

CONSTITUTIONAL ASSEMBLY

THEME COMMITTEE 6.2 : FINANCIAL INSTITUTIONS & PUBLIC ENTERPRISES

SUBMISSION BY TRANSNET
PRESENTER : MR H BLOEM

9 FEBRUARY 1995

- RD R Davies (Chair) (ANC)
- GW G Woods (IFP)
- KA K Andrew (DP)
- PW P Welgemoed (NP)
- Pat P Fahrenforrt (secretary)
- JC J Chirole (FF)
- HB H Bloem (Transnet)
- GM G Marais (NP)
- Gill G Marcus
- CR C Rustomjee (Technical advisor)

RD To approve the minutes on page 2 of this document here. The other one is the submissions which .. political parties. And Ken has made - has a small amendment so we can approve these minutes now, they are outstanding, we need to approve these minutes. Gavin.

GW A very small item under the comments I made on behalf of the IFP - I remember seeing in the minutes said I spoke about the Auditor General and in fact I didn't. I mentioned the Auditor General and said the central bank has been the next stage of our work. I think the ANC could just correct that.

RD Correct okay then that will be corrected. So you just take out "address the area of finance and fiscal commission" okay. Anything else. For those who weren't here before, Ken corrected his name, he indicated that he also spoke about public enterprises and then in the little notes on his presentation he indicated that they didn't see any need for - any provisions on public enterprises be constitutionalised. But are there any further amendments. Can we adopt those minutes with those corrections, you want me to sign that. The other business item is that we have received a letter from SACOB asking - telling us that they can't see us on the 14th or the 15th and proposing the 20th which is a Monday which is CA day. However I have a very strong feeling from some meeting I was at although I can't confirm this, that the CA itself is going to meet

KA That was in my box this morning saying the CA is meeting the 20th and they didn't say what time

RD So the question is can we meet in the morning of Monday. Could we say if they are willing to come along at 11 o'clock on Monday the 20th, okay. Okay that's agreed then.

PW 11 o'clock is SACOB

RD Sorry, is there anything else. Sorry, Ken

KA I presume we'll be dealing with them for about 45 minutes as well, will we?

RD I think so, I think so

KA Is there any possibility of trying to get COSAB or somebody else to come straight after say, you know you take out that block till lunch time as opposed to doing it in -

RD I think we should try to do that like we're going to be doing on Tuesday, we'll be taking the South African Communist Party, the PAC - hopefully the PAC em but I think if that weren't possible - what about them - let block that as a proposal then Pat will then phone COSAB and ask them, tell them this is what is available and could they fill that slot as well

PW Is the slot only from 11 o'clock onwards Mr Chairman or can it be earlier. All those that are outstanding

RD I'm trying to accommodate people who are going to fly down from Gauteng - I know its always an issue on Monday morning. But we could make it earlier

PW I just think - leave it at 11 but other people that would like to discuss that - their documents, can't we use Monday morning the 20th all morning because the morning in any case is tied up so let's do it from 9 o'clock until 12.30 and then we each and everyone

RD Alright that depends on whether we've got enough submissions and people are available. But okay let's adopt that also as a proposal. But if we've got enough people who are ready to come in we'll schedule the meeting for 9 o'clock, okay Pat, did you get that. Okay sorry, we're just finishing the business item then we'll be ready for you. And what we're saying, we're saying that if we have enough people who are ready to give submissions on the 20th and bearing in mind that we're giving everybody deadlines, that we will schedule the meetings one after the other from 9am until 12 o'clock on the - with 45 to last each, on Monday the 20th. So we can work towards a programme on that. Okay

JC Mr Chairman I just want to agree with you on a point, you might be looking at my acceptance but our person who is usually on this committee is from Gauteng and I know he's

going

RD Okay but I'll be quite surprised if we have 3 hours of submissions, but any way, we'll see. We'll work that, that we'll start at 11 o'clock and we'll take one more later than that and then anything else, we'll come backwards so that if we don't fill the whole slot we'll start at 10.30 or something like that okay. Em alright then, we can call our visitor in today. I hope everybody in the committee, there should be two submissions now from Transnet. There was the originally one which is in here, page 11 and then there's also something which came later. I think you've all got

KA Is that something -

RD Ya - okay then its my pleasure to welcome Mr Hercu Bloem who is the deputy treasury manager of Transnet and he will speak to us for about 10 minutes and we will have an opportunity to ask him questions on the two documents which Transnet have put forward for our consideration. I think Mr Bloem if you can just press your button there.

HB Mr Chairman thank you very much for the invitation to be here today. When I spoke to Pat, I first really struggled to decide what I'm going to say. Em therefore I think the purpose of my paper today is not really to try and give you lengthy theoretical arguments on the writing of the final constitution. I would rather try to share with you a few practical view on certain aspects of the financial systems, one has the markets. Although I think our proposals or some of the proposals can be accommodated in separate legislation, we deem it important enough recommend that references there too should be included in the final constitution. As you can see from the document in front of you, we wish to comment on three topics regarding the final constitution and those are first of all the SA Reserve Bank, guarantees for provincial and local government loans as well as provisions relating financial institutions. If one looks at the South African Reserve Bank, the interim constitution states that the Reserve Bank should perform its duties independently. And we are fully supportive of this provision. We want therefore to recommend that these provisions should be included in the final constitution. Our reasons for this are as follows if you allow me. In the first instance, does the Reserve Bank as central banker of the country is responsible for the establishment and the maintenance of price stability in our country's financial markets. The bank's primary functions can be summarised as being the protector first of all of the internal as well as the external value of the rand and the manager of local interest rates. In other words, the cost of money in this country. The Reserve Bank is primary therefore responsible for the execution of monetary policy. From our point of view I

think its extremely important that monetary policy or the execution thereof be kept separate from fiscal policy which is the responsibility of this. If the reserve bank is allowed to perform its duties independently, it can through the using of monetary policy ensure financial price stability on a longer term even if this policy is unpopular over a short term. The reserve bank at the same act as the financial conscience of the government by using monetary policy they can or it can actually tell the government or remind the government of the need fiscal discipline while at the same time they can try to protect the economy.

ladies and gentlemen, we're not trying to promote that the reserve bank be managed as a commercial bank. But I think its extremely important that I try to prove to you that the duties and the performing thereof the Reserve bank must be kept independent. We still favour the practise that some of even the whole of executive management of the Reserve Bank be appointed by the government of the present. And regular consultations between the minister of finance as well as the governor of the Reserve Bank are necessary to ensure that monetary and fiscal policy are in a step of each other. While using political appointments in executive management of the reserve bank, the government will be able to or will be - will have a mechanism but also their responsibility to ensure that monetary policy and fiscal policy are in step of each other. I think a second reason why we would like to recommend that the Reserve Bank in the execution of its duties be kept independently is to contribute to foreign investment confidence. And this confidence can be built if the foreign investors are guaranteed. Maybe not guaranteed, just that it had a confident feeling that the value of the country's currency will be managed prudently due to the fact that the value will be influenced by fundamental economic factors and market forces only. I think there's no need for me to state that its general knowledge that the government as well as the reserve bank are in favour of the abolition of the financial rand. What is important to us I think is that this process, and I think its going to be a lengthy process, I'm not convinced that it will be a once off announcement. If this process is not managed properly, it will scare off foreign investors and re-investment in this country. We recently had the opportunity to spend some time with about 60 American investors and what was quite clear from our meeting was that its a big concern of them that the abolition of the financial rand be managed responsible and in a possible way by an independent reserve bank or central bank.

As a final comment on this topic I can - I could quote several examples of successful independent central banks. Such as the central bank of Germany, maybe the central bank of America even the central bank of New Zealand. But I think the example

I would like to use today is that of the central bank of Chile. Chile was the first country in Latin America to allow an independent central bank. Their independent central bank only came into existence a few days before a new government was due to take over. And obviously that caused a lot of criticism. The new government decided to stick with their independent reserve bank or central bank. And they concentrated on the execution of fiscal policy and trying to honour their election promises while the reserve bank was able to concentrate on monetary policy. the result of that decision was that they managed to bring or to decrease the inflation rate from 27% to the currently involved 8%. I think that is some success story. The second set of provisions I would like to touch on this afternoon -

? I would just like to ask a question about the reserve bank
RD I think let's hear the presentation as a whole and then let's ask questions

HB Is that of guarantees for provincial and local government for the raising of funds. In order to maintain strict fiscal discipline, I think its important that the government should at all times have control over the number of and the amount .. guarantees where each issue for the purpose of raising finances. The provisions of section 157 of the interim constitution which allow provincial and local authorities to raise breaching finance for operating purposes are strongly supported. This in itself I think will force them or cause them to apply strict fiscal discipline. Its important that this breaching finance should be raised using the authorities own credibility. At the same time its important that the government must in the light of the RDP be able to ensure that capital expenditure is directed in the best interest of the whole country. Therefore I think its fair to ask from you that provincial and local government should not be allowed to raise finance on the basis of blanket government guarantees. But they should be allowed to apply for central government guarantees for the raising of finance for its specific programmes and projects. By doing this, the central government will have control over all possible projects. And those projects that are in the best interest of the country can be supported but providing guarantees for the raising of the necessary funds. Alternatively this funding actually can be performed by centralised entity like the development bank or the department of finance. If we can have a brief look at the provisions relating to financial institutions in general, I would like to say that in addition to the independence of the reserve bank, the independence of the financial system should also be protected by the constitution. Any provision in the constitution that guarantees the independence of financial institutions, will to a certain extent guarantee an effective financial system in which foreign investors can believe. Such a system will allow market forces to determine process in both the currency and money markets, thereby boosting investor

confidence in our country while the reserve bank will have the freedom to influence these forces in the best interest of the economy. At this point in time its also important to state that the participants in a financial system cannot be allowed to act irresponsibly. And the existence of financial market controlling bodies like the financial services board should therefore be catered for in the constitution as well. I think this will create the view amongst investors that although the system functions independently, it has set parameters within which the participants might operate, thus causing cowboys from ruining the system. Ladies and gentlemen, my presentation - I refer - I often to refer to foreign investor confidence. To prove to you how important this is, we can just have a look at the Mexico crisis. After the process happened, the margins at which the Mexicans were able to find themselves in the seas basically doubled. Even our own margins increased from 1,93% over the ... bonds to 2.7%. But if you look at the margins of countries like Greece, it didn't change at all. What I'm trying to say is that if foreign investors, they have confidence in the country, its not necessary to pay off the finance from overseas. I think its the duty of each and every one in South Africa to build investor confidence. And by allowing provisions like the ones we're proposing to be written into the final constitution, I think its one way of building this confidence. That's all I've got to say.

- RD Thank you Mr Bloem. I think we've already had one indication, Mr Marais and then its open - okay then Mr Chirole.
- GM Mr Bloem, you know that the last few years reserve bank underwrite many of your foreign loans and foreign ... I know more about Eskon. They know that Eskom actually made a profit once its possession in its regard to Transnet and then you also made profits on this - the reserve bank underwriting your balance. And secondly do you think the - maybe the reserve was already out of it, but do you think that is the role that the reserve bank has to continue to underwrite parastatals foreign loans.
- HB Mr Marais no, I don't think that is the role exclusively to be performed by the Reserve Bank. Maybe just another correction, the Reserve Bank is not underwriting any of Transnet's loans. We're in the fortunate situation to have an explicit government guarantee in terms of section 92 of our act, Act 9 of 1989. As far as the underwriting of loans are concerned, I think that will be a function for the Fiscal and Finance Commission. I had a look at the provisions in the interim constitution on the fiscal and finance constitution, I was quite pleased with those. Therefore I think it will not be - its not necessary for the Reserve Bank to perform this function. But maybe it should be made the responsibility of the Fiscal and Finance Commission.

- GM The government took the losses - found the same losses in regard to your
- HB I'm with you now. What we did on the loans, we revalued the loans so we've adjusted the book value, so that is still Transnet's responsibility. If you can remember on the 1st of April 1990 when we became a company, we revalued all of the loans in Transnet's loan portfolio. so that's written into our balance sheet and it was not get a carried by the government.
- RD We have Mr Chirole and Mr Andrew and then I'd like to turn to you myself.
- JC Thank you Mr chair, to a great extent my question had been covered by the Mr Marais. But just to elaborate a bit further to simplify the matter. Let's just take an example. How would you for instance go about if you want to finance a big capital project, like for instance the Richards Bay project, how would you go about that?
- HB If first of all Transnet its bottom line governed so the cost of funding is very important to us. We will take any off shore possibilities, we will value that, taking into account quotations we're getting from the Reserve Bank on forward cover for the whole of the period for the loan, I think you will know that the times of giving preference coming from the Reserve Bank to bring in new funds into this country, that is something of the past. So if you go to a Reserve Bank at this point in time, you will get market related prices from the Reserve Bank. So by taking into account, the forward rates quoted by the Reserve Bank and adding that to you cash flows of the specific loans, we will calculate and in effect of view of the foreign funds, compare that to the cost of funds within South Africa and then we will decide which loan to give you.
- JC Mr Chairman just a follow up question, thank you. So if I understand you then correctly of course all those things will be reflected quite accurately in your budget as well as far as those things are concerned. Now if we look now further, taking into consideration that it will be reflected in your budget and so on, I think foreign exchange losses that had been incurred during the late 80s I think it was something like 3000 million rand. I think almost 7 - thank you very much to the previous minister. How would that be covered in the present situation.
- HB Okay as I said to Mr Marais, what we've done and I'm going to take an example, say we entered into a loan, the use ... at R2 to the dollar, and at the moment,
- PW On a righter scale that was about ten

- HB What ever the case may be
- JC We have this little earthquakes from time to time
- HB Not political. And at the moment the rand is trading at R3.50, obviously if you revalue that loan, 100 dollars, entered loan of 100 dollars entity into R2, will give you a rand value of R200. If you have to repay it at 3.5 now you'll have to pay R350 million. On the 1st of April 1990, we revalued all those loans at the then prevailing market rate. So its in our balance sheet at the market rate that we .. from 1990.
- JC I'm closing Mr Chairman. I think I just want to make the comment, not really a question. That sort of calculation will have various implications and various meanings for various political parties, if they will allow it to the debate.
- RD Can I just remind everybody that we are actually a constitutional committee and that we should be dealing with things that go in the constitution and not just the general practises of public enterprises, but Ken Andrew.
- KA Thank you chair. Two questions. One is you suggest that the independent nature of financial institutions being protected by the constitution. May I ask what kind of mechanism, I mean what kind of independence are you talking about in terms of - generally just taking things like the banks act. Are you wanting the constitution in some way to limit what a present or future banks act could include. So that is the first question. And secondly are you aware of constitutions elsewhere in the world, now I'm not talking about the reserve bank, I'm talking about financial institutions that in some way make provision for the independent act of financial institutions. The second question I have -
- RD Before you go on my question was a follow on to that, and I just would like Mr Bloem to be a little bit more specific, are you asking for independence in the sense of guarantees for private ownership or guarantees against rereg - against government regulation or both. What precisely forms of guarantees are you seeking to preserve in the call for independence
- KA Well shall we handle that one first. We might as well just a public enterprises
- HB Okay thank you, I think that's a very fair question. I'm not clear on any examples that I can quote to you right now. I know that the independence of the New Zealand reserve bank was decided on not so long ago. So I think if there is a recent example that I can't quote please I'm not quite clear on this one. I think that's the one example

KA .. The Reserve Bank - financial institution

HB That's right, if you read my little presentation, you will see that I'm calling for the independence of the financial institutions to support the independence of the Reserve Bank. If you allow an independent reserve bank but you for example, and please I'm just taking this as an example, nationalise all the banks, obviously there is no use to have an independent reserve bank. So what I'm calling for is his private ownership, but something more on the line of an independent financial system supporting an independent reserve bank. Thus allowing to let market forces determine the level of interest rates in this country as well as the value of the rand.

RD Is your's a follow up Gill

Gill Follow up first

RD Alright because Ken's got another question but if there is a follow up on this, Cyrus then

CR I'm slightly, I'm not confused whether its a question in a sense, I'm reading both of these submissions and I don't know whether this one - on ... 3 on one that's in the book, which is the one that was written by - it refers to regulation of banks by the banks act so therefore the legislative provision for regulation, but here the suggestion is that this isn't an appropriate type of approach to go for rather go for a constitutional approach, so I'm not - I'm trying to understand the delineation in motivation between, and I'm also trying to understand whether there is a .. but rather not legislate but put into the constitution.

HB You will remember that right in the start I said that some of our proposals can be accommodated within specific legislation like the Banks Act so we're not calling for the constitutional provisions to replace the banks act. I still think that you can allow the banks to be controlled or governed by the banks act while the actions - that becomes very specific, can be controlled by centralised bodies like the financial services board. So I think its just an addition to the already existing legislation. What I'm trying to propose is that like is the case with the reserve bank, just one, two paragraphs within the constitution that states that the financial system in this country is independent - by that I mean obviously protected in terms of private ownership, that they are governed or controlled by centralised bodies like the FSB, but that they are independent on any of the other actions. that is raising money in the domestic market. Obviously you can't allow them to act irresponsibly and go and raise money overseas as .. but therefore I think its still necessary to sit - seek certain parameters within which they can act and still allow them to

be independent with ...

RD So you're saying if I understand you correctly, its something which obviously we can debate, you're saying first of all that in order to have independence there must be a guarantee of private ownership and secondly there must be a guarantee against interventions by the government which would restrict their autonomy over a range of actions and some of this should be in the constitution and some of this should be in be the banks act. That's what you're saying

HB Absolutely. That's exactly the case with the Reserve Bank

RD Okay. Sorry now can we go back to

KA I'd like to follow up

RD Okay Ken wants to follow up

KA Well, first of all may I ask, it would be very useful because I have - whether it was desirable or not, I'm in serious doubts as to how you can write something like this into the constitution even if one wants to in the ambit that you are talking about. Em because generally constitutions don't refer to other acts so you can't start writing about the financial services board in the banks act and all sorts of other things as if they are sort of there for all times. So it would be of great value to me if you get absolute clarity if you could in the next week or two let us have a suggested formulation of what kind of clause you want in the constitution. But also arising from your answers, I mean one of the things you say - first of all there's a whole question of definition with financial institutions, now - so in terms of what you say as I understand it, the Development bank of South Africa and the Land Bank would both be our .. by the constitution because either the state would have to sell off all the shares in those or else it would not be seen as that the whole system of financial institutions all be independent because those are not independent of government. Now would you see that as a logical implication of what you have in mind or am I misreading you or how would you qualify it if you're going to guarantee the private ownership of financial institutions and yet allow the Development Bank or an equivalent or the Land bank and I'm sure the other examples would come to mind to me right now to be approached.

HB I think entities like the development bank, housing, trust and you can name a lot of things, were instituted with the sole purpose to serve a certain sector of the economy. When I'm talking about financial institutions I then basically the rest excluding those as well as the reserve bank. So its basically the private banks, like ABSA, Nedbanks what ever the case may be.

KA May I ask in terms of a constitutional kind of definition would be the central difference between housing price and the building society that present position to help low income earners.

HB you will remember when I refer to guarantees from provincial and local government loans, I stated that the funding activities for those type of authorities can be done by centralised body like the development bank. So I see at this point in time, I think the functions of the development bank are very limited to a certain extent. I think that their role can be explained to include the funding for example, provincial and local authorities. So I'm not calling for the existing bodies like the development bank to become commercial banks because I think there's a different market they're focusing on. But in order to keep control over the funding activities of government, by government I mean central government as well as the provincial and local government, one can allow the development bank, or even the housing trust for a specific reason to go and raise specific funds.

RD If the government decided that it wanted to as the government does in France, move into the area of central banking, would you - sorry commercial banking, would - are you proposing that it should be prevented by doing so by the constitution

HB That's basically what I'm trying put across.

RD Er, we now come to Gill Marcus

Gill Unless, I mean I'm a little concerned about a thread that seems to run through this, because I'm not sure if you're wanting to constitutional prejudice in fact. If one looks at paragraph 2 of (a) the independent reserve bank in its acts the financial conscience of ... policy to balance this policy decisions, I mean implicit in this submission is that you constitutionalise a lot of things outside .. the government was going to be responsible and ... And if this is to me what I feel comes through this and I would like an explanation of how feel all of these matters actually need to be constitutionalised. You think because its in the constitution its going to present a sounder, safer mechanism to people outside vis-a-vis this government because I would read this as almost saying well if you don't have these things constitutionalise and protective and whatever you're going to have this rampant government running away with funds

HB Yes, thank you very much, that was not what I aimed at. What I'm trying to say is in any economy you have two types of mechanisms you can use to manage the economy. First of all monetary policy and secondly or fiscal policy. All I'm trying to propose is that by allowing the reserve bank to execute the

monetary policy part of these mechanisms it can act as a balance to - call it fiscal policy if you want to call that. But it can be also be of assistance for competent fiscal policy.

Gill So just as a question there, how if you're insisting on not just the reserve bank because I think generally its already been in the interim constitution. But what happens if you institutionalise or constitutionalise all these independents and how does government have bad management on their side.

HB Yes that's a fair question as far as - and that's why I proposed that the banks still be governed by the banks act. Within the banks act it is implicitly stated what banks can do and what is prevented from there. So in terms of the banks act, its not meaning that banks can do whatever they want to. All I'm trying to propose is that banks are offered the opportunity to stay private and to assist the reserve bank in managing this money.

RD I wonder if we could - I'm just from the point of management, we've got about 15, 20 minutes - Ken wanted to raise a question about public enterprises, Gavin Woods is here - I'm just wondering Gavin are you in this little loop that we get involved in now or are - do you want to raise something else. Because I want to try and bring this little loop to a close and I think that's where we - I think we got some clarity there. Okay then its Ken on public enterprises and then Gavin Woods.

KA Thank you. Mr bloem one of our mandates is to consider whether anything relating to public enterprises should be consitutionalised and your submission remains silent on that point. Em I'd like your comment in general but very specifically do you consider that the constitution should be looking at the accountability and transparency of public enterprises vis-a-vis parliament. At present for example, Transnet and other public enterprises are pretty well space ships out on their own orbit doing what they feel like doing and not account for in the normal way to share holders and ... shareholders. What kind of accountability and transparency should Transnet and other public enterprises in general but I was including Transnet be subject to and should that be provided for in the constitution.

HB I think I'm not quite qualified to respond to this question but I would stick to what Alan ... wrote to you and I would like to quote from a letter. "In view of the foregoing" and its - its not that long a letter, its only two pages "I do not think that its necessary or appropriate that any special provision should be made in the constitution for public enterprises under their control. That's all I can say ... from

Mrs Sicgua

RD Gavin Woods

GW Thanks Mr chair - would it possible for us to get copies of that

RD If you can make that available then we'll be grateful

HB It was - yes I don't think that will be a problem it was addressed to Mr Snakes Nyoka, Managing Secretary, Theme Committee 6.

PW Its not part of our documentation. Can I ask last week Mr Chairman, to labour this one minute, sorry for that. We discussed specifically this point, when are we going to discuss it. How are we going to deal with it. And then you said you're going to ask anyone that would like to put forward the memo on this specific issue. Must it be in or must it be out. All of us stated last Thursday our viewpoints on it and then we will discuss it in the end in block number 10 or something like that and I still would like that that letter be part and parcel of what we're going to discuss in block 10.

RD But I think just to bring this matter very briefly to an end, I think that if its been addressed to the Constitutional Assembly we can just ask our assistant here if she can just dig out that letter and make it available to all of us. Okay can we now have Gavin Woods

KA Also on a point of procedure, what date is that letter

HB It was written, its dated the 12th of January 1995

KA Because what concerns me is why we haven't got it any way and are there other similar kind of - because clearly that is a submission absolutely within our ambit

RD Well, correct but let's while we got Mr Bloem here, let's just deal with questions of Mr Bloem. So Gavin Woods please

GW Thank you. My primary concerns guarantees with provincial and local government loans. Now Mr Bloem I see, you make it very clear here that you favour very strong control in the system making by central government. But then you go on to suggest that this should be managed by the finance and fiscal commission. Obviously you had some idea of what the future fiscal commission could be. To a lot of peoples lives that's like to be a commission made up largely of provincial representation. If that were the case it could mean something of a contradiction as to who is really controlling. OF course just to extend that a bit further just to know your philosophy of why em the central government should have those sort of

powers of authority to make those decisions. Isn't that the arg - Pretoria knows best syndrome.

HB Thank you for the question. I think the - what I aimed at when I wrote that specific .. was basically to say that not necessarily managed by fiscal and finance commission but maybe controlled or monitor. If I read the provisions in the interim constitution correctly, the purpose of the fiscal and finance commission will be to advise on the direction of capital expenditure from central government's point of view. So I think it will be appropriate that -

GW That's the interim constitution - in the final constitution which is only one principle on ...constitution, the brief will be future finance and fiscal commission is far more narrow explaining ... taxes on finances on -

HB That makes my statement irrelevant then. Then obviously the central government will have to take control of the distribution of capital expenditure.

KA Given that view, are you in fact suggesting that Transnet could have a great control over its capital expenditure independent of government than the provinces of local government

HB What we're doing at this point in time, is that before we issue any new bonds we in terms once again of section 92 of our act we need to go to our minister for approval and she will only grant us approval after consultation with the minister of finance. So before we can enter into any new loans we have to get the approval from both our minister and the minister of finance

RD Could I just ask

PW And the minister of finance signs the last not the first, he signs the last

RD I wonder if I could just try to get some clarity between the two submissions. In the paragraph in the first letter signed by Mr van Schoor it seems to me that what's been said there is that there should be constitutional neutrality. The constitution should not provide anything at all for guarantees by central government to local and provincial government. On the other hand you're then coming up with this a series of musts - provincial and local government should not be allowed to raise finance on the basis of bank guarantees but should be allowed to apply etc, etc. Are you saying that those sorts of things that you're saying in your own submission should and etc etc should these be included in the constitution or should these be covered by other legislation. Could you give some

clarity on that. What of the shoulds should got to the constitution.

BH Mr Chairman thank you and I think that was one of the reasons why we accepted your invitation. I don't think we were very clear in our first submission. What we're to say is that no automatic guarantees for provincial and local government should be allowed. That's what I said in my second paper as well. I think its necessary for the provincial and local governments to have some way to apply for these guarantees. But we're trying to avoid - want to propose that they should have no automatic guarantee

? That guarantee should that be provided for in the constitution or not

HB Yes

RD Are there any further questions to Mr Bloem. If there's no further questions for the second time, for the third time, I think we'll say thank you very much to Mr Bloem. If we could just remain for just two minutes to discuss the issue which cropped up about what submissions have been made and so on. We say thank you to Mr Bloem for his submission.

HB Mr Chairman if you would allow me one final point. If its a real need of this committee to get any submission or proposals on the status of public enterprises, I think you're welcome to maybe write a letter to our managing director and ask him if he would like to comment on that.

RD I think we would want to follow that up. We would be calling in general for submissions on that at a later date. At the moment we're dealing with other, but we would take the opportunity if you have anything to say at this point. Okay so thank you very much Mr Bloem. Okay for the rest of the committee I think what's become clear is that there is obviously a document which is relevant to us which is gone to the CA administration which we haven't received. I think we can just ask Pat to delve into this matter and find this particular document obviously the broader question is are there any others. And I think -