors. "We believe that this agreement will give a strong positive signal to the local and international business and investing communities."

But Postmaster General Terso Oosthuizen, who is responsible for regulating the telecommunications industry, says the wrangling has not been good for foreign investor confidence. "If I were on the outside, I would be careful."

Despite the realignment, the African Telecommunications Forum, which represents mainly ANC-aligned firms that were not cut in on the deal, continues to complain about what it considers only a token nod to black business. It is calling for the third licence to be issued and for its major shareholders to be black. "With the expected changes in black participation in the political environment, this should be matched with a comparable participation in the economic arena," says forum convenor Mark Headbush.

Few can doubt that the cellular debate is far from over. In addition to the affirmative action demands, the nationalisation issue will undoubtedly continue to rage.

Ramaphosa now denies that he told a Business Day reporter he is in favour of nationalisation ("why would we want to go against what is happening in the world?") though the reporter says he recorded the interview and says Ramaphosa is lying. He denies having used the word "nationalisation". Ramaphosa, for his part, says the reporter was only trying to "create headlines" and to "demise the ANC's economic policy."

Says Ramaphosa: "Our economic policy is that we should have a mixed economy with a strong and vibrant private sector and also have a public sector that is strong. We need a good economic mosaic, a truly mixed economy, even in cellular telephony."

The NP, which knows all about bad economic theories, says Ramaphosa's statement about nationalisation presents "clear evidence that the ANC does still support dangerous and outdated socialist policies."

It adds: "This incident indicates beyond any doubt that the ANC can never be trusted when it comes to economic policy."

Andile Ngcaba, the ANC's head of information technology and telecommunications, predicts that the State's shareholding in the cellular licences will grow and that Telkom must be strengthened in order to provide telephone service to the vast majority of black homes without it.

But he rejects any proposal that would
Reunert dials deal

JOHANNESBURG – Reunert announced that an agreement in principle has been reached with UK-based GEC and Siemens which, if implemented, would result in it restructuring its telecommunications interests.

The deal would include the transfer by Reunert of its entire interest in payphones to Telephone Manufacturers of South Africa (TMSA) and its entire interest in private automatic branch exchanges (PABX) to a new company – Siemens Telecommunications.

It could also entail the disposal by TMSA of its interests in public switching systems to Siemens Telecommunications.

Siemens would transfer its entire interest in public switching systems, transmission, access networks, mobile telephony and PABX to Siemens Telecommunications.

In the process Reunert would raise its effective holding in TMSA to 40.67 percent from 33.3 percent, and would acquire a 27.5 percent stake in Siemens Telecommunications.

'A statement said the restructuring would effectively create two highly specialised and focused operations, namely TMSA and Siemens Telecommunications.

'Reunert said the restructure' would not have a material impact on earnings a share or net asset value in the short term.

The relationship with Siemens would provide greater access to export markets, Reunert said.

Reunert recently proposed sub-dividing its shares on a 5-for-1 basis to increase the accessibility and marketability of the scrip.

The proposal is subject to shareholders' approval at a general meeting on November 17.

Reunert will subsequently have 160 000 shares in issue compared to the 22 million currently listed on the JSE.
Cellular phone forum planned

JOHANNESBURG — The Negotiating Council yesterday agreed that an Independent Telecommunications Authority will be established to give further consideration to the cellular telephone issue and other matters in this area.

Proposing the motion, Planning Committee chairman Mr Pravin Gordhan told the council that the dispute between the ANC and the government over cellular telephone licences has been resolved.
Johannesburg

Reunert Ltd said agreement in principle has been reached with GEC PLC and Siemens Ltd which, if implemented, would result in restructuring its telecommunication interests.

It would include the transfer by Reunert of its entire interest in payphones to Telephone Manufacturers of South Africa (Pty) Ltd (TMSA) and its entire interest in Private Automatic Branch Exchanges (PABX) to a new company, Siemens Telecommunications (Pty) Ltd.

It would also entail the disposal by TMSA of its interest in public switching systems to Siemens Telecommunications.

Siemens would transfer its entire interest in public switching systems, transmission, access networks, mobile telephones and PABXes to Siemens Telecommunications.

In the process Reunert would raise its effective holding in TMSA to 40.6% from 32.33% and would acquire a holding in Siemens Telecommunications of 27.5%.

"The restructuring will effectively create two highly specialised and focused operations, namely TMSA and Siemens Telecommunications," the statement said.

The relationship with Siemens would provide greater access to export markets, it said.

Reunert said it did not anticipate the restructuring would have a material impact on its earnings per share, net asset value per share in the short term — Reuters
Vodacom selects service providers

CELLULAR network operator Vodacom Group has selected its first seven service providers out of more than 40 prospective companies, chief executive Alan Knott-Craig said yesterday.

The companies are Teljoy, Afritel, Autopage, Celltalk (a Publico Group company), Cellular Service Providers, Telephone Trust Corporation and Radionpoor Vodacom said it would announce a further three major service providers in the near future.

Besides acting as retailers of Vodacards — which enables cellular phone users to access Vodacom’s cellular network — service providers will also handle all aspects of after-sales service and customer billing.

Knott-Craig said Vodacom had undertaken a rigorous three month process of adjudication before selecting its service providers.

“We identified companies with an established customer base, facilities to handle on-line credit checking, point-of-sale and advertising know-how and experience in handling stock control, warranty claims and very high standards in customer-care service,” Knott-Craig said.

Applicants were also required to reveal the equity participation of black businesses in their companies as per the agreement with the ANC Black equity partners selected service providers amounted to about 40%.”
Private post office box, bag fees to rise by 10 percent

PRETORIA.—Private post office boxes and postal bags are to cost an average of 10 percent more from January.

Senior general manager, postal business, Willie Joubert said yesterday rents for small private post office boxes would rise by R3 to R35, for medium sized boxes by R6 to R66 and for large boxes by R10 to R110, and for private bags by R6 to R66.

Initial lock-and-key fees for boxes at mail collection points, and transportable postal lockers would be R15.

The Post Office had established a new poste restante service in areas with no post office boxes or street deliveries, Mr Joubert said.

For R10 a year, users would receive a poste restante number at their post office. The number would be transferred to a transportable post box lobby when possible.

Temporary poste restante services, used mainly by travellers, would remain free of charge.

Payment or confirmation of private post office boxes, private postal bags and boxes at mail collection points had to be returned to the Post Office by the 15th of the month after renewal notices were issued, otherwise services would be suspended.

Two months’ notice had to be given to cancel a service. Thereafter clients could contact the local postmaster to have mail forwarded to their new address, Mr Joubert said. — Sapa.
Post office boxes to go up 10%
Telkom accepts new electronic exchange

TELKOM took a major upgrading step when it accepted the first new generation digital electronic telephone exchange from Alcatel Altech Telecoms recently.

The exchange, installed at Telkom’s Foreshore telephone switching centre, is part of an R80m contract.

Telkom MD Danie du Toit said the exchange could handle four times the traffic of older exchanges, used less power and floorspace, and cost less to install.

Alcatel CE Hannes Steyn said the new technology was gaining ground in SA. A software development centre was being built at Altech’s Boksburg site and SA engineers were being trained in France, he said. The station would form part of a worldwide network of software centres.
New phones policy soon

PRETORIA — Moves are under way to establish an Independent Telecommunications Authority and formulate a telecommunication policy framework, according to postmaster-general, Mr. Ters Drechsler.

He extended invitations this week to participants in the telecommunications sector to become members of a steering committee to lay the foundation for the ITA.

The steering committee would consider and formulate the principles to be embodied in the regulatory framework and the formation of an independent telecommunications authority. A legal sub-committee would draft possible legislation, which, after approval, would be submitted to the government.
Free to shop around

Last month's deal between government, the ANC, Cosatu and cellular network operators Vodacom and Mobile Telephone Networks (MTN) calls for the operators to increase the equity held by black business and commit themselves to black business making up at least half of their service providers. In return, the operators got the validity of their licences recognised. Since then, both operators have been working on accommodating black business, and setting up their R1bn networks, with the aim of launching services to 10,000 customers by April. Both must be fully operational by June.

Neither company has yet said how it will restructure its shareholding. While Vodacom will continue to be half-owned by Telkom, 10% of the shares held by the UK's Vodafone (53%) and the Rembrandt Group (15%) will have to be reallocated to black shareholders, giving them a 5% stake. MTN's shareholders will be M-Net subsidiary MultiChoice (25%), the UK's Cable & Wireless (25%), Transnet's TransTel (20%) and black business organisations Fabos (5%) and Naftel (25%). Another 5% will go to a Coastline-aligned pension fund.

So far Vodacom seems to be leading the race in setting up its service providers. They will play a major role in the increasingly deregulated telecommunications arena. For the first time, SA telephone users will be able to shop around and choose their telephone company on merit. In addition, there will be more than 10 brands of cellular phones on the market.

Appointed by the network operators, the service providers will fill the role of the traditional telephone company. They will be responsible for marketing different services, billing customers, collecting debts and offering after-sales service and technical support.

Through dealers and agents, the service providers will sell the cellular phones and subscribers' identity module (SIM) cards, which enable the cellular phone users to gain access to the networks.

Vodacom chose its service providers from a list of 40 contenders. So far it has picked Teljoy, Afritel, Altech's Autopage, Publico Group companies Celtalk, Cellular Service Providers, Telephone Trust Corp and Radiospoor. Together the black business equity participation adds up to 45%. In line with the agreement with the ANC, at least another 5% stake will have to be allocated to black business. Vodacom is finalising the black shareholding of its subsidiary service provider, Vodac. Discussions are also under way based on volume business. He chose Vodacom because it has Telkom as a major shareholder and has had more time to prepare.

Like Teljoy, paging companies Autopage and Radiospoor are already well positioned as service providers. They have nationwide distribution and service channels, as well as computer systems to handle large customer databases, customer queries and stemmed billing. Autopage already handles more than 1m calls a month for its paging service while Radiospoor, which offers both paging and mobile radio services, is not far behind.

Radiospoor's Justin Taylor says it intends to act as a service provider for both operators: "We feel we can give the client a better service if we remain non-exclusive."

While both MTN and Vodacom originally said there should be no more than 12 service providers for the industry to be viable, it is likely that this number will be exceeded. Teljoy's Barry Blackburn says the service providers are being forced to choose between the two operators: "Their pricing structures and rebates make it almost impossible for us to service both."

Looking overseas, many expect a shakeout in the UK where there were more than 80 service providers in the early Eighties. Intense competition and squeezed margins mean fewer than half are still profitable.

Estimates are that the service providers will need R6m-R25m each for detailed billing systems that monitor creditworthiness, set credit limits and record fully itemised bills. But because at least half the service providers must come from black business, and most do not have the necessary infrastructure or funds, partnerships with established business will be the norm. Also, not all the service providers will provide a countrywide service, some will focus on regional and niche services.

Mark Headbush, MD of 100% black-owned Afritel, says it will buy in expertise. As the convener of the African Telecommunications Forum, which represents black businesses that were left out of last month's deal, Headbush is critical of the way the cellular process was handled. He says the forum will apply to the Postmaster-General for a third network licence next month. He says Thebe Investment, which is part of the forum, will not be involved in the application but that two large US companies will come on as partners.

Commenting on Afritel's role as a Vodacom service provider, Headbush says: "We could not wait for the licences to be issued under a new government because deals would already have been secured with the cream of the market— the corporate market— by then."

Marite Bidell
Going after the bad guys

The Business Practises Committee was not greeted warmly when it began back in July 1988. Critics argued that its far-reaching powers would lead to price controls and wage freezes at a time when competition and market forces were seen as the way forward. The government was thus faced with a difficult decision: to shut down the committee or to reform it in a way that would ensure it would not become a threat to the economy.

But with a host of public rip-offs amounting to hundreds of millions of rands being uncovered regularly — the milk culture saga was probably the final straw — the government decided that consumers needed additional protection over and above the expensive and often inaccessible court system. This decision was supported by the results of theerr reviews carried out by the committee.

The new committee was given the power to investigate any agreement, practice, scheme, operation, arrangement or understanding that it believes to be harmful or potentially harmful business practice. Its brief also included the right to search premises, seize documents and to recommend to the Minister of Trade & Industry that a business practice be stopped. Contravening the Minister’s order carries a maximum penalty of R200 000.

More than five years later, much of the furor has died down. Says Ken Warren, the SA Chamber of Business’s director of legal affairs: “We support the work done by the committee and we believe its success has been largely due to the calibre of its seven members and the fact that it has had a strong private-sector representation. All the complaints we have referred to them have been dealt with properly.”

However, Free Market Foundation executive director Leon Louw remains wary of the committee’s wide authority. “The committee’s only saving grace is that it is chaired by Louise Tager. He’s concerned that someone less learned, ethical and pro-free market could use the committee to shut down any business on a whim. He would prefer to see the committee prosecute an offender through the court system and make use of interdicts to stop any existing or potential harm. "We need laws that are more transparent and less dependent on the benevolence of power."

Tager insists that the committee’s powers do not detract from any other legal remedies. “The consumer can still institute a civil action for damages against a party that has defrauded him or caused him loss. A criminal charge can also be laid.”

But she points out that even if the defrauder is found guilty, there is little satisfaction for the consumer when the court fines or imprisons the wrongdoer. “The consumer’s loss is simply not compensated.” She stresses that the committee won’t undertake an investigation unless there is a possibility of harm to the consumer. The party under investigation has the benefit of a full hearing and the committee’s findings, with reasons, are made available. “Anybody who acts any differently would be exceeding the parameters of the Act.”

But while speculation about the committee’s future — as with the rest of the legal system — continues, it’s clear there’s a demand for its services now. By the end of last year, the committee had received 527 complaints and instigated 28 full investigations. Many of the complaints are sorted out simply through an informal discussion.

Tager agrees that she’s understaffed but says there’s simply no point in asking for greater resources when the State can’t afford more. Still, in recent months the committee’s business was only halted for three months. Another amendment allows the Minister to suspend a temporary order to stop a business practice for six months while the committee investigates. Previously, activity could only be halted for three months.

The most far-reaching amendment, though, is one that allows the committee to proceed with a preliminary investigation — seizing documents — without giving notice. In the Government Gazette, Says Tager, “The notice had the effect of prejudicing the business to the public eye before an investigation was started. In any event, a preliminary investigation often ends there and doesn’t lead to a full investigation.”

Looking back on the committee’s work, Tager says the area of greatest exploitation appears to be the sale of shares and debentures in public unlisted companies. “Thousands of small investors are persuaded to invest their life savings in shares that will in all probability never amount to anything.” The problem is that shares in a public unlisted company are usually sold without a prospectus. The promoters argue that the sale is a private placing, therefore no prospectus is required.

“It is our view that the sale of shares to the public without adequate disclosure of information on the financial position of the company could constitute a harmful practice. Similarly, the sale of debentures in unlisted companies without a prospectus, in the case of Supreme Bond and others, constituted a harmful practice, particularly since they were sold to repay old debentures that were due, a purpose not disclosed to the public.”

Tager says an increasing number of complaints have been received against people who liquidate their companies and immediately resume business under a new name.

Tager also says she’s warned the public to beware of investing without adequate financial information about the company, but that a major problem is the abuse of the Companies Act. “The public perception is that statutory protection comes automatically with a public company. But statutory protection is a myth — who polices the statute?” She favours a dramatic revision of the Act.

On the other hand, Tager is happy about the committee’s success in encouraging self-regulatory bodies in other industries to have their own codes of conduct approved by the committee. Codes already approved for the furniture, motor, advertising, timeshare and vehicle-recovery services industries. Codes for the building, travel and beauty sectors are being prepared.

Says Tager, “Codes contain norms and standards by which that particular sector has chosen to discipline itself. A code is, therefore, not a regulation imposed by government, it consists of the standards identified by fellow businessmen.”

FINANCIAL MAIL, NOVEMBER 26, 1993
Council stops work on project

Municipal Reporter

THE city council has ordered builders to stop work on a Sea Point project because the post office has dropped plans for a "do-it-yourself" depot of 3,000 postboxes.

The post office was to have rented shop space for the scheme, part of a plan to replace domestic postal deliveries.

Withdrawal of the post office meant the project did not match approved plans, said town planning chairman John Muir (267).

Mr. Muir said he was told on Friday the High Level Road project was going ahead, in spite of the post office cancelling its lease.

The project was approved earlier this year. There were concerns at the time that parking problems would be caused by people collecting post.

Mr. Muir said he had been told the space was to be used to sell motor accessories.

A new application would have to be submitted and debated.
Will Telkom take a private line?

Why not privatise Telkom? Reg Rumney looks at the pros and cons

Despite the protestations of the probable government in waiting, Telkom is a prime target for privatisation some time in the future.

Evert van Eeden, of the Office for Public Enterprises and Privatisation, says Telkom could be privatised within the next three to five years and given present profit levels and assuming a 10 percent earnings yield could be worth well over R5-billion.

Privatisation of all or some of the services Telkom provides would satisfy what is increasingly considered two main aims of privatisation: to raise revenue for the state, and to the privatised corporation more efficient.

With Telkom there is another overriding reason — its own debt, inherited when it split from the Post Office. At R10.2-billion, according to Telkom managing director Danie du Toit, writing in the annual report, the gross long-term debt is a heavy burden. Compare this to the R13.7-billion book value of assets.

Added to this is an actuarial shortfall in the pension fund of R1.5-billion, which is to be funded out of Telkom’s income over 15 years.

The annual report notes: “This burden will seriously impede Telkom’s ability to provide the modern infrastructures essential for us to successfully meet competition.” This is particularly worrying since all over the industrialised world telecommunications companies are committing enormous amounts to the modernisation of networks and the deployment of optical-fibre broadband systems to meet the multimedia needs of tomorrow’s clients.

Whether that capital investment will save the fixed-line networks Telkom operates from extinction is open to question. Some theorists believe the essentially different demands of increasing computer-to-computer communications imply the end of telephony as we know it. In this view, optical fibre and other supposed innovations are attempts to stave off the inevitable demise.

What of the technological future, privatisation could raise some cash to pay off debt African National Congress head of information services Andile Ngcaba says the ANC has set its face against the privatisation of telecommunications, including Telkom and cellular phones.

Turning the argument for privatisation to raise money on its head, the ANC argues the debt burden is one of a number of factors which will make it impossible for Telkom to compete.

While large international telecommunications companies have a debt-to-equity ratio of 1:2, Telkom is operating on a ratio of 2:1, it says.

Telkom says the debt-equity ratio has been managed down from 2:14 to 1 when the company was formed to 2:10 by 1997 and a policy decision has been taken to incur no new debt. Capital expenditure is being restricted to core business and is funded from internal cash flow. Telkom aims to manage the ratio down to 1:1 by 1998.

Telkom maintains its financial risk management is stringent exchange risks, for instance, are 100 percent covered.

The ANC’s arguments about Telkom’s financial plight are posted on Telkom’s ownership staying as it is.

Telkom’s authorised share capital now is R5-billion, comprising 5-billion ordinary shares of R1 each, 3.899-billion shares have been issued to the government as compensation for net assets taken over from the Posts and Telecommunications Department. The remaining 1.1-billion shares must also be issued to the state.

That R3.8-billion worth of shares may fairly represent what Telkom is worth now, that is all assets after deducting net interest-bearing debt and provisions.

Further down the line, as Telkom chips away at its debt mountain it could be worth more.

And at a future date, if Telkom needs capital to beat off a competitive threat or to expand big sums could be raised by a rights issue, particularly if those shares were privately owned — without going cap in hand to the government for subsidies.

The trick is convincing potential buyers that they want to own Telkom shares. Five years down the track this might be easier than it is now, with the lingering bitterness of the black privatisation, the depressed economy and still flat stock market and ANC resistance.

The ANC says it doubts Telkom’s ability to compete, particularly against cellular phone operators targeting the business sector ‘with an all-digital infra and inter-city service.’ The ANC believes a competitor could readily undercut Telkom’s long-distance traffic, placing up to 80 percent of it at risk.

This would be serious for Telkom, says the ANC, because of the heavy cross-subsidisation of local calls and rental services by long-distance and international calls. Telkom says bypassing tactics are impossible in terms of the licence agreement.

Competition from cellular telephones will be limited, at least initially.

Around 80 percent all calls generated, says Telkom, will be carried by Telkom’s fixed network, and for this the cellular operators will have to pay interconnect fees, adding to Telkom’s income. Moreover, Telkom has a 50 percent stake in one of the cellular phone network operations.

But what if there were cut-throat competition?

Though commercialisation has made Telkom more business-like, it is not a model of efficiency. The ANC, no less, says Telkom’s figure for completed calls is only two-thirds of that achieved by other telecommunications companies which have been exposed to competition.

Economic Reform Today, published by the Washington-based Center for International Private Enterprise, says the norm for US and European telecommunications companies is 0.2 employees or fewer for every 1,000 telephone lines in service. The Telkom figure is 17.

One answer to competition, for a private company, is obviously to bring down costs through cutting the workforce.

The ANC, however, states that cutting costs by shedding jobs is not an option. “Shedding labour would have direct industrial and political consequences and would not be an option readily available to Telkom,” says Ngcaba.

Telkom is already in the process of slimming down. Last year it shed 5,676 jobs through natural attrition and retirement.

Despite commercialisation, a market-oriented culture does not run deep in Telkom, nor — while it has a near monopoly — will it need to. With its R10-billion turnover, Telkom has budgeted only R19.1-million for marketing for this year, compared to, say, M-Net’s R50-million.

Telecommunications services were once regarded as natural monopolies because they are capital intensive and so are difficult businesses to enter.

The basis for the ANC’s belief that Telkom cannot survive in a deregulated market is that new technology will reintroduce the natural monopoly that it once held.

It can be equally argued that technological developments, such as computerisation, have made more real competition available. The network can remain in state hands, with attached services being run by competing private sector companies. Cellular telephones undoubtedly hold the hope of real competition once call costs come down, and the government allows competition.

Telkom is not itself clear whether the cellular networks are meant to be complementary or competition. But they do offer the potential for competition down the line. By that time Telkom may look more attractive to investors.

See PAGE 20
Talks on cellular phones

Mondli waka Makanya

NEXT week will be make or break in the cellular telephone battle. Parties involved in the dispute will meet to hammer out a compromise on the possible introduction of the phones early next year.

If compromise is not found, the introduction of the technology will be rocky with the African National Congress and its allies having promised to challenge the licences in court.

The government this week agreed to suspend the Post and Telecommunications Amendment Bill which the ANC construed as the sneaking in of privatisation of telecommunications.

More importantly there will be a "summit" next week attended by the government, the ANC, the union movement and the licence holders — Vodacom and Mobile Telephon Networks. The parties have agreed that "the matter will not be taken further before the discussions have been concluded," a point the ANC saw as something of a victory.

The parties see the agreement very differently. Post and Telecommunications representative Elsa Kruger says "The ANC accepted the allocation of licences has happened and they can’t withdraw them."

ANC information services chief Andile Ngcaba reacted angrily to media reports that the organisation had backed down. "We have not agreed to the process going ahead. The joint statement says clearly no further steps will be taken until the discussions have been concluded."

See Page 19
Who’ll benefit from the cellular phone fracas?

The real question to be asked about cellular telephones is ‘will South Africa benefit?’, argues Lisa Thornton.

The ‘cellular telephone debate in South Africa seems to be about who will get the new licences — and who will make the decision about who gets the licences. Although the government has awarded licences to Vodacom and Mobile Telephone Network, the African National Congress has suggested the process of awarding such valuable rights should be debated fully by all interested parties. In this transitional phase of government such participation — including participation by the public — is important.

But what the debate should really be about is whether the end result will benefit South Africa. The country will benefit from the introduction of digital cellular technology as long as physical and pricing access is assured.

But nothing is being done to ensure such access. The government must at least encourage competition to the fullest extent possible, and regulate the industry where competition will not work.

In addition to competing with each other, the two new cellular licences should compete with the entire range of telecommunications providers, including the existing land-based telephone network (Telkom) and the existing analog wireless network (recently sold to Vodafone). Among the competitors, there should be no cross-ownership or control of licences. In other words, neither Telkom nor Vodafone nor any other party should be allowed to own both an existing network and a part of a new one. Otherwise, there will be no real competition.

There also should be no inequitable subsidisation from the government for any licence. The government itself definitely should not hold a licence. History has shown the inefficiency of governments trying to run public utilities.

Finally, price fixing or other collusion among the competitors must be prohibited. Market-based competition will work to keep prices low and quality high, but only if it is real competition.

Another important aspect of pricing access is the cost of the end-user equipment. The reason telephones are inexpensive in a place like the United States is that there is intense competition among the producers and the sellers of the telephones. South Africa should be attempting to duplicate such competition.

Where competition will not work to ensure access, the government must intervene with regulation — regulation not to the extent of government control, but by requiring certain standards to be met. Certainly, some regulation should have been in place before the licences were awarded. However, there has never been a debate on regulation in South Africa.

To ensure access to all persons and all parts of the country, the government can require the licencees to cover a certain percentage of the land area with enough capacity to serve the residents and travellers within that area. Alternatively or in addition, it can require the licencees to cover a certain percentage of the population. It also should require non-discriminatory interconnection among the networks, and non-discriminatory reselling of the network operations.

Should the government wish to encourage ownership and control of the telecommunications infrastructure by those who historically have been oppressed, it could require all licencees to incorporate such persons into the ownership, control and management of the company.

The licensing process should be completely open to public scrutiny and fair. It will only be fair if it is competitive and open to all qualified bidders. No one — including Vodacom (the consortium of Telkom, Rembrandt and Vodafone) — should be awarded a licence outside the process.

Finally, the licences should be awarded to the highest bidders, as long as the companies satisfy the basic requirements of a licencee. Such money can be used to subsidize telephone services to individuals who cannot afford the service.

Lisa Thornton is a US corporate attorney with experience of the US telecommunications industry, now working at the Institute for a Democratic Alternative for South Africa.
The Bisto Supreme Court heard a recording yesterday of an interview in which the former NSP Sebe Scum, Gqozo, said that, by killing Charles Sebe, his soldiers had "rid the world of a scum". Gqozo was interviewed by Sunday Tribune reporter Yogen Devan a week after the 1991 shooting.

In the interview, Gqozo said the soldiers had not arrested Sebe and Col Oscar Guzana at the roadblock because they were on an operation to wipe out his soldiers "We just had to shoot them.

Asked if they could not have tried to take the men alive, Gqozo responded "No, that was not our plan, completely." Asked why they could not have arrested a man who was hurt, who probably did not have weapons and who was on the run - why he was "shot in cold blood" - Gqozo said: "I don't call it cold blood. That man took his chances and he knew it was win or lose, live or die, and he had done the same if it was him.

Masterbond hearing
THE Masterbond group, experiencing financial problems, 1984, used investors' funds to finance a looing situation, the Nel commission heard in Cape Town yesterday.

No word from NSB
NATIONAL Sorghum Breweries is silent on what action it is considering following corruption and nepotism allegations made against it in Tribute magazine.

Debt judgments up
CIVIL judgments for debt increased 5.1% to 152 796 in the 1993 third quarter, the Central Statistical Service said yesterday.

BCC freelance
IN Media Spot yesterday, David Gynsman described as BCC correspondent. He is, is fact, not employed by the BBC, but is an occasional freelance contributor.

Telecommunications forum launched
THE National Telecommunications Forum was launched yesterday after major compromises by all sides.

The forum's 25-person management committee elected Centre for the Development of Information and Telecommunications policy director Lyndall Slope Mafroo as forum chairman.

The Posts and Telecommunications Department declined the two seats offered on the management committee.

Academics slam cement cartel
BLOEMFONTEIN - SA's cement cartel, which operates even in Namibia, can no longer be justified, says two academics.

Bloemfontein economics professor Frederick Fourie and Stellenbosch economics lecturer Andrew Smith made the submission in a joint paper delivered at the Economics, Business Economics and Manpower research conference yesterday.

The cement market was dominated by a Competition Board-sanctioned cartel comprising Pretoria Portland Cement, Anglo-Alpha and Blue Circle.

The three companies accounted for 95% of the country's cement production, they said.

However, most of the smaller companies were controlled by the big three, which also had a controlling interest in the largest producers of the slag and fly ash necessary for producing cement.

The three largest cement merchants and retailers were owned by PPC and Anglo-Alpha.

The big three had entrenched their position in the market through regional monopolies and vertical integration which extended into the building industry itself.

The cartel had been in place for 20 years and there had been no new entry into the market since 1974 because of "formidable structural barriers", they said.

Attempts to import cement were countered by the big three by under-cutting the price or by filing complaints with the Board of Trade and Industry, claiming "unfair dumping".

Against this evidence it was unlikely that local rivals would be able to make serious inroads into the market, they said.

With competition eliminated, the average profit rates in the cement industry had been "roughly twice that of the building materials industry and four times that of the manufacturing sector" between 1972 and 1990, the two academics said.

The Competition Board could no longer justify the cartel, given the important socioeconomic role the cement industry would play in addressing the national infrastructure and housing backlogs.

Various structural features pointed to monopoly abuse. "The evidence made a very strong case that cement prices are set in excess of their marginal cost, with the normal monopolistic misallocation of resources. Evidence of super-normal profit rates and rates of return in the face of declining productivity in the industry strongly supports this case."

However, even if the Competition Board did prohibit the cement cartel, the industry would not automatically become more competitive, because of structural deficiencies.

"Unless these structural features are addressed all the cartel may simply continue in another, tacit form."

The Competition Board was reassessing the cartel. — Sapa.

Telkom 'must get going on affirmative action'
BLOEMFONTEIN — A new government was unlikely to accept Telkom in its present form, with government as sole shareholder and most skilled and management positions occupied by whites, Unisa's Prof B Erasmus and Telkom's Delano de Witt said at the annual Ecobusiness, Business Economics and Manpower Conference yesterday.

Discussing affirmative action, they said it was essential for Telkom to keep abreast of change.

Telkom's management board supported affirmative action because of shifting political pressures, the possibility of a new government imposing quotas on companies to appoint blacks and other disadvantaged people to skilled and management positions, and the threat of losing the company's customer base. An affirmative action policy was in the interests of the company's long-term success and restored its legitimacy, they said.

Telkom's approach was to balance a top-down approach with a participative, bottom-up approach. While some supported aggressive recruitment of people from disadvantaged groups, others, while supporting equal employment opportunities and non-discrimination, considered active recruitment of blacks to be discriminatory.

Given Telkom's urgent need to make progress, the management board would have to play a directive role in getting affirmative action off the ground. — Sapa.
Telephone rates up 6.6% from January

PRETORIA — Local telephone rates will increase by an average 6.6% from January 1, Telkom announced yesterday.

The price of a call unit will increase from 21.5c to 23.5c, installation costs by approximately R20 and rental in automatic-exchange areas by about R4.

Telkom had put aside R20 million to provide services to the underprivileged, managing director Mr. Dene du Toit said.

He said larger increases were avoided by reducing Telkom’s staff by 6.6%.

Charges for telex and teletex services and for telegrams remain unchanged as does the unit cost of calls from coin phones — Sapa
Telephone rates up
6.6pc next month

LOCAL telephone rates would increase by an average 6.6 percent from January 1, Telkom managing director Mr Danie du Toit announced yesterday.

This means the price of a call unit would increase from 21.5c to 23.3c; installation costs from R222.81 to R241.68; and rental in automatic exchange areas from R34.20 to R38.76.

The increases were below next year's predicted inflation rate of about nine percent, Du Toit said.

The unit cost of calls made from com- phones remains unchanged for the third consecutive year.

Du Toit said Telkom had put aside R50 million to provide services to the underprivileged.

A detailed billing system would be phased in from January next year.

Installation charges and rentals for telex and teletex services, rates for all public telegrams (domestic and international) as well as most rates for international services also remained unchanged.

But rates for telephone calls to certain neighbouring countries for which domestic rates applied because the same distance was covered, would be adjusted.

Du Toit said the tariff adjustments were necessary to cover rising expenditure.

Larger increases were avoided through increased productivity, he said.

— Sapa.
Another set of policy supremos

To SA's proliferating array of national forums add one more - the National Telecommunications Forum. It was launched last week at a two-day convention in Midrand and will draw up proposals on how telecommunications, the frequency spectrum and other aspects of telecommunications should be regulated.

The more than 200 delegates on hand represented the industry, consumer and civic organisations, trade unions, business groups, Telkom, academia and government.

But while government representatives were on hand as observers, they declined to take part. The Department of Posts & Telecommunications ignored calls to take the two seats allocated to government on the forum's management committee, saying this would result in a conflict of interest.

Postmaster-General Ters Oosthuizen maintains that it would be wrong for government to serve on a committee that will make recommendations to government, which will then rule on these proposals. "There is a conflict of interest. We cannot be judge and accuser at the same time. We will take note of what the forum has to say." The idea was to attend the convention as observers and not to accept any position on the management committee. Though the forum was well attended, it is an informal group of people. It cannot order the government to be there.

Elsa Kruger, speaking for Minister of Posts & Telecommunications Piet Welgevonden, confirmed this. "With all sort of informal bodies mushrooming, the Minister does not want people in the employ of his department to sit on unofficial bodies."

But Dirk Cilliers of the Electronic Industries Federation says "government is splitting hairs and should be involved in the motivation of this telecommunications policy; in any case, after April 27 it will be told to get involved." Other delegates say government's attitude was remissness of the old SA and that it had to adapt to the changing times.

Lyndall Shope-Mafole, who was elected to chair the forum, is unfazed by the controversy. She believes that the forum has an important role to play as a broad-based body that will make policy proposals and lobby the Independent Telecommunications Authority, once it is in place, and government.

"Our role is to recommend policies that will reflect a new democratic society and will redress the imbalances in the industry (such as the lack of telephone service in black communities). The policies should also ensure that SA strives to be an important node of global telecommunications, capable of participating internationally. We have an obligation to take SA forward."

The choice of Shope-Mafole (35) does not sit well with some critics, who say she does not have the necessary clout in industry. Others are more approving. "She's proven her ability to talk to people across a spectrum of interested parties - from the political left to established business and government," says Sentech MD Neel Smuts.

Shope-Mafole is also the director of the Centre for the Development of Information and Telecommunications Policy, which was formed by the ANC and in July organised the first truly representative national telecommunications symposium, the forerunner to last week's convention ("Business & Technology August 6)."

Born in Johannesburg, she was educated in Zambia and in Cuba, where she obtained an MSc in telecommunications engineering from the Havana Higher Polytechnic Institute. A former National Executive Committee member of the ANC Youth League, she represented the Youth League at the United Nations from 1986 to 1992.

It will be some time before the forum produces its first proposals, the forum's next session is not scheduled until May. So far, all that has been decided is the forum's mission, structure and funding.

The forum expects to spend R2m a year on salaries, consultancy fees, research and development and the management of 10 working groups. So far only Telkom has promised any money, committing R600 000. The forum's management committee comprises 23 people, who represent most of the interested parties. They will co-ordinate the working groups, which will each focus on a different key area.

Cellular phone operators Vodacom and Mobile Telephone Networks, as well as State-owned Transnet and Eskom, which have their own telecommunications facilities, were excluded from the management committee. It was decided that they should form an association, which would then be considered for a seat on the committee.

While the forum will need time to formulate its proposals, there's no rush because the Independent Telecommunications Authority is also some months away from being formed. Originally, plans called for one regulatory body that would oversee both broadcasting and telecommunications. But earlier this year it was decided to split broadcasting from telecommunications because the upcoming election made a decision on how to regulate broadcasting more urgent.

The Independent Broadcasting Authority Bill was approved in September and government now is starting to move on telecommunications policy.

On November 24, Postmaster-General Oosthuizen invited more than 20 major players in the industry - including the telecommunications forum - to join a steering committee. He says their work will be to consider how telecommunications should be regulated and draft proposed legislation that would establish the Independent Telecommunications Authority. The legislation would be circulated for comment before it is submitted to parliament.

TECHNOBYTES

- Multichoice, M-Net's sister company, forms specialist signal distribution company Orbicoat to spearhead expansion into Africa. The new company will manage M-Net's terrestrial and satellite links and transmission stations, as well as 100 community-owned stations in remote areas. The BBC will be a client.

- IBM, which disinvested in 1987, is expected to announce plans to return to SA within weeks. There has been much talk of IBM's reinvestment since October, when IBM local distributor ISG Group split from Barlow Rand.

- FNB disaster recovery specialist First Recovery signs two large contracts to provide computer back-up services should the mainframe systems at Eskom and the Post Office fail.
open its first outlets in Johannesburg and Cape Town.

The franchises will not compete directly with the Post Office when it comes to delivering mail, but they will give it a run for its money in the peripheral areas of post box rental (box holders can call the outlet 24 hours a day to see whether they have any mail), package pick-up and delivery and stamp sales. The franchises will also go beyond the Post Office's usual menu by offering fax services, gift wrapping, greeting cards and office supplies.

The Post Office management believes it has no reason to worry because the new company will operate in a niche market: "It can only stimulate our business," says GM Andre du Pisanu. "If there are more retail points, the whole business grows. We haven't got any objections as long as it doesn't affect our monopoly on standard mail."

Dunn also stresses that a decentralisation two years ago, the Post Office has gradually been offering additional services at its 1,700 outlets and 400 agencies. Customers now can buy stamped envelopes and packaging and make photocopies at some branches.

In May it allowed stamps to be sold at private businesses, such as bookstores and cafes, and in June it started Speed Services to compete with private overnight delivery services. Last month it introduced Fastmail to replace domestic air mail (Business November 5).

Mail Boxes Etc was founded in 1980 and listed in 1986. A major shareholder is the United Parcel Service, the leading American overnight courier service. The cost of setting up a franchise in SA is about R140,000, says Chris Dunn of Surefire Corp., which represents US franchises in SA.

Dunn, who is also in the running for Mail Boxes Etc's master franchise here, says the Post Office obviously believes that franchising is a good idea because it plans to offer certain locations to entrepreneurs next year. But he believes that it will remain bureaucratic, which will allow Mail Boxes Etc to claim a healthy share of the market.

"Choice, alternatives, that's what it's all about," Dunn says. "Let the market determine who's better, free it up."

Dunn says a successful niche is catering to business executives who do a lot of travelling. A secretary at the home office can keep the boss supplied with packages, post or faxes by forwarding them to Mail Boxes Etc branches.

He also sees a big market in letting post boxes (which will be able to provide customers with the street address that many want as well as a box number) because the Post Office has announced that it plans to scale back street delivery and make it a paid option.

To fill the gap the Post Office also plans to install 4m-6m of its own post boxes throughout SA over the next five years.

**MERCEDES-BENZ**

**Plugging a gap**

Mercedes-Benz's popular profile in SA as a manufacturer of luxury cars is changing. The launch next year of the Mitsubishi L200 one-ton bakke, plus the expected announcement of a new, intermediate range of Mercedes commercial vehicles, will reduce even further the contribution of the manufacturer's cars to its overall business.

Sales of luxury cars in SA have dropped considerably in recent years. Mercedes-Benz now builds S-Class, E-Class and C-Class cars in SA. Expected new local content regulations, intended to discourage SA manufacture of low-volume vehicles, could result in the company building just one range, the C-Class. The others would then be imported from Germany.

Mercedes-Benz also builds Honda cars at its East London assembly plant, along with heavy trucks and buses. The launch of the Mitsubishi L200, therefore, will fill a gap in Mercedes-Benz's SA model line-up, which has never included an entry in the bakke market, says chairman Christoph Köpke.

Another hole will be plugged later Köpke says. Mercedes expects to announce within a few months details of an intermediate commercial vehicle range between the L200 and its company's larger trucks.

Details of the L200 investment's cost won't be known until early next year. The agreement between Mercedes-Benz and Mitsubishi was signed in Germany last week and officials from both companies are meeting this month to determine exactly what needs to be done at the East London plant.

However, Köpke admits: "We have set ourselves a tremendously tight deadline."

The first vehicles are due to roll off the production line next August and will be in showrooms a few weeks later.

No decision has been taken yet on how the L200 will be marketed. The SA Motor Corp (Samcor) already builds and markets a number of Mitsubishi products and Köpke is conscious of a clash "We are looking very carefully at the brand name of the L200. Maybe a neutral name, we probably will not be selling the name Mitsubishi."

Köpke says the declining heavy- and medium-truck market made it imperative for Mercedes-Benz to find a smaller commercial vehicle. The SA transport business will increasingly require vehicles able to carry small loads cost-effectively.

Mitsubishi and Samcor, meanwhile, insist that the appearance of the L200 under Mercedes' banner won't affect their dealings with the Mitsubishi Johannesburg office.

GM Masaki Miyaji says: "We have no intention of changing our relationship with Samcor."

Samcor says it will continue to assemble and market Mitsubishi's L300 and Canter commercial vehicles as well as the soon-to-be-launched Pajero luxury four-wheel-drive station wagon.

"The association between Samcor and Mitsubishi has been a long and valued one to which we remain fully committed," Samcor says. "The fact that Mitsubishi has signed up with another quality marque to represent them in the one-ton commercial vehicle market is an indication of the importance that Mitsubishi places on the SA market."

The motor industry continued its recovery last month, according to figures released this week. Car sales were up 3,5% last month, compared with the same month last year, making November the 10th month in which sales rose. Sales of light commercial vehicles, bakkes and minibuses increased by 3.8% over November 1992. Sales of low-volume medium and heavy trucks remained weak.
Telkom must explain rise, says union

BY ZINGISA MIKHUMA
CONSUMER REPORTER

The South Africa National Consumer Union (SanCU) has challenged Telkom's advancement of the telephone tariff increase date from April to January 1993, and called on both Telkom and Government to give consumers a "transparent" reason for this.

SanCU chairman Lilibeth Moodman said the 6.6 percent increases on local telephone calls was a punitive measure for cash-strapped consumers.

The increases — of one call unit from 21.5c to 23.3c — were announced by Telkom managing director Danie du Toit last week.

Telephone installation costs will also rise from R222 to R241, and rentals will go up by more than R4 a month.

Du Toit said the increases were lower than the 9 percent inflation rate projected for next year (26.7%)

Moodman disputed this and argued that this was a second increase in a year, (rates went up by 9.5 percent and 3.8 percent in April 1 and 7 respectively), which would mean an overall increase of 14 percent.

SanCU believed that Telkom owed the public an explanation as to why the tariffs were being revised in January.
Peru, Romania order
Telkor's payphones

TELKOR has secured contracts for its payphones in South America and eastern Europe.

The Reunite subsidiary has orders for 1,000 payphones in Peru, and for 2,000 payphones in Romania.

Telkor, which also makes electronic parking meters, ticket issuing machines, access control, and time and attendance systems, increased its exports by 218% in 1992 and by 233% in 1993. In 1991 exports were just 5.7% of total sales, and in 1993, they were 40.8%.

A spokesman said Telkor had already installed about 20,000 payphones in eastern Europe while, in only three years, it had grown to hold 12% of this market in Europe, and was hoping for 17% next year and up to 23% in 1995.

He said Telkor was one of five big worldwide suppliers of both coin- and card-operated payphones and had only become a major player within the last three years, as markets opened up to SA. Telkor's products were aimed at niche markets and were designed for high vandalism areas.

The spokesman said the global telephone market was changing rapidly. Some major telephone operations were being privatised, and many payphones were becoming cellular-linked, due to problems in setting up network lines.
PUBLIC SECTOR - TELECOM, GENERAL

1993

JANUARY - JULY
Phone cards to beat vandals

TELKOM hopes to eliminate vandalism by replacing coin-operated public telephones with "cardphones" — which use special credit-cards instead of cash — before the end of this year.

Telkom spokesman Mr Fanus Bothma said yesterday that final models of the credit card-operated public telephones were not yet available, but prototypes would be displayed at Telkom's international telecommunications conference in Cape Town next month.

He said 'telephone cards' — similar to a bank credit cards — with values of R10 and more would be used in these models, and would be available from cafes, pharmacies, post offices and supermarkets.

Coin-operated telephones for private homes will also be available by the end of the year.

But renters' coin phones will be marketed mainly for in-house use in public places like clubs, restaurants, factory floors and hotel foyers.
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The enforcement was abolished.
High bills: Man takes on Telkom

Staff Reporter
A STEENBERG labourer yesterday brought an urgent application to the Supreme Court to have Telkom reconnect his telephone following a dispute over three unusually high telephone bills totalling R2,001.69.

Mr Raymond Richardson, of Viola Street, who is employed by the SA Navy, has obtained legal aid.

In papers he said his telephone had been disconnected on Monday after he received three "dramatically high" telephone bills and was told that he had made a number of 087 calls.

Mr Richardson said that whereas he was normally billed under R100 a month, the three disputed accounts received in April, May and June last year were R667.92, R1,688.94, and R2,451.13.

He wants Telkom to reconnect his telephone until a court has decided how much is due.

He said he lived in an area where crime was prevalent and had had to call the police several times.

He submitted that the high bills were due to misuse of his telephone by employees of Telkom or by people who were not allowed access to it by them.

He said Telkom recently admitted that some of its employees were guilty of such practices.

Mr Justice G A Kuhn postponed the matter to 10am today to give legal representatives an opportunity to convince him of its urgency.

Mr H Kotze, instructed by Windvogel, McKay and Associates, appeared for Mr Richardson. Telkom was not represented yesterday.
Telkom fired man for tapping

Staff Reporter

A TELKOM employee was fired after illegally tapping into the locked telephone line of his girlfriend's employers and making daily long-distance calls to Riversdale.

Mr. Wendell Baatjes and his wife, Mrs. June Baatjes, of Newfield Estate, said yesterday that about five years ago they queried their "excessively high" telephone accounts as they kept their telephone locked.

"Eventually we found out that a Telkom worker was tapping into our line on behalf of our domestic servant and making two long-distance calls a day to Riversdale." They confronted the pair, who admitted phoning illegally. Telkom fired the worker and waived the account for six months.

Telkom had waived the account in exchange for silence but they had decided that people should know it was possible for outsiders to use locked lines.

A Telkom spokesman said yesterday he could not confirm that this had taken place as records were only kept for three years at a time, but workers were constantly warned of dismissal if caught tapping into private lines.
Joint bid for liquidation

A CONSORTIUM of creditors will apply for the liquidation of advertising agency Media Business which allegedly owes it about R25m.  

22/11/93

A spokesman for the consortium, which includes the Newspaper Press Union, M-Net and Argus, said it had been decided on Friday to take collective action against Media Business in the interest of all creditors.

The SABC withdrew from the consortium after Media Business had paid 50% of its debt of more than R1m, a spokesman said.

-Subsequently a second cheque for the balance of the debt had been dishonoured by the bank.

The SABC was considering the situation after Media Business had failed to provide securities for outstanding debts.

Media Business could not be contacted for comment.
Telkom starts deregulation of value added services

WITH international trends pointing towards the deregulation of value added telecommunications services, Telkom has started the process to stimulate activity.

However, SA's value added network (VAN) providers are finding it tough to keep up with changing goalposts.

Telkom's corporate clients GM, Blackie Laheud, says deregulation requires government-appointed regulators to represent the interests of all parties. "In SA, the legislation governing the establishment of a regulatory body on all telecommunications and broadcast affairs has not yet been promulgated, but Telkom saw the need to stimulate the economy and to provide more choice and flexibility to clients, so instituted agreements for operating private VANs."

Thus was born through negotiations with the National Telecommunications User Group which represents all sectors of users, VAN providers and supply companies.

With regard to large VANs like Trafex, Vance and Firstnet, which say the goalposts are continuously changing, he says "We realise that conditions of the current agreements don't fully meet the expectations of all VAN providers, but we felt it necessary to start with agreements rather than waiting for the formal regulatory processes to be in place."

"We have identified some problems and expect that mutually acceptable changes to agreements will be made as the industry matures."

One such change could be instituted in current discussions between Telkom and Trafex.

Trafex's Jonathan Fleet explains that current VAN licences do not extend to international activities, meaning that data cannot be shipped overseas. This is a problem, because Trafex's network is linked to IBM's international network for global data communications. "Originally, Trafex was granted permission to deal internationally, but with changes at Telkom as well as IBM taking over from Telkom, the goalposts have changed."

Written permission is necessary for international data communications operations.

On the issue of sharing bandwidth, Fleet says Trafex operates on 23Mbit lines around SA. Customers are not running on all routes to utilise all the bandwidth levels. Time slots are divided into 64Kbit portions, and Trafex is happy to pay for the space it uses, but he says Telkom is advocating a situation where Trafex installs separate lines which will comply with VAN regulations. "Telkom can't audit the amount of bandwidth being used, so we have applied for separate lines which is an expensive and impractical exercise."

Firstnet MD Mike van den Bergh said although his VAN could have used parent company FNB's 2Mbit network, his group opted for separate lines from inception, because there was uncertainty over the regulatory situation.

Concerning international data communications, regulations say this can be done only on Telkom's Saponet network.

Meanwhile, in a move aimed to save money on fax trunk calls, Trafex this week launched a fax service. This will allow electronic mail to be distributed on up to 960 fax machines.

Fleet says Trafex has special dispensation to operate international mailbox services, and has had "good co-operation from Telkom" on this issue.

VAN general service agreements permit users and fax to enter or exit the service once only.
As far as could be established not one of Diamond's clients received any quid pro quo for the contract fee paid.

Diamond also encouraged prospective exporters to form close corporations comprising four to five members who would jointly pay contract fees to Diamond for exporting their products to Mozambique. Exporters were interested in this scheme since substantial savings could be effected in their transport costs. No evidence could be found that such exports in fact took place.

In the light of the seriousness of the complaints against the parties concerned the Committee took steps to stop the advertisements by Diamond. Consequently interest in the activities of Diamond gradually declined and eventually no further business was carried on. Diamond Business was liquidated on 24 March 1992 and the process for the liquidation of Diamond Trucking was commenced. Information at the Committee's disposal indicates that about 70 clients concluded agreements with Diamond. Jointly they paid more than R600 000 to Diamond.

4. Evaluation and recommendation

Since Diamond is no longer conducting business and an order by the Minister would therefore be unenforceable, the Committee recommends that the Minister takes no steps in terms of section 12 of the Act.

PROF. LOUISE A. TAGER,
Chairman: Business Practices Committee.
(22 January 1993)

Sover vasgestel kon word het geen kliënt van Diamond enige teenprestatie ontvang vir die kontraksgeld wat betaal is nie.

Diamond het ook voornemende uitvoerders aange- spoor om beslote korporasies bestaande uit vier tot vyf lede te stig wat gesamentlik kontraksgeldte aan Diamond moes betaal ten einde uitvoer van hulle produkte na Mosambiek te onderneem. Uitvoerders het belangstelling in die skema getoon aangesien aansienlike besparings in hul uitvoerkoste sodoende teweeg gebring kon word. Geen bewysie kon gevind word van enige uitvoere wat op hierdie wyse plaasge- vind het nie.

In die lig van die ems van die klagers teen die betrokke party het die Komitee stappe geneem om die advertensies van Diamond te stak. Gevolglik het belangstelling in die aktiviteite van Diamond geledelik afgeneem en het die betrokke maatskappye uiteindelik nie meer besigheid gedaan nie. Diamond Business is dan ook op 24 Maart 1992 gelikwieder en die proses vir die likwisie van Diamond Trucking het 'n aanvang geneem. Inligting tot die Komitee se beskikking dui daarop dat ongeveer 70 kliënte ooreenkomst met Diamond aangegaan het. Hulle het gesamentlik meer as R600 000 aan Diamond betaal.

4. Gevolgtrekking en aanbeveling

Aangesien Diamond nie meer besigheid doen nie en \"n bevel deur die Minister in hierdie geval dus onuitvoerbaar sal wees, bevestig die Komitee aan dat die Minister geen stappe in die geval van die Wet neem nie.

PROF. LOUISE A. TAGER,
Voorsitter: Sakepraktykkomitee.
(22 Januarie 1993)

NOTICE 53 OF 1993 • KENNISGEWING 53 VAN 1993
DEPARTMENT OF POSTS AND TELECOMMUNICATIONS
DEPARTEMENT VAN POS- EN TELEKOMMUNIKASIEWESE
STATEMENT OF REVENUE AND EXPENDITURE: NOVEMBER 1992
STAAT VAN INKOMSTE EN UITGAWE: NOVEMBER 1992

<table>
<thead>
<tr>
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<th>Estimate Begroting 1992/93</th>
<th>Month of November Maand van November 1992</th>
<th>Total April to November Totaal, April tot November 1992</th>
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<td>nications services:</td>
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<td>Operating Expenditure</td>
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<td>20 000 000</td>
<td>214 509</td>
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* Neither revenue nor expenditure is evenly spread over the financial year. Certain large operating expenditure payments are made quarterly, half yearly or annually, whilst capital expenditure payments are related to the execution of specific short and long term projects

* Nóg inkomste nóg besteding is gelykmatrik oor die boekjaar versprei. Sekere groot bedryfsuitgawe betalings geskied kwartaallik, helftyndru of jaarlik, terwyl kapitaaluitgawe betalings saamhang met die uitvoering van bepaalde kort- en langtermynprojekte
Notice 54 of 1993

MEETINGS OF PARLIAMENTARY COMMITTEES

MONDAY, 25 JANUARY 1993


TUESDAY, 26 JANUARY 1993


WEDNESDAY, 27 JANUARY 1993

Joint Committee on Environment, Mineral and Energy Affairs (Liquid Fuel and Oil Act Repeal Bill [B 12–93 (GAI)] and Petroleum Products Amendment Bill [B 18–93 (GAI)]).

TUESDAY, 2 FEBRUARY 1993

Joint Committee on Home Affairs (Public Service Labour Relations Bill [B 13–93 (GAI)]).

WEDNESDAY, 3 FEBRUARY 1993

Joint Committee on Security Services (Police Amendment Bill [B 19–93 (GAI)] and Armaments Development and Production Amendment Bill [B 29–93 (GAI)]).

Joint Committee on Home Affairs (Public Service Labour Relations Bill [B 13–93 (GAI)]).

OTHER MEETING

TUESDAY, 9 FEBRUARY 1993

Management Committee of Parmed Medical Aid Scheme.

Enquiries: W. Fonne, Head, Committee Section, Tel. (021) 403-2586, Beitel Page No. 3199

(22 January 1993)
Phone users may get option to Telkom's service

Staff Report

TELEPHONE users will have the option of not renting from Telkom if Dr Piet Welgemoed, Minister of Telecommunications, follows the recommendations of a report that the market was big enough for at least two operators.

Dr Welgemoed is expected to announce in the next few weeks how many licences will be granted to other operators besides Telkom, as well as further steps to privatise Telkom, a Telkom spokesman said.

Chairman of the Competition Board Dr Pierre Brooks said it was clear new companies entering the market would be at a disadvantage if the established company had state assistance.

"Deregulation must take place to ensure the long-term survival of competition in the market," he said.
Welgemoed ruling awaited

CAPE TOWN — Telecommunications Minister Piet Welgemoed is expected to announce a ruling on the number of operators which will be granted licences for mobile telecommunications within the next few weeks, a measure which will accelerate the deregulation of the telecommunications industry.

Once the number of operators has been determined, the operation of mobile telephone systems will go out to tender.

Welgemoed was also expected to outline the future role of state-owned corporation Telkom which, since its separation from the Post Office, has taken an initial step towards deregulation by commercialising its operations.

The Minister said in a statement yesterday that the issue of mobile telecommunications was being treated with the utmost urgency as it was the cheapest and fastest method of providing all South Africans with access to telephones.

Last year accounting and financial services firm Coopers & Lybrand investigated the best way of introducing mobile telecommunications into SA and suggested that the market was large enough for at least two operators.

The report made wide-ranging recommendations on the deregulation of the industry and at least 30 submissions on the report were received from all sectors of the telecommunications industry. Cabinet still has to decide on the report.

Welgemoed's adviser on deregulation, Pierre Pretorius, said there was a good chance the regulation of the frequency spectrum — which suffered with the breakdown of Colesa — would come up for further discussion with political groups such as the ANC and Inkatha. "No decisions will be taken before the government has spoken to all the political parties and to industries concerned," he said.

Competition Board chairman Pierre Brooks said the deregulation of the industry had to take place in such a way as to ensure the long-term survival of competition in the market.
TELKOM wrote off R77m in bad debts during the current year, a major portion of it on disputed phone accounts—usually 087 calls, Telkom senior GM finance Stoffel Erasmus said yesterday.

In many cases, Telkom had to give clients the benefit of the doubt that they had not made the calls they were being billed for, he said.

The disputes arose partly because Telkom could not provide a detailed breakdown of accounts. To do this would cost Telkom more than R400m, Erasmus said.

However, Premium Rate Association of SA chairman Neil Jacobsohn said Telkom had not made public what percentage was put down to 087 calls and what percentage to other factors.

He said it was "expedient for Telkom to blame 087 operators for its problems". While some of the R77m could be ascribed to 087 calls, it could also have been put down to subscribers being unable to pay accounts because of the recession and to other Telkom errors, Jacobsohn said.

Erasmus said Telkom had told 087 operators they could continue operations on a different basis, which meant they would have to get authorisation from clients to have access to their services.

The operators should also preferably use toll-free lines.

However, 087 operators were unwilling to do this because of the marketing costs they would incur.

Jacobsohn said it was not viable for local 087 operators to do their own billing.

He said a few operators were looking at other options. Some could return to the market. Offshore operators had, meanwhile, entered the SA market, using international phone facilities.
Telkom hopes to woo public with media drive

Telkom will launch a huge television and print campaign within two weeks in a concerted effort to reverse the badly dented public image it acquired in its first year of privatisation.

The campaign follows an undertaking given to The Star by Telkom chairman Jack Clarke in November to clean up the service, block the 087 premium lines and create a new, "user-friendly and efficient era".

At the time, Clarke was reacting to Star Line reports of sustained subscriber criticisms of sky-high bills, false meter readings, technicians plugging in to private lines to make costly calls, and computer errors resulting in service cut-offs.

Telkom blamed abuse of the 087 numbers and said it would have to write off R77 million because of unpaid premium line accounts. But the Consumer Council and other consumer bodies shrugged off the excuse and urged consumers to demand detailed accounts from Telkom and, if they were still unhappy, to sue.

"Legal action is the only alternative for consumers whose telephone lines have been cut because they refused to pay," Consumer Union chairman Lilibeth Moolman said.

Within days of the adverse publicity, Clark gave his "friendlier ring" commitment in an exclusive interview with Star Line.

Part of the clean-up campaign will reportedly include a "pop talk" on CCV at 8 am on February 12 by managing director Dane du Toit to Telkom employees, pointing out the errors of the past and how these must be avoided in future.

"The customer is king," they will be told, and subscribers will be able to "eavesdrop" by tuning into CCV.

On February 15 Telkom will reach out to the public in a massive media campaign. Subscribers will also receive a letter with their accounts in which the telephone company admits its mistakes and asks for suggestions from the public.
**COMPANIES**

Absa slashes estate agents' fees

ANDREW KRUMM

Not concerned by the move, which was a "desperate attempt" by MLS to gain business. "This is the third or fourth cut in fees MLS has made in the past two years. All they have done is bring their fee structure in line at long last." Swanepoel said the MLS fee would undercut his company's but said CPS was "fully booked for the next six months."

He said CPS's membership fees range from R150 to R250 a month, while the company leased out a range of computer hardware and software for between R350 and R340 a month.

De Blaas said MLS's service included the electronic processing of bond applications, the earlier registration of the property in the new owner's name, faster financial settlement to the seller and prompt payment of commission to estate agents.

Telkom joins capital market's major league

**TIM MARSLAND**

He said Telkom was also increasing its offshore marketing drive. About 4% of its bonds are held by foreigners and 20% by local institutions.

Landman said a number of offshore banks had approached Telkom with a view to making a market on its bonds. Telkom had taken no decision on this.

DM200m in German bonds matured in July. He said Telkom would consider rolling over the loans, depending on costs. It had no plans at present to raise further cash offshore.

He said Telkom would be keen to roll over the bonds to retain its presence in offshore bond markets.

Finance costs, now projected at R1,5bn for 1993/94, were reduced by about R260m through Telkom's marketing operations. Revenue was projected at R7,6bn and expenditure at R5,3bn.

Telkom also plans to issue commercial paper in the current year. Landman said the extent to which this method of financing would be pursued depended on interest rates. Telkom had the advantage that its paper was guaranteed by government.

Hanson gold-for-coal swap

LONDON — Anglo-US industrial conglomerate Hanson announced yesterday it had agreed to swap the gold assets of its US unit, Gold Field Mining Co, with the coal and quarry assets of Santa Fe Minerals Corp, which is linked to the US's Santa Fe Pacific Corp.

Hanson said it expected no significant gain or loss from the trade, which is subject to government approvals. The Santa Fe mines and quarries have a tangible net asset value of about $131m, while the Hanson gold assets have a similar value of $150m.

Among the assets Hanson will receive are Santa Fe's Lee Ranch coal strip-mine in New Mexico. Hanson said some of those reserves were subject to leases that generated royalty income.

EXECUTIVE SUIT
Telkom in fresh drive to improve standards

VENNESSA SCHOLTZ
Staff Reporter

TELKOM is renewing its commitment to customer service and is determined to be a fully fledged business, managing director Mr Danie du Toit told delegates to a telecommunications conference in Cape Town today.

Mr Du Toit was opening the National Conference and Exhibition on Telecommunications in South Africa, attended by more than 1 200 delegates from throughout the world.

Mr Du Toit said Telkom could not change from a bureaucratic organisation to a sleek business-oriented company at the drop of a hat.

"We've inherited a rigid infrastructure and people who are used to doing things in a certain way," he said.

"We are in the process of injecting a sense of urgency into our staff.

"Our aim is to make each and every Telkom employee understand that it is not enough for only management to be serious about seeing the moment. Everyone in Telkom must be involved in the task and committed to making it happen."

He said Telkom would learn from its mistakes and embark on a path aimed at making the company "super-successful."

The commercialisation of the telecommunications industry, the deregulatory environment, continuous changes in technology, increased client demands; the provision of a cost-effective service and socio-political developments in southern Africa had had an impact Telkom, he said.

Priorities had been identified and these were encapsulated in the slogan "Telkom for clients."

Mr Du Toit highlighted three new Telkom projects.

- Toll-free helplines to give clients direct access to information and advice;
- New client service centres and improvements at existing ones;
- The decentralisation of power to the regions, which would streamline its head office and enable regions to provide a faster and more efficient service.
Card-operated phones soon

Card-operated public telephones will become part of our lives from the second half of this year. Telkom has 20,000 of them on order.

Media liaison officer Mr Fanus Botha said yesterday that the contract value was R65m, which included the cost of some four million pre-paid phone call cards.

Telephone calls will cost exactly the same on card telephones as they do on coin-operated public phones. Card phones will not replace coin-operated ones, but supplement them.

One advantage of the card phone is that vandalism of public telephones tends to decrease when phones do not contain coins.

Card phones are out of order less often and it is virtually unheard of for a card-operated public telephone to “eat” a user’s money.

Cards will initially have R10 worth of calls on them. When the calls have been used up, the cards are thrown away. Later R50 and possibly R100 cards may be introduced.

Each time the card is used, the remaining value is displayed on a small screen on the telephone. Telkom hopes that phone cards will be sold at cafés, chemists, post offices and shops.
Telkom admits to poor year

Staff Reporter

TELKOM's managing director, Mr Danie du Toit, told more than 1 000 international delegates attending a Telkom conference that the telecommunications company had not measured up to expectations over the past year.

In his opening address to the Telkom '93 conference, at the Nico Malan Theatre yesterday Mr Du Toit said: "We fully realise that our performance over the past year did not measure up to expectations."

Mr Piet Welgemoed, Minister of Transport, and Post and Telecommunications, said the government was in favour of introducing competition in the industry.

Head of the ANC's Information Systems Department, Mr Andile Ncaba, said yesterday the ANC was opposed to the privatisation of the public telecommunications network in the post-apartheid South Africa.
CAPE TOWN — Bureaucratic rigidities had blocked rapid commercialisation of Telkom, MD Daniel du Toit told conference delegates yesterday.

The three-day conference is being attended by more than 1,000 delegates, many of them from abroad.

Du Toit said it was not going to be easy to convert Telkom into a fully fledged, financially healthy business organisation.

He conceded that its performance during the past year did not measure up to expectations.

"Just as a giant ocean liner cannot be turned around on the proverbial dime, Telkom cannot change from a bureaucratic organisation to a sleek business-orientated company at the drop of a hat.

We've inherited a rigid infrastructure and people who are used to doing things in a certain way."

However, Du Toit emphasised that there was a determination to achieve this turnaround in the shortest possible period, and all operational and capital budgets would be directed towards this goal.

A sense of urgency was being injected into the organisation's staff.

Telkom was giving serious attention to a number of projects to improve client services and to do away with "cumbersome bureaucratic procedures."

These included installing toll-free help lines to give clients direct access to information and advice, establishing new client service centres and upgrading existing ones with the aim of having about 100 in operation by the end of the year; and finally decentralisation of power.

"Our aim is to streamline head office and to empower the regional so that we can give our clients a faster and more efficient service," he said.
Regulation measures possible this session

CAPE TOWN — Legislation providing for the regulation of the telecommunications industry would probably be passed in this year's parliamentary session, Transport, Posts & Telecommunications Minister Piet Welgemoed told delegates yesterday. The legislation would also give greater clarity on the role and functions of the regulator, the identity of whom would be announced shortly.

Welgemoed said the parties at Ceda had agreed last year on the establishment of an independent regulatory body and he was optimistic that discussions on the relevant legislation would resume in due course "and lead to the establishment of a regulatory dispensation having broad support and credibility".

Also to be announced shortly would be the preconditions and guidelines for the issue of cellular licences. Welgemoed said government was in favour of introducing competition, which had a beneficial impact on efficiency and prices to the consumer.

He said he was in the process of studying the replies to the Coopers & Lybrand Study on the various policy options for restructuring telecommunications services.

"Telecommunications, together with electricity and transport, is one of the essential pillars for economic growth and prosperity. "It is, therefore, absolutely vital to apply telecommunications technology in order to improve the economic and social well-being of the community, not only in SA and the sub-continent, but throughout Africa. "Unfortunately, telecommunications facilities are sparse in many of SA's neighboring states. If the sub-continent's economy is to prosper, it is absolutely essential that the trading partners have stable and efficient telecommunications services," Welgemoed said.
Call for ‘price caps’ on Telkom

CAPE TOWN — Price caps should be placed on services rendered by monopolistic utilities such as Telkom in order to push their productivity to the highest possible levels, Eskom corporate information office and National Telematics User Group chairman Etienne Theart said at the Telkom '93 conference yesterday.

Another way to keep tariffs within reasonable boundaries, he added, was to audit tariffs on a cost-related basis and to benchmark the tariffs against those of other utilities.

Theart argued in favour of Telkom’s monopoly being kept to a minimum in a regulated environment and said co-operation with other utilities should be promoted to cut down the cost of providing the infrastructure by licence to Telkom.

"When infrastructure is to be created, the cheapest and most efficient means should be sought, regardless of the owner The acid test should be that the benefit to SA be maximised The test on each issue should be whether the solution promotes the standard of living of all the communities in the SA nation."

Theart said the perceived needs of telecommunications users in SA were changing for two major reasons — the change in technology and business practice and the changing political and social scene.

The main goals would be to install an affordable telephone into each business and into, or nearby, each formal or informal home and to supply adequate economic telematics facilities to the business community.

"Telecommunication next to electrification is a very important catalyst to development in a developing country like SA. For this reason telecommunications will be a major target for control in a period of transition To meet the needs of all stakeholders the industry has to get its house in order and meet these needs. All role players would be wise not to hold on to unrealistic turf," Theart said.

Telkom Mobile Communications GM Loed van Aardt said the most important threat to the Telkom monopoly was the advent of affordable digital radio mobile communications.

Cable & Wireless marketing director for the Middle East, Africa and the Indian Ocean David Foot said the international trend was towards the privatisation and liberalisation of the telecommunications industry.

"Nations have realised that in certain circumstances the policy of liberalisation and deregulation can give the competitive boost needed to modernise national infrastructures and stimulate the introduction of advanced services throughout the country, based on commercially funded research and development and private investment," Foot said.
metro

R410 000

windfall for

(291)

Post Office

By Michael Sparks

A whopping R410 000 cash was retrieved by the Post Office for its own use last year from returned mail which could not be traced to the senders.

Post Office Waitswaterrand regional manager Currie Faurie revealed this yesterday when announcing that an investigation had found that an undelivered Christmas mail had been burnt by the Bryanston post office in Randfontein.

He said the Returned Letter Office (RLO) in Cape Town received 166 069 letters and 319 600 registered items last year which could neither be delivered nor returned to senders. These letters included R410 000 in cash which was paid into a special account.

Post Office spokesman Juliana Nel said the PO used this money for "general Post Office business".

Faurie said unclaimed parcels were kept for three months at the RLO, after which the contents were sold at public auctions.

Dealing with claims by Bryanston post office workers and Kelvin power station personnel - published in The Star last week - that thousands of undelivered Christmas mail items had been burnt at the power station, he said the investigation had found that only discarded advertising mail and old office records had been incinerated.

Yesterday Faurie took media representatives to a shed at the Bryanston post office where at least 15 bags filled with the contents of the post office rubbish bins over the past week were kept.

He said the rubbish had been saved to show the media what people threw away, and what the post office then had to get rid of.

One bag was tipped out to reveal discarded, unopened advertising mail, envelopes that had been torn up before being opened as well as discarded notices informing bondholders that they had articles to be collected from a counter.

Faurie said it was the contents of bags like that, as well as old office records, which had been burnt.

He added that those items were usually shredded at the Jeppe Street post office in Johannesburg and then collected by a paper company for recycling. But the shredder was not working, so the paper had been burnt, which, he claimed, was standard practice around the country.

Faurie admitted that since the articles were published in The Star, the PO had received a number of calls from people complaining they had not received their Christmas mail.

Undeliverable Bryanston postmaster Ron Faurie with mail sent in September that has still not been collected by customers from their post boxes. Picture: Michael Sparks.
Supreme Court Reporter
TELKOM was yesterday restrained from suspending or terminating the telephone service of a Retreat naval employee who had refused to pay "dramatically high" bills.

In the Supreme Court, Mr Justice R M Marais granted the interim order and ordered Telkom to restore the service pending the determination of legal action to be instituted by Telkom against Mr Raymond Richardson, of Viola Street, for non-payment of disputed telephone bills.

The interim order is a sequel to a dispute between Mr Richardson and Telkom when his telephone service was disconnected over three "dramatically high" telephone bills.

Telkom claimed Mr Richardson had made a number of 087 calls. Mr Richardson said he lived in an area where crime was prevalent and needed his telephone to call police.

He claimed that during the period of the disputed amounts, Telkom employees were working on telephone lines in the area and he and his family would occasionally pick up their telephone to dial and hear people already talking on the line.

Telkom recently admitted that some of its employees were guilty of dialling 087 numbers, he said.

Mr M Maathee, Telkom's chief administrative officer, denied Telkom was in breach of contract and said it was entitled to suspend a telephone service in a case of non-payment.

An intensive investigation found equipment was not faulty and other factors did not influence the accounts.

It was unlikely that Telkom employees could have acted unlawfully, he said.

Mr H Kots, instructed by Mindwegel McKay and Associates, appeared for Mr Richardson. Mr D J van der Walt, instructed by De Klerk and Van Gend, appeared for Telkom.
Telkom told to switch on

Staff Reporter

THE Supreme Court has ordered Telkom to reconnect a navy labourer's telephone which was suspended when he refused to pay unusually high telephone bills.

Mr Raymond Richardson took Telkom to court after getting telephone accounts for R687, R1063 and R245 instead of the usual R30 to R110.

He told the court that when his wife quizzed the amounts she was told Telkom had a printout showing 087 premium rate numbers had been called from his telephone.

Mr Richardson disputed this, saying the telephone was always locked and the people with access to it were prepared to swear they had not made the calls.

He claimed the increased bills were a result of misuse by Telkom employees or people given access to his line by Telkom employees.

Mr Justice Marais granted an interim order that Telkom restate Mr Richardson's telephone line. The judge also ordered that Telkom had 60 days to sue Mr Richardson for money outstanding on his account.
Massive investment in information technology has to overhaul the supply agreements.
Poor electronic links ‘keep Africa isolated’

MANY African countries are sliding into trading oblivion through a lack of a telecommunications infrastructure — and South Africa is struggling to catch up with latest developments.

This warning was given in Cape Town at the Telkom ’93 national conference on telecommunications.

The executive chairman of the RF Group in the United Kingdom, Wilfred Mole, said the failure to provide adequate telecommunications services in African countries might deter foreign investors, such as mines, banks, farmers, trading companies and hoteliers.

All needed good quality telecommunications to maintain their competitiveness, he told conference delegates.

“Global economic integration and the needs of international and domestic business will continue to pressure developing countries to improve their telecommunications infrastructure and operations,” said Mr Mole.

“Unfortunately, most of them are falling behind and the resources necessary to meet growing demands are simply not there.

“Public resources — such as grants and loans — obviously will continue to be made available, but it has been proved conclusively that this is a flawed approach and does not bring about the required result.

“Funding a loan will not correct the deficiencies of government departments, nor will it necessarily improve the stock of technical and managerial resources needed to operate an official telecoms system in the longer term.”

Mr Mole emphasised that a “highly appropriate people remuneration factor” would be the key to bringing capital and managerial skills to the fore in arresting the decline in the telecommunications infrastructure throughout Africa.

Improvements and change were driven by the profit motive.

“Africa is learning, as have other areas of the world, that dedication to a market economy and the private sector is needed to harness the human element and unleash private investment,” said Mr Mole.

The sales manager of Trafex South Africa, Colin Mayne, said the Republic probably had another two years in which to become an adept electronic trader or suffer the consequences in the global marketplace.

“We have a lot of catching up to do. We have an opportunity to get it right from the beginning — but only if we learn from the mistakes the pioneers have made.

“A South Africa battling for survival in the jungle of global competition cannot afford to pass up the chance to learn from other countries’ costly mistakes.

“Our international partners in Europe and the United States have already gained five to seven years’ experience in electronic data interchange (EDI).”

Mr Mayne said the port of Rotterdam allowed only electronic traders to move goods through the port, while the UK had set a deadline of 1997 by which anyone moving goods through its harbours would have to be fully electronic.

He urged senior management to be “absolutely committed” to EDI’s being the priority goal of their businesses and not to regard it as a “technical problem.”
Two teenage phone hackers caught

TELKOM was spending “millions” to secure telephone lines against illegal connections, it said last week.

Witwatersrand communications manager Gert Schoeman said such connections were a major headache for Telkom, particularly at distribution points like blocks of flats, where telephones were simply connected directly to cables.

Two teenagers were tracked down last week after ringing up foreign calls worth nearly R106,000 on one neighbour’s lines in Sandown.

One neighbour received a telephone bill for R72,000.

Schoeman said the calls were made through computer equipment which enabled deaf people to use telephones.

“Telkom has been investigating the matter for some months. By electronically monitoring the lines it was possible to establish from which townhouse the calls were made.”

Schoeman would not identify the boys, but said a charge had been laid in terms of legislation making tampering with the telecommunication network illegal.

Their parents would probably have to pay the account run up by the boys.
TELECOMMUNICATIONS

Calling for cellular

One word could sum up the Telkom '93 conference in Cape Town last week: cellular. Delegates favoured the Global System for Mobile Telecommunications (GSM) as the cheapest, most practical way to give everyone in SA access to telephones.

Telkom has said a new cellular network could be operating in SA by early next year and GSM is the most likely choice. The various contenders to build and operate the network — it seems likely that only two licences will be granted — are waiting for an announcement by government, due in the next few weeks.

Radio-linked services such as GSM have various advantages over landline services. Installation is rapid and simple, the system requires little infrastructure, costs are lower and there’s less copper wire to be stolen.

In addition, GSM has wide international acceptance, making it more cost-effective than current cellular systems, according to Telkom mobile communications GM Alan Knott-Craig. GSM callers will be able to contact anyone in the world from anywhere, provided the area is serviced by a GSM network.

Knott-Craig says there could be about 100m mobile telephone subscribers worldwide by 2000. "The process is moving towards the third generation — a universal mobile phone service."

With its much higher traffic capacity, GSM is superior to earlier analogue cellular systems. With GSM, the information is encoded, through a digital modulation technique, for translation to radio frequencies and transmitted. On analogue systems, information is modulated and multiplied up to radio frequencies for transmission.

GSM networks consist of a number of radio cells providing complete coverage of the service area. A call is picked up in each area by a Base Transceiver Station. A group of base stations are, in turn, controlled by a Base Station Controller, which ensures seamless handover, as the caller moves from one cell to the next. The Mobile Services Switching Centre is the core of the system, controlling the base stations, routing calls to destinations and connecting the GSM to public networks.

The system gives subscribers their own dedicated telephone number for use anywhere in the world. Subscribers are recorded on "smart cards" that have built-in microchips recording personal details.

A user can gain access to the system from any GSM telephone. Security is strict: cards cannot be activated without a valid private identity number and a sophisticated encryption process ensures confidentiality of telephone calls.

Itemised billing is another spin-off of the system. Like a credit card account, the telephone bill will be sent to the subscriber’s permanent address.

But buying a cellular telephone is one thing, access to a network another. Only one cellular network is operating in SA at present. Based on the old analogue system, it has 12 500 subscribers in the PWV, Durban and Cape Town. "The frequency band of the system is congested and there isn’t much scope for expansion," says Siemens mobile phone technical manager Paul McKibbin.

Another disadvantage of the current setup is the high cost of the telephones. Says McKibbin, "The frequencies allocated here were different from elsewhere in the world, so terminals had to be manufactured specially for the SA market, which meant there was no possibility of getting cheap terminals."

ENTERTAINMENT

Singing a new tune

The success of Irish singer Ciaran de Burgh’s tour of SA bodes well for the entertainment industry. Promoters learnt a lot from last year’s financially disappointing Paul Simon tour, which was dogged by political controversy and threats of violence.

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Telemarketing and telemarketing...
Cellular phones get the go-ahead

The Argus Correspondent

JOHANNESBURG.—Cellular telephones — the ultimate status symbol overseas — have been given the official go-ahead to invade South Africa.

Posts and Telecommunications Minister Dr Piet Weigemoed announced last night that he had decided to grant licences to two cellular telephone operators. Telkom would be granted a share in one of the licences.

The introduction of cellular phones is set to transform the country's communications. Cheap and easy to install, cellular phones are expected to link people in isolated rural areas with the telephone service for the first time.

Mr Weigemoed said he would appoint a regulator for the telecommunications industry, who would be assisted by a panel to advise the ministry on policy issues.

The regulator would be expected to ensure that a "level playing field" was created for other operators and to ensure developing communities benefited from the distribution of cellular phones.

More licences could be granted, depending on the availability of frequencies.

So far frequencies had been made available in the 900MHz spectrum. Each operator would be given 10MHz.

Telkom would be granted a 50 percent share in one of the first two licences, he said.

The conditions of practice for Telkom and its partners would be exactly the same as those applying to the other licence.

He said the names of the licencees would be announced later.

Although the introduction of cellular phones is set to bring South African telecommunications into line with those around the world, it is certain to hurl the country into the worldwide debate on their safety.

A raging row broke out in the United States last month when a Florida man claimed his wife's fatal brain tumour was due to her consistent use of a cellular telephone. Although some research has shown a relationship between use of cellular telephones and brain tumours, none has yet been conclusive.
Telkom debts

Telkom's bad debts last year totalled R65 million, Minister of Posts and Telecommunications Dr Piet Welgemeed said yesterday. — Sapa 18/2 1973.
TELECOMMUNICATIONS

The Age of the Monopolies

Regulation and deregulation of telephone services are at the center of telecommunications policy in many countries. The need for competition in the industry has been recognized as a way to improve quality and reduce costs. The term "telecommunications" refers to the transmission of information, typically by wire or wireless means, over distances. It includes telephone services, internet, cable TV, and broadcasting.

In the past, telephone services were provided by monopolies, which were often state-owned. These monopolies were criticized for their limited innovation and high prices. The move towards deregulation began in the late 20th century, with the United States leading the way in 1984 with the Telecommunications Act. This act allowed for the creation of new entrants into the market, which led to increased competition and lower prices.

However, the transition from monopoly to competition is not always smooth. There are many challenges, including the need to invest in new infrastructure, the need to adapt business models, and the need to develop new revenue streams. Additionally, there are regulatory issues, such as the need to ensure that all consumers have access to affordable services.

The role of governments in telecommunications has evolved. In some countries, such as Singapore, the government still plays a significant role in the industry. In others, such as the United States, the role of the government is more limited. The future of telecommunications is likely to be shaped by ongoing debates about the balance between regulation and competition.

Conclusion

The telecommunications industry is undergoing significant changes. The move towards competition is creating new opportunities for innovation and growth. However, it also presents challenges for companies and governments alike. As the industry continues to evolve, it is likely that we will see further changes in the coming years.
**FOCUS:** Telkom spends R7.5-m on improving its image. But what about the service?

**Telkom’s tears. Consumers’ trials**

**TELEVISON** viewers should line up several boxes of tissues when they watch 90 seconds of advertisements, in both official languages, featuring Telkom’s chief executive, Danie du Toit, apologising to consumers.

He is backed up by a thousand violins playing something awfully mournful — perhaps a funeral dirge over a body of bad service. He apologises for the appalling service we have all had to suffer and promises better.

This TV advert, plus advertisements in the press, will cost the company R7.5-million.

And now, reporters were told at the launch of the advertising campaign, the cabinet is working out what increases Telkom can pass on to consumers to help the company jack up its dismal performance — although it is making a nice profit at our expense.

The campaign is poorly timed. Journalists were told by way of explanation for the campaign that the 64 0000 Telkom staff members will all be trained and retrained to render better service. But nobody in the upper echelons, it would seem, has been fired for delivering such a bad service — and they do not seem to be getting any retraining at all. Instead, corporate soul-searching has produced the need to hire more experts at the top and, to a large extent, to blame the change of culture from government to private enterprise for the poor service.

It may be so, but this Critical Consumer has a longer memory than those at Telkom. There was a period when the telephone service was run by the government and the service was terrible. Then the government brought in Louis Rive and it improved dramatically. Service slipped again after Rive’s retirement — a slide which continued until privatisation when the gradient became steeper.

Telkom should perhaps have reorganised its people at the top, fired those with a proven track record of incompetence (making money out of a monopoly by forcing exhorbitant charges out of the public takes no skill) and done the retraining it says it will do.

Only then could it have advertised its achievements to a public that would have tasted corporate contrivance in an improved service — the place it really counts. It could have played triumphant, happy music to reinforce our by-then improved feelings towards Telkom.

The counter-argument is that Du Toit has placed his butt on the line and he will simply have to produce the goods. If he does not, will the culture of corporate responsibility take its toll in the old government way (leaving all intact with feathered nests) or the new privatised way (with a Bob Aldworth-like fall from grace)? This Critical Consumer is sceptical that any meaningful changes will take place.

Most of the top structure of Telkom is white, male and Afrikaans. The majority of its present, and potential, consumers are black, female and speak several different languages.

The only change since privatisation is that parliament cannot force a modicum of accountability with the ending of formal government control of the telephone service.

There will not be any rapid change to the services available to consumers. Telkom has warned that it cannot extend the service of detailed billing to all consumers as the technology is not available anywhere. And the cost of providing a detailed account will be passed on to consumers.

Telkom faces a major legal problem here, however, as the Cape Town Supreme Court recently upheld a consumer’s right to keep his service because Telkom could not prove that the consumer had run up the extremely high bill.

Other services may not be introduced either. A journalist asked if Telkom would offer reduced rates at off-peak hours for overseas calls. She was told that the other country would receive the calls during working hours and that research would have to be done.

All the competing telephone companies in the United States offer this service, so do the Dutch, Singapore and Australian services as well as British Telecom and its rival, Mercury. Their consumers can dial some country with another time zone and get the benefit of reduced rates at the time the call was made in the country of origin.

Danie du Toit and Co have placed their already sullied reputations on the line. Consumers may have little choice but to sit back and see if the phone company delivers the goods. They will need the tissues for the tears, if not from deep sadness, then from laughter.
Post office revenue soars

Political Star

THE Post Office expects to almost double its income in the 1993/94 financial year, mainly because of higher licence fees for radio communication introduced at the beginning of the year.

Introducing the Post Office Appropriation Bill, Posts and Telecommunications Minister Dr. Piet Welgemoed said yesterday the increase would boost the Post and Telecommunications Department's revenue from R26.5 million to R42.7m.
Higher licence fees boost Posts budget

CAPE TOWN — The Department of Posts and Telecommunications was budgeting some R38.2 million for the new financial year, Minister Petie Welsmoed said yesterday.

Introducing the Post Office budget, he said this was about R13.7 million more than the revised estimate for the present financial year.

Welsmoed said the expected revenue for 1993/94 was a total of R42.7 million, as against R35.5 million.

"The higher revenue budgeted for is based mainly on higher licence fees for radio communication, which came into effect on January 1 1993." Welsmoed said the present financial year was the first full year in which the department had functioned in its new regulatory role.

"The year was mainly a transitional one, and for some time still the department will inevitably remain in a transitional phase."

Consultants from overseas were appointed in 1991 to advise the Government about the design of a regulatory framework.

Their report had been published for comment last year and the processing of far-reaching comment from many parties was almost complete.

The report and comment would form the basis of regulatory legislation now being dealt with, the Minister said.

A new development was the revolutionary cellular telephone system to be introduced in South Africa. The Government had decided to grant licences to two networks to operate cellular phones.

While two licences for mobile operators would be granted, the State retained the right to grant further licences as the market developed.

To enable Telkom to share in the rapid development of telecommunications technology, it had been decided to grant the organisation a share in one licence, he said. — Sapa
Rosy Post Office forecast

CAPE TOWN — The Post Office expects its income to almost double its income in the 1993/94 financial year, mainly because of higher licence fees for radio communication introduced at the beginning of the year.

Introducing the Post Office Appropriation Bill, Posts and Telecommunications Minister Piet Wielgemoed said yesterday the increase would boost the Posts and Telecommunications Department's revenue from R28.5m to R43.7m.

The increases would affect all users of radio spectrums, including the cellular phone network, radio stations and two-way radio systems.

He said there was a good chance broad agreement could be reached in negotiations over the regulation of the telecommunications spectrum.

The proposed body would ensure the greatest possible degree of independence for users of the spectrum and legislation would be prepared on the subject.

Another expected development was the introduction of a new computerised system for managing the electromagnetic spectrums, which would include the construction of six regional stations.

The increased management costs involved would raise the department's total expenditure by R19m. Total expenditure in the present financial year was R19.538m against the R19.638m budgeted for, while revenue was estimated at R28.5m against the R28.7m budgeted.

Sapa reports Wielgemoed also told Parliament the present financial year was the first full year in which the department had functioned in its new regulatory role.

"The year was mainly a transitional one, and for some time still the department will inevitably remain in a transitional phase."

As he had mentioned in his budget speech last year, foreign consultants were appointed in 1991 to advise government about designing a regulatory framework.

Their report had been published for comment last year and the processing of comment from many parties was almost complete. The report and comment would form the basis of regulatory legislation currently being dealt with.
FEARS that local companies will not benefit enough from the massive spending due to take place in setting up two cellular phone networks in SA have been voiced by the Electronics Industries Federation (EIF).

EIF vice-president Tony Farah said government could be "rushing" the task of implementing the new systems.

Government is widely expected to release tender documents for the new networks in the next few weeks, with installation of the system starting before year-end.

Farah said that with two independent networks being installed, the investment would be considerable. Depending on the technology used, it is believed an investment of at least R1,3bn will be needed.

"Government should ensure in the tender that as much as possible of this sum is spent in SA. Local content should be a selection parameter, with as much SA value used as can be supplied," he said.

However, potential network operators said they would certainly shop around the world to source the most cost effective products, as this would keep costs as low as possible. One mooted the possible introduction of a new supplier in SA to compete with companies like Altech and Siemens.

Farah said money spent overseas should be offset against exports from SA. He said local industry should be encouraged to develop peripheral equipment to adapt the system to SA's specific conditions.

Altron Group executive Jacques Sellschop pointed out that it would probably not be economically viable to make base stations and other infrastructural equipment for the networks in SA. Local input would stem from all the network planning, software configuration and support, as well as the installation and commissioning and after-sales field support.

With regard to pricing, he reckoned systems sourced from Altron would be supplied at prices competitive with worldwide prices.

"Also, we are now reapining the benefits of long-term contracts with Telkom, because we have exports in the field in SA who ensure that the skilled infrastructure is in place to handle the work," he said.

Both Altron and Siemens said a newcomer would take some time to get the necessary infrastructure in place to support the networks.

Farah argued that SA was rushing the implementation because internationally the lead time from licensing to installation was typically two years.

"The only way this time would be reduced in SA, is if certain stages have already been completed," he said.

Farah said: "We feel the entire situation is being held close to certain parties' chests."

"We want an open situation so as broad a range of players have the opportunity to participate as possible."

He said unless this happened, there could be "disaster for the current industry, and for future economic growth."

The EIF said the introduction of cellular phones, if properly handled, would stimulate economic growth, but various essential issues must be considered when licences are granted.

It was widely expected that the licences would have certain criteria attached. Among these were target dates for certain penetration levels to be reached, and socially-oriented criteria. Thius was to ensure operators did not only provide services to more affluent communities, but also to those who had no access to phones.

The EIF also said that a major problem is that there is as yet no regulatory scheme for issuing licences. "Theoretically, the Department of Posts and Telecommunications has the authority, but there is currently no mechanism for issuing licences which satisfies the new democratic criteria espoused by government and opposition parties."

Posts and Telecommunications Minister Piet Welsemood has said that a regulator is to be appointed soon.
No deal to write off debts

THE Transvaal Provincial Administration has dismissed reports claiming it has agreed to write off the R600 million debt owed by the Greater Soweto councils.

TPA's MEC for Local Government Mr Burger Lategaan said no such agreement had been reached between the parties in the Central Witwatersrand Metropolitan Chamber.

"Negotiations are currently concentrating on proposals for the ending of the boycott and the resumption of payments at satisfactory levels," he said.

Telkom suspends services

TELKOM yesterday suspended its services in Soweto and withdrew its workers after two of their vehicles were hijacked by striking pupils.

The decision to suspend telephone repairs and installations was taken after at least 12 Telkom vehicles were attacked since the trouble started two weeks ago.

A Telkom spokesman said the suspension was indefinite and could last for as long as the pupils' strike continued.

"The last thing we can afford is to see our men's lives endangered," a spokesman said.

Meyer to address IFP

MINISTER of Constitutional Development Mr Roelf Meyer will explain the Government's view of the road ahead when he addresses the Inkatha Freedom Party central committee meeting on Sunday.

Dr Tertius Delport, Minister of Local Government, will also address the committee.

This follows a meeting between the Government and the IFP in Richards Bay last weekend.

IFP chairman Dr Frank Mdlalose said at the time there were "certain things they put to us which we did not understand, so they will put them before the central committee."

Eskom owed R600 million

BLACK councils owe Eskom more than R600 million while rent and service charges boycotts have led to debts totalling R2 billion.

Responding to a question in Parliament yesterday, Minister of Local Government Dr Tertius Delport said 57 black local authorities had "fully or partially resumed" services despite outstanding rental and service charges.

Nineteen of them, all in the Transvaal, still owed Eskom huge amounts of money, Delport said.
ANC slates decision on cellular phones

26/12/93, MELANIE SERGEANT

Facing the face of strong ANC criticism, government is going ahead with its decision to issue licences for two cellular phone networks.

Government sources say there are good reasons to have the network in place as soon as possible. It now looks set to be ready by the end of March.

Government rejects the ANC's criticism and argues that the cellular service will be the cheapest and most effective way to provide services to the masses.

The ANC said yesterday the appointment of an independent regulator and the issuing of cellular licences should be taken in the context of a national telecommunications policy and a regulatory framework which did not exist in SA. It said also these decisions should be taken under a transitional executive council.

Giving a clear indication of what the terms of the tender would be, a source argued that the tender took into account all the ANC's criticisms to ensure widespread penetration.

Companies will have about two months to tender, and government hopes to have licences allocated by June.

The ANC argues that government's decision on cellular phones does not address the shortage of phones among SA's black inhabitants, with 0.5 phones per 100 people compared to 70 among whites. It says also cellular phones are not the cheapest way to provide phones to the people and that internationally cellular phone communication is still considered too elitist.

A senior government source said the tender was sensitive to issues like providing telecommunications to less advantaged communities.

He said the state's main aim was to offer a significant advantage to less advantaged communities. "This could be done in various ways, either through taxping and cross-subsidising services, or there could be a pre-condition in the tender which stipulates that certain numbers of services must be installed within certain timeframes," he said. Another option could be to levy the operators, and money could be utilized to install services in less developed areas.

New operators would have a shared liability, with Telkom, to develop community services. When weighing up tenders, the way community service needs were met would carry significant weight.

"Telkom cannot invest such large amounts in a new service, this is a major reason for Telkom being given only 50% of one of the networks," he said.

He said the tender would not be prescriptive in terms of technology, whether analogue or digital.
Anger at telephone costs rise

Indignant reaction by business, consumer groups to Telkom's announcement.

The NTC raises the astronomical 39% for non-business users and 22% for business users from April 1.

The NTC, responsible for slabbing off the rate hike to Telkom, is also raising its own rates.

The NTC is expected to be increased in its application for the ATR, which is supposed to be published next week.

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Post Office 'must expand'

THE Post Office must make a concerted effort to ensure equal services for the broader population, says Minister of Post and Telecommunications Dr Petel Welgemeed.

Replying to the first reading debate on the Post Office Budget, he said the expansion of telecommunication services to squatter and rural areas had to be financed through cross-subsidisation to adjust their skewed development.

"If you consider that there are 71 post offices in Pretoria but only two in Mamelodi, or that one post office serves 2.5 million people in Inanda, near Durban, a concerted effort is needed to build more post offices and to ensure greater equality of services to the population at large."

Telkom's proposed tariff increases for 1993/4 were below the inflation rate. It had budgeted R2.8 billion for capital development, of which a small part would go to cellular telephones. This should stimulate industry and create jobs.

More than R100 million would be spent each year until the end of the century on modernising the rural telephone service. — Sapa.
Stamps available at cafes and shops soon

CAPE TOWN — Stamps would be sold through businesses such as bookshops, cafes, supermarkets and even pharmacists by the end of May, Postal and Telecommunications Minister Dr Piet Welgemoed announced yesterday.

Introducing the Post Office budget, he said this was one of the ways the Post Office, which faced a R120 million deficit at the end of its first financial year, hoped to put basic services within everyone’s reach.

The Post Office also hoped to introduce post shops soon, which would make it easier to do one-stop shopping.

“Among other things, we shall offer postage-paid envelopes, bubble packaging and easy-to-use boxes for posting.”

Postal deliveries had to be rationalised and this had already been discussed with various local communities.

It was planned to set up group boxes at delivery points, boxes at the entrances to private properties, and fixed post addresses at post offices in the next three years.

Outlet points were to be increased to 3 000 in the next five years — 1 000 more than at present.

Many of the existing 2 000 post offices and agencies were uneconomical. These would be phased out and postal services repositioned to serve the entire community, Welgemoed said.

Near the end of the Post Office’s first financial year, it was expected the corporation would show a loss of R220 million, R30 million less than budgeted. The weak economy had also affected postal volumes — Sapa.
Sapos expecting even larger loss

CAPE TOWN — Sapos, the newly commercialised post office utility, was expected to record a R520m loss this year — about R30m more than expected, Posts and Telecommunications Minister Piüt Welgemeed said in Parliament yesterday.

Announcing “drastic changes” in post office operations, Welgemeed said 1,000 new post office points would be opened over the next five years.

One-stop post office shops would be introduced and cafes and supermarkets would sell postage stamps.

Welgemeed said, the post office would adopt a “client is king” approach and a host of changes would be introduced to satisfy client needs.

The post office would introduce postage-paid envelopes, bubble packing and easy-to-use boxes for posting. Packaging for priority mail and speed services would also be made available.

Welgemeed did not announce the expected postage tariff increases yesterday during the Post Office Appropriation Bill debate as this had become the responsibility of the commercialised utility.

The main reason for the greater-than-expected loss was the effect of the weaker-than-expected economy which had had an impact on postal volumes, he said.

Resistance of bigger clients to tariff increases had forced management to take into account that the aim of placing the post office on a break-even basis could not be achieved only by adjusting tariffs, he said.

Costs would have to be curtailed and to achieve objectives management had committed itself to “drastic changes”.

Sapos had developed an infrastructure that was not cost effective.

Rationalisation of service points was a high priority. Many of the current 2,000 post offices, including postal agencies, were “completely uneconomic”.

Sapos’ policy was to try and take post offices to the clients. The utility would also have to rearrange its infrastructure so that under-developed communities could be serviced, he said.

After the second year of operation, Sapos expected a drastic improvement in its results and this would go hand in hand with improved service, he said.

DP telecommunications spokesman Geoff Engel said the post office savings bank should be closed and pensions should be paid through the efficient and sophisticated electronic banking infrastructure.
Detailed phone bills 'budgeted'

Staff Reporter

TELKOM was able to introduce detailed telephone bills because these were budgeted for, Telkom spokesman Mr Fanus Bothma said yesterday.

Telkom on Monday announced the introduction of itemised billing. Mr Bothma said itemised accounts would only be available with telephones on digital exchanges.

He said the service would cost about R100 million.

Telkom yesterday also said the new service would be introduced at the end of the year and not the end of this month, as was reported yesterday.
Stamps now at corner cafe

SOUTH AFRICANS will be able buy their postage stamps along with their milk, bread, newspaper or medicine by the end of May.

In terms of a plan outlined by Posts and Telecommunications Minister Dr Piet Welgemoed in Parliament yesterday, bookshops, cafes, supermarkets and pharmacies may sell stamps.

"This will place the basic product within easy reach of everyone," said Dr Welgemoed in yesterday's debate on the Post Office Appropriation Bill.

He also announced that the government hoped to introduce the concept of "post shops, which will facilitate one-stop shopping.

"Among other things, we shall offer postage-paid envelopes, bubble packing and easy-to-use boxes for posting."
R520m post office loss

SAPPOS, the newly commercialised post office utility, is expected to record a R520m loss this year — about R80m more than expected. Posts and Telecommunications Minister Dr Piet Welgemezd said yesterday.

Announcing "drastic changes", Dr Welgemezd said 1,000 new post office points would be opened over the next five years, one-stop post office shops introduced, cafes and supermarkets would sell stamps and clients' needs prioritised.

The loss was mainly attributed to the effect of the weak economy which had impacted on postal volumes.
China spends R9m on office block

THE Great Wall Group, a trading company founded by the mainland Chinese government, has bought a R9m office block in Bedfordview to start its business venture in SA. The office will be opened officially on Tuesday.

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TRAICY SCHNEIDER
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hardware products SA businessmen will be invited to exhibit in Beijing in March 1994.

"We came here with the express purpose of facilitating trade and economic co-operation with SA," said the group's business manager, Mr. Qiang "Apart from the Bedfordview offices, we have R2m in other assets and are looking into other real estate opportunities and joint investments with local businesses. We also hope to invest in factories and manufacturing plants."

And China and SA Trading GM Cheonhong Liu said "About 200 Chinese businessmen will come to SA to meet their counterparts and discuss business"

De Klerk rejects mine loss claim

CAPE TOWN - Government was not liable for losses suffered by SA company Swarthurst's Diamond Mines, President PW de Klerk said in Parliament yesterday.

Replying to a question by Swartland MP, Mr. Van Zyl, he said the government had told Swarthurst's directors that no acceptable grounds for the appointment of an independent inquiry into the alleged confiscation of the company's interests when the Lesotho government revoked its mining leases as part of the Lesotho Highlands water scheme (HWS) in 1985 had been told to direct any claims to the Lesotho authorities. The Swart earned issue is pending before the Lesotho high court.

The question had been why government had not intervened after SA nationals had suffered a R10m loss. De Klerk said it was impossible to establish if the loss of R10m had been suffered. And then if intervention was required, Sapa

Chamber call for wage restraints

The Northern Transvaal Chamber of Industries had urged that wage restraints be included in Finance Minister Derek Keys' model for economic restructuring, it said in a statement yesterday.

The Keys model, due to be published in the next week, is thought to address economic restructuring to promote the productivity of resources.

Wages had risen over the past three years despite negative growth to such an extent that it had increased the unit cost of production, a chamber spokesman said.

Wage increases had created a structural economic problem which could not be addressed by only looking at wage restraints, but other factors such as export incentives and government control needed to be examined.
Looking for bottlenecks

Eighteen months of trying to run itself like a business, and already on its second MD, the money-losing Post Office is still struggling to turn itself around. But no-one can say it's not trying. Now it has hired an international consultancy firm as part of a R2.5m effort to reform the organisation and streamline its operations.

UK-based Alexander Proudfoot is selecting and training 12 postal employees as "consultants" who will be able to sort out the inefficiencies and bottlenecks in the mail-handling facilities at the four main postal centres.

Over the next year, the group will look at cutting unnecessary procedures and "unfriendly systems." It will also study the postal services training programmes. First on its agenda is an investigation into Cape Town's mail-handling facility.

Proudfoot has already completed a R1m exercise to straighten out the Post Office Savings Bank. The effort, which began late last year, "has resulted in a quantifiable saving of R3m in addition to a large improvement in quality of service," says Willie Joubert, senior GM postal services.

The Post Office selected Proudfoot because of its work for the New Zealand Post Office, which is regarded as one of the most efficient and innovative postal services in the world.

In the past 18 months, senior SA postal officials have been sent overseas to examine postal services in the UK, US, Australia, New Zealand, Canada and elsewhere. Says Joubert: "Of everything seen, management was most impressed by the work done by Proudfoot in New Zealand."

A decision to start marketing the base as soon as possible was taken last week at a meeting of the Gateway International Committee, established to investigate ways to make the best use of the facilities. Vermaak is chairman of the committee comprising representatives of all major players in the region, including nearly Lebowa, the local chamber of business, the regional services council, the SAAF and the Department of Civil Aviation.

The committee's members expect some of the aerial exports and imports of Botswana, Zimbabwe and Mozambique to pass through the base. The entire region, centred on Petersburg and known locally as the Great North Region, borders those countries. Vermaak and his committee see the base becoming the hub of the north, with flights serving Botswana, Zimbabwe, Zambia, Malawi, Mozambique, Kenya and even Angola, after it stabilises.

Already several import-export companies, including two from Britain, are investigating the possibility of setting up operations there, and a trade delegation from mainland China visited the area recently.

The region is one of SA's richest farming areas, with adequate water for large-scale irrigation in normal times. The climate is subtropical, so fruit such as mangoes and avocados grow well and vegetables can be grown year-round under irrigation. It already sends a lot of fresh produce by air to Europe and some Arab Gulf states, but all of it now has to be transported more than 300 km south to Jan Smuts airport.

The airport is big enough to handle a Boeing 747. The committee believes that this will be an incentive to farmers in the region to produce enough to warrant dedicated freighters landing there to take their produce to overseas markets. This will stimulate technology development and increase employment.

Tourism might also benefit. Charter operators could turn the airport into a hub, flying clients from there to game lodges and other tourist attractions in the region and nearby countries.

The aerial activity could give rise to an aviation industry, concentrating on the repair and servicing of aircraft. "It would pay most operators, particularly those in neighbouring countries, to send their aircraft here for servicing," Vermaak says.

He believes that Petersburg's location and "under-used and uncluttered air space, compared with the PWV's" will give the airport a competitive edge.
Local rates up, but cheaper calls abroad

Hello! It's good and bad

Own Correspondent
and Staff Reporters

CAPE TOWN — Telkom yesterday announced an increase in the price of telephone calls — but had good news with the introduction of off-peak international rates, plans to give consumers detailed telephone accounts and a programme to provide more telephones to remote areas.

At a press conference Telkom managing director Danie du Toit set out the new costs, amounting to an average tariff increase of 7.8 percent, effective from April 1.

Local telephone calls during the day, which now cost 17.2c for a five-minute unit, excluding VAT, will go up by 9.9 percent to 18.9c. To this must be added VAT, at a current rate of 10 percent, making a local phone call 20.7c. An increase in the VAT rate, however, is expected to be announced on Budget Day, March 17, which would push up the cost of all Telkom's services.

Du Toit said that on April 1 Telkom would introduce the long-awaited off-peak charges to 21 countries.

He also announced that Telkom was to spend R100 million installing a detailed billing system for clients. The move will be welcomed by many consumers, particularly following the 067 line debacle and dissatisfaction with bills.

Du Toit said telephone rentals would increase 10.5 percent from R27.14 a month excluding VAT to R30. With VAT added, rentals became R33 a month.

Telephone rental for social pensioners would remain unchanged.

Telephone installations would increase by 10.3 percent from R77.27 before tax to R85.65 for business and residential clients. If VAT was added, this price became R215. The installation cost for social pensioners would rise by 9.7 percent from R28.18 before tax to R30.91. With VAT this would be R34.

Call-box charges would remain unchanged at 30c a unit for the second year running, "an dispensable service for the less privileged", Du Toit said.

Telkom would drop its attachment levy of R5.41 that people pay to use an answering machine. Payment would reduce R6.9 million on this.

Some phone rates in rural areas would be cut to bring all rates into line.

Quenching the flames . . . firefighters at a blaze caused by a透露 fire department officials believe excavators are
Telkom planned next year to install 2,000 telephone services in rural areas where little or no telecommunications infrastructure existed, at a cost of R50 million.

At present, there were nine telephones for every 100 people in South Africa. Telkom had 3.5 million telephone clients countrywide. Telkom technicians installed 13,000 new main telephone services a month. At this stage there were 120,000 applicants waiting for phones.

Dorothy Mott said Telkom had once again succeeded in keeping its rate increase below inflation. The 7.8 percent average increase would net Telkom an extra R594 million for the next financial year.

Telkom expected to close this financial year with a pre-tax profit of R800 million and was budgeting next year for a R900 million profit.

Dorothy Mott said that by next year Telkom planned to repair at least 80 percent of faults within 24 hours of their being reported.

The Democratic Party spokesman Geoff Engel said the 7.8 percent increase had to be seen in light of Telkom's position as a State-controlled monopoly that had grossly underperformed in its service to the public.

The National Communications Committee representing the AHI, Saca and Seifsa said while the new charges didn't fuel inflation they did nothing to reduce it.

The Consumer Council said that the increase would "compel consumers to make less use of the telephone system".
TELKOM FM 51393

Talking prices

The cost of local calls will go up nearly 10% on April 1 but Telkom may have managed to garner a little positive PR by reducing rates on some international calls for the second straight year. And, while last year’s innovation was introducing different rates for different countries, this year’s advance is introducing different rates for different times of the day.

On local calls, the unit cost will rise from 17,2c to 18,9c but the duration of metered units will remain the same. Telephone rentals will climb by more than 10%, as will installation fees.

Telkom MD Dane du Toit says improvements in trunk telephone exchanges have allowed Telkom to replace the four rate groups with 15 rate bands, making way for standard, peak and off-peak tariffs to 21 countries.

Other spin-offs are an average 7% reduction in the standard rate to more than 100 countries. However, the standard rate will increase by an average of 9% to another 79 countries.

Popular destinations

At first glance, the new rates look like a very good bargain, especially to countries such as Italy, where the new standard rate is down to R10,31 a minute from R11,39. But the new rates exclude VAT while the current rates include VAT. This is probably because the new VAT rate has not been announced.

The new rates for the UK and US — two of the most often-called destinations — are the same: R5,67 a minute during peak times, a standard rate of R5,40 and R4,36 off-peak. The current rate for both countries is R5,97 a minute.

Calling Australia is set to become significantly cheaper, though. The current rate is R5,97 a minute while the new rate will be R4,93 (peak), R4,76 (standard) and R3,91 (off-peak).

The peak, standard and off-peak calling times hardly vary from place to place. Peak hours are more or less set at 11 am-3 pm, local time (2 pm to 6 pm for callers to the US) Monday to Friday, and standard calling times start at 8 am and finish at 11 am before beginning again at 3 pm and running until 10 pm. Off-peak times take up the remainder of weekday nights and weekends from 10 pm on Fridays until 8 am on Mondays.

Competitor works

Telkom has been under pressure to cut rates ever since discount long-distance call operators began breaking into the local market.

WorldPhone CE Jerome Swersky isn’t worried about Telkom’s move, however. “On calls to the US, we’re still 18% cheaper at off-peak times.”

Swersky doesn’t believe that WorldPhone will lose any business. “If anything, the new rates should reduce delivery costs and we can pass those savings on to our consumers,” he says.

Telkom has trumpeted its success in beating inflation but it seems the company still has a way to go. Costs in the telecommunications industry are declining in lockstep with computer industry costs — about 20% a year — but SA has yet to see prices drop like that.
Postal tariffs likely to increase 30%

CAPE TOWN on Post Office tariffs are likely to increase by about 30% on April 1 — slightly less than the 33% increase projected last year. (10/3/93)

The increase, likely to be announced on March 22, will mean that a stamp for a standard-sized letter will rise by about 10c from the current 35c.

Last March Post Office board chairman Donald Masson said the utility hoped to break even within five years, and that this would necessitate a 33% tariff increase every year during the period.

Tarrifs were increased by 33% last year, "but this year, according to government sources, the increase is expected to be slightly less because of the better-than-expected shortfall in operating income. (26/7/93)

A spokesman for the Minister said yesterday that tariff increases were no longer the Cabinet's decision. The Post Office's business plan was submitted to Cabinet for its approval as government was Sapo's sole shareholder and the funder of its deficit. Government had approved the plan about three weeks ago, the spokesman said.
New postal links being forged

PRETORIA — Lucrative new contracts had been signed with neighbouring African countries as the SA Post Office began to extend its services to the subcontinent, Post Office MD Hennie Diedericks said.

After two years of negotiations, the Post Office hoped to normalise postal links with southern African countries before year-end, he said yesterday.

Post Office GM international services Gwse van Eeden said the time was appropriate for the Post Office to restate links. “There has been a change in attitude; African countries are reaching out to us for assistance”.

Diedericks said a contract worth R215 000 annually had been signed to provide a road mail service link between Botswana and SA.

Also in the pipeline was an international priority mail service with Mozambique, a COD service with Zambia and a reinstatement of the postal service for printed material between SA, Kenya and Angola.

The SA Post Office had been requested to assist Namibia in establishing an international postal service.

Reinforcement of links with African countries could be ascribed to the rapidly changing political situation in the SA as well as its re-entrance into the international arena, Diedericks said.

Delegations from postal administrations of Namibia and Mozambique had visited SA last month, while discussions with Botswana, Lesotho, Malawi and Swaziland were scheduled. Kenyan and Angolan postal authorities had also been in contact, Diedericks said.

He announced that as a result of closer co-operation between these countries, the SA Post Office would host a conference of southern African postal administrations later this year Angola, Botswana, Kenya, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe would be involved.

Van Eeden said the Post Office hoped to apply for readmission to the Universal Postal Union at the organisation’s meeting in Seoul next year.
Govt to announce
SABC plan in days

HOME Affairs Minister Louis
Pienaar is expected to make an
announcement within days on the
appointment of a new SABC board.
This was confirmed yesterday by
Ministry administrative secretary
for broadcasting Jack van der
Merwe, who said procedures for the
appointment or election of the board
would be finalised before the end of
the month.
He said Pienaar and other Minis-
ters had been involved in extensive
negotiations on the issue with various
political parties and interest groups
in the past three months.
He would not speculate on the con-
tents of the announcement.
The term of office of the current
board expires on April 1.
Campaign for Independent Broad-
casting (CIB) co-chairman Raymond
Louw, whose organisation has been
lobbying for Colenso judges Imran
Mohammed and Piet Schabort to con-
vene a panel to appoint an indepen-
dent new board, said yesterday his
organisation had no idea what Pien-

Cellular system ‘on track’

POSTS and Telecommunications Minis-
try, P Thuys Wel-
gemoen is adamant that the
introduction of a new cellu-
lar telephone service is on
track despite strong objec-
tions from the ANC that he
is rushing the process.
The ANC said Welge-
moen was forcing the new
system through with undue
haste because an indepen-
dent regulator was not yet
in place and the transition-
al executive council had not
yet been set up.

The organisation was
therefore demanding “at
the very least” a 60-day
delay in calling for tenders, a
source said.

However, a spokes-
man for the Minister said yester-
day as far as he was con-
cerned “everything is still
on track”.

The tender would be sent
out at the very latest by
early next month and “the
Minister wants all the ten-
ders to be back by the end
of May at the latest”.

Welageoomen would an-
ounce the successful ten-
ders in June or July.

In some circles within the
ANC there is speculation
that the real reason for
delaying the introduction of
the system is that the or-
ganisation wants some of
its “old friends, especially
the Scandinavian coun-
tries” to have an opportu-
nity to get in at base level.
Post costs set to rise 20%.

Political Staff

POST OFFICE tariffs are likely to increase by about 30% on April 1, slightly less than the 33% increase projected by the newly commercialized service last year. The increase will mean that a stamp, for a standard-sized letter will increase by about 10c from the current 85c. Tariffs were increased by 33% last year, but this year the increase is expected to be slightly less as the utility recorded a better-than-expected shortfall.
INFORMATION TECHNOLOGY

SA must look before leaping in, expert warns

ALTHOUGH global systems for mobile communications (GSM) is being strongly touted for use in SA's new cellular networks, some serious questions need to be asked about whether the technology is the most appropriate for all the country's needs.

At a presentation to the Fort Elizabeth Communications Systems special interest group inaugural seminar this week, Computer Society of SA vice-president Peter Davies said: "Optimists say GSM will become the standard for the rest of the world, but what about North America and the Far East?"

Major product manufacturers were based in these areas, so the assumption that GSM was a "worldwide standard" and that prices of handsets for the system would plummet from about R4 000 to a few hundred rands in less than four years had to be questioned, he said.

"Some vendors say that call rates could subsidize the cost of handsets, but this would be out of line with new international trends. Internationally, mobile phone users are using the service less."

It was not safe to assume there would soon be many cheap mobile communications devices available because in the US, where mobile communications had been around for some time, manufacturers were competing for the larger US market, estimated to be 10-million cellular phones which were not based on GSM technology.

"The same is happening in Japan, where manufacturers are looking at GSM, but this is not seen as their major market, because of the massive installation and demand for analogue-based phone systems."

He says there is also some gloom over the fact that monthly phone bills per mobile device in the US fell from $61 in 1991 to $73 in 1993, and that with increasing competition there is less chance of cellular phone licences being equated to licences to print money.

"At best, one third of the world will eventually conform to the emerging GSM standard," Davies reckons.

For this reason, he questions whether this will provide the low-cost, high penetration sought by SA which is set to grant two licences to operate networks.

"There are cheaper solutions, based on rural radio phone systems, for example, where cheap standard phones can be fixed to a pole buried in the ground. Some of the new GSM phones are not very robust, so one queries their usefulness as the sole telecommunications medium in homes around SA," he says.

Also, if portability is an issue, he points to the potential of cheaper CT-2 Telepoint systems with stations located at strategic points which allow phone users within a certain radius to hook up to the network.

Telepoint has not enjoyed good penetration in Europe and the US, but Davies says this is probably because its application is different: users want fully mobile systems, unlike many SA users who would be happy to have a basic, static phone service at work or in their homes.

Davies warns that millions of rands could be wasted by installing cellular systems in inappropriate areas, albeit that introducing GSM is an important and necessary step in SA's telecommunications and economic development.

"In the US, a recent study showed that 76% of respondents to a survey said cellular phones increased their business productivity."

But at the end of the day, SA should not expect cellular telephony to be the panacea for all its telecommunications problems, he says. It should not be installed for all applications if less expensive and more appropriate technology can be used.

There will also be problems interfacing GSM technology into the data communications arena, as there were problems in the past with modems, routers and other data communications equipment, he warns.
Stamps to go on sale in shops

Postage stamps will be on sale in shops from May 7. South African Post Office managing director Henne Diederichs said shop sales were part of a four-point plan for "customer orientation."

He also announced that a stamp without a face value would be available for the first time on April 1. Diederichs said as part of the Post Office's attempts to give every South African a postal address, between four million and six million post boxes would be made available. — Sapa
An unexpected blast

Competition will concentrate Telkom's mind wonderfully

Telephone subscribers, who have long had to endure poor service and untrustworthy accounts, can take heart, things could soon start to improve The cause for optimism lies not in the promises contained in Telkom's recent R7.5m humble-pie advertising campaign, but in the news that competition is on the way at last

Posts & Telecommunications Minister Piet Wijgemoed's decision to licence two cellular phone services later this year effectively ends Telkom's monopoly of the telephone market Government expects to issue a call for tenders at the end of the month and to award contracts by June

The two new cellular services, which will each have a capacity of between 100 000 and 200 000 subscribers, are expected to be running next year The cellular networks will complement and eventually replace Telkom's carphone network

The new phones are likely to be much cheaper as well as more extensive in their market penetration than the current car-
phone service. They will be targeted not only at affluent motorists but also households and small businesses in all areas.

The private sector will play a big role in both new networks. Telkom has been guaranteed a 50% stake in one of the services and may end up as the junior partner in the day-to-day running of its network.

Organisations thought to be in the running for licences include local firms M-Net, Grimaker Electronics and Transnet's telecommunications arm Transtel, as well as Cable & Wireless and Racial Vodafone of the UK, US operator AT&T, France's Telecom and Germany's Deutsche Bundespost Telekom.

Telkom was expected by most observers — including many of its own senior management — to be granted exclusive rights to operate one (and possibly the only) new network. However, it appears that doubts about Telkom's ability to run the new service in the face of stiff competition and possible unease over its capacity to raise the R300m-R400m needed to get the network in place, have swayed government.

"Telkom was lucky to get 50%. Some people in Cabinet were not willing to give them anything," said one government source.

**Benefits**

The US, UK and New Zealand, as well as developing nations in Asia and eastern Europe, have achieved significant economic and social benefits by encouraging high levels of competition in their telecommunications markets. The potential for SA is enormous.

However, the extent and pace at which the market is deregulated will largely be dictated by politics.

The ANC, for example, has cautioned government's decision to issue licences ahead of the drawing up of a national telecommunications strategy that the ANC wants, in particular to redress past imbalances. While more than 90% of white households have access to a telephone, it is estimated that the same can be said of only 15% of black homes.

Though niches in the telecommunications market, such as the supply of PBXs and the provision of value-added data services are no longer the sole domain of Telkom, extensive deregulation, similar to that experienced in many of the world's leading economies, has been stifled by political wrangling and方针-mindedness.

Government first began looking at curtailing its influence in telecommunications in the mid-Eighties. In line with many governments elsewhere, it sought to privatise the national telecommunications operator, together with other State enterprises, in order to reduce its direct involvement in the economy, increase the size of its tax base and, if possible, to improve productivity and efficiency.

These plans were scrapped as a result of widespread political opposition. Government eventually opted to commercialise the Post Office along with Transnet and Eskom. In October 1991 — nearly two years after government's original target date — the PO was split into two supposedly independent taxpaying corporations, SA Post Office and Telkom SA, each with a board of directors but still wholly owned by the State.

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Unfortunately, due to their titles, Hankey Bannister’s first clientele belonged to the class of aristocrat who believed they were above paying bills. A fact which they were as reluctant to publicise as they were the whisky they drank (Although for different reasons, of course.) Fond of the odd tipple, the Duke of Clarence purchased an amount of £53 15s 7d worth of Hankey Bannister in 1791. He was surely drinking to forget, as he only settled his bill a year later. His brother, George IV, had to be reminded of an outstanding liability of £150 10s almost a year and a half after his purchase. Then there was the fourth Duke of Queensbury who resented paying bills at all. His appreciation of our smooth flavoured whisky led him to incur a debt of £284 14s 0d. He no doubt experienced total amnesia, as his bill was never paid at all. Obviously it’s situations like these that we have preferred to keep a secret. What with the outstanding demand for Hankey Bannister, outstanding bills would be the last thing we could afford. But then, without Hankey Bannister it would be the lover of fine quality Scotch whisky who would be much the poorer.
A crucial component of government's privatisation and then commercialisation plan was the creation of an independent regulator to ensure fair play. The UK and US experiences have shown that some form of regulatory body is essential if competition is to be nurtured, especially if the market is dominated by one operator. But moves to establish a telecommunications watchdog here have been repeatedly delayed.

No progress

Part of the impasse is due to government's intention to include broadcasting in the regulator's portfolio. Because of the highly political nature of broadcasting it is doubtful that any proposed legislation concerning the sector will become law before there is significant progress in multi-party talks.

The Department of Posts & Telecommunications has assumed the role of regulator. As the State effectively controls the regulator and Telkom, this arrangement is far from satisfactory.

Welgemeed defends his decision to press on with the appointment of two cellular network operators, ahead of the establishment of a regulatory authority or the drafting of a telecommunications policy. He paints to the potential social and economic benefits of these services. He also claims that potential international investors might turn away from SA if kept waiting much longer.

"Cellular telephony offers great advantages to the country," says Welgemeed, "the most important of which is that it is easier to maintain and install in isolated areas. It is the cheapest and quickest way of offering most South Africans access to a telephone." He says one of the licence conditions will be that the network operator provides telephone services to underdeveloped areas.

There is little doubt that radio-based cellular systems are cheaper to install and maintain than traditional copper wire networks. However, it is difficult to see how cellular services could be made affordable to disadvantaged communities without cross-subsidies from lucrative business services. The cost of a cellular telephone handset is expected to be about R3 500 — well down on the R10 000 to R15 000 currently asked for a local cellphone, but still far more than an average family in Alexandra could afford.

While Welgemeed stresses the supposed social benefits of cellular technology, the greatest incentive to introduce the new services is almost certainly economic. In the past few years, cellular communications has been one of the fastest growing and most lucrative sectors in the world.

Most of the potential cellular operators in SA reckon they would be able to recoup their R300m-R400m start-up investment within two to three years. "After that it's a licence to print money," says a spokesman for one of the contenders. Others, however, point out that their enormous investments are at risk from political uncertainty and changes in technology.

The attraction to government is great. The two new networks are likely to provide a stimulus to the battered telecommunications industry, creating much-needed jobs, while presenting what Welgemeed describes as the greatest opportunity for foreign investment since the end of apartheid.

Government appears to have recognised that in order to secure maximum benefit from the cellular system, it has to encourage greater competition in the local industry. It has reserved the right to issue more licences to cellular network operators and further deregulation of the sector seems inevitable.

Much of government's thinking on the matter has been shaped by an investigation of the local telecommunications market conducted by UK firm Coopers & Lybrand. The report, commissioned by Welgemeed in 1991, recommends, among other things, that competition in the local areas should be promoted, that Telkom's prices be controlled by a regulatory authority, and that privatisation of Telkom be considered again as a means of introducing capital to the organisation.

While Telkom is expected to retain ownership of its vast telecommunications network — widely accepted as a national asset — it is likely that the organisation will be compelled to allow competitors greater access to this infrastructure. This would enable cellular network operators to handle long distance calls and also open the way for organisations such as Transtel to compete with Telkom in the provision of telephone services. Transtel has confirmed that the organisation has been lobbying government to allow it to provide such services.

The emergence of increased competition could be bad news for Telkom. Telkom management argues that the organisation should be allowed more time to adjust to the commercial environment before being exposed to severe competition. MD Danie Du Toit, who recently claimed that the local market was too small to support more than one mobile communications operator, warns that inroads into Telkom's revenue base could seriously impair the organisation's ability to serve underdeveloped areas.

Telkom's concern that it will continue to be forced to provide sub-economic services, while at the same time seeing its lucrative telecommunications monopoly eroded by operators with greater access to finance and, more advanced technology, has some validity. However, Telkom is likely to enjoy considerable income from the two cellular services, as they will both have to make use of the national network to route traffic.

Whatever the split in responsibilities, it is clear that Telkom will have to overhaul its service levels and improve performance if it is to stand on its own feet in the face of growing competition. A major hurdle in the way of Telkom's efforts to improve its profitability is its heavy debt. With more than R1bn invested in technology-intensive assets and annual operating expenditure of about R8bn, Telkom is burdened by gearing of more than 150% and has to meet finance charges of more than R1bn a year. Capital expenditure — essential for future competitiveness — has shrunk alarmingly.

Another possible step, though politically unpalatable, would be to sell part of Telkom's shareholding to the private sector. This would reshape Telkom and substantially ease its debt burden — which is the fact that may make partial privatisation inevitable in the long term.
Mandela faces action

By Joshua Raboreko

AFRICAN National Congress president Nelson Mandela might be prosecuted if the outstanding telephone bill amounting to R19 000 is not settled.

Telkom has cut off the phones at his estranged wife's Soweto mansion at Mandela's request.

Telkom's Witwatersrand communications manager Mr Gert Schoeman yesterday said a final account would be sent to Mr Mandela within a few days.

He said if Mandela failed to pay, the matter would be referred to Telkom's legal adviser who would take appropriate action, including prosecution.

Schoeman said Telkom received a letter in February from Mr Mandela's lawyers, saying he had asked the company in writing in August last year to cut the phones as he had moved out.

Mandela said in the letter he would not pay accounts run up by "the occupant of the dwellings," referring to his estranged wife, Winnie. Schoeman said as far as Telkom was concerned, Mr Mandela was responsible for the bills.
A new-look Post Office on the way

GOOD and bad news is expected from the Post Office tomorrow — a hike of around 30% in local tariffs and a plan to "parachute" local services.

These announcements — to be made by Post Office managing director Henne Diedericks at a press conference in Pretoria tomorrow — are part of a commercialisation strategy to bring the loss-making Post Office to a break-even point within four years.

Presented

The Post Office received R489-million in this week's Budget to cover its projected losses for the coming financial year.

The plan, already presented to the business community and large Post Office clients, is said to be about to dramatically change the face of SA's postal services.

It is geared at extending services to more communities and making the utility more accountable to the public. The bottom line will be enhanced profitability to help the Post Office stand on its own feet.

Also expected to be announced are some projects which will generate cash for the Post Office, as well as some streamlining measures.

Many of the 2,000 post offices and postal agencies that currently exist are uneconomical and will be closed down.

Nonetheless, the Post Office plans to offer the public

By ZILLA EFRAT

3,000 outlets within five years, although many will not be in the traditional form.

The postal network will be expanded via low cost franchising.

The traditional street delivery of mail will remain, but at a fee. Within three years, mail will also be delivered to cluster boxes, with individual lock-up facades, at various collective points which are expected to become communication landmarks throughout the country.

They will be located at places such as informal housing settlements, petrol filling stations and homes for the aged.

The Post Office will consult the communities concerned.

By the end of May this year, stamps should also be available at local book shops, cafes, supermarkets and chemists.

Standards

It is believed that in line with free market principles, these outlets will be able to set their own prices for the stamps sold.

For example, a cafe owner may add a premium for late-night accessibility, while a supermarket chain could provide discounts for bulk purchases.

In addition, strategically placed "post shops" will offer priority mail and speed services and still, among other things, post-age-paid envelopes, bubble packaging and easy-to-use boxes for posting.

To increase the Post Office's accountability to its clients, it will set time standards for deliveries between major centres by April this year.

Its performance against these standards will be measured by external contractors and the findings will be reported in the first quarter of next year.

In addition, a postage stamp for standardised mail that does not have a face value is expected to be introduced. It will eliminate the need to produce new stamps when tariffs increase.

Necessary

Last April, Post Office chairman Donald Mason said an annual rise in local tariffs of 33% over five years was necessary to take the utility out of the red and bring tariffs in line with costs.

Tomorrow's price increase, however, is expected to be lower at around 20%. This is because the Post Office's losses in the current financial year should be R28-million less than the R548-million forecast in last year's budget.

The loss was apparently reduced by strict financial discipline and a major drive to streamline the utility's structures and systems.

The latest price rise should push up the mailing costs of standard sized letters by about 11c to around 46c by April.

Increases in international postage rates and the prices of other services will also be announced tomorrow.
Normal mail up to 45c

Pretoria Correspondent

Postage rates on normal mail will go up by 18c — or 28 percent — from 35c to 45c on Thursday April 1.

Announcing this in Pretoria, the managing director of the Post Office, Henne Diedericks, also said a new postage stamp with no indication of value would be released the same day.

The stamp will represent the postage for a standard postal article and only the words “standardised mail” will appear on its face.

The advantage is that new stamps will not have to be printed every time postal rates increase.

Diedericks said the rise was needed to boost the Post Office’s income and to bring South Africa in line with world rates.

It already cost the Post Office 51c to handle a single item of mail. Even if users paid 45c the service would still make a loss.

The price rise will raise the Post Office’s income by R146 million to an estimated R1,839 million.

The operating deficit on postal services will still be R406 million.

The dimensions for a standard postal item are 90 mm by 140 mm, and a maximum of 120 mm by 225 mm. The letter may not be heavier than 50 g or thicker than 5 mm.

Fixed delivery times — Page 7
The SA Post Office would, from next month, introduce fixed letter delivery times. It would appoint external, independent contractors who would measure the company's performance against set standards and the findings would be published quarterly. MD Hennecke said yesterday.

The delivery times for standard letters to the same city or town would be two days, in the same province and between major centres in different provinces, four days, and between other towns in different provinces five days.
Post Office to specify times for mail delivery

The SA Post Office (Sapo) has exposed its services to public scrutiny and accountability after setting strict standards for the delivery of letters countrywide.

In a statement issued yesterday, Sapo said fixed delivery times between all major centres would be introduced for the first time on April 1.

Sapo would appoint external independent contractors who would measure the company’s performance against these standards. The findings would be published each quarter.

But the set standards would not necessarily speed up existing practices. As from April, it should take two days for a letter to be delivered when posted to an address in the same city or town; a letter posted in the same province should be delivered in four days, letters posted between major centres in different provinces should take four days, while letters posted to addresses in smaller cities and towns in different provinces should take five days.

Sapo said an additional day was allowed for non-standard postal articles while an additional two days were allowed for parcels and insured/registered postal articles.

*Mail users can report on progress by writing to P.O. Box 9900, Pretoria 0001.*
Many changes have already taken place (in). The new post office is one of the changes incurred in the post office. The changes are not only visible but also functional improvements in the office. The office is now equipped with modern technology to handle the increasing tide of mail. The office is now 4 times larger than its previous capacity.
We'll take as much care as you do.

We understand the very special effort you make, when with a letter, and the care and consideration that goes into packing a parcel for someone. That's why we deliver it with all the care it deserves.

Olive Trees

We are excited to announce the opening of our new office at 123 Main Street, where we will continue to provide the same exceptional service you've come to expect from us. Thank you for your continued support.

Sincerely,

[Company Name]
Charting a new direction for PO

BOLD MOVE Plans to operate on sound business principles:

We are changing both our culture and focus. It is necessary to give our staff the training and the tools to perform the tasks the company expects of them.

"I believe that sound two-way communication is essential, both with clients and staff, in order for us to achieve these goals.

Diedericks says part of operating on the sound business principles he requires that the planning fields on which the company operates are level.

Militarily indefensible

In this regard, he says, is militarily indefensible for the state to pay a subsidy amounting to R548 million this year — to the PO.

Diedericks says: "Millions of rand are needed for education, policing to ensure the safety of every citizen and adequate health services.

"It is necessary to reduce the costs of PO. This is unavoidable, especially if one bears in mind that 3% of the population is paid to deliver mail.

However, the PO will back up the rate increases with further improvements in the level of its service. We will also bring about savings — about R100 million over the next five years — by streamlining procedures and restructuring new services, without employing additional staff.

The PO has come a long way since its first office was opened in the Castle in Cape Town in 1792.

Today it is one of the largest business operations in the country and has been rendering an uninterrupted service for two centuries.

We are changing both our culture and focus. It is necessary to give our staff the training and the tools to perform the tasks the company expects of them.

The PO handles more than 2,500 million items of mail each year, 7 million items a day, of which 90% is business mail.

The PO was restructured as an independent public company in October 1991, with the state as the sole shareholder.

The company employs around 28,000 people and has fixed assets worth about R840 million.

It has a board of directors drawn from the business community and the board's main task is to ensure the company operates according to sound business principles.

The PO operates more than 1,700 post offices and serves the residents of some 410 postal agencies. There are also 300 of these operated as remote areas and provide the main communication link with the rest of the world.

Collection points

The PO has 150 post offices at mail collection points, 850,000 private boxes and deliveries to around 37,6 million street addresses.

As a part of its move to become more customer driven, the PO is now open during lunch hour.

Diedericks says, the PO is constantly monitoring public needs and more post offices will remain open during lunch hours, should the need arise.

Diedericks: "Many offices stay open longer than the lunch hour in order to accommodate our working clients. In addition, a modified service has been adopted at most large offices to speed up service. The system will extend to more offices in the course of time."

He says the PO is constantly modernising and adapting methods and facilities to enhance the quality of our work and strive to improve its service.

Olivetti

is proud to be associated with the SA POST OFFICE and wishes them continued success in all future business ventures.

New centre for Cape Town

Complex will be largest of its kind in SA and more will be built in other centres

CONSTRUCTION of the new Goodwood post office is now underway and is scheduled for completion by November 1993.

The new post office will be the largest of its kind in the country and will replace the old Goodwood post office currently at the main post office. The new centre has been designed to meet the needs of the busy city centre and services similar to the Goodwood are being planned for both Johannesburg and Durban.

The new building will be located on the main road between the N1 and N2 highways, which provide easy access from the entire distribution network.

The site, which is 6 hectares in size and situated between the N1 and N2 highways, provides easy access from the entire distribution network.

The use for the R80 million project was selected after examining 27 alternative sites. The site was chosen because it offers the best access both to and from the entire network.

It offers good access for large trucks as well as for the large number of PO employees who are dependent on public transport.

Another advantage of the site is that it caters for the 33,000 square metres of floor space required, contrasting with the current 4,000 square metres being used at the city centre office.

The PO's commitment to providing modern and efficient facilities to service its clients has had additional benefits in that it is gaining job opportunities in the construction industry.
POST OFFICE NATIONAL FEATURE

Switching from labour-intensive systems to high-tech

THE postal services used to be a labour-intensive business with all parcels and letters being processed by hand.

However, today's postal system employs large amounts of sophisticated and often computer-based technology.

The South African Post Office has now completed its automation and mechanization programme at its main mail sorting offices. The postal service continues to monitor existing equipment to ensure it can cope with the ever-increasing volume of mail.

The equipment employed in the main Johannesburg, Cape Town, Pretoria and Durban offices compares with the best in the world. Around R50 million has been spent on equipment since the introduction of mechanized mail-handling equipment in 1968.

The PO was one of the first postal administrations to introduce a combined optical character reader/decoder machine and also bought one of the longest and most advanced conveyors in the world.

The twin conveyor system consists of two high-speed sorting machines capable of handling 100,000 letters an hour.

The facility also has an optical character reader and two high-speed sorting machines capable of sorting 9,000 letters an hour, as well as another high-speed sorting machine capable of sorting 9,000 letters an hour.

In addition, there are sorting machines for simplified letters and other mail.

The PO is now setting up a new computer network for the provision of mainframe computer services, as part of the company's long-term computer strategy.

The contract represents a significant milestone in the PO's planned move towards an automated and self-sufficient computer processing system, so that it can move away from its current dependence on Teleset's computer services.

Last year the PO purchased a new computer center in Pretoria for R20 million from Volksbank Bank.

The company's Director Hennie Deddens says the computer center will be the first step towards establishing an own information system.

Last year the PO purchased a new computer center in Pretoria for R20 million from Volksbank Bank.

The PO is currently operating 700 post offices connected to an extensive network with 2,000 computerized post offices.

The PO has devised a five-year strategic plan which is focused on the future of the organization.

The objective is to assist the PO in the process of transforming into a profitable commercial enterprise.

Information technology is recognized as being one of the main cornerstones required for the PO's success.

The new installation was welcomed by Large Scale Systems.

Dear Abby,

There comes a time in our lives when we must decide what to do with our lives.

I am sitting here with a million letters waiting to be sorted. I have been told that this is not a good thing.

The PO has decided to introduce a new computer center in Pretoria for R20 million from Volksbank Bank.

The PO's Director Hennie Deddens says the computer center will be the first step towards establishing an own information system.

Sincerely,

Post Office

We understand the very special effort you make when writing a letter, and the care and consideration that goes into putting a parcel together for someone. That's why we deliver it with all the care it deserves.

We'll take as much care as you do.
Stamps... just up your street

BACK TO BASICS

Forget queues, go to your supermarket

Says Joubert: "Most of the stores which we have contacted are still keen to participate. They realize the advantages of attracting more people into their stores."

Another option which was considered for stamp distribution was vending machines.

Says Joubert: "We experimented with vending machines. However, the machines are subject to vandalism and the capital cost of installing them around the country would be prohibitive."

Initially, only the standard letter stamps, face value of 35c, will be sold in the stores. As the scheme takes off, the PO will consider offering stamps for non-standardised letters. As a third phase the PO will look into offering stamps for international destinations.

In the future the scheme might be extended to a range of products such as the range of packaging materials which the company is currently developing. Stamps which stock dealers will display and identify them as stamp dealers.

Building Networks for Business...

GRINAKER NETWORK SYSTEMS

The vision to utilise advances in technology to realise strategic business objectives is no longer important, but critical! Exceptional skills enable Grinaker Network Systems to build effective business networks utilising "State of the Art" technology.

Routers • Bridges • Intelligent Wiring Hubs • ATM/Frame Relay/X.25 Internetwork Processors • Data/Voice/Fax/LAN Servers • Network Management Systems • Video Conferencing Systems • Multiplexer Systems • Modems
It’s lip licking bad

Now is the time to do away with that sticky annoyance:

Says senior general manager postal business Mr Willie Jobbets: “The adhesive poses some problems. The remnant stamp collectors have gone into it to make the quality of the adhesive which must be well on a stamp to see it be collectible. The peel-and-stick stamp being used for, example, New Zealand do not meet these requirements. It is not collected. Australia went to great lengths to choose a different adhesive and their stamps can be collected.”

Jobbets says the PO will investigate the adhesives to meet the needs of collectors. However, cost is a factor, and if adhesives which satisfy collection needs are going to raise the cost of production, and the price to the consumer, the lower cost alternative will be selected.

Another important consideration is that the adhesive must actually stick the stamp to the letter, without coming off when it is in the postal system.

When last is not late — for the deadline for delivery of letters to be set:

Every time a letter is put on an interlocking machine in any place, the delivery of the letter is slow. It is to the PO to decide when the letter is late, it can’t.

The reason is that standards have been set, there is no time within which the letter has to be delivered. It is going to be as the South African Post Office publishes its standards in April. Not until then will the standards give a public a clear idea of delivery times, but it gives PO a platform to which to measure its services.

However, if it is not good, all the standards will be set. The PO is in the process of appointing an independent auditor to check on the service and ensure that it is not beaten. The audit will have to be around the country.

Each report will be submitted to the public.

Post Office services in South Africa will never be the same again...

We are determined to put you, our client, front. To meet our commitment, we are:

* Printing our mail services with your easy reach
* Quality — we go to your premises, not hassle. By the end of May ‘93, enterprises such as your local back均有 the Post Office, and the service should be selling postage stamps. If they don’t, you are going to seek them.
* We should talk to them to reach our service. This will result in better products and easy reach.

We want you to keep on visiting us and will in the near future be introducing strategically placed post offices, to enhance one-stop shopping. Among other things, we shall offer our priority mail and speed services will also be available. Details will be announced soon.

Giving each person an address

We are revolutionising mail delivery to suit the needs of the entire population in the most cost-effective way. But the change will be yours.

Within three years, mail will be delivered by means of cluster boxes at mail collection points.

A further change — you may still rent an additional private postbox apart from your cluster box in your area or your own street delivery — or even a second or third private postbox.

Creating an infrastructure to suit the entire community

During the next five years, we shall offer you 3,000 outlets, a 1,000 more than at present.

Your friendly post office will be operating countrywide, though not necessarily in its traditional form. Many of the 2,000 post offices (including postal agencies) are currently operating, and are run mostly uneconomically. This came about through emotional and political rather than economic reasons. Hence, our policy is needed to become an extension of your post office to where you are living and conducting business. Although uneconomic post offices will thus be phased out, we shall reposition and expand postal services to serve the entire community via low-cost franchising.

Delivering your mail according to measured standards

When you post a letter, you expect to know when it will be delivered. We have consulted our stakeholders, done our research and shall be setting standards for delivery times. For example, by April this year, standards for delivery between the main centres such as Johannesburg, Cape Town, Bloemfontein, Durban, Port Elizabeth and Pretoria will be determined and publicly communicated. By the January/March quarter of 1994, we shall publicly report the findings of external contractors who will measure our actual performance against set standards. For example, should the set standard for delivery of a letter from Johannesburg to Cape Town be four days, you will know how we have performed. We shall, like leading international postal administrations and companies, apply a 95 per cent criterion for delivery time and we shall be publicly accountable to our clients.

Be the judge of our commitment.

Contact us on our national toll-free Action Line 0800 11 44 88
Or write to us at PO Box 9900, Pretoria, 0001.
PO bank to be restructured

The South African Post Office has restructured its savings bank to improve client services and become more market oriented.

In October last year the PO started levying service charges for the maintenance of savings accounts and withdrawals from Telebank.

The move is seen as part of the PO’s new business approach to bring its services more in line with savings bank practices elsewhere.

The PO says the new charges had been necessitated by the fact that rental and maintenance of the infrastructure as well as the general administration of accounts places substantial cost pressures on the savings bank.

The bank was founded in 1910 and has about 8 million account holders, but only around 3.5 million of these accounts are active.

The company was losing an unacceptable amount through the administration of thousands of savings accounts and payment of interest on accounts on which no bank charges had been levied.

Since the formation of the PO as a public company, several of the services being provided by the savings bank by the PO, are being paid for. The savings bank is simply recovering these costs.

The cost recovery is being kept as low as possible in order to keep the service accessible and affordable for the smaller saver.

The PO’s savings bank is connected to Telebank, which, together with Savon and Mutualnet, has over 4 000 automatic teller machines spread throughout the country.

A service charge of R1 is charged on all withdrawals, whether at ATMs or counters. If account statements are requested each month and above the normal quarterly statement, a charge of R10 is made.

Active accounts

Ledger fees of R5: a month are being levied on all active accounts and those which show no movement of capital in the past 12 months will be charged R2 each.

Last savings books and certificates can be exchanged at a cost of R2 and lost cards for R5 each. Account cancellation can only be requested, subject to a minimum deposit of R10 and withdrawals which reduce the balance below R10 will not be allowed.

While interest rates offered by the savings bank have fallen, interest must be seen against a current national pattern of falling rates.

The PO says the savings bank certificates are still offered an extremely attractive avenue of investment while rates are falling. Smaller savers enjoy little or no income on other smaller amounts.

We build cities

WE INNOVATE, CREATE AND GENERATE COMMERCIAL, INDUSTRIAL, LEISURE AND RESIDENTIAL DEVELOPMENTS.
Challenges

Facing up to Postal

The New Post

23/3/96

Facility: 9159.10/111112
are as strong as ever
but responsibilities
costs must be cut

BY ANDREW ELLINGHAM
Reports compiled and written

The Post Office

THE SOUTH AIRPORT POST OFFICE
Analysts split over post-Budget outlook

By Bruce Cameron

CAPE TOWN — The question-mark hanging over last week's tough Budget is whether it will resuscitate an economy confined to a four-year sickbed.

The opinion of some top businessmen, academics and government officials is that South Africa will have to force itself to stand up and totter until the illness of political instability can be cured.

Businessmen have to grasp the limited opportunities offered in the Budget to spur the economy back to health, despite the political uncertainty, they say.

Although there was agreement among participants at the annual Old Mutual/Nedbank post-Budget debate that investment-led growth had to start with business, there was division over whether the barriers of political uncertainty would effectively block recovery.

Christo Wiese, chairman of Pepkor, said the political barrier was not sufficient reason for business to hold back on investment.

"If there were tax breaks they would invest," he said. "As soon as tax breaks were granted for major beneficiation projects such as the Columbus stainless steel project, millions of rands immediately became available."

The projects did not go ahead because there was stability. They went ahead because the companies could make a profit," he said.

Professor Brian Kantor of the department of economics at the University of Cape Town disagreed.

He said the risk profile was too high, both for local and foreign investors.

Most South African businesses expanded through reinvestment of profits as they did not like to expose themselves with borrowings.

With profits reduced by the recession and the high-risk profile, even South African businessmen were not prepared to take high risks.

He thought the short-term solution lay in more money coming into South Africa from overseas borrowing, even if a premium had to be paid.

The pressure on South Africa's reserves should be eased, allowing more money into the system to get the economy working.

Department of Finance director-general Gerhard Groeser intervened to say that the political risk had risen so high after the breakdown of Codesa last year that it was virtually impossible to borrow money on overseas capital markets.

He said immediately before the failure of Codesa South Africa had paid a premium of about 1.5 percent over the benchmark issues.

After Codesa broke down the premium had risen to three percent. Any major borrowing would push the premium even higher as the trade in South African paper was very thin.

Professor Aubrey Dickman, honorary professor of economics at the University of the Witwatersrand, said the most important issue was to stop the haemorrhage of capital from South Africa, which totalled more than R6 billion last year and was a result of financial sanctions.

Wiese replied that people could not sit back and wait for the "flashlight light" of political stability.

They had to get over the first hurdle and that was to start internal investment.

When tax rates were altered businessmen would invest. Finance Minister Mr Derek Keys was doing what was possible to create a tax profile which would encourage domestic investment.

Overall, there was general agreement that Keys had done the right thing in gradually cutting the deficit and concentrating on the supply-side of the economy.

A tough warning came from Dr Jaap Meyer, deputy governor of the Reserve Bank, who bluntly warned politicians that any attempt to stimulate the demand side of the economy to meet short-term growth targets would result in a "straw fire."

Professor Lieb Loots of the University of the Western Cape said, however, correcting the supply-side was enough. The main constraint was lack of certainty and predictability of policy in South Africa.
Postal increases criticised

The increase in postal rates would be a further blow to consumers already bracing for petrol and VAT increases, consumer organisations said.

Post Office managing director Henrie Die
dericks announced in Pretoria that postage rates on normal mail would go up from 33c to 45c on April 1.

SA National Consumer Union chairman Lilibeth Moodman said putting up rates 30 percent and asking "half a rand" for posting a letter was un-
justifiable.

Consumer Council executive director Jan "Cronje said most con-
sumers could not absorb such "sudden big hikes''.

But National Black Consumer Union (NBCU) chairman Noma.l
Ramphomane said the increases were a fair price for a better service. She hoped the Post Office would keep rates down in future and was pleased with a promise to upgrade service in Soweto and rural areas.

Staff Reporters
Savings Bank moves with a changing world

The South African Post Office has restructured its Savings Bank to improve client services and become more market-oriented.

From October last year the PO started levying service charges for the maintenance of savings accounts and withdrawals from Telebank. The move is seen as part of the PO's new business approach and brings it into line with savings bank practices elsewhere.

The PO says the new charges had been made necessary by the fact that rental and maintenance of the infrastructure as well as the general administration of accounts placed substantial cost pressure on the Savings Bank.

The Bank was founded in 1910 and has about eight million account holders, but only around 3.5 million of these accounts are active. The company says it was losing an unacceptable amount through the administration of several million inactive accounts and payment of interest into accounts on which no bank charges had been levied.

Since the formation of the PO as a public company, several of the services being provided to the Savings Bank by the PO are being paid for. The Savings Bank is simply recovering these costs.

The cost recovery is being kept as low as possible to keep the service accessible and affordable for the smaller saver.

The PO's Savings Bank is connected to Telebank, which together with Savings and Multinet, has over 4,000 automatic teller machines spread throughout the country. A service charge of R3 is charged on all withdrawals, whether at ATMs or counters.

If account statements are required over and above the normal quarterly statement, a charge of 75c is made.

Ledger fees of 50c a month are being levied on all active accounts and those which show no movement of capital in four years will be regarded as inactive accounts.

Lost savings books and certificates can be replaced at a cost of R2 and lost cards for R5 each.

Accounts can only be opened with a minimum deposit of R10 and withdrawals which reduce the balance below R10 will not be allowed.

While interest rates offered by the Savings Bank have fallen, this must be seen against a current national pattern of falling rates.

The PO says the Savings Bank certificates still offer an extremely attractive avenue of investment while rates are falling and smaller investors enjoy little or no interest on smaller amounts.
The PO was restructured as an independent public company in October 1991, with the State as sole shareholder. The organisation employs around 20,000 people and has fixed assets of about R$30 million.

It has a board of directors drawn from the business community and the board's main task is to ensure the company operates according to sound business principles.

The company operates more than 1,700 post offices and uses the services of some 490 postal agencies. Many of these operate in remote areas and provide the main communication link with the rest of the world.

The PO has 150,000 postboxes at mail collection points, 650,000 private boxes and delivery to around 6.5 million street addresses. As a part of its move to become more customer-driven, it has been taken over by 400 post offices, most of them large urban offices, new offices are open during lunch hours.

Diedericks says the PO is constantly monitoring public needs and more post offices will remain open during lunch time.

He adds that many offices will be open later in the afternoon in order to accommodate working clients. In addition, a single-queue system has been adopted at most large offices to speed up counter service and the system will be extended to more offices in the course of time.

He says the PO is continually modernising and adapting methods, for handling, sorting and transporting mail. The latest addition to the system is the introduction of a significant mail transport system by road, whereby a virtually overnight service is provided. Private contractors transport mail overnight on six main routes, from the PWV to Pietersburg, Nelspruit, Kimberley, Bloemfontein and Durban, as well as between the PWV and Cape Town, Port Elizabeth and East London, and between Cape Town and Port Elizabeth.

Comments Diedericks

"The switch to road transport has rendered the PO less dependent on public and other transport organisations and ensures better control over the dispatch and delivery of mail. As a result, in some cases, the delivery time has been cut by up to 48 hours."
Facing up to postal challenges
April 27, 1987

Corporal Police
Pretoria News & Sunward
A Star, Argus, Daily News

Costs must be cut

Are as strong as ever but responsibilities

In many of the country's police services, the emphasis is on cost-cutting at the expense of effective law enforcement. The result is often a decline in the quality of service, with higher crime rates as a consequence.

The problem is not new. Police departments have been faced with the need to reduce costs for decades. However, in recent years, the need has become more acute due to budget constraints and the rise in crime rates.

To address this issue, police departments must prioritize their spending and focus on cost-effective strategies. This includes investing in technology, training, and equipment that will improve the efficiency of their operations.

However, it is important to note that cost-cutting should not come at the expense of public safety. Police departments must ensure that their efforts do not compromise the effectiveness of their operations.

In conclusion, the challenge facing police departments is to find a balance between cost-cutting and effective law enforcement. This requires a strategic approach that prioritizes public safety while also ensuring that resources are used efficiently.
Postal tariffs set to rocket

The increase, which was 3% less than had been forecast, would raise Post Office income by R146m to about R1,6bn. The deficit would be cleared by 1996, ending government subsidies to the Post Office, if a major new restructuring programme was successful, Diedericks said.

He added that it was not only unfair but "morally reprehensible" to expect the taxpayer to subsidise postal services. The business sector, which provided 94% of the Post Office's income, would also be subject to the 30% average increase for services, although bulk clients could negotiate prices on the basis of volume.

From next month, the standard letter rate will go up from 35c to 45c. Parcels up to 100g will rise from R3,40 airmail to R3,45, parcels between 100g and 250g from R3,50 to R3,75, registered letters from R12,25 to R3,00, COD parcels from R1,05 to R1,55, express deliveries from R58,50 to R6,50, and there will be an average 18% increase in overseas postage rates.

New standardised envelopes with prepaid postage would also be available at the Post Office, each from 1 April. Diedericks said:

"This year's large increase was a 'one-off', justified on grounds of essential infrastructure expenditure. From next year, hikes would be linked to inflation."

Costing the average private user an additional R2,90 per month, the tariff hike was expected to have "no real effect" on inflation, Diedericks said.

Announcing a major restructuring drive, he said the Post Office's prime goal for the next three years was to eliminate the R500m shortfall while improving services. This would be achieved by maximising income, increasing the volume of business and by a "fierce cost-cutting exercise."

Included in the Post Office's plans to

...
Huge postal hikes from next month

Staff Reporter

THE Post Office yesterday announced the following increases in postal costs from April 1:

- The postage rate of normal mail will increase by 10 cents from 35c to 45c.
- A new standardised (110cm x 220cm) envelope, which includes the 45c postage stamp, will be introduced for sale countrywide. It will cost 50c. The envelope will not feature the cost of the stamp and will instead have the letters "standardised mail" printed to alleviate future printing of stamps when rates are adjusted.
- Also, a new postage stamp with no indication of value will be introduced. It will represent the postage of a standard article and only "standardised mail" will appear on it.
- The advantage is that new stamps would not have to be printed with every increase.
- Increased surface mail and air mail costs will be as follows respectively:
  - (Up to 100g) A 33% increase from 60c to 80c and a 31% increase from 80c to R1.05.
  - (100g to 250g): A 30% increase from 75c to R1 and a 30% increase from R1 to R1.50.
  - (1kg to 2kg): A 30% increase from R2.60 to R3.40 and a 120% increase from R3.40 to R7.30.
  - (Parcels — Up to 100g) A 30% increase from R2.00 to R3.40 and a 14% increase from R3.40 to R3.45 and a 7.1% increase from R3.50 to R3.75.
  - (Parcels — 1kg to 2kg) A 30% increase from R4.60 to R6.66 and a 65% increase from R6.66 to R9.90.
  - Certified letters: A 33% increase from R2.25 to R3.
  - COD parcels: A 20% increase from R4.50 (plus 1.5% of trade charge) to R5.70 (plus 2% of trade charge).
  - Parcel insurance (for a reimbursement of R100 to a maximum of R2.000 respectively): A 30% increase from R1 to R1.30 and from R18 to R23.40.
  - Express delivery of postal article: A 15% increase from R5.15 to R6.15.
  - Priority treatment of article: A 36% increase from R6.50 to R7.50.

Announcing the hikes yesterday, Post Office managing director Mr. Henning Diedericks said the increases would raise the organisation's income by about R146 million to about R1.69 billion. However, there would still be a deficit of about R498 million.

Mr. Diedericks said the Post Office would strive to keep future increases in line with inflation.

He said it costs the Post Office 61c to handle a postal article for which the public would now pay 45c. The increase would have "no effect on the inflation rate", he said.
Post Office lashed over hikes

Staff Reporter

THE Chamber of Commerce and Consumer Council yesterday lashed out at the Post Office for its increases of 25%, describing it as "exceptional" and a "further blow to consumers".

Assistant director of the chamber Mr Albert Schuitmaker said the hikes were "exceptional viewed against an inflation projection of 10% for the next financial year".

He said the target to break even should be "approached from two sides - the other being to slash costs". To say the increase will not add to the inflation rate is strange.

Consumer Council executive director Mr Jan Cronjé said most consumers could not absorb such sudden big hikes. "They would have preferred a gradual increase."

He said consumers hoped the Post Office kept its word about better services and smaller increases in the future.

Consumer Council spokeswoman Ms Annelie Jonker said the Post Office told them the only options were to increase costs or retrench 4000 employees.

But a Post Office spokesman said although talks were held, he was unaware of talks about the retrenchment of employees.

CT 23 | 13
**Mail charges to go up by 28 percent**

By Josias Charie

POSTAGE rates are to go up by 10 cents to 45 cents as from April 1.

The announcement was made by the managing director of the Post Office, Mr Henno Dieterick, at a Press conference in Pretoria.

The 10 cents— or 28 percent— increase is aimed at increasing the Post Office’s gross income on standard postage to an inflation-based amount and to bring South Africa in line with world rates and costs.

Dieterick said the increase was necessary to raise the Post Office’s income by about R146 million to an estimated R1 639 million. The deficit on the postal services would still amount to R498 million in spite of the increase. He said it already cost the Post Office 61 cents to handle an individual postal article for which users would now have to pay 45 cents, resulting in a loss of 21.5 cents. Dieterick also pointed out that charges for private post boxes and boxes at mail collection points would not be increased “at this stage” as the company was in the process of working out a new strategy for delivery. Details of the new plans would be announced later. Ismael Lagardien reports that the Democratic Party, reacting to the postal increase, said South Africans had a right to be angry over the increase.

DP MP Mr Geoff Engel said yesterday it was “outrageous and highly inflationary” to increase the rate to three times the inflation rate.
CAPE TOWN — There was no suggestion that there had been any irregularity in the expenditure of the Post Office listed for the amount of £400,000 in the estimate for the current financial year. The Post Office had been found to be solvent, and it was believed that the £400,000 would be paid in full. The Labour Party opposed the Bill, while the opposition and the Nationalist Party supported it. The Bill, which had been delayed, was introduced on the second reading. The Public Account Committee had recommended that the matter be investigated further. Mr. G. W. Steyn said that the Bill would not affect the Public Account Committee's recommendations. The Bill was to be referred to the Finance Committee for further consideration.
Budget ‘will hike inflation by 3%’

CAPE TOWN — The Budget’s immediate effect would be to raise the inflation rate by 3%, but the average rate for 1993 would be considerably lower than last year’s, Sanlam chief economist Johan Louw said in the latest Economic Survey.

The budgetary increases in the VAT rate, excise duties and the fuel price would cause the inflation rate to climb to more than 11% in April compared with December’s 9.6%.

Louw expected an average rise in the consumer price index of 10.5% this year compared with last year’s 13.9% average. He said the underlying inflationary pressures in the economy had reduced noticeably, mentioning specifically the slower increase in labour costs, higher productivity and lower interest rates.

Although the delicate balance of payments’ situation would play a significant role in determining monetary policy, Louw said a drop in interest rates from 13.5% to 12.5% in the next three to six months could not be excluded. Long-term rates should also tend downwards.

He expected little growth in 1993, with the budget playing a significant role in retarding economic activity as a result of the smaller deficit, real decline in government expenditure and tax increases.

“There are, however, signs that the rate of weakening in general economic positions is slowing down. In addition, the declining inflation rate, lower interest rates and possible favourable developments on the political front, together with the soothing rants that fell recently in drought-stricken areas, should have a beneficial effect on the economy.”

Louw stressed the importance of financial sanctions being lifted as soon as possible to ease the pressure on the balance of payments. The unfavourable movements of foreign capital since the end of 1992 and the susurable debt repayments due this year had resulted in an uneasy balance of payments position.

The slackening of SA exports over the past few months had led to smaller trade surpluses. Louw said the sluggish growth in foreign economies could be expected to worsen a sustained low growth rate for SA’s merchandise exports. Gold proceeds could be higher because of the weakening of the rand-dollar exchange rate, and improved agricultural cultural conditions would also have a favourable effect on the trade account.

Interest rates ‘to bottom out’

TIM MARSALAND

Interest rates were likely to bottom this year before moving higher in 1994, SPL Banking Services said in its March forecast yesterday.

The forecasts are carried out monthly among a group of nine economists such as Rudolf Gouws of Rand Merchant Bank, Adam Jocko of Absa, Eddie Lundecke of Eskom, Ulrich Jonker of Transnet, and Jos Gerson of Davis Borkum.,

The forecast shows there is a 53% chance that the prime overdraft rate will be 15.25% by August. This implies a one percentage point cut from its present level, with the rate staying at that level until February.

Twelve-month negotiable certifi-

Attended regulations may benefit Telkom

MELANIE SERGEANT

Although each user connection would constitute a separate period, and the period of connection would be deducted from the 30 days.

Although Telkom will name the operators it will, said Welgemoed, "use its best endeavours to connect (potential operators) ... and to assist the Department of Posts and Telecommunications in the public switched telephone network, leased lines or data networks in as short a time as possible".

...
Seeking a stamp of approval

"We're no different from the café on the corner," says Post Office MD Henne Diedericks "We have got to make ends meet." With a zeal that borders on the religious, former banker Diedericks and his team, recruited from the private sector, are out to make the Post Office pay its own way by the end of the 1996 fiscal year. But they know they can't dissolve a R520m deficit simply by jack up postal rates -- though they announced this week that rates are going up 30% on average beginning April 1. The price of a domestic-mail stamp will go from 35c to 45c.

They intend to fight their way to self-sufficiency by selling properties around the country, including the huge Pretoria headquarters, giving more discounts to bulk-mailers to entice them to increase their volumes, increasing efficiencies, and even charging the 2.5m customers who now get home delivery, which absorbs 33% of the postage price.

In addition to stepped-up accounting, there are also promises of better service. The 26 700 staff members, many of whom will be sporting new uniforms soon, will be taught to smile at customers. Items such as packing material, stamped envelopes and change-of-address cards will be sold in post offices.

Delivery target times have been set and will be monitored by outside sources, with results published. That café around the corner will begin selling stamps. And a national toll-free Action Line (0800-11-44-88) has been established to take complaints, or perhaps even compliments.

But, before the new cost-cutting and revenue-producing efforts can balance the budget, government will make up the difference. Even with the new 45c tariff on local letters, the Post Office will still lose money because it actually costs 61c, excluding VAT, to deliver a letter. Greater efficiencies should reduce that figure but political considerations did keep the rates artificially low for decades.

Businesses that have benefited from the low tariffs continue to complain about the steep increases, though they were told last year that tariffs would go up about 30% a year over the following four years. "We're aware of their five-year plan and need to balance the books, but their first priority is to slash costs," says Cape Town Chamber of Commerce assistant director Albert Schutmaker. He would like to see the rates mirror inflation.

Of course, management is still fighting battles with the politicians, too. DP posts and telecommunications spokesman Geoff Engel says taxpayers shouldn't have to support the Post Office through the Budget as well as through price hikes. "Once again, govern-

ment has nailed the hard-pressed consumer instead of looking to itself to improve efficiency and lower costs. The public is entitled to be angry."

Echoing the feelings of a lot of people, the Post Office's Diedericks believes government's R500m subsidy is "morally indefensible" when the demand for increased spending for education, health and policing is so high. "It will thus be to the benefit of everybody that the users of the postal service pay for these services, and not the taxpayer."

The tariff increase will do little to wipe out this year's R520m deficit, which was R28m less than projected. Though the higher rates will raise income by R146m, an estimated R1,638bn, Diedericks expects to lose R498m in the coming year. The Post Office estimates that the recession has cost it 3% in volume and with price hikes come even lower volumes.

The answer? "We must find new ways of finding income," he says. "We're throwing off the old holy cows."

For instance, formerly sacred icons in the form of Post Office buildings will go on the auction block. Senior GM Albert Michau estimates the book value of the Post Office's property portfolio at R50m and the market value at well over R1bn.

Diedericks acknowledges that unloading old Post Office buildings will be a hard sell, but he doesn't plan a fire sale. This week he appointed Steyn Petterse, former MD of Granger Housing, to run the countrywide property portfolio and to oversee its disposal.

Of the 2 000 post offices and postal agencies, the uneconomical ones under Post Office management will be offered as low-cost franchises to entrepreneurs. The overall total, however, is expected to increase to 3 000 as more outlets are opened in the townships.

Management also wants to move white-elephant sorting factories, such as Johannes-

burg's Jeppe Street facility, out of downtown areas. Scheduled to open by July is a huge R70m handling and distribution centre in Goodwood. Outside Cape Town, the "Cape-mail" hub is aimed at serving the region's large number of bulk distributors, including insurance companies and magazines. Other such hubs are destined for the outskirts of Johannesburg and Durban.

The Post Office is also custom-tailoring its bulk-mail discounts, which Diedericks says can be as much as 20%. Business mailers comprise 85% of the total volume of 2,58a pieces of mail processed annually, so they feel a proprietary interest in how the postal service performs and at what price.

The SA Direct Marketing Association's Emil Den Dulk says his organisation has been working with the Post Office for the last few years to get a better deal. One result is that direct-mail response advertisers -- such as offers of subscriptions or fund-raising -- will get an 8%-9% additional discount.

"Two years ago they came along with a programme to double the rates. We said it would kill the direct-mail industry. Then last year they said they had to raise the rates 30% a year for five years and we said that would totally kill the industry. We predicted volumes would drop 15% They predicted 3%. We were right."

Still the cheapest

Comparing standard letter rates

<table>
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<tr>
<th>Country</th>
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</tr>
<tr>
<td>New Zealand</td>
<td>July 1 1991</td>
<td>70c</td>
</tr>
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<td>February 3 1991</td>
<td>82c</td>
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<td>January 2 1992</td>
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<td>R1,69</td>
</tr>
<tr>
<td>Germany</td>
<td>April 1 1989</td>
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</table>

Source: AN POST OFFICE
Nevertheless, Ben Duik says the industry has confidence in the new Post Office management, which took over at the beginning of the year.

"With its latest undertaking to link the rate hike next year to inflation and then make it under the inflation rate after that, well, the direct mailers have not reacted too negatively. The volumes should turn around, maybe next year."

Not everyone is sold Schutte, of the Cape Town Chamber, says he hasn't seen a lot of evidence of the new pro-business attitude at the Post Office and he isn't holding his breath waiting for inflation-aligned rates next year. "I don't think many businesses are planning next year's expenditure based on this vague promise."

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**FM CORPORATE HEALTH CARE CONFERENCE**

**Opening the doors to competition**

As the Medical Schemes Amendment Act throws open the private health-care sector to competition, the medical schemes industry will undergo radical surgery to keep ahead of its nearest competitor — the insurance sector.

Rob Speedie, executive director of the Representative Association of Medical Schemes, told the FM Corporate Health Care Conference last week that the legislation — which ends compulsory minimum benefits and guaranteed payments by schemes — would usher in a new era of competition.

"And, I am using the term 'competition' in the sense understood by business people — whatever business has to do to get business away from his rivals and whatever they do to take business away from him. This covers such issues as price rivalry for products that can be substituted one for another, product and service differentiation."

Speedie points out that of the 236 medical schemes registered at the end of 1991, 77% had a membership of fewer than 10,000 while 21% had fewer than 1,000 members. He predicts that increased competition will result in a greater concentration in the market. "A smaller number of larger players will tend to dominate the market. This has been true in the building-society and banking-and-insurance sectors."

But he stresses that conceding that this doesn't mean competition will be inhibited.

Until September 1989, schemes were prohibited from offering different types of products. Speedie says the first concessions allowed schemes to base subscriptions on factors such as age, area of residence, individual claim patterns and group claim patterns. Schemes, however, still had to provide cover across the board for medical, surgical, dental and physiotherapy services. Hospitalisation and medicines have also been covered.

But, under the new law, Speedie says, schemes can limit or exclude certain types of cover and market these different products in the same way that insurance companies push their hospital plans.

Alexander Forbes joint MD Leon Lewis says health insurers will also offer a greater variety of products, making comparative pricing more difficult. He predicts that patients paying for routine procedures out of their own pocket will become the norm. While cost controls — such as having members pay deductibles and placing limits on how much of a bill is covered — will also be implemented.

Speedie looks for greater concentration in the market.

"Promotional activities — especially advertising — will be intensified and pricing policies reviewed as the pens are sharpened," Speedie says. He concedes that advertising will add to costs but this should be offset in the long term by savings resulting from a more cost-effective health-care system. The legislation will scrap the ethical rules that prohibit schemes from paying brokers commissions to introduce new business. Whether this will become an industry practice, however, is uncertain.

Managing a greater number of products will require more sophisticated information systems, a trend that will generally favour larger schemes and keep the riff-raff out of the trade, Speedie says. The well-established principle of the customers who make few claims subsidising the customers who make many also will favour a more concentrated industry, he adds, because lots of different products will make cross-subsidisation more difficult for all but the biggest schemes.

In a far-reaching innovation, the Act allows schemes to supply services — employ doctors, pharmacists, nurses and others to run hospitals and clinics. This paves the way for managed health care, a practice that has cut costs by as much as 40% elsewhere, Speedie says. The new legislation will bring managed care to the fore, thus enabling schemes to charge with suppliers of services to obtain cost-effective care on behalf of their members. He has little doubt that the overall cost of health care in the private sector will be contained for the first time in many years.

But Speedie says it's unlikely that schemes will move towards owning and operating their own facilities on a large scale, given the existing oversupply of beds in the private sector. "When implementing managed health care, schemes will probably focus more on preferred provider organisations — where a group of doctors join forces and contract their services out to a scheme for a specific period."

He is adamant that schemes will be able to offer a full spectrum of cover from the fully comprehensive type through to tailored packages. "Schemes will be able to compete effectively with insurance companies offering various innovative products."

Lewis says, "The critical issues will be the restructuring of medical aid and the cost of care. But while he believes that the benchmark will be the track record of some major insurers will see them claim a large slice of the market, he predicts that the likely health-care scenarios on offer will combine medical aid with insurance as well as personal savings."
Post service heads for new era

THE decision by the Post Office to up its rates by an average 30 percent from April 1 is an unhappy one for the average letter writer and businessman in SA.

The latter will be paying hundreds of thousands of rand extra a year to the Post Office, which will, of course, somehow have to be recouped — most likely by increasing the prices for the goods and services they sell to their customers.

In the end, it is the ordinary person who pays.

But why is the Post Office apparently out of line with everyone else in the national effort to reduce inflation?

The answer lies in the restructurining of the Post Office. It is now a company that must pay its own way. And it is saddled with a deficit of no less than R520-million.

As with companies all over the world, the two ways of getting rid of a deficit are greater efficiency and/or higher prices.

The “new” Post Office plans to make ends meet by selling Post Office buildings all over the country to obtain cash. It is estimated these buildings have a market value in excess of R1-billion.

The 2,000 post offices and postal agencies under its control — especially those losing money at present — will be offered as low-cost franchises to businessmen.

At the same time franchises are to be made available to businessmen in the townships which may well push the number of outlets to well over 3,000. This will open up great new opportunities for black businessmen as they will be able to offer other goods in these outlets, for instance, stationery and school books.

Even small grocery stores will be allowed to sell items such as stamps, or pre-stamped envelopes. This will make life much easier for the consumer who hates standing in the traditional long queues in post offices.

Another innovation is to charge an annual fee to all those customers who require their post to be delivered at home. The Post Office says the cost of services such as these will push the average cost a letter delivered to about 61 cents against the new cost of 45 cents for a domestic-mail stamp. So it is still showing a loss, which should gradually be reduced and eventually wiped out by the new measures.

Customers can also expect better and friendlier service, according to managing director Heenie Diederichs, who claims the Post Office nowadays is “no different from the cafe on the corner” as it must, sooner rather than later, make ends meet.
Post Office can grab the money and run

By ZILLA EFRAT

Since its commercialisation in 1991, the Post Office has reported only to the Minister of Transport and falls under his department's vote. Its R30-million loss for 1992-93 was met by the taxpayer. Big subsidies are forecast for the next two years until it breaks even.

Mr Engel says: "The public is yet again being asked to take tough medicine and see the benefits later. It's the same old story and usually nothing happens."

He questions why the public now has to pay on average 30% more in postal tariffs when the Post Office expects to reduce its loss in the coming financial year by only 4%.

He says these numbers do not balance.

"Either the Post Office is becoming even more economically inefficient or it is still carrying over expenditure from the apartheid era."

It is not as if the taxpayers' money or higher tariffs will be used to extend the Post Office's services to more communities, upgrade its computer centre or build three multimillion-rand mail centres.

It plans to finance its R240-million capital programme from internal cost savings and the sale of certain properties. Its property portfolio has an estimated market value of R1-billion.

Mr Engel says the public is being made to cough up for yet another role of apartheid-era mismanagement.

This legacy includes inadequate controls, roughly 700 uneconomic post offices, the result of over-servicing the white community — and tariffs that are not cost-recovery but because increases were "politically sensitive" in years gone by.

Most of the population has limited access to postal services. For example, Pretoria has 71 post offices, but its surrounding black townships, with a larger population, have only three.

The Post Office is about to embark on a drive to extend its services to more communities, but Mr Engel asks why it is waking up to changing South Africa only now.

Stamps

He believes the Post Office had to take over its share of the public servants' pension fund, with its large deficit, when it was commercialised. "This could be one of the reasons why it is battling to bring its losses down and if this is so, that burden will last for decades."

The Post Office's new business approach and deregulation have been welcomed. The policy includes cutting costs, allowing offices and supermarkets to sell stamps and franchising out services.

Mr Engel says: "These are good developments because the private sector will handle services more efficiently. We are looking for user-related charges."

But he queries the Post Office's latest information-campaign, saying "Companies normally advertise to increase market share. But the Post Office does not have to do that for customers because it has no competition."
The motion in the name of the Minister of Finance, Mr. D. W. Gibson —

(1) That this House regret that the United Kingdom Government has not accepted the recommendations made in the report of the Interdepartmental Committee on the Financial Position of the Wages Board and the Arbitration Board in their recommendations for a substantial increase in the minimum wage.

(2) That this House call on the Government to take urgent action to ensure that the minimum wage is increased immediately.

(3) That this House urge the Government to consider the need for a comprehensive review of the minimum wage system in order to ensure that it is adequate to meet the needs of the workers in the country.

(4) That this House call on the Government to take steps to ensure that the minimum wage is indexed to take into account inflation and other cost of living factors.

The motion was adopted by the House.
Post Office wants a stake in state lottery

The Post Office wants to be in on running a national lottery. Amid speculation that the government will grant a sole licence to run a state lottery, Post Office general manager André du Pisani says his company has the best infrastructure to run it.

"We are interested in the job, especially on the computer-terminal side — which means being the retailer," Du Pisani says.

He adds, however, that if the government decides it wants one administrator of the lottery system, the Post Office would want that role and would be prepared to run the state lottery.

The Post Office is developing a countrywide on-line counter system for its other operations and this could easily be adapted to run a lottery, Du Pisani says.

But a potential conflict would arise with scratchcard operator 1thuba/Games Africa, which uses the Post Office as one of its retail outlets. Games Africa is itself vying to run the mooted state lottery.

Games Africa chief executive Mark Hutchinson comments that the Post Office would have to join forces with one of the other lottery operators, Stafarmark and the South African National Lottery, in order to run a national lottery.

The thrust of Games Africa's argument for being considered as top contender for the job is that it is a business-like organisation whose strong profit motive benefits charity by increasing turnover. The counter-argument likely to be used by any charity-based group is that lotteries are not businesses in the ordinary sense, because they sidestep any general ban on gambling through an appeal to human philanthropy.

Games Africa's jockeying for the position has apparently caused some concern at the country's other scratchcard operator, Viva. The two operators differ completely in approach: Viva is "owned" by 14 charity organisations, stresses...
POST OFFICE

Measuring the mail

As usual, there's good news and bad in the results of the FM's regular survey of postal delivery times. On the up side, this fifth test was the Post Office's best overall showing. On the down side, it took three days each for 10 letters to get from downtown Johannesburg to a suburb 12 km away.

This is our first test that perhaps accurately reflects the changes at the Post Office since its commercialization in October 1991. Overall, things have improved, but there's still a long way to go.

The way the test works is that we post 50 letters of standard size and weight on a Monday morning at the JSE post box to five locations: Johannesburg, Durban, Cape Town, London and Princeton, New Jersey, which is halfway between New York and Philadelphia. Then we wait for them to arrive. This time it took a total of 230 days for all letters to reach their destinations — down from 304 a year ago.

Local delivery times deteriorated but the overseas mail went post haste (all 10 letters took nine days each to get to the US and four days each to the UK, just over half the time they took last year).

The Post Office obviously likes the idea of a survey because it intends to implement one of its own to see whether it can meet its newly established standards of delivery. Most countries overseas test themselves but it has never been done in SA, says the Post Office's Julian Neil. It will use an independent auditing firm and the first results will be made public next March.

For standard letters, the Post Office now says it should take two days within a city, four days within a province, and five days between provinces. Management says standards can't be set for overseas post because it's out of the Post Office's hands once it lands abroad.
A call in time saves plenty

Staff Reporter

SOMETHING has gone down in price at last.

Telephonitis victims willing to stay up late or restrain itchy index fingers until weekends now can dial overseas without it costing as much of an arm and a leg as it did last month.

Yesterday, Telkom introduced peak, standard and much cheaper off-peak charges for direct-dialled calls to 21 countries.

Another 100-odd countries will have two rates — a standard rate about seven percent less than the current one and a new, off-peak rate which will be up to 20 percent cheaper.

Times and rates differ from country to country.

For instance, peak time for calls to the United Kingdom is from 11am to 3pm and standard times from 8am to 11am and 3pm to 10pm.

Off-peak times are between 1am and 8am and 10pm midnight on weekdays and on all day on Saturday and Sunday.

Off-peak times for calls to Australia are between 1am and 8am and 7pm and midnight on weekdays and all day on Saturdays and Sundays.

Standard times are from 8am to 8pm and noon to 7pm.

But, Telkom has warned that VAT on telephone calls goes up from 10 to 14 percent next week.

From Wednesday, a peak-time call to Australia will cost R5.62 a minute, a standard time call R5.43 and an off-peak call R4.46.

Peak-time calls to Britain will cost R6.46 a minute, standard-time calls R6.18 and off-peak calls R4.97 a minute.

A uniform surcharge of R11.40 (R10 plus R1.40 VAT) will apply to each operator-controlled personal call, replacing present rates ranging between R5.97 and R11.34 according to Telkom.

For further information about rates and off-peak, peak and standard times, call international inquiries 20903.
**Scrambling for cellular licences**

The players have been preparing for months—M-Net, Cable & Wireless and Grinaker. Now the multimillion-rand scramble is about to begin. With the release of the project tenders late this week or next week, the starting pistol will sound and the line-up of telecommunications and electronics firms will have two months—maybe a bit longer—to persuade government that they will build the best cellular telephone network.

The companies will vie for one of two licences that government will award for the right to build a network. Telkom has already won half of one licence and will pick its partners for the other half. When government makes up its mind, the scramble will turn into a sprint for the two licence holders, for whatever company gets its network up and running first will have a powerful competitive advantage in what promises to be a fast-growing and lucrative field.

But the race will be expensive. It will cost R300m or more to build the base stations and relay towers needed to hook up SA to cellular phones. The phones work like rados, so they don't require the expensive infrastructure of telephone poles and wires strung from building to building and town to town. That is why they're as suitable for car phones as for residential phones in rural townships.

Refereeing all of this will be a Johannes- burg advocate who worked for Eskom for many years and is new to telecommunications. Ters Oosthuizen started work as the independent telecommunications regulator on April 1 and is going on a two-week familiarisation trip to Europe this week. He'll meet British, French, German and Swedish regulatory bodies to learn how they supervise telecommunications.

Minister of Posts & Telecommunications Post-Welgemoed appointed Oosthuizen for a three-year term, handing him the hot potato of allocating the second cellular-phone licence. Beyond that, he will establish a regulatory authority for the telecommunications industry.

By the time Oosthuizen lands back at Jan Smuts, the contest will be in full swing. Telkom says it has not yet decided who should get the other half of its licence and will take applications. Industry speculation focuses on Racal Vodafone, which is one of the two cellular operators in the UK.

As for the full licence, M-Net will apply in conjunction with the UK's Cable & Wireless and some unnamed local partners. "We are focusing on companies that will complement us in the areas of technological and market- ing expertise," says M-Net's Ian Wilkinson.

The M-Net consortium has not yet committed itself to a technology—the tender will not prescribe either analogue or digital. Wilkinson says that while the GSM—global system for mobile communications—digital technology is the most appropriate and will become the standard in more than 30 countries, M-Net might opt for analogue if the tender stipulates low-cost terminals and a quick penetration of rural areas.

Another company that will tender is the Grinaker Electronics business unit Cellstar Cellular Networks, which proposes the analogue Nordic Mobile Telephone system. Cellstar GM Ian Fairman maintains that cellular phones should be consumer-driven to ensure that SA is not saddled with a new "yappe toy." He says affordability and countrywide access should be the most important selection factors.

Siemens and Plessey say they won't apply because, as telecommunications suppliers, they would be competing against their customers. According to Welgemoed's office, applicants will have two months to study the tender and submit proposals. Oosthuizen, however, is more cautious. "I know the Minister is keen to have the licence issued as soon as possible, but, practically, it may take longer." He says only that the licence will be issued before the end of the year.

The companies applying to build the cellular-phone network probably will be judged on their ability to provide a reasonably priced system, both in terms of the cost of the infrastructure and the cost to the user. Applicants will have to specify the extent to which their choice of technology will lead to high volumes and low costs, how they will provide a service to poor communities and how they will support SA industry.

To be in foreign funds and expertise, joint ventures with overseas firms are being encouraged.

The fact that Oosthuizen does not have telecommunications experience ensures that he does not have any ties with Telkom or other vested interests in the industry. It also means he has a lot of catching up to do.

M-Net's Wilkinson thinks it's appropriate to look at European models because unlike the US—which Oosthuizen can't visit on his trip because of a lack of time—most European countries have only recently started to deregulate. "Europe has a pragmatic approach to regulation and the UK's Office of Fair Trading for Telecommunications is a good example of a watchdog body with a hands-off approach, being interventionist only when the monopoly supplier abuses its entrenched position." Licence fees will fund the regulatory body, "I intend to keep the regulator as small as possible and don't envisage allocation of taxpayers' money," Oosthuizen says.

One task to which the regulator will pay close attention is ensuring that the Telkom consortium will not be involved in predatory pricing and cross-subsidisation at the expense of other operators. This means that low fees on the cellular network, for instance, could not be subsidised by high fees for data traffic on the fixed network, where Telkom will keep its monopoly.

While government continues to push ahead, the ANC and others continue to oppose the move as premature. They charge that the regulator was appointed outside of legislation and that cellular phones are not necessarily the cheapest and most efficient way to serve the masses. But Eugene van Rensburg of the Minister's office says SA cannot afford to wait any longer. "Technology is advancing at such a pace that if SA waited for all the pieces to fall into place, it would be too late,"

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**ESKOM**

**Power up for grabes**

There's high tension at Megawatt Park as Eskom's senior executives wait to find out how the Electricity Council, which controls the government-owned utility, and the management board, which oversees its day-to-day running, will be reconstituted in the coming months.

The three-year term of the 18-member council, which is appointed by government, expires this month. It now consists of representatives of Eskom's biggest customers—Transnet, agriculture, mining and other in-

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**FRANCIS MUIR • APRIL 2 • 1993 • 50**
Phone calls up again
by 3.6 pc

The price of local telephone calls is to increase by another 3.6 percent from April 7 in response to the rise in the VAT rate announced on Budget day last month. Telkom has announced.

The latest rise in telephone charges, including rental and installation costs, follows closely on previous increases of about 10 percent, which became effective from April 1.

But Telkom kept an earlier promise not to increase telephone rentals for social pensioners and tariff on co-operative telephones.

Telkom said in a statement on Friday that the cost per call unit (including VAT) would increase from 20.79c to 21.56c on April 7.

The VAT-inclusive monthly telephone rental cost is to rise from R33 (effective from April 1) to R42.20 on April 7, an increase of more than 3.3 percent.

The telephone rental charge had been R31 a month before April 1. The cost of telephone installations is to increase by about 3.6 percent on April 7.

Telkom said the unit cost of con-phone calls, unchanged for the past two years, would stay at 30c.
A good year for selling debt

TELKOM will be calling for about R1bn from the debt markets for 1993/94, to be used largely to fund rollovers. It owes the market about R6bn at present which is spread between its three bonds (the TK82 matured at the end of March), and it is looking at issuing two new bonds.

In addition to the new bonds, it hopes to launch its commercial paper before June.

Prevailing rates will determine the funding split between the bond and money markets. But Telkom is keen to get into commercial paper, since it sees this as an area of growth.

It is worth noting that Telkom’s current forecasts see little need for new money during the year. This puts the parastatal requirement at about R4bn this year, although as in the case of Telkom, little of this is new money.

Government demand remains the big one at R6bn (according to figures given at its road show).

On the face of it, the issuers will have little difficulty in selling debt this year.

But the institutions remain the key factor – do they believe that the market is cheap or do they think inflation is going to wipe out the real returns enjoyed up to now?

Hence the issuers are doing their level best to convince the institutions that rates are too high.

If just one takes the bat, it will signal a sharp downward move, since in the capital market, the lemming principle rules.

Until that happens, bond traders remain key candidates to operate elevators in their spare time, since most of their business these days appears to be up one day and down the next.
Networks

Piet Wielgenboom intends to specify minimum annual coverage in regions - as well as nationwide.

Some planning to tender say this is "over-optimistic" because the entire country cannot realistically enjoy coverage. "Only the most densely populated countries in the world enjoy full coverage," one prospective operator said.

M-Net, which is tendering with UK-based Cable & Wireless, said the tax and R100m upfront fee seemed to contradict government's explicit wish to have as many phones available to the population as possible.

"However, if this is only a tax, and cellular calls are zero-rated for VAT, community services could be boosted.

"Alternatively, if the total price tag plus VAT charges, and government drops import duties on handsets, this could also increase penetration," said M-Net's Ian Wilkinson.

Although the tender does not specify which technology will be used, it says "that GSM is widely accepted in SA, any other technology proposed should include a full discussion comparing it with GSM".

The tender says plans for temporary infrastructure sharing will not be seen as anti-competitive as long as service quality and tariffs are not adversely affected.

Telkom, which has already been granted 56% of one licence, must submit its licence application by June 30, while the other tenderers must have theirs ready by June 1.

There will be a common switch-on date for both.

Telkom's mobile communications senior GM Alan Koot-Craig said it was too early to comment on the R100m licence fee.

He estimated that Telkom would raise at least half its contribution via loans and its partner would provide the balance.

No money for cellular phones was allocated in Telkom's budget this year as the licence was announced only on February 14.

Charges for linking a new operator into Telkom's existing network would be fixed by the telecommunications regulator in consultation with Telkom.

Independent consultant Alan Paul said, "It is inequitable that government wishes to place upfront taxes on essential services. To facilitate economic growth it would probably be wiser for government to request the R100m to be spent directly by operators in community services".
Stiff fee ‘will limit cellular network’

GOVERNMENT's decision to slap a R100m licence fee on cellular network operators could fly in the face of its bid to use cellular technology to get phones to the masses.

Some would-be operators are querying the fee which must be paid by Telkom and its partner/s and the group allocated the second licence.

Grenell company Cellstar Cellular Networks GM Ian Fairman said cellular technology's role in cutting the backlog of phones would be restricted if government insisted on the R100m licence fee.

"This amount, together with the R5m radio licence fee and band-width fees, will add to the cost of providing the service and SA could end up with another elitist phone system," he said.

He queried how government had decided on the R100m figure.

Fairman said some of the tender requirements were "strange and difficult to understand in the light of government's proclaimed aim of extending phone services to as many people as possible".

He claimed that the tender was biased towards the digital global system mobile (GSM) technology.

Altech Electronics Systems group executive director Hannes Steyn said the licence fees were evidently seen as necessary to discourage all but the most serious bidders. This would result in the cost of the network and would have an impact on prices for end-users.

"We have wondered whether the same objective could not be attained by specifying the minimum size of the network and concomitant guarantees," Steyn said.

The ruling that infrastructure suppliers were precluded from bidding was a practice elsewhere in the world, he said. "There is a perception that the extra element of competition thus created is advantageous."

The tender stated candidate network providers could share infrastructure to foster faster roll-out of the service. Steyn said this was a workable decision and would allow deeper penetration into low-density areas than would be the case in duplicated networks.

But it raised the question whether there would be true competition if network providers were to collaborate to this extent.

"Also, if one imagines the C2 (Telkom) licence being awarded for GSM technology, and the other licence being awarded to an analogue technology provider such as NMT, it will be impossible to have real competition at subscriber level because subscribers will simply not be able to switch between the two."

It would be impossible to share components of the network because of interoperability problems. "Economies of scale will militate against having a cost-effective service because of duplication," Steyn said.

Steyn said if SA opted for a dated analogue technology, the country would be painted into a corner for years to come.

A potential tenderer pointed out that the tender asked for marketing information and for business plans. He asked what form confidentiality would be guaranteed and how tenderers would be assured that information was not given to Telkom. He also asked who would adjudicate the tender to ensure fair play.

Government sources said new regulator Tors Oosthuizen would be assisted by four independent experts.

Meanwhile, would-be cellular network operators are exasperated by government's demand in the tender for a "guarantee that the equipment will not pose a health hazard to any user".

M-Net's Ian Wilkinson said there were 22-million cellular phone users in the world and only three known court cases were under way centering on the possible danger of radio emissions from handsets.

"We would request our equipment suppliers to guarantee equipment," he said.

Telkom's Alan Knott-Craig said Telkom was a signatory of the GSM memorandum of understanding and would comply with the safety and other regulations governing equipment.

The GSM memorandum of understanding utilized German studies which showed that subject to detailed investigations GSM handsets were safe to use.
Potwa pay talks still on

THE largest postal and telecommunication trade union is demanding a 20% pay rise for lower grade workers and 10% for those in the higher grades.

Annual pay talks at the Post Office and Telkom, in progress for several weeks, are conducted separately from those involving other public servants.

The Cosatu-affiliated Post Office and Telecommunications Workers' Association (Potwa) is the largest union of the six negotiating with PO and Telkom management.

Potwa assistant general secretary Szwes Matalikaza says the PO is offering pay increases of between 6.4% and an 8.8%, depending on job grade, and "subject to certain conditions, including changes to overtime work."

Mr Matalikaza says Telkom is offering a 5.5% rise for workers in all grades covered by the talks. A Telkom spokesman would not comment on details of the negotiations, saying only that "no agreement has been reached yet, but the talks are continuing."
R70m payphone row

By ZILLA EFRAT

Telkom has bought the cardphones at a price which is 13% higher. He says "This has serious connotations because if the Government continues on this path, it will force local industry to abandon all R&D and discontinue manufacture." Telkom, however, claims that the EIF is not expressing the opinion of the industry and is supporting the one company that has been com-

Maximum

He believes the decision could cost SA up to $100-million in exports, as well hundreds of jobs. The world market for card payphones is expected to top $1-billion a year by 1997.

The major SA tenderer, Telkom, has had considerable success in exporting its own payphones, especially to Eastern Europe, after receiving support from Telkom.

The EIF believes that SA expertise could have been adapted to satisfy Telkom’s requirements.

EIF president Dirk DeSmet says it is possible that Telkom favoured the cheaper imported product to avoid having to apply the local content price preference code of conduct applicable to all parastatal organisations.

The price preference for local content varies, depending on the level of SA design and manufacture. The Government and the industry have agreed to reduce this over several years to a maximum of 16%. But Mr Farrah says that when local content is taken into account,
Squeezing the cellular-phone industry

Frequency limits, a restriction on competition and exorbitant licence fees have raised the question of whether government is destroying the viability of cellular telephony even before it becomes a reality.

A serious problem is the difficulty in obtaining radio frequencies. Most of the radio spectrum has already been allocated to the SA Defence Force, Transnet, Escom and other public bodies and there are indications that many of the allocated frequencies are not being used.

As a result, only the 900 megahertz (MHz) spectrum has been allocated to cellular telephony, instantly eliminating many successful cellular systems. The American Mobile Phone Standard system, for instance, cannot be used in SA because it operates in the 800 MHz spectrum. With more than 5m users, it is the most popular system in the world.

An important function of the newly appointed telecommunications regulator will be to decide how the available spectrum is allocated (Business & Technology April 2). Some have suggested that to have a truly viable and competitive industry, operators should be allowed to buy and sell the frequencies under the watchful eye of the regulator.

But Ian Wilkinson, M-Net's CEO, communications technologies, warns "Ownership of frequencies by operators is a dangerous concept because frequencies are a national resource. Operators should be able only to use, not own, the frequencies." Acting on the recommendations of the Coopers & Lybrand report on restructuring the telecommunications sector, government decided to award cellular licences to only two operators, with Telkom getting half of one, which will allow it to operate in a consortium.

Its reasons for limiting the number of operators include the size of the local market and the corresponding decline in economies of scale as the number of operators increases. Moreover, the need to develop a countrywide infrastructure, and radio-spectrum limits. However, some suspect that the limit was set so as to protect Telkom.

Even if two operators are indeed the best option, government's high licence fees, as outlined in the tender released last week, threaten to stifle the industry before it starts.

Each operator must pay an initial base fee of R100m, plus an ongoing licence fee of 5% of its net revenue. Also, R5m annual radio fees must be paid to the Postmaster General, plus R10m a year for each 10 MHz channel granted to the operator.

To foot the bill for these huge amounts, the network operators will probably be forced to push costs on to the users, undermining government's plan to provide poor and rural areas with quick and cheap access to a telephone. If this happens, then the ANC and other critics will be right: mobile phones will remain just a yuppie toy.

M-Net will be applying for a licence in conjunction with the UK's Cable & Wireless and some unnamed local partners. Wilkinson says "The 5% fee on net revenue is substantially higher than in other countries, where the network operators pay less than 1%." He warns that the high fees could result in operators serving only densely populated areas and skimping on rural areas.

In addition to the licence fees, there is also a R50,000 tender-application fee. The tender does not mention refunds for unsuccessful applicants. Ian Fairman, GM of Grinnaker Electronics business unit Metcellar Networks, says "The application and licence fees are evidently a way of discouraging all but the most serious bidders."

While true open competition is out, Wilkinson says "It would be a mistake to open the market to unsubstantial bidders. Licences will be issued to network operators for 15 years and the initial investments are very high." He says there is a place for the small entrepreneur in supplying the equipment and in distributing and re-selling airtime.

Some industry watchers suspect that government issued the tenders with possible applicants already earmarked. A concern is that the cellular licences are being seen as a new cash cow for the Exchequer and that the goal of providing an inexpensive phone service to SA's majority is falling by the wayside.

A large part of the fees will be used to finance the independent telecommunications regulator, which is responsible for choosing the operators. However, the regulator's budget has not been made public and only the chairman, Terence Oosthuizen, has been appointed. His panel of four experts has not been announced. "We would like to see international cellular communication experts with no vested interests in a particular technology and preferably with experience in an overseas deregulated telecommunications industry on this panel," Fairman says.

Cellstar, which will propose the analogue Nordic Mobile Telephone standard, is forming a consortium with an overseas operator and will announce its partners next month. The company is installing the same standard in two other African countries.

He fears that government is biased toward digital technology, in particular the global system for mobile communications, or GSM, which is favoured by Telkom. "Why does the tender specify a R200,000-a-year fee for each 200 KHz channel that the operator is granted? Only the GSM technology operates in 200 KHz blocks. Instead, government should ask for a fixed fee for each 10 MHz block given to the operators."

But no single system is a panacea. Keary Cannon, of US-based Hughes Network Systems, says SA should choose the system that is best suited to the majority of users. He warns against the temptation of selecting the most sophisticated technology available. "Few SA users need all the features of the digital technologies."

Because the tender asks for comprehensive marketing and strategic business information, some fear that this sensitive information could end up in the hands of the Telkom consortium due to the close personal ties between staff at the Department of Posts & Telecommunications and Telkom.

Some old ways

An irony of the tender document is that, while it aims to open up the market to competition, it is still couched in terminology typical of the old SA. For instance, it stipulates that any inquiries or comments should be directed to the Postmaster General and says, "it may be regarded as an irregularity if an inquiry or comment is made in any other way."

Some see this clause as government's standard attempt at secrecy, others see it as an outright gag order.

Some have also complained of the double standards in the deadlines for applications. The Telkom consortium's deadline is June 30, while the other operators must apply by June 1.
It is hereby notified that the State President has assented to the following Act which is hereby published for general information:

No 572 of 1993 Unauthorized Post Office Expenditure Act, 1993

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:

No 52 van 1993 Wet op Ongemagtigde Poskantooruitgawes, 1993
WET

Om sekere ongemagtigde uitgawes uit die Poskantoorfonds te magtig.

(Afrikaanse teks deur die Staatspresident geteken.)
(Goedgekeur op 26 Maart 1993)

DAAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika, soos volg —

Magtiging van sekere ongemagtigde uitgawes uit Poskantoorfonds

1. (1) Uitgawes ten bedrade van R96 358,12 wat gedurende die boekjare 1988/89 en 1989/90 deur die Departement van Pos- en Telekommunikasiewese aangegaan is en waarvoor nie voorsiening gemaak is in 'n Begrotingswet van genoemde Departement nie, word hierby magtig, en die Poskantoorfonds word hierby met die betrokke uitgawes betas
   (2) Die uitgawes in subartikel (1) vermeld, word nader omskryf in paragraaf 2, op bladsy 1, van die Verslag van die Ouditeur-generaal oor die Rekenings van die Departement van Pos- en Telekommunikasiewese vir 1989/90 [RP83/91], wat aan die Parlement voorgelé is, en in die Vierde Verslag van die Gesamentlike Komitee oor Openbare Rekenings, 1991

Kort titel

Shroud for SA satellite unveiled

By MAGGIE ROWLEY

THE shroud of South Africa's first satellite, the launch of which hangs in the balance, was unveiled to the Cape Times yesterday.

The observational satellite is being designed and developed by the Strand-based hi-tech company, Aerodyne Technology, for Denel, the company formed last year from the manufacturing divisions in Armscor.

Measuring 4.5m by 1.3m, the satellite shroud weighs only 65kg and is made of fibreglass and carbon fibre.

Aerodyne managing director Mr Zach de Beer said the design of a solar array system to be attached to the satellite was still in the early stages.

Objections

The company is also responsible for designing and manufacturing the trusses for the internal platforms to support the satellite cameras. Weighing only 130gm the trusses can each carry a compressed weight of about 2.5 tons.

Mr De Beer said the satellite's launch was scheduled for late 1994 or early 1995.

But US objections to Denel's possession of a missile with whom to launch it could scupper the project.

Mr De Beer said the shroud's weight as every kilogram translated into an additional $300,000 (about £160,000) in launching costs.

● Concorde deal for Aerodyne — Page 13

SPACE-AGE . . . Mr Zach de Beer (left), managing director of Aerodyne Technology, and Mr David Butlion, director of international marketing, in front of the shroud of South Africa's first satellite. In their hands are examples of the trusses for internal platforms to support the cameras. Each truss can carry a weight of 2.5 tons.
SA international calls world second dearest

2.5% in the year surveyed. It is, however, the cheapest place from which to make international calls.

European international call prices are on a downward trend and domestic prices are being held constant to prepare for European Community demands for a more open market. International call rates, the opposite trend is true for SA.

Premise

In the year to January 1993, local calls cost 17.2c. Although the second lowest on the NUS "league table", they showed the biggest gross price increase — 15% year on year. Trunk calls rose by the same rate.

Mr Mackenzie is concerned about the "misleading premise" which relates all cost increases in SA to the rate of inflation.

"The fact is a cost increase is a cost increase which has to be recovered some way, through greater efficiencies or price rises," he says. "Inflation therefore feeds on inflation and the consumer, and business ultimately pick up the bill."

Since the NUS survey was done, Telkom has increased the price of local calls.
SA expands its communication with the north

TosWentzel
Political Staff

A MULTI-million rand project greatly expanding South Africa’s telecommunications links with the northern hemisphere is to be opened by President De Klerk in Cape Town tonight.

It is SAT-2, the second South Atlantic telephone cable which has 7 660 telephone channels compared to the 360 of SAT-1.

From the southern terminal at the Melkbosstrand cable station it extends 9 000km to the two northern terminals El Medano in Tenerife and Funchal in Madeira.

For most of its length the cable lies at a depth of more than 4 000 metres, reaching a maximum depth of 5 600m in the vicinity of St Helena.

SAT-2 is a joint project between 15 companies in 14 countries, including Britain, the United States and a number of European countries.

The co-owners will contribute to the capital cost of about R370 million in proportion to the number of channels they have contracted to buy.

Telkom took about 60 percent of the cost when the project started in May last year.

At the opening ceremony at a Camps Bay hotel tonight Mr De Klerk will speak on the phone to Mr Cavaco Silva, prime minister of Portugal, and to a high-ranking official of Telefónica, the Spanish telephone company.
EW launches undersea cable system

CAPE TOWN — The SAT-2 digital, optical fibre undersea cable system, spanning the Atlantic Ocean to the northern hemisphere, was officially launched by President F W de Klerk last night.

In his speech, De Klerk expressed confidence about reaching agreements which would rapidly lead to the establishment of the proposed transitional executive council, a transitional constitution and Bill of Rights and national elections.

He said the budgeted cost of the cable system, financed by 15 co-owning telecommunications bodies supplying services to Europe and the US, was R500m Telkom bore R300m of the costs.

The co-owners from 14 different countries would contribute to maintenance on the basis of the number of channels purchased, Telkom said yesterday.

Laying of the cable was completed in October last year. It replaced the SAT-1 which became operative in 1969 and would be withdrawn at the end of June.

The new cable, with a total length of 9 513km and submerged at a depth of more than 4 000m for most of its length, would be connected to the global optical fibre network. Its southern terminal would be at Melkbosstrand near Cape Town and its two northern terminals at El Medano in Tenerife and Funchal in Madeira.

The cable would provide 7 680 speech channels between Cape Town and Madeira, 7 680 between Cape Town and the Canary Islands and 7 680 between Madeira and the Canary Islands. The SAT-1 had 360 speech channels.

The system was supplied by a British/French consortium consisting of STC Submarine Systems and Alcatel Submarcom.

De Klerk has had the first official video conversations via the new cable with Portuguese Prime Minister Cavaco Silva and a Spanish foreign affairs official.
Undersea cable a big advance

By Julia Allen

The optical-fiber system commissioned last week connects South Africa to the global network.
Row over cellular phone networks

CT 7/5/93 Staff Reporter

A row has erupted over the government's decision to issue licences for two cellular phone networks which the ANC says will only provide a service to the "urban privileged at a cost of R2 billion".

The ANC called yesterday for the suspension of the government's unilateral call for tenders and the awarding of licences for the system.

A Post and Telecommunications spokesman said the cellular networks would be the cheapest and most effective way to provide services.

Minister of Telecommunications Dr Piet Welgemoed said yesterday a panel of four had been appointed to evaluate tenders. One of the licences had been granted to Telkom.
Stamp war starts today

Staff Reporter

A STAMP war between supermarkets and the Post Office was declared today — the first day of postage stamp deregulation.

For the first time in South Africa, stamps will be available at outlets other than the Post Office as part of the deregulation initiative.

Shoprite Checkers supermarket chain announced yesterday that stamp sales would start tomorrow at all their outlets and would be about 2c cheaper than at the Post Office.

Booklets of 10 45c stamps would sell at R4.28c instead of the Post Office price of R4.50c.

Pick ’n Pay has undercut Shoprite Checkers by 2c and will sell their books of 10 45c stamps for R4.30c from today, Western Cape general manager Mr John Barry said.

It would mean a saving of about 5c for each 45c stamp, or a 12% discount, he said.

Mr Barry said that although the stamps were being sold at a loss, Pick ’n Pay viewed the sales as providing a good service for customers for a basic commodity.
Stamps cheaper at the store

Cigarette postage stamps will be sold to the public at two major supermarkets from tomorrow when the chains go into direct competition with the Post Office.

Pick 'n Pay launches its stamp sales from in-store cigarette counters countrywide, selling booklets of 10 45c stamps for R3.99. This compares with the Post Office price of R4.50.

A spokesman at a southern Transvaal store said the 5c a stamp saving represented a 12 percent discount which would continue until May 22.

The Shoprite Checkers chain said stamps available at its outlets from tomorrow would retail at R4.28 a booklet, which would mean a saving of 2c a stamp.

The postage war follows deregulation in this market from today. This allows stamps to be sold freely across the counter.

— Staff Reporter, Sapa
Major players moving towards consolidation

CONSOLIDATION among major players in SA's information technology industry is well under way, with this week's announcement that Persetech has taken a 70% stake in Tasrus Technologies, and Bateman Industrial Holdings has set up a R100m networking company.

The latter move was made through Bateman company Computer Alliance acquiring Netlink through a share swap with Netlink's shareholders.

Operating under the Computer Alliance banner, the new company expects a turnover of about R100m in the 1993/94 financial year.

Bateman has made a few significant moves into the IT market, having taken a stake in Microsoft distributor Workgroup Systems, and also, recently, having launched a technical documentation management company, Coherent Solutions.

Computer Alliance MD Chris Botha says his company has seen growth of more than 200% in the past year, largely because of the high growth being experienced in the networking arena. He says margins have dropped by about 3% in that time, and higher turnover must make up for this.

Botha says that whereas many larger groups are being forced to enter the networking market, companies which have been operating in this market for some time have a definite advantage.

"Because of the high capital requirements, consolidation is an important move. There are lengthy lead times between orders and installations."

The recession has accelerated the move towards downsizing andright-size installatons through networked systems.

Although there is a conflict in some of the new group's structured wiring systems from SynOptics and Bytex, Botha says Bytex has a "clean Token Ring offering, and this will complement rather than conflict with SynOptics products, which are generalist offerings, and Ethernet systems, which can be mixed and matched."

It is understood that US-based SynOptics will soon be opening a local marketing operation as a forerunner to a full SA subsidiary with direct representation. SynOptics is estimated to have about 40% market share for its product ranges in the US. Turnover this year is forecast at $1bn.

Both Computer Alliance and Netlink are Compaq value-added resellers, and Botha says the merger will strengthen their position in this growing market.

The group has tied up several contracts recently. Among these is one for Compaq PCs for Telkom, which could involve networking and is believed to be worth more than R10m. Reenies Travel has installed inter-networking for 100 branches, and Eskom installed a SynOptics network.

In the most recent switch, Nusan is downsizing in a R10m deal, moving off outdated equipment to SynOptics. Here, 740 Compaq workstations will be linked over a Novell network to five Compaq file servers and communication servers which will interconnect into a mainframe.
INFORMATION TECHNOLOGY

Telkom picks UK cellular phone firm

TELKOM has decided to share its cellular network licence with one of the world’s biggest independent cellular phone network operators and SA conglomerate Rembrandt.

It is understood that the Cabinet last week gave Telkom the go-ahead to take a 35% stake in UK-based Vodafone and Rembrandt on board, with Vodafone taking a 15% stake.

Rembrandt will take 15%, because government granted Telkom 50% of one network licence. The second is open to tenders. The M-Net/Cable and Wireless consortium, and Cellstar are among those vying for the second licence.

The names of the four adjudicators who will decide on the second network operator were released yesterday. They are

- Former IDC chairman Koos van Rooy; IDC
- Former senior GM responsible for commercial ventures Gerhard Morse; State Tender Board chairman Koos Coetzee; and Durban-based lawyer Linda Zama, who serves on the board of the SA Post Office.

The tenders will be adjudicated under the chairmanship of recently appointed telecommunications regulator Tariq Oosthuizen, who says: “In selecting the adjudicators, we did not look at political affiliations, but rather at expertise.”

A priority now is adjudicating and granting the licences, and also the legislation procedure which is being negotiated in multiparty talks.

Telkom’s choice of Vodafone means a significant investment by the UK-based company in SA. A Telkom source says Vodafone will be required to invest a proportion of the infrastructure cost of the network, and that this will be a “substantial investment”.

He says Rembrandt was selected because it will bring finance, and marketing acumen, to the deal.

KATHRYN STRACHAN reports that the ANC rejected the unilateral appointment of the telecommunications regulator and called for an immediate review of the operation through negotiations.

It called on government “to suspend with immediate effect the unilateral call for tenders and the award of licences for the proposed cellular telephone system”.

The organisation claimed the new system was motivated by the need to provide a cheap telephone service for the rural areas, but proper analysis was essential to determine if it was in fact the best system for the rural areas.

The ANC argued a proper planning and consultative process, aimed at providing an affordable telecommunication service to all areas of the country, had to be developed. The current plan for a cellular system would provide a service only to the “urban privileged” at a cost of R1bn for the country. “This huge investment, which would be spent mainly outside the country, would absorb most of the funds available for investments in a telephone system and would preclude any other strategy to provide telephones.”

The programme should also be carried out in a way which would stimulate the electronics industry in SA. ""
‘Big future for cellular phones’

By AUDREY D'ANGELO
Business Editor

Revelation:琢磨 in cellular phone and personal digital assistant market.

No one with the except the consumer would have thought a decade ago that the cellular phone would become such a common household item. In the last two years, the number of cellular phones sold in the United States has quadrupled, reaching 20 million in the most recent quarter.

The market is expected to continue growing, with predictions that it will reach 50 million units sold by the end of this year. This growth is driven by several factors, including the increasing affordability of cellular phones, the expanding network coverage, and the increasing number of services available on these devices.

The trend toward integrating cellular phones with personal digital assistants (PDAs) is also gaining momentum. Companies are developing devices that combine the two technologies, offering features such as email, web browsing, and calendar management in addition to the traditional voice communications.

On the market, companies like Motorola and Nokia are leading the way with innovative products that are pushing the boundaries of what is possible with these devices. Motorola recently announced the launch of its new line of cellular phones, which include features such as built-in cameras and JAVA applications.

Nokia, on the other hand, is focusing on integration with PDAs, with its new line of devices that allow users to synchronize their digital calendars, contacts, and to-do lists automatically.

Despite the growth and innovation, there are concerns about the potential negative impact of these devices on society. Some experts are worried about the increasing amount of time people spend on their cellular phones and PDAs, potentially leading to a decrease in face-to-face interaction.

However, proponents of these devices argue that they provide a host of benefits, including improved communication, increased productivity, and greater access to information. It remains to be seen how the market will evolve, but it is clear that the cellular phone and PDA are here to stay, and will continue to shape the way we live and work.
No last word in Wales of a row
Telkom withdraws bill claim

Staff Reporter

TELKOM SA has withdrawn an application for summary judgment against a Mitchell's Plain filing clerk who denies owing the company R44 000 for dialling 087 numbers for gambling purposes.

The matter is expected to come up for trial in the Supreme Court.

In an opposing affidavit handed in to the Supreme Court yesterday, Mr B J Adendorff, of Tafelsig, told Mr Justice L Rose-Innes that in July last year he received a telephone account for R39 022.41 for June and July.

He said that he had been a telephone subscriber for five years and his account had not exceeded R110.

During May and June, his 18-year-old nephew, Mr Mark Adendorff, had stayed with him and his family as he was unemployed and needed accommodation, he said.

"I did not give Mark permission to use my telephone in my absence," he said.

Mr Adendorff said he believed Telkom had discontinued 087 gambling numbers and that the debt it claimed he owed was "unenforceable" as it arose from gambling transactions.
Role of SA’s diplomats to ‘change fundamentally’

PRETORIA — SA’s re-entry into the international community would necessitate a fundamental change in the role of its diplomatic staff, Foreign Affairs director-general Rusty Evans said last week.

The defensive public relations function adopted in the past by SA’s 1 000 overseas diplomats was already virtually obsolete as SA’s political situation changed and the private sector moved in to attract investment and trade.

With the increasingly sophisticated communications technology now available, diplomats would also no longer be required to undertake extensive political reporting and analysis tasks, he said.

"Why write up a report and send it to Pretoria in a diplomatic bag when we have direct computer access to all our embassies?" he said.

Communication between governments was now taking place at the highest level so attempting to elicit a change in the attitudes of governments through their minor officials was also becoming less important, Evans said.

"President F.W. de Klerk is our best diplomat. His relations with the Clinton administration and with European and world leaders is critically important to our standing in the international community."

Instead of these increasingly obsolete roles, SA’s diplomats would have other tasks on which to focus.

A priority was the establishment of economic relations with other countries providing information for potential investors and support for SA businesses wanting to expand overseas.

A second shift in the role of the diplomat was participation in multilateral international bodies such as the UN, EC, Southern African Development Co-ordinating Conference, the IMF and the World Bank.

"Countries which are members of the UN, for instance, must provide staff to the organisation’s secretariat on a quota basis," said Evans.

"We are going to be asked more and more for SA officials to be seconded to these international bodies."

These new emphases, together with the prospect of opening up to 40 new diplomatic missions over the next few years, meant "the whole nature of SA’s foreign service is going to be transformed", Evans said.

Critical to this metamorphosis was adequate training as well as the broadening of the service into a more representative organisation.

The Foreign Affairs Department confirmed that up to 27 new diplomatic missions were expected to be established in the next 18 months.

The focus of these new missions was the Far East, Africa and the Middle East.

"Foreign affairs will be a whole new ball game in the not too distant future presenting a tremendous challenge for this department and for the country as a whole", Evans said.

Telkom plans to lift capex by 7%

TELKOM is budgeting to spend more than R2bn on capital expenditure in the current financial year — a rise of 7% from last year.

Telkom acting senior GM finance Peet Bierman said at the weekend some of the projects planned this year were the installation of a detailed billing system at a cost of R670m and R50m on community services projects. Other projects planned were upgrading existing client services and establishing 75 new client services at a cost of R20m. An "income integrity project" was also planned at a cost of R100m.

Bierman expected operating expenditure (including finance charges) to rise 13% to about R7,5bn.

Economy set

He said pre-tax income was expected to be about R600m from the estimated figure of R550m previously Telkom expected to pay tax of about R40m this year compared with last year’s bill of about R430m.

Telkom did not plan to raise any new loans in the current year, although loans of about R1bn would be refinanced.

Bierman said budgeted average debt of R9,3bn, consisting of R3,5bn foreign loans and R5,8bn domestic loans, would not rise when compared with last year’s figure.

Telkom’s debt equity ratio improved to 2,0 from 2,3 at the end of March last year.
SA experts
will assess
phone link

By Norman Chandler
Pretoria Bureau

South African telecommunications expertise is to be used in a feasibility study for the laying of a submarine cable from South Africa to Australia and the Far East.

Telkom’s managing director, Danie du Toit, told London businessmen this week that participation in the study was part of a long-term plan to improve telecommunications facilities for Africa in general.

Du Toit said the proposed cable would also provide Europe with an alternative link to the Far East and Australia via South Africa. South Africa is connected to Europe through the SAT-2 undersea cable.

“Telkom’s international division is realising its responsibility to provide state-of-the-art communications to our business clients and is still engaged in a concerted effort to digitise international links,” he said.

Telkom had also recognised the long-term role it could play in assisting other African countries with improved telecommunications.”
Telkom probes Far East cable leak
Ringing up the ever-rising charges

OT off the press comes Telkom's booklet of call rates to various places and the reduced rates where they apply. It doesn't make easy reading, and this Critical Consumer has no doubt that Telkom will have to simplify the system in the future. But for those with a need to reduce their phone bills or who have relatives, friends and business interests abroad, the booklet makes interesting reading.

The peculiar thing — and this is the part which will need simplifying — is that the peak, standard and cheaper hourly rates to countries abroad take place at different times for different countries.

So, for example, the cheapest hours to call the United States from South Africa are between 6am and 2pm, with the most expensive between 2pm and 6pm. For the Netherlands, however, the cheapest times are from midnight to 8am, and the most expensive from 11am to 5pm.

There are six different tables of hours — the globe having been divided up according to Telkom's perceptions of how to make money while giving discounts.

And there are three types of rate charges for calls abroad: peak hours, which are the most expensive; standard hours, which are those during which the bulk of calls will be made, and cheap hours, which give the largest discounts.

The following are some examples of how it works. The times are South African and the charges include Value-Added Tax:

- A call to Canada can be made most cheaply between 6am and 2pm, when the cost is R4,46 a minute. The standard rate, which applies from 6pm through the night to 6am, is R5,43 a minute. The most expensive calls would be made between 2pm and 6pm, when the cost is R5,62 a minute.
- The times when the different rates apply are the same for the US as for Canada, but the amounts charged are different. Cheap rates to the US are R4,97 a minute, standard rates R6,16 a minute and peak rates R6,46 a minute.
- To the United Kingdom, the cheapest rates are between 8pm and 8am, when calls cost R4,97 a minute. The standard rate is R6,16 a minute, which applies between 8am and 11am as well as between 3pm and 8pm. The peak hours are between 11am and 3pm and cost R6,46 a minute.
- Cheap rates for calls to Australia are between 7pm and 6am, and cost R4,46 a minute. The standard rates, between 6am and 8am and again between noon and 7pm, cost R5,43 a minute. The peak hours are between 8am and noon, when calls cost R5,62 a minute.
- Calls to many European countries cost more.
- The cheapest calls to Germany, between 10pm and 8am, cost R7,10 a minute. The standard hours are between 8am and 11am and again between 3pm and 10pm, when the rate is R8,73 a minute. Peak hours are between 11am and 3pm, when calls cost R9,11 a minute.
- For Belgium, the different rates apply during the same hours as Germany. But calls are even more expensive, with the cheapest rates at R9,94 a minute, standard rates at R11,34 a minute and peak rates at R11,75 a minute.
- It is less expensive to phone the Netherlands, though it is very close to Belgium and the time changes are the same. Peak-hour calls cost R9,11 a minute, standard calls R8,73 a minute and the cheapest R7,10 a minute.

Israel and Spain are the most expensive countries to call. The cheapest calls cost R10,26 a minute, standard calls R11,34 a minute and peak calls R11,97 a minute. The time changes are the same as for the other European countries.

Telkom's booklet contains other valuable information, such as the rates for countries which do not have the discounted hours.

Consumers should note that the use of operators costs a little extra, but that the person-to-person service does not charge for calls until the receiver answers.

International-directory inquiries, so far, is a free service and can be reached at 0903. Operators to help dial international numbers can be reached at 0900. Operator-assisted calls are noted separately on accounts. For consumers concerned about their accounts, or who need a separate account for overseas calls, this may be proved useful, if more expensive.

It caused this Critical Consumer some concern to learn that callers are often being charged when asked to "hold the line" by a nameless voice at some commercial enterprises while they wait for an operator to become available.

Telkom's Fanas Bothma says Telkom's own services do not ring up the charges while consumers wait for an operator.

Not so for other companies using Telkom's lines. When consumers dial a bank or the subscriptions department of a newspaper, for instance, and are forced to listen to that irritating music until somebody picks up the call, the consumer is being charged 21,5c a unit. In the same town, the first unit lasts five minutes; but if the call is being made, say, to a car-rental company or airline out of town, it is ringing up 21,5c every minute or so, depending on how far the call is.

This Critical Consumer does not believe businesses should do this to their customers, and recommends that either they get more lines or more staff to ease the load.
**Telkom tender awarded**

**MELANIE SERGEANT**

TELKOM has awarded the R33m-plus tender for its detailed telephone billing system to a consortium.

The winners are HP Performance Systems, BSW, ICL (SA), and France Telecom subsidiary Sofrecom.

The system, which will provide detailed billing for clients on digital phones, will use ICL (UK) developed Service Independence Mediation System software.

The system’s rollout is believed to be tied into other projects being undertaken by Telkom.

The software for the billing system will run on HP-9000 Unix-based systems.

Reformatting and rerouting of information will take place between the various computer systems involved, including mainframes which handle accounting and call routing.

Another company is bidding to provide a detailed billing system for the analogue network. A source says this could cost three times more than the digital billing system.
Committee begins work on emergency number network

PRETORIA — A government think-tank met yesterday to thrash out the details of a plan to provide a nationwide emergency telephone number.

The number would be 107, a Local Government Department spokesman said. The plan involved dividing SA into 38 regions, he said. Each would have its own emergency centre giving immediate access to fire, ambulance and security services.

The emergency network would have to be phased in gradually. However, the system could commence operation in some areas by the end of the year.

The decision to establish an emergency network for SA was announced in Parliament last month.

Its implementation was discussed by an interdepartmental committee yesterday. Committee members agreed that each of the 38 regions would have to fund the creation of their own centres, possibly through a phone bill levy.

The system would give most citizens quick access to emergency services and would provide rapid interdepartmental communication and access to resources in the case of larger disasters, the spokesman said.

Legislation was being formulated to enable the setting up of emergency centres. It was expected to be tabled in Parliament as soon as possible.

The spokesman said the committee was investigating the minimum financial and technical requirements and a communication strategy for the system.

He said the number 107 had been decided on through a process of elimination. Emergency numbers in other parts of the world, such as 999 or 911, were used in SA as international dialling codes.

Govt urged to tighten ban on weapons

POLICE yesterday recommended to government that legislation covering the carriage of dangerous weapons at public meetings be tightened.

An informed source said yesterday existing legislation and a government proclamation, published in the Government Gazette in February, prohibited the carrying of dangerous weapons only at public gatherings that were held in unrest areas.

The source said police had submitted proposals to government for the prohibition on the public display of weapons to be extended to non-unrest areas.

Asked why police did not disarm people at public gatherings, the source said police intervention could worsen the situation. He said the carrying of certain weapons was part of a "cultural heritage" of certain groups.

The source said that as long as people did not intend using the weapons they were carrying, police did not interfere with their right to gather or march.

The source said it was often impossible for police to attempt to disarm demonstrators because the police were invariably outnumbered during these gatherings.

ANC spokesman Carl Niehaus said the increase in the number of ANC supporters carrying dangerous weapons at meetings or during marches in recent months could be attributed to government's failure to implement the record of understanding, in terms of which the public display of traditional weapons was banned.

The record of understanding was signed by government and the ANC last September.

Niehaus said in light of government's failure to implement the agreement, it was understandable that some people, who feared for their lives, should carry weapons to defend themselves.

However, he said, the ANC was trying — through the natural peace accord structures — to have the ban on the carrying of dangerous weapons lifted.

Discussions should be held — in peace accord structures — in this regard, Niehaus said.
R498m loss expected - PO

The Post Office was expected to make a massive R498 million loss for the current financial year, human resources general manager Japs Jacobs said yesterday. He made the announcement while pleading with unions to accept a 5.4 per cent salary increase on average with a minimum wage of R3 100. Three of the four trade unions organised in the Post Office had agreed to the offer, leaving the Post and Telecommunication Workers' Association as the only union still refusing to accept. — Staff Reporter.
Airmail costs more, but road is 'as quick'

DURBAN — The cost of sending a letter airmail to any destination in South Africa now costs R1.05 while post carrying a 45c stamp is automatically sent by road, a spokesman from the post office confirmed yesterday.

Public relations manager Mr Brian Dean explained that all standard mail went by road as this mode of transport had proved to be as quick as the airmail system.

By road a letter goes straight from one depot to the next, cutting out the middlemen, he said.
Parastatals' capex begins to rise

CAPITAL spending by parastatals is starting to pick up again after sharp real declines during the recession.

Eskom had budgeted for a 25% increase in capex at R4,3bn against R3,3bn for 1992/93, a spokesman for the electricity supplier said. This was against an expected inflation rate of about 12% for the year.

More than R6bn of Eskom's capex formed part of the organisation's power electrification plans. Telkom is to spend R2,5bn for 1993/94, up 7% from a previous R2,4bn. This would be spent on projects such as operating efficient services.

Transnet, under which SAA falls, has budgeted for capex of R1,1bn in the current year against a previous R1,6bn.

A spokesman said Transnet's capex varied extensively from year to year because of the high cost of capital goods it required. However, the aircraft purchased by SAA were bought under operating leases and so were not part of capex.

One economist noted the parastatals had cut capex sharply in the previous year and the latest figures could indicate the trend was flattening out. This could also be an early sign of economic recovery.

Spokesmen for the organisations said at the weekend most of the capital market funding needed for this year had already been raised. "Our needs have been dwarfed this year by the government's requirements," one treasurer said.

An Eskom spokesman said funding had been completed for the current year, adding that the entire requirement of R690m for its electrification bond had been raised. However, he said the electricity supplier could pre-fund for the next financial year if interest rates justified this.

A Transnet spokesman said about R600m had still to be raised from the domestic markets.

Telkom treasury manager Wilhe Landman said very little was needed from the domestic market because of an unexpected improvement in cash flows. About R1bn could still be raised, depending on whether cash flows continued to improve. However, Telkom would look at the commercial paper market to fulfil this need.

The Land Bank did not require any funds from the capital market this year, a spokesman said. However, it could look at raising R1,2bn from the money market, depending on the wheat crop.

Development Bank GM Nick Christodoulou said at this stage there was no need for funds from the market.
Viewing data delayed

Political violence and the non-payment of telephone bills were the main reasons for the delay in the release of data from AMPs' meters in black households, said SA Advertising Research Foundation technical director Piet Stein.

AMPs meters, used to estimate TV viewing figures, have previously been placed in 440 white, Asian and coloured households. They provided information to a central computer, via a modem on a toll free number.

The meters had not been placed in black households because of a shortage of telephone lines in black areas, but recently this had developed a system based on radio waves to overcome this problem.

Although 320 meters had already been installed, only about 260 households were reporting daily. The main reason was the cutting off of phone services as a result of unpaid bills.

The foundation had applied for 200 telephone lines for black households, Stein said. These would not have handsets and would be used exclusively to convey the AMPs meter information. However, the unrest had delayed the installation of the lines and meters, Stein said.
Government feels pinch as rentals keep on rising

Byss Clay 2/6/93

PETER GALLI

THE economic climate and increasing office rentals have resulted in the Public Works Department experiencing problems financing its obligations as provider of state accommodation.

In its annual report released at the weekend, it said: “The problem lies not so much in the initial rental as in the annual escalation and periodic rental adjustments.”

“The situation is cause for grave concern as the shortfall in the department’s rental account could mean that it might not be able to satisfy requests for accommodation.”

However, a mutual dependence had developed between the state and the private sector, which was evident from “the success achieved in persuading lessors to reduce the rental escalations and adjustments in their offers.”

As a result of the reduction in funds for building and related services, larger amounts were being spent on rentals.

“For the first time, rental payments in 1992 exceeded the amount allocated for capital projects. The department’s running expenses are increasing while investment in job-creation projects is falling, which is contrary to government’s policy of encouraging investment in capital projects,” the report said.

About 162-million square metres of office space was leased by government departments. This cost the state R368,3m last year compared with R275,3m in the preceding year.

As a result of a lack of funds the department had spent less money on building and related services, reflect a decline from R220m in 1989 to about R398m in 1992.

In view of this, and the fact that in Pretoria alone about 76% of the state’s accommodation needs were leased, building state accommodation in Pretoria “appears to be not only desirable but a good strategy.”

While leasings held greater benefit for the state in the short term, they became “decidedly disadvantageous” for 12 years and longer.

During the year, 220 new contracts were concluded, 115 were cancelled and 406 were renewed. The leases were generally signed for 10 years with annual escalations and periodic rental adjustments.

There was also a significant increase in property sales during the year under review. In the period 1992 to 1991, R182,5m worth of property was sold, while in 1992 alone property worth R168,3m was sold.

The department ascribed this to its marketing campaign to sell redundant moveable property. Land worth R1,6m was bought for emergency police stations, 30 homes worth R2,8m were bought for the SADF and the Camden and Umuti Mine residential areas near Emnolo were bought from Eskom and Trans-Natal Collieries respectively for R4,6m.

Another 2800ha of land was bought by the Natal Parks Board for R1,16m to expand the Kranberg National Park, while seven properties near Uitenhage totalling 2 961ha were bought for R1,26m to expand the Zuurberg National Park.

On behalf of the Education and Training Department, 45 properties totalling 164ha had been bought on a recoverable basis for R33,74m for the construction of new schools.

The department’s allocation in the national Budget had decreased from 2,5% in the 1985/86 financial year to 1,9% in 1992/93, while its spending as measured against GDP — had dropped from 0,75% to 0,61%.

“The decrease in the funds allocated has had specific negative effects, the most regrettable of which is that existing assets cannot be properly maintained,” the report said.
‘Water quality has improved’

Municipal Reporter

WATER quality has improved in the vicinity of the Green Point underwate sewage pipe outfall, assistant city engineer Mr Henk Beekman reported yesterday.

He said this was particularly so since the extension of the discharge point from 170m, after the pipe broke three years ago, to 500m beyond the sea wall last year.

A further significant improvement is expected, as the discharge point is to be extended to just over 1 000m by the time the engineers stop work for the winter this month.

In the period up to March this year, the latest for which official water quality figures are available,-European Community bathing water standards have not yet been achieved, on average, between Granger Bay and a point opposite Park Road in Green Point.

Off Rocklands beach the water has also not yet reached acceptable bathing water standards, Mr Beekman said.

On the other side of the Peninsula only two areas, both inMitchells Plain, do not comply with the previous report on the False Bay coastline six months ago.

“Virtually the entire coastline from Kaik Bay to just beyond the Mitchells Plain Wastewater Treatment Works outlet complied with the bathing water standards,” the council regularly monitors the sea quality at 40 selected points.

‘City pollution ‘double the limit’

Municipal Reporter

THE nitrogen oxides readings in the City Hall yesterday were more than double the guideline level owing to a "classic winter inversion".

Air pollution officer Mr Derrick Oxley said that in winter there was often a layer of cold air below a warmer one. Pollutants were trapped in the lower layer, and this led to vastly increased pollutant readings.

The nitrogen oxides reading at 6am yesterday was 3 076 micrograms per cubic metre, while the guideline level is 1 594.

Even the nitrogen dioxide level was above the recommended level, although only marginally so. The NO2 reading at 10am yesterday was 291, while 376 is the guideline figure.

Telkom gets leave to appeal

TELKOM has received leave from the Appeal Court in Bloemfontein to appeal against a judgment restraining it from terminating the telephone service of a Cape Town man, pending the resolution of the dispute on his account.

The telephone service of Retreat naval employee Mr Raymond Richardson was suspended on January 11, 1993 when he refused to pay three telephone accounts received in April, May and June last year amounting to R2 000.

In the Cape Town Supreme Court in February Telkom was restrained by Mr Justice R M Marais from suspending or terminating Mr Richardson’s telephone service.

Mr Richardson denied Telkom’s claims that he had made 287 calls and said his bills were normally R100 a month. He said that during the period of the disputed amounts Telkom employees had been working on lines in the area.

C.P.A gives ambulance warning

Municipal Reporter

A BASIC life support ambulance service only will be provided to all communities in future — and any community that needs a higher level of service should supply its own additional finance, the Cape Provinzial Administration has suggested to local authorities.

Dr J.M. Kotze, director of emergency medical services, told local authorities in a letter that if local authorities which run ambulance services on behalf of the province exceed their budgets, they will have to finance the over-expenditure.

The city council’s ambulance branch has also recommended that charges for ambulances to attend sporting events be increased.

It has already been reported that the Administrator-in-Executive has reduced the ambulance budget for 1993/4 by R7 million, from R108m to R101m.

Guideline budgets have now been sent out, but these have yet to be cut by a few percentage points, with the help of local authorities.

It was hoped that improving community-based health facilities would reduce the number of ambulance trips, and also reduce pressure on the more specialised medical establishments but this has not proved to be the case.
Fast postal service begins

PRETORIA — The SA Post Office had launched a new unit — Speed Services — aimed at dramatically speeding up mail deliveries, senior GM Willie Joubert said yesterday.

He told a news briefing that the speed service would be available to and from 800 destinations and 140 countries.

Joubert said the service would not be financed by the taxpayer. It would be run as a separate business unit responsible for its costs.

The Post Office’s 1700 outlets would be increased to 3000 over the next five years. This would not only involve traditional post offices but franchises as part of other businesses.

Within the next three years clients would be able to choose between boxes at mail collection points, private post boxes or street delivery at an annual fee. Starting this year, 500 000 post boxes would be installed annually.

Speed services offered a variety of options. Joubert said “priority today” was a same-day delivery service. Items were placed on the first available flight and cleared at the receiving airport, within 45 minutes of touchdown.

“Priority tomorrow” was an overnight service in which mail items were delivered the following day either at the receiver’s door or at the Post Office counter.

The international priority would link into a worldwide network based in London. This would give access to 140 countries including African countries.

In the counter-to-counter service, mail is handed in at the counter and collected at the post office of destination.

In the counter-to-door service, the item is delivered to the receiver’s address.

The door-to-door service involves the item being collected at the sender’s address to be collected at the post office specified by the sender. This involved an additional fee.

Speed services senior manager Doug Smit said the strength of the service lay in its versatility. The offer of guaranteed delivery and insurance cover was unique.

The company would compensate clients for losses caused by delayed deliveries, and offered insurance at 1% of the declared value of the parcel’s content. There were restrictions, however, on jewellery, cash, bullion, stamps and precious stones.

The service would also include a 24-hour national toll free helpline — 0890 023 133.
Access gained to top research

US TECHNOLOGY researcher Forrester Research Inc has appointed SA-based Client-Server SA its local business partner, making possible local access to authoritative research on business and technology issues.

Client-Server SA director Nick Orton says “The reports are useful for decisions relating to areas like downsizing, distributed computing, databases, image systems and many other ‘new world’ technologies which affect the way firms compete.”

Forrester has more than 3000 clients. It uses the research of the US Fortune 1000 companies, analysing relationships between computing, network and software technologies and their effects on business.

In a recent report, Forrester examined the effect of the delay in introducing Windows NT. It bought time for Novell and would leave Digital Equipment Corporation “strung out. There will be no turnaround in Maynard without NT. The company needs the product to drive volume shipments of its Alpha AXP systems. Also, IBM’s OS/2 wins a reprise… it gives IBM another crack at positioning OS/2 for client/server, something the company has failed to accomplish to date.”

Symposium set for July

THE critical role of telecommunications under an interim government will be the subject of a symposium scheduled for July.

The symposium will be hosted by the Centre for the Development of Information and Telecommunications Policy.

The centre plans to formulate recommendations which will be forwarded to the negotiating council’s technical committee dealing with telecommunications regulations.

The centre believes access to telecommunications is a prerequisite for socio-economic growth and technological development.

It says access to telecommunications is a “basic human right and an important condition for freedom of speech and democracy.”

“At present more than 60% of the population is hampered in its participation in the economy by being denied such access.”

A source from this centre says it is essential for all interested parties to work together towards a common regulatory environment which will cater for the needs of all sectors of the community.

International trends in telecommunications regulations will be discussed by international regulators, foreign telecommunications union members and members of the Southern African Transport and Communications Commission.

Sponsored by First National Bank, the symposium will run in Sandton from July 28-30.

R55m mainframe installed at Eskom

ESKOM has installed a mainframe computer valued at about R55m from Large Scale Systems. The Amdahl 5870 Model 5870 machine is believed to be the largest commercial mainframe computer in the southern hemisphere.

Eskom IT production manager Andre Hofe said the system would replace six of Eskom’s existing mainframes and supplement another two mainframes.

It had one gigabyte of main storage, 512 megabytes of expanded storage, 160 channels and weighed 27 tons.

Some of Eskom’s existing mainframes were seven years old, and maintenance costs tended to increase with the age of the machines, he said.
Couriers fear Post Office will subsidise "speed mail"

The 25-year-old courier industry warned yesterday it would monitor the operations of the Post Office's Speed Services carefully.

Reactions to the announcement that the Post Office was to set up the courier service, industry spokesmen said of major concern was the possibility of Speedy Services being cross-subsidised by the Post Office.

"We are going to watch this venture closely and any hint of cross-subsidisation will be taken up strongly by the whole industry," said Ace Express MD Nick Blackburn.

Sun Express MD Anthony Salubury was not worried by the extra competition for Speedy Services' infrastructure advantage, "so long as the playing fields are level and taxpayers' money is not used to undercut the market."

DHL International MD Dave Spargo was concerned about the establishment of Speedy Services "The emergence of a further competitor is not of major significance, but the infrastructure available to them, namely 800 outlets, makes them a major threat."

XPS Marketing Director Steve Conrade said the courier market was more service-sensitive than price-sensitive and it would be difficult for a large organisation to provide the level of responsiveness the market required.

"The entry of post offices into the courier market overseas did not negatively affect the industry and I do not believe this will happen here. They are going to be a competitor and we will just have to be sharper," said Conrade.

Post Office MD Henne Deodenich said the new service would be run as a separate business unit, totally accountable for operating costs.

"It is really only the extension of the existing priority mail service to meet modern needs and demands."

Senior manager Doug Smit, speaking at the launch of Speedy Services in Johannesburg yesterday, said the new business unit was a totally separate, profit-generating business, with results measured independently.

Speedy Services would not compete on price, but on service "We have no intention of giving other couriers a reason to question the project." Smit said the industry's reaction was "understandable", but that their pricing was on a par with the rest of industry and in some cases more expensive. "We are not going to undercut, our advantage lies in versatility and flexibility."
ITEMISED TELKOM BILLS ON THE WAY

Telephone subscribers used to vague, unsubstantiated accounts will be able to ask Telkom for itemised bills from December when live or work in the roughly 55% of SA connected to digital exchanges.

The telephone company has awarded a consortium comprising ICL, Hewlett-Packard, agent HPS, BSW Data and French firm Sofrecom a R30m contract to install a sophisticated data collection network to link to digital exchanges. It will enable Telkom to post accounts that detail the date, time, duration, destination and cost of calls made by subscribers.

The lack of itemised bills, available for many years in the US and other countries, has long irritated consumer groups and businessmen.

Itemised bills will be available only to the 2m telephone subscribers on digital exchanges. The remaining 1.5m subscribers served by old-fashioned electromechanical exchanges will have to wait until Telkom upgrades them to digital or buys monitoring equipment for the old exchanges.

Telkom must still decide which is the best route, says Telkom national exchange support GM Charl du Toit. The organisation says monitoring equipment for electromechanical exchanges is expensive and it still doubts the demand for itemised bills. If Telkom decides not to install the equipment, many telephone customers on electromechanical exchanges could wait a long time for itemised accounts. Telkom expects to complete the switch to digital only by 2005.

Customers already on digital exchanges will face an extra charge for the service. The format of the itemised accounts — whether they record all calls, just long-distance or charges above a set figure — has not yet been finalised.
Pessimism over move to sharpen SAP checks

WITWATERSRAND police reporting officer Jan Mununk met senior policemen, including generals, in charge of the SAP's complaints investigation unit, last week to sort out key problems relating to his efforts to investigate police misconduct.

The officers had undertaken to investigate new procedures to increase the unit's effectiveness, but Mununk said he remained pessimistic about this improving in the PWV region.

He claimed that efforts to investigate wrongdoing within the force were not receiving the full co-operation of certain police officers.

Mununk was appointed reporting officer by the Minister of Law and Order in terms of the national peace accord in January to refer for investigation complaints about incidents damaging to police-community relations. "It is clear to me that there is resistance among the local police to having these structures where their investigations are checked," he said.

Problems included police insisting on deciding which cases would be looked into and which would be dropped and the fact that there was no effective investigative unit in the PWV region.

Six policemen had been allocated to investigate complaints, but were doing this over and above their normal work.

He had received a report on only one complaint he had referred to police investigators since March. A total of 25 complaints had been referred for investigation.

His impression was that certain senior police officers were trying to minimise the role of reporting officers, who were seen as outsiders mediating in police affairs. His request for men to be allocated to a unit which would investigate complaints on a full-time basis had been turned down on the basis of a manpower shortage. Similar problems existed in Natal, with unsatisfactory investigations taking place, he said.

The executive of the national peace committee had established a sub-committee to look into ways of resolving certain problems, such as a lack of access to police dockets, following a series of complaints by reporting officers, he said.

R100m to streamline mail system

The Post Office would spend about R100m upgrading its mail distribution system in the Johannesburg and Durban regions, Post Office senior GM Willem Joubert said at the weekend.

Two new sorting and distribution centres would come on line in Johannesburg and Durban in January 1996 as part of a new two-tiered national distribution chain, which aimed to boost the speed and efficiency of mail delivery.

The R60m Johannesburg and R40m Durban "mail factories" would be based on a prototype in Goodwood, Capetown, which had recently been completed.

Joubert added that the existing mail centre in Pretoria had enough capacity, and was sufficiently centralised, to act as the fourth national distribution office. "The four mail factories form the hub of our new distribution model, and will supply 30 transfer offices spread around the country."

"By rationalising and grouping all our present operations together at regional nerve centres, they will speed up sorting and distribution," Joubert said.

Delivery targets were two days (from posting to delivery) for mail within cities, four days for inter-city post or post between major centres, and five days for post between minor centres in different provinces.

He said, "Job cutbacks are not expected as we do not have duplicate staff at the operations level."

Joubert added the Post Office was still looking for likely sites for the new centres in Johannesburg or Durban.
Telfon under fire in Towsnships

Photo by Tonya 9609

The Telfon factory in Towsnships was under fire yesterday, according to reports.

The fire started shortly after noon, and firefighters were called to the scene. The cause of the fire is currently under investigation.

Telfon officials said that the fire did not spread to any other buildings in the area.

There were no reported injuries, and it is unclear at this time how much damage was caused.

The Telfon factory is one of the largest employers in the area, and the company has been in operation for over 50 years.

Residents and workers in the area are being urged to stay away from the scene to allow firefighters to do their job.

The Telfon factory is located at 123 Main Street, Towsnishments.
Telkom pulls out of townships after attacks

The Argus Correspondent

PRETORIA — Telkom has put maintenance work on hold in some townships after a spate of attacks on its employees and vehicles.

Acting managing director Mr Keith Prins said yesterday Telkom teams, particularly black teams, were threatened and attacked, even when escorted by police.

In the past two months one worker was killed and 19 were injured, five seriously. At least 90 vehicles were either hijacked, damaged or destroyed.

Mr Prins said that in the Western Cape an average of 10 vehicles a week were damaged or destroyed between April 10 and May 15, with losses totalling R200,000.

On the Reef, 13 vehicles were stolen, four torched and 58 damaged.

Mr Prins said Telkom was doing its best to obtain the co-operation of community leaders.

They had distributed pamphlets asking residents not to damage Telkom property, but the project had not been successful, Mr Prins said.
Guide to southern African networks

TELECOMMUNICATIONS and networks will play a pivotal role in the development of sub-Saharan Africa.

With this in mind, Bell-TechKnowledge is compiling a detailed research report on all aspects of corporate networking and telecommunications in Southern Africa.

MD Denis Smit says: "The handbook, which will be published in November, features overviews of communications-related issues in about 20 countries and details of all major regional communications organisations and major corporate network users.

Topics include multi-access radio systems, rural and urban cellular systems, mobile radio communications, and satellite systems.

"In the telecommunications field, we will also cover payphones, cordphones, agency and community phones, optical fibre and digital microwave transmission systems.

The project has substantial backing. Detailed research on SA will be conducted, while countries such as Botswana, Lesotho and Nigeria will also be covered in depth.

Apart from being a detailed technical reference, it has in-depth research on the demographics, infrastructure and relevant trade issues in the region. "

Smit says telecommunications is opening up a range of new opportunities worldwide, and many companies are keen to play a role in all sectors of the regional economy. "This book will go a long way to assuring companies as they move into Africa," he says.
Deregulation of radio systems official

THE deregulation of SA's public access radio-trunked networks, which allow radio-based communications to carry third party traffic in key areas for the first time, it also opens up a new spectrum to cope with pent-up demand — estimated to be around 40,000 users.

This will be good for the operators and for the economy, as many businesses are desperate for fleet management, security, and other radio-based communication services.

Trunking networks are suited to many industrial applications, such as fleet management, emergency services, courier companies, and many others wanting to broadcast messages to specific user groups.

One industry source says “Prior to deregulation, user groups ran their own systems, but this caused significant frequency congestion, and even small users were unable to get licences for new trunking systems.”

Despite the expected introduction of cellular phone networks next year, he says, land mobile radio will continue to play a vital role in the communications market.
Cellular telephones are being heralded as the cheapest and quickest way of offering most South Africans access to a phone. And it is widely hoped that the new technology, and the expected competition it will generate, will force down costs. Growth forecasts between now and 1997 suggest that the subscriber population will be doubled. MELANIE SERGEANT reports.

Spinoffs for solar power expected

REMOTE telecommunications services are probably the biggest application for which solar power is used. This is even though more widespread use of solar generated electricity is emerging, including relatively large-scale solar generating plants in the US and Japan.

Two years ago, KG Electrical installed its first solar systems for rural phone stations in Botswana and another 14 systems have been installed for very high frequency (VHF) links. The company also recently supplied 600 solar panels and associated steel mounting structures for use in rural phone applications in SA.

With the continuing investment taking place in rural telephony and with the introduction of cellular phone networks, spin-offs for the solar industry are expected.

Another solar-based system for rural and other applications has been developed by Siemens. It uses a mobile phone booth, which is designed to improve communications problems in underdeveloped areas. The booths need neither phone cables nor electricity, because they work with solar panels and mobile communication networks based on the digital Global System for Mobile communications (GSM) standard.

They have been installed in Cameroon in west Africa, but are not yet available in SA. Siemens is researching the possibility of local manufacture.
Telkom has bold plans as gateway to Africa

AS THE largest telecommunications operator in Africa, Telkom plans to be the gateway to the continent while continuing to provide efficient services at home.

MD Dane Du Toit says, "We serve two distinctly different markets. One is the business community, which wants state-of-the-art, world-class services, and the rural communities, which need basic access to telecommunications."

Although Telkom has a virtual monopoly, the government is now liberalising telecommunications to allow competition — especially in areas like mobile cellular telephony.

Du Toit says the decision to separate costs and telecommunications services was seen as the only effective way to build better businesses. Organisations that are exposed to more competition and wider user choice have to provide quality service to retain or increase their market share.

While cellular networks aim to address the backlog of phones among the rural and disadvantaged communities, Telkom plans to install 19 000 community phone services by 1997. "This is in addition to the normal service we are doing on infrastructure and services in more established urban and residential areas."

Teljoy swamped by Take-Away applications

TELJOY's Take-Away cellular phones have attracted more than 5 000 inquiries and firm bookings for about 500 phones.

Teljoy chairman Theo Rutstein says inquiries are emanating from large corporations, small businesses, and black people with families in remote areas.

He says cellular makes sense. "In a recent Gallup study for Motorola in the US, respondents estimated an increase of about 20% in business alone they began using cellular phones, and said they were looking, for example, at the huge growth in faxes and the resulting drop in demand for our telex services."

The more profitable services of national operators are being threatened on a global scale. If this trend is allowed to continue unabated, it can have detrimental affects on the provision of basic services, he says.

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Du Toit says Telkom favours the Global Systems Mobile (GSM) technology, because it will "not only provide those who can afford a mobile phone with the best possible service, but it can also provide access to the internet for others who cannot afford a phone."

The latter can utilise Subscriber Identity Module (SIM) cards which are personal and can be used in community phones.

"For Telkom, investing in high-speed local area networks (LAN) interconnects, and facilities offered by the electronic mail system, will expand as standards surrounding electronic data interchange and other areas mature."

"Existing transmission systems will be replaced with a Synchronous Digital Hierarchy, which will allow advanced services to be interlinked on a national and international basis."

Also being considered in various formats are business services via satellite, which would complement existing services.

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He says cellular makes sense. "In a recent Gallup study for Motorola in the US, respondents estimated an increase of about 20% in business revenue once they began using cellular phones, and said they were afforded an average of an extra hour of productive time each day."

"Also, about 60% of all new phone subscribers in the US and Europe last year chose cellular rather than cable-based phones."

"Despite the worldwide recession, cellular network operators reported a growth rate of 35% in Europe and 43% in the US in 1993."

Despite industry sources criticizing Teljoy's campaign as premature, given the fact that licensed operators are not yet chosen and the network switch-on date could be anything from nine to 24 months away, Rutstein says the launch makes good sense.

"We need to establish our presence as a service provider, get our computer systems in place and gain know-how from the UK and Germany which can be utilized in SA."

"Our infrastructure investment is about R36m, and this cannot simply be put in place overnight."

The campaign, which is non-binding on people who inquire about the phones, is providing a perspective on the market, and important clues in market research. Rutstein thinks the phones will cost about R4,000. Overseas manufacturers say handset prices could drop by at least half over the next year.

He says Teljoy is hoping the network switch-on will be in about 12 months' time, and that call prices will be about 45c a minute during off-peak times and 90c a minute in peak periods.

Prices will vary, depending on special deals offered by service providers.
Cellular phones set to give SA a big shake-up

A shake-up of SA's telecommunications industry is on the cards with government's decision to allow competition in the cellular phone market.

The country can look forward to competition from at least two new network operators in the next few months.

The provision for multiple service providers puts SA in the forefront of international trends towards liberalisation and provision of basic phone services. Few other countries apart from Britain, New Zealand and Canada have gone this far.

While the exact nature of the new regulatory mechanisms have yet to be decided, it is clear that a new era is dawning for the industry.

Government believes that cellular telephones offer great advantages to SA, as they are easier to maintain and install in isolated areas. It is seen as the cheapest and quickest way of offering most South Africans accessible to a phone.

It is widely hoped that the new technology and the expected competition it will generate, will force down costs.

There are about 1-million installed phones in the world, with an annual growth rate of about 4%. Mobile communications is rising by about 30% annually, and many believe that by the year 2000 there will be about 500-million mobile phones, of which a third will be in cellular networks and the balance in cordless phones.

**Increases**

- Non-voice communications, which include mainly fax and data communications, are showing annual increases of about 24% on average.

The new trend is the convergence of data, fax, image and sound, in multimedia communications.

However, most excitement in SA's telecommunications industry today revolves around the introduction of a new cellular service next year. Since the first networks in the early '80s, the industry now boasts more than 20-million users worldwide.

Cable & Wireless commercial director John Nelson says forecast growth between now and 1997 suggests that the industry will at least double its subscribers population.

"While the sheer growth of cellular networks worldwide is the most obvious differentiator between mobile services and their fixed wire counterparts, it's also clear that they are no longer the sole preserve of State-owned Posts and Telecommunications monopolies."

"Typical characteristics are seen in multiple licences, competition in prices, features and facilities from different operators, and the fact that large cellular players are moving to form partnerships with local companies, which are often not in the telecommunication field."

He says that while competition is the best way to stimulate growth and deliver value for money, the role of the regulator has developed to be one of critical importance.

The UK industry watchdog, Oftel, has been instrumental in allowing new competitors to emerge against British Telecom. Most European countries now have at least a department that looks after legal and regulatory aspects of appointing new operators, licence conditions, and other regulations to manage the radio frequencies.

Advocate Ters Oosthuizen has been appointed to regulate the industry in SA. He will ensure a level playing field will be created for the different operators.

One of his tasks will be to ensure that cellular phones are available "to offer a significant advantage to the lesser developed communities".

**Grow**

Many small businesses can grow because of the industry's growth. These can range from companies that build phones in to cars, to those that add fax systems to cellular phones.

Fortunately, with lower costs being achieved in the cellular industry, the market is also opening up for other countries in Africa, which cannot afford the traditional fixed-wire network option, but could harness cellular systems to provide communication systems that will benefit their economies.
Lawrence M. Berry

Jackeying for position

as service providers

Telecommunications

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President of the Board of Directors, National Association of State Telecommunications Associations, and a member of the National Telecommunications Policy Board, which advises the president on telecommunications issues. He is also a member of the American Bar Association's Antitrust Section and a past president of the American Bar Association's Communications Law Section. He has been involved in various telecommunications projects, including the development of new technologies and the regulation of telecommunications services.

The recent surge in service providers entering the market has led to an increase in competition and innovation. As a result, the need for effective telecommunication strategies has become more pressing. The telecommunications industry is in a period of rapid change, with new technologies and services constantly emerging. To stay competitive, service providers must be able to adapt quickly to changes in the market.

One key factor in achieving success is the ability to leverage new technologies. With the rise of the internet and other digital technologies, service providers must be able to capitalize on these changes to remain competitive. This requires a strong understanding of the latest technologies and the ability to adapt to new trends.

Another important factor is the ability to maintain a strong customer base. In today's market, customer service is more important than ever, as customers have more options than ever before. Service providers must be able to provide excellent customer service to differentiate themselves from the competition.

Finally, the ability to manage costs is crucial in the telecommunications industry. With rapidly rising costs for infrastructure and labor, service providers must be able to control their expenses to remain profitable.

In conclusion, the telecommunications industry is facing significant challenges and opportunities. Service providers must be able to adapt quickly to changes in the market, leverage new technologies, and maintain strong customer relationships to succeed.

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Lawrence M. Berry, a well-known figure in the telecommunications industry, recently made a keynote speech on the future of service providers. He emphasized the importance of leveraging new technologies, maintaining strong customer relationships, and controlling costs to remain competitive.

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As service providers face increasing competition, they must be able to adapt quickly to changes in the market. With the rise of the internet and other digital technologies, new opportunities for growth are emerging. However, these opportunities come with challenges, including the need to manage costs and maintain strong customer relationships.

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ANC to act on 'corrupt' telephone deregulation

The ANC will not take the current deregulation of SA's telecommunications industry lying down, and it could put the cat among the pigeons with regard to the new cellular phone networks which are being introduced.

The organisation believes that the way in which cellular services are being introduced is "corrupt", and is illegal in that legislation is not in place to allow government to grant licences to network operators.

Telkom, Vodaphone and Rembrandt plan to operate one network, while a second network operator will be decided by tender. Tenders must be handed in by month-end.

A senior ANC source says that to ensure an affordable service, "which is unlikely to be the case with the corrupt way in which the new cellular services are being introduced, is that when it comes to power, it will open up the market to further competition."

He says that a licence for a third operator could be introduced, and a system of rebates could be allowed to encourage this third operator to provide the service at a minimum landline cost.

This would allow a wider penetration of the service, because poorer people would be able to afford a cellular phone — the original intention of government when it announced that two network operators would be allowed in the market.

ANC head of information services, Andile Ngcaba, says there are already problems with the high cost of existing fixed wire phone services. He fears that the cost of services offered by Telkom's consortium company Vodacom, and the second network operator, will be unaffordable.

"While we want overseas investment, and we are definitely in favour of digitalisation and cellular telephony because it brings SA into the First World and provides a quick solution to the shortage of phone services in SA, we cannot accept an investment which is being introduced in a corrupt way. The way the new services are being introduced is not being done in a legal way, and we cannot accept this," he says.

Meanwhile, to counter pressure from the ANC and other bodies who believe advocate Ters Oosthuizen was appointed into a newly created regulatory position for which there is no statutory backing, Oosthuizen is to be promoted to post-master-general.

The appointment was announced by the Posts & Telecommunications Ministry yesterday.

This position has the regulator's functions built into it so it is the most obvious way of conferring Oosthuizen with legal powers beyond the discretionary ones given to him by the minister.

This would give him the necessary statutory powers to put into place the necessary legislative processes which will promote the changes taking place in the telecommunications industry.

When he was appointed in April, Oosthuizen's first task was cited as being that of ensuring SA's two new cellular phone licenses. The tender is expected to be adjudicated by August.

The Posts & Telecommunications Department has been handling regulatory matters since the split of Telkom and the Post Office in October 1991, but sources believe new legislation should be tabled in Parliament's second sitting which will make provision for a new telecommunications commission, as proposed in a report on the industry last year by consultants Coopers & Lybrand — and accepted at Codena 2...
Cellular call rate may be stiff

CALLS on MNet's new cellular phone network could cost 10 to 12 times as much as phone calls, cost now.

Yesterday Telkom issued its proposed interconnect fees — the charges it will levy on the cellular operators for carrying traffic on its network.

Companies planning to tender to operate a cellular network were shocked by the rates, saying that when the R100m network operator licence fees and other fees were taken into account, cellular call costs would be inflated well above current call costs. They claimed Telkom was trying to protect its existing network from potentially stiff competition.

Tim Lowry of Cable & Wireless, which has formed a consortium with M-Net to tender for the licence to operate the second network, said that the rate for distances of under 50km was five times the current phone charge rate, and that no discounts had been given for off-peak calls.

A Posts and Telecommunications Department spokesman said the call charges were just proposals and could still be discussed with network operators.

A Telkom spokesman said it would be incorrect to say proposed call charges were five times higher than current charges of 18.9c excluding VAT per metering unit. "The present call rates are subsidised. Telkom cannot expect fixed-line phone users to take the burden of cross-subsidising cellular phone users."

He said Telkom had introduced volume discounts for cellular calls, but would-be operators said the minimum volume was too great. He also said Telkom's existing call charges were low by international standards, and that longer distance calls subsidised calls within a radius of 50km.

The plan was not to protect Telkom's existing networks but to see proposals and business plans of cellular network operators before tariffs were discussed again.
Price shock for cellular phone calls
Desk-bound forum a first

ACADEMICS from more than 115 universities worldwide "attended" a two-week international forum last month while remaining at their desks.

Thanks to computer technology — specifically the Electronic Mail (Internet) system — the Department of Construction Economics and Management at the University of Cape Town, the Royal Melbourne Institute of Technology and the University of Hong Kong hosted what is believed to be the world's first electronic forum.

"It is definitely a world first in the field of building and construction research," said Associate Professor Paul Bowen of UCT yesterday.

The Co-Operative Network for Building Researchers, using E-Mail links, enables members to collaborate in joint research projects and to transfer information, research data, etc.

"It was a resounding success," Professor Bowen said — Sapa
The MINISTER OF POSTS AND TELECOMMUNICATIONS

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<td>Alkantrant</td>
<td>68</td>
<td>Certain internal alterations to the existing accommodation are envisaged in order to install 1,200 additional private boxes. If nothing unforeseen occurs the project will be completed by the end of August 1994. A post box lobby is presently being manufactured. The expected date of completion is August 1993.</td>
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<td>Atteridgeville</td>
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<td>Negotiations are presently in progress with a developer to obtain a stand for the erection of a post box lobby with 5,000 boxes. The expected date of completion is April 1994.</td>
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<td>Hatfield</td>
<td>90</td>
<td>A new post office is presently being planned with sufficient post boxes. The expected date of completion is August 1994. Waiting for approval of building plans by the City Council of Pretoria for the erection of a post box lobby with 2,000 boxes. The structure of the building is of such a nature that no private boxes could be added. A separate structure with 600 post boxes has been erected at Dorp'spoort Park and arrangements have been made to offer boxes at this centre to the applicants awaiting boxes at Lynn East.</td>
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<td>Laudum</td>
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<td>Negotiations are in progress with developers for additional boxes in a future development program. It is difficult to make a forecast but it is expected that the work will be completed by December 1993. A post box lobby with 2,000 boxes has been erected at Pretoria North and waiting applicants will be accommodated at this office.</td>
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<td>Les Marais</td>
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<td>The planning of a post box lobby with 1,600 boxes is in progress. The expected date of completion is December 1993. Negotiations are presently in progress with developers for accommodation for a new post office building which will also make provision for sufficient post boxes. It is expected that the new accommodation will be ready for occupation during April 1994.</td>
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<td>Monumentpark</td>
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<td>Onderstepoort</td>
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THE MINISTRY OF HOUSING


(1) The Department's position on the matter is that the Council's previous decision not to proceed further on the matter was based on a misapprehension of the law. The position of the Department now is that the Council's decision was correct and that the Housing Committee should now reconsider its decision.

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Township mail service resumes

MAIL deliveries have resumed in the townships although there is a backlog because of a two-week stoppage due to the violence three weeks ago, said post office public relations officer Mr Sean Bell.

He said most offices in Langa, Khayelitsha, Guguletu and Nyanga had been closed.

He said he personally had told officials to stop working because “although I care about timely delivery of mail, I care most about human life.”

CT7416193
Cellular phone tender row grows

A CALL has been made for government to place a moratorium on its cellular phone tender, because the process “is premature and unilateral.”

The Cellular Telephone Consultative Forum, representing black businesses, labour unions in the telecommunications and electronics sectors, civic organisations and other interest groups, said government’s move to introduce cellular phones was timed badly and the decision had been made without consultation.

But a highly placed source said despite efforts to get black business, the ANC and the forum together, they had not turned up for meetings.

Posts and Telecommunications Minister Piet Welgemeed insists that government’s actions are above board, and that cellular phones will be introduced.

He says he has the right to issue licences for cellular services.

To ensure the correct procedures Coopers & Lybrand studied SA’s telecommunications industry over 10 months and made recommendations, submitted for comment to industry and interest groups. The study recommended two digital cellular licences be issued.

Welgemeed said: “To make the process as transparent as possible, we appointed independent regulator Ters Oosthuizen and an independent advisory panel to adjudicate and oversee the process of issuing the licences.”

Oosthuizen, promoted to postmaster-general, now had the statutory powers to regulate the issuing of licences.

Tendering company M-Net said that involving community and civic organisations would boost the service’s acceptance, create jobs and benefit the economy by facilitating communication. Any delay would deprive the constituencies which the forum represented.

A government source claimed “foul play” was behind the call for a moratorium because vested interests were realising the money to be made from the new service.

“They want the plans scuppered so they can climb on the bandwagon under a new government.”
by unrest, downturn
Mashold earnings hit
Broadcasting deregulation is delayed

CAPE TOWN — Broadcasting deregulation had been delayed to September, but independent radio stations could still be in place in time for the country's first nonracial elections, Home Affairs Minister Danie Schutte said yesterday. Schutte said it was too late to legislate for freedom of the airwaves during the current session of Parliament, and the next opportunity would be during a short session in September.

"I am very sorry to say that the deregulation process has been delayed for three months," he said.

But he said passage of the proposed deregulation Bill in September could leave enough time for local radio stations to set up operations before the proposed elections in April.

Schutte said the delay had been caused by a slow response from a technical committee of the multiparty negotiating forum.

A government source said there was concern the committee was tending towards overregulation when most players wanted the most simple rules possible.

Radio 702 MD Stan Katz said he expected an independent broadcasting authority to be in place by September to manage the deregulation.

"They could then start licensing stations, which could be set up very quickly. It is quite likely that local independent stations will be on air in time for the elections," he said.

Katz said the National Association of Broadcasters was pressing for minimum regulation, mainly to cover frequency allocation.

Schutte said he expected that 20 to 40 new radio stations could go on air under a liberalised broadcasting regime — Reuter
Broken-down telephone over new technology

The introduction of new telecommunication technology is affected by the turbulence of South Africa's transition politics.

The establishment of a mobile telephone network next year is under threat as the African National Congress, black electronics companies, and trade unions vow to halt it.

The reason for the furor is that the introduction of the new technology will herald the biggest telecommunications revolution since telephones were first introduced in South Africa.

These groups see the move as another example of the government's "unilateral restructuring" of the economy on the eve of a democratic order, and have formed a coalition aimed at halting it.

The Global System for Mobile Communication (GSM), which is the international standard for cellular phones, is due to become operational around the middle of next year when two or more national networks are set up.

Black firms, however, are staying out of the picture and are opting to wait for a legitimate government to be in place before moving in. The ANC has stated it may grant a third licence should it come to power in next year's elections.

The list of companies jumping on the bandwagon, either as manufacturers or as service providers and retailers, reads like a Who's Who in the technology field.

They include world giants such as Siemens and Panasonic, and locals as diverse as television rental company Teljoy and the Automobile Association.

The new technology is also being touted as the answer to the extension of telecommunications to rural communities and shanty settlements, since it circumvents the costs of the installation of wiring.

Perhaps the greatest benefit for South African consumers is that the GSM will, to a certain extent, free them from the stranglehold of Telkom.

For the first time, the controversial parastatal and its partners will have to compete for custom with one or more new network operators.

Consumers will also have a choice of instruments for use. At the level of service provider — the companies which will be interacting directly with the consumer in so far as installation and billing is concerned — there are at present seven companies in the market.

"The choice will be enormous at all levels," reckons Teljoy operations director Barry Blackburn.

But GSM's success will depend on how effectively the industry can make it accessible to the mass market.

The price of getting on to the system is expected to be around R4 000.

For most users, leasing the service will be the only option. This will cost about R200 a month and the user will be bound to a minimum period equivalent to that of paying off the total amount.

The key to the service will be the Subscriber Identity Module (SIM) card, which is a type of charge card. This can be used on any phone anywhere in the world.

Another route network operators may undertake in order to eradicate the rural village problem is for each individual to purchase their own line.

"This is one of the solutions that the government is looking into," says Evert Smit, head of Siemens cellular instruments division.

A major benefit of moving on to GSM is that it will provide a base to the country and the community on the developed world's technological progress.

"All other technologies are unique to South Africa to be in a position to develop with the developed world at the same time," he says.
Telkom upholds cellular masts move

TELKOM has defended its decision to erect cellular phone masts, saying the masts will not give it an unfair advantage against any competing operator.

In a statement, senior public affairs manager Jo-cam Adler said yesterday that Telkom's board approved R60m in its 1995/96 budget for introducing a new cellular system because the present OCSO system was running out of capacity.

"At that time, Telkom had the sole right, in terms of the Act, to provide all phone services and required no licence to do so," he said.

One source said Telkom had erected about 120 masts to date, with about 160 planned for the PTV alone. Contracts were initiated last year for masts to be erected "to ensure initial network coverage". Thus was despite government's decision in April 1992 to block an attempt by Telkom to set up a joint venture with two of its major equipment suppliers.

Adler said that by the time government had decided to allow two competitors to operate in the cellular phone market, work on "a number of masts had progressed to the extent that it made no financial sense to halt the process. In fact, cancellation costs would have exceeded the financing cost."

Because both cellular operators would have a common switch-on date, "neither of the cellular operators could gain any unfair advantage."

Adler said Vodacom (jointly owned by Telkom, Rembrandt and Vodafone) would take over work done by Telkom for the cellular service and Vodacom would be free to negotiate infrastructure sharing with whoever it chose.

Meanwhile, Posts and Telecommunications Minister Piet Wylgenoed has strongly criticised a call by the Cellular Telephone Consultative Forum for a moratorium on the cellular tender process.

Wylgenoed said the forum's claim that the process had no policy foundations, was illegal and was entered into without consultation, were wrong.

"I seriously question the forum's actions in calling for a moratorium less than two weeks before the tender deadline," he said.

He said the forum's call smacked of opportunism, was obstructive, would jeopardise the chances of international investment and could destroy hundreds of job opportunities.
Postal point problems

THE introduction of postal collection points will cause problems for the city council.

In a report to the executive committee, the town planning committee said it had been told that collection points could be situated at garages and post offices. It would be impossible to provide enough parking in some cases.

The council, as a major user of the postal service for its accounts, was directly affected and had not been consulted.
TELKOM 400 is providing support for several EDI solutions.

Hannes Steyn, Telkom senior manager, messaging services, says "EDI will produce the claimed advantages only when all trading partners in a market sector have it. Large organisations have the resources, both financial and manpower, to introduce file translation and communication support facilities on their computer systems or to employ an EDI bureau. Small companies, especially those without mainframe computers, cannot enter the world of EDI easily. It would result in many large organisations operating two parallel systems, an EDI application and a manual one, to deal with small organisations."

Mr Steyn says the Pareto rule probably applies to most business transactions -- 80% of transactions represent 20% of the value of the business. The 80% of trade, although representing small turnover, involves much administration.

"We believed it was essential that an EDI solution be found for small business. So the Telkom 400 system was upgraded to provide support for EDI messages."

Protocol

"The difference between using Telkom 400 and one of the VANS or implementing an EDI system on one's own computer is like the difference between taking a bus, a taxicab or one's own car. It all depends on one's needs and finances."

The X400 message handling protocol has been accepted worldwide as the ideal for EDI. It is used exclusively for EDI messages in this country for several reasons:

- It conforms to the international open systems interconnection model and is supported by all major computer vendors
- It provides for connectionless message transfer, thereby improving security of the computer system
- Storage and retrieval mode prevents the need for the scheduling of message interchanges between corresponding parties.

"We chose this system because it is accepted worldwide as the future EDI communication protocol in the business community," says Mr Steyn.
Residents object to Telkom masts

Staff Reporter

TELKOM masts 35m high are popping up in spite of objections by some residents.

There are already masts in Bergvliet and Kommetjie, and others are planned for Camps Bay and Fish Hoek. The masts are for the cellular phone system.

However, residents claim the masts are unsightly and are asking why Telkom did not seem to have consulted the communities. Speaking about one tower, Mr Newton Woolam of Bergvliet asked: "Why did they not locate it in the industrial area of Retreat?"

A spokesman for Vodacom, which will operate one of the two cellular telephone networks, said base stations with radio masts which would service an area or cell had been erected in consultation with local authorities.

A Telkom spokesman said the company was open to discussing the issue with residents.
Frequent attempts to find a compromise to resolve the disagreement between the Federal Communications Commission, which oversees issues of national importance, and local authorities who want to prevent the towers from being built, have failed. The FCC, however, has consistently sided with the wireless industry.

The towers, as a result, are expected to be completed by the end of the year. The city council has already approved the project, and the wireless companies have said they will begin construction soon.

The towers, which will be used by a number of carriers, are expected to improve wireless service in the city, particularly in areas where service is currently limited.

The city council, which had opposed the project, has now reversed course and approved the project. The council said it was happy to see the towers being built and that they would be a great asset to the city.

The towers are expected to cost around $20 million to build, and the city council has already allocated funds to cover the cost.
Vodacom prepares for network launch

VODACOM, the company that aims to establish and operate SA's first cellular telephone network, announced yesterday it would invite tenderers for construction of the network subject to it being granted an operator's licence. 

Vodacom CE Alan Knott-Craig said in a statement that although Telkom held a 50% share in the company, Vodacom would operate separately and would not be party to any of Telkom's long-term supply agreements. Knott-Craig said suppliers would be invited to tender to provide network equipment and that this, the first of several, could amount to R200m. — Reuters
Telkom halts mast-building

By DALE GRANGER

TELKOM has suspended construction of three new masts for cellular telephones in Camps Bay, Sea Point and Salt River following an outcry from Camps Bay residents.

Residents said the 35-metre mast being erected on the corner of Van Kamp and Park streets was an eyesore and disrupted their view.

Similar

A Telkom spokeswoman said yesterday the city council had approved the mast in Camps Bay but the telecommunications company had "voluntarily" decided to halt construction to consult with residents.

Similar suspensions have been effected in Sea Point and Salt River. However, new masts had already been erected in Maitland, Bergvlei and Athlone, she said.

In Clarinich, Mitchells Plain and Ottery the existing analogue mast used for transmission of car phone calls would also be used for the new cellular phones.

Plans are being made for antennae to be erected at the Roggebaai exchange on the Foreshore and on a rooftop of a Barrack Street city building.

"The existing cable technology is vulnerable to vandalism, theft and damage and our staff are walking a tightrope to repair existing lines with technicians being injured and cars vandalised every week in unrest areas."

"With a mast in Retreat servicing Crossroads, for example, Crossroads will be far easier to service," the spokeswoman said.

Telkom were taking aesthetic factors and the environment into consideration but there "isn't much room for manoeuvrability" as the placement of the masts is "very scientific", she said.

'Urged rethink'

City planner Mr Neville Riley said cellular phones were the "thing of the future" and "you can't just bulldoze progress."

He said he was against the masts being erected with "insensitivity to environmental structures" and had asked for a "rethink on the construction of the antennae and a compromise."

Cellular phones are expected to cost between R3 000 and R4 000.
Satellite dishes to be deregulated

The government yesterday proposed lifting restrictions and licensing fees governing the use of satellite television antennas.

The private use of satellite dishes was banned in South Africa until 1990 as part of the government's censorship regime, but has been allowed on a limited basis since then.

A clause in the General Law Third Amendment Bill tabled in Parliament seeks, however, to "abolish the licensing of dish antennas which are used to receive television transmissions direct from satellites."

Senior post office administrator, Mr Dirk de Jong, said the amendment would effectively deregulate the use of satellite dishes to receive television signals.

"We made inquiries in other countries and we found that is the trend abroad. Sometime in the future it will become the norm to have a small dish as the standard television antenna," he said. — Reuter
Networking pays off

Competition continues to grow in the international telephone-call market. A third US company now offers cut-rate international service by giving SA subscribers access to cheaper US telephone networks. In reaction, Telkom has cut its international rates, launched four “home direct” services for SA travellers abroad and overseas visitors here, and plans to launch another 14 next month.

Following a deal this month with the listed publishing company Publico, Diners Club MD Hugh Pattleing says the club is reselling a service from Sprint, one of the top three US carriers, and that 92,000 SA club members will be issued with a charge card.

“By dialling the Sprint access number for the country they are in, Diners Club members will be connected to a Sprint operator who will put them through to the Sprint switch-board in the US. From there, they will be connected to anywhere in the world.” The call is billed to the member’s card in rands at Sprint’s US rates.

Businessman Jerome Swinsky was in September the first to start a long-distance discount phone service. His company, Worldphone, is the local agent of US-based Viatel, which allows users to make overseas calls at US rates. Viatel will soon bring online a European hub which, he says, will allow him to cut prices of calls to and from Europe even further.

He was followed by International Discount Telecommunications (IDT) due to start here last October, IDT took the plunge only in February when it selected Publico subsidiary Discount Telephone Corp as its representative.

By this fall, calls through computerised centres in the US, both companies enable local customers to phone and fax most countries in the world for just under half the Telkom rate. “All that is needed is to phone an assigned number in the US, allow it to ring once (for which there is no charge) and replace the receiver. This triggers the return call and, as long as one stays on the line, calls can be made to anywhere in the world,” says Publico chairman Jack Shapero.

The legality of these automatic call-back services is in question. AT&T, the US’s largest international phone carrier with 75% of the market, has complained that it is not being paid for the use of its network and has filed charges against Viatel (Business & Technology February 26).

But why was IDT not charged as well? IDT chief financial officer Jonathan Rand says that unlike Viatel, which is being charged with breaking a US government licensing requirement, IDT is not required to carry the same licence.

“This is because Viatel buys time in bulk from major US carriers and then rebills its customers. Thus rebilling requires a specific licence from the Federal Communications Commission. IDT works with the major carriers but the carriers always bill IDT customers directly. So, IDT is not required to obtain any licensing from the US government.”

Telkom reacted to the increased competition by cutting some of its long-distance rates on April 1. Despite these new prices, Worldphone and Publico still dramatically undercut Telkom — by more than 40% for a 10-minute call to New York during peak hours.

But while it cannot win the rates war, Telkom has not been left out of the international call scene altogether. It recently launched its “home direct” services in conjunction with British Telecom, Sprint and another major US carrier, MCI.

“SA Direct,” for instance, allows South Africans in Britain to place reverse-charge calls home by calling an international operator in SA toll free, thus eliminating the need for cash and cutting exhorbitant hotel levies. The customers pay for the call in rands along with their normal domestic bill.

Americans in SA can circumvent Telkom charges by using MCI’s CallUSA service and Sprint Express Britons here can use BT Direct.

Telkom is negotiating similar deals with other American companies, UK’s Mercury and carriers in Canada, Denmark, Hong Kong, Ireland, Netherlands, Singapore and Australia.

DAIRY BOARD

Melting away

The Dairy Board’s days of power and glory are finally over. Chairman Lucas van Vuuren’s announcement last week that the board would drastically reduce its functions and staff ends months of speculation in an industry that has been at war for the past five years. The announcement follows the recommendations made by an industry task group established to investigate the board’s future status and functions.

The board will now directly administer its own affairs and personnel rather than rely on the Dairy Services Organisation. This means an effective staff cut from 99 in December to no more than 26. The primary function of the board, which will operate on an annual budget of about R3m, will be to provide statistics, marketing and other services that promote the industry.

This is clearly a far cry from the board’s powerful regulatory role of the past. The task group specifically excludes any compulsory industry stabilisation function for the board.

The new dispensation is a victory for the smaller independent dairies and wholesale milk buyers who have challenged the board’s power in recent years by refusing to pay its compulsory levies. The smaller dairies represented paying thousands of rands that would up subsidising the larger manufacturers of long-life milk products — skim milk powder, cheese and butter.

The row reached boiling point last June when the Cape Supreme Court ruled that the levies were illegal. The board eventually dropped its appeal and replaced the 4.7c/L compulsory stabilisation levy with a nominal levy of 0.5c/L. In return, milk buyers agreed to drop all actions against the board and government paid off the board’s R20m loan from the Land Bank. The agreement also required the formation of the task group to investigate the functions of a reconstituted board (Business & Technology April 2).

Dairy Services Organisation chairman Pieter Roux, however, confirms that the board could still embark on industry stabilisation. But he says this would have to be at the request of the industry. “The emphasis has clearly shifted from compulsory regulation to voluntary controls.” On this score, the task group stresses that stabilisation must be funded by the sector requesting it.

Of course, board decisions will still carry the force of law, through the Marketing Act. Nevertheless, Homestead Darries MD John Jacobs, who instituted and won last year’s court case, doubts that the board will, in future, be used by any interest group “We will simply challenge any statutory controls that don’t have consensus.”

Many still question the need for a board in any form. In recent months buyers and manufacturers have praktied their own stabilisation successfully. NCD, the largest milk buying co-operative, last year unilaterally reduced
Rumblings over the phone

By MONOLO MASHANYA

THE telecommunications dispute intensified this week, with both the government and its opponents digging in their heels.

Heated exchanges took place when Posts and Telecommunications Minister Piet Welgeinood refused to accede to demands by the Cellular Telephone Consultative Forum (CTCF) for a moratorium on the tender of cellular telephone network licences.

There were even rumblings of possible court action emanating from the ranks of the CTCF, a coalition of black electronics companies, trade unions, civic associations and the African National Congress.

Bobothatswana has also entered the fray, inviting tenders for its own Global System for Mobile Communications (GSM) network. The government has been accused of acting unilaterally and of hastening the transition to GSM in an arrogant and haphazard manner.

It allowed Telkom, now a major stakeholder in one of the network operators, to erect mastheads long before the tender process began. While Telkom's

Johann Adler explains this by saying that Telkom was at the time the only legal provider of telecommunications, it has done little to stifle the cries of "corruption" and "unfair advantage".

Welgeinood appointed Ters Oosthuizen as the independent regulator to adjudicate the tenders and then, after realizing the position had no statutory backing, promoted Oosthuizen to postmaster general.

There has also been no mass education about the benefits of digital technology — hence the perception that cellular phones are "rich men's toys". Exacerbating this, most of the mastheads have been erected in white areas, belying the stated intention to penetrate rural areas and others previously not reached by wired phones.

Although the opposition groups have many legitimate grievances, they waited until the last minute to form an effective lobby to voice their objections.

This has enabled Welgeinood to claim that any delays will damage the country's foreign-investment image, since there are many large international corporations tendering.
On a hot day

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261

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Price: 3.00

Rule: 250

Compare prices. They are expected to be up to 10¢ off. 200 Initials but this should drop substantially.
Minister: No tests on masts

ENVIRONMENTAL tests on Telkom’s controversial cellular telephone masts had not been “specifically” conducted, the Minister of Posts and Telecommunications, Dr Piet Welgemeoed, admitted yesterday.

“In terms of radio regulations, it is a requirement that antenna systems comply with the requirements of the relevant local authority,” he said.

Dr Welgemeoed said in reply to a question by Mr Colin Eglin, (DP, Sea Point) that the masts ranged from five metres to 55 metres, with an average height of 35 metres.

He added that local authorities were notified of the intention to erect a mast in their area of authority and if no response was received within 30 days, it was assumed that the local authority had no objection to the envisaged erection of the mast.

His reply follows an outcry from Camps Bay residents over the mast in their area. Telkom has suspended further construction of masts.
Teaching video will give the right vibe

Education Reporter

AN innovative video about which could prove of major help to teachers in increasingly culturally diverse schools is to be screened on television next week.

The National Language Project's Yo duide, ko wena kyke a video will be shown on TSS at 9pm.

The video introduces techniques which promote respect for all languages and cultures, learning and integration in multilingual classrooms.

According to the National Language Project (NLP), South Africa has experienced major changes that are bringing diverse cultures into closer contact with one another.

Increasingly, teachers find themselves faced with students of various ethnic and linguistic backgrounds. They have to reach out to individual pupils who find themselves isolated in the classroom.

Teachers may feel inadequately equipped to meet all the language needs of their pupils.

One of the aims of the Language Activity Class is to take pressure off teachers and allow them to use linguistic diversity as a teaching tool.

The Language Activity Class introduced in the video allows pupils to learn, through participation, about language, identity and social relations.

A guide booklet for teachers comes with the video.

The concept of the Language Activity Class was introduced to SA by Professor Rama Kant Agnobotri of India.

In the video he explains how to use the multilingual classroom to improve cognitive development and increase cultural tolerance.

The video and accompanying material cost R50 for individuals and community organisations and R100 for institutions. They are available from the National Language Project, P.O. Box 378, Salt River 7924 or by contacting +27 27 2760.
Tenders for multi-million rand cellular phone system

The Argus Correspondent

PRETORIA — The Postmaster-General's office will be a hive of activity today as companies rush to submit tenders for the multi-million rand cellular telephone network up for grabs.

By early today no tenders had been submitted for the R100 million licence, but Postmaster-General Tertius Oosthuizen said a number were expected before the noon deadline.

"The tenders will be ready, but no one will submit them before the deadline in case of a security leak," he said.

Several South African companies, including MTN and Orniker-Electronics, as well as a London company, Starjet, are expected to bid.

The Telkom subsidiary formed to operate one cellular network, Vodacom, will also be submitting a tender, but is assured of one licence as long as it complies with conditions, Mr Oosthuizen said.

Vodacom chief executive Mr Alan Knott-Craig said cellular phones could cost as little as R2 000 by 1995.
Race is on for cellular grid

FOUR consortia, including one involving M-Net and Fabcos, have lined up in a bid to run SA's second new cellular phone network. The other licence will be granted to the Telkom-led consortium Vodacom.

At the tender opening in Pretoria yesterday, the four emerged as:

- Anglovian's Cellstar, with Telekom Finland and other investors including Fincantieri;
- Belcorp and Deutsche Bundespost's new cellular subsidiary Deutsche Telekom Mobile;
- Suntel; and
- A new company, Mobile Telephone Networks (MTN)

The MTN consortium consists of Cable & Wireless and M-Net, each with a 30% shareholding; the Foundation for African Business and Consumer Services (Fabcos) and National African Telecommunications (Naftel), with 30% between them, and state-owned Transnet's telecommunications division Transet, with the balance.

At the tender opening, all consortiums except Suntel were represented, and all said they would offer digital Global Sys-
SA black business in cellular telephone application

JOHANNESBURG — A consortium comprising black business organisations, MNet, the UK’s Cable and Wireless (C&W), Transnet and National African Telecommunications (NafTel) have submitted an application to operate a cellular telephone network. Mobile Telephone Networks (MTN) if successful, could create some 5,000 jobs. Of these, 300 would be direct.

Thirty percent of the equity will be placed with black shareholders including NafTel and Fabeco, 30% will be held by MNet while a further 30% will be held by Cable and Wireless. The remaining 10% will be held by Transnet, a division of Transnet.
'087 service cost Telkom R77 million'

PRETORIA — The premium-rate 087 service cost Telkom about R77 million in bad debt and eroded its image to an all-time low, the company's managing director Mr Dane du Toit said in his review of Telkom's first-ever financial report.

"Many man-years of effort were spent by Telkom employees in addressing queries and problems that would not otherwise have arisen."

Chairman Mr Jack Clarke also acknowledged that the service had tarnished Telkom's image.

"It also brought with it fraud on an unprecedented scale and huge write-offs."

The 087 service was ended in December last year.

But cowboys don't cry, according to Mr Clarke, and Telkom has done much subsequently to improve its image.

Mr Du Toit said client perceptions were changing for the better and staff morale was improving rapidly.

Telkom's first financial results since commercialisation in 1991, showing only 1.08% overall growth for the 18-month period under review, were well below expectations, Mr Clarke said yesterday.

— Own Correspondent, Sapa
Telkom’s first report paints gloomy picture

PRETORIA. — Telkom’s financial results did not reach expectations for the 10-month period ending in March this year and revenue was R463m below budget.

This is Telkom’s first financial report and covers the 10-month period from October, 1991, to March this year.

Net income for the period amounted to R411m. Earnings per share were 10.6c. A 2.6c dividend per share was declared. The state is Telkom’s only shareholder.

Announcing the company’s financial results at a press conference in Pretoria yesterday, Telkom chairman Jack Clarke painted a gloomy picture of Telkom’s first 10 months as a commercial business.

For the first time in recent history, the total number of telephone calls made declined. Clarke said there had been a drop of about 1.5% in the past 12 months.

The overall growth rate dropped from an average of over six per cent for previous financial years to 1.98% for the period under review.

“Our results were therefore below expectations and revenue was R463m below budget,” he said.

Bad debts and write-offs were at an all-time high due to the prevailing poor economic conditions and the aftermath of the disastrous premium rate 0.87 service.

Write-offs increased by R139.6m.

Telkom also made its final contribution of approximately R209m to the Post Office to finance their shortfall for the last six months of the 1991/92 fiscal year.

Telkom also inherited a gross interest-bearing debt of R10.2bn from the old Department of Posts and Telecommunications, which resulted in a negative impact on its ability to compete.

“The result of this is that 19c in every rand spent by our clients on telephone service is used to pay the interest on these loans.”

During the past 12 months Telkom was forced to implement a policy to restrict capital expenditure to internally generated funds.

“No additional borrowings were made, nonetheless we spent R1.8bn on capital programmes.”

On a more positive note, Clarke said Telkom had managed to position itself for the future, despite the turbulent economic and political environment.

Pro-active steps were taken to curtail manageable costs in the short term and lay the foundation for a more cost-efficient company.

Considerable progress was also made in expanding and upgrading the infrastructure and new technologies were implemented.

Clarke predicted that if the economic and political climate stabilised, Telkom could look forward to a growth in earnings and a significant improvement in customer satisfaction and financial performance in the next 12-month period. — Sapa
Fall in calls shakes Telkom

PRETORIA - Telkom failed to meet its budgeted revenue after a decrease in the number of telephone calls - for the first time in recent history. (2-6)

Chairman Jack Clarke said yesterday that results, the first since commercialisation in 1991, were well below expectations.

The 18-month period under review showed only 1.88% overall growth, while the 1.5% decrease in the total number of calls for 1992/93 resulted in revenue falling R982m below budget.

The company's performance, showing a turnover of R10.6bn and net income of R411m, had been significantly affected by poor economic conditions. Rising bankruptcies, declining numbers of calls, an "all-time high" in bad debts and write-offs totalling R136m all contributed to the weak results.

Gross long-term debt of R18.2bn which was inherited from the Posts and Telecommunications Department, a final R256m contribution to the Post Office and a R1.6bn pension fund shortfall had exacerbated the company's position, Clarke said.

Telkom MD Danie du Toit said the debt burden, accounting for 21% of expenditure or R4.1bn for the period, would seriously impede Telkom's ability to provide the modern infrastructure essential to its competitiveness. Clarke told a news briefing, "This is particularly worrying since all over the industrialised world telecommunication companies are committing...

Telkom enormoous amount to the modernisation of networks. (2-6)

Fruit on an unprecedented scale and huge write-offs had characterised the premium rate (067) service "debacle", Clarke said, and 1180 "so-called de cense lines" had been terminated at considerable cost to Telkom. When the service was cut in December 1992, R177m had been accumulated in bad debt and Telkom's image had been eroded to an all-time low, Du Toit added.

However, programmes initiated recently suggested a significant improvement could be expected in 1993/94, Clarke said.

Aggressive inventory control, the containment of capital expenditure, improved productivity (the period saw an 8.3% reduction in personnel), together with a number of projects aimed at boosting client satisfaction were among the company's objectives.

"We believe that with the programme we have in place, subject to the economy not deteriorating any further, we will see a growth in earnings and a significant improvement in customer satisfaction and the financial performance of the company," Clarke said.

It was also announced that detailed billing services would be available for all consumers connected to SA's 900 digital exchanges from January 1 1994.
Telkom’s dented image

THE premium-rate 087 service cost Telkom about R77 million in bad debt and eroded its image to an all-time low (25).

That was said by the company’s managing director, Mr Dane du Toit, in his review in Telkom’s first financial report.

"Many man-years of effort were spent by Telkom employees in addressing queries and problems that would not otherwise have arisen."

In his review chairman Mr Jack Clarke also acknowledged that the service had tarnished Telkom’s image. "It also brought with it fraud on an unprecedented scale and huge write-offs."

During the life of the 087 service, which was rolled out last December, Telkom terminated about 1 180 information provider services, most of them so-called ‘sleaze-lnês’. 

Du Toit said client perceptions were changing for the better and staff morale was improving rapidly. —Sapa
TELKOM

Tackling the backlog

Government-owned monopolies — Eskom, the Post Office and SA Airways before Fittestar arrived — always have trouble providing service to everyone who wants it. Telkom is no different. It consistently has a backlog of more than 100,000 applicants who want phones.

After almost two years of trying to act more like a business and less like a government agency, Telkom still has a backlog of 122,547, up from 109,508 in March 1990. Last week in Johannesburg, at its second client forum — part of the new, customer-friendly Telkom — the company may have made a start at defining and tackling the problem.

It turns out that much of the backlog is in black townships in the Witwatersrand. 16,000 of 21,000 on the waiting list are in black areas. In East Rand townships there are 10,000 people waiting for phones. Telkom says it’s installing about 2,000 telephones a day on the Reef but, faced with fast-growing areas such as Midrand and myriad problems in hooking up the townships, the company can’t keep up.

Regional GM Frank Vian says workers, regardless of race, are often unable to enter some townships. Maintenance and installation work has come to a complete halt in certain areas. Even under police escort, teams are often threatened and attacked.

the past two months 19 employees on the Reef were injured.

Another major problem is vandalism and theft. Vian says cable theft in the first six months of this year cost Telkom R1.2m. Last year more than R3m was lost in cable theft and 112 fully equipped vehicles were hijacked, stolen or burned out. Another 90 were damaged in stonnings. In the western Cape an average of 10 vehicles a week were damaged or destroyed in the five weeks following Chris Hani’s assassination. This loss alone amounted to about R200,000.

On the Witwatersrand, R10m has been set aside for 13 infrastructure projects, but they can’t be started.

“Part of the problem is that Telkom is still seen as part of the regime,” says spokesman Gert Schoeman. “The other part of the problem is the criminal element.” Here, Telkom plans to take a page from Eskom’s book “Through negotiation with community leaders, Eskom has been able to obtain cooperation for the protection of its people and equipment.”

Eskom has had remarkable success in getting community support. For one thing, it tells subcontractors to hire local people in the townships. “We go to the community to find out what they really want, not what we perceive they want,” says Shadrack Mosoane, an Eskom project manager. “The ‘Thou shalt’ approach doesn’t work.”

Schoeman adds, “As a direct result of the client forum, we were approached by the Soweto Civic Association. It has pledged to talk to some 200 organisations in Soweto on our behalf.”

Telkom is also working with the Witwatersrand branch of the National Peace Secretariat to contact all relevant players in the townships. Last month Telkom launched a nationwide programme to establish contact with major political stakeholders. By October, Telkom hopes that all its regions will have developed a professional and consistent rapport with important community leaders.

Says Vian, “We realise we haven’t reached the ideal, but meetings like these help us get our focus right.”
A Giant Step for SA

Weekend Argus, July 3/4 1993

A giant step for SA

Franz Estheweke

Ask the Prime Minister what South Africa can contribute to the world's future in terms of human resources, and he will say, "Our youth." The Prime Minister is right. We have the youth of Africa, the world's most valuable resource.

South Africa has a unique opportunity to make a significant contribution to the world's future. The country has a population of over 40 million, with a young and dynamic workforce. The government has invested heavily in education and training, and the country has a high literacy rate.

The country has a strong economy, with a diverse range of industries. The government has implemented policies to stimulate business growth and create jobs. The country is well positioned to contribute to the world's economic development.

South Africa has a proud history, and the country has a rich cultural heritage. The government has made significant progress in reconciliation and Nation Building. The country has a unique opportunity to contribute to the world's future in terms of culture and knowledge.

South Africa has a unique opportunity to make a significant contribution to the world's future. The country has a young and dynamic workforce, a strong economy, and a proud history. The government has made significant progress in reconciliation and Nation Building.

The country has a unique opportunity to contribute to the world's future in terms of human resources, education, economy, and culture. South Africa has a unique opportunity to make a significant contribution to the world's future.
High-debt Telkom

By Terry Belt

TELKOM is struggling to

hinds change plan

STRIKE CASE

The government has not found a way to resolve the Telkom strike issue. The strike started last year and has caused widespread inconvenience to customers. The strike has been going on for several months now, and there is no sign of a resolution in sight. Telkom is struggling to meet the demands of the striking workers, who are demanding better working conditions and higher salaries. The government has offered a sweetheart deal to Telkom, but the workers are not satisfied with it. The strike has become a major headache for Telkom, and it is not sure when it will end.
US bid to delay tenders for cellular network fails

IN EFFORTS to enable US companies to tender for SA's cellular phone network, the US embassy made a last-ditch attempt to delay the cellular phone tender date by months.

At least seven US companies, including cellular network operators, wanted the tender delayed until local and state sanctions in the US on SA were lifted.

A US embassy spokesman said yesterday the companies had approached the US commerce department to extend the deadline for bids by several months. The reason they could not bid within the set timeframe — tenders closed last week — was the sanctions issue. The spokesman said the embassy had been asked to intervene.

"The companies expected sanctions to be lifted last week, and a statement was needed before they could pursue their interests. If the date was extended, the companies believed the cellular licence would have been a good opportunity to invest in SA," he said.

The bid came as President F W de Klerk and ANC leader Nelson Mandela were in the US and while hopes were high that the ANC would call for the lifting of sanctions.

Companies included Packet Networks Inc of the US, which was informed that it would be allowed to bid for the network, and was asked to bid through a South African base.

Despite the US call, postmaster-general Ters Oosthuizen said latecomers could not be accommodated.

He confirmed that formal approaches to extend the date had been made, but said it would have raised the ire of companies which had worked hard to complete their tenders in time, he said.

Tenders received to run SA's second network were those from Mobile Telephone Networks (MTN), Angloyvals's Cellstar, with Teletak Finland and other investors including Finnland, and Barlow Rand with Deutsche Bundespost's cellular subsidiary Deutsche Telekom Mobile.

A letter was also received from Sentel, but Oosthuizen said nothing further had been submitted by Sentel, and a decision on its qualification to tender would be made shortly. Sentel was working with US companies in formulating its tender.

Investors in the MTN consortium comprise Cable & Wireless and M-Net, each with 30% shareholding, the Foundation for African Business and Consumer Services and National African Telecommunications with 30%, and the balance will be held by state-owned Tranet's telecommunications division, Transet.

Oosthuizen said it would be difficult to estimate the time needed to evaluate the tenders because of the voluminous documentation which included several alternatives.

"We specifically did not give a clear specification in the tender and asked companies to offer their best alternatives. Thus has left the choices wide open, making the tender more difficult to evaluate."

Oosthuizen is a member of a panel evaluating the tenders. He is also using an internal evaluation team at the Posts and Telegraphs Department, as well as external consultants from SA and abroad.

In the meantime, the other network operator, Vodacom, has announced its board of directors. Businessman Reuel Khoza is one of four directors nominated by 50% Vodacom shareholder Telkom. The others are Jack Clarke, who will be Vodacom and Telkom chairman, Telkom MD Danie du Toit and Telkom senior GM operations Ben Bets.

UK-based Vodafone, which holds a 35% share in Vodacom, has nominated three directors Vodafone Group executive director John Poett, Vodac MD David Henning and Vodaphone MD Julian Horn-Smith.

Rembrandt, which holds 15%, is represented by investment director Dalie Malherbe.
Telkom to scrutinise new videophones

The success of videophones in SA rests on their being licensed by Telkom and getting the SABS stamp of approval.

Launched this week, the GEC-Marconi machines being marketed by Eurosat Africa are currently with Telkom for approval, says Eurosat MD Sid Trickett.

"They are already licensed by British Telecom, and samples have been submitted to Telkom. One hundred units have been imported, so potential distributors can evaluate them."

"We have tested the phone for three months on the SA phone network and it works well."

If Telkom or the SABS wanted changes made at source, this could harm the viability of the phones in SA, because changes could make the phones too costly, he said. In addition, the factory might not be prepared to make changes, because production was geared for much larger markets in the US and UK.

However, Trickett was confident Telkom would be happy with the product, because it had potential to generate large revenues.

"People will talk for hours on the phone, because they can see one another. You can also conduct meetings, and show products on the screen for assessment, for example."

As things stand, he says the phones will cost between R2 500 and R2 900.

Trickett says the phones work best on more advanced PABXs, and there can be problems with outdated PABXs.

Asked whether the limited bandwidth on SA's analogues phones lines could lead to poor picture quality and blurring if there is movement on the screens, Trickett says the phones work better on digital lines, but can produce problems if lines are bad, or connections poor.

In the latter case, the videophone can move into "slow mode, or the frame will be frozen."
There aren't many surprises in the Post Office's first financial statement since commercialisation on October 1 1991. During the first 18 months, taxpayers subsidised R709m of R928m in losses, according to figures released this week.

Senior GM for finance and technology Albert Michau says that overall, he thought the figures "turned out quite well" considering that without commercialisation, government would now be subsidising the Post Office at an estimated rate of R700m for just one year.

"Why aren’t we issuing a glossy annual report and making a big splash? As long as we’re subsidised, we want to maintain a low-key profile. Until we break into profitability, we have nothing to shout about."

The Post Office's first report since its split from Telkom, for the 18 months to March 31, shows a R928m loss on R1,17bn turnover. By comparison, Telkom posted a net profit of R411m on R1,06bn turnover.

The tide of red ink certainly is not unexpected. The Post Office’s losses are legendary. But postal rates went up 30% on average on April 1, which will raise income by R146m this financial year. Michau says that year's loss will not be as high as estimated (R498m). He adds that he has no doubt the Post Office will break even by the end of the 1996 financial year, even linking future rate increases to inflation. Meanwhile, government subsidises the shortfall.

A big obstacle facing the auditors — Coopers & Lybrand and Ernst & Young, who were paid nearly R4m — was determining the opening balance sheet figures. "It was quite a problem," Michau says. "It took 18 months to sort it out." Before commercialisation, Telkom and the Post Office came under one budget that was administered by the Department of Posts & Telecommunications. One problem, for instance, was that fixed assets were accounted for by totals.

Rather than individually, Now, in keeping with the Companies Act, they are compiling fixed-asset registers.

Nevertheless, the two units retain certain links. Because the Post Office Savings Bank funneled so much money into capital-intensive telecommunications projects before the breakup, it was decided that Telkom should repay the Post Office R1,3bn — R100m every six months.

The pension fund deficit runs to an estimated R595m and is being funded out of operating income at R928m a year. The Post Office also paid R1,18bn for retirement packages in December. To avoid retrenchments among the 26,000-plus staff, it offered older employees early retirement and 1,000 accepted.

Another albatross is the Post Office Savings Bank. Founded in 1910, it has 8m accounts but only 3,5m are active. In the 18-month period, total deposits fell from R1,7bn to R1,4bn. Officials chalk up the decrease to changes since commercialisation that eliminated tax concessions for account holders. In addition, interest rates were lowered to 11% in September and service charges were instituted in October. "We’re not competitive now, but we’re going to put that right," Michau says. "I believe we can turn it around."

He also feels that way about the whole Post Office. "We’re moving in the right direction." He points out that the organisation is cutting expenses, offering more services (many more post offices are open during the lunch hour), doing more aggressive marketing and keeping its corporate clients despite the recession.

If all this works, Postman Pat will certainly start smiling again and so will his long-suffering customers.

Mareen Soffron
Running into a debt dead-end

Turning a State bureaucracy into a successful business is a complicated process. In the nearly two years since its split from the Department of Posts & Telecommunications, Telkom has learnt just how complicated it can be. The obstacles facing Telkom have been endless: increasing competition, the 087 debacle, a serious drop in business caused by the prolonged recession, escalating losses from theft, violence and vandalism.

But the biggest problem is its huge debt burden. Telkom's debt service equals 21% of expenditure, giving it little leeway to upgrade its technology and extend its network.

In figures released last week, Telkom did show a small net profit for the 18 months ending March 31 — R411m on a turnover of R10,6bn. This allowed it to pay its sole shareholder, government, a R102,7m dividend, servicing Telkom only the second of government's commercialising companies — Denel is the first — to pay a dividend.

Nevertheless, chairman Jack Clarke is worried about the company's long-term competitiveness. With its high-debt load, Telkom was able to invest only 23% of turnover during the period. "This is too low for a hi-tech, high-obsolescence industry. If we want to be competitive, we need to invest heavily in infrastructure. At the moment we don't have this kind of flexibility."

Added to its R10,2bn in long-term debt is a shortfall of R1,5bn in its pension fund, which is funded out of income over 15 years.

At the same time that debt has grown, cash flow has slowed, thanks to the economy. The total number of calls over the 12 months to April declined by 1.5%, compared with the previous 12 months, the first time that's happened in years. "Our results were, therefore, below expectations and revenue was R465m below budget," Clarke says. "Bad debts and write-offs were at an all-time high due to poor economic conditions and the aftermath of the premium-rate (087) service."

MD Dane du Tont says that Telkom's heavy debt burden is restricting its investment in the latest technology. Telecommunications companies elsewhere around the world are committing vast sums to modernising their networks by, for example, installing fibre-optic systems that can carry multimedia — voice messages, text, video and graphics all at once.

But Telkom not only serves a business market that demands world-class facilities, it also must cater for a retail market that includes millions of people who simply want access to a phone. Reconciling the demands of the two markets is not easy.

In a nutshell, Telkom needs to spend huge amounts of money on the most sophisticated technology and on basic phone lines in the townships. But with its debt load, it can't borrow much more money. And with the ANC dead set against privatisation, raising money through a JSE listing is out of the question.

Other State-owned telephone companies around the world have raised money by selling off 30% or 40% shares to one of the telecommunications giants, such as AT&T or MCI. But ANC opposition would also rule this out.

One compromise that the ANC might eventually approve would be to privatise Telkom's long-distance and business services, while keeping the basic residential services in government hands. The US did something along these lines in 1984, when it deregulated the lucrative long-distance and corporate services and kept local services strictly regulated.

Free Market Foundation executive director Leon Louw says the answer is to allow competition at all levels. "It is not the job of government to provide phones. Competitors would be able to get all the services to the people at a reasonable cost." He underlines this point by saying local entrepreneurs had wanted to provide cellular phones to the PWV townships some 10 years ago, but could not get government permission.

Louw believes that Telkom should raise more money by selling assets and services, reducing expenses and finding new ways to increase revenues.

The company already has started a programme to improve its finances. A new policy restricts capital expenditure to internally generated funds. While no additional borrowings were made in the 12 months to April, it nevertheless spent R1,8bn on capital programmes.

In addition, staff has been reduced from 67,667 to 61,991 by attrition since commer-
The company is showing promising growth. But the question is: Can we expect more? The recession could dampen the company's potential for growth. Telkom has a critical role to play in the economy. It employs many people, some of whom have professional qualifications. The company is still on hold.

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**MONDAY MACRANZA**

To speak with us now, Telkom is showing promising growth. But the question is: Can we expect more? The recession could dampen the company's potential for growth. Telkom has a critical role to play in the economy. It employs many people, some of whom have professional qualifications. The company is still on hold.

**TELEKOM STILL ON HOLD**

**5/15/99**

**TELEGRAF**
After-hours fee to stay

Staff Reporter

TELKOM has refused to budge on a R250 after-hours fee for the repair of telephones following complaints. Telkom said the decision to levy a charge was taken after pressure was exerted on the company by individuals and businesses who did not qualify for the free repair service. Telkom decided that clients like doctors who in the past enjoyed a free emergency repair service would also be charged. No exceptions are made.

It was not possible to provide a free after-hours repair service without increasing rentals. The R250 charge was "cost related" to pay for the salaries of the personnel required to work after hours, and it would be unfair to charge only certain clients for the service. Clients do not have to pay for major after-hours repairs involving breakdowns in entire exchange areas.
CELLULAR PHONES

Competing technologies

By this time next year, at least two cellular phone networks will have been installed in SA under government’s new dispensation. One has already opted to use the Global System for Mobile Communications (GSM) cellular phone system. But while it is based on modern digital technology and is superior in performance and functionality to the older analogue networks, GSM should not necessarily be seen as the panacea to all cellular phone problems.

Vodacom — a company comprising Telkom, Rembrandt and the UK’s Vodafone — has already received its licence and will start implementing SA’s first GSM cellular network as soon as the postmaster-general has licensed the second operator from among the three tenders before him. In all probability, the second operator will also go the GSM route.

The three tenders are from Barlow Rand with Deutsche Telekom Mobile, Anglovazel’s Cellstar with Telecom Finland and other investors, and Mobile Telephone Networks — a consortium comprising M-Net, Cable & Wireless, the Foundation for African Business & Consumer Services, National African Telecommunications and Transnet’s telecommunications arm Transtel. All contenders except the Cellstar consortium have confirmed they will implement GSM if they win the tender.

It seems that Cellstar may have submitted two alternatives — GSM and the older analogue, Nordic Mobile Telephone System. In April, Cellstar GM Ian Fairman told the FM he feared government was biased towards digital technology, in particular GSM. It seems likely that Cellstar, which previously pushed the Nordic system as the most appropriate solution for SA, is covering its back.

While GSM has been under development for the past 10 years, it was only ready for implementation last year. Currently there are some 600 000 GSM subscribers, of which 400 000 are in Germany. Though this represents less than 3% of the 22m cellular phones in operation worldwide, GSM could emerge as a de facto cellular standard because countries — with the notable exception of Japan and the USA — are committed to establishing GSM networks.

Barlow Rand’s Gerrit Oosthuizen says that the number of GSM subscribers is constantly increasing and by the end of 1997 there will be more digital users in Europe than analogue users — some 8,2m compared with 7,6m analogue users. He expects a similar trend in other countries.

The major advantages over analogue systems include better voice quality, improved security of calls and better utilisation of the scarce frequency spectrum — up to eight phones can share a frequency channel (analogue systems normally only accommodate a single call). By 1996, this is expected to double to 16 calls a channel. The greater capacity and frequency efficiency paves the way for progress in the integration of fax and computer-data transmission.

GSM offers users an extensive range of PABX-like features. Users have even been promised “roaming” capabilities, which will allow them to use their phones in all countries using GSM. However, widespread roaming is not yet available because of astronomical software costs, says Plessey MD John Temple.

While all the bells and whistles that go with GSM have a definite attraction for First-World consumers, the greater part of the SA population has little use for them. Also, with handset prices expected to come in at over R4 000 and local calls probably costing five times more than at present, it’s clear the vast majority of people will have difficulty affording GSM. Even if, with increasing economies of scale, the handset prices dropped to the same level as low-end analogue phones (around R700 apiece), this would still be out of the price range of many South Africans.

The network licence contenders have detailed their plans for catering to the mass market in their tender applications. But for fear of negatively influencing the selection panel, all they are saying at this stage is that they will never allow cellular phone ownership from access and that tariffs will be structured so that affluent users will subsidise poorer ones.

But there are dissenting voices who maintain that because of the huge infrastructure costs (estimated at R800m a network), GSM is not always viable, especially in remote rural areas. They maintain that cheaper analogue technology, used in combination with standard fixed-wire phones, microwave links, radio paging and mobile radio, would be a better solution.

Despite its short commercial lifespan, GSM has suffered unwanted notoriety for “electronic pollution.” While it has been cleared of posing any health hazards, such as brain cancer or interference with pacemakers, there have been claims that GSM can interfere with car electronic devices, including those that control air bags and ABS brakes.

Recent work at Australia’s National Acoustics Laboratory revealed that emissions from powerful GSM phones can affect hearing aids from 35 m away and that even the best hearing aids are rendered useless within 1,5 m of the phones. To overcome these problems the European Telecommunications Standards Institute is in the process of establishing better standards of immunity for hearing devices.

Mobile Telephone Networks project manager Tim Lowry says any problems with electronic interference can be overcome and that reports are often exaggerated. However, it will be important that any equipment sold in SA adheres to international safety standards.

An emerging technology called Code Division Multiple Access (CDMA) could overcome electronic interference problems. It also promises several hundred calls a frequency channel, a massive jump from the current eight a channel. “We are not at the end of the line of technological advancement. But this might include the integration of the yet unproven CDMA technology in GSM at a later date,” says Lowry.
Post Office ‘inefficiency’ under fire

BRUCE CAMERON
Business Staff

POST OFFICE inefficiency was seriously disrupting business in Cape Town, the local Chamber of Commerce said this week.

Claims by the Post Office that it had got the postal service back on track have been strongly rejected by the chamber, which said it was being inundated with complaints from members.

Mr Albert Schutmaker, the chamber’s acting executive director, said the inefficient services were now costing companies money. It was difficult, however, to put a value on the losses.

The money loss was incurred in late deliveries of payments, which resulted either in loss of interest or in firms having to maintain higher overdrafts with consequent higher interest costs.

Mail deliveries have been in disarray since the Post Office changed its sorting facility to Goodwood.

Letters being mailed in central Cape Town alone were taking more than a week to be delivered to addresses, which, in some cases, were a mere five minutes walk away, while out-of-town deliveries have taken weeks in some cases.

Mr Schutmaker said a major problem was that notices of business meetings being sent out were being delivered late.

As a result, people sometimes were only informed at very short notice or even, in some cases, only after a meeting had taken place.

An example was a meeting this week of the Chamber of Commerce, at which it was found that some members had received notification only on the day of the meeting.

He said there had been a number of meetings with the Post Office, but “there has been no improvement”.

Further meetings with the Post Office were being planned.

Cape Town regional general manager of the Post Office, Mr Leon Dippenaar, said there were still “bug” problems causing delays of about seven days in local mail.

But, the problems were at the boxes in the central Cape Town post office, and not at the new Goodwood Cape Mail Centre. The main cause was lack of staff because of demands by Goodwood staff.

He said employees were working overtime and he felt delays were now down to about seven days. He hoped the problems would be resolved within three weeks, when a three-day delivery date would be expected.
Assurance on post at home

Staff Report

THE Post Office will continue its street deliveries — at a fee — even though 500,000 postboxes will be placed annually at community centres to give everyone a postal address.

Speaking at the opening of the new mail-sorting centre in Goodwood, Post Office board chairman Mr Donald Masson said the Post Office is currently delivering mail at about 3.5 million addresses, including postbox and street deliveries.
A regulator is what South Africa needs

By Mzwandile Jacks

THE need for a regulator — to take a closer look at the relationship between the people and service — and the promotion of fair competition are necessary for South African telecommunication services to play a leading role in the international market.

This was said by speakers at a telecommunications symposium in Sandton. Mr Derek Hyde, of the United Kingdom's office of Telecommunications, said the regulator should not be under severe control of the government and there should be a promotion of fair competition between the regulator and the State.

Mr Mike van der Berg, chairman of the South African Value Added Network Services, said access to telecommunication services was vital for the South African economy.

Mr Isaac Chaza, representative of the University of Zimbabwe Distance Education Board of Management, gave an account of the economic situation in Zimbabwe from pre-independence.
Call for SA to copy British

By Mzwandile Jacks

A REGULATOR is needed to take a closer look at relationships and services in the telecommunication industry. This call was made by numerous speakers at the telecommunications symposium held at the First Bank Training Centre in Sandton.

Mr Derek Hyde, of the United Kingdom's Telecommunications office, said the regulator should be independent of government control and his main focus should be to facilitate fair competition in the industry.

He said the regulator needed a "strong team of specialists to help with necessary skills in figures and the calculation of tariffs".

Mr Mike van den Berg, chairman of the South African Value Added Network Services, said access to telecommunications services was vital for the South African economy.

"Global competitiveness and telecommunications should be taken as a national asset," said Van den Berg.

Speaking at the same conference, Zimbabwean academic Mr Isaac Chauw, gave an account of the economic situation in Zimbabwe before and after independence.

He said the application of affirmative action in Zimbabwe was mainly the development of skills and the recruitment of international experts to improve people's skills.

The symposium was attended by academics from as far afield as the United Kingdom, Zambia and Australia.
Allegation of massive Telkom fraud denied

TELKOM has denied allegations of massive fraud, intransigence and mismanagement within the company in connection with the ill-starred 087 premium service.

Responding to newspaper reports, Telkom said yesterday it had terminated the 087 service because clients expected to be protected against abuse.

"The termination of the 087 service was primarily as a result of research carried out among Telkom's clients which indicated that 81% were no longer in favour of the service," Telkom public relations said.

Telkom had continuously maintained an open approach with the industry and had on numerous occasions invited the Premium Rate Association of SA to make recommendations on improving the service to allow continuation of operations.

However, it said, none of the recommendations solved Telkom's clients' problems.

Claims that the losses incurred by Telkom through the 087 lines had exceeded R206m and nearly crippled the telephone monopoly were also denied.

"Telkom was at no stage of its existence anywhere close to bankruptcy. With a turnover of R10 631m and a net income of R411,2m after tax and extraordinary items, there is no way that Telkom could be considered nearly crippled," Telkom said.

The total amount written off by Telkom over its first 18 months was R130,6m, which amounted to 1.3% of turnover.

It was estimated that R77m of this amount could be ascribed to 087 write-offs incurred by clients unable to settle their telephone accounts, Telkom said.

The remaining R52,6m was made up of thefts, including copper wire and cables, vehicles and other bad debt.

"To put Telkom's actual loss owing to the 087 service into perspective, it must be kept in mind that Telkom's income from the 087 service increased its turnover by R54,4m.

At the time, Telkom was aware of certain cases of fraud by some service providers.

Immediately after detection of any misfeasance, immediate steps were taken.

"Besides internal investigations, Telkom also appointed a private investigation company and an amount of R5,5m was recovered as a result of these investigations," Telkom said.

Referring to internal misconduct, Telkom said 27 individual employees were disciplined and 18 of them dismissed after being caught abusing Telkom exchange equipment by making unmetered 087 calls.
an independent body to address key issues raised by the ANC Telecommunications Policy Conference last year, the three-day symposium was the most representative meeting of its kind.

More than 100 delegates were addressed by 17 local and 12 international experts, including prominent representatives of industry, labour, civic organisations and academic institutions.

CDITP director Lyndall Shope-Mafoloe says "We wanted to begin a process of democratisation and we wanted the proposals to represent all groups in SA. We also wanted to benefit from the experience of a number of countries."

She believes access to telecommunication services is a basic human right and vital to freedom of speech and democracy. More than half of all people in SA are prevented from taking part in the economy by being denied such access, she claims.

ANC information systems head and CDITP board member Andile Ngcaba says the symposium was a breakthrough because all the relevant players took part in formulating the recommendations. "It was the most important telecommunications event in SA's history," he says.

There is no national telecommunications policy. Strengthening the need to move away from unilateral policy-making, the proposers recommended that a "credible, legitimate national telecommunications forum" be formed. They also demand an independent regulatory body.

Vincent Mosco, communications professor at Carleton University in Ottawa, Canada, said some regulation is inevitable. "We live in a complex social world that leaves us no choice but to regulate, whether through State bodies or private enterprise."

He said not everybody is automatically guaranteed access to a telephone as a result of economic development. Neither the US nor Canada achieved high rates of subscription.

TELECOMMUNICATIONS

Hot-wire policy

Telecommunications is not watched as closely in SA as broadcasting, which has become highly politicised because of its potential for spreading propaganda. Political and non-technical aspects of telecommunications are not widely appreciated, but some interest groups have realised its importance for socio-economic growth.

Fearing it would receive scant attention in political discussions, they organised a symposium which was held last week and where 13 policy recommendations were formulated. These will be forwarded to the multiparty negotiations technical committee responsible for drafting the Bill to establish a broadcasting commission and independent telecommunications authority.

Organised by the Centre for the Development of Information & Telecommunications Policy (CDITP), which was formed as a

Shope-Mafoloe should be seen as a basic human right

BIOGRAPHY

Mosco’s representative warned that, because of broadcasting’s political nature, SA could end up with two regulatory bodies — one for broadcasting, the other for telecommunications. "This would be a mistake because there is a lot of overlap."

It was also recommended that affirmative action be implemented, national telecommunications needs be prioritised and that increased competitiveness of SA industry be ensured. Ngcaba said the need of businesses must be balanced with those of the communities and government must support the recommendations.

London City University telecommunications and broadcasting policy lecturer Jill Halls criticised Telkom for telephone penetration below that of other industrialised countries, including Bulgaria and the Czech Republic. "In SA, only 2% of 75% of people have telephones."

She said Telkom employs only one black engineer and gives no figures on quality of service. Adding Britain also suffered poor service before a regulator — the Office of Telecommunications (Oftel) — was formed 10 years ago.

Government’s cellular phone initiative also came under fire, with several speakers saying that any licences granted could be revoked under a new dispensation because government was acting unilaterally.

The ANC, trade unions and a group of black businesses co-ordinated by These Investment want a moratorium on the issuing of licences. Despite this, government plans to go ahead.

Vodacom — a company consisting of Telkom, the UK’s Vodafone and the Rembrandt Group — will get the first licence. Three consortia, consisting of local and international companies, are vying for the second licence. The licences will be valid for 15 years and an estimated R800m will be invested by each network operator to set up infrastructure.

Postmaster-General Terri Oosthuizen, who was given the job of regulator by Posts & Telecommunications Minister Piet Welsmead in April, says he will give his recommendations to Welsmead by the end of this month.

Media and Broadcasting Consultants representative Willie Carne says there is no legitimate authority on policy decisions, and so it would be foolhardy for government to proceed as if it was business as usual. It seems that, until the transitional executive council elects an independent regulator, the controversy will continue.

Oosthuizen, who attended the symposium but did not help formulate recommendations, says he does not take his orders from the forum. "I take my orders from my principal, Welsmead."

Shope-Mafoloe says the CDITP cannot revoke the cellular phone licences but might create a sub-committee to discuss the impact of the licences.

FINANCIAL MAIL • AUGUST • 6 • 1993 • 67
POSTAL AND TELECOM WORKERS WILL BETTER DEAL

With Penalties Haunting Communion Sector

A cost-saving deal, similar...
ANC at odds with network operators

A MAJOR dispute is emerging between the African National Congress and prospective cellular network operators.

The disagreement stems from last month's ANC statement that an ANC government would revoke all cellular network licences if the bidding process was not halted until the transitional executive council had been established.

"South Africa can simply not afford to halt the process for a further year or two. We are on the threshold of providing millions of people who have never had meaningful access before with a cellular phone service," says Allan Knott-Craig, chief executive of Vodacom — one of the companies lobbying to tender for the cellular network.
Record Crowd at Peace Rally

Post by road is.

Mystifying

Taking animal by road is.

Cattle man for peace.

at peace rally.
Killer appears in court
Psychiatrists alleged
An NC camp
Animal service phased out as trucks are faster

In South Africa, the government is facing criticism over its handling of animal welfare issues. Several animal service vehicles have been phased out as they are considered less efficient compared to larger trucks.

Psychiatrists have alleged that the NC camps, which are commonly used for animal control, are causing distress to the animals. The camps have been criticized for their inhumane practices, and there are calls for a more humane approach to animal control.

The situation is expected to improve soon, as the government is set to introduce new measures to address animal welfare concerns. The new measures include the introduction of a national animal welfare strategy and the establishment of a dedicated animal welfare fund.

Report Soon
Killer appears in court
Psychiatrists alleged
An NC camp
Animal service phased out as trucks are faster

Kollege House, 46 De Korte Street, Braamfontein 2017. Tel: (011) 403-1337/8.
The Post Office is studying the possibility of introducing two levels of service for the delivery of standard letters. The current 45c rate would be considered "slow mail" or second-class. A new first-class service, which has yet to be named, would be more expensive.

"It would fill the gap between existing normal mail service and Speed Services," which were introduced in June to compete with overnight couriers, such as DHL, says the Post Office's Juliana Nel. DHL charges R35-R40 to send a letter overnight from Johannesburg to Cape Town, door to door. A similar Speed Service delivery would cost about R28, R7.95 for post office-to-post office delivery.

She says Post Office officials have been overseas to see how two-tier systems work in other countries. Britain, for instance, has two classes 24p (R1.20) for first and 18p (90c) for second Royal Mail officials say 98% of first-class post is delivered the following day because it gets priority over second-class post, which takes about three or four days. The distinction is muted, however, because most people opt for first class.

Meanwhile, the Post Office is advising everyone not to waste the extra 60c to post domestic mail by air. Senior GM Willie Joubert says such articles will not necessarily reach their destination quicker than a normal standard letter and he advises customers to "post at the economical rate of 45c."

Over the past two to three years, the Post Office has been phasing in the use of private contractors to truck the mail by road. Joubert says the control over departure and arrival times of trucks has led to a large percentage of letters reaching their destination earlier than those sent by air.

Adds Nel: "We had a lot of problems with rail. A train would get shuttled off to a siding in the plankland and the mail could sit there for a week. And if a flight was fully booked, the first thing they threw off was the mail, which then had to wait for the next flight. With the private road contractors we have a lot more control."

She says transporting by road also means dropping off and picking up the post in towns along the route. For instance, instead of flying Beaufort West's post to Cape Town and then trucking it back from there, the bags are delivered to Beaufort West when the truck passes through towns.

Johannesburg customers who want to expedite their international airmail can take their letters and small parcels directly to the post office at Jan Smuts airport. For an extra R1.05 per item, letters posted before 5 pm on weekdays and before 1 pm on Saturdays and Sundays are sent out with that night's flights.

The service is quicker because it circumvents the main Johannesburg sorting facility.

Another advantage to the Jan Smuts post office is its extended hours — 7 am-9 pm weekdays, 7 am-8 pm Saturdays and 3 am-8 pm Sundays.

The Post Office has also contracted to test its domestic delivery times and those results are expected in the first quarter of next year (Business & Technology, April 2). The standards that have been set for normal letters are two days in the same city or town; four days in a province or between certain main centres, and five days between towns in different provinces.

MD, Herne Diedericks, acknowledges that these standards are not onerous. "I'm the first to admit that they are nothing to write home about." He says the Post Office will raise the standards once it's clear that the old ones can be met with ease.

In addition to the delivery survey, the Post Office's marketing department has hired Markdata, a division of the HSRC specialising in market research, to determine whether there is an improvement in the Post Office's image as it moves further along with commercialisation. The first study was conducted in February and the second poll is taking place this month.

The first poll of 2000 people (mainly whites and Asians) found that the Post Office does have an image problem — 28% thought that Telkom runs the postal service. (For the unformed, Telkom handles only telecommunications.) Only 43% could say without a doubt that it was the Post Office that handles postal services. In addition, 37% thought the Post Office was a private company. (It has not been privatised, though its new mandate is to operate along business lines.)

The good news for the marketing department is that 64% thought the Post Office was dependable and reliable, though only 53% think it is dynamic and business-oriented, and that it is improving its services. A majority of people (63%) think delivery of letters is speedy and 65% say service is friendly, but only 51% find that the Post Office is a pleasant place to do business.

The survey also showed that 68% believe there are convenient business hours. Now, more than 500 of the 1 700 offices are open at lunch time, up from about 100 at the beginning of last year. The Post Office says it considers opening branches during the lunch hour a case-by-case basis as customers ask for it.

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CELLULAR PHONES

Calling the people

Government is forging ahead with plans to award two cellular-network licences next month. But critics say government is jumping the gun and an ANC government could revoke them. Whether the ANC makes good on the threat may depend on how successful the network operators are in providing telephone service to the masses and proving that cellular phones are not just a white yuppie toy.

There is a huge gap between blacks and whites when it comes to telephone service. For blacks, telephone penetration is just 2.4%, compared with 25% for whites, measured by the number of access lines in service per 100 people. The figures, from the Coopers & Lybrand report on telecommunications last August, also show that overall telephone penetration was under 8%, well below the 40% and higher levels typical in industrialised countries. If the two cellular networks succeed where Telkom has failed, and are able to boost penetration to black townships and rural settlements, the next government might be less inclined to take away their licences.

The cellular companies are having the selection process now to accommodate the ANC or revoking the licences later will mean that blacks will have to wait longer for telephone service and that the creators of thousands of jobs will be postponed. "The prospective operators have already attracted some of the top expertise in the world, as well as millions of rand in foreign investment," says Vodacom CE Alan Knott-Craig. "If the process was delayed now, it would be too late to postpone substantial investment."

Vodafon, a joint venture comprising Telkom, the UK's Vodafone and the Rembrandt Group, will receive one of the licences, subject to government's approval of its business plan. Three consortia, consisting of local and international companies, are vying for the second licence. Each licence-bidder is ex-

FINANCIAL MAIL • AUGUST 20 • 1993 • 69
Post Office pay rise

The minimum monthly salary (set by Post Office) for employees has been increased to R1 120, and Telkom workers have received a R1 145 increase from 26th April. This was announced by the Post and Telecommunication Workers' Association.
A HANDBOOK on NETWORK ELECTROCOMMUNICATION

Computers

Guide on Way to Communication

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Electrocommunication in

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TELKOM, South Africa's commercialised telephone monopoly, was brought to the brink of bankruptcy last year because of massive fraud inside and outside the company over 087 phone numbers.

In a bid to avert the crisis, Telkom hired private investigators, some of whom allegedly tapped phones of suspect 087-line operators.

When this failed to stop the fraud, Telkom blamed consumers and 087 operators, cutting the service in November last year and calling off its investigators.

To Telkom, the problem was that there had been major problems with the 087 system, including fraud and corruption, but denied knowledge of phone-tapping.

Few prosecutions followed, though the fraud and corruption left Telkom with bad debts of over R50-million plus an additional R133-million in write-offs.

The extent of the 087 corruption emerged for the first time when sources involved in investigating the rip-off on behalf of Telkom and the 087 industry gave the Sunday Times documents and played tapes of the wire-tapings.

The sources provide a picture of a lucrative subscription rip-off at Telkom, highlighting how, despite being officially known as a subscriber, customers who were charged for 087 calls were the major culprits.

Telkom apparently ignored suggestions from the 087 Operators Association on ways to combat the corruption.

For example, the association warned Telkom that its cash-flow situation would get out of hand if it paid operators 30 to 50 days before subscribers paid it. Telkom did not heed the advice.

Bogus

The premium-rated system enabled private companies to offer various services to pay customers without their knowledge.

According to one of the sources, around 1,500 subscribers were defrauded.

The money made was split between Telkom and private companies.

The investigation showed that Telkom disclosed a number of frauds, enabling the private companies to operate.

The most extensive fraud was made possible by Telkom's own accounting procedures. Telkom would allocate an 087 premium service to an operator, who in turn would subcontract lines to information-providers such as racing tipsters, celebrities and others.

Telkom would pay the service operator at the end of each month, and the operator would reimburse the information-providers according to the number of calls on their lines.

However, unscrupulous information-providers formed bogus companies to acquire lines. They connected the lines to competitors which dialled the information number perpetually 24 hours a day.

After 30 days, Telkom paid the service operator, but the bogus subscribers would not be billed for between 60 and 90 days.

By then the information provider would have received information-providers to use Telkom employees to bypass metering and they would split the profits.

When the extent of the fraud became known, Telkom hired investigators, who asked to remain anonymous, said some investigators bugged telephones of suspect operators.

Telkom senior general manager, communications, Johan Adler, denied this week that any bugging had taken place, saying it was "illegal." His deputy, managing director Ben Reitz, also denied knowledge of phone-tapping.

Telkom warns about unscrupulous overseas operators.

- Telkom rarely used a system which detected power-dialing (constant computer-directed redialing).
- The system to cut calls off after 10 minutes was faulty and some calls remained "hung" for up to 18 hours.
- Telkom retained a R272 licence for instead of the R50 000 proposed to keep out "fly-by-nights."
- This week former service providers called for an open inquiry into the 087 industry and Telkom's mismanagement.

24/9/93
Cellular telephone proposals time impractical
Public Sector - Telecommunications - General

1994
Cellular phones face line shortages

AS THE switch-on date for cellular phones looms, a shortage of phone lines — and possibly even of phones — is envisaged.

For switch-on in April/May, network operators Mobile Telephone Networks and Vodacom can each allocate only 10 000 numbers, and some service providers and dealers are capitalising on the expected shortage by encouraging users to pay R300 to "secure a number".

One operator says the limit on numbers is causing distortions in the market, and the practice of "securing a number through payment" should be carefully evaluated by the public.

Vodacom’s service providers, for example, will only sign their official contracts next week. "The public should study licences or contracts of dealers and service providers before parting with any cash," he says.

Users are being advised by Vodacom that there is no need to pay to secure numbers.

One source says booking fees are a method used by service providers to tie users into buying equipment and services from them in the future.

MELANIE SERGEANT

Autopage Cellular MD Larry Berry says users are able to book lines without payment. "We will be allocated blocks of numbers by the network operators, which we in turn can allocate to users. We will ask users to confirm their reservations closer to switch-on."

It is understood that interconnect fees, which link Telkom and the cellular operators, will be finalised within the next fortnight. One rate for calls being handed about is R1.30 a minute, although operators are hoping it will be lower.

One operator says "The fact that calls are charged on a flat rate basis, regardless of how the caller moves between areas, raises some problems. If rates are pegged too low, they would undercut Telkom’s mid-long-distance call rates."

If rates are not to undercut Telkom, then they would be around R1.50, he says. Special call rate deals are expected to come into effect only by October/November. There will be different tariffs for business and private users, with the former being lower than the latter.

One Natal-based phone dealer points out that calls to cellular phones from fixed-wire phones will be charged at the cellular phone rate, and says many people are unaware of this. A service provider says this is a worldwide practice, and must be enforced in SA to ensure revenues for players in the cellular industry. "If this was not done, income would be halved, with cellular users requesting fixed wire users to call them back to save money," he says.

Vodacom CEO Alan Knott-Craig says, "The 10 000 number limit for operators is causing restrictions, demand will easily outstrip supply."

He says Vodacom will publish tariffs and usage maps for cellular phone users. This will assist any people who may be muddled into thinking phones can be used anywhere and everywhere.

Knott-Craig advises users to check the bona fide of suppliers and of instruments. There is a wide range of second generation phones coming on stream in March/April this year.
PO 'will act against right-wing radio'

CAPE TOWN — The Department of Posts and Telecommunications has said it will take action against right-wing radio stations which are operating illegally.

Radio Koppes in the Free State has been on the air for about a month and Radio Vryheid is being set up near Bloemfontein.

Radio Pretoria continued broadcasts this week in spite of its temporary licence having expired. Senior general manager of Posts and Telecommunications Boet van Loggerenberg said yesterday the department did not have the technology to jam radio broadcasts of illegal radio stations.

Neil du Bos, spokesman for the Department of Home Affairs, which issues licences for radio stations to operate, confirmed that neither the Koppes nor Vryheid stations had applied for a licence and were therefore broadcasting unlawfully.

However, he said Home Affairs could not close down illegal stations as this fell under the jurisdiction of the Department of Posts and Telecommunications.

Van Loggerenberg said the department had become aware of the illegal radio stations only when the matter had been reported in the media on Thursday — Sapa
Telkom seeks links with Africa

PRETORIA - Telkom will host a three-day conference in Pretoria from tomorrow aimed at strengthening telecommunications links with African countries.

Rhynie Groell, Telkom's senior general manager, marketing, said Telkom regarded the development of Africa's telecommunication infrastructure as essential to socioeconomic development.

He said South Africa could contribute greatly to the reconstruction and development of the telecommunications industry on the continent.

Some of the African countries invited to attend were Angola, Botswana, Burundi, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zimbabwe and Zambia.

Delegates from the TBVC states were also invited.

Telkom chairman Jack Clarke will open the conference. — Sapa.
**BUSINESS**

**LLOYD COURTS**

Telkom adopts a cautious outlook

Telkom will have to increase productivity and efficiency to generate additional profit against a background of tough economic conditions and a high interest burden, according to a Telkom brochure, Telkom Hello.

Telkom said that in commercialising its operations, it had inherited a gross interest-bearing debt of R10.2bn and a debt-equity ratio of 2.14:1, affecting its ability to commit funds to capital expenditure.

Income on telecommunications in the corporate sector had decreased and insolvencies had had a negative impact on Telkom. This trend would not abate until the economy showed signs of recovery.

While many economists investment capital would pour into SA, Telkom was far more cautious.

"Telkom...believes that meaningful investments will take time as authorities such as the IMF, the World Bank and the African Development Bank assess development carefully before lending money to developing countries.

"Telkom needs to commit even more cash each year to improving the country's telecommunications infrastructure without increasing debt burdens," the brochure said.

Turnover in the 18 months after the company had been delinked from the Post and Telecommunications Department in 1991 had been to change its clients' perceptions of the company.

It was trying to place a telephone within easy reach of every community.

"Within the next seven to 10 years, using innovative products and technologies, Telkom intends to fill the seeds of a wide cross-section of the population, from small businesses and individuals to major multinational corporations," the brochure said.

"Telkom would try to become an equal opportunity company. A steering committee to monitor an affirmative action programme had been established with representatives of management, the staff association and the unions."
R20bn needed to provide phones throughout SA

TELKOM has estimated that more than R20bn is needed for adequate infrastructure to provide telephones throughout SA, says MD Danie du Toit.

Du Toit told the African Horizon conference in Pretoria yesterday that 65% of Telkom’s revenue came from 10% of SA’s population. There was a huge disparity between the distribution of telephones in black and white communities, which had to be addressed urgently.

Telecommunications was the most obvious method of uplifting the community, said Du Toit.

“Effectively, the R20bn would be needed to eliminate discrepancies in the distribution of telephones in black and white communities. Telkom does not have these resources immediately, which means it will have to take place over a period of time,”

National Telecommunications Forum chairman Lyndall Shope-Mafolie said one of the most pressing matters on the forum’s agenda was to formulate a general telecommunications policy.

“Access to telecommunications should be regarded as a right similar to the right people have to education, food and shelter. There must be an overall strategy for the development and operation of various methods of telecommunication,” she said.

Shope-Mafolie, who was elected to chair the forum when it was formed in November last year, said there was a lot of pressure to deregulate the industry and open it up to competition. The forum was considering the issue, she said.

SA had 3.2-million telephones. Seventy percent of white households had telephones, while less than 1% of households in black communities, rural areas and townships had phones.

CSIR spokesman Christoff Pauw said econometric studies showed that increasing the telephone penetration from one per 100 people to two per 100 people over a 10-year period, would cause an increase in GDP of 3.5%.

African Institute of Technology director Pinky Moholi said the policy priorities that needed addressing were rapid establishment of infrastructure, access to affordable service and a wide geographic coverage.
Post office stamping out mistakes

DI. CAELERS
Weaskend Argus Reporter

THE SA Post Office is determined to stamp out errors in the government's post bill.

From April 1, all government departments will pay the same rates as private individuals for any articles they pop into the post box.

The official word from a post office spokesman is that the new management system for government mail 'is largely aimed at providing both the post office and government institutions with a correct account of postage and service fees payable'.

Under the previous system, in operation since 1969, a count of all government mail was held for two months every three years. Statistics were processed, an average was reached and the department or institution was charged accordingly.

The department was billed in 12 equal monthly instalments and the amount was valid for three years, except for adjustments when postage prices went up.

According to the spokesman, the problems included:

- The practical count was labour-intensive and occupied many working hours;
- The processing of statistics was sometimes only finalised more than a year after the count;
- No provision was made for seasonal fluctuations;
- There was suspicion that institutions withheld mail during counting periods, and
- The count usually took place during the quieter winter months.

In short, there was no certainty that the statistics were correct.

The new system will also mean that members of the public will have to buy stamps for mail sent to government departments, previously posted free, unless the department uses the Business Reply Service.
Prices slashed in war over cellular phones

In the countdown to switch-on date, cellular phone retailers vying for a share of the market are offering consumers prices and packages that are unlikely to be repeated. By Mondli waka Makhanya

If you're the type of person who suddenly feels the need to phone home in the middle of a traffic jam to check if the chickens have been taken out of the freezer, rush out and get yourself a cellular phone while prices are down.

In the war to secure market share ahead of the Global System for Mobile Communication's June switch-on date, service providers and retailers are offering special offers on the phones that are unlikely to be repeated.

And consumers and businesses are snapping them up. Office Mart reported sales in excess of 1,000 units within days of starting its sale. The cheapest, most basic unit on the market — the Nokia — costs about R2,000, more advanced ones trade for up to double this amount.

And the mass production expected in the months to come is unlikely to herald further price cuts, according to Game Discount Stores managing director Dan Barrett.

Game, like several other retailers, has linked up with major service provider Teljoy. It will sell Teljoy's units and serve as a bill payment outlet.

Major retailers are offering consumers cut-throat prices and packages. A common feature of special offers is a certain amount of free air-time as well as a guarantee to buy back the instrument should the customer want to upgrade to a more sophisticated model when these become available.

For the first time, there will be stemmed billing. Major service providers are also linking up with banks to facilitate payment of bills.

The cellular phone industry will roll into motion in a month's time when the two network providers — Vodacom and Mobile Telephone Network (MTN) — test the service among 2,000 select clients, most likely businesses involved in technological fields.

Then, on April 1, another 20,000 customers — 10,000 per network — will come on line. It will only be on June 1, when the system is officially launched, that network operators and service providers will be permitted to sign on customers as they wish.

It is for this market that the players are currently waging battle. While Vodacom and MTN are vying for market share, it is further downstream, among the service providers, that competition is most intense. Companies like Teljoy and Autopage will be in direct contact with system users — doing the connections, charging monthly rentals and billing users — hence the rush to be up major retailers to sell their wares.

"It's going to be a very competitive atmosphere," said Teljoy managing director Theo Rutstein.

Tariffs will be set by the network providers, who will constantly try and outdo each other. According to the Postmaster General's office manager, Kokkie Kok, these tariffs will have to be approved by the office.

It is expected that calls will cost around R1 a minute for businesses and individuals who own their own sets. Monthly rental is estimated at R100.

A family plan will allow employees to use employers' phones by means of a SIM card — like a credit card — at a rental of R20 a month and with a slightly higher cost for calls. Then there will be community services — directed at townships which will be run by small entrepreneurs in much the same way as Mr Phone outlets. Members of a scheme will prepay for SIM cards, and calls will be charged at the regular Telkom rate — currently 40 cents.

The service providers are then going to have to compete on the packages they offer customers and will adjust these tariffs accordingly. But, for the customer, the time to buy a phone is now.
INFOTECH

RADIO TRUNKING

New boys on the band

Net on the heels of the much publicized cellular telephone networks now under construction, three new mobile communication networks are planned. The first of the new radio trunking networks will go on the air next month. Within three years of operation, radio trunking is expected to handle calls from about 35,000 users countrywide.

Last year, the Department of Posts & Telecommunications picked three network operators — Fleetcall (a joint venture by Grinaker Electronics, Altech and Transnet), Q-Trunk (which is partly owned by QD Electronics and other unnamed partners) and Commercial Communications subsidiary CarFone Natal. So far, the authority to proceed with construction has been granted only to Q-Trunk and Fleetcall because CarFone Natal has not put up a financial performance bond.

Fleetcall plans to go live in the PWV area on February 1, while Q-Trunk MD Roelf Kloppe says it will start up in Cape Town by mid-year. In their national roll-out plans, both intend to extend their services to all the major metropolitan areas over the next five years. By 1999, all the national roads between these areas will be covered. CarFone Natal is the modest, planning to operate in the Manzilburg-Durban region only.

The two national operators are expected to invest around R40m each in setting up their networks. Fleetcall marketing manager Anton Joubert predicts that the radio trunking market will be worth R150m over the next three years in equipment and service charges.

Like the cellular industry, the radio trunking network operators will work through service providers, which will take care of sales, installations and billing. Fleetcall has already appointed nine service providers — Radiospoor, Alcom Systems, Autopage, Trans RSA, National One, TSP, Ecom Communications, Grinaker Electronic Systems and Marshall International.

Kloppe says that Q-Trunk will announce its service providers next month.

Radio trunking was developed because the radio spectrum is becoming increasingly congested. Described as the “Cinderella of cellular telephony,” it offers substantial improvements on the existing two-way radio system, which is limited in capacity and coverage and does not allow the capability of linking into the fixed-line public telephone network.

Radio trunking accommodates up to 120 radio channels per national operator, compared to the conventional two-way radio service, which mostly offers the user only a single channel. It is expected that a vast percentage of the existing users of 870,000 two-way radios will convert to trunking.

Unlike the more sophisticated GSM cellular system now being installed, trunking has not been designed for general telephone use while on the move. It is aimed at organisations that need to communicate short messages with vehicles on the road, such as long-distance hauliers, courier companies, security organisations, and police and ambulance services.

Radio trunking can be compared with a company’s PABX system. If a caller wants to contact the driver of a vehicle, he just pushes a button or dials a two-or three-digit extension number.

The duration of the call is normally limited to between one and two minutes and if the vehicle moves out of a “radio cell,” the connection is lost. However, this is not a problem because trunking is designed for conveying a specific message to a specific person. Most calls last fewer than 30 seconds and because the radio cells can extend to 100 km in diameter, it is rare that the connection is broken.

“The reason for restricting the duration of a call,” says Radiospoor Communications trunking division marketing manager Karl Campbell, “is that it allows more users to share the infrastructure, resulting in a more cost-effective service.”

While cellular phones will offer users many more features, not everyone needs cellular flexibility. For them, trunking will be a cheaper option. Users will pay R2.50 for a radio and a flat fee of about R150 a month for 180 minutes of airtime.

Radiospoor, which is a service provider for both cellular and trunking, says fleet owners could save an estimated R60m a year by using trunking instead of cellular phones. Campbell bases this comparison on 40,000 cellular and trunking users each spending three hours a month on calls.

While the cellular industry has not yet announced its tariffs, Radiospoor estimates that a business cellular user is likely to pay charges of R1.5 a minute in addition to R120 a month subscription. (Infrequent users, typically home users, are likely to pay a R60 per month service fee and call charges of R2 per minute.)

Cellular phones are expected to cost upwards of R2,000.

Marino Bicari

TECHNOBYTES

☐ On January 2 — two days past its deadline — Telkom started implementing itemised billing. The service began with 13 West Rand digital exchanges. Telkom says it will “ensure that the system is functioning correctly in all respects” before it is phased in elsewhere. "Therefore, it is not possible to provide a time schedule for any of these exchanges.” The bills will include international and local call details, but local call details will be made available only on request. Unlike the US, where free itemised billing is taken for granted, here customers will have to pay for the privilege. The detailed bills will cost R2 a page. Each page contains 72 entries.

☐ First National Bank subsidiary Firstcall is accepted as a service provider by both of the two cellular telephone network operators, Vodacom and Mobile Telephone Networks. FNB is the only financial institution to have been signed up as a service provider.

☐ The range of the radio trunking network will be 267 km in diameter.

☐ Keeping in touch on the road

AIMED AT
Organisations with large fleets (utilities, police and ambulance services, hauliers, couriers, contractors) Calls are generally made only to other radios in the same group.

COST
R2.50 for the radio, R150/month for service

SWITCH ON
February 1 (within 3 years an estimated 800,000 users will be connected to the three networks)

Source: DEPT OF POSTS & TELECOMMUNICATIONS

FINANCIAL MAIL • JANUARY 14 • 1994 • 41
Dialling up a boom

Ad executives expect 1994 to be the industry's best year in close to a decade. On top of the economic upturn, a number of factors are coming together to provide a boost in adspend which some believe will be as high as 20% in real terms.

Most admen, though, predict real growth will be in the 5%-7% range, on top of media inflation. BSB/Bates predicts media inflation will be a shockingly high 17%, mainly because of increases in TV rates. Print media are expected to average a 14% increase — much closer to the general inflation rate of 9%.

Among advertising growth points are:

- The cellular phone launch, which could inject R70mn-R100mn into adspend this year;
- Returning or newly investing multinational advertisers;
- The general election, worth possibly another R100mn in advertising;
- The cola wars, especially if, as expected, Pepsi re-enters the market.

In general, says SBBW MD Elliot Schwartz, the mood has turned positive. "There has been more foreign interest than people anticipated. In a small market like this, it's amazing how quickly underlying sentiment can turn a market. People are becoming more bullish about the year and the election uncertainties are becoming less uncertain."

Hunt Lascars MD Reg Lascars warns, however, that returning multinationals will provide a searching test for local marketers. "SA companies may be recession-fit but not all of them are marketing-fit," he says. "They are not used to spending big money to protect brands. When companies such as Proctor & Gamble come in, they will bring a lot of clout."

For agencies, it's a time of high excitement as a dizzying round of account movements takes place. Though there is a fair amount of account switching, which means one agency's gain is another's loss, much of it is new business to the industry.

Among the winners are:

- Hunt Lascars TBWA has gained new business worth R35mn a year in the past six months, including the massive MTN cellular telephone network and the constitution accounts;
- The Jupiter Drawing Room picked up R12mn in billings in a hectic week before Christmas. The agency gained the DP, a short-lived but high-spending account which will spend around R6mn before election day on April 27, Radiospoor, one of the service providers for the cellular networks, Josee Feldman toys, and Pizza Hut, which has embarked on a new strategy.

"We are thinking of opening an office in Cape Town," says MD Graham Warkop. "We need at least R6mn in billings there to justify it, but we believe there is a big opportunity."

- The White House, which has won the Vodawest cellular network account;
- Partnership has gained Nestle business, Autopage and L'Oreal;
- D'Arcy Masius Benton & Bowles won the international half of the SAA account, to add to the domestic account it already held;
- SBBW won the rest of the OK account. It was already handling about R7mn of billings but another R50mn-or-so was being handled in-house. Other gains by SBBW since November were Consol Glass, Pilburlie and additional Bayer business;
- Lindsay Smithers won Smart Centre and Simba;
- BSB/Bates will be handling an international marketing campaign for Sautour.

The battle between the two cellular phone networks will be at its most intense in June, when they go live. The Telkom-led Vodawest and MTN (in which M-Net has a 25% stake) will battle to persuade cellular phone subscribers to sign up — though the cards will be bought from service providers and retailers. The cards will come in various forms, from a long-lasting credit card to a limited-use card allowing a fixed number of calls.

At the same time, the 14 service providers will market network services and their brands of hardware. Most of them are tied to only one network, though Autopage and Radiospoor will serve both.

In total, R100mn could easily be spent on advertising this year, with a big slice coming from the two networks. Agencies that will benefit from this new business include Hunt Lascars (MTN and Nashua), The White House (Vodawest), Lindsay Smithers (M-Tel), Jupiter Drawing Room (Radiospoor), Young & Rubicam (Teljoy), and Partnership (Autopage).

With users still to make their decisions, the fight will be fast and furious in the opening stages. By next year, when most of the initial demand has been met, annual advertising could fall to R40mn.

"There will be a huge battle in the first few months," says Lascars. "You have to win people over early. We are working flat out right now."

Vodawest has already started advertising but MTN is holding back for an intense burst starting closer to the June launch date of the networks. Cellular phones will be available from March.

"The main thrust will be from the retailers and service providers," says White House MD Gurrey Heyneke. "What the networks have to do is win share of mind and share of heart."

Initially, Vodawest has been advertising for awareness and consumer education.

Return of the prodigal?

Is BBDO considering a return to the SA market? Sources who should know in the local ad industry say it is a move which may be tuned for the return of one of its major international clients, Pepsi Cola. Negotiations have been conducted with a leading SA agency.

However, a denial was forthcoming from BBDO's European headquarters in Paris. The assistant to Stilin Samman, BBDO's European head, says, "Currently, we are not going to be in the SA market."

In the early Eighties, BBDO was SA's biggest ad agency, but it went into liquidation in 1988. Multinational advertisers which use BBDO and which have interests in SA include Apple Computer, CPC International, Eveready, Gillette, Johnson & Johnson, Nestle, Pizza Hut, Polaroid, Philips and Unilever.

Tony Keenevan
Phones' countertrade bonus

THE SA economy stands to benefit from multimillion-rand export orders under a countertrade deal involving the Cable & Wireless (C & W) group's cellular-telephone tender.

C & W, which has a 25% stake in cellular licensee Mobile Telephone Networks (MTN), signed a countertrade agreement to offset the effect of cellular network equipment imports on SA's balance of payments.

The first contracts in terms of the deal were recently awarded to Powertech subsidiary Abderdas International and ATC. The contracts, worth R60m, involved the supply of telecommunications cable to C & W subsidiary Hong Kong Telecom. MtU MD John Craggs said the contracts were the first of many which would be awarded to SA organisations by international companies.

The pace of export orders was expected to increase after SA's cellular switch-on on June 1.

Another feature of the deal struck between the ANC, government, MTN and Vodacom was that the two licensees should provide cellular telephone services to underserved areas.

MTN had agreed to provide 500 payphones in townships by June 1, and 7 000 more within the next five years. Craggs said MTN had suggested a common roll-out programme to increase the provision of services.

Studies in the UK and US showed that one-man businesses benefited the most from cellular telephones, but people in underprivileged areas also benefited significantly.

Industry sources predicted that between 80 000 and 100 000 people would buy or rent cellular phones in the first year, and more than 900 000 by year five.
Business cellular charges ‘cheaper’

CT 3/2/1999

JOHANNESBURG — Cellular phone users will be paying far less for their calls than expected. In the eagerly awaited tariffs from network operator Vodacom, business users will pay 99c/minute for local and mid-distance calls in peak times compared to the R1,30 which was widely expected.

And with 25c of each call going to service providers, there is still room for manoeuvre. It is likely that costs will be further discounted and bulk discounts could be offered to large corporate clients.

While Vodacom’s rates are still subject to approval by the regulator within about three weeks, they are not expected to change.

Because operators Vodacom and MTN must pay 21c/minute for each call entering the Telkom infrastructure, it is not possible to undercut Telkom on local tariffs, but long distance calls will be highly competitive and often cheaper. Overseas calls will cost the same as Telkom’s.

For example, a peak time call from Cape Town to Johannesburg will cost 165,20c/minute through Telkom, and 150c/minute through Vodacom while weekend rates could cost half if it is made through Vodacom’s network rather than on Telkom’s.

These initial tariffs apply to business users, and the home user tariffs will be issued by June. They are likely to be much lower than charges made for businesses. Both operators will be charging the same rates during the testing months of April and May, and undercutting is likely to start with the general switch-on date in June.

Special low rates have already been allocated for community phone services, while domestic users are expected to be offered attractive rates by year-end for specific calls.
Cellular telephone charges unveiled

STAFF REPORTER

Cellular phone network operator Vodacom has released provisional business rates for cellular phone, calls and services.

Standard business rates during peak hours will be 50c a minute excluding VAT. This rate drops to 60c plus VAT between 8 pm and 7 am on weekdays. Calls made between midnight on Friday and 7 am on Monday will also be charged at 60c a minute plus VAT.

These rates are subject to approval by the telecommunications regulator and apply only to business tariffs. Domestic tariffs are likely to feature higher call charges.

Vodacom subscribers will also need to pay a one-off connection fee of R75 plus VAT, as well as a monthly subscription fee of R122 plus VAT.

Telkom subscribers who call cellular users will be charged at the cellular rate. Cellular phones will be identified by their 063 prefixes.

Cellular phones are especially economical for long and medium distances. Users living in the 01 dialling code region can call any other 01 number at the standard rate. A Johannesburg to Cape Town cellular phone call will cost R1.50 at peak times, as opposed to Telkom's R1.93.
Competition for cellular phones hots up

Cellular phone providers are initiating highly innovative deals as competition intensifies in the run-up to the June 1 switch-on for SA's new cellular phone network.

The latest deal to be launched is between Pick 'n Pay, Teljoy and cellular licensee Vodacom.

Pick 'n Pay spokesman Martin Rosen said from June, 22,000 phones worth more than R56m would be given to a number of black entrepreneurs. They would earn commission on calls made from the phones.

Rosen said Teljoy had been appointed Pick 'n Pay's exclusive service provider to supply air time for the phones. Pick 'n Pay would sell phone cards at R29 a unit, which consumers could use to buy air time.

"Typically, these phones could be located in railway stations, taxi ranks, garages, spaza shops and private homes. The use of phone cards prevents the possibility of exploitation by telephone custodians."

In a separate development, OfficeMart and Teljoy said they would meet any service provider's price challenge, in terms of either air time or phone units.

OfficeMart and Teljoy recently announced they were launching Nokia cellular phones ahead of other service providers at R1 000, and would also offer service two months before the official switch-on.

Game Discount World has also linked up with Teljoy. Game MD Dan Barrett said the organisation was offering 50 minutes of free air time to anyone signing a Teljoy service contract before the end of February.
THE SOWETAN AND CELLULAR PHONES

Is this any way to empower blacks?

A long-simmering dispute in the ANC over black empowerment has broken out into the open after last week’s announcement that a group of black investors is acquiring a majority share in the Sowetan newspaper.

The ANC has no objections to blacks controlling SA’s largest-selling daily newspaper — especially since four of the five investors are ANC supporters — but some officials at Shell House are upset over what the investors gave up. The group, which is led by Dr Nhato Motlana, got 52.5% of the Sowetan from the Argus Group by trading 6% in one of the two cellular telephone networks now under construction — just three months after the ANC concluded a long series of tense negotiations with the networks, government and Cosatu aimed at increasing blacks’ share of the networks.

Says ANC information services head Andile Ngcaba: “This is painful after all we did for black economic empowerment. We can’t recognise this deal.” But he adds “We are still discussing the issue.”

Indeed, Ngcaba has been locked in meetings over the issue with top ANC officials for much of the past two weeks. The discussions are a reprise of the long sessions held last October that finally forced the two networks — Mobile Telephone Networks and Vodacom — to sell a larger percentage of their shares to blacks and the State under threat of mass action and cancellation of their licences.

In the talks, M-Net and the UK’s Cable & Wireless — the largest shareholders in Mobile Telephone Networks — each agreed to give up 5% of the network. But Motlana’s group was also forced to give up a 5% share, highlighting the gulf between his market-oriented investors and the socialist outlook of Ngcaba and others in the ANC and Cosatu who believe that cellular phones should be run as a State utility.

In the end, the shares pres licensed were earmarked for a Cosatu-aligned pension fund (5%) that has still not been named and TransTel, the telecommunications subsidiary of State-owned Transnet (10%).

For its part, Cosatu says it believes that the pension fund is a way to get equity to the man in the street rather than to rich businessmen.

At the time, TransTel executive manager Alf Shulze said: “The push did not come from us. The push came from the ANC. They wanted a bigger stake for government. They felt TransTel would be a vehicle for more State ownership.” (Business October 29).

Ngcaba now claims that under the agreement, TransTel has the right of first refusal to buy additional shares if one of the other shareholders reneges on the deal or does not stick to the agreement. He says Motlana’s Sowetan deal violates the agreement and that the ANC is looking at taking legal action. Motlana, however, denies breaching any part of the agreement, saying all he has done is taken on a new partner (Argus).

The controversy underlines the problems in artificially empowering blacks. The next government could mandate that blacks must own a share of a new venture, but there’s nothing to stop the black investors from turning around and selling their share to white investors. In this case, Motlana’s group — which includes businessman Eno Mabuza, former Naftoc head Sam Motlana and businessman Eddie Manaka — plans to sell a 2% share to white investors.

Though Motlana admits that “there were some problems with funding from the Industrial Development Corp,” he says: “Funding has finally been arranged. The Sowetan deal is through and we just have to tie up a few loose ends.”

But why is he relinquishing a share in tomorrow’s technology, cellular telephony, in favour of yesterday’s, the print media?

Motlana says the cellular networks will not make money for at least two years, while the Sowetan (with an estimated value of R2.6bn) produces profits now. And he says the Sowetan investment is just the first step towards an independent black-led communications group that will extend to print and electronic media such as radio and TV.

He believes that it will be easier to sell shares in Prosper Africa to blacks now that it owns the Sowetan. “It strengthens our portfolio and balances our investment. By balancing it with cellular, we have a huge growth potential.” By selling Prosper Africa shares to blacks, he will be able to “spread equity to the man in the street.”

OLYMPICS — 1

Big boost for the Cape

Winning Ness’s backing bid for the 2004 Olympic Games was a triumph for Cape Town. But the real challenge now is to convince the new government that it won’t be left with a huge financial hangover if the International Olympic Committee awards the Games to SA.

In its effort to win government endorsement and a commitment to underwrite the Games — a prerequisite for making the bid to the IOC — Cape Town’s bid committee will argue that while the cost is undeniably huge, the benefits can only enhance the province.

On operating costs, the committee predicts a profit of R96m on a computer software model similar to the one Sydney used for its winning bid for the 2000 Games.

Cliff McMillan, Cape Town’s feasibility-study team leader and SA chairman of consulting engineers Ove Arup, says operating costs are estimated at R2.8bn, which will be covered by projected revenue of R3.7bn, made up mainly of corporate sponsorships and the sale of TV rights. About R840m of the projected R936m operating surplus will go towards capital costs, leaving an operating surplus of R96m.

Though about 60% of the infrastructure necessary to support the Games must be in place by the time Cape Town makes its bid to the IOC in 1997, additional capital spending of about R2.1bn will go ahead only if the city...
CELLULAR PHONES

Tariff could limit appeal

(26)

Service providers will design different rate packages for the various users. Business
will probably be able to negotiate fees
Robin Frew, executive chairman of non-
exclusive service provider Radioport, says:
“We would like to see Vodacom’s business
charges much lower.” He says the high
charges will limit the market

His concerns are echoed by others in the
field who predict a tariff price war by June,
when the cellular services will be launched
officially.

Mobile Telephone Networks (MTN), the
second cellular phone operator, is expected
to announce its proposed rates by the end of
the week. Like Vodacom’s, they will be sub-
ject to approval by the telecommunications
regulator

RESERVATION SYSTEMS

The global village

The Galileo global computer reservation sys-

tem, which will replace SA Airways’ Saa-

fari, has been installed in nearly all local

travel agencies. Yet car rental firms and

hotels have been slow to offer services on

the system.

Budget Rent-A-Car MD Tony Langley

says “What we thought would be an inter-
national reservation system is in effect only

an airline reservation system. This is because
the cost of entry is too high for most local

companies.” With service providers (airline,

hotel and car rental companies) paying

US$354 each for each booking transaction and

the rand/dollar exchange rate weakening,

the system is pricey for many. “Most car

rental companies and hotels still deal with

travel agents by phone and fax, often

through a toll-free line,” says Langley

Galileo Southern Africa head Buddie Cor-

one disagrees the system has not taken off

here. He says local providers include the

main international and local air carriers,

Southern Sun, Sun International and Protea

hotel groups, Budget and Avis car hire

City Lodge, independent hotels, Imperial/

Hertz and smaller car rental firms are not on

the system.

Owned by a consortium of North Ameri-

can and European airlines, Galileo is mar-
keted in 47 countries and distributed locally

by Galileo Southern Africa, an SAA divi-

sion. About $1bn has been spent developing

the system since 1987. The mainframe cen-

tre is in Denver, Colorado. Galileo now has

a world market share of almost 30% (mea-

sured by number of locations)

Until two years ago, local travel agents

used Safarif With travel markets opening

up, though, the agents needed a more sophis-
ticated means of booking with hotels, airlines

and car hire firms worldwide. As a result, SAA acquired the distribution rights for

Galileo and began to offer Safarif and Gali-

leo. A move is under way to remove Safarif

from screens within nine months

Travel agents like Galileo because, unlike

service providers, they do not pay for each

transaction. Productivity incentives are

offered so that the more agents use the sys-

tem, the cheaper it becomes and where book-

ing targets are met, the system is free.

Service providers have been discouraged
due to punitive dollar-based transaction costs

But many see the benefits of being represen-
ted on such a global system. “Galileo already

dominates the travel agency market. It makes
sense to go this route,” says Stephen Grossel,

MD of timeshare group RCI

Southern Africa

He adds that RCI is seeking an agreement

whereby local service providers will be

charged in rand. “We must make it eco-

nomical for them to join. This has to happen

if we are to win the 2004 Olympic bid for

Cape Town.”

Bookings can be made through the system

for more than 400 airlines. It has 149 direct-

access airline feeds supporting

various functions, including

last-seat availability, secured

booking and seat maps. It also
tells the booking agent what

events are on in western Europe

and the US, provides instant

rates and booking information

for almost 27 500 hotels and 50

car rental firms

Fitzestar marketing & sales

manager Philippa Sparrow

says: “I don’t know how any

company can justify not being

on the system. We would lose

a lot of business if we were not on

it”

Marwan Sididi

FINANCIAL MAIL • FEBRUARY • 11 • 1994 • 93

P07

en.jpg

BOOKING GALILEO Transt

cost deters SA business

Zürich

Booking Galileo...
Standard turns to cellular phones

MELANIE SERGEANT

THE latest entrant to the cellular phone industry is Standard Bank, which has forged an alliance with service provider M-Tel.

Rather than “going the whole hog” and becoming a service provider as FNB had done, Standard had opted to negotiate special rates and discounted subscriber fees for selected clients of the bank.

The service would be offered to PrestigePlan, MedElite, ProElite and AchieverPlan customers by end-March. Customers would be given notice of the coming service, so they could secure a phone ahead of the commercial switch-on date in June.

The bank hoped to secure phones at low prices for clients, as well as negotiate discounts on connection and monthly subscription fees and also on call rates.

M-Tel CEO Peter McBride said Standard Bank was the first of several significant marketing alliances with which M-Tel was involved. A subsidiary of M-Net/MultiChoice (which also has a 26% share in the MTN network), M-Tel had already invested R22m in the service provider business in terms of computer equipment for billing and other client facilities.
Cellular phones’ prices cut

By TERRY BETTY

R125 All prices exclude VAT
A Vodacom spokesman says
Vodacom is advertising a free service in
March, but it will be unable to pro-
vide it by then.
MTN sales director John Nelson
says this is not true.
“People think we do not have any
infrastructure in place. But our net-
work is slightly harder to spot be-
cause we do not have the unattractive
towers that Vodacom uses. Ours
are on top of buildings,”
Vodacom chief executive Alan
Knott-Craig says his firm will “go
as many rounds as required” to give
users the best price.
Mr Nelson asks why Vodacom
announced its tariffs, only to cut
them half a week later.
Mr Oosthuizen says: “These tar-
iffs are for the testing period only
where operators are committed to
similar tariffs. The competition
will be far more fierce when com-
nmercial operations start on June 1.”
MTN will use some of Vodacom’s
infrastructure until October. Voda-
acom had the technical advantage of
being assured of being granted a
licence.
A Vodacom spokesman says
most of the infrastructure is in
place, with Johannesburg, Durban
and Cape Town being the first to be
linked.
The second-phase, likely to be
within the next three years, will
cover major highways. People will
be able to use their phones while
traveling.
A Vodacom spokesman says it is
frequently asked whether people
will be able to use their cellular
phones in Plettenberg Bay.
“Yes, they will. But only in the
second phase.”
Maps detailing service provision
will be released in the coming
week.

Vodacom’s long-distance peak
rate has been cut by a third to 63c
a minute from R1.50. MTN’s is R1.
Vodacom’s off-peak rate has
dropped from 66c to 49c a minute.
MTN charges 59c.
MTN charges international calls
at the Telkom rate plus R1. Voda-
acom charges only the Telkom rate.
Both charge the same connection
fee.
Vodacom’s monthly subscription
charge is R3 cheaper than MTN’s.
Private concern for postal matters

THE state-owned post and telecommunications service will soon face competition from private post offices.

PostNet plans to open about 300 post offices throughout South Africa. The franchised operator will provide private postboxes, postal, parcel, telephone answering and domestic and international courier services as well as gift wrapping, printing, copying, faxing, voice mailboxes, rubber stamps and postal supplies.

Other offerings from PostNet include office supplies, furniture, shipping and crating, greeting cards, secretarial services, word processing, graphic design, laser printouts and database design, depending on the area.

Long queues and delays at post offices will become a thing of the past and customers from distant areas will be able to phone to establish whether mail has arrived.

Post boxes will be accessible 24 hours a day and all credit cards will be accepted.

PostNet is part of PostNet International, which is based in the US and Europe, with 700 centres throughout the world.

PostNet franchise director Chris Dunn says discussions have taken place with the Department of Posts and Telecommunications, courier services such as TNT and United Parcel Services and Transco, which, among other activities, is a national distributor.

The Post Office itself will soon be commercialised, says Mr Dunn, and has indicated that door-to-door postal services will be discontinued. This will cause a demand for post boxes.

The Post Office also plans to increase the number of offices from 1200 to 1700 and to close uneconomical services.

It is way behind trends abroad. For example, Britain has 5,000 post offices for a population of 60 million; SA has only 1,200 for 40 million people.

PostNet franchises will be offered on an area basis or to individuals. Area franchisees will pay 8% of turnover to PostNet, including 2% to the advertising fund.

A franchisee will be able to offer individual franchises to others in the area and will be paid 2.5% of their turnover. Financial commitments have not been settled.

Individual franchisees will pay R40,000 to PostNet and will require an estimated R200,000 for additional capital expenditure, including working capital.

Mr POSTNET MAN . . . Chris Dunn, who will be covering the Post Office's turf

Pictured: JOHN HOGG

By DON ROBERTSON
To help monitor and administer April's general election, Telkom is investing more than R310m in telecommunications equipment.

Its task is not easy. Past elections were held in cities and towns, half of this year's estimated 9 000 voting stations will be in rural areas, with little or no telecommunications infrastructure, and scant information about what is needed. Worse, Telkom cannot enter some strife-torn areas.

"We will be stretchered to our utmost limits and require co-operation from other participating bodies," says Telkom senior manager Henne Mulder. "Telkom has contacted the Independent Electoral Commission (IEC) and all major political parties and observer missions but no clear requirements have been received from any of the major players."

The Home Affairs Department has identified about 6 000 sites where polling stations are likely to be "it was made clear from the start that these are speculative addresses, which have to be approved by the IEC," says Mulder. "But time is crucial and, if Telkom is not given accurate details soon, it will end up deploying infrastructure in the wrong areas."

Telkom plans a minimum of five phones for voting stations in urban areas and at least one in remote rural areas, adding up to 60 000. "We did not budget for this capital expenditure but, because of demand, we had to reconsider our priorities," says Mulder. "We plan to leave around 5 000 telephones for use by rural communities as part of our community services programme, and write them off against operating costs."

It is unlikely that Telkom will be able to supply services at every voting station because of the late provision of voting station addresses. "About half of the voting addresses will be situated in areas where little or no telecommunications infrastructure exists. It is for these areas that early planning and specific requirements is essential," says Mulder. He adds that Telkom will use radio and microwave technologies (and to a lesser extent the VSAT satellite system) for rural telecommunications.

There are still further problems. They include the unknown requirements of participants in the elections; availability of manpower, equipment and inaccessible terrain, and safe entry into unrest areas.

Mulder says Telkom is renewing its nationwide campaign to educate the communities on the necessity of communication. Seeing the success Eskom has had in getting community support and protection of its people and equipment, Telkom embarked on a similar community programme late in 1992. However, maintenance and installation have come to a complete halt in problem spots like the East Rand townships because Telkom teams are threatened and attacked. Vandalism and theft (particularly of copper cables) remain a huge problem.

Despite these setbacks, Telkom is forging ahead with plans to offer hi-tech telecommunications facilities (which include microwave links, the SAT-2 submarine optic-fibre cable and satellite uplinks) to the many foreign media and election observers expected in SA.

To cater for TV and radio broadcasts, Telkom has come to an agreement with the SABC - it will offer 10 international TV broadcast circuits with its international satellite facilities and 60 TV contribution and distribution feeds from and to venues countrywide. These will terminate in the SABC's International Broadcast Centre in Auckland Park, Johannesburg. (Infotech December 17)

What is motivating Telkom to expend so much effort and capital? "We had to reconsider our priorities," says Mulder. "The elections and other future major events, like the World Cup Rugby, will result in a tremendous boost in telecommunications traffic. At the same time, we are able to boost our community services programme by 5 000 phones in remote rural areas."

There is, too, the matter of national pride. The election is billed to be the largest planned media event for 1994 and, with the world's attention focused on SA, Telkom naturally wants to project a professional and competent image.

**CELLULAR PHONES**

**The value of competition**

The cellular price war has begun. Network operator Vodacom, the first to announce its recommended maximum retail prices for cellular calls (Infotech, February 4), cut its tariffs dramatically last Friday, only hours after competitor Mobile Telephone Networks (MTN) released its tariffs. Competition, though limited to only two network operators, seems to be working already and is expected to be far fiercer when full commercial operation starts on June 1.

Both Vodacom and MTN are clever marketers, quoting their tariffs excluding VAT. While the operators do make a point of mentioning this, MTN omitted to do so in its first press advertisements last Friday. "This was a mistake," somebody slapped up and we did not pick it up in the rush of changes," says MTN sales director John Nelson.

The recommended charges (inclusive of VAT) now stand as follows. Vodacom's long-distance peak rate has been cut to R1.13/minute from R1.71/minute, MTN's is R1.14. Vodacom's off-peak rate has dropped from 65c/minute to 56c/minute, MTN charges 57c/minute. MTN charges international calls at the Telkom rate plus R1.14 per minute. Vodacom says it intends to charge only the Telkom rates. Both charge the same connection fee of R85.50, but Vodacom's monthly subscription charge is slightly cheaper — R139.08, compared to MTN's R142.50. According to the agreement with Telkom, call charges and monthly rental must be free to the 4 000 test users during March and international calls will only be possible from April.

Be warned, though — these are only temporary rates. Expect new rates for the commercial switch-on in June. Both operators' rates will remain subject to the approval of the telecommunications regulator. Users should note there may be some disruptions on both networks during the test phase. The operators also have a number of service providers, which will structure a variety of price packages to suit different user needs.

Meanwhile, Vodacom has announced it will cover the PWV area as well as the greater metropolitan areas of Cape Town, Durban and Port Elizabeth from March 31. MTN chief operating officer John Crager says that MTN will cover much the same areas in terms of the roaming agreement. This agreement came about because Vodacom (half-owned by Telkom) had the technical advantage of being assured of a licence several months before MTN.

Vodacom CEO Alan Knott-Craig says, "In the second phase of network rollout, which should be completed within the next three to five years, all the national roads linking the major cities will be covered."

Cellular phone users will be able to phone virtually any number in the world within the network coverage areas.
Phone frenzy could harm us all!

THE South African cellular telephone industry could repeat the 50 percent failure rate experienced by British service providers if the threatened price war becomes a reality.

This is the opinion of Justin Taylor, executive director of cellular telephones at Radiospoor Communications.

"Since cellular was launched in Britain in the mid-1980s, 40 of the original 80 service providers have either gone insolvent or been sold out."

"If the local industry becomes involved in a price war - as has been suggested - we could see up to eight of the 17 local service providers go out of business. In order to gain market share, service providers may entice consumers with unrealistically low unit prices, an inexpensive monthly fee structure and possibly even a low cost of calls," Taylor claimed.

Although price cutting was good for the consumer in the short-term, he warned that the quality of service could drop quite dramatically.

"This would result in consumer frustration - which would be aimed at the industry as a whole - and it could even cause the demise of many service providers."

He said, "Some service providers are also misleading the public by guaranteeing that an impossibly high number of users will be linked up in the first two months."

"Between March 1 and March 31, each of the 17 service providers can link up only 235 clients (4,000 for the industry in total)."

From April 1 to May 31 an additional 941 clients could be guaranteed a line by each service provider (another 16,000 customers). Only after June 1 will the service providers be in a position to offer a cellular service to an unlimited number of people," Taylor added.

He warned those who are desperate for a phone before June 1 to make sure that their chosen service provider could actually guarantee them a line.

"If a company is promising to link up more users than their quota, can accommodate, look for another company," he said.

Taylor said that in the interest of a healthy industry, players had to act responsibly by keeping to their word, ensuring their prices were "realistic" and offering a high level of service.

He said prices for a cellular telephone could drop by up to 25 percent within nine months.
Pretoria — The next government was likely to encourage personal savings and could provide special incentives, Postbank GM Abel Thabanelo said yesterday.

Speaking at the unveiling of the Post Office Savings Bank's new corporate image, name (Postbank) and strategy, Thabanelo said more attractive incentives were required to boost personal savings levels.

"The saving rate in SA has declined in recent years and personal savings as a proportion of personal disposable income now stands at a low of about 2%"," said Thabanelo.

In other parts of the world, specific benefits were granted by governments to encourage personal savings. "A new government can be expected to be more sympathetic towards saving and specifically to Postbank."

It had been decided to rename Postbank and give it its own identity as it had operated as a business entity within the Post Office for some time, Thabanelo said.

The Post Office had begun establishing offices in underdeveloped areas as it was "expected that the need for a low-cost banking system will increase in a new political and socio-economic dispensation in SA."

The Post Office now had about 1,600 branches. He said Postbank would focus on community development and was investigating ways to recycle community savings, by making them available for community projects while maintaining an acceptable return on funds and risk exposure.
First cellular phones are switched on

SA’s first cellular telephone users were connected yesterday when licence holders Vodacom and Mobile Telephone Networks (MTN) began testing.

MTN CE John Craig said the organisation had achieved its network construction goals and was ready for the simultaneous launch of the system with Vodacom in June.

The awarding of the MTN cellular network licence last year was delayed by several months, causing fears that the company would be unable to meet the June 1 switch-on date.

At an official launch yesterday, MTN had a prototype of the GSM payphone on display.

“This is an important breakthrough for the cellular telephony world market and export orders for countries throughout the GSM worldwide network are lined up,” said Craig.

He said MTN expected to begin installing the payphones in townships by June. “Thereafter, the roll-out will be saturated in more than 300 townships and settlements throughout MTN’s coverage area.

The prospective cellular telephone services by the two licensees to underprivileged areas was part of a deal negotiated between the ANC, government, MTN and Vodacom.

Vodacom CE Alan Knott-Craig said 2,000 test users had been connected yesterday and a further 8,000 users would come on line in April.

The number of lines available would be unlimited after the official commercial launch in June.

Exports from bumper crop could earn R2bn

PRETORIA — The 6-million-tonne surplus expected from this year’s 12.8-million tonne maize crop — the country’s second biggest on record — could earn SA well in excess of R2bn, according to Nampo sources.

The forecast was made following the publication by the National Crop Estimate Committee’s first summer crop report.

This season’s expected maize crop compares well with 1986/87, when a final figure of 14.4-million tonnes was recorded, and is expected to be 25% better than last year’s 8.9-million tonnes, reports Sapa.

However, Nampo sources warned that the large crop could mean that producers would have to accept lower prices and foot the bill for big export losses.

Sources said a price-fixing tussle between the new government and producers was also unavoidable.

Nampo has recommended a policy under which producers can choose to sell to the Mzansi or market their crops directly to the trade.

Producers fear that an ANC government, in keeping with its policy of affordable basic food prices and under pressure from trade unions and consumer organisations, will set the lowest possible price.

Maize farmers fear that the domestic price will be set as much as R120 a ton lower than the current R470 a ton.

Although the domestic price is certain to be lowered, the big crops grown on farms — with exceptional yields of up to 4.5 tonnes per hectare — mean that large numbers of farmers will be substantially better off than in recent years.

SA’s Agricultural Union economist Koos du Toit estimated that, depending on the extent of the general economic recovery, agriculture could contribute at least 6.5% in the 1994/95 financial year.

The National Crop Estimate Committee also forecast that the harvest of sorghum, groundnuts, sunflower seeds, soya beans and dry beans would all be substantially larger than in 1992/934.

However, the committee noted that the final wheat estimate of 195.810 tons on January 20 remained unchanged.

Wheat farmers had cultivated 1.064 mha during the season.

Meanwhile, Sapa reports that Wheat Board chairman Andries Beyers told delegates at a winter-grain producers’ conference in Douglas yesterday that the wheat industry had reached a crossroads.

Quantitative import control of wheat could replace with tariff protection and aspects of single-channel marketing would become less feasible, Beyers said.

Producers would have to take decisions not only because of the new agricultural and marketing policy directions, but also because of the new signatory of a new multilateral trade agreement.

Should statutory control still be possible in future, it would have to happen according to rules that would be laid down by a new government.

PORT OWEN M
... gives you security
ACCESS TO CELLULAR telephones must not be put beyond the reach of the black community, says black-owned cellular network service provider Afritel Cellular Systems, one of the seven service providers appointed by Vodacom — a consortium cellular network of companies led by Telkom. Afritel plans to start rendering the service early next month.

The officials are confident of achieving a market share of 6,000 subscribers within two months of starting operations. Afritel also plans to increase its client base to 10,000 by the end of this year with the number of subscribers increasing by 15 percent monthly thereafter.

As part of its campaign to claim a sizeable share of the market, Afritel will establish offices in South Africa's four leading commercial towns. Each regional office will in turn appoint dealers in their area of operation.

Afritel identifies the black community as its first target, with the corporate world running second. The leading players in Afritel include Mr. Saki Macozoma and an African American entrepreneur and chairman of the Unity Broadcast Network, Mr. Eugene Jackson.
Telkom faces international competition

BRUCE CAMERON  (267)  
Business Editor

TELKOM, already being roughed up with a bit of free enterprise in the cellular telephone market, is also seeing its profits in international calls under attack.

United States-based international telecommunications giant US Cable is offering to cut the cost of overseas calls by up to 60 percent by taking advantage of cheaper rates in other countries.

On average the price-saving is about 50 percent, depending on the destination of the call.

The system called TelePassport uses computerised switching equipment to route each call around the world by selecting the best tariffs available.

The calls are all directed through a computer system in the US.

Calls can be made from anywhere to anywhere in the world where there are telephones.

The savings for people who pay VAT are higher than companies which do not pay VAT.

Savings on a call, excluding VAT, to the US is 17.8 percent, to Britain 27.8 percent and to Germany 46.69 percent.

With a monthly account of more than R85 a month there are no subscriber or sign-on fees.

Features of the system include credit limits, low credit warnings, security PINS and immediate access to a credit balance set by the subscriber.

For further information contact 068 5745.
Telkom seeks protection in townships

A MULTIPARTY youth summit aimed at giving Telkom unhindered access to the townships to prepare phones for the elections will be held on March 12.

Youths from Inkatha, the ANC, DP, NP, the Pan Africanist Students Organisations, the Congress of South African Students (Cosas) and church groups were expected to attend.

Cosas Transvaal president Steven Kekana said for information to flow during the election days people needed telephones.

He said Telkom had suggested that about 14,000 telephone booths would have to be installed.

"The booths would require service from Telkom staff and they should not be harassed," he said.

"High on the agenda would be the role of the youth in assisting Telkom to fulfill its obligations of installing telephone booths and infrastructure in our townships for the elections and beyond," said Kekana.

A focal point would be how youths could protect Telkom employees in the townships and how best they could stop car hijackings.

Telkom Witwatersrand communications manager Gert Schoeman said Telkom was expected to install 9,000 telephone lines for the election.

The lines would be used by journalists, political parties and administration staff.

If such lines were to be in operation by April 27 the first phase of the project needed to start immediately and that would depend on the cooperation of township residents.

He said the summit would also deal with the demand for telephones in rural areas.

KATHRYN STRACHAN reports that about 400 homes in the Doornkop and Dobsonville Gardens areas of Soweto are without telephone services after nearly 3,000 metres of cable was stolen on Tuesday night.

It could take up to Saturday to have the service restored, said spokesman Fames Botha.

He said the theft of telephone cable cost Telkom millions of rands a year.

"It causes a lot of havoc to us and our clients," he said.

The cables had alarm systems, but the thieves had usually left the scene by the time police arrived.
Satellite could earn us millions

And, it’s a pollution spotter, too

WILLEM STEENKAMP
Weekend Argus Reporter

GRENSAT, South Africa’s own locally produced low-orbiting satellite — also dubbed the PC of satellites — has taken world markets by storm.

Johan Alberts, managing director of Denel, the state-owned company that developed and produced Greensat, said the satellite was the most advanced of its kind in the world.

Marketing Greensat is still Denel’s first priority and negotiations are under way with more than 16 international groups who have shown a keen interest in acquiring it.

Greensat is smaller, cheaper and at least 18 months ahead of similar international products, according to Denel.

The company moved away from the communications satellite market which they believed was not only too expensive, but also oversupplied.

They concentrated on developing low-orbiting, low-cost observation satellites in an effort to find a niche in international markets.

Greensat can be used to manage the earth’s natural resources. It delivers high-resolution pictures of any object larger than 2.5 m and also can be used to monitor pollution and make geological surveys.

It weighs about 300 kg compared to other earth observation satellites which weigh 1.5 tons or more.

■ More than 16 international companies have indicated an interest in acquiring Greensat, South Africa’s own low-orbiting satellite and, if negotiations are successful, contracts could earn this country millions in foreign exchange.

Mr Alberts said that besides the interest shown in Greensat, there also had been international interest in Roovalk, the attack helicopter developed by Denel’s aerospace division.

International buyers also had shown interest in Ace, a locally developed aircraft made of superstrong light composite materials.

Mr Alberts said the existence of producers who wanted to compete in international markets depended on the quality, price and applicability of their products.

Denel was positioning itself to compete freely on both local and international markets.
Post Office to increase international tariffs

STEPHANE BOTHMA

PRETORIA — The SA Post Office plans to earn additional income of R80m by increasing international and non-standardised mail tariffs by an average 10% next month.

SA Post Office chairman Donald Masson said yesterday the increase would enable the Post Office to reduce an estimated R390m loss of R468m by R141m to R327m this year.

But Post Office losses would remain high over the next two years as essential infrastructure was needed. "After that they should decline drastically," he said.

The Post Office planned to spend R246m on infrastructure this year. It would spend R386m installing 596,000 post boxes in rural areas.

The standard letter rate would remain 45c until August when long-term planning needs would force the rate up 5c, Masson said.

The increase in non-standard and international mail tariffs would cost the average user about R1.18 more a month and should have no significant effect on the inflation rate.

He said the Post Office was "unnecessarily pitching" to run a state lottery to increase profitability.

"We are getting ourselves ready to run a lottery. We already have the infrastructure in place in the form of our countrywide network of post offices."

Before the Post Office had been commercialised two years ago, annual losses of about R850m had been covered by a state subsidy, he said.

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Ernest Stanton's son, Lacon Stanton, a Johannesburg chartered accountant, denied the signatures on the letters were his father's.

On December 30, 1991, when Ernest Stanton died, Stafford telephoned Lacon Stanton and told him most of his father's estate — about R27m — had been left...
Post Office to increase international tariffs

STEPHANE BOTHMA

PRETORIA - The SA Post Office plans to earn additional income of R86m by increasing international and non-standardised mail tariffs by an average 10% next month.

SA Post Office chairman Donald Masson said yesterday the increase would enable the Post Office to reduce an estimated R2bn of loss of R40bn by R1m to R37bn this year.

But Post Office losses would remain high over the next two years as essential infrastructure was needed. "After that they should decline drastically," he said.

The Post Office planned to spend R24bn on infrastructure this year. It would spend R3bn installing 500,000 post-boxes in rural areas.

This standard letter rate would remain 4c until August when long-term planning needs would force the rate up 5c, Masson said.

The increase in non-standard and international mail tariffs would cost the average user about R1.38 more a month and should have no significant effect on the inflation rate.

He said the Post Office was "unashamedly pitching" to run a state lottery to increase profitability.

"We are getting ourselves ready to run a lottery. We already have the infrastructure in place in the form of our countrywide network of post offices."

Before the Post Office had been commercialised two years ago, annual losses of about R85m had been covered by a state subsidy, he said.
Election spurs rural telephone industry

WITH Telkom believed to be spending about R400m on telecommunications facilities for SA's 11 000-odd election polling stations, product suppliers in the rural telecommunications arena are having a field day.

While Telkom's exact investment cannot be confirmed, more than 350 terminals each supporting at least eight subscribers in remote regions will benefit from a new telecommunications system, the IRT 2000, being installed by Philips to bring telecommunications services to polling stations in time for the election.

The IRT 2000 system has been supplied by Philips Communications Systems of France.

Eight central systems are being installed at stations in QwaQwa, Kimberley, Bloemfontein, Colesberg, Alwal North, Bothshabo and Wesselsbron. They will be connected by radio to about 350 remote terminals, some of which will be more than 140km away from the central station.

Each terminal will initially have a capacity of eight subscribers and will provide connections for more than 2 500 users.

According to Telkom, telephones will initially be installed at polling stations. Further telephones may then be installed according to a community's needs.

Philips Communication Systems SA MD Maurice Reznik said that the IRT 2000 system was an innovative and state-of-the-art way of providing a quality communications network to widely dispersed communities. He said the system was a leader in the world market—with a market share of nearly 50%.

Experience in installing similar systems in other parts of Africa, including Zimbabwe, Malawi and Cameroon, had shown the important economic benefits to a community of quality communications.

Philips is working to an extremely tight schedule, but, despite bad weather and difficult terrain, it is confident the system will be up and running in time.

Reliable sources say another company which is benefiting from rush orders for systems in time for the elections is Plessy-Telemat. The company is also understood to have received substantial orders from other countries for its rural telecommunications systems.
Mattel, which is based in California, never left SA and its products, including perennially popular Barbie dolls and Hot Wheels cars, have been available through Johannesburg-based distributor Josse Feldman But New York-based Fisher-Price, which was then owned by the Quaker Oats company, disinvested completely in the Eighties. Some of its products have been available through the grey market, but at inflated prices.

"Consumers are going to see prices coming down and service levels increasing dramatically," says Josse Feldman MD Claire Herbst.

The company plans a major launch of the products to increase brand awareness. The advertising budget of R2m will show up in television commercials for Mattel products and ads in women’s magazines for Fisher-Price to appeal to mothers who are willing to pay premium prices for the top-of-the-line educational baby toys.

"Mattel wants to develop the full potential of the market," says Jonathan Hughes, the company’s marketing manager for Africa.

"Mattel sees SA as a major growth area."

Barbie, for instance, has lots of growth potential even though she is celebrating her 35th birthday Worldwide, sales of the Barbie line exceeded R1bn last year and it was the best-selling toy in SA Nevertheless, Herbst says research shows that the average American girl, aged 3-11, owns eight of the dolls. In SA, the average is less than one per girl. Mattel is considering marketing a black doll specifically for the SA market.

"We’ve just scratched the surface of the black market," Herbst adds.

Hughes says there is the possibility that some manufacturing of big plastic items, such as Mattel’s huge dream house, could be done in SA within a few years. First, the goal is to increase sales volumes.

Price, however, is a major factor mitigating against increased sales. Josse Feldman, who is executive chairman of the distributor, points out that there is now up to 50% duty on imported toys, even though there are no branded competitors in the fashion doll and educational pre-school toy categories.

Even under Gatt, the tariff will remain on the high side — 30% at the end of a five-year phase-in period, according to figures from the Department of Trade & Industry.

Once again, high tariffs work to keep prices high, keep sales volumes low and keep manufacturers from finding it worth while to set up shop in SA.

**POST OFFICE**

Some very big questions

**Here's the R60m question.** Will the new government let the Post Office go ahead with an 11% increase on standard domestic postage in August?

Faced with a R498m shortfall on its R2.1bn budget, the Post Office’s business plan calls for R60m to be raised through an average 10% hike in international and non-standard rates beginning on 1 April and another R60m through a rate hike from 45c to 50c on standard domestic letters no later than August 1. The domestic stamp increase has not received ministerial approval.

The Post Office says it is holding off on the standard postage increase as its “contribution to communication for the coming election”.

**Political tools**

In the bad old days, postage rates were political tools and had little relation to actual costs. Shortfalls were made up through huge government subsidies. With a new government coming in, will the postage rate once again become a holy cow?

"I won’t try to speculate on what will happen," says Post Office chairman and acting MD Donald Masson. "At the end of the day, we would like to take out the polutes."

He believes that charges should cover costs and that a government subsidy is “morally indefensible” because that money could be better spent on education, health and other social-welfare projects. Since commercialisation in 1991, the Post Office has reduced an R850m shortfall by more than R350m and hopes to bring the deficit down to R357m by April next year.

"I hope our track record makes it very clear that making the Post Office a viable proposition is the only way to go. Government already owns it 100% so all I ask is that it be allowed to run as a business entity. Surely running it in the hope of making a profit is better than asking for a subsidy."

One move towards reducing the deficit has been the sale of some of the Post Office’s property portfolio for R120m, including blocks of flats that were let to Post Office employees for as little as R17 a month. On April 1, the Post Office will move into new leased headquarters east of Pretoria. "We’re making considerable savings on the new building," Masson says. "And instead of 17 000 m² we will have 9 500 m². It’s a lot more effective use of space."

Opponents of commercialisation have seen shedding property as selling off the family jewels (even though State-owned Telkom bought the HQ), but Masson believes it just makes good business sense. "We’re not giving it away. We’re turning low-returning assets into capital that we can put into better technology and higher-returning assets."

This year’s price hikes were linked to the inflation rate (now around 9%) after two years of extra-big increases (30% and 33%) to bring the prices more into line with costs (Business & Technology March 26 1993).

Even at 50c, the Post Office will be losing 5c on every piece of mail handled. But the 5c actual cost is down from last year’s 6c processing cost, thanks in part to more computerisation and mechanisation. More than R127m is budgeted for capital expenditure on data equipment.

Though Masson gives the Post Office a seven out of 10 score since commercialisation, a major problem has been the turnover in MDs. Willem van Ruyven, a Post Office veteran, lasted about a year. He was followed by Henne Dekedrick (52), who left Absa to take the Post Office job in January last year.

He resigned last month due to stress-related ill health that has forced Masson (62) to act as MD on and off since October.

Diedrickers, who was MD of Tollgate from 1988 to 1990, has been called to testify before investigators probing the collapse of the company in the 1992. Diedrickers has also come under a stinging attack from fugitive Julian Askin, who was the Tollgate MD when it collapsed, claiming that he was incompetent and negligent in his handling of Tollgate. Diedrickers denies any wrongdoing.

"He did an excellent job here," Masson says. "He brought in a lot of ideas from the private sector. If it wasn’t for his health, he would still be here but he got progressively worse and he couldn’t live up to his own standards. He’s been off since October and we couldn’t go on like that."

Masson says Diedrickers did not get a payout on what remained of his five-year contract and sacrificed part of the bonus that he would have received.

The MD’s job is not being advertised yet. The board will meet this month to decide whether to launch a hunt for candidates, promote someone or perhaps keep Masson in the job for a while longer.

Another million-rand question. Will a new government flex its muscles and ensure that the MD’s job becomes just another slot for a political crony?

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**International Postage rates rising**

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State-owned Telkom, freed more than two years ago to operate more like a business and less like a government department, has entered into its second joint venture with the private sector. Last month Telkom agreed to take a majority stake in Q-Trunk, which was started by QD Electronics last March and is one of the two radio-trunking network operators that government recently authorised to begin building the networks.

The deal follows Telkom's agreement last year to form Vodacom with UK-based Vodafone. Telkom has a 50% stake in Vodacom, one of the two companies granted government licences to build nationwide cellular telephone networks. The size of Telkom's stake in Q-Trunk has not been disclosed. The cost of its investment also has been kept under wraps, but each radio-trunking network operator is expected to spend R40m to set up.

QD Electronics, the Kyalami-based manufacturer of two-way radio and electronic security systems, initiated the discussions with Telkom in September. Formed in 1975, the unlisted company was bought out by seven of its directors in 1992. "Our profitability increased by 100% over the last two years," says MD Brian Appleton. "We employ 350 people and design and manufacture 95% of the products we sell."

Opening the airwaves to radio trunking, which is a halfway house between conventional two-way radio and sophisticated cellular telephony, has been mooted for two years. Finally the Department of Posts & Telecommunications gave Q-Trunk and FlecTele a joint venture by Grukker Electronics, Altech and Transnet's telecommunications arm Transtel — the go-ahead to build radio-trunking networks (Infotech January 14). CarFone Natal also plans to build a network and is expected to receive permission soon.

Radio trunking was developed because the frequency band is becoming increasingly congested. It's an improvement on a conventional two-way radio system, which has a limited capacity and can't be linked to the public telephone network. But it can do far less than cellular phones. It's aimed at organisations that need to send short messages to vehicles on the road, such as hauliers, courier companies, and police and ambulance services.

Under its agreement with the department, FlecTele's network will cover the major metropolitan areas within five years and then will add the national roads between these areas. Q-Trunk has permission to mirror this coverage, except for Durban and Maritzburg.

CarFone Natal, one of Natal's largest two-way radio companies, will operate in Natal and the PWV only.

Q-Trunk now wants a larger slice of the cake and is negotiating with government to include Maritzburg and Durban. But the department's policy document on radio trunking says no more than two competing network operators would be licensed in areas outside the PWV. Q-Trunk moving into Natal and Maritzburg and Durban would mean three operators there. Says CarFone Natal MD Gordon Swanepoel: "The ground rules have been gazetted and it's highly unlikely that the department will move the goal posts at this stage."

Like the cellular industry, the radio-trunking network operators will work through service providers, which will take a cut of sales, installations and billings.

"We did not initially want to be an operator, we had hoped to be a service provider," says QD Electronics' Appleton. "However, we took this decision because we wanted to supply our dealer network. We also wanted to stop a monopolistic set-up when it became obvious that there was going to be only one national operator."

But setting up a national network is costly, so Q-Trunk looked for a partner Telkom, with its hi-tech infrastructure and the elevated sites needed to erect masts and antennas to ensure that the network covers a wide area, was the obvious choice.

"It is Telkom's intention to participate actively in strategic alliances that improve the country's telecommunications infrastructure," says Telkom MD Danie du Toit. Q-Trunk will draw many of its service providers from QD Electronics' hundreds of two-way radio dealers. It will establish its first regional network in Cape Town by mid-year, followed by the PWV. FlecTele is already on the air; it is now testing two base stations in Johannesburg.

Despite the enthusiasm, radio trunking is not without controversy. John Hubbard, immediate past president of the Two-Way Radio Dealers' Association of the Western Cape, harshly criticises the way that radio trunking was introduced. He says government did not allow the industry to decide on its own technology, instead prescribing the MPT 1327 protocol. Indeed, on everything from TV sets to cellular phones, government has long been criticised for mandating costly technology that far exceeded SA's needs and priced many consumers out of the market. "The slavish adherence to the MPT 1327 is inherently costly," he says. "This technology has been over-engineered to the point of stupidity."

But Appleton disagrees that trunking will be too expensive. He says a dispatch radio for a trunking network will cost R2 500, which is comparable to mobile radio prices. "It can hardly be called an elitist product."

Hubbard also slates government for choosing a frequency band that almost no other country is using.

The department's senior frequency manager, Don Tat, responds that the bands were selected after consultation with the local radio industry and decided upon because it was nonproprietary and therefore all radio dealers may sell radios into the system.

He says the department didn't have many options in picking a frequency band. "A clear spectrum had to be identified before trunking could be initiated and in sufficient quantity to enable competing systems to be established. It took us two years to acquire this spectrum."

The real problem is the long-time poor management of the frequency spectrum. With the Defence Force hogging some 60% of the spectrum, there are few frequencies still left for commercial use, critics say.

The department recently announced that it would conduct a detailed study of how the spectrum is being used in the various communications bands in order to reduce congestion. It also said it planned to vet more closely all applications for new systems or services.

Under this new policy, which will be maintained for an indefinite period, applications for various basic derivatives of trunking have been turned down.

Marcia Riboli
THIRTY-two youth organisations agreed at the weekend to let Telkom install and maintain telecommunications infrastructure needed for the April in the PWV area.

Telkom said a meeting with 350 youth delegates in Johannesburg passed unanimously a resolution to this effect.

Some of the organisations represented were Congress of South African Students; Pan Africanist Student Organisation, SA Student Congress, African National Congress Youth League, Azanian Students' Movement and Azanian Student Convention.

Cosas southern Transvaal chairman Mahlomola Kekana called for unity among all youth formations, saying a telecommunications infrastructure could not be provided without them ensuring Telkom access to all areas.

Telkom Witwatersrand regional general manager Frank Vian told the meeting it would be impossible to install telephones at the 9,000 voting stations without community co-operation.

Vian said between 59,000 and 69,000 temporary telephone services had to be provided. Telkom had committed itself to the purchase of additional equipment worth R200m. — Sapa.

Getting mobile with the great cellular phone switch-on

By ANDREW BERGMAN

WITH ubiquitous renaissance of the west for the westernization of the first experimental TV programmes in the 1970s, South Africa waited for the cellular switch-on date on April 1. Imagines hung around hatchet-like communications, everywhere from the boardroom to the coffee house to the television sets with the proverbial ear.

Compact lifetime or hand-held invasion of your privacy? Users of radio paging services have yet to decide whether this one-way contactability is a blessing or a curse. A new frontier in cellular phone use is on the horizon.

Let’s face it, there are many that will treat the new phone as a Yuppy toy, but apart from “keeping up with the Joneses”, all service providers agree. More users of what you want before you lay out cash on a unit that might be a white elephant.

Apart from professional and hand-picked buyers, it is difficult to explain the concept of cellular phones in your winner's league.

The Truelin, MD of Phonetec, explains that the network is called “cellular” because it is made up of “cells” that look like an imaginary honeycomb.

Hand-free kit

Each call to a transceiver which is linked to the main switching centres

This will control hand-over of the call as you move from one cell to another.

The switching centre is linked to the Telecom exchange substitution

At that stage, one of the main questions facing potential buyers is whether to invest in the compact hand-held 2 W phone, or the more cumbersome but powerful 8 W model.

Surely, according to Sue Norton of Auto Page Cellular's sales and support team, there is little significant difference in the prices of the two units when you take “obvious” into account.

While the 8 W unit is largely self contained, the 2 W version needs to be supported by a power charger, lighter charger and a hand-free kit — what you want to use the phone in your car.

Also, it is anticipated that 2 W users will have difficulty receiving calls in buildings with metallic windows or at home.

Norton points out that while hand-free operation in the car is not yet obligatory, legislation is sure to be passed “in the near future” making it illegal to hold a cellular phone in your hand while driving.

Confusion

It seems that while the cellular phone hardware costs little more than a belt-mounted one-way pager, the service providers will make their money on air time. Here, another choice from the consumer: Vodacom or MTN network?

Initially MTN will runresubscriptions on the Vodacom network, until we have seen them in independent action and experienced the pros and cons of each, we are just going to have to trust the sales people.

Like the classicalulyser, the languages of cellular phones has cryptic secrecy—a much used has subscriber identity modules (SIM).

A new package which, when inserted into a cellular phone, identifies the subscriber to the network. In other words, should you use your SIM card in someone else’s cellular phone, you will still be billed.

The all models have an instant slot for a SIM card. In many cases, you will have to patch the clip out of the card and place it in a clip-down mount at 90° back of the phone.

This makes changing numbers difficult, but, with a new piece of hardware, it's a breeze. It’s all done at home.

Norton says that confusion about the costs of cellular communication, especially international charges, will be added to your final bill.

Norton explains it clearly, calls from cellular to cellular, or cellular to Telecom network will cost about R1 per minute, irrespective of whether you are making a call to Johannesburg or Sea Point.

Telecom subscribers who call you on your cellular phone will pay cellular rates, or R1 per minute.

The only time that incoming calls become expensive is when you are in Johannesburg on business and you re-make your home or office phone to your cellular phone.

In that case, the Telecom caller will pay a regular Telecom rate to call your home.

You will then pay the cellular rate as the call is re-routed between your home phone and the cellular network.

The bottom line is not to take it too seriously. It is a good idea to rent a unit for a few months at least to survive the teething period.

If not, you are likely to end up with an obsolete unit with fewer features than you had hoped, and a new anatomy from kicking yourself.
Concern over Telkom tenders

TELECOMMUNICATIONS equipment suppliers are waiting with bated breath as Telkom moves into its new commercial buying cycle, which is set to replace the long-term buying contracts that ran for up to 15 years, but say no tenders have yet been issued for major contracts.

Indeed, some are sceptical about how far Telkom will go with its competitive bidding process.

One major player in the industry claims: “In a matter of weeks, we will know which of the traditional suppliers will be getting what portion of the business.”

Telkom’s Nick van Rooyen stresses that Telkom is moving to a more competitive arrangement and away from the 15-year cost-plus contracts which it has had for many years.

“We have been negotiating with the suppliers since around September, and are close to breakthrough, with all those concerned realising that we need to move into a more competitive era.”

“About 18 months ago, a strategic decision was taken, in line with Telkom’s mission, to move into a more commercial environment so we can be better placed to meet our competition head on.”

Telkom is already experiencing its first wave of competition from a range of different players in the market, and Van Rooyen says that as overseas telecom operators, it makes sense to source equipment on the open market from the least expensive sources.

The long-term contracts were chiefly with Siemens, Alteh, TMG, Plessey, and the SA Microelettronc Systems chip manufacturing facility, SAMES.

They are expiring from October 1 this year until the end of March next year, and are mainly 15-year contracts for the supply of infrastructural equipment, and telephone handsets, for example.

Industry sources are querying how far Telkom will go, and fears are that the traditional suppliers will continue to be favoured over potential newcomers to the market.

One source says: “We have not yet seen a single tender from Telkom, so we can only deduce that the main suppliers now will continue to get orders, when it comes to massing infrastructural equipment, it would be physically impossible for a newcomer to the market to supply from early next year when the current contracts will run out.”

Another source says: “One cannot expect companies to tool up and hire staff to manufacture large phone exchanges, for example, unless we can get some guarantees that there will be off-take from the factories for a period of time. Infrastructures need to be funded.”

Clarifying the strategy being pursued, Van Rooyen says: “There will be some open tenders, while others will be proprietary or restricted to certain suppliers because we can’t have an unlimited number of switching systems in our limited market, for example.”
Cellular charges fixed to shelter Telkom

PRETORIA — Minimum charges for long-distance cellular telephone calls had been fixed temporarily so they would not undercut Telkom prices, Postmaster-General Ters Oosthuizen said yesterday.

"A floor price for long-distance tariffs had been established so that large-scale migration from Telkom would not take place. The effect will be that similar tariffs will be charged by network operators during the roaming period and competitive tariffs thereafter," Oosthuizen said. Telkom’s long-distance prices subsidised local tariffs and government recognised Telkom as the backbone of the telecommunications infrastructure — Sap.
By Gary Ryn

Cellular phones not-so-free market

The market for cellular phones has reached a boiling point. The demand for these devices has grown exponentially, making them a staple in the modern world. However, the market for cellular phones is not as free as it may seem. The competition between different manufacturers and service providers has led to a complex web of agreements and negotiations. This has resulted in a situation where the consumer is often left with limited choices and high prices.

By EYEBYTHE

THOUSANDS OF PUBLIC SERVICE EXODUS

The American public service sector has undergone a massive exodus. Thousands of public servants have left their positions, citing various reasons such as low pay, lack of recognition, and poor working conditions. This exodus has raised concerns about the future of public service in the United States. The shortage of public servants has led to a decline in the quality and efficiency of government services.

By CATHRYN RYN

A new era of public service is on the horizon. This era will be characterized by innovation and a focus on making public services more accessible and efficient. The government is investing in new technologies and training programs to attract more people into the public service sector. This new era will require a fresh mindset and a commitment to serving the public good.

By HARRIET TAYLOR

The end of the era of public service as we know it. This is the beginning of a new chapter in the history of public service. The public servants of the past are gone, and the future is uncertain. The government must find a way to attract new talent and create a culture that values public service as a calling. This will be a daunting task, but the future of the public service sector depends on it.
Caution advised as cellular price war begins

A PRICE war in the cellular phone market has begun — months before the unlimited switch-on of the service on June 1.

Last week, the cheapest cellular phone was offered at about R2 000. But this week, discounters began slashing prices, with Game Discount World’s offer of a unit at R1 299 drawing a quick response from Pick ‘n Pay, which marked up the same model at R1 199.

While the offers are enticing — one includes a free month’s subscription and a 50c-a-call discount for three months, and the other R295 worth of free air time — several industry sources called for caution.

One said, "I have never come across an industry which discounts a product before its launch date."

A competitor warned that, in some instances, buyers were being tied into contracts for up to three years. "What if competitors offer special deals in a few months, when the agreement between MTN and Vodacom ends?"

Until the end of the "roaming" agreement (officially October, but possibly sooner) both network operators have to charge the same call rates to service providers.

Vodaphone UK director Terry Barwick was bullish about developments in the local market, but also sounded a cautionary note: "In the UK, the early days of cellular saw it directed at top-level management, and we did not see a high level of bad debt. The fallout really started when the services were extended to the man on the street and 'silly deals' were offered."

He advised local users not to commit themselves to long-term contracts now as better offers could be forthcoming.
M-NET has launched its own cellular phone service provider operation with a R25m investment in M-Tel.

The other shareholders are Cable and Wireless and Corporate Africa, which was formed by a consortium of black businessmen. Corporate Africa has about 15% of the shares.

M-Tel has signed significant deals with Standard Bank and BMW and has formed an alliance with Diners Club to provide members with cellular phone benefits.

M-Tel MD Peter McBride says "We have also linked up with Voyager, SAA's frequent flyer package. Members who qualify will receive one free air mile per call minute."

M-Tel is an exclusive service provider to network operator MTN.

MTN MD John Craggs says that by June its coverage of SA will include 360 towns and 3,700 urban areas. The roaming agreement between MTN and Vodacom, which is due to end on October 31, could thus be terminated earlier, although this will be subject to the tripartite agreement between Telkom, MTN and Vodacom.

McBride says that by June 1 there will be 17 service providers in SA. But it is estimated that only half will still be operating in a few years.

"Cost should not be the only factor on consumers' minds when selecting a cellular telephone service provider," he says.

"The cost of cellular phone equipment is only 10% of the total costs over a two-year period. This puts into perspective the importance of the service provider contract compared with equipment costs."

M-Tel sales manager Gary McDonald says "In 1986 there were more than 60 service providers in the UK. By 1991, only 10 were still operating."
Restructuring to take on the world

Three of SA’s top electronics manufacturers — Reunert, Siemens SA and GEC SA — last week detailed plans to shift their telecommunications interests into two well-focused companies that should be more competitive on the world market. This is the culmination of November’s announcement that the companies had reached an agreement in principle.

In terms of last week’s asset-and-share swap agreement, which follows three years of negotiations, a new company — Siemens Telecommunications — was formed. It will focus on telecommunications infrastructure and is expected to produce an annual turnover of up to R800m, according to MD Geoff Hannebach. The shareholders are Siemens SA (51%), Reunert (27.5%) and the UK’s GEC Plc (21.5%). GEC SA is a 50-50 joint venture between GEC Plc and Reunert.

The other company is Telephone Manufacturers of SA (TMSA), which will specialise in telephone handsets and payphones. It is expected to ring up R300m in annual sales Reunert, through its own shareholding and through GEC SA, is the major shareholder in TMSA (40.6%). Other shareholders are Siemens (25%) and GEC Plc (33.3%), through GEC SA.

TMSA will continue to operate at its Springs factory and Siemens Telecommunications will be based at Waldran, Pretoria. However, the restructuring has resulted in more than 400 layoffs at Reunert’s wholly owned subsidiary Telkor (35% of its staff) and 170 at TMSA (10% of its staff).

Siemens Telecommunications has hired some of these people. But, Hannebach says: “This is in the tens rather than hundreds.”

While few doubt that the consolidation will benefit the companies’ manufacturing efficiency and potential, some concern has been voiced that Telkor has lost its highly profitable telecommunications business. It retained only its non-telecoms business — railway signalling systems, resource monitoring systems, ticket issuing systems, parking meters, and validation and vending systems.

One of the world’s top five suppliers of coin- and card-operated payphones, Telkor won the State President’s Award for Export Excellence last year. As a percentage of total sales, exports rose from 5.7% in 1991 to 40.6% last year. It captured more than 12% of the payphone market in Europe, clinching export contracts to Belgium and several eastern European countries, as well as Australia, Chile, Peru, Argentina and the Seychelles.

At the International Business Conference on Central Europe in Johannesburg last May, Telkor export manager Benno Ellman put total exports at around 50 000 payphones, up from zero outside southern Africa before 1990.

But success has its downside. At the conference, Elman claimed that British rival GPT (which is jointly owned by Siemens and GEC) was writing “poison letters” to telecommunications authorities in an attempt to defeat Telkor’s export drive. He also accused some French competitors of unethical practices such as rumourmongering.

Reunert’s Gerrit Oosthuizen defends the restructuration and the apparent sidelining of Telkor. “Telkor remains 100% owned by Reunert. We have restructured to make the group a more sizeable telecommunications player that can stand up to international competition. Also, our relationship with Siemens opens us up to new technologies and gives us access to its worldwide markets. Telkor would not be able to sustain its export drive. The restructuring was for the long-term interest of the business.”

Ferguson Bros, Hall, Steward & Co investment analyst Lesley-Anne Dry says the deal makes sense. “All the companies concerned needed to become focused and more efficient. They needed more throughput from their factories to maintain margins in the face of increased competition.”

Reunert’s divisional head of telecommunications, Boel Pretorius, says all over the world telecoms are merging to compete. “Telkor did well exporting to eastern Europe, but we would have been dreaming to believe that it could have taken on the world grants indefinitely without a great deal of investment in our production facilities. With this deal, we are taking a quantum leap and will be in a position to build on Telkor’s successes.”

Says Reunert MD Tony Ellngford, “Both TMSA and Siemens Telecommunications will have sufficient critical mass to undertake the R&D expenditure needed to stay abreast of an increasingly international business.”

Ellngford says that in the past, the partners in TMSA — Reunert through GEC SA and Siemens — have made similar products, sometimes injuring each other in the market. This deal eliminates conflict that could have become severe in the future.

The new relationship already is bearing fruit. Telkor recently designed the world’s first GSM cellular payphone TMSA and Siemens developed the prototype and TMSA will manufacture the phones.

Hannebach says there was a dire need to rationalise the industry. “Already three years ago, we recognised that there would be more competition and that our long-term supply agreements with Telkom would not be renewed. We set ourselves the goal of becoming more competitive. It is no longer possible to be viable by just supplying the local market. We must compete on a global scale.”

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TECHNOBITES

□ International IT consultancy Gartner Group appoints SPL as its local representative, and SPL’s head for the past 10 years, Lewis Folb, leaves to support SPL’s operations in Australia. He is succeeded by Neil Harding.

□ Plessey Tellumat SA beats eight overseas suppliers to win a tender for supplying a high-power FM broadcasting transmitter to the Cyprus Broadcasting Corp.

Other foreign users of Plessey’s equipment are the UK, Norwegian, Canadian and Chinese broadcasters.

□ The Foundation for Research Development receives a R16m government grant to update and replace equipment at universities and techmoms.

□ Postmaster-General Ters Oosthuizen temporarily fixes long-distance cellular charges high enough to protect Telkom from customers shifting to cellular phones. So much for competition; and

□ Radiospor Cellular will invest nearly R10m over the next five years to set up a client-billing facility at its Midrand headquarters.

Martin Zille
Business slams postal services

The Cape Town Chamber of Commerce has slammed erratic local postal services claiming "unmeasurable" damage to business.

The Chamber has taken up the issue with the Ministry of Transport and of Posts and Telecommunications and has called for a "back-to-basics" approach to ensure a predictable, reliable and fast postal service.

Mainly affected by sluggish mail deliveries are small and medium enterprises.

The strong criticism of the postal service is made in the latest edition of the Chamber's Business Bulletin.

The criticism follows recent claims by the Post Office that services have improved. It has spelled out delivery times and has said it will appoint independent auditors to check on performance.

The Chamber said "Cheques have been received well after the due dates, severely affecting cashflow. Penalties have been incurred by businesses because payments which were posted in time were received too late by local, regional and national authorities."

Late payments meant interest charges.

Economy mail, standardised and non-standardised mail was taking up to 15 days between major centres while within Cape Town itself standardised mail was taking up to 10 days to be delivered.

The introduction of the new Cape Mail Centre at Goodwood "has not seen the improvement that was expected, particularly with local mail."
Postal problems 'being solved'

THE Post Office has conceded that it has been experiencing delays with its mail delivery services in Cape Town.

The Post Office has on several occasions denied that there were any problems despite numerous complaints from the public surrounding erratic mail delivery times.

In one of the latest incidents, Mr L L Gordon of Rondebosch yesterday said that his magazine subscription from the UK was now taking three weeks to reach his home as opposed to the "three to four days" which it took a year ago.

"Everyone is having these problems with their post. Some people have also paid to have a letter sent by special mail but they find it has been sent by road."

Another caller complained that he recently received a letter at his Tamboerskloof home six weeks after it was posted to him from London.

Post Office spokesman Mr John Sadie said overseas mail was now flowing more smoothly to South Africa despite the hiccups experienced after the festive season.

"Every overseas mail bag received contains a letter list with the departure date stamped on it. On January 6 we received a number of mail bags which contained letters which had been posted in the UK in December," he said.

He conceded that the Post Office was experiencing problems with its mail delivery services but said these were being "investigated and solved."

Mr Sadie refused to indicate what was causing the delays. He said it was "too early" to comment.
Black business goes cellular

By Mzikulu Malunga

A GROUP of black businessmen has teamed up with a telecommunications company, Teljoy, to venture into the cellular phones business.

The group, which rallies under a banner of an enterprise called Sub-Saharan Investments, comprises Mr Gaby Magojola, Mr Richard Maponya, Mr Eric Mafuna and Dr Jackie Mphafudl. Subshah, together with Teljoy, has created a company called Afrlink Hold-

ings that will become one of the service providers for Network provider, Vodacom as well as the South African Broadcasting Corporation.

Vodacom is a consortium of telecommunications companies led by the State-owned Telkom.

Afrlink will allow access to the broadcasting and distribution businesses.

Maponya will be the chairman of the new company while Mr Jeremy Forward will become the managing director.

"We are proud to be in partnership with an established company and pleased that Teljoy has recognised the potential of our two businesses," says Maponya.

Initial finance which has been injected into Afrlink is R1 million.

Teljoy’s chairman Mr Theo Rusten says "We view this as a sound business deal which will bring long term benefits to both companies and a further step towards the notion of black economic empowerment."
Cell phone networks to be increased

BY JUSTICE MALALA

Transport and Posts and Telecommunications minister Piet Welgemeed yesterday announced that the number of users of each cellular telephone network during the testing phase would be increased.

The number negotiated last year of 10,000 users on each network for the next two months would be increased to 12,000 next month and 16,000 in May.

Welgemeed said with two months left before the official start of the cellular phone network, the demand for the phones had risen unexpectedly and an increase became necessary.

The minister emphasised that the system was still in the testing period and, as such, there were still risks in its usage.
Cellular networks take on load for elections

SA’s fledgling cellular phone networks are being called upon to take on an extra load and supply more lines to cope with communications demands during the elections. All the additional lines will be allocated to the Independent Electoral Commission.

Posts and Telecommunications Minister Piet de Jongh warned that although the networks were still unstable, it was thought cellular telecommunications could help in the crucial phase of the poll.

Government has opted to increase the number of connections allowed this month to 3,500 on each network from the original 2,000. The 20,000 lines in April and May have been increased to 32,000.

Operators MTN and Vodacom said the extra capacity could be handled easily. But they warned that testing was continuing, and users could expect intermittent problems at least until the national, unlimited switch-on on June 1.

There have been indications of tension among the operators, with allegations that MTN is holding down the number of connections allowed during the test phase.

New MTN CEO John Beck pointed out that MTN was notified of its licence only in October, whereas Vodacom had been promised a licence early last year.

“We thus have a lot of catch-up work to do, and believe there must be a level playing field even at this stage,” Vodacom CEO Alan Knutt-Craig stressed. There would be no increase in commercial connections during the test phase. He said Vodacom could handle more than 30,000 subscribers single-handedly from April 1.

Report by M. Seargent, TWR, 11 Diagonaal St, JB.
NEWS Commuters speak of their Con-

Communication chaos looming

Sowetan Correspondent

A COMMUNICATIONS nightmare is looming for the election period as Telkom struggles to catch up with installations.

The country’s main telecommunications supplier is worried about safe access and still needs to know where half of the 9 000 polling stations are going to be.

It has completed only 25 percent of the task of providing telephone lines, computer links and telex links to polling stations.

Telkom management has not ruled out setting up cellular communications in certain areas and making use of the services of cellular telephone companies in a joint effort.

But many rural areas and townships, especially in Natal and the East Rand, have become no-go areas for Telkom personnel because of political violence and crime, says Mr Henrie Mulder, senior manager of Telkom corporate business.

Mulder said the services to polling stations and special facilities for the media would cost R311 million.

“Normally, planning starts two years before an event of this magnitude, but we’ve had only since October last year, because that was when we were first told where some of the polling stations were going to be.”

“We can do no planning before we know where we have to set up systems. We purchased equipment on the basis of overall estimates.”

“In Natal, for instance, our contractors were forced out because of violence. We have trenches to dig, masts to put up and lines to lay, but there are many areas where this is just not possible.”

Mulder said initially Telkom had hoped for a 92 percent completion rate, but now Telkom did not expect to come even near that figure.

“A total of 25 000 telephone lines had to be installed in polling stations alone.”

Mulder said Telkom, to benefit the community, had undertaken to keep networks in place in areas where they had not existed before the election.
Cellular switch-on
hits few hitches

THE April 1 cellular phone switch-on had its teething troubles in the first few days, but the network described it as a success overall.

Vodacom marketing GM Joan Joffe said the Vodacom switch-on had gone well and the full allocation of 12,000 subscribers was almost complete.

"Subscribers made over 45,000 calls on April 1 and traffic has increased steadily over the weekend, despite the public holidays."

She said the customer care centre had taken thousands of calls from people with switch-on and voice mail inquiries.

Joffe said international cellular phone observers said the Friday switch-on had been more successful than in other countries.

Teething problems had been largely due to some service providers not being available for inquiries over the weekend. "After this weekend, we envisage smooth progress."

Autopage MD Lawrence Berry said there had been hitches in the switch-on.

"It took a while to load all the subscribers because there were so many connections to be made by the network."

"Unfortunately, some were not loaded until April 2."

"However, it is important to remember that the networks are still in a trial phase. There are bound to be a few problems."

The test phase was planned to run until the end of May, with full switch-on scheduled for June 1.

Berry said subscribers would then have access to a reasonably stable and mature network.

He said Autopage had run a customer help desk at the weekend to field subscriber inquiries.

M-Net’s MTN systems engineer Jaco Fourie said there had been a few problems in testing, but they had not affected the service.

"Despite the problems, we have not been off the air. We should have everything sorted out by Friday," said Fourie.

Townships were seen as a huge potential market, where cellular phone sales would fall into three categories: business, family, and community.

It was expected that community telephones would be placed at strategic points in townships and would be run by entrepreneurs who would invest in handsets.

Telco’s Theo Rutstein saw great potential in the community market and said its size could not even be estimated.

"It will bring telephone services within the reach of millions of people who have not had access to them in the past."

Rutstein estimated that the business and family markets would reach about 500,000 within four years.