



Question: *What week - why so intense?*

Answer: It started with the Transnet results and shake-up announcements, including the dismissal of the whole board (on Friday the 20th), followed by the Denel results and concomitant announcements the following Wednesday; then the telecommunications Big Bang Thursday the 26th. In between, the Airports Company of SA (ACSA) published its annual report and, there is the little comment that the directors are looking at ways to list the company. And then over the weekend the MEC for finance in the Eastern Cape, Enoch Godongwana, was fired.

Question: *So what?*

Answer: It all goes back to two central issues and the first is closed or open economy. All of these announcements clearly help to open the economy a bit more. All non-core activities at Transnet and Denel are to be sold. Transnet will effectively remain as a rail freight and port freight company. We already know from other announcements that port operations will be outsourced. Durban will be the first. The scope for the private sector is increasing and, with that, more investment and higher productivity.

Question: *And telecommunications as well?*

Answer: Yes. With her Big Bang announcement, minister Ivy has overturned 8 years of Jay Naidoo thinking i.e. Telkom should be protected so that it can deliver a social service. We now accept that lower cost (thru competition) and more investment can play a bigger developmental role than a government monopoly. It is an important breakthrough in the development of our collective economic thinking.

Question: *And the second issue?*

Answer: The second issue relates to efficiencies. The entire Transnet and SAA board were dismissed. Senior managers are now following. Enoch gets the chop in the Eastern Cape. There is a feeling of making hamburgers out of holy cows; almost a sense of a swing from equity to efficiency. Not to suggest that equity is taking a backseat. Just that it is being considered alongside with efficiency. The cynics will snort that it is high time and, in any case, what is so special about doing the obvious. Except that in politics the obvious is not always done – Zimbabwe being a prime example with France, desperately trying to protect its farmers, another. Politics is precisely the area where trade-offs occur. And the trade-offs are not always in favour of efficiency. So I regard these developments as important. They could simply not have occurred

without political sanction from the highest levels. It indicates which way the wind is blowing.

Question: *Falling outside this week and with a lesser profile is the broadcasting regulator's investigation into the television industry?*

Answer: Indeed. There is a good chance that more licenses will be issued for more pay and satellite broadcasting, probably following the US example where competitors are allowed to use the dominant player's infrastructure (at a price of course). This might hit individual company shares hard, but it is excellent news for opening up the economy.

Question: *How do these developments fit in with your ten-point checklist on an open economy?*

Answer: The checklist is enhanced quite considerably by these developments. (Nedcor IT is busy putting this checklist onto the website). The economy will be more open and enjoy higher freedom, after implementation of these plans, than it currently is. Linked with higher growth that is now coming thru and the rising per capita incomes that we have punted for a while, we are getting into a virtuous cycle, which may very well result in the further relaxation of foreign exchange control.

Question: *What can go wrong?*

Answer: A change in political commitment. Judging by past performance that will require a different President. So we have about four years and a bit.

Question: *And together with equity you think the President will push efficiency?*

Answer: No doubt about that. Where he can reach, that is. The economy is certainly very much on his radar screen. The 85 promises made in his State of the Nation speech, which we discussed earlier and which is available on the website. That is where he is going to put the pressure.

Question: *The management teams must implement. Can they lose enthusiasm?*

Answer: Not likely, the losses at the parastatals are too big. They need the proceeds from re-organisation to survive. The state cannot afford to bail the parastatals out – the competition for funds from education, criminal justice, land reform, black economic empowerment and the like is simply too high. So for reasons of management's survival, these changes will happen. And a more open and efficient economy will result.

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