

Opinion & Analysis

QUOTE OF THE DAY

Never despair, but if you do, work on in despair. – Edmund Burke, Irish statesman, author and orator (1729 - 1797)

Jardine's lecture shows collusion worries public

BUSINESS WATCH

THE HIGH turn-out at Tuesday's public lecture by Roger Jardine, the former chief executive at JSE-listed construction and engineering firm Aveng, is an indication of the public rage at the collusion and bid rigging in the construction industry. People from all walks of life gathered at the Wits Business School to hear Jardine's blow-by-blow account of what went wrong in the sector and how to avoid a similar mess in the future.

In his hour-long speech, he gave background to the cartel which had mainly been run in three regions and how it was formed in 1973, when he was only nine years old. He joined the company shortly after world markets collapsed in 2008 and was chief executive for five years.

"My loneliest moment in this journey was when I had to face the public and recognise the doubt in someone's eyes as to whether I was involved in this affair."

Jardine himself resigned from Aveng after the storm had blown over and perhaps has thus salvaged his conscience.

The overriding sentiment amongst the public at the lecture was that the sector should hang their heads in shame for hav-

ing brought the country into disrepute after nearly four decades of systemic collusion. Jardine admitted as much, saying the collusion was the biggest corporate scandal in post-apartheid South Africa.

The problem with those who benefited from collusion in the industry was that they were highly skilled, and found it easy to go from one job to another without facing consequences of their actions.

Thus they escaped the public justice sentiment that that individuals involved take personal liability for the collusion.

Aveng and 14 other construction companies got away with a slap on the wrist when they agreed to pay a fine of R1.46 billion for more than 300 cases of rigging tenders.

As noted by Corruption Watch executive director David Lewis, who was at the event on Tuesday, cartels are a conspiracy against the public.

The South African public, and the government, must continue to keep the companies accountable. **page 20**

Vodacom

Vodacom could curb its investment and shed staff, its chief executive Shameel Joosub warned yesterday at a conference in Midrand.

He said that if Vodacom did not reach a compromise with the industry regulator on lower call termination rates, which were announced last week, then there would be drastic consequences in store.

"There'll be less revenue for us to reinvest into the business as we're subsidising

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our rivals," he told Bloomberg.

The company would review its business model and its marketing, employment and real estate costs.

The Independent Communications Authority of SA (Icasa) published draft regulations on Friday proposing that call termination rates, which operators pay each other to connect calls to each other's networks, should be halved to 20c a minute by March next year.

Vodacom's immediately tangible disadvantage was the blow to its share price. The stock has lost 8 percent since the announcement while MTN shares have declined 4.5 percent since Friday.

Vodacom wants a compromise on asymmetry. This feature allows smaller competitors to pay less for call termination while charging the likes of Vodacom more.

Icasa has opened the floor to debate and for comments from industry stakeholders. But Joosub's argument might fall on

deaf ears, one analyst suggested yesterday. This is because the argument of job cuts and poverty had been peddled before, when the regulator first began the process of cutting call termination rates in 2010.

"Didn't we hear that three years ago?" Spiwe Chireka, the programme manager of telecoms in Africa at the International Data Corporation, asked in response.

She added that the operators' responses were almost predictable as previously they claimed that investment would be withdrawn and jobs lost.

Then, in 2010, Joosub argued that Vodacom lost R600 million from its bottom line after the first rate cut in April 2010. **page 19**

Natural resources

Resource nationalism is not a dirty concept and big business – including mining companies – in South Africa should start thinking outside the box on how to best to benefit the country's natural resources and provide raw materials at a price that is lower than the import-parity price, according to ANC MP Ben Turok.

This is in contrast to arguments put forward by the Chamber of Mines and mining companies, which argue that state intrusion in the market may actually lead to fewer jobs and less beneficiation because investors could be frightened off.

Speaking to Business Watch this week, Turok was responding to the ongoing debate on the Mineral and Petroleum Resources Development Amendment Bill, which a long line of mining companies

argued deprived them of old rights, added new and onerous obligations and made their investments less secure.

Among the intentions of the bill is that Mineral Resources Minister Susan Shabangu will be able to declare that a portion of certain raw materials were strategic and they would need to be supplied to the domestic economy, such as coal to the power monopoly Eskom.

Turok, who said he would be addressing a pan-African conference on economic transformation and the mining sector organised by the UN in Zambia next month, said there was a "continental effort" to put the mineral sector into the position of being a key driver of economic transformation, social advancement and political renewal across Africa.

The veteran MP, who was one of the architects of the Freedom Charter, said business argued that it would be counterproductive to force local mining houses to sell their material at lower prices.

"However, I argue... surely the prices for manufacturing should be lower if you have, arguably, a manganese mine in the Northern Cape and have a factory next to it that produces alloys. Surely the cost (of producing alloys locally) must be lower than in Japan... and then importing them from there?" Even though Turok is a die-hard lefty who believes that economic centralism works, he has a point.

Edited by Banele Ginindza, with contributions from Dineo Faku, Asha Speckman and Donwald Presly.

Youth of the world eager to get working



UNDERSTANDING UNEMPLOYMENT

Pierre Heistein

YOUNG people must take responsibility for solving youth unemployment. This was the overriding sentiment at a special session on youth unemployment at this year's One Young World summit.

One Young World, hosted last weekend in Johannesburg, is an annual summit that brings together over 1 300 young leaders from 190 countries to discuss pressing world issues. Delegates were guided and addressed by counsellors including Kofi Annan, Bob Geldof, Richard Branson, Muhammad Yunus, Jamie Oliver, Maria Ramos and Arianna Huffington.

Today, a quarter of the world's youth neither work nor study. Among the delegates at the summit, 74 percent believe governments are not doing enough to address this, but 91 percent feel it is possible to solve the problem. The "how" was the central focus of the dynamic session on the challenge of youth unemployment.

The core challenge was best described by a young delegate from Kenya, Suleiman Ngondi, when he asked: "How do we tap the talent of the unskilled to help them create wealth and become independent?"

Jeremy Lamri from France, a delegate speaker who founded an online recruitment website called Monkey Tie, insisted that it was the responsibility of the youth to increase their employability. He explained how three things were necessary to pull the youth out of unemployment: audacity, innovation and optimism.

Efehian Danisman from Turkey proposed that education's focus needed to change to encourage young people to develop initiative and a willingness for calculated risk. James Eder, a young entrepreneur from the UK, enriched this when he said: "Learn by doing – there is only so much you can learn by studying."

While many delegates and counsellors stressed the important role of government and the private sector, Huffington, the founder of The Huffington Post, summarised the day with one simple message: "Recognise the incredible potential you have to create your own destiny – simply waiting is not going to do it."

So if you find yourself as one of the many unemployed youth, what must you do? Don't wait around for a job – create one. Take risks and start small if need be. If the job with a cozy bonus and pin-striped suit doesn't exist at the moment, don't sit back and lament – get out and get your hands dirty. Try something. Fail at something.

Employers of youth must not see the lack of experience as a detriment but rather look for ways to harness the creativity and dedication of young people.

The youth themselves must look at how they can employ their peers. Yashin Pillay, the executive chairman of the National Youth Development Agency, was the final speaker. He explained how, with other government entities, R2.7 billion had been invested in getting young entrepreneurs to create jobs for other young people.

He said the problem of youth unemployment was not new and was not restricted to South Africa: 94 percent of the delegates voted that failure to reduce youth unemployment in the world would lead to further civil unrest.

Pillay concluded by saying that there was no silver bullet to resolve youth unemployment and unconventional solutions were needed to address an unconventional problem. His opinion, agreed to by the summit participants, was that the youth themselves were best positioned to provide these solutions.

Pierre Heistein is the convener of UCT's Applied Economics for Smart Decision Making course. Follow him on Twitter @PierreHeistein

Congress stalemate shows Civil War never ended

VIEW FROM AMERICA

Stephan Richter

the Globalist

ONE OF the biggest hoaxes of American history is that the Civil War ended back in 1865. Unfortunately, it has not ended yet. What was achieved back then was an armistice, similar to the situation between the two Koreas.

As the current logjam in the US Congress makes plain, the Civil War is still very present in today's America – and with a virulence that most other civilised nations find as breathtaking as it is irresponsible.

There are plenty of US commentators now who try to make light of the situation in their country. They argue that it is just a bunch of crazy Tea Party Republicans who are causing the mayhem. Such an interpretation underestimates the forces of history and the continuing deep divisions of American society.

The reason the Civil War was declared finished, according to the history books, was the military defeat of the South and its secessionist forces. But can anyone seriously doubt that the same anti-Union spirit is still to be heard loud and clear in the halls of the US Congress today?

The fight against Obamacare is cast by Republicans as fighting the authoritarian – and, in the words of some conservative commentators, fascist – views of President Barack Obama's administration and what they label as the American Left. Meanwhile, in their own eyes, the Republicans are fighting the good fight of staking out the democratic (!) and libertarian political high ground, all in the defence of "freedom".

This underscores that what is really going on in Washington today is a replay of the Kulturkampf, a period of German history that occurred in the 1870s. At the time, that country's modernising forces resolved to fight back against the economically retarding influence of conservative religious forces, mainly the Catholic Church.

The Catholic Church, a powerful economic force in Germany in the mid-19th century, fiercely resisted any suggestions of modernising social structures – just as many Republicans do now. It sought to preserve the economic power of the established, largely feudal-era interests, that is, its own – much as Republicans do now.

The fight in Washington thus is not about any of the things in the headlines, be it the budget, debt or Obama's health-care reforms. These are merely proxies in a much more fundamental battle over the future structure of American society.

Democrats want those structures to be opened up, to create more economic rights for the underprivileged, so that the national economy can grow in the future. To Republicans, any investment in these and other long-term causes is a net negative on what they see as their core mission – defending the interests of rich Americans.

The old order is about to be toppled and that leads Southerners and white conservatives, especially, to fear for the end of the US, as they know it.

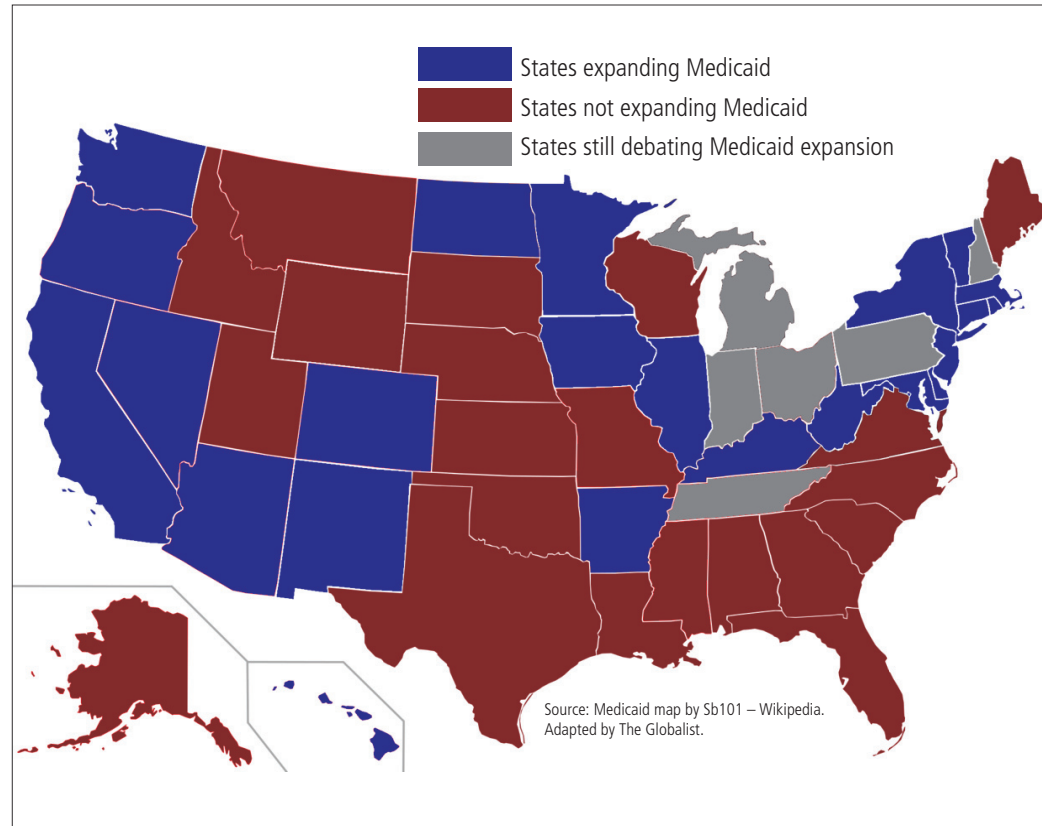
Thus, we are largely dealing with a battle over redistributing shares of economic power, covered up in the clothing of cultural values. That is why it is so bitterly fought. To both sides, the entire future of the country is at stake.

The proper way to understand the slavery issue as well as the health-care law, therefore, is to see them as symbols of much deeper conflicts.

As it turns out, even the parallel developments in the legislative process are amazing. Slavery was formally abolished in the US in 1865 and, for a few years, in the period of Reconstruction, there seemed to be a will to move the country ahead.

But even back then, the intended key reform component was never really followed through. That step was setting up a bank that would also get involved in granting loans to freed slaves, so that they could build a prosperous future for themselves and their families.

The so-called Freedmen's Bureau met a fate similar to what today's Republicans



Medicaid expansion plans (as of July 2013): Opting in = blue, opting out = red, under debate = grey.

Ten of the 11 former confederate states are not participating in the Expansion of Medicaid

Participating: Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee (may reverse rejection), Texas and Virginia

Medicaid expansion plans (as of July 2013) versus historic Confederacy: Opting in = blue, opting out = red, under debate = grey. Flags = ex-Confederate states.

have in mind for the universal health-care law, which they call Obamacare.

The Freedmen's Bureau lingered on for a few years before it essentially faded away. The economic, social and cultural consequences of condemning freed slaves essentially to a life of continued servitude, albeit of another kind, are well known. They are the root cause of the culture of dependence that sadly continues to this day – and that today's Republicans are quick to use as a justification not to do more for African-Americans.

The Affordable Health Care Act was passed by the US Congress, just as the Freedmen's Bureau had been established in 1865. However, with their countless defunding moves, the Republicans are pursuing a similar strategy, as was the case with the Freedmen's Bureau before. In today's case, they are trying to prevent nationwide access to health care from truly becoming reality in the land. Amazing how history repeats itself.

Of course, there is one important distinction – and one that should truly make today's Republicans squirm. In the case of the US Civil War of 1861-65, it was the Republicans, who were mostly found in the north at the time, who were the political force aligned against slavery (president Lincoln was a Republican), while it was

Southern Democrats who fiercely resisted its abolition, as well as resisting the Civil Rights Act 100 years later.

In essence, now the South is once again rebelling against modernising shifts of American society. Today, in one of the great political realignments of modern politics, that region is the power base of the Republican Party.

The equivalent of politically and economically freeing the slaves back then is now the granting of access to health care to all Americans.

In either case, the old order is about to be toppled and that leads Southerners and white conservatives, especially, to fear for the end of the US, as they know it.

Back then, they felt the abolition of slavery and the economic independence of blacks had to be prevented at all costs because the southern state economies and their leaders' personal wealth depended on slavery and the economic suppression of the ultimate underclass.

Now, the role of the abolition of slavery in the secessionist cause is played by the move by Obama to declare that the state should play a role in ensuring that all Americans are under the umbrella of health insurance.

Look at the list of state governors who have refused to expand the federal medical

programme for low-income people (known as Medicaid) and compare that to the list of the old confederacy states that fought to preserve slavery. There is an amazing overlap.

There is one more big irony to be pointed out in a historic context: it would be a great injustice to conservatives anywhere on the planet to agree with US Republicans that opposing health insurance coverage for the entire population is conservative in any sense of the word.

One of the world's greatest arch-conservatives, the then German chancellor Otto von Bismarck, introduced health coverage for all Germans as far back as 1883. What is it about US "conservatives" that, by 2013, they cannot muster the same degree of enlightenment as Bismarck, all of 130 years later?

The present state of affairs runs amazingly counter to America's global ideology. According to its self-promotion, the US casts itself as the modernising vanguard of humanity. In light of what is going on in Washington today, it is evident that close to half of the US Congress wants an America that is more conservative than Bismarck's 1880s Germany.

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DILBERT



DIARY

China sacks official for wasteful wedding costing R2.6m

CHINA had sacked an official for "extravagant waste" after he spent an estimated 1.6 million yuan (R2.6m) on a lavish, three-day wedding for his son, state media reported on Tuesday, the latest move in a crackdown on profligate lifestyles and graft.

Ma Linxiang, a deputy village chief from the Beijing suburb of Qingheying, had hosted the 250-table wedding at a convention centre that was part of the main 2008 Beijing Olympics venue during the week-long National Day

holiday last week, media reported. Ma told the Beijing News that the wedding was hosted by both families, and that he "couldn't stop" the bride's family from splurging on the venue, as well as a troupe of performers that included two celebrities famous for their own lavish wedding.

A branch of the Communist Party's anti-graft watchdog had fired Ma for waste and discipline violations, adding that while it had not found any abuse of public funds, it was investigating, the

Xinhua news agency reported. Since taking charge of the Communist Party late last year and the reins of state in March, President Xi Jinping has called corruption a threat to the party's survival and vowed to go after powerful "tigers", as well as lowly "flies".

Xi has sought to address growing public anger at the illegal and unethical behaviour of party officials, especially those with flamboyant lifestyles which they could not possibly afford on low government salaries. – Reuters