

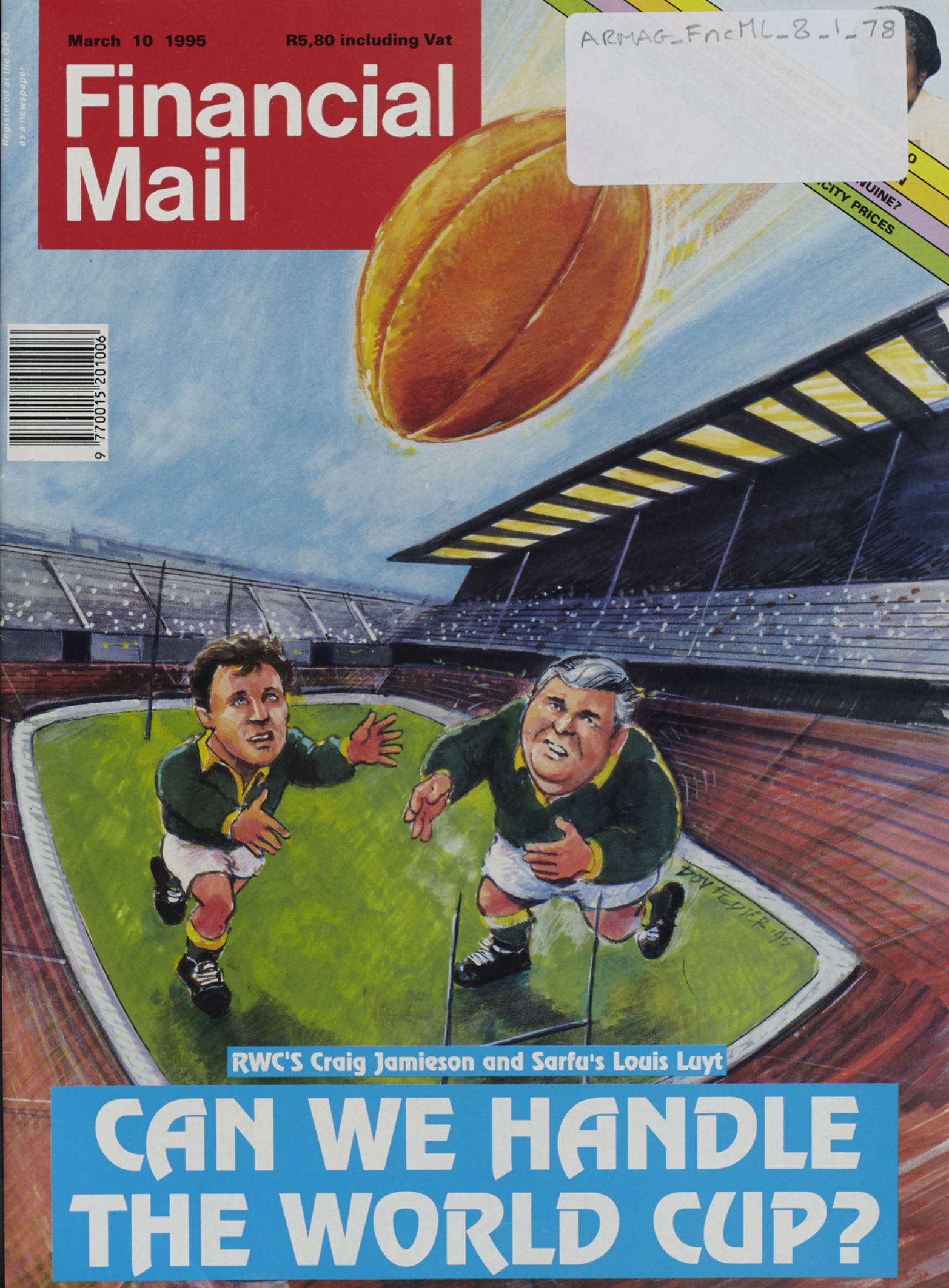
March 10 1995

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# Financial Mail

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RWC'S Craig Jamieson and Sarfu's Louis Luyt

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ESSENTIAL BUSINESS ISSUES

## ANOTHER WEEK

### AT HOME

**The Inkatha** Freedom Party decides to return to parliament but to withdraw again if international mediation on regional powers is not agreed to within a month.

**Independent** Development Trust CE Wiseman Nkuhlu resigns to go into private business. He is succeeded by his deputy, Merlyn Mehl.

**Vincent** Zwelibanzi Mntambo (38), a lawyer and expert on human rights formerly employed by Independent Mediation Service of SA, is appointed director-general of Gauteng, heading a staff of 130 000.

**Police** raid the Soweto home of Arts, Culture, Science & Technology Deputy Minister Winnie Mandela and take away documents while she is touring West Africa. She seeks legal judgment for the return of the documents.

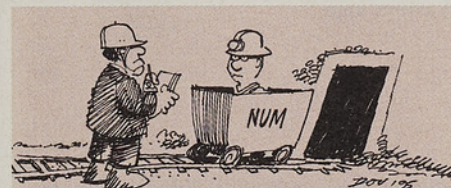
**Marius** Schoon lays charges of murder and attempted murder against ex-police spy Craig Williamson over the 1984 letter-bomb deaths of his wife and daughter in Angola.

**Parliament's** Speaker, Frene Ginwala, outrages the National Party by apologising, in a joint sitting of the National Assembly and Senate, to Mozambique's visiting President Joachim Chissano for "terrible crimes" committed by SA against people of his country. Chissano says the apology is undeserved.

**Parliament** is adjourned for 12 days, only 10 days after it was officially opened, to allow portfolio committees to finish preparing Bills so that the National Assembly will have something to debate.

**Argus** Newspapers launches *Business Report*, an insert for three morning dailies and the first edition of *The Star*.

**The National** Union of Mineworkers pays R66 000 at Johannesburg Magistrate's Court in traffic and contempt of court fines for its fleet of 100 vehicles.



**A new** political party, the Coloured Liberation Movement for the Advancement of Brown People, is formed in Cape Town.

**The CSIR** loses its president when Brian Clarke is appointed new MD of State-owned telecommunications giant Telkom.

**Zaire's** six-month-old Siamese twins, Gloria and Gracia Kapend, are separated in an

emergency operation at Baragwanath Hospital in Johannesburg.

**SA and Zimbabwe** agree to set up a joint commission for economic, technical, scientific and cultural ties. One likely outcome will be a restored and renegotiated trade agreement.

### ABROAD

**Britain's** Conservative government narrowly wins the vote on a Labour motion expressing no support for the government's European Union policy.

**Poland's** parliament ousts Premier Waldemar Pawlak in favour of Jozef Oleksy, the country's first PM since 1989 to have served in the former communist regime.

**The Quandt** family, living near Frankfurt, is revealed by new German share disclosure regulations as owning 46% of motor group BMW — a slice of the action currently worth DM6,8bn (R16,8bn).

**Lonrho** founder Tiny Rowland is fired from the board in the continuing war between him and CE Dieter Bock.

**Italy's** former PM (seven times) Giulio Andreotti (76) is ordered by a Sicilian judge to stand trial on a charge of having had links with the Mafia.

**Nick** Leeson, the Singapore-based futures trader whose operations ruined merchant bank Barings, is taken into custody by German police while en route to England. Singaporean authorities seek his extradition on grounds of forgery.

**Plans** to open Switzerland's first legal brothel this century are threatened by banks' refusal, on moral grounds, to provide seed capital.

**Critics** reject as inadequate the Indian government's plan to save the Taj Mahal's marble structure from pollution by planting 100 000 trees and providing cleaner burning liquefied petroleum gas to households in a 10 400 km<sup>2</sup> area around it.

**Former** first lady of the Philippines, Imelda Marcos, announces she will stand for election in May's Congress elections.

**Mexico's** political crisis threatens to deepen with the arrest of Raul Salinas, brother of ex-President Carlos Salinas, on a charge of masterminding last September's murder of leading politician Francisco Ruiz Massieu.

**Tropical** cyclone Bobby produces Western Australia's worst floods in 20 years, cutting it off from the rest of the country.

**The last** of the UN peacekeepers are withdrawn from Somalia.

## Sick health system

**Sir** — Your recent article concerning Baragwanath Hospital (*Leading Articles* February 10) raises a number of important problems being experienced at the hospital.

Baragwanath, the largest hospital on the African continent and one of the biggest in the world is one of eight teaching hospitals in Gauteng. When it was opened as a civilian hospital in 1948 it had 480 beds. It has since grown to more than 3 000 beds with a staff of over 10 000.

The service which generations of professionals and other health workers have provided to the people of Soweto (and beyond) on a shoestring budget is something most deserving of recognition. In spite of poor conditions, millions of patients have been given world-class care.

The problems created at Baragwanath result, not from the policy of the RDP commission or the new government, but from years of neglect by white minority regimes of health care for black people in general. In particular a system based almost exclusively on the provision of hospital-based care was created. This system has for several years plunged deeper and deeper into crisis. The solution to this crisis lies not in giving more money to Baragwanath, but in a process of fundamental rationalisation and restructuring of the health services in SA as a whole.

The RDP commission has supported the restructuring and transformation of the health sector based on national and provincial health plans. The key elements of these plans, around which there is broad consensus in the health sector, are:

- The creation of a single National Health Service based on the primary health-care approach;
- The creation and extension of a comprehensive primary level care network;
- The downsizing of academic health centres (teaching hospitals); and
- Streamlining expenditure and administration, thereby generating savings, at all levels of the system and in particular at big hospitals.

In the case of Gauteng RDP resources are being made available to build clinics, institute control measures in institutions and to implement the complex change management programme which is required to effect the shift from a system based exclusively on curative hospital care to a comprehensive primary health-care system.

In the Gauteng provincial health plan the relationship between Baragwanath and satellite Community Health Centres is being used as a model for planning throughout the province. This relationship illustrates how the extension of a primary health-care network can be effective in relieving pressure on large hospitals.

The Gauteng Health Plan recognises the

imbalances in human and financial resources that must be corrected for all health institutions in the province. These inequities are still striking when one compares historically black institutions with those that have traditionally served whites.

Despite the fact that a few academics may be disillusioned with the process, the solution to the problems faced by Baragwanath and other large hospitals lies in a planned shift towards a national health system based on the primary health-care approach.

**A Masondo**, Gauteng MEC for Health, Office of the President, Cape Town.

□ Letter shortened — **Editor**.

## Judgment day

**Sir** — I find the attitude towards SA's clergy expressed by the writer in your leading article on public morality "Deafening Silence" (February 17) puzzling.

What puzzles me is that the writer

regards the clergy as moral dunces during the apartheid years and now expects them to be moral experts in a democratic SA. On the one hand, he devotes seven paragraphs to reprimanding the clergy for their contribution towards entrenching and prolonging "a recession that has brought hardship to many millions of poor," and on the other, devotes the final seven paragraphs appealing to the same clergy who "should be ringing indictments from every pulpit" against dishonesty in government (or among those on the fringes).

Why should theologians be called upon to say anything since, as the writer says, "we should not take them too much to task for their ignorance and poor judgment" on economics? Who would want ignorant clergy or theologians to say anything about dishonesty anyway — it would probably only lead to further hardship, if the writer's judgment about the voice of the clergy is correct. Count your blessings for the silence of the clergy, whoever you are. I pray you accept my silence on this issue.

From an ignorant theologian with poor judgment on economics.

**Rev J Rodrigues**, Witbank.

## Good news!

**Sir** — I consider Dov Fedler's cover illustration depicting FW de Klerk and President Nelson Mandela in the possible break-up of the GNU (*FM* February 17) to be superb as is the cartoon illustrating the article "Deafening Silence" on page 21. Apart from the excellence of these illustrations, whoever conceived the manner in which these ideas were to be conveyed pictorially, is to be congratulated.

In the article "Deafening Silence," I enjoyed this phrase: "It means the same in all 11 official languages (and SABC English)." Thank goodness for a sense of humour.

**Dr A H Taute**, Parktown North, Gauteng.

## The reverse is true

**Sir** — Wits University Deputy Vice-Chancellor Professor Makgoba (*People* February 17) is reported as saying that whites are used to an autocratic top-down system, which traditionally is not Africa's way.

It seems that the reverse is true. Africa has, with a few exceptions, traditionally operated with autocratic systems such as hereditary tribal chiefs or monarchs and, more recently, military dictatorships, one party states, and despotic rulers.

**G Levin**, Strathavon, Sandton.

*The FM welcomes letters from readers, but asks that they be kept as short and concise as possible. Letters must carry the name and address of the sender.*

## Environment friendly

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**Tall Order**, Sandton.

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**Editor**.



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FINANCIAL RAND

# Lost opportunity

**Two weeks ago** as the discount between the commercial rand and the financial rand slipped to below 4% — well below the 10% level set for the amalgamation of the currencies — we must have come within a whisker of again having a single currency, which would have meant also the effective abolition of exchange controls on nonresidents.

The whisper is that Reserve Bank Governor Chris Stals gave the green light, but that new Finance Minister Chris Liebenberg balked, explaining later that political conditions were not salutary.

Well, we hadn't heard about these political conditions before. And, whatever we suspect they might be, they are certainly not encouraging. For in this country's critical Budget next week, they suggest that political priorities might be allowed to supersede economic ones. In that event, public spending will forge ahead and the promised fiscal discipline will not materialise.

We will be back then to the budgets of P W Botha, who invariably chose political options instead of economic ones, as the former would bring immediate and tangible gains, and the latter, while more important, would take time to manifest themselves.

By removing the second-tier currency, the investment environment becomes more accessible to foreigners, since it reduces the volatility of returns and affords the investor the liquidity needed to trade in SA securities. At the same time, the fear of sudden outflows can be minimised by the retention of controls on domestic participants.

This then creates the conditions for the next and possibly more important step of removing all controls. Clearly the sooner this happens, the sooner SA can take advantage of foreign investment flows. Any delay greater than is necessary on the first of these can only prolong the distortions caused by the second.

The degree to which conditions have been created for abolition over the last year have been substantial. In spite of moving into a R2bn current account deficit in 1994, net inflows on the capital account amounted to R5,2bn, much of it in the second half of the year. Net reserves improved by R6,4bn in the second half of the year, while gross reserves, at R12,4bn at the end of February, represent an improvement of 75% on June last year. And the discount of the financial rand on the commercial rand, once over 36% before the April election, has been below 10% for over a month.

An IMF standby credit to smooth out fluctuations in a unified currency rate is available, should SA apply for it. Reserve

Bank Governor Chris Stals has said that the economic fundamentals are pretty much in place for an abolition. He himself is the Minister's agent in this matter. He cannot act unilaterally.

In such circumstances, it's vital the authorities seize opportunities when they arise. A chance lost can see the direction of capital flows shift and positive sentiment toward the commercial rand change. Such an opportunity presented itself in the last two weeks of February and, most especially, in the week from February 20 to 24, when the finrand rate against the US dollar fell to FR3,83 and the discount between the commercial and financial rates slipped to 3,77%. Yet no abolition came.

Did Liebenberg miss the boat? It would seem so. "At the time, the markets were looking positive, meaning the changeover would have been smooth and with minimal outflows," says UCT economics professor Brian Kantor. "The decision not to move on the currency is indicative perhaps of the government's approach of consulting as widely as possible on important issues. Unfortunately, markets don't wait for governments to make up their minds."

The subsequent volatility in international currency markets is no vindication of the Minister's inaction. Indeed, Mike Brown, head of research at stockbrokers Frankel Pollak Vinderine, believes currencies will remain volatile and the dollar weak, unless some currency accord can be drafted among the leading industrialised countries. This is a state of affairs with which our government is just going to have to learn to live.

But a further narrowing in the discount early this week — on Tuesday, it was back down to 6,7% — means the opportunity may arise again soon, possibly during the March 15 Budget speech. "A strong Budget which puts out the message of fiscal conservatism will please potential foreign investors," says Kantor.

But foreknowledge of the Budget might equally be why Liebenberg lost his nerve. If that isn't so, and if Liebenberg does not act soon, then the market will assume the worst, which is that this government has no real commitment to abolition.

Once that happens, the favourable conditions prevailing now will quickly disappear and the economic penalty, which this government doesn't appear to acknowledge, will remain severe.

Currency markets, like financial journals, have no respect for the nerves of unsure Finance Ministers. And they are more demanding and important than recalcitrant Cabinet colleagues.



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Practice Committee, Herc Hoffman, says Zuma also needs to investigate upgrading existing rural private practices — by agreement — to provide these services, thus avoiding capital costs for new clinics.

Alex van der Heever, a senior researcher at the Centre for Health Policy at Wits Medical School who has advised the ANC, says any payroll tax should supplement existing district services rather than fund a national health insurance system.

While Slabber says consolidating the numerous health authorities into a single head office will effect huge cost savings, the ANC's health policy envisages new structures at central, regional, district and community levels that all appear to duplicate functions. Take special adviser Olive



**Zuma . . . determined to keep central control**

Shisana's promise to establish new district health authorities to administer primary care. Why is a new structure needed to implement health at this level when local government is best suited to this task?

The point is that even if Zuma manages to raise R5bn in new revenue, most of this would be wasted on the existing and planned bureaucracy.

Zuma needs to consider privatising as many State services as possible, including the running of hospitals. Says National Association of Private Hospitals chairman Riel du Toit: "The State has a poor record of providing services. Giving the private sector the opportunity to offer alternatives could produce some surprises since we're used to coming in under budget."

The financial implications of keeping extensive powers at central government level are enormous. Baragwanath hospital and the other academic centres have their budgets controlled — ineffectively — by Pretoria. Commenting on Bara's projected

budget shortfall of 20%-30% for this year, superintendent Dr Grant Rex says simply: "Give us the R400m it takes to run Baragwanath and we will come in under budget. All we ask is for the authorities to leave us alone except for audits."

This thinking was appreciated by Venter, who passed the Academic Hospitals Act which gives the tertiary complexes full managerial and financial autonomy — particularly to raise additional funds by charging patients according to a means test and hiring out spare capacity. Refining the thinking that allows State doctors to see private patients at State hospitals would also keep skills at these centres. Ironically, Zuma appears to be determined to hold on to centralised control of these institutions, even if it means closing some down because of a lack of money.

A strong, deregulated and competitive private sector, of course, promises the greatest solutions to the health care crisis.

The Medical Schemes Amendment Act, effective from last January, ended guaranteed payments and minimum benefits, giving schemes greater powers to halt the cost spiral caused by abuse and overuse.

The Act also empowered schemes to practise managed health care — a practice



**Van der Heever . . . supplement existing services**

that has cut costs by up to 40% in the US. Managed health care seeks to replace traditional costly fee-for-service payments to doctors, hospitals and providers with other methods of remunerating providers. Schemes can either employ doctors, nurses and pharmacists and run their own hospitals or they can select "preferred providers" whom members must consult.

Successful managed care means a commitment by the funder (schemes) and the provider (doctors and hospitals) to share risk — an interface that has to be effectively managed says hospital group Presmed joint MD Rob Speedie. "By agreeing in advance to charge a set fee for an appendix operation, for example, the hospital accepts the risk that a complicated case could cost more. The doctor, who

receives an annual fee to take care of a patient also accepts that he could gain or lose in some cases. The medical scheme, by contrast, accepts equal but opposite risk in theory. In practice, this risk is simply passed back to the member and his employer. Hence the need for an objective intermediary or risk manager who can balance cost and quality and take personal risk to ensure competitiveness — something scheme administrators don't do."

The greatest impediment to the successful implementation of managed health care, however, lies in the legal prohibition that prevents schemes, hospitals and big business from owning retail pharmacies and using their bulk buying power to negotiate lower prices for consumers. Drug prices in SA — that make up around 40% of the total health bill — are among the highest in the world, because 3 000 small retail pharmacists can add more than 50% to the drug bill because they hold a virtual monopoly on sales to the public. Some pharmacists offer discounts but prices are still some 50% higher than UK and US prices.

Medical schemes also need reforming. The Melamet Commission of Inquiry stressed that medical schemes and their administrators need stronger financial controls and accountability. Zuma has to date ignored Melamet, which also called for an end to the regulation that keeps scheme members from moving from their employer's scheme.

Melamet, rejecting the ANC's traditional plea for an end to the tax exemption that employers enjoy on medical aid contributions, instead recommends a fringe benefit tax for contributions, payable by the employee.

On the other hand, Wits economics professor Duncan Reekie — also a Melamet commissioner — says the tax concession must go immediately. Argues Reekie: "It's the single largest cause of medical inflation in the private sector,

because employers are effectively purchasing health care at half price. When they realise the true costs, they will take a greater interest in keeping the bill down."

Of course, even if Zuma decides to ignore the valuable role the private sector can play, that sector must get on and reform itself — proving to Zuma that it indeed has a role to play in delivering affordable and accessible care to all. It's a strategy the US private sector used successfully to avert government intervention, humiliating the Clintons in the process.

Like the Clintons, Zuma needs to concentrate on setting her own house in order — the public sector. To this end, she may find that decentralising authority, improving management and gradualist reforms will be more flexible — and better for the poor. ■

WINNIE MANDELA

# Time to sever the link

**Deputy President** Thabo Mbeki often visits important capitals like Bonn and Washington (from whence he has just returned), with one essential purpose: to convince Western leaders that SA is not another banana republic, but that the country aspires to First World values and is worth doing business with.

Back home, however, in sharp contrast the ANC is seen to allow an essentially banana politician (in style, rhetoric and to the constituency to which she panders), to get away with unacceptable behaviour.

Arts Deputy Minister Winnie Mandela, may be a romantic relic of a struggle that's over, but firing her will serve the ANC and, more important, SA in the quest for prosperity and good government.

Such has been the delay, however, that the individual (admittedly the President's estranged wife, which complicates matters) seems to be greater than the system.

And when she is dropped or suspended it could well be seen as the act of a timid government bowing to pressure — as in the Boesak affair.

Fears about the damage Winnie might do by rallying feral populists and un-reconstructed communists are, like her support base, grossly exaggerated.

## Calling her bluff

Stripped of official power and prestige and the patronage they afford her, it's a fair bet that Winnie will go the way of Zimbabwe's former firebrand, Edgar Tekere, whose political career seems, after an eccentric turn or two, to have fizzled out. The ANC must, even at this stage, call her bluff — assuming its leaders have the courage to do it.

They certainly have cause, and a party in such an overwhelmingly powerful position (surveys suggest growing support for the ANC), that it need not be inhibited about shedding part of its following if need be. No other party, including the PAC, is likely to inherit Winnie's supporters, argues UCT's Robert Schrire.

By allowing her to stay in office, the ANC's constant urging about the need for probity and ethical conduct in public life is undermined each time she hits the news. This sends the wrong signal to potential investors and foreign governments, whose diplomats shake their heads, amazed that government can allow the Winnie spectacle to continue.

There is no point getting side-tracked by the legalities of the latest imbroglio sur-

rounding Winnie — that is, the validity of last week's police raid on her home (in connection with alleged corruption over housing contracts). That misses the point.

The issue, as Schrire contends, is that in politics, perceptions are all important and the main challenge to a leader is to create positive perceptions of his country. As things stand, the impression created is of a government that tolerates corruption or, at the least, behaviour unbecoming a senior State official.



It is the President's privilege to have in his Cabinet whoever he pleases. While the ANC miscalculated by deciding to have Winnie on the inside (making mischief anyway), President Mandela has the authority to drop her at his pleasure and ignore the taunts about her "constitutional rights" allegedly being flouted.

In a Cabinet system, the principle is that the President may choose and discipline his team as he pleases.

It is highly unlikely that behaviour similar to Winnie's by another Deputy Minister would be tolerated. ■

## OLYMPIC BID

### Power and prestige

**Cape Town's** dream bid to host the 2004 Olympic Games turned into a nightmare this week when a month-long wrangle ended with the resignation of bid committee co-chairman Raymond Ackerman.

The row may have severely undermined SA's chances of being the first African host of the Games.

What happened and why is a complex story. In essence, city officials headed by town clerk Keith Nicol and city planner David Daniels developed a deep resentment of what they believe was Ackerman's hijacking of the bid and his attempt to marginalise the city administration by, for example, advising city officials to have no contact with the International Olympic Committee.

They argue that in terms of the IOC charter the bidding city or its nominee must drive the bid and that Ackerman's committee had no such mandate.

Ackerman, on the other hand, says the city's close involvement in all aspects of the bid process as well as a letter to him from Nicol dated December 9 last year, represent *de jure* acknowledgment that the bid committee had the city's mandate.

Nicol argues that the letter was merely an introduction to open doors for Ackerman while on bid business overseas. Both have legal opinion supporting their claims.

The issue came to a head over who would sign a formal bid agreement with Sam Ramsamy's National Olympic Committee of SA (Nocsa). Nicol said the city alone had the right to sign, while Ackerman argued that the bid committee, as the council's mandated agent, should at least be involved in a tripartite agreement.

Efforts to resolve the dispute included mediation by President Nelson Mandela. Sports Minister Steve Tshwete brokered a final meeting on Monday between Ackerman and Ramsamy. It ended with Ackerman's resignation. The city alone will sign with Nocsa.

Daniels is confident Ackerman's withdrawal will not threaten the massive sponsorship committed by private companies.

And he claims the perception of Ackerman's autocratic manner was in fact deterring potential sponsors from coming on board.

Ackerman's supporters disagree. They believe the private sector will not commit funds to a bid managed by what is widely seen as an inefficient municipal bureaucracy. They say the strength of Cape Town's bid has been its private sector base.

They claim Ackerman's massive contribution to winning the bid for Cape Town and his initial enthusiasm at a time when Nicol and the officials showed little interest is being totally ignored in what amounts to little more than a power grab.

In essence they are correct. Power and prestige are at stake. Ackerman was per-

the North West Province in the initial months and the consequent cancellation of bookings which followed. In addition, the Paradise Island development in the Bahamas incurred losses during the reconstruction period, but, with refurbishment now largely completed, trading is up to expectations.

Rennies Group attributable earnings increased by 11,7% primarily as a result of good improvements in the Terminals, Express Freight and Trading Services divisions.

In the second half of last year the Group benefited substantially from the change in the corporate rate of taxation and its consequential effect on deferred tax balances. It is not expected that a similar benefit will arise in the current financial year. As a result, despite the likelihood of a sound growth in operating profit over the next six months, a more modest but acceptable improvement in attributable earnings for the year is anticipated.

The Group's balance sheet and cash position remain strong.

## DECLARATION OF INTERIM DIVIDEND NO. 21

Notice is hereby given that a dividend of 7,5 cents per share has been declared. This dividend for the half-year ended 31 December 1994 is payable on or about 7 April 1995 to ordinary shareholders registered in the books of the Company at the close of business on 24 March 1995.

Non-resident's tax at 15% will be deducted from dividends to shareholders who reside outside the Republic of South Africa.

By order of the board

C D N Stevens  
Secretary

3 March 1995

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ceived to have too much of both and the city officials staged a successful coup to depose him.

It's too early to say if their actions have done Cape Town's chances of hosting the



Ackerman



Ramsamy

Games irreparable harm, but there is little doubt that hard work lies ahead to establish and maintain their credibility.

And unless the degree of unity that Ackerman engineered to win Cape Town's right to bid can be replicated by the city, there is little chance that Cape Town will be ready towards the end of next year when the IOC will choose four bidding cities to go forward to the final selection in 1997.

The real tragedy is that the row could not have been resolved amicably. ■

## INKATHA

### Boxing clever

**SA's fragile** democracy and economy are "like a toddler taking its first tentative steps and Inkatha wants to give it a nudge rather than bowl it over."

That is how veteran politician Jurie Mentz describes his party's decision to return their MPs to parliament and the Government of National Unity (GNU) 12 days after they walked out. "We needed to make those stalling on the international mediation issue take notice, without plunging the country into a crisis at this critical stage of re-building."

But Inkatha leader Mangosuthu Buthelezi warned, after last weekend's special three-day party congress in Ulundi, against interpreting the "soft" stance as weakness. He described the strategy as one of "boxing clever: I used to box as a youngster and know losing one's temper loses the contest," said Buthelezi — rich coming from a man known for his explosive personality. It may, however, be too soon to suggest that Inkatha has shifted away from the politics of confrontation.

The congress was primarily called to thrash out a strategy aimed at forcing the ANC and NP into honouring their pre-election commitment to international mediation to define the parameters of KwaZulu-Natal autonomy and the preservation and protection of the Zulu kingdom.

The issue is regarded as urgent as mediation will become irrelevant once these issues have been dealt with by the Con-

stituent Assembly. Topping the list was whether or not to continue Inkatha's parliamentary boycott during the debate on President Nelson Mandela's "State of the Nation" speech.

Essentially the congress adopted a more conciliatory approach than expected. It ordered Inkatha MPs and Ministers back to the hustings, but threatened withdrawal from the Constituent Assembly in a month unless there is meaningful progress.

### Voter registration

At the same time the party is encouraging local government voter registration, but reserves its right not to participate. This carrot and stick approach has upset party hardliners, particularly the Inkatha youth, but it has retained the initiative for Inkatha.

It is now up to the ANC and the NP to get international mediation under way. Buthelezi explained that the delay on withdrawal will give President Nelson Mandela and Deputy President Thabo Mbeki the additional time requested to resolve the problem. "I assume they are men of integrity and will try to find solutions."

But if the deadlock continues into July when Inkatha holds its annual congress, it will probably recommend Inkatha's withdrawal from the government, a programme of passive resistance in parliament and a boycott of the local elections.

The mood for the congress was set at Friday night's seven-hour private national council meeting where party moderates led by Ziba Jiyane won the day.

The following day party leaders explained the situation and options to thousands of delegates. Inkatha chairman Frank Mdlalose questioned the ANC's double standards in urging people to honour agreements to pay rents and rates when it failed to live up to its own promises.

For his part, Buthelezi rejected the NP's claim that the terms of reference for mediation have not been negotiated. "Agreement on the consolidated terms of reference had been agreed after nine months of intensive negotiations."

Inkatha's cautious step away from confrontation could win it broader support and respect. It has allowed the IFP to keep several strategic options open, making it difficult to see how the ANC and NP can wriggle off the international mediation hook without some damage to their credibility, let alone the prospects of peace in the country. ■

## RUGBY POLITICS

### Injury time

**The resignation** of Western Province rugby chief Ronnie Masson from the SA Rugby Football Union (Sarf) executive leaves the door open for the discarded coach of the national squad, Jannie Engelbrecht, to renew his battle with Sarfu boss Louis Luyt