

DGP 004/0005/4

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2 October 1995

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Dear Francis Guglielmi

I have had a res[ponse from the Deputy Minister, Mr Kasrils. The information he gave me is as follows:

He was not aware of the calling for tenders for the aircraft we are interested in. Given current budget constraints he did not think they would be calling for tenders, but if they did he would keep me informed about the tender process.

He said that excellent though French equipment is, it is known to be high cost and especially high cost when it comes to spare parts. In the highly competitive world of aircraft, vehicles and other equipment, this is a distinct disadvantage.

I said that the French Government was very strong on backing trade through a cobination of soft loans and backing for suppliers credit, and that I would ask you to look into this, because the planes they are using for VIP transport are getting to be quite old.

The Deputy Minister said that they were always interested in the possibilities of counter trade to make it possible to pay for the equipment they need to buy. The counter trade need not be in related fields of equipment or other hardware, and they were especially keen to assist the Reconstruction and Development Programme (RDP) through counter trade which would strengthen the South African economy. In my opinion this also implies training programmes for Human Resource Development.

Given the difficulty the Ministry has in buying the aircraft that they need, I want to put to you a suggestion which could be of service to all of us. That is, to provide the aircraft on a long term lease, which may overcome the difficulty of purchase

due to lack of capital funds in the budget; it may also be more economical than continuing to use the old aircraft due to the high cost of maintenance. From your point of view, there would be the long term benefit of being able to earn through the service and maintenance aspects of the lease agreement. Airlines do this, why not in the civilian aspects of airforce activities. I understand that the employment of outside maintenance contractors is a growing trend in various countries of the world.

From the Ministry's point of view, the major advantage is that the operation of the aircraft will come entirely out of the revenue account for recurring expenditure, rather than out of their capital account.

Now that I have been able to have direct contact, as a result of my recent visit to South Africa, I am confident that I can put to the Ministry proposals relating to counter trade and ways of helping them to solve their problems to the mutual benefit of the parties.

We also need to speak about our mutual relationship, which, as you see, I take on trust because of your introduction to me by ^{or} a mutual friend *Jacques*.

With best wishes

Yours sincerely

Dennis Goldberg