

Banker: "The ANC is correct in criticising us"

by PATRICK BOND

Throughout the great economic debate" of 1990, leading ANC and COSATU economists have denounced the waste of money in stock market and real estate speculation. Since the early 1980s, hundreds of billions of rands spent on 'paper chasing' stand in stark contrast to the decline in productive investment in plant and equipment.

Occasionally, even establishment economists become worried about the situation, which is now serious indeed. To illustrate, a slight cooling of tensions in the Gulf conflict led, recently, to a drop in the gold price and a two-day decline in the value of JSE shares of more than R28 billion.

That's an enormous amount of money that just disappeared into thin air. Properly invested, it would have been enough to pay for the entire electricity installation for the two thirds of South Africans who have none, twice over.

Shortly after this incident, Nedbank's chief economist, Edward Osborn, admitted to a US national business radio audience that speculation by South Africa's leading capitalists has reached epidemic proportions.

'The ANC are exactly right in criticising the amount of money that has gone into the financial markets,' Osborn told Marketplace radio network in September. 'In fact, there has been a preoccupation, I think,

with investment in financial market.'

Osborn was asked if the big insurance companies and bankers have any excuses for misdirecting capital so badly. 'I don't if one can really defend this. One can criticise it, one can express regrets about the whole thing.'

Others, however, like JSE President Tony Norton, say there's nothing to regret. They still deny that the high value of the stock market represents a danger, or even an imbalanced economy: 'People are willing to buy the future. We've changed South Africa in the last three years. There is a future now.'

Norton isn't bothered by the fact that the Japanese stock market has crashed by 50% since January, or the New York's Wall Street stock market has fallen 18% since July.

'The other societies aren't renaissance societies,' he says, without a trace of irony. 'They're tired democracies in many cases. They're on a paradigm shift in this country.'

Politically this may be true, but if the ANC have any say over the financial markets in a post-apartheid economy, Norton is whistling in the dark. In the meantime, the South African financial system remains on knife edge, with a major bank (Bankorp) bleeding hundreds of millions of rands in losses, and a huge R80 billion merger deal planned for four other faltering financial institutions.

Shouldn't the ANC soak the financiers, then, Osborn was asked. This could be done through taxes or even nationalisation, and would serve two purposes: financiers have benefitted greatly from the speculation and the extremely high interest rates, so some redistribution is necessary; and to discourage even more paper-chasing.

Says Osborn: 'I don't think that is the logical extension of that position.' In fact, it most certainly is, but the banker's honesty appears to wilt when the implications affect the bottom line.

Instead, Osborn argues, ordinary South Africans must pay the bill for the splurge of financial speculation: 'In order to get to grips with this whole inflationary situation, we've got to go through a period of stress, in terms of recession, retrenchment and the like. And the great risk we are facing — in fact that's emerging — is the consequent social distress.'

The question that can only be answered through struggle, of course, is, can that 'social distress' be shifted back to bankers? ♦

Company Profile: Mondi

Report by *LABOUR
RESEARCH SERVICES
(LRS)*

The Mondi Paper Company is one of the ten largest paper and timber product enterprises in the world. It is one of only two paper producers in South Africa. The other company is Sappi.

MONDI - Operating Divisions

Division	Operation
Forests	timber plantations
Timber products	sawmills
Board	board and waste paper
Paper	manufacture of paper
Richards Bay	bleaching
Main Paper and VRG	distribution

It was formed by the Anglo American Corporation (AAC) in 1967. Today AAC owns 30% of Mondi. AAC's industrial arm, Anglo American Industrial Corporation (AMIC), owns 64% of Mondi.

Mondi is a fully integrated forest products business. This means that it owns every stage in the production of paper: from the trees in the forest, through the sawmills, to the paper factories, to the distribution outlets.

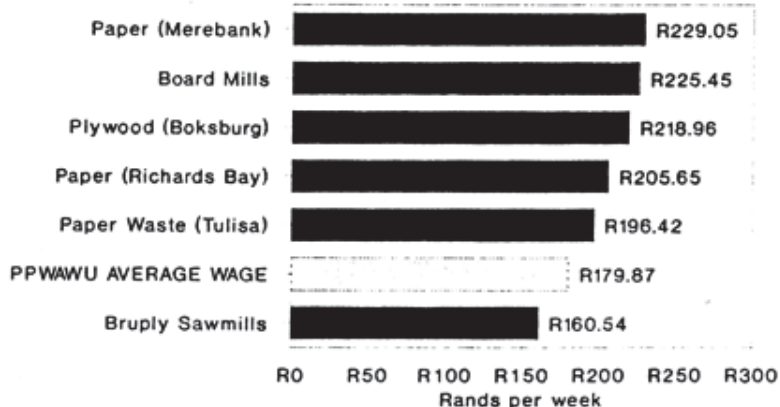
Profits increased from R357 million in 1988 to R363 million in 1989. Mondi employs 15 500 workers. This means that each worker pro-

duced a profit of R450 per week in 1989. Mondi pays its labourers, on average, R206,01 per week.

An important source of Mondi's profits is exports. Between 25% and 30% of sales are from exports. The bulk of this is exported from Richards Bay, where Mondi has recently built a new bleaching plant.

According to AWARD, the average PPWAWU labourers' wage is R179,87 per week. Only Mondi's Bruply Sawmills was below this average, where labourers are paid R160,64 per week. The highest paid labourers are at

MONDI LABOURERS' WAGES Generally Above PPWAWU Average



Labour Research Service AWARD 08/90

Mondi's huge paper manufacturing plant at Merebank, site of a protracted strike earlier this year. They take home R229,05 per week.

The two paper manufacturers, Mondi and Sappi, are currently under investigation by the Competitions Board. They are allegedly setting their prices at unfair levels. Mondi and Sappi can do this, because between them they have monopoly control over the paper industry.

Mondi plans to invest R514 million over the next few years. This will not be spent on building new factories, however. The money will go to replacing old machines with new computer aided machinery. Instead of creating new jobs, Mondi's investment is likely to *threaten* workers' jobs! ♦

Job Creation

Report by LRS

To satisfy the demand for 'Jobs for all!', jobs have to be *created*. Very few jobs were created in the 1980's. Job creation will be a priority for a new democratic government. But what does it cost to create a new job?

The capital:worker ratio is one important measure of the cost of creating jobs. It measures the average value of machinery, equipment and factories per worker.

Inflation

Area	Consumer Price Index (1985=100)	Annual rate of inflation (% increase over 1 year)
	July 1990	July 89 - 90
Cape Town	202,4	13,6%
Port Elizabeth	204,9	12,0%
East London	200,0	14,9%
Durban	194,7	14,7%
Pietermaritzburg	197,6	12,3%
Witwatersrand	206,3	13,9%
Vaal Triangle	198,1	13,1%
Pretoria	210,8	12,2%
Klerksdorp	209,7	11,5%
Bloemfontein	182,2	10,4%
OFS Goldfields	200,0	11,3%
Kimberley	194,0	12,8%
South Africa	203,2	13,3%

Source: Central Statistical Service

Inflation

Area	Consumer Price Index (1985=100)	Annual rate of inflation (% increase over 1 year)
	Aug 1990	Aug 89 - 90
Cape Town	205,7	14,1%
Port Elizabeth	206,7	10,9%
East London	202,8	14,6%
Durban	197,1	14,1%
Pietermaritzburg	200,1	12,2%
Witwatersrand	207,0	13,0%
Vaal Triangle	201,0	13,0%
Pretoria	213,9	11,9%
Klerksdorp	211,8	11,6%
Bloemfontein	184,2	9,4%
OFS Goldfields	201,2	9,8%
Kimberley	195,6	12,2%
South Africa	206,5	13,6%

Source: Central Statistical Service

In the manufacturing sector this amounts to R60 439 per worker. This means that, on average, R60 439 of capital has to be invested to create a new job in the manufacturing sector.

It costs only R11 311 to create a job in the construction sector. This is far cheaper than

the manufacturing sector. It costs R99 198 to create a job in the mining sector.

If R99 198 is invested in the mining industry, it creates one job. The same amount of money invested in the construction industry would create eight and half jobs. ☆

ICs and wage determinations

Report by LRS

Eleven industrial councils set new wages during the first half of 1990, with wages increasing by 24,2% on average. This was higher than the 20,9% increase union's won for labourers in company negotiations.

The largest increase was 33,3%, set by the Clothing Industrial Council for the Transvaal.

The lowest increase was 15,8%, set by the Sugar Manufacturing and Refining Industrial Council.

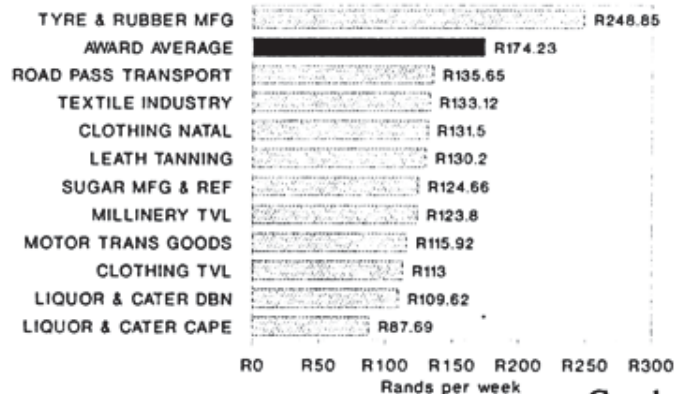
The top labourers' rate was R248,85 per week in the Tyre and Rubber Industrial Council of the Eastern Province. (Graph 1)

Unions have succeeded in consistently raising the average wage for labourers above the inflation rate since 1987.

The largest real wage gain was made in 1988 when the average rate of inflation was 13,3% and labourers' wages rose by an average of 22,9%. This gave an above inflation increase of 9,5%.

Between January and June 1990, eight new wage determinations were set. The top increase of 26% was set in the Stonecrushing industry, setting a new wage of R89,24 per week for Labourers. This wage is well below the average rate for labourers of R174,23 per week, for unionised labourers

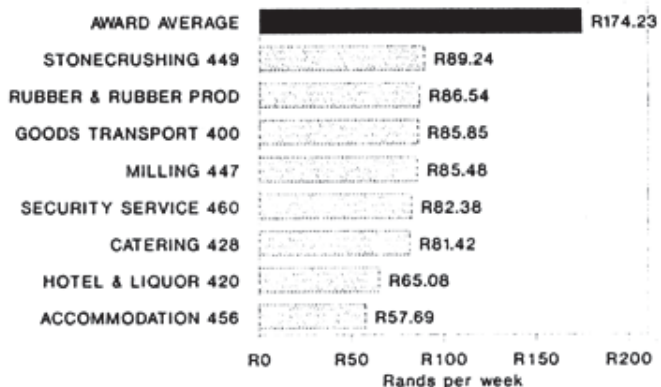
INDUSTRIAL COUNCIL WAGES Labourers' Weekly Wages



Labour Research Service 7/90

Graph 1

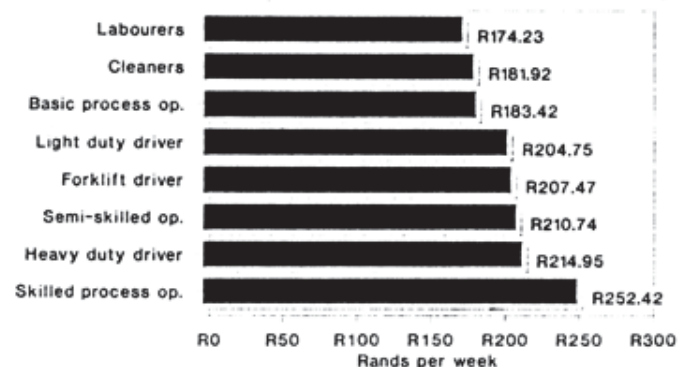
WAGE DETERMINATION WAGES Labourers' Weekly Wages (area A)



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Graph 2

AVERAGE WAGES - ALL INDUSTRIES Job Categories Compared



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Graph 3

across all sectors of the economy. (Graph 2)

The average wages of vari-

ous job categories across all industries are contained in Graph 3. ♦

BUS TRANSPORT

State gets taken for a ride

Bus companies in South Africa are privately owned. These companies have made big profits for their owners. The growth of the taxi industry, political stayaways and boycotts over the past few years has, however, threatened the big profits.

Since 1948 the Group Areas Act has forced workers to live far from their places of work. Large privately owned bus companies were formed to transport workers to their jobs. The government gave these bus companies subsidies so they could operate at a profit.

The bus owners used an accounting trick to show that their profits were low. By showing low profits, the bus owners received higher subsidies. They were also able to keep fares high for commuters.

The cost of the wear and tear on a bus is called depreciation. Depreciation reduces profits. The bus owners charged larger than necessary amounts of depreciation to their profits. The bus owners also regularly revalued their buses so that the depreciation cost was kept high.

The bus owners said they did this because the cost of replacing an old bus with a new bus was very high. But the bus owners have not replaced all their old buses with new buses. Since 1985 the bus owners have

actually reduced their bus fleets.

In 1985, for example, Putco owned 3 348 buses. Now it owns only 2 200 buses. What has happened to all the money kept aside to replace the old buses? About half of it was paid out to the owners earlier this year when Putco declared a special dividend amounting to R81,5 million. This dividend was tax free for the owners!

Tollgates tentacles

Tramways is another large bus company. This company operates a fleet of more than 2 400 buses and conveys more than 300 million passengers per year. Tramways is owned by Tollgate. Tollgate also owns Gant's (the food company), Arwa (the clothing company), Budget Rent-a-Car and Motorvia (goods transport).

Cape Tramways has announced its intention to close its Port Elizabeth bus service. It will move its 400 buses to the more profitable Western Cape, reported one of its directors.

By doing this Cape Tramways does not have to buy more buses for its Cape Town service. So its large reserves, held back for the purchase of new buses, will not be used. We can expect a large tax free dividend pay-out by Cape Tramways soon.

This also means that without Cape Tramways, Port Elizabeth has no bus service. Port Elizabeth is being held to ransom by private bus operators.

New strategies needed

An efficient, reliable and

stable bus service is needed. In most countries public transport is either run by the state or local authorities. A privately owned profit making bus service is open to abuse. A new strategy is needed for South Africa's ailing public transport system. ♦

Settlements trend is down

Unions achieved a 20,9% average increase for labourers in the period January to June 1990. This is the result of a review of 198 wage settlements by the Actual Wages Rates Database of the Labour Research Service.

Since the high of 22,9% in the first half of 1988, the trend in wage increases has been declining. This indicates a harsher bargaining environment and a weaker economy overall.

The public sector tops the log of average increases by industry. Large wage increases, often after strike action, have resulted in substantial improvements in this sector.

Industry average increases are tightly bunched. The lowest ranked food industry is just below the all industry average.

Labourers now earn R174 rand per week on average in unionised companies. This average has grown steadily, in real terms, since the first review of wages in 1987, exceeding the increases in price levels. ☆