P.S. Telecomm. - General,
1996 - 1997

# Telkom sets privatisation date

(~~232~~) (267)

By BRENDAN BOYLE

POSTS and Telecommunications Minister Jay Naidoo has set March 1997 as the deadline for South Africa's first significant privatisation move

He told Parliament on Friday that by mid-March government hoped to decide on an international consortium to take over a minority share of Telkom Naidoo said the long-awaited deal, which is expected to spearhead the privatisation drive, could begin to take shape after a progress report to the Cabinet in September

"The timetable is that we hope to get into active negotiations towards the end of this year"

The ministry would report to the Cabinet next month on the progress made in talks with the Telkom board, trade unions and eight potential foreign equity partners

"Our view is that a partner for Telkom wouldn't be a single operator We're encouraging a consortium approach that brings in different forms of expertise"

Naidoo expected a formal short list to be finalised by Cabinet towards the end of the year

He identified the potential partners as France Telecom, Deutsche Telkom, British Telecom, Stet Spa in Italy, a Dutch and Swedish consortium of KPN and Telia as well as US corporations Bell Atlantic and South Western Bell

Naidoo said the equity stake on offer was still subject to negotiation, but that a 30% shareholding was within the range of discussion

He said the period of exclusivity that would be granted to Telkom before direct competition was allowed would also be open to negotiation with potential buyers

He reaffirmed that he would not include the exclusivity guarantee in legislation, but make it part of the licence conditions and said the guaranteed monopoly would be "in the ballpark of" the five to seven years proposed in a policy white paper earlier this year — *Reuter*

ST (BT) 25/8/96

# Telephone supply plan hampered by theft, vandalism

(267)

The Argus Correspondent

ARG 28/8/96

PRETORIA – Vision 2000 – an ambitious plan by Telkom to supply 3 million new telephone lines in mainly rural areas by the year 2000 – is being severely hampered by theft and vandalism

Telkom north-east region spokesman Andrew Weldrick said crews were spending more time replacing or repairing stolen solar panels from masts and repeater stations in remote areas of Mpumalanga, Northern Province and Gauteng than installing new ones to provide telephone services to communities where none exist

Apart from the cost, it also means communities where a Rurtel (Rural Telephone System) has been installed are without telephones while repair and replacement work is done, he said

At Nebo, a remote area in the Marble Hall district of Mpumalanga, the Rurtel community phone system supplies a service to 66 small communities but Telkom has had to spend R65 000 to keep the service operational because of theft and damage to 15 solar panels between March 1994 and October last year

Mr Weldrink said this did not include manhours, transport and other costs

The first Rurtel systems were installed to provide communications in remote areas during the 1994 election and since then Telkom has been extending the service as part of Vision 2000, its commitment to the reconstruction and development programme

"The most unfortunate thing is that theft and vandalism are hurting those people who are most in need of the service," he said

"We cannot carry on repairing and replacing indefinitely – it is taking allocated funds and labour away from installation services "

In the Northern Province Telkom has spent R409 000 replacing solar panels in four repeater stations – which appear to be the most popular target of thieves and stone-throwers

At Siyabusa, north of Warmbaths, Telkom has twice replaced entire repeater stations in an 11 month period between April 1995 and March this year

Mr Weldrink said Giyani was another area where Telkom staffers spent a lot of time replacing vandalised solar panels on repeater stations

At first the stolen panels were used mainly for building material and furniture.

"Our staffers came across any number of panels pressed into service either as coffee tables in rural houses or being used for walls and roofs in shacks," he said

"Now the wheel has turned and the stolen panels are being put more and more to use for supplying electricity to shacks and houses in rural communities "

Mr Weldrink said each panel cost about R2 000 and the attached six-volt block of batteries R800 It was an expensive way to build furniture or a house, he said wryly

"Each panel is clearly marked and imprinted with the Telkom logo and the only way to get rid of the identification is to break the panel," Mr Weldrink said

"The identification is no deterrent – people steal the panels and use them for their own purposes "

Telkom has embarked on a community relations project informing people of the benefits of a telephone service

# TELKOM'S DATE WITH DESTINY

(267)

FM 30/8/96

To placate investors frustrated by the slow progress shown in the nine months since a policy of limited privatisation was announced, government has nailed its colours to the mast by committing itself to selling up to 30% of Telkom in mid-March

But before the sale can proceed, the telecom Bill has to be enacted Posts, Telecommunications & Broadcasting Minister Jay Naidoo's supporters say the *FM* and other critics of the Minister's handling of the Bill underestimate the importance of getting the legislation in place by October

Naidoo's predecessor, Pallo Jordan, botched government's initial June target and this may have contributed to his removal from the post

Naidoo has tried to speed up the Bill's progress by avoiding a potential logjam — the debate over how many years Telkom may retain its monopoly — until after the new legislation comes into force

The Bill is being scrutinised by the State's legal adviser Once this office is satisfied that the Bill does not conflict with other legislation, it will be passed to a senate portfolio committee When the committee has completed its deliberations, the Bill will be handed to parliament Department insiders say there is no guessing how long this process can take

By making March the date for Telkom to tie up with an equity partner, government is giving itself a month's breather from the World Trade Organisation's deadline for submissions for liberalising telecommunications markets

Last April, SA suffered the embarrassment of the organisation refusing to accept its telecom offer because it was incomplete The submission was based on the White Paper which says Telkom's monopoly will be phased out within seven years But the organisation reportedly pointed out that this liberalisation promise can be wriggled out of by a clause which says "Modifying the liberalisation process is a policy matter and is thus the Minister's responsibility"


As one of 125 signatories to the Marrakcsh agreement, SA is obliged to make a valid submission on how it intends to liberalise its telecom market

Naidoo recently told parliament Telkom's equity partner would probably not be a single foreign telephone utility "We're encouraging a consortium approach that brings different forms of expertise"

The eight telecom operators consulted by Naidoo were Bell Atlantic, Southwestern Bell, Deutsche Telekom, France Telecom, Stet, Telia, Dutch PTT and Malaysia Telekom

Though government is now pushing its privatisation programme, it remains opposed to coupling this to increased competition It justifies this in the White Paper by saying "The objective is not to promote competition but to further the welfare of the consumer"

In an opinion piece written for the *Sowetan*, Naidoo denies being against competition "One view, reflecting the position of vested interests of the past, portrays government as opposed to competition and thus denying people access to telephone services"

In a subsequent paragraph, though, he reveals his bias "New companies wanting to compete with Telkom are not interested in providing universal service and telephones to our people They want to concentrate on urban areas, the rich and the business sector"

As Naidoo's own department pointed out in its submission to the Green Paper, retaining Telkom's monopoly hampers government's ability to expand the telephone network countrywide

Current legislation limits investment in telecommunications to Telkom's coffers — the business community is prevented from investing in Telkom or building its own lines

But Naidoo maintains that a monopoly period will provide "necessary stability" during a period of rapid network roll-out ■

*SA suffered the embarrassment of having the World Trade Organisation refuse to accept its telecoms offer in April because it was incomplete The organisation is reported to have pointed out that the White Paper contains a clause enabling government to wriggle out of its promise to phase out Telkom's monopoly within seven years*

# Rural areas scramble for cell phones

(267)

By Thabo Mabaso

CT (BR) 6/9/96

Umtata — South Africa's booming cellular phone industry is spreading into rural areas where inadequate infrastructure has left people clamouring for service, industry officials said yesterday

The country's first cellular network for public telephones was launched by Jay Naidoo, the minister of post and telecommunications, in Transkei in the Eastern Cape yesterday

Service providers Vodacom and MTN have rolled out their networks in the Eastern Cape over the last four months, at a total investment of about R50 million

They have completed 20 base stations between them — and Vodacom plans to introduce four more — while three community telephone shops were switched on this week

Alwyn Martin, the chairman of Vodacom, predicted a bright future for mobile phones, already a standard in cities in areas such as the former Transkei

No telephone network extension or upgrading has taken place in the Transkei since 1988 when the homeland regime was overthrown, and there is a backlog of about 30 000 telephones A total of only 19 000 phones serves a population of about four million — Reuter

# New operators muscle in on Telkom

(267)

Robyn Chalmers

ONE of Telkom's most profitable businesses — international long distance business calls — is being snared by new operators, leading to major government concern

The parastatal, its monopoly a key selling point in discussions with potential equity partners, has lost an unquantified amount of business to call-back service operators

Government warned yesterday that it was virtually powerless to police the market

At least six companies, such as US-owned Bell and Interstel, are offering call-back services Customers dial a US number and are called back by a computer, which then routes the call

The calls placed in this manner escape SA charges and are far cheaper than Telkom's international service

Several countries have banned the service after deciding their telecommunications carriers were suffering

International operators such as Sprint and AT&T also offer calling cards — a service Telkom is now marketing — though the charges tend to be at a premium rate

A post, telecommunications and broadcasting department spokesman said government was watching the spawning of such services, but imposition of a ban was unlikely

"We would rather look at innovative ways to challenge it and are confident that Telkom will become more competitive in the next few years, which should stem any further increase in these operators and cards," said the spokesman

International services accounted for R2,68bn of Telkom's R13,3bn revenue for the year to March

International business telecommunications are viewed as a key earnings generator In contrast, domestic residential business often generates losses Telkom, however, is committed to expanding in this area through its Vision 2000 lines installation plan

Government is seeking to use Telkom's monopoly as a main bargaining chip in talks to sell up to 30% of the parastatal Potential buyers declined to comment yesterday

Telkom said call-back services offered cheaper rates because operators did not have the expenses it faced

"Telkom also has a responsibility towards the RDP, whereas these companies concentrate on corporate business making international calls," a spokesman said

BD 13/9/96

*SA agency plans R8bn new bond issues*

# Asmal sacks top Lesotho project official

CT(BR) 25/9/96

267

By James Lamont & Bloomberg

Johannesburg — Professor Kader Asmal, the minister of water affairs, yesterday sacked South Africa's senior delegate to the troubled $4 billion Lesotho Highlands Water project In a move designed to reassert ministerial control over South African involvement in the project, Asmal's office said Hans Pettenburger, South Africa's permanent delegate to the joint technical commission of the project, was being relieved of his post with immediate effect.

Asmal sharply criticised Pettenburger last week after remarks he made to journalists suggested a second phase of the project could go ahead if certain political conditions were met by Lesotho Asmal claimed the remarks were unauthorised

Pettenburger is to be replaced by Alan Davies in the interim

South Africa is financing the project, which is designed to draw water from the Lesotho Highlands to Gauteng, but is unhappy with parts of the governing treaty, which was agreed to by the National Party government in the 1980s

Nevertheless, Pettenburger's abrupt sacking and Asmal's insistence yesterday that South Africa is committed only to the current phases — 1a and 1b — of the project coincide with assertions by the agency responsible for executing the South African elements of the scheme that it plans to raise an further R8 billion in financing in the bond markets this year and in 1997.

Undeterred by an acrimonious labour dispute that has brought key sections of it to a halt, and which gave rise to Pettenburger's remarks, Stuart Downie, the chief executive of the Trans-Caledon Tunnel Authority, said on Monday that Caledon would probably be issuing two bonds to raise between R3 billion and R5 billion each

The authority is responsible for implementing the South African section of the project

It acts as the agent of the water affairs department to raise finance for the water-transfer portion of the project.

The first bond would probably carry a maturity date of 2002 and the second bond would mature in about 2010, Downie said The authority would try to match the coupon of a benchmark South African stock

"We believe investor demand is still there The project is a great success, although we are having some labour problems on it at the moment," Downie said

Traders in Johannesburg said the existing stock had not been affected by the labour disruption that led to the firing of 2 300 Lesotho workers and left a reported five dead and 19 injured after a clash with police earlier this month

The first batch of bonds was sold by the Trans-Caledon Tunnel Authority in 1993

That was R642 million worth of bonds sold through Rand Merchant Bank and Standard Corporate and Merchant Bank

The authority has subsequently issued more bonds, bringing the amount outstanding to about R2,2 billion First National Bank also makes a market in the bonds.

*SA agency plans R8bn new bond issues*

# Asmal sacks top Lesotho project official

(267) ~~(258)~~

CT(BR) 25/9/96

By James Lamont & Bloomberg

Johannesburg — Professor Kader Asmal, the minister of water affairs, yesterday sacked South Africa's senior delegate to the troubled $4 billion Lesotho Highlands Water project In a move designed to reassert ministerial control over South African involvement in the project, Asmal's office said Hans Pettenburger, South Africa's permanent delegate to the joint technical commission of the project, was being relieved of his post with immediate effect.

Asmal sharply criticised Pettenburger last week after remarks he made to journalists suggested a second phase of the project could go ahead if certain political conditions were met by Lesotho. Asmal claimed the remarks were unauthorised.

Pettenburger is to be replaced by Alan Davies in the interim.

South Africa is financing the project, which is designed to draw water from the Lesotho Highlands to Gauteng, but is unhappy with parts of the governing treaty, which was agreed to by the National Party government in the 1980s

Nevertheless, Pettenburger's abrupt sacking and Asmal's insistence yesterday that South Africa is committed only to the current phases — 1a and 1b — of the project coincide with assertions by the agency responsible for executing the South African elements of the scheme that it plans to raise an further R8 billion in financing in the bond markets this year and in 1997

Undeterred by an acrimonious labour dispute that has brought key sections of it to a halt, and which gave rise to Pettenburger's remarks, Stuart Downie, the chief executive of the Trans-Caledon Tunnel Authority, said on Monday that Caledon would probably be issuing two bonds to raise between R3 billion and R5 billion each

The authority is responsible for implementing the South African section of the project

It acts as the agent of the water affairs department to raise finance for the water-transfer portion of the project

The first bond would probably carry a maturity date of 2002 and the second bond would mature in about 2010, Downie said. The authority would try to match the coupon of a benchmark South African stock.

"We believe investor demand is still there The project is a great success, although we are having some labour problems on it at the moment," Downie said

Traders in Johannesburg said the existing stock had not been affected by the labour disruption that led to the firing of 2 300 Lesotho workers and left a reported five dead and 19 injured after a clash with police earlier this month.

The first batch of bonds was sold by the Trans-Caledon Tunnel Authority in 1993

That was R642 million worth of bonds sold through Rand Merchant Bank and Standard Corporate and Merchant Bank.

The authority has subsequently issued more bonds, bringing the amount outstanding to about R2,2 billion First National Bank also makes a market in the bonds

# Controversy rages over phase two of Lesotho water project

BD 25/9/96 (267)

**Bonile Ngqiyaza**

THE Southern African Rivers Association (Sara) has come out against the proposed Mohale Dam being built on the Sinqunyane River in Lesotho's Maluti Mountains, suggesting the area be declared a heritage site instead.

The organisation represents the river tourism industry and professional river guides of southern Africa

It said the project — which forms the second phase of the Lesotho Highlands Water Project — was likely to be detrimental to Lesotho's rural communities

"The valley of the Sinqunyane River, lying below the proposed Mohale Dam site, is one of the few pristine sandstone gorges left anywhere in the subcontinent Building the dam upstream would destroy this wilderness area forever," Sara executive member Graeme Addison said.

He recommended that the whole project be rethought before further blunders were committed. "There is no good reason why SA's democratic government should carry the responsibility for deals negotiated during the apartheid past."

Recently, Sara said, the World Bank — acting on advice from numerous non-governmental organisations, including the International Rivers Network — warned both SA and Lesotho that they had failed to make good their promises to villagers.

The promises, made before dam building started, included providing alternative livelihoods and compensating the villagers for the loss of their heritage.

The next phase of the project would not go ahead with World Bank funding unless all the promises made to the villagers in the past were met, the organisation said.

The first phase of the project — the building of the Katse Dam — hit the headlines earlier this year when mini earthquakes occurred, causing cracks in the mountains, as the weight of water settled into the valley of the Malibamatso River.

It was reported last week that five project workers were killed and 13 others wounded by police fire more than a week ago while they were on strike.

Sapa reports that more than 1 000 students of the National University of Lesotho toyi-toyed along Maseru's streets yesterday to protest against the killings.

A delegation led by student union president Pitso Pitso handed a petition to the offices of the prime minister, the speaker of the national assembly and the ministers of home affairs and natural resources.

The petition urged the government to ensure that those responsible for the deaths be brought before the courts. The students also demanded that affected families be adequately compensated.

Meanwhile, **Patrick Wadula** reports that the project's northern delivery tunnel will be completed this month, three months ahead of schedule.

Tunnel contractors Hochtief, Marti and Concor, acting in a R385m joint venture, said the first stage of pressure tests had been completed and the final stage, the flow test, would be carried out next year once water was available from the dam.

# Cape Town council spells out stand on autonomy

BD 27/9/96

**Linda Ensor**

CAPE TOWN — Submissions to the Constitutional Assembly by the Cape Town City Council would stress the need for local autonomy to be entrenched, the council resolved at its monthly meeting yesterday

The council said provincial powers should not be expanded at the expense of local autonomy. Furthermore, the council resolved that "the categorisation of municipalities should be kept to a minimum, so keeping the overall local government structure as simple as possible and that the distinction between urban and rural local government not be overemphasised".

The council would argue in its submission that the appointment or election of executive committees should continue to be based on a system of proportional representation rather than by a simple majority of votes.

Decisions by local authorities should be taken by a simple majority, except when related to constitutional powers of the council However, cases where special procedures and majorities were required should be kept to a minimum and ought not apply to operational issues The council also adopted a proposed agreement for allocation of powers, duties and functions of the metropolitan and local councils


# New Bill aims to reshape SA telecommunications

BD 27/9/96 (267)

**Robyn Chalmers**

SA's telecommunications sector is in line for thorough restructuring with the unveiling yesterday of the much debated Telecommunications Bill

The Bill, which should go before Parliament during its next session with the aim of being passed into law before the end of the year, makes provision for the regulation of telecommunication activities and the control of the radio frequency spectrum.

Two watchdog bodies are provided for in the legislation — an independent SA telecommunications regulatory authority and a universal service agency — and a host of existing laws have been repealed or amended

Unveiling the Bill yesterday, Post and Telecommunications Minister Jay Naidoo also announced that a study would be launched into the viability of a third cellular network operator

The study would take four to six months, after which a decision would be made on the granting of a third licence, he said.

Naidoo said the aim was to converge the creation of the regulatory authorities with government's decision on a strategic equity partner for Telkom.

"We expect Cabinet to make a decision on Telkom's strategic equity partner by April next year, by which time the regulator should be set up and the transformation of the postmaster general's office completed," he said.

Naidoo said eight potential partners had been invited to submit proposals on buying a 30% stake in Telkom, which should be evaluated by mid-November with a final shortlist expected in February

Government was committed to phasing out Telkom's monopoly on fixed voice telephony, but this was a key selling point for government in negotiations. The final liberalisation period was therefore likely to be decided during the upcoming talks with potential partners.

The exclusivity period — currently mooted at between four to six years — has been omitted from the Bill, but Naidoo said it would be spelt out in Telkom's license.

He believed an exclusivity period was vital to rebalance tariffs and address SA's development needs, particularly Telkom's Vision 2000 strategy to double the network from four to eight million lines in five years.

SA's exclusivity period was, he said, also subject to discussions with the World Trade Organisation.

The organisation had set a deadline of February 27 next year for submissions on liberalising telecommunications markets globally.

# Unions shape up for the new challenge

(267)

ST (BT) 29/9/96

COSATU's about-turn on privatisation clears the way for Telkom to proceed with plans to bring in a strategic equity partner (Sep) in 1997

Cosatu-aligned unions within Telkom previously opposed the Sep, fearing the pursuit of business efficiency and the dilution of state ownership would result in large-scale redundancies

Eugene Martin, human resources executive at Telkom, says Cosatu's recent change of heart over privatisation "takes the debate over the acquisition of a Sep to a much higher level The implications must still be debated with the trade unions, but I expect by March 1997 the whole process will be complete"

A government announcement on the Sep short-list is imminent The sale of a 30% stake in Telkom could generate up to R7-billion for the group, which needs R30- to R40-billion to fund the roll-out of 4-million lines under its Vision 2000 programme But it will also require substantial improvements in business efficiency along with huge retraining and skills upgrades to prepare the group for competition

**QUOTE:** It may still take us a long time to reach an agreement, but when we do it sticks

Martin says the Sep issue is likely to dominate negotiations with the trade unions over the coming months The possibility of staff redundancies will be the subject of tough negotiations, and none of the unions are likely to give ground

The six largest trade unions in Telkom have formed themselves into two major alliances, split along broadly racial lines Potwa, the Cosatu-aligned and predominantly black trade union, joined forces with Peasa (predominantly coloured) and Saptea (Asian) earlier this year to form the Communications Workers' Union (CWU), representing 26 000 of Telkom's 59 900 employees CWU members constitute 42% of the Telkom bargaining unit Some 4% of CWU's members chose to join the ranks of the non-unionised workers following the merger The reasons are unclear but it is thought some members were uncomfortable with the CWU's close association with Cosatu

The three largest white trade unions — the SA Telecommunications Association, the Posts and Telecommunications Association and the Mineworkers' Union — banded together under the Alliance of Telkom Unions (ATU), representing 32% of Telkom's workforce, after management indicated that for trade unions to enjoy continued recognition for collective bargaining, they would have to represent at least 30% of the unionised workforce

With just two trade union alliances to deal with, the negotiating lines are more clearly drawn, says Martin "It was often difficult to deal with six trade unions, and we found that some of the smaller unions were obdurate as a way of self-assertion Now it may still take us a long time to reach an agreement, but when we do it sticks"

Resistance to affirmative action from white trade unions has softened, leaving it to management and the black trade unions to fight over the detail The CWU objected to management plans to dismantle head office affirmative action structures, formed as a monitoring function to ensure that targets and processes were duly applied

"These structures have outlived their usefulness," says Martin "They were put there to supervise affirmative action programmes, but this meant they came onto the scene after the event Initially, affirmative action was an appendage to the business process, not integral to it Now we want to take the next step forward and integrate it with the business process"

Stark differences have emerged between unions negotiating at head office and business unit level Decentralising affirmative action to the business unit level implies a loss of control at head office, a disconcerting prospect to some unions

Telkom's transformation programme, designed to elevate business efficiency and prepare it for international competition, poses considerable danger for black employees, most of whom are in low-skill jobs and support functions such as catering and administration Some of these may be spun off, creating an uncertain future for unskilled employees

# State, trade unions close to deal on Telkom sell-off

## *Revamp package in place next month*

(267) (233)

ARG 27/9/96

Jay Naidoo: 'No preferred bidders'

ESTELLE RANDALL
LABOUR REPORTER

**The government and trade unions are close to agreeing on the sale of up to 30 percent of state-owned Telkom.**

Minister of Posts, Telecommunications and Broadcasting Jay Naidoo said at a seminar in Johannesburg yesterday that final agreement with trade unions on Telkom's restructuring for presentation to foreign investors would be in place by next month

By November, strategic equity partners would submit proposals to buy between 20 percent and 30 percent of Telkom By February, the Cabinet would get a final short-list of possible Telkom partners and decide finally on a partner by the end of March

"There are no preferred bidders," said Mr Naidoo "We'll examine what they have to offer when they make their proposals "

Potential partners include France Telecom, US groups Bell Atlantic and South Western Bell, British Telecom, Italy's Stet Spa and Deutsche Telekom

Besides money, a strategic equity partner should offer advanced technology, management skills and commitment to train and retrain workers in the telecommunications sector, Mr Naidoo said.

He said the Government believed investors would pay more for Telkom shares if the company's monopoly as a telecommunications service supplier was protected for five to seven years

The period of exclusivity was not contained in the Telecommunications Bill – to be tabled during the next session of Parliament – but Telkom's monopoly would be protected for five to seven years in a licence ,for which it must apply when the bill becomes law

The licence would also set targets and penalties, Mr Naidoo said

# Bill silent on demise date for monopoly

(267) CT(DR) 27/9/96

JOHN SODERLUND
FINANCIAL NEWS EDITOR

Johannesburg — The post, telecommunications and broadcasting ministry published its Telecommunications Bill yesterday, which makes provision for a phased, wide-ranging deregulation and liberalisation of the telecommunications market

But while the Bill was little changed from its earlier drafts, it skirted the contentious issue of a firm timetable for ending Telkom's monopoly on fixed-line voice services in its final form, leaving that detail to the soon-to-be appointed South African Telecommunications Regulatory Authority

Jay Naidoo, the telecommunications minister, told reporters yesterday that the exclusivity period — the period after the passing of the Bill during which Telkom will be protected from competition in fixed-wire voice services — would be written into the licence under which Telkom would be obliged to operate from March next year

The licence and a proposed timetable for the liberalisation of the South African market must be finalised by the end of February next year, in terms of World Trade Organisation (WTO) rules

Naidoo emphasised that the South African proposal would be for the exclusivity period to continue for between five and seven years, in line with the four- to six-year period proposed in the white paper

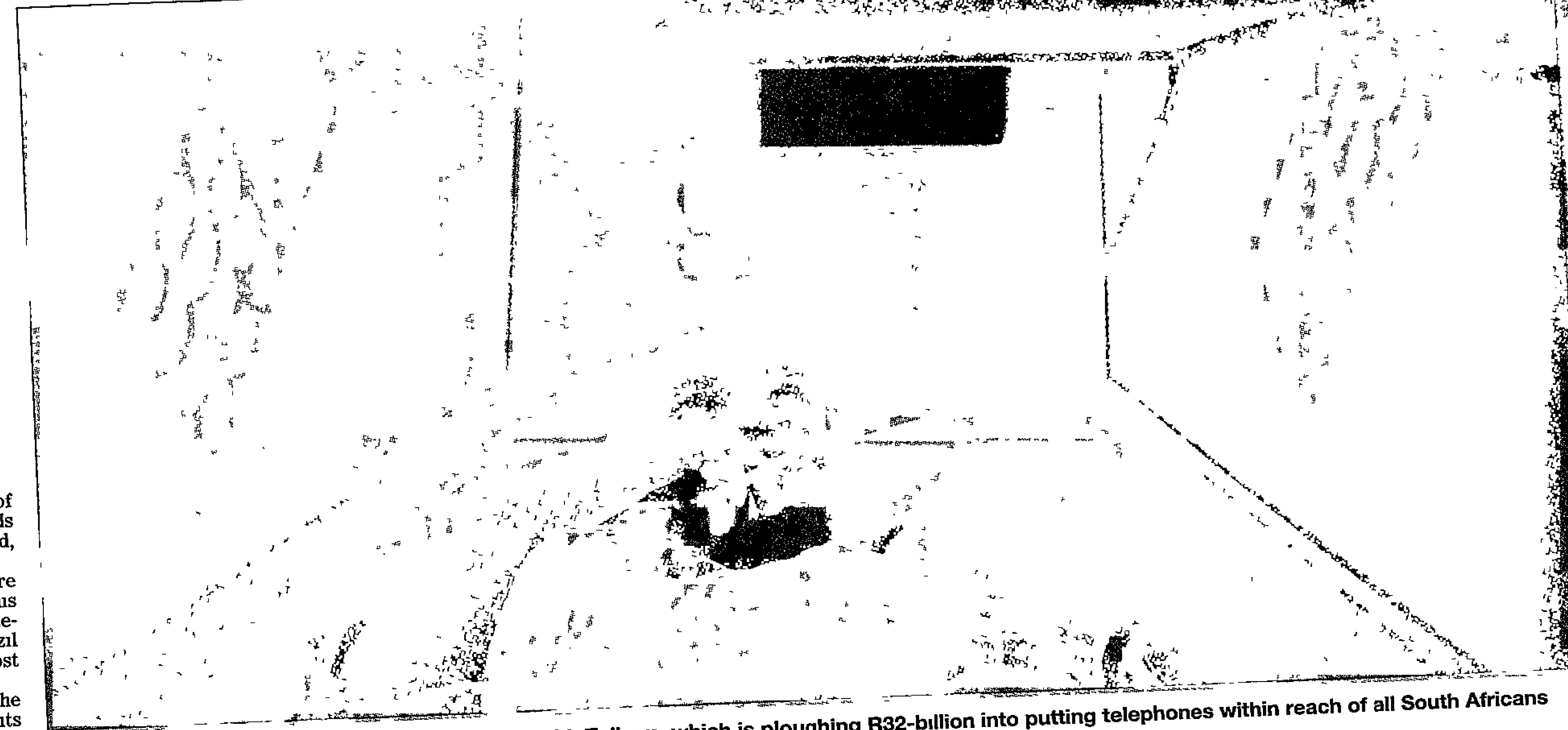
Pictures JEREMY GLYN

Telecommunication giant Telkom is about to rewrite South African corporate history with its partial privatisation and R32-billion Vision 2000 project, write SVEN LUNSCHE and CIARAN RYAN

(267)

# Future on the line in bid to compete with the big world

ST (BT) 29/9/96



THE FUTURE CALLS . . . getting connected with Telkom, which is ploughing R32-billion into putting telephones within reach of all South Africans

TELKOM is at a crossroads Five years ago, it took its first steps away from the state patronage which supported it for decades, but its commercialisation has proved just the starting point in the long haul towards becoming a world-class telecommunications player which can deliver universal telephone access to all South Africans

Next year, it will take another significant step in that direction by selling off up to 30% of its capital base to a consortium of foreign telecommunications players

It will also launch Vision 2000, its ambitious project to provide universal access to telephones for most South Africans Costing R32-billion, it is the most expensive project ever launched by the public sector

Telkom has been swept up by the global telecommunications revolution Unprecedented structural changes as a result of trade liberalisation, globalisation and ever-changing technology are forcing players to adapt and become more competitive

GIMME SHELTER . . . Dikgang Moseneke, Telkom's chairman

Resources are needed to replace the infrastructure of the global telecommunications network before it grinds to a halt under the huge burden of consumer demand, unimaginable a mere 10 years ago

Companies once seen as natural state monopolies are being privatised at a rapid rate In the week of this survey alone, Deutsche Telekom and the state-controlled telecommunications group in Brazil announced plans to privatise and their search for almost $15-billion from the private sector

These trends, in gradual ascendancy around the world, hit South Africa with a bang in 1994 when its economic isolation was ended abruptly with the dawn of democracy

While commercialisation had prepared Telkom to some extent for the full force of global trends and competition, it was, and still is, largely on the defensive

It is far less efficient than many of the telecommunications operators in the developing world who face the same infrastructural backlog, and its labour force hankers after the days when state control guaranteed jobs, a reasonable salary and many non-wage perks

Telkom also remains protected from competition through a proposed period of exclusivity which will allow other operators to enter the playing field only once Telkom has built up the country's infrastructure and improved its efficiency.

Shielding Telkom from competition, albeit for a limited period, has proved the government's most controversial proposal as it prepares the legal framework for the telecommunications market It could yet prove to be a disastrous decision, if all but Telkom's equity partners choose to ignore South Africa to find more open and profitable pastures

It could also leave South Africa at the tail end of moves to forge an advanced international telecommunications network

The government and Telkom executives argue forcefully that a measure of protection is vital if the group is to meet the enormous infrastructural challenges in South Africa

"We are protecting our core businesses Clearly over time we will become competitive but we need the period of exclusivity to balance our tariff structures and, most importantly, to achieve universal access to the majority of South Africans who don't have a telephone," says Telkom chairman Dikgang Moseneke

Apartheid has bequeathed the country deep disparities in the provision of telephone services While many families in Sandton have access to at least two telephones, four million residents of the Transkei have to share 19 000, mostly public, phones between them

Affirmative action is also required

This survey examines in detail the challenges facing Telkom and how it is meeting them

**QUOTE:** Over the next five years, Telkom has effectively to double the existing infrastructure

Moseneke describes it as a difficult balancing act, referring to a mission statement in the latest annual report to establish widespread telecommunications access, to provide the business sector with advanced value-added services and to operate efficiently in an increasingly competitive environment

Telkom is barely a few steps onto the tightrope in 1995/6 143 000 new lines were added to the telephonic network of 3,75-million lines The group is also behind this year's target of 300 000 new lines at a cost of R4-billion

In the public's eye, Telkom's destiny is linked to the success of Vision 2000, which ambitiously aims to add three million new lines in underdeveloped urban and rural areas and upgrade one million existing ones

Over the next five years, Telkom has to effectively double the existing telecommunications infrastructure A difficult task maybe, but not an impossible one

The Philippines plans to install 3,6-million lines this year alone, while Mexico boosted its network from 5,3-million to 8,7-million lines between 1990 and 1994

Vision 2000 is expected to kick off over the next few weeks when Telkom announces the winning bidder for the first phase of the plan one million lines

The five contractors shortlisted are Marples, the South African arm of NEC Equipment, Lucent, AT&T's former telecommunications equipment arm, Siemens of Germany, Eriksson of Sweden and France's Alcatel Telkom has indicated it could award up to three contracts for the work

Amid the enormity of the tasks ahead, it is easy to forget how far the parastatal has come since commercialisation

It is now a profitable operator having improved earnings a share by a compound 45% a year Revenue has grown by 15% a year with the income stream slowly diversifying from its traditional domestic call base to international calls, cellphones and the Internet

Telkom's staff has declined from 67 000 to 55 000 in March this year, although the re-integration of telecommunications enterprises in the former TBVC states has pushed this back up to about 58 000

Telkom is one of the leaders in implementing affirmative action with about a third of its upper to middle managers now black

Earlier this month the government finally convinced the trade union movement, including the powerful Communications Workers' Union, to accept a partial privatisation of state enterprises after two years of heated and sometimes hostile negotiations The condition attached by the unions is that the strategic equity partner is vital in helping deliver basic essential social services.

This is clearly the case for Telkom Says Mosenecke "We simply do not have an alternative We need a strategic equity partner to deliver the funds, the technology and the management expertise to help us achieve universal access and international competitiveness"

But his vision is not limited to South Africa Moseneke views the strategic equity partner as the key to Telkom's future global expansion

**QUOTE:** Shielding Telkom from competition could yet prove to be a disastrous decision

"We want to develop telecommunications in southern Africa in co-operation with neighbouring countries We have the technology and cable and satellite capacity to become the hub of the region

"Longer term, Telkom wants to join one of the global carrier alliances that are being developed between major operators to develop worldwide integrated communication networks"

In Parliament last month, Posts and Telecommunications Minister Jay Naidoo outlined some of the details of Telkom's partial sell-off scheduled for March next year

He stressed that no more than 30% of Telkom would be sold, a stake analysts estimate could raise between R5-billion to R8-billion Still to be decided is whether the government will sell some of its shares or whether new capital will be issued

He has delayed naming a shortlist of successful candidates, planned for this week, ostensibly to give his new advisers, UK merchant bank SBC Warburg, time to study the proposed operators

But Naidoo has indicated a consortium of operators, rather than one group, will be chosen to partner Telkom Analysts says the final list could include the following combinations a grouping of Deutsche Telekom and another European operator, a consortium comprising US group SBC Communications and Telecom Malaysia, a grouping of Koninklijke PTT Nederland and Telia of Sweden, and a consortium including either Bell Atlantic or AT & T

# Telephones for Africa on shaky ground

**Satellites could bring telephones to Africa's backwaters, but there are problems to solve before lift-off, writes Simon Barber in Washington**

BD 1/10/96 (267)

AFRICA needs more telephones Without them, economically marginal areas will stay that way There is, however, a reason such areas do not have telephones Being economically marginal, they are unlikely to provide an immediate return on the necessary investment in infrastructure without heavy subsidies

But what if there was a way to tie the backwaters into existing networks without having to build the infrastructure first?

That's the thinking behind Mobile Communications Holdings' Ellipso global satellite telephone project, one of several such ventures in various stages of development Basically, the idea is to have earth-orbiting satellites perform the function of cells in ground-based cellular networks

With this system, remote communities could have public telephone booths, or even local networks, connected to the outside world directly via satellite Wealthier subscribers would have their own handsets, similar to a cellphone, and be able to make and receive calls anywhere

As for the cost to the rural user, Mobile thinks it could be as low as $0,13 a minute from a fixed device costing a few thousand dollars

It's a nice idea One problem, of course, is that it doesn't wholly solve the infrastructure conundrum Mobile and its partners still have to get 16 satellites (not counting spares) built and into orbit Ground stations to control the satellites and route calls through existing public networks have to be established and licensed High-tech telephones with the power to reach satellites at distances ranging between 500 and 8 000km have to be manufactured

All of that entails substantial capital Mobile puts the price tag on Ellipso at $1,1bn, less by far than any of its rivals, which include Motorola's Iridium, Loral's Globalstar and TRW's Odyssey

In fact, it claims its design is so cost effective, that it could buy the necessary satellites, launch enough for a bare-bones system and operate it for a year for as little as $564m By contrast, estimates from the other three for the equivalent stage, range between $1,5bn and $3,8bn

To launch Ellipso, the organisation needs a licence from the US Federal Communications Commission The commission has ruled that because the spectrum of frequencies allocated to "Big LEO" (low earth orbit), as the competing systems are collectively known, is limited and the start-up costs are so high, it will grant licences only to projects that can demonstrate they have the capital to build, launch and operate for a year solidly lined up.

Explaining the ruling, the commission cited its "repeated experience that licensees without sufficient resources spend a significant amount of time attempting to raise the necessary funding and those attempts often fail".

In other words, it isn't going to hand out licences for companies, possessed of little more than dreams, to dangle in front of investors They have to have the capital up front.

In January last year, the commission announced that Motorola, Loral and TRW had passed that test and gave them licences. It failed Mobile, even though Ellipso had been hailed in an independent evaluation presented to the state and defence departments as a "serious contender" and the only "truly market-driven system"

It should be noted that the evaluation, by Massachussets-based Mitre, was not overly optimistic about any of the projects meeting their promised schedules for construction and obtaining regulatory clearance in the score of countries they proposed to serve "No Big LEOs will be fully operational by the end of this century," said Mitre's Neil Hulkower

To the untrained eye, Mobile's licence application looked moderately impressive To be sure, the 1990 startup's assets were a negligible $1,25m and 57% of the privately-owned company's stock was held by its chairman and founder David Castiel.

Nevertheless, some big names in aerospace and telecommunications had stakes, albeit small ones. These included Israeli Aircraft Industries (3,8%, expanded to 13%), Westinghouse (1,9%), Cable and Wireless (1,9%), Fairchild (1,9%) and Harris Corp (0,95%) Investment bank Barclays de Zoete Wedd was in for 5,7%

All declared interest in backing the project. There were also letters from suppliers, including Arianespace, ESKOS — representing the Russian Space Agency, satellite builder Spectrum Astro, and IBM, expressing readiness to finance the purchase of their goods and services.

The trouble, from the commission's standpoint, was that very few of the undertakings were cast in stone There were too many weasel words in the fine print Everyone was interested in having an iron in the fire if Ellipso became viable Alas, Mobile had failed to demonstrate much more than that

The commission was particularly snippy about Mobile's claim of firm backing from Barclays. "A commitment to provide advisory services does not constitute a financial commitment " Quite so.

Mobile was given until last January, subsequently extended twice to September 16, to come up with something a little more plausible It met the deadline, but in a faintly aromatic way

The obvious answer to the commission's initial rebuff would have been to go back to the shareholders and vendors and ask them to tighten up their commitments Perhaps that was tried

In any event, Mobile's latest filings show that it has adopted a different strategy to satisfy the commission. It claims, in a sworn affidavit, to have found two new investors who have pledged "irrevocably" to ante up $650m if a licence is granted.

One of the alleged investors is Egyptian industrial conglomerate Artoc. The other is Vula Communications, a "newly registered" SA company which Mobile swears is ready to fork across $350m (R1,6bn) over two years, starting 30 days after the commission grants a licence. For the money, Vula will get a 12% stake in Mobile and "exclusive distribution rights for Ellipso in certain regions of Africa".

The deal was signed on September 12 and superseded another, in January, with ATEO Holdings, headed by Afritel

Vula is described as a consortium of "established" SA entities "with access to substantial financial resources"

These entities include the "investment arm" of the ANC (named as Izwelitsha Investment Holding), the Communications Workers Union, national civics organisation Sanco, black business chamber Nafcoc, plus the pension fund of the metalworkers' union Numsa Boland Bank is listed as "assisting with structuring and management"

Mobile has given the agreement to the commission on a confidential basis. For the public record, it has provided letters from ANC treasurer general Arnold Stofile, SA's US ambassador Franklin Sonn and cabinet minister Pallo Jordan.

Jordan's letter, dated February 1, was written while he was minister of telecommunications It is addressed to Mark Headbush, then executive chairman of Afritel, congratulating him on his "joint venture" agreement with Mobile. Sonn's letter, dated February 19, is addressed to Castiel It refers to Jordan's letter and is also warmly supportive of the project

Sonn notes that Mobile is seeking a licence from the commission and asks that his letter be brought to the attention of the commission "as evidence of my support and that of my government"

Stofile's letter is dated September 11, the day before Mobile signed its agreement with Vula, and is addressed directly to the commission Stofile writes: "The SA government favours the implementation of Ellipso in sub-Saharan Africa and we look forward to an early decision on the application to the commission (so) that Vula Communications can proceed in securing the appropriate government participation and licensing in the remaining territories of sub-Saharan Africa."

All of this raises a lot of questions Mobile's affidavit says that Vula's commitment is subject only to the commissions granting a licence and "does not rest on contingencies which require action by any party" Does that mean that exchange control permission has already been granted?

And are we to take it that Stofile, whose ANC letterhead proclaims "The people shall govern!", speaks for the people's elected representatives and their regulatory authorities? To be blunt, what the hell is going on here?

Mobile is not in answering mode Company vice president Gerald Hellman, assigned to answer this reporter's calls to Castiel, would initially not even confirm statements his boss had made, under risk of perjury, in Mobile's public affidavit to the commission Dumb

The kindest interpretation is that Mobile, though in possession of a technically brilliant scheme, is managed by incompetents Someone had better look into this before any working man's pension is put at risk.

# Telkom stake set aside for black groups

(267)

BD 11/10/96

Tim Cohen

CAPE TOWN — Ten percent of Telkom's equity would be sold to black economic empowerment groups and worker organisations, in addition to the 20% to 30% stake which would be sold to a "strategic equity partner", Telecommunications Minister Jay Naidoo said yesterday

He also announced the list of companies which had satisfied the ministry's initial selection criteria, following a due diligence exercise The list was only two fewer than the total number of companies which originally expressed interest.

The list of seven companies excludes British Telecom and Bell Atlantic. Naidoo said the latter was unable to participate because its human and capital resources would be absorbed in its recent merger with Nynex British Telecom was more interested in niche markets which might evolve later in SA's deregulation process

The contenders are now Deutsche Telekom, France Telecom, the Netherlands-based KPN, Stet of Italy, Telia of Sweden, Malaysia Telecom and Southwestern Bell.

Naidoo said there were no preferred bidders at this stage and the Cabinet had resolved to conclude the sale by April next year. The sale price of a stake in Telkom was not fixed and would fluctuate depending on the specifics of the deal It would probably cost the successful bidder between R5bn and R6bn, he said

On the sale of the further 10% stake, Naidoo said after negotiations with trade unions, it had been decided to make an amount available for the economic empowerment of previously disadvantaged communities and workers The sale of the 10% stake had not been a condition imposed by the unions for approving the deal, he said, but it would contribute to government and the labour movement's goals.

Details of how the sale would take place and how much would go to the union groupings or to workers on the one hand, and to black empowerment companies on the other, were still under discussion, he said

Government was approaching the issue in an open-minded way. He would not at this stage rule out the possibility that the stake would be sold at a discount

Government is hoping to double the number of private telephones in SA over the next five years. To do this, Naidoo said, government required about R30bn over the next five years

Naidoo said he was confident that Telkom could cover about half that amount with its own income, but another half would be financed by the sale of the shares and borrowing on the capital market

The telecommunications White Paper granted Telkom a five-year period

Continued on Page 2

## Telkom

(267) BD 11/10/96

Continued from Page 1

of exclusivity for fixed-line telephony, which was necessary for ensuring the expansion of the network, Naidoo said.

The period of exclusivity would be the subject of negotiation with the potential equity partners. But any change would have to be approved by the telecommunications task team and would have to be compatible with whatever resulted from World Trade Organisation talks on the liberalisation of global telecommunications.

The Cabinet would decide what would happen to proceeds of the sale, but the need to expand Telkom's network was so pressing that these were likely to stay largely within Telkom

**Reneé Grawitzky** reports that the National Union of Metalworkers of SA (Numsa) and the Chemical Workers' Industrial Union (CWIU) would not be opposed to a strategic equity partner if it furthered RDP objectives and government maintained majority control of Telkom. They were, however, concerned and cautioned against the 10% equity being bought by black empowerment groups for self-enrichment when the needs of the broader society had to be considered.

A number of black empowerment groupings canvassed on their interest in bidding for the 10% equity portion of Telkom indicated that although it was early days, they might be interested in such an opportunity.

However, sources close to such groups said a number — especially those part of the National Empowerment Consortium (NEC) — were preoccupied with raising funds for the Johnnic deal to meet the October 28 deadline. It could therefore prove difficult to raise money for two deals at the same time.

Sources indicated that as a result, unions such as Numsa and the Communication Workers' Union (CWU) could have the option of taking up the bulk of the 10% equity.

CWU general secretary Seleboho Kiti said yesterday a potential consortium which bought the 10% equity had to provide a commitment to improving broader society which did not merely enrich a few Black empowerment, he said, had become distorted to mean the enrichment of a few. Workers and communities could be empowered by their representative organisations taking up equity on their behalf.

Numsa general secretary Enoch Godongwana said his union agreed to a strategic equity partner in order to finance the expansion of the delivery of telecommunications. The 10% equity would be important only if it formed part of a broader strategy to mobilise financial resources to finance the delivery of telecommunications to the broader society, and was not for the sake of black empowerment. "If the 10% is considered as part of token black empowerment then it does not make sense," Godongwana said.

Black empowerment groups such as Worldwide Investments and Nail might have to waive such options because of potential conflicts of interest. Worldwide has an interest in Plessey while Telkom chairman Dikgang Mosaneke is also executive deputy chairman of Nail.

THE STORY

# Telkom plans to get everyone talking

(267) ARG 4/10/96.

## *Naidoo envisages 'phones for all', huge boost in communications*

**TELKOM IS POISED TO CHANGE THE WAY WE THINK, WORK AND PLAY. ESTELLE RANDALL SPOKE TO MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING JAY NAIDOO ABOUT HOW THIS WILL BE DONE**

Jay Naidoo has major plans to give all South Africans reasonable access to telephones and other forms of telecommunications "Over the next five years we must make access to telecommunications normal," he says

This doesn't mean a telephone in every home, a goal which Mr Naidoo says would take at least 15 years to reach

Instead, in pursuing its aim of a universal telecommunications service in South Africa, the government's – and Telkom's – goals are to have four telephones for every 1 000 people

But Mr Naidoo's vision reaches beyond "empowering communities" through access to the basic telephone

"In the next five years, I want to see every community with a multi-purpose communications and information centre – the local post office could play this role

"In such a multi-purpose centre there would be access to the Internet and on-line government information – everything from what government tenders were available to how you could apply for a pension, or get a drivers' license

"We also would have implemented our commitment to getting Internet into all schools. We need computer literacy among the young They say children can learn anything"

Health centres in such communities would be able to use tele-medicine to bring sophisticated health care to even remote rural villages far from ... by

*'In the next five years, I want to see every community with a multi-purpose communications and information centre'*

The key to unlocking Telkom's potential to put telecommunications within reasonable reach of all South Africans involves the government selling off 30 percent of its shares to a foreign consortium

Telkom needs about R32 billion to achieve its goals, but it also needs a strategic equity partner to offer advanced technology, management skills and commitment to train and retrain workers in the telecommunications sector

Mr Naidoo says "We need to bring in capital, but also management, to help train our people and technical expertise suited to rural and urban development Only a foreign consortium can deliver all these requirements, as there's no one with these development skills in South Africa"

Present potential partners include France Telecom, United States groups Bell Atlantic and South Western Bell, British Telecom, Italy's Stet Spa, Deutche Telkom, Malaysia Telecom and a Dutch and Swedish consortium of KPN and Telia

In spite of its planned sale of up to 30 percent of Telkom, the government has no intention of giving up its majority shareholding and completely privatising the organisation

"This would be a mistake because telecommunications is such a basic service which has to be provided Telkom's an important asset and we're restructuring it so that we can deliver the RDP"

The RDP called for telecommunications to meet the basic needs of communities by providing distance learning, giving schools and villages access to the Internet and giving rural communities access to quality health care There also had to be equitable distribution of telecommunications services to all provinces

Mr Naidoo says that by next month there will be final agreement with trade unions on Telkom's ...turn and an

COLIN DANIEL

**Man of words:** Jay Naidoo aims to get South Africa into the global information network

will also be targets for training "There'll be financial penalties if these aren't met," he warns

Mr Naidoo says the government hasn't ruled out further sale of Telkom shares to foster empowerment of disadvantaged groups – but this would be separate from the 30 percent sale and the state still would remain a majority shareholder

"In principle, we've accepted that empowerment is necessary This could involve further sale of say up to five percent of shares," he speculates

Mr Naidoo's department is also holding discussions with trade unions in the telecommunications manufacturing sector about an industrial strategy to complement the telecommunications access plan

These discussions are timed to conclude about the same time as a decision is reached about Telkom's strategic equity partner

But the new telecommunications era into which Mr Naidoo is leading South Africa will also have spin-offs for the rest of southern Africa, which has fewer telephone lines than Tokyo

"A restructured, more responsive Telkom will make it easier to direct telecommunications traffic through South Africa at a cheaper rate," he says Already about 60 percent of sub-Saharan telecommunications traffic passes through South Africa "There would also be the benefits of technology which we would share with our neighbours

As with South Africa, Mr Naidoo believes developing the telecommunications capacity of the southern African region is fundamental to its economic growth

He said discussion about regional telecommunications restructuring was happening through the Southern African Transport and Telecommunications Co-ordinating Committee, a sub-committee of the Southern African Development Community

Beyond the southern African region, South Africa had plu...ed into worldwide

267 AEG 4/10/96

linking up with urban hospitals through computer videos

This vision of using telecommunications to improve all South Africans' quality of life is underpinned by the aim of creating an information economy in South Africa which will be capable of competing internationally

Experiences in other countries where similar changes have occurred show that even the availability of public telephones started generating economic activity.

Telkom's goal over the next five years is to have about four telephones for every 1 000 people This involves adding up to three million lines to its existing network and upgrading another million lines to ensure a fully digital system by 2000

"We still have to finalise exactly where the new lines will go, but the broad plan is that two million of the extra three million lines will go to under-resourced areas and one million will go to the corporate, urban sector," says Mr Naidoo

Telkom already has 3,9 million telephone lines – about 1,3 million business lines, about 2,4 million residential and about 61 000 pay phone lines At present, there are about 1,8 telephones for every 1 000 people.

overall strategy for the telecommunications sector

By November, strategic equity partners would submit proposals to buy between 20 percent and 30 percent of Telkom

By February next year, the cabinet will receive a final short list of possible Telkom partners and make a decision by the end of March

"The experience we want to bring in must allow us to meet the diverse needs and to do this equally," says Mr Naidoo of the kind of strategic equity partner it will select

"Delivering the RDP means being able to offer as wide a range of services as possible to those who want them "

The partnership contract with a foreign consortium should also address union fears about job security and growth, democratisation of the workplace and delivery of services

Mr Naidoo admits that restructuring Telkom and South Africa's telecommunications system will be complex task "but the challenge isn't insurmountable" "It isn't at the level of developing new infrastructure or telecommunications software It's with getting this put in place "

Tele-medicine for example, says Mr Naidoo, has been used for decades by the former SADF in their military incursions into southern Africa

"When they had serious injuries in the field, they could link up through telecommunications to Voortrekkerhoogte and carry out surgery in the field "

He says the government's goal of universal service goals, its majority shareholding in Telkom and the licensing obligations that will be placed on Telkom will help achieve his department's ambitious goals

The Telecommunications Bill which will come before parliament in October establishes an environment to achieve delivery of a range of telecommunications services and to force Telkom to become competitive in its services

The bill provides for a new regulatory authority which will issue licenses for telecommunications service providers, such as Telkom

It also establishes the Universal Service Agency to promote universal telecommunications access and evaluate progress towards this goal

The agency will administer a fund to subsidise provision of telecommunication services to needy areas The fund will get its money from contributions from telecommunications licence-holders

And the bill provides for a human resources development fund to develop skill within the sector.

In terms of the bill, Telkom would remain the backbone of South Africa's telecommunications even if the way was cleared for other competitors to enter the market. It would retain its monopoly as a supplier of fixed-line telephones and cellphone companies would have to link into its network

Mr Naidoo says Telkom needs a period of exclusivity to enable it to balance tariffs on long-distance and international calls and to construct the infrastructure required to make universal access to telecommunications a reality

He says those companies which are arguing for competition now want to address the long-distance and international call market which is saturated in their own countries Although Telkom's licence will give it between five and seven years monopoly as a service provider of fixed lines, this licence will also place obligations on the corporation.

Mr Naidoo says the licence will spell out what Telkom's targets should be in meeting rural and public services There discussions about preparing for the information age of the new century.

A meeting of 40 countries in May this year agreed that the north (developed) and south (underdeveloped) should work together to ensure that poorer countries benefited from the information age

Delegates at the meeting of the Information Society and Development Conference committed themselves to a programme of action to bring telephone, satellite and Internet technology to developing countries in the world so that these countries were integrated into the global information society

Governments at the meeting bound themselves to fostering partnerships between public and private sectors to develop information networks

Developing countries should also create conditions to attract foreign investment in advanced information and communication infrastructure.

The South African government was now drafting a policy paper on what implications the information age held for economic and social development in South Africa

Mr Naidoo said "We're hoping to be in a position to discuss the broader implications of this policy by the end of this year "

FROM 'ILLITERACY TO COMPUTER LITERACY'

# Boost for communications

(267) CT 8/10/96

**THE LIVES OF** South Africans, particularly those in the rural areas, will be changed irrevocably if the telecommunications industry is changed in terms of a bill tabled in Parliament yesterday. **BARRY STREEK** reports.

A BILL tabled in Parliament yesterday would pave the way for a R32 billion investment in telecommunications over five years, taking South Africa from illiteracy to computer literacy, Communications Minister Mr Jay Naidoo said yesterday.

The Telecommunications Bill would also lead to the restructuring of telecommunications in South Africa and establish an independent regulator, the South African Telecommunications Regulatory Authority (Satra)

Naidoo said an extra four million lines, doubling the country's capacity to eight million, would be installed by the year 2000

The aim was to install two million lines in underserviced regions such as rural areas, squatter camps and townships Telkom would have to come up with a plan to identify the areas to be serviced

One million lines would replace existing lines and infrastructure and one million would be for new corporate customers to deliver a new range of services

He also wants all schools in South Africa to have computers and access to Internet within five to 10 years

"The use of the Internet will be crucial in virtually leapfrogging from illiteracy to computer literacy That is the key to our success in the 21st Century"

The new Telkom would have to deliver a range of services, including services which the corporate sector needed for financial transactions and Internet, and what was needed by rural women in places such as Cala in the former Transkei so that they could talk to their husbands on the mines

The negotiations between potential business partners and Telkom would be "tough We will make it tough" They would, however, have to lead South Africa to a new information age, and bring a range of different services beyond the telephone

These included telemedicine, distance education, government on line, teleshopping and teleworking

Teleshopping was already happening in the US where people sat in their homes and went into a factory with their computers via the Internet to have a look at the latest range of clothing, check the prices, type in their size and order it

He wanted rural women to have to access to this service

Concerning distance education, Naidoo said "My favourite example is a rural school in Cala doing a geography lesson in Std 5 and being able to plug into Internet and look for the Nasa database for the footage of Neil Armstrong landing on the moon"

Teleworking involved information services, even journalism, where people worked from home or from any base

He felt the bill was one of the most important economic measures to be taken through Parliament because it provided the regulatory framework for restructuring telecommunications

The separation of powers would enable the government to become more of a policy centre relating to telecommunications, while the regulatory authority would be responsible for issuing licences and controlling radio frequencies

A goal has been set for universal service and an agency will be established to ensure that targets were met, such as public telephony and rural telephony This agency would report to Parliament

The process of passing the bill, setting up the regulator, restructuring the department and completing the negotiations for private sector partners would be completed by April next year

The five-year grace for Telkom before it would face competition would begin in April, although the target of 2002 was not dealt with in the legislation After the five-year exclusivity period, "managed competition" would be phased in

An analysis would be done soon to establish what the demand would be after the five-year period.

# Union to challenge Telkom decision

Reneé Grawitzky (267) BD 9/10/96

THE National Union of Metalworkers of SA's (Numsa) national shop steward council resolved at the weekend to challenge Telkom's decision to postpone the delivery of telephones until the finalisation of a strategic equity partner.

Numsa spokesman Elias Monage said yesterday the union would launch a campaign this weekend to focus on the delivery of telephones and to defend the jobs of the union's 20 000 members in the telecommunications supply industry. He said other unions, civics and community organisations would be approached to participate in the campaign to ensure the delivery of telephones to the broader society.

The national shop steward council debated the formulation of a manufacturing strategy for Telkom and its suppliers in view of the restructuring of telecommunications. But discussions revolved around the possibility of job losses in the equipment supply industry in the wake of the postponement of the first phase of Vision 2000.

Monage said delays in implementation could result in job losses and the council resolved to meet employers in the equipment supply industry to obtain an undertaking that no one would lose their jobs.

The council resolved to establish a task team to formulate a manufacturing strategy, with a view to finalising a position by end-November so it could negotiate with government.

The union also intended meeting Telkom to discuss its linking telephone delivery with the finalisation of a strategic equity partner.

COMMUNICATIONS *Obligations 'unfulfilled'*

(267)

# Row brewing over cellphone report

JONATHAN ROSENTHAL AND CHRISTO VOLSCHENK

Johannesburg — A row is brewing between the regulator of the posts and telecommunications department and South Africa's two cellular telephone network operators, Mobile Telephone Network (MTN) and Vodacom, over a controversial report which claims the operators have failed to meet their licence obligations of providing a set number of community service phones.

The unreleased report, which contains the results of a regulator's audit, said many of the community phones installed by the operators were no longer functional, a claim disputed by the operators

The network licence, issued in June 1994, obliges MTN to provide 7 500 and Vodacom 22 000 community service phones in designated rural or underserviced areas over five years A timetable was agreed which required MTN to install 3 000 phones and Vodacom 7 000 phones by June 1 this year

Sudheer Sukumaran, who worked on the audit for the posts and telecommunications department, said in a paper at a recent conference that at the time of the audit only 30 percent of the phones installed by MTN were operating, and many of the phones installed by the two operators were outside the designated rural areas

Phones were also apparently distributed in bulk to lecturers at the universities of Fort Hare and Grahamstown, both outside the rural areas defined in the licence agreement.

Jacques Sellschop, MTN's group executive for corporate relations, disputed the allegations, and said MTN had already provided 3 050 phones He said MTN had dismissed the claims as misinformed and the matter was being investigated by the parties concerned

Another source within the cellular telephone industry questioned the methodology of the regulator's audit He said the audit was unable to distinguish between phones which were busy, switched off by the operators, or not operational.

André Nel, a senior engineer in the posts and telecommunications department who was involved in the audit, said he was satisfied with the audit's methodology He said the six-month audit had verification processes built into it, but the report was one-sided and did not consider the views of the network operators. He said the operators had been approached for comment before a final version of the report would be handed to the posts and telecommunications minister.

Sukumaran said the department was considering measures to ensure the licensees "take their obligations seriously"

TELECOMS *Two surprise omissions from buyers' line-up*

# Seven on Telkom's shortlist

(267) ET(PR) 11/10/96

Jabulani Sikhakhane
Business Editor

Seven international telecommunication companies have been shortlisted to buy a 20 to 30 percent strategic equity stake in Telkom South Africa Two notable exclusions from the latest list and which were earlier punted as contenders are British Telecommunications and Bell Atlantic

## Deutsche Telekom

Deutsche Telekom is Germany's only provider of telecommunication services, including local and long-distance telephone services, voice, data and image transmissions It also operates a cable TV network which reaches 23 million German households The German government plans to sell 20 percent of Deutsche Telekom's equity in the world's third-largest initial public offering next month The sale is expected to raise over $7 billion Deutsche Telekom has invested $1,5 billion in telecommunication companies in Indonesia, Malaysia and the Philippines since May 1995

## France Telecom

France Telecom is also the sole telephone service provider in France It is wholly owned by the French government, which plans to sell 20 percent of France Telecom next April In response to the liberalisation of the European telecommunications market in 1998, France Telecom will have its work cut out defending its share of the domestic market against local rivals and foreign groups Expected sales for this year are Ff134,65 billion (about R118 billion) and an operating profit of Ff24,5 billion

## Telia

Telia AB, wholly owned by the Swedish government, provides telephony, telex, leased circuit services, markets telecommunications services and equipment for households and businesses

It operates in Nordic countries (Denmark, Norway and Finland) and the Baltic region and offers global telecommunication services

## Stet

Stet Societa' Finanziaria Telefonica per Azioni (Stet), in which the Italian government has a 57 percent equity stake, provides telephone services in Italy, installs telecommunication systems and provides long-distance services to most of Europe and the coast of north Africa Stet also manufactures telecommunications equipment

## KPN

Koninklijke PTT Nederland (KPN) offers telecommunications and postal services KPN has an exclusive concession from the Netherlands government to install, maintain and operate telecommunication infrastructure

KPN, in which the Netherlands government owns a 48,1 percent stake, recently offered $1,58 billion for TNT, the Australian transport group

## Telekom Malaysia

Telekom Malaysia Berhad provides telecommunication services, and through subsidiaries manages property, holds investments and provides printing and consulting services It is regarded by analysts as a strong contender for its experience in developing networks in less developed markets

## SBC

SBC Communications provides telephone and cellular services in the United States It also has interests in Australia, Chile, France, Israel, Mexico, South Africa, South Korea and the United Kingdom Once part of the the AT&T group until it was split from it in 1983, SBC also operates cable television worldwide. Last year, SBC bought 15,5 percent of MTN, the local cellular provider, for $90 million In the process SBC also secured the right to appoint MTN's chief executive

In 1990 SBC teamed up with France Telecom and Grupo Carso, a mining, manufacturing and tobacco group, to buy 20 percent of Telefonos de Mexico (Telmex) from the Mexican government for $1,76 billion — a privatisation exercise that was hailed as a resounding success

Jay Naidoo, the post and telecommunications minister, paid a visit to Telmex during his recent Telkom privatisation roadshow.

☐ See Business Watch

**TELECOMMUNICATIONS** *Disadvantaged communities to get 10% bite of state utility, says Jay Naidoo*

# Seven vie for slice of Telkom

CT (BR) 11/10/96 (267)

**MARC HASENFUSS**
CAPE EDITOR

Cape Town — Telkom has drawn up a shortlist of seven international companies that will compete to buy a 20 to 30 percent stake in the telecommunications parastatal

The sale is expected to raise between R5 billion and R6 billion which will be used to fund part of the R32 billion required over the next five years to implement Telkom's Vision 2000 programme, which is designed to expand the national telephone network

Jay Naidoo, the post, telecommunications and broadcasting minister, said yesterday that a further 10 percent of the state utility would be made available for the economic empowerment of previously disadvantaged communities and workers

"These will include schemes targeted at Telkom workers and the South African telecommunications sector"

He disclosed that seven companies, Deutsche Telekom, France Telkom, KPN (Netherlands), Malaysia Telecom, Southwestern Bell Communications (SBC) (US), Stet (Italy) and Telia (Sweden), were in the running for the stake

Two prospective partners previously named by the government — heavyweights Bell Atlantic Corporation and British Telecommunication — have slipped off the shortlist

Naidoo said that Bell Atlantic had recently undertaken a major merger which had absorbed much of its resources, while British Telecomunication had indicated a preference for servicing niche markets

All seven companies had satisfied the ministry's initial selection criteria for a strategic equity partnership with Telkom

"This development is one of the additional pillars that will ensure that the restructuring process is now firmly in place at Telkom, especially as regards the deadlines we spelled out and for achieving our goals",

Naidoo stressed there were no preferred bidders but indicated the ministry would encourage the formation of consortiums between parties of complementary strength

Asked about a possible purchase price for the Telkom stake, he said "It's very hard at this stage, prior to negotiations beginning, to value the 30 percent stake or determine what form this value will take or even what value the potential partners will put on the stake

"Part of the complex negotiations with the potential partners is a holistic package of what we see as the national goals of the government and in what form the potential partners can contribute to these goals

"Our calculations at this stage are not finalised on the precise amount to be raised, but it's clearly in the region of R5 billion to R6 billion," he said

The possibility of prolonged negotiations with potential partners was also discounted Naidoo said the cabinet had decided to conclude the strategic equity partner process by April 1997 "We are mindful of the urgency of RDP requirements and to ensure continued investment and stability in the sector"

☐ **Company profiles, Page 19, and Business Watch, Page 16**

**BUSY LINE** *Jay Naidoo, the minister for post, telecommunications and broadcasting, has opened the hotline for bidders wanting a slice of Telkom*

PHOTO ANDREW BROWN

# Telkom sale to boost black empowerment, RDP

CT 11/10/96 (267)

HENRY LUDSKI

A STAKE of 10% in Telkom — worth about R2 billion — is to be set aside to boost black economic empowerment and the RDP, Posts and Telecommunications Minister Mr Jay Naidoo announced yesterday

It forms part of a sell-off of a 20% to 30% equity stake in Telkom to a consortium of international partners by April which will benefit thousands of telecommunications workers and poor communities

The move has yet to receive the full blessing of trade unions strongly opposed to the wholesale privatisation of state assets It is expected to generate between R5bn and R6bn in foreign capital

Naidoo said the scheme was primarily aimed at disadvantaged communities and workers in Telkom and the rest of the South African telecommunications sector

Communications Workers' Union of South Africa spokesman Mr Seleboho Kiti said yesterday the union was exploring alternatives to privatisation, but indicated it might reconsider its position if the sale bolstered the RDP and guaranteed jobs

● See Page 15

# Naidoo sketches Telkom options

267

EQUITY PARTNERS

By SVEN LUNSCHE

BRITISH Telecom, the UK's privatised telecommunications giant, is a noticeable omission from a shortlist of future Telkom equity partners released by government this week

British Telecom has publicly argued for a more competitive telecoms environment in order to ensure the widest range of options for telecoms users

Posts and Telecommunications Minister Jay Naidoo said on Friday all the companies on the shortlist backed a period of exclusivity ranging from four to six years. Only after this period would competition gradually be introduced, he said

He said Telkom needed to protect its lucrative international and corporate market while it proceeded with its R32-billion Vision 2000 programme to establish 3-million new telephone lines in urban and rural areas

Cabinet backed a shortlist of seven companies to take a stake of 20% to 30% in Telkom, an interest that may net R6-billion cash

Naidoo said, however, that the price would be determined in negotiations with the future equity partners and would depend on factors such as the cost of Vision 2000, rebalancing tariffs and post-exclusivity competition

A further 10% of Telkom would be made available for "the economic empowerment of a wide spread of people" Details of how empowerment in telecommunications would be achieved were sketchy and still to be negotiated, Naidoo said

However, proposals to warehouse shares on behalf of communities had been tabled with government and could see the involvement of institutional finance, sources said

The companies selected to proceed in a "due diligence process" for the Telkom stake are Deutsche Telekom, France Telekom, KPN of the Netherlands, Malaysia Telecom, SBC of the US, Italy's Stet, and Telia of Sweden Apart from British Telecom, other operators absent from the list include US firms Bell Atlantic and AT&T

Naidoo said the government was encouraging the formation of consortia between the companies. Analysts say a winning consortium is likely to include one or more of Deutsche Telekom, Malaysia Telecom or SBC

Most of the proceeds from the sale would go into the expansion of telecoms services, Naidoo said However, the funds would be controlled by the state and not Telkom, he commented

Picture JULANI VAN DER WESTHUIZEN

TALKING . . . Jay Naidoo says details are to be negotiated

ST (BT) 13/10/96

# Govt's indecision on power sector criticised

(267)

**Robyn Chalmers** BD 15/10/96

GOVERNMENT was expected to make a decision on the restructuring of the R20bn electricity supply industry only towards the end of this year, despite warnings that its indecision was harming the sector.

Mineral and energy affairs department director-general Gert Venter said yesterday government recognised the urgency of the matter, but it was aware also of the havoc a hasty and ill-considered decision could wreak.

"There is a general consensus that the system as it stands is not ideal ... but restructuring of the industry will be the biggest overhaul in SA history. It involves an industry employing about 40 000 people with a turnover of R20bn a year.

"It is hugely complex, and we have to consider the implications for all stakeholders, so it is not something we will rush. At the same time, there is a general understanding that a decision should be taken as urgently as possible," Venter said.

Government initially was expected to make a decision by the end of August, but was now unlikely to do so before the end of the year. Restructuring as a result would kick off only in the second quarter of next year.

National electricity regulator chairman Ian McRae has warned that government's indecision could result in SA failing to meet its electrification target of connecting 2,5-million people by 1999. This indecision, too, was causing considerable insecurity among industrial and commercial consumers and among investors in the electricity industry who needed an indication of the direction of electricity supply.

Government's decision would be based on recommendations put forward by the electricity working group.

The group recommended the industry be consolidated by merging the distribution business of Eskom and local governments into financially viable independent regional distributors.

It said tariffs should be cost reflective to ensure financial viability of the industry and separate, transparent taxes be introduced to fund electrification and other municipal services.

# Too little time to study Bill — claim

Edward West BD 15/10/96 (287)

TELECOMMUNICATIONS industry stakeholders had been given too little time to study and make submissions on the telecommunications Bill to be submitted to the parliamentary portfolio select committee tomorrow, industry sources said yesterday

Information Technology Association (ITA) executive director Les Wood said the organisation had first sight of the Bill only last week — as had a number of other industry players polled by Business Day yesterday, including the cellular phone operators and Electronic Industry Federation (EIF) representatives and member companies.

On Friday the ITA was informed it had until today to make written submissions, and was given the possibility of an appointment tomorrow to make an oral submission to the portfolio select committee.

The SA Value Added Network Services Association said: "This unseemly haste does not lend itself to a full and proper view of an extremely complex piece of legislation"

Cellular phone operators MTN's regulatory spokesman Michael Stocks, who helped draft the sixteenth and final Bill, said industry participation in the legislative process had been good until about the 14th draft, after which accusations had been levelled from certain industry quarters about changes to the Bill without consultation.

MTN was concerned about a proposal to impose a levy on telecommunications licence holders for human resource development Cellular operators already paid 5% of turnover to government, R100m for their licence and R6m-a-year in radio frequency fees.

Wood said the bill was full of contradictions and flaws. Key recommendations of the National Telecommunications Forum had been ignored, such as the recommendation for an independent regulator.

In contrast, EIF president David Botha said the Bill was in the EIF's view the culmination of a "very open consultative process"

# Welfare blueprint published

(267) BD 16/10/96

CAPE TOWN — A welfare policy blueprint, designed to balance the racially skewed apartheid era benefit spread without significantly increasing the welfare budget, was published yesterday.

The 140-page policy white paper confirms the state's role as a provider of last resort for the destitute, but dashes any notion of a European-style welfare safety net

There will be no change for the 2,8-million people who depend on subsistance-level grants of various kinds, but the government plans to reduce its contribution to institutional care focused mainly on whites.

Almost 8-million out of the estimated 41-million population live in households dependent on a grant.

Stellenbosch University economist Servaas van den Berg, a welfare ministry consultant, said the proposals could add about R1bn to the current R13,9bn welfare budget over the next five years.

He said the policy paper proposed changes mainly in welfare services, which absorbed only 8% of the welfare budget, and proposed no change to the child, family and pension benefit systems, which absorb 88%.

"The model envisaged ... is not a cost-intensive one It's saying deploy, it's saying reach into the rural areas, but close down institutions.

"We do not see welfare's overall bite of the national budget increasing significantly We could even see a marginal decline..."

Van den Berg said SA would have to look again at creating a social security system in the long term, but that it was too soon for a major shake-up of the infrastructure inherited from the previous government

"We have a system in place that reaches most of the people it should reach — about 80%. When you've got a system that works reasonably well, one should not try to change that, he said." — Reuter

# Naidoo praises new legislation

(267)

Wyndham Hartley BD 16/10/96

CAPE TOWN — SA's new telecommunications legislation compares favourably with that in place in other countries, Posts and Telecommunications Minister Jay Naidoo said, in a document released yesterday ahead of today's public hearings on the draft Bill.

Naidoo is certain to face criticism in the hearings for changes made to the legislation after broad agreement between stakeholders at the white paper stage.

It was apparently changed shortly before its approval by the Cabinet.

The document said the Telecommunications Bill was compared with provisions in Canada, France, Germany, Hong Kong, Australia, Mexico, Sweden, the UK and the US. It claimed that, compared to them, the level of independence given to the proposed regulating authority is substantial.

It also said that the Bill offers protection to the SA Telecommunications Regulatory Agency from political influence and other forms of conflict of interest so that it can act in the public interest. It claimed to have established a balance between policy directions being given to the agency by government and it being able to act independently in its regulation of the telecommunications industry

Public submissions on the Bill will be heard by Parliament's communications committee today

# Crossed lines on Telkom exclusivity period clause

BD 17/10/96 (267)

Tim Cohen

CAPE TOWN — The Telecommunications Bill came under fire from industry participants and opposition political parties during parliamentary hearings yesterday for not specifying the exact length of Telkom's monopoly

The Bill was also criticised for the lack of independent controls over the selection of members of the regulating authority But many organisations said they supported the overall intentions of the Bill, which sets the stage for the transformation of telecommunications and phased reduction of Telkom's "period of exclusivity".

SA Value Added Network Services Association vice-chairman Mike van den Bergh said the Bill departed from commitments outlined in the telecommunication white paper relating to the liberalisation timetable for the telecommunications industry

The white paper specified a six-year period of exclusivity for Telkom to allow the state corporation to expand its network, but the Bill was silent on the specific time period involved

Telecommunications Minister Jay Naidoo commented at the start of the hearing that although the exact time period was not mentioned, the Bill did specify a phased elimination of Telkom's period of exclusivity

Naidoo repeated his assertion that he would be guided by the principles espoused in the white paper.

Van den Bergh said Naidoo had also indicated he would specify the period of exclusivity via a statement of intent contained within the legislation

This did not appear to have been addressed and the association firmly believed that it should be, he said

The National Telecommunications Forum said it accepted that the liberalisation timetable was not spelt out and said concerns might follow government's commitment to liberalisation.

Telkom said while it recognised the value of competition, having to expand and modernise the network rapidly put it in a unique situation

# 'Development of telecommunications skills is crucial'

(267)

ESTELLE RANDALL
LABOUR REPORTER

ARG 18/10/96

**Self-made telecommunications millionaire Sam Pitroda wants to help South Africa achieve its goal of giving all citizens access to telecommunications within the next five years.**

Mr Pitroda is the chairman of WorldTel, a private company set up on the initiative of the International Telecommunications Union whose goals are to improve and develop telecommunications infrastructure and resources in developing countries on an independent and commercial basis

In Africa, WorldTel is currently finalising agreements for telecommunications projects in Uganda, Kenya, Tanzania, Zambia and Zimbabwe

It is also finalising projects in China, India, Bangladesh, Pakistan, Sri Lanka, Brazil and Mexico

Mr Pitroda participated in a recent telecommunications workshop called by Minister of Posts, Telecommunications and Broadcasting Jay Naidoo and has offered to help Telkom meet its goals

He says too much time is often spent on developing and discussing policy for achieving universal access to telecommunications

"You should be spending less time on discussion I can't handle more than two pages of documentation myself Discussion is important but the emphasis should change," he said

"There are technologies available for small exchanges We should also be looking at public phones, phones on trains and phones for the handicapped "

He sees the development of skills in telecommunications as crucial

"Give me 500 smart graduates and in a year they'll become your software people They would be given a dream and a challenge and I'm convinced they would meet it. We have to trust our young people "

He acknowledges that this could result in major errors of judgment but added, "that's okay, the important thing is doing and learning from doing."

Mr Pitroda made his fortune in the United States, where he founded a company which designed and manufactured digital telephone switching equipment

## INTERVIEW

***'My mission is to focus on bringing telecommunications to the developing world'***

Six years and more than a dozen patents later he and his partners sold their company to Rockwell International

Mr Pitroda was then 38 and his shares in the company were worth about R3 million

He returned to India in the mid-1980s and spearheaded a telecommunications revolution which led to about 100 000 of India's 600 000 villages supplied with telephone services by last year

By the end of this century almost all the villages will have telephone services.

"My mission is to focus on bringing telecommunications to the developing world," he says of his involvement in Worldtel

"I've made enough money, so making more is not my personal goal My investors would want a return - say 25 percent - but I get no excitement out of making money."

He disputes the common sense notion that Third World villages need "appropriate technology' - immunisation, basic literacy and simple water pumps, instead of state-of-the-art technology

"The argument falls short in its definition of 'appropriate'.

"For me, modern telecommunications and electronic information systems are appropriate even in regions that still lack adequate water and power 'The reason is simply that modern telecommunications are indispensable in meeting basic needs "

# Business complaints spur Telkom to tackle theft problem

CT(BR) 22/10/96 (267)

**Roy Cokayne**

Pretoria — Businesses are being affected by the theft of copper cable from Telkom, which, in central Gauteng alone, has cost the telecommunications company R9 million so far this year, compared with R7 million for the whole of last year

Andrew Weldrick, a Telkom spokesman, said yesterday that cable theft escalated alarmingly in the past financial year, with about 4 195 incidents reported

He said the thefts disrupted service and caused direct losses of about R29 million

"While cable theft causes tremendous direct losses to Telkom, another serious concern is the knock-on effect it has on South Africa's economy

"While the cost to business is difficult to quantify, cable theft could rate as one of the crimes causing business the greatest financial loss," he said

Weldrick was responding to complaints by businesses and professional people in the Waterkloof Heights area of Pretoria

Glen McCreath, a shareholder in The Reef building in the suburb, claimed that two tenants had moved out of the building because of problems with the telephone service

Others also complained about the adverse effect service disruptions had on their businesses

Weldrick confirmed that a 400m section of overhead cable to the area had been stolen and damaged 49 times since the beginning of February this year, disrupting the services of about 400 Telkom customers

He said it had cost Telkom R140 000 to replace the cable, but that excluded related costs such as labour and loss of revenue because of the disruption of telecommunications traffic

Weldrick said cable thefts were often well organised by syndicates that used unemployed people to commit the crimes He said that because of South Africa's high unemployment rate, the conviction of individual thieves had little effect on curbing the cable-theft problem

"For this reason, Telkom and the South African Police Service have shifted their focus to the scrap-metal dealers who buy stolen cables

"A Telkom task team is lobbying to close a loophole in legislation that governs the sale of secondhand goods," Weldrick said.

"Telkom has put alarms on most cables and manhole covers Once the plan is implemented, an activated alarm will alert the air force, which will then fly directly to the scene Night-sight equipment is already used for after-dark call-outs," he said

Weldrick said Telkom was also looking for technological solutions to the problem

He said copper cable on routes which were repeatedly hit were being replaced by fibre-optic cables, which had no resale value In some cases wireless solutions, including microwave and radio links, were being implemented

# PO posts R177-million loss

ARG 22/10/96 (267)

**SA Post Office Limited lost R177 million, or 49 percent more than it had budgeted for, when spending increased R108,2 million (4,42 percent) and income dropped R68,8 million (2,81 percent), the directors' report tabled in Parliament today says.**

The budgeted loss before government subsidy was R358,8 million The actual loss was R535,8 million. Losses in previous years were R364,2 million (1995), R379,2 million (1994) and R702 million (18 months to 1993 after privatisation).

Operating expenses had soared R93,1 million above budget and R370,2 million above 1995's costs, representing increases of 15,88 and 18,02 percent

Although turnover at R1 715,9-million had increased 14,3 percent over 1995, it was still R127,6 million below budget This was due to an increase in postal rates being partially offset by an unforeseen drop in mail volumes "

This drop came about after the 20 percent standard mail rates hike in April 1995 and postal volumes dropped 7 percent due to poor delivery performance, "alternative methods of handling mail, electronic mail, etc"

However, changing rates so they were basd on size not mass, to improve the efficiency of mail handling at post office counters from February 1 this year was well accepted by the public, the report says

"The company has not made use of external borrowing to finance its operations as a subsidy is received from the shareholder (the Government) to fund the operating loss Capital expenditure is financed from the proceeds on the sale of existing fixed assets and depreciation " – Sapa

Picture: TREVOR SAMSON

# Rural poor 'need more post offices'

BD 23/10/96 (267)

Wyndham Hartley

CAPE TOWN — A massively extended network of rural post offices including branches of Post Bank has been recommended to bring vital financial services to the rural poor to kick-start development in outlying areas.

The final report of the Strauss commission of inquiry into rural financial services has also reversed an earlier recommendation of its interim report that the Land Bank be converted into a multifaceted rural bank.

The report, compiled by Judge Strauss and 12 other commission members and handed to President Nelson Mandela last month, also recommended that a range of "sunrise" conditions apply to allow easier access and entry to financial markets and to support land reform measures.

Noting that the state had to accept an "unequivocal responsibility" to provide a trustworthy range of financial services to rural people, the report said it recognised "the importance of the Post Office to satisfy the most basic financial service needs, especially those of the poorest, less mobile segments of the rural population".

It noted the reduction in the number of post offices in the country and said the network in rural areas should be expanded, even if the volume of transactions in some of them was uneconomical and would not cover the cost of running the branch.

This was because access to a communication network and financial services was a "societal entitlement".

Although the interim report recommended the conversion of the Land Bank into the Rural Bank, the final report noted "the commission has developed scepticism of the ability of existing institutions such as the Land Bank to transform themselves to fulfil a multisectoral role".

Strauss now recommends the creation of a statutory development council for rural areas.

This council should be served by representatives of the Land Bank, the Industrial Development Corporation, Khula Enterprises Finance, the Development Bank of SA, and the National Housing Finance Corporation.

The commission also recommended that "as an absolute minimum" laws should be introduced which would break the stranglehold of traditional law over women in rural areas.

It recommended that the incapacity of women to administer and dispose of the benefits of RDP schemes and the claims by men to control the benefits of such schemes, had to be rectified.

Similarly, the commission recommended that marital power over wives should be addressed.

# Cosatu gives Bill approval

(267)

Tim Cohen

BD 24/10/96

CAPE TOWN — Cosatu yesterday broadly approved the Telecommunications Bill which envisages the ultimate, regulated liberalisation of telecommunications in SA, but registered concerns about potential job losses.

In a submission to the parliamentary telecommunications committee, Cosatu secretary-general Sam Shilowa said that Cosatu supported the exclusion of a specific period for Telkom's exclusivity on fixed-line telephony from the legislation.

The Telecommunications White Paper proposed the legislation should specify a maximum six-year period of exclusivity for Telkom but this was not included in the legislation

The Bill will be discussed by the committee this week and is likely to be presented to parliament before the end of the current session on November 7.

# New role for post offices mooted

## *Post Bank could assist rural poor – commission*

(267) ARG 24/10/96

ALIDE DASNOIS
BUSINESS EDITOR

**The 2 365 post offices around the country could be set to play a much bigger role in the provision of financial services, if the recommendations of a commission of inquiry are accepted.**

The report of the Strauss Commission of inquiry into the provision of rural financial services released this week, found that the Post Office's Post Bank was well placed to respond to the needs of the rural poor

Post Bank has 2,4 million accounts, 55 percent of them savings books Many savings account holders are low-income black savers in the rural areas and more than 80 percent have a balance of less than R500

The Post Office had a presence in rural areas where commercial banks were absent, and its services could be expanded, either through branches or through agency outlets, the commission said. New products could be designed to help mobilise savings for burials, school fees or *lobola*, for instance

The commission also recommended that the Post Office diversify into funeral insurance. And, it said, the promotion of endowment policies with death benefits, disability payments and retirement benefits, designed for low-income earners such as domestic workers and farm workers through a tax write-off for employers, should be examined.

Tax breaks for middle-class employers might be unpalatable, the commission said, but the plan would benefit the poor And if the the tax break applied to only small premiums, such as R100 a month, the cost to the tax collector would be small

At a briefing yesterday to present the proposals, commissioner Helena Dolny said the Post Office would not be looking for a "large budget slice" for expansion Some of the new products could be money-making, she said, and the expansion of the post office network could be done through joint ventures with the private sector

"This can be done through agency agreements It's not necessarily a matter of opening more post offices".

The commission, which was appointed in January last year and has already submitted an interim report, found that the priorities for rural financial services were

- Better access to appropriate savings products and opportunities,
- Better transmission services, especially for pensions and for the payment of rates, water, electricity, telephones and for the transfer of money between rural areas or between rural areas and the towns, and
- Easier access to short-term loans and to farm finance

It recommended the payment of pensions through savings accounts, so that pensioners can withdraw money throughout the month

The recommendations will now be considered by a Cabinet committee

# Telecommunications Bill is a smokescreen

The mess that Telkom is in could hold up the advent of true competition in the telecommunications industry, reports **Tim Cohen** from Parliament

(267) BD 25/10/96

TELECOMMUNICATIONS Minister Jay Naidoo has clearly learnt something about how to achieve speedy delivery. The parliamentary telecommunications committee appeared this week to be in a hurry to pass the Telecommunications Bill, which provides for the ultimate, regulated liberalisation of telecommunications in SA

Naidoo would like to see the Bill passed during the current session This would allow discussions on a strategic equity partner to begin, which might be completed by the first quarter of next year

If this demanding timetable is upheld, the investment would constitute a major privatisation effort and indicate unequivocally government's commitment to "real-world" economic policies

Theoretically, this would be something for free marketeers to celebrate Unfortunately, the opposite is more probably true

The Telecommunications Bill envisages a process first outlined in the telecommunications white paper. a six-year step-down liberalisation process in which the central pillar of telecommunications, fixed-line telephony, will be subject to competition only at the end of the period

According to the logic of this process, Telkom needs a six-year period to "roll out the network" and to prepare itself for competition Advocates of this approach scoff at suggestions that rolling out the network could be more efficiently done through the immediate introduction of competition They point out that other countries have expanded their networks before commercialisation and privatisation took place

Somehow, for reasons not explained, it is impossible to introduce competition immediately and specify network-expanding obligations in the licence contract with participants Expanding the network and a period of exclusivity are seen as going hand in hand.

The real, but unstated, reason why Telkom requires a period of exclusivity is obvious to everyone who dreads getting phone bills at the end of the month: they are extraordinarily expensive — the reason is that Telkom is in a mess

The extent of the mess was pointed out by a largely dismissed presentation by a tiny grouping called the Telephone Action Group to the telecommunications committee The submission made one very telling point the number of employees a Telkom line is four times as many as that of US companies and twice as many as in Mexico

This goes some way to explaining why SA's telephone charges are so high, even for local calls, which are subsidised by expensive overseas calls

Members of opposition parties and private-sector participants in the parliamentary telecommunications committee hearings on the legislation are well aware of this situation, which gave the discussions on the legislation a rather strange sense of unreality Instead of dealing with the issue at hand — how to deal with a bloated, inefficient state corporation — the debate focused on comparatively minor issues such as the proposed human resources fund

Both the private-sector contributors and opposition parties have given up any hope of forcing a reorientation of the approach adopted in the white paper Some liberalisation is better than none, they argue, so allow the legislation to proceed and be content to make small gains on lesser topics

Unfortunately, after the six-year period of exclusivity is up, Telkom's position will be so dominant that real competition is unlikely, as demonstrated by the example of British Telecom which still holds more than 90% of the market despite being privatised some time ago What is more, as World Bank experts warn, the much-vaunted strategic equity partner is more likely to be a force against liberalisation than for it

All this goes some way to explaining why Cosatu is not opposing the legislation in principle The question that remains is whether Naidoo's decision to remove specific reference to a six-year period suggests he wants a shorter period or a longer period

Cosatu secretary-general Sam Shilowa suggests Naidoo would like a longer period Naidoo is staying mum, but Shilowa may be in for a surprise

# Bill 'gives minister control over Telkom'

(267) CT 30/10/96

THE Telecommunications Bill has been approved by the National Assembly communications committee with amendments that would strengthen the independence of the proposed SA Telecommunications Regulatory Authority (Satra)

The bill, which paves the way for Telkom's partial privatisation and for liberalisation of the telecommunications industry, goes before Parliament for a vote today

Committee chairman Mr Sam Moeti said yesterday the bill now stated that Satra would function independently

However, Democratic Party communications spokeswoman Ms Dene Smuts said Satra would have almost no jurisdiction over Telkom. The DP's main objection was that the minister would have the power to determine all of Telkom's operations and would therefore control the telecommunications environment. — Sapa

# Regulator's powers 'will not be whittled down'

Tim Cohen

BD 31/10/96 (267)

CAPE TOWN — Telecommunications Minister Jay Naidoo presented the Telecommunications Bill to Parliament yesterday, defending the legislation against claims that it was rushed through the parliamentary process and that it eroded the proposed industry regulator's power.

Naidoo said provision to ensure the regulator's independence had been strengthened after the parliamentary telecommunications committee held hearings.

A comparative study done by the International Telecommunications Union assessing the independence of the SA Telecommunications Regulatory Authority had found it had "substantial independence".

The legislation created the regulatory certainty necessary to attract billions of rand of investment. New technology and massive injection of management expertise and technical skills would accompany this capital flow.

The Bill was opposed by NP and DP speakers who argued that the omission of the recommended six-year period of exclusivity granted to Telkom created uncertainty and that the proposed industry regulator's powers had been reduced.

The Bill is scheduled to be passed before the end of Parliament's current session.

# Court halts eviction of squatters in Natal

Farouk Chothia

BD 31/10/96

DURBAN — The Durban Supreme Court granted an order yesterday which effectively placed a moratorium on evictions in KwaZulu-Natal in terms of certain sections of the Prevention of Illegal Squatting Act.

Judge JP Howard granted an order preventing the demolition of shacks on privately owned property in Smithfield Road, Durban North, pending a Constitutional Court ruling on the validity of sections three and four of the Act.

The order was granted against Premier Property, private security company Combat Group, and central government. They did not oppose the application brought by informal settler Bhekokwakhe Magwaza. He planned to challenge the validity of the Act in the Constitutional Court.

Combat Group head Norman Reeves, who had been asked to evict the settlers, said Premier Property had decided against challenging the application because they feared intimidation. Reeves said Premier Property's plans to start a housing project and a shopping complex on the land would be on hold until the Constitutional Court ruled on the Act.

Magwaza said the Act was draconian and barbaric. The Act allowed for the removal of his personal effects from the settlement, but section 13 of the constitution prohibited the seizure of private possessions, he said.

Land Affairs Minister Derek Hanekom's spokesman Hellmuth Schlenter said Hanekom agreed that the Act was undemocratic, and probably unconstitutional. Hanekom hoped to place legislation before the Cabinet by year-end to address problems related to the Act.

# Bill's passing rings changes for Telkom

(267)

Cape Town – The Telecommunications Bill, which paves the way for Telkom's partial privatisation, was approved in the National Assembly by 210 votes to 64, with two abstentions, yesterday

The measure was supported by the ANC, IFP and PAC, and opposed by the NP, DP and FF.

Although the Inkatha Freedom Party voted in favour of the bill, it expressed reservations about the South African Telecommunications Regulatory Authority

The NP would have liked to have supported the bill, but it had failed to live up to promises made in the white paper, MP Piet Coetzer said.

Telkom would be totally controlled by the telecommunications minister – "a minister who succeeded in turning the RDP into a bureaucratic nightmare" – Sapa.

Star 1/11/96

# Telkom chief exec's salary? Sorry, no reply

ARG 1/11/96 (267)

POLITICAL STAFF

**Posts and Telecommunications Minister Jay Naidoo has refused to tell Parliament what Telkom's chief executive officer is paid, amid growing criticism of huge salaries for top officials and consultants.**

Mr Naidoo said in reply to a question from Senator Balelani Ngcuka that Telkom's board of directors appointed the chief executive officer and negotiated and approved his package

"As is standard corporate practice, the contract of appointment of the chief executive officer includes a clause on the confidentiality of remuneration

"The company is thus not at liberty to disclose the remuneration, as this would constitute a fundamental breach of contract," Mr Naidoo said

But critics in Parliament argued that the confidentiality clause was probably not valid, since Telkom's CEO was being paid with public funds, and Parliament was entitled to know how they were disbursed

"It would be a different matter if Telkom was already privatised, or even partly privatised, but it is not Telkom is still owned by the people of South Africa and they are entitled to know how their money is being spent," an MP remarked

Earlier this year there was an outcry when it was disclosed that some Transnet executives were being paid well in excess of R500 000 a year, and that similar amounts were being paid to outside consultants

Ministers have argued, however, that such salaries are comparable to what is being paid to top executives in the private sector to attract the best talent

# Legal threat to telecoms Bill

(267) ST (CM) 3/11/96

A GROUP of telecommunications businesses are threatening a legal injunction against the Telecommunications Bill currently before Parliament

The National Telecommunications Co-ordinating Group, representing nine telecommunications associations, said in a letter to legislators that it would take legal advice on a constitutional challenge to aspects of the Bill

The group said the Bill, including amendments made by the National Assembly before its adoption on Thursday, gave the Minister of Posts and Telecommunications too much power

"The principle of free and fair competition is now being ignored," it said

Opposition parties abandoned a bid on Friday to delay what they called a flawed framework for the partial privatisation of Telkom Up to 30% of Telkom will be sold to foreign investors by March 1997

However, like the telecommunications group, they were critical of the government's move to impose a period of exclusivity for Telkom which goes beyond the originally proposed six-year period

Postmaster-General Andile Ngcaba on Friday defended the Bill, arguing that it facilitated a change to a more competitive environment "in which the marketplace will be clear on what are the rules". Ngcaba said seven potential equity partners shortlisted for the Telkom stake backed the Bill, which comes before the Senate on Tuesday — *Reuter*

ST 3/10/96

# Telkom's 'Saraphona' takes on the cable thieves

(267)

By BRETT ADKINS

TELKOM has launched an anti-vandalism play to try to reduce the massive theft of copper wire in the former Transkei

But while officials are delighted with the initial crowd response to the roadshow — being staged by theatre company Group Africa in dusty dorps in the north-eastern Cape — they admit that only time will tell if the showbiz gimmick works

Telkom's regional communications manager, Gill Burrows, laughed at the suggestion of a "Saraphona!" tag being attached to the project

"Oh, yes, we've had a couple of comments — 'Telefina 2' and the like But we're coming in at a fraction of the price of *Sarafina 2*," she said

"The two months Group Africa will be on the road in this first phase of the drive will be costing us only R120 000"

Burrows said the theft of copper cable in the Transkei was a huge problem — it had cost Telkom more than R1-million in the first six months of this year alone

The aim of the play is to highlight the benefits of modern telecommunications In stark contrast to the excesses of *Sarafina 2*, Group Africa — which hopes to stage 100 shows during its two-month contract — has put together a small but effective cast and crew, using only a bakkie as transport between towns and villages

"It's been a roaring success. But of course we won't know if it's really working until we see a drop in the incidence of stolen cable That's the real test"

# Telkom bill's detractors give up

(269) CT(BR) 4/11/96

BRENDAN BOYLE

Cape Town — Opposition parties abandoned a bid on Friday to delay what they called a flawed framework for the partial privatisation of Telkom, but businessmen threatened a court challenge

Andile Ngcaba, the postmaster-general, said the Telecommunications Bill now before parliament would establish a framework for the sale of up to 30 percent of Telkom

The highly prized stake is expected to go to an international investor for an estimated R5 million to R6 million in cash, plus additional investment in technology and training

"The bill facilitates a faster move to competition This is a change to a much more competitive environment in which the marketplace will be clear on what are the rules," he said

But the National Party, the Freedom Front and the Democratic Party said the bill was being rammed through parliament and it would leave too much power in the government's hands

Errol Moorcroft, a Democratic Party senator, criticised the exclusion of a limit on the state-owned Telkom utility's monopoly on traditional telephone services

"If other players in the industry face an undetermined period of time before their case is put, they're going to say, the hell with it, and take their business elsewhere," he said

The National Telecommunications Co ordinating Group, representing nine telecommunications associations, said in a letter to legislators that it would take legal advice on a constitutional challenge to aspects of the bill

The group said the bill gave the posts and telecommunications minister too much power "The principle of free and fair competition is now being ignored," the group said

Ngcaba said the government would honour the four- to six-year limit on exclusive Telkom operations in traditional telephony laid down in its policy White Paper

"We regard that as government policy," he said.

But he said his department should have the freedom to use the range of exclusivity as a negotiating tool in talks with potential Telkom partners and said the exclusivity period would be written into a licence agreement

Ngcaba said the seven potential equity partners short-listed last month by Jay Naidoo, the posts and telecommunications minister, were all happy with the bill before parliament

"They are very comfortable, all of them They are up to date, they've got people here and they have no reservations. The bill is fine as far as they are concerned," he said

The firms that have been short-listed are Deutsche Telekom, France Telecom, KPN of The Netherlands, Telekom Malaysia, South Western Bell of the US, Italy's Stet and Telia of Sweden

The three opposition parties abandoned their bid to amend the bill before its adoption by the Senate tomorrow

The ANC has made it clear that it would not entertain significant amendments to the bill

Ngcaba said the selection of a South African Telecommunications Regulatory Authority would begin as soon as President Nelson Mandela signs the bill into law, probably later this month

He said that although the regulatory authority would be appointed before the end of the year, to avoid delays Telkom's first licence to operate under the new law would be prepared by his department — Reuter

**TELECOMS** *Liberalisation strategy scrapped*

# Naidoo faces backlash over phones

(267)

CT(BR) 6/11/96

**CHRISTO VOLSCHENK**
ECONOMICS EDITOR

Cape Town — Jay Naidoo, the posts and telecommunications minister, has run into a full-scale private-sector rebellion over his management of the modernisation of South Africa's telephone sector

Telecommunications companies are challenging Naidoo's decision to scrap Telkom's six-year liberalisation programme and replace it with seemingly less rigid competitive targets as part of its licence.

All nine private-sector members of the national telecommunications co-ordinating group are set to withdraw from the national telecommunications forum after last-minute changes were made to the Telecommunications Bill by the parliamentary portfolio committee on telecommunications last week

The threat is particularly acute because it coincides with the final phases of the government's efforts to sell up to 30 percent of Telkom to a foreign equity partner Only four companies remain in the running following the withdrawal this week of three potential European bidders after less than one month of due diligence

London analysts said yesterday that due diligence on a telecommunications deal worth up to R6 billion, as this one was, would normally take at least three months

The private-sector group in the telecommunications forum is awaiting legal opinion on whether it should challenge the Bill in the Constitutional Court on the grounds that it inhibits competition

The group represents the cellular service providers and all suppliers of telecommunications equipment and Internet, paging and PABX services.

The group says it has taken action because of "an appalling lack of transparency in the latter stages of policymaking (and) an indecent haste" by Naidoo's ministry to pass the Bill before the end of this parliamentary session

"The threat to withdraw is real The forum is a complete waste of time and effort, and is manipulated by Jay Naidoo and the postmaster-general to give credibility to their so-called consultative process," Les Wood, the group's spokesman, said yesterday

Last week, the portfolio committee on telecommunications removed the six-year grace given to Telkom to restructure for competition The period had been negotiated between stakeholders under Pallo Jordan, Naidoo's predecessor

Wood said the group and Telkom had agreed to the period, but the changes had entrenched Telkom's competitive advantage and ensured it would be a "never-ending monopoly"

"Since the Bill eliminates competition it will not improve the provision of telephone services Only competition improves markets and cuts prices," he said

"The failure of the forum to influence the government's thinking on anything but the most superficial issues has forced the group to review its support for the forum"

# Govt throws out lines of hope

(267) Star 13/11/96

## Hefty 97-page bill maps out proposals to partially privatise Telkom

By Kerry Cullinan

For many white, urban South Africans telephones are an essential part of daily life. Yet millions of rural and poor South Africans have no access to telephones, and remain cut off from much of the world

Government has promised to address this, and says it will install three million new lines within the next few years Last week Parliament passed the Telecommunications Bill, which provides the legislative framework for this ambitious plan.

The weighty 97-page bill also begins to map out how Telkom, the parastatal which controls telephone delivery, is to be partially privatised and how the market will be opened up for competition.

When the bill passed through Parliament in the last few hectic days of the year's session, it received little public attention However, since then the bill has caused a storm of protest in the multimillion-rand telecommunications industry

A variety of players, backed by the Democratic Party, have accused Government of trying to protect Telkom's monopoly by refusing to commit itself to a date when competition will be allowed.

The bill maps out the Government's two main aims in telecommunications The most important is to promote "universal and affordable provision of telecommunication services". In other words, it would make access to telephones a lot easier The second aim is to restructure the sector to prepare for Telkom's privatisation and competition in the industry.

According to the International Telecommunication Union, South Africa has little over eight telephone lines per 100 people Cosatu says the distribution of these lines is extremely skewed It estimates there is less than one telephone line per 100 people in black communities as opposed to 60 per 100 people in white communities

Deputy President Thabo Mbeki told a recent information society conference that "there are still more telephone lines in Manhattan than in all of sub-Saharan Africa and half of humanity has yet to make a phone call"

More telephone lines could make an enormous difference to the economies of marginalised communities Businesses could operate in outlying areas if communication was improved, while Internet could be introduced in rural and township schools

But to serve more people, Government needs more money That is why it wants to partially privatise Telkom

To achieve the aim of reaching more people and restructuring the industry, the bill makes provision for two bodies to be set up the Universal Service Agency and the South African Telecommunications Regulatory Authority

The job of the first is to promote universal service and to monitor Government's delivery of this service This is a novel approach It is the first time a ministry has set up a body to monitor its own delivery promises.

The agency will also control a Universal Service Fund

This fund will be used to subsidise poor people to ensure phone lines don't only reach the rich.

Money from the fund will come mainly from private operators that are given licences to deliver telecommunication services, such as Vodacom, MTN and Internet providers

**'More phones in Manhattan than in most of Africa'**

These operators say that forcing them to contribute to the fund is an indirect form of taxation. Cosatu calls it "legitimate cross-subsidisation".

The agency reports to the telecommunications ministry If it is not satisfied with Government's delivery record, it can recommend that Telkom remains the exclusive operator until it meets Government delivery targets

Government believes that it is necessary to keep competition out until the less profitable areas have telephones as, once competitors are allowed, all operators – including Telkom – will "cherry pick", gearing their operations to suit businesses and neglecting rural and poor areas

But Telkom's potential competitors are angered by the possibility that Telkom's period of exclusivity may be extended

The White Paper before the bill said Telkom would have seven years' exclusivity. After that, it said, competition would be allowed.

Telkom's potential rivals have threatened Telecommunications Minister Jay Naidoo with court action

They say he has reneged on the White Paper's promise to open up the market by refusing to set a deadline in the bill

Government, they say, is intent on protecting Telkom

Cosatu, however, has welcomed the removal of the seven-year deadline. It says international experience has shown telecommunications parastatals often need many years to prepare themselves to become cost-effective and competitive

Another issue may be behind Government's reluctance to commit itself to a deadline, besides the real possibility that it not be able to deliver on its promises within seven years.

Some potential privatisation partners have apparently been put off by the seven-year period.

They say this is too short a time, given that they have to make a multimillion-rand investment in technology. Thus Government may be trying to strengthen its hand when it starts to negotiate with potential partners early next year

The second structure which is brought to life by the bill is the South African Telecommunications Regulatory Authority (Satra)

Satra's task is to regulate Government policy and business operations in the entire telecommunication industry, bar broadcasting which is regulated by the Independent Broadcasting Authority (IBA).

Satra has to be up and running by early next year in time to oversee the partial sell-off of Telkom.

Satra members are to be chosen by the Parliamentary Portfolio Committee on Telecommunications in the next few weeks

In the past, the postmaster-general, a state appointee, was responsible for regulating the industry So the formation of Satra is a welcome initiative to ensure the state is not the policymaker, the regulator and, through Telkom, the operator.

But Naidoo's ministry is responsible for Telkom's licence, the biggest operator in the sector. Thus Satra's power is limited

The bill is no bedside read, but it contains crucial pointers to Government's approach to privatisation and competition. More importantly, it holds out a glimmer of hope to all those who dream of being connected to a world bigger than their own backyards.

■ *Cullinan writes for Idasa's Democracy in Action magazine*

# Theft of cable sets Telkom back R25-m

(267)

Sowetan 13/11/96

**By Themba Sepotokele**

TELKOM has lost more than R25 million within a period of six months this year because of underground cable theft

Briefing the media at Telkom's headquarters in Randburg yesterday at the launch of a community initiative to curb the theft of underground copper, Telkom executive Mr Henning Botes disclosed that the company had spent R9 million to repair and replace vandalised and stolen cables from April to September this year.

The figure for the whole of last year was R7 million

Botes said Gauteng and KwaZulu-Natal were the hardest-hit provinces

He said cable theft had reached alarming proportions despite the company having spent millions of rands to safeguard its telecommunications network.

He said Telkom had lost R9 million in Gauteng alone due to cable theft, adding that 152 arrests had been made in the province and 262 countrywide in the last six months

## Bigger reward

He also announced that the reward for information regarding cable theft had been increased from R8 000 to R10 000.

The initiative to curb the theft was unveiled by Telkom and Gauteng MEC for safety and security Ms Jessie Duarte after a series of meetings with the police were held to discuss the problem

Telkom has formed partnerships with the communities to assist in alleviating the problem.

Botes cited Alexandra Township in Johannesburg, where such a partnership was thriving.

Duarte said the police, in conjunction with Telkom, had designed the project that would ensure that there was maximum focus of both human and material resources in combating the theft

## Undermined

She said cable theft undermined the process of improving the lives of people and threatened attempts to create a safe and secure environment.

It also undermined plans by Telkom to improve facilities at police stations and to provide a toll-free line for the public to raise issues regarding policing.

Attempt to Hijacker shoots

# Theft of Telkom cables doubles

(267)

BD 13/11/96

Nomavenda Mathiane

THE theft of electrical cables had almost doubled countrywide from last year's R30m to R25m for the period January to June this year, Telkom communications manager Gert Schoeman said yesterday.

In Gauteng alone, cable theft had escalated from R7m last year to R9m within the first six months this year and this crime was moving into the inner cities, with East Rand industrial sites being the latest areas to be hit last week, Schoeman said.

Compared to 973 reported incidents in Gauteng last year, 906 incidents were reported between January and end September this year, and Telkom employees had spent 103 925 man-hours during the last three months repairing stolen cables.

Gauteng safety and security MEC Jessie Duarte said yesterday that her ministry was working with Telkom to curb this crime which was causing Telkom enormous losses, and which might result in job losses.

Duarte said that electric cable theft did not only retard government's goal of developing the country, but also threatened the goal of creating a safe and secure environment for the province.

Telkom Gauteng central executive Henning Botes said cable theft was having a serious effect on the national economy, costing businesses, especially in Gauteng, millions of rand a month in lost turnover.

He said that despite the millions of rand Telkom spent each year to safeguard its network against cable theft, the company was fighting a losing battle.

"Cable theft is on the increase and is rapidly spreading to areas previously unaffected," he said.

He also announced that Telkom had increased the R8 000 reward to R10 000 for information leading to arrest and conviction of cable thieves.

Telkom was spending R403m on telecommunication infrastructure projects in central Gauteng to provide additional capacity for 115 000 services before the end of March next year. This additional capacity is targeted mainly at providing the telecommunication needs of the company's business customers in the region, as well as residential customers in under-serviced areas.

This would enable Telkom to connect 50 000 new customers by the end of March.

Items ranging from home-made ladders, pickaxes, coils of copper and metres of telephone wires recovered from thieves were on display at the Telkom offices yesterday.

Provinces that have been hit by this crime are KwaZulu-Natal and Gauteng and the borders of Mpumalanga, Northern Province and Northwest.

# Benefits of successful Olympic bid questioned

(268)

Linda Ensor

BD 13/11/96

CAPE TOWN — The Olympic Bid Committee was accused yesterday of having failed to address the implications of hosting the 2004 Olympic Games in Cape Town.

During a briefing before the Cape metropolitan council's planning committee, Wildlife Society Western Cape vice-chairman Ed Tilanus questioned whether disadvantaged communities would benefit from the facilities built for the games once they were over. He also believed that the expected flood of visitors and tourists to the Peninsula would threaten an already vulnerable habitat of diverse flora.

THURSDAY
NOVEMBER 14, 1996 ★

'FREE' INSTRUMENTS NOT TRULY FREE

# Cellphone price war a threat to the industry

CT 14/11/96 (267)

**JOHANNESBURG:** The two cellphone giants, MTN and Vodacom, both deny starting the price war, but each says it will counter whatever moves the other makes.

A CELLPHONE price war, which has culminated in phones being given away free, may plunge the industry into financial difficulty

The two main service providers, MTN and Vodacom, have warned of severe implications for the industry if they are forced to out-do each other for a slice of the market

Although both deny starting the battle, they say they will match each other's bargain offers.

Both operators warned yesterday that giving away free handsets — some valued at over R2 000 — would "seduce people" who cannot afford them into swelling the ranks of some 750 000 users

However, both said they were celebrating their best sales over the past month since the race to offer the cheapest cellphone option began in earnest

"Driving prices down to zero level has more to it than meets the eye," said MTN's corporate relations executive Mr Jacques Sellschop "It lifts the immediate and visible barriers of entry to the convenience of mobile phones

"What is often overlooked is that the buyer has to enter into a 24-month contract of financial obligation In addition, if 5 000 phones, each valued at R1 600, are supplied free of charge, this mounts to a marketing cost of R8 million for the network That money has to be recovered somehow in the long-term "

Despite MTN's concerns, he said, the network was "compelled" to enter the free phone promotion as Vodacom had "set the trend"

Although MTN also believed Vodacom's latest move of selling pre-paid chips would encourage cellphone theft, it had introduced a similar upfront payment system

Vodacom's group executive of corporate affairs, Ms Joan Joffe, said her network had not started the "heated cell competition".

It was between the networks' individual service providers like M-Tel, Teljoy and Vodac and dealers like Dion's and Pick 'n Pay

She said that although increased competition stimulated the market, the situation "had become risky" for dealers and service providers They would have to cough up for phones given to "bad" subscribers

Joffe declined to comment further, beyond saying Vodacom sales were "extremely good"

But dealers were not concerned They said they had to get customers' credit rating approved by the service provider before selling a connected phone

"If we sell a phone and contract without their permission, we do not get the commission and that person's phone will not be switched on," said Mr Kevin Barret, a sales manager at a leading chain store.

The country's larger service providers said free phones could spell disaster for the industry as someone would end up paying for the subscribers who were attracted to the market but could not afford the running costs of the phones

All said they sold airtime to customers who had passed stringent credit ratings. They warned that no cellphone was truly free as it came with a contract into which its cost was built — Own Correspondent

TELECOMMUNICATIONS

# NEW REGULATORY BODY UNDER MINISTERIAL CONTROL

(267) FM 22/11/96

**IBA destined for incorporation**

The Independent Broadcasting Authority (IBA)'s days are numbered now that the SA Telecommunications Authority (Satra) — a new body established in terms of the recently passed Telecommunications Act — is to be launched Under the current system, telecommunications is being refereed by the main player, Telkom, while the IBA regulates broadcasting

The memorandum explaining the aims of the new legislation says Satra will amalgamate with the IBA in due course

The merger of the two authorities has been on the cards since the process of renewing SA's telecommunications legislation started The White Paper which preceded the Telecommunications Bill said "Telecommunications and broadcasting will, in the medium term, be regulated by a single authority In the period before the merger of broadcasting and telecommunications regulatory authorities into one, the two structures managing the broadcasting and telecommunications frequency bands respectively should jointly co-ordinate the management of the frequency spectrum "

As the *FM* pointed out when government mooted the plan of splitting the Department of Posts & Telecoms into two bureaucracies, SA does not have the wealth or qualified technicians to run two frequency management agencies There is little point in government buying and maintaining two sets of frequency monitoring equipment

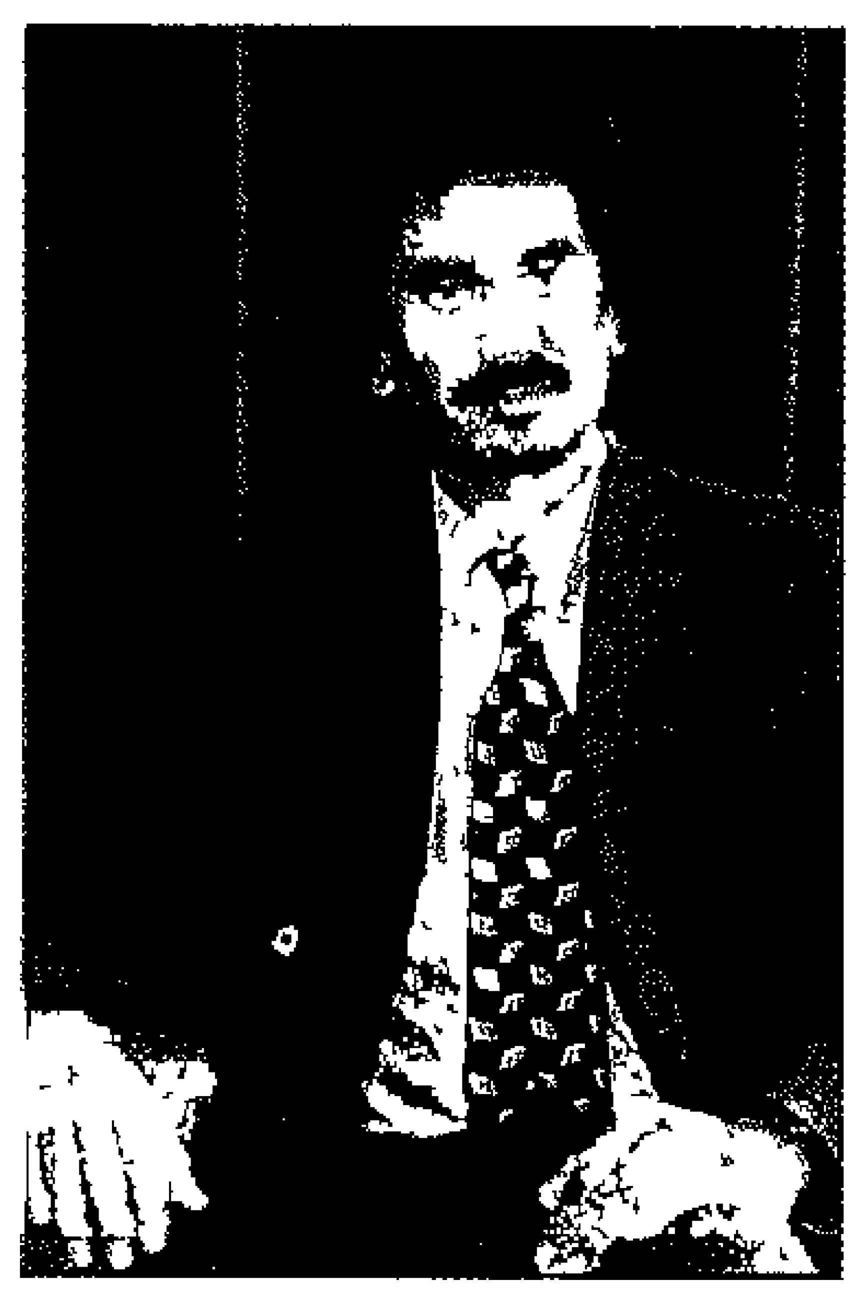
As indicated by its name change, Satra does not have the IBA's independence, it is accountable to Posts & Telecoms Minister Jay Naidoo, not parliament

Naidoo is wasting no time ushering Satra into existence after getting the Telecommunications Bill approved by the National Assembly

While their parliamentary colleagues enjoy a recess, the Senate telecoms portfolio committee has been set a two week deadline to select Satra's councillors In terms of the new telecoms Act, Satra will consist of a chairman and between three and five other councillors

The posts were advertised in last week's *Government Gazette* Readers hoping to apply for a position may have already missed their chance because a shortlist is being drawn up and is scheduled for publication next Friday, November 29 The portfolio committee's recommendations are to be handed to President Nelson Mandela for approval on December 9

The speed with which Satra is being assembled isn't likely to draw much public interest But as happened with the Eminent Persons Group — the body entrusted to look after the public's interest in the creation of the new telecommunications Act — SA citizens may discover too late they've been shortchanged if they don't pay attention



*Jay Naidoo does he want to take the IBA under his wing?*

Naidoo's predecessor, Pallo Jordan, loaded the Eminent Persons Group — what was meant to be the public's watchdog — with beneficiaries of Telkom's monopoly

The Eminent Persons Group's five members included Telkom manager Pinky Moholi, union representative Lefty Monyokolo, Altech (which along with Siemens was guaranteed Telkom business for 15 years) employee David Botha, and black business representative Dupreez Vilakazi

The only member of the body who was not an employee or supplier of Telkom was Sentech MD Neel Smuts But since he heads a public corporation which reports to the telecoms ministry, he added little credibility to the body

The group initially surprised its critics by refusing to rubber-stamp Naidoo's draft Bill because it watered down two of the White Paper's key goals — the regulator's independence had been reduced and fixed dates for ending Telkom's monopoly had been removed

But after a brief meeting with Naidoo, the group changed its mind, saying the differences between the White Paper and the Bill were insignificant

So much for the Eminent Persons Group's independence

Though the IBA has failed to demonstrate it, the independence of regulators is important — particularly in countries where broadcasting and telecommunications are in the firm grip of government monopolies

The telecoms Green Paper, a document which called for industry submissions in formulating the new telecoms Act, said that to ensure the regulator's impartiality, it had to be independent of Telkom

The document explained that the regulator would have little credibility if it was associated with industrial interests or if it did not have independence from government in dealing with its mandated functions

The Green Paper — which gave birth to Satra — invited public debate on whether SA should follow the US and Australian examples by creating a telecommunications regulator which operates independently of any control or interference from government

Another option was to follow New Zealand's model where telecommunications regulation is left to general bodies such as the Competition Board and consumer councils

# Deliver or be sold, Post Office told

267 ST (BT) 24/11/96

PRIVATISATION

By THABO KOBOKOANE

THE Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, has raised the prospect of a privatised Post Office if restructuring fails to return it to profitability

His statement comes in a week in which the government announced further details of its restructuring and privatisation package for parastatals

Naidoo, who is also overseeing Telkom's partial privatisation, said at the National Postal Forum on Friday "Privatisation is something we will not rule out, but this would entail bringing in a strategic equity partner to provide new capital, new technology, management expertise and access to global markets"

He said he would "consider the privatisation of the postal services if the restructuring of the services is not seen to be delivering the goods "The restructured Post Office will have to be efficient, reliable and give accessible service. If we are not equipped to do this we will bring in an equity partner"

In September, Naidoo initiated a review of the postal services by appointing a technical task team to draft a discussion document which will lead to a draft White Paper by April next year and draft legislation by the second half of 1997.

Naidoo also indicated he would seek to maintain the "exclusivity" of the Post Office in the letter business, in the face of stiff competition from courier services and express parcels.

He warned companies operating in contravention of the existing Act, which gives the Post Office complete monopoly over letters below 2kg, but did not indicate what measures would be taken against them

He also indicated the Post Office was close to finalising its proposal to bid for the lottery licence, which is expected to be launched in 1998

Stella Sigcau, the Minister for Public Enterprises, this week reiterated the government's commitment to privatisation She told the Deloitte & Touche annual general meeting on Friday that the full privatisation of transport company Autonet and mining concern Alexkor was on the cards and discussions with labour would take place next month with a view to finding a strategic equity partner for The Airports Company.

Sigcau said the cash-strapped state-owned resort company Aventura "will be in private hands" by next year Other state-owned parastatals in line for partial or full privatisation include Metro Rail and SAA Sun Air could be sold by April next year

# Throwing wide the Telkom do

## *Communications industry aims at attracting blacks i*

A KEY ELEMENT OF TELKOM'S PRIVATISATION IS TO GIVE BLACK SOUTH AFRICANS A REAL STAKE IN THE GIANT TELECOMMUNICATIONS INDUSTRY, REPORTS **ESTELLE RANDALL**. SHE SPOKE TO THE MAN WHO WILL PLAY A CRUCIAL ROLE IN THE PROCESS

Andile Ngcaba, director-general of the Department of Communications is in a position for which he has been preparing since he was a teenager

It was at 15 that he first became interested in radio His father worked in the post office from 1947 until he was pensioned off as postmaster general of the post office in Mdantsane, Port Elizabeth After he'd completed high school, Mr Ngcaba worked for Philips in East London as an electronics technician

"I know nothing else," he confesses

But he was also an activist, working underground for the African National Congress in the Eastern Cape and nationally In 1981, he left South Africa to join Umkhonto weSizwe and was posted to Moscow where he trained in communications - satellites and radio systems

His interest and skill in telecommunications took him to Angola, where he was in the regional command, in charge of transport and communications

"I represented the ANC at a conference of the International Telecommunications Union," he recalls

In 1991 when he returned to South Africa he was charged with the responsibility of establishing the ANC's information and communications systems at Shell House

"I built the whole computer network," he says with obvious pride

His expertise in the telecommunications field is recognised widely - he is on the World Bank's technical advisory panel. But it's an expertise he is constantly trying to enhance He is in the process of completing a master's course in commerce in information technology at the University of the Witwatersrand and thinks he may well study further

But this will not be to the detriment of his work in the department and its objectives of making South Africa a player in the international telecommunications sector and of achieving universal access to telecommunications among all South Africans

A key concern for Mr Ngcaba is boosting black empowerment within the telecommunications sector - the fastest growing industry in South Africa and the one which could change the way we work, learn and play

"We want our people to get a bigger stake in this industry, which is the key to the information economy," he says "A bigger stake in the sector will give people a bigger stake in this future "

At present, there is little real black involvement in the sector However, the Cabinet recently approved the sale of between 20 and 30 percent of Telkom shares to a foreign consortium of investors and the provision of another 10 percent of Telkom to be used for economic empowerment of workers and previously disadvantaged groups

"If you're not in management at various levels then I think your investment is purely speculative," says Mr Ngcaba.

"Our thinking, and it's not policy yet although we have discussed it with people, is to start by looking at what the value is of the telecommunications sector and what percentage is generated by black people."

On almost all counts - investment, training, salary bill - the answer is probably less than one percent.

"If this is the case, then what's your strategy to increase the extent of black involvement in the sector?"

The answer, he believes, should be that the 10 percent of Telkom shares to historically disadvantaged people should be used to ensure a significant portion of the telecommunications sector's cake becomes black-owned.

"Ways of preventing speculative investment could be to make it a condition that the 10 percent is held in a trust and is not tradable for about eight years The purpose of the trust would be to create skills and entrepreneurs in the sector

"In eight years time, you could create a reliable and solid core of black people to run enterprises in the sector "

He says there is a lot of support for this thinking within the sector and confesses that speculative investment is seductive

"If I wasn't involved as I am, my second choice would be to become a stock exchange dealer, a speculator. I peep through the electronic global networks and see how it's done, how the money gets moved around - and it's exciting.

"I'm fascinated by that kind of speculation But I don't think one wants that here We need to develop black people to get into control and speculation has no meaning for this project," he says soberly.

Alongside developing black involvement in the telecommunications sector, are his plans to revamp the department into a holding company, instead of a government bureaucracy

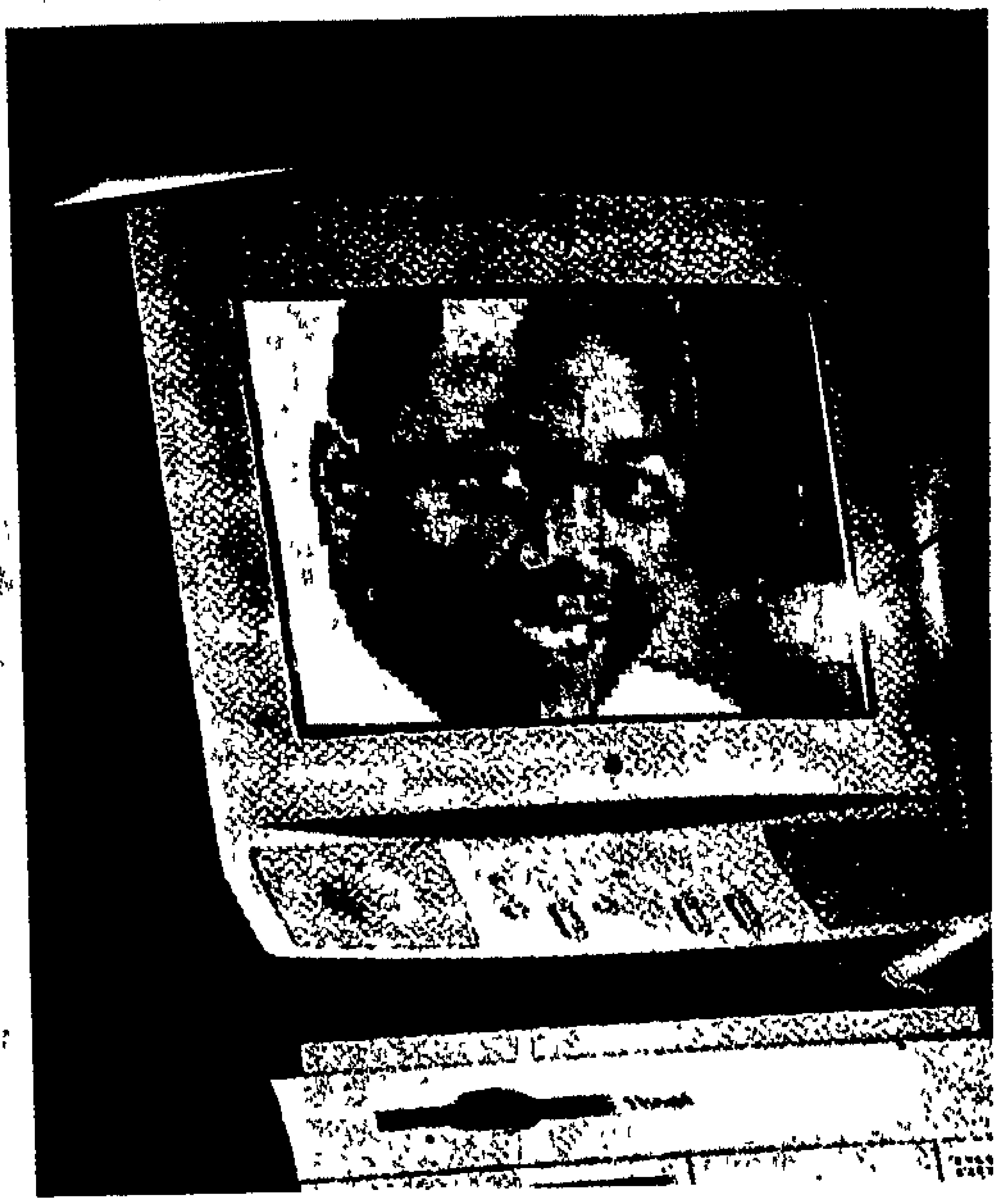
"We're going to change the department so that it's run as a holding company, which has interests in several other companies For us, the more money we make, for the Government, the better "

Under the ministry and department fall a range of important and profitable companies, some of which are completely State owned.

There is the SA Post Office which comprises Sapos Properties, Nulot (involved in lotteries such as scratchcards) and Swiftpost where the State is the sole shareholder The Post Office also comprises Pensecure (which deals with about 51 percent of pension payouts) in which the State owns 51 percent and Q-SAP in which the State owns 45 percent.

Besides the post office, which handles about eight million articles a day, the State is the sole shareholder in Telkom with its 10 subsidiaries, including Vodacom and Teljoy Cellular Holdings, and the SA Broadcasting Corporation and its Astrasat subsidiary

"The minister is the major shareholder, the department is the holding company We're going to relate to our subsidiaries through business and strategic plans, budgets, dividend policies, services and benchmarking," explains Mr Ngcaba.



**Future vision:** Andile Ngcaba director general of the Department of Communications who wants Telkom

"Through financial analysis and economic modelling we will ensure we implement the Government's policies As the holding company, we drive the annual general meetings of these companies, we approve their strategic and business plans, we appoint their board members "

The Telecommunications Bill, now in the last stages of becoming law, will help the department reinvent itself as a lean, policy machine

*'The Telecommunications Bill will help the department reinvent itself as a lean, policy machine'*

The bill separates policy-making and policy implementation by establishing a new independent regulatory authority - the SA Telecommunications Regulatory Authority (Satra) - which will regulate and control the radio frequency spectrum. This means some functions and staff now located in the department will be transferred to Satra.

"By early 1997 we will reduce our staff from about 270 to about 100 people by transferring them to Satra," says Mr Ngcaba.

The new department will be mindful of the context within which it is operating - that of a knowledge-based global society with its convergence of technologies and service and where the economy is increasingly influenced by technological an telecommunication advances

The department's role will be to ensur that all South Africans are able to tak part in this economy It will do this b ensuring universal access to telecommu nications service and through nationa policy geared to efficient and effectiv delivery

The new depar ment also will deve op policy on huma resource develo ment, carry o strategic plannin and research on a these issues and a as the link with oth government depar ments and intern tional players in the sector

"This will involve a change of focu requiring new skills and expertise," sa Mr Ngcaba.

An aspect of the Telecommunicatio Bill which has caused some concern is t provision for Telkom's licence to last f 25 years

"People get a shock when they s this," says Mr Ngcaba "but this does mean there is no competition Telkon licence will contain specific conditions tariffs, how many fixed lines should installed, where these should go and when they should be in place

# ide the Telkom doors (267)

## lustry aims at attracting blacks into its fold

ARG 26/11/96

COLIN DANIEL

Future vision. Andile Ngcaba director general of the Department of Communications who wants Telkom to become 'a global communications player'

agement at vari-
our investment is
Mr Ngcaba
t's not policy yet
sed it with people,
hat the value is of
s sector and what
by black people "
ts – investment,
e answer is proba-
t
then what's your
e extent of black
r?"
ves, should be that
a shares to histori-
ple should be used
nt portion of the
sector's cake

ting speculative
make it a condition
ld in a trust and is
t eight years The
would be to create
rs in the sector
, you could create a
of black people to
ector "
t of support for this
ector and confesses
ment is seductive
l as I am, my second
become a stock
speculator I peep
c global networks
how the money gets
's exciting
that kind of specula-
one wants that here
ck people to get into
ion has no meaning
ys soberly
ping black involve-
nunications sector,
mp the department
ny, instead of a gov-
an the department
holding company,
n several other com-
ore money we make
the better "
y and department fall
t and profitable com-
ich are completely

ost Office which com-
ties, Nulot (involved
s scratchcards) and
State is the sole share-
ffice also comprises
als with about 51 per-
youts) in which the
t and Q SAP in which
rcent.
office, which handles
n articles a day, the
areholder in Telkom
ries, including Voda-
ular Holdings, and the
Corporation and its

the major sharehold-
is the holding compa
to relate to our sub
business and strategic
idend policies, services
," explains Mr Ngcaba

"Through financial analysis and economic modelling we will ensure we implement the Government's policies As the holding company, we drive the annual general meetings of these companies, we approve their strategic and business plans, we appoint their board members "

The Telecommunications Bill, now in the last stages of becoming law, will help the department reinvent itself as a lean, policy machine

*'The Telecommunications Bill will help the department reinvent itself as a lean, policy machine'*

The bill separates policy-making and policy implementation by establishing a new independent regulatory authority – the SA Telecommunications Regulatory Authority (Satra) – which will regulate and control the radio frequency spectrum. This means some functions and staff now located in the department will be transferred to Satra.

"By early 1997 we will reduce our staff from about 270 to about 100 people by transferring them to Satra," says Mr Ngcaba.

The new department will be mindful of the context within which it is operating – that of a knowledge-based global society with its convergence of technologies and service and where the economy is increasingly influenced by technological and telecommunication advances

The department's role will be to ensure that all South Africans are able to take part in this economy It will do this by ensuring universal access to telecommunications service and through national policy geared to efficient and effective delivery.

The new department also will develop policy on human resource development, carry out strategic planning and research on all these issues and act as the link with other government departments and international players in the sector

"This will involve a change of focus, requiring new skills and expertise," says Mr Ngcaba.

An aspect of the Telecommunications Bill which has caused some concern is the provision for Telkom's licence to last for 25 years

"People get a shock when they see this," says Mr Ngcaba "but this doesn't mean there is no competition Telkom's licence will contain specific conditions on tariffs, how many fixed lines should be installed, where these should go and by when they should be in place

"The 25-year licence is not unusual We need time for Telkom to deliver in terms of our universal service policy Telkom also needs time to gradually rebalance its tariffs on long-distance and international calls Those who clamour for competition now are talking of competition on long-distance and international calls, not local ones," he points out

"If another competitor came in now, this would compel Telkom to reduce its tariffs on these and this sudden reduction would affect the other things which we want Telkom to achieve – the roll-out of service to areas where there is no telecommunications link at the moment.

"In Europe, liberalisation of the telecommunications long distance sector is only going to happen in 1998. Greece and Spain have until 2003 to do so

"We're saying Telkom should have a specific period of exclusivity for up to five years on fixed lines But it will face competition on other things, such as the actual phone equipment This will be deregulated soon so Telkom will not be the exclusive supplier of phones

Besides meeting local needs for access to telecommunication services, Telkom's strategic partner who will acquire 30 percent of the corporation's shares must take South Africa beyond its borders

"We're looking for reciprocity and want to become a global telecommunications player "

# Former Telkom senior manager probed

Kevin O'Grady (267) BD 4/12/96

POLICE are investigating allegations of irregularities against a former senior Telkom employee who is a short-listed candidate for a position on the soon-to-be-established SA telecommunications regulatory authority

A Telkom spokesman confirmed yesterday that former affirmative action senior manager Nono Mohutsioa-Makhudu was under investigation by Pretoria police following her suspension in October and her failure to appear before an internal disciplinary inquiry last month She is to be interviewed for a position as an authority councillor in public hearings in Johannesburg tomorrow.

The authority will be a powerful statutory body similar to broadcasting's Independent Broadcasting Authority that will, among other things, grant licences to operators in the telecommunications industry

The Telkom spokesman would not

Continued on Page 2

# Telkom

(267) BD 4/12/96

Continued from Page 1

give details of the charges being investigated against Mohutsioa-Makhudu, but it is understood they involve credit card and subsistence and travel claim abuse worth thousands of rands

The spokesman denied Mohutsioa-Makhudu was being targeted for investigation, and said the initial probe by Telkom's internal audit and investigations division was part of "a complete crackdown on such irregularities in the organisation" It was usual for cases of employees suspected of wrongdoing to first be heard in an internal disciplinary procedure and then, if necessary, for the case to be handed to police. This had not been possible in Mohutsioa-Makhudu's case as she had used a loophole to avoid the internal process

The initial disciplinary hearing was postponed after a request from Mohutsioa-Makhudu to be allowed time to prepare her defence At a reconvened hearing on November 30 she failed to appear and her representatives said that as her 14-day notice period had expired and she was no longer employed by Telkom, she was not subject to disciplinary action

BD 6/12/96

# Applicant is grilled over irregularities

Kevin O'Grady (267)

FORMER Telkom manager Nono Mohutsioa-Makhudu, who is under police investigation for alleged irregularities committed while at Telkom, was grilled on the issue yesterday in an interview for a post on SA's telecommunications regulatory authority

Members of the parliamentary committees on communications were interviewing potential councillors for the authority — which will, among other things, grant licences to telecommunications operators — in Johannesburg

She pre-empted committee members' questions by saying she had prepared a statement in response to recent reports about the investigation, which she would give to the committee after the interview

Asked about reported statements by Telkom that she used a loophole to avoid an internal disciplinary hearing, she said "The allegations I did not attend the hearing is false the chairman (of the hearing) ruled against Telkom and in favour of me "

However, after the interview she told Business Day she was not at the final hearing on advice from her attorney and the chairman's ruling she referred to was in favour of her argument that she should not be subject to the hearing because she had since resigned from Telkom

Asked by a committee member if she was aware of the investigation against her, she responded that it was "opportune" that an article about the investigation should appear "on the eve of my interview (by the committee)"

# Cost of local calls surges as Telkom joins open market

(267) BD 12/12/96

Robyn Chalmers

THE cost of local calls is to rise 28,4% as part of Telkom's tariff restructuring plan and move to a more open market.

The increase will be balanced by an 11,2% and 11,5% drop in national and international rates respectively.

Telkom MD and CEO Brian Clark said yesterday that the overall increase next year for the basket of tariffs — including installation charges, rentals, data services and calls across the board — was 7%. This was two percentage points below the expected rate of inflation.

The new tariff structure, approved by Post and Telecommunications Minister Jay Naidoo and the cabinet, is aimed at levelling the playing field for competition in future, as Telkom's tariff structure will be more in line with those of international players.

Clark said Telkom had traditionally heavily subsidised its local call tariffs by charging higher rates for long distance and international calls.

"At present, only 22% of calls are long distance, yet Telkom derives more than two-thirds of its income from these calls. In order to protect Telkom's revenue base so that it can continue with its aggressive network expansion and modernisation, local tariffs must become more cost-related," he said.

Clark said the rebalancing of tariffs would continue in 1998. By the end of the century, overall costs would be less than if the 1996 tariff regime had been continued, he said.

The price differential between international and local calls was 9:1 or approximately 27c a minute against 3c a minute. The rebalancing of tariffs would reduce the ratio to about 7,5:1 and Clark said Telkom should come out of its exclusivity period with a 3:1 ratio, the international norm.

The length of Telkom's exclusivity period remains unclear. It is a key bargaining chip for government in its talks with prospective strategic equity partners looking to buy between 20% and 30% of Telkom, a process which

Continued on Page 2

## Telkom

(267) BD 12/12/96

Continued from Page 1

Clark said was on track. The second phase of the due diligence exercise was under way.

Naidoo has previously said Telkom's monopoly would continue for between four and six years, but this is likely to be disclosed only next March when the parastatal's license is issued.

Clark said Telkom was "extremely sensitive" to the short-term effect of the rebalancing on some large and small customers, but concessions had been made along with increases.

Telkom had cut installation charges 41% to R150 for a single installation and 36% to R135 for multiple installations. Clark said the parastatal had identified high installation costs as a barrier to entry for the poor.

Payphone tariffs were unchanged — customers with bills of less than R50 would receive their first 13 call units free, rental charges for rural customers had been standardised, and charges for data services would increase 12% on average from January 14.

Telephone line rentals for residential customers had increased 9%, and 12% for business, effective February 1.

Sapa reports that the National Communications Committee (NCC) said yesterday that business understood the necessity for Telkom's tariffs to be "rebalanced in a manner that reduces the distortions of cross-subsidisation".

The NCC represents the Afrikaanse Handelsinstituut and SA Council of Business, among others.

An NCC spokesman said in Johannesburg: "Tariff structures must be cost-related but such costs are invariably suspect in circumstances where the service is provided by a monopoly. If there is any criticism it lies in the intention to rebalance those tariffs in the short time of two years, but this is apparently necessitated in anticipation of a more competitive service."

# Telkom has R130-m copper headache

(267) ARG 13/12/96

Johannesburg – Theft of copper wire from telephone lines cost Telkom R130-million in the first six months of this year — exactly what it cost for similar theft for the whole of 1995

At a press conference in Johannesburg Telkom managing director, Brian Clark, said the large-scale thefts, in all parts of the country, were the work of international crime syndicates

"Telephone poles are sawn down and kilometres of cable are ripped out Copper theft is one of our biggest headaches in Telkom It has become a nightmare," said Clark

He said the copper was melted down and sent out of the country

"We even found containers of it at the docks in Durban "

Clark said Telkom got considerable assistance from the police, but added "Some of the small fry have been caught, but not the big fish These thefts are internationally driven "

He said developing countries were prone to copper theft because old lines contained a higher level of the metal Telkom was now using lines with optical fibres – Sapa

NEWS

# More than 380 arrested in Telkom staff dishonesty probe

(268) Star 20/12/96

**STAFF REPORTERS**

Telkom said yesterday its campaign against staff dishonesty has led to 383 people being arrested and disciplinary action taken against 131 others between April and September.

Theft and fraud had cost the company at least R71-million.

Most cases involved the theft of copper cable while payphone fraud, lost equipment and other irregularities also featured.

Telkom communications officer Amanda Singleton highlighted some of the more serious cases involving commercial and financial irregularities.

■ Two senior employees at the Hermanstad technical workshop in Pretoria, Jannie Rall and Nico van der Westhuizen, were dismissed for allegedly participating in a "scheme prejudicial to Telkom, with a Telkom supplier"

■ Stephan Venter of the same workshop was dismissed as a result of a number of charges against him, including the obtaining of false quotations in order to "manipulate the procurement process" in favour of a particular client.

■ Nic Potgieter, controlling officer at Hermanstad, was dismissed for allegedly arranging payment for services which were never supplied by Softrim Technologies.

■ Mick Grewar, manager at the national transmission section, was dismissed after allegedly obtaining personal financial benefit from a fund administered by a Telkom supplier.

Singleton said criminal and civil charges had been brought against some of the Telkom employees who had been dismissed. "These cases have been handed over to the police," she said.

# Deutsche Telekom job cuts worry unions

BD 31/12/96 ~~(134)~~ (268)

Reneé Grawitzky

TELKOM unions have expressed their concern over plans by the SA parastatal's potential strategic equity partner, Deutsche Telekom, to cut its workforce from 170 000 to 60 000 by 2000

Representatives of the main Telkom unions visited Germany in late November to research the effects of privatisation on Deutsche Telekom and to examine whether the huge German telecommunications company had the expertise to assist in creating networks in SA's rural areas

A union representative said concerns about the downsizing of Deutsche Telekom were mainly linked to whether the company planned to use SA as a "dumping ground" for retrenched staff

However, he said the unions were most impressed with the way in which Deutsche Telekom was handling the privatisation process, despite their concerns

Work by Deutsche Telekom in eastern Germany and Hungary had shown that the company had the expertise to assist in building networks in rural areas

Deutsche Telekom would be a good equity partner, as it had the necessary technology and management skills, he said

Another union representative said he was concerned that the German unions had accepted the plans to downsize the Deutsche Telekom workforce without resistance but another explained that the cuts were a consequence of the modernisation of the telecommunications industry

Another representative said that instead of fighting the company and complaining, the German unions had been constructive and had formulated proposals and initiatives to increase capacity for employment

He said SA unions had a lot to learn from German unions, which had tabled more than 200 suggestions for creating jobs

P.S. _ TELECOMMUN. - GENERAL.

1997 ~~AUG - DEC.~~

# Snail mail: cold comfort from Post Office

) specific complaints, says spokesman

er howls of non-delivery, and sorry, but

kom helpline was the wrong number

(267) Star 9/1/97

SHIRLEY WOODGATE

The Post Office has cold comfort for people who have complained about non-delivery of overseas Christmas mail or those who claim that a massive backlog developed in Gauteng over the festive season.

Spokesman Juliana Nel said no specific complaints had been received at her office, adding that the Post Office had made vast strides since it was commercialised in 1[?]

The para[?]al has maintained its hardlin[e st]ance despite a flood of phoned [com]plaints to The Star.

Readers [we]re particularly incensed that t[he]y had been unable to telephone [t]heir complaints to the Post Office in Johannesburg

Nel responded that the numbers in Telk[om]'s 1996-97 Johannesburg direc[to]ry were incorrect as the Witwat[e]rsrand regional office had move[d] in November and Telkom was supposed to install an answering machine giving the updated numbers

Typical of the complaints is one from Moira Verner of Berea, whose post from Ireland and London had not arrived "All the (complaints) numbers in the directory went unanswered When I finally got through to the toll-free number, the person at the other end was unable to understand my problem," she said.

A Saxonwold, Johannesburg, resident said she regularly received Christmas cards from the United Kingdom. This year, not a single item had been received

The Star's columnist James Clarke is another complainant

Items airmailed to SA from the UK in November had not arrived almost a month-and-a-half later, he said

Nel said the Post Office handled an average 8 million items every working day Volumes could double over the festive season.

Delivery of international mail was a joint venture between the Post Office, the international carrier involved and the "relative foreign postal administrations". It was unfair to blame the Post Office alone

Clear evidence of the Christmas backlog despite posting early was provided yesterday by a check through mail posted to The Star's editor Peter Sullivan

One Christmas card posted in Sandton on December 10 arrived in Johannesburg only on January 8 Another card, posted in Craighall, Johannesburg, took more than three weeks to arrive in the city centre, and one from Midrand took more than a month.

Nel said that despite problems during the latter half of 1995 with the move to Witspos (the new mail centre in Johannesburg), 90% of mail was being delivered on time since the second half of 1996

She admitted the Post Office was prone to theft but added security had been tightened and guilty staff would be dismissed.

A p[o]ssible cause of delays was that up to 21% of mail was incorrectly addressed or had the incorrect postal codes, or none at all."

Nel can be telephoned on (012) 421-7702.

# Business sector warns against hikes while Post Office defends service

(267) Star 10/1/97

By Shirley Woodgate

Warnings from the Direct Marketing Association about the doubling of postal tariffs and unacceptable service levels by the SA Post Office were backed by complaints aired in The Star yesterday, said the association's executive director Davy Ivins

The DMA represents the business sector, which generates about 84% of the Post Office's volume

At the same time, Post Office managing director Frank Touwen has strongly defended the service provider, repairing damage done by a spokesman when complaints were forwarded to her by The Star yesterday

While individuals have focused mainly on problems over the festive season, Ivins said there was a real financial implication to Post Office inefficiency, which was costing the business sector a substantial amount of money every week.

"Our concern is that increased tariffs are coming on top of erratic service and mail violations," he said

The DMA viewed the situation so seriously that it was considering promoting alternative measures such as a home delivery service, faxes, e-mail and the telephone, he said

Sources indicate at least one major insurance company had already swopped extensive use of the postal services in favour of media advertising to communicate its annual results to its 3 million members

City dwellers who used to send money through the Post Office to their families in the rural areas are allegedly turning to taxi drivers to transport their funds safely and quickly

Compounding the issue was the looming threat of tariff increases on April 1, which business would inevitably transfer to consumers, Ivins said

The DMA believed standard postal rates for ordinary letters were set to double from April The hike is apparently seen as a solution to the financial plight of the Post Office, whose losses – which were in the past cross-subsidised by the telecommunications section – reached R500-million last year

"Negative reaction to massive tariff hikes could spell disaster, as users seek other means of communicating their message to the public," Ivins said

Touwen said that, contrary to public perception, the Post Office had substantially improved its service, to the extent that 99% of the 8 million items handled daily were reaching their destination on time

Only 1%, or 80 000 items, were therefore delayed, according to an independent survey

The 99% success rate clearly represented a huge improvement on the 29% measured a year ago, he added

On the issue of tariffs, he said an increase was inevitable, but unlikely to be double the present rate

The present 70c postal tariff was not covering the cost of collection and delivery, and South Africans were paying far less than people in other countries, including Japan (R4) and the United Kingdom (R1,60)

"We have to increase tariffs to the extent we do not kill the golden goose

"The aim is to keep tariffs low and volumes high, with the final decision taken by the minister, the director-general and the public via the postal forum."

Increases over the past 25 years had been half the inflation rate, he added

Touwen said a special investigation team headed by a former high-ranking police officer had been set up to check alleged irregularities in the Post Office

# Govt upbeat on open service offer to WTO

(267)

Edward West

BD 16/1/97

GOVERNMENT was confident its offer to the World Trade Organisation (WTO) to open national and international telecommunication services to competition would be accepted, a spokesman for Post and Telecommunications Minister Jay Naidoo said yesterday

With a February 15 deadline looming, WTO delegates sat down on Monday to try to persuade key countries to join the pact or improve their offers.

Monopolies and other rules barring or restricting foreign ownership of telephone firms have kept prices high and services mostly poor because of lack of competition.

Sapa reports that overseas, for instance, it cost firms about 2c a minute to provide a transatlantic phone link, the same as a local call. However, European consumers pay about $2 a minute.

Last April's attempts to win a global telecommunications agreement failed when the US pulled out, complaining offers from Asian countries in particular were not good enough

In December a string of countries, including SA, said they were willing to make new offers.

SA intends to maintain a monopoly on telecommunications for an unspecified period as a sweetener to foreign buyers for the purchase of a part of Telkom.

Naidoo's spokesman, Connie Molusi, said SA's offer would be submitted to the WTO before the February 15 deadline. The issue of increased competition was not clear cut and SA's offer was likely to include a "phased approach" to introducing steps to increase competition Some negotiation on the offer was expected, but SA was confident the offer would be accepted, Molusi said.

# Why the cost of phone calls is soaring

## *Pressure group accuses Jay Naidoo of milking the public dry* (267)

ARG 20/1/97

**THE COST OF LOCAL TELEPHONE CALLS IS ABOUT TO GO UP BY ALMOST A THIRD. IS THE INCREASE JUSTIFIED? AND IS THERE ANY PROSPECT OF A TELEPHONE SERVICE AFFORDABLE TO ALL SOUTH AFRICANS? PAUL MALHERBE OF THE TELEPHONE ACTION GROUP TAKES A CRITICAL LOOK AT THIS GIANT STATE ENTERPRISE**

When piloting the Telkom Bill through Parliament last year, Minister Jay Naidoo said he was going to ensure our neglected millions in future would have "universal, affordable access" to telephones

To this end, he projected an expenditure of R32 billion for the proposed expansion

This figure, of course, could rise to about R40 billion when one considers what is happening to the rand

There inevitably will be sharp increases in future telephone tariffs in spite of us already paying far too much

The latest increase of 28,3 percent for local calls is just a foretaste of worse to come, so talk of affordability is just a delusion

If a proper business analysis had been done to show income and expenditure year by year, the lack of affordability would have stared Mr Naidoo in the face and he might have been amenable to alternative approaches

This obviously was not done, and Mr Naidoo declines to tell us what our future telephone tariffs will be

The approach of Telkom to public needs compares badly with the exemplary conduct of Eskom

Whereas Eskom will provide even a squatter shack with an electrical connection, a prepaid metering system and a plug-in facility for a mere R35, Telkom charges R202 for a telephone connection

The local call tariff is so high that it costs more per minute than running simultaneously all the electrical appliances in a large household

And in America, with its fully privatised telephone companies, local calls are

> *'The approach of Telkom to the public's needs compares badly with the exemplary conduct of Eskom'*

55 347 employees were functionally illiterate!

This kind of pay might be justified by keeping manpower at a low level, but Telkom has five times as many employees per line than a typical United States telephone company, or twice as many as a third world country like Mexico!

There are other reasons for these high tariffs

Telkom is a classic example of what is known as a cash cow

As sole owner of Telkom the Government gets the profit after tax, the income tax and also the VAT paid by users

This gives it a return on its net investment of over 53 percent a year!

So, with outrageously high manpower coupled with excessive pay and obscene profits, it is clear we have a ripoff culture which is not only well entrenched but will be protected by the minister in future years.

And with the proposed sale in March of 30 percent of Telkom to a strategic equity partner, that partner obviously will take part in this culture

What is particularly ominous is that Deutsche Telekom is one of the front-runners among possible partners

This firm also has a record of shameless exploitation of its captive market

The December 23 issue of Time contained three scathing letters to the editor about Deutsche Telekom

Among other things, these said that "the staff is arrogant, rude and unfriendly, and the rates are incredibly high" Not an inspiring example

Mr Naidoo is pursuing his pipedream in spite of costs to the long-suffering public while disregarding an alternative placed before him by the Telephone Action Group which would have made available the benefits of competition immediately

The TAG plan fully comprehends the need to provide a service to poorly served communities and it is also specifically directed at minimising tariffs

TAG proposed that the whole of Telkom be put up for auction, with bidders being required to link their bids to certain specific undertakings on performance.

The tender document, therefore, would describe what network

lion, or R23,3-billion

Between what it saves in avoided expenditure and the proceeds of the sale the Government stands to gain about R55-billion!

And while it would have to forego Telkom's after-tax profit, it would retain the income tax and VAT which together amount to 63,5 percent of what it gets now

Looking at it another way, if Telkom was now privately owned and if the Government had to pay R23,3 billion to nationalise it, the gain after tax profit would represent a return of only 5,36 percent

From the Government's standpoint, there is consequently no economic case for hanging on to any part of Telkom

The investment by overseas interests of R23,3 billion would represent by far the largest single commitment by foreigners in South Africa

Other potential investors standing somewhat coyly on the sidelines are bound to be greatly impressed, with the result that we could see a flood of new investment into South Africa with all its implications for the creation of new employment and technology transfer

Instead of having to find the funds for expansion, the Government could look to receiving a massive cash inflow which would represent a substantial resource to aid many of its urgent goals

The improvement in job prospects is bound to have a salutary effect on crime levels and the whole nation would have new hopes for peace and prosperity

But how do otherwise intelligent people get themselves involved in such pipedreams?

We have no indication that Mr Naidoo has given any consideration to TAG's submissions, and he has also steadfastly denied us any kind of interview

But his extensive consultations with Cosatu indicate that satisfying Cosatu takes precedence over the South African public

He has evidently persuaded it that the proposed limited privatisation would be subject to final ministerial control and would not affect Cosatu's ability to hold the South African public to ransom

Nor will competition put pressure on Telkom's employee costs, because legislation now ensures that Telkom's monopoly will continue as long as the minister decides it should

So Telkom employees can expect to continue getting increases more than twice the rate of inflation while the ordinary telephone users are not being consid-

#AC5 20/1/97 267

We also pay far more for overseas calls than callers do in the reverse direction.

So, apart from the poor future prospects, one might well ask why Telkom's charges are already so high

One aspect is manpower efficiency

Mr Naidoo refuses to disclose what Telkom's chief executive gets, but the average annual remuneration up to the end of 1995 (in the wake of a 25,3 percent increase) was nearly R76 000

This was even though 30 percent of the

**'Instead of having to find the funds for expansion, the Government could look to receiving a massive cash inflow'**

additions must be provided as a condition of acceptance

Bidders also would be required to submit a schedule of tariffs guaranteed for a period of, say, five years

They could add a set of alternative offers linked to a range of tariffs so that there could be a choice on the combination of tariffs and capital realisation from the sale

As the competition afforded by the tender process would ensure the best possible tariffs during the initial period, the successful tenderer might continue to enjoy Telkom's present monopoly position for

COLIN DANIEL

**Telkom blues:** Minister Jay Naidoo who has come under fire from the Telephone Action Group

those five years, after which there would be no guaranteed tariffs but also no monopoly

In the foreseeable future we would get the full benefits of competition as are enjoyed in countries where telecommunication is fully privatised

In Chile, for example, one has a choice of three telephone companies even when making local calls, and several contract options are available

An established network has a tremendous attraction for global players which are vying with each other to expand their services

In their hands, Telkom could become a useful base for expanding into the rest of Africa, so the sale of the giant industry would bring in a huge sum

But this kind of reasoning seems to escape Mr Naidoo completely

If the whole of Telkom were to be sold as we propose, the Government could look forward to a cash infusion of about $5-billion ... ered at all

Mr Naidoo's plans to allow the present grossly exploitative system to continue is clearly his conscious choice

By giving no consideration whatever to TAG's proposals, he is ensuring that the Government will continue to be our shameless exploiter

However, with a fully privatised Telkom it could have become our diligent watchdog

But there is still some hope

We are going to launch a signature campaign to force the government to evaluate alternatives and we are now looking for financial sponsors

You will hear more from us when these have been secured

# Registered items join the snail mail trail

Star 20/1/97 (267)

By Jameel Chand

A question mark hangs over the Post Office's ability to cope with mail passing through the postal system, following claims that registered items are taking more than a month to reach their destination.

An irate taxpayer, who asked not to be named, has drawn The Star's attention to missing registered items after he was told by the Receiver of Revenue that a refund cheque in his favour had been posted to him on December 19

Almost a month later, he has still not received a notice from the Post Office advising him that a registered mail item has arrived.

Karin de Bruyn, head of communications and client services at the South African Revenue Service, said that when an assessment statement is posted to a taxpayer, a refund cheque is normally sent to the nearest post office, from where a registered mail notification slip is posted to the taxpayer

"This entire process should not take more than a week or two," said De Bruyn

The Receiver is encouraging taxpayers to provide their banking details when completing their tax forms

"This would allow us to deposit whatever refund is due directly into the person's account," she said

Post Office public relations officer Flip Eksteen conceded that some of the mail received during December had been subjected to delays He cited the volume of mail that passed through the system as the major contributing factor.

"On a daily basis, close on 3,2 million items for the Greater Johannesburg area pass through the system. In December this figure almost doubles," he said.

The Post Office's helpline number is 0800 11 44 88

# Copperwire theft costing millions

(267) Sowetan 23/1/97

## Companies have devised alternative security measures to curb problem

**By Sharon Chetty**

THIN STRIPS of wire containing copper have become a growing target of widespread thieving

Over the past five years, cable theft has resulted in losses of tens of millions of rands by parastatals Eskom, Telkom and Metrorail, while the cost arising from service disruptions and inconvenience to clients cannot even be quantified

Last week alone, 24 251 users in the central Gaunteng area were left without telephone services because thieves stole the cable

Short of armed men guarding these cable networks – which is already being done – there appears to be no immediate solution

Mr Johan van der Merwe of Telkom's internal audit and investigation department investigates cable theft nationally and says that the theft "has been quite a serious problem over the past couple of years"

### Getting worse

"Now the situation is getting out of hand as there is theft almost daily."

While there is no fixed pattern, most of the thefts takes place in Gauteng and KwaZulu-Natal

Unfortunately, stealing Telkom cables carry the least risk for the thieves the lines do not convey electricity or power and therefore there is no immediate danger But even Eskom cables, which carry high-voltage currents, are stolen regularly – despite the risk

While alarms have been installed in several areas, security guards are unable to always respond quickly to an alert, especially in rural areas

It takes a thief less than five minutes to remove overhead cables, although underground cables take slightly longer

Van der Merwe says that while regular patrols are made in "hot spots", Telkom's cable network is hundreds of thousands of kilometres long and every day new lines are being installed To patrol such an area would be impossible

Copper is valuable as it can be resold as scrap metal It is a sought-after material and is fairly expensive as it can be used for different products Telkom uses it as a telecommunications conductor, Eskom for electricity and it can be made into brass products

"There are literally a hundred and one uses, and scrap metal dealers pay cash for the cable," explained Van der Merwe

Dealers pay about R5 for a kilogram and, depending on the thickness, as little as half a metre of cable can weigh that Thieves often steal by the kilometre or ton, which makes the cable highly lucrative

A legitimate scrap metal dealer says that once the copper is stripped and ready for re-use, "literally anything can be done with it"

There is also an overseas market for the metal, most of which is mined locally at Phalaborwa

The worst affected – Telkom, Eskom, Spoornet and Metrorail – have joined forces and run extensive public awareness and information campaigns

They also lobby the police and government on the policing of areas and prosecution of thieves, but there are still numerous loopholes

Policing the scrap metal market is difficult as there are different role players while there are those who operate legally and above board, there are as many "bucket shops" which deal with the metal illegally

While dealers can be prosecuted if the material is identified as belonging to say Eskom or Telkom, thieves are quick to burn off the insulating material, and it then cannot be proved whose copper it is

There are also practical problems with prosecuting thieves – more often than not, unless they have been caught in the act, not much can be done There have been successful prosecution of thieves and scrap metal dealers, but not enough to deter the rest

Van der Merwe says that while there are alternatives to copper, substituting one for the other would prove to be prohibitively expensive And the costs would put telephone services out of reach of the average South African

There is ongoing research, says Van der Merwe, and in some instances optic fibre cables and radio links are used in telecommunications But, he added, Telkom's network is too extensive to replace the copper "To keep costs down, we'll always have copper to a certain extent"

The costs of cable theft is extensive Replacing the cable is the most obvious price, but there are numerous hidden costs incurred in the deployment of staff, overtime pay, costs of hiring external contractors and transport

Once lines are down, there is also no income for Telkom Although in residential areas the loss would be less than that of business areas, there are several areas now where there is a combination of the two

During the 1995-96 financial year, it cost R28,7 million to replace material, and it is debatable whether the actual cost is double, triple or even fives times that

For the current year – until the end of October 1996 – the figure exceeded R28,9 million

Eskom has succeeded in reducing its losses from R7 million in 1992 to R1,8 million last year However, Mr Leon van den Berg, Eskom's senior adviser in corporate investigations, emphasises that the monetary losses only represent the value of materials and about 30 percent of the real loss

### Rigorous monitoring

In addition to rigorous monitoring of the scrap metal market, the corporation took out a contract with one dealer who has sole permission to deal in Eskom scrap metal

This has been made known to the 5 000-odd scrap merchants (of whom only about 1 000 are registered dealers), and anyone found in possession of Eskom material is immediately prosecuted

Eskom has also replaced some of the copper on 44 and 88 kilovolt overhead lines with a marked aluminium conductor, which is patented and used exclusively by the electricity supplier

Metrorail security departments have extended their reach by using foot and horseback patrols to monitor trouble spots

And while Orange Farm and Randfontein remain "hot spots", the extended security, especially horse patrols, have led to a 20 percent reduction of cable theft in the Wits region, says spokesman Mr Bintu Petsana

Copper cable has become a viable commodity for theft in South Africa Unfortunately, it is quick and easy to steal, and not even the armed men who are paid to guard the wires are enough of a deterrent

267

Sowetan 23/1/97



**Ready for recycling ... Eskom cable ready to be stripped of its copper. Every part of the cable is valuable and can be recycled.**
PIC SHARON CHETTY

# Union challenges government on Telkom

(267)(1332) CT(BR) 24/1/97

**Françoise Botha**

Johannesburg — The Communication Workers' Union has challenged the government to put conditions on the sale of a strategic equity stake in Telkom to a foreign consortium, which include a limited timeframe on their participation in the privatisation, a top union source said yesterday

The source said that the union, a Cosatu affiliate, was not in favour of the sale of a 20 to 30 percent stake to a foreign strategic equity partner and had presented other options to the government The proposals include Telkom buying the equipment needed for its expansion programme on a hire-purchase basis or attracting foreign investors who would own a stake, either through a trust or for a prescribed period

Tlhalefang Sekano, the president of the union, was reluctant to comment because, he said, discussions with the government were at a sensitive stage

The proposals come despite a National Framework Agreement among unions, black empowerment groups and the government on Telkom's privatisation

The union is optimistic that it will take the entire proposed 10 percent black empowerment share in Telkom Sekano said the union had asked for the full 10 percent black empowerment stake in preliminary discussions In terms of the proposed privatisation process, Telkom has committed up to 30 percent to foreign buyers and 10 percent to black empowerment groups

Connie Molusi, a spokesman for Jay Naidoo, the telecommunications minister, said the government had held discussions with black empowerment groups about the 10 percent stake, but insisted that nothing had been agreed Plans to announce the chosen strategic equity partner in April were still on track

A Telkom source said "it was highly likely" that a black empowerment group or consortium would receive the 10 percent stake in Telkom "well below" the price paid by the foreign bidder Molusi denied any policy had been established for a discount

The shortlisted foreign bidders are Deutsche Telkom, France Telecom, which secured a 51 percent stake in Ghana's telecommunications company CI-Telecom yesterday, and a consortium formed by Telekom Malaysia and America's South Western Bell

# Copper thieves make off with 100 000km of Telkom's cables

ARG 25/1/97 (267)

**CRAIG URQUHART**
OWN CORRESPONDENT

**Telkom has admitted that the theft of copper wire has now reached crisis point, with 100 000km of the costly cable having been stolen last year and its own employees apparently very much part of the problem.**

Telkom's senior manager of investigations Leo Stander yesterday confirmed that 38 employees around the country were being investigated for their role in the theft of copper wire

The theft of copper wire cost Telkom R130-million last year

While some have received warnings or face dismissal, the parastatal is planning criminal charges against those employees involved in the more serious cases

Johan van der Merwe, head of Telkom's anti-crime task group, said it was evident that Telkom employees were involved in supplying information on the whereabouts of cable networks to criminals

"There must be some sort of involvement with employees supplying information about the networks, but we have very little information about staff being directly involved in the theft of cables," said Mr Van der Merwe

For the past few years, large syndicates have been specialising in pilfering copper wire from Telkom, Spoornet, and Eskom, as well as from various mining houses

Telkom has now thrown its weight behind an initiative – together with big business, anti-crime organisations and the South African Police Services – which could restrict the sale of the metal and allow for harsher sentences

The proposal to have copper declared a precious metal could finally go a long way towards stamping out one of this country's fastest growing and most lucrative crimes

Len Davies, chairman of the Metal Merchants' Association of South Africa, said his organisation was working towards implementing a system where anybody who wished to deal in copper would have to be registered with the board

"The metal merchants have been seen as part of the problem, but we want to become part of the solution," he said

Business Against Crime managing director Eric Tocknell said classification of copper as a precious metal would mean cable thieves would not be able to market the metal, because legal sales could be made only through certified agencies.

"We want to stop thieves from marketing the stuff – we will dry up the market," he said

Between April and December last year, 182 arrests were made in connection with the theft of network cabling in the Gauteng central region

But convictions are few and far between The main problem stems from the difficulty authorities have in establishing the origins of copper once it is melted down Their only real hope lies in catching thieves red-handed

However, Tocknell said authorities will have to start from scratch, particularly since it appears that most policemen are unaware of what melted-down copper looks like

It is estimated that the copper sells for about R6 a kilogram on the black market, while the replacement cost is around R45/kg

Once the metal has been melted down, organised syndicates usually export the stolen copper to buyers on the Pacific Rim, where it is used in local industries.

Gauteng has been particularly hard hit in recent months and there are currently about 7 000 telephone services out of order in the central Gauteng region due to cable theft Telkom is also in the process of replacing major routes with fibre-optic lines which contain no copper

Telkom has urged anyone with information about copper theft to call its toll-free number 0800 11 0830

# Higher tariffs could have consumers licked

(267)

Price of standard postage stamps could rise to as much as R1 and many small businesses may struggle to keep afloat

Star 5/2/97

OWN CORRESPONDENT
AND CECILIA RUSSELL

Consumers, already hard hit by other price increases, will face another blow in April, when the price of standard postage stamps is expected to soar to about R1

The rate was increased from 60c to 70c just six months ago The price rise is likely to follow a new subsidy structure being examined for the Post Office, which is expected to see its R500-million-a-year subsidy cut substantially This is the result of the termination of the current system whereby the Post Office's losses are offset by Telkom's profits

Postal rates could even double in April, said Davy Ivins, executive director of the Direct Marketing Association of Southern Africa He is also an executive member of the Post Office/Stakeholders' Forum

The association is lobbying against the proposed tariff increase and is involved in ongoing discussions with the Government and the Post Office on the issue

Its executive is meeting Posts, Telecommunications and Broadcasting Minister Jay Naidoo tomorrow

Ivins said "Meanwhile, the association advises businesses to budget for about R1 for a standard mail item and to expect similar increases in other classes of mail And while big business gets special reduced tariff rates for large mail volumes, small businesses and medical and legal practitioners will feel the pinch

"We even expect some small businesses to be unable to afford the increases and to go under"

Post Office managing director Frank Touwen said he could not confirm the expected price increase, but that while every effort was being made to keep tariff increases to a minimum, latest indications pointed to a significant rise in standard mail tariffs The amount would be made known when the budget was finalised It now cost the Post Office more than R1,30 for street delivery of a single letter – for which users paid just more than half.

Touwen said the Post Office's business plans made provision for the company to reach a financial break-even point as soon as possible so that it would eventually no longer need a state subsidy

"In the past, rate increases were a politically sensitive issue and as a result the current rates are not cost related Sound economic principles require that the users of a service pay for that service," he said

Post Office senior media liaison manager Ben Rootman said tariffs in SA were among the lowest in the world But consumer expert Lyn Morris said a huge tariff increase would have great ramifications for consumers.

Although a big tariff increase was inevitable for the Post Office to survive, especially in a climate where balancing the books using government subsidies was no longer acceptable, several businesses and organisations relied on regular and affordable postal services to function, she said

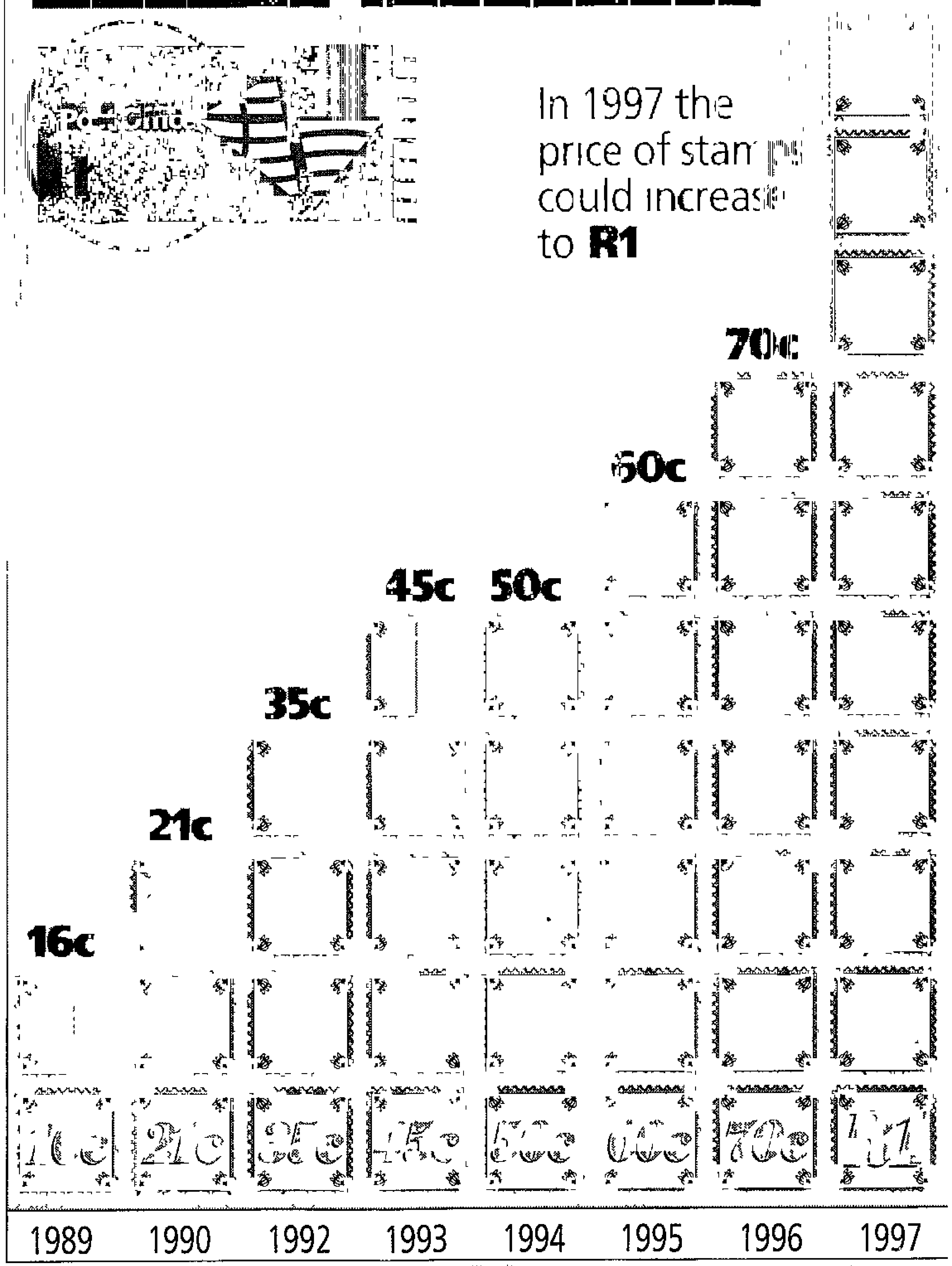
## New stamp

Cape Town – A striking postage stamp depicting a lion and a dragon will be issued by the Post Office next week to celebrate the Rainbow Nation's participation in the Hong Kong '97 International Philatelic Exhibition

The colours of the stamp will be red, gold and blue, and a commemorative cover will be available.

According to the designer the stamp, Alan Ainslie, the dragon and the lion are both found on the Hong Kong coat of arms and symbolise power and strength. The lion and the dragon facing each other was symbolic of the SA-Hong Kong connection, he said – Own Correspondent

## POSTAL INCREASES



# Tough service targets outlined for Telkom

BD 7/2/97 (267)

**Robyn Chalmers**

TELKOM is to face competition in April 2002, by which time it must roll out at least 1,8-million lines and turn around its much-criticised customer service record or face hefty penalties.

Three draft licences dictating these terms, published today and effective for five years, were welcomed by Telkom executives yesterday as the first in the parastatal's history

The licences also effectively signal the start of the bidding fray for a stake of up to 40% in Telkom

Post and Telecommunications Minister Jay Naidoo said the exact rollout and other targets would be set by competitive bidding in the strategic equity partner process

Four international companies — France Télécom, Deutsche Telekom, Telekom Malaysia and Southwestern Bell — are bidding for between 20% and 30% of Telkom, with a further 10% reserved for black empowerment

The rollout target could be significantly higher than 1,8-million lines and the draft licences provide for Telkom to obtain an extra year of exclusivity provided it meets 90% of its target by year four and is committed to rolling out 3-million lines The rollout will be targeted at underserviced and previously disadvantaged areas, with a new emphasis on providing services to meet the needs of the disabled

Higher service quality targets are set for Telkom By the end of the exclusivity period, Telkom has to clear more than 90% of faults reported by business and residential customers within 48 hours and 80% of residential phone orders must be met within 28 days The existing residential waiting list must be cleared by October 1999

Naidoo said at present it "could take weeks or months" to get faults corrected and there was a waiting period of up to six months for residential phones

Penalties would be imposed by the SA Telecommunications Regulatory Authority if Telkom did not meet the targets, he said Telkom would, for example, be fined R1 350 for every line missed in an underserviced area and R4 500 for every line missed to a clinic.

Telkom regulatory affairs executive Pinky Moholi said the licences were welcome as they meant Telkom now had clarity on what government expected of it and how Telkom's performance would be measured "But they pose a significant challenge to us as they set extremely tough targets which will be closely monitored "

Naidoo said for the first three years the overall basket of Telkom's tariffs could not increase at more than the rate of inflation minus 1,5%, and increases for individual services could not be more than 20%. After three years, the regulatory authority would set tariff increases "While Telkom has been given five years of exclusivity to roll out its targets and rebalance its rates in preparation for full competition, there will be immediate competition on value-added network services The licences also contain fair trading provisions to liberalise competitors' access to Telkom's facilities "

Naidoo said the ultimate aim in issuing the licences was to provide appropriate and affordable telecommunications services to as many people as possible within the shortest time

It is widely estimated that government could garner up to R6bn through Telkom's partial privatisation

Post and Telecommunications director-general Andile Ngcaba said members of the public could make presentations on the licences at hearings in Johannesburg on February 24 and 25 Ngcaba said the draft licences would be published in today's Government Gazette

The three licences were for public switched telecommunications services, transmission of radio frequencies and value-added network services

# Stringent Telkom targets set to lower privatisation profit

(267)

Rigorous rollout targets have led to calls by bidders for offsets in Telkom's selling price, writes SVEN LUNSCHE

ST (BT) 9/2/97

THE government is likely to net less than the expected R6-billion for its 30% stake in Telkom, analysts said after studying the details of the Telkom licence gazetted on Friday

Jay Naidoo, Minister of Posts and Telecommunications, stipulates in the licence that Telkom will have to meet rigorous rollout targets of up to 3-million new telephone lines in mainly rural areas and townships

In return, the parastatal will receive five to six years of exclusive rights to the lucrative fixed-line voice services

However, officials of the four global telecommunications operators vying for the Telkom stake — Deutsche Telekom, France Télécom, SBC Communications of the US and Telekom Malaysia — have voiced concern over the ambitious rollout targets

"Connecting 3-million new lines is a very tough target Achieving 1 8-million new lines is possible but if we are to raise this figure there has to be some offset in the price we pay for Telkom," said one local representative

In terms of the licence, current demand for new telephones is put at 1 8-million lines over the next five years But Naidoo told a media briefing this week he was convinced demand would be higher than this and the government hoped a partly privatised Telkom would achieve greater penetration of previously deprived areas

Should the company achieve 90% of its total new-lines rollout target within the first four years and commit itself to rolling out a total of 3-million lines, it could be eligible for the extra year of exclusivity

The licence provides for stiff sentences for every line below target in four years' time, a fine that rises if the lines were due to connect clinics and schools

The bidding for Telkom will hot up next month when government will receive the detailed proposals from operators, including initial pricing offers

While SBC and Telekom Malaysia have joined forces — in line with Naidoo's preferred option — the two European operators appear nowhere close to reaching agreement although they have co-operated in other countries In fact a Deutsche Telekom official indicated that the group was at present going ahead on its own and "bidding competitively"

The deal is likely to value Telkom at about $4-billion, making it sub-Saharan Africa's biggest privatisation to date

The Telkom licence in effect establishes a regulatory regime for the telecommunications industry currently dominated by Telkom

In terms of the licence, still subject to public hearings later this month, full competition would be immediately offered on value-added services, such as the Internet and voice-mail

Naidoo says the licence serves the consumer first and foremost He says Telkom is transforming from a monopoly with no competition and no obligations to a customer-accountable organisation

Among the improved services which Telkom has to deliver by the end of its exclusivity period are

- 48 hours to clear 97% of business faults and 90% of residential faults
- Existing residential waiting list to be cleared by October 1999
- 80% of phone orders must be met within 28 days

Naidoo says the process of drawing up the draft licences has undergone vigorous debate with the potential equity partners, resulting in a regulatory regime which ranks among the top five in the world

# Licences will enforce delivery by Telkom

267 BD. 10/2/97

**Robyn Chalmers**

TELKOM management has committed itself to intensifying the transformation of the parastatal following the publication on Friday of three draft licences with tough roll out targets and onerous penalties.

Telkom public affairs group executive Victor Moche said at the weekend that the three draft licences — effective for 25 years — denoted the final stages of a rapid process to create an open and stable environment for the telecommunications industry.

The licences dictate a five-year exclusivity period and set parameters and a framework of operations and objectives for Telkom in particular.

"The quality of service demands and universal service obligations set for Telkom by the public switched telecommunications services (PSTS) licence are far-reaching and demanding," Moche said. Telkom would be making submissions to the public hearings scheduled for February 24 and 25 after it had made a study of the licences.

Post and Telecommunications Minister Jay Naidoo said last week the licences were aimed at achieving universal telecommunications services, improving the quality of services for customers and encouraging fair competition and greater transparency

"In terms of the PSTS licence, Telkom will provide local and long-distance telecommunication services, international services and public pay-phone services on an exclusive basis for five years, during which time it has to meet stringent roll-out and service quality targets," he said

The targets would be a minimum of 1,8-million lines — and probably more — over five years, dramatic improvements in customer service, below-inflation tariff increases and severe financial penalties for not meeting targets

See Page 9

# Telkom's partial privatisation a setback

(267) BD 10/2/97

State monopolies in telecommunication fail to bring universal telephone service coverage, even in countries without apartheid. Evidence suggests that competition not only brings down prices but also speeds up delivery of services, writes **Jim Jones**

*"Teledensity in liberalised markets has increased at least twice as fast as in nonliberalised markets, and the difference in telecom penetration appears to be increasing Prices have come down dramatically in competitive markets, but they have risen (usually for local residential services) in places where privatisation has gone hand-in-hand with an extended period of monopoly"*

IF THIS central conclusion of a recent study* of the international telecoms industry by the Institute for International Economics is correct and on which much of this article is based, SA's partial privatisation plan for Telkom will give us the worst of all worlds Five years of monopoly will be five years lost and five years that will deliver serious disadvantages to the economy as a whole

And if any evidence was needed of the broader advantages of competition and the narrower disadvantages of monopoly, it became clear recently when Telkom cut international call rates under competitive pressure from foreign callback operators and hiked tariffs on local calls where phone users have no alternative provider Few phone users were taken in by Telkom's attempts to disguise its monopoly exploitation of the domestic market

This coming Saturday SA will make its belated presentation to the Negotiating Group on Basic Telecommunications of the World Trade Organisation (WTO) It will align itself with countries that have failed to differentiate between the narrow advantages of allowing state-owned telecoms to wring monopoly profits from their services and the far broader economic and social advantages that the earlier introduction of competition has brought elsewhere

Worse, arguments that monopoly is necessary if underserved areas are to have phone services are not only specious but also indicate government's reluctance to give up interventionism and be a facilitator of economic advance

The message is unlikely to be lost on prospective foreign and local investors in productive capacity in SA. Cheap and reliable communications are central to modern industrial competitiveness, but this appears to have been overlooked by Telecommunications Minister Jay Naidoo and his public servants who seem reluctant to run Telkom as a company honed by competition.

The WTO talks are part of general negotiations on freeing international trade in services parallel with trade in goods and commodities The intention is to find ways of opening national markets for services to international competition Essentially, that means determining what fair rates of interconnection to the public switched network are, how to ensure that a dominant carrier (state monopoly Telkom in SA's case) does not find alternative means of excluding new entrants and how to facilitate a commercial presence for other competitive foreign service providers

Agreement inside the WTO will not be easy as countries that have liberalised their markets are unwilling to allow entry to those that do not permit reciprocal entry and that exploit noncompetitive tariff differentials

Whether Telkom likes it or not, technology is fast leading to a convergence of computing, telecommunications and broadcasting Many countries (notably Britain, the US, New Zealand and Chile) have positioned themselves by deregulating their telecommunications sectors to take full advantage of technological advance

Unlike an anti-competitive country such as SA, pro-competitive countries are already gaining the overall advantages of better services and lower prices offered by such developments as the Internet, callback services and mobile and wireless telecommunications services These have different operating platforms, but they all provide cheaper and more comprehensive services They also provide means of by-passing state-owned fixed line monopolies that lose business and that are thereby deprived of revenues that could, in SA's case, be used to deliver services to the remote rural areas government claims to be concerned about.

Conventional wisdom since the turn of the century has been that state monopolies were the best means of providing cheap universal phone services, and Naidoo and his mandarins are clinging to this view But if a century of monopoly has failed to deliver universal services in SA as well as in countries that cannot blame development failures on apartheid, why should monopoly extensions make any difference now? Certainly, it is hard to envisage Telkom introducing new technologies or services faster than if it had to compete with another efficient domestic service provider

The experience of developing countries that have privatised telecoms while excluding competition is of rising prices, mostly in local services Competition that coincides with privatisation has reduced prices And this has to be seen in the context of studies that show improvements in telecoms services and lower prices exert strong positive effects on domestic and international economies

Perhaps as importantly for SA, the evidence points to competition providing cheaper and earlier telecoms services that significantly enhance the provision of education and health services

Is there a cost to telecoms liberalisation? Not discernably Jobs that might be lost as state monopoly telecoms companies cut employment to become efficient are more than made up by demand for employees by other firms competing in the market.

Telecoms is neither a stagnating nor a declining industry It expands rapidly when it is liberalised The problem experienced by countries that have maintained monopolies is that growth in an uncompetitive market has been too slow to prevent job losses that result from the introduction of new technology When Telkom workers are retrenched as part of our state monopoly's drive for efficiency, they should blame Naidoo and his department for blocking entry of alternative employers into the market

Competition that extends the market cannot be introduced without positive reinforcement by government. The monopoly provider will almost certainly use anti-competitive tactics to maintain dominance. That is why the WTO is addressing these issues

Competition lowers prices more effectively than any regulation as state telecom monopolies are often subsidised. When subsidies vanish on privatisation, tariff hikes are the monopolist's natural response, generally with similar specious attempts at justification to those that Telkom came up with at its last tariff hike.

Anti-competitive behaviour must be fought vigorously if a dominant state monopoly is not to use every engineering, legal and financial trick it can to preserve its position Regulators, too, have to be totally independent of government Governments are too often victims of special pleading by state monopolies and so a regulator has to be seen to be truly independent if its decisions are not to be suspect

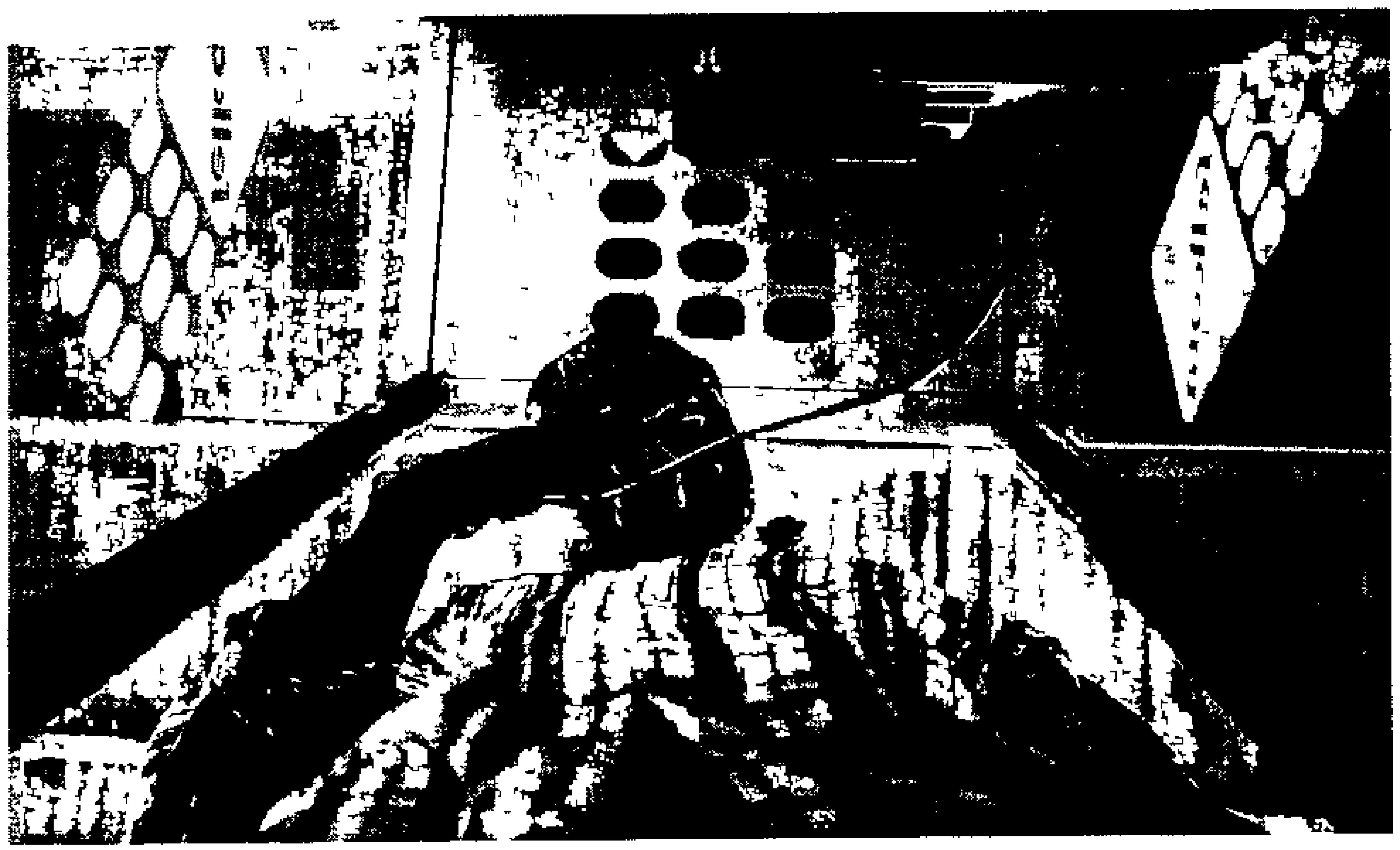
This should be enhanced by total transparency so that private service providers can publicly debate regulation changes in an informed way This leads to the need for competing service providers to be afforded full access to the public switched network at prices no different to those charged the state-owned service provider

Arguably this could best be achieved by separating ownership of the switched network from service provision. This means symmetrical access and that the network owner is indifferent as to which provider links to the network. It is working in television here where the state broadcaster no longer owns transmission towers but pays for using them in competition with the various private broadcasters

Also fundamental to fair competition is number portability A client should not be deterred from shifting his business to a more competitive provider by having to change his phone number

Finally, liberalisation has to be accompanied by accounting rate reform Tariff harmonisation could be achieved by allowing a country in which a call is initiated to collect the full payment for that call. The present system of tariff sharing penalises countries where usage is encouraged by low tariffs and benefits those where high tariffs discourage usage Reform is being driven by callback services that deliver cheaper tariffs to users but that take business away from high tariff monopolies

Unfortunately, SA's telecoms controllers have decided on an anti-competitive strategy without public debate There is still time for them to change their stance By the time the damage is apparent, no blame-passing will make up for the fact that rectification costs will be unbearably heavy



Paying more a Telkom customer

* *Global Telecom Talks A Trillion Dollar Deal (Ben Petrazzini, Institute for International Economics, Washington DC)*

**TELECOMMUNICATIONS** *The country is among world leaders in opening up the protected monopoly*

# Telkom's five years of grace on the line

CT(BR) 10/2/97 (267)

**FRANÇOISE BOTHA**

Johannesburg — The announcement last week by Jay Naidoo, the minister of posts and telecommunications, that Telkom would be granted a five-year exclusivity period to operate in the local telephony market may spark the ire of many South Africans

But rapid changes within the industry, coupled with the liberalisation plans outlined by the draft operating licences gazetted on Friday, have put the country among world leaders in opening up government-protected telecommunications monopolies to competition.

According to the draft documents, Telkom will be issued with three licences to operate in the local industry for the next 25 years No matter how attractive the government has made the proposal appear to Telkom, it has thrown down the gauntlet in terms of limiting the company's exclusive rights to dominate the market for a five-year period and coupled that with heavy penalties if the roll-out plans for line installation are not achieved

The three licences are for public switched telecommunication services (PSTS), for the country's main telephone system, radio frequency and transmission stations, and value-added services like e-mail, voicemail and video conferencing.

Speaking at the launch of the draft licences last week, Naidoo said these were the last three licences that would be issued by the ministry All future licences would be issued by the newly established South African Telecommunications Regulatory Authority (Satra)

In terms of the draft PSTS licence, Telkom will be given five years to achieve one of the most aggressive roll-out programmes in the world, which includes plans to install 1,8 million lines over the period

The target for 1996/97 at 250 000 lines is also well up on the 160 000 lines installed in 1995/96 The roll-out is targeted at predominantly underserviced and previously disadvantaged rural and township areas

The news of the grace period may seem peculiar given all the talk about the partial privatisation of the service provider However, looking at the plan in the context of the privatisation initiative, a certain amount of carrot-dangling would be required out of necessity to attract multinationals of the calibre and dexterity of those that have been shortlisted as strategic equity partners (SEP) for the 20 to 30 percent stake in the company

The four companies shortlisted are Southwestern Bell and Telecom Malaysia, which have formed an alliance, Deutsche Telekom (DT) and France Telecom (FT)

Naidoo said bids from the potential SEPs, which are likely to be for the full 30 percent stake, were expected by early March He also denied recent speculation that FT and DT would form an alliance to bid for the stake

The privatisation deal, which has been estimated to be worth in excess of R7 billion in cash and technology transfers, will undoubtedly see line installation proposals that rate among the most ambitious in the world

It is in this context that the five-year window period has been allowed There is little dispute that none of the four bidders will be looking at Telkom through philanthropic eyes, but rather searching for a return on

*Jay Naidoo, the minister of posts and telecommunications*

their substantial investment

Naidoo said the exclusivity period was in line with the World Trade Organisation's (WTO) policy surrounding the liberalisation of government-protected telecommunications monopolies and was shorter than the periods allowed in Ireland, Greece and Turkey

British Telecom was given a nine-year grace period in a similar programme in the UK

With only one week left before WTO members finalise international competition policy details for the industry, the draft documents have come at the right time Already 22 countries have committed to the same kind of competition in telephone services that has been opened up in the US and European Union The new world opportunities are likely to result in significant international call tariff reductions

Telkom has for the past two years committed itself to rebalancing its tariff structure, with the relative cost of international calls falling and being used less and less to subsidise local call tariffs

It remains to be seen if the new thrust towards global competition ultimately benefits the consumer, given the 28 percent increase in local call tariffs announced in December as part of the rebalancing programme

However, total tariff increases have been limited to inflation minus 1,5 percent for the first three years, with increases for individual services limited to a maximum of 20 percent Thereafter Satra will determine the tariff structure

In line with expected WTO policy, the new licence agreements are marked by a greater drive to transparency Provision has been for fairer trading conditions that liberalise competitors' access to Telkom facilities and a separation of retail and wholesale accounts so that competing companies can see the true costs

The draft PSTS licence also lays down stiff penalties for non-delivery and a strong focus on customer prioritisation

The penalties, which will be imposed by Satra are R1 125 for lines not installed to villages and public payphones, R1 350 for every line not installed in an underserviced area, and R4 500 for every line to a school, clinic, hospital, library or post office missed.

The penalties are based on Telkom's expected pricing structure in five years' time, with the ultimate penalty being withdrawal of the company's licence

According to Naidoo, the government is "now convinced that the customer deserves the best" It is encouraging to discover the message is finally getting home.

Features of the prioritisation plan include higher service targets like the clearance of the existing residential phone waiting list by October 1999, with a target of 80 percent of the waiting list cut down to a 28-day waiting period by the end of the exclusivity period By that time, the company is also aiming to clear 97 percent of business and 90 percent of residential fault complaints within a 48 hour period

In line with the plans, a code of practice aimed at dealing with customer complaints and fairer credit referencing will be established by Satra within six months

Further features include the provision of Telkom services in all 11 official languages and free directory information for the blind By the end of the exclusivity period, the company will also be compelled to provide at least 50 percent of public payphones with enhanced handsets for hearing aid users as well as itemised billing

But the programme is also coupled with an incentive for Telkom If the company meets 90 percent of its enhanced SEP roll-out target by the end of year four, it could obtain an extra year of exclusivity if it commits to rolling out three million lines

According to Naidoo, the incentive structure creates a push factor for the initial bids and a pull factor for the SEPs to exceed the initial three million line target

"This has huge potential to drive the macro-economic targets and fuel the 6 percent economic growth that we have been talking about," said Naidoo

While the government has allowed for public hearings on the draft licences, which will begin on February 24, further consultation will take place with Satra and the SEPs before the licences are issued in April.

If all these plans come to pass, consumers are sure to heave a collective sigh of relief

CT(BR) 10/2/97

# New players in telecom industry

(267) Sowetan 11/2/97

By Mzimkulu Malunga

THE two bodies appointed to regulate and monitor the transformation of South Africa's telecommunications industry were launched in Johannesburg yesterday.

The South African Telecommunications Regulatory Authority (Satra) will regulate the opening of the telecommunications industry to competition, while the Universal Service Agency (USA) will monitor the delivery of telephones to underserviced areas

Led by former education activist and engineer Nape Maepa, Satra has not only been charged with the responsibility of paving the way for bringing about new players into telecom industry, but will also issue all the new licences in the sector in future

Its immediate task will be to handle the public's response to the licence granted to Telkom by the Post and Telecommunications Ministry last week

Maepa said Satra would also work closely with the IBA as they both dealt with the regulation of the country's airwaves

Although he did not go into details, Maepa hinted that Satra would also look at the possibility of bringing in more players in the cellular network provision sector

Currently, there are only two cellular network providers in the industry and there have been calls for an additional licence

The USA on the other hand is being led by the president of the South African National Civic Organisation, Mlungisi Hlongwane

Its focus is the monitoring of those operating in the telecommunications industry and ensuring that they take telecom to townships and rural areas

Hlongwane said the USA was going to facilitate the establishment of a pilot project, the "telecentres", throughout the country during the course of this year The telecentres will mainly be self-sufficient

He said USA's mission was not only to see to it that each home in South Africa had a telephone, but also to ensure that this country climbed into the international telecommunications super-highway

At the launch, Minister Jay Naidoo said the occasion marked the "unfolding of a new era"

**Post and Telecommunications Minister Jay Naidoo with SA Telecommunications Regulatory Authority chairman Nape Maepa at yesterday's launch of the regulatory authority and the Universal Service Agency.** Picture ROBERT BOTHA

# Telecommunications revamp

BD 11/2/97 (267)

**Robyn Chalmers**

THE restructuring of the SA telecommunications industry began in earnest yesterday with the launch of the SA Telecommunications Regulatory Authority (Satra) and the Universal Service Agency.

Post and Telecommunications Minister Jay Naidoo said at the function that Satra represented the first time an independent body existed in SA to promote quality and affordable telecommunications services to previously disadvantaged communities

"The role of Satra is indeed critical, for it has the onerous task of making sure that government's vision for telecommunications ... is applied in a fair and reasonable manner," he said

Naidoo said Satra had been given regulatory powers and resources that would make it one of the most independent of its kind in the world. The issuing of Telkom's three 25-year licences last week was the last time the ministry would issue licences — from now on this task would devolve to Satra, he said.

During this year Satra would take over the management of 250 000 licences currently with the posts, telecommunications and broadcasting department. This would include the frequency planning, allocation and monitoring functions

Satra also faced the task of establishing an efficient and flexible structure and practices to handle a range of additional public interest functions such as consumer affairs, standards, tariffs, ensuring quality and affordability of services, as well as ensuring interconnection of services

Satra chairman Nape Maepa said one of the authority's immediate tasks was to consider presentations made by the public in response to hearings on Telkom's licences Hearings would be held by Naidoo on February 24 and 25

# Privatisation drive to be stepped up a gear this year

(267)

## Telkom's partial selloff will be South Africa's biggest transaction so far, says Naidoo

Star 12/2/97

By Mondli Makhanya
Cape Town

The state's privatisation programme will gain new momentum this year with the accelerated sale of a South African Airways stake and the completion of a partial sale of Telkom, government ministers said yesterday

Posts, Telecommunications and Broadcasting Minister Jay Naidoo announced that the partial privatisation of Telkom would be completed by April and Public Enterprises Minister Stella Sigcau said her ministry would fast-track the SAA deal Naidoo and Sigcau were speaking during a media briefing in Parliament

Water Affairs and Forestry Minister Kader Asmal said the commercialisation of the Safcol forestry company would also be speeded up in order to make it a viable entity

Naidoo said the process of bidding for a 30% stake in Telkom would be completed in March and the sale finalised in April

Naidoo said that although there were no figures yet, this would be "South Africa's biggest transaction" so far, and several international companies had already started bidding for the stake

He defended the Government's plans to grant Telkom a five-year period of exclusivity during which no other competitors would be allowed to enter the fixed-line telecommunications sector

Sigcau said increased competition in the passenger aviation industry had convinced the Government to speed up the sale of a partial stake in SAA before the company became less viable The Government would therefore expedite the restructuring of the company's management structure

"Last year I was not talking about fast-tracking the restructuring of SAA but this year I say we need to speed up the partial privatisation," said Sigcau

She said the privatisation of the entire Aventura resorts company was far advanced and the deal would include the empowerment of "historically disadvantaged investors"

She added that the interministerial cabinet committee looking into the restructuring of state assets had agreed that the equity stake to be sold in Sun Air should be increased from 25 to 49%

## Meeting The People

ANNA ZIEMINSKI / AFP

**Hand of friendship ... Malaysian high commissioner Abdul Kadir Deen joins President Nelson Mandela in greeting onlookers through an entrance gate to Tuynhuys in Cape Town yesterday after presenting his credentials to the president.**

# Corruption and fraud lead to loss of R201-m at Telkom and Post Office

(267) Star 14/2/97

By Jovial Rantao
Political Correspondent

Cape Town – Telkom and the South African Post Office lost a joint R201,2-million as a result of fraud and corruption in the 1995-96 financial year, Minister of Posts, Telecommunications and Broadcasting Jay Naidoo has revealed

Naidoo said both Telkom, which lost R200-million, and the SAPO, whose losses amounted to R1,2-million, had initiated moves that had resulted in court action and the dismissal of several employees

In a written reply to a question from Democratic Party MP Jacobus Jordaan, Naidoo said Telkom has suffered direct losses of R200-million

"This was mainly due to an international telephone fraud scam where 15 Telkom employees were involved. Criminal and disciplinary proceedings against the Telkom employees are in different stages of completion," Naidoo said

He said Telkom had since introduced extensive measures to improve internal checking procedures These included

- The monitoring of international telecommunications traffic to ensure the early detection of fraudulent call patterns
- The monitoring of call patterns from electromechanical exchanges through the implementation of electronic metering.
- The establishment of a highly skilled investigations unit similar to the best at other telecommunications operators in the world.

"The work of this unit has, for the nine months ending in November 1996, resulted in the arrest of 439 people in connection with a variety of irregularities. In addition to this it has also resulted in 165 Telkom employees being disciplined for their role in irregular activities perpetrated against Telkom," Naidoo said

He said the management of the SAPO attributed the R1,2-million loss to fraudulent post office counter transactions with savings-bank deposits and withdrawals, pension payments, cheque payments, money orders, receipt issues and fictitious cash-book vouchers

"However, this type of crime will always be present where money is involved," Naidoo added.

# Partial privatisation Telkom's chosen consensus position

BD 14/2/97 (267)

**Criticism by Business Day editor Jim Jones of the monopoly exclusivity period granted Telkom has drawn this response from Posts, Telecommunications and Broadcasting Minister Jay Naidoo**

THE leader page article by Jim Jones, and an editorial on the same subject on February 10, allows the opportunity for us to examine a critical part of government's macroeconomic strategy, namely restructuring of state assets and the partial privatisation of Telkom

Jones quite rightly states that "a strong push for open markets is coming from competitive forces around the world" This is clearly the case in developed countries where telephone penetration has reached about 90% of households

This level of telephone density has been achieved behind the protection of almost 100 years of monopoly in Europe and North America, given the high cost of investment and the length of time before returns can be realised

Conventional wisdom means different things to different people, depending on whether you are part of the information-rich or information-poor, caught between the haves and have-nots

Britain being paraded as an example for a developing country is puzzling British Telecom was privatised in the mid-1980s after reaching more than 90% telephone density Was this reached through competition? We cannot emulate solutions devised for industrialised countries without assessing what will work for us

Let us not allow conventional

NAIDOO

wisdom to obfuscate issues, Chile has a telephone density of 13,6 lines per 100 inhabitants in a country of about 13-million people. It will be interesting for Jones to tell us how many of those lines were rolled out by competition and what are the commitments to universal service

An analysis of telecommunication policy options should be informed by comparative studies as the most reliable measure to set benchmarks and select a "peer group". This is the most informed methodology that can yield meaningful results to explain the choice of a particular policy option

In SA, a sad legacy of apartheid is that only 10% of households have a telephone. Even more disgraceful is the fact that the historically white urban areas are on par with Paris and New York while rural areas such as the Transkei are lucky to have one telephone for 200 households.

Therefore, like the majority of developing countries, we have not chosen an unbridled free market position on restructuring. (Our policy) is part of a deliberate and holistic strategy aimed at making state enterprises deliver basic services more efficiently, in the case of Telkom, in partnership with the private sector

In fact, granting incumbent telecommunications operations an exclusivity period is an accepted practice, with numerous examples around the world For instance, in Mexico, Telemex was granted six years; Hungary eight years, and the Czech Republic seven years

Even within the European Union, when the decision was taken to liberalise basic telecommunications services, telephone operators in certain countries were granted an additional three to five years' exclusivity from the liberalisation deadline of January 1998. These include Spain, Ireland, Portugal and Greece.

We are therefore surprised by Jones's assertion that "Naidoo and his mandarins" are sticking to policies that are an anathema It will be interesting to count how many developing countries have followed a big-bang approach to telecommunications service liberalisation in the past seven years.

Unless there is a fully developed infrastructure and reasonable telephone penetration, the market does not make itself attractive enough to draw competitors This allows new entrants to "cherry pick" the lucrative business sector and affluent urban areas, with no regard to provision of universal service The exclusivity period is necessary to rebalance tariffs to prepare Telkom for competition, especially in rural areas and townships

Jones does point out the need for checks and balances These are adequately addressed through the establishment of the SA Telecommunications Regulatory Authority (Satra) and the Universal Service Agency Even the most cursory examination of the draft licence, released on February 7 this year, would show one of the toughest regulatory regimes in the world

Targets have been set for priority customers, such as villages, schools, clinics and post offices Severe penalties will be imposed for failure to achieve targets For the first time in SA's history, there will be a consumer code to deal with customer complaints and fairer credit referencing

Furthermore, the most useful way to evaluate the independence or otherwise of a regulator is to do a comparative study of practices around the world An analysis done on my ministry's behalf by the International Telecommunications Union placed Satra among the top five regulators in the world in terms of independence from government

Section eight of the draft Telkom licence issued last week brings greater transparency through a separation of retail and wholesale accounts enabling competitors to see true cost Any possibility of Telkom cross-subsidisation over competitors will be eliminated

Finally, there has been an extensive debate on telecommunications policy over two years which is well documented in newspapers and journals in SA and abroad, including Business Day

Through the National Telecommunications Forum, members of the industry, civic organisations and trade unions were represented. The outcome of this process was the white paper on telecommunications, which reflects consensus reached by stakeholders.

As a government we have made a very conscious choice of public policymaking where a broad group of interested parties, individuals and organisations participate in debates publicly The four to six years' exclusivity for Telkom was a consensus position

In conclusion, I wish to draw Jones's attention to an article that appeared in the Wall Street Journal in April 1996, in which reputable international telecommunications operators consider one of his ideal deregulation models a nightmare for competition, where investors are struggling to get a return Analysis of telecommunications cannot be based on one research report.

# WTO accepts SA telecoms offer

TRADE NEGOTIATIONS

**By SVEN LUNSCHE**

THE World Trade Organisation has accepted South Africa's offer to open up its telecommunications market gradually to foreign competition

Postmaster-General Andile Ngcaba said on Friday that the WTO (successor to GATT) had accepted in principle the SA proposal to the WTO, which is seeking to liberalise the $600-billion world telecoms market in 60 countries.

However, late on Friday night (at the time of going to press) WTO negotiators in Geneva were engaged in last-minute negotiations to finalise the global accord before its Saturday deadline

Trade negotiators said the fate of the pact lay in the hands of the United States and a decision could come from Washington late on Friday They said the US administration — under pressure from some key figures in Congress over its open trade policies — had to make a political decision on whether to accept a package that did not meet all its targets

The global talks have proved a careful balancing act between the demands by industrialised countries for massive liberalisation, and defensive moves by the developing world to protect their markets, mostly dominated by state-owned monopolies

The latter, including South Africa, have asked for more time to allow their telecoms industries to adapt to global competition and accelerate the expansion of their telephone networks

**SATISFIED ... Postmaster-General Andile Ngcaba**

(267) ST(BT)16/2/97

The SA submission to the WTO is broadly in line with the recently released licence for Telkom, the public-sector giant which is due for partial privatisation

It thus provides Telkom with a monopoly over voice-line services until the end of 2003, with a gradual liberalisation of other telecoms services in the meantime. Other areas, such as the provision of telephone equipment, have already been thrown open

The WTO offer also establishes a 30% shareholding threshold for foreigners in key telecoms companies such as Telkom

"Our offer has been widely welcomed by our trading partners as well as multilateral bodies such as the International Telecommunications Union," says Ngcaba He says South Africa is one of the few African countries that has submitted an offer He adds that a progressive regulatory structure also worked in the country's favour during the WTO talks

South Africa's submission is in line with other offers to the pact this week by newly industrialised and developing countries

For example, Hungary's period of exclusivity on international and domestic services is five years and that for local calls six years Ghana has a five-year exclusivity period

Foreign shareholding in telecoms operators is generally limited to between 20% and 35%

World trade in telecommunications has been booming with global revenues forecast to jump to more than $1 2-trillion by 2000 and the market will expand further in the coming digital age, a UN survey said on Friday

The survey by the International Telecommunications Union, the UN telecoms agency, was issued to encourage the WTO negotiators to conclude the negotiations, Reuter reports

The ITU survey predicted total world revenues from the industry could almost double by 2000 from $800-billion in 1996 if a deal is struck, boosting information technology industries and cutting the cost of communications networks Exports of telecoms equipment rose by 20% to around $60-billion in 1995, while international telephone calls are growing at a rate of 15% a year, generating $53-billion in retail revenues worldwide in 1995

# SA commits to telecommunications accord

BD 17/2/97

(267)

Ingrid Salgado

PARLIAMENT was expected to ratify SA's schedule of commitments to the World Trade Organisation (WTO) on liberalising its telecommunications market this year, a posts, telecommunications and broadcasting ministry spokesman said yesterday

This follows government's tabling of the schedule to the WTO's group on basic telecommunications in Geneva on Saturday. The schedule — in line with government's three draft licences for Telkom released this month — commits SA to opening up its basic telecommunications services to foreign competition over a five- to six-year period

In terms of the licence conditions, the parastatal has the exclusive right to provide local, domestic, long distance and international telecommunications services for five years. This could be extended to six years

Posts, Telecommunications and Broadcasting Minister Jay Naidoo's spokesman Connie Molusi said that the schedule committed government to license an additional mobile cellular supplier within two years There was also a commitment to license global mobile personal communications systems Other services, including paging, personal radio communications, trunk radio services and customer premises equipment, were already open to competition.

"Our approach of phased liberalisation has proved its merits where the country has to deal with the skewed distribution of telecommunications services," Molusi said The gradual approach is in line with several other developing countries who, in their submissions to the WTO, have committed themselves to a phased approach

SA's five-year exclusivity period aims to allow Telkom to achieve its roll-out targets of at least 1,8-million lines and rebalance its tariffs in preparation for full competition. The parastatal's licences also contain fair trading provisions to open up competitors' access to its facilities

All countries that submitted proposals to the WTO, including SA, reserved the right to alter the schedules until their respective governments had ratified the plans.

Cabinet ratification is expected to be a formality as the body approved the schedule prior to its submission to the WTO

The WTO plans to liberalise the telecommunications market in about 60 countries through a global accord Concern that the US could scupper the process by withdrawing its package have been laid to rest Naidoo's office said the US had taken two exemptions in its package, but they were technical issues relating to broadcasting.

See Page 6

# Telkom to meet targets or face fines

BD 18/2/97 (267)

Robyn Chalmers

THE SA Telecommunications Regulatory Authority (Satra) would not hesitate to impose penalties on Telkom should it fail to meet stringent targets outlined in its draft 25-year licences, chairman Nape Maepa said.

Targets outlined in the licences during Telkom's five-year exclusivity period were necessary to ensure the public was well served and educated in telecommunications issues when competition was introduced, Maepa said.

In terms of Telkom's draft licences, the parastatal has to roll-out at least 1,8-million lines, although exact rollout and other targets will be set by competitive bidding in the strategic equity partner process.

By the end of the exclusivity period, Telkom has to clear more than 90% of faults reported by business and residential customers within 48 hours and 80% of residential phone orders must be met within 28 days.

The penalties which the authority could impose range from a fine of R1 350 for every line missed in an underserviced area to R4 500 for every line missed to a clinic.

The licences would be the last to be issued by the post and telecommunications ministry, with Satra now having taken over this function. He said that the authority was looking at the licences from a public-interest stand-point, he said.

Maepa said it was imperative that Telkom have a limited exclusivity period before being forced to face competition. "If competition was introduced immediately, the competitors are likely to look towards servicing the more profitable areas, leaving millions of people without telecommunications services."

The authority's mandate was to promote the extension of quality and affordable services to those previously denied them.

Its mandate also included the promotion of a wide range of telecommunications services in the interest of SA's economic development.

(267)

# Post Office losses lead to funding crisis

BD 18/2/97

**Tim Cohen**

CAPE TOWN — Posts and Telecommunications Minister Jay Naidoo is to be summoned to the parliamentary finance committee to explain why government should accede to the Post Office's request for R213m when the parastatal was scheduled to become profitable this year.

Members of the committee expressed shock yesterday at the Post Office's request for funds, particularly after it emerged that according to an elaborate five-year business plan, it was supposed to make R10m profit this year. In fact it lost R571m.

MPs appeared surprised that they were merely being informed of the request, and were not being asked to approve the funding because legislation required government to make good the Post Office's losses.

ANC MP Barbara Hogan told the committee yesterday that she was rendered speechless by the request, saying the company was clearly in the throes of a "major crisis".

According to the business plan drawn up after the Post Office was privatised in 1991, it was scheduled to make a R590m loss in 1992/93, a R497m loss in 1993/94, a R357m loss in 1994/95, a R171m loss in 1995/96 and a R10,6m profit in 1996/97.

Instead, losses before the government subsidy were R364,2m for 1995/96 and R379m in 1994/95.

The committee agreed with the list of questions that Hogan said Naidoo needed to answer, including questions about why the department did not intervene when it became clear the business plan was not being adhered to and whether the existing board ought to continue overseeing the restructuring of the company.

Asking why there had been no proactive response to the "crisis", Hogan said the committee also wanted to know what limits were imposed on government intervention.

Postmaster-general Andile Ngcaba acknowledged that Hogan was raising valid issues, but assured the committee that a committee had been set up in the department to oversee government's interest in the company.

Ngcaba stressed that the company was a private entity and therefore government related to the company as a shareholder, not as a manager.

He said several scenarios had been investigated for improving profitability, including the possibility of increasing the tariff for a standard letter mailed locally from 70c to 90c. The timing of the increase was still under investigation because it might reduce the overall volume of post.

Other possibilities included subcontracting some functions normally performed by the Post Office. He acknowledged that up until last year insufficient attention had been given to improving management.

Sapa reports Hogan said "I do not know how long we can sustain this kind of situation where we allow parastatals . . to just call upon us for guarantees to back their losses without identifying the problem and taking corrective action immediately."

National Party MP Theo Alant asked why a shareholder should be called on to fund a company's losses every year. "Why does the company not go bankrupt?" he asked.

# R571-million loss plunges Post Office into worst financial crisis

(267) ARG 19/2/97

WILLIAM-MERVIN GUMEDE
POLITICAL STAFF

**The South African Post Office is in its worst financial crisis to date.**

Minister of Post and Telecommunications Jay Naidoo told Parliament's finance committee yesterday that the Post Office had asked the Government for a R213-million subsidy, after losing R571-million in the current financial year.

It lost R364,2-million in 1995-96 and R379-million in 1994-95

Mr Naidoo said he had asked for the books of the Post Office, and would scrutinise overall expenditure and revenue

He said a drastic and immediate overhaul of Post Office management was needed He did not rule out dismissing its board.

A new managing director had already been appointed

The Post Office should have made a R10-million profit this financial year in terms of an elaborate five-year business plan

Members of the finance committee asked Mr Naidoo yesterday to explain why the Government should cover the losses

African National Congress MP Barbara Hogan said she was shocked by the demand that the Government should provide R213-million, when the parastatal was supposed to become profitable this year.

According to the business plan drawn up after the Post Office was privatised in 1991, it was expected to lose R590-million in 1992-93, R497-million in 1993-94 and R357-million in 1994-95, and make R10,6-million in 1996-97

Mr Naidoo admitted the Post Office had not kept to its original business plan. Several options had been considered, including increasing the tariff for a standard letter mailed locally from 70c to 90c and subcontracting some functions

# Govt's guarantee to subsidise Post Office losses will end, says Naidoo

Tim Cohen (267) BD 19/2/97

CAPE TOWN — Posts and Telecommunications Minister Jay Naidoo has undertaken to end government's guarantee of Post Office losses.

Naidoo gave the undertaking at a parliamentary finance committee meeting yesterday where he was explaining why government was subsidising the Post Office's R572m loss

The committee solicited Naidoo's presence after being told on Monday that, according to a five-year business plan, the Post Office was supposed to make a profit this year. Instead of making an R81m profit, it recorded a loss of R572m and did not achieve the forecast level of losses in any of the five years of the plan

Naidoo told the committee another five-year business plan would be finalised in the next few months and would be presented to the cabinet The Post Office would be subsidised for a further period not exceeding five years at the discretion of the posts minister and the finance minister The plan would investigate efficiency gains, "a new tariff strategy which includes a significant increase in tariffs in 1997/98 and subsequent years" and new business opportunities.

"We are going to fix the amount of the subsidy What we have to remove is the automatic guarantee This is the ultimate sanction," Naidoo said

His comments follow critical comments by members of the committee about the fact that the Post Office's losses were automatically paid by government, irrespective of the amount.

Responding to criticism that there was not a sufficient sense of urgency about the problem, Naidoo said a task team drawn from the Post Office, the state expenditure department and the communications department had been set up to investigate the details of the Post Office's expenditure.

Naidoo said he had agreed with the Post Office that the state would no longer fund the pension fund shortfall and medical expenses of pensioners.

New management had been installed and following its instructions to freeze posts, the overall workforce had been reduced from 26 000 to 23 000.

The National Postal Forum had been revived and a major policy review was under way with a draft white paper, due in April, which would focus on the restructuring of the Post Office to ensure greater reliability, a strategy to attain self-sufficiency and the provision of new services.

The Post Office was already operating on a more cost-efficient basis,

Continued on Page 2

## Post Office (267)

Continued from Page 1

BD 19/2/97

with offices being opened at customer centres and outlying post offices being converted to postal agencies.

The ANC members of the committee said after the briefing that they accepted Naidoo's explanation.

**Robyn Chalmers** reports Post Office MD Frank Touwen said yesterday that rolling out government's universal service obligations — at a yearly cost of R800m-R1bn — placed pressure on the parastatal's results.

Touwen said the state's request that the Post Office provide postal services to all citizens at a uniform tariff, along with the extension of its network to unprofitable rural areas, had been the primary reasons for costs exceeding revenue. The average annual subsidy of R450m covered about half the costs generated as a result of the universal service obligations.

"We are in consultation with the state on the issue of continued funding for the Post Office, and to what degree the state will provide funds for expansion to outlying areas

"At present, our costs are in excess of the revenue generated by postal services," he said.

Touwen said plans were under discussion to place the Post Office on a break-even path and a strategy of tight cost controls had been implemented Ways to boost volumes in the face of low postal tariffs were being looked into, this being the most effective method of increasing revenues

Post Office losses have in the past been defrayed against the taxes and profits of Telkom, a provision which ends on July 10 this year. Touwens said intensive talks were being held with Naidoo, director-general Andile Ngcaba and the state expenditure department to see how future subsidisation would be dealt with.

☐ It was incorrectly reported in yesterday's Business Day that the Post Office was privatised in 1991. The Post Office was, in fact, commercialised.

# Rising Post Office loss concerns Parliament

Tim Cohen

BD 20/2/97 (267)

CAPE TOWN — The parliamentary finance committee noted in its report to parliament yesterday that it was of great concern that the Post Office loss continued to increase, reaching R571m.

The committee, which does not have the power to amend the funding provided to the Post Office, acknowledged the processes that had been initiated by the posts and telecommunications department to reverse the trend.

But it urged the finance department and state expenditure department to take an active interest and play a role to ensure that these processes [illegible] yielded the desired result.

The results should include the "fundamental restructuring" of the Post Office, sound financial planning and management, and efficient delivery of services by the Post Office.

The committee noted with appreciation the finance department's efforts in containing government expenditure [illegible] apparently being in a position to achieve the deficit target of 5,1% of GDP for the 1996-97 financial year.

The committee recognised that deficit reduction was not just the responsibility of the finance department but rather of all government departments and provincial government.

It therefore encouraged all departments to plan their work in such a way that the downward trend in deficit levels was maintained in order to achieve the goal of reducing the deficit to 3% by the end of the century.

The committee noted that explanatory memoranda from government departments had different formats and recommended that the state expenditure department develop a standard format.

# Telkom says no to cheap calls despite WTO pact

(267) ET (BR) 20/2/97

FRANÇOISE BOTHA

Johannesburg — South African phone users will not be able to enjoy the substantial falls in international call costs negotiated last weekend by the World Trade Organisation's telecoms pact because of Telkom's five-to-six year monopoly, Connie Molusi, the spokesman for the telecommunications ministry, said yesterday

The WTO pact would open markets around the world to stiffer competition and pave the way for international call tariff renegotiation

The 68 signatory nations heralded the agreement as the most significant move in the world telecommunications industry, but all had been cautious about significant changes to tariff structures being implemented over the short term

Charlene Barshefsky, the US representative at the WTO talks, said over the weekend that on average international call charges could be expected to fall by 80 percent following the agreement

Molusi said "Whether globalisation will drive tariffs down by 80 percent, I don't know But the question of tariff renegotiation was dealt with in the broader picture of Telkom's tariff rebalancing programme

"I think you also have to be slightly cautious about the 80 percent figure, because that is just a projection I am not aware of any hard and fast reductions in world tariffs (yet)," he said

Given the coming global tariff structure shakeup, Telkom's promised relief to local consumers appears to be small, albeit a move in the right direction

But the company's minimum five-year monopoly, which was in line with many other country's privatisation timeframes, would probably have local telephone users paying the price for mistakes of the past for a long time yet

POST OFFICE ROW (267)

## JAY CALLED TO ACCOUNT

FM 21/2/97

**Parliament's vigilant** finance committee summoned Posts & Telecommunications Minister Jay Naidoo earlier this



week to explain why the taxpayer should continue to bankroll the loss-making SA Post Office

Naidoo approached parliament for an additional R213m relating to the R572m loss incurred by the Post Office during 1995-1996

After the Post Office parted from Telkom to form a separate company in October 1991 it embarked on a business plan designed to ensure its profitability within five years

Legislation was enacted whereby the losses it incurred up to July 10 1997 would be defrayed from State Expenditure against Telkom's profits

According to the business plan, the Post Office was expected to make a loss each year until 1996-1997 when it is expected to achieve a modest R45m profit after tax Though the financial year ends March 31, Post Office MD Frank Touwen doesn't expect the target to be met

While total expenditure in 1996-1997 was in accordance with the business plan, revenues are about R1bn short He says the Post Office will have to increase the standard tariff from 70c to at least 90c, but that a tariff of a rand or more has not been ruled out

The main reason for the revenue shortfall is that annual tariff increases of 30% anticipated in the business plan failed to materialise, largely for political reasons Though the tariff strategy was followed in 1992 and 1993, it was abandoned in 1994 at the time of the elections On April 1 1994 a 6% increase was approved, a year later a 20% increase was implemented, followed in July 1996 by a 16% increase

One of the biggest financial drains on the Post Office are its universal service obligations, downplayed in Naidoo's presentation to the committee The Post Office is required to render postal services at uniform tariffs to all customers throughout the country, even though this means running certain long-distance mail routes and rural post offices at a loss Of the 27 Post Office hubs in SA, only the major metropolitan hubs of the Gauteng, Cape, Pretoria, Durban and Port Elizabeth are profitable

Touwen estimates that the losses incurred by the Post Office in meeting its universal service obligations amount to R1bn a year Compared to an annual State subsidy of R400m to R500m, he feels that "the State is getting a good deal"

*Continued on page 40*





*Continued from page 35*

However, committee member, ANC MP Barbara Hogan, says "The systems of financial accountability are not in place We are concerned that the present Post Office board has been allowed to continue for so long and renege on an agreement (the business plan) with government without being called to account

"It seems as if the department is going to be tightening up the systems of financial accountability Naidoo says he is going to enter into a performance contract with the Post Office He has assured us that in future if the board reneges on these agreements that government will exercise its prerogative as a shareholder and remove the board"

Naidoo says the department has prepared legislation to replace Section 6 of the Post Office Act so that the Post Office complies with normal budgetary procedures, and to make provision for it to be subsidised for a further period not exceeding five years

The Post Office is finalising a five-year strategic plan which will be presented to Cabinet in the next few months It will investigate possible efficiency gains to improve the quality and reliability of the service, include a new tariff strategy entailing significant increases in 1997-1998 and subsequent years, and explore new business opportunities

Naidoo says it has been agreed with the Post Office that the State will no longer fund the shortfall of the pension fund (which is now 80% funded) and the medical expenses of pensioners A moratorium has also been placed on all new appointments and the work force has been reduced from 26 000 to 23 000

*Claire Bisseker*

# Sale plans spark row

(267) M+G (PM) 17-23/1/97

**Confusion surrounds the sale of Transcell after Stella Sigcau stepped in to prevent the deal taking place, reports Max Gebhardt**

PRIVATISATION has been dealt yet another blow following the intervention by the Minister of Public Enterprises, Stella Sigcau, in the proposed sale of Transnet's loss-making cellular phone division to MTN.

A ministry representative issued a terse statement saying that any sale of Transtel Cellular's (Transcell) subscriber base would have to be done in consultation with both Sigcau's office and Jay Naidoo's Ministry of Post, Broadcasting and Telecommunications

"Such a transaction cannot go ahead without consultation with the relevant ministries as it impacts on the government's telecommunication plans," the ministry said.

**'All telecom interests that are owned by the government are guided by the ministry'**

Earlier this week it was reported that MTN and Transnet had been involved in secret negotiations to discuss the possible sale of Transcell's subscriber data base. Transtel, which made a net loss of R68-million last year, would have sold its R82-million loss-making service provider Transcell. However, this is now unlikely to occur.

The cellular company has been plagued by a high rate of bad debt, fraud and material losses Part of the sale would have seen the company outsourcing some of its crucial functions

Transcell, which is in its second year of operation, has a subscriber base of 22 000, making it the second-largest MTN service provider.

Market sources say the deal was being concluded by MTN on behalf of its subsidiary M-Cell, which manages billing accounts and had decided to enter negotiations with Transcell over taking control of its billing operations.

This did not mean it would be purchasing Transcell, as the subscribers would still be managed by the company.

Jacques Sellschop, group executive of corporate relations at MTN, said that at no time did the company feel uncomfortable about any discussion it was having with one of its shareholders — Transtel owns 20% of MTN — about one of its exclusive service providers

"We believe it is the prerogative of Transtel to determine the nature and extent of any national framework agreement-related (NFA) constraints, which may be perceived to affect commercial strategies in respect of Transtel Cellular," he said.

Connie Molusi, representative for Naidoo's office, disagreed. "All telecommunication interests that are owned by the government are guided by the Ministry of Post, Broadcasting and Telecommunications."

This is not the first time that plans for the sale of the loss-making cellular-service provider have emerged Early last year Transnet said that Transcell had been recommended for sale in terms of a working document on Transtel's future business plans. The sale was placed on hold as any recommendations would have to have been sanctioned by Sigcau

This latest battle appears to have been a result of the unions not being consulted over plans for Transcell. The proposed sale caught the unions off guard, said one source. At no stage had the sale been discussed with them in terms of the NFA — an agreement between the government and labour on the restructuring of state assets.

This seems to be at odds with statements by Transnet managing director Saki Macozoma that any sales could go ahead only after full consultation with the unions

Molusi said that the two relevant ministers would be meeting Transnet managers as soon as possible to discuss the proposed sale of Transcell.

Sources close to the deal within the parastatal expressed surprise at the furore that has developed around the proposed deal with MTN They said that at the end of the day this was just another business deal.

They said that staff had been aware of the process throughout the discussion.

The deal had been misinterpreted, but, according to the source, this was common these days in the parastatal

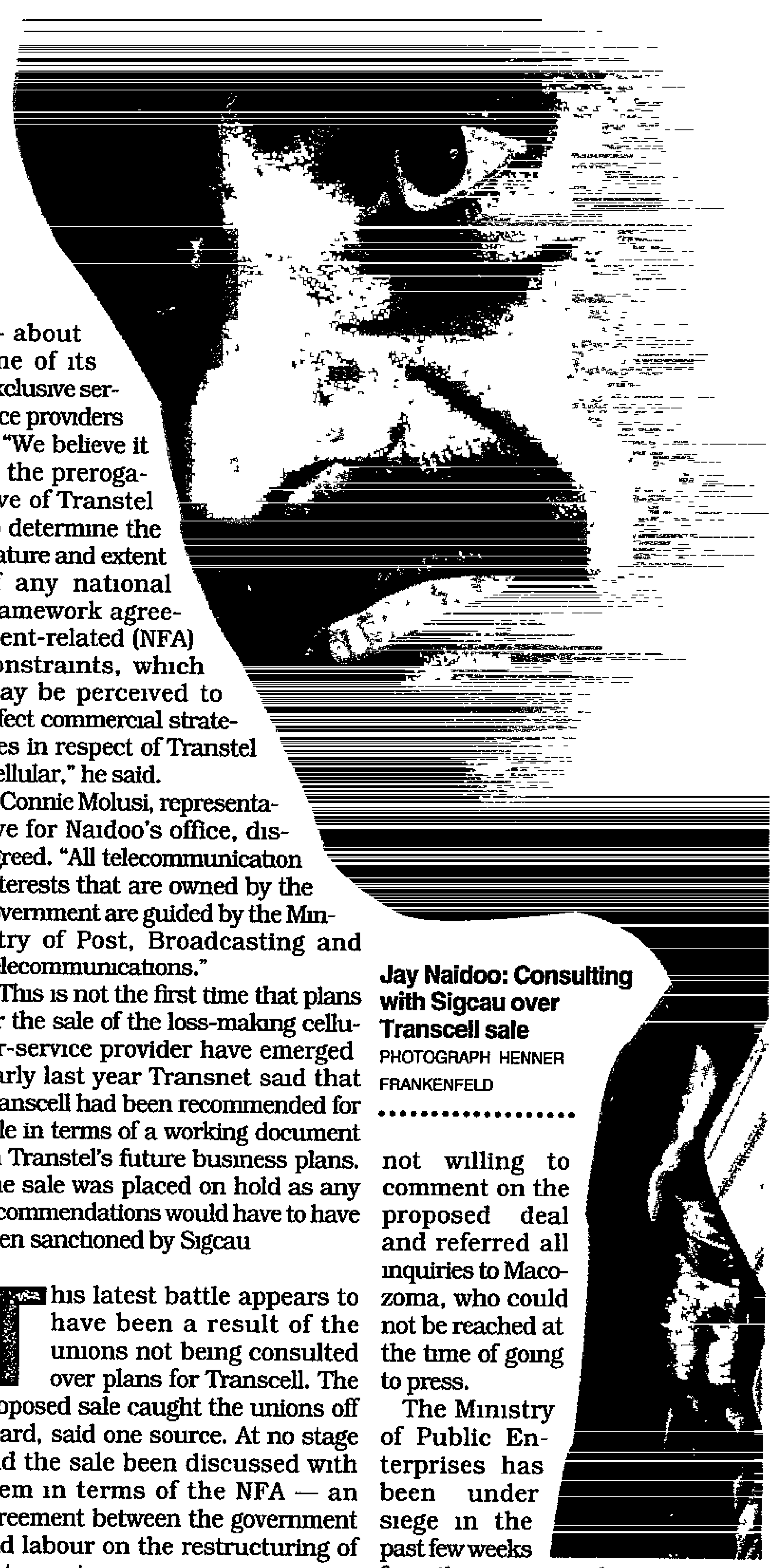
Transnet chair Louise Tager was not willing to comment on the proposed deal and referred all inquiries to Macozoma, who could not be reached at the time of going to press.

The Ministry of Public Enterprises has been under siege in the past few weeks from the unions as the privatisation process speeds up

Sigcau this week resolved a two-week-long boycott by the National Union of Mineworkers and the National Union of Metalworkers of South Africa of talks on the restructuring of Eskom.

The unions accused Eskom management of attempting to privatise some of its operations without consultation They alleged that they had not been consulted on plans to sell off three mothballed power stations, or on a joint information technology venture with IBM

After a lengthy round of negotiations, the minister eventually persuaded the unions to return to the restructuring and transformation committee The parties said they had agreed to revitalise the transformation committee.



Jay Naidoo: Consulting with Sigcau over Transcell sale
PHOTOGRAPH HENNER FRANKENFELD

Stella Sigcau: Move to block Transnet from selling loss-making division
PHOTOGRAPH RODGER BOSCH

**LABOUR** *Industrial action likely 'if relationship is not repaired'*

# Union storms out of Telkom talks

CT (BR) 24/2/97 (267)

FRANÇOISE BOTHA

Johannesburg — The Communications Workers' Union walked out of wage talks with Telkom on Friday and threatened to strike in a bid to discourage a multibillion-rand investment by a foreign strategic equity partner

Shu'ayb Patel, the deputy president of the union, said on Saturday that the relationship between Telkom and the union was at an all-time low because Telkom had ignored the spirit of the new Labour Relations Act, making a sound relationship between the parties impossible

"If the relationship is not repaired, the union is going to take action I assume that a strike could very well happen," Patel said

He said the union's proposed action could force a potential strategic equity partner to reconsider its investment

Bidders shortlisted for the 30 percent stake, to be announced in April, include Southwestern Bell and Telecom Malaysia, which have formed an alliance, Deutsche Telekom and France Telecom

The union walked out of the talks before the company could table its offer The union said it could not prepare a realistic demand because Telkom had not given it sufficient information Representatives of the Alliance of Telkom Unions remained in the discussions

In terms of a collective agreement between Telkom and the unions about substantive negotiations, the company has to supply financial information before wage negotiations begin

Patel also claimed that Telkom was unable to provide its budget for the coming year or details of transformation costs

"If they cannot provide a budget and actual costs for transformation . the government should be very worried because the company still belongs to the state," he said

The union also stalled talks at the January 22 meeting, declaring a dispute over a procedural issue The union also demanded hard copies of the company's slide presentation

A Telkom spokesman said the company had provided organised labour with all the information they required

Telkom offered workers a salary increase of 7 percent, flexible working hours, long service awards, housing and transport subsidies

Patel said the offer was unacceptable because the company had reported a 25 percent increase in productivity and a 23 percent increase in operating income over the past year

# Policy must serve needs of country, says Naidoo

BD 24/2/97 (267)

Jacob Dlamini

A TELECOMMUNICATIONS policy driven purely by commercial interest would not bridge the gap between the rich and poor, says Post and Telecommunications Minister Jay Naidoo.

At the opening of the southern and eastern African regional satellite regulatory policy workshop in Midrand yesterday Naidoo said the SA government would pursue a policy whose overriding priority would be the empowerment of its citizens

Naidoo said while government was interested in attracting investment and diversifying its telecommunications operations, it wanted a system that would serve the socioeconomic needs of the country

"We want to ensure that people get onto the information highway, but we also want to ensure that they derive concrete benefits for that We are determined to put in place an infrastructure that will link together schools, clinics, universities and other centres of excellence," he said

The concept of "a regionalised world economic order and the related concern around developing democracy and freedom in a complex society" was central to government's policies

Naidoo said that communications in Africa were still developing, and that the continent accounted for only 0,3% of the "geostationary-spec".

"Regional co-operation towards changing this scenario and establishing modern digital satellite communications is one of fundamental importance to us all," he said

The workshop, which was sponsored by the Independent Broadcasting Authority (IBA), the International Telecommunications Union and the Friedrich Ebert Foundation, brought together experts on satellite communications from all over Africa and the west

The IBA said that the conference was the first of its kind to explore a satellite regulatory policy at a subregional level and that it was intended to lay the groundwork for a subregional approach

Kenyan Broadcasting Corporation MD Phillip Okundi said the physical features of Africa made it impossible to achieve 100% coverage

Okundi said satellite broadcasting was the most effective way of ensuring complete coverage

He said African broadcasters needed to adopt satellite technologies so they could play a role in establishing its practice and standards

"Satellites have ushered in a host of channels specifically targeted to international audiences on a regional, continental and global basis

"One important feature that has been noticed in all broadcasts by these is that they have shown scant respect for the regulations of the host countries in which they operate They have tended to drive governments towards deregulation," said Okundi

Post and Telecommunications Minister Jay Naidoo speaking at a Midrand workshop on satellite regulatory policy Picture GARTH LUMLEY

# Union walks out at start of negotiations with Telkom

(267) BD 24/2/97

**Reneé Grawitzky**

THE Communication Workers' Union (CWU) walked out at the start of negotiations with Telkom on Friday, claiming that insufficient information disclosure had taken place.

CWU general secretary Seleboho Kiti said the union had walked out of the meeting after Telkom indicated it believed it had provided the necessary financial information.

The union said it was not in a position to table its demands until Telkom had disclosed information relating to the wage bill of management and those employees who were not part of the bargaining unit.

Telkom said it had provided the unions with all the information it deemed necessary in the interest of effective collective bargaining It had also provided "additional information requested by the unions, relevant to the bargaining unit"

After the union walkout, Telkom tabled its opening offer to the Alliance of Telkom Unions, which represents the SA Telecommunications Association, the Mineworkers' Union and the Post and Telecommunications Association. CWU criticised the alliance for listening to the company's proposals.

The union said Telkom had failed to comply with the terms of the collective agreement on substantive negotiations which required information disclosure, followed by the start of negotiations

CWU said it believed the information disclosure process had not been exhausted and until it had, the union would not table its demands.

Telkom reaffirmed its willingness to provide additional information pertaining to the bargaining unit. However, it said the union could not obtain information involving persons outside the bargaining unit

# India endorses SA as candidate for summit

**Patrick Wadula**

PRESIDENT Nelson Mandela looks set to be elected to the rotating chair of the 12th Non-Aligned Movement summit next year, if the movement's foreign ministers decide to have the meeting in SA.

Atul Khare, the deputy secretary of India's external affairs ministry, said on Friday the chairmanship of the movement revolved from one continent to another.

Khare, who is in charge of the UN division, said the previous African summit was in Harare, Zimbabwe, in 1986. It was held in Colombia, south America, in 1995

Mandela said in Parliament SA would be honoured to host the summit.

India had formally endorsed the candidature of SA to hold the summit next year. However, the decision to elect the chairman would be made in New Delhi this April during the meeting of the movement's foreign affairs ministers, Khare said.

The membership of Costa Rica, Bosnia and Herzegovina would also be decided at the meeting.

# Council revamp raises more deal allegations

**Josey Ballenger**

ANOTHER round of accusations was fired at the weekend involving the Dubai-based Dolphin Group's deal with the Mpumalanga Parks Board, when environmental affairs and tourism MEC David Mkhwanazi announced his decision to downsize his advisory environmental council — several of whose members opposed the deal

On Friday Mkhwanazi made it official that he would "restructure" the Mpumalanga environmental council, which had more than 18 members, along with the "mammoth" 27-member Mpumalanga Tourism Authority and the 13-member board of the Mpumalanga Parks Board, in order to "curtail spiralling costs". Each body in future would have only five to eight members.

Mkhwanazi has consistently supported the deal which grants Dolphin exclusive rights to develop certain natural areas for 50 years He rejected allegations that the restructuring had been motivated by council members' opposition to the Dolphin deal New members would be announced for all three bodies today.

Mkhwanazi also said an "independent investigative committee" would be appointed by Wednesday to advise on grievances over the deal

# Cape constitution

# Telkom wants union to rejoin the wage talks (268)

(267)

CT(BR) 25/2/97

THABO LESHILO

Johannesburg — Telkom is determined to resolve its differences with the Communications Workers' Union (CWU), its main union, and have it rejoin the wage talks it boycotted on Friday, a Telkom spokesman said yesterday

The union walked out of wage talks, accusing the management of withholding information it deemed pertinent to the discussions in terms of the Labour Relations Act The protest came before Telkom could table its offer of a 7 percent increase

The spokesman said though Telkom believed it had made available all relevant information to the bargaining unit, it was busy compiling the information CWU accused it of withholding

Shu 'yab Patel, the CWU deputy president, emphatically rejected the company's proposed wage increase yesterday "We will certainly reject that There is no way we can accept that offer" The offer was tabled before the Alliance of Telkom Unions

Patel said his union might consider declaring a dispute or holding demonstrations to force Telkom to provide it with all the information it deemed necessary to enable it to determine a reasonable increase for its members

The union mainly demands to know the portion of the salaries bill that goes to managers

# Telkom balks at regulations

(267)

JENNIGAY COETZER

CT(BR) 25/2/97

Johannesburg — Telkom voiced several objections yesterday at a public hearing held by the ministerial staff on the terms of five-year licences granted to Telkom

Referring to the section on value added networks (VANs), Pinki Moholi, the Telkom group executive for regulatory affairs, welcomed the fact that Internet services would be regulated for the first time, however Telkom objected to the inclusion of voice mail and videoconferencing services under the VAN section

She said these were both voice services which companies supplying VANs were "not allowed to provide" In terms of the licences, Telkom had been granted a five-year exclusivity on the provision of voice services

A major objection to the terms of the licences was the proposed R650 000 per megahertz fee Telkom would be expected to pay for the use of wireless local loop frequencies The amount stipulated was "excessive"

Brian Clark, the managing director and chief executive officer of Telkom, said during a recess that the use of the wireless spectrum was a major component in Telkom's plans to roll out millions of telephones in rural areas over the next five years

Wireless local loop was quicker and less expensive to install than copper wire "If we have to pay R650 000 per MHz, it will increase the cost of what would have been a low-cost technology"

On the question of what Telkom thought it should be paying for the wireless spectrum, Moholi said it would not be easy to determine, because no tables for the roll out of telephone lines were contained in the licences

It was therefore necessary to be able to negotiate with the ministerial staff, once those needs had been determined, she said

**TELECOMMUNICATIONS** *Value-added networks should allow all competitors to get ready for deregulation after five years*

# Licence to take the ogre out of Telkom

(267) CT (BR) 27/2/97

This week's public hearing on the recently granted Telkom licences, which give the parastatal five years' exclusivity on telephone services, gave rise to some interesting debate

The licences will be the last to be issued by the ministry of post and telecommunications, as the newly appointed South African Telecommunications Regulatory Authority has now taken over this function

After the hearing, some of those present comment that full-blown competition would probably have caused Telkom to lose 20 percent of its market overnight At the same time this would have grown the overall market, more than compensating for the initial loss

On the other side of the fence, Telkom protests that it has a mandate to provide more than 1,8 million telephones over the next five years Many of these will be in remote rural areas where additional infrastructure has to be built and the services will bring in relatively low returns

Blackie Lahoud, the executive for market strategy and business development at Telkom, argues that full competition could have caused chaos and given rise to profiteering

Telkom's five-year licence agreement gives the local telecommunications industry time to "order its mind" and prepare for inevitable full deregulation, he says

**JENNIGAY COETZER**

In the interim, while Telkom maintains exclusivity for providing voice services, the elements exist in the licences to level the playing field in the value-added network (VAN) arena This includes Internet services and managed wide-area corporate computer networks The new licences also include voice mail and video conferencing

However, at the public hearing on Monday, Telkom objected to the inclusion of these two items in the VAN section The objection was based on the fact that these were both voice services which companies supplying VANs were "not allowed to provide"

The new Telkom licences will undoubtedly evolve as a result of input from the public hearing They will also probably form a basis for VAN licences granted to future market players and will continue to regulate the market when it is fully opened to competition in five years' time

Before 1991, Telkom played the dual role of player and regulator in an industry where it had the monopoly on all telecommunications services When it became a company, Telkom started allowing information technology companies — at its discretion — to buy basic voice and data services provided by the parastatal's national telecommunications infrastructure

The VANs could then add value — such as managed data network services — and sell these into the corporate environment In those days, existing legislation did not make provision for Telkom or the ministry to grant VAN licences At that time Telkom was competing with private enterprise in offering managed data networks to the corporate sector and it had the unfair advantage of being able to leverage its monopolistic position as owner of the national telecoms infrastructure

When moves to deregulate the local telecom industry started two years ago, the VAN market went into limbo Those who had previously obtained Telkom's blessing continued to operate under their informal status, while others entered the market regardless

The recent appointment of the telecommunications regulatory authority will change all that In future, it will be up to the authority to grant VAN licences and to police them Within the next few months, Telkom will be issued with a licence that should put it on a par with any private company that is providing VAN services

**NEW FREEDOM** *You can't play a game with yourself, says Blackie Lahoud, executive for market strategy and business development at Telkom* PHOTO JENNIGAY COETZER

Apart from opening up the VAN market, this will give Telkom a new freedom and will hopefully take away its "bad ogre" image The competition will be good for all concerned, says Lehoud

"The problem with being in a monopolistic position is that you can't play a game with yourself," he says.

Whereas Telkom's VAN business could previously leverage its monopolistic advantage, it can no longer do this in terms of the new licences

"In future, we will have to buy basic Telkom services at the same rate as other VANs," says Lahoud

To make sure this happens, Telkom's VAN division will also be required to present financial statements to the authority to prove it is not competing unfairly or being cross-subsidised Lahoud says in the initial stages there will probably be a period of posturing on the part of private enterprise and Telkom, but this will pass

He says Telkom's strategy is to be "the VAN provider of choice by the year 2000"

Once the Telkom licences are finalised, Telkom will take an aggressive stance and "bring its strategies into play" in the VAN market "We have a great new generation of products," he maintains

He adds that a national customer service is being established that can be accessed by corporate customers from a single telephone access point anywhere in the country

Deutsche Telekom, France Telecom and SBC Communications of the US and Telekom Malaysia are in the throes of bidding for a stake of between 20 percent and 30 percent of Telkom Lehoud says that once the equity stakeholding has been finalised Telkom will benefit from the international expertise of its new partner

"We will be able to use this expertise in delivering additional added-value services to corporate customers and identify additional opportunity areas "

The past few years have seen several major global telecommunications companies enter the local market The provision for VAN competition in the new Telkom licences will enable these organisations to position themselves for full deregulation in five years' time

☐ *If you have any news, views or comments you would like to share with me, my Internet address is jennigay@is co za*

# y to ring in the changes

## ous growth in telecommunications

(267)

ARG 27/2/97

April There are no preferred bidders

A strong regulatory framework, modelled on international best practice, was a cornerstone of the new Act The Act meets the policy objectives of the promotion of universal and affordable telecommunication services, which are responsive to the needs of consumers, and the promotion of fair competition within the telecommunications industry

The framework was thus intended to smooth the transition from a market currently dominated (but not monopolised) by Telkom, to one in which there is robust competition amongst a variety of telecommunication service providers.

The provisions of the Act, which envisages a three-tiered structure, are already well on the way to being implemented

The South African Telecommunications Regulatory Authority (SATRA) has been established, chaired by Nape Maepa, as well as the Universal Service Agency (USA), chaired by Mlungisi Hlongwane Draft Telkom licenses have been issued by the Ministry and are expected to be finalised shortly. Other Telkom licenses will be issued by SATRA, which has been given wide powers by the Act and is one of the most independent regulatory bodies in the world

Policy directions relating to the Human Resources Fund, a fund to promote the provision of adequately skilled human resources at all levels of the telecommunications sector, and the Universal Service Fund, which will assist in providing telecommunications to needy people and communities which have no access at present, have also been issued

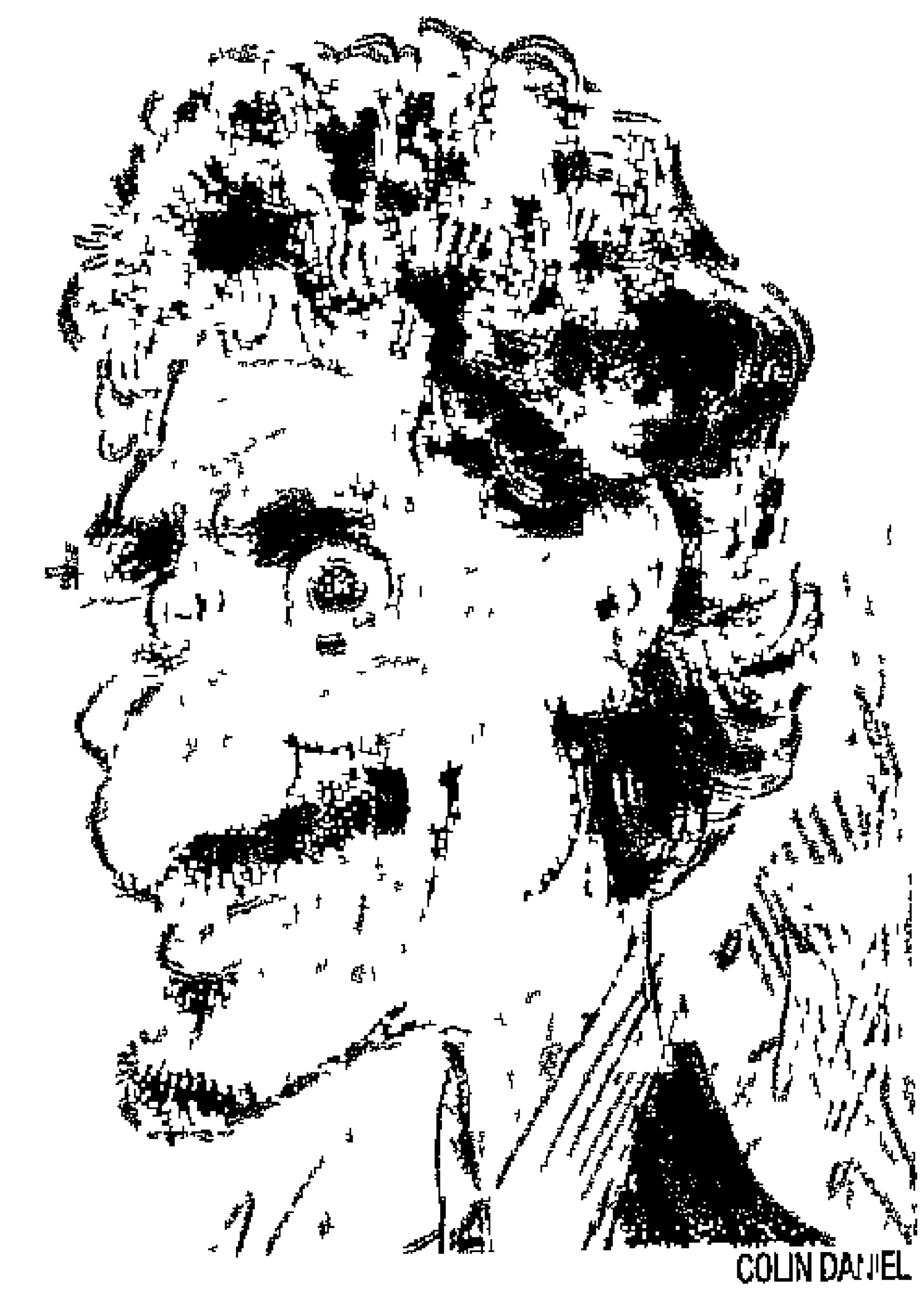
The Ministry will continue to provide policy direction and oversee its shareholding in Telkom The Ministry is also directly responsible for administering the Human Resource Fund, and overseeing the activities of the USA.

At the second tier, SATRA will be responsible for monitoring Telkom's compliance with the Act, essentially acting as a watchdog for the industry After an initial three-year period, during which Telkom may not increase its overall basket of tariffs by more than inflation minus 1,5 percent, SATRA will be responsible for setting tariff structures SATRA also sets interconnect guidelines

As an independent regulator, SATRA must balance the interests of consumers on the one hand and stakeholders in Telkom and market participants, on the other

At the third tier, Telkom, together with whichever SEP wins the bid, is responsible for telecommunication operations, including an aggressive roll-out of services which has only been equalled in a few countries in the world, and the upgrading of existing services

The draft licenses, which were published by the Ministry at the beginning of February, inter alia provide SATRA with the mechanism to monitor Telkom, and



COLIN DANIEL

will bring about far-reaching changes in the telecommunications environment. The three licenses are for Public Switched Telecommunications Services (PSTS), The transmission of radio frequencies, and Value Added Network Services (VANS)

They are for a 25-year period, with Telkom being permitted to provide local and long distance telecommunication services, international and pay phone services on an exclusive basis for five years, during which it has to meet stringent roll-out and service quality targets Failure to achieve these targets will result in the payment of monetary penalties by Telkom

Roll-out targets include targets in respect of the total number of new exchange lines, new public pay phones, new lines for priority customers such as hospitals, schools, libraries, local authorities and post offices, new lines for villages, and replacement lines Service quality targets will substantially increase Telkom's accountability to customers

***'Service quality targets will substantially increase Telkom's accountability to customers'***

The Government welcomes informed debate about the restructuring process Extensive consultation surrounded the drafting of the Green and White Papers, the election of SATRA members was conducted in an open and transparent manner, and public hearings have been held around the draft license It is unfortunate, however, that some debate has been ill-informed and indicates a lack of understanding of the newly-created regulatory framework and its relation to international precedent

Contrary to certain allegations, competition already exists in the South African telecommunications industry Not only do the two cellular operators, MTN and Vodacom, compete with each other, but they also compete with Telkom in that they provide many of the same services Competition among these operators will be enhanced by a more liberal interconnection regime, to be introduced under the Act, whereby the cellular operators will be able to secure access on more favourable terms In addition to the cellular operators and their service providers, there are more than 50 paging companies in South Africa A new cellular service provider is expected to be licensed

Full competition among providers of customer premises equipment, including telephones themselves, has been introduced Providers of Value-added Network Services, including the provision of a broad range of services via the Internet, are also subject to full competition

The five-year exclusivity period is shorter than is common in other countries, where the basic infrastructure is underdeveloped.

This phased approach to liberalisation allows the telecommunications operators to meet their universal service obligations before the introduction of full competition, regarded as essential if the country as a whole is to gain the full economic benefits of being part of the global telecommunications market.

Another issue which has been contended is that of price Telkom late last year introduced a new tariff strategy which, among other things, kept the overall basket of increases at seven percent – two percent below the expected rate of inflation

An element of the strategy is the rebalancing of tariffs – another step in preparing Telkom for competition Historically, Telkom has heavily subsidised its local call tariffs by charging higher rates for its long distance and international calls Rebalancing involves local calls becoming more cost-related, with a significant decrease in the price of long-distance and international calls.

In order to make the service more affordable, installation charges were cut in December by more than 40 percent, while pay phone tariffs remained unchanged Special concessions were also made for pensioners.

It is inappropriate, therefore to accuse Telkom of high prices In addition competition will inevitably lead to lower prices

As we approach the millennium, it is the Government's responsibility to ensure that firm foundations have been laid for the country's entry into the information society

Everything in its power has been done to ensure that this commitment is fulfilled

267

ALC

27/2/97.

# Telkom gets read

## *Government aims for vigor*

MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING **JAY NAIDOO** SHARES HIS VIEW OF TELKOM'S FUTURE

The passing of the Telecommunications Act in November 1996 was a milestone in a process which was embarked on by government soon after its inception

Government's vision, embodied in the policy framework which gave rise to the Act, is to ensure vigorous growth in the telecommunications market through the extensive roll-out of a modern network, providing universal access in South Africa, especially to previously disadvantaged areas, and at the same time preparing to meet the challenges of competition

How was this best to be achieved? Especially as the South African marketplace was characterised by a high teledensity (number of lines per 100 people) in affluent urban areas, making this sector extremely attractive to potential competitors, and extremely low teledensity in less affluent urban and rural areas, which only had longer-term potential for growth.

A further factor was the challenge of restructuring Telkom, the largest telecommunications enterprise in Africa, into an organisation capable of delivering a speedy roll-out with the necessary technology, in such a manner that it would still be able to hold its own in a highly-competitive marketplace when liberalisation occurred

The route chosen, in common with a number of other developing economies around the world, was that of finding a strategic equity partner (SEP) The Act, which was the culmination of a long process of consultation including Green and White Papers, permitted the government, through the Ministry for Posts, Telecommunications and Broadcasting, to proceed with the sale of up to 30 percent of Telkom to one or a possible consortium of international telecommunications operators The Government also intends to make a further 10 percent equity stake in Telkom available to previously disadvantaged communities

Requests for proposals have been issued and four companies – Deutsche Telekom, France Telecom, Southwestern Bell Corporation (SBC) and Telekom Malaysia – are expected to bid, either singly or in consortia, in the final round The bids will be evaluated by the Ministry's advisors, and a recommendation made to the Minister The process is expected to be completed in

# Post Office goes undercover

(267) M+G 28/2-6/3/97

**The Post Office takes extreme measures to counter AK-47 thieves, reports Marion Edmunds**

Fraud and theft: Jay Naidoo takes a break in Stellenbosch from postal problems PHOTO RODGER BOSCH

THE Post Office is to establish an internal investigations unit, staffed by former spies, to combat the rampant fraud and theft plaguing its operations

The organisation said this week that the new unit — Security Investigation Services — would work undercover to expose dishonest workers and to prevent attacks by AK-47-wielding thieves

Figures for the losses suffered by the country to postal fraud and theft are not available, but Witswatersrand Post Office — one of the largest in South Africa — said the situation in post offices was "like the Wild West " In the last three months alone, thieves have attacked a post office every day in the Wits region

The Post Office has appointed former South African Police Service brigadier Reggie Manmuthu as head of the new unit. He will establish the crime-fighting force with regional units and an intelligence link within the Post Office

He plans to employ about 400 people, drawn from the ranks of ex-military and criminal intelligence, who would work undercover

"The police do not have the manpower to deal with the problems of the Post Office," he said "We are employing people with intelligence backgrounds, ex-police, ex-military and ex-Umkhonto weSizwe "

Marimuthu would not say what his department's budget was, but this week was reviewing security equipment for the Post Office to buy

Post and Telecommunications Minister Jay Naidoo told Parliament last week that the Post Office had suffered a R572-million loss this financial year, compared to a long-running plan where it was due to show a small profit

The organisation had also requested a R213-million subsidy from the government Naidoo said the Post Office would now be restructured

The Post Office said it had lost nearly R7-million to fraud and robbery last year, R9,6-million in 1995 and R9,4-million in 1994

These statistics exclude what is lost by individual South Africans through the violation of letters and parcels by dishonest post office workers, some of whom are petty criminals and others, part of organised syndicates

Witwatersrand Post Office regional general manager, Manie MacDonald, said crime was the biggest issue facing the organisation "The Post Office is the soft target "

He said international mail was hit on by robbers, often while in transit.

"On Friday we received three bags of registered mail from overseas, all of which had been slit open with a knife before they got here

"There were meant to be 42 registered items in the bags, and there were only six left. Now they could have contained really expensive things — diamonds, gold, foreign exchange and because there is no international insurance, all the sender gets back is what he paid in postage," he said

MacDonald said dishonest workers targeted compact discs and credit cards He said he had just installed security cameras worth R360 000 in the region's main sorting office to reduce pilfering

"A lot of the fraud is through big crime syndicates who make a fortune out of the Post Office," he added

"One of our workers was caught in the OK supermarket with 11 credit cards and was arrested and taken to court "

The police had the docket and fifteen minutes before the case started the docket disappeared The judge threw the case out of court

MacDonald said that a South African who complained regularly about not getting his mail had just phoned him to tell him he was emigrating

MacDonald said politicians should bear at least part of the blame for the performance Former National Party ministers had undermined the Post Office's ten-year profit plan by refusing just before the 1994 elections to raise the tariffs to meet target income

The organisation said earlier this week that it had proposed to government that it be allowed to lift raise tariffs by up to 40% in a bid to bolster its revenues Negotiations with government are under way and a formal announcement is likely next week

MacDonald said the Post Office was also forced to service deep rural areas which were unprofitable and a drain on their finances

"Our main profit centres are Johannesburg, Cape Town, Durban and Pretoria We spend a billion rands providing services — stamps, pensions and deliveries in deep rural areas which are just not profitable "

Stampede: Mourners at the funeral for those killed at Thembisa after security officers used cattle prods

# Transnet in trouble

M+G 28/2-6/3/97 (267)

**Accusations of Transnet's lack of control over its security services are contained in some explosive reports. Ann Eveleth investigates**

TRANSPORT parastatal Transnet is sitting on an explosive report into weak controls over private security companies it contracted, estimated to have cost the taxpayer R100-million

The *Mail & Guardian* has established that the long-running irregularities allegedly occurred under the nose of the ex-army officer in charge of security for Transnet's rail division Spoornet

Several private firms fingered in the investigation still work for Spoornet, including SSH Security — the company that used cattle prods at a Johannesburg station last year, triggering a stampede that cost 16 lives

The South African Rail Commuter Corporation, which employs Spoornet to provide a local railway service, bears some of the extra costs incurred, but has still not been advised of the findings, even though Transnet has been kept abreast of the damning findings since November 1995

The investigation has so far targeted "short-posting" — charging for employees who don't show up for work — as the main cause for concern.

But the other allegations include:

- tenders not being awarded to the lowest bidders,
- contracts awarded without tenders,
- duplicate payment of invoices
- invoices paid before services rendered; and
- overpayments for the hire of vehicles, guns and unnecessary VAT payments

Transnet chair Louise Tager refused to comment this week on the investigation, saying the "entire matter is sub judice".

Outside auditor Steve Ochse and Partners began the investigation in May 1995, initially at the request of group general manager Gert Britz before Tager took control of the investigating team

The auditor examined 78 contracts worth R130,5-million awarded to six companies in the Southern Transvaal region It is now investigating security contracts in Spoornet's other regions

Ochse's first report in November 1995 pinpointed short-posting as a central concern The initial estimate was that the losses amounted to 10% of the private security firm's contract values, though this was revised in a later report to Transnet to a "conservative estimate" of 30%

An April 1996 report examined 25 contracts awarded to SSH Security and found short-postings in connection with 13 contracts and "major variations from tender procedures" in the remainder

Ochse's report on another security company also mentions short-posting, but this is the least damning of the allegations

The report refers to a "sworn affidavit" from a police officer alleging the company paid bribes to retain contracts and stole goods from locations guarded by its competitors in order to cast them in a bad light so the company could get their contracts

The officer also alleged Spoornet security head Brigadier David (Archie) Moore "was aware of the aforegoing and took no steps to put a stop to it"

Affidavits from two former employees of the security company further allege the company paid kickbacks to Moore in the form of "a Bedford truck and a blue Ford tractor delivered to Moore's farm in the Vaalwater District by an employee of [the company on instruction of its owner who] mentioned that this was his way to keep Spoornet contracts", the report says

Some sources have questioned Transnet's failure to suspend Moore in connection with the allegations, and following his appearance in the controversial Steyn Report

Moore this week denied the allegations, accusing the police officer who had written the affidavit of slander The vehicle he had bought from the security company owner was an unrelated private transaction, he added

Other sources argue, however, that Moore has become the target of a power play by Transnet executives bent on wresting control of the parastatal's security structures

The report also noted that a review of contracts awarded to Crosskeys Security — Transnet's ill-fated joint venture with British-based Securicor — was underway

Crosskeys was liquidated in December 1996 after barely a year in operation amid reports of substantial losses and worker strikes despite, according to Ochse's initial comments, being paid rates "substantially higher that the rate paid to other security firms".

TELKOM UNIONS (267)

## A REMINDER TO NAIDOO

FM 28/2/97

**Telkom is** confident its dispute with the Communication Workers' Union (CWU) will be resolved The Cosatu union, demanding greater disclosure of financial information, staged a walkout at the start of wage talks last Friday

"As far as I'm concerned, we're not in dispute," says Telkom human resources executive Eugene Martin He says the union wants to see Telkom's transformation budget (which is not separate from its operational budget) Telkom refused to disclose management salaries, which are outside the bargaining unit

*Jay Naidoo*

Both sides insist this is not a bid by the union to scupper Telecommunications Minister Jay Naidoo's search for a strategic equity partner (SEP) for Telkom — a deal which is all but clinched

But the union is determined to secure the interests of its (unskilled) members, who account for 43% of Telkom's 80%-unionised work force of about 59 000

They could bear the brunt of retrenchments as Telkom strives for greater efficiency in a hi-tech industry By world standards, Telkom is nearly four times overmanned However, less than 10% of the population has telephones compared with almost 100% in developed countries

Labour consultant Gavin Brown says the union's action is "another attempt to slow things down and get the best deal" ahead of government's "irreversible" decision to find an equity partner for Telkom "It'll be interesting to see if Naidoo bites the bullet this year or allows yet another delay"

CWU general secretary Seleboho Kiti says "We have not made Jay Naidoo a target We are fighting for a principle, the disclosure of information in line with the Labour Relations Act and other agreements we have with Telkom We are negotiating transformation within Telkom It is therefore vital to get the information to formulate our demands"

Though the union movement opposes privatisation, Kiti says "We are not playing hide-and-seek If privatisation is to be fought, it won't be by one union alone We recognise privatisation is going ahead Our strategy is to ensure the SEP also addresses RDP issues

"We will put certain conditions (of the sale) to the Minister early next week, such as the safeguarding of our members' jobs and interests as well as guarantees on service penetration, training and retraining so that workers can be redeployed The telecoms industry should be able to absorb any layoffs and must reflect the formerly disadvantaged in its core functions"

Kiti warns "The reaction of government to our conditionality will determine the union reaction"

In a departure from standard wage bargaining practice, whereby unions present the opening demands, Telkom this year opened talks (as it did last year) with a "presentation" of six issues Among them the annual wage increase — it is offering 7%, reducing the housing subsidy over five years, phasing out the transport subsidy, and flexible working hours

Other unions in the bargaining unit represented by the Alliance of Telkom Unions (which speaks for the mainly white technical, administrative and supervisory employees) say they have enough information to use in formulating wage demands

But alliance president Colin Smith says "It became clear during Friday's presentation that we needed specific information in terms of some of the proposals — for example, which categories of workers would be affected by changed working hours, whether weekends would be part of flexi-time, how this would affect shift practices, and whether changes to the housing subsidy, which would appear to equalise the position for men and women, could disadvantage men"

The alliance, will make a counter offer when negotiations formally start in two weeks "Aside from improved benefits, we expect to be at least up to inflation (9,9%) this year and, if you add the backlog, we're looking at a double-figure increase," says Smith

The alliance unions, which represent a different interest group from CWU's, "won't hold the SEP process hostage to wage demands" It's vital to get an SEP to ensure Telkom's profitability and meet commitments in SA telephony, says Smith, who last July accompanied Naidoo, Telkom board chairman Dikgang Moseneke and the CWU on a visit to all seven bidders for a 30% stake in Telkom

The successful bidder is expected to be announced in mid-March or early April *Amarnath Singh*

# Post Office in bid to contain costs, improve operating efficiencies

(267) BD 3/3/97

Robyn Chalmers

THE Post Office planned to embark on heavy cost containment and marketing exercises while focusing on improving operating efficiencies in a bid to boost its performance, MD Frank Touwen said at the weekend

This came as Post and Telecommunications Minister Jay Naidoo met National Postal Forum representatives on Saturday, who asked for a postponement on proposed tariff increases of up to 40% The Post Office is expected to announce the new tariffs on Wednesday after talks with Naidoo

Naidoo said he could not agree to a postponement as this would jeopardise the Post Office's financial position

The Direct Marketing Association — which claims to represent businesses and organisations' accounting for about 60% of postal volumes — has denounced the proposed tariff increases, saying they would have a significant negative impact on the economy "The Post Office will lose more than 50% of volume attributed to promotional mailers To meet their revenue targets and budgets they will have no choice but to continue to increase tariffs dramatically . or cut back substantially on their cost structures "

Touwen said an increase in tariffs this year was necessary to start bringing tariffs in line with costs, but the extent of the increase would depend on government An announcement is expected later this week

"Volumes are coming under pressure from alternative sources such as electronic media, faxes, e-mail and the Internet We must keep up and this means that . . in the long run, we must look at radically transforming our business," he said

Alternative ways of providing postal services were being considered to guard against any drop in volumes, both as a result of the proposed tariff increases and due to greater use of electronic media

Naidoo has asked the Post Office to prepare a five-year plan, to be finalised within the next few months, while a major policy review is under way with a white paper due in April

Naidoo said the five-year plan would take a three-pronged approach It would investigate possible efficiency gains and improve the quality and reliability of service, as well as look into a new tariff strategy It should also explore new business opportunities that could provide synergies with the Post Office's core business.

Touwens said there was always sensitivity regarding an increase in postal tariffs, as 80% of volumes were from business users

# Consensus reached on telecommunication strategy

(267) BD 3/3/97

Reneé Grawitzky
and Robyn Chalmers

GOVERNMENT and labour have yet to finalise agreement on all key issues relating to the restructuring of the telecommunications industry although parties reported that broad consensus had been reached on an overall strategy, including a strategic equity partner

This comes amid reports that the post and telecommunications ministry had awarded the tender for a 30% stake in Telkom to SBC Communications and Telkom Malaysia A telecommunications sector workshop held at the weekend broadly agreed on a framework unveiled by government on its strategy for the industry

Labour and government said in a statement that framework details would be finalised by a task team "as a matter of urgency in line with the timetable of the strategic equity partner process". The team meets tomorrow.

Sources close to the process said the issues referred to the task team were supposed to have been finalised at the workshop

One union source said some unions remained noncommittal on certain issues and another source questioned whether membership had been informed properly of the processes underway Congress of SA Trade Unions spokesman Vusi Nhlapo said there was general endorsement of the process, but agreement still had to be reached on parameters which should be negotiated with an equity partner.

The workshop agreed on a broad range of goals relating to human resource development, infrastructure expansion, promoting the local manufacturing sector and establishing a rigorous regulatory framework

Post and telecommunications ministry spokesman Connie Molusi said at the weekend he could not confirm reports that SBC Communications and Telekom Malaysia had won the bid for a 30% stake in Telkom He said government would clarify its position on the issue today.

SBC Communications and Telekom Malaysia have been bidding against France Télécom and Deutsche Telekom for the 30% stake in Telkom which is broadly valued at about R6bn

The funds government could garner from the sale of a portion of the parastatal could be affected by tough rollout conditions contained in Telkom's three draft licences published recently for comment

The licences provided a five-year exclusivity period for Telkom and its equity partner to turn its poor public service record around and provide a minimum of 1,8-million lines to previously disadvantaged areas

Hefty financial penalties will be imposed by the SA Telecommunications Regulatory Authority if Telkom fails to meet its targets.

Post and Telecommunications Minister Jay Naidoo said when the licences were released that Telkom's exact rollout and other targets would be set in negotiations with the future strategic equity partner

# Lesotho prime minister axed

(167) Star 3/3/97

Maseru – The leader of Lesotho's ruling Basotholand Congress Party, Prime Minister Dr Ntsu Mokhehle, has been removed as party leader in terms of a decision taken at a BCP conference at the weekend

The BCP secretariat in Maseru announced last night that the national executive committee had endorsed the decision to dismiss the 78-year-old party leader.

The announcement said Mokhehle's dismissal from the party leadership had resulted from a report by the BCP secretary-general which showed his weakness as party leader

He allegedly failed to perform his duties effectively and efficiently The report also said Mokhehle disregarded several functions and showed negligence in the signing of administrative cheques, thus "immobilising party work"

Mokhehle was accused of failing to attend several meetings of the national executive committee and the BCP working committee.

Since Mokhehle's election as party leader, he allegedly attended only one meeting of the working committee, which meets fortnightly

Mokhehle's removal as party leader is certain to plunge the mountain kingdom into a constitutional crisis

In terms of Lesotho's constitution, the leader of the majority party in parliament or the leader of a coalition of political parties shall form the government

It is unclear if Mokhehle will command the support of the majority BCP in parliament. – Sapa.

# Telkom deal leads way to privatisation

BD 4/3/97 (267)

Robyn Chalmers

THE consortium of US-based SBC Communications and Telekom Malaysia has succeeded in its bid for a 30% stake in Telkom, kickstarting SA's first major privatisation exercise

The final, tough negotiations with the consortium on price, rollout and transformation targets are due to start in earnest this week

Post and Telecommunications Minister Jay Naidoo was confident yesterday he would be able to announce the successful outcome of the process early next month This would put government on target to complete partial privatisation of Telkom ahead of Sun Air, Aventura and the Airports Company — all expected to be sold this year

SBC Communications and Telekom Malaysia outbid France Télécom, which Naidoo said had expressed a desire to continue participating in the strategic equity partner process: "But at present, negotiations will proceed solely with SBC Communications and Telekom Malaysia," he said

Ministry spokesman Connie Molusi said Deutsche Telekom had indicated it had decided not to bid in view of the major international changes the telecommunications industry was undergoing as a result of liberalisation and restructuring

The ministry declined to comment on the price of the stake, but analysts have placed it at R5bn-R6bn This could be reduced should agreement be forged on more aggressive rollout and transformation targets

It was estimated that Telkom and its strategic equity partners would be called upon to roll out a minimum of 1,8-million lines to previously disadvantaged areas over five years, but Naidoo said higher rollout targets could be negotiated

The parastatal's unsatisfactory customer service record also had to be turned around, with heavy financial penalties imposed should it fail to meet targets Naidoo said once negotiations had been concluded a full announcement would be made detailing the substantial commitments to transformation, the rollout of lines as well as the financial offer

"In the meantime, details of the bid are subject to confidentiality undertakings which are customary in such transactions," he said

Molusi said SBC Communications and Telekom Malaysia had undertaken a due diligence exercise on Telkom and had a good grasp of the local market "They have come to the party with an initial pricing offer for a stake in Telkom and we believe this is a very good bid There is little chance of the deal falling through at this stage"

Negotiations now had to take place on conditions the consortium might place on the rollout and other targets which will come under scrutiny

In terms of three draft 25-year licences issued by the ministry last month, Telkom was given the right to provide fixed-line telephony exclusively for five years The monopoly period could be extended to six years if Telkom committed to a more aggressive network rollout in the fourth year

The licence said for the first three years the overall basket of Telkom's tariffs could not increase at more than the rate of inflation minus 1,5%, and increases for individual services could

Continued on Page 2

## Telkom

(267)

Continued from Page 1

BD 4/3/97

not be more than 20%

Naidoo said the ultimate aim in issuing the licences was to provide appropriate and affordable telecommunications services to as many people as possible within the shortest time.

**Reneé Grawitzky** reports that SBC Communications said last night it was pleased that its consortium with Telekom Malaysia had been selected to enter into final negotiations for a stake in Telkom SA. Once negotiations with the SA government had been finalised, which was expected by April, the details of the consortium's bid, including modernisation commitments and the financial offer, would be announced.

Telekom Malaysia's CEO Dato' Mohamed Said Mohamed Ali said his company was confident that in partnership with SBC International, it had "the knowledge, experience and technology to make a significant contribution to meeting the needs of the people of SA as Telkom's strategic equity partner"

# Foreign billions scoop 30% of Telkom

ARG 4/3/97 (267)

**Pretoria – The privatisation of South African government assets has been given a boost with the announcement that a large chunk of Telkom is to be sold off to foreign investors.**

A consortium made up of Telekom Malaysia and Texas-based SBC Communications has won the race for a 30 percent stake in Telkom

The Posts and Telecommunications Ministry said it would start negotiations with the consortium on the final terms of the offer

"Once negotiations have been concluded, a full announcement will be made detailing the substantial commitments to roll-out and transformation as well as the financial offer," the statement said

France Telecom and Deutsche Telekom had also been interested in the 30 percent Telkom stake – estimated to be worth around R6-billion – but the German provider had failed to submit a bid, the statement said

"France Telecom has expressed a desire to continue to take part in the negotiation process, but at present negotiations will proceed solely with SBC Incorporated and Telekom Malaysia"

The Telkom sell-off represents the first significant privatisation in South Africa and the largest privatisation so far in sub-Saharan Africa – Sapa-AFP

# Agreement on restructuring

267

**By Abdul Milazi**

TELKOM and its unions announced yesterday that they have agreed on the National Framework Agreement's telecommunications sector strategy for the parastatal's restructuring

In a joint statement yesterday, the parties said details of the framework were still being worked out

Represented on the National Framework Agreement workshop at the weekend were the Communications Workers Union (CWU), South African Telecommunications Association (Sata), Postal and Telecommunications Association (P&T) and the Mine Workers Union (MWU)

According to the statement, the key concern of labour was finding mechanisms to ensure employment security, transformation of the sector and growth that would lead to sustainable job creation in the sector

The parties agreed that the restructuring process should focus on the achievement of Reconstruction and Development Programme (RDP) goals, such as the extension of telephone services to disadvantaged areas

It was also agreed that the focus of the restructuring should place emphasis on training

It should also ensure full representation at all levels of the company and in the telecommunications sector

The workshop also agreed that the government should commit itself to promoting the local telecommunications manufacturing sector

Black entrepreneurs entering the sector should also be empowered, it was agreed Cosatu's Vusi Nhlapho said "All parties committed themselves to co-operate in achieving the success of this project which is designed to deliver a better quality of life to our people and create a more competitive economy"

Sowetan 4/3/97

# NEWS

**EQUITY PARTNER** *Reserve Bank must adapt exchange control policy*

# Bringing in R6bn for part-sale of Telkom challenges Stals

(267) CT(BR) 5/3/97

**CHRISTO VOLSCHENK**

Cape Town — The sale of a 30 percent stake in Telkom to a consortium of SBC Communications in the US and Telekom Malaysia for R6 billion has paved the way for the Reserve Bank to relax exchange controls, economists said yesterday

The post, telecommunications and broadcasting ministry confirmed the sale of the 30 percent stake on Monday but refused to comment on the detail of the offer

It is unknown how and when the money for the stake would flow into the local money market, but economists said the Reserve Bank was certain to neutralise the positive effect of huge capital inflows on the money market

Analysts said it was unlikely the proceeds of the part-privatisation would be allowed to flow into the local money market in a single amount and said payment would be in instalments

They said the Reserve Bank would take policy steps to neutralise the effect the capital inflow would have on liquidity in the money market

**LINKING UP** *Jay Naidoo, the posts and telecommunications minister*

**MONEY MATTERS** *Jac Laubscher, Sanlam Asset Management's chief economist*

Jac Laubscher, Sanlam's chief economist, said he expected the bank to relax exchange controls "on the back of the inflow" to keep the money market shortage from dropping and pulling money market and capital market rates down He said the bank would want liquidity in the money market to remain more or less unchanged at a time when Chris Stals, the Reserve Bank governor, wanted real interest rates to remain high.

"Should exchange controls be relaxed at the same time as the proceeds of the Telkom part-privatisation hit our shores, the inflow will be neutralised by an outflow," he said

Laubscher expected the consortium to pay as much as R7 billion for its 30 percent stake He expected private individuals to be allowed to hold dollar accounts at local banks, which would reduce liquidity in the money market without depressing reserves

He also expected an announcement in the Budget on March 12 that the maximum percentage of net income which financial institutions may invest abroad to be increased from 3 percent to about 10 percent

"The current ceiling of 3 percent led to an estimated capital outflow of R1,3 billion

"Should the maximum be pushed to 10 percent, institutions will be in a position to invest another R4 billion abroad," he said

"Such a move will improve the integrity of the rand exchange rate and boost confidence in the economy," he said

Laubscher said up to 75 percent of the proceeds of the 30 percent stake in Telkom could flow into government coffers

"About 25 percent of the R7 billion may be used by Telkom to finance infrastructure upgrading"

The rest will flow to government to pay off state debt," he said

# Govt supports hefty hikes in postal tariffs

(267)

Robyn Chalmers

BD 6/3/97

THE Post Office had received government backing to raise the price of a standard letter 42% to R1 from April 7, MD Frank Touwen said yesterday

Other changes include a 30% rise in fastmail rates to R1,70, rates for insured letters will rise to R7,50 from R6,50, and express delivery rates to R10 from R9,20 The overall average increase is 30%

Touwen said the Post Office was working closely with major clients on incentives to maintain mail volumes

Stakeholders, including the Direct Mail Association and National Communications Committee, yesterday labelled the increases "excessive", saying they would have a negative effect on business and the economy.

Touwen said in discussions with stakeholders that delaying implementation of the increase was not possible because the additional losses to the Post Office would be more than R50m

"We do not envisage similar rises in the future and hope for greater price stability and inflation-related increases in the coming years"

It cost the Post Office more than R1,30 for the street delivery of a single letter, and although the increase did not bring rates to a cost-related level, it would boost income and allow for future reductions in the state subsidy, Towen said.

In the current financial year, government's subsidy was more than R500m and would be R358m in the 1997/98 financial year

Post and Telecommunications Minister Jay Naidoo indicated recently that subsidies to the Post Office would end An independent investigation into the way the Post Office conducts its business has been launched

A second five-year plan to make the Post Office profitable was being devised after the first plan failed to bring the parastatal on to a break-even path This was largely because government had blocked planned 30% annual price increases due to political sensitivity

Picture: Page 2

# Eskom, Telkom suffer huge losses to copper wire thieves

(267) ARG 6/3/97

## 98 000km of cable stolen in SA last year

**Johannesburg – Copper wire theft has become a profitable crime in the new South Africa and a major threat to companies and the economy in general.**

"Last year, about 98 000km of cable were stolen nationwide

South Africa's telecommunication company Telkom had losses of about R130-million due to cable and conductor theft in the current financial year while the year before it amounted to R29-million

"Even underground cable is stolen in broad daylight," says Andrew Weldrick, spokesman of Telkom, which offers large rewards for information on cable theft

"We are hamstrung by the cable theft which means that we put more personnel on maintenance and repairing than on expanding the network," he says.

More than 360km of overhead copper conductors worth R5,4-million were stolen from Eskom last year

"If cable theft continues to increase drastically, we would not be able anymore to provide our customers with electricity," says Leon van den Berg, senior adviser of Eskom's conductor theft investigation unit

The thieves even steal dangerous high voltage overheads, load them on trucks and drive off, he said.

"1992 was our worst year We suffered a loss of R21-million due to cable theft "

An Eskom study describes the typical cable thief "as a hungry unemployed person who steals to survive"

One kilogram of copper cable is worth R5 on the black market Cable thieves tend to operate in groups of two to five people It takes only minutes for them to pinch an overhead conductor, experts say

More than 8 400 overheads were stolen from the tracks of Spoornet The thieves' profit could amount to more than R2,8-million

"The economic impact is tenfold," says Alfred Woodington, manager of Spoornet's crime prevention unit "In the Northern Province, cable theft has been declared a prime crime "

In order to prevent cable theft, Spoornet has covered the conductor with a thin layer of aluminium, which spoils the copper quality

The companies affected by cable theft have founded a committee which, in co-operation with the police, tries to stop the theft.

"Some of the stolen copper is exported to Europe," says Roy Robertson of the South African police

He is confident that the police will be able to control the problem, since they have big business on their side "There is an arrest every day," he said

Cable thieves are severely punished Last month, three thieves were sentenced to four years' imprisonment each

The magistrate said the court had a duty to protect business and society from such crimes – Sapa-DPA

POST OFFICE

# MAIL MEDICINE AND MALADIES

FM 7/3/97 (267)

The Post Office has an easy excuse for why its five-year course hasn't restored it to good health — its physician and owner, the State, didn't have the stomach to keep administering the prescribed medicine of a 30%/year postage tariff increase

PO chairman Donald Masson says the utility kept its side of the 1991 commercialisation deal by lowering its operating expenses But it was landed with additional financial burdens and prevented from increasing its revenue on schedule

The PO's ills are now being rediagnosed by Posts & Telecommunications Minister Jay Naidoo, whose White Paper proposing a new five-year cure is expected this year

While Naidoo and industry (represented by the National Postal Forum) draw up another five-year plan, PO MD Frank Touwen is preparing consumers for a shock dose of the service's skipped medication As the *FM* went to print, the PO proposed that Cabinet approve a 43% hike in the cost of stamps for standard letters from 70c to R1

Touwen says the increase is justified because the PO's service levels have improved

The Direct Marketing Association (DMA), a postal forum member, argues that an above-inflation increase in postage rates may kill the patient as mail volumes could plummet Bulk mailers challenge Touwen's calculation that SA's rates are half the world norm

Outside Holland and Argentina, it is hard to judge what the correct price for a postage stamp should be because rates are not left to market equilibrium Even in the US — where few essential services are nationalised — the State monopolises letter delivery

Courier companies canvassed by the *FM* say their costs are not directly comparable to the PO's because their infrastructures are different But one adds "I'd guess that at R1, taxpayers are still subsidising DMA members to fill their letter boxes with bumpf "

Touwen says it would cost more than R1,30 to make delivering a letter profitable He says the PO's operating expenses are comparable to counterparts which are profitable Staff accounts for 58% of its expenditure — the same as in Australia and close to the UK's 61% It handles 88 460 letters per employee, which is more efficient than New Zealand PO's 73 680

Many people are already paying more than R1,30 to ensure their letters arrive safely

Besides losing business to traditional competitors including courier companies, pamphlet distributors, newspaper inserts and telecommunications technologies like fax and e-mail, the PO has a theft problem which has opened the way for SA's extensive minibus taxi network to double as a postal service

More black workers who support their families in rural areas are sending their letters by taxi rather than the PO Taxi drivers charge more than R10, but they are gaining a reputation for delivering letters with their original contents in a reasonable time

Masson says taxi drivers doubling as postmen are breaking the law The PO plans to take court action against companies infringing on its exclusivity in delivering letters He says operations have sprung up in SA's metropolitan areas which offer to deliver mail within a city for 50c

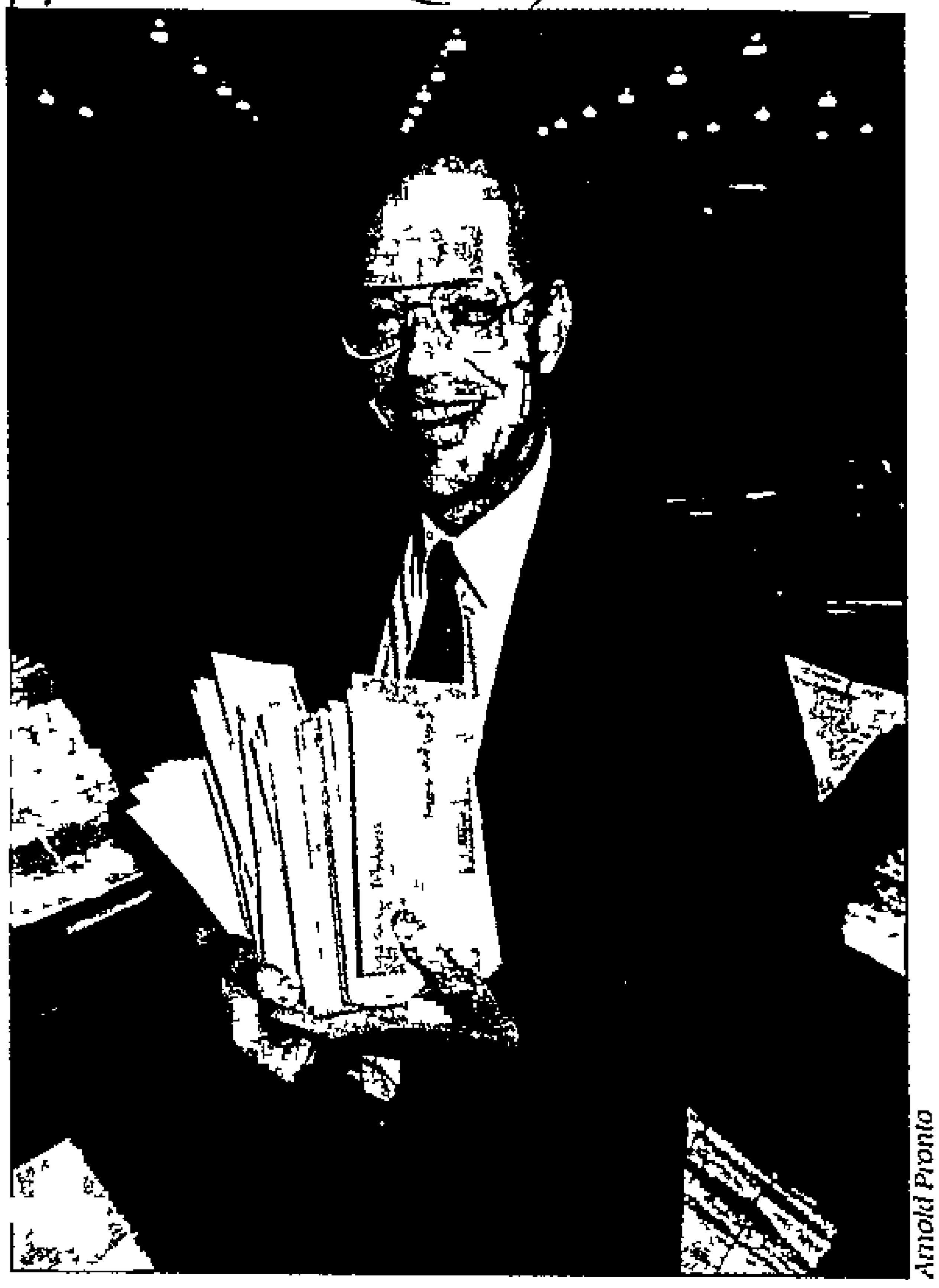
"We could match that price — if we weren't obliged to deliver mail to sparsely populated rural areas at the same rate," Masson says

Theft and late deliveries have resulted in consumers losing faith in the postal service, and winning customers back won't be easy

Touwen headed the PO only for the last year of the five-year plan, so the utility's failure to break even can't be pinned on him Furthermore, he takes the credit for averting crippling strikes and getting SA's mail moving again

A study by Independent Service Quality Measurement which was audited by Deloitte & Touche suggests that delivery is on the mend

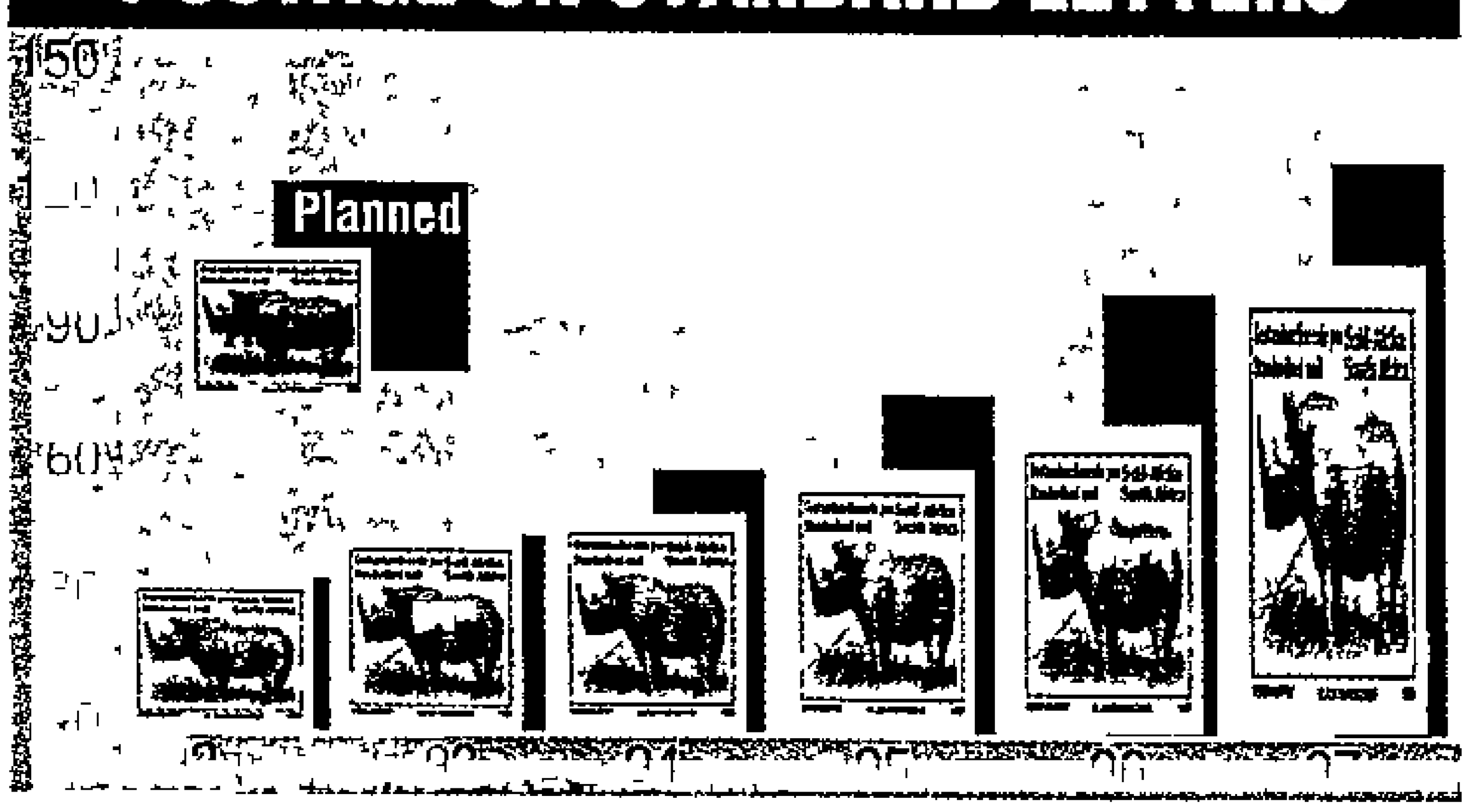
Last year's problems resulting from moving postal sorting from Johannesburg's CBD to Witspos in the southern



**Frank Touwen** at R1 a stamp, people will be getting a better postal service

Arnold Pronto

POSTAGE ON STANDARD LETTERS



suburbs appear to have been ironed out Over 80% of Gauteng's mail makes the PO's three-day delivery deadline within the city and four days between cities Though below the PO's target of 95%, it is a substantial improvement from last year, when only 29% of mail was delivered in time, if at all

The PO has hired security specialists to crack down on theft Measures introduced include monitoring postal sorters with video cameras A toll-free number (08000 33 55 4) has been opened to encourage people to report mail violations

But improving the postal service upped operating expenses, and the forecast loss for the year to end-March is R446m

The PO recently asked government to cover this loss, plus R92m for pensions and additional money for pensioners' medical aid, bringing the total subsidy request to R572m

According to the five-year plan, the PO should now be making an R81m pre-tax profit instead of begging for money Parliamentarians responded to its continued losses by pointing fingers at the PO's management, and the NP's Theo Alant asked why a shareholder should be called on to fund a company's losses instead of letting it go bankrupt

The NP (along with the DP and IFP) voted against passing the PO's budget, saying the results demonstrated bad political management The irony of this is that the NP derailed the PO's business plan midway Before the April 1994 general election, it decided to ditch the 30% postage increase schedule and limit the rise to 6%

Having updated telecoms legislation, Naidoo has turned his attention to clarifying the rules governing the PO which were put in place over 20 years ago Existing legislation forbids private-sector companies from handling letters But since the legislation fails to define what a letter is, the PO's monopoly doesn't hamper would-be competitors much

Naidoo has indicated that the new legislation will bar private-sector companies from delivering packages weighing less than 2 kg — a proposal that outrages courier companies

"The government's operation messes up, so it considers bashing us," says DHL commercial manager Johan Schoeman

An alternative to defining letters by weight is to follow Australia's example and force private-sector companies to charge four times the PO's rate

Courier companies are particularly bitter about government's proposal to limit the extent to which they can compete against the PO while allowing the PO to step up its activities in their market

The PO's courier company, Speed Services, charges a R12 premium on standard postal rates Defining letters by weight would hurt its business, too, so legislation setting minimum prices for letter delivery is more likely

Couriers are not the only ones concerned about the shape the new PO Act may take The PO operates in three industries postal service, retailing and banking

Government had tried to strengthen the PO's skills in 1991 by selecting a retailer, Masson, as its chairman and a banker, Hennie Diedericks, as its first MD

Touwen says the PO is, in terms of outlets, SA's largest retailer

Post offices in suburban shopping centres have already been converted to look more like banking halls The PO has formed alliances with other chains, such as Engen's service stations, to share the costs of providing outlets It is appointing "spaza" shop owners and other general dealers as agents in rural areas

Touwen says since the PO is obliged to serve unprofitable routes, it should be allowed to use its branch network to bring in as much revenue as possible

But incumbent players argue that the PO's monopoly on letters could be used to subsidise raids into their industries

Given its track record, it is also questionable whether the PO is able to run a retail or banking operation profitably

The PO has a long association with savings accounts Masson says this business dropped off when government closed the market for tax-free PO savings certificates Though the PO lost a major competitive advantage over banks, savings accounts, still generate about R40m/year. Masson believes there are consumers who prefer the PO's savings books to banks' ATM cards, giving the service a toe-hold in the market

The PO has mounted several forays into banking over the years It bought and later scrapped an ATM network, and acquired Volkskas's mainframe centre when Absa was created The effect of these investments on the PO's books has never been publicised

**Donald Masson** *PO kept its side of the commercialisation bargain*

It has invested in a computer network called Combank to help increase account balances from the R757m reported in last year's results

Banks point out that the PO's latest foray into their market hasn't escaped the notice of armed robbers PO staff in Soweto have threatened to strike if the organisation doesn't invest in bullet-proof glass and security guards

Masson argues that government can "ease the pain" of the PO's operating losses by appointing it as sole agent for social benefit payments, thereby encouraging pensioners to keep their savings with the utility

A subsidiary, Pensecure, was awarded a contract to pay pensioners in the Eastern Cape It beat FNB, which won a Smithsonian award for the technology it developed to pay pensioners in KwaZulu-Natal

PostNet MD Ian Lourens says the PO's function should be clearly defined, and it shouldn't be in markets it doesn't have the skills or infrastructure to handle

Though its books are more transparent than in its previous incarnation as a government department, the commercialised PO doesn't publish a breakdown of its businesses

Retailers and bankers would rather see the postal rate set at a level which enables the PO to break even and thus avoid the need to compete — possibly subsidised with taxpayers' money — in their markets *Robert Laing*

# Consortium hails SA Telkom deal

## Negotiations expected to be finalised within weeks

ARG 10/3/97 (267)

RICH MKHONDO
WASHINGTON BUREAU

**Washington – SBC Communications and Telkom Malaysia Berhad are pleased their consortium has been selected by the South African Government to enter into final negotiations for a 30 percent stake in state-owned Telkom.**

"We are pleased that our consortium has been selected by the Government to enter final negotiations for a stake in Telkom South Africa," said Edward Whitacre, chairman and chief executive officer of the San Antonio, California-based SBC Communications

Mohamed Ali, chief executive of Telekom Malaysia, said· "We are delighted at the Government of South Africa's confidence in our consortium, especially given the challenge that South Africa faces in the upliftment of disadvantaged groups and the network roll-out "

The South African Government would soon enter into final negotiations with the consortium in the country's largest privatisation deal to date, and a spokesman for the Ministry of Post and Telecommunications said a deal might be clinched by early next month

Once negotiations with the Government had been finalised, details of the consortium's bid, including modernisation commitments and the financial offer, believed to be between R5-billion and R6-billion, would be announced

But economic analysts said the Malaysian and American consortium secured the Telkom bid by default because the other serious contenders, Deutsche Telekom and France Telecom, did not submit their bid before the February 28 deadline

Spokesmen for Telekom Malaysia and SBC Communications said they were particularly pleased because state-owned Telkom had a countrywide franchise to provide a local service and domestic and international long distance services

In addition, it owned a 50-percent stake in Vodacom, one of two cellular service providers.

Telkom reported $3.2-billion in revenues and $314-million in net income for the fiscal year ended March 31 1996

Mr Whitacre said. "The expanding South African economy and significant demand for high-quality telecommunications services represents an attractive growth opportunity.

"We look forward to working with Telekom Malaysia and the South African Government in the coming weeks to complete negotiations on the final terms "

Telecommunications analysts here say SBC Communications is one of the world's leading diversified companies, with tens of millions of customers in 13 American states and eight countries

Through its subsidiaries, it provides innovative communications services under the Southwestern Bell and Cellular One brands, including local and long-distance telephone, radio, paging, Internet access, cable TV and messaging services, as well as telecommunications equipment, and directory advertising and publishing

SBC reported $13,9-billion (R61,16-billion) in revenues in 1996

Its partner in the South African bid, Telekom Malaysia, reported revenues of about $2,6 billion (R11,44-billion) last year

It has moved to the forefront of the global telecommunications industry since its own successful privatisation in 1990, and is the largest publicly listed corporation in Malaysia

The company also has successful investment in developing countries such as Malawi, Guinea, Sri Lanka, India, Bangladesh and Cambodia.

President Mandela said in Kuala Lumpur at the weekend that the deal should be agreed to within weeks.

Reuter reported that in a speech to businessmen during his five-day visit to Malaysia, President Mandela said "Intense negotiations are in progress about important matters of detail

"But without pre-empting these, we are confident that this relationship will be sealed in a matter of weeks"

BUSINESS DAY, Tuesday, March 11 1997 3

BD 11/3/97 (267)

# Union agreement paves the way for Telkom sale

Reneé Grawitzky

LABOUR has finally given the post and telecommunications ministry an official "green light" to finalise negotiations with the consortium of US-based SBC Communications and Telekom Malaysia, which succeeded in its bid for a 30% stake in Telkom

This comes in the wake of agreement on a broad memorandum of understanding signed yesterday between the ministry and six telecommunications unions, following protracted negotiations

The agreement, which should have been signed last week and faced 11th-hour hitches yesterday, formally endorsed the finalisation of the strategic equity partner process and the broader restructuring of the industry.

Over the last week government and labour dealt with the remaining obstacles, addressing job security, training and network expansion to rural areas and previously disadvantaged communities

The agreement, committing parties to "work for the sustainable development of the SA telecommunications sector", was unclear as to whether jobs would be guaranteed. However, it said the strategic equity partnership process would be based on training, network expansion, redeployment of staff and not by involuntary staff reduction

Uniformity of employment security for labour was emphasised, implying that everyone would be treated in the same manner and management would not receive preferential treatment

Government has committed itself to granting labour and disadvantaged communities a 10% equity stake in Telkom The memorandum indicated that the parties would "conceptualise a telecommunications development trust, or any other appropriate vehicle consistent with the national empowerment strategy to address the objective of historically disadvantaged people".

It is understood that further talks would take place between labour and the equity partner, however, initial thinking supported hiving off of a portion to government's empowerment fund and a portion to the telecommunications trust The intention was to ensure disadvantaged communities did benefit from the 10% equity, and not merely ensure that consortia and union investment companies were the recipients

Nation Union of Metal Workers' of SA official Elias Monage said the agreement promoted the local telecommunications manufacturing sector by providing for a government procurement policy that included provision for local content and the expansion of the network to rural areas through the purchase of local equipment

All parties would commit themselves to ensure that restructuring would fulfil reconstruction and development programme objectives, and government would commit itself to further negotiations over "any future equity restructuring of the enterprise (Telkom)", a joint statement said.

# CORRESPONDENCE REGISTRATION FORM

MINISTRY FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING – CAPE TOWN

REGISTERED ON : 1998 -09- 01

FILE REFERENCE NUMBER : COMESA 09 98

**FOR ATTENTION OF:**

| | |
|---|---|
| MINISTER | X |
| MANDY | |
| MICHELLE | |
| MONGESI | |
| PAM | |
| JEAN | / |
| JOAN | |
| LYNDA | |
| NAEEMA | |
| OCTAVIA | |
| SIDNEY | |

**COMMENTS / ACTIONS**

cc Connie

**WITH THE FOLLOWING ACTION PLEASE:**

| |
|---|
| CKNOWLEDGE |
| FILE |
| SHRED |
| FORWARD TO· |
| * DG'S OFFICE |
| * MD SAPOS |
| * MD. TELKOM |
| * CHAIR SABC |

Working towards an information society

# COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

MARCHE COMMUN DE L'AFRIQUE DE L'EST ET DE L'AFRIQUE AUSTRALE

MERCADO COMUM PARA AFRICA ORIENTAL E AUSTRAL

Tel : (260 1) 229726/32
Telex : ZA 40127
Fax : (260 1) 225107
E-mail:
http://www comesa.int

COMESA Centre
Ben Bella Road
P O Box 30051
10101 LUSAKA
Zambia

Date: 31st August 1998

Ref. TCD/1500/3/1(256)

Honourable Jay Naidoo
Minister of Posts, Telecommunications & Broadcasting
P/Bag X860
PRETORIA
South Africa

**Fax No. 27-21-362 6915**

Dear Honourable Minister,

**Briefing on the COMTEL Project**

I have the honour to thank you Honourable Minister for accepting our invitation and taking time off from your busy schedule to visit the COMESA Secretariat for briefing on the COMTEL Project.

I would like to confirm that two of our project staff Messers Kandolo and Daffalla will be on hand during the first week of September to discuss in detail the project with your staff during the ARTC Conference,

Honourable Minister, I look forward to our continued co-operation in the programmes of common interest so as to realise the common goals spelt out in the African Connection Paper for the development of our region and Africa as a whole.

Please accept, Honourable Minister, the assurances of my highest consideration.

Erastus J. O. Mwencha
**SECRETARY GENERAL**

TOTAL P.01

# Opportunities for blacks

(267) Sowetan 11/3/97

**By Abdul Milazi**

THE Government's new Telecommunications Bill has created an abundance of business opportunities for blacks to take part in the restructuring of telecommunications in South Africa and economic development in the southern region.

This is the view of the African Telecommunications Forum, a non-profit making black business organisation, facilitating the active participation of black entrepreneurs in the development of the telecommunications industry

According to ATF conference manager Happy Khumalo, they have organised a high-powered two-day conference from March 17 at the Eskom Megawatt Conference Centre in Sunninghill where all stakeholders will debate the future of the telecommunications industry

The delegates will include Telkom chairman Dikgang Moseneke, South African Telecommunications Regulatory Authority chairman Nape Maepa, Minister of Post and Telecommunications Jay Naidoo, trade union leaders and other service providers in the industry.

Khumalo says the conference comes at a crucial stage of the development of telecommunications infrastructure in southern Africa where South Africa stands poised to lead the upgrading process in the region

She explained that major advancement in the globalisation of information access necessitated the conference, where stakeholders would find ways to ensure that southern Africa benefited from the information highway.

"The ATF hopes to further participation of black business in the telecommunications industry and to work towards improving quality and access of telecommunications services to disadvantaged communities," says Khumalo

She says ATF hopes to enhance growth of telecommunications to benefit all South Africans, particularly the disadvantaged

"To achieve this, the Forum aims to lobby Government, policy makers and business to enable its participation in the restructuring and development of the industry"

# Eskom's privatisation on hold

ST (BR) 12/3/97 (267)

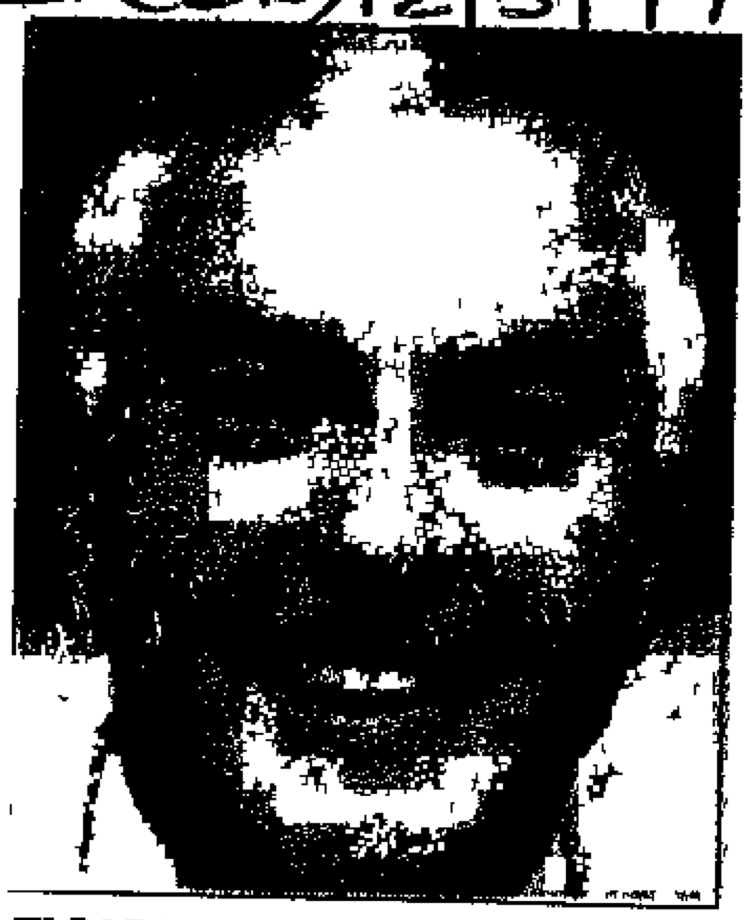
**DUMA GQUBULE AND REUTERS**

Johannesburg — Eskom's privatisation plans have been put on hold for the next two or three years, Willem Kok, Eskom's executive director of finance, said in London yesterday.

"The government has said that it will look at other entities and not Eskom in the next two to three years. So, for the medium term Eskom is off the table," Kok said

He said the delay was because of "the current state of management, the unions and government" The three parties have struggled to find common ground in the National Framework Agreement.

Meanwhile, the national electricity supplier increased its revenue by 9 percent to R18,7 billion last year, John Maree, the group's outgoing chairman said yesterday



***TIGHT REIN** Allen Morgan, the chief executive of Eskom*

PHOTO: JOHN WOODROOF

Maree said that Eskom had continued to show business improvements and financial health

"The real price of electricity continues to decline to the point where it is now among the lowest in the world A tight rein is being kept on costs, productivity continues to improve and the balance sheet is stronger than ever The debt-to-equity ratio had improved from 1,45 times to 1,25 times, while net income rose to R3,1 billion from R2,7 billion," he said

Maree said the government was looking at whether Eskom should become a tax- and dividend-paying entity

He said the government was moving at a measured pace to put policy in place regarding the restructuring of state assets and privatisation

He said that there were a number of issues that needed to be settled before clarity was obtained about the structure of Eskom and the industry as a whole

# PO closes 'speed' mail after wasting millions

BY TROYE LUND (267) Star 12/3/97

A contractual wrangle between the South African Post Office (SAPO) and specialist contractors employed to speed up postal deliveries has left millions of rands worth of time-sensitive, urgent mail "stuck" at airports across the world, it emerged yesterday

Most of the undelivered courier mail is languishing at the offices of Speed Services International, the SAP's international courier service established in July last year

The unit was designed to extend the SAPO's services abroad and to compete with privately owned couriers which were taking advantage of the lack of a speedy international service from South Africa

The undelivered items include 1997 calendars, exam papers and parcels

SAPO shut Speed Services International last month, leaving at least three experts headhunted from a private courier without jobs The three are taking legal action against the SAPO and Speednet, the specialist consultants who recruited them

The non-delivery of the international mail is another chapter in a seemingly endless saga of mismanagement and deterioration within South Africa's postal services

Earlier this week, businesses threatened to look for an alternative to the SAPO service, which recently jacked up its tariffs without a corresponding improvement in delivery times The SAPO denies the criticism, arguing that it has and is continually improving

Aside from being inundated with complaints about its service, the SAPO has had to endure a number of embarrassing incidents which strongly suggest high levels of mail theft and violation, as well as non-delivery of items

Also this week, a reporter at The Star found a pile of opened business-related mail at the top of a dustbin in central Johannesburg The SAPO said it suspected an employee had opened the mail and said it was investigating

Speed Services International was launched amid fanfare with a R3-million advertising campaign Now the SAPO faces an unfair labour practice suit from the private sector employees it headhunted at a cost in excess of R20 000 a month each

According to their contract, commissions earned were meant to push their packages up to R60 000 by the time their three-year contract was to have expired in 1999

The SAPO said an official statement about the dispute and about the future of its international courier service would be released today

# Cover-up of Telkom contract fee

M+G 14-19/3/97 (267)

**Mungo Soggot**

THE foreign merchant banks handed the contract to help sell a R6-billion chunk of Telkom have secured government agreement that their fees, to be paid by the taxpayer, remain under wraps.

The Posts, Telecommunications and Broadcasting Ministry this week refused to disclose how much money was paid to SBC Warburg, which was employed by the ministry, or Goldman Sachs, recruited by Telkom for the sale.

The *Mail & Guardian* understands that such banks usually command at least 1% of the value of the deal as their cut — meaning the two could have bagged R60-million.

The 30% stake in Telkom is to be sold to a consortium of Malaysia Telekom and United States group SBC Communications. The deal, unveiled last week, essentially went through by default after leading European bidders France Telecom and Deutsche Telekom decided not to bid.

Connie Molusi, spokesman for Posts, Telecommunications and Broadcasting Minister Jay Naidoo, said the banks had insisted on confidentiality clauses in their contracts. The tab, however, will be picked up by the taxpayer, through the ministry's budget, and indirectly through Telkom.

Jay Naidoo. Banks insisted on secrecy PHOTO HENNER FRANKENFELD

Democratic Party finance representative Ken Andrew said there was no reason to keep the fees secret: "It is astonishing that a government committed to transparency under a Constitution such as ours thinks every second matter is an exception to the rule."

He said the DP was frequently met with "confidentiality clauses" when asking for information such as the salaries of parastatal employees. "Why did they [Telkom and the government] sign the confidentiality clauses in the first place?"

The final Constitution says: "Everyone has the right of access to any information held by the state, and any information held by another person and that is required for the exercise or protection of any rights ... national legislation must be enacted to give effect to this right."

Warburg, which is also advising South African Airways, is top of the international equity privatisation league tables.

The bank raised $6,8-billion for its client in privatisation-related deals between the beginning of 1995 and last September.

# 'Snail mail' steps on the gas in 2nd test

(267)

**Nine of 10 items – six letters and four parcels – posted by The Star, arrive not only intact but ahead of time**

Star 18/3/97

By Troye Lund

The Post Office has come out tops in a test designed to evaluate its claim that 84% of its mail is delivered on time

All but one of four parcels and six birthday cards The Star posted last Monday arrived intact and in record time

Results of the test contradict the first test the newspaper conducted, when only three of 10 letters arrived at their destinations within schedule

The Post Office yesterday welcomed the outcome of the test, coming as it did after two weeks of embarrassing incidents and lapses in the delivery system The lapses included the discovery by The Star of a batch of business-related post found opened and stuffed in a city dustbin

The results of the second test also contradict the flood of complaints that The Star has fielded since the Post Office made a public claim three weeks ago about how punctual its deliveries were

As callers related tales about parcels and cards that had never been delivered or that had been opened before delivery, The Star decided to post parcels and envelopes with cards in them

Nine of these items were posted from The Star's offices in central Johannesburg to different parts of the city and other provinces

One card was posted from the city's main post office and addressed to The Star This is the only item that had not been delivered by yesterday, a week after being posted

## On the way to the 'zero defect' aim

Standard parcel delivery times, the Post Office's customer [illegible] department (080-111502) said, were three days for those headed from Johannesburg to Soweto and Midrand, two days for those sent to Johannesburg's suburb of Northcliff and a week for Johannesburg parcels marked for Cape Town.

But, according to the Post Office head office in Pretoria, seven working days should be allowed for all parcel deliveries

After only four days in the postal system, all the Star's parcels had arrived at the correct addresses

Birthday cards earmarked for Cape Town and Soweto arrived promptly after four days, as the Post Office said they would

The card sent to a suburb in northern Johannesburg, Forest Town, arrived in a day instead of the three that standard delivery times allow for. Another card arrived in the standard three-day delivery time in the southern suburb of Rosettenville

Instead of the five days it was supposed to take for the card marked for Howick in KwaZulu Natal to be delivered, it arrived after only two

The Post Office said it was putting every effort into making its operations more efficient and that the results of this test proved it was succeeding in its mission for "zero defect"

# Telkom move to speed growth

Sowetan 25/3/97 267

## 1,6-m new telephone lines to boost rural development in five years

By Peter Benjamin

THIRTY PERCENT of Telkom is being sold to foreign investors This is a major deal worth around R6 billion Why is this happening, and what will this mean for the ordinary South African?

As in so many areas of South African life, the apartheid legacy has left great disparities in telecommunications South Africa has sophisticated levels of technology in the major cities, and is the 14th largest user of the Internet

But around half the population have never made a phone call Overall in our country there are 9,5 telephone lines per 100 people This is one of the best rates in Africa and is a little below the world average of 11

However, the distribution is very skewed Overall, it is estimated that there is one line per 100 people in black areas, and 60 lines per 100 in white areas The situation is worse in the rural areas in parts of Eastern Cape the figure is around 0,1 – one phone per 1 000 people

The Reconstruction and Development Programme talks about telecommunications as a basic need

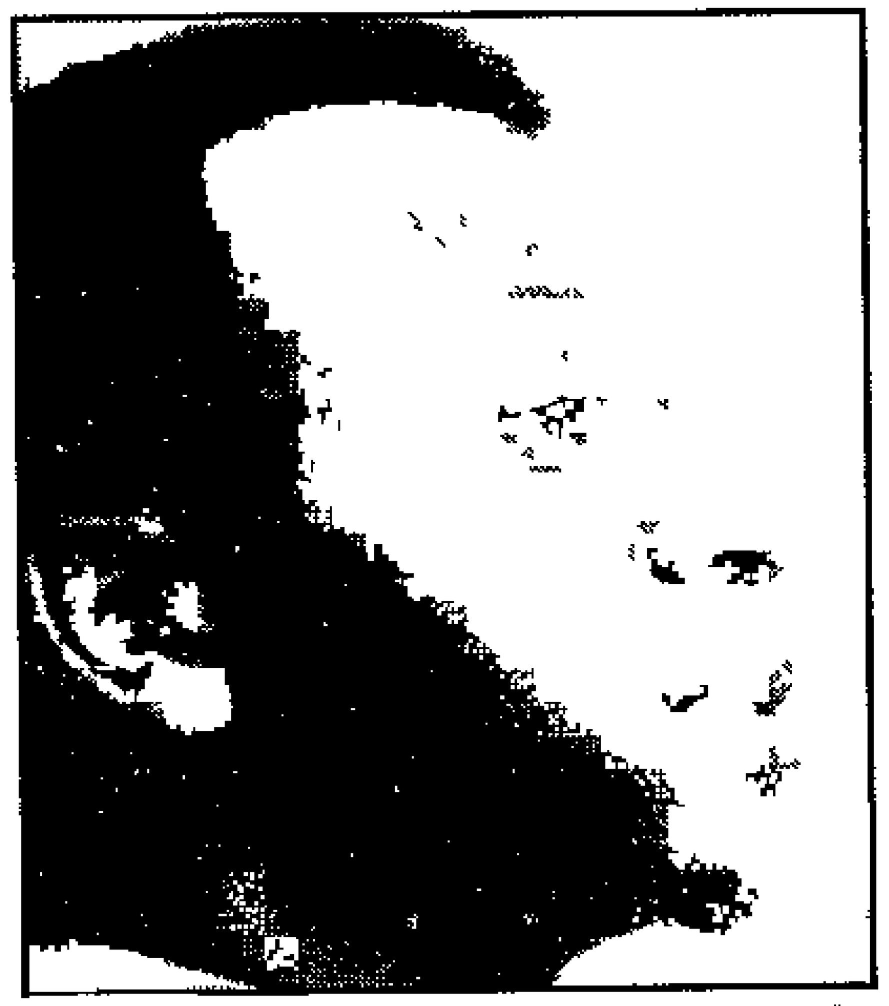
Many studies around the world, especially from the International Telecommunications Union, have shown that there is a close link between growth in telecommunications and wider economic growth

Providing a rural community with a telephone has a direct benefit for health care, education, links with government as well as small business development

Telecommunications is one of the basic infrastructures for development As well as telephones, telecommunications is a crucial part of the new "Information Society"

In the 1980s, India made a major effort to get telephones into villages and it has proved to be very successful in bringing overall development

Malaysia is another good example



Mlungisi Hlongwane is the director of the Universal Service Agency, which will work towards making telephones accessible to all in South Africa.

of using access to telecommunications, technology and training to leapfrog the overall economic development of the country

So there is overall agreement on the need to extend access to telecommunications, and to improve the levels of technology and service However, there is debate on how to provide this

### Will cost billions

Building an information infrastructure is a very major task, and will cost many billions of rands

Government itself does not have the money to fund this directly, especially if it hopes to maintain the growth, employment and redistribution strategy of curbing government spending

Internationally there is a trend towards privatisation of state-owned telecommunications companies, increased competition and globalisation

These trends are promoted especially by the World Trade Organisation

In many countries this has led to improved standards of service and lower costs However, at times this has been done at the cost of losing jobs

There is increasing convergence between the industries of communications, computing and consumer electronics The information industry is set to be the largest in the next century

In South Africa, Telkom has been given an exclusivity period of four to five years in which it will be the only company providing lines, although there is competition in cell phones, Value Added Networks and other services

In this period, Telkom has been set targets to increase the telephone network by 1,8 million lines

All schools and health clinics must be connected, and if Telkom misses these targets they will have to pay penalties

Nonetheless there is a move towards privatisation in Telkom The 30 percent stake in Telkom is being sold to a consortium of SBC and Telkom Malaysia as a strategic equity partner

SBC is a United States telecommunications company based in Texas

It is very good technologically and was involved in the privatisation of TelMex, the Mexican telephone company Mexico has experienced improvements in telecommunications service and costs, but there have been many job losses and a concentration on serving the cities

> ❛Telkom has been given an exclusivity period of five years in which it will be the only company providing lines❜

Telkom Malaysia has been particularly successful in developing the telecommunications network in their own country, with major efforts to improve access for all

Their involvement strengthens the increasingly important trade links between South Africa and East Asia A major telecommunications undersea cable will be laid soon between South Africa and the Far East

Telkom wants a strategic equity partner to bring technological knowhow, experience in rapidly expanding the network, managerial skills and capital to invest in building infrastructure

### Used to pay off debts

Most of the R6 billion from the sale will be used to pay the national debt, and also Telkom's own debt This deal is generally viewed favourably, and supported by the Communication Workers Union (CWU)

Any foreign investor clearly wants to make a profit and it is important that a majority of Telkom shares will still be owned by the Government

Another 10 percent of Telkom will be sold for black economic empowerment, and the CWU wants to be involved in black ownership and control of the industry

Last year a new Telecommunications Act was passed This commits South Africa to working for universal access in telecommunications, and to building a strong telecommunications sector

This Act established the South African Telecommunications Regulatory Authority (SATRA) that will award licences for companies that want to offer telephone services

The Act also sets up the Universal Service Agency (USA), which will work towards access to telephones for all

The director of the USA is Mlungisi Hlongwane, who is the president of the South African National Civic Organisation and is a former general secretary of the Post Office and Telecommunication Workers Union

The USA will support telecentres as pilot projects in providing universal access A telecentre is a place to use telecommunications – like a phone shop They will be situated in disadvantaged areas, particularly rural areas

Many telecentres will provide other services such as small business support, health, education and training services In this way, a telephone will be used by many people for many purposes – making it economically viable and meeting the needs of the community

For this to be a long-term solution, the telecentres must become sustainable The USA will work with other organisations in establishing telecentres, such as schools, libraries, churches, post offices, existing community centres and civics (For more details on USA, call (012) 324-5909 )

The selling of 30 percent of Telkom to SBC and Telcom Malaysia could benefit the country in improving standards and access to telecommunications However, it will require the Department of Posts and Telecommunications, SATRA and the USA to remain focused on universal access to stand against the international trend towards a purely profit-driven industry which could keep the "Information Society" away from the majority in South Africa

Widespread awareness of the importance of telecommunications is needed to make it part of developing the lives of all the people of South Africa

*(The writer is a lecturer in Information and Communication Development at Wits University, Johannesburg He also works with the Universal Service Agency and the National Information Technology Forum )*

# Jay Naidoo restructures department

(267)

Sowetan 25/3/97

## Historic imbalances in broadcasting need to be corrected says minister

By Russel Molefe

THE Department of Posts, Telecommunications and Broadcasting has been restructured and renamed the Department of Communications because its three functional areas are all forms of communication, Minister Jay Naidoo announced yesterday

However, the name of the ministry remains unchanged for the time being and Naidoo will still be known as Minister for Posts, Telecommunications and Broadcasting

Speaking at a banquet at Gallagher Estate in Midrand to launch the new-look department, Naidoo said the restructuring was aimed at streamlining the development of policy in the three arms of the department

"The department has in the past been responsible for regulating and managing the frequency spectrum With the passing of the Telecommunications Act of 1996, the role of the department changed

"The Act has brought about a three-tier separation of roles, in line with best international practice," Naidoo said

In terms of the restructuring, the ministry and the department will formulate policy and manage the Government's shareholding in Telkom, the Post Office and Sentech, while the South African Telecommunications Regulatory Authority (Satra) and the Universal Service Agency (USA) will fulfil the role of watchdog

Satra will also take over all functions of the department relating to licencing and regulating of the frequency spectrum Departmental employees who perform these functions at head office in Pretoria and the provinces will be transferred to Satra in Parktown, Johannesburg

Naidoo said the key challenge facing the department was that there were massive historic imbalances in service provision in South Africa which had to be corrected

"Our vision is to improve the quality of life of all our people, make South Africa's future generations a knowledge-based society," he said

# Telkom sale to fund telephone delivery

BD 26/3/97 (267)

Robyn Chalmers

GOVERNMENT would inject $1bn — currently about R4,4bn — of the proceeds of Telkom's 30% equity stake sale into the delivery of at least 1,8-million lines to previously disadvantaged areas, Deputy President Thabo Mbeki announced yesterday

About 50 000 jobs would be created in the telecommunications sector alone from Telkom's capital expenditure which would almost double in the next five years "The boost to the economy will be enormous," he said Analysts also predicted that the rand could benefit from the inflow of funds. The balance of the proceeds from the sale — which analysts predict could be between R600m and R1,6bn — would go to the National Revenue Fund

"(The capital injection) will commit Telkom to one of the most aggressive rollout programmes of its kind in the world Government therefore fulfils its obligations to extend telecommunications services to the people of SA, particularly those that have been previously marginalised," he said

Mbeki said government had approved the immediate finalisation of the sale of Telkom's 30% stake to a consortium comprising US-based SBC Communications and Telekom Malaysia

Post and Telecommunications Minister Jay Naidoo said yesterday the significance of the announcement lay in the size of the investment in the extension of infrastructure. "Industry can now gear up for one of the most aggressive rollouts ever seen," he said

Mbeki said telephone penetration in affluent areas averaged around 80% of households but in townships these rates plunged to 3% in some instances Certain customers would be prioritised in the delivery of new lines, including 24 000 schools, hospitals, clinics, libraries and villages

The extent of the delivery negotiated with SBC and Telekom Malaysia has yet to be released, but Telkom's draft licence said a minimum of 1,8-

Continued on Page 2

## Telkom

(267)

Continued from Page 1

BD 26/3/97

million lines had to be installed during Telkom's five-year exclusivity period Stringent targets have also been set to turn Telkom's customer service record around with tough financial penalties imposed should the parties involved fail to meet these targets.

Reuter reports Telkom chairman Dikgang Moseneke said the sale of the 30% stake would be settled by a one-off payment in dollars, which could take place one week to 90 days from the signing, expected within days

Mbeki said a critical element of the negotiations with Telkom's strategic equity partners was the injection into Telkom of world class management skills and experience through the secondment of experts from the consortium over the next five years.

"This secondment will be very specifically targeted to achieve the necessary dynamism in rollout and skills transfer. Over the next five years, Telkom will commit significant resources to human resource development and training," he said

TELECOMMUNICATIONS *Strategic equity deal expected to create 50 000 new jobs*

# Telkom to get the lion's share

CT(BR) 26/3/97. (267)

Francoise Botha

[illegible] R4,4 billion from Telkom's estimated R5,5 billion strategic equity deal with Telekom Malaysia and SBC Communications would be ploughed back into the state-controlled telecommunications company for infrastructural expansion, Thabo Mbeki, the deputy president, said yesterday.

The investment, equivalent to $1 billion, would double Telkom's capital expenditure over the next five years and is expected to create 50 000 telecommunications jobs.

The balance of the funds, estimated to be in the region of R1 billion, will go to the National Revenue Fund.

"The boost to the economy will be enormous. This will commit Telkom to one of the most aggressive roll out programmes of its kind in the [illegible] fulfils its obligations to extend telecommunications services to the people of South Africa, particularly those who have been previously marginalised," Mr [illegible]

[illegible] communications, said the size of the investment indicated the seriousness of the government's commitment to telecommunications roll out: "Industry can now gear up for one of the biggest roll outs in the world."

The deal will pave the way for Telkom to deliver 3 million lines over the next five years, focusing predominantly on rural areas and disadvantaged communities.

Economists said yesterday that the one-off payment was likely to bolster the rand substantially and significantly improve the balance of payments account.

Rolf Spaeth, the divisional manager of Siemens, who is responsible for the Telkom account, said the company expected immediate benefits from the increased roll-out and would also speed up the replacement of electromechanical exchange equipment.

The National Assembly yesterday passed the Post Office Amendment Bill, paving the way for the government to sell a 30 percent share of Telkom. The act previously prohibited the selling of a share to any entity other than the government.

**LINE HONOURS** *Jay Naidoo, the communications minister, and Thabo Mbeki, the deputy president, welcome yesterday's R4,4bn investment boost for the industry* PHOTO JOHN WOODROOF

# Telkom privatisation 'welcomed'

Star 26/3/97 (267)

By Stuart Kelly

The Government's decision to sell a 30% stake in Telkom to a US-Malaysia consortium has been welcomed by analysts and the Communication Workers' Union

The deal was announced yesterday by Deputy President Thabo Mbeki and is worth an estimated R5-billion

Mbeki said the privatisation deal would pave the way for a drive to deliver telephones to rural areas

Dawie Roodt, an economic analyst from Johannesburg broking firm Equisec, said that because nothing on privatisation was mentioned in Finance Minister Trevor Manuel's Budget speech earlier this month, yesterday's announcement on the Telkom deal came as no surprise

"The deal, so far, is more or less what was generally expected Whether the overall deal can be considered a good one will depend on the details," he said

Roodt said the R5-billion proceeds could, if paid in foreign currency, for example, prove to be a huge boost for the country's foreign reserves

The Communication Workers' Union expressed its support for the foreign consortium, consisting of Telekom Malaysia and US-based SBC Communications

Seleboho Kiti, the union's secretary-general, said 50 000 jobs would be created

▶ See Business Report

# Telekom Malaysia, SBC get Telkom slice

BD 27/3/97 [redacted] (267)

**Robyn Chalmers**

GOVERNMENT has finalised the sale of a 30% stake in Telkom to US-based SBC International and Telekom Malaysia which will net the state \$1,26bn — or R5,54bn — and lead to the delivery of 2,8-million lines over five years.

The finalisation of the sale to the consortium is a landmark agreement which kickstarts government's privatisation process and is the largest foreign direct investment in SA to date.

Deputy President Thabo Mbeki said this week government would commit \$1bn (R4,4bn) of the \$1,26bn realised for the sale into expanding infrastructure. The remaining R1,14bn would go to the National Revenue Fund.

The deal, which values Telkom at R18,57bn, means SBC will own 18% of Telkom and Telekom Malaysia 12%. Five international managers will be seconded to Telkom's 15-strong board and a further 75 expatriate staff will have managerial tasks.

Post, Telecommunications and Broadcasting Minister Jay Naidoo said Telkom would also commit almost \$12bn (R53bn) capital expenditure over five years, almost doubling its current programme "The deal is highly satisfactory . it far exceeds our initial expectations," he said. The possibility of listing Telkom could be considered after the five-year exclusivity period ended Any further sale of government's shareholding was likely to take the form of an initial public offering

After "tough" negotiations, the consortium — which has formed a partnership called Thintana Communications — agreed to deliver 2,8-million lines, against initial targets of 1,8-million, and 120 000 payphones It was also committed to replacing 1,25-million analogue lines with digital lines

Naidoo said priority areas would be underserviced provinces, with KwaZulu-Natal and the Eastern Cape receiving more than half the new lines in the first year. Northern Province would see the greatest increase in telephone density over five years. Other priority customers were educational and medical establishments, libraries, local authorities and 3 200 villages.

"Government's incentive structure of allowing an extra year of exclusivity should Telkom and its partners deliver the agreed number of lines on time has worked. Effectively, the deal means the current network will be doubled by the eighth year," he said.

Naidoo said there would be a strong focus on training, with the consortium committing a further R1,38bn to Telkom's training programme, bringing the total training budget to R2,3bn over five years — a 150% increase in

Continued on Page 2

NAIDOO

## Telkom

(267) [redacted]

Continued from Page 1

BD 27/3/97

the current budget The consortium aimed to see at least 35% of black employees at management level in Telkom by 2002

Naidoo said that with the aid of the consortium, Telkom planned to position itself as the primary international hub on the African continent for telecommunications "The successful conclusion of the transaction is one of the final steps in the timely implementation of a policy framework which will transform the telecommunications sector in this country," he said

Southwestern Bell International development Africa president James Myers said his company believed strongly in the SA government's goals for extending services to its people. "We look forward to being an integral part of that process," he said

Telekom Malaysia corporate strategy vice-president Sham Manickam said the organisation was excited about the opportunity "It will represent Telekom Malaysia's largest overseas investment "

Naidoo said government's next step was to work out the details of making a further 10% equity in Telkom available to boost black empowerment, as the vehicle to be used has yet to be decided upon

See Page 3

# Telkom blames 'pirates' as it trims global rates

(267) BD 27/3/97

Robyn Chalmers

TELKOM officials, labelling callback operators "pirates", announced a drop of up to 20% in international rates to reduce their competitiveness

Telkom international business unit managing executive Rhynie Greeff said yesterday Telkom would reduce international call rates to eight countries from April 1

The rates for calls to Germany, France, Netherlands, Austria, Italy, Greece, Hong Kong and Monaco would be reduced between 6,3% and 20,2% Standard time calls to Germany, for example, would drop to R7,30 a minute from R8,58

"The reductions will lower the operating costs of SA companies, enabling them to compete more effectively in the global arena It is estimated that between 20% and 25% of all international traffic goes to these European countries," said Greeff

He said the new international rates to the eight countries formed part of a process which would see reduced rates to other countries being phased in throughout the year

This approach was necessary as Telkom had to negotiate the cost of international calls with its international telecommunications partners Any savings accruing from these negotiations would be filtered down to Telkom's customers, said Greeff

The reductions followed Telkom's overall tariff strategy announced in December last year, when the first substantial rebalancing of tariffs was made in the run-up to Telkom getting a strategic equity partner

Speaking at a telecommunications conference, Greeff said callback operators had adopted the "philosophy of piracy" and had parasitic tendencies

Greeff said callback operators were relieved of building a network, they did not have to produce new products and did not have to care about customer service or universal service obligations

"The International Telecommunications Union has condemned callback operators and many countries have outlawed the practice, but SA has not done so despite the practice being very negative for the reconstruction and development programme

"Rates charged by callback operators are, on average, about 14% cheaper than Telkom rates however, (Telkom) cannot price against pirates," said Greeff

Generally, callback operators were not as reliable, they opened their customers up to various exchange rate risks and were technologically not up to scratch

Callback operators have in the past vehemently defended their practices, saying they were above board and allowed customers to make use of highly competitive rates in the face of comparatively high international tariffs charged by Telkom.

Typically, customers dialled an international number and were called back by a computer which then routed the call, escaping SA charges

TELECOMS *Naidoo announces largest injection of foreign capital into South Africa*

# Telkom rings up R5,5bn deal

(267) CT (BR) 27/3/97

**FRANÇOISE BOTHA**

Johannesburg — South Africa's first partial privatisation deal, the sale of a 30 percent stake in Telkom, will net R5,5 billion and double the number of telephone lines nationwide over a five-year period, Jay Naidoo, the communications minister, said yesterday

Announcing the finalisation of the deal between Telkom and a consortium of SBC Communications and Telekom Malaysia, Naidoo said the commitments the government and Telkom had obtained from the consortium exceeded their best expectations

Based on the price paid for the 30 percent stake, it implied Telkom was valued at R18,9 billion, he said The company has assets of R16 billion and debt of R8 billion

The deal is the largest injection of foreign capital into South Africa to date and is also the largest partial privatisation yet in Africa

Naidoo said the financial implications of the deal were that R53 billion would be spent on capital expenditure over the next five years, which was R20 billion higher than planned

The government would also reap R27,8 million in stamp duties attached to the deal and would earn R8,4 billion in taxes over five years

This would give the economy a major boost and create an estimated 50 000 direct and indirect jobs in the sector, he said

The deal, which was signed last night, was held up by final changes to the wording of legal documents over the past few days

Naidoo said the deal was expected to be closed off within the next four to five weeks, after which the lump-sum payment would be made by the consortium The consortium is 60 percent-owned by SBC Communications, with the balance held by Telekom Malaysia

The deal will pave the way for one of the world's most aggressive line rollout plans

The company planned to install 2,8 million new lines over its five-year exclusivity period as well as converting a further 1,2 million analogue lines to digital switching equipment Over 120 000 public payphones will be installed over the period, increasing access in rural areas to five phones to 1 000 people

This will double the number of telephone lines that have been installed over a more than 50-year period within five years The bulk of new lines — 1,6 million — would be added in underserviced areas


**CONNECTED** *Telekom Malaysia's Sham Manicham (left), and SBC Communications' Jim Myers at yesterday's finalisation of the part privatisation of Telkom*

PHOTO JOHN WOODROOF

☐ **Telecommunications Review, Pages 20 - 27**

pressive investment foothold in South Africa yesterday by sealing a multibillion rand telecommunications deal

In the biggest direct investment in South Africa yet, Telekom Malaysia partnered by US-based SBC Communications bought a 30 percent stake in state utility Telkom for $1,261 billion

The privatisation deal also sets records for the Malaysians

"Telekom Malaysia is excited about this opportunity in South Africa It represents Telekom Malaysia's largest overseas investment," said Sham Manickan, the vice-president of corporate strategy Since South Africa's first democratic election in 1994, Malaysians have moved swiftly into the country, becoming its fourth-biggest source of foreign

brought in the second largest offshore investment since the ANC came to power That deal saw Malaysian state oil company Petronas pay R1,9 billion last year for a 30 percent stake in Engen

Closer trade and diplomatic ties have also been forged between the two nations, culminating this month in President Nelson Mandela's state visit to Malaysia, where he secured more lucrative deals

Businessmen say South Africa's key appeal for Malaysia is its position as a gateway to the rest of Africa

Announcing the Petronas deal last June, Dato Hassan Marican, the chief executive said "We will be using (the Engen acquisition) as a launching pad for us to be involved in the African continent."

Dennis Dykes, the chief economist ... property developments, Malaysians have also made forays into banking, mining, food and energy industries Recently they have started pumping funds into emerging black-run businesses

Malaysia's experience of an empowerment process, similar to South Africa's efforts to redress racial bias, is also seen as a drawcard "I think they probably understand South Africa," said Dana Becker, head of research at ING Barings

The nations share a common heritage as former British colonies with a multiracial populations They have Muslim links and English as a business language Dykes said the investment drive could be a "safety net" for a country which, growing alarmingly fast, might in future find its trade activities curbed — Reuter

# Skills plan to target women

CT(BR) 27/3/97

**Mpho Mantjiu**

Johannesburg — Telkom will spend an additional R1,38 billion on skills development and training of the previously disadvantaged, with emphasis on preparing women for managerial positions in line with its new look and development strategy, Jay Naidoo, the telecommunications and broadcasting minister, said this week

Telkom's human resources development division would engage in intensive skills training to achieve the intended 35 percent black employees at management level by the year 2002 The fund brings the total budget of human resources development to R2,3 billion spanning five years, a 150 percent rise over the present planned expenditure

The money will come from the estimated R5 billion proceeds of the sale of Telkom's 30 percent equity to a US-Malaysian consortium More than R4 billion of the proceeds would be allocated to the infrastructure expansion programme The injection would create about 50 000 jobs in the telecommunications sector

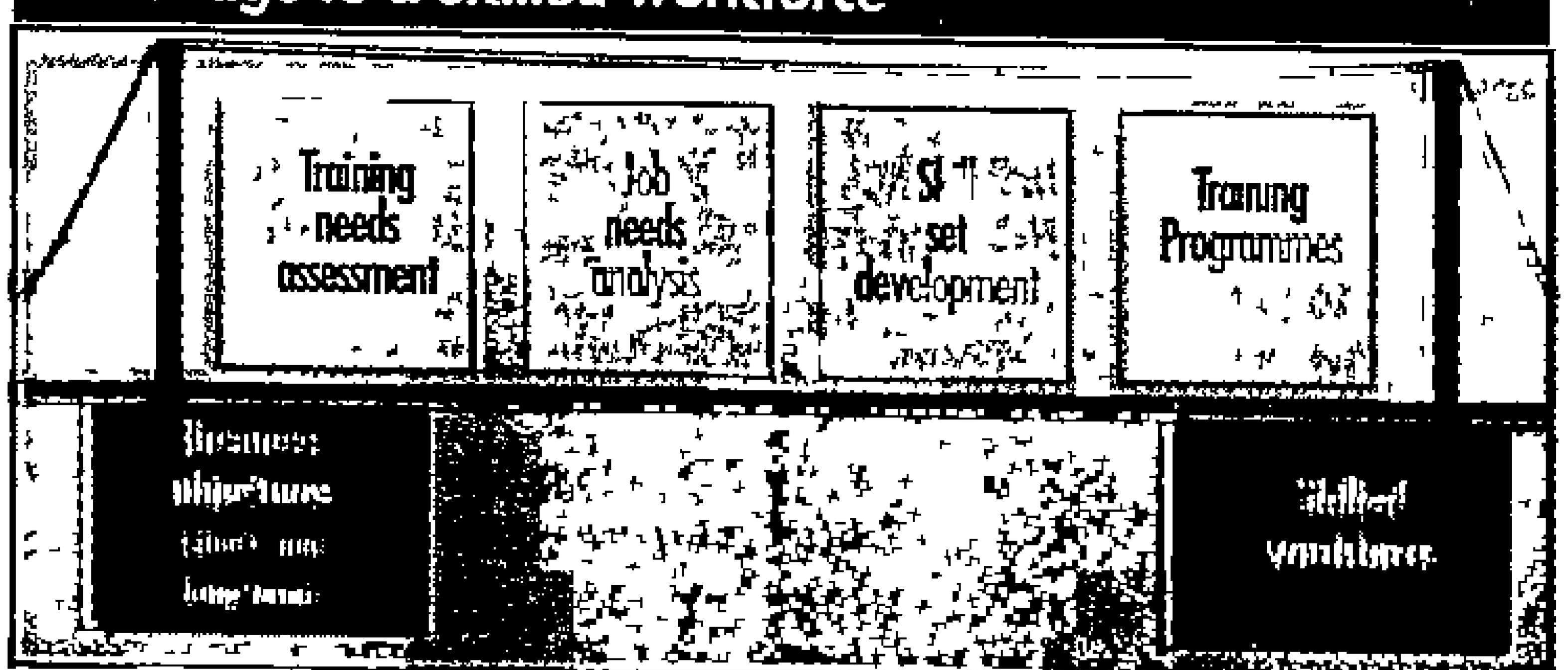
Naidoo said Telkom hoped to improve its technology to become independent and to have developed technical standards for the industry in South Africa similar to International Standards Organisation 9000 — the highest quality international standard to date

Naidoo said programmes to implement that objective had been identified and would be used as an integral part of the larger training programme He said Telkom had a commitment from stakeholders to intensify the programmes in pioneering transformation in the sector and consequently the rest of the country "Telkom's objective is to become a world-class player within a short period of time," Naidoo said He said they would work towards achieving the goal in the context of achieving the national quality framework by creating a multiskilled labour force

The consortium planned to improve existing programmes to quicken the pace of the transfer of skills and to bring about significant changes by introducing a well planned mentoring programme for key executive and middle management positions It would also upgrade lower-level managers and supervisors and introduce well designed external education programmes

The executive development training, which familiarises existing and future executives with development programmes such as mentoring, would be a priority on the new system's programme The consortium would raise funds for the development and training with emphasis on women through, for instance, the US Trade and Development Agency and the Malaysian government's funding for developing countries

**The bridge to a skilled workforce**




These changes, however, left room for the new partner to conduct a comprehensive qualitative and quantitative analysis to develop an accurate and realistic assessment of training needs

The announcement by Tito Mboweni, the labour minister, on the department's green paper on a skills development strategy, came hot on the heels of the announcement of the fund Naidoo said the country needed such mechanisms for employment and growth

# TELECOMMUNICATIONS REVIEW

*Bold, multimillion-rand plan of action to bring the disadvantaged into the modern world*

## Social responsibility programme a priority

CT (BR) 27/3/97 (267)

JONATHAN ROSENTHAL

Johannesburg — The promise of a telephone in almost every clinic and an Internet connection in 2 000 schools, libraries or community centres lies at the heart of the partially privatised Telkom's social responsibility programme.

The communications company said it would participate in a "massive social responsibility programme through direct financial support of Telkom employees communities served by the company and the continent".

Programmes it listed include a R30 million Secondary School Science Scholarship fund for historically black universities, "bold plans" for historically black universities and "numerous programmes for infrastructure, community development, education and health".

Among the bolder of its initiatives is Internet 2000, which will cover the costs of Internet line installation and line rental charges, excluding usage, as well as the domestic Internet service fees for 2000 access points. It will also provide 2000 PCs, printers and software as part of the initiative.

These programmes will run during its period of exclusivity during which it will be legally protected from competition.

Telkom also plans to provide new lines to 24 000 educational and medical establishments, libraries, community centres and 3 200 villages with between 100 and 200 people. It will not charge a connection fee to these "priority customers" and forecast servicing 55 percent of them within the next three years. In line with its promise of universal access it has set a target of five pay phones for every 1 000 in rural areas and 3,5 payphones for every 1 000 people in urban areas. It said 120 000 payphones would be installed over the next five years.

But industry insiders have questioned whether Telkom's community service obligations are commensurate with those imposed on the country's two cellular telephone network operators Vodacom, a network operator in which Telkom is a shareholder, is committed in its operators licence to provide 22 000 community phones. MTN, the second network operator, is committed to installing 7 500 community phones. Industry sources said it cost the cellular telephone network operators about R10 000 to modify a mobile telephone and install it as a fixed community phone. While the network operators subsidised the cost of community phone calls, estimated at more than R1 million a month, they still had to pay Telkom the standard interconnect fee. A further problem identified by cellular telephone industry sources was the lack of co-ordination between Telkom and the two network operators. In many cases the three parties ended up duplicating services in a particular area, while communities nearby were still left without service. One proposal which seems to have gained favour in the industry is that Telkom take over the national social responsibility programme for all three players and that the network operators give it financial support.

Even with a more demanding programme, the grim reality remains. A few thousand Internet connections in schools and libraries is too little, and perhaps too late, to divert the digital superhighway from bypassing rural South Africa on its way to the new millennium.



## A Telkom listing at least five years away

FROM REUTER

Johannesburg — The South African government and its new strategic equity partners in state telecommunications utility Telkom might opt to list the group eventually, Jay Naidoo, the communications minister, said yesterday.

But such a decision was unlikely until after the expiry of the five-year exclusivity period granted to Telkom.

No decision to cut the government's shareholding further had yet been taken, said Naidoo.

But if the government decided to reduce its shareholding, it would probably choose an initial public offering (IPO).

"The partners would like a period to maximise the return on their investment, and our view is the same," said Naidoo.

"If you go on an IPO now you are not going to get much. If you go on an IPO when this rollout is in place, you are talking a different ballgame."

The partial privatisation of Telkom, concluded yesterday, will provide a badly needed employment boost to the South African economy.

Telkom and its strategic equity partners SBC Communications and Telekom Malaysia, say about 50 000 jobs will be created in the telecommunications sector alone, with indirect job creation adding thousands more.

## SA arrives late at privatisation party

(267) CT (BR) 27/3/97

FROM REUTER

Johannesburg — In making up for a late start, South Africa has pulled off the continent's biggest privatisation deal to date by selling 30 percent of Telkom for $1,26 billion, analysts said yesterday.

"South Africa has been behind the curve on privatisation. For foreign investors this deal is a very important signal because once the process starts, you know there is more to come," said Constantin Vayenas, an economist at UBS in London.

"Privatisation is absolutely critical because of the capital that will flow in and because of the message it sends about the determination to trim government and open up the economy."

Sluggish progress on selling South African state assets had been criticised by economists who said the process was critical to cut government borrowing, increase efficiency and demonstrate the government's commitment to market-oriented reforms. With the Telkom deal, the process should start to accelerate, they believed.

Jay Naidoo, the communications minister, agreed. "Even though we've decided each restructuring will be done on a case-by-case basis, I think we've put into place a number of very important milestones in the Telkom process," he said.

These milestones might bring South Africa up to speed with several other African countries where reformist governments had been pushing privatisation aggressively.

Africa, the world's poorest continent, had in recent years come round to the advantages of privatisation as a process which could inject badly needed capital and technology.

"Coming out of their previous anti-market orientation, Africa and its leaders have rediscovered the benefits of foreign direct investment," the World Bank's Ken Kwaku told the first pan African privatisation conference in Johannesburg earlier this month.

Zambia, arguably the continent's foremost pioneer of privatisation, moved into a critical phase this year with the sale of Zambian Consolidated Copper Mines, the mining company which accounted for about 90 percent of national export earnings.

Ghana, Kenya, Uganda, the Ivory Coast, Uganda and Mozambique were among other countries that had taken notable privatisation steps.

South Africa, the continent's economic leader, had been slower to embrace the concept, with politicians in the ANC only recently been prepared to use the "p" word.

But the mood had changed with the sale of a 30 percent stake in Telkom to SBC Communications and Telekom Malaysia.

Stella Sigcau, the public enterprises minister, said Pretoria had embarked on the largest and most far reaching process of restructuring state assets on the African continent.

The World Bank's Kwaku believed privatisation could help to attract capital in to Africa, which had so far passed the continent by.

During 1995, net foreign direct investment into developing countries was about $97 billion, of which Africa received a mere $3 billion.

## Internati[redacted]

## Malaysia extends SA foothold

That's the best way of doing it," said Mike Brown, the chief

target of 4 percent of GDP it would reduce to an extent the in-

stressed that this potential reduction of interest costs would help

get, unveiled in the government Budget on March 12, wi

(267) CT(BR) 27/3/97

# And now for round two

DUMA GQUBULE

Johannesburg — After the historic R6 billion deal that secures a 30 percent stake in Telkom for SBC Communications/Telekom Malaysia, attention turns to the second leg of the transaction, the sale of a further 10 percent of Telkom's shares for black empowerment for about R2 billion

The government is in the process of concluding an empowerment strategy and expects to conclude this transaction by the end of July

As in all privatisations that will follow, government stresses it has a number of objectives to achieve when restructuring state assets These include reducing state debt, black economic empowerment and providing infrastructure

Jay Naidoo, the communications minister, says the government had to look beyond the money it could get from SBC Communications/-Telekom Malaysia. "We had to find a way getting blacks involved in this lucrative industry while achieving other important developmental and economic goals," he says

Thabo Mbeki, the executive deputy president, says. "As we restructure state assets like Telkom, we must ensure that the process does not contribute to further marginalisation of black people. Government has decided to set aside 10 percent of Telkom for empowerment purposes. Where appropriate, the same principle of setting aside a portion of shares (for empowerment) will be followed when we restructure other state assets "

Although the full details have not been worked out, the government has already indicated that the 10 percent stake in Telkom will be warehoused by the Industrial Development Corporation, and later sold to the recently established National Empowerment Fund (NEF)

The NEF concept has been developed by Simpson McKie James Capel, a stockbroking firm, Msele Corporate & Merchant Bank and black business organisations such as the National African Chamber of Commerce, the Foundation for African Business and Consumer Services and National Black Business Caucus The organisations have been meeting for more than a year to devise strategies for blacks to take up stakes in privatised companies Says one businessman who was part of the meetings· "Government will sell off assets worth billions of rands over the next few years

"At the same time, government wants to make sure that blacks benefit from the process, but the problem is that blacks do not have the money to buy the shares in the companies that will be privatised "

There are principles guiding the NEF, which is run by the department of trade and industry and its deputy minister, Phumzile Mlambo-Ngcuka. The first is that the government will provide only minimum funding except with regard to investor education It will, however supply assistance with funding directly and through organisations like the IDC

The black business organisations which developed the NEF concept accept that the IDC's role, of helping large South African organisations become world class, should not change But they say it could have a greater emphasis on promoting economic empowerment

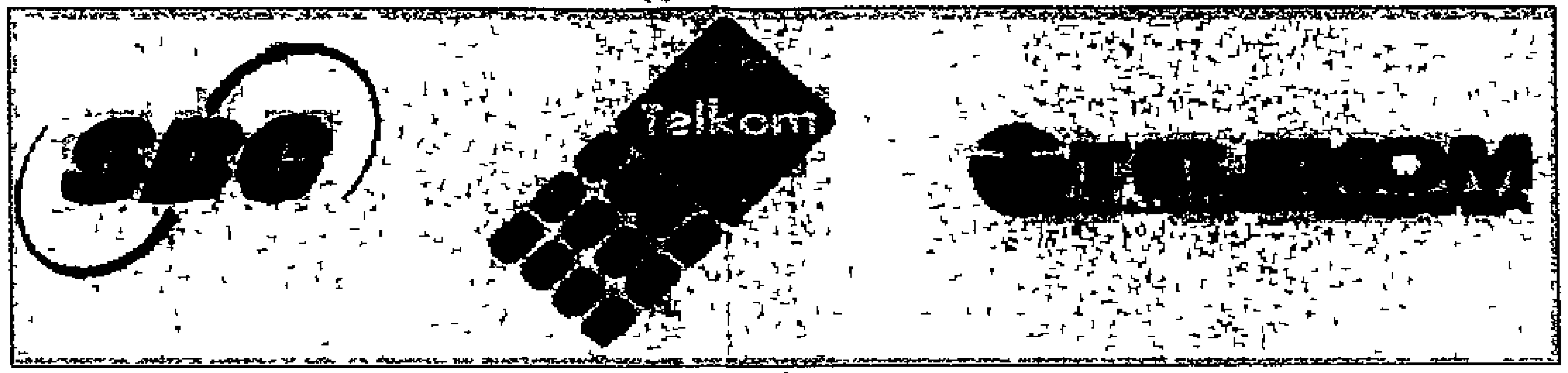
This could include ceding some of the shares it holds in mature companies to the NEF to sell at a later stage to generate a capital base for the fund Also, the IDC will invest R20 billion in local companies until the turn of the century A percentage of these funds could be targeted for financing for empowerment

Once the financial structure of the NEF has been worked out, shares or units in the NEF will be distributed to targeted organisations, parastatal employees and individuals as soon as possible A targeted organisation could be a black business consortium or a trade union investment company The mix between distributions to targeted organisations, employees and individuals will be decided on a case-by-case basis.

It is likely attractive schemes, such as the recent Phuthuma Share Scheme, will be devised to help individuals buy units in the fund Individuals could, for example, be required to pay only a 10 percent deposit, with the balance coming out of dividend payouts over a number of years But there will be restrictions on individuals selling their shares for a number of years

Naidoo says he is keen to move beyond equity ownership and see what steps can be taken to create venture capital to allow black entrepreneurs to go into the production of telecommunication equipment and services

# TELECOMMUNICATIONS REVIEW




*R1,12 billion could be used to pay off government bonds and reduce interest costs*

# Applause for Naidoo's bid to slash debt

(267) CT(BR) 27/3/97

NANCY MYBURGH
FINANCIAL SERVICES EDITOR

Johannesburg — The government will probably use its share of the proceeds from the partial privatisation of Telkom to repay some of the state's debt, Jay Naidoo, the communications minister, told Reuter yesterday

The government announced the sale of a 30 percent stake in the parastatal to US-based SBC Communications and Malaysia's state telecommunications company, Telekom Malaysia for R5,58 billion.

Naidoo said R4,42 billion of that revenue would be ploughed back into Telkom to improve its infrastructure, while the balance of about R1,16 billion would go into the state's exchequer account, the National Revenue Fund.

Economists have speculated that then R1,12 billion would be likely to be drawn from that account to pay off government bonds that mature this year, instead of rolling those bonds over (that is selling another round of bonds) to make payments to bondholders

"That's the best way of doing it," said Mike Brown the chief economist at brokerage Societe Generale-Frankel Pollak

It would also indirectly help the finance ministry meet this year's tough government deficit target of 4 percent of GDP It would reduce to an extent the interest costs of servicing state debt, so that part of current expenditure would fall,' Brown said. Brown and Dennis Dykes Nedcor's chief economist, both stressed that this potential reduction of interest costs would help the government reach its deficit target only indirectly

Trevor Manuel, the finance minister, has been lauded for proposing to meet his deficit target, unveiled in the government Budget on March 12, without using once off windfalls from privatisation.

The indirect benefit from the Telkom partial privatisation is "acceptable', said Brown, (and) it has a big psychological effect" 'But it is actually minuscule in terms of total state debt."

The government plans to borrow R36,85 billion this year About R10 6 billion of that amount will go toward the repayment of government bonds to local bondholders, said Nedcor's Dykes That included the repayment of R8,8 billion for the R119 bond

However, a spokesman for the finance ministry said earlier this week. 'We would have to decide what (debt issues) we retire. We don't want to put any speculation into the market."

Dykes said the plan to repay state debt was a good decision "It would definitely be good news It's just a pity the government could not use more of the Telkom money for that purpose," he said.

But Brown felt the R4,42 billion boost for Telkom would also have good side effects for the economy particularly for likely Telkom equipment suppliers such as Plessey, Reunert, Altech, Spescom and Voltex.

"It would be a positive signal for certain sectors of the economy particularly telecommunications, electronics and electrical companies. Telkom hasn't had a major capital spending programme for several years"

## TELKOM INDEX

**Companies:** The expected renaissance for firms through Telkom's capital expenditure is unlikely to bring n even tide which lift ll involved.

**Labour:** Things are not always as they seem, Terry Bell writes, and that may well apply to the acceptance — even the apparently warm welcome — accorded by the labour movement to Telkom's partial privatisation

**Late starter:** South Africa has pulled off the continent's biggest privatisation deal to date with the $1,26 billion sale of 30 percent of Telkom, but it is a late starter in the race.

**Privatisation:** Worldwide privatisation receipts could reach $100 billion this year and the selling off of state assets could have a profound effect on capital markets.

**SBC Communications:** One of the most successful of the seven US Baby Bells created by the break-up of the AT&T monopoly has also been one of the most aggressive players.

**Skills development:** Telkom will spend an additional R1,38 billion on skills development and the training of the previously disadvantaged, with the emphasis on preparing women for managerial positions.

**Social responsibility:** The promise of a telephone in almost every clinic and an Internet connection in 2 000 schools, libraries or community centres lies at the heart of the partial privatisation of Telkom.

**Telekom Malaysia:** Faced with growing domestic competition and sluggish earnings, the communications utility goes on the acquisition trail.

**Telkom in view:** South Africa's telecommunications industry began in private hands and the wheel has nearly turned a full circle with the privatisation in part of the state utility.

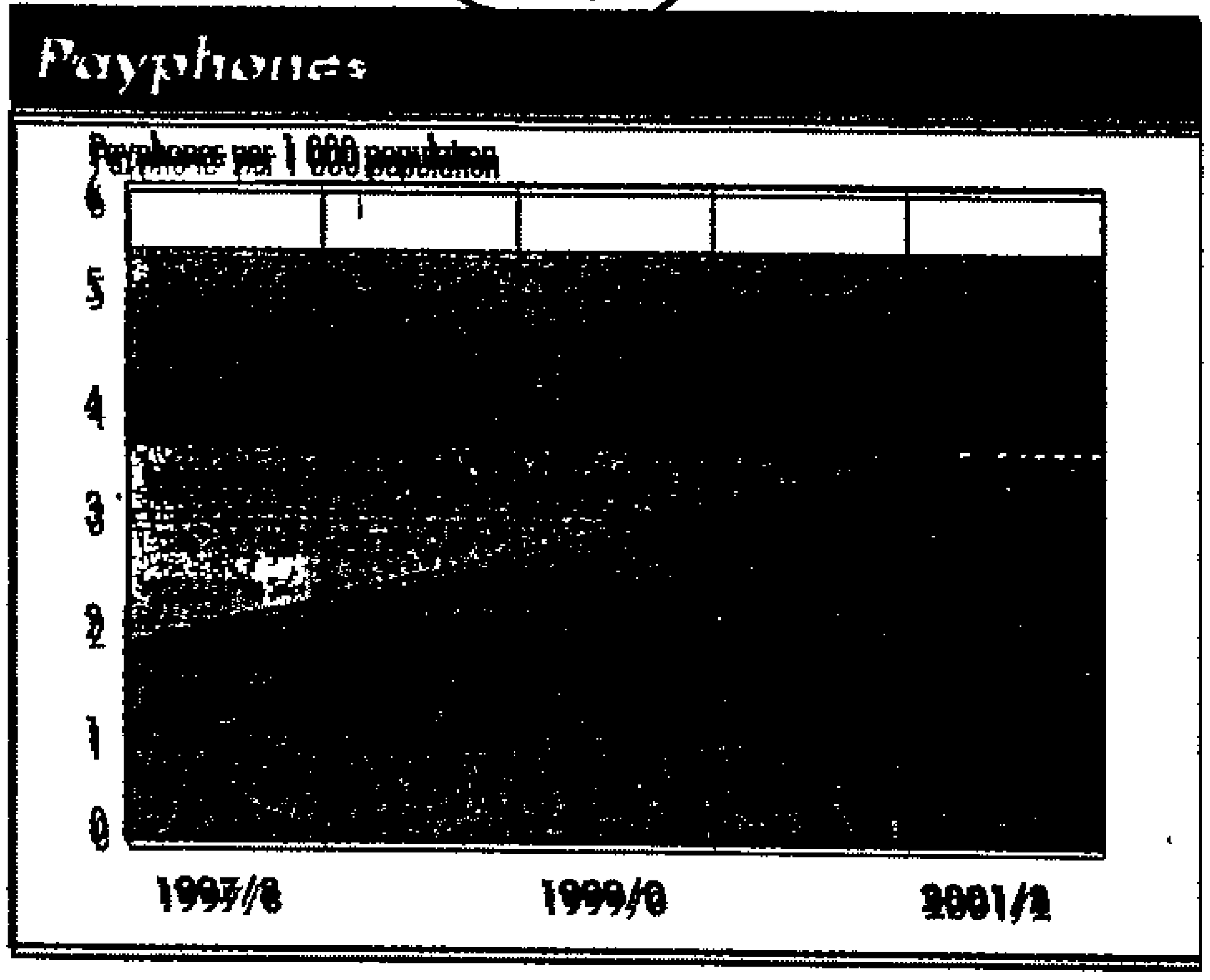
**Telkom's marathon:** Months ahead of the 2004 summer Olympics, which Cape Town hopes to host, Telkom will complete an ambitious restructuring project aimed at providing efficient communication services to consumers and businesses.

(267) CT(BR) 27/3/97

# Before 2004: a restructuring marathon on Olympic scale

CT(BR) 27/3/97 (267)

CHRISTO VOLSCHENK




Cape Town — By the year 2003, months ahead of the summer Olympics of 2004, Telkom will complete an ambitious restructuring programme aimed at turning the parastatal into an efficient provider of telecommunication services to consumers and businesses

Service quality will be upgraded and new telephone lines rolled out as part of an aggressive programme of restructuring conceived by the government as a condition for granting three operating licences to Telkom later this year.

"The three draft operating licences for Telkom are expected to bring far-reaching changes in the telecommunications environment and bring it in line with best international practice while encouraging universal service and international competitiveness," said Jay Naidoo, the communications minister

The licences will allow Telkom to provide public switched telecommunications services (PSTS), transmission of radio frequencies and value added network services (VANS)

The licences will be granted for 25 years.

The PSTS will allow Telkom to provide local and long-distance telecommunication services, international services and public pay-phone services on an exclusive basis for five years, after which it will face competition.

Should Telkom achieve 90 percent of its rollout target of 3 million lines within the first four years, the government will give it another year of exclusivity

"Telkom's obligations under the licences will compel it to intensify its focus on the provision of telecommunication services for currently underserviced communities in urban townships and rural villages," said Naidoo

Telkom aims to provide services to the disabled, including the hard of hearing, and directory services for the blind.

Separate targets will be set for new exchange lines; new public pay-phones, new lines for priority customers,, such as hospitals, schools, libraries, local authorities and post offices, and new lines for villages with communities of between 100 and 1 999 people.

Last year the rollout target for new lines was 160 000 This year the target will be 250 000 lines Over the next five years Telkom will have to roll out 3 million lines

Telkom will also have to adhere to a certain service quality which will be measured by the frequency of customer fault reports, the speed with which these are cleared, the service of payphones, the speed with which new orders are dealt with and the extent to which the waiting list is shortened.

Should Telkom fail to reach the rollout targets, it will be fined up to R1 350 a line missed in an underserviced area

The penalties will be higher should Telkom miss lines in high-priority areas such as schools and clinics For example, a penalty of R4 500 a line will be payable for every line missed to a clinic and R1 125 for every line missed to a village

Inefficient service will also be penalised At the end of the exclusivity period, to avoid being penalised, Telkom will have to clear 97 percent of all faults reported by business clients and 90 percent by residential customers within 48 hours.

Furthermore, 90 percent of coin phones and 95 percent of card phones must be serviceable. The waiting list for new lines at homes must be worked through by October 1999

At the end of the exclusivity period, 80 percent of orders for residential phones will have to be met within 28 days to avoid penalties.

It will also publish a code of practice for consumer affairs that will establish procedures for assisting customers in the dominant regional languages

Itemised billing will be introduced at the end of the exclusive period to allow clients to keep close track of their accounts

In the first three years the overall basket of tariffs may not increase more than the inflation rate minus 1,5 percentage points Increases in individual services may not be higher than 20 percent After that the government will oversee the tariff rises, and the increases will be kept at levels which will not impair Telkom's ability to reach its rollout obligations

Telkom will receive a VANS licence but this will not give Telkom exclusivity. Instead, Telkom will face immediate competition on services such as e-mail and Internet

The South African Telecommunications Regulatory Authority (SATRA) will issue VANS licences to competitors

When competition increases in 2003, Telkom hopes to be ready with an efficient and affordable service after the government's restructuring programme

# Govt deal to create 50 000 new jobs

(267)

Sowetan 27/3/97

## Overseas partners will provide scholarships to 'historically disadvantaged' students

By Abdul Milazi

THE R5,58 billion investment deal signed yesterday between the Government, Telkom Malaysia and US-based SBC International is expected to create 50 000 new jobs and bring telephones to about 2,8 million disadvantaged people

The Strategic Equity Partnership (SEP), to be known as Thintana, will see the SBC owning 18 percent of Telkom, Telkom Malaysia 12 percent and the Government retaining 60 percent of the total holdings

Government will appoint 10 of the 15 directors, and the SEP will appoint five.

Post, Telecommunications and Broadcasting Minister Jay Naidoo said the partners will assume management of Telkom and will have significant influence over business plans, the budget and full operations of its network "The SBC and Telkom Malaysia will also appoint key managers, including the chief operating officer, chief financial officer and chief technical officer."

The SEP has also set out a social responsibility programme, which will see more than R75 million injected into the education of blacks and will include both secondary and tertiary levels

The social responsibility programme will include a R30 million donation to the Secondary School Science Scholarship Fund, a R20 million boost to the Tertiary Education Fund for South Africa and a R25 million project to help develop science and technology curricula at formerly black universities

Telkom Malaysia also promised 50 full science and technology scholarships for "historically disadvantaged students" to study at University Telekom in Malaysia.

"In addition to this, the SEP has made a number of commitments which will greatly assist the Government to attain its objectives of technological and skills transfer, black economic empowerment and identifying and improving access to global markets," said Naidoo

He said this would be achieved through Telkom and its suppliers adopting a bias towards local material suppliers, especially small and medium businesses, provided they meet cost, quality and availability requirements.

"Small business from disadvantaged groups will be proactively developed through the establishment of joint ventures and monitoring programmes with Telkom," Naidoo explained.

"About 75 management and technical experts will be seconded to Telkom and integrated into the management team for the period of exclusivity to ensure highest international standards of business," said Naidoo

# Huge Telkom sale worth over R5,5-bn

(267) Sowetan 27/3/97

## Biggest foreign investment in the country will have many spinoffs

**By Abdul Milazi**

THE Government yesterday signed a R5,58 billion investment deal with US-based SBC International and Telkom Malaysia to sell a 30 percent stake in Telkom SA, a move billed as the single largest foreign investment in the country to date.

The deal was signed at the Telkom '97 Conference in Midrand where local and international telecommunications companies exhibited their latest and best equipment

Posts, Telecommunications and Broadcasting Minister Jay Naidoo said the mega deal marked the beginning of the implementation of the Government's restructuring programme of state-owned enterprises

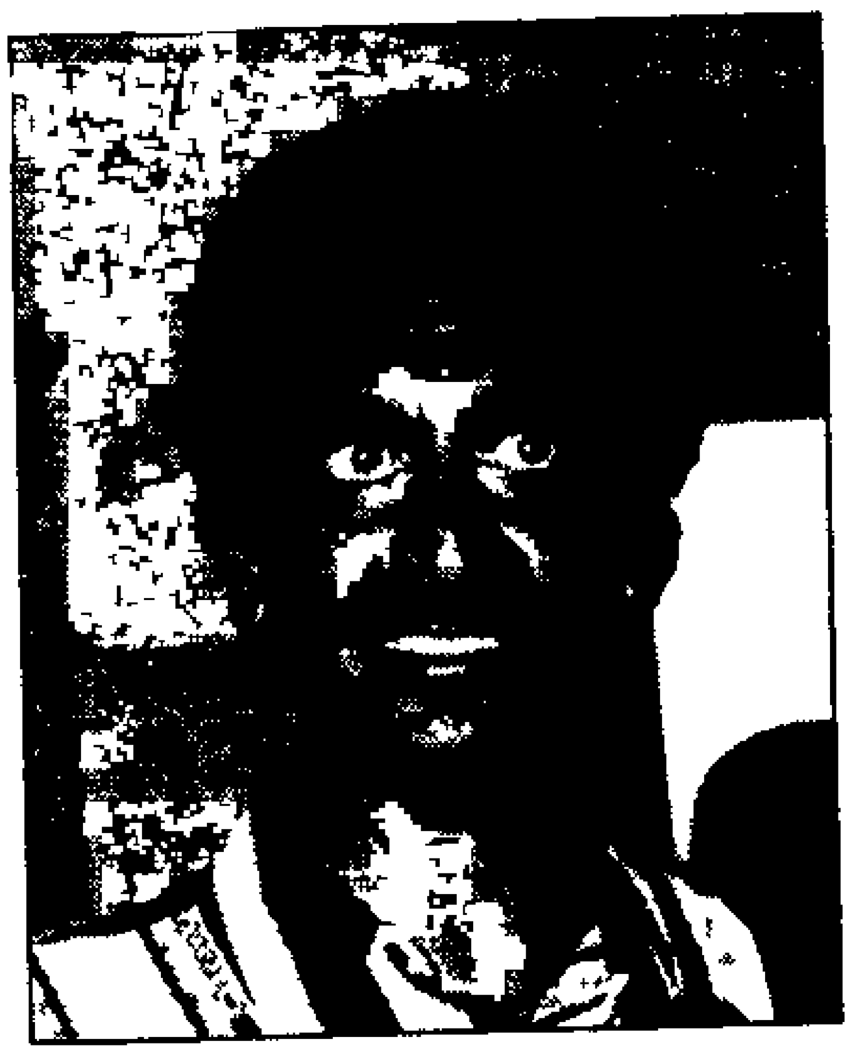
"In addition to the injection of foreign currency for the country's reserves, Telkom will be committed to R53 billion capital expenditure over a five-year period, almost doubling the current programme," said Naidoo.

He pointed out that this would provide a significant boost to the economy and is expected to create jobs in the telecommunications and supporting sectors

"In order to achieve the Government's objective of providing universal service in basic telephony, bidders were given incentives to commit to high roll-out targets," he explained

Naidoo said the Government's current plans were to satisfy an expected demand of 1,8 million new telephone lines over five years

He said the Strategic Equity Partnership (SEP) has committed itself to roll out 2,7 million telephone lines and 120 000 pay-phones and expected to be able to stimulate this level of demand



**Minister of Posts, Telecommunications and Broadcasting Jay Naidoo.**

The SEP has also committed itself to replace all 1,25 million analogue lines with the modern digital line system

Deputy President Thabo Mbeki announced on Tuesday that R4,423 million of the proceeds from the deal would be injected into Telkom to help fund the infrastructure expansion programme

Mbeki said the restructuring of the telecommunications industry in general and the strategic equity partnership in Telkom was a major step forward for South Africa

"The SEP process with set objectives to deliver capital expertise, technology and best business practices, catapults South africa into the 21st century," Mbeki said.

The restructuring of state assets has for the past few years drawn strong criticism from the labour movement, with unions arguing that it would lead to job loss, stunt human resource development and put telephone services out of reach of the poor

However, the deal comes after a comprehensive memorandum of understanding which was signed between the Government, trade unions and Telkom last month

Naidoo said. "We are satisfied with the superior quality and content of the bid, which met and exceeded the three key evaluation criteria of high roll-out and service targets, intensive transformation, training and price"

The SEP has also set itself social responsibility programmes with much emphasis placed on funding science subjects at both secondary and tertiary level for black pupils and students

More than R75 million is earmarked for this project, including a R30-million sponsorship for the Secondary School Science Scholarship Fund, R20 million to the Tertiary Education Fund for South Africa and a R25 million project to develop science curricula and teacher training at black universities.

Telkom Malaysia has further pledged 50 full scholarships at the University Telkom in Malaysia

# SA arrives late at privatisation party

(267) ET(BR) 27/3/97

FROM REUTER

Johannesburg — In making up for a late start, South Africa has pulled off the continent's biggest privatisation deal to date by selling 30 percent of Telkom for $1,26 billion, analysts said yesterday.

"South Africa has been behind the curve on privatisation. For foreign investors this deal is a very important signal because once the process starts, you know there is more to come," said Constantin Vayenas, an economist at UBS in London.

"Privatisation is absolutely critical because of the capital that will flow in and because of the message it sends about the determination to trim government and open up the economy."

Sluggish progress on selling South African state assets had been criticised by economists who said the process was critical to cut government borrowing, increase efficiency and demonstrate the government's commitment to market-oriented reforms. With the Telkom deal, the process should start to accelerate, they believed.

Jay Naidoo, the communications minister, agreed: "Even though we've decided each restructuring will be done on a case-by-case basis, I think we've put into place a number of very important milestones in the Telkom process," he said.

These milestones might bring South Africa up to speed with several other African countries where reformist governments had been pushing privatisation aggressively.

Africa, the world's poorest continent, had in recent years come round to the advantages of privatisation as a process which could inject badly needed capital and technology.

"Coming out of their previous anti-market orientation, Africa and its leaders have rediscovered the benefits of foreign direct investment," the World Bank's Ken Kwaku told the first pan-African privatisation conference in Johannesburg earlier this month.

Zambia, arguably the continent's foremost pioneer of privatisation, moved into a critical phase this year with the sale of Zambian Consolidated Copper Mines, the mining company which accounted for about 90 percent of national export earnings.

Ghana, Kenya, Uganda, the Ivory Coast, Uganda and Mozambique were among other countries that had taken notable privatisation steps.

South Africa, the continent's economic leader, had been slower to embrace the concept, with politicians in the ANC only recently been prepared to use the "p" word.

But the mood had changed with the sale of a 30 percent stake in Telkom to SBC Communications and Telekom Malaysia.

Stella Sigcau, the public enterprises minister, said Pretoria had embarked on the largest and most far-reaching process of restructuring state assets on the African continent.

The World Bank's Kwaku believed privatisation could help to attract capital in to Africa, which had so far passed the continent by.

During 1995, net foreign direct investment into developing countries was about $97 billion, of which Africa received a mere $3 billion.

ST 30/3/97 (267)

# SA takes on Europe for telephone links

RAY HARTLEY
Political Correspondent

THE Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, plans to turn South Africa into a major international telecommunications player and the country could soon become the hub of telephone communications for the Far East, South America and Europe

This follows the sale this week of part of Telkom to the US firm SBC and Telekom Malaysia for R5,58-billion

The deal involves telephone calls, which are at present routed through Europe, being directed through Telkom

SBC and Telekom Malaysia would feed their "cross-border traffic" from their African investments through South Africa

"We're looking at South Africa as a hub, not just for Africa, but as an important link between East and West It's not just political, it's based on a commercial reality," Naidoo said this week

Telekom Malaysia would also feed calls from the Asia Pacific region and India subcontinent through South Africa

Both international partners would link Telkom to their submarine cable networks and satellite links, and would also spend about R10-million "to develop an information technology plan for Africa", Naidoo said

He said he had commissioned a feasibility study into a cable linking the Far East to South Africa.

A second cable linking South Africa to South America was also being considered.

Naidoo, a former leader of Cosatu, was able to secure the support of the industry's unions — who are traditionally hostile to privatisation — for the deal with job guarantees and promises of investment in training

# Win-win deal as SA puts privatisation on course

ST(BT)30/3/97 (267)

**Telkom is confident of keeping a rein on debt, despite a R53-billion capital expansion plan, writes SVEN LUNSCHE**

TELKOM has allayed fears that its R53-billion expansion of the country's telecommunications network will collapse the company's financial resources

The state-owned telecommunications group received a $1 26-billion (R5 58-billion) cash injection this week following the sale of a 30% stake to SBC Communications of the US and Telekom Malaysia

But in the wake of the deal, the cost of Telkom's Vision 2000 programme — to rollout 2 7-million new telephone lines and upgrade a further 1 25-million — has surged from R32-billion to R53-billion

Angus Band, Telkom's general manager, finance, says while overall debt will inevitably rise from its current R8-billion level, this will be matched by the injection of capital from its new equity partner as well as improved revenue flows springing from the expanded network

Once completed, the number of telephone lines in South Africa will have doubled

"We are committed to reducing the current debt-equity ratio from 1 2 to one and maintaining this level during the rollout period," says Band Telkom will seek loan finance for the expansion programme on local and overseas capital markets

Without the privatisation Telkom would have struggled to meet its own target of 1 8-million new telephone lines over five years In the current financial year to end-March Telkom has established a mere 250 000 new lines at a cost of about R3-billion

The economic record books are being rewritten following Telkom's partial privatisation The $1 26-billion deal is the largest privatisation to date in Southern Africa It is also the biggest capital investment in the new South Africa and is accompanied by the largest capital expenditure programme yet

On balance, the deal is a favourable one for South Africa The huge rollout requirement contained in the Telkom licence is believed to be one of the reasons that the other bidder for the stake — Deutsche Telekom — pulled out of the running at the last minute But SBC and Telekom Malaysia committed R5 58-billion — in line with expectations — before the stiff rollout criteria were announced

Apart from the cash, the two companies are also sending 75 of their top managers to South Africa and are committing more than R100-million in bursaries, university funding and scholarships

During the five-year expansion programme more than R2 3-billion will be spent on development and training targeted mostly at black employees An estimated 80 000 training courses a year will be held during the period

The government is a major winner in the deal Minister for Posts and Telecommunications Jay Naidoo points out that during the five-year period the state will receive R3 2-billion in dividend payments and R8 4-billion in taxes Of the cash payment from the strategic equity partners, the government will keep $260-million for debt redemption in the 1997/98 fiscal year

Among the economic benefits listed by Naidoo are an estimated 50 000 new jobs in the telecommunications sector From an investment perspective the deal is even more beneficial, sending a clear signal that the government has finally embraced privatisation

*For foreign investors this deal is an important signal because once the process starts there is more to come*

"South Africa has been behind the curve on privatisation For foreign investors this deal is a very important signal because once the process starts you know there is more to come," Constantin Vayenas, an economist at UBS in London, told Reuters

"Privatisation is absolutely critical because of the capital that will flow in and because of the message it sends about the determination to trim government spending and open up the economy," he said

Both SBC and Telekom Malaysia say they expect good returns from their investment throughout the five-year rollout period "We are delighted at securing this investment from both a commercial and development perspective," Telekom Malaysia chief executive Dato Mohammed said from Kuala Lumpur on Friday Telekom Malaysia has been pursuing an aggressive acquisition campaign in Africa over the past two years, playing a major role in the privatisation of operators in Malawi, Guinea and Ghana

SBC chairman Edward Whitacre described the deal as a "sound investment", given the high level of pent-up demand for basic services in South Africa In terms of the agreement between SBC and Telekom Malaysia, the US firm is the senior partner in the consortium and will control 18% of Telkom with the remaining 12% held by the Malaysian group.

The partial privatisation of Telkom could be taken further once the rollout has been completed and the company faces full competition, says Naidoo

If the government decided to sell a larger stake, it would be likely to choose an initial public offering, he said in an interview In the short term (by mid-year) Naidoo is likely to finalise plans to offer a further 10% of Telkom to "disadvantaged communities", namely staff, trade unions and black-controlled telecommunications companies This sale will tie up with government plans to establish a National Empowerment Fund which will receive contributions from the privatisation of all public sector corporations up for sale

GOVERNMENT'S HA

TELKOM PLAYERS :

THE FOREIGNERS .

# Deal signals happy days for unions

(267) Sowetan 1/4/97

## Telkom's partners inject R5,58-b in move that will benefit SA population

**By Abdul Milazi**

THE CONCERNS OF LABOUR over the restructuring of Telkom seem to have been allayed by last week's R5,58 billion deal between Telkom and its strategic partners – SBC International and Telkom Malaysia.

Major concerns among trade unions were that there would be massive job losses if Telkom fell into the hands of the private sector.

When the deal was signed last Wednesday it was clear that the newly formed consortium to be known as Thintana had a sincere commitment to social upliftment and human resource development.

The consortium committed itself to donate more than R75 million to the education of blacks, especially in science and technology subjects.

A total of R30 million will be donated to the Secondary School Science Education Fund, R20 million to the Tertiary Education Fund for South Africa and R25 million for spending on developing science and technology curriculums and teacher training at black universities.

Unions such as the Communications Workers Union (CWU), South African Telecommunications Association (Sata), Postal and Telecommunications Association (P&T) and Mine Workers Union (MWU) expressed concern over employment security, transformation of the sector and job creation.

The consortium committed a further R1,38 billion to Telkom's training programme, bringing the local training budget to R2,3 billion over five years.

Telkom will also embark on a transfer of skills, whereby the company will exchange management and technical staff with its strategic partners.

SBC communications chief executive officer Edward Whitacre Jnr said: "We believe South Africa is an excellent market which offers high potential for long-term growth for the SBC."

### Pent-up demand

He said South Africa's regional importance, expanding economy and stable political environment, coupled with high levels of "pent-up demand" for telecommunications services, made it a very attractive opportunity.

He said with a population of more than 41 million, South Africa represented a market of about one and a half times the size of Southern Bell's five-state service territory of Arkansas, Kansas, Missouri, Oklahoma and Texas.

According to Telkom SA the current telephone penetration level is only 10 percent among black households, a group which constitutes 87 percent of the population.

At the end of 1996 Telkom SA had about 4,1 million access lines. The consortium is committed to meeting all consumer and business demand for basic telephone service by the year 2000.

# Telekom Malaysia upbeat about Telkom stake

BD 2/4/97 (267)

Robyn Chalmers

THERE is huge potential for long-term growth and solid returns in SA for Telekom Malaysia following its acquisition last week of a 12% stake in Telkom, says Telekom Malaysia CE Dato Mohamed

Telekom Malaysia and US-based SBC Communications clinched a deal last week to buy a combined 30% of Telkom for $1,26bn — or R5,5bn — kick-starting SA's privatisation programme

Mohamed said Telkom was "the jewel in the crown of African investments which complements well our current investments in Malawi, Guinea and Ghana" The potential for growth was high as SA's telephone penetration was only 9% among historically disadvantaged households, which constitute about 69% of total households.

"SA is an excellent market which offers high potential for long-term growth for Telekom Malaysia Its regional importance, expanding economy and stable political environment, coupled with the high levels of pent-up demand for telecommunications services, make it a very attractive investment opportunity," he said

Telekom Malaysia brought a unique experience from its own privatisation in 1990

It had extensive experience in simultaneously managing high growth in basic services and deploying advanced networks for business services

Mohamed said the acquisition of its 12% stake in Telkom would be financed through internally generated funds and borrowings It was not expected to have a material effect on Telekom Malaysia's consolidated earnings for the year to December 31 1997.

SBC Communications chairman and CEO Edward Whitacre also expressed confidence in the high levels of pent-up demand for basic services in SA

Mohamed said the consortium would assume an active role in the management of Telkom, appointing five of the 15 directors and retaining a significant influence over business plans, budgets and network delivery of 2,8-million lines

The consortium would appoint key managers at Telkom, including the chief operating officer, chief financial officer and chief strategy officer.

COMPAN

13 000 *Telkom workers may face axe in moves to outsource operations*

# Union vows to fight Telkom

CT (BR) 2/4/97 (267)

**DUMA GQUBULE**

Johannesburg — The Communications Workers' Union (CWU), which represents 44 000 workers in the telecommunications sector, will fight to protect the jobs of its members at Telkom, Sizwe Matshikiza, the union's spokesman, said yesterday

He said there was still a possibility of job losses at Telkom, despite government assurances that 50 000 jobs would be created in the sector because of management plans to outsource non-core operations which employ around 13 000 people

"We fought against privatisation and failed So we decided that any process of restructuring should, at least, not threaten job security," said Matshikiza "If some jobs could be lost through outsourcing, there must be arrangements to re-train and re-deploy affected employees "

He added that restructuring should also contribute to broad-based black economic empowerment and, for this reason, the CWU had formed an investment company to take advantage of these opportunities

Victor Booysen, the director of human resources at Telkom, said discussions about outsourcing Telkom's non-core operations were at an advanced stage

"There is a realisation that there are certain operations which cannot be justified as being part of a telecommunications company," said Booysen

He said Telkom's new strategic equity partners, SBC Communications and Telekom Malaysia, had made a "significant commitment to training and development" by pledging R2,3 billion to human resource development over the next five years

According to Matshikiza, the CWU's approach had "always been that state assets should not be privatised, but we realised that it would be pointless and fruitless for a trade union to throw workers at a wall they could not break"

Telkom will spend about R500 million a year — more than 13 percent of the company's R3,8 billion annual wage bill — to upgrade the skills of its workforce

Booysen said Telkom has also pledged to draw 35 percent of its managers from "historically disadvantaged groups", compared with the present figure of about 10 percent

# Telkom stake sale targets workers

(267) MtG (BM)

Ferial Haffajee 4-10/4/97

COMMUNICATIONS Minister Jay Naidoo is definitely going to sell another 10% of Telkom He just hasn't worked out how he's going to do it yet

Last week's R5,58-billion deal to sell a third of Telkom to American and Malaysian partners was signed without an empowerment component.

Naidoo's next task will be to fine-tune the plan to sell a slice of Telkom to workers, black businesses and other disadvantaged groups

"We've done no detailed work on it yet," says Naidoo's representative Connie Molusi, adding, "We put it aside to concentrate on the other deal" But the ministry wants to push through the next sale by the end of July

The shares are likely to be placed in a national empowerment fund that the government will soon establish This fund will collect contributions from all privatisation deals

The National Framework Agreement, forged last year between government and labour, provides that all state sell-offs will have some empowerment quotient But the agreement is thin on the detail of how this should be done — as are the trade unions that operate at Telkom.

The Communications Workers Union, affiliated to the Congress of South African Trade Unions, says it wants to have speedy talks with the government

The union's general secretary Seleboho Kiti says a trust should be established to administer the shares. His union is concerned that a general empowerment fund is too vague: it will likely push for a specific Telkom sub-fund

The union says proceeds from the shares must be used to encourage workers to stay in the industry by offering them a career path in telecommunications

He suggests that workers be trained to run phone shops or start up subcontracting businesses to win some of the contracts to connect the 1,8-million lines Telkom has committed itself to providing in the next five years

Jenny Cargill of the consultancy BusinessMap says some of the next tranche of Telkom shares are likely to be placed in the empowerment fund "A general fund pools the risk for people buying into it," she says

The fund could operate like a unit trust It will also be similar to retail vehicles — the new empowerment initiatives started by big companies like Johnnic and M-Net — which give ordinary black shareholders a chance to buy shares by putting down a deposit and paying off the balance

Unions and unaffiliated employees could be given shares by way of employee share option participation schemes. The majority white South African Telecommunications Association says all employees should be given the same share options, with no special shares for trade unions

Jay Naidoo: Bringing Telkom shares to the people PHOTO HENNER FRANKENFELD

# Shaking the government out of apathy

ST(BT) 6/7/97

(267)

AS FAR back as early 1995, both SBC Communications and Telkom realised the need to partially privatise the state-owned telecommunications operator

At that time, however, nothing could have been further from the government's mind — it was only beginning to grapple with the notions of restructuring state assets, outsourcing and strategic equity partners

"When I arrived in South Africa in 1995, I realised the telecoms opportunities in this country," says SBC's Jim Myers SBC then acquired a 15% stake in cellphone operator MTN (a stake it now has to shed due to Telkom's control of rival Vodacom) But he realised that far more profitable opportunities were available to SBC in the region "My head office backed me"

Almost simultaneously, Telkom's new management, headed by chairman Dikgang Moseneke and managing director Brian Clark, began to realise the inevitability of a partnership with the private sector "We made many slide presentations to the cabinet and individual ministers," says Moseneke But under pressure from trade unions, the government refused to be shaken out of its antipathy towards privatisation

Telkom officials, too, were under pressure not to associate themselves with the process On occasion, sources say, the offices of senior executives were trashed by workers after they had explained the need for a strategic equity partner Inevitably, the failure to see the need for private-sector support in meeting the massive roll-out requirements led to a blunder

Having advertised for tenders for the so-called Million-Line Project as a first step of Vision 2000 in March 1995, Telkom withdrew the tender over one-and-a-half years later after having identified five contractors to enter into a second round of bidding The public outcry by the world's leading telecoms equipment suppliers was muted but damage had been done

However, the MLP debacle spurred the government into action, a process aided by the fact that deputy president Thabo Mbeki had just returned from Germany to an ice-cold reception by the business community which bemoaned the absence of privatisation.

# How the Telkom privatisation corpse was brought to life

(267) ST (BT) 6/4/97

**SVEN LUNSCHE**

Looks at the biggest deal of its kind in southern Africa

**A**FTER months of 20-hour working days, seemingly endless meetings and a glut of international flights, Friday February 28 proved a surprisingly quiet day for Jay Naidoo and Dikgang Moseneke

The Minister of Posts and Telecommunications and the Telkom chairman were pacing anxiously in their Pretoria offices, waiting for a telephone call from London At 5pm UK time (7pm in Pretoria) the two remaining consortia in the bidding for 30% of Telkom had to submit their final offers to the London offices of SBC Warburg, Telkom's advisers

SBC Communications, the giant US telecommunications operator had asked its London bankers to have a team ready on Friday morning to type, print and bind its bid offer Final amendments were made on Friday morning and later that afternoon four thick volumes were delivered to Warburg

The documents contained a $1 28-billion offer for 30% of Telkom on behalf of SBC Communications (formerly South-Western Bell) and Telkom Malaysia It also detailed a massive R53-billion capex plan to develop and upgrade 4-million new telephone lines in South Africa

Naidoo and Moseneke were dutifully informed of the documents' arrival "We were speaking to Warburg almost every 20 minutes, getting updates," recalls Naidoo

But the call he was really waiting for did not arrive The 7pm deadline came and went. Instead Naidoo received a call from Ron Sommer, chief executive of Deutsche Telekom the giant German telecoms operator "He was very apprehensive but told us that his board had asked him to withdraw the offer for Telkom," says Moseneke

The previous day Moseneke and Naidoo had been warned by Sommer of the board's resistance to the bid but the two were still hoping for a last-minute change of heart

A third potential offer from France Telecom also failed to materialise. Only 10 days prior to the deadline the two European operators had secretly agreed to submit a joint bid "The French were furious and so were the Deutsche Telekom team in Johannesburg who had just seen months of work come to naught," says a banker close to the deal

He says the Deutsche Telekom board conveyed to Sommer that they simply had too much on their plate, having just spent Dm20-billion on new investments in eastern Germany and Hungary during 1996

But the real reason for the last-minute withdrawal were the stiff targets set for the telephone network expansion programme

In terms of its licence requirement, released by Naidoo on February 6, Telkom was given five to six years to effectively double the telephone network in South Africa and improve telephone penetration in all provinces In addition, Telkom was asked to improve on its hitherto poor customer service record (see map and table)

"The roll-out schedule persuaded them that their resources could be better used elsewhere," an adviser to Deutsche Telekom Tom Casey of Merrill Lynch, has conceded

It has also emerged that the final price the European consortium was willing to pay was well below the SBC Communications/Telekom Malaysia offer

After the initial disappointment about Deutsche Telekom's withdrawal, Naidoo asked for details of the winning bid He was delighted, having got almost everything that he asked for — a price of R5 58-billion, well within government's optimistic estimates, R2 3-billion in human resource expenditures, and, most significantly, an extensive, R53-billion roll-out plan for the telephone network, comprising 2 7-million new lines, 120 000 payphones and digitising 1 25-million analogue lines

"In measuring the economic impact of this deal the expansion plan is crucial It will sell the deal to the communities," says Naidoo

That Friday night SBC's man in Jo burg, Jim Myers, a congenial Texan was blissfully unaware of the London drama. "I received a call in the morning from San Antonio (SBC's head office) to say that Deutsche had not submitted a bid I was stunned, but at the same time delighted " he recalls

"South Africa has enormous economic potential and the deal will be profitable for us every step of the way " he says preempting queries about the targets set by the SA government.

Deutsche Telekom's withdrawal proved a blessing in disguise Telkom had prepared for a dual set of negotiations and primed an army of lawyers to deal with two lots of bidders

Instead only one team of experts and lawyers set off to London to meet with their counterparts from the US and Malaysia. The deadline given to the legal eagles was the last week before the Easter weekend "And they did it which is a miracle of timing," says Myers

On Wednesday, March 26, the media was duly summonsed by Naidoo to a 2pm conference at Gallagher Estate to announce the deal After a request from London the announcement was delayed by a further two hours before Naidoo proudly declared the deal done

In the aftermath of the successful bid ANC politicians have finally resorted to labelling the deal a partial privatisation (it is in fact sub-Saharan Africa s largest single privatisation to date) When the Telkom deal was first conceived, and as recently as mid-1996 the p-word was taboo

While Naidoo is basking in the glory of a job well done government's early approach to Telkom's partial privatisation is a story of policy bungles In fact its early attempts at circumventing privatisation for its parastatals have proved a costly failure — the cost of 4-million new and upgraded telephone lines under Telkom's Vision 2000 programme has mushroomed from the initial estimate of R32-billion to R53-billion

Neither Myers or Naidoo have yet provided a breakdown of the sudden surge in the cost of the roll-out although Naidoo suggests that the original R32-billion estimate was less precise than the figure provided by the strategic equity partners

Myers believes that the R53-billion tag is a fairly accurate assessment of the cost as SBC included so-called Request for Information estimates by most of the world's leading telecoms equipment suppliers

What remains undisputed though is that government at first vastly underestimated the task of expanding the telecoms network and failed to realise the need for a private-sector partner to provide financing, technology and management expertise

Naidoo is adamant that the process could not have commenced earlier "Privatisation is a holistic process and has to be driven by the shareholder the state and not by the underlying parastatal We also had to address the legitimate concern of trade unions about job losses "

A few months after Naidoo took over the portfolio in April 1996 after his failed stint at the RDP office he embarked on a tour to a dozen or so telecoms operators identified by Telkom in an earlier assessment

But it was only in October that the cabinet approved selling 20% to 30% of Telkom and released a short-list of seven candidates Deutsche Telekom and France Telecom KPN of the Netherlands Stet of Italy, Sweden s Telia, SBC and Malaysia Telekom

SBC and the Malaysians started talking about a possible alliance Six months later only they remain

DIKGANG MOSENEKE

JAY NAIDOO

JIM MYERS

**TELKOM'S TOUGH TASKS DURING THE FIVE-YEAR EXCLUSIVITY PERIOD**

**TELEPHONE NETWORK**

Spend R53-billion on rol-ut of

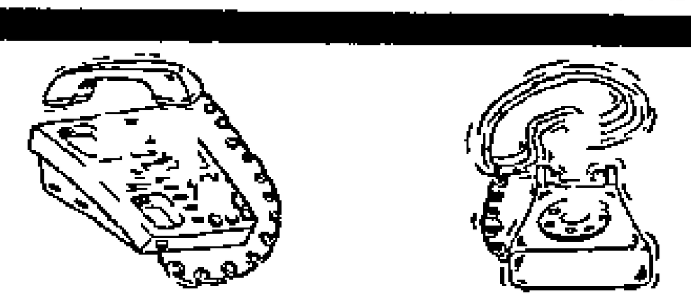
- 1 25-million analogue ... digi...ed
- 2 000 free Internet connections plus computers

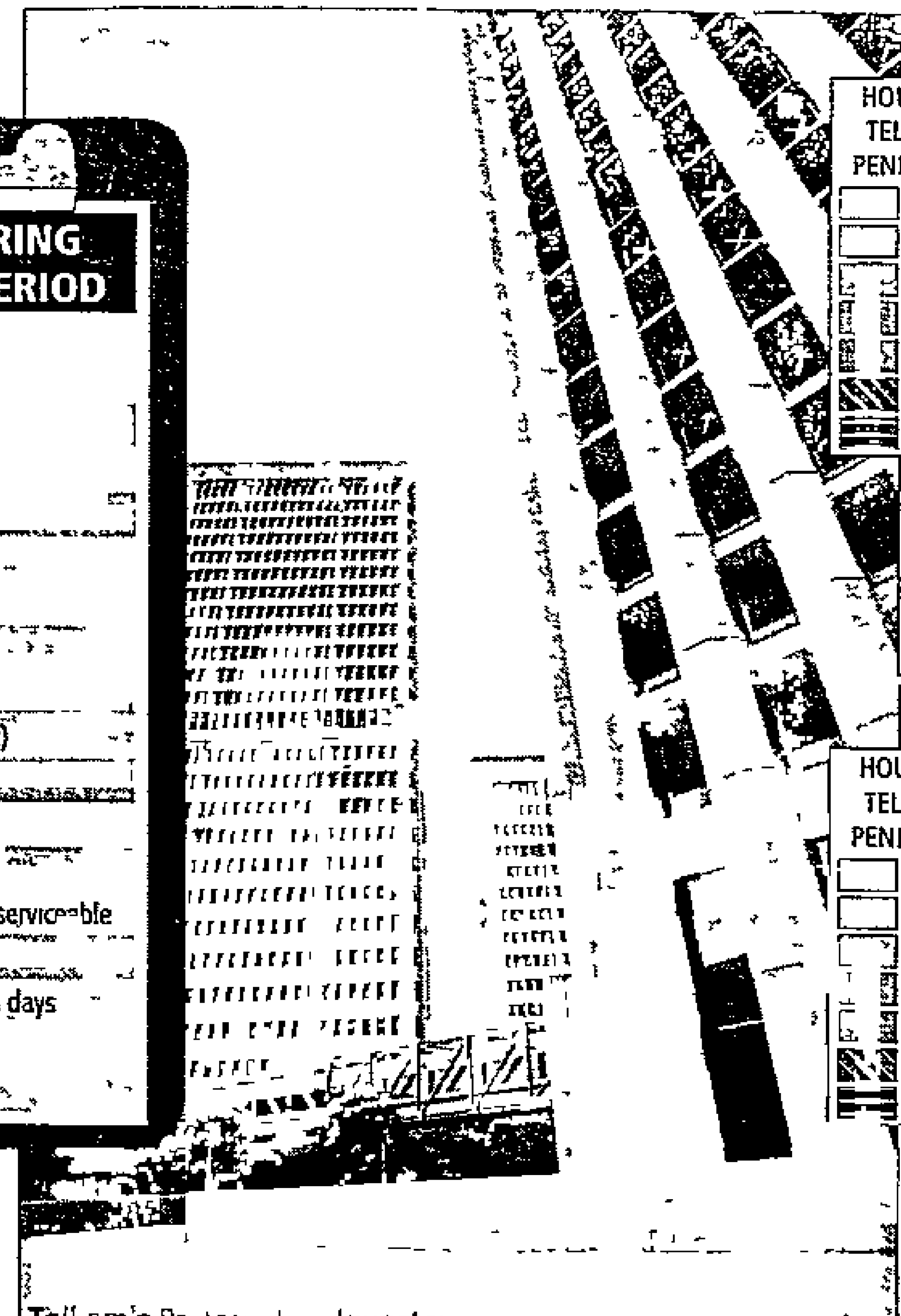
**HUMAN RESOURCES**

- R2. -billion training pr... ramme
- ...ffirmative action ... black managem... ...002)

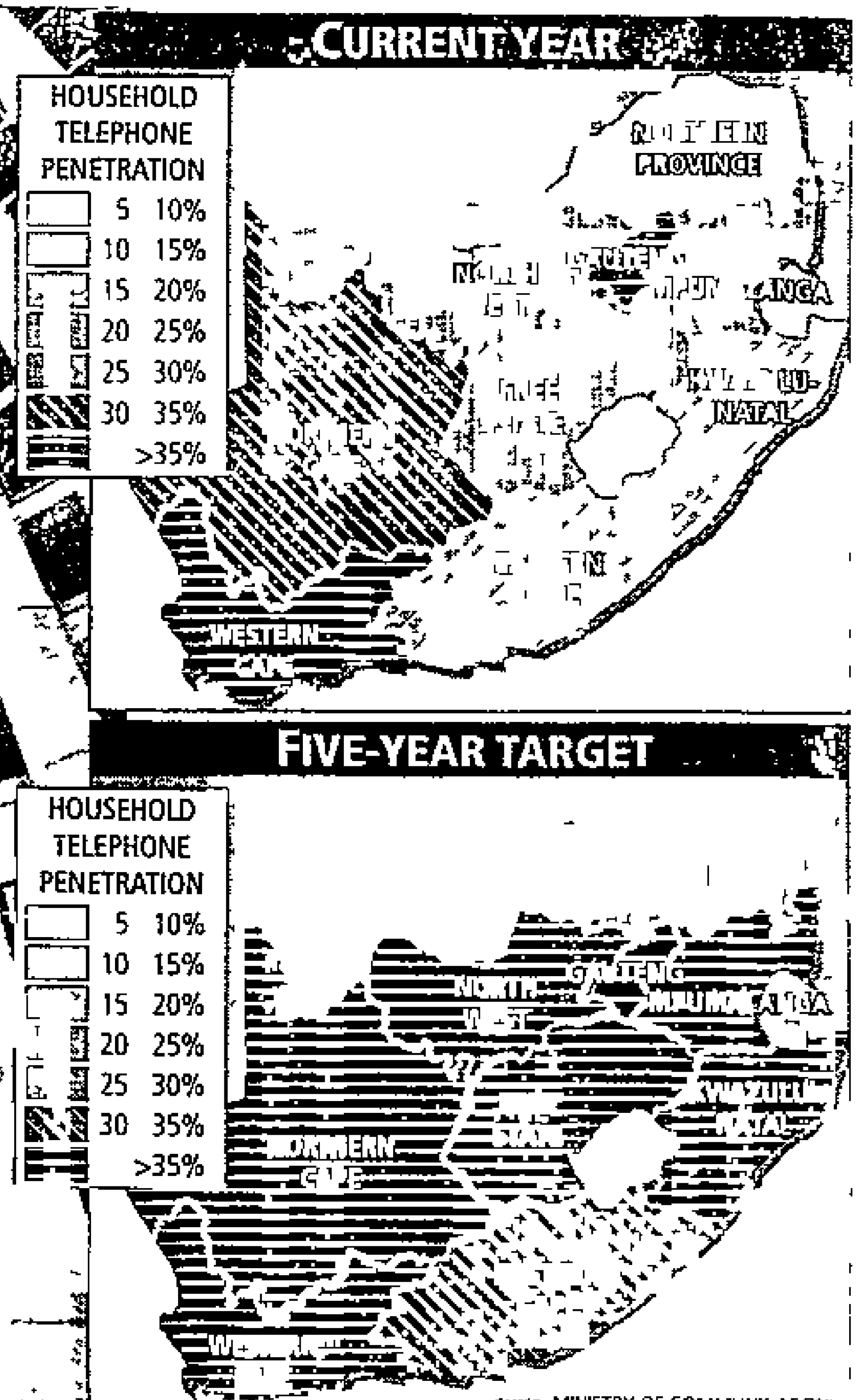
**CUSTOMER SERVICE**

- ...f coin phones a... 95% of card ...ones to be serviceable
- 30% of orders for ... iden... phc... ...thin 28 days
- Introduce itemised billing





Telkom's Pr... ...dquarte...




Source MINISTRY OF COMMUNICATIONS

# Telkom sale will test Bank policy

(267)

Greta Steyn

BD 9/4/97

ABOUT R4,4bn is set to flow into the money market in the next three months in the form of Telkom's share of its privatisation proceeds — creating a monetary policy challenge for the Reserve Bank

The proceeds will also boost foreign exchange reserves, helping cushion the rand from the adverse effects of the easing of forex controls and facilitating the Bank's policy to reduce its role in the forward cover market

Bank spokesmen confirmed yesterday that the bulk of the $1,26bn inflow from the sale of an equity stake in the telecommunications parastatal would affect the money market, as Telkom's bank accounts were in the private sector.

Telkom will get $1bn of the proceeds, while the rest will go to central government to retire debt

Bank governor Chris Stals confirmed market talk that the Bank was taking an interest in the issue He was awaiting details on the inflow, as the Bank planned to take action to offset the inflow of liquidity into the money market to avoid undue downward pressure on interest rates "The decision on the extent to which the inflow will be counteracted will be taken closer to the time, and will depend on market conditions and the economic cycle "

"The Bank can use instruments such as treasury bills and currency swaps to mop up the liquidity."

A spokesman for the Bank's foreign exchange division said that the inflow would have no direct effect on the currency market However, as the foreign currency would be sold to the Bank, it would provide a healthy cushion of reserves at a time when forex controls were being eased and the Bank was scaling down its activities in the forward currency market Little detail was available yesterday about the timing of the inflow, although a telecommunications spokesman said that it would come into the country in one tranche in eight to 12 weeks' time

Continued on Page 2

# Telkom

(267)

Continued from Page 1

BD 9/4/97

Analysts applauded the timing of the inflow, as it would coincide with the move to ease forex controls on individuals in July As a result, demand for forex was unlikely to put pressure on the rand and interest rates

The money market shortage has remained at about R10bn for most of this year, despite bankers' hopes that it would decline and ease the squeeze on their interest rate margins The shortage is the amount of cash the banks need to borrow from the central bank daily to balance their books.

Bankers believe the Bank is happy with a high shortage, as it reduces the incentive to create credit

The lack of liquidity in the market is partly the result of the Bank's action to reduce its forward cover book from a massive $20bn Money market interest rates edged up this week as a result of the tight liquidity conditions.

Traders said they hoped the Bank would allow some easing in conditions when the privatisation proceeds came into the market.

**ELECTRICITY** *Utility determined to keep competitive regional edge*

# Eskom confronts power play

CT(BR) 16/4/97 (267)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — English and French electricity providers were about to enter the southern African market and Eskom was already encountering competition from Belgians in Zaire, Reuel Khoza, the newly appointed chairman of Eskom, said yesterday

As a result, pressure was mounting for the local electricity giant to maintain both international and regional competitiveness, he warned

This was despite the fact that Eskom was now the lowest cost producer of electricity in the developed world — an achievement in which the depreciation of the rand had played a part

Speaking during the second leg of a nationwide roadshow to bid farewell to outgoing chairman John Maree, Khoza adopted a tough stance on a number of controversial challenges facing the public utility He warned that by playing big brother in the region, Eskom risked destroying crucial relationships Nevertheless, it would exploit its "Africanness" and had already begun working with close neighbours like Mozambique

**SWITCHOVER** *Reuel Khoza, the newly appointed chairman of Eskom, and outgoing chairman John Maree*

Allen Morgan, the chief executive, said Eskom would take one stage further the Southern African Power Pool, formed between the SADC states plus Zaire and Zambia in 1995

He said Eskom would soon step beyond trading power within the region to equity ownership At present, Eskom exports 2,7 percent of its power into the pool area In addition, it was busy assisting with recommissioning Cahora Bassa from which it would import power

Morgan said Eskom's participation in the pool would strengthen the network's services and keep out competition He said Eskom would continue to concentrate on areas of core competency

# Telkom to defy Competition Board 'request'

(267)

Lukanyo Mnyanda BD 22/4/97

TELKOM said yesterday it would defy a Competition Board "request" to release financial information on the SA Internet Exchange (SAIX), following accusations of restrictive practices from the Internet Service Providers' Association

The board became involved in the matter late last year when the service providers complained about the Internet exchange, saying its product benefited unfairly from Telkom's monopoly

The service providers said the exchange was being unfairly cross subsidised and they feared that cross subsidisation could create scope for predatory or transfer pricing There were concerns Telkom could discriminate against non-Internet Exchange-aligned service providers in service, installation and maintenance

Telkom public affairs group executive Victor Moche said yesterday that the parastatal would not release financial information on the Internet exchange until a number of "industry issues" were resolved Telkom believed the matter should be handled by the SA Telecommunications Regulatory Authority and that the Competition Board's involvement could lead to an infringement of its exclusive rights as stipulated in the Telecommunications Act and its licence Telkom would take the matter to the authority

# Govt sees expanded role for Post Office

BD 29/4/97 (267)

Robyn Chalmers

GOVERNMENT is planning a substantial expansion of the Post Office's services to boost revenue, including a possible takeover of SA's social pension payouts, a role in tax collection and a bid to run the planned national lottery

Proposals in the Post Office green paper, due for release this month, indicate government is considering relaxing the parastatal's monopoly of letter delivery, excluding standard-sized letters, as well as looking into expanding Postbank's role to include delivery of rural financial services

Communications department senior GM Howard Gabriels said at the weekend government had made it clear it wished to phase out the Post Office's annual subsidy, which averages R500m Means of boosting revenue had to be considered "We are looking at new business opportunities for the Post Office which will generate revenue while fitting into the profile of small transactions with high volumes. This could include expanding the Post Office's agency function to playing a role in tax collection, and the nationwide payment of water and electricity bills, for example," he said.

Gabriels said the Post Office would bid for the single lottery licence once tenders were called for — expected this year — and could seek partners Internationally, lotteries were normally run by a state agency, he said, and post offices had played a central role in their operation in a number of countries

Government was also looking into a five-year plan to bring the Post Office back to profitability Posts, Telecommunications and Broadcasting Minister Jay Naidoo had called on the Post Office board to appoint an independent firm to advise on its financial position, a new business strategy and future organisational structure It was envisaged that the firm's report would be completed by August

Gabriels said legislation providing for the Post Office subsidy would fall away on July 10 this year, and new leg-

Continued on Page 2

## Post Office (267)

Continued from Page 1 BD 29/4/97

islation would allow government to subsidise the parastatal for a maximum of five years. During this period the Post Office would have to go through normal budgetary procedures to obtain a subsidy, rather than the present situation whereby its losses were a direct charge against the Revenue Fund. This eliminated the Post Office being given a "blank cheque".

In terms of a five-year plan implemented after the Post Office was commercialised in 1991, the company was supposed to make an R81m profit in 1996/97 but is expected to make further losses after posting a loss of R572m in 1995/96 Gabriels said the main reason for the Post Office's losses was that the original strategy of increases in postal tariffs of up to 33% a year had been abandoned due to political sensitivities, so revenue could not keep pace with projections.

CAPE

NEWS

# Telkom billions flow in

(267)

## *Consortium pays R5,6-bn for 30% stake*

ARG 14/5/97

ɥeke, Dato Mohamed Said CEO of Telekom Malaysia, his wife Datin Sophia, Whitacre of SBC in the United States and Jay Naidoo celebrate the deal

**ALIDE DASNOIS AND LLEWELLYN JONES**
Business Reporters

**In what is probably the biggest foreign investment deal ever, more than R5,6-billion will flow into South Africa today when a consortium of foreign buyers pays for a slice of Telkom.**

The deal, announced in March and signed in Cape Town today, gives the Thintana consortium – made up of Telekom Malaysia and Texas-based SBC – a 30 percent stake in Telkom and marks the first step in the privatisation programme driven by Posts and Telecommunications Minister Jay Naidoo

The consortium is paying $1,26-billion for its share in the State-owned telecommunications group

About $260-million will be paid to the State and used to settle debt, and the remaining $1-billion will be paid to Telkom to finance new infrastructure

Other shares in Telkom – probably about 10 percent – are to be sold to previously disadvantaged groups through the new National Empowerment Fund, run by the Department of Trade and Industry

The state will keep control of Telkom, which will maintain its telephone monopoly for five years in terms of a 25-year licence agreement

In return, Telkom has undertaken to double the telephone network in five to six years

The Malaysian and American partners were chosen from a list of bidders, including the French and German telecommunications groups

The German company Deutsche Telkom pulled out of the competition in February, claiming the infrastructure targets set by Mr Naidoo were too demanding

Telkom chairman Dikgang Moseneke will stay at his post SBC's Mac Deschwind has been appointed chief operating officer

The chief executive of the restructured group has yet to be appointed

# Number of traditional post offices to be reduced

BD 30/4/97 (267)

Robyn Chalmers

THE number of traditional post offices will be significantly reduced over the next eight years, but retail post office and postal agency numbers are likely to leap, says a discussion document on postal policy.

The document said that one of the objectives of the Post Office was to create a cost-effective and ideal network of post offices and postal agencies around SA.

Over the next eight years the number of traditional post offices would be reduced to 1 000 from the current 1 402, the number of retail post offices increased to 1 000 and 1 500 new retail postal agencies created.

"This rollout of infrastructure will take into account the equitable distribution of the retail network to ensure all citizens will have access to all postal services," said the document, which was drawn up by a technical task team comprising representatives from government, business, civics, trade unions and the Post Office.

The document said that providing addresses to previously disadvantaged communities was one contribution the Post Office could make to building the economy.

Communications department senior GM Howard Gabriels said the parastatal's universal service obligations meant the Post Office had to provide a postal service at a uniform price around the country and ensure that post offices were set up in a broad range of urban centres, as well as unprofitable rural areas.

Gabriels said this had placed pressure on the Post Office's finances and was one of the reasons behind government's decision to continue subsidising the organisation, although this subsidy would be phased out over a period of five years.

In terms of a Post Office green paper due for release next month, government was likely to consider relaxing the Post Office's monopoly of letter delivery, excluding standard-sized letters.

Gabriels said it was important to retain the monopoly on the delivery of standard letters as there was an element of cross-subsidisation which private sector operators were unlikely to continue. However, consideration could be given to progressively introducing competition in other postal services.

Comment: Page 13

# Secure mail service launched

Robyn Chalmers (269)

BD 15/5/97

THE Post Office launched a new business unit yesterday to handle security-sensitive items such as credit cards, which are a prime target for thieves

Post Office MD Frank Touwen said Securemail had already started operating and would handle more than 2,5-million credit cards a year

It was established with the full co-operation of major financial institutions to minimise postal theft and fraud

"Although the Post Office is only one of the areas where theft may occur, it is essential to close all loopholes There has been a significant decrease in credit card theft since Securemail started operating, and 99% of cards handled are being delivered successfully"

Credit cards are distributed only by the Post Office's courier service, Speed Services Couriers Specially assigned post office staff handle distribution to customers

Securemail could also handle share certificates, cheque books and account cards

# Plan to give all access to phones

BD 19/5/97 (267)

Robyn Chalmers

ALL South Africans should have access to a telephone within the next five years in terms of the objectives of government's Universal Service Agency, which was officially launched on Friday.

Agency head Mlungisi Hlongwane said that while the agency's long-term goal was to extend universal service to as many South Africans as possible, the more immediate task was to provide universal access to all This meant a phone which could be reached within 30 minutes

Hlongwane said there was an uneven spread of telephones throughout SA, even through the average was 9,5 lines per 100 people against the world average of 11 However, in reality the figure was 50 telephones per 100 people or higher in rich areas and one telephone for every 1 000 people in poor areas — notably in parts of the Eastern Cape.

"This is wrong Together with the communications department and the SA Telecommunications Regulatory Authority, it is the key aim of the agency to transform access to phones throughout SA," he said

Other aims in the first year of operation would be to co-ordinate stakeholders in the field, research and make recommendations on how regulation and other instruments could be used to promote universal service

Pilot tele-centre projects would also be set up to explore sustainable ways of providing practical telecommunications to disadvantaged communities throughout SA

The agency would also manage the Universal Service Fund to which government has allocated R3m this financial year The fund, which would hold a percentage of funds allocated from the licences of all telecommunications suppliers, would support projects that increased universal access or service

Post, Telecommunications and Broadcasting Minister Jay Naidoo said building a strong telecommunications infrastructure was necessary for the development of SA

"For too long these services have only been available to a minority People who live in rural areas have as much of a right to these services as those in cities"

Naidoo urged all other organisations that shared the goal of universal access to telecommunications — especially the private sector — to support the agency wherever possible The task was so great it could be achieved only by the concentrated efforts of government, the private sector and wider civil society, he said wade said

# Telkom beats black empowerment track

(267)

Robyn Chalmers

BD 20/5/97

TELKOM had far exceeded last year's target for the empowerment of black suppliers, Telkom economic empowerment executive Mike Nkosi said yesterday

Speaking at an inaugural monthly economic empowerment update for Telkom staff, Nkosi said it had been decided a minimum of 6% of purchases — R28m — would be procured from black suppliers last year, rising to a minimum of R150m this year

"In practice, we were able to achieve a spend figure of R58m on black economic empowerment during a nine-month period last year This is gratifying evidence of the determination to realise the objectives of the economic empowerment policy approved by the board," Nkosi said

He said progress in the past year was such that Telkom was optimistic it would meet and even exceed its empowerment targets for this year

Telkom's economic empowerment policy included affirmative action, procurement, outsourcing and corporate social investment Progress to date had been good — particularly in the area of procurement

Key objectives of the economic empowerment policy through procurement included facilitating access by black companies and using black empowerment as a criterion in adjudicating all submissions by tenderers, Nkosi said

The policy also aimed to encourage the development of entrepreneurship and business skills in the black community and to provide incentives to suppliers on the basis of their track record.

"A black supplier network was established virtually from scratch More than 300 black suppliers were interviewed and a database set up which will be continuously updated and maintained" Nkosi said empowerment principles were formally integrated into Telkom's process of supplier evaluation, sourcing teams and supplier selection

# Telkom tender stalled amid bias claims

BD 3/6/97 (267)

**Lesley Stones**

A TENDER issued by Telkom for creating a value-added network worth more than R100m has been halted amid allegations that the tender was biased towards a specific vendor.

While Telkom denied the contract favoured one company, it said it was reviewing the tender specifications and might separate the contract into various parts

The Enterprise Network Service tender called for the creation of a national value-added network to supply advanced communications services to business customers and to help Telkom improve its delivery of basic services

Sources said many companies did not bid as the tender seemed to be written in favour of technology from Newbridge Networks

"Normally in the information technology industry things are kept pretty open and this was not," said a source at a major networking company

The Competition Board was investigating an allegation that the tender was biased. However, board chairman Pierre Brookes said "No one is going to stand up and be counted on this and that makes the work of the Competition Board very difficult" Discreet inquiries had been made and a chartered accountant's report appeared to give the tender a clean bill of health

Persetel, Bay Networks and Siemens refused to comment Cisco Systems, which was involved in the bidding, also refused to comment.

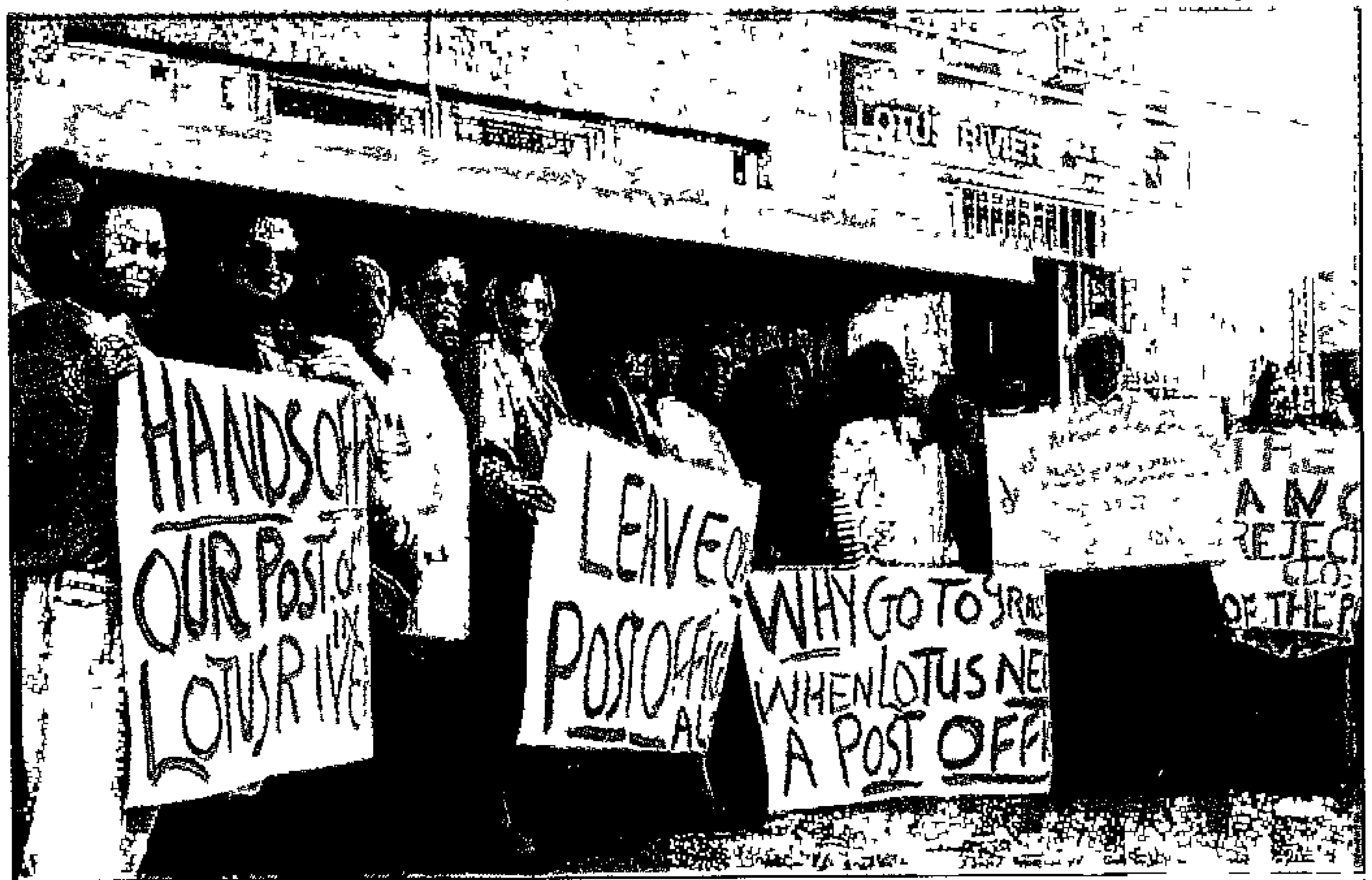
Three consortiums were short-listed after the tender closed on January 2. They were understood to be black empowerment organisation Cein, bidding with Cisco, a consortium led by Alcatel, and a consortium of Siemens, Newbridge Networks and Q Data

Newbridge Network denied that the tender favoured its technology Andy Bull, regional manager for Africa, said. "It was a tender that Telkom had consultants in to write, so I don't see how it is biased We do have a very high degree of compliance, but we have competitors who I believe should also have a high degree of compliance."

Last week Telkom said it was still in negotiations with the three short-listed bidders and it had the full co-operation of its strategic equity partner

However, Telkom strategy and business development executive Blackie Lahoud said yesterday Telkom's new partners, SBC and Telekom Malaysia, were now taking another look "Our expectations were too high We wanted a lot of things and in reality there's nobody who can do it as an individual organisation "


Not fair: angry pensioner Alan Jansen protests



DOUG PITHEY

Standing firm: protesting pensioners with banners outside the embattled Lotus River post office

Burden: picketing pensioner Rukea Williams

# City pensioners stage demo over post office closure

ARG 6/6/97 (267)

STAFF REPORTER

**A decision by the Post Office to close the Lotus River branch has sparked an outcry among residents.**

Hundreds of pensioners held a picket demonstration outside the building yesterday to protest against the closure, which is part of the Post Office's rationalisation programme.

"The ANC in Grassy Park and Lotus River has rejected the decision and called on the Post Office to continue this important service to the community.

The Grassy Park post office is 2,5km from the Lotus River branch and the minimum return taxi fare from virtually any point in Lotus River is R5.

South Peninsula Lotus River councillor Peter Gabriel rejected the closure saying the Grassy Park post office was not within reasonable distance for his ward's residents

"We are convinced this decision is not in the interests of the community," Mr Gabriel said.

"This post office is the monthly pension pay point for a large number of pensioners and welfare grant beneficiaries "

It also served people living in neighbouring Pelican Park and parts of Zeekoevlei Closing it would force people to travel to Grassy Park at great inconvenience and additional cost.

He said people faced the prospect of having to wait for taxis and buses in the rain during the winter as shelters were virtually non-existent.

"The closure will place a greater burden on the poor. A large proportion of the community live in council-owned houses and flats. They are already struggling to pay off huge arrears for rates, rents and services. Now they will have to spend more money and time travelling for postal services," Mr Gabriel said.

He was disappointed that the post office had not bothered to consult the community. "We recognise the need for rationalisation but it should not happen at the expense of the poor," he said.

At a meeting with community representatives yesterday, Post Office authorities agreed to keep the Lotus River post office open until the end of July while the closure was re-investigated.

TELKOM (267)

# Bureaucracy gone mad

FM 6/6/97

Threat of space wars as Internet industry comes under attack

**Telkom is** tightlipped on the contents of a submission it is to make to the telecommunications regulator, Satra, later this month

However, the corporation is expected to ask the authority to include Internet Protocol (IP) provision in its monopoly telecoms licence IP is the communications protocol that forms the basis of the Internet

Rikus Matthyser, enterprise network services product manager at Telkom, says the corporation will not release the submission to the press He says Satra can do so, adding that the document is still being finalised and he won't comment until Communications Minister Jay Naidoo has accepted its contents

Telkom has recently hardened its stance It argues that IP is a basic service, not a value-added one, and should be included in its licence

Matthyser says Telkom cannot allow competition to erode its profitable businesses, thus affecting the social responsibility targets set out in its licence

But the Internet Service Providers' Association is set for a fight Joint chairman David Frankel says if Satra rules in Telkom's favour, the association will take legal action

Frankel says legal counsel has advised him that Telkom has no legal grounds for contesting that IP provision should be included in its monopoly licence "What Telkom is proposing flies in the face of one of the most entrepreneurial industries this country has ever seen" Duncan McLeod

(267)

FM 6/6/97

TELECOMMUNICATIONS

# Telkom sparks cable war

Major obstacles could scuttle plans for new undersea link

**Telkom is poised** to unveil ambitious plans for a US$400m undersea cable which would hug the west African coastline from Cape Town to Senegal

The project fits into Telkom's ambition to own a hub for global telecoms traffic destined for Africa and an alternate link between Europe and the Far East "We are hoping for part of the traffic between Europe and Asia," says Telkom head of global cable business development Johan Meyer

With Telkom carrying 40% of all African traffic, the project could spell the death of the highly publicised — and at $1,4bn much more costly — Africa One project

But the proposal is controversial and will



have to overcome numerous obstacles It is not clear how Telkom can justify the venture when its Sat-2 cable — which connects Cape Town to international nodes in Madeira and the Canary Isles — is only 25% used

Also, Telkom's board has already approved a proposed $280m SA-Far East (Safe) cable to Malaysia in which Telkom will hold a 10%-20% stake Telekom Malaysia (which recenty took a 12% stake in Telkom), Mauritius Telecom and Cable & Wireless have also invested in the project

But Africa One, a mammoth fibre optic ring circling the continent, is the biggest stumbling block because it would duplicate Telkom's proposed cable systems

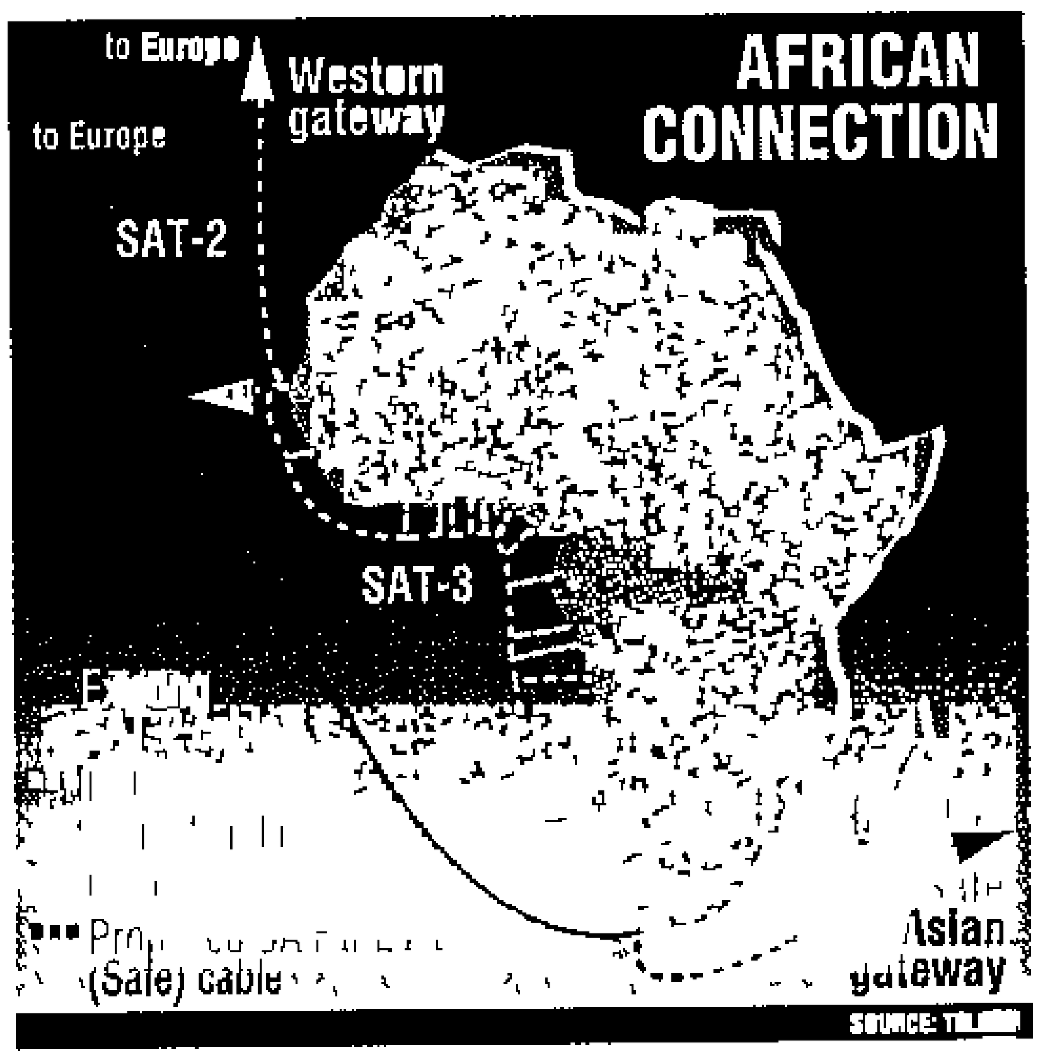
Telkom could also be forced to reconsider its latest project should AT&T, one of the original backers of Africa One, become one of its shareholders

AT&T is poised to merge with SBC Communications, which recently acquired 18% of Telkom, and Telkom could battle to persuade AT&T to discard a project which it initiated But Meyer is optimistic the new Sat-3/West African Submarine Cable system has a chance He is sceptical of Africa One's commercial feasibility "We don't see eye-to-eye with Africa One Originally expected to cost $2,4bn, it is continually being scaled down because of concerns that it is unaffordable for many African states"

He also dismisses suggestions that Sat-2 is under-used, pointing out that submarine cables have a 25-year lifespan Half of the cable was designed to remain redundant for system restoration Sat-2 should be fully used by 1999, five years earlier than initially expected Its R250m price tag has been shared by Telkom (which owns 69% of the cable) and 15 European operators

Meyer adds that Sat-3 will have 40 times the capacity of Sat-2 and Telkom intends to own only 10% of the system The plan is to have 14 African landing points by 2000 So far, three African operators have agreed to landing rights

Marina Bidoli




FINANCIAL MAIL · JUNE 6 · 1997

Business Day

TUESDAY, JUNE 11 1997 www.bday.co.za

A BDFM publication

VAT Subscription R1,70 inc VAT (where available)





# Adjudication on Telkom's bid for five-year Internet monopoly begins

(267) BD 11/6/97

Lesley Stones

ADJUDICATION on Telkom's bid to win a five-year monopoly over Internet access began yesterday

Telkom claims Internet access is a basic network service and should be subject to the same exclusivity period it holds over telecommunications

Internet service providers are opposing the bid and the SA Telecommunications Regulatory Authority (Satra) is adjudicating

Telkom and the Internet Service Providers' Association held separate talks with Satra yesterday "We wanted to hear each of them and did not want to get into any fisticuffs," said Satra chairman Nape Maepa

The row began last year with allegations that Telkom was engaging in discriminatory pricing practices and cross-subsidisation, making it difficult for service providers to compete

Service providers argued yesterday that Telkom was trying to monopolise an industry which thrived on the backs of entrepreneurs "Some service providers have invested millions of rands in their infrastructure and if Telkom gets its way anyone who has invested any capital will go to the wall," said David Frankel, joint chairman of the association and joint MD of The Internet Solution Telkom was simply muscling in now that it had seen how lucrative the industry was

Telkom public affairs group executive Victor Moche said· "In the past three years there has been a lot of debate about how the network should be set up and service providers went into that niche based on a regulatory vacuum But the Internet was something you could not pre-empt It had to start growing before you could pass regulations to sustain it "

Maepa said Satra would study the submissions and devise a regulatory framework. This could take up to three months as auditors first had to probe the cross-subsidisation allegations

If Telkom gets its way, Internet access will be available only through its SA Internet Exchange That will force "first-tier" service providers, which have invested heavily to build switched networks on facilities leased from Telkom and through connections to service providers abroad, to stop reselling bandwidth

"The telecommunications act prohibits service providers from reselling bandwidth without adding any value .. which providers are contravening," said Telkom public affairs group executive Pinky Moholi Providers should be limited to value-added services such as e-mail, database access, customer billing and website hosting

*Regulatory ruling on Internet dispute expected to take three to four months*

# Satra tells Telkom to back off

ET (BR) 13/6/97 (267)

JENNIGAY COETZER

Johannesburg — Telkom has been rapped over the knuckles by the South African Telecommunications Regulatory Authority (Satra) over its bid to monopolise access to the Internet

Satra told the state-controlled telecommunications company to refrain from claiming to be entitled to be the exclusive provider of Internet access

The announcement came after presentations on Tuesday by Telkom and the Internet Service Providers' Association, which represents private sector Internet service providers, on the dispute over whether all aspects of the Internet should be open to competition

At stake is the estimated R100 million investment by the private sector in Internet access, an investment that connects some 250 000 users to the Internet If Telkom wins its bid, the private companies would have to dismantle their systems and use Telkom's

Telkom is claiming the basic "Internet access platform", which carries Internet traffic across the public telecommunications network, falls within Telkom's five-year exclusivity licence on voice services granted recently

In its interim positioning statement, Satra said the possibility exists that "telecommunications facilities and Internet access platform" may not have the same meaning

"It may be the same, but we are keeping the door open," said Allison Gillwald, a councillor at Satra.

The directive, delivered in a letter to all parties concerned in the dispute, was issued in a bid to "stabilise the industry" while Satra assesses the position, she said

In issuing its instruction to Telkom, she said Satra had taken a preliminary internal viewpoint and had not as yet sought outside legal advice "Satra must familiarise itself with the technical position," she said.

She said Satra is expecting to come up with a ruling on the dispute within the next three to four months In the interim, she said, Telkom was free to continue its Internet business

An element complicating the issue was the fact that portions of the new Telecommunications Act had not yet been promulgated That was only expected to happen early next month, said Gillwald.

These include the section relating to value-added services, which are therefore "not yet under the auspices of Satra"

It is expected the Internet will be regulated under this section of the forthcoming act.

□ Business Watch, Page 14

CALL-BACK SERVICES (267)

FM 13/6/97

# The wrong connection

Consumers get stung in efforts to bypass Telkom

**Do you** use a US-based call-back service for overseas calls? If so, you'd better start checking your bank statement The concept is simple Sign up with the service provider, call any number worldwide, and save 20%-40% on Telkom's charges

All that's needed is your credit card number To book a call, phone a local number, and within minutes you're called from the US and put through to your number

But some US companies are now debiting accounts for calls that are never made One complainant, who signed up with Bell International, found his account debited with US$82,30, long after he cancelled the service

A Nedbank spokesman says "We know some service providers are debiting cardholders for calls they didn't make We get at least five queries a day"

A First National Bank spokesman says that in November R34 000 was refunded to clients for calls they didn't make In January it was R43 000

Another top business source signed with International Long Distance Telephone Company of Los Angeles She has never used the service, but has been debited with "calls" every month since June 1996

Neither Bell International or International Long Distance was available for comment

David Pincus

# Foreign affairs and major companies stream to callback operators

(267) BD 18/6/97

Robyn Chalmers

THE foreign affairs department and numerous major companies have signed up with callback operators, threatening to erode Telkom's revenue from international calls

Rhyme Greeff, Telkom's international business managing executive, who has condemned callback services, said yesterday the utility had been informed a range of organisations had signed up or were considering doing so.

Gianfranco Cicogna, MD of Ursus — the largest callback operator in SA — said corporations were streaming to the organisation. Among those signed up were Nissan, Panasonic, Mercedes-Benz of SA, Safmarine and Didata, and talks were being held with the trade and industry department.

Greeff said he had effectively stopped the activities of Star Telecom, the Geneva-based callback operator Star Telecom's service was "pure, unadulterated piracy" as it had no representative in SA and was using Telkom's network "I have stopped this and am against all such operations Callback services degrade our network without contributing financially"

Since it started advertising in SA last week, hundreds of callers have complained to Star Telecom that they could not get through, leading to allegations by the organisation that Telkom was blocking its lines.

Star Telecom Geneva MD Dieter Schultz said Telkom had clearly "clamped down" on its service and he would consult Star Telecom's US head office to see if legal action was planned.

Greeff said action had not been taken against other operators but Telkom was watching the situation closely Callback operators' effect on Telkom's international business was still small, affecting about 3% of calls, but had a high nuisance value and was growing rapidly

Foreign affairs department telematics director Hans Cornet said the department had been negotiating with Telkom for four years for corporate or concessionary rates. "Telkom never came up with the goods so we decided to sign up with one of the callback operators last year. Since then, we have averaged a 40% saving on our international calls Callback services are completely legal in SA and Telkom needs to keep up"

Cornet said he had been accused by Telkom officials of being unpatriotic.

The SA revenue service has introduced legislation to make callback operators pay value added tax on services and Cornet said even if he had to pay the 14% tax, the department would still save 26% on calls abroad

No 8 of 1996, is being implemented in each province According to ELRC Resolution No 3 of 1996, a moratorium has been placed on the permanent filling of teaching posts, and all vacant posts are reserved to accommodate serving educators that should be redeployed Most provinces are still implementing the first phase of rationalisation

Currently most of the existing vacant posts are filled Although not permanently, most of them do contain an educator who is performing the necessary teaching functions Posts can be filled on a temporary basis and persons who have been granted a voluntary severance package (and hence created a vacancy) can be held against the said post for a period of up to 18 months

The most recent, available figures concerning vacant teaching posts are listed below The information is as on 20 March 1997 except for the Free State, Northern Cape and Western Cape for which the dates are 2 May 1997, 1 April 1997 and 20 May 1997, respectively

| *Province* | *Vacant teaching posts* |
|---|---|
| Eastern Cape | 4 416 |
| Free State | 862 |
| Gauteng | 2 507 |
| KwaZulu/Natal | 6 972 |
| Mpumalanga | 1 263 |
| Northern Cape | 1 022 |
| Northern Province | 2 149 |
| North West | 3 042 |
| Western Cape | 2 008 |
| Total | 24 241 |

**Salaries/supplies/services: amounts spent**

122 Mr W F MNISI asked the Minister of Education

(a) What amounts were spent by his Department in the 1995-96 financial year on (i) salaries of (aa) educators and (bb) other personnel, (ii) supplies and services, (iii) equipment and (iv) other items and (b) what percentage of the total education expenditure by his Department in 1995-96 does each of the above amounts constitute? C127E

The MINISTER OF EDUCATION

| | | (a) | (b) |
|---|---|---|---|
| (i) | Salaries | | |
| (aa) | Educators | RNIL | 0,00% |
| (bb) | Other personnel | R23 824 000 | 0,57% |
| (ii) | Supplies and Services | | |
| | Supplies | R1 776 000 | 0 04% |
| | Services | R7 976 000 | 0 19% |
| (iii) | Equipment | R2 605 000 | 0 06% |
| (iv) | Transfer payments | R4 113 150 000 | 98 79% |
| (v) | Other items | R14 515 000 | 0 35% |
| | Total | | 100,00% |
| * | The expenditure shown under "Other Items" being | | |
| | Administration | R13 798 000 | 0 33% |
| | Miscellaneous | R717 000 | 0 02% |

**Theft of copper wire from telephone lines**

(267)

127 Mr E K MOORCROFT asked the Minister for Posts, Telecommunications and Broadcasting

(1) Whether there were any cases of theft of copper wire from telephone lines in the Republic in the 1996-97 financial year, if so, (a) what total length of wire was stolen and (b) what was the replacement value of this wire,

(2) whether any of the above figures represent an increase in comparison to the preceding financial year, if so, what are the relevant details in each case, if not,

(3) whether any of the above figures represent a decrease in comparison to the preceding financial year, if so, what are the relevant details in each case,

(4) whether Telkom suffered losses as a result of any other thefts in the 1996-97 financial year, if so, (a) what goods were stolen and (b) what was the total value of these goods,

(5) whether any Telkom staff were (a) disciplined or (b) dismissed for theft in the above financial year, if so, what are the relevant details in each case? C132E



The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Acting Managing Director of Telkom has informed me as follows*

(1) Yes (a) Unfortunately this information is not readily available

(b) R40 million

(Telkom's systems are currently being upgraded to, in future, record kilograms of cable stolen Kilograms give a better indication of value stolen than length as various thicknesses of cable are involved )

(2) Yes The incidents of cable theft reported during the 1996/97 financial year represent an increase of 79,6% (2 394 vs 4 299) in the cases reported and an increase of 38% (R29 million vs R40 million) in the replacement value of cable stolen

(3) No

(4) Yes It is important to state upfront that by far the majority of cases of fraud and theft are perpetrated by outsiders mainly consisting of highly organised international crime syndicates

The total losses to Telkom due to theft and fraud for the 1996/97 financial year vary between R775 million and R1 000 million These losses are divided into 3 categories, namely

* cable theft,
* network fraud, and
* financial and commercial theft and fraud

*Cable theft*

| | Best Scenario Rm | Worst Scenario Rm |
|---|---|---|
| Replacement value of cable stolen | 40 | 50 |
| Labour, transport, security and overheads | 100 | 120 |
| Loss of income (estimated) | 110 | 130 |
| Total estimated loss due to cable theft | 250 | 300 |

*Network fraud*

The estimates are based on international benchmarks being 3% to 4% of turnover of R15 billion for 1996/97

| | Best Scenario Rm | Worst Scenario Rm |
|---|---|---|
| Total estimated loss due to network fraud | 450 | 600 |

*Financial and commercial theft and fraud*

| | Best Scenario Rm | Worst Scenario Rm |
|---|---|---|
| Total estimated loss due to commercial and financial irregularities | 75 | 100 |

These losses include amongst others

* income and debtors related losses,
* expense related losses such as transport and workshop expenses,
* asset theft such as the theft of motor vehicles and stock, and
* wilful damage to property

| | Best Scenario Rm | Worst Scenario Rm |
|---|---|---|
| Grand total estimated loss due to theft and fraud | 775 | 1000 |

It should be emphasised the figures provided are rough estimates It is for this reason that best and worst case scenario figures are provided However more sophisticated systems have been implemented to provide more accurate and complete management information in this regard

In order to effectively combat fraud and theft a number of steps have been taken by Telkom The most important of these are

*General*
* The establishment of a professional audit and investigations function consisting of 160 employees
* The implementation of appropriate governance structures

*Copper cable theft*
* Upgrading of network protection through lock on manholes, additional alarms and reaction units
* Closer scrutiny of the scrap copper cable market in conjunction with the South African Police Services

*Network fraud*
* Upgrading of the network fraud control centre for monitoring irregular traffic patterns on

# Telkom 'misinforming' public about callback companies

**Most callback companies pay their dues according to a well established rates system, offer a legitimate service and are not pirates, says Elana Porciani**

BD 19/6/97 (267)

TELKOM states that callback companies are pirates. I would like to remind Telkom that our organisation does contribute to and give Telkom its fair share for accepting incoming calls from the US.

This is done through an established "accounting rate" system Under the system, which was originally set up in 1865 to sort out telegraph rates, all international operators (including Telkom) have agreed how much to pay each other for delivering the other's call

According to this agreement, the country in which a long distance call originates is obliged to pay part of the fee (usually 50%) to the receiving country

Evidently, we are contributing to Telkom SA's maintenance and upgrading of the network, though the Telkom spokesman has conveniently omitted to mention these facts

Currently, the accounting rate between US and SA is set at $1 This means that Telkom earns $0,50 for every minute that a callback call is routed through SA (approximately R2,30 a minute).

In June last year, the accounting rate was $1,20. So, assuming that the rate has fallen by $0,20 in a year (nearly one rand), why is it that Telkom decreased its rate to the US by only 1c in December last year?

They are paying out less and earning more now, due to the fall in the rand, than they ever have before.

Our company has decreased its rates by close to 15% since June 1995. Does the SA revenue service (SARS) also expect users of AT&T or Sprint calling cards, who use their cards in SA, to pay VAT while Telkom already receives its due rate from those international carriers and pays SA tax on that income?

So Telkom is receiving its accounting rate fee for double the time, meaning that it is earning as much as it was when it personally delivered the same call for half the speaking time.

The calls that Telkom declares as lost are not really lost and are paid for according to established laws

Though it may be true that some unscrupulous callback providers are forcing their clients to contravene SA's foreign exchange regulations, this is not the case with Kallback Africa and a few others

These providers have gone to great lengths to ensure their clients are protected, having received Reserve Bank exchange control approval for the remittance of their funds

Furthermore, VAT is regularly paid to the SARS for locally consumed goods and services, including Telkom services

Regarding its claims that "the International Telecommunications Union has concluded that callback services degrade national networks", Telkom could have had the decency to explain (because they know this) that the ITU was referring to those companies using a method called "polling" or continuous calling, and those companies have been stopped

Kallback's method is "code calling" or calling and hanging up after one ring. There is absolutely no way (and this has been proven) that this causes any network degradation or interference, and the ITU has declared that this form of callback is legal No constant pulses are going down the lines Just one call, one ring in fact, and then SA receives the incoming "collect" call from the US

The ITU has not called for callback services to be outlawed, as inferred by Mr Greeff who left out the context of the ITU statement and the specific cases to which it refers (Even cellular providers use "code calling" for their voicemail services in SA without blame for degrading the network)

We strongly believe, as evidently do the Federal Communications Committee (FCC) and the ITU, that low-cost international phone calls are one of the fundamental preconditions for rapid economic growth through globalisation

We operate as a fully approved, licensed FCC carrier under the international approval of the ITU. We in no way violatethe telecommunications legislation of SA or any other international regulatory body.

As for the 25 countries around the globe declaring callback illegal, Telkom has forgotten to specify that these are countries such as Kyrgyzstan, Kazakstan, Latvia, Honduras, Philippines, Yemen, Tanzania, Uganda and Burundi, for which the cost of an international telephone call is often levied as a form of higher taxation

None of the major countries has banned callback companies and the accounting rate fees they receive from the incoming call often add up to more than they pay out

Surely Telkom is aware that certain major international carriers, such as AT&T (which may soon even be a partner of Telkom if its merger with SBC goes through), are into the callback market themselves, in addition to their calling cards, and advertising the fact

Furthermore, one of Telkom's equity partners is involved in processing callback calls Times are changing and the client is the winner, the client is dictating.

It appears to me that Telkom is misinforming the public and running down its competitors in the industry who have legally and honestly managed to challenge it head-on

We are certainly not pirates, but offer a legitimate, necessary service, and we pay our dues where they are due.

□ *Porciani is marketing director of Kallback Africa*

# Telecoms regulator to probe callback operators

(267)
BD 19/6/97

Robyn Chalmers

THE SA Telecommunications Regulatory Authority (Satra) would launch an investigation into callback operators next month when all sections of the Telecommunications Act had come into play, councillor Alison Gillwald said yesterday.

Callback operators and Telkom, which has vehemently opposed their activities, were operating in a policy vacuum as there was no regulatory framework overseeing various operators

"As Satra was set up only a few months ago, we have not yet formulated policy on callback operators, but it is obviously a pressing issue," she said

However, Telkom said yesterday that legislation indicated the provision of callback services without the required licence constituted a criminal offence.

Telkom international business unit managing executive Rhynie Greeff said that, in terms of the still operative Post Office Act of 1958, the provision of telephone services without the authority of the postmaster-general was prohibited

Greeff said that under section 32 of the Telecommunications Act, which should kick in next month, the provision of callback services without a licence was prohibited

"International price discounts in the US created callback services which allow a person to dial a number, usually in the US. The person then gets called back, usually on an open line, allowing him to phone anywhere in the world without going through the local operator, but still using the local operator's network without his permission"

Greeff said Telkom had to contend with a dozen callback "buccaneers" who had boarded its network without authorisation, did not carry any network or customer care costs and who wereunlicensed operators

The move of major companies and some government departments to "international telephone pirates" created worrying ethical precedents It was also "astounding" that they were involved in illegal practices

Gillwald said while there had been no formal complaints to Satra on callback operators or Telkom, it would appear that a number of callback operators were illegal

"Some operators are obviously flouting the law and we will have the power to close them down if we find evidence that they are doing so But we will have that power only when all sections of the act are implemented — probably by the end of this month," she said

The reason for Telkom's five-year exclusivity period was so it could deliver the 2,8-million new lines targeted, including 120 000 payphones and 1,6-million new lines to underserviced areas.

See Page 14
Comment: Page 15

# Post Office comes up trumps in service stakes

## All smiles as the Cape Argus team mails mythical parcel to Germany

(267) ARG 3/6/97

CITY DESK

Post offices are not what they used to be – no longer the dreadful queues, bad service, or the bureaucratic responses to simple queries

Happily, they appear to have turned into much friendlier places where staff deal readily with requests and queues are kept to the minimum

The Cape Argus's City Desk is conducting regular service surveys to encourage Cape Town's service-related industries to world-class levels

Because of the likelihood of a tourist needing a post office, the City Desk team decided to see what sort of attitudes prevail behind the counters of the city's post offices – and of privately-run post shops, which also handle mail.

We decided our task would be to quiz the person behind the counter on what it would cost us to send a parcel of books, which we had neither weighed nor packaged, to Germany We were interested to see whether our request would be handled with irritation or good grace This is what we found.

**MAIL BOXES ETC, ST GEORGE'S MALL**

This shop is ideally situated in one of the main tourist thoroughfares in St George's Mall.

A pamphlet told me that Mail Boxes Etc was one "of the most successful franchises in the world", starting out in 1980 in the United States, where it provided private mail boxes and later developed into a centre providing a whole range of services

There are apparently 3000 MBEs around the world.

Also on offer in the shop – which is brightly decorated, with a range of good quality greeting cards and a limited selection of stationery and office supplies for sale – are a copying service, e-mail and the Internet, public telephones and faxes, an answering service and a secretarial service

The St George's Mall shop appears to be doing well, judging by the number of customers There was no queue to speak of. I did, however, get the feeling that my request for different rates was treated a little too hastily

Firstly the person behind the counter suggested I bring the parcel in, but I pointed out that I hadn't packed it yet and needed to know what the relative costs were

She then quoted me the following prices for a 3kg parcel which would be R134 by sea and R281 by air Five kilograms would cost me R155 by sea and R398 by air, she said.

I asked about small parcel post, and was told this would cost me R14,40 by air, and no extra by sea.

She also pointed out that these prices excluded insurance and registration and said the airmail parcel should take 10 days

My query whether posting the parcel from MBEs would cost more than at the post office was met with an affirmative, but the attendant said she could not advise me what the extra cost was

While the shop is bright and cheery, I just felt that little bit unwelcome because I was taking up time while other customers were waiting.

I'd say service was good, given that there are no queues to speak of – but not all the information was freely volunteered

The shop gets full marks for location and convenience

Andrea Weiss

THE CHANGING CITY

CAPE ARGUS

TRACKING A CITY IN TRANSITION

**POSTNET**

PostNet is a little shop tucked away in Hout Street in Cape Town, just off St George's Mall.

Though the shop was a bit hard to find, I found the attitude to customer service there excellent.

The shop offers a similar range of services to Mail Boxes Etc, including packaging and mailing, courier services, faxes, photocopying, telephones, laminating and binding, postbox rentals and the usual stationery and gifts

There was no wait for service and the assistant was very helpful when it came to my request, quoting in detail the various rates for my mythical parcel of books to Germany

I was told I would pay, per kilogram, R56 for airmail plus a R93,40 "fixed rate" charge (which works out marginally cheaper than Mail Boxes Etc)

Surface mail would cost R10 a kilogram plus a R86,10 fixed rate

The assistant told me airmail would take about two weeks

She also pointed out that the package would have to be handled by the post office in any event – and that I could get a cheaper rate there if I wanted to

Unasked, the attendant volunteered the information that I could make use of a small packet service, which was R13,45 per 100g for a parcel up to 2kg

While I was in the shop two other customers came in looking for information – which was readily supplied even though the shop did not offer that particular service

Although the decor in PostNet may not be as colourful as that of its competitor around the corner in the Mall, I was impressed by the helpful attitude and the willingness of the assistant to give me information which could save me money – even if it wasn't necessarily in the shop's own interests

Andrea Weiss

**CAPE TOWN CENTRAL POST OFFICE**

Ideally situated in the heart of the city, Cape Town's central post office handles many queries every day

I arrived there mid-morning and was surprised to find no long queues

I walked right up to the counter and was helped immediately

There was no smile to greet me but I felt I was adequately helped, without any undue fuss

The woman behind the counter told me I would have to pay R39 a kilogram for airmail plus a fixed rate of R66,70 for my package to Germany She also told me it would cost R3,90 per 100 grams for airmail, with the same fixed rate

I was told that using airmail, my package would take up to two weeks to arrive at its German destination, but "it can take longer, it can take sooner – we cannot guarantee delivery"

She told me I could alternatively post my parcel surface mail, which at R7 per kilogram and a fixed rate of R67,90, was considerably cheaper

It would cost me 70c per 100 grams, with the same fixed rate

I was told surface mail would take from six to eight weeks.

By the time I was finishing my query a mini-queue was forming behind me, but the assistant continued to attend to me in a helpful manner and generally gave good service

Jermaine Craig

**MUIZENBERG AND FISH HOEK POST OFFICES**

Neighbourhood post offices which might also get their share of the Cape's tourist trade are Muizenberg, in Main Road, with a handy adjacent parking lot, and Fish Hoek, also in Main Road, but without the parking

Muizenberg has always had a good reputation for service and polite and helpful staff so, as expected, my query about mailing a parcel to Germany met with a pleasant response

I was promptly given the same figures as those obtained at other post offices of a fixed charge of R66,70 plus R3,90 per 100 grams with a delivery time of about a fortnight.

The alternative was surface mail at 70c for 100 grams and the same fixed charge of R67,90

The service – and the information – after waiting in a short queue for about five minutes was the same at the Fish Hoek post office

Peter Goosen

**GENERAL COMMENT**

Judging by the results of the survey, the Post Office has set high service standards for staff which are paying off in good customer service

Juli Windell, public relations officer for the Post Office in the Western Cape, said there were several ground rules which staff were expected to follow

These include the injunction that staff should "always ensure that we are never too busy to react to a client's request"

Another standard the Post Office is aiming for is to ensure that "everything gets done right the first time", a rule which she concedes is ambitious yet worth aiming for

The rule is that the queues should not be longer than five minutes, even in small post offices

Queues which don't adhere to this rule are the subject of weekly operational telephone conferences in which reasons have to be given for the delays

On the subject of private shops dealing with post, she explained that these outfits were totally privatised but dependent upon the Post Office network for mail distribution and therefore had to build in an additional cost for handling the mail.


JACK LESTRADE

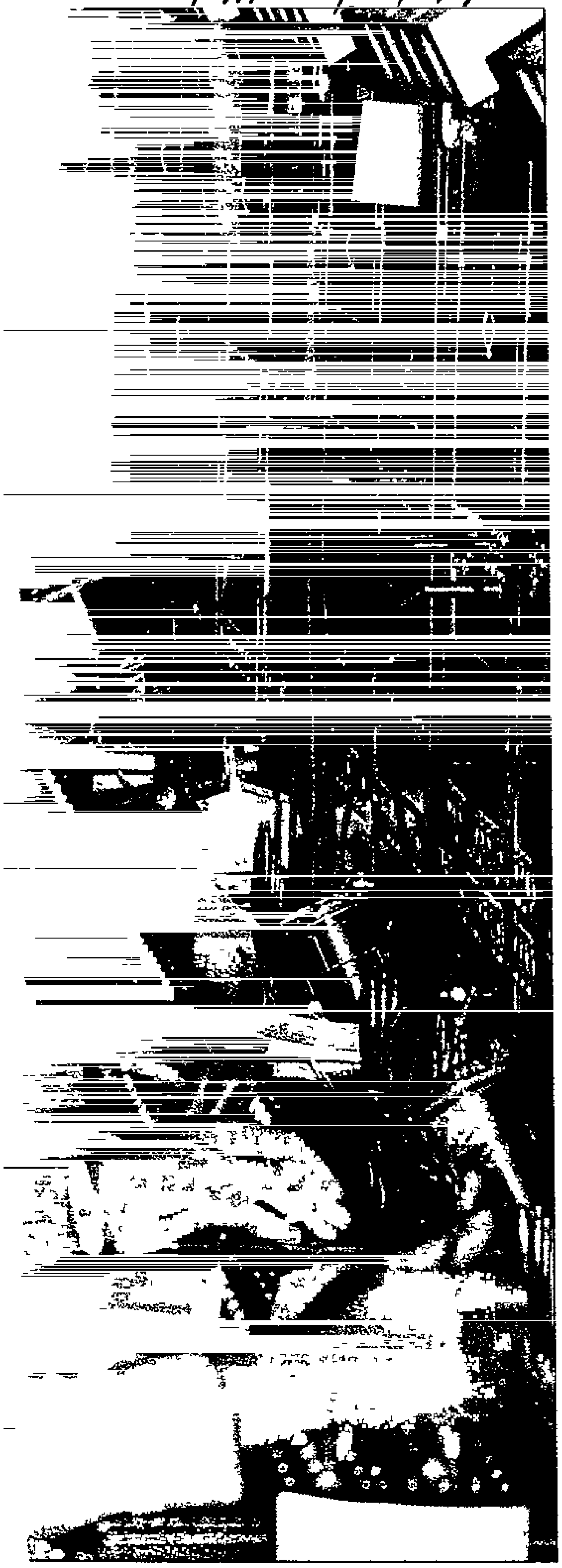
**Mail business:** Mail Boxes Etc in St George's Mall 'gets full marks for location and convenience'

# act

and private users

(267)

FM 20/6/97



year's R1,2bn and the R8,7bn debt has been cut by around 15% Valued at almost R19bn, Telkom has assets of R16bn

As a sweetener for its investment, Thintana was given a five-year monopoly on providing fixed wire telecommunications services, with the option of a sixth year if government targets are met

Geschwind, a seasoned 55-year-old executive, has 34 years' experience in telecoms, including heading Southwestern Bell's Arkansas division and a stint at AT&T Later, he ran SBC Yellow Pages in St Louis, Missouri

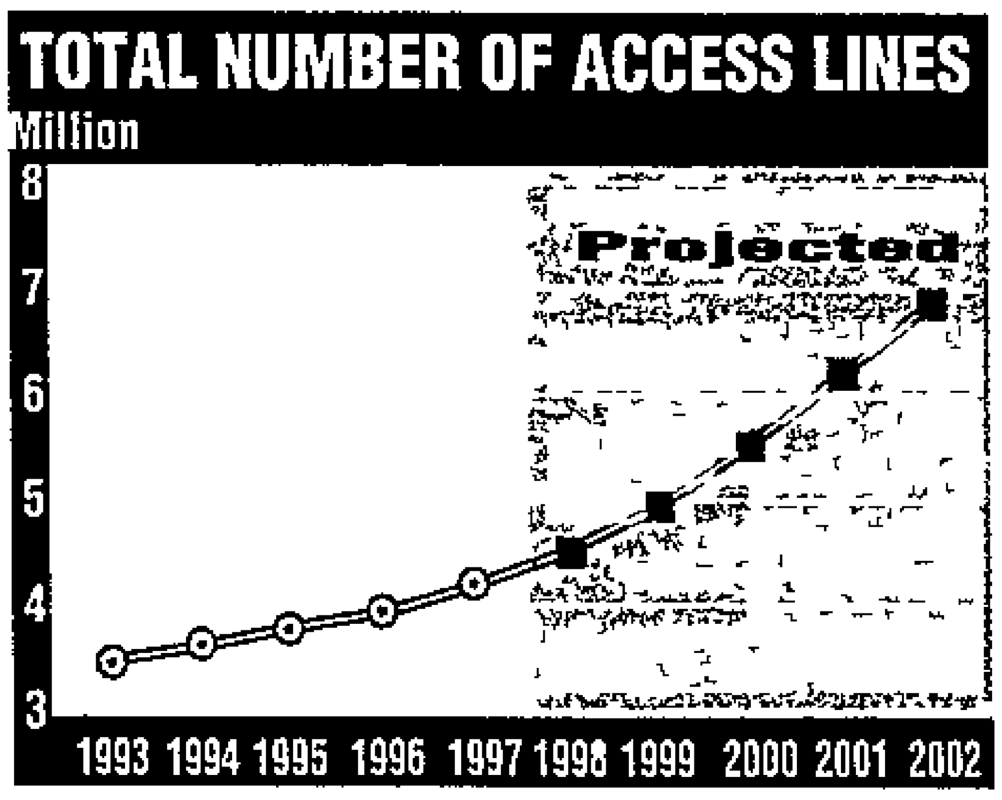
He faces a tough task Telkom plans to install 2,8m new lines by March 2002 Of these, 120 000 will be for public telephones and more than 1,7m will go to underserviced areas Another 1,25m analogue lines will be replaced so that the network is fully digitised Thintana projects that by March 2005, it will have doubled Telkom's network to 8,3m access lines (see diagram)

"We bring more than money to the table We bring intellectual and economic expertise," says Geschwind "This is a long-term investment We are here to prove privatisation works"

SBC and Telekom Malaysia are experts at rolling out new networks while improving productivity and customer service

SBC was the main investor in Telefonos de Mexico when the former monopoly was privatised in 1990 In five years, Telmex's productivity rose 61%, 3,6m lines were added to the network and more than 8 000 rural communities got their first phone service

Telekom Malaysia has reported similar improvements since it was partly privatised From 1990-1995 it generated a 16% annual increase in access lines, a 204% increase in public payphones and a 14% return on shareholder funds Productivity rose 73% and more than 1 500 jobs were created




Thintana has already started to make changes Five managers have been appointed to Telkom's board and foreign accents are now common at headquarters By July, there will be 75 Thintana expatriates at the Pretoria offices — 50 from SBC and 25 from Telekom Malaysia There will also be regular staff transfers between Telkom and the overseas operations of SBC and Telekom Malaysia

"I am very excited I've never felt so good about anything else I've done," says Moseneke

But concern persists regarding funding the expansion Though the figure of R53bn (66% higher than the R32bn Telkom first predicted) was announced by Communications Minister Jay Naidoo as the sum Thintana had projected in its successful bid, the figure is not cast in stone

All Geschwind will say is that Thintana's capex budget exceeds R40bn The intricate financial budgeting for network rollout is the responsibility of new group executive for finance Nor Hizam Hashim, previously chief operating officer of Telekom Malaysia's service company

With the cost of telecoms infrastructure falling rapidly, it is possible the eventual total could be lower It is also important to note that in its bid document, Thintana states its network expansion is subject to consumer demand and availability of electricity Should demand be lower than expected, Thintana will be able to scale back

What should help is the sale of a further 10% of Telkom later this year, which government has reserved for black empowerment Finance Minister Trevor Manuel has also suggested Telkom prepare for a public flotation

Moseneke adds that the gradual "rebalancing of tariffs" will also help profitability as international business calls become more competitive

At risk from call-back operators, Internet providers and cellular operators, Telkom has started to reduce the cost of its long-distance and international calls, which have traditionally subsidised local calls

Thintana is adamant that network rollout will be done on commercial principles only Contrary to claims of "one person, one phone," households earning less than R900 a month will be served by nearby public telephones This strategy should help contain problems of nonpayment for services

Access lines will double to 8,3m in eight years by ratcheting up network rollout through technologies not susceptible to cable theft such as radio-based telephony

Cellular telephony demonstrates how quickly and efficiently wireless technologies can be implemented As a monopoly, Telkom has implemented only 4m lines MTN and Vodacom have attracted 1m cellular users in just three years Big new equipment orders are expected soon

"We will operate Telkom as a private

PRIVATISING TELECOMMUNICATIONS

(267) 20/6/97

# Telkom's high-wire

Top brass says it has the knowhow to handle aggressive rollout to rural areas without fleecing corporate

Over the next five years, Telkom plans to spend between R40bn-R53bn on the most aggressive and expensive telephone network expansion project ever undertaken in Africa

The expansion or "rollout" will have major repercussions on the economy — big local suppliers of telecommunications equipment have experienced a drought of tenders over the past year and some have had to scale back manufacturing facilities

But a daunting consideration is how Telkom's new equity partner Thintana — SBC Communications (formerly Southwestern Bell) of Texas and Telekom Malaysia — will balance political and uneconomic community obligations with corporate demands for hi-tech services

**»We don't spend haphazardly. If we felt we could not get the job done, we would not be here.«**
*Mac Geschwind*

Even more pertinent is the question of who will pay Only R4,4bn of the R5,6bn which Thintana paid for its stake in Telkom has been earmarked for network expansion With at least 10 times this amount needed, existing corporate and residential subscribers could well be called on to foot the bill

The political load placed on Thintana's shoulders by government before allowing it to buy into Telkom makes the job much harder Investing in sophisticated infrastructure such as value-added satellite communications would probably pay better than putting millions of new lines in rural areas where demand is uncertain

SA's telecommunications industry has been dominated by Telkom and its State-run predecessors for more than a century But the SA giant enters a new era of competition and technological change with a poor track record — abysmal customer service and sparse network rollout

The challenge of preparing Telkom for the 21st Century has fallen to SBC and Telekom Malaysia, the two foreign partners which jointly took a 30% stake earlier this year The remainder is still in government hands

Despite the scale of the task ahead, the foreign partners are confident they will meet the expansion targets *and* keep Telkom profitable

"Both SBC and Telekom Malaysia are good at analysing value in detail We don't spend haphazardly If we felt we could not get the job done, we would not be here," says Mac Geschwind, Telkom's new chief operating officer Other potential partners were scared off by the scale of government's commitment to reaching under-served black communities The consortium was unopposed in its US$1,26bn (R5,6bn) bid for 30% of Telkom in February

He admits that Telkom "hopes" it will not to have to turn to outside funds

The main sources for the rollout include the equity infusion from the foreign partners, reinvested earnings, improved cash flow and accelerated depreciation Given a debt equity ratio of 121%, Telkom is restrained from massive new borrowings

Telkom chairman Dikgang Moseneke insists most of the funds will be leveraged from internally generated revenue "It's unfair to say existing subscribers will be bled over the next five years "

But many are sceptical "One thing that is certain is that urban lines will have to carry most of the future cost," says Econometrix senior economist Tony Twine He adds that even if Telkom is not borrowing heavily, investors will want a reasonable rate of return "Little of this return can come from rolling out to rural areas "

With the cost of extending telephony to rural areas up to 30 times more expensive than in cities, it seems likely there will be some cross-subsidisation, which would be typical in the industry

Financially, at least, Telkom seems sound Though results for the year to March 1997 are not yet public — Moseneke presents them to the board this week — revenue is expected to exceed R16bn (up from R13,3bn last year) It is also believed net profit has increased by about 40% from last

***Telkom operators*** *can they get plugged in for the future?*

FEATURE

SATRA

# Iron fist in velvet glove

Telecommunications watchdog body, which will merge with the IBA, promises not to repeat the broadcasting authority's mistakes

(267) FM 20/6/97

The SA Telecommunications Regulatory Authority (Satra) may not be a household name but it has widespread power over a burgeoning multibillion-rand industry And it will have more authority next year when it amalgamates with the Independent Broadcasting Authority (IBA)

Many who followed the IBA debacle over the past few years will be concerned that the statutory watchdog will be able to authorise new telecoms and broadcasting operators and repeal licences But Satra chairman Nape Maepa says he will not make mistakes like the IBA made

"The IBA did not have financial management systems in line with the Exchequer Act We do have" He adds that Satra's financial controls follow generally accepted accounting practices "Satra will hit the ground running," says Maepa About 230 Department of Communications staff, responsible mainly for licensing and frequency monitoring, will move from Pretoria to Satra's new premises at Pinmill Farm, Sandton Roughly 100 staff will stay in Pretoria to focus on policy

Maepa runs Satra with deputy chairman Eddie Funde and councillors Alison Gillwald, Noluthando Gosa, Labius Lesibu and Tshidi Seane It was formed earlier this year to administer government policy

Apart from regulation, functions include spectrum management, licensing cellular and value-added network operators, approving equipment, ensuring universal access to phones and protecting consumers

Until the amalgamation, Satra will work with the IBA to ensure frequencies are available for broadcasting and telecoms Unhappy with the scandal-racked IBA, Communications Minister Jay Naidoo is pushing the merger

But Satra has not avoided controversy At last year's telecoms parliamentary hearings before the Act was signed into law, business lobbyists and opposition parties criticised Satra for falling under Naidoo

Satra was put under him because government wanted to ensure it would not duplicate the IBA's excesses

Councillor Gosa says overseas regulators also follow government policy The UK's Oftel has its policy set by the Ministry of Trade and the US Federal Communications Commission is subject to directions from Congress

Neither reports to a telecommunications ministry

Though the regulator's independence remains a contentious issue, Maepa says Satra has "big, strong teeth" and can withdraw a licence but would do so only if an operator made a big mess

Satra can impose stiff penalties on Telkom for failing to meet rollout and service targets The fine is R1 350 for each line not delivered to an underserviced area, rising to R4 500 where a clinic is involved

"Our style is not to threaten," says Maepa "We don't want to bare our teeth unnecessarily and will regulate only to the extent necessary"

*Nape Maepa* *showing off his big, strong teeth*

Protecting telephone users from poor service is important, he adds "Consumers now have to put up with calls that get cut off This will have to change"

A Consumer Protection Committee, headed by Gosa and including representatives from each province, is being set up It will guide Telkom on providing telephone access to the disabled, ensure client information is kept confidential and prevent illegal tapping of phones

All operators will have to submit proposed tariffs and prices to the committee for approval each year

"There need not be annual price rises," says Maepa "Many operators worldwide are cutting prices"

He says Satra can even allow cellular operators to undercut Telkom's rates

One challenge is solving the Internet service providers' war with Telkom, which wants a five-year monopoly on providing Internet access (see page 32) Another controversial area is managing frequencies With wireless operators to be licensed and Telkom's R56bn network rollout plans relying largely on wireless technology, demand for frequencies will be heavy

MTN and Vodacom have already expressed dismay at Satra's statement that "previously disadvantaged" companies will be favoured in frequency allocations

"We want to see SA become globally competitive Local companies have been protected for too long We aim to introduce competition, not just for the sake of it but to ensure everyone has access to telephony," says Maepa

Marina Bidoli

# Telkom phone card fraud costs taxpayer R1-million a week

(267) Star 23/6/97

**Own Correspondent**
Durban

Telkom phone card fraud is costing South African taxpayers R1-million a week as it sweeps mainly through universities and colleges

The fraud involves a secret technique which gives phonecard users access to thousands of rands on public telephones – while Telkom, and ultimately the taxpayer, foots the bill

A Telkom special investigation team has been aware of the scam since the beginning of June, and expects to have the necessary information and technology to combat it within the next two weeks Even if they succeed in correcting the software loophole, the scam would still have cost Telkom at least R4-million

The investigation team is using electronic surveillance equipment to monitor public telephones, as well as physical surveillance techniques to catch the offenders.

The "trick" involves using any two Telkom phone cards followed by a special sequence of numbers, which gives the user more than R7 500 of credit, with the ability to phone locally, nationally, and even internationally And once the credit has run out, all the user has to do is repeat the sequence and another R7 766 appears

Dealers with the knowledge have been selling the information for up to R300 a time According to a source who did not want to be named, a young man had shown her the trick after she promised to pay him R300

Apparently the man said that he had many bank accounts, because "he did these sort of deals all the time".

Police have arrested 10 people in connection with the fraud But a Telkom spokesman said there was no evidence to suggest that any Telkom employees were involved.

The sequence was shown to a reporter The Star's sister paper, The Daily News, approached the Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, with the results of their investigation

Naidoo promised the scam would be investigated as a matter of urgency

## ANALYSIS

# telephony pirates are stealing from South Africans

**The taxpayer is footing the bill to subsidise callback pirates, says Telkom's Rhynie Greeff**

(267) BD 23/6/97

in telecommunications will follow, Telkom has to perform a roll-out of an additional 2,8-million lines

Callback players are unlicensed operators Kallback Africa's US licence is worthless in SA. I was shocked by a blunt Kallback Africa news release of June 16 1995 that it "allows" its "customers to bypass local telephone companies and switchboards by rerouting calls through their facilities in Seattle"

In SA this type of bypassing is not competition. It is illegal

Callback is piracy, and no company can tolerate piracy. Yet, callback companies have boarded Telkom's ship without any authorisation and now use our network as if they have every right to it

Carrying no network or customer care costs, they merely add costs to Telkom and its customers in terms of network degradation (explained below) by using "international telecommunications waters" where it is virtually impossible to police them.

Callback pirates advertise that "the ability to monitor or control such services is extremely limited even in the most sophisticated countries".

During the sanctions period, SA companies often used pirate software and other products Since our readmittance to the world, SA business has become more responsible, but somehow piracy against Telkom seems to be something to be proud of in certain circles

Regular calling cards (Telkom's Executive Calling Card, AT&T, Sprint, and others) are not callback as they are used in an authorised manner between countries, paid for in the country of origin and inclusive of VAT and other taxes

Callback is costing this country millions of rands in lost revenue. There are some callback players who maintain that Telkom receives its "fair share" of revenue via the accounting rate system between SA and the US, and that callback therefore contributes to Telkom's network development This is disinformation.

I want to state clearly that the SA taxpayer is unknowingly subsidising illegal callback pirates. Allow me to explain.

Callback is used to reach the whole world from SA, not only the US The US is used as a route Callback "operators" proudly claim that Telkom receives $0,50 a minute on incoming callback calls (say R2,30) Telkom receives the same amount for calls routed in this manner to Japan and Germany, for example

The reality is that callback entails losses for Telkom on a standard time call — 15c a minute on the call to the US, R1,61 on the call to Germany and R1,04 on the call to Japan

Add the millions of minutes on the other routes and it becomes obvious that SA is losing millions of rands in foreign exchange earnings as that revenue is siphoned off by callback operators who are using the Telkom network.

Lower foreign exchange earnings mean less Telkom profit and, as Telkom pays its tax diligently, the government receives less tax revenue Instead, that lost tax has to be made up by the average SA taxpayer.

Telkom

**"Callback has no legal footing in SA... Callback is piracy"**

Not only does the SA taxpayer have to bear the brunt With callback, SA is increasingly becoming a donor recipient of US aid. In recent talks in Washington, the US Federal Communications Commission confirmed to me that the US view is that about 4-billion of its 5,5-billion telecommunication settlement payments to foreign carriers like Telkom are subsidies akin to foreign aid.

All non-US telecommunications operators are of the opinion that the problem with US payment is, to a large extent, related to callback.

To make matters worse, until now callback was exempt from VAT, which worsened the tax burden on the ordinary taxpayer even more The new SA VAT directives follow those of other countries like France and Germany

If this is not bad enough, many callback pirates are now bypassing the system completely through unauthorised international private circuits, resulting in a total loss of foreign exchange revenue for SA and a higher local tax burden. That revenue is pocketed elsewhere

Callback degrades the quality of the network. Kallback Africa, and other companies, state that they do not affect the network negatively

The fact is that callback activity has led to the efficiency (answer-seizure ratio) of our links to the US being halved as they are occupied by constant pulses and unanswered seven-second calls that take up capacity unnecessarily We have found one exchange in the US where more than 99% of all calls from SA go unanswered because of callback.

Needless to say, this has a serious effect on all other calls to the US and relates to the reason why the International Telecommunications Union has asked for an end to this degradation practice

Once again, it is the man in the street who pays the price.

Callback is not fair competition. How does one compete against a so-called "competitor" who occupies your own production infrastructure illegally and sells pirate services at pavement prices?

Callback represents unfair usage of advanced countries' developed networks by acting in an unauthorised manner inside developing countries. That is why it has been formally outlawed in 25 developing countries such as Malaysia, Argentina, Canada's North West Territories, South Korea, Thailand, Uruguay and Venezuela Callback advertising is also prohibited in Singapore.

Callback is unreliable. It is often time-consuming with delays in connections and, in certain cases, based on wrongful pricing statements

Customers of callback pirates are exposed to exchange risks Some callback operators charge for so-called system time which can be longer than the duration of the actual call.

Callback operators' comparative advertising is in most instances incorrect and misleading as it does not compare facts with facts. According to bank sources, reported again in the press last week, some callback pirates are debiting their customers for calls never made.

I am relieved to note that SA Telecommunications Regulatory Authority will be investigating this unfortunate practice.

I find it quite unbelievable that motor car manufacturers, software and other major companies, who are fighting piracy in their own industries, are involved with international telephone pirates.

This obviously creates ethical precedents The fact that even the foreign affairs department has signed on with callback should be viewed in the same light.

I wish to appeal to business in general to determine whether they are in any way involved with callback and, if so, in the fight against lawlessness, to desist from links to unauthorised international telephony pirates.

☐ *Greeff is managing executive of Telkom's International Business Unit* bank becomes an icon on their interface"

Fifty customers have been selected to take part in Absa's pilot, which should begin in November Burger says he is undecided about whether to launch a full-service cyberbank, separate from its existing products, next year Absa is examining a wide spectrum of services, and a decision on the cyberbank will be taken within two months

Meanwhile, the first research into the potential size of Internet commerce industry in SA was recently completed by BMI-TechKnowledge The research house estimates that by 2000 there will be a massive R14bn worth of transactions processed through the Internet each year, with a further R16bn from transactions involving the Internet at some point Globally, it's expected that about US$200bn worth of business will be conducted on the Internet in 2000, though estimates differ **Duncan McLeod**

***Gianfranco Cicogna*** *Routing Telkom with his router*

FM 27/6/97

TELKOM VS CALLBACK SERVICES

(267)

# Scare tactics may rebound

Chance for foreign investors to go head to head with Telkom

**One of** the main protagonists in the Telkom vs callback services war has threatened to set up an alternative carrier within five years

Gianfranco Cicogna, head of SA's largest callback operator, Ursus, says with an existing corporate client base and infrastructure Ursus would be an attractive partner for a foreign investor Ursus is a 50/50 venture between management and the US operator of the same name

Cicogna adds there is also the option of teaming up with Eskom and Transtel, who are currently prohibited from offering telecoms services to the public

Cicogna says Telkom's claim that callback operators are illegal could end up in the courts "Telkom's statements are libellous and should it continue in this vein, it will receive an unpleasant summons," he warns

Callback operators are said to have approached Michael Katz of Edward Nathan Friedland to look into the matter

Telkom international business managing executive Rhynie Greeff says callback services are illegal in terms of the still-operative Post Office Act of 1958 and the recently promulgated Telecommunications Act of 1996, which prohibits the provision of telephone services without a licence

But these arguments are specious Sophisticated callback technologies were not available in 1958 and the new industry regulator, SA Telecommunications Regulatory Authority (Satra), has not yet started issuing licences In all likelihood, callback operators interested in continuing to do business in SA (like the Internet service providers) will apply for licences Those that don't will be closed down by Satra

Greeff maintains that callbacks will affect funds needed for Telkom's universal service targets and that callbacks have been outlawed in 25 developing countries But Cicogna points out that callbacks have been banned in countries where the cost of telephony is used as a form of taxation He says SA needs cheap telephony to encourage investment "What's more important, Telkom's bottom line or the viability of South African industry in general?"

Claiming to have about 1 000 business subscribers — including the IDC, Sappi, Safmarine, Dimension Data, Panasonic, Nissan, Mercedes-Benz and the Department of Foreign Affairs — Cicogna complains that Telkom is trying to scare customers with spurious claims

Callbacks are becoming increasingly accepted in industrialised countries Former monopoly telephone carriers are buying callback operators in an attempt to remain competitive Even AT&T (which could become a shareholder in Telkom if its negotiations to merge with SBC are approved) is now offering callback services

US regulator Federal Communications Commission and World Trade Organisation openly endorse callback operators as a way of improving competitiveness Cicogna adds that callbacks support a significant sector of the economy by providing jobs "It's worth noting that the router equipment, designed by Ursus and manufactured by SA companies, is tested by Telkom and licensed by the Post Office and the SA Bureau of Standards

"It's also important to note that Telkom makes money from callbacks, which because of lower rates generate more international calls traffic International telephony in SA has more than doubled in the past four years Cheaper alternatives such as callbacks have played a big role in this increase Also, in terms of the 'accounting rate system' Telkom receives a settlement fee from overseas carriers for every call that traverses its network," he says

But Greeff denies Telkom is getting its "fair share" of revenue

"It's simply not true that little or no revenue is received locally if customers use callback facilities," says Cicogna, who explains that for every minute of traffic sent by SA to the US, Telkom pays US50c The same amount is payable to Telkom by the US when one minute of traffic is sent back to SA "At the current exchange rate, Telkom is receiving R2,22 in hard currency for each minute of traffic received from the US — including the increased traffic because of callback"

Meanwhile, Satra councillor Alison Gillwald says the regulator will look into the matter next month "Our concerns are similar to Telkom's in that we must protect its exclusivity period We must let it rebalance its tariffs prior to full competition" **Marina Bidoli**

*Strong results expected despite strikes, fraud and bad debts*

# Analysts upbeat on Telkom

(267) CT(BR) 3/7/97

**FRANÇOISE BOTHA**

Johannesburg — Telkom was expected to release strong results today, showing tighter control of operating expenses and sharply higher operating profits than last year, industry commentators said yesterday

This was expected despite the effect of strikes, fraud and bad debts, which are likely to have cost the company dearly.

The results for the year to March 31 were achieved during the run up to the announcement of Telkom's strategic equity partner deal.

Analysts expected the strong growth in demand for integrated digital services network (ISDN) connections and cellular services, both of which have overtaken industry forecasts, to bolster the results.

The company was also expected to have exceeded its roll-out target of 250 000 lines and 30 000 payphones for the year, despite an increase in disconnections because of non-payment. That would increase capital expenditure for the year to more than R3,5 billion, one source said.

Other sources said increasing fraud and bad debts were expected to affect the results. So could the doubling of cable thefts over the past year, which could cost Telkom more than R250 million.

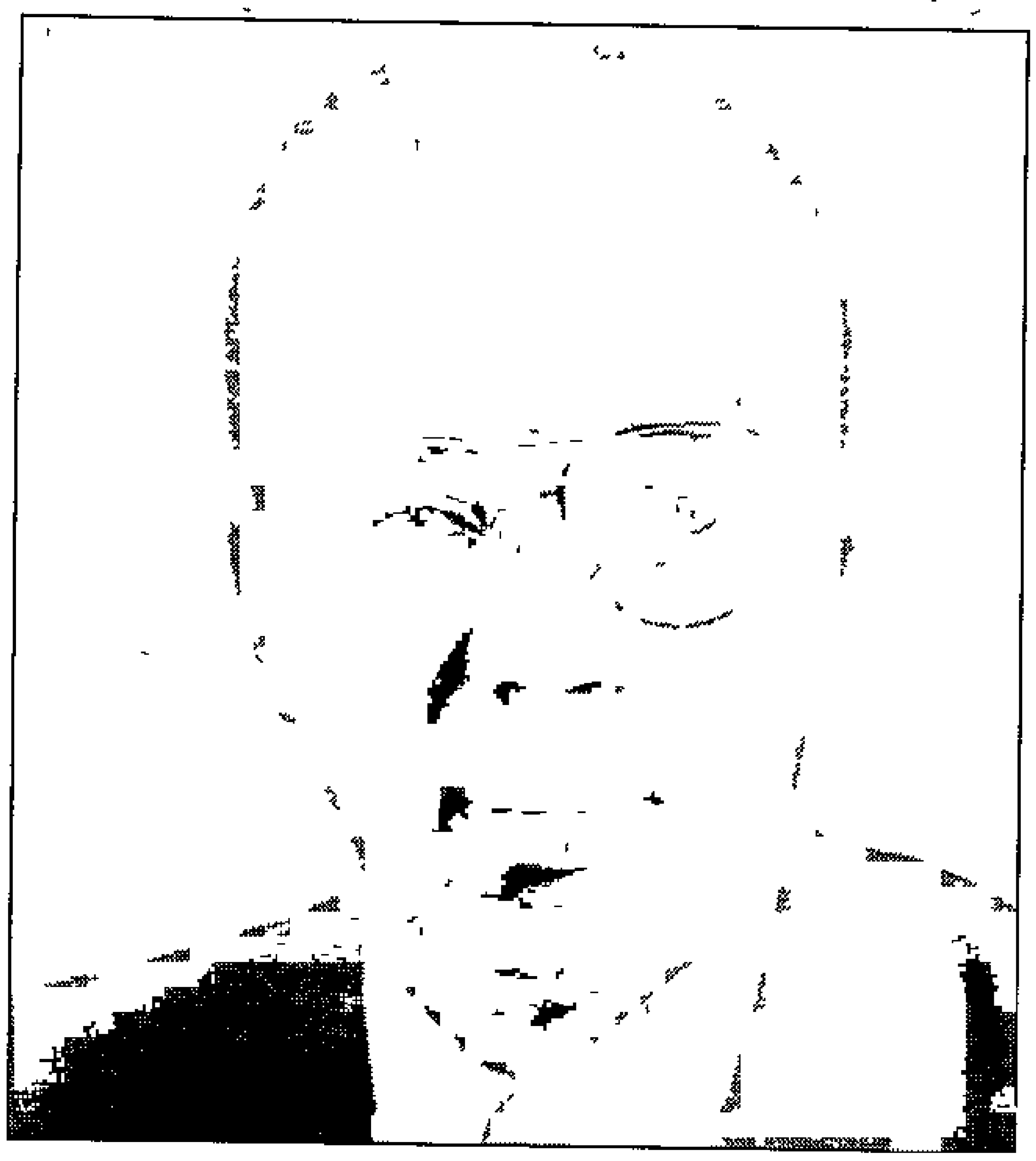
Sources said the company had also experienced a strike last year, which would have affected productivity It had also been forced to pay significantly more overtime than in the past because of ambitious roll-out targets and damage to the nationwide network through theft and storms.

The sharp increase of 28 percent in standard local call rates from February 1 was unlikely to boost call revenues significantly, sources said

The reductions in international call tariffs announced as part of the company's tariff rebalancing programme, fell outside the accounting period, but are certain to affect the results for the 1998 financial year.

The company's tariff rebalancing programme was boosted by the announcement last week of a further spate of international tariff reductions to some of South Africa's main trading partners, including the US, Australia, Canada, Israel and New Zealand.

The new rates, which allow for savings of between 6,5 percent and 20,3 percent, took effect on July 1



Telkom chairman Dikgang Moseneke is confident that his organisation will meet its ambitious roll-out targets.

# Telkom ahead of its targets

(267)

Sowetan 4/7/97

By Maxwell Pirikisi

TELKOM chairman Dikgang Moseneke says his organisation came to the forefront of black economic empowerment in South Africa last year, with its direct investments in black economic empowerment and other social investment initiatives totalling more than R67 million

In Telkom's 1996-97 annual report released yesterday, Moseneke says the parastatal exceeded its black economic empowerment target by 10 percent (with general purchases from emerging black suppliers amounting to R58 million)

## Social investment

He also states that about R7 million was spent on social investment programmes and a further R3 million in its 'Centres of Excellence", aimed at bringing all South Africans into the national information and communication infrastructure

"Unless organisations like Telkom actively pursue opportunities to promote economic empowerment and bring emerging businesses into the mainstream economy, little progress in redressing past imbalances can be expected," said Moseneke

He says the scope of Telkom's social investment grew in the 1996-97 financial year with the initiation of an Internet access programme for 1 000 primary and secondary schools

Telkom spent a further R5,8 million on its Telmast programme to promote the demystifying of subjects like mathematics and science at 1 000 schools throughout the country in the last twelve months, said Moseneke

He added that in an effort to enhance its customer care efforts, Telkom had invested more than R300 million in its Customer Business System

On the current transformation process within Telkom, Moseneke said "We are excited that our new strategic equity partner, who has an excellent track record in human resources development, supports a training budget of R2,3 billion over the next five years"

Moseneke expressed confidence that Telkom would meet its ambitious roll-out targets of 250 000 lines and 30 000 payphones for the year.

## Continued growth

He says Telkom's revenue increased by 23 percent to R16,3 billion via increased traffic per line, continued growth in cellular traffic and an improved quality of services

Operating profit rose by 46 percent to R4,4 billion while attributable profit improved by 61 percent to R1,9 billion

Although capital expenditure reached an all-time high of R3,7 billion, Telkom performed "exceptionally well in the year under review"

# Telkom rings up a 61% rise in profit

BD 4/7/97

(267)

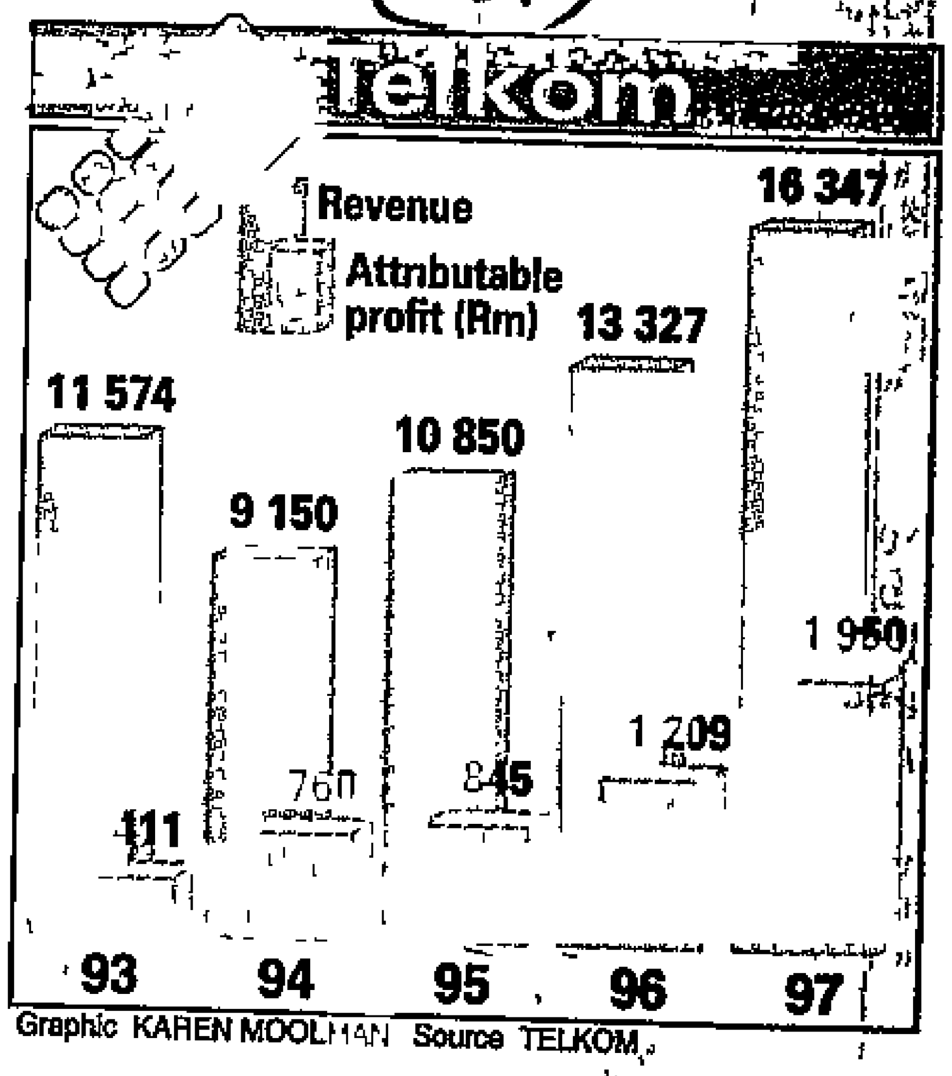
Robyn Chalmers

TELKOM posted a 61% rise in attributable profit to R1,95bn for the year ended March while delivering more than 256 000 new lines — by far the largest number of new connections made in a year.

Chairman Dikgang Moseneke said the first tangible results of Telkom's transformation programme, which kicked in three years ago, had become evident during the year, when revenue grew 23% to R16,3bn

The higher revenue was largely the result of increased traffic per line — boosted by the delivery of new lines and the inclusion of the telecommunications services of the former Transkei, Bophuthatswana, Venda and Ciskei — along with the continued growth in cellular traffic, he said

Telkom had invested R420m in improving its customer service and, in a pilot project, the time between ordering and installing a voice service had been cut to nine days from 29 This system would be operational by October




Graphic KAREN MOOLMAN Source TELKOM

"Given our performance, we are confident that we will meet the ambitious line rollout (of 2,8-million lines by 2001) set in our licence," he said.

Moseneke said capital expenditure reached a record high of R3,7bn in the

Continued on Page 2

# Telkom

(267)

Continued from Page 1

BD 4/7/97

review period, and the capex budget for the current year was R6bn.

The recent sale of a 30% stake of Telkom to US-based SBC and Telekom Malaysia would lead to a capital injection of R4,5bn in the current year — this was not incorporated into the 1996/97 results — so no major funding requirements were anticipated.

Tariff rebalancing, which has already seen sharp increases in local call costs and decreased international rates, would continue within Telkom's five-year exclusivity period.

The utility would aim to connect a minimum of 256 000 lines in underserviced areas during the current year, bringing the total 1997/98 delivery target to 360 000. Moseneke said Telkom was on track to deliver a fully digital network by 2001/2002.

Nor Hizam Hashim, the new chief financial officer appointed by Telekom Malaysia, said operating profit rose 46% to R4,4bn with an improvement in the operating margin to 27% from 23%.

The tax bill was almost three times higher at R1,17bn, from R421m previously. Hashim said managing the tax bill would be a priority

Lower debt levels of R7,2bn (1996· R8,7bn) and the management of financing charges saw group financing charges decrease to R1,3bn. The debt equity ratio was reduced to 0,9 from 1,4, and Hashim said one of the biggest challenges would be to keep debt at an acceptable level in the face of the huge lines delivery programme.

Share earnings jumped to 50c from 31c and it was agreed with government at the time of the 30% equity stake sale that R400m in dividends would be retained by Telkom for the rollout programme

Telkom was still plagued by copper theft and network fraud which, once loss of income was taken into account, swallowed R775m.

Moseneke said that new radio-based technologies were increasingly being deployed in the delivery of new lines to obviate copper theft, and in terms of the SBC/Telekom Malaysia bid documents more than 50% of new connections would be via radio-based technologies

**TELECOMMUNICATIONS** *Theft and fraud fail to hold back surging growth*

# Telkom's earnings soar 61%

CT (BR) 4/7/97 (267)

**FRANÇOISE BOTHA**

Johannesburg — Telkom, the state-controlled telecommunications company, overcame the cost of spiralling cable theft and customer fraud to post a 61,3 percent increase in earnings to 50c a share for the year to March 31, the company reported yesterday

The increase was largely through tighter cost controls and sharply improved operations, the company said

But the results come despite cable theft, which cost the company R230 million, and customer fraud totalling an estimated R450 million over the year Bad debts were kept below 2 percent of revenue, well within international norms, Telkom said

Revenue climbed 22,7 percent to R16,3 billion, with domestic call revenue rising by 24 percent and international call revenue increasing by 4 percent to total R14,8 billion. Operating profit gained 46 percent to R4,4 billion

Dikgang Moseneke, Telkom's chairman, said the better-than-expected results were owing to the accelerated rollout of integrated digital services network connections, better cost management and increased contributions from cellular operations

Nor Hizam Hashim, Telkom's group executive for finance, said better cashflow management and the bunching of capital expenditure close to the year-end had enabled the company to reduce net interest-bearing debt by 17,4 percent to R7,2 billion, its lowest level in years

The company exceeded its rollout target of 250 000 lines by 6 459 — 71 percent up on the 150 345 lines connected during the 1996 financial year But, Moseneke said, Telkom had actually connected over 700 000 telephones during the year, of which 450 000 had been disconnected, partly because of clients moving premises and tighter debt controls

The rollout programme, which forms a cornerstone of Telkom's minimum four-year voice telephony monopoly in terms of the PSTS licence, connected 95 communities, informal settlements and tribal villages, and boosted the total number of lines in the country to 4,26 million

In line with the company's Vision 2000 programme, which aims to replace all the electromechanical exchanges with digital exchanges, the percentage of lines connected to digital exchanges increased from 70 percent to 74 percent over the period

Hashim said: "South Africa presently has teledensity of 10 percent Normal telecommunications companies can sustain 40 percent, so there are tremendous opportunities for us in the future"


**CALLING THE SHOTS** *Dikgang Moseneke, the chairman of Telkom, attributes the high earnings to tighter internal controls and faster rollout of services* PHOTO JOHN WOODROOF

TELKOM

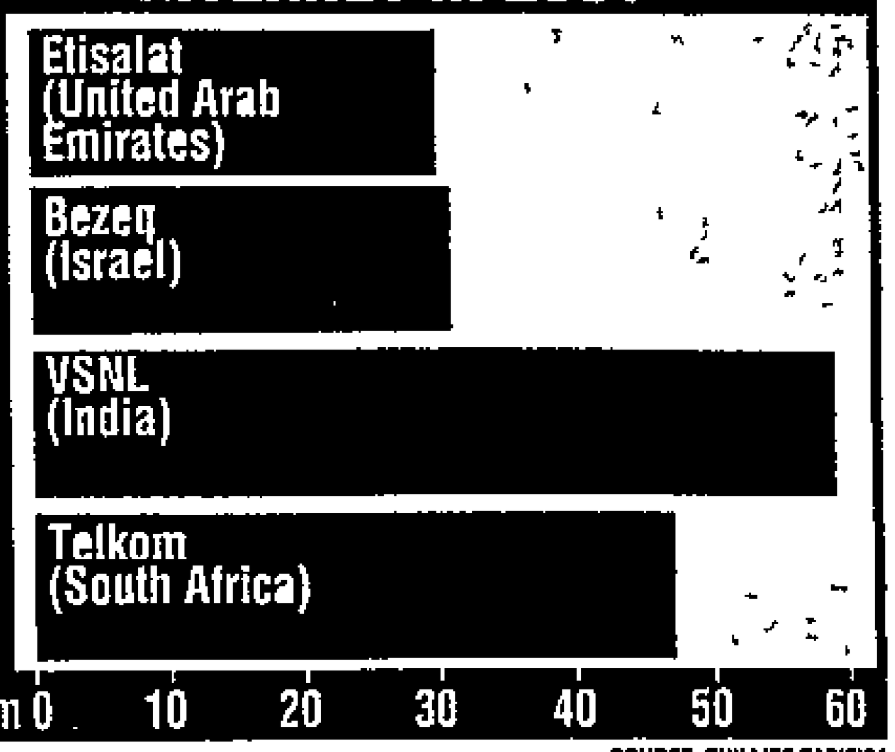
# Space age rivalry bites bottom line

(267)

FM 4/7/97

Bargain basement international rates as new technology keeps national operator on its toes. But locals will pick up the tab

REVENUE LOSS IN INTERNATIONAL CALLS MARKET DUE TO THE INTERNET IN 2001



SOURCE PHILLIPS TARIFICA

New technologies are playing havoc with Telkom's plans for a gradual transition to full competition

Instead of continuing to reap handsome margins on international calls, the corporation will be forced to slash international call rates under pressure from the Internet, callback services and voice-over corporate data networks

Industry pundits say the threat has seen international call prices to 29 countries cut, with plans for more reductions during the course of the year But Telkom managing executive for international business Rhynie Greeff disagrees "We are following world trends The Internet is a nil factor at present and callback is 3%-5% of our international calls No company in its right mind would take that as a price leader We do not price against pirates Nobody can"

He adds that the "Mafia-style" practices of callback operators are unethical and should be discouraged

But legislating against Internet and callback companies goes against free market norms and will be hard to enforce

Telkom stands to lose up to US$47m (R212,5m) in international call revenues in 2001 as users increasingly turn to the Internet, predicts London-based consulting group Phillips Tarifica in its report *The Net Effect. The Impact of the Internet on World Telecommunications Markets*

It says that the telecoms operators that stand to lose the most are in the developing world, where phone monopolies charge high international tariffs

India's VSNL will be the biggest loser with anticipated losses of $59m in 2001 The next highest is Telkom ($47m), followed by Israel's Bezeq ($31m) and United Arab Emirates' Etisalat ($30m)

These operators will lose out because for the amount of time spent on the Internet, the user is charged at a local call rate For this small charge, he can place Internet calls and send faxes and e-mail anywhere in the world

Though forgoing R211,5m in 2001 is not likely to make a major dent in Telkom's revenue (exceeding R16bn for the year to March 1997), this is just the start It will increasingly be hammered by competitors who take advantage of new technologies that are becoming more difficult to regulate


Robert Tshabalala

***Rhynie Greeff*** *hitting out at "pirates"*

Callback services, the surreptitious use of voice-over corporate data lines, VSat satellite services and low-earth orbit satellite networks, which will provide global mobile phone and Internet services, will further erode Telkom's stranglehold on long-distance rates

Greeff says international calls make up a quarter of Telkom's gross revenues, before payments to other operators He admits it will become more difficult to stamp out competition from new technologies and says the only option is "to compete head-on"

Telkom started reducing international rates in April, when rates to eight countries were cut This week Telkom cut its rates to another 29 countries, bringing its international call cuts for this year to 11,5%

However, this has been offset by last December's 28,4% increase in local call costs With its obligation to extend lines into rural areas, local call costs are expected to increase further A stated intention is to "rebalance tariffs" as international and long-distance calls have traditionally been used to cross-subsidise local ones Put in layman's terms, rebalancing means increases in local rates to offset falling international rates

While tariff rebalancing will make it more competitive, Telkom must do more than just jiggle its rates if it wants to keep customers It will have to improve service

Asking customers to remain patriotic and refrain from using "unethical" competitors simply won't work if services don't improve

SAIX, Telkom's Internet exchange, lost a contract worth more than R3m/year from Uninet, the academic service provider which provides Internet services to up to 500 000 university students, because of poor service

"SAIX staff were consistently unresponsive and not too knowledgeable about routing issues Just about every problem they addressed was referred to a consultant," says Uninet manager Mike Lawrie, who defected to The Internet Solution

"There was also the matter of prices The SAIX web pages stated clearly there was a discount on the monthly R17 710/64 Kbps prices when the bandwidth increased We did not get any of this discount"

Lawrie says only once Uninet got quotes from private Internet service providers Telkom responded "with a lot of promises that things will be better"

Another public-sector body not swayed by Telkom's patriotism pleas is the Gauteng provincial government, which recently signed a multimillion-rand deal with The Internet Solution and Mayibuye Gauteng Computer Services for the provision of Internet services ranging from basic connectivity to value-added services Marina Bidoli

# Officials face courts

## Top civil servants to appear in connection with licence scams

(269) Sowetan 4/7/97

By Pamela Dube
Political Reporter

More than 20 senior officials of the Mpumalanga traffic, justice and home affairs departments are to appear before the courts next month in connection with licence scams in the former KaNgwane and KwaNdebele homelands.

Mpumalanga police Commissioner Mokoena Malete said the 23 suspects, including two members of the public, had been charged with issuing and receiving fraudulent learner's and driver's licences.

Traffic officers Charles Mdluli, Sydney Muhwayi, Madoda Sikhonde, Lawrence Khumalo, Duma Mokoena, and officials of the justice and home affairs departments Edward Nkosi, Victoria Masango, Robert Mkhatshwa and Lucy Nzimande will appear in the Carolina Regional Court on August 25.

The case against the officials is the result of investigations carried out by a task team set up by Mpumalanga Premier Mathews Phosa last month, newly appointed MEC for works, roads and transport Mr Jackson Mthembu said yesterday.

"I'm impressed by the task team's efforts to end corruption in the traffic department," Mthembu said.

The task team was established by Phosa after the damning Moldenhauer Commission report on the licence scam, which revealed there was rampant corruption in the province's testing stations.

It was headed by the province's director-general, Mr Frank Mbatha.

The commission's findings implicated high-ranking officials, resulting in the resignation of MEC for safety and security Mr Steve Mabona and the suspension of traffic director Mr Henry Brazer and department head Mr Stanley Sokho.

### Disputed licences

The team's task was to investigate 43 disputed licences issued in the past year at the seven testing stations in the former KaNgwane and KwaNdebele homelands.

The probe was confined to the issuing of learner's and driver's licences covering the 12-month period up to the beginning of the Moldenhauer Commission.

Mthembu revealed that the South African Police Service had widened its investigations of all testing stations in the province, including those run by local authorities.

"Every traffic officer is under investigation and members of the public found to have engaged in criminal acts of bribery will be expected to answer for their deeds," Mthembu warned.

The licence obtained by National Assembly Deputy Speaker Ms Baleka Mbete-Kgositsile, with Mabona's assistance, also formed part of the investigations, Mthembu said.

Mthembu said the task team had closed four of the seven testing stations – Siyabuswa, Ekangala, Kwaggafontein and KwaMhlanga – as recommended by the Moldenhauer Commission.

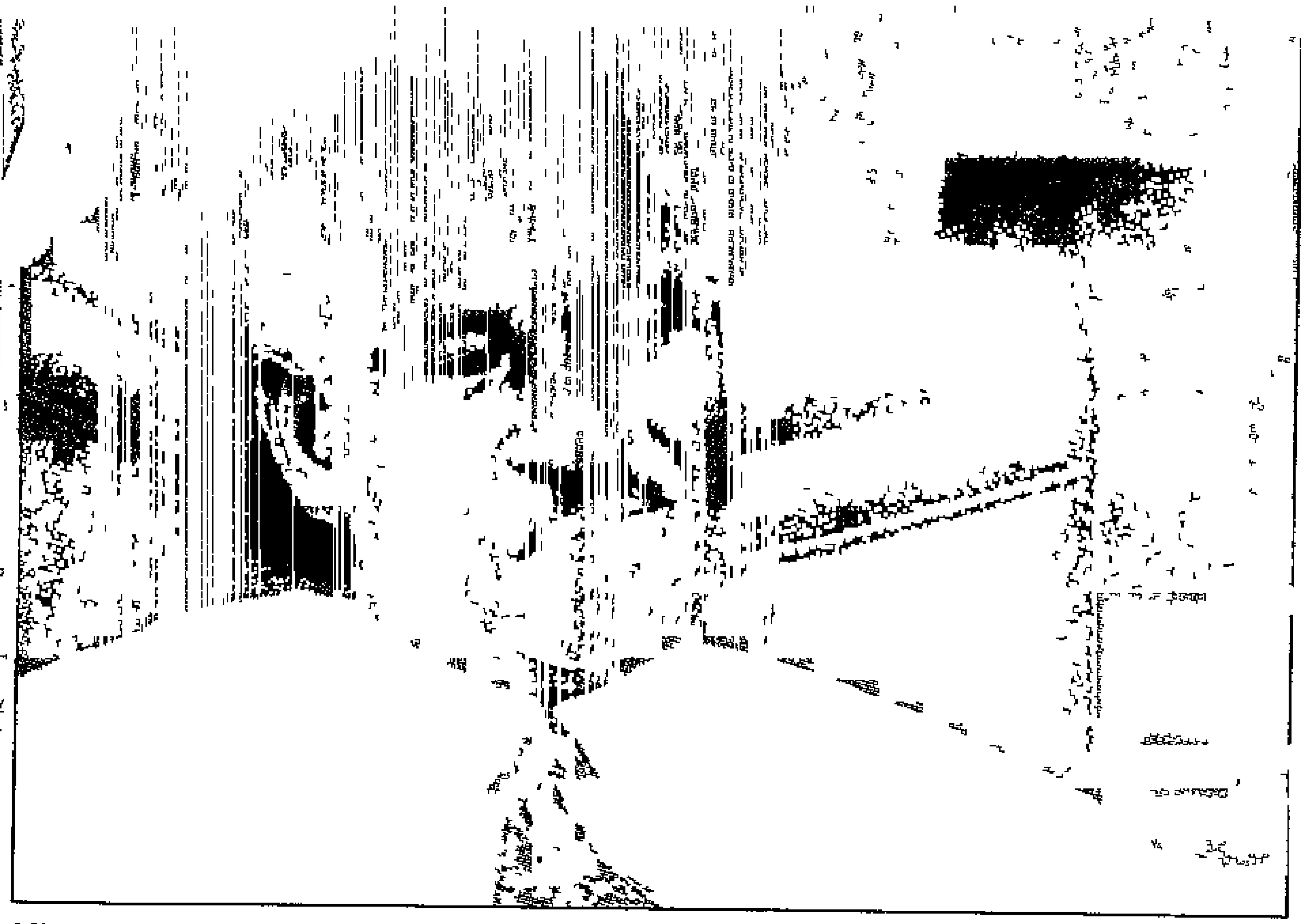
"We had to close them to ensure proper preventive mechanisms are in place. We will have to decide whether to reopen some or not," Mthembu said.

Yesterday Mthembu and his officials toured the four stations to assess the restructuring process.

Other suspects who are awaiting trial include Kabokweni testing station officials Elfas Ngwenya, Edward Khoza, Smuts Mbamba, Michael Mhlongo, Sipho Sibeko, Simon Nzimande and Midas Khumalo.

Also implicated in the scam are Tobias Maphungela, Jacob Mathenjwa, Norman Sibeya, John Madonsela, Christopher Mbazima, and two civilians Skonttre Mashaba and Margaret Mkhatswa.

They are from the Tonga region and are also awaiting trial.



NETWORKER . . . Wilbur Crossley expounds microwave technology for SA

CUTTING COSTS . . . Nor Hizam Hashim puts it down to efficiency

# Telkom lobs R13bn off expansion costs

ST(BT) 6/7/97 (267)

INFRASTRUCTURE

By SVEN LUNSCHE

TELKOM has drastically reduced the forecast costs of its telephone network expansion programme from R53-billion to about R40-billion

Telkom chairman Dikgang Moseneke said this week a final costing analysis could come in well below the R53-billion estimate by Telkom's new equity partners, SBC Communications of the US and Telekom Malaysia, who jointly bought 30% of Telkom in May

Moseneke now estimates the price of installing 2 8-million new lines and upgrading a further 1 2-million lines by March 2002 at closer to R40-billion

However, even at the lower cost the plan is the most expensive telecommunciations network expansion ever undertaken in Africa, and SA's largest yet investment project.

The lower-cost estimate comes on the back of impressive financial and operational results for the 12 months to end-March, and suggests that the rollout will be managed without significantly impacting on Telkom's bottom line

The parastatal boosted its attributable profit in 1996/97 by 61% to R1 95-billion on a 23% rise in revenue to R16 3-billion Its balance sheet also looks healthier, with interest-bearing debt down from R8 7-billion to R7 2-billion

Telekom Malaysia appointee Nor Hizam Hashim, chief financial officer, says improved efficiencies, higher cash flows and better network utilisation enabled the equity partners to review their forecasts of capital costs

"The more new telephone lines we install, the greater the future revenue stream, the less we have to borrow," he says

In the current financial year, Hashim expects Telkom to spend R6-billion on about 360 000 new lines, of which 256 000 will be in underserviced areas This target is up sharply on the R3 7-billion dedicated to 256 000 new lines last year In 1995/96 a mere 150 000 lines were developed

By 2000/01 Telkom wants to install more than 600 000 new lines a year The ultimate aim is to double the total number of lines to 8-million by 2005

Hashim says the group would avoid loan funding for the current financial year as Telkom has access to the R4 5-billion capital injection from Telekom Malaysia and SBC

However, in the longer term Telkom would seek access to international capital markets "where financing products are available for telecommunications operators". The cost of capital from these products varies, Hashim says, but can be as low as 5% a year

He is confident Telkom's profit growth will exceed 10% in 1997/98 Telekom Malaysia expected at least annual double-digit growth when it invested in Telkom "SA has a telephone density of only 10%, which leaves room to grow our network and income flows "

Telkom also plans to achieve significant savings by using wireless technology for its expansion programme SBC appointee Wilbur Crossley, Telkom's group executive, networks and technology, points out that "wireless in the local loop" technology could cut the cost of a telephone line by up to 20% in rural areas

Over half of the new telephones could be linked via wireless technology, which relies on microwave connections rather than a telephone line to offer telephony, and has the additional advantage of circumventing the theft of copper from Telkom's underground cables In the past financial year the group lost an estimated R230-million as a result of copper theft

Crossley also indicates that where cables are required Telkom would make increased use of fibre-optic links

He stresses that the group sees its role as going well beyond the rollout to underserviced areas

"By offering broader bandwidth on our network we can offer value-added services to our business customers If we do not do it then our competitors will when the market opens up in five years time "

Telkom will source most of its input for the expansion plan from local manufacturers, but will use the latest international technology and know-how where necessary

# Illegal callback operators face crackdown by regulator

CT (BR) 7/7/97

(267)

FRANÇOISE BOTHA

Johannesburg — The South African Telecommunications Regulatory Authority (Satra) is to launch a nationwide crackdown on illegal callback operators, and could give Telkom the power to bar their telephone and fax numbers, sources said at the weekend

The proposed action by Satra follows complaints by Telkom that foreign, mostly US-based, callback operators which offered international rates discounted by up to 65 percent, were costing the company international call revenue.

Rhynie Greef, the managing executive of Telkom's international business unit, said last week Telkom had approached Satra to tackle the problem, which had caused calls to the US to halve over the past year Alison Gillwald, a Satra councillor, said an investigation would be launched into callback operators under the new Telecommunications Act.

A source said the new Telecommunications Act would be used against illegal operators This allowed for sentences of up to two years in prison and a maximum fine of R500 000

Telkom's international call revenues climbed by 4 percent to R2,8 billion against domestic call revenue, which rose by 24,2 percent to R12 billion over the year to March 31

A memorandum in the possession of Business Report from Telkom's legal department to Greef says: "An interdict can be obtained by Telkom against the callback operator, prohibiting the same to provide this service in South Africa.

"I am further of the view that an interdict can also be obtained against the customers — accomplices to this illegal act — in South Africa, who are making use of this illegal service"

The memorandum followed the blocking of callback operator Star Telecom's lines last month

Greef would not comment on whether or when Telkom would launch legal action against callback operators A source said Satra might attempt to cripple operators by exchange control legislation and the fact that VAT was not paid on the service

Jeremy Green, a director of the country's largest callback operator, Ursus Telecom Corporation, said Telkom's attack on callback operators was unwarranted and showed its inability to compete in the international market He said Telkom received R2,22 in hard currency for each minute of traffic received from the US

# Confusion in callback case

CT(BR) 8/7/97

FRANÇOISE BOTHA (267)

Johannesburg — Confusion reigns over the legality of discounted callback companies operating in South Africa, with the battlelines being drawn between Telkom and its international call competitors

The confusion follows reports Telkom had approached the South African Telecommunications Regulatory Authority (Satra) in a bid to clamp down on its competitors, which it claimed were operating illegally and had cost the company international call revenue

A Satra spokesman denied the authority had been called on by Telkom to launch an inquiry which could see a clampdown begin

Rhynie Greef, the managing executive of Telkom's international business unit, said the company had spoken to Satra about the problem, but had not made any formal submission

That did not mean the company would not do so, he said

Greef, who has slated callback operators, calling them illegal and "pirates", has attracted the wrath of the industry

Lawyers acting for callback operator Ursus Telecom Corporation said Telkom had created the misleading impression that callback operators were acting illegally It was incorrect to assume in terms of the new Telecommunications Act that callback services would not be allowed, the lawyers said

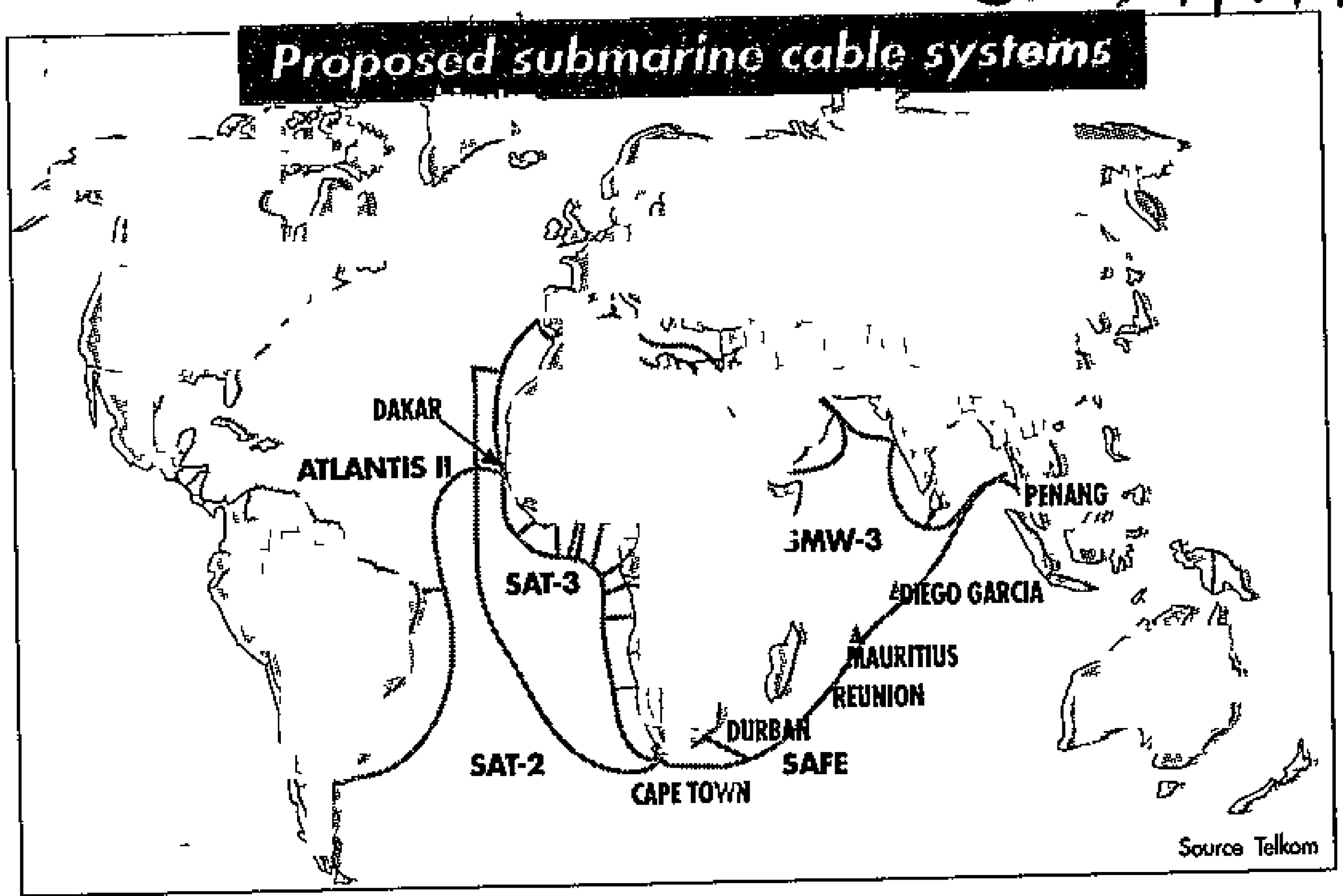
# NEWS

**TELECOMS** *Parastatal heads international submarine cable project*

# Telkom ready for Africa-One

CT (BR) 9/7/97 (267)

**Françoise Botha**




Johannesburg — Telkom's board still had to give approval for involvement in Africa-One, a R2,9 billion two-part submarine cable project, Johan Meyer, the head of Telkom's global cable business development, said yesterday

Both projects are being driven by Telkom, and the company has signed memorandums of understanding committing a number of other international telecommunications operators to the projects

Africa-One includes fibre optic cable links between South Africa and the Far East (SAFE), scheduled to come into operation in 2000, and the South Atlantic Telephony/West African Submarine Cable (SAT-3/WASC), planned for 2003

Last month, Telkom signed memorandums of understanding with Gabon TIG, Ghana Telecommunications and Sonatel of Senegal for SAT-3, and it was expected that at least four more western and southern African operators would sign within the next few weeks

Meyer said Telkom had given its approval to the SAT-3 project, but had not yet committed any funding

France Telecom, Telekom Malaysia, Mauritius Telecom and Cable & Wireless have committed to the R1,27 billion SAFE project

Telkom has committed to spending up to R185 million on SAFE, which was expected to attract between 3 and 5 percent of European traffic to the Far East, which would reduce the funding requirements

The planned integration of SAT-3/WASC with SAFE would strategically position Telkom as the global hub for European-Asian connectivity via the sub-Saharan African gateway

This would reduce Telkom's intercontinental access costs and could provide connectivity to more than 35 sub-Saharan African countries, Meyer said

Rapid developments in fibre optic technology had made it possible to carry more data on each cable and significantly reduce the cost of calls routed internationally by submarine cable, Meyer said

# Deregulation must await mass roll-out

**The restructuring of SA's telecommunications sector is in line with world trends, says Posts, Telecommunications and Broadcasting Minister Jay Naidoo**

(267) BD 10/7/97

DEREGULATION, unfettered privatisation, unbridled competition, "flexible" labour markets (read problems with trade unions) and reducing the role of the state in the political economy, are increasingly proposed as the panacea to SA's economic ills

This view requires careful analysis, particularly in determining the strategic direction of the state in utilising the public corporations and instruments at its disposal to achieve the goals of democratic government.

Global telecommunications consist of numerous interconnected and multifaceted networks SA's international isolation over the past 15 years or so has led the country to lag behind global developments through a lack of access to capital, expertise and technology Such isolation is no longer acceptable, the integration and restructuring of the sector to meet new goals has become critical

With reintegration, however, there come demands for increased market access, liberalisation and increased competition It is within these demands that discussion about the best way forward is sometimes erroneously anchored

In integrating and restructuring telecommunications, government's approach has been characterised by a three-pronged strategy The first element of this strategy was to transform the telecommunications sector to meet new needs, the second element was to revamp regulations and set policy objectives to create a regulatory space for transformation, the third element was to attract partners who possessed the necessary technology, capital, and expertise

This strategy has yielded the injection of $1bn into Telkom's network expansion programme of R53bn, and has also provided for a R2,315bn training scheme

Telkom has been tasked with rolling out the infrastructure 3-million new telephone lines, Internet access to 2 000 disadvantaged establishments, and the connection of 24 000 phone lines to priority customers in medical and educational institutions

In return, Telkom has been provided with a licence which sets out a five-year period of exclusivity on public switched telecommunications services

This regulatory concession to Telkom allows it the space to concentrate on achieving a universal service rather than using its resources to defend its already established market.

The Telkom exclusivity period is shorter than in comparative cases internationally

In the Czech Republic, the exclusivity period is seven years In Hungary, it is eight years Greece, Ireland, Portugal and Spain have all granted additional transition periods of exclusivity up to five years beyond their original deadlines of January 1 1998

Through this transaction, Telkom will be transformed into a cost-effective, efficient and service-orientated world-class company, in which the demographic profile of the country will be reflected at all levels

This will be accomplished through an investment in human resource development

We have achieved a substantial commitment to network expansion, improvement in service quality and transformation to expand telephone services to all our people, in particular to those urban and rural communities disadvantaged by apartheid.

We are also confident that the advanced telephone, multimedia and other business information services which the consortium can deliver will be of tremendous benefit to the economy

The 1996 Telecommunications Act provides for the separation of the policy-making, regulatory and operational functions of the SA telecommunications sector Policy-making is vested in government, which must also deal with shareholder management and long-term planning

One goal, in particular, is to balance the provision of basic telecommunications delivery against the need for advanced information services capable of meeting the needs of the growing SA economy

The regulatory framework ranks among the most progressive in the world. The SA Telecommunications Regulatory Authority (Satra) is responsible for licensing and the allocation of the frequency spectrum.

There are those who have naively questioned this body's independence The reality internationally is that there is no regulator of telecommunications in the world — including the often quoted FCC of the US and Oftel in the UK — that operates independently of industrial policy and the framework of the sovereign nation state

Government has not chosen to go down the road of unbridled deregulation in the telecommunication sector To have done this would have been an unmitigated disaster and would have compromised all the socioeconomic goals we have set

What we have done — contrary to the view of many analysts — is to set in place a world class environment for developing dynamic growth in the sector

There are also those who pursue the flawed argument of a neutral state with no role in economic development other than the collection of taxes

The shameful legacy of apartheid has skewed telephone penetration in favour of historically white areas This was the result of direct government intervention.

This government, like any other around the world, will intervene in correcting such inequality, thereby ensuring that all South Africans have an equal opportunity to benefit from the emerging knowledge society

The principal means of intervention to address telecommunications access imbalances include

☐ The establishment of the Universal Service Agency whose objective is to set up "telecentres" in rural areas which will ensure access to telephones and the Internet, funded through a universal service fund.

☐ Establishment of a human resource development fund from government grants and industry levies to work with industry, labour, civil society, universities and technikons to ensure appropriate skills are developed at the cutting edge of the new economy

☐ En-masse rollout of the Internet to ensure applications such as telemedicine, telelearning and open access for all to government information services

This brings us back to the emergence of the so-called "knowledge society"

Two-thirds of humanity live on less than $2 a day Half of humanity has not made a phone call

As a privileged, educated elite heads off into cyberspace, what is the fate of the majority of the world's population?

SA reflects this microcosm of the world's inequity and the division of wealth and knowledge A democratic government should not pursue policies that perpetuate these inequalities and show a careless neglect of reality

Competition already exists in the South African telecommunications industry Not only do the two cellular operators, MTN and Vodacom, compete against each other, but a process is already underway for a third cellular operator

Competition in the provision of local, long-distance and international services is contemplated under the Telecommunications Act, but will not be introduced until Telkom has expanded and modernised its basic infrastructure in a way that meets the demands of all segments of the population. This will be achieved by the roll-out of a substantial number of new telephone lines.

In most other countries, network rollout for the purpose of providing universal service has been undertaken a considerable time before the domestic telecommunications market has been fully liberalised. Because of apartheid, universal service has yet to be achieved in SA.

A relatively brief exclusivity period is therefore necessary to facilitate network rollout — the scale of which is almost without global precedent This exclusivity period is not a license to print money Stiff targets and severe penalties accompany it should Telkom fail to deliver Comparison with the exclusivity period in the UK is misleading, as universal service had already been achieved by the time British Telecom was forced to compete with a strong second operator

Competition will inevitably lead to lower prices However, this will also happen immediately in SA as a result of the Telecommunications Act Tariffs will also be regulated by Satra

During the first three years of the exclusivity period, prices for services for which there is insufficient competition must be reduced in real terms by 1,5%

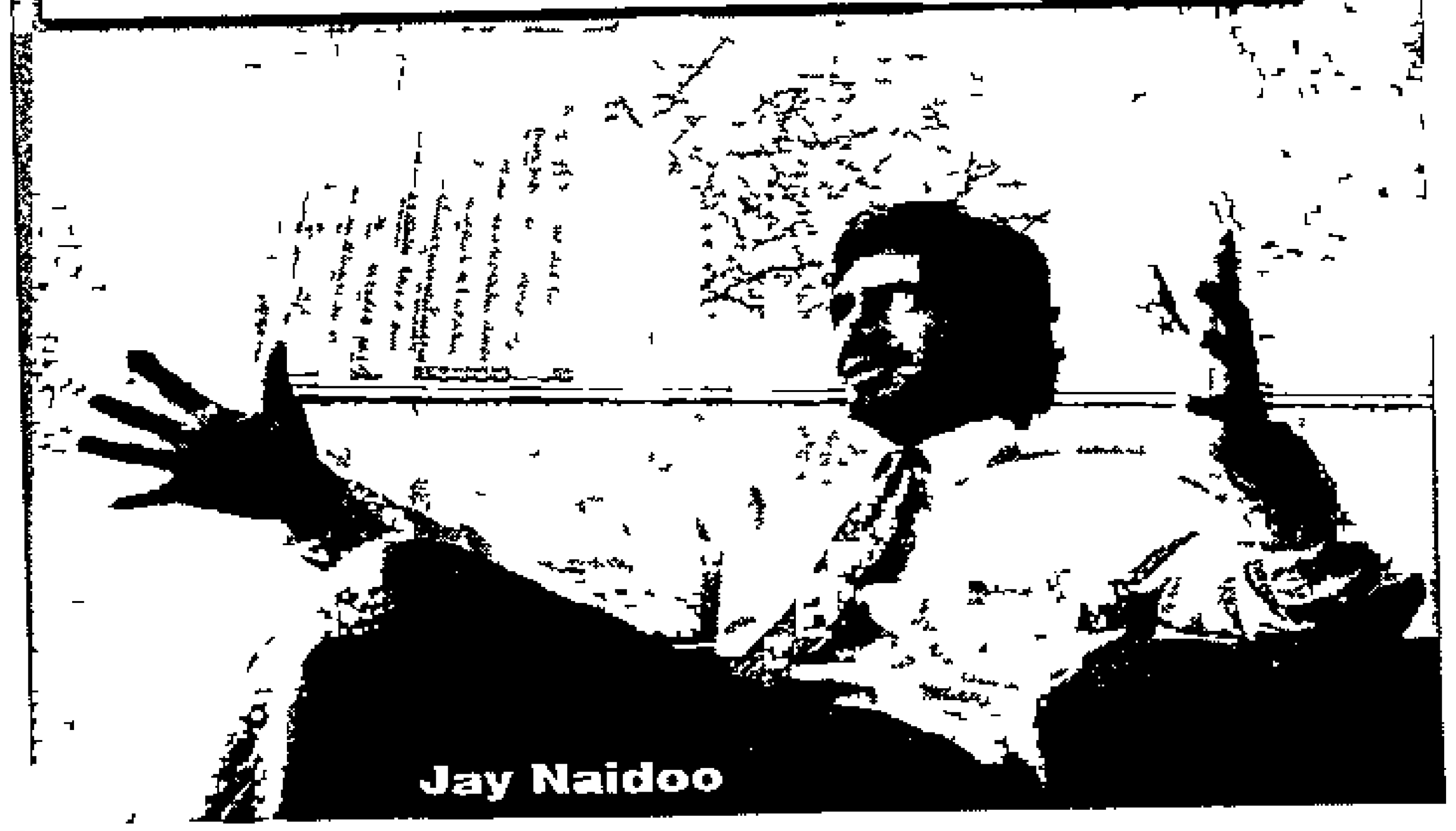
In short, phased competition will bring the greatest possible rewards to SA, through carefully thought-out strategic considerations and not through ideological posturing.

**Government's approach has been characterised by a three-pronged strategy**

☐ To transform the telecommunications sector to meet new needs

☐ To revamp regulations and set policy objectives to create a regulatory space for transformation

☐ To attract partners who possess the necessary technology, capital and expertise



Jay Naidoo

Star 12/7/97

(267)

# Copper wire thefts cost Telkom R60-million

Nelspruit – Telkom has lost R60-million to copper wire theft across South Africa in the past three months, Telkom town manager Peter James Fraser told the regional court here on Thursday.

Fraser was testifying against two Mozambicans who were each sentenced to 10 years in jail for stealing copper wire near the Sabie road in March this year.

"From April 1997 until today, R60 million worth of copper wire has been stolen from South African telephone lines," Fraser said.

The two Mozambicans, Armando Mbalanti (30) and George Khoza (25) of Maputo had pleaded not guilty.

Mbalanti said they had been offered work by a businessman from Bushbuckridge.

Fraser testified that he, a colleague and two policemen went to investigate the lines after being alerted that the wires were being cut.

Fraser and his colleague caught Mbalanti and Khoza.

Magistrate Albertus le Roux said the Mozambicans had lied by claiming not to know what the wires were for and that a period in prison would be the most appropriate sentence. – Sapa

TELKOM

# War of words hots up over callback lines

CT(BR) 15/7/97 (267)

FRANÇOISE BOTHA

Telkom's right to be the country's only voice telecommunications service provider looks likely to become the centre of heated legal debate as callback operators put the new Telecommunications Act under the spotlight

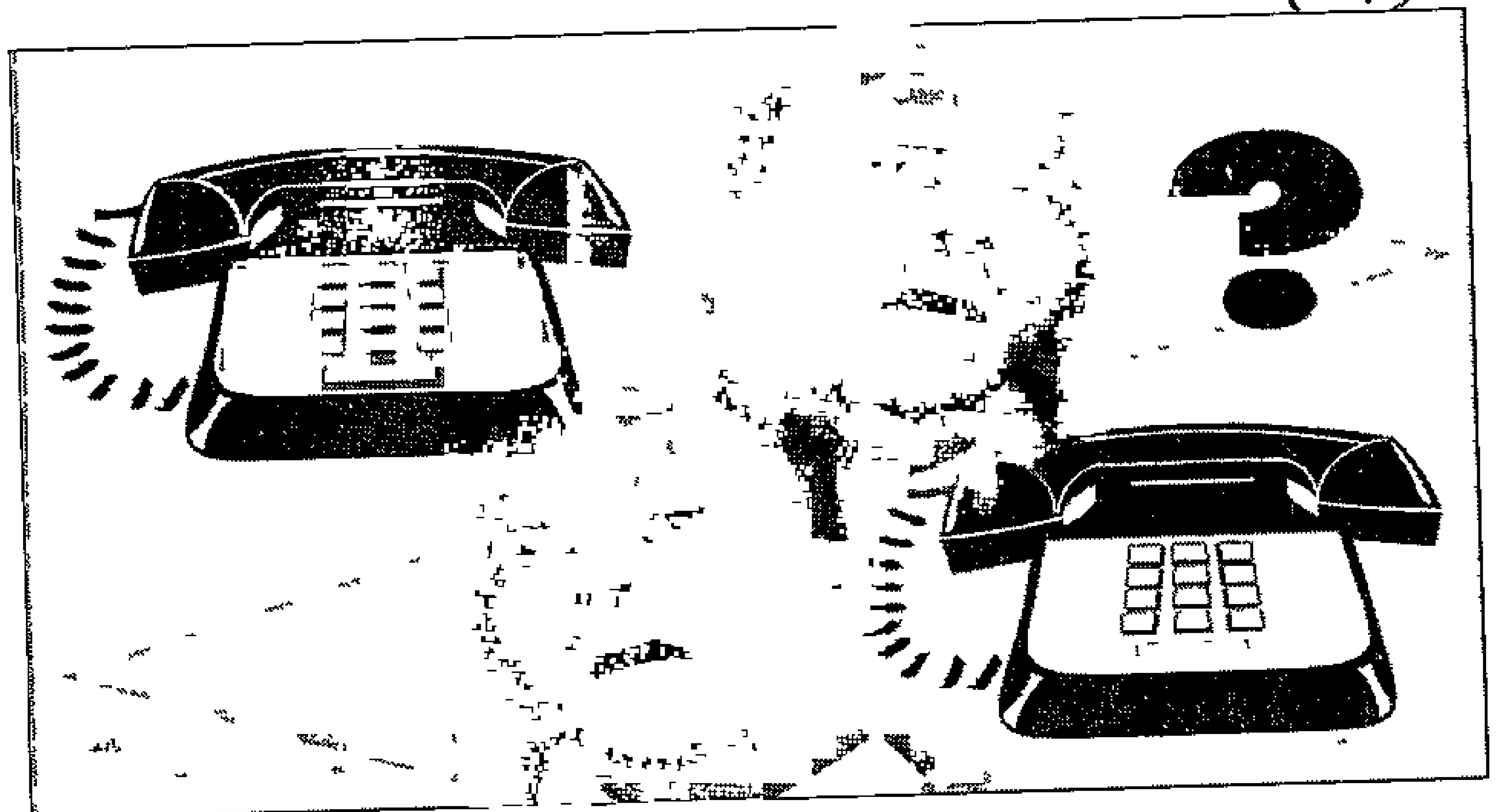
What has until now amounted to little more than sparring between the two groups, with both focusing keenly on their share of international call volumes, has erupted into bitter exchange

At the centre is Telkom's monopoly over voice communications, which has been granted for a further four years, with a possible extension to five if the company meets an aggressive rollout target of 3 million lines by the end of the fourth year

The industry furore follows claims made by Rhyme Greef, managing executive of Telkom's international business unit, that callback operators were acting like "pirates", who contributed nothing to the maintenance or establishment of the local telecommunications network and were, in fact, degrading it The remarks spurred a rush of vitriolic comment from callback players, who said this once again showed the parastatal's inability to compete in the international market

Jeremy Green, a director of Ursus Telecom, said it was "misleading and deliberately mischievous" to claim that neither Telkom nor the South African economy were benefiting from callback The allegations were "simply not true", he said.

Another operator, who asked not to be named, said Telkom's attitude towards any competition was to criticise and try to shut it down



Green said "If Mr Greef bothered to check, he would find that due to the accounting rate between the US and South Africa (which is $1 a minute) every minute of traffic sent by South Africa to the US costs Telkom 50 US cents The same amount is payable to Telkom by the US when one minute of traffic is sent back to South Africa

"This means that, at the current exchange rate, Telkom is receiving R2,22 in hard currency for each minute of traffic received from the US," he said

Telkom's announcement this week that it would lodge a complaint with the South African Telecommunications Regulatory Authority (Satra), has only added fuel to the fire The complaint, which followed lawyers' letters from the country's largest callback operator, Ursus Telecom, has been welcomed by callback operators who say it is time to clear the air

But publicly minded individuals who joined the queue to tar Telkom as the evildoer for criticising discount callback operators look set for a few surprises Not the least of these will be the likely conclusion of Satra, which will doubtless stand behind the parastatal

At Satra's disposal are the Post Office Act of 1958 and the Telecommunications Act of 1996, neither of which, lawyers for Ursus claim, can be held to govern the position of foreign callback operators

"No callback operator requires a South African licence to provide a callback service as that service constitutes nothing more than an international telephone call being made from a location outside the Republic of South Africa to a location within the Republic of South Africa," the lawyers said

South African law also did not apply outside the borders of the country, and a telecommunications service provider which was not located within the country would therefore not be subject to the provisions of the acts It followed that an international callback operator would not be required to obtain a licence in terms of the Telecommunications Act or get the consent of Telkom to provide a service from an international location, they said

Whether the new Telecommunications Act will hold up under scrutiny remains to be seen But the fact that 60 countries have already declared callbacks illegal on the grounds that they degraded their networks is bound to add weight

The public's concerns that Telkom could raise its international call rates if Satra finds in its favour are unwarranted The company has committed itself to the renegotiation of international call tariffs as part of its tariff rebalancing programme which began over two years ago The first and most significant reductions, which came into effect on April 1, saw a basket of call rates reduced by up to 22 percent

The second round of cuts came into effect on July 1 This includes the US, Australia, Canada, Israel and New Zealand The new rates will allow for savings of between 6,5 percent and 20,3 percent

But the introduction later this month of callback over the Internet appears to be another thorn in Telkom's side

One operator said "With Internet, Telkom will hardly make a penny out of the international calls They will only gain on the local call leg to the Internet service provider, which means virtually nothing That is why they are so against it

"Telkom is more than aware that its revenues will come under even greater pressure as Internet technology and other forms of communication became more widespread"

# Telkom scraps controversial tender

BD 17/7/97 (267)

**Lesley Stones**

TELKOM has scrapped the controversial R100m tender for the creation of a national value-added network which caused a furore in the information technology industry last month when it was claimed it was written to favour a specific vendor

Several major companies refused to bid because they felt only the "favoured" one could win the deal

Although Telkom vigorously denied the allegations, the Competition Board investigated the alleged bias in favour of Newbridge Networks But board chairman Pierre Brooks said little progress could be made as no vendors would risk publicly criticising Telkom, a major buyer of technology.

Telkom halted the Enterprise Network Service tender in June, which proposed heavy capital expenditure on a network to supply advanced communications services to business customers and to improve basic service delivery. It said its equity partners, SBC and Telekom Malaysia, were reassessing the project.

Now the tender had been dropped completely. Telkom's executive for market strategy and business development, Blackie Lahoud, confirmed this yesterday. "The reason is, our partners are going to redesign the whole network," he said.

When the tender was halted in June, Lahoud said Telkom realised no single company could meet all its demands. Parts of the tender were likely to be issued separately, he said. But yesterday he said the tender had been scrapped entirely, and no sections would be hived off.

Initially Telkom said its equity partners had co-operated fully in the tender. That was seemingly contradicted later by confirmation that the partners were taking a closer look.

Lahoud said development of the Enterprise Network Service network was unlikely for some time as the equity partners reassessed the network and related investments.

Letters announcing that the contract had been dropped had been sent to the short-listed companies.

Three consortiums were short-listed. Newbridge Networks bidded in partnership with Siemens and Q Data, black empowerment organisation Cein bidded with Cisco Systems, and Alcatel led a consortium as the third bidder.

# 'Adopt a court' plan to aid anticrime bid

BD 17/7/97

**Pearl Sebolao**

BUSINESS Against Crime has launched a campaign to get businesses to "adopt" and sponsor law courts and the attorney-general's office, and has pledged money and resources to help upgrade courts to bolster the fight against crime.

Business Against Crime director David Gordon said after meeting Justice Minister Dullah Omar yesterday the initiative would include revamping the courts to make them more user-friendly. His organisation would provide assistance in the form of computers and training, security for staff and visitors, and making extra space available for prosecutors to use for interview purposes

"We will assist in any way we can," Gordon said

A task team, consisting of Business Against Crime representatives, the justice department and the attorney-general's office had been appointed to conduct a needs assessment in order to match available resources and requirements, he said

"The aim is to get business organisations to adopt and sponsor the courts and the attorney-general's offices, and we hope that in due course we will find sponsors for each and every one of them," Gordon said.

Several sponsors, including Rotary clubs and the SA Chamber of Business, had shown an interest, he said

Business Against Crime legal adviser Lorinda Nel said the Johannesburg and Pretoria magistrate's offices and attorney-general's offices had been chosen to pilot the project before implementing it countrywide. A sponsor for the Johannesburg magistrate's offices had been identified, but the deal still had to be confirmed.

The task team would meet on Thursday next week to look at the adoption of the Johannesburg magistrate's court, and the kind of help that would be provided.

Business Against Crime was also working on a computer system which would incorporate all four pillars of the criminal justice system — the police, justice departments, correctional services and the welfare services.

This would enable the justice department to access dockets on the computer, and to trace the records of suspects from the time of arrest until parole, she said.

# Telecoms privatisation urged

BD 22/7/97 (267)

CAPE TOWN — The accelerated privatisation of all telecommunications services was vital if SA was to keep abreast of international developments in information technology, two University of Cape Town academics said in an article published yesterday

James Hodge and Jonathan Miller said in the latest edition of UCT's Trade and Industry Monitor that the decision to partially privatise Telkom but give it a five-year exclusivity period could affect the development of other information infrastructures

"For instance, the Council for Scientific and Industrial Research's community information delivery system based on wireless technology has run into problems with Telkom when attempting to move beyond the pilot stage," they said

The arrangement did not provide a level playing field in all services

"An example is the role of Telkom as a network provider and Internet service provider, which has already led to allegations of unfair competition through hidden subsidies," Hodge and Miller said

Telkom responded to these allegations by asking the SA Telecommunications Regulatory Authority to classify Internet access as a basic service. This would have allowed it to continue providing the service regardless of the outcome of Competition Board investigations The application failed.

These developments had highlighted the need for government to adopt a regulatory environment that allowed for the rapid growth of all telecommunications networks, Hodge and Miller said

They said that while the financial services and retail sectors appeared to be making the most effective use of information technology, manufacturing was lagging behind and needed to get up to speed if it was to become internationally competitive. — Reuter

# Telkom on line with R2bn award

BD 23/7/97 (267)

Lukanyo Mnyanda and Robyn Chalmers

TELKOM awarded a R2bn contract for radio systems to Alcatel Altech Telecoms and Lucent Technologies yesterday, moving its project to deliver 2,8-million new phone lines by March 2002 into top gear.

Telkom public communications executive Victor Moche said the contract, one of the largest the parastatal has awarded, covered the provision of more than 400 000 lines to underserviced areas over the next two years.

Telkom chairman Dikgang Moseneke recently said the company aimed to connect a minimum of 256 000 lines in underserviced areas this financial year, bringing the total 1997/98 delivery target to 360 000.

MOSENEKE

The cost estimate of the network expansion programme has been downgraded to R40bn from R53bn

Moche said a "significant portion" of the equipment would be manufactured locally The successful bidders — chosen after a process involving eight participants — had committed themselves to supporting local industry through strategic partnerships They would also subcontract a portion of the work to empowerment companies

Lucent Technologies is the unbundled arm of US telecommunications company AT&T which is reportedly negotiating a $50bn merger with one of Telkom's strategic equity partners, SBC Communications It has a distribution agreement with Spescom Global Systems. Spescom is a black empowerment subsidiary of Spescom Electronics, listed on the Johannesburg Stock Exchange

Alcatel Altech, a member of the Altech group, last month sold a 20% stake to black-controlled Rethabile investment group for R125m "Comprehensive training for Telkom employees is also included in the contract," Telkom said

Moche said the contract was for the supply, planning and installation of radio-based technology. This would make Telkom less vulnerable to cable theft — which with network fraud had cost it an estimated R775m in the past financial year, when loss of income was taken into account, Telkom said recently.

Moseneke said it had been agreed with Telkom's strategic equity partners, SBC Communications and Telekom Malaysia that more than 50% of new connections would be via radio-based technologies. It has been estimated that "wireless in the local loop" technology could cut the cost of a telephone line to rural areas by 20%. Where cables are required, Telkom has indicated it will use fibre-optic links.

# Naidoo in bid to improve postal service

Star 24/7/97

(267)

By Cheryl Hunter

The Post Office is set to be made more accessible and consumer-friendly, according to the green paper on postal policy released today by Post, Telecommunications and Broadcasting Minister Jay Naidoo.

The paper marks the beginning of the restructuring of the country's postal service, proposes decreasing the number of traditional post offices and increasing "post points", for example in supermarkets.

According to the paper, the Post Office operates with "huge inefficiencies and offers a poor quality of service to the public" and has not responded to the changing needs of the market.

If the service, which delivers 8 million items every day, established one post office for every 10 000 people in South Africa, the current network would have to double in size.

Postal policy unit general manager Howard Gabriels said better accessibility could be achieved by turning public facilities into postal points.

"This will spread the network at lower cost," Gabriels said.

The Post Office, which services more than 40 million people, has received Government subsidies to the tune of at least R1 381-million over the past three years.

The subsidy for 1995/96 alone was R572-million.

"We have to address this financial crisis. The Government cannot sustain a subsidy which amounts to about 25% of the service's total operation," Naidoo said.

The service would have to develop a multi-pronged strategy to reduce expenses and increase efficiency and planned to have the Post Office turning a small profit within five years, he said.

The paper invites submissions from the public and interested parties on the many questions raised on how it should reform itself.

The closing date for submissions is September 12 and all submissions should be sent to Postal Policy Green Paper, Private Bag X860, Pretoria 0001 or fax (012) 342-8233 ext 8015.

The policy review, as well as the promulgation of the new Telecommunications Act 1996, will result in the introduction of a new Postal Services Act.

# A parcel of reform goodies in the mail

CT (BR) 24/7/97 (267)

JAY NAIDOO

The challenge to extend services to all South Africans has pushed government to review its traditional institutions and organisations delivering service to the public. Many people in this country take mail services for granted, while about 4 million households do not have an address and more than 5 million households do not have street delivery.

"Apart from enabling citizens to receive mail and business to communicate with their clients, for each household an address is a basic democratic right and important for the dignity of all citizens. Provision of universal services poses more challenges because the poor financial performance of the Post Office constrains the improvement and extension of service.

The Green Paper on Postal Policy offers a good starting point for a debate on the future of the postal sector and Sapos. The critical policy issue that government needs to address is the institutional arrangements which will best redress the historical imbalances in the South African postal sector, ensure universal service provision, encourage financial sustainability, foster efficiency, improve competitiveness and enhance accountability.

Government is committed to the provision of universal postal services at an affordable price to all South Africans. This means equal access to a basic letter service to all citizens. In many countries universal service obligation is measured by how accessible are postal outlets and the availability of service to the population, for example, how far one has to travel to access these services.

South Africa's postal service of 1 16 659 is well below the world average of 1 10 000 inhabitants per postal outlet and the European Union average of 1 3 484 (see table 1). This scenario is more bleak when the apartheid distortion is taken into account, which further skews real distribution of postal outlets between white areas and the townships. For instance, Pretoria and its surburbs had 71 postal outlets, while the black townships had only two post offices.

**TABLE 1: Postal services in European Union**

| COUNTRY | No of postal outlets | Inhabitants per postal outlet |
|---|---|---|
| Belgium | 1,850 | 5,330 |
| Denmark | 1,300 | 3,939 |
| Germany | 17,500 | 3,489 |
| Greece | 929 | 10,728 |
| Spain | 12,985 | 2,978 |
| France | 17,000 | 3,258 |
| Ireland | 2,075 | 1,711 |
| Italy | 14,353 | 3,987 |
| Luxembourg | 106 | 3,472 |
| Netherlands | 2,624 | 5,550 |
| Portugal | 1,050 | 9,881 |
| United Kingdom | 21,000 | 2,074 |
| European Union Average | 92,772 | 3,484 |
| **SOUTH AFRICA** | **2,440** | **16,659** |

**TABLE 2: Subsidy paid by the SA government**

| Period | Original subsidy budgeted R(m) | Revised subsidy budgeted R(m) | Actual subsidy received R(m) |
|---|---|---|---|
| 92/93 | -548 | -548 | -708 |
| 93/94 | -420 | -420 | -401 |
| 94/95 | -318 | -318 | -408 |
| 95/96 | 158 | -458 | 572 |
| 96/97 | 81 | -659 | n/a |
| 97/98 | | -359 | |

The postal service has traditionally operated at a loss and the shortfall was financed by the more profitable telecommunications service. On the separation of the postal and telecommunications services leading to the formation of the Sapos and Telkom in 1991, the post office was directed to achieve a break-even or profitable position within five years.

The act provided that in this period the operating loss of the Post Office would be funded from the National Revenue Fund. This arrangement comes to an end this month.

The large and growing government subsidy for the Post Office is unsustainable and contrary to the government's reconstruction and development goals towards new priorities (see table 2). We seek to reprioritise government spending, deliver reliable services to customers and foster efficiencies in government owned and funded organisations.

Since corporatisation of the Post Office in 1991, expenditure has exceeded income with a growing rather than a diminishing reliance on state funding.

This dependency occurs in spite of the monopoly on letters up to 2kg. South Africa is second only to Ghana in terms of the amount of subsidy provided to the post office.

In addition to appropriate tariffs, mail volumes are critical in the postal business. Reserved service (postal monopoly) is justified economically to provide sufficient volume over which fixed-cost elements of the net work can be spread to achieve low unit costs and affordable prices.

In order to ensure universal service, the service provider is usually given some form of monopoly protection in certain aspects of the postal market. The rationale is to enable the national service provider to capture monopoly benefits to compensate for the universal service obligations imposed on it.

Unless the Post Office is able to arrest the downward spiral on mail volumes, enhance current and new revenue streams and cut costs — the achievement of an equitable, affordable and efficient national postal infrastructure will be compromised.

The emergence of domestic and international competitors as well as electronic substitutes such as fax, e-mail and safe electronic transfers in the traditional mail segment of the market have eroded mail volumes.

The challenges facing the Post Office are enormous, constrained by poor financial performance and compounded by:

- poor quality of service,
- poor delivery standards,
- unreliable and inconsistent delivery performance, and
- the alarming increase in mail violation and theft.

There is increasing evidence throughout the world that postal administrations can operate independently of telecommunications to meet the challenges of competition and be profitable while meeting more equitable universal service obligations.

In addition to addressing the policy framework, the restructuring of Sapos at a micro level is fundamental to repositioning the Post Office for the future. In response to the immediate financial crisis and as part of our plan to address the structural and institutional inefficiencies, which impact on the financial viability of the enterprise, we are also focusing resources at reforming the enterprise.

Our strategy to combine institutional and enterprise restructuring is designed to reform postal services to ensure an accessible, equitable, efficient and effective postal service.

This process we believe will transform the postal service into a vital and dynamic component of our communications infrastructure and a valuable national asset.

The green paper is a first step towards identifying key objectives, making critical policy choices and decisions in transforming the postal service.

This provides a platform for participation by the public and other key stakeholders in the formulation of a new vision for the postal sector.

*Jay Naidoo is the posts, telecommunications and broadcasting minister*

# Green paper plans to make Post Office profitable within five years

BD 25/7/97 (267)

Robyn Chalmers

GOVERNMENT has unveiled a string of measures aimed at opening new revenue streams for the ailing Post Office while delivering up to 500 000 new postal addresses to disadvantaged communities each year.

The posts, telecommunications and broadcasting ministry's green paper on postal policy, released yesterday, says the Post Office should make a profit within five years — this compares with the average annual subsidy of R500m — and will move away from traditional post offices towards postal agencies and franchises with expanded services.

The green paper, on which public comments must be submitted by September 12, also suggests a significantly expanded role for the Post Bank and proposes the entrenchment of the Post Office's monopoly on standard-sized letters.

Post, Telecommunications and Broadcasting Minister Jay Naidoo said yesterday the central pillars of the proposed new policy were to achieve a universal postal service, ensure greater equity in the distribution of services and deliver a better quality of service.

Naidoo said the policy should also contribute to the empowerment of historically disadvantaged people through procurement and employment and boost the Post Office's role in community and rural development.

"We hope to have a white paper on postal policy by the end of this year, with new legislation in place by the first quarter of 1998," he said. The privatisation of the Post Office was ruled out, but joint ventures and partnerships could be considered.

Government had proposed that the Post Office be profitable within five years. "The original plan was for the Post Office to be profitable five years after it was corporatised in 1991, but this was not achieved," he said.

The Post Office subsidy was R572m in 1995/96 and was budgeted for in 1996/97 and R359m in 1997/98. Total income in 1996/97 was R659m with total expenditure higher at R2,2bn. Assets totalled R881,4m at R2,8bn.

Communications department senior GM Howard Gabriels said 1,1-million postal addresses had been installed, mostly in disadvantaged areas, since August 1993, and 1,7-million address boxes were delivered by October last year. Cost estimates of these and other elements of the universal service obligation by 1997/98 totalled R903m.

"An estimated 4-million households are without access to street delivery or address boxes. Through lobby boxes, the Post Office aims to provide 500 000 additional addresses each year."

# SA's sickly postal services face the surgeon's knife

(267)

ST(BT) 27/7/97

PUBLIC-SERVICE OVERHAUL

By THABO KOBOKOANE

POSTAL services in SA face a major overhaul, including the phasing out of subsidies and an expanded role for the PostBank, according to Green Paper proposals

The Green Paper forms part of the government's efforts to transform the postal service from an inefficient, unreliable and loss-making entity into something better

Comments on the Green Paper will inform the White Paper on Postal Policy, which will lead to the proposed New Postal Services Bill, set for 1998

The most important proposals in the Green Paper are plans to phase out subsidies which have cost the state over R1-billion since 1991 Despite the commercialisation of the Post Office in 1991, it has continued to show operating losses Legislation provided for a R360-million subsidy to cover operating losses up to July this year

The losses were owing to a decline in volumes after competition from other forms of communication (such as e-mail and faxes), low productivity and growing dissatisfaction with poor service

"The situation is both undesirable and unsustainable A post office that continues along this path will require a continued subsidy from government, have difficulty improving and extending services, employ staff with low morale and experience more customer dissatisfaction Unless it transforms, it faces a bleak future," says Jay Naidoo, Minister of Communications

The Green Paper proposes retaining the monopoly of the Post Office in standard-sized letters

"The monopoly is justified economically in order to provide sufficient volume over which the fixed cost elements of the network can be spread in order to achieve low units costs and keep prices affordable "

Any increase in tariffs would be inflation-linked to avoid high tariff increases like those which came into effect in February this year.

The paper proposes an expanded role for PostBank, one of the most profitable business units within the Post Office, providing rural financial services.

This recommendation is in line with that of the Strauss Commission into the provision of rural finance

The expanded role could possibly include allowing PostBank to convert to a traditional bank, offering credit facilities as well as current services, which include book-based savings accounts

Proceeds from the expanded and profitable PostBank could be used to help subsidise the provision and extension of postal services, although "it may be necessary for the state to subsidise all or part of the costs for providing and extending universal services to rural areas and other under-serviced areas "

Despite the recent expansion of the postal network, access to postal outlets remains low and unevenly distributed On average 16 000 South Africans use one post office against a European Union average of 3 000 an outlet

The Green Paper notes that about 4-million SA households are without access to mail delivery. Since August 1993 the Post Office has created a total of 1 1-million new addresses and aims to provide an additional 500 000 annually

It proposes continuing with the reconfiguring of the postal network, reducing the number of traditional post offices while increasing the number of retail post offices and postal agencies

Part of the transformation should involve the empowerment of disadvantaged South Africans through assistance to small and medium enterprises, human resource development and affirmative action

"Affirmative action is also necessary because of the changes taking place in the market place Black clients will represent an increasingly dominant share of the market."

# US trade bill should bode well for Africa

Star 28/7/97 (267)

## Advantages of good bilateral relations far outweigh cost of sending delegation

By Rich Mkhondo

South Africans could soon be paying less for telephone calls. This has been made possible, thanks in large part to deals between American telecommunication companies and their South African counterparts.

The deals, which will also lead to the creation of hundreds of new jobs in South Africa are a by-product of the United States-South Africa Binational Commission (BNC), co-chaired by American Vice-President Al Gore and Deputy President Thabo Mbeki.

This week 130 South African Government officials and businessmen will meet their US counterparts for the fifth summit of the BNC.

It will be the second meeting between the two countries in five months

Deputy Foreign Minister Aziz Pahad, responding to media reports last week that the visit would cost the South African taxpayer more than R1,5-million, said the value of a meaningful relationship with America far outweighed the financial costs of sending the officials to Washington.

The commission is designed to strengthen bilateral ties in a broad range of areas, such as environment, conservation and water affairs, science and technology, trade and business development, sustainable energy development, agriculture and human resources development and education.

BNC's achievements are slowly coming in. In March, SBC Communications and their Malaysian partners, Telekom Malaysia Berhad, bought a 30% state in South Africa's state-run Telkom in the largest foreign investment and privatisation deal – worth $1,26-billion (R6,04-billion) – since 1994.

At the beginning of July, the US Federal Communication Commission granted Vula Communications and their US partners, Mobile Communications Holdings, a licence to construct and operate low-cost satellite-based mobile telecommunications services to the people of sub-Saharan Africa, including South Africa.

> "Two nations have learnt to agree to disagree"

With the acquisition of the licence, Vula will become the premier telecommunications company in Africa.

It will assume a 12% equity interest in Ellipso, a worldwide satellite communications system designed and developed by MCHI, and will have exclusive rights to distribute Ellipso service in sub-Saharan Africa.

SBC Communications and MCHI/Vula are members of the US-South Africa Business Council, which in turn is a member of the the BNC's Business Development Committee (BDC).

SBC, facing stiff competition from Deutsche Telekom and France Telecom, requested United States government advocacy.

At the BNC meetings held in South Africa, Gore advocated on behalf of SBC with Mbeki and his colleagues. "This helped us win a stake in Telkom," said SBC vice-president David Fine.

"As a result of SBC obtaining 30% share in Telkom, there will be a significant downstream of exports from US telecommunications equipment suppliers," Fine said.

For an example, because of SBC's stake in Telkom, Lucent Technologies, along with France's Alcatel, won Telkom's contract for wireless communications systems.

The contract enables them to plan and install the digital enhanced cordless telecommunications systems and time division multiple access and will provide telephone service to more than 400 000 customers over two years.

Also, once operational in the year 2000, Vula/MCHI's Ellipso system will bring reliable, low-cost telephone services – as low as 12c per minute – to rural people throughout southern Africa and the world.

It is within the BNC that President Bill Clinton's "Partnership for Promoting Economic Growth and Opportunity in Africa" was conceived and debated. It could soon become America's first trade bill affecting the African continent.

Through the BNC, there are 17 Mandela Economics Scholarship Programme postgraduate students completing doctoral degrees in economics in various US universities.

Six will complete their studies within a year and 11 others two years later.

Through the BNC, there had been successful negotiations for a new air service agreement, conclusion of a new tax treaty, which ensures that American and South African corporations should not be taxed twice, at home and abroad.

The tax treaty and recognition of property rights such as patenting, registration of brand names and trademarks, will further boost direct American foreign investment commitments to South Africa.

This has totalled more than R18-billion since 1994.

During the coming months, the BNC's business development committee will launch a Technical Assistance Centre at the Carlton Centre to expand business opportunities for black South Africans.

On the political front, there are no clear policy standpoints defining Washington and Pretoria's foreign policy relations.

Once in a while relations are sour, but most of the time everyone is smiling. What is important is that both countries have learnt to agree to disagree. – Star Foreign Service.

# Competition Board to probe Telkom tender

BD 31/7/97 (267)

Lesley Stones

THE Competition Board is to investigate a Telkom tender on grounds that it favoured one specific manufacturer.

Black-owned computer company Afro-Comp International (ACI) has forwarded more than a year's worth of communications with Telkom to the board to back up its complaint that the tender violated procurement regulations. The proposal, estimated to be worth more than R65m, cited specific models of computers, file servers and notebook PCs made by Compaq

Board chairman Pierre Brooks confirmed yesterday that an investigation would be held. He said a government body was obliged to issue competitive tenders and if clauses precluded other bidders it obviously raised some concerns. "If tenders are anti-competitive we have to take complaints seriously. If a contract is drafted in a way that is company-specific that might be frowned upon," he said.

ACI MD Joey Fleming said he had referred the matter to the board at the urging of several other PC vendors equally unhappy at the way Telkom structured its tender. In addition to complaining directly to Telkom officials, Fleming had also lodged complaints with the posts, telecommunications and broadcasting and the public enterprises ministers.

"We have fought from the day the tender came out. I hope the Competition Board will investigate this blatant move to keep other computers out of Telkom," Fleming said.

Fleming said he did not have any complaint against Compaq itself, but against Telkom which refused to consider any other models.

The contract was awarded last week to Persetel and PC distributors Sourcecom, both suppliers of Compaq.

POST OFFICE

# Problems need addressing

(267)

Staff gets down to sticking an' licking it

FM 1/8/97

**Realising radical** surgery is needed to stop the rot in the Post Office, Communications Minister Jay Naidoo says he is open to suggestions

Last week saw the publication of a Green Paper on overhauling postal services The precursor to legislation next year, it aims to find ways to eliminate losses, poor service and unreliable delivery

What it's hoped will be the outcome has been the norm in many of the world's best postal administrations since the Eighties Most post offices in North America and Europe have put losses behind them The UK's Royal Mail has made profits for almost two decades But serving a small, densely populated and highly literate country is different from SA

Other countries have achieved notable success Australia, which has many people distributed in remote pockets, has been hugely successful, says SA Post Office MD Frank Touwen "But, unlike SA, it has a highly literate population," he adds

With its postal policy last reformed in 1989, the State-owned Australian post office reported 1995 profits of US$176m on a turnover of US$2,1bn Also profitable that year were post offices in Canada, Germany, Malaysia, New Zealand and the US, says Coopers & Lybrand

The SA Post Office, in contrast, has continued to show losses despite commercialisation in 1991 This has resulted in government forking out more than R2bn in subsidies

According to a 1995 Price Waterhouse report, *A Strategic Review of Progressive Postal Administrations*, the best administrations share two crucial elements corporatisation and deregulation

The February 1996 update of this report says that the post offices of Australia, Germany, the Netherlands, New Zealand and Sweden have been mandated to earn a profit Even those of Canada, France and the UK, which need only break even, target returns on investments

All except Sweden and Argentina maintained a monopoly over letter mail services, defined by weight, price or both But all had latitude in setting prices, particularly for nonmonopoly services Marina Bidoli

# Commission 'is sorting out its problems'

**Vuyo Mvoko** BD 1|8|97

FINANCIAL and management problems facing the Human Rights Commission were being attended to, chairman Barney Pityana said yesterday.

**Addressing a press conference with his commissioners, some of whom were "frustrated" and "extremely impatient", he said the most remarkable thing was that the commission had delivered and had an effect on society.**

**His concern was to improve it and move forward.**

**Something was definitely being done about the state of affairs affecting morale and the commission's capacity to deliver. A task team of two commissioners and two members of staff had been set up.**

Commissioner Anne Routie alluded to some "structural problems" that were crippling the commission.

Last week commissioner Rhoda Kadalie announced her resignation with effect from December, citing problems with the commission's CEO, Louisa Zondo, as well as the lack of funding she said had hamstrung the organisation. Councillor Brigalia Bam was moving from the human rights body to the electoral commission.

Pityana said a programme was to be discussed and adopted for next year. It would include setting benchmarks and goals which could be monitored, and creating a framework for anti-discrimination legislation

Other issues were immigration and socioeconomic rights, discrimination and violence against women and children, the slow pace of land reform, and environmental issues

# Post Office board looks at report on its future

BD 1|8|97 (267)

**Robyn Chalmers**

A STRATEGIC report on the way forward for the ailing Post Office had been presented to the parastatal's board, Posts, Telecommunications and Broadcasting Minister Jay Naidoo said yesterday.

A due diligence exercise and review of the Post Office's operations had been conducted by consultants Price Waterhouse and Ebony Financial Services, leading to the launch of Operation FuturePost.

"Operation FuturePost is aimed at repositioning the postal service towards greater efficiency and reliable service that will turn the Post Office into a viable and sustainable business with little reliance on state subsidies to fund operating expenses," he said.

Naidoo said the report had established that there was a "compelling" case for fundamental change at the Post Office. The report had been referred to a ministry subcommittee which would report back soon

The committee would make recommendations on the financial mandate of the Post Office to determine whether it would break even or make a profit in three to five years, and review the operations of the business, products, services, organisational structure and service performance

Critical recommendations for consideration by the ministry and the Post Office board included "quick wins" which would improve the operational efficiency with little cost to the company

Post Office chairman Donald Masson said the "quick wins" included extending the range of products offered and decreasing the number of tasks that tellers had to perform. He said the Post Office was operating under several constraints, including the universal service obligation, non-appliance of certain monopoly conditions and the required extension of the network and services

Post Office MD Frank Touwen said he was confident the Post Office could be turned around within three to five years, and the organisation was already making solid gains.

"The service has improved, our financial position is significantly better and the business is looking increasingly healthy," he said.

Naidoo said that the restructuring of the Post Office was the second pillar of postal reform, following last week's launch of the postal policy green paper.

# 'Pik told FW to seek amnesty'

CAPE TOWN — National Party (NP) leader FW de Klerk was advised by Pik Botha to apply for amnesty on behalf of the whole of his former cabinet, acting chairman of the truth commission, Alex Boraine said in court papers filed yesterday

He said Botha, who served as foreign affairs minister under De Klerk and his predecessor, PW Botha, had disclosed this in a letter to Charles Villa-Vicencio, head of the commission's research department

Boraine said the NP had failed to give a full account of its involvement in, or knowledge of, torture and other gross human rights violations

The papers were filed in response to an NP application for Boraine's dismissal and for a court order forcing the commission to comply with the Promotion of National Unity and Reconciliation Act

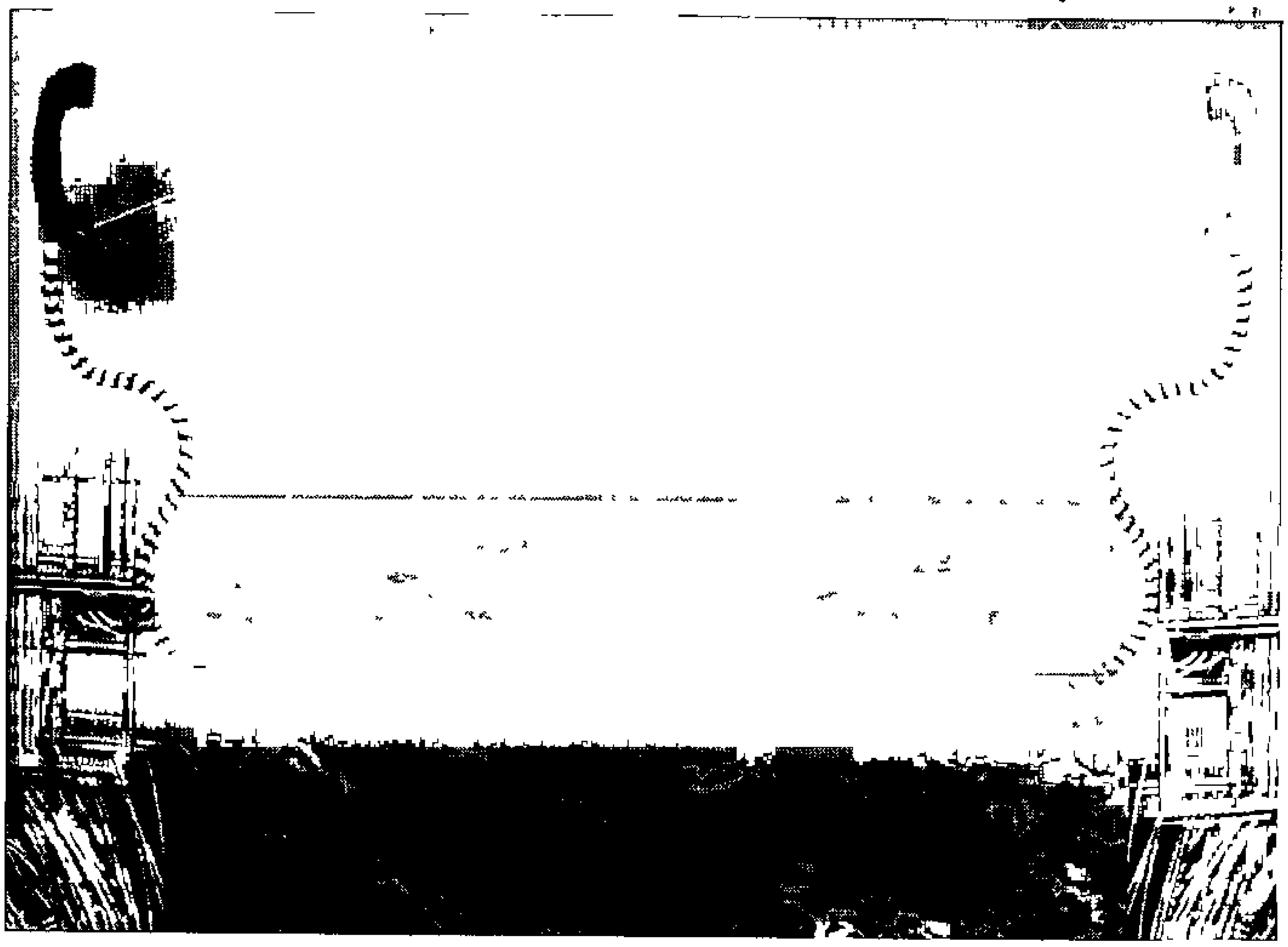
The NP has also asked for interdicts prohibiting commission chairman Archbishop Desmond Tutu and the truth body from making public statements which endangered the body's impartiality. The NP asked the court to order Tutu to conduct himself "in a manner becoming his office" after he expressed concern about De Klerk's claim that he was unable to answer certain questions about the apartheid era.

Boraine said the commission had come into conflict with each of the political parties. He reminded the court of the occasion when Tutu threatened to resign as chairman in response to the African National Congress's argument that some of its activities were connected with a "just war" He said the commission could not preserve a "sanitised silence" as it was not a judicial body — Sapa

# The phone's future is under the sea

(267) CT(BR) 7/8/97

**Françoise Botha**



The international race to provide cost-effective telecommunications has reached a new peak with the planned R2,9 billion around-Africa submarine cable system, which could spell the demise of satellite

The growth in world demand for fibre-optic communications has outpaced all expectations This demand has contributed to its cost-competitiveness Based purely on the technology and cost advantages, fibre optics' new-found favour is increasingly seeing major telecommunications operators leaving satellite companies in orbit.

Johan Meyer, the head of Telkom's global cable business development, said AT&T, one of the leading US telecommunications companies, had terminated all its satellite links last year in favour of intercontinental submarine cable links Others were expected to follow

"Most global telecommunications operators already have between 80 percent and 90 percent of their international traffic on cables This figure is likely to rise after the launch of Africa-One," he said.

Africa-One, a two-part submarine cable project, includes fibre-optic links between South Africa and the Far East (Safe), scheduled to come into operation in 2000, and the Sat-3/WASC (the South Atlantic Telephony/West African Submarine Cable), planned for operation by 2003

Between 1880 and 1901, single-channel telegraph cables were used to connect South Africa to Australia and the UK During the 1920s South African intercontinental telecommunications expanded through the deployment of 20 radio channels and then, in 1968, the first big analogue cable break came — the introduction of the 360 channel Sat-1 cable connecting Cape Town and the rest of South Africa with the UK

Meanwhile demand for submarine cable capacity has spiralled, exceeding expectations The first fibre-optic submarine cable across the North Atlantic, Tat-8, which was deployed in 1988 to connect Europe with the US, had a capacity of 7 560 channels By comparison, Safe is expected to have a capacity of no less than 483 840 channels

Meyer said the third phase of the North Atlantic fibre-optic cable project, which would link Europe with the US by the 1,2 million-channel Tat-14 cable in 2000, would see unit costs reduced to 1 percent of equivalent satellite rental costs

"The next generation of cables, which are expected to have more than 12 million channels, will probably reduce unit costs to 0,1 percent of satellite rental costs," he said

It is this cost saving which, in part, explains Telkom's increasing involvement in the development of submarine cable capacity

Both the Safe and Sat-3/WASC projects are being driven by Telkom The company has signed memorandums of understanding committing a number of other international telecommunications operators to the projects Last month Telkom signed memorandums of understanding with Gabon TIG, Ghana Telecommunications and Sonatel of Senegal for Sat-3 It is expected at least four more western and southern African operators would sign within the next few weeks

In addition, four companies, including France Telecom, Telekom Malaysia, Mauritius Telecom and Cable & Wireless, have committed to the R1,27 billion Safe project

Meyer said Safe, which was already 72 percent subscribed and still needed R360 million in funding, was expected to attract at least another one of the 16 Asian telecommunications operators

Telkom has undertaken to spend up to R185 million on Safe, which is expected to attract between 3 percent and 5 percent of European traffic to the Far East This would reduce the funding requirements

The planned integration of Sat-3/WASC with Safe would strategically position Telkom as the global hub for European-Asian connectivity by the sub-Saharan African gateway This would reduce Telkom's intercontinental access costs and could provide connectivity to more than 35 sub-Saharan African countries

While the constraints facing submarine cable technology include a maximum distance limit of 15 000km, the benefits far outweigh the disadvantages

According to Meyer, fibre-optic cable provides far higher quality transmission than satellite

"Rapid developments in fibre optic technology have made it possible to carry more data on each cable and significantly reduce the cost of calls routed internationally by submarine cable," he said

"As a result, there will be no such thing as a satellite-only future mostly because satellite is an unacceptable medium for bulk-volume intercontinental telecommunications Satellite is also not as suited to the next generation of multimedia applications as fibre-optic cable"

(267)

# Call-back operators given two weeks to shut down

(267) ET (BR) 13/8/97

DUMA GQUBULE

Johannesburg — International call-back operators were yesterday given two weeks to shut down or face fines of up to R500 000, two years in prison, or both, by the South African Telecommunications Regulatory Authority (Satra)

Nape Maepa, the chairman of Satra, said yesterday call-back operators and their customers were breaking the Telecommunications Act, which gave Telkom an exclusive right to provide international services

"Plans for improving Telkom's network have the potential to be seriously threatened by the activities of the call-back operators," he said

Jay Naidoo, the minister of telecommunications, said yesterday he fully supported the decisive action taken by Satra to close down the call-back operators

"Continuing to allow these companies would defeat the whole purpose of giving Telkom a period of exclusivity," he said

"The exclusivity is there to give Telkom the revenues to crosssubsidise the rollout of 4 million new telephones to previously disadvantaged communities We cannot allow unlicensed companies, which make little investment in South Africa, to cherry-pick the corporate-urban telecommunications traffic," said Naidoo

But Gianfranco Chicogna, the chairman of the International Call-Back Operators' Association, said the industry had revenues of about R150 million — 6 percent of Telkom's international revenues — and employed a few hundred people in South Africa

"We will look at what recourse we have in terms of the law Satra never consulted us during its theoretical investigation We charge between 20 percent and 50 percent less than Telkom fares Our services are used by major companies in South Africa," said Chicogna

# Callback operators to be banned

(267)

BD 13/8/97

**Robyn Chalmers**

CALLBACK operators will be banned in SA from September 1 in terms of a surprise first ruling by the newly formed SA Telecommunications Regulatory Authority (Satra)

The move has outraged callback operators, who provide cheaper international calls than Telkom by basing the call in countries like the US

The operators effectively have two weeks to close down their local businesses They have vowed to fight the ruling, which also appears to have caught Telkom executives by surprise

However, Post, Telecommunications and Broadcasting Minister Jay Naidoo strongly supported Satra's decision yesterday

There had been complaints that callback operations were undermining Telkom's ability to generate the revenue necessary to meet the telecommunications needs of underserviced communities, he said

Other concerns included that callback operations were degrading Telkom's network, that government could not levy value-added tax on their services and that they were not contributing to economic development

"We wish to attract investment to SA, but of the type offered by SBC Communications and Telecom Malaysia, which have invested an enormous amount into telecommunications," he said

Satra chairman Nape Maepa said in terms of the Telecommunications Act, telecommunications services could be provided only by licensed entities Telkom was the only organisation in SA licensed to provide, among other services, international telecommunications services on an exclusive basis for a five to six year period.

Contravention of the act could result in a fine of up to R500 000 or two years' imprisonment, or both, he said.

Maepa said a major objective of the act was to allow Telkom a period of exclusivity to provide telephones to previously disadvantaged areas as well as give Telkom the opportunity to rebalance its tariffs and to prepare for a competitive environment

Both Maepa and Naidoo said they were confident the ruling could be policed, although details of this would be released later Initial methods would include preventing the advertising and marketing of overt callback services, and gaining the support of overseas regulatory authorities.

Gianfranco Cicogna, chairman of the recently formed SA Callback Association and MD of Ursus, the largest callback operator in SA, labelled the move a "direct attack" on US business interests in SA and a "conspiracy to prop up Telkom's monopoly Callback operators would fight the ban

Cicogna said hundreds of people employed in the callback industry would lose their jobs and the businessmen and companies, including government departments and leading SA groups, which had made significant savings by using callback, would suffer losses.

He estimated that callback services generated R18m in revenue a month or more than 7% of Telkom's revenue

Continued on Page 2

## Callback (267)

Continued from Page 1

BD 13/8/97

from international services, which rose only 4% to R2,79bn in the year ended March this year Telkom, which said callback services were a factor in the sluggish growth in international revenue, has estimated that callbacks account for 3% of its international revenue.

Telkom spokesman Amanda Singleton said banning callback operators would improve Telkom's service to international destinations.

"Telkom is committed to continuing with its programme of lowering international call rates as evidenced by recent tariff adjustments."

Satra has defined a callback as "a call originating in SA on any SA telecommunications access service provider network, intended for outside SA, that through various means results in the majority of the call being financially allocatable to other than an SA telecommunications access service provider".

# Ruling on overseas phone call-backs to cost 500 jobs

(287) CT 14/8/97

CYNTHIA VONGAI

MORE than 500 people working for telephone call-back companies will lose their jobs within two weeks when a ruling by the South African Telecommunications Regulatory Authority (Satra) comes into operation on September 1

All call-back companies who have been operating in the country — some for the past four years — have been given two weeks to pack up and stop all operations If they fail to do so they will face a fine of up to R500 000 (or two years' imprisonment), or both

Consumers stand to lose because call-back companies have offered an alternative to Telkom's high international tariffs, using US telephone lines to undercut the parastatal's prices by as much as 15%

Call-back uses digital switching and billing equipment to re-originate calls from South Africa to an exchange in the US The exchange automatically links a caller to the international number they have dialled using the US line instead of the Telkom link

For instance a call to the UK on Telkom lines would cost R5,75 while call-back companies such as Ursus Telecom Corporation offered a rate of R3, 96

Call-back companies were generating revenues of about R18 million a month "or more" — 6% of Telkom's international revenues, said Mr Gianfranco Chicogna, chairman of the International Call-Back Operators' Association

Satra justified its ruling on the basis that the companies were operating illegally and infringing on Telkom's licence conditions Under Satra regulations Telkom was given a five-year period of exclusivity, allowing it to re-balance tariffs and prepare for a competitive environment when its monopoly ends

Other service providers such as MTN and Vodacom were given licences — that would not infringe on Telkom's operations — to operate and maintain a public land mobile network only

In a statement yesterday the South African Call-Back Association (SACBA), which represents 16 companies, expressed its "shock, outrage and disbelief" at Satra's ruling

SACBA is seeking legal advice on what action to take against the ruling

"Neither SACBA nor its members consider themselves to be illegal and will continue to serve their clients to the best of their abilities, as they always have," the statement said

A government source said that call-back companies were never officially licensed to operate in the country and were taking away a large part of a lucrative market

However, SACBA argued that they were exempt from Satra's ruling as they were not South African companies but agents for American companies Even though they were operating in South Africa, their service was technically provided in the US

Yesterday Ursus Telecom Corporation director Mr Jeremy Green said "Satra has acted outside of the law Even the illegal casinos that were operating here were given three to four months to wind up operations — we on the other hand have been given two weeks

"You don't just chuck people out of jobs, like a banana republic, without prior warning, there was no consultation or any hearing of any sort and they will be ridiculed in the international press You can't force people out of business"

It's ridiculous and they (Satra) will be ridiculed in the international press You can't force people out of business "

Telkom said yesterday it welcomed the Satra ruling as it would facilitate its programme to provide telecommunication services for all South Africans

"Telkom is confident that the pronouncement on call-back operators, and the consequences thereof, will improve the quality of its service to international destinations "

The Minister of Telecommunications, Mr Jay Naidoo, said he supported Satra's decision

"The exclusivity is there to give Telkom the revenues to cross-subsidise the rollout of four million new telephone lines to previously disadvantaged communities Unlicensed companies could not cherry pick the corporate-urban telecommunications traffic"

# Callback association to seek legal advice on banning by Satra

BD 14/8/97 (267)

Robyn Chalmers

THE SA Callback Association was taking legal advice on its options to fight this week's ruling banning callback operations, which could result in the association taking its case to the Constitutional Court.

SA Callback Association chairman Gianfranco Cicogna said yesterday the association was also considering its options with regard to US law, as most of its operations were based in the US

By declaring callback operations illegal from September 1, the SA Telecommunications Regulatory Authority (Satra) had given callback companies no time to wind down their operations. "Even illegal casinos were given three months' grace to allow them to attempt to find alternate employment for their employees. We employ hundreds of people. How are they supposed to find new jobs by September 1?" Cicogna asked

Callback operator TelePassport Southern Africa issued a letter to all its clients yesterday saying its lawyers had advised it that callback was "in no way illegal" TelePassport MD Anton Potgieter said Satra appeared to have exceeded its authority by claiming to make a "ruling" on the legality of callback This was the prerogative of the High Court.

Individual callback operators said they were outraged, particularly as there had been no consultation, and Satra had acted unilaterally and unlawfully.

Satra said the ruling was made in terms of its interpretation of the Telecommunications Act of 1996. In terms of the act, telecommunications services could be provided only by licensed entities Telkom had been licensed to provide international telecommunications services on an exclusive basis for five to six years.

The callback operators claimed Telkom was unwilling to accept competition on international calls, saying there were suspicions the parastatal planned to raise call rates in the future to fund its rollout programme However, Telkom said it was committed to continuing with its programme of lowering international call rates

**Wyndham Hartley** reports that Democratic Party MP Dene Smuts said yesterday Telkom was pushing the parameters of its exclusivity period to the maximum by objecting to the callback operations She asked why there had not been an inquiry into callback operations in which the public could have been engaged

**Comment: Page 1[illegible]**

CALLBACK SERVICES

# Satra pulls the plug on US phone companies

(267)

Industry up in arms as Nape Maepe slaps ban on cheap international calls

FM 15/8/97

Wielding the threat of a R500 000 fine, the SA Telecommunications Regulatory Authority (Satra) has banned telephone callback operations from September 1

The notification that callback services are unlawful in terms of the 1996 Telecommunications Act comes as a huge blow to users of cheap international callback services But SA-based callback operators are not taking the ruling lying down and are threatening legal action

Callback operators and hundred of customers — believed to include the Department of Foreign Affairs, Southern Sun, Deloitte & Touche, Volkswagen, the Industrial Development Corp, Sappi, Safmarine, Dimension Data, Panasonic, Nissan, and Mercedes-Benz — could face a fine of R500 000 or up to two years in prison, or both, unless they "cease and desist from such unlawful activities," says Satra chairman Nape Maepa

The ruling supports the Telecoms Act's objective of allowing the monopoly operator a period of exclusivity to extend telephony to "people neglected by the previous dispensation" and to give Telkom time to "rebalance tariffs and prepare for a competitive environment," says Maepa

However, with callback services affecting at most 6% of Telkom international calls, it is hard to see how banning them will help the monopoly extend telephony to poor areas, responds Gianfranco Cicogna, head of SA's largest callback operator, Ursus

Though he adds Satra did not ask Telkom for input, Maepa maintains Satra's ruling is in the public interest because black areas have only a fraction of telephones of white residential areas

But critics point out that Telkom's recent cutbacks in international call prices would not have been as dramatic had it not been for competition from callbacks and the Internet Reductions in international calls are certainly in the public interest

It's also worth noting that businesses have long been penalised by Telkom's high international tariffs, which have hit profits Also, it will be the business sector that will subsidise Telkom's ambitious rollout plans

Robbie Tshabalala

*Nape Maepa* *reverts to overkill mode*

Satra claims it will be able to enforce the ruling but is not forthcoming on how it will do this Nor is it explicit on how it will stop users from using callback operators located outside SA

Councillor Alison Gillwald says technical detection is possible and that US regulator the Federal Communications Commission (FCC) will assist Satra But jailing users of callback services for two years merely because they dialled a cheap overseas number seems extreme

Cicogna, who also chairs the recently formed SA Callback Association, complains that neither business users (represented by the SA Telephony Managers' Association) nor the callback companies were asked for input Ursus and the Callback Association have sought legal advice

"Our lawyers spoke to Eddie Funde (Satra deputy chairman) on Monday to find out if Satra would investigate the industry Our lawyers were told Satra had just initiated an investigation and all interested parties would be given an opportunity to make representation," says Cicogna

A possible loophole is that SA callback firms can claim they are not offering telecommunications services (this service is rendered in the US) but are merely collecting debt for overseas callback operators Finally, the callback operators could turn to the High Court — Marina Bidoli

SUN AIR

# Shadow over privatisation

International carriers wait in wings for bigger prey

**The hammer** remains poised as to who will get or who really wants Sun Air The initial forest of raised hands has dwindled to two — Rethabile/Comair consortium and Phoenix Venture Partners The offers made are reportedly nowhere near the R100m government expected Bids from both consortia are thought to be in the R30m-R50m bracket

Wandile Zote, spokesman for Public Affairs Minister Stella Sigcau, won't verify the figures but confirms "there is concern about the price Discussion is continuing between government and the two parties, not just about the price but other issues too We want to know their business plans and what else they will put on the table"

Whatever sum is settled on could, however, set a precedent when the national carrier comes on the auction block

SA Airways spokesman Leon Els says government won't call for tenders until it has finalised the sale of Sun Air

Bidders will bear in mind Sigcau has stated government intends to sell its entire stake in the airline eventually That means whoever gets the first 49% stands a good chance of acquiring the rest as well

It's attractive as the airline holds more than 70% of the domestic market and has a well developed international network which will suit airlines such as British Airways, Virgin Atlantic and Lufthansa

Though in the doldrums, SAA has shown that, properly managed, it can be a highly profitable airline First, however, comes the small matter of disposing of what now looks like an ugly duckling, Sun Air — David Pincus

# Govt dept favours call-back firms

CYNTHIA VONGAI

CT 18/8/97

(267)

THE Department of Foreign Affairs wants call-back companies to stay because they save the taxpayer money

Call-back companies, by undercutting Telkom international call rates, have been offering many private businesses and government departments a way to cut their telephone costs The businesses enjoyed the benefits of better and cheaper international telecommunications links using the call-back system

The South African Telecommunications Regulatory Authority (Satra) has given all call-back companies operating in the country until September 1 to pack up and stop all business operations

This has been done without warning or consultation.

Department of Foreign Affairs spokesperson Mr Pieter Swanepoel said yesterday that the department, which for the past five years had tried to negotiate a corporate discount with Telkom, had turned to call-back firms a year ago when they had exhausted negotiations with Telkom

Satra justified its ruling by saying that call-back companies were infringing on Telkom's licence conditions Under Satra regulations, Telkom was given a five-year period of exclusivity, which would allow it to rebalance tariffs and prepare for a competitive environment

The department's monthly telephone bill before they started using call-back companies was R622 000 — they had only budgeted for R500 000 and were over-spending by R122 000 They then started using the call-back system and their monthly bill was cut to R450 000, resulting in a saving of R172 000

Swanepoel said. "The department's saving last year amounted to R1 214 282,75, they paid VAT of R370 303 and made a net (annual) saving of R843 979,75

"We were over-spending on our budget and we could not continue to do so We tried to get a corporate discount from Telkom and had tried to do so for the past five years We tried to negotiate a 25% discount, but this was just not acceptable to Telkom We have missions all over the world and in each country we operate we have managed to negotiate some sort of corporate discount (with the national telecommunications company) We have to make many international calls and we have to save

"Telkom could not help us and we then started using call-back companies We had to stay within our budget and (through call-back), we have."

The chairman of the South African Call-Back Association (Sacba), Mr Gianfranco Cicogna, said yesterday he felt Satra's ban had been a result of a controversy involving Telkom's new equity partners, Southwestern Bell, a US company which he said could stifle competition from other international telecommunications companies — especially US call-back companies — thereby perpetuating Telkom's monopoly

"We have had very supportive clients and not one of them has stopped using our services since the Satra announcement"

Sacba is taking advice from its South African and US lawyers and wants to challenge the Satra ruling

"We are looking at what recourse we are going to take against Satra

"Satra has said that their decision was in line with the International Telecommunications Union, but we feel that it was not," Cicogna said

Sacba said they felt there had been an instruction from the Ministry (of Telecommunications) and that "this instruction had influenced Satra's ruling", Cicogna said

Email fminfotech tml co za

SATRA

# Internet next on regulator's hit list?

After callback banning, fears mount that Telkom and regulatory authority are living cheek by jowl FM 22/8/97 (267)

The dispute between private Internet service providers and Telkom has reached breaking point

The industry fears it could receive the same treatment meted out to callback operators last week by the SA Telecommunications Regulatory Authority (Satra), which is expected to rule on the future of the Internet industry this week

Speaking after Satra's decision to ban callback operators, Satra councillor Alison Gillwald said the regulator will decide on the provision of the Internet protocol, the communications backbone of the Internet, "within days"

Russell Roberts

**David Frankel** *rollout of services at risk*

Telkom has been pushing to have the protocol and other aspects of Internet delivery included in its five- to six-year monopoly telecommunications licence

The speed with which Satra is ready to make a ruling has raised fears among Internet service providers because Satra has not asked them to attend hearings The authority's surprising decision to ban callback operators, without their input, has also fuelled concern that it may rule in favour of Telkom in the Internet dispute

Telkom is calling on Satra to prevent service providers from selling bandwidth, something Telkom believes should be its exclusive preserve Telkom wants these providers to be resellers for the corporation's SA Internet Exchange backbone

Telkom's alleged decision to take regulatory matters into its own hands last week, when it reportedly refused to sell an additional 2 Mbits of international bandwidth to DataTec subsidiary UUNet Internet Africa, upset the Internet Service Providers' Association (Ispa), which has laid a complaint with Satra against Telkom

The Competition Board also warns that it is prepared to launch an investigation if necessary

Competition Board chairman Pierre Brooks says that in terms of competition policy, no organisation that is of essence a monopoly may deny access to facilities without good reason and may not discriminate on terms and conditions related to such access

Though he says the matter will be dealt with firstly by Satra, Brooks warns Telkom "One would hope Satra would not allow Telkom to usurp its function We will watch with interest as this latest episode unfolds The board has jurisdiction to act in competition-related matters in the telecommunications industry and will do so should this prove necessary"

Telkom is still providing additional bandwidth to other service providers but an industry source says Internet Africa was informed by Telkom that no SA service provider would be supplied with further bandwidth

Ispa co-chairman and joint MD of The Internet Solution David Frankel says the business of certain Ispa members is being adversely affected "Given the incessant demand for international bandwidth from all service providers, this could filter through quickly to all Ispa members, causing irreparable damage to the service provider community"

He says Telkom's reluctance to supply additional bandwidth constrains the rollout of Internet services in SA and neighbouring countries "Without new international capacity being installed, the performance of the Internet will be seriously harmed and delivery impaired"

Frankel says Satra must enforce its recent statement that Telkom stop claiming it has the sole right to provide Internet services He says Satra must help ensure service providers get licences in terms of the Telecommunications Act

A Telkom spokesman says the company has not received any formal complaint and adds it will take up the Internet Africa allegation directly with the company

Telkom's legal division, believed to be driving the process, refuses to comment

Meanwhile, an industry-funded document for submission to Satra suggesting how the Internet industry should be regulated has been completed and is available at www internet org za Duncan McLeod

## IT DIGEST

- **Microsoft SA** marketing director Arthur Williamson is to resign next month after five years with the company He will, he says, pursue "less tangible things" such as family, community issues and education

- **Medical aid** administrator Medihelp provides 24-hour, on-line claims information via the Internet to its 15 000 suppliers Medihelp, which has 760 000 members, uses a secure intranet to offer its suppliers access to its database over the Internet The intranet allows doctors, hospitals or pharmacists to obtain instant information about the status of any Medihelp claim from receipt to assessment and payment

# Telkom, Internet must bridge a yawning chasm

ST(OT) 24/8/97 (267)

COMMUNICATION

By TIMOTHY WOOD

IN A week in which the SA Telecommunications Regulatory Authority will release its findings on Telkom's attempt to nationalise the Internet, the Internet industry has called for minimum government intervention on the Net

Satra chairman Nape Maepa's comments this week that the Internet is vital for business has raised hopes that the regulator will rule in favour of the industry and against Telkom

It would also back the overall regulatory approach favoured by the industry and outlined by the internet.org za policy body in a "Blue Paper" this week

The paper, a precursor to a proposed white paper, calls on regulators to heed the international precedent of minimal regulation of the Internet industry

The industry has been in turmoil recently after Telkom refused to co-operate with a Competition Board probe into alleged unfair cross-subsidisation of its Internet access provider, Intekom In the latest development, the Internet Service Providers Association has lodged a complaint with Satra, accusing Telkom of denying Internet providers access to international bandwidth

Telkom has aggressively pursued monopoly control over Internet services currently provided by commercial access providers Telkom argues that the access providers are infringing its right to monopoly protection for five years, afforded it by the 1996 Telecommunications Act

In May this year, Telkom's ambitions were dealt a blow when Satra declared the Internet to be a value-added network service, rather than a public switched telecommunications service, which Telkom only can provide This has not satisfied commercial access providers that Telkom will compete on equal terms The ruling against callback operators shows Telkom's privileged position is cause for caution

The blue paper also warns that Telkom's dual role creates potential for anti-competitive practices in terms of cross-subsidisation, access to privileged information and unfair access to infrastructure It suggests full legal and financial separation between Telkom's public switched telecommunications service and Internet value-added network services is necessary

It cautions that if Telkom were to abuse its public switched telecommunications service and value-added network services privileges, the Internet industry would be destabilised

In recent months, access providers have reportedly put vital infrastructure capex on hold because of the threat to nationalise Internet connectivity

In terms of licensing, the authors of the blue paper recommend that a separate, general Internet VANS licence be introduced The present definition of a VANS licence is onerous, and could require every publisher of a web page to be licensed

Consequently, it is recommended that licensing be required only of companies that specifically provide internet connectivity services Content publishers would, therefore, be exempt from having to be licensed.

In terms of voice traffic on the Internet, a direct competitive threat to Telkom's current telephone services, the blue paper notes that it is almost impossible for Internet access providers to prevent customers from transmitting voice over the Net

It is recommended that the current legislative restrictions on voice traffic be ignored because of the futility of attempting to police it If control is attempted, the paper warns that South Africa may lose competitive advantage to other countries

The blue paper forms a sound basis for further discussion

The end goal for all stakeholders can only be to ensure that the eventual regulatory framework maintains and improves South Africa's highly regarded Internet industry, currently ranked 16th in the world in terms of Internet hosts and domains

# Callback operators launch court bid to overturn ruling

(267)

Robyn Chalmers BD 26/8/97

THE SA Callback Association and 10 local callback operators served legal papers on the SA Telecommunications Regulatory Authority (Satra) yesterday in a bid to have its ban on callback services overturned, on the grounds that it acted beyond its powers

The case is set down to be heard in the Witwatersrand division of the High Court next week

SA Callback Association chairman Gianfranco Cicogna said the association believed Satra had not applied its mind to the ramifications of the ruling and had acted unlawfully and unilaterally. "We believe the ban was imposed without due process and without discussion... We had been given the assurance by Satra that we would be granted an opportunity to present our case," he said

Satra had given operators no time to wind down their operations, as was the case with illegal casinos, which were given three months' grace to try to find other jobs for their employees.

Satra chairman Nape Maepa said earlier this month that in terms of the Telecommunications Act of 1996, Telkom had an exclusive licence to provide international telecommunications services. Callback operators and their customers had been warned to stop their activities or face fines of up to R500 000, two years in prison, or both.

"A major objective of the act is to allow Telkom a period of exclusivity to deliver telephones to areas and people neglected under the previous dispensation... " Plans to improve Telkom's network had the potential to be seriously threatened by callback operators' activities, he said

Callback operators offer international tariffs up to 30% cheaper than Telkom's. A number of major firms and government departments use them.

Cicogna said Satra did not have the power to arrest or prosecute anyone. Police would investigate alleged contravention of Satra's ruling and would forward the results of their investigations to the relevant attorney-general for his consideration.

*Jens Montanana* rolling up sleeves for fight

(267)
FM 29/8/97

TELECOMMUNICATIONS REGULATION

# US ready to bring Telkom to book over Internet

Industry regulator (Satra) also under attack as Uncle Sam flexes his muscles

The US government is poised to intervene in the war between Internet service providers and a stubborn Telkom

Apparently, it will also decline to work with Satra in its efforts to ban callback operators

The loophole for US intervention will be through Southwestern Bell Communications (SBC) and its 18% stake in Telkom

The probe will come from the US Federal Trade Commission (FTC) which is accusing SBC of anticompetitive practices, forbidden under US antitrust laws

DataTec executive chairman Jens Montanana confirms that his firm's lawyers have been in contact with the FTC to discuss issues of antitrust and predatory business practices

This follows the refusal by Telkom to supply any additional international bandwidth to commercial service providers, who in turn have also laid a complaint against Telkom with the SA regulator, Satra

"Through our lawyers, we are investigating local and international ramifications of any attempt to change the status quo when it comes to acquiring bandwidth," Montanana says

The company's attorneys are also in touch with US long-distance carriers and the US telecoms regulator, the Federal Communications Commission (FCC)

He adds that US long-distance carriers believe SBC's actions to monopolise Internet delivery in SA is to their detriment and are considering their options with the FTC

Local service providers, concerned that Satra will side with Telkom, see the threat of an antitrust action against SBC as a method of indirectly applying pressure on Telkom to back down

An FTC spokesman says according to policy it cannot confirm or deny if there is a matter under investigation, and refers the *FM* to the US Justice Department

Meanwhile, Satra may be embarrassed by its claim that it has FCC backing to stop US-based callback operators from offering services in SA While the FCC occasionally does take action against US-based callback companies who operate in countries that have banned "uncompleted call signalling" (which unlike "call suppression" or "constant calling" does not degrade the incumbent operator's network), this is unlikely to happen in SA because of Satra's unilateral ruling

"We are concerned that Satra has not followed our basic due process," says FCC deputy chief for the international bureau Roderick Porter He says it was made clear to Satra councillors, who visited the FCC earlier this year, that the US regulator's mandate was "open competition" and that it would only take action "if proper procedures" were followed Something that did not happen, was that Satra did not do an in-depth investigation of the industry nor consult with stakeholders

US sources say that Satra's handling of the callback issue "may affect its future relationship with the FCC"

Even if local callback operations are unsuccessful in their bid to overturn Satra's ruling in court, it is unlikely that callback can be stopped Adverts on the Internet and numerous international publications, make it easy to call an overseas callback company While Satra may be able to stop local advertising, it has no jurisdiction on what advertising goes in business magazines like the *Economist* and *BusinessWeek*, which are widely sold in SA

Even if Satra does have the technology to see who is using callback services, as it claims, it is debatable whether it will be able to police this properly

This week legal papers were served on Satra by the recently formed SA Callback Association and 10 local callback companies

These companies point out that callback is in the economic and public interest, as users of cost-cutting callback services — which include major blue-chip businesses and government departments — have saved millions of rand on international calls Banning callback, says Callback Association and Ursus Telecom head Gianfranco Cicogna, merely protects Telkom's bottom line at the expense of the economy as a whole

"Ursus US has put in a plea with the FCC against SBC on anticompetitive behaviour," says Cicogna

The callback operators — who were given two weeks to shut shop — maintain Satra acted beyond its power and, therefore, "unlawfully" when it imposed the ban on August 12 The case is to be heard in the Johannesburg High Court on Thursday

Marina Bidoli and Duncan McLeod

# Callback action postponed after climbdown

Bonile Ngqiyaza
and Robyn Chalmers

(267)
BD 29/8/97

AN URGENT application by callback operators to overturn an SA Telecommunications Regulatory Authority (Satra) decision to prosecute callback operators was postponed indefinitely in the Johannesburg High Court yesterday following a climbdown by Satra

In its first major ruling since becoming operational in February this year, Satra pronounced callback operations in SA unlawful, ruling that operators and their customers could face fines of up to R50 000 or two years in prison, or both.

SA Callback Association (Sacba) chairman Gianfranco Cicogna said yesterday attorneys acting for the association had requested the postponement after receiving a Satra letter stating that the body had never intended to prosecute or impose penalties on operators.

Cicogna challenged a statement by the authority at the time of the ban early this month that in terms of the Telecommunications Act of 1996, Telkom was the only organisation licensed to provide international telecommunications services in SA on an exclusive basis

Satra said yesterday it was standing firm on its earlier decision that callback operators were acting in contravention of the Telecommunications Act of 1996

"(Sacba) has, since serving papers on Satra, endeavoured to extract an undertaking from Satra that it would not take steps against them while the matter was before court Satra undertook not to lay charges against the callback operators while the matter was before court, but made it clear that on finalisation of the matter .. Satra would proceed to take steps against illegal operators," the organisation said

"Satra remains unmoved by the media posturing of Sacba and will be asking the High Court to uphold the law of the land by finding that callback operators in SA are providing services for which they are not and cannot be licensed," it said.

Callback operators offer international rates which are up to 30% cheaper than Telkom's

Sacba sought to set aside the Satra ruling on grounds that the regulatory authority had acted beyond the powers conferred on it when it imposed the ban

Hansard

## SANDF: contracts for replacement of equipment

501 Mr D H M GIBSON asked the Minister of Defence

(1) How many contracts were awarded during the period 1 January to 28 February 1997 for the replacement of South African National Defence Force equipment,

(2) whether these contracts were put out to tender; if not, why not, if so, in each case, (a) what was the nature of the contract, (b) who submitted tender bids, (c) what was the value of each tender bid, (d) who was awarded the contract and (e) on what grounds was each successful tender bid accepted? N841E

The MINISTER OF DEFENCE

(1) Between 1 January 1997 and 28 February 1997, 332 contracts were awarded

(2) Yes, except in the case of serial numbers 9 to 23 in Table 4 (SA Medical Service) of the attached tables, all contracts were put out to tender Serial numbers 9 to 23 relate to specialist medical items from sole suppliers, which are not available from other suppliers

(a) to (e) Information requested is reflected in the attached 5 tables

Table 1 - SA Army

Table 2 – SA Air Force

Table 3 – SA Navy

Table 4 – SA Medical Service

Table 5 – Armscor

*(Tables bound in Annexures of House – see M330/97)*

## Amounts paid to certain firm for services rendered

513 Mr J A JORDAAN asked the Minister for Public Enterprises

Whether any amounts were paid in 1996 to a certain firm, the name of which has been furnished to her Department for the purpose of her reply, for services rendered to her Department, if so, in each case, (a) what was the nature of the services so rendered, (b) which employee, partner and/or consultant attached to the said firm was retained for this purpose, (c) over what period were the services rendered and (d) what amount was paid to the firm? N854E

The MINISTER FOR PUBLIC ENTERPRISES

No Services were however rendered to Transnet Limited for their account

| (a) | (b) | (c) | (d) |
|---|---|---|---|
| 1) Legal opinion on investigators expertise | Prof H Cheadle | } | } |
| 2) Consultation on the structuring of the Board of Directors of Transnet Limited prior to the Amendment of the Articles of Association | Prof H Cheadle | } 25 hours | } R14 250,00 |
| 3) Consultation regarding Sectoral Bargaining and Transnet's positioning in terms of Sectoral demarcation | Prof H Cheadle | 2 hours | No charge |

## Public telephones installed

(267)

514 Ms M SMUTS asked the Minister for Posts, Telecommunications and Broadcasting

(1) (a) How many public telephones were installed in the Republic in the first three months of 1997, (b) where were such telephones installed and (c) how were these locations selected,

(2) whether any overtime costs were incurred as a result of the installation work in respect of these public telephones, if so, what amount was expended during the abovementioned period,

(3) whether Telkom has set itself a quota in respect of the number of public telephones to be installed, if so, (a) what is this quota, (b) over what period are these public telephones to be installed and (c) what is the estimated cost involved in this regard,

(4) whether Telkom incurred any costs in the 1996-97 financial year to repair public telephones which were vandalised, if so, what amount? N855E



The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Acting Chief Executive Officer and Managing Director of Telkom has informed me as follows*

(1) (a) 13 075 Public telephones were installed in the Republic during the first three months of 1997

(b) Public telephones were installed country-wide and the figures as per Telkom regions are as follows

Central Region (Free State and Northern Cape) 963
- Northern Free State and parts of North West (426)
- Northern Cape (287)
- Southern Free State (250)

Gauteng Central Region (Former Witwatersrand) 1 869
- North Rand area – northern suburbs and surrounds (157)
- East Rand area – eastern suburbs and surrounds (645)
- West Rand area – western suburbs and surrounds (641)
- Central area - central suburbs and surrounds (426)

Eastern Region (KwaZulu/Natal) 2 056
- Durban and surrounding areas (1 065)
- Pietermaritzburg and southern areas (452)
- Northern area - Empangeni and surrounds (539)

North Eastern Region (Former Transvaal, excl Witwatersrand) 2 015
- Pretoria and country areas (594)
- Southern area – Vereeniging and surrounds (282)
- Northern area – Pietersburg and surrounds (588)
- Eastern area – Middelburg and surrounds (551)

Southern Region (Eastern Cape) 2 851
- East London and Border (1914)
- Midlands – Uitenhage and surrounds (426)
- Port Elizabeth (345)
- Southern Cape (166)

Western Region (Western Cape) 3 321
- Country area (448)
- Peninsula – Cape Town (2 873)

*Total* 13 075

Information on localities as requested is being reformatted from our systems to make it readable for an external audience Given the nature of the information it is currently formatted for business purposes within Telkom and is based on numbering rather than location with the number in turn based on exchange areas, such that numbers overlap geographical areas

Telkom will be happy to follow through with the information in due course The figures given are current as of 19 June 1997

(c) These locations were selected by Telkom's sales force in close collaboration with local Community leaders and businesses

(2) Although overtime costs were incurred as a result of these public telephones installed, specific figures are unfortunately not readily available, for overtime on public phones is not held separately The technicians work on a combined portfolio of jobs mixed This information will however be made available to the Ministry as soon as it becomes available

(3) (a) Telkom intends installing approximately 130 000 public phones

(b) The quota will be installed over the next 3 years

(c) The estimated cost involved is R400 million

(4) Although Telkom did incur costs to repair public telephones which were vandalised during the 1996/97 financial year, such information is currently carried together with residential and other costs of repairs Telkom is working toward a separation for public phones and will provide such information to the Ministry once it is available

**Land claims received**

186 Mr S D FISHER asked the Minister for Agriculture and Land Affairs †

(1) How many land claims did his Department receive in respect of each province (a) in 1995 and 1996, respectively, and (b) during the period 1 January 1997 to the latest specified date for which information is available,

(2) whether any such claims have been referred to the Land Claims Court, if so, (a) how many and (b) when, in each case? C199E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS

(1)(a) and (b)

| | 1995 | 1996 | 1997 (up to 30/5/97) |
|---|---|---|---|
| Western Cape | 627 | 2 144 | 1 233 |
| Northern Cape | 116 | 24 | 20 |
| Free State | 59 | 2 | 184 |
| Eastern Cape | 358 | 604 | 680 |
| KwaZulu-Natal | 2 035 | 2 833 | 1 056 |
| Mpumalanga | 278 | 53 | 4 |
| Northern Province | 362 | 103 | Nil |
| Gauteng | 1 068 | 2 028 | 220 |
| North West | 183 | 65 | 324 |

(2) Yes

(a) 11 (eleven)

(b) Macleantown, Eastern Cape, June 1996

B F Liesenberg, Eastern Cape, June 1996

S & R Dulabh, Eastern Cape, June 1996

Elandskloof, Western Cape, September 1996

Cremin, KwaZulu-Natal, November 1996

Schmidtsdrift, Northern Cape, November 1996

Kono community, Northern Cape, December 1996

Grootte Springfontein, Western Cape, January 1997

Dithakwaneng community, North West, April 1997

Western Education Trust, North West, April 1997

Tshivhulana Royal Family, Northern Province, April 1997

**Telephones installed in provinces**

187 Mr L J SWANEPOEL asked the Minister for Posts, Telecommunications and Broadcasting †

How many (a) (i) private and (ii) public telephones and (b) business telephones were installed in each of the provinces (i) in 1995 and 1996, respectively, and (ii) in the period 1 January 1997 up to the latest specified date for which information is available? C200E

267

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

The Acting Chief Executive Officer and Managing director of Telkom has informed me as follows

A breakdown of the number of residential, public and business telephones that were installed (growth) in each of the six Telkom regions within the RSA is unfortunately not available for the 1994-95 financial year, but the total estimated number of telephones installed (growth) during the abovementioned period was 115 492 The total growth in 1995-96 was 143 729 and in 1996-97 was 256 459

A breakdown of the total estimated number of residential, public and business telephones installed (growth) in each of the six Telkom regions within the RSA during the 1995-96 and 1996-97 financial years are as follows



| *Region* | *Residential 1995-96* | *Business 1995-96* | *Public 1995-96* | *Residential 1996-97* | *Business 1996-97* | *Public 1996-97* |
|---|---|---|---|---|---|---|
| North Eastern (Former Transvaal excl Witwatersrand | 8 329 | 17 816 | 1 747 | 53 708 | 44 091 | 8 173 |
| Gauteng Central (Former Witwatersrand) | 8 785 | 22 426 | 3 506 | 42 796 | 24 279 | 1 353 |
| Eastern (KwaZulu-Natal) | 1 410 | 16 655 | 1 602 | 21 948 | 16 912 | 5 205 |
| Western (Western Cape) | 5 923 | 21 338 | 1 628 | 13 541 | 21 185 | 6 200 |
| Southern (Eastern Cape) | 3 594 | 8 144 | 1 472 | 3 969 | 18 754 | 5 276 |
| Central (Free State and Northern Cape) | 12 140 | 6 662 | 552 | 19 843 | 3 222 | 2 100 |
| Total | 40 181 | 93 041 | 10 507 | 182 805 | 128 443 | 28 307 |

Please take note that the figures quoted for 1996-97 include 76 480 services which were taken over from the former TBVC countries as well as a correction of ISDB services (6616)

**Gauteng: operations at State hospitals**

189 Mr W F MNISI asked the Minister of Health

(a) How many (i) cancer, (ii) heart bypass, (iii) hip replacement and (iv) cataract operations were performed at State hospitals in Gauteng during the latest specified period of three months for which information is available and (b) what was the average waiting time between diagnosis and the performance of the operation in each case? C202E

The MINISTER OF HEALTH

The information requested is not readily available from the National Department of Health For the purposes of reliable statistics an accurate response, the non member is urged to table this question in the appropriate Provincial Legislature

**Taxi violence: deaths/arrests**

190 Mr J SELFE asked the Minister of Transport

(a) How many deaths occurred as a result of taxi violence, (b) how many persons were (i) arrested, (ii) charged and (iii) convicted in connection with these deaths, and (c) how many firearms were confiscated following taxi violence in each of the provinces, in 1996? C203E

The MINISTER OF TRANSPORT

The statistics are based on that available from the South African Police Service

| | | |
|---|---|---|
| (a) | Western Cape | 76 |
| | Eastern Cape | 104 |
| | Northern Cape | 0 |
| | Free State | 5 |
| | Mpumalanga | 8 |
| | KwaZulu-Natal | 43 |
| | North West | 22 |
| | Northern Province | 6 |
| | Gauteng | 76 |
| | Total | 340 |
| (b) (i) | Western Cape | 98 |
| | Eastern Cape | 105 |
| | Northern Cape | 3 |
| | Free State | 4 |
| | Mpumalanga | 28 |
| | KwaZulu-Natal | 47 |
| | North West | 40 |
| | Northern Province | 30 |
| | Gauteng | 81 |
| | Total | 436 |
| (ii) | Western Cape | 57 |
| | Eastern Cape | 8 |
| | Northern Cape | 0 |
| | Free State | 2 |
| | Mpumalanga | 8 |
| | KwaZulu-Natal | 1 |
| | North West | 22 |
| | Northern Province | 5 |

certain firm, the name of which has been furnished to her Department for the purpose of her reply, for services rendered to her Department, if so, in each case, (a) what was the nature of the services so rendered, (b) which employee, partner and/or consultant attached to the said firm was retained for this purpose, (c) over what period were the services rendered and (d) what amount was paid to the firm? N951E

The MINISTER OF HEALTH

No

(a), (b), (c) and (d) fall away

**Executive Deputy President's Office: advisers employed**

826 Mr J H VAN DER MERWE asked the Executive Deputy President

Whether, in respect of each adviser employed by his Office, he will furnish a schedule for the period 1 July 1994 to 1 March 1997, (a) indicating for each month, the number of business days on which such adviser was (i) present in and (ii) absent from the office in which he or she was based, (b) indicating for each business day whether or not such adviser was in the office in which he or she was based and (c) indicating for each business day on which such adviser was not in his or her office, (i) where he or she was, (ii) the reasons for his or her absence, (iii) whether such adviser was absent on official business or not, (iv) whether he or she had prior permission to be absent, (v) the cost of his or her absence and (vi) the steps that were taken in cases of unauthorised absence to (aa) discipline him or her and (bb) recover the appropriate amounts from his or her salary, if not, why not, if so, what are the relevant details in each case? N1468E

The EXECUTIVE DEPUTY PRESIDENT

*Dates when Advisers resumed duty*

Advocate Gumbi, M (Legal Adviser) – Contract is for period 10 June 1994 - 30 June 1997 (this has been extended to the 30 April 1999)

Mavimbela V M (Political Adviser) – Contract is for period 14 July 1994 - 14 July 1998

Ngoasheng M M (Economic Adviser) – Contract is for period 1 July 1994 - 30 December 1997

Rev F Chikane (Policy Adviser) – Appointed as Adviser on 1st November 1995 Contract extended from 1st May 1996 - 31 December 1999 This contract was terminated with effect from 1st November 1996 when Rev Chikane was employed as Director-General within the Office of the Deputy President

Dr E Pahad – Before 1 August 1996, was paid by Parliament as Parliamentary Councilor to the Deputy President

Mavivi Myakayaka-Manzini – Became Parliamentary Councillor from 1st September 1996 after Dr E Pahad was appointed as Deputy Minister

All the Advisers including the Parliamentary Councillor have been assigned duties by the Deputy President According to the contract, they are to attend at the Office of the Deputy President or at any other place designated by the Deputy President during normal working hours and shall render a service at any other time depending whether the situation requires this The advisers are not entiled to charge the office additionally for any work performed outside of normal working hours For days when advisers are normally absent from work due to personal reasons, the ordinary leave forms are filled in

The parliamentary councillor functions in addition like all other parliamentarians, during recess she combines her constituency work with the tasks in the Deputy President s Office

**Telkom: losses iro telephones** (267)

899 Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting

(1) Whether Telkom suffered any losses during the latest specified 12-month period for which information is available as a result of theft out of and/or fraud involving coin- and card-operated public telephones, if so, what did the total loss amount to,

(2) whether any persons have been (a) charged, (b) prosecuted and/or (c) convicted as a result of such theft or fraud, if not, what is the position in this regard, if so, what are the relevant details in each case

(3) whether any security measures have been introduced to combat such theft and/or fraud, if not why not, if so, (a) with what results and (b) what are the further relevant details? N1549E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Acting Managing Director and Chief Executive Officer of Telkom has informed me as follows*

(1) Yes Telkom suffered losses to the amount of R55 million due to card phone fraud since October 1996 to date Theft out of coin phones has also occurred but amounts to a very small percentage of losses

(2) (a) 44 People have been arrested and charged with committing card phone fraud

(b) 1 Person has been prosecuted The other cases are still pending

(c) The prosecuted person was sentenced to a jail term of six months

(3) (a) and (b) The following measures have been implemented to combat card phone related fraud

- Telkom have 90 000 public telephones deployed throughout the country of which 23 000 specific card telephones were prone to this type of fraud A new software version is currently being installed in the specific card telephones to eliminate the problem of manipulation thereof This process is currently 54% complete and the completion date is set for 31 August 1997 No fraud has been detected on the upgraded card telephones
- The detective system used for identifying these kinds of fraud has been upgraded to detect card phone fraud sooner and thereby decreasing the loss to Telkom
- Internal audit and investigation is currently doing a costing exercise to establish the viability of phasing out the 23 000 card phones which were targeted by the fraudsters and replacing them with modern equipment

Telkom, together with coin phone suppliers is presently engaged in identifying ways and means of making these phones tamper-proof in order to comb the small percenage of theft that is taking place

**Postal/private bag boxes installed**

918 Mr J J DOWRY asked the Minister for Posts, Telecommunications and Broadcasting

(a) How many postal/private bag boxes were installed by the SA Post Office Ltd in South Africa during the period 1 October 1991 up to the latest specified date for which information is available, (b) how many of these boxes were installed in (i) 1996 and (ii) previously disadvantaged areas in South Africa and (c) what is the projected number of such boxes to be installed by the year 2000? N1614E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Managing Director of SAPOS Ltd has informed me as follows*

(a) 2 450 888 (1 October 1991 to 31 July 1997)

(b) (i) 485 505

(ii) 433 000

(c) 2 100 000

**Number of post office branches**

921 Mr J J DOWRY asked the Minister for Posts, Telecommunications and Broadcasting

(a) How many post office branches are there currently in South Africa and (b)(i) what is the projected estimated number of branches to be established by the year 2000 and (ii) how many of these branches will be established in previously underserviced areas in South Africa? N1617E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Managing Director of SAPOS Ltd has informed me as follows*

# Ban on call-back services lifted, but firms risk action

CT 2/9/97 (267)

**CYNTHIA VONGAI**

THE South African Telecommunications Authority (Satra) has retracted its ban on all call-back companies in the country.

Call-back companies were to have stopped operating by today. Those who continued to trade had been threatened with a fine of R500 000 or two years' imprisonment or both

Satra defended its decision to impose a ban, saying call-back — which was using cheap US telephone lines to undercut Telkom's high international tariffs by as much as 15% — was infringing on the parastatal's licence conditions.

Under Satra regulations, Telkom was given five years of exclusivity to allow it to re-balance its tariffs and prepare for future competition when its monopoly on telecommunications ended.

Call-back companies argued that they provided an off-shore service and therefore were not bound by Satra's licensing laws.

Call-back uses digital switching equipment that enables a person making an overseas call to dial an exchange in the US The exchange gives the call-back subscriber a cheap US line, to which the call from SA is re-routed The caller pays for the US link and not the Telkom link.

The South African Call-Back Association (Sacba) said the ban had been imposed without warning Companies were given just two weeks to wind up their operations.

Call-back companies filed a legal suit against the ruling.

In a letter to Sacba, Satra's lawyers said "We refer to our client's notice concerning call-back operations and the imposing of penalties as from September 1.

"Our client has no prosecutorial powers. Our client has never intended, nor does it intend, to impose penalties on anyone contravening the provisions of section 101 of Act 103 of 1996 without there being a conviction following criminal proceedings Moreover, such imposition could not be by our client

"Our client will not initiate any criminal prosecutions pending the final outcome of these proceedings and provided they are concluded with due expedition

"This must not be understood to mean that, should the court find that the operations are unlawful, Sacba will not be exposed to prosecution relative to this period."

The Satra lawyers' letter also asked Sacba if it could postpone its case

Sacba chairman Mr Gianfranco Cicogna said call-back companies were delighted by the change in Satra's stance.

However, Sacba would go ahead with its legal action against Satra so that call-back companies could establish "once and for all" their status in the country, he said.

"The position of call-back is exactly the same It is just that there is now no urgency (to get Satra's ruling withdrawn) because the deadline given no longer applies

"We will still, however, establish our status in this country.

"We are an off-shore service and therefore we do not need a licence ... Our clients need not panic because we will remain open and continue to provide our services."

Cicogna said he was shocked that Satra "had shunned media coverage" of its reversing its decision, whereas it had gone public about its ban

Sacba members suspected that an instruction from the ministry of telecommunications, notably the minister, had influenced Satra's ruling, he said.

At the time of Satra ban, Minister of Telecommunications Mr Jay Naidoo said he supported the ruling. "Unlicensed companies cannot cherry-pick the corporate-urban telecommunications traffic," he said.

(b) None

(c) During 1995, 1 publication was rejected in terms of section 47(2)(b) of The Publications Act, 1974 (Act No 42 of 1974) because it was blasphemous/offensive to the religious convictions or feelings of a section of the inhabitants of the Republic

All other films, publications and objects rejected during 1995, 1996 and 1997 (as at 31 July 1997) were found to be indecent or obscene or harmful to public morals in terms of section 47(2)(a) of the said Act

**Permanent/temporary residence permits issued/refused**

942 Mr B C BESTER asked the Minister of Home Affairs

(a) How many (i) permanent and (ii) temporary residence permits were (aa) issued and (bb) refused to persons at ports of entry in 1995 and 1996, respectively, and (b) how many persons violated the conditions attached to temporary residence permits in each of these years? N1644E

The MINISTER OF HOME AFFAIRS

(a) (i) Permanent residence permits are not issued at ports of entry However during 1995 and 1996 respectively, 4 610 and 5 233 applications for permanent residence were approved, while 798 and 234 applications were refused by the committees of the Immigrants Selection Board respectively

(ii) Temporary residence permits were

(aa) issued to 4 239 031 aliens who visited the RSA for holiday, family, medical and business purposes during 1995 During 1996 the number of temporary residence permits issued for the same purposes was 5 186 221

(bb) No statistics are available for refusals as such cases are dealt with on an individual basis

(b) According to the Movement Control System the number of persons that failed to leave the RSA upon expiry of the validity of their temporary residence permits (and thus became illegal) is

1995 - 119 927

1996 - 192 846

The number of persons who violated other conditions of temporary residence permits is not known

**Immigrants' various occupational groups**

943 Mr F J VAN DEVENTER asked the Minister of Home Affairs

How many persons in the occupational groups (a) clerical and sales, (b) transport, delivery and communications, (c) professional, (d) managerial and administrative, (e) agricultural, (f) service workers and (g) manufacturing and construction immigrated to South Africa from foreign countries in (i) 1995 and (ii) 1996? N1645E

The MINISTER OF HOME AFFAIRS

| Occupational Groups | Immigrants | |
|---|---|---|
| | 1995 | 1996 |
| (a) Clerical and sales | 250 | 315 |
| (b) Transport delivery and communications | 7 | 18 |
| (c) Professional* | 798 | 843 |
| (d) Managerial and administrative** | 374 | 466 |
| (e) Agricultural | 1 | 0 |
| (f) Service workers | 79 | 84 |
| (g) Manufacturing and construction | 116 | 62 |

* Semi-professional and technical occupations included in this category

** Executive occupations included in this category

Note Statistics obtained from Central Statistical Service

**Emigrants' various occupational groups**

944 Mr W L FOURIE asked the Minister of Home Affairs

How many persons in the occupational groups (a) clerical and sales, (b) transport, delivery and communications, (c) professional, (d) managerial and administrative, (e) agricultural, (f) service workers, and (g) manufacturing and construction emigrated from South Africa to foreign countries in (i) 1995 and (ii) 1996? N1646E

The MINISTER OF HOME AFFAIRS

| Occupational Groups | Emigrants | |
|---|---|---|
| | 1995 | 1996 |
| (a) Clerical and sales | 861 | 921 |
| (b) Transport, delivery and communications | 41 | 23 |
| (c) Professional* | 1 680 | 1 970 |
| (d) Managerial and administrative** | 664 | 737 |
| (e) Agricultural | 0 | 1 |
| (f) Service workers | 102 | 116 |
| (g) Manufacturing and construction | 40 | 32 |

* Semi-professional and technical occupations included in this category

** Executive occupations included in this category

Note Statistics obtained from Central Statistical Service

**Households: access to telephone facilities**

965 Mr P I BIKITSHA asked the Minister for Posts, Telecommunications and Broadcasting

267

(a) What percentage of (i) urban and (ii) non-urban households in South Africa had no ready access to telephone facilities as at the latest specified date for which information is available and (b) on what basis are such statistics kept? N1667E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING (*Reply found in Annexures of House – see M 367/97*)

**Passengers/goods entering SA through international airports**

971 Mr C W EGLIN asked the Minister of Transport

What was the (a) number of passengers and (b) volume of goods entering South Africa through the (i) Johannesburg, (ii) Cape Town and (iii) Durban international airports in each of the latest specified three years for which information is available? N1676E

The MINISTER OF TRANSPORT

(a) Number of passengers entering South Africa

| | Johannesburg | Cape Town | Durban |
|---|---|---|---|
| 1994 | 1 411 802 | 209 731 | 70 008 |
| 1995 | 1 539 251 | 286 368 | 77 396 |
| 1996 | 1 682 314 | 348 409 | 85 381 |

(b) Volume of goods entering South Africa

| | Johannesburg | Cape Town | Durban |
|---|---|---|---|
| 1994 | 63 005 342 kg | Not available | Not available |
| 1995 | 91 207 774 kg | Not available | Not available |
| 1996 | 84 499 771 kg | Not available | 2 320 675 kg |

**Traditional post office outlets closed**

267

973 Mr A S BEYERS asked the Minister for Posts Telecommunications and Broadcasting

(1) Whether he or his Department is planning to close down any existing traditional post office outlets and to replace such traditional post office outlets with other postal service points in previously underserviced areas if so (a) what will this process entail and (b) when will such plans be implemented,

(2) whether he will make a statement on the difference between traditional post offices and the other postal points referred to above? N1678E

The MINISTER FOR POSTS TELECOMMUNICATIONS AND BROADCASTING

*The Managing Director of the South African Post Office Limited has informed me as follows*

(1) Yes

Many of our traditional type post offices and old type postal agencies are uneconomical and not conveniently situated even in the previously under-serviced areas To improve service levels and to create a cost-effective post office and postal agency retail network, it is necessary to reposition the existing infrastructure on a continuous basis to satisfy the needs of all communities, especially our clients in the under-serviced areas This means that certain traditional post office outlets will be closed, repositioned, amalgamated with strategically situated offices or the establishment of new traditional type post offices, retail post offices [Postpoints] and new type retail postal agencies in serviced as well as previously underserviced areas

(a) The process entails network planning and development according to scientifically founded methodologies such as location and market analysis with a view to locating post office outlets in the most convenient environments, based on client behavioural patterns

(b) The ultimate goal of a business plan which commenced on 1 April 1994 is to reduce the number of traditional type post offices to 1 000 while increasing the number of Postpoints to 1 000 and establishing 1 500 retail postal agencies This will expand the distribution of service points to our clients by more than 42% compared with the current situation However, the availability of funds as well as the postal services demand study currently under evaluation for an ideal post off ice and postal agency distribution network per suburb, magisterial district and provincial region will play a major role in reaching our ultimate goal

(2) Yes

Traditional type post office This type of facility is provided in company-owned or leased accommodation on a stand-alone basis It is either operated on a full-time or part-time basis by post office staff providing the full spectrum of post office products and services to our clients during standard business hours (Monday to Fridays between 08 30 and 16 30 and Saturdays between 08 00 and 12 00)

Retail post office (Postpoint) A Postpoint is a fully fledged post office providing the full spectrum of post office products and services to clients by our own staff with the difference that it is situated in a host business such as a supermarket, pharmacy, etc with extended business hours to coincide with that of the host business In addition, it offers (a) convenience to our customers in line with the one-stop shopping concept and (b) working customers the opportunity to do their postal business after normal working hours on weekdays as well as on Sundays and public holidays

Retail postal agency This type of outlet is also situated in a host business such as a café or other small business and is usually established in areas where the operation of a traditional type post office or Postpoint is not economically viable It is operated by a fully trained agent during the same business hours of the host business rendering full basic postal services with the choice of optional services The agent's remuneration is calculated in terms of a fixed remuneration structure

**Immigrants granted/refused permanent residence**

979 Mr I J PRETORIUS asked the Minister of Home Affairs

How many immigrants from (a) Europe, (b) Africa, (c) Asia, (d) North America, (e) South America, (f) Oceania and (g) other countries were (i) granted and (ii) refused permanent residence in (aa) 1995 and (bb) 1996? N1684E

The MINISTER OF HOME AFFAIRS

| Continent/Country | (i) Immigrants Permanent Residence Granted | |
|---|---|---|
| | (aa) 1995 | (bb) 1996 |
| (a) Europe | 2 272 | 2 315 |
| (b) Africa | 1 343 | 1 601 |
| (c) Asia | 1 063 | 1 137 |
| (d) North America | 247 | 217 |
| (e) South America | 34 | 40 |
| (f) Oceania | 85 | 86 |
| (g) Other countries | 20 | 11 |
| Total | 5 064 | 5 407 |



| Continent/Country | (i) Immigrants Permanent Residence Refused | |
|---|---|---|
| | (aa) 1995 | (bb) 1996 |
| (a) Europe | 466 | 196 |
| (b) Africa | 277 | 245 |
| (c) Asia | 674 | 220 |
| (d) North America | 53 | 8 |
| (e) South America | 21 | 1 |
| (f) Oceania | 20 | 7 |
| (g) Other countries | 2 | 3 |
| Total | 1 513 | 680 |

Note Statistics obtained from Central Statistical Service

**Aliens' work permits approved/refused**

980 Mr B C BESTER asked the Minister of Home Affairs

How many work permits for (a) work seekers, (b) temporary employment, (c) self-employment or own businesses and (d) activities relating to the arts and entertainment industry were (i) approved and (ii) refused in 1995 and 1996, respectively, to aliens (aa) not in South Africa and (bb) already in South Africa? N1685E

The MINISTER OF HOME AFFAIRS

(a) (i) (aa) 1995 – None
1996 – 24
(bb) 1995 – None
1996 – None
(ii) (aa) 1995 – None
1996 – 22
(bb) 1995 – None
1996 – None

Note

The workseekers permit was one of the new category of temporary residence permits introduced with effect from 1 July 1996 in terms of an amendment to the Aliens Control Act, 1991, adopted by Parliament during 1995

(b), (c) and (d) (i) (aa) 1995 – 11 053
1996 – 19 498
(bb) 1995 – 32 383
1996 – 33 206
(ii) (aa) 1995 – 372
1996 – 870
(bb) 1995 – 2 641
1996 – 1 355

Note

It is unfortunately not possible to provide separate statistics of work permits in the specific categories as requested, since the Department only maintains a record of the total number of work permits issued

**Aliens: study permits approved/refused**

981 Mr I J PRETORIUS asked the Minister of Home Affairs

How many applications for study permits were (a) approved and (b) refused in (i) 1995 and (ii) 1996 to aliens (aa) not in South Africa and (bb) already in South Africa? N1686E

The MINISTER OF HOME AFFAIRS

(a) (i) (aa) 6 422
(bb) 17 681
(ii) (aa) 10 359
(bb) 21 185

(b) (i) (aa) 246
(bb) 578
(ii) (aa) 399
(bb) 506

**State departments: tender procedures**

1011 Mr J W MAREE asked the Minister of Finance

(1) Whether State Departments are obliged to comply with tender procedures, if not why not, if so, what are the relevant details,

(2) what are the current tender procedures

(3) whether any exceptions are being made in this regard, if not what is the position in this regard, if so, what are the relevant details? N1722E

The MINISTER OF FINANCE

(1) Yes, State departments are in terms of the State Tender Board Act, 1968 (Act No 86 of

SATRA

# Choked by telecoms law?

Industry worries that its watchdog is restricted by Jay Naidoo's political leash

(267)
FM 5/9/97

Stung by fierce industry and media criticism that it has become a government lapdog SA's fledgling telecoms industry regulator, Satra, is making a robust effort to rescue its public credibility

Just two weeks ago Satra came to the rescue of the State-controlled telephone monopoly, Telkom, by ruling that international callback services, popular with large businesses and which sharply undercut Telkom s international call rates were illegal

The resulting outcry from users and suppliers of the services generally accused Satra of acting against consumer interests while protecting the Telkom monopoly promised to foreign investors who bought 30% of Telkom earlier this year

Now the regulator faces another stiff test announcing last Friday that it would launch a formal investigation into whether Telkom should be the sole provider of Internet access

Satra chairman Nape Maepa is talking tough The whole Internet is in the competitive arena until proven otherwise " he warns Telkom

Success for Telkom over a blossoming phenomenon like the Internet could further deepen the view that Satra cannot be relied upon to uphold the public interest or, even more seriously, constitutional rights to access to information

Maepa's verbal shot across Telkom's bows follows complaints from private Internet firms, who say Telkom isn t playing fair and who object to its bid for exclusive rights to Internet delivery

Satra also ordered Telkom last Friday to continue supplying further international bandwidth to commercial Internet service providers

A Telkom spokesman confirms that the corporation was planning to suspend the supply of international bandwidth to private-sector providers after completing current installations

The Internet Service Providers Association (Ispa) lodged a complaint with Satra against Telkom after it refused to supply the additional bandwidth

Maepa s task is not simple Whatever its final ruling, Satra is headed for a lengthy legal battle

If it rules against Telkom the corporation has said it will have to appeal in the High Court while Ispa has lined up law firm Edward Nathan Friedland to attempt to overturn any ruling not in its favour

The 1996 Telecommunications Act could be challenged in the Constitutional Court

Comments on the Internet debate must reach Satra by the end of this month and a ruling will be made on October 14 Maepa promises

Ispa co-chairman David Frankel says he was hoping for a more definitive answer by now "However, I am heartened by the fact that there is now a fixed deadline "

An advisory committee to Satra on the provision of Internet access — which will include a diverse group of experts and stakeholders — will analyse public comment and make a recommendation to the Satra council

Robert Tshabalala

Nape Maepa under the industry cop's ever-watchful eye

Jay Naidoo

Maepa says a final decision will take into account local and international repercussions of any ruling and the role that the Internet plays globally

This new caution is probably a result of the hammering Satra has already taken for the decision to ban callback operators under the Telecoms Act

Satra s decision to ban callback last month is seen by callback operators and their clients — who include government departments and major blue chips — as proof that the regulator is under the political thumb of Communications Minister Jay Naidoo

The Minister has promised Telkom's equity partners SBC and Telekom Malaysia protection in terms of Telkom s licence for up to six years in return for their R5 6bn investment and commitment to install 2 8m new lines in underserviced areas

Maepa denies these charges "Nobody tells us what to do, he says, adding that Satra is a law enforcement agency whose job is to police the Telecoms Act

"Callback operators and their clients were blatantly breaking the law," he says suggesting the industry should wait for other Satra rulings before jumping to conclusions

Becoming more sophisticated by the day callback services essentially allow local residents to circumvent Telkom and use the cheapest international phone network for overseas calls Typically a user dials a computer in the US, which immediately phones back, allowing the user to make international calls at cut-throat US rates Users of callback services are able to save an average of 30% on Telkom s international call rates

Maepa denies that outrage at Satra's decision on callback prompted the Internet investigation He says the two issues are totally different

While the Telecoms Act is silent on who owns the Internet delivery technology (technically known as the Internet Protocol), Telkom s licence makes provision for the Internet as value-added service Callback in contrast, is a basic voice service outlawed by the Act, says Maepa

Meanwhile callback operators and Internet service providers are threatening to mount pressure on US regulators to investigate SBC s role in SA

The Texas-based carrier has 18% equity in Telkom If it is found to be acting anticompetitively in a foreign market SBC could face an antitrust investigation by the Federal Trade Commission or the US Department of Justice

Competition Board chairman Pierre Brooks is also keeping a keen eye on both Satra s and Telkom's activities

Callback operator Ursus says it has already complained to US telecoms regulator the Federal Communications Commission (FCC) that SBC is acting anticompetitively in SA

As the rows over callbacks and Internet provision test Satra s nerve, Maepa faces also the unattractive prospect of his office being tied down in arbitrating industry disputes

'We have three main tasks — to manage and rent the frequency spectrum police the Telecoms Act and make new regulations so the industry does not fall into anarchy " he says

Satra has 270 staff countrywide and an annual budget of R67m But less than R4m has been allocated for consultants Of this R2m will be needed just to pay the bidder chosen to do a study on whether it is feasible to issue more cellular licences

"We are waiting for outside auditors to confirm we have followed correct procedures before announcing the name of the winning consortium ' says Maepa

Also more than R1m is needed to pay for the audit of Telkom s Internet companies SAIX and Intekom following complaints by private Internet service providers

Maepa says Satra has two options in disputes such as the Internet quarrel — the loser should bear all costs or the costs could be divided among warring parties It would prefer the loser to pay in the hope the costly prospect of losing might deter frivolous disputants

But private Internet service providers believe the R1m cost of consultants to be too high and say the matter should be handled by either the courts or the Competition Board

"Satra is not a court and cannot justify awarding costs says Wits University director of computer network services Henry Watermeyer He adds that Satra has an obligation to investigate the sector

But Maepa responds that arbitrations could tie up Satra for years If costs are allocated, he says all parties will "apply their minds to differences' before turning to Satra

Perhaps but sceptics in the telecoms industry have the bit between their teeth pointing out that two Satra councillors were previously employed by Telkom "This was the only place in which people interested in telecoms could gain experience " responds Maepa

Though limited in what he can do by the Telecoms Act, Maepa seems genuine in his efforts to rule in the best interest of the sector

'Where we can assure competition in the market rest assured that we won t let the dust settle," he says

But he has already made mistakes The ban of callback operators without any public discussions, did little to inspire confidence in an already jittery private sector

In the face of court action from the callback operators Satra has retreated from its threat to impose a R500 000 fine or two years' imprisonment on callback service users and providers after September 1

In a letter to the Callback Association's lawyers Edward Nathan Friedland, Satra s legal representatives state "Our client has never intended, nor does it intend to impose any penalties on anyone contravening the provisions of Section 101 of Act 103 of 1996 without there being a conviction following criminal proceedings

The letter adds that Satra cannot impose such penalties and will not initiate criminal proceedings But "this must not be understood to mean that should the court find that callback operations are unlawful the applicants will not be exposed to prosecution "

Maepa confirms Satra will not take any action while the matter is before the court 'We cannot strike down the law It is up to the court to decide on the matter '

Marina Bidoli and Duncan McLeod

CORRECTION

## Jumping the gun

**Contacting the** US Federal Trade Commission to investigate the possibility of an antitrust suit against SBC is one of the options DataTec's lawyers are considering should Satra rule in favour of Telkom in the Internet dispute However, we reported last week that DataTec had already spoken to the FTC It has not The *FM* apologises for the error ■

# Forum lashes out at callback operators

(267)

Patrick Wadula

BD 8/9/97

THE African Telecommunications Forum, an organisation representing black business bodies and a union in the local telecommunications industry, has lashed out at callback operators, calling them "opportunity seekers with no broad vision of empowering the masses" through job creation

After the forum met last week, the Communications Workers Union (CWU), a member of the forum, came out strongly against the callback operators for not creating employment in SA and slowing down the process of developing the local telecommunications industry

Union president Tlalefang Sekano said the callback operators, who were mainly international companies including AT&T, were generating revenue which was not even taxed in SA for the country to benefit

"Profits made from this kind of business leave SA tax free and (are) taxed in the source country which, in this instance, is usually the US," he said

Sekano said according to the recent Telecommunications Act, the competition in the industry would be reviewed only after five years.

"With such foreign companies entering our young telecommunications industry, competition in this sector is being forced to open sooner than expected," he said

He said this was unfair on Telkom which only recently found a strategic equity partner

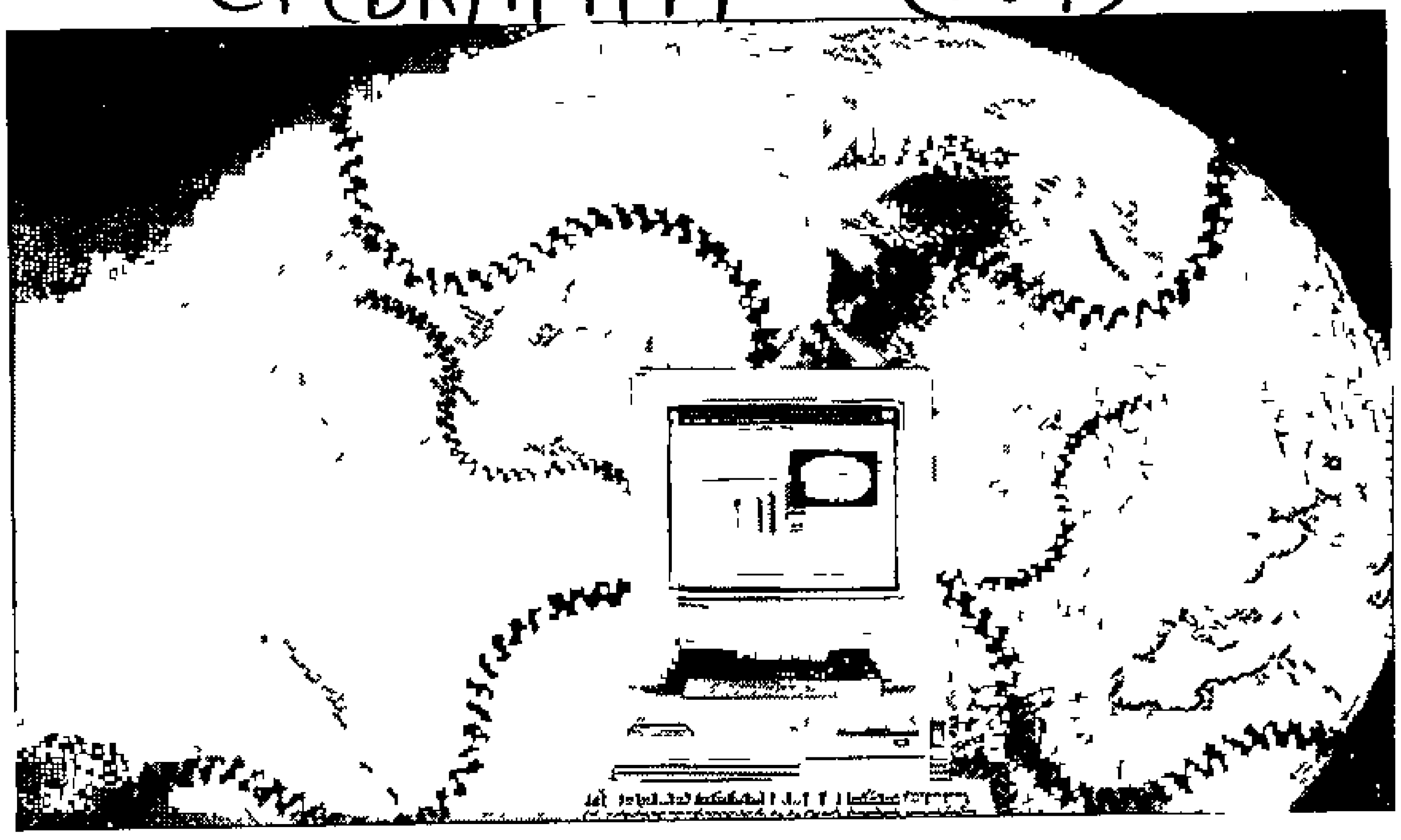
The forum's general secretary Thamsanqa Mtshali said callback operators who did not need a huge infrastructure to set up their operations were slowly killing the local telecommunications industry due to the lower rates that were paid for calls made via callback

COMMUNICATIONS

# Phone firms hung up on Internet

CT (BA) 9/9/97 (267)

DAWN HAYES



British Telecommunications is one of several telephone companies that have started lobbying against an Internet "trade deficit" with their US counterparts that is expected to reach as much as $2,5 billion by the year 2000

Huge demand from consumers around the world means telephone companies are having to invest more in telephone lines to the US because some 75 percent of the content on the Internet is located on US computers

However, they are making lower returns on that investment than they would make from providing traditional telephone services

Unlike the telephone system, where companies paid half the cost of an international telephone line and the company at the other end paid the other half, Internet lines must be paid for in full by the originator, said Michael Mingues, the head of information systems at the UN's telecommunications development bureau

In the traditional telephone world, when one telephone company sends more traffic to a particular telephone company than it receives, the first company must pay the second compensation

US authorities say that system has kept consumer prices artificially high

By contrast, in the Internet world, there are no such reciprocal payments Since all routes lead to the US for Internet services, non-US telephone companies are missing the returns on their investments

"The volume of traffic going to the US and the amount of money involved is still limited, but this will probably start to turn into a big deal very soon," said Mingues

Internet growth rates are staggering The number of people using the Internet has doubled each year over the last decade, according to the UN's International Telecommunications Union (ITU)

The number of people and individuals using the Internet in Europe alone is expected to grow to 35 million by the turn of the century, compared with 8,9 million in 1996, according to International Data, of Framingham, Massachusetts Even so, the number of people using the Internet worldwide is still only 60 million, compared with the number of people using telephones, which was around 741 million at the start of 1997, according to the ITU

The cost imbalance is expected to get worse for non-US companies as people start using the Internet to make ordinary voice calls, which will eat into what constitutes some 90 percent of telephone companies' revenues

In addition, more than half the Internet traffic that flows between European countries and between Asian countries goes via the US because all roads lead to the US and communications there are cheaper That leads to a loss of intra-European telephone revenues European telephone lines leased from telephone companies cost eight times more on average than US lines, and in some cases the costs are much higher

Some telephone companies have begun demanding fairer terms from US companies, including British Telecom (BT), KDD of Japan, Telstra of Australia and Singapore Telecom

BT Internet product manager, Peter Berry, said BT had started talks with US companies "We have begun discussions with our partners in the US about splitting the costs," said Berry

Telstra, the dominant Australian telephone company, complained to the US Federal Communications Commission that it would lose $10 million this year alone by investing in telephone lines to the US to cope with demand for Internet services

However, the FCC does not regulate the Internet That underscores the problem facing the global telephone company: the Internet is both a threat and an opportunity It offers the promise of an additional revenue stream, but it also provides services that are in direct competition with the telephone companies

"If this is a small problem today, it's going to be a huge problem in future because of the rate at which the industry is expanding," said Sean Phelan, the director of Multimedia Mapping, a UK company that sells maps on the Internet.

"The problem is we need the US more than they need us," said Keith Mallinson, an analyst at the Yankee Group Europe, a telecommunications consultancy "The network access points for the Internet are mainly in the US, so it's going to run a surplus because they're getting most of the in-payments "

Government ministers and industry officials from all over the world will convene at a UN conference in Geneva this week to discuss this and other associated Internet issues — Bloomberg

**Telkom's universal programme: targets**

*25 Mr A S BEYERS asked the Minister for Posts, Telecommunications and Broadcasting [Written Question No 974] (267)

Whether projected targets exist in respect of Telkom's universal programme, if so, (a) what do these targets entail, (b) what are the projected dates of implementation of these targets and (c) how will these targets be achieved? N1679E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*The Acting Managing Director and Chief Executive Office of Telkom has informed me as follows*

The targets for the Telkom roll-out exist and are specified in the licence agreement, as highlighted in the explanation below

(a) The targets are thus a total of 2 8 million new lines at end of the financial year 2002 This includes 120 000 payphones and 1 6 million new lines in under-serviced areas

(b) The new telephone lines will be rolled out in stages as outlined in the attached document, commencing with 340 000 lines by 31 March 1997 and finally 2 690 000 lines by 31 March 2002 The ultimate aim is to install 4 3 million new lines by 2004

(c) In South Africa the telephone penetration relative to the size of the economy is, on the average, in line with world norms As in many other parts of the world, however, there are disparities between metropolitan urban areas compared to rural areas

There are also differences in coverage between the disadvantaged rural communities of South Africa and the affluent citizens of our towns and cities This is due to the higher costs of providing services in rural areas, as well as the fact that people in these areas tend to be poorer, and therefore less able to afford services, than those in the urban areas

Telkom is committed to contributing to the country's economic development through the multiplier effect of telecommunications and by meeting the telecommunications needs of all our citizens, communities and business customers We are aware that our current network lacks adequate reach and quality, and *Vision 2000* is our broad plan to build the network to world-class standards Its primary goal is to make Telkom fit for global competition, while redressing disparities in service provision

*Vision 2000* is about delivery This means extending the reach of telecommunications to areas not previously covered, modernising the network to world-class standards and providing the most advanced services to our customers

The extent of the network roll-out of *Vision 2000* will be driven by customer needs and affordability Clearly, the roll-out requires the continuous balancing of more profitable services with less profitable ones The pace of network roll-out will be monitored and the targets adjusted according to customer needs

There are now just over four million main telephone services in operation in South Africa Over the next five years, this number will probably have to grow by two or three million additional lines, depending on economic growth and Telkom's ability to improve efficiency The higher the economic growth rate for instance, the greater the number of people who will be able to afford telephones Similarly, the better Telkom's efficiencies, the lower its prices will be, so more people will be able to afford them

Through lower prices, Telkom will also be able to use the money saved to roll-out more services Projected roll-out is based on our current models Of the three million additional lines for the high-growth case, an estimated two million will be aimed at increasing telephone penetration in under-serviced urban and rural areas, with the remaining one million lines catering for growth in developed areas

*Vision 2000* provides for easier telecommunications access for people who cannot afford individual services This will be achieved through a dramatic increase in the provision of community phones and innovative methods for prepayment



That all this is possible way aptly demonstrated by Telkom during the last financial year when the expansion programme resulted in more than 256 400 net new working lines 71% more than the previous year – being connected, including almost 25 000 new payphones which was double the number installed in 1995-96

Telkom will be using various technologies to achieve our targets with emphasis on wireless local loop as illustrated by the awarding of the large DECT contracts

Listed below are Telkom's projected targets Roll-out target and new line roll-out target part of the five year plan The projects are each measured at the end of the relevant financial year

| Category | 97-8 | 98-9 | 2000-1 | 2001 | 2002 | Total | |
|---|---|---|---|---|---|---|---|
| 1 Total number of new access lines brought into service (000) | 340 | 435 | 575 | 675 | 665 | 2 360 | Total line target |
| 2 Number of new access lines brought | 265 | 318 | 359 | 357 | 378 | 1 676 | Under serviced |
| 3 Number of new access lines for priority customer (000) | 3 240 target | 3 845 | 4 055 | 5 060 | 4 046 | 20 246 | Priority customer |
| 4 Number of villages served in under serviced areas | 510 | 610 | 610 | 800 | 644 | 3 204 | Village target |
| 5 Total number of public payphones | 20 | 25 | 25 | 25 | 25 | 120 | Public payphone target |
| 6 Number of replacement lines (000) | 20 | 13 | 65 | 551 | 603 | 1 252 | Replacement line target |

**Strikes at hospitals**

*26 Dr R T RHODA asked the Minister of Health [Written Question No 975]

(1) (a) How many strikes at hospitals occurred in South Africa in 1996 and (b) what were the reasons for or causes of these strikes,

(2) whether any steps have been or are to be taken to address the reasons for or causes of these strikes, if not, what is the position in this regard, if so, what steps? N1680E

The MINISTER OF HEALTH

*KwaZulu-Natal*

1 (1) (a) 24 January 1996 King George V Hospital

(b) Complaint about filling of posts that were advertised in "Jobs For Africa"

(2) No work, no pay policy was applied Power to advertise is now delegated to the Director-General and it is hoped that this problem with the Public Service Commission is now solved

2 (1) (a) 13 February 1996 Clairwood Hospital

(b) Workers strike as a result of unrest because of the theft of 75 kg of chicken

(2) Head Office faxed a letter to advise the striking workers to return to work The Officer concerned has since been suspended and charged for misconduct

3 (1) (a) 16 February 1996 Stanger Hospital

(b) Workers refused to work unless Staff Nurse Xhola is granted permission to attend a 32 day workshop with effect from 18 February 1996

(2) Staff Nurse Xhola was eventually granted permission to attend a 32 day workshop The problem was that another staff nurse was on leave and if she was granted permission, there would be nobody to tend the ward However, in this case the staff nurse who was on leave was very kind to cancel her leave when she was approached Nurse Xhola was advised by Management to apply in time for any congress if she would like to attend

(2) whether he will make a statement on the matter? N1991E

The MINISTER OF FOREIGN AFFAIRS

(1) (a) The SADC Trade Protocol was adopted and signed by all member states, except Angola, during the 1996 SADC Summit in Maseru To date, Tanzania and Mauritius have ratified the Protocol during the first half of 1997

SADC Ministers of Trade agreed during their meeting in Dar-es-Salaam in August 1997 that certain prerequisites for ratification of the Trade Protocol are in place and urged member states to complete the process of ratification as soon as possible These preconditions included the finalisation of the "Study to Determine Tariff Schedules", as well as the conclusion of options and modalities for tariff reduction and time frames for the submission of sensitive products lists Within this context it is anticipated that South Africa will ratify the Protocol in due course

Progress in the ratification of the SADC Trade Protocol is dependent on the nature of domestic legislative procedures (constitutional demands) in each member state, but a conservative appraisal is that ratification by all member states should be completed by the next annual SADC Summit The South African position towards ratification is that it (ratification) will depend on the successful outcome of a process of negotiation on the elements of the Protocol

(b) All SADC member states, with the exception of Angola, are involved Angola confirmed during the 1997 Summit in Blantyre that she is in the process of signing this protocol

(2) No

The line-function department responsible for this issue is the Department of Trade and Industry Minister Erwin is fully *au fait* with the status of this Protocol due to his direct involvement in regional negotiations and it is his prerogative to elaborate further on the matter

**SATRA: ruling against call-back companies**

267

*34 Mr L M GREEN asked the Minister for Posts, Telecommunications and Broadcasting

(1) Whether the South African Telecommunications Regulating Authority has ruled against call-back companies operating in South Africa, if so,

(2) whether this ruling will affect the approximately 500 persons working for these companies, if not, what is the position in this regard, if so, how? N1992E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

*Chairperson of SATRA advises me as follows*

(1) The South African Telecommunications Regulatory Authority (SATRA) has not ruled against call-back operations but has instead, by means of a notice in the *Government Gazette* made the public aware that call-back operations are prohibited in South Africa by the Telecommunications Act, 1996, (Act no 103 of 1996) The position is briefly as follows

In South Africa, conduct of telecommunications requires licensing (section 32) or exemption from licensing (section 33(2))

Call-back operations are neither licensed in terms of section 32 nor are they exempted from being licensed in terms of section 33(2)

Furthermore, in terms of section 36(3) only Telkom may provide an international telecommunications service In other words, even if call-back operators were to apply for a licence, they would not be granted same for the period of exclusivity granted to Telkom

(2) It seems to SATRA that call-back operators conduct their business in South Africa through agents It is conceivable, therefore, that such agents may be affected by the prohibition It must also be borne in mind that some of the call operators have represented to the public



(and, therefore, to their agents) that their operations are lawful in South Africa while that is not true Consequently, it is SATRA's view that remedies for such agents lie within the relationship they have with their principals

**Matriculants: choice of 11 languages for second language**

*35 Mr L M GREEN asked the Minister of Education

Whether matriculants are to have a choice of 11 languages out of which to choose their second language, if not, what is the position in this regard, if so, what are the relevant details? N1993E

The MINISTER OF EDUCATION

Yes, a Senior Certificate will be issued to a candidate who is not an immigrant and who has offered and wrote examinations in at least six instructional offerings, provided that two official languages, one on First Language level and the other one on either First, or Second Language level are offered All eleven official languages are currently offered on First and Second Language level and a candidate may therefore, for Senior Certificate purposes, offer any combination of the eleven official languages, provided that one of the languages is offered on First Language level and the second language on at least Second Language level As far as the nine African Languages are concerned, not more than one language shall be offered from the same group, viz from the group isiXhosa, isiZulu, Siswati and isiNdebele, and the group Sepedi, Sesotho and Setswana

A candidate may, however, substitute one of the official languages with an approved language, provided that such a language is either a First or Second Language level Currently only German First Language complies with this requirement

**Complaints about customer service on SAA's domestic services**

*36 Mr H K SINGH asked the Minister for Public Enterprises

(1) Whether she or the South African Airways has received any complaints to the effect that the standard of customer service on the SAA's domestic services does not comply with international standards, if so,

(2) whether she or the SAA intends taking any steps to raise the standard of customer service on the SAA's domestic services to international standards, if not, why not, if so, what steps? N1994E

The MINISTER FOR PUBLIC ENTERPRISES

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

(1) No

(2) Falls away

**Local government: measures on transparency/consumer protection/options/performance**

*37 Dr R RABINOWITZ asked the Minister for Provincial Affairs and Constitutional Development

(1) Whether any regulatory measures are applied in local government to ensure good governance in respect of accountability and transparency, consumer protection in respect of standards and tariffs, efficiency through the encouragement of competition as a matter of general policy, the promotion of the principle of local options, the monitoring of performance and/or the involvement of stakeholders in decision-making, if so, what measures, if not,

(2) whether it is the intention to take any steps aimed at creating such measures, if not, why not, if so, (a) what steps and (b) when? N1995E

The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT

(1) Yes The *Local Government Transition Act Second Amendment Act (Act 97 of 1996)*, requires municipalities to implement a range of measures to ensure effective service delivery, proper planning and budgeting, sound financial management, accountability to

# Delivery firm takes on might of the Post Office

ARG 11/9/97 (267)

**East London – Backed by the Border-Kei Chamber of Business, a small mail delivery service is taking on the giant South African Post Office in a fight for its right to continue operating.**

This is after the Grahamstown High Court granted an interdict on Monday against East London's ASAP (As Soon As Possible) to stop it from operating

ASAP, which has been delivering business accounts for 300 clients since September 1995, also had to pay costs

ASAP owner Etienne van Rensburg said he would appeal against the decision – and take the matter to the Constitutional Court if necessary

Border-Kei Chamber of Business spokesman Les Holbrook said today the chamber had chosen ASAP over the Post Office. On Monday's interdict, Mr Holbrook said "It would seem they are being heavy handed with entrepreneurs who have been coming up with innovative ways of creating employment and offering a legitimate service"

Mr Holbrook said ASAP had been chosen as it charged on average 60% less than the Post Office

Mr Holbrook said the chamber knew ASAP would deliver their letters the next day, while with the Post Office "there is no guarantee"

Granting Monday's interdict, Acting Judge Andrew Lang said ASAP contravened the Post Office Act of 1950 that gives SA Postal Services sole right to collect, sort and deliver mail.

Mr Van Rensburg said today it was "unfair to force the public not to have a choice" when the general postal service was "expensive and inefficient"

ECN learned, for example, that all mail posted within Grahamstown – which has a post office – is sent 120km away to Port Elizabeth, where it is sorted, before being delivered back to Grahamstown

Mr Van Rensburg said ASAP was not in direct competition with the Post Office "I also deliver to areas that the Post Office doesn't cover"

Eastern Cape post office delivery management manager Gordon van Zyl, said it was unfair to expect the Post Office to deliver mail to inaccessible areas at high cost – while easy and cheap deliveries in built-up areas were taken over by other companies

Mr Van Zyl said the Post Office had as evidence thousands of letters that were "mis-delivered" by ASAP – ECN

SA POST OFFICE

(267)

# Snail mail snarl-up

R182m/year down the tubes because of outdated databases

FM 12/9/97

**The SA** Post Office is losing R500 000/day, or R182m/year, through the labour-intensive effort of rerouting incorrectly addressed mail Of the 8m items it handles each day, 32%, or 2,5m, are not properly addressed, largely because of old databases used by companies doing bulk mailshots or issuing accounts

Now the Post Office plans to implement a large national address register that will automatically update its customers' databases when information is corrected or updated Sorting out the problem will have a major impact on the loss-making organisation's bottom line — in the year to end-March 1996 it lost R536m before a State subsidy

However, rollout of the database still hinges on the proposed Open Democracy Bill, which could be passed by parliament within a month The Bill, in part, seeks to protect individuals' privacy by preventing owners of databases from disclosing information without the consent of the people concerned Credit bureaus and direct marketers are lobbying to have the proposed Bill amended before it is gazetted

Post Office letters manager Pamela van Heerden says marketing material sent out by companies is destroyed if the material is incorrectly addressed, while personal mail is sent to Cape Town, opened if necessary and forwarded to the correct address, if available Van Heerden says letters sent to street addresses where there is no street delivery and mail sent to informal settlements are a particular headache for the organisation

The culture of nonpayment also means many individuals do not update their address details with companies to which they are in debt

With the proposed national address register, which Van Heerden hopes will be operational by February, companies and individuals will only have to change their address details with the Post Office, and most companies' databases will be updated automatically

At present, wrongly addressed mail is left aside at SA's four main sorting centres and is attended to only when other mail has been delivered This can result in delays of up to five days, Van Heerden says

Duncan McLeod

BUSINESS DAY, Friday, September 12 1997 3

# Satra threatens action against callback operators

BD 12/9/97 (267)

Robyn Chalmers

THE SA Telecommunications Authority (Satra) has hit back at callback operators, saying it will take legal action against them despite an earlier undertaking to hold off until current litigation is settled.

The decision came after Satra accused the SA Callback Association of "blatantly attempting to mislead the media and the public by claiming that Satra had withdrawn its recent September 1 ban on callback telephone operations in SA," it said.

Satra councillor Tshidi Seane said yesterday this was a "scandalous misrepresentation" of the situation which had not changed since Satra's August announcement of a ban on callback operators, effective from September 1.

Association chairman Gianfranco Cicogna said that while Satra might have stated its position on callback operators, the association had been advised by its attorneys that callback services would remain legal until a high court decided otherwise.

"All we were trying to do was convey this to the public as many of our clients have expressed concern about the legality of callback operators since Satra's recent ruling.

"There is nothing illegal about callback," he said.

Satra chairman Nape Maepa announced last month that in terms of the Telecommunications Act of 1996, international telecommunications services could be provided only by Telkom on an exclusive basis for a fixed period.

A major objective of the act was to allow Telkom a period of exclusivity to roll out telephones to disadvantaged areas.

Satra said plans for improving Telkom's network had the potential to be seriously threatened by the activities of callback operators.

Satra also announced yesterday it had taken the first step towards the possible introduction of additional cellular telephone networks with the appointment of a consultancy to undertake a four-month feasibility study in SA.

The tender was awarded to a consortium which includes International Technology Consultants, MLJ Consulting Telecommunications Engineers, BDO Spencer Steward and Transcomm.

They would study the granting of further licences as a method of economic empowerment of previously disadvantaged groups.

Satra also called for comment by September 23 on the proposed Universal Service Fund intended to improve telecommunications services to the needy.

The fund would provide financial assistance to Telkom and other licence holders to extend services to underserviced areas.

# New call-back squabble erupts

CT (DR) 12/9/97 (267)

SHERILEE BRIDGE

Johannesburg — The South African Telecommunications Regulatory Authority (Satra) said yesterday it would crack down on call-back operators after a fresh argument erupted between the regulator and the call-back association

Satra said it would prosecute call-back operations, despite its earlier undertaking to hold off until litigation was settled

"Call-back operations have always been unlawful and remain unlawful In an effort to protect the public, Satra will now proceed to use other means to enforce the prohibition," said Tshidi Seane, the councillor for Satra

The two parties came to blows again over claims by the South Africa Call-Back Association (Sacba) that Satra had ended its September 1 ban on call-back telephone operations in South Africa

Gianfranco Cicogna, Sacba's chairman, said the claim was made in the interests of the call-back industry, which was losing a fortune in the face of the bad publicity it had received in the last few months

The R18 million-a-year industry, which allowed South African phone users to use cheaper overseas phone lines for international calls, had lost between 20 and 30 percent of its subscribers in the last month out of fear, he said

"Call-back operators are doing their damnedest to stay alive," he added

Sacba's statement claimed Satra had confirmed that the status of call-back operations remained the same as it was before their recent ruling, following the withdrawal of its proposed ban

"No one, neither operator nor customer, will be prosecuted, nor can they be in terms of the statements made by Satra subsequent to its first ruling on the status of call-back," the statement said

Telkom refused to comment The state-controlled phone monopoly was among the first to claim that call-back — affecting about 3 percent of its international business — was illegal

Satra's call-back ban, declared on August 12, was hotly contested by Sacba, which represents 11 local operators, on the grounds that Satra acted beyond its powers

"Satra does not have powers to prosecute, it does not have the authority to ban and was acting outside its authority as a regulator," said Cicogna

Satra had made a statement and not a ruling, and as a consequence the industry was suffering irrefutable damage, he said

Call-back was not covered in the Telecommunications Act of 1996, and it was in the hands of the high court, said Cicogna, who expected the case to come to the fore early next year

"It is a case of innocent until proven guilty," he said

# David takes a shot at Goliath – gets postal vote from business

(267) ARG 13/9/97

BRONWEN ROBERTS

**East London – Fact one: if you live in South Africa, chances are you complain about the postal service.**

Fact two if you are a white male living in South Africa, chances are slim that head-hunters at any level will be knocking at your door with job offers

Faced with these facts of life, Etienne van Rensburg, 30, opened his own private postal delivery service and called it ASAP.

ASAP was created in 1995

On returning to East London after working at Stellenbosch University, and with degrees in the arts and theology, he applied for "jobs in the hundreds" with no success

So he started buying and delivering magazines and newspapers for office workers

This did not bring in much money, so Mr Van Rensburg offered an account delivery service to local businesses and ASAP was born, on borrowed money, with his mother standing surety

He now has 300 customers, mostly big businesses, and has been nominated as a local Emergent Marketer of the Year finalist

But the South African Postal Service is uncomfortable with creativity and is unhappy that someone is treading on its turf

It has already lost a criminal case against Mr Van Rensburg alleging contravention of the 1958 Post Office Act which gives the Post Office the sole right to collect, sort and deliver mail, but succeeded this week in slapping an interdict on ASAP to stop delivering mail

On hearing the court's verdict, Mr Van Rensburg lodged an appeal against the interdict on the grounds that it was unconstitutional and not in the public's best interests.

He will take his fight to the Constitutional Court if necessary

Now this battle of David and Goliath has moved to the ranks, with ASAP delivery staff being harassed by Post Office workers who say they are operating illegally

Mr Van Rensburg says the Post Office is also refusing to accept bulk mail which ASAP delivers on behalf of clients, for delivery outside of the city and is also withholding the 1c-an-item discount usually given for bulk-mailing

"Monopoly is unconstitutional and undemocratic unless it is in the public's interest," he says

"I am cutting costs for my clients I save my biggest client about R1 000 a month.

"I deliver in a quicker time and have a proof of delivery system whereby I can follow up any complaints about delivery and get results"

Gordon van Zyl, manager of Eastern Cape Post Office delivery, says it is "unfair" to expect the Post Office to deliver mail to inaccessible areas at high cost, while ... and cheap deliveries in built-up areas ... taken over by other companies

He claims the Post Office had ... that "thousands" of letters that were ... delivered by ASAP to the correct addresses.

These letters were re-posted in "our red letter boxes and end up in our system"

He said that although the 1958 Act was being revised, he believed the new Act would still allow the Post Office to have the monopoly on postal delivery – EGN Weekend Service

# Call-back association returns to court battle

SHERILEE BRIDGE CT (BR) 15/9/97 (267)

Johannesburg — The South African Call-Back Association (Sacba) said last week it was going back to court to prevent the South African Telecommunications Regulatory Authority (Satra) from carrying out its most recent threat to shut down call-back operations

To date no competent authority has ruled on the legality of call-back in South Africa, said Gianfranco Cicogna, the chairman of Sacba

Satra's legal muscle has again been questioned following its announcement that it would withdraw its undertaking not to initiate prosecutions until the completion of a pending high court hearing on the legality of call-back operations in South Africa

Sacba said it still believed Satra was unable to prosecute or fine call-back operators or users. Cicogna said the authority itself admitted it had "no power"

South African call-back operations have continued offering South African phone users international calls at US rates, believing that Satra would stand by its earlier commitment, he said

The R18-million-a-year industry has claimed that its clients, who include government departments, have recorded savings of between 30 and 60 percent on international telephone bills

Phil Mahlangu, the chief executive of Satra, said call-back operations remained illegal He said Sacba had "dangerously transcended the bounds of healthy debate, and it (Satra) was left with no option but to implement the letter of the Telecommunications Act of 1996 which holds that the call-back operations are illegal in South Africa"

The department of telecommunications backed the authority all the way, said department spokesman Connie Molusi, who said the department would leave Satra to deal with the matter

# Operators seek court ruling on callback legality

(067)

Robyn Chalmers

BD 15/9/97

CALLBACK operators would seek legal restraint of the SA Telecommunications Regulatory Authority (Satra), the SA Callback Association (Sacba) announced at the weekend.

This follows Satra's attack on callback operators last week for what it called a "scandalous misrepresentation of the situation" after Sacba issued a statement saying Satra had withdrawn its ban on callback services

Satra announced last month that callback operators would be banned on September 1. The authority subsequently agreed to hold off on legal action against operators until after current litigation on the issue was settled.

A Sacba spokesman said the association was proceeding with an application to the Johannesburg High Court for a ruling on the legality of callback operations. A hearing is scheduled to take place next year.

The spokesman said Sacba's statement last week was intended to clarify the situation as there was a lot of confusion among callback clients about whether or not callback was still legal in SA

"We merely stated that in terms of Satra's withdrawal of its earlier banning order, callback operations would continue without the threat of possible legal action by Satra," he said He quoted Satra chairman Nape Maepa as saying previously the authority would not take any action while the matter was before the court.

However, Satra last week expressed outrage over Sacba's interpretation of its statements. Satra councillor Tshidi Seane said the "breathtaking arrogance and dishonesty of this announcement is almost beyond belief, and I'm afraid it is testing our patience to the limit". Seane said that as a result, Satra had decided to take legal action against the callback operations despite its earlier undertaking to hold off temporarily.

*New joint-venture company introduces flexible rental options for PABX technology*

# Mauritius Telecom launches a competitive challenge to SA

CT(BR)16/9/97(267)

ANNE ROBERT

Mauritius — Competition in the telecommunications market is about to become tougher with the arrival of a new player in South Africa, Southern Telecom.

The company, a joint venture between Mauritius Telecom and South African businessmen, has obtained a licence from Telkom to sell Norstar Meridien PABXs The Midrand-based company is designed to spearhead Mauritius Telecom's operations in Africa

Neermal Saddul, the business services manager of Mauritius Telecom, said the company's strength lay in its product "We can offer sophisticated, upmarket solutions to business customers," Saddul said

The company's marketing strategy also relies on providing greater flexibility in its service. One innovation is its system of one-month rentals.

"The customer is not committed to long-term contracts," said Gilbert Margéot, the managing director of Southern Telecom "Next month you don't want it, I'll take it back "

**'We can offer sophisticated, upmarket solutions to our business customers'**

Southern Telecom initially intends to gain a firm foothold in South Africa by developing its PABX market

The company's medium-term plans, however, include marketing a range of value-added services which have already been developed in Mauritius

Senior executives of Mauritius Telecom will be seconded to the South African company to develop that side of the business

But South Africa is also intended to be Mauritius Telecom's springboard for further development on the rest of the African continent.

Mauritius Telecom's licence for Norstar Meridien PABX covers a geographical area which includes South Africa, Madagascar and Mozambique

Those are countries where cultural and political ties are strong Madagascar is a member of the Indian Ocean Commission. The commission is a regional co-operative organisation for Indian Ocean islands

The governments of countries which have joined the commission have repeatedly indicated their commitment to promoting trade between member countries

For the time being countries like Mozambique and Madagascar offer little business potential

But if these countries want to take the path of economic growth, telecommunications will be a cornerstone of any strategy chosen

Mauritius Telecom clearly wants to make sure it already has a foot in the door when those countries do develop — Independent Foreign Service

# 'Billions depend on Satra ruling'

BD 17/9/97 (267)

Linda Ensor

CAPE TOWN — Telkom would lose billions if the SA Telecommunications Regulatory Authority (Satra) ruled against it in the next month and allowed Internet service providers to offer more than value-added services, Telkom's group regulatory executive Nombulelo Moholi said yesterday

Once switching and transport of data was considered acceptable for value-added network service providers, the way would be opened for all data switching networks to operate

Moholi told Parliament's public enterprises and communications committee yesterday that the decline in revenue should these providers be permitted to offer switching and transport services would limit the parastatal's ability to provide services to disadvantaged communities

At present only four of the 72 internet service providers in the country were contravening the Telecommunications Act by offering more than value-added services, such as resale and voice-over services The others were operating legally

Moholi also noted what she termed the detrimental effect callback operators had had on the country, claiming they degraded the telecommunications network and made no contribution to state coffers in the form of tax

Telkom chairman and acting CEO Dikgang Moseneke blamed the inroads made by callback operators for Telkom's marginal 4% growth to R2,79bn (R2,68bn) in international business in the year to end-March

# Crime syndicates are costing the PO millions

Star 18/9/97 (267)

Cape Town– More than R2,6-million in revenue had been lost in the first six months of 1997 because of crime syndicates operating from within post offices, says Posts Minister Jay Naidoo.

The post office was losing clients and revenue as a result of increased syndicate activity, he said in a written reply yesterday to Dene Smuts (DP)

In February this year, one client lost computer equipment to the value of R1,4-million through a single incident of theft by a syndicate at Witspos.

The goods were uninsured and the client had since taken his business elsewhere.

One of the post office's largest customers was looking at alternative mail arrangements and this could mean a loss of R11-million in revenue. Fundraisers were also threatening to follow suit, which could mean a further loss of R9-million, he said

At least one syndicate – specialising in the theft of expensive jewellery and computer parts – had been identified as operating inside the post office.

There was also evidence of extensive syndicate activity in the theft, falsification and fraudulent manipulation of cheques and postal orders, Naidoo said.

Some syndicates were based outside the post office, but had members inside who obtained cheques, postal orders and credit cards and passed these on to other syndicate members in banks to "process".

Although syndicate activity was national, theft was concentrated in the Witwatersrand region, Naidoo added. – Sapa

# Concern over action against callback groups

Simon Barber

WASHINGTON — The US Federal Communications Commission had "serious concerns" over the manner in which the SA Telecommunication Regulatory Authority (Satra) was seeking to ban callback operators from offering cheap international telephone rates to SA consumers, Rod Porter, assistant chief of the commission's international bureau, said yesterday.

The commission is broadly supportive of callback services, but has undertaken to bar US providers — who dominate the industry — from serving customers in countries where the services have been declared illegal, if requested to do so, and if the requesting party meets certain conditions.

Among those conditions is that the complainant's laws or regulations against callback services must have been adopted in a transparent process giving those affected prior notice and an opportunity to comment.

(267) BD 19/9/97

Continued on Page 2

# Callback

(269) BD 19/9/97

Continued from Page 1

This, Porter said, did not appear to be the case when Satra announced last month that callback services would be illegal in SA as of September 1 "We do have some serious concerns over the process that was followed."

Satra had not thus far approached the commission to restrain US callback operators, the official said, although the commission did brief its SA counterpart on its policies

The commission has invited any government "which seeks to put US carriers on notice that callback … has been declared expressly illegal in its territory" to submit documentation of its policy for a public file maintained at commission headquarters. No submission has been received from SA.

The callback ban is being challenged in court in SA.

# Concern over action against callback groups

Simon Barber

WASHINGTON — The US Federal Communications Commission had "serious concerns" over the manner in which the SA Telecommunication Regulatory Authority (Satra) was seeking to ban callback operators from offering cheap international telephone rates to SA consumers, Rod Porter, assistant chief of the commission's international bureau, said yesterday.

The commission is broadly supportive of callback services, but has undertaken to bar US providers — who dominate the industry — from serving customers in countries where the services have been declared illegal, if requested to do so, and if the requesting party meets certain conditions.

Among those conditions is that the complainant's laws or regulations against callback services must have been adopted in a transparent process giving those affected prior notice and an opportunity to comment

(267) BD 19/9/97

Continued on Page 2

(267) Star 22/9/97

# Flatland residents sift through stolen bag of mail

A bag of mail was dumped on a street corner in Berea, Johannesburg, yesterday afternoon, littering the pavements for at least a block with correspondence

When The Star visited the area on the corner of Doris and Lily streets, a child brandished a fistful of crossed cheques before going back to romping among the letters

Most of the letters had already been opened, and crossed cheques from banks in KwaZulu Natal, Cape Town and Robertson in the Cape were found in the area

A member of the public who telephoned The Star said people were gathered on the street opening envelopes and stealing money.

South African Post Office spokesman Flip Eksteen said he was aware of mail being dumped and said an investigation would be launched

"Someone probably got hold of a bag (of mail), opened all the letters and then dumped it," Eksteen said.

He added that theft of mail bags was an increasingly common occurrence – Staff Reporter

CAPE ARGUS, WEDNESDAY, OCTOBER 1, 1997

# Rail police count cost in blood

NORMAN JOSEPH
STAFF REPORTER

ARG 1/10/97 (267)

**Police rail commuter unit members have revealed that 19 of their colleagues have been killed and many others assaulted since the unit's formation in 1991.**

The most recent casualty, inspector Joe Treurnicht, is being treated for serious hand and back injuries in the N1 City hospital in Goodwood following a vicious knife attack last Friday night at Philippi railway station, about 100m from the police station.

He managed to reach the charge office where he collapsed in a pool of blood.

A large police contingent searched the area for the suspects but were unsuccessful.

Unit spokesman Bertram Croutz said Inspector Treurnicht's firearm was stolen by the gang.

David Scheepers, 30, and colleague Aubrey Stanley, 29, both constables, were shot dead 10 days ago on Woltemade station when they approached a gang hiding behind a passenger shelter.

Sergeant Croutz said an average of two policemen died each year on duty on railway stations in the Peninsula.

Many more stationed at Philippi and Cape Town stations were assaulted either on duty or while going home, especially at weekends.

"We don't count anymore how many of our members are assaulted by gangsters," Sergeant Croutz said.

"We are fed up with gangsters operating on the trains and the public's reluctance to report crimes and give information."

Unit commander Bennie Gouws said police had been appealing to commuters since 1991 for help in curbing crime on trains and stations.

He again appealed to people with information to call either 0800 11 12 13 or 10111 all hours.

# Mail theft puts jobs at risk

(267)

DENNIS CAVERNELIS AND MOSES MACKAY
STAFF REPORTERS

ARG 2/10/97

**The Post Office and the Minister of Posts and Telecommunications, Jay Naidoo, have warned staff that unless there is a concerted effort to stop mail theft they risk losing their jobs.**

At the launch of a Post Office anti-crime campaign yesterday, Leon Dippenaar, regional general manager for the Western Cape, said R8-million of postal items had been stolen since April and there had been 153 reported cases of mail being "violated" at Cape post offices in that period.

Since April, 103 postal workers involved in mail theft and violation had been fired, said Frank Touwen, managing director of the Post Office.

Mr Dippenaar said that if the "scourge" of mail theft continued, "revenue will drop and this may lead to job losses".

Twenty postal workers in the Cape had been dismissed or had resigned after it was discovered they were tampering with letters and parcels.

Mr Touwen said in a recorded video message that the Post Office could no longer afford to lose customers to mail-tampering. He said rewards of up to R250 000 would be paid for information.

In another video address, Mr Naidoo told workers: "There is a danger that you could lose jobs and that you might not get an increase next year because of the losses caused by these criminals."

Reggie Marimutho, head of the Post Office's new security and investigations division, said a toll-free hotline had been set up for people to provide information on mail tampering. The number is 0800 033554.

# Post office vows to jail its thieves

(267) ST 12/10/97

CAROL PATON

NUMEROUS post office staff are facing criminal charges or are in jail after more than R3,7-million was stolen or defrauded from the postal service in the past 18 months.

The biggest amount — R1-million — was stolen by a manager at the Port Edward post office. He is now serving a 10-year jail sentence.

The shocking extent of mail violation and theft within the post office was revealed in a documentary screened on television last Sunday night.

The post office says it has dismissed 115 employees in the past six months for theft and most will face criminal charges.

Staff have been dismissed for filching as little as R30 after violating mail or stealing tellers' cash and postal orders.

Internal surveillance cameras at Witspos, Johannesburg, the country's biggest depot, showed workers opening damaged mail, pocketing letters and discussing whether or not to steal certain packages.

In the documentary, internal investigators said trade unions were interfering with efforts to combat crime and had, for example, insisted on the removal of security personnel from Witspos.

It also showed a shop steward for the Communication Workers' Union at the Rivonia post office refusing to co-operate with investigators who had placed silver nitrate in letters to mark the hands of mail violators.

The Minister of Posts, Telecommunications and Broadcasting, Jay Naidoo, admitted that mail violation was a serious problem. Plans to eradicate violation and theft were launched a year ago.

A special internal investigation unit was set up by a former policeman, Reggie Murimuthoo, to monitor staff and track mail. An anti-crime awareness campaign was initiated with trade unions.

"If you violate the mail you will go to jail. The unions have accepted that," said Naidoo.

"Unlike in a business where theft by employees is borne by the owner, if mail is stolen you have a disgruntled customer," he said.

The screening of the documentary caused a flurry of activity last week. Naidoo and post office management met angry unions who felt they were being blamed.

Naidoo said that the four major postal unions supported the government's efforts against crime in the post office.

"The last place I want to put the blame is at the door of the unions.

"They are crucial to the campaign's success because the postal service is labour intensive. We expect them to take a hard line against their own members," he said.

Tlhalefang Sekano, the president of CWU, said much of the theft was committed by large syndicates, involving people at all levels.

"We are willing to help management solve the problem," Sekano said.

He disputed accusations that unions had forced the removal of security personnel from the Witspos depot.

PUBLISHED by the proprietors, Times Media Ltd of 4 Biermann Avenue, Rosebank, Johannesburg 2196, and printed for them by The Newspaper Printing Company at 10 Pritchard Street, Johannesburg, Independent Newspapers Cape, 122 St George's Street, Cape Town, Times Media Eastern Cape, at 19 Baakens Street, Port Elizabeth, and Independent Newspapers, KwaZulu Natal, 18 Osborne Street, Durban. Registered at the GPO as a newspaper 05/12393/06.

Johannesburg (011) 280-3000; Local and Foreign Bureaus. Cape Town (021) 262 519, Durban (031) 368-5838, Pretoria 325-5382; Port Elizabeth (041) 55-8778, Harare 705650, London 405-3742, Washington (301) 432-5706; Australia 47-514967

Address for Johannesburg subscribers NCS House, 14 Park Road, Richmond, Johannesburg Tel (011) 358-2071 Fax (011) 726-8430 The Sunday operating hours of the Customer Service Department are 7.30am to 10am

PRICE Natal, Gauteng, Port Elizabeth, Uitenhage, East London and all areas south of Sir Lowry's Pass, Du Toitskloof including Atlantis R3,95 incl VAT. Namibia R7 incl tax, Lesotho and Botswana R4, Swaziland R4,95 incl tax. Airmail on overseas rates on request

for Ethiopia and the Cote d'Ivoire, Védrine would open the new French Business Centre. Private and public companies had joined together to establish the first joint advice centre of its kind worldwide

to become a permanent feature of the province.

At the launch, Gauteng transport MEC Paul Mashatile said 50 communication scoreboards, which would supply information on the progress of the comprehensive strategy

"The time for polite warnings is over.... If people insist on driving with death-wishes, then we will do all in our power to ensure that they pay the appropriate penalty," he said.

# Protocol reclassification saves SA R3m a year

BD 3/10/97

**Josey Ballenger**

SA's recent reclassification as a developing nation under the Montreal Protocol to protect the ozone layer would save government R3m annually and potentially postpone target dates for reducing ozone-depleting substances, the environmental affairs and tourism department announced last night.

This follows a meeting of the parties last month, where SA delegates called for a reclassification. The protocol was signed in 1990, at which time SA was classified as a developed nation The department said SA's commitment to phasing out ozone-depleting products had been unaffected by the decision as it would stick to the targets it agreed to last year.

The reclassification also meant SA did not have to contribute R3m a year to the protocol's multilateral fund to assist developing countries in phasing out their chlorofluorocarbons. The environmental affairs department would put this saving to "other use".

The department also said SA would not revert to using ozone-depleting substances which had already been phased out, "even though other countries still have access to them". Those products included trichloroethane, halons, chlorofluorocarbons and carbon tetrachloride.

Environmentalists were expected to have mixed feelings about the reclassification, as it meant SA was obliged to meet targets only 10 years after its developed counterparts.

# Illegal mail service shut down

BD 3/10/97 (267)

**Pearl Sebolao**

THE SA Post Office won a High Court application yesterday preventing illegal mail operator City Post and its franchisees from receiving, collecting, conveying or delivering letters as determined in the Post Office Act, the Post Office said yesterday.

Pretoria High Court Judge Freddie Roos ordered that City Post cease to carry out all their activities immediately. They were also forbidden to contract or negotiate with any person or carry on a postal service under the name City Post RSA.

The order was granted with costs against City Post. The Post Office said earlier that City Post had indicated it and its franchisees would abide by the court decision and that it would carry the legal costs of all franchisees countrywide.

The application was the second of its kind in as many months. Last month the Post Office won an application in the Grahamstown High Court against another illegal operator, ASAP, the Post Office said. It said it had gone to court because these illegal operators did not offer a national or international service as required by the Universal Postal Union — of which SA was a member — and which compelled the Post Office to render a national service to all areas of the country.

The illegal operators did not have this obligation and chose only to render a service where it was profitable. They also did not have infrastructure or personnel to offer any sustained delivery service

"Postal articles entrusted to such undertakings in the Western Cape, Free State and Gauteng were not delivered within a reasonable time and were subsequently placed in Post Office street postboxes for delivery," the Post Office said.

It also said that in Port Elizabeth, Bloemfontein and Pretoria, mail given to some of these concerns was dumped.

SATURDAY OCTOBER 4/5 1997

# Post Office sinks competitor in court

(267)

ARG 4/10/97

**Pretoria – A High Court judge here has ordered that City Post RSA, which made inroads into the business of the SA Post Office by offering a cheaper alternative service, must cease operations.**

The Post Office applied for an interdict, alleging the activities of City Post RSA, it's marketing arm Bussop Marketing CC, and it's franchisees were harming the business of the Post Office, which by law had exclusive privilege relating to the operation of a postal service in South Africa, except in relation to certain oversized letters.

City Post denied operating a postal service for letters It said the Post Office could not rely on exclusive privilege in operating a postal service in the country since no specific measurements were prescribed for letters in law.

Mr Justice F C L Roos, in his judgment on Thursday, said he found it strange that City Post and Bussop Marketing should deny operating a postal service and that the Post Office was detrimentally affected by this

He said there was ample indication in court papers that the company was in fact conducting a postal service of a different level to that of the SA Post Office

While it was true that competition was the life blood of an economy, such competition could not be unlawful, Judge Roos said.

He said he was satisfied that the SA Post Office was entitled to relief

City Post RSA was ordered to stop all activities under it's name, and it was interdicted along with its marketing arm from concluding contracts with any person or entity for providing a postal service without first obtaining authorisation from the relevant minister.

Its franchisees were similarly restrained.

An affidavit by Willem Joubert, senior manager of the Post Office's postal service, who is also the Government's representative in the Universal Postal Union, said widely advertised services of City Post and it's franchisees were unlawful under the Postal Act

His affidavit said investigations had revealed that the company apparently handled mail in its own capacity or through a number of mail houses, or handed in mail as bulk post at post offices.

It had more than 60 franchisees operating from various centres around the country, with more than 90 pharmacies, 110 doctors and dentists, various municipalities, hospitals, banks, educational facilities, churches, large businesses and firms of attorneys as clients

Many letters delivered by the City Post network had to be re-routed by the Post Office at considerable expense, he said

The company's activities were harming the ability of the Post Office to deliver a commercial postal service and had the potential to threaten its membership of the Universal Postal Union, he said – Sapa

# SA loses out while call-back row rages

(267)

SHERILEE BRIDGE

CT (BR) 6/10/97

Johannesburg — South Africa's continuing battle over call-back legality was costing the country a fortune in lost revenue, industry sources said last week.

US call-back operators seeking to establish operations in South Africa said they had been frightened off by call-back's "up-in-the-air" status

The South African Call-Back Association (Sacba) confirmed it had received a number of queries from US operators scouting for business in South Africa

Foreign operators, after sniffing success with some local call-back operators achieving 400 percent growth last year and 100 percent in the first quarter of this year, have been eyeing the southern tip of Africa as fertile ground to set up shop

Calls generated via call-back operators, which facilitate cheaper international calls by bypassing Telkom, still earn the telecommunications utility revenue

Telkom, however, has slammed call-back operators as pirates It is estimated that Telkom lost 6 percent of its international revenue to call-back

The call-back system allowed local companies a cost-cutting edge over non-subscribing competitors and put them on a low-cost, equal footing with competition in international markets, Sacba said

The South African Telecommunications Regulatory Authority (Satra) has sought an outright ban on call-back services The move is designed to protect Telkom's monopoly by allowing it time to rebalance tariff structures and prepare for the competitive environment

The US Federal Communications Commission and the International Telecommunications Union, which support the deregulation of the telecommunications industry, have criticised Satra's call for the banning of call-back

# State chains threaten to strangle Internet industry

ST(PT) 12/10/97 (267)

Pieter Fourie, parliamentary analyst for the SA Institute of Race Relations, looks at the implications of Telkom's attempt to regulate the country's Internet industry

ON TUESDAY the SA Telecommunications Regulatory Authority (Satra) will make a decision which will have a significant impact on the Internet industry in SA

Satra is an independent regulatory body which has to decide whether or not the provision of Internet services falls within Telkom's exclusive domain. This decision is the culmination of a process which started over a year ago when Telkom launched its own Internet arm SAIX Until then, the parastatal had to buy its Internet services from private Internet service providers. Now Telkom wants to use existing legislation in its bid to become the only so-called "first-tier" provider of Internet services in SA

Telkom's argument is based on a legal technicality The Telecommunications Act (103 of 1996) provides for a licence to be granted to Telkom to provide basic telecommunications services with a period of exclusivity for the provision of national long-distance telecommunications services, local access telecommunications services and public pay-telephone services

The fact that Internet access services are not dealt with explicitly in the Act may provide Telkom with a legal loophole if the Internet protocol is classified as a basic service in terms of this legislation, they will have a five-year monopoly over the entire Internet industry Other Internet service providers will have to close down (or face severe punitive measures), thousands of their employees will lose their jobs, there will be no competition in the local industry, and end-users will, among other things, have to change their E-mail addresses We will all be forced to make use of a single company and its subsidiaries

Satra needs to be commended for its decision to invite public input on this issue Accordingly, the SA Institute of Race Relations made a submission to the regulatory body, the bottom line being monopolisation of the Internet industry will have significant negative implications This position is based on the following

□ Although Satra is limited to ruling on an interpretation of the applicable legislation, its decision should not be divorced from its wider implications

□ Although freedom of speech and freedom of association are protected by the constitution, and neither Telkom's licence nor the Telecommunications Act mandate the parastatal to act as a censor, David Frankel from The Internet Solution says Telkom will technically be able to censor material

□ The Internet industry in SA cannot be isolated from the international picture This should be obvious from the nature of the industry, which operates across national boundaries At the end of June, the US White House published a report entitled "A Framework for Global Electronic Commerce" in which it was made clear that the private sector should be allowed to take the lead in this industry Government involvement and regulatory restrictions should be avoided

□ If Telkom succeeds, the Internet industry will essentially become nationalised History has shown free enterprise to be the only viable way to assure high-quality service at the lowest possible costs to everyone It is difficult to comprehend exactly why Telkom should be hailed as the "great democratiser of bytes", so to speak SA, a developing country, has become the 14th most "connected" country in the world thanks to the efforts of private enterprise Why take them out of the equation now? It is clear that the monopolisation of the Internet industry will be detrimental

Satra's decision should be "no" to Telkom and monopolisation, "yes" to free enterprise, freedom of association and growth

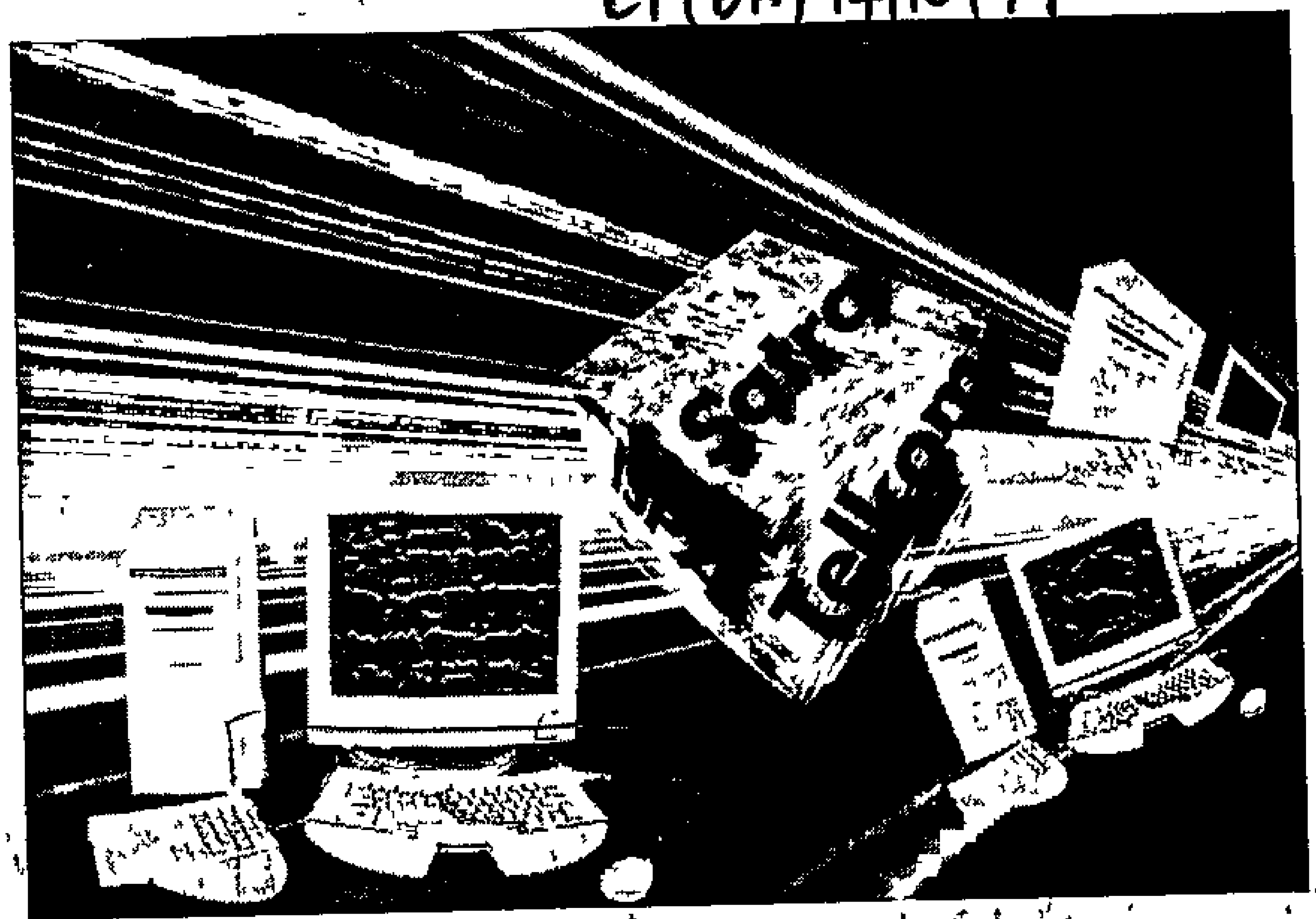
For further information, see http //www internet org. za The SA Institute of Race Relations' web page is at http //www pcb co za/sairr

THE INTERNET

(267)

# Satra's ruling may not matter

CT(BR) 14/10/97




**SHERILEE BRIDGE**

South Africa's Internet industry is dying a natural death that is unlikely to be changed by today's South African Telecommunications Regulatory Authority (Satra) decision on whether Telkom is entitled to a monopoly over Internet activities

A ruling in favour of Telkom could force the country's existing 72 Internet service providers to shut down operations which are already struggling under the strain of escalating financial problems, warns the private Internet Service Providers' Association (ISPA).

Satra's ruling is driven by a debate over whether Internet Protocol falls within the scope of Telkom's five-year exclusivity period to grant telephony services. Internet service providers provide a link between the user and the host via Telkom's telecommunications infrastructure

If the monopoly is granted, service providers will no longer be able to buy bandwidth from Telkom and resell it to customers. End users will have to access the Internet through Telkom's own Internet subsidiary, the South African Internet Exchange. The ISPA says a Telkom monopoly ruling could mean private service providers will have to switch off their Internet services

The question of whether there would have been a "natural evolution" of the tiny Internet industry has introduced a fresh debate.

There has been speculation for the past two years that it would be increasingly difficult for smaller service providers to stay alive in the 50 000-strong local Internet subscriber market, says Mark Todes, co-chairman of the ISPA. He adds that while the industry's barriers for entry are low, the investment required to gain enough subscribers to make that entry profitable is exceedingly high

The over-traded Internet market is predicting a massive shake-up within the next six months. Only around 20 of the existing companies are expected to survive big cash-flow problems brought on by the costs of network maintenance and the pressure of providing global-quality support

This "natural death" is not necessarily the best solution for South Africa, where the Internet has been recognised as a crucial factor in the country's economic development

Already the economic and technical effects of the Internet are changing telecommunications services around the world, challenging the monopolistic regime of public telecommunications operators.

The International Telecommunications Union (ITU) claims that while Internet has been around for more than 25 years, telecommunications operators are only now responding to its presence as it threatens more of their services

Internet use — with an estimated 16,1 million host computers serving about 60 million users — is still in its infancy, compared to the 741 million telephone lines in use worldwide.

Most of the world's wealthy countries have attained a high penetration of Internet hosts, but the ITU reports that many developing countries are trailing well behind.

However, a country's wealth is not an accurate indication of Internet access in that country

Finland, with a per capita income 40 percent lower than that of Japan, boasts 60 Internet hosts for every 1 000 Finns, against six hosts for every 1 000 Japanese. Many central and eastern European countries have high levels of Internet penetration relative to their economy.

The ITU feels telecommunications operators have exhibited a general nervousness about the Internet because they are unaccustomed to adapting to new technologies and services from the sphere outside their control. Yet the Internet represents golden opportunities for established operators to develop lucrative new markets and applications.

The ITU believes that while traditional telephony services, such as voice- or text-based applications, are well into the mature phase of their product cycles, the main areas of growth are evident in developing markets which have been traditionally underserved.

Comments on the outcome of today's ruling have been guarded, but it is generally accepted that the decision will be fair.

The ISPA expects a ruling in its favour but realises that some of the debated areas, including the impact of Internet services on Telkom exchanges, will be carefully considered.

Satra also faces the jury today Its decision is expected to set a precedent that will represent a watershed in the democratisation of the South African telecommunications industry

# Satra to decide on Internet control

BD 14/10/97 (267)

Lesley Stones

THE future shape of SA's Internet industry is to be determined today when Satra, the SA Telecommunications Regulatory Authority, announces whether Telkom is to be granted exclusivity over Internet access.

The stakes are high If the decision goes with Telkom; private Internet Service Providers (ISPs) fear they will be forced out of business as Telkom will have sole right to provide access to end users

This will be the second time the industry has waited anxiously for the decision. Satra seemed ready to adjudicate at a conference on August 29, but instead announced a protracted round of consultations. Now Satra's advisory committee, consisting of telecommunications specialists, consumers, Telkom and the Internet Service Providers' Association (ISPA), has reached a verdict. It has received 32 submissions from numerous interest groups including the Information Technology Users' Council, MTN and the Medical Research Council

The decision will come down to whether Telkom's exclusive right to provide SA's telecommunications infrastructure also covers the Internet protocol which provides access to the Internet.

More than 70 ISPs operate in SA, and have invested more than R100m in building their Internet networks. Telkom argues that ISPs could continue to exist as long as they provided value-added services such as web page creation or e-mail services.

The ISPA argues that not only is its members' livelihood at stake, but also SA's ability to compete in a world driven by communications.

ISPA joint chairman David Frankel said even if Telkom gained exclusivity, it would not be compelled to provide universal access to the Internet in SA. "It's a complex picture which can be blurred very easily around political and economic objectives. From a legal and economic point of view it's fairly clear which way the decision should go, but I can't predict the politics."

Although Satra holds jurisdiction over telecommunications policy, the meeting today may not be the end of the line. The ISPA has previously said it will launch legal action if the decision favours Telkom.

**TELECOMMUNICATIONS** *Satra ruling thwarts utility's claim to Net exclusivity*

# Telkom's Internet dream denied

CT (BR) 15/10/97 (267)

**SHERILEE BRIDGE**

Johannesburg — The South African Telecommunications Regulatory Authority (Satra), the state-created telecoms industry watchdog, said yesterday that no single entity would have exclusivity over the Internet

The move was hailed by private Internet service providers (ISPs) as a victory which showed that Satra was an independent body

Satra decided that the exclusive right of Telkom, the state-controlled telecommunications utility, to provide South Africa's telecoms infrastructure did not extend to the Internet access protocol

This means business as usual for the country's 70 to 80 ISPs, which feared they would be forced out of business if the ruling had swung in Telkom's favour.

Telkom said it was reviewing the decision and was expected to make a statement later today

Nape Maepa, the chairman of Satra, said the decision was made to uphold the public interest and the constitutional right of all South Africans to the access of information

**FREE FOR ALL** *Mark Todes, the co-chairman of the Internet Service Providers' Association, and David Frankel, the body's other co-chairman, celebrate Satra's decision* PHOTO JOHN WOODPOOF

The regulatory authority, Maepa stressed, was committed to creating an environment that would encourage ISPs to contribute to the eventual goal of providing Internet services for every South African

According to Maepa, Satra also wanted the establishment of a neutral peering point, where Internet networks interconnected to avoid the need to communicate locally via international gateways

The Internet Service Providers' Association (ISPA) saw the decision as a "watershed" solution to the question of whether Internet protocol access should be provided under a public-switched telecommunications service licence or a value-added network licence

It warned, however, that while the battle was over, the war had not been won

David Frankel, the co-chairman of ISPA, said he expected Satra's ruling would be actively challenged The next big hurdle was the issue of real competitiveness in the industry, he said

ISPA predicted that Telkom would pursue its own Internet business interests and that the initial case taken before the Competition Board would still have to be closed

Telkom has said its exclusivity over the telecommunications network would allow it to build a world-class network while providing telecommunications services to millions of people in underserviced areas

ISPA estimated that the ISP industry, by making use of Telkom's infrastructure, generated an estimated R500 million in revenue for the national telecommunications utility

# Battle for Internet access far from settled — Telkom

BD 16/10/97 (267)

Lesley Stones

TELKOM has hit back at this week's ruling that Internet access should remain in the competitive arena by seeking legal advice about lodging an appeal.

The SA Telecommunications Regulatory Authority (Satra) ruled this week that Telkom should not be allowed to monopolise Internet access, leaving the market open to competition.

Last night Telkom issued a statement which suggested the issue was far from settled. Telkom's regulatory and legal teams were studying the implications of the decision, said group executive for regulatory affairs, Pinky Moholi.

Chief among its complaints were that Satra had ignored some of Telkom's submissions. The organisation also implied that Satra had made the wrong decision by accepting that private companies would be better placed than Telkom to provide equal access for all.

"Telkom believes the decision is based on a misinterpretation of its submission to Satra on this issue," Moholi said.

"Satra chose to ignore our numerous briefings and explanatory memoranda on the difference between being an Internet service provider and a network infrastructure provider for Internet services. Telkom is not, and was never interested in being an exclusive provider of content."

When Satra pronounced its verdict this week, chairman Nape Maepa said the decision was made in the public interest and to uphold the right of all citizens to access information.

"Telkom rejects the suggestion that its proposal would in any way jeopardise any South African's constitutional right to information and education," Moholi said.

Telkom's motive for suggesting that Internet access should fall under its exclusive licence to provide a telecommunications infrastructure was designed to enable the organisation to provide equal access across the country, she argued.

"Telkom is the only telecommunications company in this country that is prepared and committed to invest in service provision in both profitable and so-called subeconomic communities," said Moholi.

"The imperative to provide accelerated universal telecommunications access is why the Telecommunications Act grants us a limited exclusivity period."

The Satra verdict was welcomed by the Internet Service Providers' Association, with joint chairman David Frankel predicting that universal access would flourish in the deregulated market.

See Page 20

(267)
ct(mk) 16/10/97

**TELECOMMUNICATIONS** *Utility did not file correctly, says Satra*

# Retraction ordered on cell charges

**SHERILEE BRIDGE**

Johannesburg — South Africa's telecoms industry watchdog yesterday locked horns with Telkom when it ruled that the state-controlled utility should retract its rate increase on calls to cellular phones, which was announced on Monday

Satra, the South Africa Telecommunications Regulatory Authority, said it had instructed Telkom to reverse its announcement on increased rates because it did not comply with the correct tariff-filing procedures.

Telkom announced it would increase its call rates to cellular phones by between 8 percent and 20 percent depending on call times, from October 15.

"Under the circumstances, the proposed change of rates cannot become effective because Telkom has not filed (proper details)," said Nape Maepa, the chairman of Satra

Satra said the correspondence fell short in that it was not accompanied by a detailed breakdown of the new tariff structure.

Maepa said that even if the correspondence had complied fully in terms of Telkom's licence, the rate increase announcement would still have been incorrect as the increase would not have been effective from yesterday, but rather from today

However, Telkom hit back at Satra, saying that it had met all the requirements laid down by the Telecommunications Act.

Pinky Moholi, the group executive for regulatory affairs at Telkom, said the utility had met the requirement of issuing the proposed tariff increases 30 business days before their implementation

She said that according to the legislation, Satra had to respond within 15 days of the date of the tariff increase if it felt that there were any inconsistencies.

Satra had not done so, she said

"We received no acknowledgment of receipt, let alone any indication of problems or concerns over the way in which the document was filed"

Moholi said the terms and conditions, detailing the different tariff rates for various call periods, were clearly outlined in Telkom's correspondence, dated September 2

"It is surprising that the issue was raised for the first time yesterday."

The increases, she said, were forced by an increase in interconnect agreement costs dictated by cellular operators Telkom's call charges to its own lines remained unchanged.

She believed that Maepa had only learned of the rate increase submission last week and said Satra was well aware any revenue raised by the increase would be accrued by the cellular service operators and not by Telkom.

Satra said Telkom had to refile its request for the rate increase

# Telkom hits back at Satra

**SHERILEE BRIDGE**

Johannesburg — The implications of the ruling that Telkom would not be granted a monopoly over access to the Internet would be closely examined, the state-controlled telecommunications utility said yesterday.

Pinky Moholi, the group executive for regulatory affairs at Telkom, said Telkom believed the decision by the South African Telecommunications Regulatory Authority (Satra) was based on a misinterpretation of the utility's submission

"Satra chose to ignore our numerous briefings and explanatory memoranda on the differences between an Internet service provider and a network infrastructure provider for Internet services," said Moholi.

Telkom was not, and was never interested in being, an exclusive provider of content, she said.

The utility has also rejected a suggestion by Nape Maepa, the chairman of Satra, that the decision was made in the public interest, saying its proposal did not jeopardise the constitutional right of all South Africans to information access

David Frankel, the co-chairman of the Internet Service Providers association, said Telkom's reaction presented a real threat to the rate at which the South African Internet industry could expand

Because Internet service provision was reliant on the use of Telkom's telecommunications infrastructure, the industry was vulnerable to "bully tactics" like rate increases and bottlenecks in the supply of bandwidth.

# Community co-operation provides Telkom solution

TRACKING THE CHANGES

Star 15/10/97 (267)

By March next year the company plans to have installed 421 000 new lines and 20 000 public phones

Stories by Melanie-Ann Feris

Black rural communities have borne the brunt of apartheid. They were denied easy access to water, electricity, postboxes and telephones

Telecommunications are a vital tool not only for economic growth but also for socio-economic upliftment, and in South Africa services have been distorted further by a "monopoly" mentality

This in turn has resulted in poor customer service and an "unhealthy" reliance on an external government subsidies

According to Jay Naidoo, the Minister of Post and Telecommunications, this situation is undesirable and unsustainable.

"A South African Post Office which continues along this path will require a continued subsidy from government, have difficulty in improving and extending services, will continue to employ a staff with low morale and will experience more customer dissatisfaction and defections

"Unless the national postal administration transforms it faces a bleak future," Naidoo says.

Naidoo hopes that the Green Paper – designed to elicit comment from the public on how to revise the postal sector, and particularly the South African Post Office – will be the basis for the White Paper on Postal Policy

This new Postal Services Bill, which is scheduled to be passed in Parliament next year, will introduce new legislation to transform postal services and make them more accessible, equitable, efficient and effective.

In South Africa Post and Telecommunications services are provided by two companies – Telkom and the South African Post Office (Sapos)

Sapos serves about 40 million South Africans and numerous public and private institutions Last year alone it processed in excess of two billion mail items for delivery to over six million points

But volumes in letter delivery are declining and the Post Office has also lost a significant share in the express and parcel markets. During the 1992/93 financial year the post office handled 2 316 million letters This figure dropped to 2 040 million for the 1996/97 financial year.

Despite this drop in mail volume, the company is committed to bringing a service to the entire community and recognises that it can only survive if it "broadens its thinking and again becomes a post office for the people – all the people of the country".

The company stated recently: "It is not easy for any organisation to admit that it is not serving its entire customer base. The challenge, however, is to do something about the inequalities of the past, particularly with regard to people in rural areas A guilt complex alone does not solve problems – action is the keyword."

True to its word, Sapos has realised that reconstruction and development is not a burden, but a challenge which it has already put into action.

On March 19 1996 Loraine Moholoeng received the key to her address box at a mobile mail collection point at Kutlwano near Kimberley – the millionth one since the Post Office in 1994 embarked on its reform strategy to provide a postal address to every household

An estimated four million households are still without access to street mail delivery or address boxes But the post office is trying to alleviate the problem through the provision of lobby boxes, or mail collection points for 500 000 households each year.

According to Brian Dean, spokesman for the post office, the post box lobbies have become communications beacons throughout the country

"The initial aim was to instal five million additional address boxes at a rate of at least 500 000 a year However, budget restrictions over the past two years have reduced this number to some 350 000 per annum.

"At an average of R56 000 per unit of 800 boxes, the provision of these services have over the past four years notched up a sum of around R102-million," Dean said.

Although this service is not without problems, such as widespread vandalism which leads to unnecessary repairs, or political "infighting" regarding the location of the boxes, the post office believes that these hitches are not insurmountable.

However, apart from the millions of people who still do not have access to postboxes, there are millions more who also have no access to telephones

Telkom estimates that of the 2,69-million new lines which they must instal, 1,69-million must be in underserviced areas.

Ronell Myburgh, spokesman for Telkom, says there are about 20 266 priority customers without telephones – including 19 270 schools, 627 hospitals, 268 libraries and 81 local authorities – which the company is obliged to service within the next five years

There are also more than 3 200 villages which still have no exchange lines

By March 31 next year Telkom plans to have installed 421 000 new lines, of which 265 000 will be in underserviced areas and a further 20 000 will be public phones

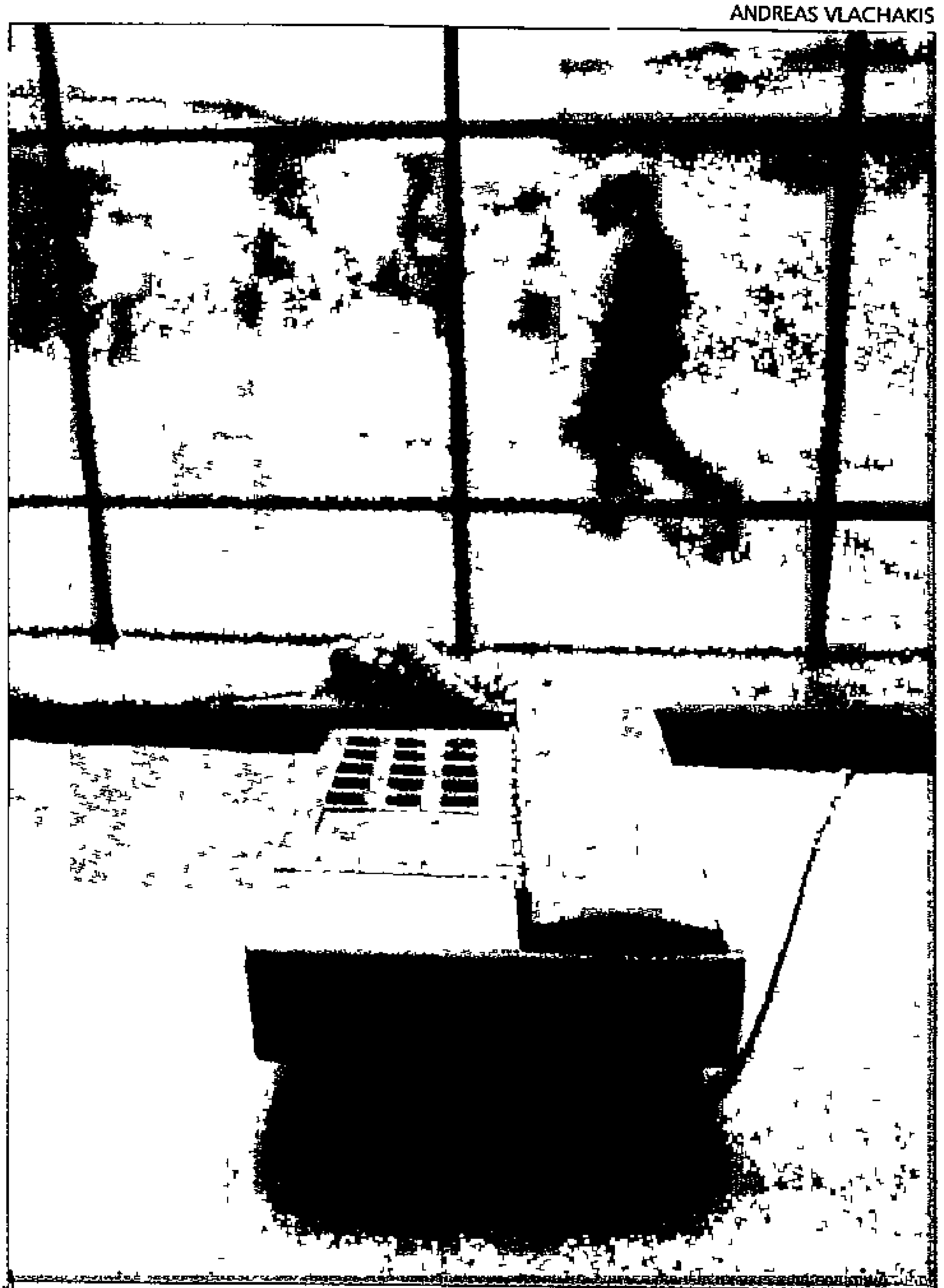
Brian Clarke, managing director of Telkom, says "In a clean break with the past, we are reaching out to communities countrywide when installing new services.

"Instead of simply putting in phones where we thought there was a need for them, our approach now is to consult the community at every step, from establishing what services are needed right through to installation and switch-on "

This approach seems to be reaping benefits not only for communities, but also for Telkom.

One such example is Alexandra in Johannesburg, where a project to install some 4 800 new lines was halted because of numerous incidents of theft and sabotage. However, work was resumed after discussions with community leaders.

This in turn led to close community involvement and a sense of ownership which led to the second phase of the project being completed without a single case of sabotage or theft.



ANDREAS VLACHAKIS

Vital link . public telephones in areas lacking basic services are providing access to the rest of the world

# Telkom defies order not to increase fees

BD 17/10/97 (267)

Lesley Stones

TELKOM has defied an order by the SA Telecommunications Regulatory Authority (Satra) to cancel increases in the cost of calls to cellular phones

Telkom raised the cost of calls to cellular phones by between 8% and 20% from October 15 But Satra ordered it to cancel the increase, claiming it had failed to comply with procedure.

Yesterday Telkom said Satra had not presented written disapproval in time, and the increase would stand

Satra and the partially privatised Telkom had already clashed earlier this week after Satra ruled that Telkom did not have the right to monopolise Internet access Telkom said Satra had ignored some of its submissions and would probably appeal

The cell phone issue centres purely on a technical hitch, as Satra has no authority to prevent a price rise.

Telkom told Satra on September 2 of its intention to increase prices, justifying the move on the basis that cellular network providers Vodacom and MTN had raised their charges to Telkom for fixed line to cellular calls.

Satra chairman Nape Maepa said Telkom had failed to supply a calculation demonstrating that the rate change complied with the Telecommunications Act "We are just implementing the rules of the game"

To protect the interests of the public, Satra had to ensure that all industry players toed the line, he said

But Telkom refused to back down. "The increase is already effective," said Pinky Moholi, group executive for regulatory affairs "Telkom has expended cost and effort to implement it, and to reverse it would incur extra cost."

Moholi said Satra sat on the application for a month before taking action "Satra gave no notice of disapproval of the rates at least 15 business days before the proposed effective date, well knowing that the rates would be implemented in the absence of a written disapproval The proposed rates are, therefore, deemed to have been approved by Satra."

See Page 3

TELECOMMUNICATIONS (247)

# Price rise imbroglio

FM 17/10/97

Industry regulator denies knowledge of price hikes by two operators

**Was there** collusion between SA's two cellphone operators, Vodacom and MTN, and Telkom, which controls fixed-line rates, over this week's 8%/minute hike in the cost of peak-time calls from fixed lines to cellphones?

Industry sources believe the increase was agreed after talks between the three companies Vodacom and MTN deny this In addition, the two companies and Telkom give different accounts of how and why the decision was taken

A further disturbing feature is that the hike apparently went ahead without approval from the regulatory authority, which has powers to vet increases in charges SA Telecommunications Regulatory Authority (Satra) chairman Nape Maepa says he is not aware of the price hike or any submission to the authority

Under the terms of Telkom's monopoly licence, operators are allowed to implement increases if the regulator does not object within 15 days of being notified

The decision again raises questions about competition in the sector and whether the regulatory environment is tough enough

Telkom marketing support executive Johan Raath says the decision to increase the charges is rooted in increases forced on the company by Vodacom and MTN The hike became inevitable once Vodacom and MTN had decided to raise the rates they charged Telkom for fixed line to cellular calls

Raath says that though MTN and Vodacom are not required to explain increases to Telkom, they indicated that there had been a marked increase in operating costs

But Vodacom corporate affairs executive Joan Joffe says questions about the increase should be referred to Telkom

"Vodacom has no control over the tariffs Telkom charges Telkom reduced these tariffs on January 1 1995, and has now returned them to their 1994 levels"

She admits, however, that Vodacom's operating and equipment costs, particularly imported equipment which forms the basis of Vodacom's network, have increased substantially

MTN corporate relations executive Jacques Sellschop says the operators have to adhere to regulatory requirements to ensure uniformity and avoid discrimination He says Telkom's pricing for cellular networks is determined by the regulator and that formulae exist for determining these costs

But Plessey Cellular MD Clifford Rutherfoord-Jones says it is debatable what impact the latest increase will have on cellular service providers "The increase is still within the inflation rate of 9%"

He points out that there has been a net decrease in cellular costs in real terms since network operators set up shop three years ago

Rutherfoord-Jones claims competition between the two is cut-throat

The competition issue is sensitive, particularly in the light of Competition Board chairman Pierre Brooks' comment that the deal struck between MTN and Vodacom, known as the "London Agreement," contravened price fixing regulations

Simon Carrington, a telecoms analyst for Merrill Lynch in London, says what is happening in SA is exactly what happened in the UK "When Vodafone and Cellnet were the only two cellular operators in the UK their rates were exactly the same for several years When two new entrants arrived their tariffs were 25% lower and Vodafone and Cellnet started bringing down prices"

Paul Malherbe, chairman of the Telephone Action Group, an independent body that defends the rights of telecoms users, argues that SA needs stronger antitrust laws to foster competition He describes Telkom as a "law unto itself"

Duncan McLeod

# Key to economic citizenship is in the mail (267)

ST 19/10/97

*Providing a universal service is a fundamental aim of the Post Office, writes JAY NAIDOO, the Minister for Posts, Telecommunications and Broadcasting*

MUCH has been said about theft and corruption in the South African Post Office in recent weeks. The government's policy on the matter is simple: "You open or steal the mail, you go to jail".

In an operation which deals with eight million items a day, distributed through about 2 500 outlets, and which involves a workforce of close to 30 000, security measures are nothing short of a nightmare But our citizens have a right to a postal service that is free of theft, reliable, affordable and universal So what is being done to deal with the scourge?

An anti-crime campaign was launched in August It gave impetus to the crime and investigation unit established last year to tighten up security measures at all mail-sorting centres, including the installation of surveillance cameras and more controlled access.

One of the weaknesses that has been identified is outdated disciplinary procedures that make it difficult to prosecute perpetrators. Discussions involving the Department of Communications, post office management and trade unions to tighten disciplinary measures on theft are under way.

Major successes have been recorded in the fight against crime in the Post Office. A total of 162 people were dismissed between April and September Some have been prosecuted or are awaiting trial.

The introduction of a tollfree number in April, which means employees can phone anonymously to give information

the previous government, universal service for all citizens was not an objective. Until about two years ago, there were only two post offices in the black townships of Pretoria while there were 71 in the formerly white areas In Johannesburg there are 26 000 people for each post office while in Soweto the ratio is 140 000

There are still about four million households without a formal address. Having an address is an essential component of economic citizenship We have won the struggle for political citizenship, but the struggle for economic citizenship is continuing Access to basic services is fundamental to this struggle Providing a universal postal service is a fundamental objective of this government and must be the starting point of the debate on competition in the postal market

The universal postal service implies that all citizens will have equal access to a basic letter service at a uniform price and to the entire area of our country This service must be reasonably accessible to all

The key problem with the approach of some companies is that they are offering a postal service in local areas through franchises By implication, they do not offer a service whereby a citizen can send a letter to any other area of the country. They focus on the urban routes which have high volumes and short distances If this trend continues, the universal service provider will be left to service the routes with low volumes and

**POST MAN: There are millions of homes without an address, says Jay Naidoo**

long distances which is not economically viable

The consequences of this will be that the Post Office will have to choose to compete in the urban areas at a low price at the expense of a national service, or that the state will have to fund an uneconomical service which will be substantial strain on the fiscus

The international trend has been to reduce the scope of the monopoly over time This has taken the form of reducing the weight of a letter As far as I am aware, competition is only allowed in Sweden and Denmark and there is no reserved area

As Europe establishes a common market, this trend is likely to continue A similar trend is being followed in Australia and New Zealand

The issue is that reforms do not fall from the blue sky but are context driven and relate to a number of variables in a country's development. In the United States, the postal service enjoys a monopoly which, by law, prevents anyone from placing a letter in a postbox provided by a citizen

The review of policy is an important debate and will result in a revision of the legislation that governs the postal sector next year

The board of directors, at the request of my ministry, initiated a process of enterprise reform called Project Future Post The overall objective is to make the Post Office commercially viable

A number campaigns to improve the quality of service and to combat mail violation and theft have already been launched within the Post Office.

The ministry is committed to the radical reform of the Post Office to meet the needs of citizens and seeks a partnership with stakeholders and the public to achieve this goal

*

sulted in 32 investigations

We have frankly acknowledged ou problems, many of which accumulate over decades and, in the last year, hav taken decisive measures to solve them Our success in rooting out corruptio will depend on the partnership betwee Post Office employees and the public

The labour movement has an equ responsibility to ensure that decisiv action is taken against theft Howeve recent attempts to blame trade union for all the ills of the Post Office are no only incorrect, but irresponsible Statis tics of dismissals show it is not onl trade union members who are involve in theft, but members of managemen have been dismissed and convicted a well.

Recently the courts ruled that tw companies, City Post and ASAP, coul operate a postal service in contraventio of Section 7 of the Post Office Act Sinc this decision, there has been seriou debate about competition in the posta market

The green paper on postal policy re leased in July states, "It is governmen belief that the growth of competition i the sector is healthy for the develop ment of the sector, the economy and th public Competition will be encouraged subject however to the requirements o the achievement of universal servic provision and related regulation

"The key challenge for the govern ment is how to bring about reform in th postal sector that will benefit the publi through both the achievements of un versal service and greater competitio at the same time Consequently, it is gov ernment's intention to gradually reduc the scope of the monopoly, while en suring a cost-effective provision of un versal service and provision for what ever specialised services the marke may demand "

We need to keep in mind that unde

# Authority gets tough over Telkom price hike

BD 20/10/99 (26-7)

Lesley Stones

THE SA Telecommunications Regulatory Authority (Satra) has warned Telkom it faces a fine, or even the loss of its licence, if it goes ahead with a tariff increase

Satra said it ultimately could revoke Telkom's exclusive licence to provide a telecommunications network in SA unless it reversed the price increase it imposed on the cost of a call to cellular phones

Satra councillor Noluthando Gosa said councillors were incensed by Telkom's high-handed attitude

The company did not follow the correct procedures before raising its tariffs by up to 20% on October 15 and it refused to reverse that increase when instructed to do so Telkom had also ignored a letter informing it that it was contravening the terms of its licence

Once Satra had evidence that the price rise went ahead it could impose a fine, said Gosa "We wrote to Telkom telling them to desist with the tariff increase and if they don't abide by that we can fine them If they continue after we fine them the ultimate censure is revocation of the licence"

Telkom said last week that its application had conformed to the Telecommunications Act Satra had failed to respond within the required time frame, so Telkom believed the increase had been approved, group executive for regulatory affairs Pinky Moholi said

Gosa said the only correspondence from Telkom was "a half-page letter informing us of the proposed price increase You can inform subscribers about an increase but you don't inform the regulator — you file a proposal" Although Satra could not prevent a rise of higher than 20%, councillors would not let Telkom flout the rules, said Gosa

"We administer 90 000 licences and we cannot be seen to be lenient or it will set a precedent We still have a long way to go before people realise they have a regulator in place"

# Let's unite to rid SA of corruption

Sowetan 21/10/97

(267)

### Jay Naidoo explains how post office thefts can be dealt with effectively

How often have we heard the view South Africa is going the way of the rest of Africa This comment, with all its racist stereotypes, is often the subject of dinner parties in the affluent northern suburbs and underscores the deep tensions that still underpin our rainbow nation

Suddenly crime, corruption, incompetence and all socio economic ills are the consequence of black majority rule

We are not supposed to talk about the brutality of apartheid that has psychologically scarred generations of black youth We must ignore the legacy of bantu education that has underskilled millions of black people

We are expected to believe that apartheid did not benefit big white business In fact, the problems of unemployment, poverty and inflation are all the fault of bloody minded communists and trade unionists

We face real problems in translating our political miracle into economic delivery Yet although we have only been in power for three years, millions of people now have drinking water, access to electricity and telephones

The economy is growing for the first time in decades and we have some of the most progressive legislation in the world

We face like any country in transition heightened expectations, crime syndicates exploiting new-found democratic space and a protected economy now entering a competitive global marketplace

That the new Government faces the challenges of transforming a bureaucracy that delivered to a white minority to develop the capacity and skill to deliver to the majority is a known fact

To require us to reverse 300 years in three years is a fool s dream. The acid test is whether we are going forward in delivering a better quality of life to our people and whether we are still on the path of fundamental trans formation

**"To require us to reverse 300 years in three years is a fool's dream. The acid test is can we deliver a better life for all"**

### Spoken out strongly

One issue in recent weeks that focuses the mind is theft in the Post Office I have during the past year spoken out strongly on this issue My simple message has been that workers who steal mail must go to jail

These criminals who violate our trust and undermine our democratic revolution are a small fraction of the workforce In an organisation that has over 2 500 outlets, a workforce of 30 000 and handling eight million items a day, security measures are a nightmare

From our recent anti-crime cam paign, an average of 20 disciplinary hearings are held every week with at least 10 resulting in dismissals Even if it rises to 100 a week, I will back ruthless action against corruption

No one has the right to steal the pittance the mineworker in Carletonville is sending back to his starving family in Xala in the Transkei

However, evidence is that there are managers equally involved

Yet a recent television report tried to lay the blame almost entirely at the door of unions, and particularly at the door of a union that mainly represents black workers

Corruption is a cancer in our society and the world over, including developed Western countries We have launched a major anti-crime campaign in the Post Office

I recently addressed over 1 000 workers at Witspos, the biggest mail distribution centre in South Africa I said publicly that the actions of a small criminal minority were threatening the delivery of services to millions of our people and the jobs of 30 000 workers in the Post Office

I said I would have great difficulty asking Parliament to give taxpayers' money to subsidise losses at the Post Office when that money, which was very limited, had to be shared with the many other demands of our people for houses, education, health and many other social needs

The union leadership then addressed the mass meeting and fully backed my call This message was endorsed at a meeting a week later by union presidents and management, including all the white unions

Yet there are those that do not cease to make scapegoats, the most convenient being "obstructive" unionists and a black-led Government

### Major policy review

We have started a major policy review of the role of the Post Office It is being done through the National Postal Forum, which represents all major stakeholders (including management, unions, business, consumer bodies and civil society)

We have had workshops throughout the country to involve grassroots organisations to ensure that there is a consultative process

Our central goal is a reliable, efficient, affordable, theft-free postal service because we realise how important the Post Office is in the life of millions of citizens, especially the poor Already a million people have been given the right to postal addresses

In addition we have launched a detailed investigation of every aspect of Post Office operations to guide the internal restructuring to deliver an efficient postal service and to reposition the Post Office as a one-stop shop for many Government services as we enter the 21st century

The bottom line is that Government will not tolerate continued inefficiencies that are a drain on State resources and that our people have a right to the best service

But this is not enough for our Afro-pessimists They want a noose to hang around our necks and will use any issue to do this.

The Post Office is a state corpora tion acting under the Companies Act It has a management that must carry the buck for any continued operational inefficiencies

What is needed however is collective action between the board, management, workers and their union representatives, Government and, most importantly, the public to eradicate this scourge of corruption

More important is a national campaign to root out corruption in broader society

### Buys stolen goods

These include the businessman who buys stolen goods to retail at lower prices or evades custom duties or paying taxes, the civil servant or politician who takes, bribes for state contracts, the person buying a stolen car or the rich who illegally export their money because they cannot trust a black government and the postal worker or manager who violates our mail

We must recognise that the most lasting legacy we can leave our future generation is not the bricks and mortar, but the true values of honesty, respect for people and property, integrity, humility and compassion

This one lesson we can learn from President Nelson Mandela, one of the 20th century's greatest leaders

And this lesson starts in our homes

It begins with how we treat our children and women, what values we pass on to our children and whether we have both feet on the African continent

Deputy President Thabo Mbeki talked recently about the need for a national consensus

The need for all South Africans irrespective of race, class, sex, creed or religion to recognise that we come from different backgrounds, histories and traditions, but that we must carve a path to one destination

We need solutions that take us forward to a genuinely non-racial, non-sexist, democratic future That is the spirit of the African renaissance he talked about That is what will catapult South Africa into the 21st century

Let us not fail our children by sweeping under the carpet our history and prejudice that is still so deeply engrained in our beautiful land

*(The writer is Minister of Posts, Telecommunications and*

# Satra, Telkom meet over cellphone spat

BD 21/10/97 (267)

Robyn Chalmers

A MEETING between Telkom and the SA Telecommunications Regulatory Authority (Satra) will be held later this week in a bid to iron out the squabble over the recent tariff increase for calls to cellular telephones.

Post, telecommunications and broadcasting ministry spokesman Connie Molusi said the ministry would not interfere in the issue — even though Satra had threatened to revoke Telkom's licence.

"This is an issue between Telkom and the regulator ... and we will not be getting involved," he said.

However, analysts were sceptical yesterday that Telkom's licence would be revoked. The licence gives Telkom a five-year exclusivity period with a possible sixth year available should the parastatal meet a range of stringent delivery and customer service targets.

The enforced monopoly was an important factor in the sale earlier this year of a 30% stake in Telkom to US-based SBC Communications and Telekom Malaysia and is seen as vital to achieving the target of delivering 3-million new telephone lines.

Satra councillor Noluthando Gosa said she did not wish to pre-empt government's approach should it become necessary to revoke Telkom's licence.

"We are merely implementing the act and section 100 is very clear on this (the tariff increase) issue. We respect government's jurisdiction in certain areas as they do ours in others. Government drafted the (telecommunications) act and we must implement it," she said.

Satra has said Telkom did not follow the correct procedures before raising its tariffs for calls to cellular phones by up to 20% on October 15 and it refused to reverse the increase when instructed to do so.

As a result, Satra said it could impose a fine should Telkom go ahead with the increase and it could ultimately revoke Telkom's exclusive licence to provide telecommunications services and a network.

A Telkom spokesman said the organisation did not wish to debate the issue further in the media, and a meeting would be held in the course of this week in an attempt to settle the issue.

# Transport strategy launched

BD 21/10/97 (268)

Robyn Chalmers

TRANSPORT Minister Mac Maharaj launches a national strategy for the implementation of transport policy today, aimed at taking SA's transport sector into the 21st Century.

A transport spokesman said the "Moving SA" project, scheduled to end next August, would focus on the structure and functioning of the transport system in the medium and longer term.

"The purpose of this project is to provide the relevant government authorities, at both national and provincial levels, with a national strategy.

"(This will be) designed to achieve substantial improvements in the efficiency and effectiveness of the surface based transport system within the policy framework."

Some goals of the project include identifying the key requirements of the transport system over the next 25 years as well as the challenges of building a transport system which met the key aims of the transport department as laid out in the white paper.

The project would identify the nature, extent and causes of the major problems affecting the efficiency of the transport system and categorise those problems which could be solved in the short, medium and long-term.

It would develop specific goals for the transport system of 2020 and incorporate the findings of the initial analysis into a comprehensive strategy for improving the transport system.

It was the department's policy to reduce its direct involvement in transport operations The white paper said in the past government had been a "regulator of bureaucratic detail, a provider of infrastructure and a transport operator, but had weak policy formulation".

Government had reversed this legacy. It focused on policy and strategy formulation and substantive regulation, with reduced direct involvement in operations to allow a more competitive environment.

Although the project would only be officially launched today, it had been operational since June.

# DP calls for end to crime-ridden postal monopoly

Evidence of wholesale thieving in the post office abounds, but the authorities seem unable to stop it, write the DP's **Pam Sykes and Dani Cohen**

(267) BD 22/10/97

IN FEBRUARY it was announced that the Post Office was to establish an internal investigations unit to combat theft and fraud. At the time, Witwatersrand post office regional GM Manie McDonald said crime was "the biggest issue facing the organisation".

On August 27 another anticrime campaign was launched, explaining to workers that revenue lost to theft and fraud was jeopardising jobs.

Yet, over the past two Sundays, South Africans watching the TV programme Carte Blanche saw clips from video surveillance cameras at the Witspos sorting facility which made it clear that Post Office employees were brazenly, and seemingly without fear of retribution, stealing items sent through the mail.

The Post Office has clear photographic evidence of criminal activity, yet it is unable to stop the problem. On the contrary, inside sources suggest that the situation has deteriorated since February

What lies behind the Post Office's inability, or its unwillingness, to take the problem in hand? The costs are not insignificant. The Post Office suffered a R572m financial loss in the 1995/96 financial year, when it should have shown a small profit. Losses due to fraud and robbery were R9,4m.

Lost potential revenue cannot be calculated, but Telecommunications and Broadcasting Minister Jay Naidoo told Parliament in September that the loss of business from just two major clients considering taking their business elsewhere would cost the Post Office R20m a year.

But it is not the Post Office itself which bears the greatest cost of allowing thieves to continue with their activities unhindered. That is borne by its clients, from the large companies whose cheques are stolen to workers trying to send food parcels to relatives in rural areas. It is the poorest people — those whom the Post Office is committed to serving — who cannot afford alternatives and who suffer, unlike those who can afford to choose to take their business elsewhere

The history of anticrime activity in the Post Office since it established the security investigation services in February is a sorry tale of bungling and cowardice. Just weeks after investigators were sent onto the Witspos sorting floor, union members claimed to be "scared" of the investigators and threatened to strike unless they were removed. Post Office management buckled — mindful of losses of about 5% of delivery capability each day of strike. Thieves were left largely undisturbed.

In public, the unions have been vocal in their support for the anticrime initiative. "We are not going to be a union of criminals," said Joseph Tobolo of the Communications Workers' Union in August. "We will never represent thieves," said a Post and Telecommunication Workers' Union representative. Yet these unions, because of their refusal to co-operate with investigations, are at least partly responsible for the fact that nothing has happened since February.

It has taken seven months for the telecommunications ministry, the unions and Post Office management to negotiate the return of investigators to the sorting floor. That is seven months during which an estimated 160 000 items of post a day were lost due to theft. Seven months during which the investigators hired to stop the rot were prevented from doing their jobs by union threats and management weakness.

Naidoo was vague and evasive when interviewed on television. Despite repeated questions, he refused to make any specific statements about what would be done to stop the postal crime. He even tried to duck responsibility by saying the buck did not stop with him, but with the MD of the Post Office.

If Naidoo cannot think of ways to stop the rot, the Democratic Party can. We invite the minister to take up any of our suggestions — or give the South African public good reasons why he cannot do so.

The only way to stop crime is to catch and punish criminals. The Post Office can do this by:

- Putting surveillance cameras and undercover investigators on every sorting floor,
- Charging and prosecuting those whom video evidence clearly shows to be stealing,
- Suspending suspects from their duties from the moment they are charged and dismissing them when a guilty verdict is returned; and
- Randomly searching all workers as they leave the premises. This is a perfectly acceptable form of security routinely implemented at many large companies worldwide.

The minister is on record as saying that "the cornerstone of all national policy for the postal sector is for government to ensure the provision of a universal service at an affordable price and acceptable standard of service for all citizens".

This is a reasonable and praiseworthy goal, but as things stand it is a long way off. the standard of service is dismal, leading to higher costs and in turn threatening the dream of universal service

The Post Office cannot maintain a decent standard of service with its existing infrastructure, let alone meet the legitimate aspirations of South Africans with no service at all. Yet it wields the legislative force of its monopoly mercilessly against any upstart who tries to fill the gaps it leaves

Recently a small company called ASAP began delivering newspapers, magazines, accounts and other mail around East London — including some areas of Mdantsane and Zwelitsha, not serviced by the Post Office. Fifty-five full and part-time jobs were created in the process, many of them going to people previously unemployed.

The Post Office's response? An interdict which may well close this fledgling company down.

The Post Office claims that any threat to its monopoly is a threat to the goal of universal service. But until it tackles and solves the problem of theft, it cannot claim to be fulfilling this goal and cannot lay legitimate claim to monopoly rights. Given a choice between real service from a private company and promises of services from the Post Office, we have little doubt what the people of Mdantsane would decide.

*Sykes and Cohen are members of the DP's research team*

**POST DEPRESSION** *Brad Payne and Anne McLoughlin of the NBS Phonebank's helpline in Durban are working to reassure disgruntled shareholders* PHOTO PETER DUFFY

(267)

# Postal delays 'costing millions'

CT(BR)24/10/97

**SHIRLEY JONES**
KWAZULU NATAL EDITOR

Durban — Lost share certificates and postal delays were costing companies millions, large corporations and stockbrokers said this week

NBS-Boland, for example, has had to apply for a three-day extension for the 17 000 shareholders trying to participate in the Orion Selections share offer

Paul Leaf-Wright, one of the bank's directors, said a helpline put in place to field calls from disgruntled shareholders had received over 250 calls within the first three hours, indicating the enormous extent of the problem

He said putting in a system by which shareholders could take up their due portion of shares by phone, in place of postal acceptance, had cost the bank a substantial amount. And this had not included the cost of replacing the documentation

Leaf-Wright said the postal system had clearly not kept pace Resorting to sending documents by courier would take much time and money and would ultimately cost the shareholder, he warned

David Cairns, speaking on behalf of Societe Generale Frankel Pollak (Durban), said the company had suffered horribly at the hands of postal thefts Until recently the problem had been bearable but had since escalated beyond all proportions

The Durban office had lost at least three bags of mail in the past week, he said

"We got to the stage where the losses were so enormous that we decided to terminate the posting of certificates. They are now put into safe custody or shareholders have to collect them personally," he said

Cairns said it was impossible to quantify the expense of having to replace share certificates, especially those for companies such as De Beers, which had to be replaced from Sweden The average share certificate was replaced at a cost of between 2 and 9 percent of its value, Cairns explained

He warned that the loss to the post office would be enormous

"Our company takes part in one in every eight deals on the JSE We're talking really significant sums of money This is an extremely worrying development," he said

COMMUNICATIONS POLICY

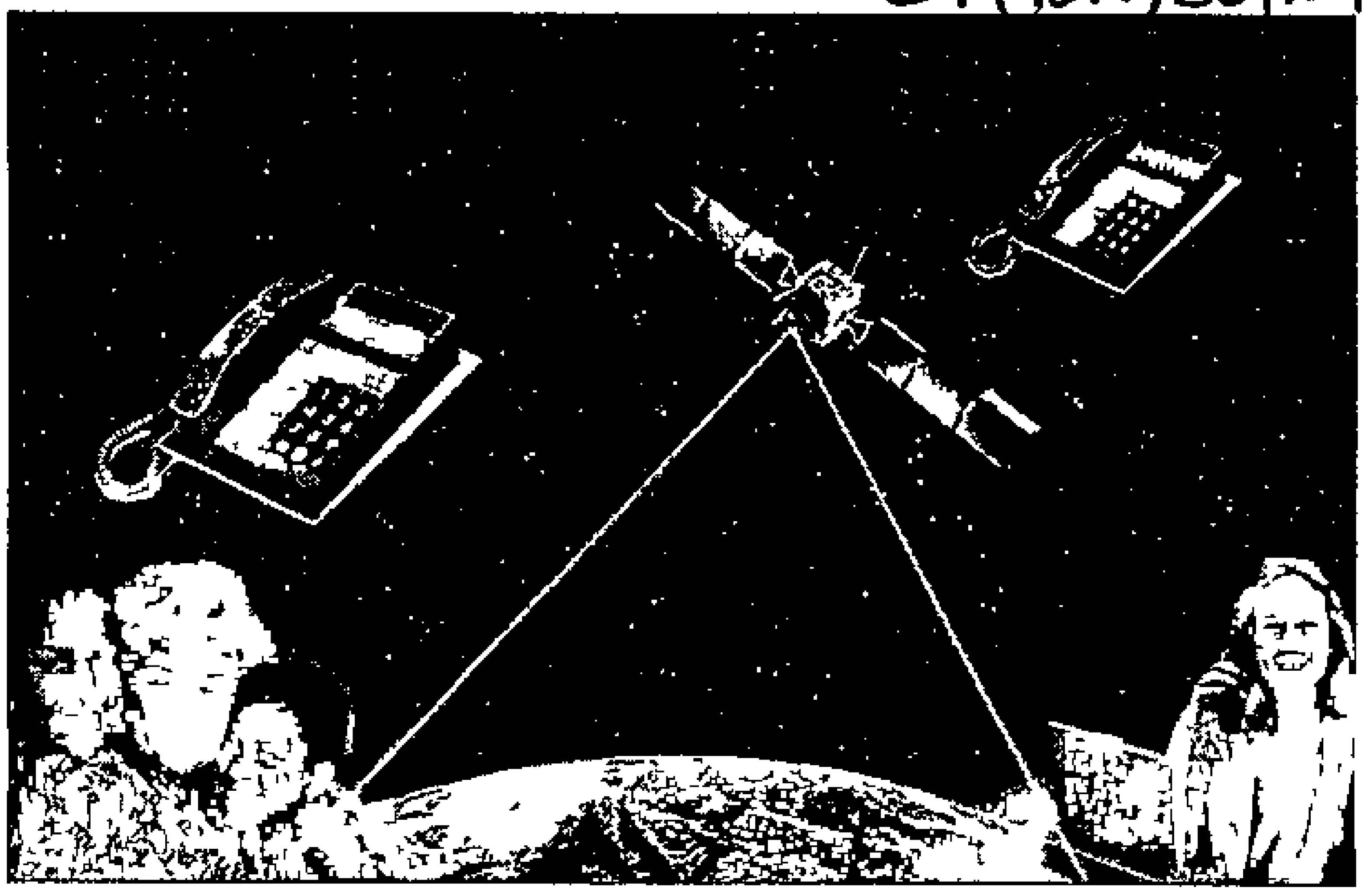
# State's goal is to get everyone on-line

eT (BR) 28|10|97 (267)

JAY NAIDOO

Communications is the life support of the next millennium. The growth of the global knowledge society is going to have a dramatic impact on how we live, work, play and organise our lives

The boundaries between broadcasting, telecommunications, information technology and multimedia are disappearing and pose major challenges for policymakers, regulators, operators and users At a Telecom Interactive Conference in Geneva we saw prototypes of multimedia phones, the emergence of the cyber-city of the next century and multimedia technology products and applications The challenges for South Africa and the developing world are staggering



Two-thirds of the world's population still do not have access to basic telephony Africa, with 700 million people, has 12 million telephones In South Africa, we have the most developed infrastructure with close to 5 million telephone lines Yet, the sad reality is that the apartheid legacy has deprived the majority of black townships, with a penetration of under 1 percent, while white areas compare favourably with Western countries

The provision of universal access in the short term and universal service to every home is the most important policy priority The White Paper on Telecommunications, the Telecommunications Act of 1996, the establishment of Satra and the Universal Service Agency, and the strategic equity partnership in Telkom, are designed to deliver a modern information backbone as well as services that the majority has not had access to

It has become fashionable to criticise Telkom's monopoly in voice telephony This premise ignores the historical context in developed Western countries that it was this monopoly given to telecommunications companies that has guaranteed universal services Modern applications, such as services over the Internet, telemedicine and distance education, are only possible because people have telephones The SEP process has guaranteed that over six years telephone penetration in the country, for households that qualify, will rise to 75 percent.

The roll-out of close to 3 million lines, as well as the digitalisation of 1,2 million analogue lines, will be the continent's big [illegible] telecommunications roll-out. Primary beneficiaries will be the previously disadvantaged. Every school, clinic, hospital, police station, post office and library will be connected. This will allow us to drive the technology applications to catapult our society into the information age For the first time, in spite of South Africa being 20th in the world in the use of the Internet, most South Africans will now benefit.

Progress has been tremendous with the launch of the campaign to connect the first 100 township schools to the Internet Lines installed went up from an apartheid high of 150 000 to 250 000 lines a week One of the most radical training programmes is being put in place to ensure transformation of the company in terms of population and gender balance

No one denies there is still a long road before a world-class company is achieved. But so does every enterprise emerging from the stagnation of a protected economy Competition is alive in the sector Telecommunications services, from the provision of equipment, paging, cellular telephony, value-added services and trunk calling, are open

The World Trade Organisation has accepted our offer in negotiations, including our proposed monopoly on voice telephony for six years This is a trade off because we have a mandate from the majority of the poor to deliver a better quality of life to them If this does not satisfy the affluent minority who sip capuccinos as they surf the Internet in cozy cyber cafes, then we will make no apology for that

The Internet, as the most important technological weapon of the modern age, is vital in our struggle against poverty and ignorance. Our goal is to ensure that every household has an Internet address and that public Internet terminals are as readily available as telephones. Simplifying access to a universal smart-card will make Internet usage for transactions, messages, accessing government services such as tender information, licences, etc, as common as using a phone or an ATM

The government is committed to creating an environment that promotes development to the benefit of the entire society. We want to see investment creating opportunities and growth, as well as giving shareholders returns We have been satisfied with the interest shown by local and international companies to work with us to promote a long term view of South Africa, but do not fancy fly-by night operatives.

South Africa is just not a hub of telecommunications in Africa With the cable to Malaysia, our SAT 2 cable to Europe and developing links to lay another cable to connect countries along the west coast of Africa, we are becoming a global player. We have an agreement with ICO to build its satellite access node at Hartebeesfontein, one of 12 worldwide Satra is concluding a study on a third cellular licence, which, we are confident, will be issued in 1998 Our vision is driven by our desire to harness technology to deliver to all our people, to bridge the gap between the information rich and the information poor, between the north and the south

It is part of the dream of the African Renaissance to ensure we leave behind a legacy of colonial neglect, strife and poverty That noble ideal is worth fighting for The government offers its partnership to those who share this vision to join us in our march into the 21st century

☐ *Jay Naidoo is the minister of posts, telecommunications and broadcasting*

# NEWS

*State telecoms utility continues its Internet campaign*

# Telkom says Satra ruling is 'unlawful'

CT(M) 31/10/97 (267)

**SHERILEE BRIDGE**

Johannesburg — The ruling of the South African Telecommunications Regulatory Authority (Satra) against an Internet monopoly was an attempt to unlawfully reverse the government's exclusivity commitment, Telkom, the state-controlled telecommunications utility, said yesterday

Satra's pronouncement was a breach of the licence the South African government had granted Telkom and its partners, said Pinky Moholi, Telkom's group executive for regulatory affairs

"We will continue the promised roll-out of services to the under-served, and we will fight anyone that attempts to contravene the government's compact with Telkom", she said

Besides threatening Telkom's roll-out commitment, the ruling has meant that Internet telephony, expected to cost Telkom 9,42 percent of its international revenues by 2001, is an increasing threat to the utility's core business

Internet telephony, with a compound annual growth rate of 150 percent, is expected to cost international telecommunications service providers up to $2 billion a year in revenue by 2000 It is estimated that Telkom could lose up to $46 million a year by 2001 and about $1,4 million of its $322 million international revenues to the Internet this year

Telkom said it had no reason to doubt the predicted revenue losses to telephone companies

Mark Todes, the co-chairman of the Internet Service Providers' Association, said Internet telephony was a grey area not clearly

*Mark Todes*

defined by the public switched telecommunications service of value-added network service licences

While Internet telephony is a relatively immature technology, there is software on the market to facilitate non-traditional communication by the computer

"A tidal wave is coming that Telkom with the best will in the world cannot stop," said Todes

He said Internet service providers would not overtly sell voice over the Internet

"We want to give Telkom a chance to swallow the facts and decide which route to go The whole country would like the squabble to go away," he said

Satra was not available for comment on the matter

# Satra is powerless to counter Telkom's price rise plan

CT (BR) 5/11/97 (267)

**Sherilee Bridge**

Johannesburg — The South African Telecommunications Regulatory Authority (Satra) has its hands tied as far as countering Telkom's plans to increase local telephone calls by a hefty 25 percent are concerned, Satra said yesterday

While the law did place a burden on the authority to protect the public interest, there was nothing the authority could do unless there were mathematical errors or Telkom had violated the terms and conditions associated with filing the tariffs, said Nape Maepa, the chairman of Satra

"There is no law against increasing the price of telecommunications services," he said

Telkom's 1998 pricing plan encompassed the state-controlled utility's aims to rebalance its tariffs in expectation of an open, competitive market

The 25 percent price increase, which will come into effect in January, was offset by a 13 percent drop in standard time national calls

Mac Geschwind, the chief operating officer of Telkom, said Telkom's rates would be increased by 5 percent overall He said this was 1,5 percent below the projected consumer inflation rate of 6,6 percent

The average standard time local call will rise by 7,7c to 38,6c a three-minute unit Business and residential installations are up by R28,38 to R192,38 and business rental has jumped by R8,38 to R64,24 a line Residential rental will increase by R5,95 to R55,54

Telkom said the price increases were necessary to bring telecommunications to every South African To demonstrate its commitment to this end, it has pledged to double its spending on capital projects for 1997-98 to R6,9 billion

In the six months to September the utility installed 171 000 new telephone lines, 115 000 to underserviced areas It aims to provide 421 000 lines for the year to March 1998

The proposed 1998 pricing plan was being evaluated by Satra, which was expected to respond by November 18

# Business 'cannot afford Telkom rise'

(267) CT(BR) 6/11/97

**SHERILEE BRIDGE**

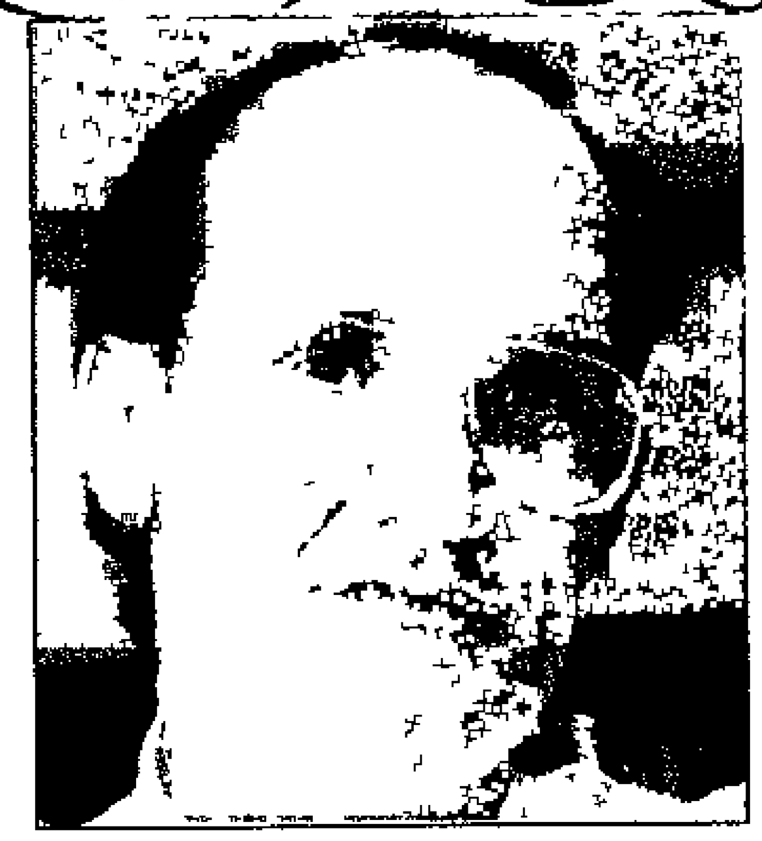
Johannesburg — The Johannesburg Chamber of Commerce and Industry (JCCI) was seriously concerned at the effect Telkom's proposed 25 percent rate increase in local telephone calls would have on business, the JCCI said yesterday

Marius de Jager, the chief executive of JCCI, said the business sector could not afford cost increases of this magnitude Businesses that relied heavily on telephones would be severely affected

Vodacom, in which Telkom holds a 50 percent stake, said yesterday, in response to the rate rise, that it would slash the cost of its calls by up to 16,8 percent

Alan Knott-Craig, the chief executive officer of Vodacom, said that while he did not believe this signalled a price war, it was inevitable the companies would have to compete

Vodacom's new range of bundled tariffs would give subscribers up to 20 percent more talktime, Knott-Craig said



***RESPONSE** Alan Knott-Craig, the chief executive of Vodacom*

The cost of long-distance calls has been reduced by 8 percent to R1,37 in the 500 minute package while in the new 1 000 minute-plus package, high-volume users will be able to make calls at 16,8 percent lower — at a rate of R1,14 a minute — for both local and long-distance for the first 1 000 minutes

This reduction showed that cellular tariffs were on a downward trend, said Knott-Craig

De Jager said the JCCI did not believe the proposed increases were justified and urged Telkom to reconsider "in the light of their effect on the business community, which depends on local calls in normal business hours"

The state-controlled telecommunications utility's plans to increase the cost of local telephone calls by 7,7c, business installations by R28,38 to R192,38 and business rental by R8,38 to R64,24 was seen as another contribution to the rising cost of business communication in South Africa

"Communication is a vital component of business activity and its cost to business has been rising above the rate of inflation in recent years," said De Jager

The business community also questioned the efficiency and effectiveness of telecommunications services in South Africa, De Jager said

(267)

PM 7/11/97

TELKOM

# Rate hike will hit business

Satra remains silent on latest challenge to its authority

**Telkom's proposed** local call rate hike of up to 25% comes as the utility rebalances its tariffs in the face of increased competition

The exercise of cutting international and long distance calls and increasing local tariffs started in 1991 and was to be completed by 1995 This has not happened

Tariff rebalancing is common among phone companies worldwide, particularly where once protected monopolies have had to prepare for privatisation or competition The exercise is designed to limit, or at least throw light on, the widespread cross-subsidisation of local rates by more expensive international charges

Local increases are unlikely to be offset by Telkom's 13% proposed decrease in long-distance calls and will have a severe effect on both consumers and businesses, say Sacob and Afrikaanse Handelsinstituut

UK-based research firm Phillips Tarifica adds that the increases will place Telkom at about 15% above the region average "Telkom can expect a backlash from the business sector," says analyst Cassandre Khoury

The new tariffs must still be ratified by watchdog body Satra But as Telkom CEO and SBC executive Mac Geschwind has indicated, Telkom views the industry regulator in the same light as competitors and the media In an ad which purports to clarify the Internet access dispute, he states that Telkom will "not let regulators, competitors, the press or any other critics redefine or in any way distort Telkom's positions, actions, attitudes or intentions "

Geschwind's statement that Telkom will defend its "right to the exclusive provision of Internet access" is a slap in the face for Satra, which recently ruled that the "internet protocol" was exempt from Telkom's exclusive PSTN licence

Ironically, local call hikes will make it more expensive for people to use the Internet

Whether Satra will challenge Telkom's proposed tariff increases remains to be seen Satra has remained remarkably quiet since it hit out at Telkom for increasing charges for cellular phones Satra chairman Nape Maepa was unavailable for comment

Marina Bidoli

# Former IBA pair appointed to Naidoo's department

Star 10/11/97 (267)

Two former Independent Broadcasting Authority councillors have been appointed to top posts in the Department of Communications

Former co-chairman Peter de Klerk has been appointed senior general manager of the broadcasting policy review process and Lyndall Shope-Mafole has been appointed adviser to Communications Minister Jay Naidoo

The posts were not advertised, according to Department of Communications spokesman Connie Molusi, because they are one-year-contract posts. Asked if they had the option of renewing their contracts or becoming permanent staff members after a year, Molusi said he could not speculate.

De Klerk and Shope-Mafole resigned from their IBA posts, with three other councillors, on May 15 this year after Auditor-General Henri Kluever discovered a lack of financial controls

Defending their appointments, Molusi said: "They're not going to deal with management issues, they are going to deal with policy and regulatory issues – that's a critical distinction " – Staff Reporter

# Service providers slam Telkom 'delaying tactics'

BD 10/11/97

(267)

Lesley Stones

INVESTIGATIONS into claims that Telkom cross-subsidised its Internet subsidiaries are back on hold, as Telkom has asked the High Court to overturn a decision denying it exclusive rights to provide Internet access.

Since the SA Telecommunications Regulatory Authority (Satra) ruled Internet provision was open to free enterprise, service providers hoped longstanding allegations that Telkom indulged in unfair practices would be investigated by Satra or the Competition Board. But last week, Telkom followed through on its threat of fighting the Satra ruling, effectively stalling any investigations.

Telkom asked the High Court in Pretoria to overturn Satra's verdict on the grounds of irregularities in the decision and the way it was reached. Satra, its chairman Nape Maepa and the Internet Service Providers' Association are cited as respondents and must make written submissions by November 21, said Satra's communications manager Marjorie Naidoo.

Since the issue was again subjudice, the board would not revive a probe into unfair practices, said board chairman Pierre Brooks. This included the alleged cross-subsidising of Telkom's Internet service provider, Intekom and its Internet backbone service SAIX.

If the court granted Telkom an exclusive right to provide Internet access, allegations of cross-subsidising would no longer be relevant, said Brooks. "The appeal has put everything on hold. Without a decision on this issue, the question of cross-subsidisation activity doesn't make sense."

Telkom's appeal has been condemned as a delaying tactic by Balan Reddy, the MD of Internet service provider Pix. "Telkom is trying to postpone a decision on the real issue of unfair competition," he said.

Reddy said Internet service providers would carry on as usual. "Until we have a High Court decision, the Satra ruling will prevail. If that is overturned, the Internet Service Providers' Association will fight on. Telkom has the audacity to do what it likes but Satra regulates the industry and that should be respected."

Telkom effectively vetoed the Competition Board's investigation into its activities by insisting that Satra was the only authority able to rule on Internet-related activities. Now Satra had ruled against Telkom, the parastatal had turned full circle by questioning Satra's authority, said Martin Leigh, the joint co-ordinator of the SAIX Internet Action Group.

Brooks predicted that a High Court decision would not be the end of the road. "It's quite possible that the losing party will go on to the Appeal Court. It would not be entirely surprising if Telkom's monopoly had expired by the time this is resolved."

# Rebalancing of telephone tariffs is an inevitable reality

(267) ARG 12/11/97

**HAVE YOUR SAY**

Posts and Telecommunications Minister **JAY NAIDOO** defends the 25% hike in phone tariffs and accuses those who benefited under apartheid of resisting his efforts to provide a phone service to all South Africans

Reading comments from certain vested interest groups on Telkom's recent tariff increases, one is struck by how people who have rarely questioned the policies of the past apartheid government are suddenly the greatest defenders of democracy and the rights of the poor.

The restructuring of Telkom was designed to deliver telephones to the vast majority of black South Africans who were denied access because of skin colour. The privileged minority has never complained in the past about having their lifestyle subsidised at the expense of the majority.

Today one never stops hearing the whining of the affluent who still essentially have all their past privileges but oppose all steps that the Government seeks to take to address the legacy of apartheid.

We are committed to universal service and make no apology for that policy goal. The telephone infrastructure in historically white areas has a density equivalent to London and New York while in the black satellite townships it falls to less than one in a hundred households.

That infrastructure was subsidised and paid for by the taxpayer.

That is why at the time of the partial privatisation of Telkom, it was one of the world's most indebted companies with a debt of close to R8-billion. That is why Telkom has been given a monopoly on fixed line voice telephony for a period of six years.

The international lesson, particularly in Europe and North America, was that local and national public and private sector monopolies were necessary to deliver universal services.

Telkom faces the challenge to restructure its operations to ensure that it becomes an efficient and competitive world class telecommunications operator. The restructuring is imperative in the light of competition in five to six years.

No one can deny that since the new partners have come into Telkom there has been a dramatic improvement in the level of service and delivery.

This year Telkom exceeded the apartheid high of delivering 150 000 lines a year to deliver more than 250 000 telephones. In the coming year that figure is expected to exceed 300 000. Over the next six years Telkom will deliver close to three million lines with a capital expenditure of close to R50-billion.

Two-thirds of those lines will go into previously disadvantaged areas. That may mean nothing to those who have been serviced by apartheid in the past. For millions of black South Africans it is the difference between life and death.

Rebalancing of its tariffs will bring Telkom's cost structure in line with international trends. Tariff rebalancing will ensure that South african telephone calls are priced competitively rather than distorted by cross-subsidisation of local calls and by revenue from long-distance and international calls. This exercise is aimed at ensuring that the costing structure reflects actual costs.

Historically, local calls have been kept artificially low because they were cross-subsidised through revenue from long distance and international calls, a situation which is no longer viable as we move to competition.

***'Privileged minority never complained about having their lifestyle subsidised by the majority'***

Critics have focused on the increase of 25% without asking what the real cost in terms of rands and cents will be. Translated into rands, a different picture emerges. That 25% increase becomes exactly 7,7c more for a three-minute call made in Standard Time (from 7am to 7pm weekdays). At 38c for a three-minute call critics should recognise that it costs R6,50 for a packet of cigarettes, which is a non-essential luxury.

In the past, Telkom kept local call rates low – way below the actual cost to Telkom. We managed to make up for our losses on local calls by charging far higher rates for long distance and international calls. In other words, international and long-distance services subsidised local services.

This resulted in a huge gap in rates between the two. According to international norms, a long-distance call should cost about 4,5 times more than a local call. Currently Telkom's long-distance rate is 13 times higher than the local call rate.

Once the new rates are in place, a long-distance call will be nine times more expensive than a local call. That kind of cross-subsidisation is all very well in a monopoly situation, but Telkom is heading for full competition in six years' time.

Naturally, future competitors will target the very services – long-distance and international – where Telkom's prices are the least competitive.

While the media has been hammering away at the 25% increase in local call rates, a lot less has been said about the reductions in long-distance charges. The fact remains that long-distance call charges will drop by 54c for three minutes in Standard Time, compared to the 7,7c increase in local call rates.

Contrast this increase with the sharp rise – 115% more than last year – in what Telkom is spending to improve customer service, bring telephones to millions more South Africans, and building our network to the level where it will compare with the best in the world. In the current financial year alone, we are spending close to R7-billion on these projects.

Our efforts are already paying off.

In April 1997, Telkom was installing only a third of home phones within a fortnight of ordering. That figure has risen to 40% by the end of September, and we have targets for far greater improvements.

We're well aware that there are still too many South africans who have never made a phone call, and aware too that many existing customers have good reason to complain about service. We're absolutely committed to changing that.

# Telkom challenges Satra's jurisdiction

ST(BR) 12/11/97 (267)

**Sherilee Bridge**

Johannesburg — The South African Telecommunications Regulatory Authority (Satra) did not have the jurisdiction to decide there would be no Internet monopoly in South Africa, Telkom said yesterday

The state-controlled telecommunications utility has issued an urgent high court application to have Satra's pronouncement on the Internet declared null and void

The utility said the procedure followed by Satra was "irregular, and the pronouncement was unreasonable in terms of the Telecommunications Act"

The application has been served on Satra, Satra's chairman Nape Maepa and the Internet Service Providers' Association (ISPA) Both Satra and ISPA have opposed the application

The respondents' affidavits have to be filed by November 21, and the case has been placed on the Pretoria High Court roll for December 3

Esta Gouws, the head of communications at Satra, said Satra stood by its ruling and was determined not to back down "It is now up to the court to decide who is right," she said

ISPA, which said it felt it was not in Telkom's direct line of fire, said last week the utility was taking Satra to court on a "technicality"

David Frankel, the co-chairman of ISPA, said Telkom was also questioning the way in which Satra announced its decision that Internet access should fall under a value-added network service licence, rather than under Telkom's five-year exclusive public switched telephone service licence

"We're not really in the bull's eye, being only the third respondent to the application," Frankel said "Satra and its chairperson are the first and second respondents, and while the outcome is obviously critical to us the fight is primarily between Satra and Telkom"

In the interim, investigations into claims that Telkom was cross-subsidising its Internet subsidiaries, the Internet service provider Intekom and the Internet backbone service SAIX, have once again been stalled by the high court application

ISPA views this development as yet another delaying tactic by Telkom

ISPA has had a long-standing gripe against Telkom's unfair practice Satra's ruling on Internet access was expected to clear the way to settling the issue permanently

If the court decided to overturn Satra's October 14 verdict on the Internet, the allegations of cross-subsidisation would fall away, said the Competition Board

# Jay's spendthrift recruits still said to owe a fortune

By JACQUIE GOLDING-DUFFY

Two officials given high-powered posts in the Government's Communications Department still apparently owe South African taxpayers thousands of rands from the spending spree which helped almost to cripple their former employer – the Independent Broadcasting Authority

Minister of Communications Jay Naidoo has recruited former IBA co-chairman Peter de Klerk and former councillor Lyndall Shope-Mafole

De Klerk will be a member of a 23-member task team reviewing broadcasting policy, while Shope-Mafole will be a special adviser to Naidoo

De Klerk this week refused to comment on his non-payment of personal expenses incurred at the IBA. "I can't talk about that It is with the auditor-general," he said

On his appointment with the Communications Department, he said curtly: "I am part of a task team which will review broadcasting legislation. I'll be with them until the end of March."

Shope-Mafole could not be reached for comment.

The total amount claimable from five former IBA councillors is R241 722.

De Klerk and Shope-Mafole were two of the five IBA officials who collectively resigned in May this year after it was found that there was a lack of financial controls at the regulatory body

At the time, IBA officials were accused of financial irregularities and extravagant expenses, which led the auditor-general's office to conduct an investigation.

## Lack of controls

It was found that the IBA had "a serious lack of management measures and financial controls" in place.

According to the recently released report on corrective action at the IBA, which was submitted to the standing committee on public accounts last week, only one councillor (who is not named) paid non-business expenses.

The acting chief executive officer at the time, Bronwyn Keene-Young, working with independent auditors Deloitte & Touche, requested that all councillors submit proof of payments they made regarding the expenses they incurred on IBA Diners Club cards which were not business related.

According to the IBA report, Keene-Young did not get much co-operation from the IBA officials.

It states: "In coming to our conclusion of the classification of expenditure ... we have taken cognisance of the absence of replies explaining the expenditure from councillors"

The amount spent on Diners Club cards by councillors is R408 057 and the amount repaid by them is R101 396.

Councillors were requested to provide replies to the acting chief executive officer before August this year, but only one response was received – apparently from councillor John Matisonn

So far neither De Klerk nor Shope-Mafole have accounted for or responded to queries concerning the outstanding amounts.

(267) Spcw 15/11/97

## Elite police unit swamped by lawyers eager to join

Star 15/11/97

Grahamstown – Such is its prestige that South Africa's elite anti-corruption team, the special investigation unit, was swamped by applications from at least 100 attorneys recently when it advertised for two legal assistants.

The unit was also inundated with applications for positions as investigators, who are required to have six years' police experience in fraud and commercial investigations.

The highly successful unit, responsible for the recovery of billions of rands in state assets, operates out of East London.

The Eastern Cape-focused unit has also received applications from Gauteng and KwaZulu Natal to initiate investigations.

Unit deputy head Gerhard Visagie said nationwide expansion was planned – ECN

(~~253~~) (~~257~~)

# Top jobs for ex-IBA pair – despite debt

## *Part of Naidoo's review team*

(267) ARG 15/11/97

**JACQUIE GOLDING-DUFFY**

**Two officials given high powered posts in the Government's Communications Department still allegedly owe the South African taxpayer thousands of rands from the spending spree which helped cripple their former employer – the Independent Broadcasting Authority (IBA).**

Minister of Communications Jay Naidoo has recruited former IBA co-chairman Peter de Klerk and former councillor Lyndall Shope-Mafole Mr De Klerk will be part of a 23-member task team reviewing broadcasting policy while Mr Shope-Mafole will be a special adviser to Mr Naidoo.

Mr De Klerk this week refused to comment on his non-payment of personal expenses incurred at the IBA

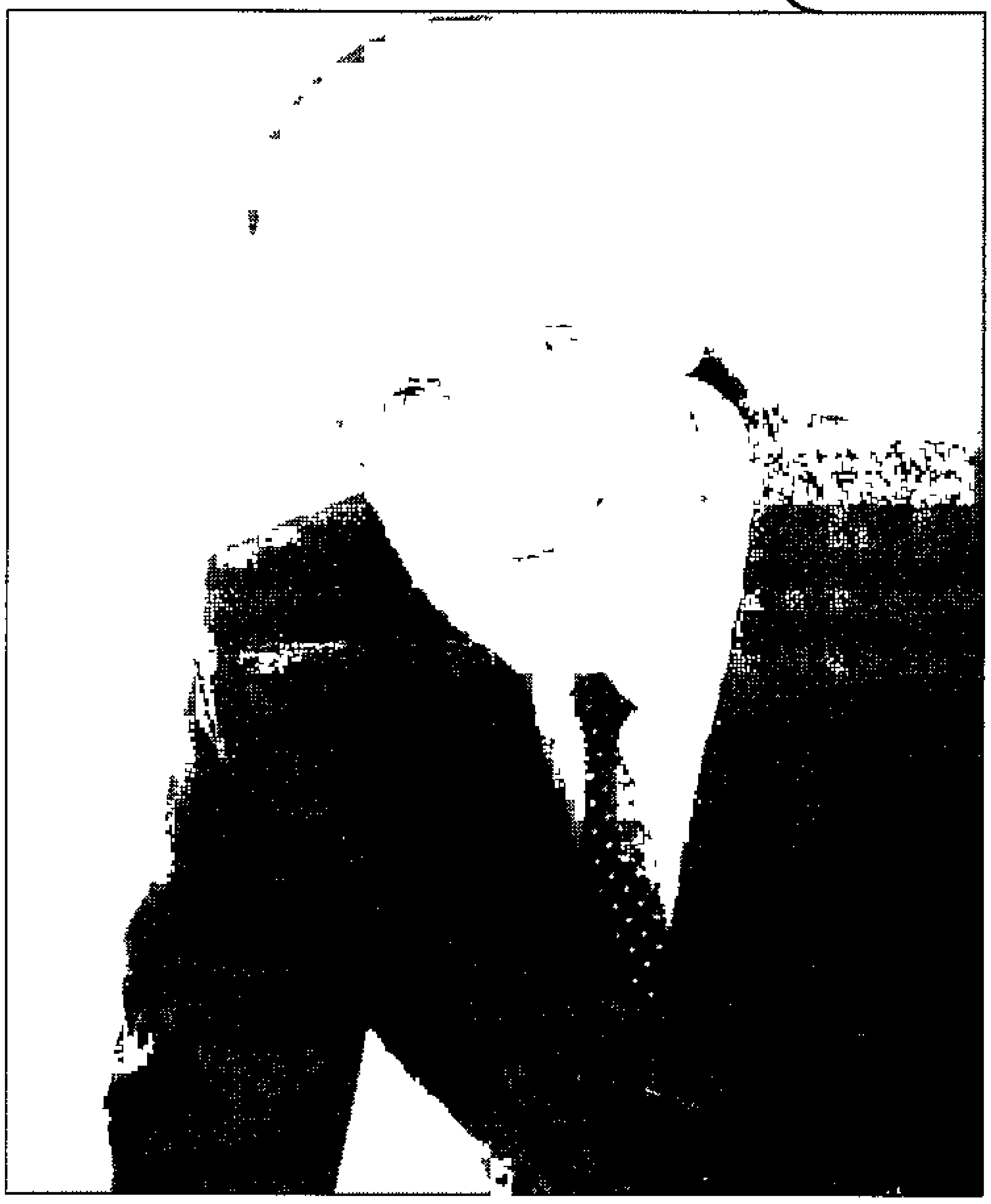
"I can't talk about that It is with the auditor-general"

On his appointment with the Communications Department, he said "I am part of a task team which will review broadcasting legislation I'll be with them until the end of March"

Ms Shope-Mafole could not be reached for comment as she is overseas The total amount claimable from five former IBA councillors is R241 722

Mr De Klerk and Ms Shope-Mafole were two of the five IBA officials who collectively resigned in May this year after it was found there was a lack of financial controls at the regulator. The two communications recruits were caught up in the IBA's financial debacle which hit the headlines last year.

At the time, IBA officials were accused of financial irregularities and extravagant expenses which led the auditor-general's office to conduct an inquiry It was found the IBA had "a serious lack of management measures and financial controls" in place



**Recruited:** Peter de Klerk still allegedly owes the taxpayer money

*'It was found that the IBA had a serious lack of management measures'*

It was alleged in the inquiry report that an unnamed councillor took a partner on a business class flight, paid for by the IBA The report on the IBA stated that the "councillor concerned directed that the amount be deducted from his salary We could not trace a payment having been effected in this regard"

According to the recently released Report on Corrective Action at the IBA which was submitted to the standing committee on public accounts last week, only one councillor paid for non-business expenses. It is understood that councillor John Matisonn is the only official who paid his own expenses

The report states only one councillor replied to a letter by the then acting chief executive officer Bronwyn Keene-Young – understood to be Mr Matisonn Ms Keene-Young, working with independent auditors Deloitte & Touche, requested that all councillors submit proof of payments they made regarding the expenses which were not business related and which were incurred on IBA Diner's Club cards

According to the IBA report, she did not get much co-operation from the IBA officials. It states "In coming to our conclusion of the classification of expenditure .. we have taken cognisance of the absence of replies explaining the expenditure from councillors"

The total amount spent on Diner's Club Cards by councillors is R408 057 and the total amounts repaid by councillors is R101 396

Schedules were drawn up for each councillor reflecting expenditure incurred as business related or non-business related

A meeting was set up with council and the content and purpose of the letter were explained Councillors were requested to provide replies to the acting chief executive officer before August 1997. Only one response was received, apparently from Mr Matisonn

IBA acting chief executive officer Roy Williams could not be reached for comment

# Telkom billing challenged

(267)

THE SA Telecommunications Regulatory Authority (Satra) laid down the law to Telkom yesterday, instructing it to modify its terms for customers before its latest tariff increase application could be approved.

Satra communications head Esta Gouws said while Satra was satisfied with the request for increases, Telkom's conditions "were fundamentally flawed in a number of respects".

These included Telkom's assumption that its accounts were correct, leaving the customer with no recourse and the assumption of power to withhold, disconnect, or suspend services "summarily, without notice" as violations of the Telecommunications Act. Technically Telkom had until December 15 to make changes before it could implement the new tariffs in early January next year as planned, Gouws said. — Sapa.

BD 19/11/97

# R60-m spent on empowerment

Sowetan 19/11/97 (267)

By Shadrack Mashalaba

TELKOM has spent R60 million on black empowerment, company chairman Dikgang Moseneke told a business conference in Johannesburg yesterday

He said the move was part of Telkom's empowerment drive to establish more black suppliers The previous year R58 million was spent

"The Government is committed to transformation of Telkom Our next plan is to list on the Johannesburg Stock Exchange which will see our organisation playing a vibrant role in the telecommunications sector

"Telkom is deeply committed to competition The hysteria over the issue of Internet exclusivity has confused issues The Government passed a Telecommunications Act which allows the organisation a limited period of exclusivity to roll out its services," Moseneke said

He said Telkom would make a capital expenditure of over R6 billion to benefit its suppliers

The conference was organised by Huysamer Stals in association with ABN Amro Bank and Kagiso Financial Services

"Telkom will be building two more earth stations We have committed a total of R53 billion to beef-up infrastructure for the coming years," Moseneke said

"There has been an increase in telecommunications tarrifs and we are looking at expanding our satellite systems The effort will put South Africa at the centre stage as a global player and make the country a gateway to the sub-Saharan region"

Huysamer Stals chief economist Johan Rossouw said South Africa was experiencing an economic slowdown because of the global trends

This was putting pressure on local markets

Rossouw said he did not foresee any interest rate cuts, particularly in the first quarter of next year

While the inflation rate was on its way down it may hit a target of five percent in the first quarter next year and later increase, he said

The gross domestic product (GDP) will accelerate in the third quarter of next year "With the recent improvement of the Balance of Payments the long-term scenario points out that the situation will deteriorate," Rossouw said

**TELECOMMUNICATIONS** *Terms and conditions of application are 'fundamentally flawed'*

# Satra blocks Telkom's rate increase

(267)

ET (BR) 19/11/97

**Sherilee Bridge**

Johannesburg — The South African Telecommunications Regulatory Authority (Satra) said yesterday it had blocked an application by Telkom, the state-controlled telecommunications utility, to increase local telephone call rates by up to 25 percent

Satra said it would not approve the latest tariff increase application until the terms and conditions applicable were modified to protect the consumer

While satisfied with the actual proposed increases, which are almost triple this year's expected 8,7 percent inflation average, Satra said the terms and conditions of the filing were "fundamentally flawed in a number of respects"

Noluthando Gosa, a Satra council member, said it was not clear whether Telkom's terms and conditions would pass the constitutional and legal tests

"We have to be right first time Our country's constitution requires just administrative action, which includes the individual consumer's right to lawful, procedurally fair and reasonable action," she said

"In the interests of the South African consumer we have requested that they be revisited and changed," said Gosa

Amanda Singleton, the head of Telkom's corporate communications division, said the utility had been discouraged by Satra's actions She said Satra's approach did not contribute to a constructive relationship with Telkom, where differences could be discussed and resolved in the best interests of all concerned

Telkom had had daily contact with Satra during the past two weeks on the contents of the filing document, and written amendments and clarifications had been provided as and when requested, said Singleton.

Telkom has been given until December 15 to make the changes before implementing the new tariffs as planned for early January next year

Satra's demands include a revision of clauses that give Telkom an assumed power to withhold, disconnect, suspend or terminate service without notice for violations of the Telecommunications Act, thus undermining the power vested in Satra by this act

Satra was also perturbed by Telkom's "unilateral presumption that its accounts are correct, leaving the consumer with no recourse", and Telkom's collection of service charges for periods in which no services were provided

Satra said it wanted Telkom to change its terms and conditions to say "if it does not provide service in a certain time period, it will not charge the customer for the service not provided"

*Telkom's Dikgang Moseneke*
PHOTO JOHN WOODPOOF

**FAIR PLAY** *Noluthando Gosa of Satra says consumer interests are behind the blocking of Telkom's application* PHOTO JOHN WOODPOOF

*Telkom questions legality of caller ID*

CT(MR) 20/11/97

(267)

# Row looms on phone call privacy

**Sherilee Bridge**

Johannesburg — A fight over the legality of caller line identification was likely with the acceleration of South Africa's network digitisation to 1999, Telkom, the state-controlled telecommunications utility, said yesterday.

Caller line identification (CLI) is fast becoming available through the digitisation of the telecommunications network and is already used by cellular networks It allows the receiver of a call to identify the caller's number, which has implications for privacy laws

Telkom said the identification service's legality would have to be decided by the South African Telecommunications Regulatory Authority (Satra)

Telkom said it was concerned over the legality of CLI because it had the potential to invade the privacy of network users, as it allowed a caller's telephone number to be made known to the person being called before the telephone was answered

Pinky Moholi, the group executive of regulatory affairs at Telkom, said with 74 percent of the network already digitised, CLI was already available in some exchanges, but before the system could be offered as a service a blocking mechanism would have to be put in place

Telephone users should have the ability to withhold their number from being displayed, she said Telephone users with special privacy concerns, such as restricted and non-published numbers, should be given the option to have their numbers permanently withheld, she explained

Telkom is currently in the process of developing signal-jamming software

Neither the legality of CLI nor the filing of the product has been raised with Satra But Satra is believed to have concerns over the misuse of the tracking of calls in the light of South Africa's past state security abuses

Michael Stocks, the general manager of legal and regulatory affairs at MTN, the cellular network operator, said no regulations specifically covered CLI in the law, nor was it mentioned in the cellular network operators' licence Operators were given the go-ahead to offer CLI as a service, based on the level of technology available to block caller information when requested by the customer

Electro-mechanical exchanges, on the other hand, did not yet allow the same degree of control over the signals, he said

Stocks said that since the issue did not fall within the regulatory environment, there was no need for a ruling on the legality of CLI The issue could be clarified at forum level, he said

Vodacom said CLI services on Telkom's networks would be a positive development As many as half of Vodacom subscribers make use of CLI services

BD 20/11/97

# Telkom disregards Satra ruling on Internet access pending appeal

(267)

**Lesley Stones and Robyn Chalmers**

TELKOM is again threatening to withhold extra bandwidth for Internet service providers because it believes a decision by the sector's regulator to deny Telkom the exclusive right to provide access to the Internet will be overturned on appeal

David Frankel, joint chairman of the Internet Service Providers' Association (Ispa), said "Telkom is blatantly disregarding the Satra ruling They are using bully tactics and acting as if Satra doesn't exist I have no doubt that if this court appeal goes against Telkom they will go on with another appeal "

Telkom has asked the Pretoria High Court to nullify a decision by the SA Telecommunications Regulatory Authority (Satra) that the provision of Internet access should be open to free competition

Telkom and Satra are also embroiled in negotiation over the 1998 tariff increase application, the terms and conditions of which Satra has asked Telkom to modify to give consumers greater protection

Satra said its concerns included Telkom's assumption of power to withhold, suspend or terminate services, its presumption that its accounts were correct and Telkom's collection of service charges for periods in which it did not provide services

Satra said yesterday it had been told Telkom was preparing a second filing to address these issues Expressing dissatisfaction at Satra going public, Telkom spokesman Amanda Singleton said Telkom was studying Satra's concerns and would comment soon

Singleton confirmed that Telkom would continue to operate according to what it believed its licence permitted Despite the Satra ruling it would not supply bandwidth to anyone planning to resell it — effectively ruling out service providers which sell bandwidth to other service providers Nor would Telkom supply extra bandwidth to anyone who did not hold a value-added network licence. Yet no service holds such a licence because of the long-running controversy

Satra said the proposed 25% rise in the cost of local calls, offset by a 13% drop in national calls with further drops in the cost to some international call destinations likely, was within parameters allowed In terms of Telkom's licence, the overall basket of tariffs cannot increase by more than the inflation rate minus 1,5% until 2000.

The post and telecommunications

Continued on Page 2

## Telkom

BD 20/11/97

Continued from Page 1

(267)

ministry said Satra and Telkom had mechanisms to deal with disagreements and it would not intervene unless asked to do so.

On the Internet issue, Telkom spurned requests for extra bandwidth prior to Satra's ruling, but after the decision Ispa was confident Telkom would let them expand their networks. But appeal papers filed by Telkom with the High Court make it clear that the utility does not intend to co-operate.

They said Telkom would refuse bandwidth applications because it believed Satra's pronouncement was neither legally binding nor competent. As Telkom had said it did not wish to be obstructive by withholding bandwidth if the court upheld Satra's decision, it was imperative that clarity be obtained quickly.

Telkom claims Satra used a grossly irregular method to reach its verdict. Instead of deciding whether Internet protocol fell under Telkom's exclusive rights, Satra asked whether protocol provision should fall under a regular telephony licence or a value-added network licence. The decision that it was a value-added service meant service providers could continue offering Internet access.

Mark Todes, another joint chairman of Ispa, said Telkom was not being as dogmatic as its words suggested. His company, UUNet Internet Africa, was expecting more bandwidth this week in return for accepting a draft contract issued by Telkom.

"Telkom will give more bandwidth only if you agree to the document, and we will live with that for the time being. We added a clause to say Telkom won't stop us carrying out our normal business and they accepted that."

Sowetan 24/11/97

# Naidoo urges union to provide solutions

(267)

By Mbulelo Baloyi

POSTS, Telecommunications and Broadcasting Minister Mr Jay Naidoo has called on members of the Congress of South Africa Trade Union (Cosatu) to stop pointing fingers at Government but provide alternative solutions to perceived problems

Naidoo said this during his keynote address at Cosatu's KwaZulu-Natal congress in Durban yesterday

Shortly before taking to the podium, Naidoo was greeted with chants of "*asiyifuni iGear*" meaning "we do not want Gear (the Government's macro economic policy)"

"It was not just militancy which built Cosatu but it was ideas and vision and hard work.

"Cosatu is challenging Gear but I think it should not only sing about Gear, it must put alternatives to the Government's macro-economic policy," said the union's former general secretary

Naidoo said there was a growing tendency by certain people to sit and criticise and point fingers at the present Government

"In each of your factories, what are you doing to drive transformation? How different are we, as Cosatu members, from disgruntled whites who only complain and offer no alternatives?" asked Naidoo

He said the union's members were fond of singing about the tripartite alliance but the alliance had no programme

"I have visited many places and I have met ordinary union members who came to me and complained that they were not being serviced by their union officials such as shop-stewards," said Naidoo

He said the Government had, through its sale of 30 percent of Telkom, raised R1,25-billion

This would be used to roll out networks

"Presently 300 000 new telephone lines are being installed annually and within three years every village will have a telephone

"Furthermore villages are going to be provided with Internet and faxes which will be used for distance education purposes by people living in the rural areas," said Naidoo

# Political control of airwaves denied

BD 24/11/97 (267)

Vuyo Mvoko

POSTS, Telecommunications and Broadcasting Minister Jay Naidoo brushed aside on Friday allegations of attempting party political control of the airwaves, saying the government had no choice but to "intervene to ensure transformation" that would be reflective of the country's needs

Speaking ahead of Wednesday's launch of the green paper, the government's discussion document on broadcasting policy, he said debate on the issue had now become "psychotic and sterile", characterised by "emotional speeches" rather than "rational debate".

Naidoo told a plenary of an arts and culture ministry "conference on local content" in Durban that his department was looking at the "overall economic development" of the country and broadcasting's contribution thereof

Among conference attendants who slated the government's stance on broadcasting policy formulation was Raymond Louw, who said he represented the Freedom of Expression Institute and the Electoral Commission

Commenting after a presentation of the green paper by Naidoo's aide, Joe Mjwara, Louw contended that the government was now "going to the content" of broadcasting, implying that government was, in so doing, overstepping its boundaries

The Independent Broadcasting Authority was set up specifically to "divorce broadcasting from party political control Now I sense, partly, political basis for control," Louw said

Naidoo criticised people who, because of their educational qualifications or because of the positions they held in their respective places of employment within the industry, ran roughshod over the interests of the majority of South Africans

Information was a basic right, Naidoo said, "but the assumption that it is the only right" was unacceptable in the light of millions of people who had no electricity and the multitudes of children who had neither books nor classrooms

The voices of the ordinary people would be heard, Naidoo promised

The country stood to gain everything from a firm policy which would have such aspects as the imposition of significant local content quotas, and that would "define the soul of SA life"

Naidoo did not spare the SA Broadcasting Corporation (SABC), which, he said, was the "premier" vehicle for the transformation of the airwaves

Competition for scarce resources was "definitely an issue"

Praising the broadcasting body for being "successful in financial repositioning", he said its challenge now was in programming that exudes the African renaissance

There were some "quasi-American" products that were shown on our television screens, proof that "local production" was not necessarily "local content"

## Local content

Naidoo said the quest for increased local content on SA airwaves, in addition to job creation and investments, had to do also with the inculcation of a new value system that would encourage respect for human rights, that would rebuke violence and the abuse of women and children, and that would promote our rich cultural heritage

To the criticism that the green paper asks more questions than it suggests possible solutions, Naidoo said the posing of questions should serve as a "challenge" to stakeholders for inputs, "to trigger debates so that we can reach consensus"

# Naidoo links African renaissance to telecoms

(267) CITIZEN 25/11/97

SHERILEE BRIDGE

Johannesburg — Telecommunications was the backbone for economic revival in Africa, said Jay Naidoo, the posts, telecommunications and broadcasting minister, yesterday

Speaking at an Africa Telecom '98 briefing, Naidoo said that he envisioned an African information renaissance which would boost the economic and social affect of telecommunications throughout the continent

In Africa, 12 million telephone lines served 700 million people South Africa boasted 5 million lines with an average penetration of 9,5 lines for each 100 people Naidoo called for renewed focus on universal service to facilitate telecommunications access for all Africans

Africa was an untapped telecoms market, he said "Information communications technologies provide us with the ability to catapult economic development in Africa "

# ports Company stake

ke due diligence exercis-
; company before submit-
iding bids, expected by
r April next year.
Airports Company is one
nment's more attractive
Maharaj had previously
ed the organisation was
bout R2bn, but declined
ly to indicate how much
ient hoped to raise from
of the company
the year ended March
reported a 19% rise in
ofit to R159m and a 27%
in turnover to R577,6m.

The company has embarked on a five-year programme to spend R2,3bn on infrastructural improvements and redevelopment at its Johannesburg, Cape Town, Durban, Port Elizabeth and East London airports.

Transport department director-general Ketso Gordhan said while price was an important component of the sale, government would also be look at which potential partner could add the most value to its assets.

Areas where value could be added included the retail, property development and security functions of the company.

"We were pleased with the submissions we received. The bidders put a lot of work into ensuring they put forward well-researched submissions," he said.

Transport and General Workers' Union general secretary Randall Howard said he was satisfied with the process and stakeholders had reached consensus on most of the strategic issues. Randall said it was a precondition of the partial privatisation that all employees' jobs were secure.

Labour Minister Tito Mboweni speaking at the release of the Employment Equity Bill in Pretoria yesterday. Picture TYRONE ARTHUR

# SA broadcasts 'flood' Africa

(267) BD 27/11/97

Kevin O'Grady

COMPLAINTS had been received "at the highest level" about the extent to which SA broadcasters were "flooding" Africa with SA and imported programming, Posts, Telecommunications and Broadcasting Minister Jay Naidoo said yesterday.

Launching his ministry's broadcasting green paper, Naidoo said the draft policy envisaged greater co-operation with other African broadcasters, with SA as a hub for the industry. But expansion had to take place with "a bit of humility" and less arrogance. Unless initiatives involving other African countries were undertaken with respect for the countries' broadcasters, traditions, languages and cultures, the notion of an African renaissance would be "consigned to the dustbin".

The purpose of the green paper — open for comment until the end of January — was to set a policy framework for the organisation, orderly expansion and regulation of broadcasting in SA.

The document suggested there was room in SA for advertising revenue growth and for an equipment-manufacturing base for the rest of Africa. There were also opportunities to form partnerships with other African countries. However, there was a need to put in place a market structure that provided for access to a variety of services and programmes by all South Africans, diversity in ownership and content, fair competition and choice.

There was a need for a stable funding structure for the SA Broadcasting Corporation, for promoting local programming and for financing signal distribution. But there was limited scope for government to make a financial commitment beyond the current levels and creative solutions were needed.

# Water affairs might have to trim projects — Asmal

BD 27/11/97

Kevin O'Grady

THE water affairs department would have to start reducing its provision of community water schemes unless it could be guaranteed increased allocations in government's three-year budget plan, Water Affairs and Forestry Minister Kader Asmal said yesterday

Addressing a briefing on his ministry's achievements since 1994, Asmal said R880m had already been set aside for next year but he was concerned that the necessary allocations would not be made in 1999 and 2000.

"If we do not receive (the increased capital allocation), we will have to close down capacity built up since 1994," Asmal said. If that happened, the department would be unable to carry out its undertaking to provide water and sanitation for 6,5-million people between now and 1999.

When the African National Congress came to power in 1994, more than 12-million, mainly black, people had no access to clean, safe drinking water and more than 20-million people had no proper sanitation facilities, Asmal said.

Since then, 1,5-million people, most of whom were poor and lived in rural areas, had received water at a cost of about R2bn and plans to provide water to another 6,5-million by 1999 were underway.

The department had played its role in job creation, using R150m set aside by government for a poverty relief programme in the Working for Water project, removing water-hungry invasive plants in catchment areas, Asmal said.

The project had already created 9 000 jobs and the new injection of funds would create a further 40 000, 55% of which would be for women.

# Ordinary folk must have say in formulating policy — Naidoo

**Last week's local content conference provided a backdrop to yesterday's unveiling of government's green paper on broadcasting. Vuyo Mvoko reports**

WHEN minister in charge of broadcasting Jay Naidoo expounded in Durban last week on the need for local content quotas on SA radio and television, a puzzled broadcasting conference delegate murmured "What made him so angry?"

Local content on our television and radio has been one of the thorniest issues in the preparation of government's green paper on broadcasting policy which was released yesterday

And Naidoo's department, in the process of trying to come up with the first policy framework on the issue, has been accused by members of the broadcasting industry of overstepping its boundaries and of wanting to prescribe content instead of sketching broad policy guidelines

Crowning it all, there are whispers that government is intending to create an environment that will allow for party political interference in broadcasting

Perhaps all this lay behind Naidoo's apparent annoyance at the conference

Concerns were initially aroused when Naidoo expressed a keenness to have the broadcasting regulator, the Independent Broadcasting Authority (IBA), merge with the SA Telecommunications regulatory Authority (Satra), which enjoys less autonomy from government

The feeling was that the latter would lose its independence when it fell under the posts, telecommunications and broadcasting ministry

Such mutterings, and other criticisms that the green paper asks more questions than it answers, probably prompted the question posed by Naidoo at the beginning of his speech "Who sets the agenda for transformation?"

One industry source believes subtle attempts are being made, although still at a very subliminal stage, by government opponents to detract from the essence of the broadcasting and local content debate, and to "concoct" allegations against the policy process

The source alleges that most of the people opposed to Naidoo's policy suggestions, some of them marketers, station managers and directors, were the same people who found the IBA's sets of minimum local content quotas to be burdensome and unnecessary

On the other hand, artists, musicians and local producers — not surprisingly — have generally found local content quotas inadequate

Asked for broader comment after his speech at the end of last week's two-day conference on local content, Naidoo said the issue with regard to broadcasting was not an "unnecessary obsession" about finding who was to blame for current anomalies Instead it was a matter of "trying to define the soul of SA life . a new value system".

Local content, he said, could not be subject to the whims of the highly educated and those in control at radio and television stations Ordinary people should have a say in the formulation of broadcasting policy, Naidoo said

However, his adviser, Joe Mjwara, has admitted that there has been "limited public participation" in the green paper process just completed This begs the question 'at what stage does the public — and the industry — have its full say?

Naidoo went on to say that the SABC would continue to feel the pressure of financial prudence in the face of the country's competing needs and limited resources

However, he congratulated it on being "successful" in its financial repositioning

The SABC, which had been pilloried by almost everyone, "maybe deserved (the criticism)"

It would still be required of the public broadcaster to have programming that reflected the "African renaissance", he said

And advertising agencies — against whom award winning author and television writer Zakes Mda had fulminated, accusing them of being racist, conservative and living in the dark ages — would have to adapt or die, said Naidoo

He saw broadcasting in general, and local content in particular, as playing a pivotal role in this country's economic development needs

While marketers' representation was insignificant at the conference, Naidoo said he hoped that the sector, as well as others who had doubts and reservations about government policy, would meet with his department to deal with the issues in a deeper and more profound way.

The role of government, in the end, should be to provide a framework that would enable broadcasting to flourish and thinking therefore had to be "lateral", he said

In his address to the conference, IBA councillor John Matisonn said the dilemma facing SA could be most simply demonstrated by imagining two futures

The first would be "one in which nearly all the music on the radio is American and nearly all the television is supplied by one or two foreign countries"

"This scenario leads people to hunger for all things foreign, to aspire to be someone else, someone they can never be

"Instead of participating in building our democracy they wish they were part of someone else's."

The other future was one in which South Africans were "full participants in shaping their own destiny for themselves and the role of SA in the world", said Matisonn

The conference's guest speaker, Hawaiian producer Esther Figueroa, had this advice for SA's broadcasting policy formulators "History is about small moments, small actions, small decisions

"It is also about missed opportunities, inaction and fear

"You have here in SA a wonderful moment to create something truly momentous, something sustainable that can go on and on and make a difference.

"Grasp the moment and be leaders. We will thank you for many generations to come."

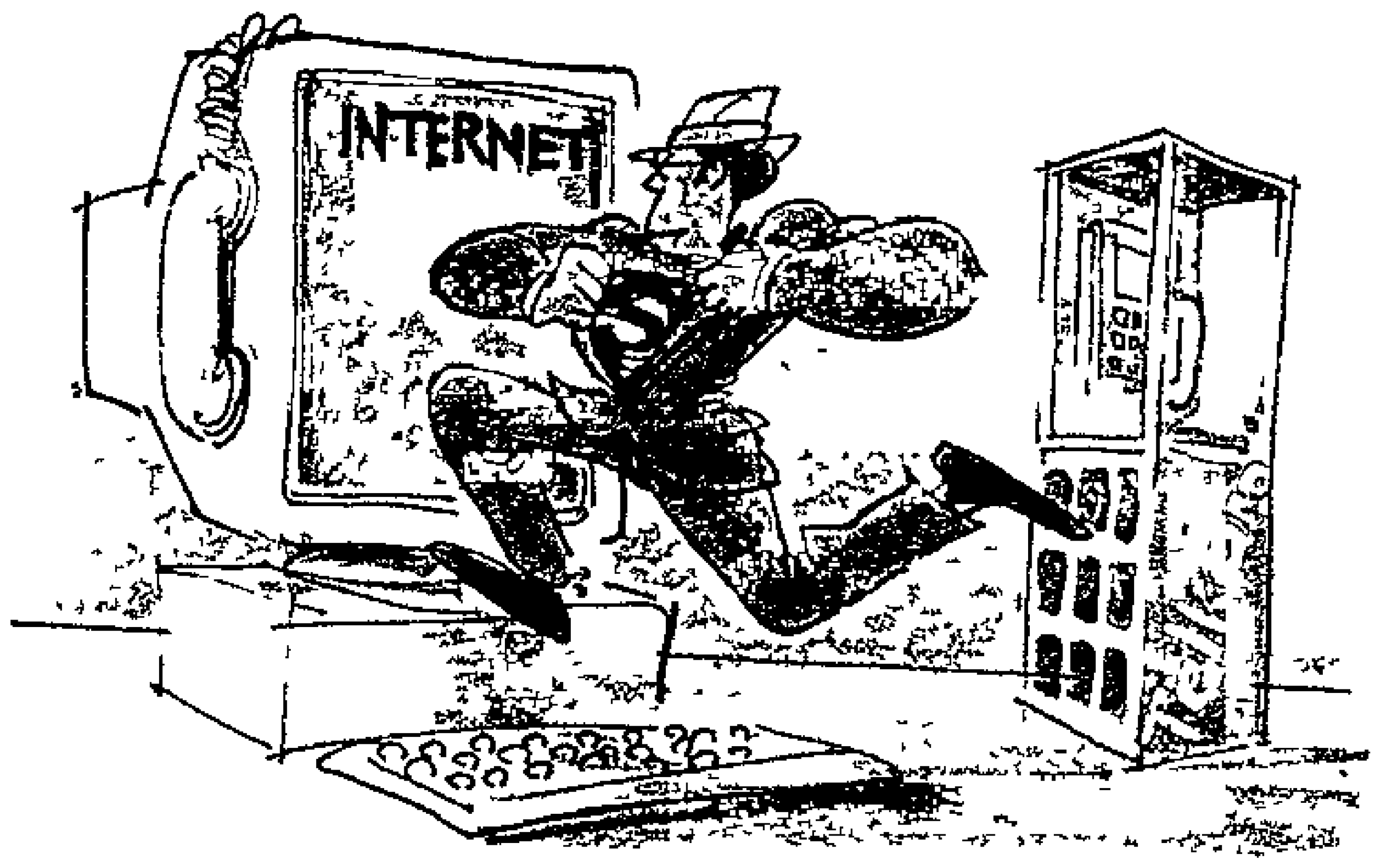
TELECOMMUNICATIONS

# Warning bell tolls for international phone giants

Embrace Internet telephony or lose out to new, nimble operators, industry warns Telkom FM 28|11|97 (267)

A showdown is looming between Telkom and proponents of Internet Protocol (IP) telephony, where voice is carried across data networks, such as the Internet

Telkom fears it will lose a substantial chunk of its revenue because of the new technology Using IP telephony, users can make long-distance calls at the same price as a local call This could throw the international telecoms market into turmoil in the next few years, as the technology becomes readily accepted and quality improves




The International Telecommunications Union (ITU) said recently that "if Internet telephony stole only 6% of US phone traffic, this could potentially eliminate the profits of US long distance carriers"

Despite being illegal in SA, this perceived threat is believed to have become the pivotal factor driving Telkom's fierce attempts to monopolise the provision of Internet access at the expense of the private sector, and illustrates the importance of the SA Telecommunications Regulatory Authority (Satra)'s recent ruling that Internet access is a service in the competitive domain

"Telkom has no reason to doubt the ITU's prediction of revenue losses incumbent telephone companies will incur from IP telephony," Telkom's regulatory affairs division says "The threat is real"

In its submission to the Pretoria High Court against Satra's recent ruling, Telkom claims it could lose R1bn a year in revenue if it is not given a monopoly over Internet access services

International Data Corp (IDC) research conducted in May and June 1997 shows that 20% of US corporations' Internet traffic is voice communications IDC's 1997 North American Residential Telecommunications Survey, fielded in January and February 1997, reveals that 24% of on-line households are "very interested in using the Internet for long distance calling"

Already, a German media firm, Bertelsmann, plans to offer a telephone service from next year that undercuts Deutsche Telekom's long-distance and international rates by up to 60% If successful, the company will use Internet telephony to attack the entire European market

Deutsche Telekom has responded to Bertselsmann by acquiring a small Internet telephony firm, VocalTec, and is piloting IP telephony

SA Telephony Managers' Association chairman Dave Ingram slams Telkom's moves to monopolise Internet delivery, and says the technology does not necessarily threaten Telkom "Instead of harassing the industry, Telkom should accept IP telephony as a fact of life and offer it as an alternative method of making telephone calls"

Already telecoms carriers in Japan, Sweden, Finland and Germany have embraced IP telephony and are installing additional high-speed backbones to their infrastructures to support it

Dimension Data Networking's national technology manager Neill Hart says these companies have realised they can use data compression techniques across IP networks to make their businesses more efficient Telecoms equipment manufacturers, including Lucent Technologies and Nortel, are developing carrier-strength devices to support the large-scale deployment of IP telephony

In the local market there is still confusion over the legal status of IP telephony But Satra spokesman Esta Gouws says that, without doubt, "IP telephony is illegal in terms of the Telecoms Act"

The Internet Solution joint MD David Frankel says that if it were not against the law, IP telephony would offer an "interesting diversification opportunity" for his company Telkom's exclusivity and the lack of deregulation is hampering the convergence of telecoms carriers and Internet service providers, he adds

"In the rest of the world this is already happening Just witness the WorldCom, MCI deal"

While Ingram says he will not encourage business to break the law, home users are already adapting to the technology Internet handsets that connect to standard PCs, and software to facilitate IP telephony, are flooding into the market, and are available at computer retailers "If someone sells a product to talk over the Internet, people will buy it," Ingram says "The question is, is it morally right?"

One leading IT retailer is importing a product called Internet Phone, a suite of software tools to enable real-time voice across the Internet "Now you can make unlimited, long-distance phone calls and much more for just the cost of your Internet connection," the product's marketing material boasts

Software, IP handsets and devices to convert audio from regular telephones to data able to travel across the Internet are all on sale in SA

Internet service providers say they will not market IP telephony However, because of the large volume of traffic they carry, they are not able to filter voice traffic from their networks, making it impossible to police

Hart says it is possible to replace the traditional PABX switchboard with a computer acting as a voice server Telephones could connect to the IP backbone of a corporation, the same backbone now being used by most corporations for communication between their PCs "The data world is challenging the traditional voice world," he says

Voice-enabled, call centre-enabled Internet Websites, where potential customers can verbally communicate across the Web with organisations is just one application which Hart believes is in the pipeline once bandwidth issues have been addressed

Duncan McLeod

## IT DIGEST

- **M-Web is** in an advanced stage of negotiations with PiX Internet about a possible acquisition of the company PiX MD Balan Reddy says an announcement will be made soon M-Web was formed after the acquisition by MIH Holdings of CompuServe and WorldNet Africa from M-Net, which in turn acquired the businesses from the CSIR The proposed acquisition follows DataTec's buy-out of Global-One

- **Privately held** US firm WorldSpace wants to bring up to 100 channels of digital programming to a 1bn people in Africa and the Middle East, starting with the launch of its US$850m Afristar satellite next June Almost 4,6bn people will be able to access worldwide, says WorldSpace chairman Noah Samara

# Net petition launched to curb Telkom

Lesley Stones (267)

BD 2/12/97

MEMBERS of the public are being asked to sign an electronic petition urging government to amend the Telecommunications Act to prohibit Telkom from monopolising Internet access

Organiser Daniel Brink hopes to gather 300 000 signatures

The move coincides with an appeal to be heard by the Pretoria High Court this week in the long-running dispute over Internet access.

The court will study submissions from Telkom, the SA Telecommunications Authority (Satra) and the Internet Service Providers' Association (ISPA), and rule whether Telkom should have an exclusive right to provide Internet access. A verdict is expected within a week

The appeal was lodged after Satra ruled that Internet access was not a basic service covered by Telkom's exclusive licence

Telkom asked the High Court to nullify that verdict on the grounds of irregularities in Satra's decision The ISPA's submission argued that the Satra decision was reached after due diligence and should be adhered to

The petition has been sparked off by anger at the way Telkom seems to be riding roughshod over other Internet industry players

# A watershed year for ministry — Jay Naidoo

(267) BD 3/12/97

Robyn Chalmers

GOVERNMENT would finalise the restructuring of the ailing Post Office next year as well as launch legislation and white papers on broadcasting and on postal services, Communications Minister Jay Naidoo said yesterday

In an overview of the year, Naidoo said the post, telecommunications and broadcasting ministry had a watershed year which saw a 30% stake in Telkom being sold, a turnaround exercise launched at the Post Office and the SA Broadcasting Corporation's (SABC's) restructuring kickstarted

A highlight of the year was the R5,7bn sale of a stake in Telkom to US-based SBC International and Malaysia Telekom which would see Telkom spending up to R53bn on the delivery of 3-million telephones in six years

Naidoo said significant progress had been achieved by Telkom which was set to deliver 350 000 telephones in 1997/98. Priority areas for telecommunications development would be the Eastern Cape, KwaZulu-Natal and Northern Province

A green paper on policy formulation for the postal sector had been launched this year with a white paper and legislation to be undertaken next year The green paper showed there was diminishing public revenue to subsidise large and increasing postal operating losses while volumes and postal revenue were falling

Naidoo said postal reform was based on the need to restructure the Post Office and the postal sector to be more efficient and to meet customer needs and expectations About 8-million items of mail a day were processed

Progress made included the delivery of 1,1-million new postal addresses this year, modernisation of distribution systems and the construction of three new mail centres

The SABC moved from a deficit of R60m last year to an interim profit of R72m. The recent publication of a green paper on broadcasting aimed to provide a framework for the organisation, orderly expansion and regulation of the broadcasting system

Communications department director-general Andile Ngcaba said the goals for the new department were high-quality universal service at affordable cost, developing human resources, formulating policies and development of advanced telecommunications infrastructure and service

# Court postpones decision on Satra's Internet ruling

(267) CT (BR) 4/12/97

**Sherilee Bridge**

Johannesburg — The battle over access to the Internet was extended into the new year yesterday, as the Pretoria high court postponed until February an application by Telkom, the telecommunications utility, to reverse a decision by the industry's regulator

Telkom is seeking to set aside a ruling by the South African Telecommunications Regulatory Authority (Satra) that there will be no monopoly over Internet access

Cedric Puckrin, Telkom's senior counsel, said Telkom did not consider the Satra pronouncement as binding

Satra had failed to follow the correct promulgating procedures laid out in the Telecommunications Act by neglecting to have the pronouncement gazetted before releasing it for public knowledge, he said

The court also denied a request by the Internet Service Providers' Association (Ispa) for a temporary interdict preventing Telkom from refusing bandwidth to Internet service providers (ISPs)

Mark Todes, the joint chairman of Ispa, said it was a pity the case had been postponed but said the Satra ruling still stood and was in force until otherwise decided by the courts

Both Satra and Ispa opposed the application, which was served on Satra, Satra's chairman Nape Maepa and on Ispa.

Willem van der Linde, Ispa's senior counsel, said the postponement could cause "immeasurable damage to the South African Internet industry"

Telkom was in court over the technical definition of whether Internet access should fall under a value-added network service licence or under Telkom's five-year telephone service monopoly

□ Business Watch, Page 17

# Task team studies post office rescue remedies

BD 9/12/97 (267)

Robyn Chalmers

RECOMMENDATIONS to transform the ailing post office were before a top-level task team and would be translated into plans early next year, said Communications Minister Jay Naidoo

The recommendations, encapsulated in a strategy called Operation FuturePost, aim to ensure that the post office moves into a break-even position in three to five years

Naidoo said that every aspect of the post office's operations had been put under the microscope to restructure what had become an ailing operation characterised by a poor and diminishing service and a growing reliance on the state to subsidise operating losses

The post office subsidy was R572m in 1995/96. It was budgeted at R659m in the previous financial year and R359m this year. Last year's income was R2,2bn, with expenditure higher at R2,8bn Assets totalled R881,4m

While the key recommendations would be released only next year, measures relating to expenditure and security controls were under consideration and a restructuring of the post office board was already under way.

Naidoo said that, in future, the post office was likely to implement tariff increases more inflation-linked than the huge hike seen this year where standard letter rates rose 40% to R1

He once again ruled out any privatisation of the post office in the short term, saying internal issues had to be sorted out and that government viewed the post office as providing a valuable social service. Consideration could, however, be given to bringing in a strategic equity partner for Post Bank

Naidoo said no decision had been made on Telkom's future shareholding following the recent sale of a 30% stake to US-based SBC International and Telekom Malaysia for R5,7bn.

"Telkom needs to meet its telephone delivery and other goals (but) as we move towards competition in 2002, the issue of shareholding will come up We will consider a range of options . (including) another sale and a listing "

Naidoo said he had confidence in the SA Telecommunications Regulatory Authority's ability, but appealed for a "more consensual" relationship between the authority and operators

Sowetan 9/12/97

267

# 'Govt priority is better postal service'

By Ido Lekota
Political Reporter

THE Government does not intend to embark on a large-scale privatisation of the postal service, Posts and Communications Minister Jay Naidoo said yesterday.

Naidoo told a media briefing in Cape Town that there was little international experience of massive privatisation of the postal service.

"The Government's priority is to provide a reliable, efficient postal service," he said. This could be achieved by addressing internal inefficiencies and proper restructuring policies.

Naidoo, however, pointed out that some form of privatisation could take place at certain levels, such as in the case of the postal bank. In that instance a strategic equity partner with the necessary financial expertise could be identified to enhance the provision of such a service.

Also, painting an optimistic picture, Naidoo said the Post Office could break even within three to five years.

On achievements by his Ministry, Naidoo said one million of the four million South Africans previously without postal addresses now had them. He said at least 250 000 telephone lines were installed last year and another 350 000 were expected to be completed between this year and next year.

Naidoo also confirmed that the listing of Telkom on the stock exchange was not an "immediate priority for the Government".

However, he pointed out that by the year 2002 there would be a different form of competition with the advancement of technology. Such changes could then necessitate the Government to look at its 70 percent shareholding.

Recently Telkom chairman Mr Dikgang Moseneke said the listing of Telkom was "inevitable". He has since retracted the statement.

# 'Record number' of credit cards delivered in four days

(267)

**Business Day Reporter**

THE SA Post Office's Securemail broke all its records recently when it delivered 60 000 credit cards in four days, with a 99% success rate, the Post Office said this week BD 11/12/97

The high security mail delivery section of the Post Office was established in April this year to reduce fraud and postal theft of security-sensitive mail items. Spokesman Ben Rootman said Securemail was set up as a separate business unit in co-operation with major financial institutions and the Receiver of Revenue

Securemail also distributes new applications and urgently needed replacement cards to branches, said United Bank's manager of card control and embossing, Theuns Bezuidenhout.

Rootman said because of the upswing in credit card theft in the past few years, the need to close all loopholes in the postal system had become increasingly important This was to be achieved by using only the Post Office's courier service, Speed Services Couriers, with specially assigned staff to handle distribution to customers

Despite initial teething problems, the section had been successful in minimising postal theft, said Rootman. Lionel Nicolson of the Standard Bank's card division said there had been a big improvement in delivery and service compared to two years ago, and that it was improving every month

# Internet player claims Telkom is sabotaging its business

(267) BD 11/12/97

Lesley Stones

AN INTERNET service provider which has waited eight months for telephone lines has complained to the SA Telecommunications Regulatory Authority (Satra) that Telkom is sabotaging its business.

Pretoria-based Smartnet applied in April for telephone lines for its new offices in Woodmead, Johannesburg, said CE Lance Terner. However, the company was told this month that it was an "illegal" service provider and no lines would be supplied until Smartnet filled in a questionnaire from Telkom's legal department.

"We are paying salaries and rent on the building and it has hit us very badly because we still cannot do business," said Terner. "Now we have been told we are an illegal service provider and cannot have lines until we fill in the questionnaire, but that never came."

Smartnet has forwarded its complaint to Satra, which has a duty to investigate complaints of failure to provide a service. Telkom's executive for regulatory affairs, Pinky Moholi, said yesterday she would have the Smartnet complaint investigated.

Meanwhile, other service providers are grumbling that Telkom is making it difficult to upgrade their international networks. Contributors to an on-line Internet discussion forum are urging companies to register their complaints to assess Telkom's alleged obstructive behaviour.

"It seems Telkom is making it difficult for service providers to obtain the physical circuits to upgrade their international bandwidth, and also withholding local services," said Anthony Brooks, an adviser to the Internet Service Providers' Association.

That could lead to international services slowing down and dial-up customers getting engaged signals, he said.

"Telkom will interpret the law in any manner which suits it to avoid providing services, but it is completely unethical," said Brooks.

Telkom is acting in a void created by last week's high court decision to postpone a hearing on whether Telkom should be the sole provider of Internet access. Telkom asked the court to overturn a decision by Satra that access provision did not fall under Telkom's monopoly.

The hearing was postponed until February, but industry players say the parastatal is acting as if Satra's decision has already been nullified.

"We need Satra to clarify that its ruling still stands, so companies can take action to prevent Telkom withholding services," said Brooks.

Satra communications head Esta Gouws confirmed yesterday that the Satra ruling was binding despite the pending appeal.

Telkom denies unlawfully refusing to supply bandwidth, saying it was following the Telecommunications Act which forbade any party which bought bandwidth from reselling it.

A source within Telkom said the company was simply requesting information to ensure applicants complied with that rule. However, its action was being misinterpreted as a deliberate method of obstructing companies that provided rival Internet services, he said.

Email fminfotech@tml co za

THE INTERNET

# Law under fire over phone monopoly

(267) FM 12/12/97

Telecoms Act of 1996 called into question as embattled State-owned carrier lashes out at the free market

The tension in courtroom 6G at the Pretoria High Court last Wednesday was palpable Executives from both Internet service providers and State-run telephone monopoly Telkom hung on to every word uttered by their attorneys and Justice Danie le Roux

As it happened, the matter was postponed until February, but Justice Le Roux overturned a temporary interdict sought by the Internet Service Providers' Association (Ispa) that Telkom be required to supply bandwidth

Despite this, Telkom's attempts to have the ruling by the SA Telecommunications Regulatory Authority (Satra) that Internet access is a competitive service declared null and void, have unwittingly begun a battle that could question Telkom's monopoly over voice communications

Industry consultant Anthony Brooks, who was involved as an independent mediator in the dispute between Ispa and Telkom from the time the matter was before the Competition Board last year, has launched a stinging attack on government and criticised the regulatory and legal environment

He attacks the 1996 Telecoms Act on which Telkom is basing its claims for a monopoly over Internet access "Increasingly, I place the blame for the current regulatory mess squarely on government's shoulders,"

Brooks told an industry discussion forum last week "Admittedly, I don't like the approach Telkom has taken to expressing its views on Internet regulation, but if the SA government had been more forward-thinking when the Telecoms Act was written, there wouldn't be grounds for Telkom's actions in the first place"

He continues "The existing telecoms laws are so riddled with clauses that could inhibit the growth of the Internet that nothing short of an extensive revision of the law is going to offer meaningful long-term solutions"

Flying in the face of a Satra directive, Telkom, meanwhile, is threatening to refuse to supply critical bandwidth to service providers

Arnold Pronto

*Anthony Brooks* *shifting the blame*

Though Telkom's regulatory affairs division says it will provide bandwidth to any company operating, or willing to operate, within the confines of the Telecommunications Act and Telkom's licence, it adds ominously that it will "not willingly contravene the law by providing unlicensed providers services they are not legally entitled to receive or if we know such services will be provided to others (resold) on an illegal basis"

This is a serious issue for the larger service providers, who are not only as yet unlicensed, but also resell capacity on their networks to smaller operators If Telkom refuses to supply bandwidth, the company is likely to face an urgent legal challenge from the private sector ahead of the hearing scheduled for February Following Satra's pronouncement, service providers will only be licensed next year

Telkom could not be further isolated than it is on this issue The entire IT industry, nongovernmental organisations, consumers, competitors, even its own subsidiary Vodacom, have lashed out at it

Only government has not publicly expressed its view on the matter Department of Communications spokesman Connie Molusi says this is to keep government's policy-making functions (the Communications Department) separate from Telkom (70% owned by the State) and the regulator (Satra is also a government body under the department) IBM SA executive Carlos de Figueiredo says Telkom is threatening SA's global competitiveness "If Telkom tries to monopolise this infrastructure by hindering free market attempts to roll out technology, we are doing the country a disservice," he says

"Monopolies lead to complacency and that leads to poor quality of service, which is, in turn, diametrically opposite to the principles of the coming knowledge-based society in which customer service is the key"

He says telecoms and Internet infrastructure is as vital to the information economy as the roads infrastructure was to industrial society

Internet telephony, where international calls can be made at local rates, could pose a serious threat to Telkom unless it embraces the technology, according to industry experts (*Information Technology*, November 28)

Cape Town-based computer consultant Danie Brink has launched a public petition against Telkom's monopoly plans (www petition org za) He says should Telkom have an Internet monopoly, it would raise rates for accessing the Internet to the disadvantage of consumers

Already Internet rates will increase by 25% if Telkom's proposed increase in local call rates is passed by Satra Brink also says connectivity would be slower and service quality would slump

"I am upset that Telkom's foreign partners are trying to push small SA companies out of business Telkom should compete fairly instead of pushing innovation out of the country"

The public's perception of Telkom has

# Post Office moves to stamp out theft

PRETORIA — The SA Post Office had dismissed 222 employees for fraud or theft since April this year, MD Frank Touwen said yesterday

The post office's anticrime campaign was bearing fruit, he said. "While only a small percentage of employees are guilty of such offences, they will be fired and will not be allowed to tarnish the company's image."

Regarding Christmas mail, Touwen said the post office had maintained a delivery standard of more than 90% during December. Mail volumes peaked on December 13, although volumes from abroad had not eased yet.

Touwen said key post offices would remain open on the afternoons of December 24, 27 and 31. However, post offices in mining and industrial areas where surrounding businesses were closed would be closed on December 27

He urged customers who were aware of any illegal practice to call the post office's 24-hour crime-buster hotline on 0800-033554. — Sapa.

(~~268~~) (267) BD 23/12/97

also nosedived as a result of its attempts to monopolise Internet delivery, Brink says "The people I speak to are so dissatisfied with Telkom that I think there will be a mass defection when the market is opened to competition"

Brink, who received about 550 signatures in the first four days of the Website going live, hopes to collect around 300 000 by February

Mike Lawrie, head of Uninet, a non-profit organisation that provides Internet connectivity to technikons and universities, says Telkom's monopolisation attempts have seriously hurt the company's image among academics and students The Internet is used extensively in academia "SA produces 200 000 graduates a year, and a high proportion of these are moving into industry with an anti-Telkom feeling," Lawrie says "Telkom is also on very shaky ground If it does not abide by Satra's ruling, Satra has the power to revoke Telkom's licence Telkom is sailing very close to the wind"

Despite renewed uncertainty the court's postponement has introduced to the industry, consolidation has begun apace Just weeks after DataTec's buyout of the loss-making Global-One, MIH subsidiary M-Web acquired PiX Internet, effectively doubling its number of dial-up customers to more than 20 000 Other service providers, including one large but loss-making player, are also believed to be for sale Competitive ISPs have stepped up their marketing efforts, launching television, radio, on-line and print advertising campaigns "It's business as usual," says Ispa co-chairman and UUNet Internet Africa strategy and marketing director Mark Todes

M-Web CEO Antonie Roux says the larger service providers have not yet established their dominance in the SA market, leaving room for M-Web to muscle its way in A number of further acquisitions are in the pipeline, Roux says

Consolidation in the industry will force Internet access providers to become niche players, says Virtual Motion director Ryan Gilbert He cites the example of a Western Cape-based access provider which supplies connectivity and related services only to the wine industry

Market rumours that a group calling itself Premier Alliance is seeking to merge smaller access providers and list a larger entity on the JSE could not be confirmed

Whatever the case, Gilbert reckons SA's Internet landscape will look different by the end of next year Because of consolidation, there will be far fewer players, and rapid technological change could have again turned the industry on its head **Duncan McLeod**

ON-LINE PUBLISHING

# M-Web casts its net wider

Industry shake-up follows raft of new-media deals

**Few companies** would consider a product launch and rah-rah marketing campaign in the lethargy of December But then M-Web is an M-Group venture with the attendant obsession about branding, branding and branding

The 'M'arketing aggression was palpable at a barely disguised press conference held at MultiChoice's Randburg offices last week to announce the "official" arrival of M-Web to the SA Internet industry

The function was almost an afterthought since M-Web has spared no expense in turning its expensive WorldNet Africa purchase into a slick enterprise with one ambition — to realise the power of media convergence and crush the competition

M-Web's emergence signals another phase in the intensifying Internet market shakeout that will have far-reaching effects The sea change is destined to swamp stragglers in both the Internet access and content provider spheres

PiX, one of SA's first internet access providers, is the latest acquisition in M-Web's relentless pursuit of dominance above all else Insiders say the deal was valued at R20m

Another significant announcement is the deal with MIH's Oracle Airtime Sales to sell advertising across M-Web's Internet sites, as well as on behalf of competitors The PiX deal boosts M-Web's dial-up subscriber base to 20 000, generating a R1,7m monthly cash inflow It is some distance behind volume leader UUNet Internet Africa, owned by DataTec, with 50 000, and on a par with Di-Data subsidiary The Internet Solution's Icon

M-Web CEO Antonie Roux is candid about throttling the competition "We are aiming to be number one in SA by the turn of the century"

There remains considerable room for growth in the corporate market although saturation point is not far off Until then, unwired corporates can look forward to a three-way price and service war

DataTec executive Andrew Smith also hints at a number of projects in the pipeline and says the market can expect a "major announcement about content and connectivity convergence"

Despite Smith's favourable outlook, it seems likely that Primedia Interactive's NewzDesk netcasting product is in trouble The *Electronic Mail & Guardian (eM&G)*, its primary source of content, now belongs to M-Web, and it's only a matter of time before another of its content providers, the Independent's *Business Report*, is reeled back into the parental fold

NewzDesk's troubles highlight the importance of publishers owning content The future economics of media convergence will be driven by ownership and control of content creation, packaging and distribution M-Web is currently best placed to do the latter two — once Telkom's monopoly vanishes in 2002

Before that, it must concentrate on acquiring content It will boost the M-Group's infotainment focus, particularly the association with household brand M-Net What M-Web cannot create, it will buy

Securing the content of the *eM&G*, SA's oldest and most popular on-line publication, provides the critical mass which is required to establish a beachhead in the industry

There is speculation that the *eM&G*'s daily news cameo — *ZA NOW* — could be the vehicle for a new venture that may be targeted at the mass market **Timothy Wood**

□ Wood is the editor of Times Media's Net-Assets on-line publishing venture

ATIO CORP

## Deals loom

**Theta Securities** director Nic Adams, together with a consortium, has invested R8m as new equity capital for just over 5% of IT and telecoms group Atio Corporation

Adams, who now becomes a non-executive director at Theta, began his relationship with Atio in February, when he was appointed to the board to look after Theta's (formerly Baobab Solid Growth's) then-40% stake in the company

Atio CEO Gary Craul adds that the group is now in discussions to sell more than 20% of the company to black empowerment interests "We are aiming at being a black-controlled company as fast as possible"

Negotiations with an international company are also proceeding regarding an investment in the group

Craul expects Atio to seek a JSE listing within two years **Duncan McLeod**

Email. fminfotech@tml co za

TELKOM

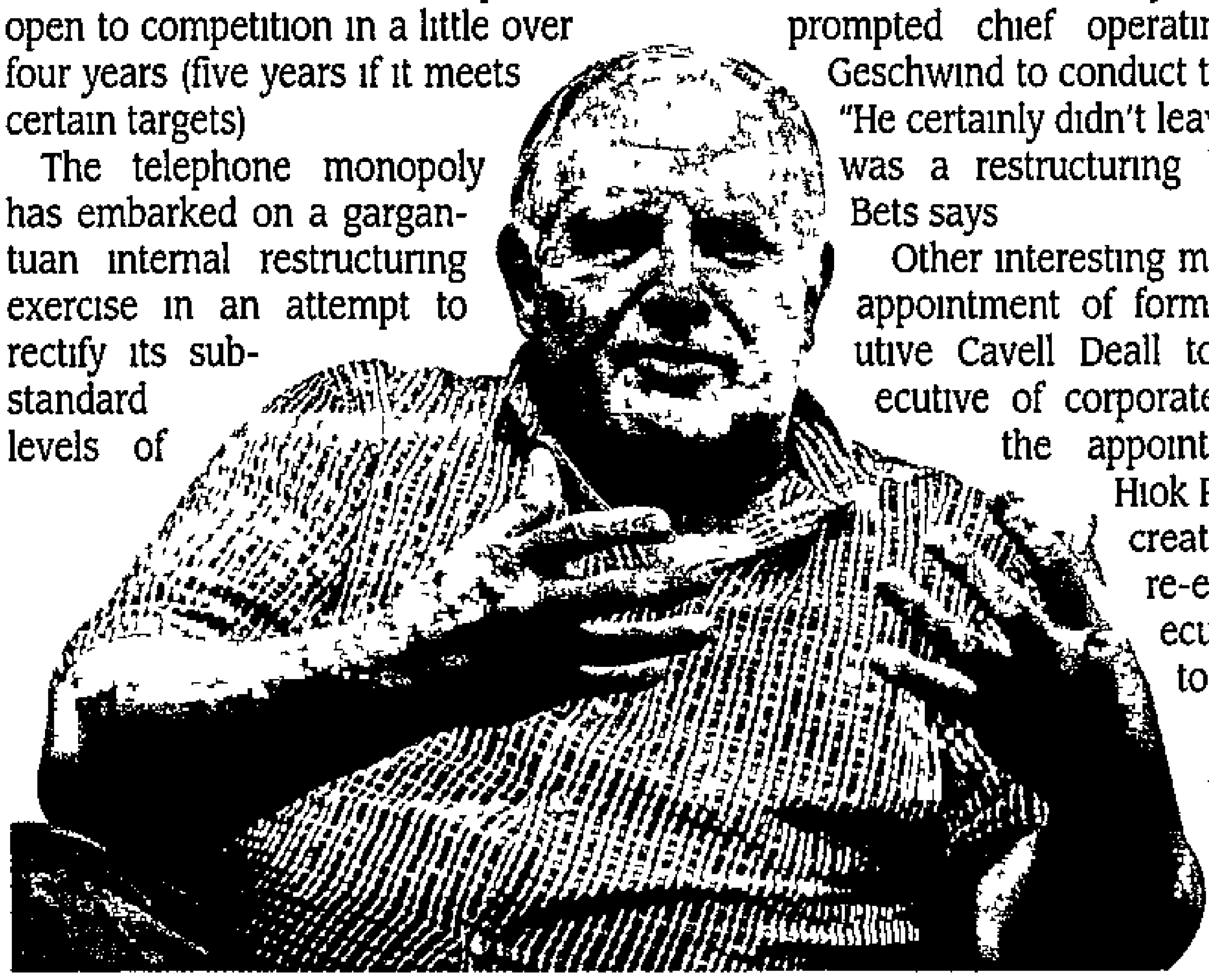
# Texans, Malaysians weave a new web (287)

Foreign equity partners waste no time turning group on its head after another top executive heads for the door

fm 19/12/97

Telkom's new offshore partners, Southwestern Bell Communications and Telekom Malaysia, appear hell-bent on not losing market share when the telecommunications landscape is thrown open to competition in a little over four years (five years if it meets certain targets)

The telephone monopoly has embarked on a gargantuan internal restructuring exercise in an attempt to rectify its substandard levels of customer service and improve poor communication between traditionally isolated business units



Arnold Pronto

**Ben Bets** *getting ready for the spectre of competition*

The restructuring comes after the departure last month of Telkom stalwart Tony Leng, former head of the corporate customers business unit Leng's departure follows the resignations this year of MD Brian Clark, finance executive Angus Band, IT group executive Peter Jordi and networks & technology managing executive Hannes Steyn All would have had their management positions weakened because of the right of the strategic equity partners to appoint a chief technology officer and chief financial officer

Leng's unit, which has now been disbanded, held a number of highly contentious projects These included the mostly abandoned, R500m SA Value Added Intelligent Network (Savain) project and the SA Internet Exchange (SAIX), for which Telkom is seeking a monopoly to the chagrin of consumers and the private sector

Managing executive for customer service and sales Ben Bets, says Leng's departure prompted chief operating officer Mac Geschwind to conduct the restructuring "He certainly didn't leave because there was a restructuring being planned," Bets says

Other interesting moves include the appointment of former Unisys executive Cavell Deall to managing executive of corporate accounts, and the appointment of Chan Hiok Ping to the newly created position of re-engineering executive Both report to Bets

Of particular significance, a division will also be formed to look after the top 20 to 30 SA corporations and government institutions, which contribute substantially to Telkom's revenues

This operation will be housed alongside a special market services unit, set up to handle services to Internet service providers and cellular network operators, previously handled by corporate customers The service providers and cellular operators now fall under Rhynie Greeff, the controversial executive whose division was responsible for Telkom's complaint to the regulator (Satra), calling for the banning of callback operators Other corporate customer unit functions move to Bets' division

There is good reason for establishing a team to focus on Telkom's top 30 clients Senior management within the large banks and other top companies are known to detest Telkom's poor service and perceived arrogance Telkom cannot afford to risk losing these clients when competitors arrive These customers contribute "significantly" to Telkom's revenues, Bets says "We intend to give these accounts special attention"

But unless it gives up its stubborn attempts to monopolise Internet access, industry executives warn, Telkom stands to lose a substantial number of customers anyway (*Information Technology*, December 12)

Rampant cable theft is also hampering the group's plans So far this year, the company has lost 278 000 pairs of copper cable on the East Rand alone

Bets says the aim of the restructuring, expected to be largely completed by January, is to "emphasise service and de-emphasise business units, which possibly created silo thinking within the company"

At the regional level the customer service and sales unit is integrating geographically dispersed organisations to enable seamless service delivery and to de-emphasise many of the artificial splits that existed between voice and nonvoice services

While Bets says there could be resignations as part of the overhaul, he is emphatic that no staff will be retrenched Instead they will be redeployed within the organisation

Further restructuring is not planned at this stage

The closure of the corporate customers unit and the rationalisation of divisions will not affect the size and value of information systems and network tenders, a large source of revenue for the IT industry

Telkom is rolling out new customer-facing systems, including seven nationally linked call centres in a project with Didata worth up to R130m

New services planned include three common national numbers for billing inquiries, fault reporting and service orders, which will be in place in January, as well as a national tollfree number for escalated customer complaints

Within 24 months Telkom will replace all its remaining electromechanical and manual exchanges, as well as upgrade all electronic exchanges It will spend R6,9bn on capital projects to modernise and build its network in the current financial year **Duncan McLeod**

## IT DIGEST

- **Telkom** denies that an R800m-R1bn cable contract has been awarded to Aberdare, ATC and Samsung "There is a short list of seven companies and we will decide within a month," says a Telkom spokesman