Opinion&Analysis

QUOTE OF THE DAY

If you don't design your own life plan, chances are you'll fall into someone else's plan. And guess what they have planned for you? Not much. – Jim Rohn, American author and motivational speaker (1930 -2009)

Mandela's health plays no role in rand devaluation

BUSINESS WATCH

ECONOMISTS and currency traders played down any role of Nelson Mandela's health deterioration in the sharp decline in the rand's value against the dollar yesterday, citing instead a cocktail of domestic and international reasons for its fall.

Nedbank Capital senior currency trader Lynden Reabow acknowledged it was a tough question to answer but Mandela was "pretty much out of action" in the governing and running of the country and he had also suffered a long illness.

"What is driving it [the decline] are more fundamental issues," Reabow believed. These included the general labour unrest and gross domestic product statistics looking "quite down there".

There had also been a larger trade deficit reported than expected, and consumer spending levels were down. Internationally, the US Federal Reserve had taken its foot off the quantitative easing pedal. "There is also a bit of a strong dollar and a strong euro coming in," Reabow noted.

Sanlam Investment Management investment economist Arthur Kamp said he did not believe there was "a strong link" between the former president's health and the currency decline.

It was "pretty much related" to other factors. One was the persistent current account deficit.

When there were low portfolio investment inflows this also tended to translate into currency weakness.

Standard Bank rand strategist Bruce Donald blamed the rand's slide on "a cocktail of adverse global and domestic developments".

South Africa had also entered the wage negotiation season, which had given rise to "considerable anxiety" about production disruptions in key export sectors while there were also concerns about possible electricity outages as temperatures dropped.

Mining

The portfolio committee on labour meets in Parliament today to carry out its final deliberations on the Labour Relations Amendment Bill. DA labour spokesman Sej Motau said last night that this was an opportunity to find solutions to the current mining sector crisis.

Noting that the committee would be meeting against the backdrop of reports that the Association of Mineworkers and Construction Union (Amcu) planned to embark on another unprotected strike at Lonmin's Marikana platinum mine, if a union recognition agreement was not reached, Motau argued that interventions by Deputy President Kgalema Motlanthe appeared to have failed to put a stop to the mine unrest.

> What is driving the decline are more fundamental issues like general labour unrest and gross domestic product statistics looking 'quite down there'.

Motau believed the ANC was giving in to Cosatu's demands rather than promoting "the best interests of stability" in the mining sector. The ANC government was doing this as "a pre-election gift" to its alliance partner Cosatu, which includes in its umbrella the National Union of Mineworkers, he charged.

What should be done, Motau believed, was to reintroduce the requirement of balloting before a strike.

There should be a repeal of section 18 of the act, which allowed majority unions and employers to agree on thresholds of representativeness for unions to gain organisational rights in a specific workplace or sector. "Amendments should seek to establish a universal minimum threshold of representativeness above which organisational rights and participation in collective bargaining cannot be denied to a union."

Motau further suggested amendments to the monitoring of provisions to ensure "that no portion of the union membership fees collected under collective bargaining agreements may be used to pay for affiliation to a political party and that these funds may not be applied for any purpose other than the promotion and protection of the socio-economic welfare of employees".

That seems like a checklist the ANC will not be ticking off today.

Johannesburg

Johannesburg is the most popular destination in Africa, according to the third annual Mastercard global destination city index, with an expected 2.54 million international visitors expected to arrive this year.

Its 53.6 percent growth in international visitors between 2009 and last year has taken the city into the top 20 fastest growing destinations in the world.

It is also top in Africa in terms of visitor spending with $2.7 billion (R27.4bn) expected to be spent there this year.

But this is partly because Johannesburg's OR Tambo International Airport has been developed as South Africa's hub airport, from which other cities in South Africa are served. And although it attracts a high proportion of business travellers, most foreign tourists arriving there leave quickly for other destinations, despite new attractions encouraged by the Johannesburg Tourism Company.

Despite the growing importance of tourism from China and India, the largest number of foreign tourists and biggest spenders arrive from London, the second largest from Frankfurt and the third largest from Dubai.

Dismayingly, the index shows that Cape Town, South Africa's most popular tourist destination, expects a fall of approximately 8 percent in international visitor numbers this year.

The report suggests that this is due to the withdrawal of SAA's direct flights between the city and London, although a high proportion arrive on the all-year round direct flights by British Airways and from Dubai with Emirates airline.

The report also shows an increase in tourism to Durban, to which Emirates flies directly from Dubai.

Christoph Franz, the chief executive of German airline Lufthansa, a partner of SAA in the Star Alliance of international airlines, advised our national carrier last week that although the new markets opening up were important it was still essential to retain its services to the northern hemisphere.

Edited by Peter Delonno. With contributions from Donwald Pressly and Audrey D'Angelo.

Why the delay in harnessing SA's latent hydroelectricity?

GREEN ENERGY

Keith Bryer

WITH the delays and costs of the coal-fired Medupi plant rising, and Eskom imploring us to turn off lights and geysers, South Africa's dire need for more electric power is impossible to ignore.

Perhaps it is time to investigate more options (excluding for the moment, nuclear power since, for illogical reasons, it seems to scare the pants off the public).

Environmentalists are not all loons. Those who have travelled down the "small is beautiful route" and do not reject technology will embrace fuel cells and photovoltaics. Our government, on the other hand, while seeming to back the Green Agenda, appears to be slow in embracing the potential of water power hidden in the country's urban and rural water supply systems and perennial rivers.

This potential hydropower was detailed during a technical workshop last year at Pretoria University and again during the Clean Energy conference this year in Cape Town. What the participants presented was very interesting indeed. These highly qualified engineers produced solid scientific evidence of South Africa's untapped hydro-power potential and offered practical ways of accessing it.

It seems there are no less than 30 sites in the Eastern Cape and KwaZulu-Natal with the potential for small-scale hydroelectric power. Many are in deep rural areas where the chances are slim of ever getting Eskom power and where lack of electricity makes life grim.

These are areas where children study by candlelight, with schools where teachers cannot use overhead projectors or operate television sets. These are places where vaccines grow stale and useless in the summer; places where clinics can offer only basic health care.

In these parts of South Africa, power tools are useless without expensive petroleum-fuelled generators. Water power could provide sustainable – and in the long run – cheap energy, allowing the growth of small-scale industry such as carpentry, welding, and so on.

All these 30 sites have perennial rivers, streams or springs, all with enough water to power Francis/Pelton or Kaplan-wheel generators; and able, in some cases, to provide electrical power to whole villages.

When the whole of South Africa is considered, the opportunities are even greater. New dams being built or planned could provide water power. Old dams could be adapted to do the same. All that is needed is the political will. We have the engineering skills required.

It is remarkable that this opportunity to provide power cheaply is not given top priority. After all, in similar circumstances elsewhere in the world, notably China and India, mini-hydropower and larger small-scale hydropower, are eagerly exploited whenever possible.

> Our government… appears to be slow in embracing the potential of water power hidden in the urban and rural water supply systems and perennial rivers.

Our government's avowed target is to achieve 10 gigawatts from renewable energy sources. The plan expects a mere 10 megawatts to come from small-scale hydropower (driven by existing dams and dams yet to be built).

Then here is another potential source of hydroelectricity – the pipes and storage facilities in our cities. If we harness these to a far greater degree, we could add another 250MW to the electricity available.

Despite the national target for hydropower we continue to build new dams with no hydroelectric capacity at all. This is in contrast to China where there are more than 45 000 small hydroelectric plants driven by dams, rivers and large streams. These generate 175 000 gigawatt-hours annually. They supply electrical power to 300 million people. Power output from such systems has doubled in the last 10 years.

By the end of 2011 those employed in China in the small hydro-electric sector numbered 658 000, of whom 150 000 were technical staff. Even scaling that number down for South Africa, there is no doubt job creation for a small-scale hydroelectric programme would be significant.

Water sources in China vary between 2m and 1 000m above the generator. A wide range of dam types are employed – earth, stone masonry, concrete, rock-fill, concrete-face rock-fill, rock-core wall and even rubber.

The Chinese direct water to their small-scale hydroelectric generators in different ways as well – by open channels, aqueducts, all kinds of pipes under various pressures or under no pressure at all, merely using gravity. There are 500 manufacturers of hydro generators in China. Some will even deliver a complete small-scale power station that fits neatly into a ship container, ready to be connected.

In South Africa, we know the potential of hydropower. We have identified new dams and old dams that could have hydroelectric plants attached to them – at a fraction of the cost of coal burning plants and built in considerably less time.

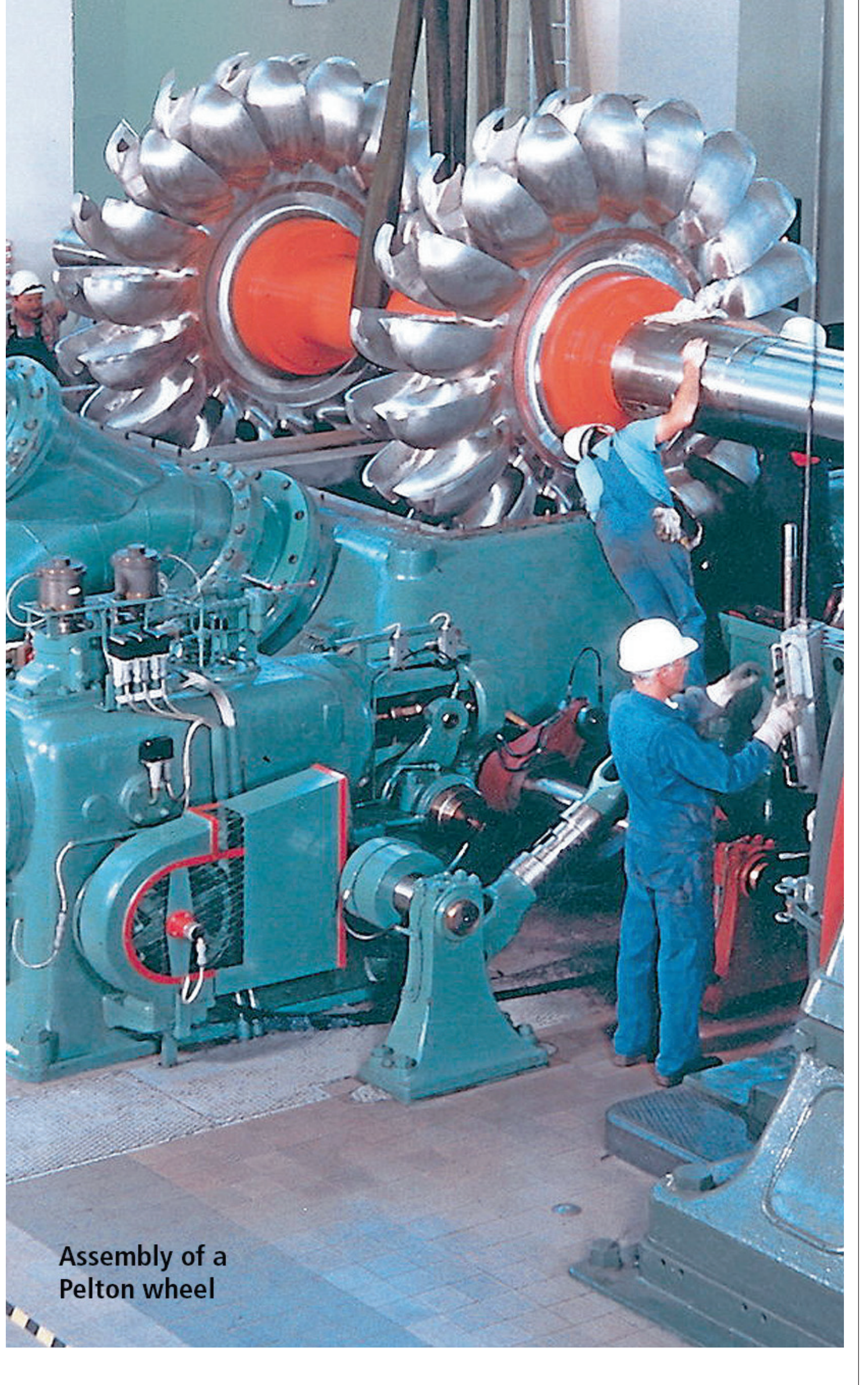
We know that 1MW generated by hydropower will replace 300 tons of fossil fuel. It will also avoid the emission of 3 200 tons of carbon dioxide (a key factor if you believe carbon dioxide is a poison) and prevent 20 tons of sulphur dioxide (which is a poison) reaching the atmosphere. All that while supplying 1 000 urban households with electricity.

Despite this, we are now building four dams without hydroelectric generating capabilities. At the same time, Namibia's planned Neckartal irrigation dam will generate 1MW.

What is even more difficult to understand is that in the Eastern Cape in particular, dams and weirs (some with hydro-power generators, some which have the potential) are being allowed to silt up, making them useless.

Compared with mega coal-burning monsters like Medupi, small-scale hydroelectric systems are cheap – between R10 million and R20m. They also feed power to the grid more quickly, in 18 months to three years. Micro hydropower systems come on stream even faster.

There are even ocean energy sites that are suitable for power generation and together they could add almost 7 250MW to the national grid within the next 10 years, postponing the need for nuclear energy for at least a generation.



Assembly of a Pelton wheel

Medupi (R33.6 billion) is going to generate 4 800MW, so that's a potential quarter of what we theoretically could get for a whole lot less. What is holding us up? The usual things: bureaucracy in general. Departmental rivalries. Public objections.

It's a great pity. As the Chinese experts say: "Small hydropower is the rural renewable energy with the most mature technology, the longest development history and the most rewarding benefits."

It's time we listened.

Keith Bryer is a retired communications consultant. He is indebted to Bo Barta of the Sustainable Energy Society for information pertaining to South Africa and Li Zhiwu of the Chinese National Research Institute for Rural Electrification.

US cannot take Latin America for granted

CHINESE ALLIES

Kevin Gallagher

THE ADMINISTRATION of President Barack Obama and US media have made much ado about the US "pivot" to Asia. What has largely escaped their attention, however, is that China has been lining up economic allies in the erstwhile "backyard" of the US.

Well, just as serious competition ought to awaken one's creative juices in business, it is time for the US to step up a suitable economic policy for Latin America before it is too late. The difference in approaches by the US and China were brought into focus last week when US Vice-President Joseph Biden and Chinese President Xi Jinping made tours of Latin America.

The US's principal offer to its Latin American neighbours is the Trans-Pacific Partnership (TPP), which offers Latin American and Asian nations access to the US market on the basis of three conditions: they must deregulate their financial markets, adopt intellectual property provisions that give preference to US firms, and allow private US firms to directly sue governments of countries that sign up to the TPP for violating any of its conditions.

Talk about a heavily conditioned offering. So what is the Chinese approach? On his visit to the region, China's president offered more than $5.3 billion (R53bn) in financing, with few conditions attached, to its new-found Latin American friends.

These offers will need to be confirmed, but according to press reports the Chinese have signed deals on this trip for:

- $3bn in commitments to eight Caribbean countries for infrastructure and energy;
- $1.3bn to Costa Rica in loans and lines of credit; and
- A $1bn credit line from the Export-Import Bank of China to Mexico for its state-owned oil company.

This financing comes on top of $86bn in financing already provided by China to Latin American governments since 2003.

To put it into proper perspective, consider this. Since 2003, China's policy banks have provided more finance to Latin America than their counterparts at the World Bank, the Inter-American Development Bank and the US Export-Import Bank.

If anything ought to awaken the US from its past slumber, that comparison ought to do it. Simply put, the US and the array of largely Western-dominated international financial institutions have been outgunned by China's financial muscle. Welcome to the brave new world!

But it's not just a matter of sheer numbers. Unlike US trade treaties or the finance from the international institutions largely under US control, China offers its loans with few strings attached.

In a region that is understandably very sensitive to any notions of conditionality due to painful past experiences with the International Monetary Fund and the World Bank, China makes sure that its policy is not based on conditionalities. That said, the Chinese do not lack a strong commercial focus. Often, the offer requires that Chinese firms are hired to conduct the bulk of the envisioned project work.

In just a few years, China has become the number one (in the case of Brazil and Chile) or number two (for Peru and Mexico) trading partner. These are not just any countries. They are the most important economies in Latin America.

Of course, the US is still the most important economic partner for the region overall. However, it cannot continue to take the region for granted.

For too long, the US has relied on a rather imperial mechanism – just telling Latin America what it needs. Compare that with China's approach: it offers Latin America what it wants (in the form of financing and trade from China).

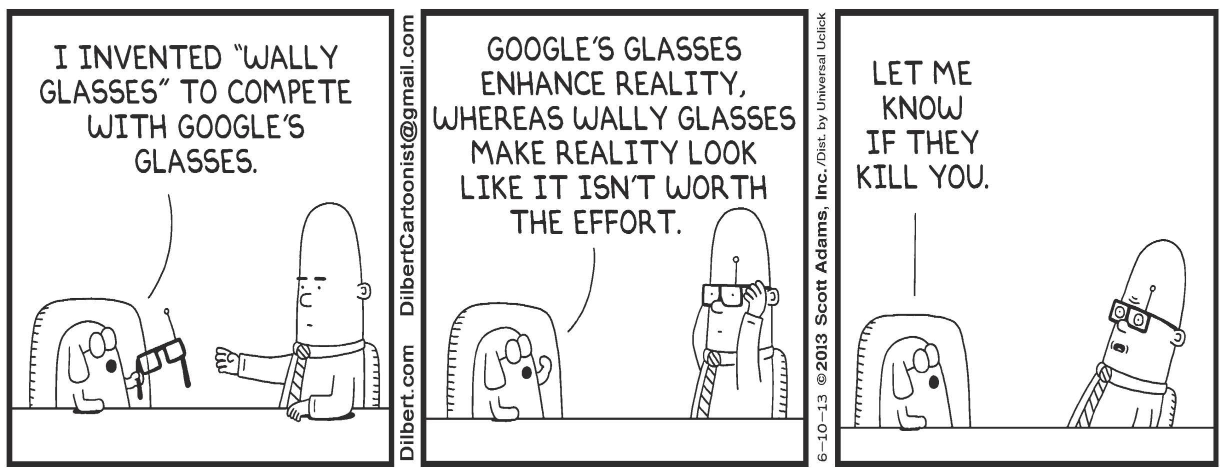
When Obama took office, he and his team pledged to hit the reset button with the region and rethink its trade regime with Latin America. It has not worked out that way. So far, "reset" has essentially meant making the same old offer, but via new faces.

In addition, too much of the interaction with regional governments has been for drug interdiction purposes. Those countries rightfully do not see that as much of a growth-enhancing development approach but as a mechanism to protect the US.

It is high time for the US government to undertake a true rethink of its economic policy toward Latin America. Very soon, it may be too late.

Kevin Gallagher is a professor of international relations at Boston University and a research fellow at the Global Development and Environment Institute.

DILBERT



DIARY

Proverbial coffins make for an outlandish final send-off

IT IS THE last journey you will ever make, so why opt for a plain-wooden coffin when you could meet your maker in a giant chilli pepper?

A bizarre chilli-shaped casket is just one of a host of wacky designs commissioned by people keen to make their final farewell one to remember. Other outlandish requests include a shark, a Coca-Cola bottle, a Viking boat and even a cellphone.

The chilli pepper is the work of Ghanaian craftsman Paa Joe – whose detailed creations have gone on display around the world.

Fantasy coffins – sometimes known as proverbial coffins – have become a tradition in Ghana, where many people believe in an afterlife and regard deceased ancestors as more powerful than the living.

The shape of the caskets often reflect the individual's profession or links to certain clans.

Paa Joe's efforts have helped to inspire Nottingham-based Crazy Coffins, which has been supplying caskets shaped like everything from football boots to bottle openers for a quarter of a century.

Crazy Coffins, which recently celebrated its 25th anniversary, said demand for ever more outlandish designs was growing all the time.

Crazy Coffins is a subsidiary of Vic Fearn, which has been making coffins since the 1860s, and regularly prepares designs for people who want to have a say in the casket they will be buried in after they are gone. – Daily Mail