Bishops join move to halt loans to SA

STAR

7/1/76.

The Star Bureau

LONDON — Three Church of England bishops are among churchmen who are to call on the Midland Bank to stop making loans to South Africa.

The churchmen will table a motion to this effect at the bank's annual meeting on April 7.

The bishops, the Rt Rev K J Woollcombe, Oxford; the Rt Rev Trevor Huddleston, Stepney; and the Rt Rev David Sheppard, Liverpool, together with prominent Roman Catholics and Free churchmen, say the loans are "morally unacceptable."

For a shareholders' resolution to be tabled it must be sponsored by 100 shareholders holding at least 18 000 shares.

The group says preliminary discussions with a number of big shareholders have convinced them that these requirements can be met and they are now inviting others "to share our concern."

The proposed resolution will ask the Midland Bank to "make no further loans to the South African Government or its departments, agencies or state corporations, and not to renew or extend any such existing loans."

Two major shareholders in the bank are already supporting the resolution. They are the Central Finance Board of the Methodist Church and the Methodist Missionary Society.

A spokesman for the Church Commissioners said the matter was being considered carefully. A representative of the commissioners may attend the meeting.

The inter-denominational organisation, End Loans to Southern Africa, which is co-ordinating the move, is to circularise 1 000 bank shareholders, chosen at random, to seek further support.

A spokesman for the churchmen's group said a number of prominent trade unionists and academics had already promised to help sponsor the resolution.

1 Capital

2 ~~66~~

3 ~~27~~

Capital

306

Rupert on burden of company tax

Cape Times 30/1/76

By PAUL DOLD
Financial Editor

THE return of the individual investor to the stock market is essential for the future of free enterprise, Dr Anton Rupert said in Cape Town yesterday.

"This fact should receive the attention of all free enterprise governments. Company taxation, for example, seems to have been raised to levels which make it less and less possible for new public companies to be formed.

"The result has been an extraordinary and now perhaps dangerous rise in the relationship of debt to equity and a general critical shortage of productive capital for industry as a whole and for banks in particular.

'ENORMOUS PRICE'

"The equity market itself and the bond market as well has paid an enormous price for inflation. A substantial degree of adjustment has already been completed and it is difficult to see still further declines in equities."

But until effective responses to inflation were developed the equity market could not fulfil its essential task of attracting risk capital. Instead of ready availability of risk capital for new assets there was speculation in property, antiques and objets d'art.

"For social and economic reasons it is important that new developments should take place and that new assets should be created. The taxation policy will determine whether this development will take place or whether the additional money will be absorbed by the purchase of existing properties and shares.

COMPANY TAX

"When company tax rises too high and depreciation allowances are not enough to counteract inflation, the risk of investing in new ventures becomes too great and the investor turns to investment opportunities which he regards as safe.

Dr Rupert, who was addressing the Graduate School of Business at UCT, said that several methods had been suggested as a solution and most pointed to state intervention such as attempted price control or a so-called incomes policy.

"Such control measures do not normally rectify matters — they merely postpone the day of reckoning."

CANADA

Commenting on Canada's experience with wage and price control Business Week said controls could not stop inflation while over-stimulative Government policies continued [illegible] it.

A survey of United States business economists had shown that 89 per cent opposed the imposition of any type of wage-price controls with some 75 per cent favouring tax changes to encourage investment in new plant and equipment.

"Price control creates a temporary illusion of stability but the unavoidable volume of money and credit created throughout the world by monetary authorities breaks through this temporary entrenchment, prices rise dramatically and currencies depreciate.

"The present inflation is a fundamental threat. To end it will require co-operation between all the leading countries of the free world who must observe great care in applying [illegible]. All the brakes cannot be jammed on at once or we shall go crashing through the windscreen of depression."

Hansard 2

21

Repayment of external borrowings by State

44. Mr. D. D. BAXTER asked the Minister of Finance:

What additional sums will have to be provided (a) to service annual interest payments on and (b) to repay external borrowings by the State as a result of the devaluaion of the rand on 21 September 1975.

The MINISTER OF FINANCE:

(a) An estimated amount of R47 949 371.

(b) R144 927 175.

The above amounts have been calculated at the exchange rates applicable immediately before and after devaluation. The interest liability has been calculated at the existing rates of interest as it is not possible to estimate future fluctuations in the rate of interest payable during the remaining terms of a number of the loans. I wish to point out that the rand was in fact devalued with effect from 22 September 1975.

Foreign loans

90. Mr. G. H. WADDELL asked the Minister of Finance:

Whether negotiations in respect of foreign loans were conducted during 1975; if so, (a) what loans have been successfully concluded since 21 February 1975 and (b) on what terms were they concluded.

The MINISTER OF FINANCE:

Yes. Details of the relevant loans are as follows:

(a) and (b)

Amount	Period	Rate of interest
D.M. 50 000 000 (R8 798 000)	6 months	[illegible]% per year
U.S. $100 000 000 (R67 939 398)	12 months	8[illegible]% per year
U.S. $20 000 000 (R13 587 880)	12 months	9[illegible]% per year
U.S. $10 000 000 (R6 793 940)	5 years	1[illegible]% above 12 months London Inter-bank offered rate
U.S. $50 000 000 (R35 668 426)	3 months	8[illegible]% per year
U.S. $10 000 000 (R7 114 112)	12 months	6[illegible]% per year
U.S. $50 000 000 50 000 000 100 000 000 (R86 843 248)	2 years 3 years	1[illegible]% above 3, 6 or 12 months London Inter-bank offered rate
U.S. $15 000 000 (R13 029 775)	12 months	6[illegible]% per year
U.S. $10 000 000 (R8 666 887)	12 months	6[illegible]% per year
U.S. $50 000 000 (R35 668 426)	6 months	8[illegible]% per year.

Hansard 2 col 68 3/2/76

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Loans/repayments

131. Mr. H. H. SCHWARZ asked the Minister of Finance:

(a) What amounts have been borrowed since 1 April 1975 by (i) the South African Government, (ii) local authorities and (iii) the private sector and (b) what in respect of each loan is the (i) amount, (ii) period, (iii) rate of interest and (iv) currency in which repayment is to be made.

The MINISTER OF FINANCE:

(a) (i) R284 110 092.

(ii) Nil.

(iii) Not available.

(b)

(i)	(ii)	(iii)	(iv)
D.M. 50 000 000 (R8 798 000)	6 months	$5\frac{3}{4}$% per year	Deutsche mark
U.S. $100 000 000 (R67 939 398)	12 months	$8\frac{7}{8}$% per year	United States dollar
U.S. $20 000 000 (R13 587 880)	12 months	$9\frac{3}{8}$% per year	United States dollar
U.S. $10 000 000 (R6 793 940)	5 years	$1\frac{1}{8}$% above 12 months London Inter-bank offered rate	United States dollar
U.S. $50 000 000 (R35 668 426)	3 months	$8\frac{1}{8}$% per year	United States dollar
U.S. $10 000 000 (R7 114 112)	12 months	$6\frac{7}{8}$% per year	Deutsche mark
U.S. $50 000 000	2 years	$1\frac{1}{2}$% above 3, 6 or 12 months London Inter-Bank offered rate	United States dollar
U.S. $50 000 000	3 years		
U.S. $100 000 000 (R86 843 248)			
U.S. $15 000 000 (R13 029 775)	12 months	$6\frac{1}{4}$% per year	Deutsche mark
U.S. $10 000 000 (R8 666 887)	12 months	$6\frac{11}{16}$% per year	Deutsche mark
U.S. $50 000 000 (R35 668 426)	6 months	$8\frac{11}{16}$% per year	United States dollar

International Monetary Fund/World Bank

132. Mr. H. H. SCHWARZ asked the Minister of Finance:

What amounts have been drawn or borrowed by South Africa from the (a) International Monetary Fund and (b) World Bank since 1 April 1975.

The MINISTER OF FINANCE:

(a) SDR 171 165 137 (approximately R159 137 625).

(b) None.

Capitol

Tough credit ceiling to halt forex outflow

STAR 17/2/76.

Neil Behrmann

The Reserve Bank has slapped on a tough credit ceiling to curb the outflow of foreign exchange and to counter inflation.

The Governor of the Reserve Bank, Dr T W de Jongh, also warned that the authorities would deal severely with anyone who i: contravening exchange control regulations.

Present exchange control regulations will continue but the Governor says that the central bank is engaged in a thorough investigation into circumventions of existing exchange control.

It is taking steps to ensure full compliance with these regulations, the Governor said.

Dr de Jongh said the restrictions on credit to the private sector — companies and individuals — would be a temporary measure.

Using December 1975 as a base the increase in discounts, loans and advances would be limited to 1,5 percent up to the end of March and 0,5 percent a month thereafter.

This means that after the end of March bank credit to the private sector will be allowed to increase at an annual rate of six percent, compared with annual rates of 20 percent during the third quarter and 18 percent in the fourth quarter of last year.

The Reserve Bank is also limiting private sector investments by banks — for example, share and debenture investments — to an increase of 1,5 percent until the end of March and 0,5 percent a month thereafter.

The Governor said there had been encouraging developments in the economy during recent months, but that there had been an urgent need to strengthen the balance of payments and counter inflation during the current world depression.

The inflation rate slowed to 10,4 percent during the fourth quarter last year, but the Reserve Bank says it remains unacceptably high.

The central bank continues to be worried about the balance of payments, even though it showed signs of improvement during the last quarter of 1975. It is also concerned about the outflow of cash which occurred because of rand devaluation rumours.

The credit ceiling added further burdens to the banks' problems. An outflow of foreign exchange, the successful Government stock issue and huge tax payments at the end of the month are causing an acute liquidity squeeze in the banking sector. Interest rates are soaring.

The Governor expects easier bank liquidity when huge Government payments pump money into the system in April and May. These measures are aimed at preventing a large increase in bank credit when the situation eases.

Capital

Borrowing will be harder

17/2/76

STAR

Michael Chester, Financial Editor

Borrowing from the banks, both by individuals and by companies, will be much tougher from today.

The screws were tightened still further in the credit squeeze by Dr Theunis de Jongh, Governor of the Reserve Bank, in new measures announced in Pretoria.

Whatever credit had been allowed by the banks at the end of 1975, in the form of overdrafts and so on, will be allowed to move higher by no more than 1,5 percent by the end of March.

(See Page 21)

From April onwards, total credit will be held to a ceiling moving higher by only 0,5 percent a month.

And warning has been sounded that a far sharper watch will be kept on loopholes in exchange control regulations.

The commercial banks were taken completely by surprise by the Reserve Bank announcement, and sat down today to study the overall implications.

Mr Gordon Oxford, president of the Clearing Bankers' Association, made it clear that bankers were annoyed that they were not at least consulted by the Reserve Bank about the moves.

"Normally we would have been consulted in terms of an informal arrangement with the Governor, particularly in view of the serious implications of the new measures on the clearing banks."

The position with credit cards was not made specific, but the banks do not believe these will be much affected, as so far they still account for only a small proportion of overall credit.

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FIN MAIL 18/2/77

(21)

FOREIGN CAPITAL

Behind the aggregates

Do we or don't we face a shortage of foreign capital?

In Parliament this week, Finance Minister Owen Horwood claimed (rather astonishingly) that "the facts are against all these doubts and fears and airy imaginings that one hears from the other side (of the House)."

What facts? That last year's "net receipts of foreign capital" were about R800m, which, he says, is above the average for 1968-75 (R630m).

There can be no arguing with the globular figures themselves. But what constitutes "net receipts of foreign capital"? And how are its components defined? Reserve Bank senior deputy governor Gerhard de Kock, coincidentally, warned in a speech to bankers on Tuesday that accepted balance of payments concepts can be misleading.

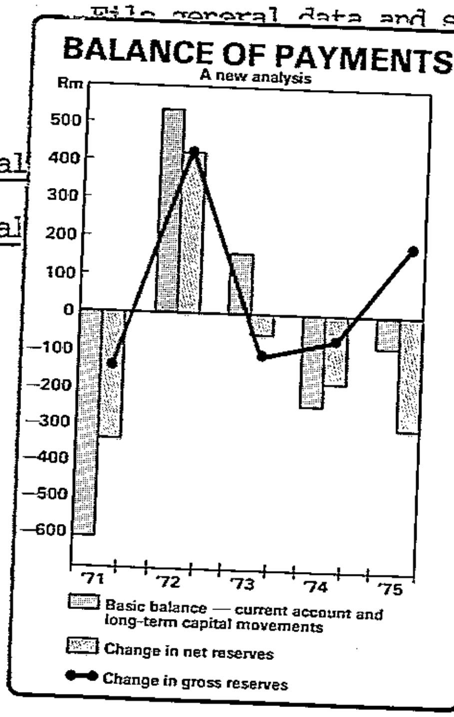
In particular, "total capital movements" (Horwood's "net receipts of foreign capital") include "compensatory" loans deliberately negotiated to meet balance of payments problems. These include drawings on the IMF and short-term official and banking sector borrowings from overseas banks and official institutions.

In 1975, for example, "total capital movements" amounted to R1 945m. But no less than R418m of this was compensatory finance to bolster the reserves.

Unfortunately De Kock's new analysis (see chart) could not stretch to 1976. But there are good reasons for believing there was once again a substantial amount of compensatory finance in the total figure for capital movements. Short-term borrowing by the central government and banking sector amounted to R520m in the first nine months, and it is known that a special drawing of R160m was made on the IMF in the fourth quarter.

If all compensatory finance obtained in 1976 to bolster the reserves is subtracted from Horwood's R800m, how much is left? Not very much, one fears.

Another point: Horwood says a sizeable amount of last year's capital inflow was "long-term private capital." That can also be a misleading term. As De Kock points out, it includes borrowings by the *public corporations and local authorities*, which in the past have sometimes amounted to more than half of total "private" long-term inflows.



De Kock's concluding remarks are worth repeating. Recent political developments in Southern Africa, he says, have had (among other things) "a detrimental effect on the net inflow of foreign capital." And although it is too early to draw firm conclusions, it is possible that in future we may have to make do with an average net inflow equal to less than the past average of 3% of gross domestic product.

That, he continues, would necessitate a smaller average current account deficit and "thus a *lower real growth rate.*"

Yet Horwood claims the availability of foreign capital "is not a decisive factor." He must be kidding.

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HEALTH & DISEASE - Hospitals & Clinics

SERVICES SECTOR - Accommodation

PRICES - Consumer Protection Bodies

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KISSINGER FACES S.A. LOANS DILEMMA

NM 24/2/76.

As the MPLA continues its progress in Angola the new situation is putting the United States in a more difficult situation than ever in its relations with South Africa. One policy decision that has come up is whether to lift a 12-year-old ban on direct loans to South Africa by the U.S. Export-Import Bank. Strong lobbies are at work, reports ROBERT A. MANNING, putting the cases for and against.

HENRY Kissinger's Africa policy, as many observers have pointed out, has long had a Jekyll and Hyde nature, vocally condemning the White minority regimes in Southern Africa while quietly forging closer ties with Pretoria.

Now, it appears that the sincerity of Kissinger's distaste for apartheid is being tested. The Ford administration is under pressure from corporate business interests and the South African lobby in Washington to lift the 12-year-old ban on direct loans to South Africa by the Export-Import Bank.

Administration officials have claimed that if the policy is reversed, U.S. firms could gain an almost billion dollar contract for the development of a plant in South Africa that converts coal into gas.

The ban on these direct loans to Pretoria has been in effect since 1964 as a subtle reminder to Pretoria of Washington's displeasure with South Africa's racial policies.

Current export-import policy allows only two types of transactions with South Africa: loan guarantees and loans to U.S. companies [illegible] than 350 U.S. firms [illegible] exports and jobs would be lost without a bank loan. But many administration Africa advisers warn the U.S. would risk becoming further identified with apartheid, and discredit U.S. policy in Black Africa.

Beleaguered

According to the New York Times, an administration staff study completed in January recommended against a change in policy. In the opinion of most officials, the certainty of straining already beleaguered ties with Black Africa outweighs the risks of losing parts of the contract because foreign competitors were offering better credit terms.

Several officials, however, told the New York Times that this conclusion was not likely to be shared by top policy makers.

Kissinger requested the study. His aides said ment, NSSM 39, revealed Kissinger's "secret tilt" towards the White Government and called for easing export-import restrictions on South Africa.

Some U.S. officials claim Kissinger has been and still is in favour of relaxing the ban.

A memorandum dated January 2, 1970, sent by Kissinger to former President Nixon, obtained by New York Times, supports this view. It recommended "that you authorise full export-import facilities for South Africa and the Portuguese territories — avoiding however, conspicuous trade, promotion."

Reportedly Nixon approved the recommendation, but it was never acted upon.

The Ford Administration has been receiving a steady flow of letters and phone calls from Corporations, Congressmen and friends of the President urging a lift-

company. Fluor officials have been reluctant to comment.

Other U.S. officials say that the apartheid regime is using the appeal of its great profits (profit rates for U.S. firms in Pretoria are about 25 percent — double other foreign operations) and vast mineral resources to lure the U.S. into closer ties.

A high official of the Export-Import Bank told the New York Times: "It's a concerted effort by South Africans to stir this up, and it stems from their embassy in Washington."

Speculation

South African officials deny this, but some observers speculate that Pretoria may be using the issue to press subtly for signals of U.S. approval for its policies in Southern Africa.

Export-Import Bank officials have said that they received more than 25 letters from U.S. Congressmen. Some U.S. officials said that former U.S. Defence Secretary Melvin Laird had expressed interest in the coal-gasification project and in changing the loan policy. Laird denied this.

Capital

(1) Capital

(2) ~~66~~

Church in bid to axe bank's S.A. loans

24/2/76.

NM

Mercury Correspondent

LONDON — Two major Church of England financial bodies yesterday announced that they are prepared to support an attempt to get the Midland Bank to end direct loans to the South African Government.

They are the Church Commissioners, the wealthy Anglican body with a massive portfolio, and the Central Board of Finance, the Church's financial executive.

Another inter-church organisation, End Loans to Southern Africa (Eltsa) has been campaigning for the bank to stop such loans.

A formal motion is to be proposed at the bank's annual meeting on April 7. A number of Church bodies, including the Methodists, have promised their support, but the Church of England policy has been regarded as crucial.

Yesterday the Commissioners said they had felt uneasy for about two years over direct lending by the bank to the South African Government. They are substantial shareholders in the Midland.

The Commissioners' statement said: "This stems from the racialist policies associated with the system of apartheid which is clearly regarded with abhorrence by church people generally. This abhorrence is equally felt by the Commissioners with regard to racialist and oppressive policies in all countries whose regimes operate or encourage them."

The Commissioners said their general policy was not to invest directly in companies operating wholly or mainly in Southern Africa, but the Midland Bank was not such a company because its involvement in South Africa was proportionately minimal.

However, the Commissioners have felt that a substantial body of those on whose behalf they invest their funds would prefer that the money should not be involved in Southern Africa.

US may end SA loan ban

RDM 25/2/76

(Capital)

(2) 67

By RICHARD WALKER

NEW YORK. — The decision whether to drop the ban on United States Government-backed loans to South Africa is expected "any day now," official sources indicated yesterday as opponents of any relaxation of American relations with the Republic fired off a batch of telegrams to try to muster a maximum protest as fast as possible.

One informed source claimed the decision was already "on President Ford's desk," and there was confidence in some quarters that it would be in South Africa's favour.

Focus of the issue is the huge Sasol 2 oil-from-coal project, for which US companies stand to gain contracts worth more than R870-million.

It is claimed that they could lose all this to European rivals if they could not offer direct loan financing through the Export - Import Bank, the US Government's trade promoting agency.

A strongly-worded letter from more than 20 influential senators, calling President Ford to re-examine US policies towards South Africa, has laid great stress on the bank issue.

It points out that some communist countries were allowed the facilities, while South Africa was not.

But there have been counter-charges that South Africa is attempting to blackmail the US into a policy change by threatening to stop any Sasol contracts to American companies, no matter how competitive their bids, if the bank ban is not lifted.

Congressman Charles Diggs is leading the campaign to retain the restriction and was expected to try to use the House subcommittee on international resources, which he chairs,

Swiss bank dumps SA

25/2/76 DD

(1) Capital

(2) ~~72~~

ZURICH — Worried over what had happened in Angola, one of Switzerland's largest banks had quietly sold all its own holdings of South African stocks, Swiss banking sources said yesterday.

They did not identify the bank but said its executives were deeply concerned over possible future developments in the entire white-controlled area in the southern part of Africa.

The bank reportedly began selling three weeks ago as Angolan forces aided by Cuban soldiers and Soviet material mopped up resistance, and well before European and other governments rushed to recognise the MPLA.

The sales were believed responsible for the recent drop of gold mining, financial and industrial shares from South Africa on the London market.

Bankers never talk about their business, but one banking official admitted there was now a "net selling situation." from Switzerland for South African stocks.

Other leading Swiss banks however seemed less concerned and apparently continue buying and selling South African stocks, mainly on behalf of clients, although some with more caution than before.

Some Swiss bankers said they considered fears of adverse political developments in Southern Africa as exaggerated.

In London, a dealer noted that there was some buying from bargain hunters, some of it originating from the US.

Among the hardest hit South African issues in London was De Beers, which closed at 244, down 14 from Monday's close. At one stage yesterday it fell as low as 240. — SAPA-AP.

21

REGULAR EMPLOYEES AS A PERCENTAGE OF REGULAR PLUS CASUAL EMPLOYEES

RACE - ALL RACES

DATE - AS AT 31ST AUGUST 1973

EC REGION	1	2	3	4	5	6	7	8	9	10	11	12
PERCENTAGE	96.79	46.01	44.56	49.93	57.59	48.99	49.24	47.79	50.92	71.68	40.92	48.54
EC REGION	13	14	15	16	17	18	19	20	21	22	23	24
PERCENTAGE	54.01	42.48	40.95	35.73	35.29	58.29	52.81	51.35	47.26	56.06	60.68	49.41
EC REGION	25	26	27	28	29	30	31	32	33	34	35	36
PERCENTAGE	67.38	61.89	54.85	74.58	65.60	76.40	74.57	53.44	86.40	58.15	64.78	87.42
EC REGION	37										47	48
PERCENTAGE	72.64										36.78	54.77
EC REGION	49										59	60
PERCENTAGE	53.12										44.57	70.46

Hansard 5 27/2/76 col 412

Monetary agreement between South Africa/ Lesotho/Swaziland

316. Mr. T. ARONSON asked the Minister of Finance:

(1) Whether any country has refused to sign the monetary agreement existing between South Africa, Lesotho and Swaziland; if so, (a) what country and (b) for what reasons;

(2) whether Lesotho and Swaziland were consulted about the devaluation of the rand; if not, why not;

(3) whether any compensation for Lesotho and Swaziland is being considered; if so, what compensation.

The MINISTER OF FINANCE:

(1) (a) and (b) The President of Botswana announced in September 1974 that Botswana had decided to issue its own independent monetary unit in due course. The monetary agreement in respect of the rand monetary area was only signed in December 1974 by Lesotho, South Africa and Swaziland and in view of the previous statement, Botswana obviously did not sign the agreement.

(2) The decision to devalue the rand was taken on Saturday afternoon, 20 September 1975. In view of the necessity for early implementation of the decision and the problems experienced in communicating with the relevant authorities in Lesotho and Swaziland over the week-end it was not possible to consult these members of the rand monetary area in advance. Lesotho was in fact informed of the decision on the same day but, despite the attempts made to do so, no contact could be made with the relevant authority in Swaziland.

(3) No.

TABLE 10: REGULAR EMPLOYEES, AS A PERCENTAGE OF REGULAR PLUS CASUAL EMPLOYEES, AS AT 31ST AUGUST 1973 (1)

REGULAR EMPLOYEES AS A PERCENTAGE OF REGULAR PLUS CASUAL EMPLOYEES

RACE - AFRICAN   DATE - AS AT 31ST AUGUST 1973

Hansard 5 Col 611+ 27/2/76

21

EC REGION	1	2	3	4	5	6	7	8	9	10	11	12
PERCENTAGE	93.23	28.28	62.08	48.63	71.74	53.08	78.83	56.26	56.97	73.08	13.06	34.65
EC REGION	13	14	15	16	17	18	19	20	21	22	23	24
PERCENTAGE	53.12	51.60	43.20	32.47	38.40	57.48	52.33	50.78	46.70	55.80	60.44	45.61
EC REGION									33	34	35	36
PERCENTAGE									16.33	57.49	64.52	87.00
EC REGION										46	47	48
PERCENTAGE										47.18	36.56	54.31
EC REGION										58	59	60
PERCENTAGE										53.83	43.70	70.28

REGULAR EMP

RACE - ASIA

EC REGION										10	11	12
PERCENTAGE										100.00	.00	.00
EC REGION	13	14	15	16	17	18	19			22	23	24
PERCENTAGE	.00	.00	.00	.00	13.46	.00	.00			.00	.00	85.52
EC REGION	25	26	27	28	29	30	31			34	35	36
PERCENTAGE	97.66	100.00	94.95	98.29	94.44	98.80	100.00	100.00	.00	.00	.00	100.00
EC REGION	37	38	39	40	41	42	43	44	45	46	47	48
PERCENTAGE	.00	100.00	.00	.00	100.00	.00	100.00	.00	.00	.00	.00	.00
EC REGION	49	50	51	52	53	54	55	56	57	58	59	60
PERCENTAGE	100.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00

X Loans by Government

349. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) (a) What amounts was it estimated at the time of the presentation of the Budget of 1975 would be borrowed by the Government and (b) from what sources;

(2) (a) what amounts has the Government borrowed (i) on short term and (ii) on other than short term from the South African banking sector since 1 April 1975 and (b) from what sources were the amounts other than short term borrowed.

The MINISTER OF FINANCE:

(1) (a) and (b) The required information is contained in my Budget Speech of 26 March 1975.

(2) The position as at 13 February 1976 is as follows:

(a) (i) R1 067 478 000 which includes a net increase of R331 710 000 in Treasury bills.

(ii) R222 228 000.

	R
(b) Monetary banking sector	222 228 000
Other banking institutions	3 210 000
Building societies	11 029 000
Insurers	123 002 000
Pension funds	104 118 000
Nominee companies	49 435 000
Public Debt Commissioners	406 087 000
Other	18 782 000
Foreign loans	360 601 000
Premium bonds and other non-marketable securities	29 390 000
Loan levies	65 000 000
Total	R1 392 882 000

Anti-SA statement angers bishop

ARG45 27/2/76

(1) Capital

(2) ~~66~~

The Argus Bureau

LONDON. — The Bishop of Chester, the Right Reverend Hubert Victor Whitsey, a church commissioner, has publicly dissociated himself from a Press statement issued by the commissioners advising the Midlands Bank not to invest in South Africa.

In a letter to The Times, he says the Organisation of Industrial and International Finance and Investment is of such an intricate nature that the singling out of one particular institution 'appears peculiarly odious and unChristian to me.'

He adds: 'Any body with the slightest knowledge of these matters will know that between international investment, money and Euro-currency markets, multinational corporations and subsidiary companies it is literally impossible to acquit even our own everyday actions from "investment" in any particular country of the so-called free world.'

He said: 'Would those church commissioners and others, who pledge support for a resolution before the bank's annual meeting calling for a cessation of all loans to the South African Government please consider their own personal relationships to South Africa? Do they still eat fruit and vegetables from South Africa? Do they cast away the gold and diamonds of their personal adornment? Do they inquire of the wool content of their suits?'

(1) Capital
(2) 260 B

Bill aims to ease loans for Iscor

R.D.M. 27/2/76.

THE ASSEMBLY. — The main purpose of the Iron and Steel Industry Amendment Bill was to enable Iscor to compete successfully for loans in the local and overseas money and capital markets, the Minister of Economic Affairs, Mr J. C. Heunis, said in the Assembly yesterday.

This would enable the corporation to finance its development and expansion commitments.

Mr Heunis, who was introducing the second reading of the Bill, said that to achieve this aim the corporation's ratio between assets and debts had to be improved.

The most practical way of doing that was to empower the board of Iscor to increase its number of B-shares from 350-million to 497-million.

The Bill also provided for the simplification of the procedures to be followed by Iscor in negotiating loans. This was done by empowering the Minister of Economic Affairs, instead of the State President, to approve new loans.

Another provision in the Bill would enable Iscor to make free use of temporary borrowing powers to obtain bridging finance facilities to an amount equal to three-quarters of the corporations issued capital.

Mr H. A. van Hoogstraten, UP Cape Town Gardens, said the United Party supported the Bill and in doing so it was necessary to emphasise the giant stature which Iscor had come to take up in South Africa's economy.

Mr Gordon Waddell, PRP, Johannesburg North, said that while the PRP would support the second reading of the Bill, it called into question whether Iscor's policy of artificially keeping down the price of steel at the expense of the taxpayer should continue.

While he accepted that the current price policy was aimed at combating inflation, the changed economic circumstances might justify transferring the burden from the taxpayer to the steel consumer by selling Iscor steel at world market prices, Mr Waddell said. — Sapa.

(1) 5
(2) 28
(3) Capital

Diamond market 'goes crazy'

R.D.M. 27/2/76

Own Correspondent

DURBAN. — The market for diamonds has "gone crazy" in Durban because of the Angolan crisis, according to jewellers.

One jeweller estimated that stones worth about R10-million are being taken out of the country every month.

GUESSED

"Good quality diamonds are unobtainable in Durban. I never guessed that people had the large sums which they are now prepared to offer for these stones", he said.

Diamonds have been bought in parcels worth R10 000 at a time. People were prepared to pay high premiums in order to get some of their capital out of South Africa.

Similar patterns have developed in the Johannesburg Stock Exchange. There has been heavy selling of South African shares overseas due to fears that the current lull in Angola will be short-lived.

A broker said he had received an order in Durban to sell more than R500 000 South African gold shares which were held by one investor whose scrip was in an overseas bank.

The stock market has remained surprisingly firm in the face of events in Angola, Rhodesia and South West Africa but the rush to buy diamonds and dump South African share holdings abroad are signs that a shake-out of investments and people is taking place.

Buthelezi, Naude attack investment

Cape Times 10/3/76

(1) Capital
(2) 65

Staff Reporter

KWAZULU'S Chief Gatsha Buthelezi and the Rev C F Beyers Naude, director of the Christian Institute, yesterday issued a joint statement condemning foreign investment in South Africa's "central economy".

Their statement, issued by the institute's Cape Town office, comes at a time when the Government's détente policy has been battered by events on the sub-continent and when it is being harassed by foreign pressures as never before.

The statement is a reply to remarks by the Minister of Bantu Administration, Mr M C Botha, who said that homeland development could not be carried out at a pace which would have a detrimental effect on South Africa's economy.

The statement said that if the homelands existed only to make labour available to maintain the living standards of an elite and to "provide benefits for the favoured few" only one conclusion could be drawn.

DEVOID

This was: "Foreign investment in the central economy is devoid of all morality."

It was equally evident, the two men said, that attempts to increase the responsibility of employers and investors within the system would do nothicg to produce "the radical redistribution of wealth and power which are the essential prerequisites of justice and peace".

The statement also called for a national convention in which Blacks could speak for themselves on the matter of foreign investment.

In its preamble the statement says: "In South Africa for over a century capitalistic paternalism has produced the conclusive evidence which makes us reject government by a minority elite."

DOOMED

The statement's authors say they are convinced "that this capitalistic endeavour is doomed".

"It will fail because the needy millions of South Africa require for themselves the liberation they witness among their brothers in neighbouring states.

"It will fail because no 'concessions' can relat the grip of capitalistic control enough to enable the oppressed masses to discover and express their own dignity and self-respect in our land."

'Crucial talks' call

Star 11/3/76

(1) Capital

(2) ~~66~~

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Chief Gatsha Buthelezi of kwaZulu will invite homeland and other Black leaders to a national convention to discuss the "crucial issue of foreign investment in South Africa."

He said last night that any decisions about foreign investment should be taken by a representative body of Black leaders.

Chief Buthelezi and Dr C F Beyers Naude, director of the Christian Institute, have issued a highly critical statement on foreign investment in South Africa.

They said that if the homelands existed to provide labour to maintain the cash economy and standard of living of elite Black and White South Africans and to establish an economic buffer zone of homeland economies to protect the central economy for the favoured few, then "foreign investment was devoid of all morality."

WARNING

Dr Naude and Chief Buthelezi warned that a radical redistribution of wealth, land and political power was essential for the establishment of a stable and moral society.

They say that capitalistic paternalism in South Africa had produced conclusive evidence that government by a minority elite should be rejected.

Chief Buthelezi's attack on the Government and foreign investment represents a significant shift in his opinion because of his obvious disappointment in foreign investment in his homeland and its failure to bring about any meaningful change in South Africa.

'SELFISHNESS'

The success of his call for a national convention will depend on whether or not other homeland leaders will support his statement.

Both Chief Buthelezi and Dr Naude said that the present capitalistic endeavour would fail because the "selfishness of South Africa's White elite was unrealistic."

They said Whites had denied Blacks access to the [illegible]

(1) Capital
(2) ~~65~~

The Cape Times

FRIDAY, MARCH 12, 1976

Nose-cutting?

WE confess to being puzzled and disturbed by a statement about foreign investment made by Chief Gatsha Buthelezi and the Rev. Beyers Naude this week. In fairness, it must be recognized that the statement was put conditionally, thus:

> If the homelands exist to make labour available to maintain the cash economy and standard of living of the elite (Black, White, or both) and to establish an economic buffer zone of homeland economies to protect the central economy and provide benefits for the favoured few, we can come to only one conclusion. Foreign investment in the central economy is devoid of all morality.

Clarification is necessary, for the statement appears to repudiate all foreign investment in the "central economy" in present political circumstances, i.e. while an unfair ideology of Bantustans is the ruling philosophy. If so, the view is in our opinion ill-advised and contrary to the interests of the entire population, Black and White. Boycotts invariably rebound on those who try to inaugurate them. But were an investment boycott to take even partial effect, it would hit the masses much harder than the "favoured few" who are Chief Buthelezi's and Dr Naude's prime target. Blacks have less to cushion them in any deterioration of economic circumstances. They are the first to be affected by unemployment. And a diminution of foreign investment in the "central economy" would make fewer funds available for development of the homelands, irrespective of what foreign investment the homelands themselves may attract. Apart from all these factors, any action aimed at undermining the country's economy is to be deplored as a matter of principle. We have enough economic troubles as it is, without anyone artificially inducing new ones.

Moreover, the current ideology of Bantustans — in so far as it is basically unfair to these areas — is no doubt a short-term phenomenon and will be even shorter lived if foreign investment continues to flow into South Africa and undermine the basis of apartheid.

Having said this, however, we would add with all the force at our command that White South Africans would be ill-advised to shrug off this declaration without any further reflection. The fact that men of the stature, locally and abroad, of Beyers Naude and Chief Buthelezi should feel impelled to resort to appeals of this sort is highly significant. It suggests that the radical injustice of South African society and the glaring maldistribution of wealth, land and political power are creating social pressures which could shake South Africa to its very foundations unless thorough-going reform is instituted. If the remedy proposed by Beyers Naude and Chief Buthelezi must be rejected, it must nevertheless be recognized that the malady they have diagnosed is real and dangerous.

(1) Capital

(2) ~~3/7~~

Capital

U.S. bank's loan ban on SA stays in force

W/K ARGUS 13/3/76

The Argus Bureau

NEW YORK. — The Ford Administration has decided to continue its 12-year ban on loans to South Africa by the Export-Import Bank, in spite of pressure from American business interests and conservative members of Congress, State Department officials said.

The National Security Council was scheduled to review the ban, they said. Instead, it was decided simply to cancel the review session, leaving the ban intact.

The issue assumed a critical nature when 21 conservative senators sent a letter in late January to President Ford saying the ban should be reappraised because it tended to 'limit our influence in South Africa.'

This view was sharply opposed in the State Department and other branches of the Government when it was argued that favouring South Africa, dominated by a White minority, at this juncture would have a disastrous impact on United States policy toward Black Africa.

COMMERCE

The sole branch of the Federal Government that supported loans for South Africa was the Commerce Department, Administration officials said.

The South African ban by the Export-Import Bank, an agency of the Government whose purpose is to facilitate American trade through loans, loan guarantees and insurance, was instituted as a signal of opposition to that country's race policy.

The ban was not absolute, for American concerns have been permitted to obtain loan guarantees and loans of up to 2-million dollars (R1,7-million) on transactions with South Africa.

SASOL PLANT

But American-South African business interests recently sought loans and guarantees on deals purportedly involving multi-million rand investments linked principally with the second Sasol oil-from-coal plant.

Specifically, a South African Government corporation has sought a 225-million dollar (R195,6-million) loan and a guarantee on another 225-million dollars for the plant.

State Department officials said the decision to continue the ban was made earlier by demands of a number of liberal members of the Senate and Congress who sent letters to President Ford last week, urging him not to shift policy toward South Africa.

The first letter, drafted by Senator Jacob K. Javits, Republican of New York, and Senator Dick Clark, Democrat of Iowa, was co-signed by six other senators and sent to the White House last Thursday. The second letter, drafted by Representative Shirley Chisholm, Democrat of New York, and co-signed by 40 other members of the Congress, was sent the next day.

The senator's letter observed that it was a 'critical time' in the evolution of Southern Africa. The congressional letter said with regard to possible lifting of the ban: 'We believe that the damage to our relationship with other African nations which have long resisted apartheid would be substantial.'

● Our financial staff writes: The refusal to lift the ban on U.S. Import-Export Bank loans to South Africa is unlikely to cause much impact on the normal flow of trade between the two countries, because little or no dependence is made on the bank for individual deals.

However, yet to be clarified is the building programme for Sasol 2.

Mr J. A. Stegmann, general manager at Sasol, declined comment until he had received confirmation and detail of the U.S. move.

But it is known that a United States company, Fluor Engineers and Constructors, was assigned a year ago to manage the design of Sasol 2 and its construction on behalf of Sasol.

AWAITED

Also, it is learned that Fluor had applied to the U.S. bank for an export credit loan to finance the job. A decision on the application had been still awaited.

Whether Fluor continues with the assignment has not yet been clarified.

What may be significant is an explanation from the U.S. Embassy in Pretoria that although there is a ban on direct big loans it is still possible for a U.S. company to raise loans elsewhere and the U.S. Export-Import Bank is prepared to issue export credit guarantees.

Not only do problems possibly emerge for big contracts on building Sasol 2, but U.S. companies are also known to be keen to win contracts on the nuclear power station to be built at the Cape.

(1) Capital
(2) 377
(3) 260B

BLOW FOR SASOL II

The Ford Administration has decided to maintain the 12-year-old ban on loans over $2m to SA by the Export-Import (Exim) Bank — which finances foreign purchases of American goods on advantageous terms — despite heavy pressure from business and conservative members of Congress.

Technically, the ban is still "under review", but White House officials made it clear this week that it would stay in effect for the foreseeable future. They revealed also that a special meeting of a sub-committee of the National Security Council to reappraise the ban had been cancelled.

The immediate effect of the Administration's decision is to raise a question mark over plans for a consortium of American companies to build the Sasol II project. An initial request for an Exim Bank loan of $225m, and a loan guarantee of a similar amount, had been made in connection with the project. Total financing needs were expected to approach $2bn. F.M. 19/3/76

The ban also means Exim Bank financing will not be available for other potential large-scale business transactions between the US and SA, though the bank is still allowed to make loans and give guarantees of up to $2m to stimulate trade with SA.

Fluor Corporation's attempt, for example, to raise in the US almost $450m in loans for its work on Sasol II now seems in dire straits. The outlook for another $1,5bn of direct American investment in SA factories and mines each year could also be called into question.

In late January, a group of 21 conservative Senators sent President Ford a letter urging the lifting of the ban which they claimed "limited US influence in SA". They were supported by the Commerce Department, which wanted the bank to be allowed to make up to $450m worth of loans and guarantees to SA.

However, the State Department strongly argued that it would weaken American influence in Black Africa at a time when it had already been undermined by communist successes in Angola. President Ford's political advisers also feared an end to the ban would cost Black votes in the coming election.

The White House also came under pressure from Congressional liberals to maintain the ban, which reflects American opposition to apartheid. Last week, Republican Senator Jacob Javits and Democrat Senator Dick Clark wrote to the President urging continuation of the ban, as did a group from the House of Representatives.

Meanwhile, Democrat Representative Charles Diggs has urged Secretary of State Henry Kissinger to visit SA when he tours Africa in April. However, State Department officials doubt that Kissinger will, arguing that in an election year all he could do would be to criticise the apartheid system in South Africa and the country's racial policies.

Capital

Friday, March 26, 1976.

Short-term money rates soaring

NH.

Financial Editor

RATES for short-term money are soaring. The current acute shortage of cash is causing financial houses to quote between 13 and 15 percent for large parcels—R250 000 and above.

This situation has been brought about by a general tightening of the money market this year, the Government's stringent liquid asset conditions, which have been imposed on the banks and the seasonal movement of funds from the private to the public sector.

But it is not only the banks who are short of cash. There were seven municipal issues in February which fell short of their targets. Among these casualties was a capital raising effort by Pinetown.

Current issues are being wrapped in all kinds of attractive early redemption options, flexable interest rates and high yields in a bid to get money in.

DEBENTURES

These efforts have met with some success. It is reported that Amcol's R15 million debenture issue, offering 13,3 percent, will attract more than is required.

The City of Cape Town has come to the market, also for R15 million. Four loans are available which offer an interesting mix. There is a fixed rate of 11,5 percent, for 20 years, a variable rate of interest or a graded coupon with redemption options.

These trends in the short and long term markets are disturbing, particularly when they are studied against the backdrop of the widening trade gap, falling gold production and the hesitant bullion price.

Meanwhile, reports Sapa, South Africa's trading figures continue to show a deficit.

Trade statistics (excluding gold bullion) released yesterday by the Department of Customs and Excise show a deficit in the first two months of this year of almost R400 million, compared with a deficit of R272 million in January and February of 1975.

IMPORTS

Imports in the two months totalled R996,7 million compared with R928,2 million in the 1975 period. Exports totalled R597,1 million against R656,2 million in 1975.

Imports were higher from Africa at R39 million (1975: R35,8 million), Europe R565,8 million (R554,4 million) and America R231,1 million (R166,1 million), but lower from Asia at R138,9 million (R150 million) and Oceania at R16,2 million (R18,2 million).

Exports rose to Africa at R67 million (R65,7 million) and Oceania R7,7 million (R4,8 million) but fell to Europe at R340,8 million (R395,4 million), America R64,2 million (R65,6 million) and Asia R110,2 million (R119 million).

'FLOAT THE RAND,' SAYS FRIEDMAN

S TIMES. 28/3/76

"Government alone is responsible for inflation."

"Exchange control doesn't work."

" . . . and nor do anti-inflation campaigns."

STEPHEN MULHOLLAND interviewed Professor Milton Friedman in Cape Town this week. Extracts from the interview appear on the back page of Business Times.

PROFESSOR Milton Friedman, the world-renowned American economist, this week recommended that South Africa float the rand and abandon its policy of exchange control.

In an interview at the Graduate School of Business at the University of Cape Town, Professor Friedman, who has been called the greatest economic mind of the century since Lord Keynes, said that pegging the rand to the dollar and enforcing exchange control was tantamount to "subsidising" those people who succeed in exporting capital from South Africa.

He said people who wanted to sell assets in South Africa and transfer the funds abroad were weak holders.

A freely floating rate would mean that as these weak holders offered their rands in exchange for foreign currencies the rands would fall in value relative to these foreign currencies thus penalising the exporter of funds from South Africa.

The buyer of the assets — in South Africa for rands — is clearly the strong, and therefore more desirable, holder of assets from a South African point of view.

Exchange control, says Professor Friedman, does not work. People find ways to get around it and, in any event, money is far too fluid a commodity to control in this fashion.

Professor Friedman said: "The effect of an attempt by some people to get their capital out of South Africa in a free exchange situation is:

(a) To transfer capital from weak hands to strong hands.

(b) To require those people who get their capital out to pay a price both in the form of a lower selling price for their property and a lower price in foreign currency for their rand.

Subsidy

"Now let us suppose that you are successful in maintaining exchange control. The effect of that is simply to improve the conditions of those people who succeed in getting their capital out of South Africa, that is equivalent to a subsidy to the exporters of capital because if they succeed in getting permission they get their capital out at a favourable rate.

"It is past my understanding why any Government should regard that as a sensible policy to follow."

Professor Friedman said he did not consider the South African inflationary problem to be of major proportions. It could be brought under control "not without pain" but with relatively little pain as we could afford to move gradually towards reductions in the rate of price increases.

He prescribed his now famous monetary cure for inflation for the South African economy: a gradual reduction in the rate of growth of the money supply — for which the Government and the Reserve Bank alone have responsibility — to a rate compatible with our long-term interests and objectives and then strictly maintained within a clearly defined range.

The range he prescribes for the United States is between three and five per cent. He was reluctant to suggest a range for South Africa but said that it might be of the order of eight to ten per cent given the state of our development.

Professor Friedman, who has advised presidents of the United States and who is consulted by the United States Federal Reserve Board, was extremely critical of the Government's anti-inflation campaign.

"The effectiveness of such schemes is zero," he said. "Their purpose is not to slow down inflation. Their purpose in every country in which they have been undertaken is to try to shift the blame from the Government, which is the only source of inflation, to industry or to labour or to the consumers who are not the source of inflation."

He added that his remarks were "an exaggeration in one sense, and one sense only: the populace at large is a source of inflation insofar as it pressures the Government to undertake inflationary policies."

But, he went on, the Government alone has the printing press to produce money and the "Government alone is responsible for inflation: all this advertising is simply a smokescreen to conceal that basic, fundamental fact."

Capital

Reserves below safety level

RDM 14/4/76.

By HOWARD PREECE
Financial Editor

THE TRUE level of South Africa's gold and foreign exchange reserves — even with the gold content valued at a realistic market-related price — is now uncomfortably below the usually accepted safety norm of equalling the cost of three months imports.

The extent of rebuilding that needs to be done and to remove the excessive dependence on overseas borrowing means that the brake on a renewed upturn in economic growth may well have to stretch well into 1977 in spite of the expected upsurge in the major Western economies, led by the United States.

A sharp and sustained increase in the gold price would, of course, change all this.

STRATEGY

But present evidence suggests that while the gold price may hold at or above its present level in spite of the threatened gold sales by the International Monetary Fund, the overhang of these auctions must act as a deterrent to such a major gold price hike.

The South African strategy for this year seems heavily reliant on improving the current account of the balance of payments — to be exact, reducing the deficit from last year's R1 616-million to about R880-million — by holding down imports as a product of a depressed economy while hoping for exports to improve in the wake of the expected general Western upturn.

It will probably work unless there is sufficient political fright taken of the situation in Southern Africa by the major powers to threaten the much-needed hefty capital inflow.

But assuming there is no consequential problem on this side it will still be necessary for the authorities to rebuild the reserves to a far healthier position.

The danger otherwise — and one so painfully familiar to Britain — is that the next economic upturn will be brought to an upbrupt stop by renewed balance of payments pressures fuelled by imports racing ahead again.

The need to rebuild can be seen by looking at the full reserve picture.

The reserves held by the Reserve Bank before today's weekly figures — were R1 212 875 619, of which R377 565 123 was in gold at the old official price.

Putting a market value on the gold of $110 would make the total about R2 000-million.

It can be argued that the foreign assets held by the rest of the banking sector should be added, but as there are more than offsetting liabilities this can perhaps be treated as neutral, as can the central Government's holding now that it has effectively borrowed back its franche holding from the International Monetary Fund and passed it on to the Reserve Bank.

What has to be deducted is the amount of short-term liabilities of the Reserve Bank, basically reflecting the borrowing last year to prop up the rand, which stood at the last official count at R675-million.

Take this from R2 000-million and the true net reserves, and allowing for some over-simplifications, are about R1 300-million.

Imports in only the first two months of this year were just under R1 000-million, according to Customs and Excise, and R200-million for oil and military equipment needs to be added. Nowhere is the three-month import safety net.

(1) Capital
(2) 66
(3) 63

CAPE TIMES 14/4/76

Bank finds sales harder

Own Correspondent

LONDON. — The chairman of Barclays Bank, Mr A F Tuke, said here yesterday that South Africa's economic attractiveness abroad had declined in the past three years.

At the bank's annual meeting, largely taken up by exchanges on Barclays' links with South Africa, Mr Tuke said it was "a matter of economic fact" that loans to South Africa and other parts of Southern Africa "were very much more difficult to sell now than they were three years ago."

Mr Tuke rejected a call from the Young Liberal leader, Mr Peter Hain, for Barclays to stop propping up "the evil apartheid system."

Mr Hain is not a shareholder of the bank. A statement by him was read by a member of the Anti-apartheid Haslemere Group.

INTERRUPTIONS

The statement was frequently loudly interrupted.

Mr Tuke said there was a genuine "difference of view" on foreign investments in South Africa.

Mr Tuke had some criticism for the pass law system in South Africa. He described the laws as "very, very regrettable," and said he was prepared to raise the issue when he next met the Finance Minister, Senator Owen Horwood.

Questioned on Barclays policy to the independence of the Transkei, Mr Tuke said the bank had branches in the area "and we propose to stay there."

Money for SA 'complex,' says Buthelezi

STAR 20/4/76

The Star Bureau

LONDON — Chief Gatsha Buthelezi, the kwaZulu leader, has told BBC radio listeners that the question of investment in South Africa is a "very complex one."

"That's why I have suggested that we should rather have a conference of Blacks in South Africa to have a Black consensus on it," he said in an interview on the early morning church programme.

"I believe it is a very crucial issue," he said. It was urgent for the Blacks to provide their own consensus because "the average White man earns 14 times more than a Black man."

Given inflation and all the things that had occurred in the economic life of South Africa, he wondered whether this gap in incomes could ever be eliminated.

If investments were promoted only to strengthen the central economy, "then clearly our conclusion is that investment is devoid of any morality."

This was a very complex issue for Christians, not only in Britain but in many parts of the world because no Christian, either directly or indirectly, wanted to strengthen apartheid or the apartheid society.

What contribution could the churches in Britain make towards South Africa?

"There are many things which the churches could do," said Chief Buthelezi. "At present we need a lot of assistance in education and in medical services. . . ."

He thought that the church also needed to support the development of Black consciousness in South Africa. "If the church in South Africa and here does not identify with the struggle of the Black man towards liberation, then the church itself will become irrelevant."

1 Capital

2 ~~107~~

3 ~~65~~

Capital.

Money market crunch ahead

28/4/76

RDM.

By HOWARD PREECE
Financial Editor

A DELAYED spending spree by some Government departments is contributing to present easy money market conditions and the downward trend in short-term interest rates.

But there is growing official concern that some businessmen and bankers may be sufficiently lulled by the present conditions to find themselves in acute and painful difficulties as the full impact is felt later in the year of the Budget squeeze and the clamp on bank lending.

Those who are caught unawares will discover bitterly late that appeals to Government for an easing in the tough monetary and fiscal policy will go unheeded.

The strongest possible advice to "be prepared" is offered.

The delayed State spending spree arises from the tough curbs — defence excepted — imposed by Senator Horwood even before the Budget.

Some departments already had plans well advanced to carry the spending far beyond even the limits permitted for the 1975-76 financial year.

What they did in some cases was not to cancel the plans, but simply to withhold paying the bills in the last financial year.

This held back the already whacking increase in Government spending for last year that has been officially disclosed by Senator Horwood.

But as soon as the new financial year started on April 1, there was a vast backlog of payments that started being made.

That is fine for immediate easy liquidity conditions in the economy, but it must make the full impact of this year's estimates of a rise of only 10,5 per cent in Government spending even more severe as the restraint is felt.

On top of this is the irregular flow of tax payments to the Exchequer. It will not effectively be until about August that the Budget pinch really begins to hit the corporate pocket.

Although Senator Horwood's Budget clamp on spending has been intellectually understood, and quite widely praised, it is doubtful if it has been emotionally assimilated.

The easy money position is perhaps the only justifica-

Capital

Heunis warns banks on rand speculation

RDM 5/5/76

By CHRIS CAIRNCROSS
Industrial Editor

CAPE TOWN. — The Government may be forced to exercise greater controls over the banking community if speculation continues over a possible rand devaluation.

This warning was given yesterday by the Minister of Economic Affairs, Mr Heunis to the Federated Chamber of Industries executive council meeting in Cape Town.

Mr Heunis said it was disappointing that there had been "several unfounded and unsettling rumours of an impending devaluation or stricter import control."

"Unfortunately some of the unfavourable leads and lags on the balance of payments resulting from such rumours have been facilitated by bank credit.

"I do not wish to confuse patriotism and realistic business practice, but I do want to say it will be a sad day for banking in South Africa if continued speculation against the interests of our country tilts public opinion towards demands for ever greater control over banks to ensure conduct in accordance with the national interest."

He warned businessmen not to stockpile imported goods in anticipation of stricter import controls.

"Many of them will burn their fingers, and through holding excessive stock endanger their liquidity."

He said the recent rand devaluation had provided increased prosperity for most sectors of South Africa industry.

Where additional incentive was required the proper instrument was Customs tariff and not import control.

INEFFICIENT

"I wish to make it quite clear that the Government's rejection of import control as an instrument of protection does not really arise from its lack of favour with the General Agreement on Tariffs and Trade.

"We reject it because it is not in the interest of South Africa," said Mr Heunis.

There were several disadvantages in the use of import control.

It abrogated the price mechanism and removed the need to compete with foreign goods and stimulated the development of inefficient and uneconomic industries.

It was possible that import control could give rise to the establishment of all sorts of industries whose aim would be merely to obtain import quotas, often with the smallest possible domestic value added and with little potential for sound growth.

The only sound way of replacing imports was to grant selective tariff protection after careful investigation of an industry's potential.

"Import control will have an especially harmful inflationary effect by restricting the supply of goods and the degree of competition while increasing demand through stimulating domestic investment and building up excess liquidity in the economy," said Mr Heunis.

Export retaliation

CAPE TOWN. — South Africa has already been confronted with retaliatory action by some governments because of the assistance it is giving its export industries, says the Secretary for Commerce, Mr Joep Steyn.

Replying to calls at the executive council meeting of the Federated Chamber of Industries for increased Government export incentives, Mr Steyn said South Africa had probably gone as far as it could in using public funds to boost exports.

There was an increasing opinion in international circles that the incentives and assistance being given were an outright subsidy, and some retaliatory action had already been taken.

"This could well spill over into a number of markets, and do our export markets tremendous harm."

The president of the FCI, Mr D. V. Benade, said industry would establish a working committee to investigate opportunities for further import replacement in South Africa with the object of reducing reliance on foreign supplies.

Sapa-Reuter reports that he said some slight downturn of the business mood was identifiable with expectations diminished for the second quarter.

CO-OPS

The industrial editor of Business Mail reports that industry has renewed its plea for a tax to be levied against the surpluses of co-operative societies.

The attitude of FCI delegates reflected a frustrated sense of injustice at the Government's hedging on this issue since it was raised several years ago.

Mr E. Hausmann, president of the Transvaal Chamber of Industries, said that industry did not resent competition from co-operatives.

But the competition must be fair. He drew attention to the significant growth in the reserves of co-operatives and to their "apparent buying spree" designed to entrench their competitive position in the econmmy.

The Secretary for Inland Revenue, Mr W. J. H. van der Walt, said the authorities had the matter under review and that taxation of co-operatives was not as easily achieved as some people imagined.

A delegate said: "It is clear the co-ops have too much political clout for us to achieve any success on this one."

(1) Capital
~~(2) 123~~

Foreign cash for houses approved

11/5/76 DQ

HOUSE OF ASSEMBLY — The Treasury has approved in principle that foreign capital can be used for building houses, the Minister of Community Development Mr Marais Steyn, announced yesterday.

The use of this capital was subject to three conditions. The first was that the total amount annually from this source was not yearly more than ten per cent of the amount available for housing from the budget.

Last year, for example, a further R11 million could have been raised for this purpose.

The second condition was that amounts which were raised under the first condition could be made available at any time during the loan period of that department.

The third condition was that if a financial concern expressed interest in building houses itself, it would have to tender on a competitive basis against other people.

"There are offers of this kind which are now being considered," the minister said.

The department was giving urgent attention to this and as soon as details were finalised, housing programmes for squatters would receive a major boost.

"The scheme will possibly make it possible to make a start to build between 6 000 and 8 000 more houses for Coloureds in the Cape Peninsula during 1976-77 over and above that which can be constructed from normal sources," Mr Steyn said. — PC.

~~(1) 65~~
(2) Capital

JSE president warns against 'mistake'

Bus ARGUS 15/5/76

JOHANNESBURG. — Overseas investors withdrawing their capital from South Africa were warned last night that they could be repeating their post-Sharpeville mistake when they lost heavily.

Mr Eric McKie, president of the Johannesburg Stock Exchange, told a Protea Holdings group dinner here that South Africa's economic problems, with inflation, the liquidity crunch, high interest rates and adverse balance of payments, were being compounded by political problems.

These had been aggravated by the events in Mozambique, Angola and Rhodesia, and had led to a certain reluctance of overseas investors to risk investment in South Africa.

'There has been some evidence of withdrawal of capital from South Africa,' he said.

'However, in this connection it could well be that overseas investors are repeating the mistake they made in 1960-61 after Sharpeville and our withdrawal from the Commonwealth, when the shares which overseas investors sold at depressed prices were picked up by South African institutions and individuals whose confidence in the future of our country has been amply rewarded.'

Capital

DD 26/5/76.

Severe cash crisis hits businessmen

CAPE TOWN — South African businesses are facing their severest cash crisis in decades in the wake of the Government's recent steps aimed at saving the country's trading situation vis-à-vis its main trading partners, according to Mr N. Chapman, Barclays Bank general manager.

The four steps taken by the authorities were the higher liquid assets requirements imposed on the banks; the rand devaluation last September; the ceilings placed on banks early this year; and the budget, with higher loan levies and taxes.

"We have before us a Government that is determined to be cruel to be kind. This means the crisis will deepen. It means the delicately balanced marginal companies, the inefficient businesses, the poorly planned companies, are likely to encounter survival crises in increasing numbers," he told an Institute of Cost and Management Accountants' seminar here.

Supporting the government's action in helping to cool the economy, he said it was vital to turn inflation around and correct the balance of payments before the overseas boom washed into South Africa.

"If we do not, we will be out of line with our major trading partners, and we are too small and too much affected by other countries to dare risk that.

"It is for this reason I would foresee the authorities in this country, quite rightly, looking forward over the next nine to ten months with a grim, unshakable determination to put out house in order."

In addition to the internal clamp down on cash resources, external sources were now more difficult to obtain.

"Banks, institutions and investors, who have happily poured thousands of millions of rands into this country by way, particularly, of offshore loans, have unmistakably drawn back from further exposure to South African borrowers.

"Whether or not their change of attitude is right or wrong is of little moment to the South African businessman. The hard fact that must be accepted is that it has happened, and to the extent that it would be imprudent to plan your company's cash needs on the assumption it can be found in the Euromarket or the foreign domestic markets."

Listing sources of finance, he said the banks, due to the ceilings, were quite unable to consider requests for new or increased borrowings.

Borrowing from shippers was likely to become more difficult as they, by and large, had to borrow from the banks. Merchant banks were being caught up in the cash crisis and soon would be in no better position to aid firms than the clearing banks.

Firms offering factoring services and discounting invoices, HP contracts and leasing, were also being constricted in much the same way as the banks. — DDC.

~~(1) 150A~~

(2) Capital

Back to the old pound note!

ARGUS 8/6/76

WHEN the R1 note is replaced shortly by a new nickel coin more people will switch to drawing R2 notes for spending money, a Reserve Bank spokesman believes.

But he does not think this will have an inflationary effect or encourage people to spend more.

'I do not think that the fact that the R1 will be a coin instead of a note will have the psychological effect of making people feel it is worth less,' he said.

AVERAGE LIFE

'And the replacement of a R1 note by a coin will fight against inflation by saving the Government money. There are 75-million R1 notes in circulation — it is a popular note — and their average life is five or six months.

'That means that the press are continually busy printing new ones and that is a costly business. The new nickel coin will have a life of about 20 years.'

A spokesman for Nedbank in Cape Town, said: 'I am sure people will draw money out in R2 notes instead of in piles of coins. It will really almost be a reversion to the old £1 note.

'POPULAR'

'When the R1 note came in it replaced the old 10 shilling note and it became very popular. People did not seem to take to the R2 note so easily.

'But in fact a R1 note does not buy very much these days!'

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Call to invest in Republic

7/7/76 OP

MIDLAND (Texas) — Although South Africa generated a large proportion of its capital requirements internally, she continued to welcome foreign capital investment, particularly long-term investment, the Minister of Finance, Sen Horwood, said here yesterday.

The development of South Africa's mining and manufacturing industry had attracted large amounts of investment capital from abroad.

"Many of the best-known corporations in America operate in the Republic. Total foreign investment in South Africa in 1973 amounted to R12 000 million, of which about one-fifth came from the United States."

Sen Horwood said South Africa believed in fair play for the foreign investor. "Nationalisation or confiscation of foreign property, or repudiation of foreign debt, is completely alien to our philosophy. We take pride in the fact that successive South African Governments have never defaulted on the payment of their debts and that they have met their obligations promptly and in full."

A further attraction for the foreign investor had been South Africa's political and economic stability.

"We expect when the economic recovery in Europe and North America really gets under way — and in America and some parts of Europe the trend is certainly upward — our exports, our balance of payments and indeed our whole economy should benefit substantially, though possibly with a time lag of a few months.

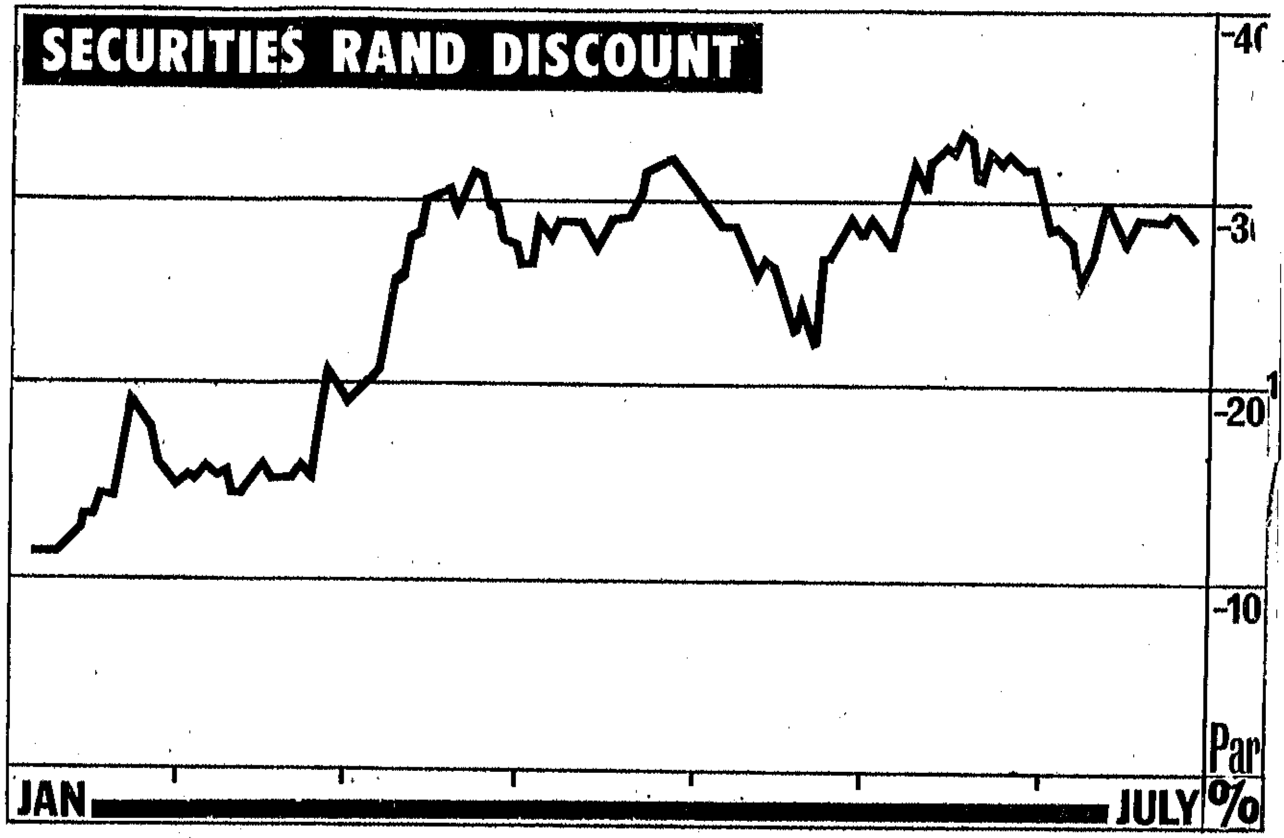
"Our balance of payments will, of course, also be influenced by the price of gold, since gold constitutes about 40 per cent by value of all our exports."

The restoration of convertibility of the dollar into gold, at a realistic gold price, might not seem a likely prospect at this juncture, but he firmly believed it would be the best guarantee for international economic stability, Sen Horwood said.

It was his firm belief that, apart from possible temporary fluctuations, the gold price had reached a floor and that he had no doubt that eventually the price would resume an upward trend. — SAPA.

SUNDAY TIMES, Business Times, July 18, 1976.

European investors sceptical about our political stability



EUROPEAN investment confidence in South Africa took a beating in the past year. Political rather than economic forces are the overriding concern. Foreign investors want assurances and steps in the right direction to ensure that there will be stable conditions for their investments.

By NEIL BEHRMANN

Many South Africans might be surprised that it is not the anti-Apartheid movements which are calling the tune. Instead, it is the hard-nosed money manager or banker who is appraising the relative merits of South Africa's attractions when compared with other countries.

The basis of international investment decisions is that areas should have sound economic potential and a measure of political stability.

European investors appreciate the importance of South Africa's mineral wealth and all its economic resources. They are also immensely impressed with the country's economic progress during the past two decades.

Since the Portuguese withdrawal from Mozambique and Angola, however, there has been a subtle change in attitudes. Unfortunately these views have been reinforced by events in Angola, Rhodesia and now Soweto.

The change in outlook gained ground in the past year and it comes from investors who previously put large sums of money into South Africa.

This viewpoint is that, now the Portuguese buffer states have gone, will the South African Government be able to keep the political situation stable with its present policies?

Institutional investment managers interviewed were far from biased against South Africa. In fact, they were highly sympathetic to the needs and problems of all the peoples in Southern Africa.

They merely assessed the situation in an objective light, coldly assessing the probability of investment success in the future. Certainly there was no doom and gloom talk.

The basic function of the international investment manager is that he is normally a-political, and to be successful in his operations he must be unemotional about areas in which he can invest.

With this in mind, none of the London and Switzerland institutions were prepared to put more cash into South African shares at this stage. They said that they were not selling their mining shares, but intimated that if there were rallies they would come in as sellers.

Money available for mining shares

Interestingly, a Swiss investment money manager said that he was now only prepared to put money into special situations which could only be related to South Africa.

He would trade in gold, platinum, diamond and other mining shares. But he firmly stated that he was not interested in South African industrials, because he had plenty of opportunity to put the cash into Wall Street or other markets.

British institutions were also uninterested in South African industrials despite the low price earnings ratios and high dividend yields.

Some managers said that they had been out of the South African market for some time and that with unexciting economic prospects and continual uncertainty there was no rush to place funds in this market. But they acknowledged that if the gold price ran away again they would be buyers of South African stock.

Another deterrent to investment in the South African market has been the investment premium and 25 per cent surrender rule. Prior to 1972, South Africa, Australia and other sterling area countries were at an advantage over other world areas from a British investment point of view.

British investors had to pay a premium on their American shares and surrender 25 per cent of this premium when the securities were sold. Sterling area countries were not subject to these restrictions at the time.

But in 1972 the premium was introduced on shares bought in the sterling area countries, and in 1974 these securities were hit by the 25 per cent surrender rule too.

These measures placed South African securities on an equal footing with investments in other regions, so that the United Kingdom investor had to scrutinise foreign investments in South Africa on an equal basis with other countries.

The surrender rule, the investment premium and political events have all contributed to the wide securities Rand discount which basically means that South African shares are some 29 per cent cheaper on foreign bourses, compared with their quotes in South Africa.

Huge balance of payment deficit

A huge balance of payments deficit means that South Africa must be able to raise sufficient money from overseas sources. The cash must either enter the country as cash for fixed investment — factories, plant equipment — or through borrowings.

It is an open secret that the South African Government and allied institutions have found it difficult to raise money on the Euroboard market. Last year, according to Credit Suisse White Weld statistics, the Eurobond public market provided 185-million dollars for South Africa.

This year, however, only 25-million dollars had been raised and in the first six months total issues on the Eurobond market amounted to 7,5-billion dollars.

The 25-million issue was South African Government stock with a life of five years and now yields 12,7 per cent to maturity compared with the 8,25 per cent for five-year stock of prime borrower, Norway.

South Africa, however can raise cash through private placings and syndicated credits, but Swiss bankers with already much paper are reticent and say that "there will have to be a price."

Concessions for Blacks

Large companies who invest directly in South Africa appear to be more cheerful than the market makers. These companies are satisfied with the profitability of their concerns and some, like Eveready, say that they will be putting more cash into the country.

But official statistics of the South African Reserve Bank indicate that private foreign investment is still unsatisfactory.

The majority of companies, institutions, bankers and brokers who were interviewed said they would have much more confidence if they saw concessions for the Blacks, and felt that they preferred long-term stability to temporary repressive measures which would not cure the basic illness.

CONT. -- >

State tightens up the big cash squeeze

STAR 22/7/76

Michael Chester, Financial Editor.

The Government today stepped up its pressure in the big cash squeeze with moves designed to curb buying on credit and spending on imported goods in particular.

Two moves bring new shocks for both business and the family:

- The Reserve Bank raised Bank Rate — the benchmark for a wide range of interest rates — from 8,5 percent to 9 percent.
- Companies were told that from next month they must put down a 20 percent deposit on the bulk of imported goods as soon as they are unloaded — with the cash to be frozen for six months without any interest payments.

THE MESSAGE

The two steps combine to make a package with a basic message: "Business and individuals alike must pull in their belts even tighter."

The package has obviously been designed as an alternative to a rand devaluation as the Government casts around for solutions to its chronic balance of payments problems, worsened by the fall of gold.

The increase in Bank Rate will have a ripple effect that will mean higher costs for hire purchase, leasing deals and bank overdrafts.

A rare bright feature is that house mortgage rates are not directly affected by the measures, since interest rates on home bonds are linked to a separate formula that goes unchanged.

But the big commercial banks are almost certain to seek Reserve Bank clearance to hoist prime overdraft rates from 12 to 12,5 percent.

Even then, real rates will in fact be higher.

Most of the banks already work on a system that even top-rated borrowers can borrow a proportion of loans at prime rate, with the bulk of the overdraft pitched at higher rates.

Now Mr Gordon Oxford, managing director of the Standard Bank, believes that the limit on interest rates laid down by usuary

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- Deposit scheme will stretch small traders — Page 30.

New cash squeeze

22/7/76

From Page 1 STAR

laws must be lifted from 14 percent to perhaps as high as 17 percent.

"The 14 percent limit means it is now impossible to work on a reasonable range between high-risk and low-risk borrowers," he said.

Mr Ian Summers of the Finance Houses Association said today it looked inevitable that HP interest rates would now virutally all be forced to the maximum ceiling allowed by law for consumer credit — 21 percent.

HP rates are already touching the ceiling in some cases.

Also, the rates on leasing deals for businesses — company cars to factory equipment — were likely to have to carry the Bank Rate increase and so go up from about 18 percent to about 18,5 percent.

The import deposit scheme will cost companies around R400-million on the current pace of imports. Many small businesses may face critical problems in finding the cash and leaving it frozen with Customs and Excise for six months.

Mineral fuels and oil are exempt along with State imports. But the deposit scheme will be applied to the bulk of imported goods from August 2 — and price increases on most of the items look inevitable.

The move is clearly designed to discourage imports and so help South Africa to improve its trade balance.

The balance of payments are under increasing strain because of the big fall in gold prices on overseas bullion markets over the past 18 months.

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DIAMONDS PROBE

'Missing millions'

F: M 6/8/76

Customs inspectors and detectives have turned diamond hunters in a massive crackdown on diamond dealers suspected of breaking foreign exchange regulations and avoiding sales tax. Both the Customs and Excise in Pretoria and the Commercial Branch of the police in Johannesburg were tight-lipped this week about what one Customs official described as the "very hush, hush" investigations.

Diamonds, on which sales tax has not been paid, could be worth R10m or more. A top Customs officer conceded the amount "ran into millions". Sales tax on diamonds is 26,5% on loose stones and 17,67% on set diamonds.

Already one dealer has appeared in court on charges under the exchange control regulations and Customs inspectors have swooped on about 15 others on the Reef. Their books have been taken in a hunt for diamonds that have not been accounted for, or books and invoices that do not add up. Dealers complain that it is very difficult for them to continue with their businesses without books. One firm's books were taken by the Customs more than a week ago. "They gave us back our latest invoice and cheque books, but that's all," he said.

The investigation comes at a time when the dealers' organisation, the Diamond Club of SA, is once again trying to persuade government to alter its sales tax collection system. David Rubin, chairman of the Club, explained that since 1968 dealers had been campaigning for a change in the system. "At the moment we are collecting the money for Customs and we don't think that's right," is his caustic comment.

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R2-m WIPED OFF SHARE MARKET

W/E ARGUS (Bus. Argus) 7/8/76

Financial Editor

THE past eight weeks have been difficult ones for the Johannesburg Stock Exchange. The drop in the gold price, outbreaks of unrest at Soweto and signs that South Africa is experiencing its biggest post-war recession have led to many shares showing substantial losses.

It is estimated that the market value of ordinary shares quoted on the stock exchange has fallen by about R2 050-million during the eight week period, from R19 946,9-million to R17 897,9-million. This is equal to a drop of 13,2 percent.

But an analysis of the market shows that all shares have not suffered equally.

Since June 15 some R1 360-million has been wiped off the value of gold shares, reducing their market value by almost a quarter to R4 211,2-million. In contrast the market value of coal shares has risen by about 25 percent over the period, from R294,8-million to R369,8-million. This indicates that the decline in share prices has been more the result of economic than political factors.

Coal shares are enjoying a boom as a result of a recent increase in the domestic price of coal and also the obtaining by the industry of promising export contracts.

Diamond shares also appreciated in value during the eight weeks by 11,1 percent from R1 502,1-million to R1 668,3-million, while metals and mineral shares rose by 10,1 percent from R1 225,6-million to R1 348,8-million also on enhanced economic prospects.

However, influenced by the sharp fall in gold shares, the prices of financial shares fell in aggregate by 6,7 percent, and concern about economic prospects caused industrial shares to fall by 7,2 percent.

In view of the political problems facing South Africa, the decline in industrial shares can be regarded as extremely mild.

The following shows changes in market values in different sectors of the share market during the past eight weeks:

COAL
June 15: R294,8m.
August 6: R369,8m.
Change R75,0m (25,4%).

DIAMONDS
June 15: R1 502,1m.
August 6: R1 668,3m.
Change R166,3m (11,1%).

GOLD SHARES
June 15: R5 573,1m.
August 6: R4 211,2m.
Change minus R1 361,9m (minus 24,4%).

METAL SHARES
June 15: R1 225,6m.
August 6: R1 348,8m.
Change R123,3m (10,1%).

FINANCE SHARES
June 15: R6 359,1m.
August 6: R5 672,1m.
Change minus R687,0m (minus 6,7%).

INDUSTRIALS
June 15: R4 363,1m.
August 6: R4 050,2m.
Change minus R312,9m (minus 7,2%).

BANKS
June 15: R629,1m.
August 6: R577,5m.
Change minus R51,6m (minus 8,2%).

NOW THE WEST

Drying-up of foreign loans seen as a political manoeuvre

THE West is holding an economic pistol to South Africa's head. Sources in Pretoria and Washington believe that the dearth of foreign capital, a major factor in South Africa's economic plight is—at least in part—politically inspired.

By FLEUR DE VILLIERS

Faced with a huge balance of payments deficit of about R2 000-million, the country needs an injection of foreign capital of heroic proportions to stay afloat and finance its development programme.

It can't get it.

The Government is having difficulty raising short-term loans at high interest rates, while semi-state institutions, such as Iscor, Escom and Sasol, have found doors slammed in their faces in Europe and the United States.

The drying up of desperately-needed foreign capital is partly because of investors' fears of Black unrest and that South Africa has heavily over-borrowed.

But observers believe that the West, particularly the United States, is also deliberately turning on the economic screws.

Admissions

The Minister of Economic Affairs, Mr Chris Heunis, has admitted that South Africa is in worse economic shape than most people realise. The authorities admit that the recession is only beginning.

Business confidence and private investment are hitting record lows and Black unemployment, now estimated to be at least 700 000, is rising by more than 30 000 a month.

Net gold and foreign exchange reserves are estimated to be down to R680-million — not enough to cover the cost of one month's imports.

By most Western standards that measure a country's solvency by its reserves being able to cover three months' imports, South Africa is virtually bankrupt.

Offensive

The United States Secretary of State, Dr Henry Kissinger, in his meetings with Mr Vorster in Zurich and Pretoria, is believed to have promised a more benign United States approach to South Africa's economic needs in exchange for South Africa's co-operation on Rhodesia.

While Mr Vorster can now expect a quid pro quo for his aid in bringing Mr Smith to the conference table, Washington sources say the screws will be loosened only temporarily when, and if, the Rhodesian and South West African issues are settled.

They could be applied again later to effect change in South Africa itself.

The economic offensive has sharpened noticeably in the past year with Sasol unable to obtain US credit guarantees for Sasol II. Sasol was later able to obtain the credit elsewhere.

South Africa is also suffering from a ceiling on financing via the United States Export-Import Bank.

Loans from the European money market, where America wields enormous indirect influence, have all but dried up and severe doubts have been expressed about even the Treasury's ability to raise a large loan in Europe until the Government makes major political concessions.

Squeeze

So great has been the squeeze that Iscor found itself without the capital to operate the Saldanha ore export harbour. The Railways, which has now assumed responsibility, is also unable to raise all the required funds.

The Government is concerned about the way in which the Havana conference in May, sponsored by the United Nations Committee Against Apartheid and the Organisation of African Unity, was able to pinpoint South Africa's vulnerable economic areas.

Targets

The conference decided on three prime targets for economic action against South Africa: Overseas loans, imports of South African raw materials, and foreign investments in South Africa.

Banking consortiums in Europe and the United States, and the Eurocurrency Market must, the document states, be pressured by governments to stop loans to state or semi-state organisations in South Africa.

The conference was told South Africa was in a serious economic crisis because of the falling price of gold, increased defence spending, and "huge long-term capital expansion which had further increased pressure on the balance of payments."

It needed about R1 000-million a year of foreign capital to "finance its development programme".

Action was recommended to cut off new capital, the purchase of South African raw materials and oil supplies.

SA warned on ability to defuse Black unrest

The Argus Correspondent

JOHANNESBURG. — Foreign businessmen were beginning to doubt whether South Africa would act strongly enough in making the changes necessary to defuse Black unrest and dissatisfaction, a prominent businessman warned last night.

Dr W. J. de Villiers, managing director of General Mining and Finance Corporation Limited and honorary professor in business economics at Rand Afrikaans University, said this last night during an address on the campus.

Listing reasons why South Africa was at present finding it difficult to find loans abroad, he said foreign businessmen were beginning to believe that South Africa was throwing overboard its traditionally conservative financial policy.

In addition, a general opinion abroad was that South Africans were not prepared to pay for their defence and improvement in the internal political climate by a drop in their real prosperity.

BLACK UNREST

Dr de Villiers said they were beginning to doubt whether South Africa will act strongly and courageously and will make the necessary adjustments' to get rid of Black unrest and dissatisfaction.

It was clear a national strategy was needed for the future in which specific goals and priorities were agreed on. The private sector could give valuable assistance.

Dr W. J. de Villiers

However, he believed the country's present Westminster system of government did not make provision for such a strategy.

It resulted, in practice, in the formulation of strategy being dependent on the diverse individual priorities and strategies of the various authorities and levels of government.

RACE ACCORD

He emphasised the importance of maintaining good race relations in South Africa and said people should question themselves whether they were contributing towards this.

They should ask themselves whether Blacks were getting adequate pay and whether Blacks were being granted enough rights and privileges 'such as, among others, the fundamental right of property ownership.'

It was essential that Whites should get Africans, Indians and Coloured people on their side in the fight against Russian imperialism.

WAGES GAP

South Africa also had to maintain an annual growth rate of 6,4 percent to prevent unemployment, to close the wage gap and to ensure higher standards for all. However, in the past few years the country's growth rate had not been adequate to meet these demands.

Referring to South Africa's adverse balance of payments position, he said the increase of imports — not only of oil — had been responsible.

FIN MAIL 12/11/76

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FOREIGN LOANS — 1

Identifying the lenders

Provoked by a report that SA had not "obtained one cent" abroad this financial year. Finance Minister Owen Horwood this week admitted that government has just concluded a substantial loan.

The loan is for $110m, with the funds supplied by five banks. Citibank, Morgan Guaranty, First Chicago and Deutsche Bank have apparently all contributed $25m, while Credit Suisse White Weld has come in with $10m. Citibank tells the *FM* that the loan is for five years at a spread of 1,75% over London interbank offered rate (Libor).

In Düsseldorf Horwood denied last week that SA is over-borrowed. As a percentage of total receipts on the current account of the balance of payments (excluding transfers) total payments abroad in respect of interest, dividends and branch profits actually declined from 10,5% in 1965 and 13,1% in 1970 to an estimated 10,2% in 1975, he said.

Not surprisingly, SA corporate borrowers have mostly shied away from the Euromarkets since they burnt their fingers in last year's two devaluations. Without forward cover, which is only granted for loans used in the import of capital equipment, most are just not interested. A number of international loans have nevertheless been successfully negotiated, although their existence has so far been hushed up, particularly at the request of the lending banks.

Over the past few weeks, for instance, both Rand Mines and Macdem (the country's largest non-ferrous manufacturing group with a turnover of over R80m pa) have successfully raised foreign funds. Rand Mines attracted $15m (supplemented by other credits). The money is for six years and is specifically earmarked for TCL's coal project at Rietspruit. A consortium of US banks, led by Morgan Guaranty, is putting up the money. A company spokesman adds that the cost (a floating rate over Libor) "is well within the market situation."

Meanwhile, relatively unknown Macdem (owned by UK companies Delta Metal and McKechnie Brothers, and holding company for McKechnie (SA), Aston Ware, Maksal Tubes, and the Jackson group, among others) raised $7m in London last week.

The loan, which was granted by a single bank, is for five years at "a favourable spread over Libor". When asked whether there were parent company guarantees (ie whether the risk has shifted from SA to the UK) finance director Chris Wilson dodged the question. "All initial negotiations were based on a SA bank guarantee," he explained.

The funds will be used for capital expenditure and development in the company's manufacturing and merchanting operations.

Chase Manhattan also reports that loans for small capital imports under the Exim Bank medium-term discount facility negotiated by the IDC (*FM* October 8) are filtering through.

Moreover, bankers report that Anglo negotiated a $100m medium term stand-by credit in September at a very fine 1,5% over Libor (government usually pays 1,75%). No doubt the favourable rate is a result of Anglo's unqualified credit-worthiness and the infrequency with which it taps the Euromarkets. And SA Breweries recently took advantage of favourable market conditions and arranged a $30m stand-by credit for three years at 1,875% over Libor. The funds come from a group dominated by major US banks, negotiated through the London merchant bank Barings.

FOREIGN LOANS — 2

Another R160m

Horwood's battle to refinance SA's short-term borrowings abroad got a R160m boost this week from the International Monetary Fund. While much of the world's business Press has been paying close attention to Horwood's skin-of-the-teeth borrowings of $110m from a New York City bank consortium, SA's ambassador to the IMF, Johannes "Joep" de Loor, was extracting a larger sum with less trouble, and at about half the interest rate too.

The R160m comes from the IMF's Compensatory Financing Fund designed to help nations that depend on export earnings from primary commodities.

The IMF staff insisted that the impact of falling prices for SA's main export — gold — be ignored, on the grounds that this is not necessarily a *temporary* payments problem brought on by the export slump of 1974-75 and the accompanying oil import price rise.

Working with that handicap, SA nonetheless was able to satisfy the IMF (1) that commodity exports had fallen well behind imports and (2) that the situation was improving and could be salvaged.

Export sales of 19 major commodities from diamonds to maize are expected to rise from R2 071m in 1975, to R2 155m this year, and total merchandise exports should rise from R3 560m to R3 900m in the same period. Better yet, commodity exports are expected to rise R2 650m next year, indicating to the IMF staff an upward trend.

The IMF loan carries the customary less-than-5% interest rate and calls for repayment within five years, though that can be renegotiated later. What is especially nice about compensatory financing is that it does not affect in any way SA's access to the more traditional credit facilities of the IMF.

Sunday Express 2/11/77

2

MASSIVE FLIGHT OF CASH

Racket firms are moving out millions

By HUGH MURRAY

SOUTH AFRICAN businessmen are sending millions of rands out of the country illegally through massive import swindles.

This was revealed to the Sunday Express yesterday by the Deputy Director of Imports, Mr W F Wilker, who called these businessmen "rats preparing to leave the sinking ship".

Mr Wilker said it had also come to the attention of his department that certain South African companies were maintaining "frighteningly large" reservoirs of cash abroad which should have been brought back to South Africa.

I understand that many of these offenders are highly reputable firms.

Mr Wilker said the import swindles took the form of excessive payments on goods imported. Local companies, working with willing partners overseas, buy goods or capital equipment worth relatively small amounts.

However, they are invoiced for — and pay — many times the true value. The excess is then banked overseas.

For example, an importer may buy an item worth R10 000 but his invoice will show an amount of, say, R100 000. The overseas supplier simply takes the balance of R90 000 and, probably for a commission, deposits it in a foreign account.

It is extremely difficult for Customs and Excise men to discover these swindles. As Mr Wilker explains: "A kilogram jar of some medical preparation could cost more than R1 000. Then there are hidden amounts like royalties and freight charges that are so difficult to assess when working out what imports actually cost the importer."

He said his department had been unable to assess to what extent the country was losing currency through this sort of illegal deal — "but we know it's going on in a big way".

His department however had concrete evidence that some South African firms were keeping money overseas on an illegal basis.

"We've had occasions when we have refused certain import permits because of our declining balance of payments. The applicants have then asked for no-exchange permits, meaning they have financed their purchases out of cash held abroad.

"In many cases the amounts they keep overseas have been quite frightening. Export earnings are supposed to be repatriated within a certain time but some companies simply don't do this."

When a firm appeared to

● To Page 3

Import firms condemned

●From Page 1

be hoarding money overseas, the matter was reported to the Reserve Bank.

"But the companies involved always have some form of clever explanation when they're questioned," said Mr Wilker.

"While we know this is going on, we will need the assistance of the authorities on the other side if we are to stop it. If only we could get the Swiss banks to help by reporting unusual flows of currency, we would be able to make some headway."

Mr Wilker said it was a matter for the Reserve Bank and the Department of Customs and Excise to handle.

Mr D Odendaal, Secretary for Customs and Excise, refused to comment on the currency contraventions but a spokesman for the Reserve Bank confirmed that the bank was concerned about them.

He said the bank was well aware of what was going on and he was sure the Director of Imports would investigate the matter fully.

Lect... Mr B.S. Lee

OURS - 1977

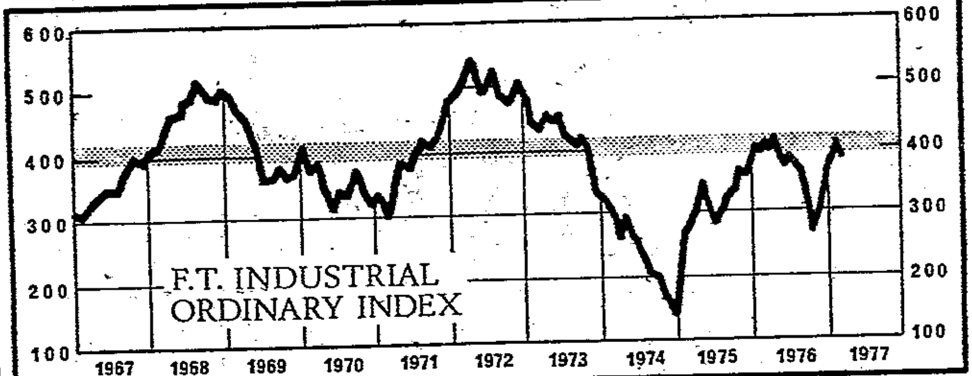
Course Description:

The course will be divided into two sections: Re
will concentrate on three stages of style: Re
from Spenser - Donne, some Jacobean drama, Cra
will be on the rela... an
of genre. The second section will be a chron
figures of the period, centring on the non-dra
English Renaissance and the 17th century.

Prescribed Books:

Spenser, Poetical Works ed. J.C. Smith & E.
Donne, Complete Poetry and Selected Prose e
Gardner, H. The Metaphysical Poets (Penguin
Shakespeare, Hamlet (Signet preferred)

21 Capital



Investors wait for FT index to batter 420

17/2/77

LONDON. — After a 47 per cent rise in the stock market since October, investors are beginning to wonder how long the momentum can be sustained.

The Financial Times 30-share index has entered — but now fallen back from — the old trading range of 390 to 420, where it stagnated for five months last year.

It was 383,4 at midday yesterday.

Many investors bought shares in those five months of sideways movement and have been sitting on paper losses. Now that recovery has taken place, it is only natural that they should think of getting out of the market where they came in.

And because many will act accordingly, new buyers will have to arrive to mop up their shares. High turnover at around 400 will indicate that this is happening.

So far the 420 level has been penetrated only twice — in the bull markets of 1967-68 and 1971-72. In both cases the break was made only after several months of struggling. Thereafter the market sailed on over the next 70 points or so with ease.

The concept of "resistance levels" comes from the chartists, and the best example of what they mean is the recent performance on Wall Street. The Dow Jones Index battered away at 1 000 practically throughout 1976 to no avail and now, exhausted, has fallen back to the low 900s. The question for British investors is whether 420 on the Financial Times index will also prove a stiff obstacle.

In trying to decide, the chartists look at various indications which show how "healthy" the rise has been so far. Volume, for example, has tended to be greater on days when the index has risen than on the days it has fallen. This, it is argued, suggests that the initiative is with the bulls.

A second important indicator is the "daily advance-decline line". This is an imaginary index which moves up or down according to the net number of rises or falls among all the quoted shares.

It reflects the movement of the full breadth of the stock market, not just the 30 shares of the industrial ordinary index or even the 671 constituents of the all-share index. The line has risen steadily with the market since October, but on a longer-term basis it is lagging behind.

While the all-share index is nearly back to the levels of last May, the advance-decline line still has a long way to catch up. The break through 420 is unlikely until it does, chartists say.

For David Fuller of Chart Analysis the most encouraging indicator is the continued strength of the gilt market. Equities depend traditionally on a lead from gilts and their unflinching advance is an excellent sign.

Until recently there were still some voices saying we were merely seeing a rally in a bear market. But one of the foremost chartist traditions is that a rally in a bear market only retraces two-thirds of the previous decline.

In this case the rally has retraced nearly all of last year's fall. There are, however, other conventions. One of them demands that Wall Street and London should go in broadly similar directions yet Wall Street seems to be coming down. Another expects shares to be weak when commodities are strong.

Yet the commodity indices, whether based or sterling or the dollar, are reaching new high ground.

Clearly some of the traditions are going to have to go by the board.

Most of the chartists believe that the market will make a successful assault on 420 in due course but a long siege may first be necessary.

A tactical retreat is overdue and may have already started.

However, the chartists would be surprised if the 30 share index went below 350 and probably would treat a decline as a buying opportunity for those who have not yet taken part. — Financial Times.

Bail fixed at R50 000

Cape Times 12/3/77

AN elderly Bellville property owner, Mr George Kolovos, of Durban Road, appeared before a Bellville magistrate yesterday charged with Exchange Control regulations violations. His appearance followed investigations by the Commercial Branch into travellers' cheques irregularities amounting to more than R9 million.

Mr Kolovos was ordered to surrender his passport.

The magistrate, Mr P F du Plessis, fixed bail at R50 000. The court decided sureties of that amount would be acceptable, and the case was adjourned till April 7.

The court appearance followed an arrest on Thursday night at a flat above a cafe in Durban Road, Bellville.

Mr Alfred Allen appeared for the State.

BOX 7

How am I ... of my own age and how am I different?

Did ...: Ability measure which

PERFORMANCE, sport, ... — School marks, teachers' and parents' comments, what your friends say about what you ... and ... less friendly say you can't do (sometimes you have to believe them.)

POTENT...

PERSON... — How others see you, how you see yourself

MATURITY — How you deal with situations at home, in school and outside life

CULTURE, Black, White, English, Afrikaans, Catholic, N.G.K., Muslim, Jewish etc. — Behaviour, relationships, beliefs, attitudes to others who are different

PERMANCY, what you can change about yourself and what you cannot change — What you want to change

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the ... skills are acquired at school and if you do ...'s going to be too late.

Here is ...: Skills are ... which you have ... u may therefore have abilities which hav... skills. Schools are the places that ... and ... can ... the employers ... nd not much for abilities. The skills wh... y job (and the better the skill, the better ... basic skills. They are the skills of reading ... ng with ... to a required standard ... which you ... with ... mine the width of the gate through which you will enter your first job. It will also determine the speed at which you can get promotion. There are other basic skills which you can gain at school. They are ... ed in Box 8.

Now let's look at a practical example which shows different standards of basic skills. The skills we shall examine are vocabulary, fluency, social skill and reasoning skill. Katinka left school after Standard Seven and James left ... They are both ... girls ... as ... city ...

CURRENCY SMUGGLING — A RACKET WORTH MILLIONS

By Mervyn Harris

CURRENCY smuggling has become a racket worth millions of rands and is proving a huge exchange control headache for the authorities.

'It is a serious matter,' General P. W. Kruger, chief deputy commissioner, investigation of crime, told Weekend Argus this week.

'A few years ago there were no cases whatsoever. Now there are quite a few.'

A Reserve Bank spokesman admitted this week that it was difficult to measure the amount of money being smuggled illegally out of the country.

'We know of cases where exchange control regulations are contravened and immediately take action. We have an intensive system to control such contraventions.

'We have an administrative system and an inspectorate which works in consultation with the police. We cannot patrol every part of the border as this could cost us more than the sums we might discover being smuggled out of the country.

GENERAL P. W. Kruger — 'a serious matter.'

Rumours

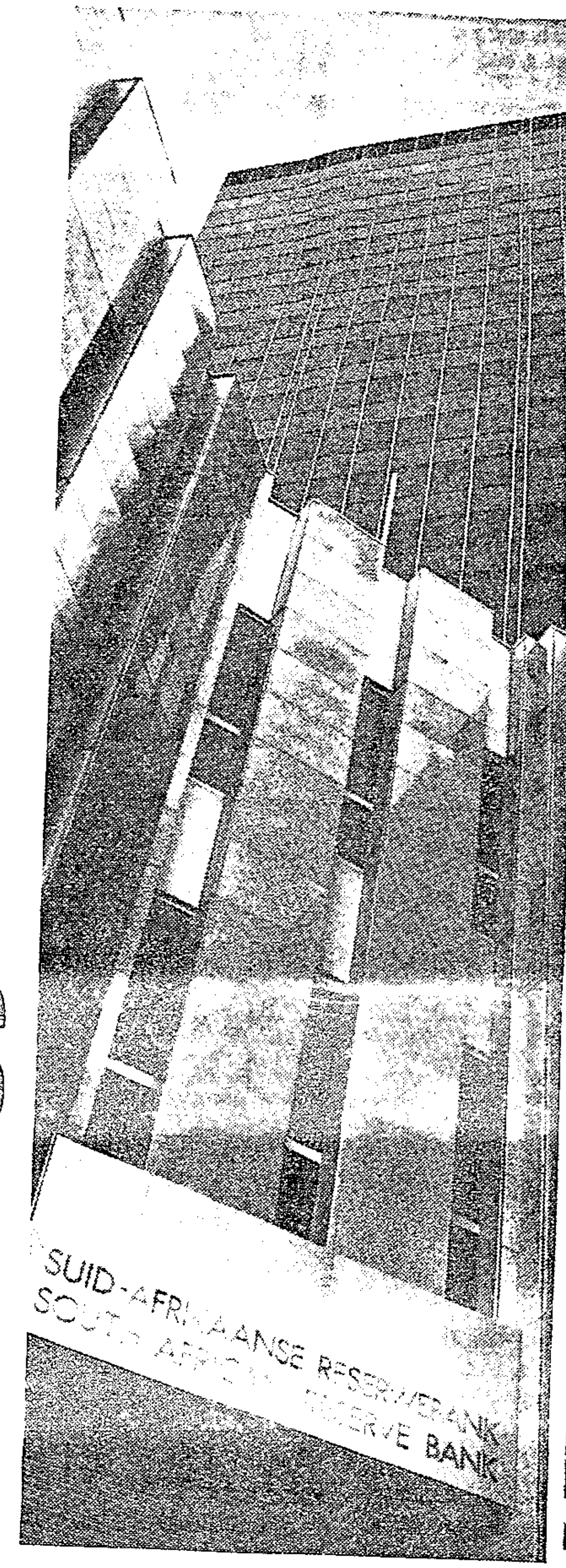
'There are a lot of rumours on the market but mostly these are unsubstantiated allegations. The question is to prove whether they are true or not,' said the spokesman.

[illegible]

- A glut of [illegible] rand notes on the London and European markets resulting in a decline in the value of these notes.
- Travellers' cheques irregularities amounting to more than R9-million Rand have been uncovered in the past couple of weeks by the Cape Town Commercial Branch of the Police.
- The M[illegible] of [illegible] Senator [illegible] [illegible] crackdown on rand smuggling, starting with big business and working all the way down to families outward bound on overseas holidays.

SENATOR Owen Horwood — crackdown on currency violators.

The big S.A. rands drain



THE new Reserve Bank building in Cape Town — nerve centre of the money market. 'An intensive system to curb exchange control contraventions.'

One of the ways in which money is smuggled out in business deals is through the illegal practice of 'over-invoicing.'

In such deals, a businessman can overstate the amount of an import bill — with the co-operation of the overseas supplier — to obtain permission via the banks to pay the higher amount.

In turn, the businessman splits the profit between the real price and the invoice price with the supplier — and puts his share into an overseas bank account.

It is almost impossible to even guess the amounts that may be involved. But Senator Horwood believes that it has grown to such serious proportions that it is draining the country of millions of rands.

It was to help counter these dangers that the Reserve Bank expanded its investigation department.

Money is also being siphoned out of the country in more conventional ways. One of these is through the use of young people and ordinary tourists as couriers.

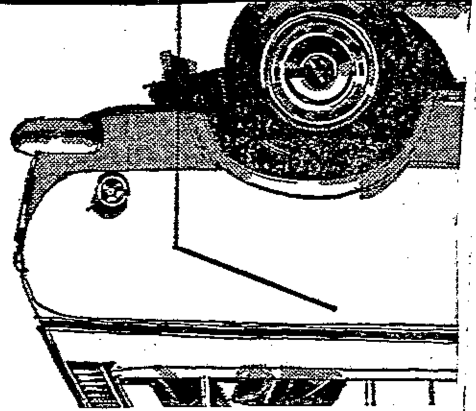
South Africans are allowed to take a maximum of R2 000 with them on an overseas holiday but often do not take the maximum amount.

The travel allowance system is abused by taking out money for friends or acting as couriers on a commission basis.

The glut in rand notes on the European markets [illegible]

the law whereas we tended to be a bit lax in the past,' he said.

This attitude could affect the increasing number of people leaving the country. Depending on a person's assets, an emigrant is entitled to take up to R30 000 with him.



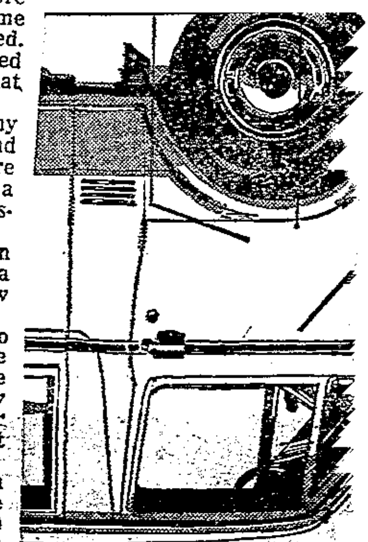
than the R50 in home currency they are allowed. And they are not allowed to bring more than that back.

'There are so many rands circulating around Europe that people are having to sell it there at a discount,' said a spokesman for one of the banks.

'The loss people sustain in this way could act as a deterrent on the outflow of rand notes,' he added.

For people attempting to smuggle money out of the country there is also the risk of being swindled by confidence tricksters or others whom they might rely on for help.

This came to light when a number of arrests were made after a R21 000 transaction at Oudtshoorn in connection with forged travellers cheques.



Unpatriotic

The cheques, for U.S. dollars, are believed to have been forged in France. Police say they think the forgeries were being passed off on a large scale.

The attention being focussed on the problem of currency smuggling has alerted customs, officers, police, banks and members of the public who are not leaving the country.

Said Major A. Hulme, commander of the Commercial Branch in Cape Town: 'More people are coming forward with information and we are therefore more aware of the problem.

'I think people are beginning to appreciate the unpatriotic nature of these activities,' he said.

A spokesman for one of the banks said clients were no longer being given the kind of assistance which enabled them to take money out of the country by veering on the edges of the law.

'We have become very strict in complying with

City man in court

Clerk guilty of R8-m fraud

ARGUS
22/3/77

21

A CONSTANTIA shipping clerk, Raymond Anthony Kets, was convicted in the Supreme Court, Cape Town, today on 391 counts of fraudulently obtaining travellers' cheques worth R8 167 920.

Kets, who pleaded guilty, fraudulently induced American Express International Incorporated to sell him travellers' cheques by falsely claiming these were for the masters of ships.

In his opening address, the Deputy Attorney General of the Cape, Mr Frank Kahn SC, said Kets's conduct started in March 1970 and persisted until his arrest in August 1976.

"In essence Kets, through his fraudulent acts, was instrumental in unlawfully causing a drain of foreign currency reserves to the value of R8 167 920 from the Republic.

"The modus operandi employed was ... respect of ...

"Agents are sometimes requested by the owner of the vessel to meet payment of their crews' salaries and wages. The latter, in some instances, desire such payment to be met in foreign currency, in which event the agent applies to its bankers, who are authorised currency dealers, for permission to

(Continued on Page 3, col 3)

RDM 22/3/77

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R8-million fraud

(Continued from Page 1)

convert rands into the foreign currency desired. Such permission is usually granted as a matter of course,' Mr Kahn said.

Mr Kahn continued: 'During the period in question, certain people (some of whom have since absented themselves from the Republic; others are under detention) approached Kets requesting him to purchase travellers' cheques. They acted on behalf of various individuals throughout the Republic who were intent upon unlawfully dispatching foreign currency out of this country.

'In return for his services, Kets was offered three percent of the rand value of travellers' cheques so purchased. This would be paid out in cash. In addition, he was entitled to retain a further half percent in agents' fees from the dealer issuing such cheques — American Express International Incorporated.

'Kets accepted this proposition and during the period set out in the indictment, amassed the sum of R289 212 in commission for his services,' Mr Kahn said.

Mr Kahn told the court how Kets went about obtaining the travellers' cheques, and said Kets's actions were never authorised by his principal and induced banks to authorise the purchase of foreign currency by supplying them with 'fictitious reasons.'

Kets paid for the cheques in South African currency which he obtained from the middlemen who, in turn, had got the money from 'would-be currency smugglers' in various centres throughout South Africa, Mr Kahn said.

'To date American Express travellers' cheques to the value of R4 120 301 and which were obtained by Kets have been negotiated in various countries outside the Republic, chiefly centred in North America and Europe,' Mr Kahn said.

He told the court the State would call a senior official of the South African Reserve Bank who would 'comprehensively detail the prejudice suffered in consequence of Kets's unlawful transactions.'

Mr J. C. Senekal, deputy general manager of the Reserve Bank and head of the Exchange Control Department, was called by the State to explain to the court the implications of Kets's conduct.

Mr Senekal said South Africa's foreign currency reserves were 'the life blood of the country,' and it was therefore important to have controls over its exchange.

Besides the Reserve Bank, various banks and two travel agencies have been appointed authorised foreign currency dealers.

'As a developing country, South Africa needs more foreign exchange than it earns. It is therefore a net user of foreign exchange.

'In other words, we import more from overseas sources than we export. It is therefore necessary that control over existing foreign currency holders is exercised so as to ensure continued growth and development in this country and to ensure that foreign currency is utilised only for purposes which can be regarded as being of benefit to the country as a whole,' Mr Senekal said.

Between 1970 and September 1976, South Africa's foreign reserve position showed 'a very definite, rather dramatic downward trend.'

To countereact this, Mr Senekal said the authorities had been compelled to introduce restrictive monetary and fiscal measures which had had an effect on the cost of living and the man-in-the-street.

One of these measures was the devaluation of the rand in September 1975. 'Devaluation has an inflationary effect,' he said.

Another restrictive measure was the compulsory interest-free deposit of 20 percent of the value of imports which was imposed in August last year to discourage imports.

This, Mr Senekal said, had an inflationary effect on South Africa's economy but the scheme had been imposed to discourage imports and therefore conserve foreign exchange.

Fuel conservation measures introduced in December last year were 'adopted not so much for the purpose of conserving oil but rather to conserve foreign exchange.'

He said the increase in the price of oil and not the problem of obtaining oil — which was 'no problem' — had motivated the conservation measures, which had been taken because of a shortage of foreign currency reserves.

He said when foreign currency reserves were 'adversely affected,' South Africa could not import commodities as freely as required and this in turn impeded economic growth.

'Any restrictive measure taken by the authorities does retard growth internally and retarded growth creates unemployment and unemployment in turn can cause hardship,' Mr Senekal said.

An adverse effect of low foreign reserves might result in South Africa's
being unable to import 15
oil, armaments and other necessary goods and low foreign reserves 'affect our image to the outside
world,' he said. 18

A low balance-of-payment position could affect South Africa's credit-
worthiness to the outside 19
world thereby rendering the country unable to borrow from overseas sources to supplement its reserve position, Mr Senekal said.

He told the court Mr 21
Kets's actions had prejudiced the Reserve Bank.

He said the bank had received complaints that the maximum travel allowance of R2 000 for a person each year and R100 a
day to a maximum of 22
R3 000 for a businessman
were too low. 23

Asked why the Reserve Bank was 'so miserly,' Mr
Senekal said: 'We just 27
can't afford at this stage to open up exchange control or be more lenient because we just don't have the foreign currency
available.' 25

Under cross-examination, Mr Senekal
agreed that the political 29
climate and other factors could have an important bearing on South Africa's balance of payments.

He agreed further that attacks on South Africa for example at the United Nations and the 'change of president in certain countries suggesting boycotts' might also have an effect.

He conceded that a devaluation of the rand not only retarded imports but also encouraged exports.

Re-examined, Mr Senekal agreed that between June 16 and August 1976 more than 30 percent of the R8 167 920 — R3,4-m — left South Africa.

Asked whether he knew when the unrest broke out in Soweto, Mr Senekal said he thought it was either in June or July 1976.

Mr Justice Diemont is sitting with two assessors, Mr M. R. Hartogh and Mr A. B. Myles. and Mr Snitcher QC, instructed Mr Kahn, assisted by Mr S. Baker, is appearing for the State by Herold, Gie and Broadhead, is appearing for Kets.

(Proceeding)

(21)

Rand advocate pleads guilty

Cape Times 19/4/77

JOHANNESBURG. — A Johannesburg advocate, Sam Aarons, 47, pleaded guilty in the Rand Criminal Sessions yesterday to contravening the currency control regulations and to being an accessory after the fact on a charge of fraud.

His appearance before the Acting Judge President, Mr Justice V G Hiemstra, arises out of a simulated robbery at the La Cornucopia jewellery store here on October 27, 1975.

The owner of the store, Mr Giorgio Menicanti, died last year after filing an insurance claim for R404 045 in respect of the jewellery.

On the fraud charge, Mr Aarons was alleged to have conspired with Mr Menicanti in planning the simulated robbery and in making the insurance claim.

However, the State accepted his plea of being an accessory in that he took possession of the jewellery, sold a portion of it and gave Mr Menicanti's widow, Mrs Bona Menicanti, two sums of R5 000.

Mr Aarons pleaded guilty to contravening the currency control regulations in so far as he took goods worth more than R600 out of South Africa without the permission of the Treasury.

Defence admissions were that items worth about R70 000 were sent out of South Africa, that jewellery valued at about R20 000 was found in Mr Aarons's car, and that other items worth about R2 000 were found in his chambers.

In his opening address, Mr K von Lieres, SC (for the State) said the robbery was unsolved until September last year, when Mr Aarons was arrested.

Mr Von Lieres said the State would show that, after Mr Menicanti's death, Mr Aarons offered his services to a member of the family in disposing of the jewellery, which was then dug up from the rose garden.

Mr Aarons took 10 percent of the sale as commission.

Currency charge: Man is sentenced

The Argus Correspondent

ARGUS 25/4/77

(21)

JOHANNESBURG. — Johannesburg advocate Sam Aarons, 47, was today sentenced to three years' imprisonment for contravening currency control measures and for acting as an accessory after the fact on a fraud charge.

Mr Justice Hiemstra, giving judgment in the Rand Supreme Court, took both convictions together for purposes of sentence.

Aarons had pleaded guilty to both offences.

The judge summed up the conspiracy to dispose of jewellery worth R218 000, removed from La Cornucopia, the jewellery store belonging to Mr Giorgio Menicanti, during a fake robbery in October 1975.

Mr Justice Hiemstra said Mr Menicanti was chiefly responsible for the fraud, which involved attempting to claim R404 000 insurance compensation for the 'robbery.'

The claim was repudiated.

Although it was initially alleged Aarons was involved in the plot at this stage, the judge said he accepted that it was only after Mr Menicanti's death in March last year that Aarons became involved.

After the funerl Aarons came to express his condolences to the family who told him the robbery was faked, the judge said.

The family was in great danger of the fraud coming to light and of being pressed by creditors and the masked robber who took part in the robbery.

COMMISSION

Aarons sold two lots of jewellery for a total of R10 000, and Mrs Bona Menicanti paid him 10 percent commission.

It was only at this stage that he acquired avaricious motives.

Aarons collaborated with 'Babyface' Goodwin, a notorious criminal, 'and not the kind of company that an advocate ought to keep,' to export illegally jewels worth R70 000 to Canada.

Aarons was 'betrayed by one of his partners in crime' — Mrs Lucia Calcatera, daughter of Mrs Menicanti — as he was about to dispatch a second lot of jewellery.

'Why he did this is still not clear to me,' the judge said.

CO-OPERATED

Aarons had given evidence fully and openly, and had co-operated with the police. The case had destroyed his career.

However, his crime was carried out on a large scale with cynicism and daring. As an advocate he had made undertakings of loyalty to the bar.

Currency control offences did not carry the social stigma attached to various other crimes, and it was important to impose a penalty with a deterrent value.

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US can't afford to cut loans — banker

Cape Times 24/5/77

Own Correspondent

JOHANNESBURG. — South Africa is running a trade deficit of about R650 million a year with the United States and any action to curb loans to this country must also threaten US exports, according to Dr Robert Smit, a Johannesburg banker and former ambassador to the International Monetary Fund.

He was commenting yesterday on possible financial actions by the US against South Africa as implied by Mr Andrew Young, the US Ambassador to the United Nations.

Mr John Moore, the chairman of the US Export-Import Bank, said from Washington yesterday that American newspaper reports of Mr Young's visit to Johannesburg suggested there would be change in United States financial attitudes to South Africa.

He was awaiting an early clarification from the US State Department foreign policy chiefs.

Mr Moore said his bank — which provides finance for US trade deals — had decided over the past year to limit new business with South Africa because its existing commitment, about R175 million, was believed to be large enough. This was based on financial grounds but political factors affected attitudes towards financial stability.

Widen political considerations

Mr Moore said it was possible the US State Department would ask the Export-Import Bank to widen political considerations in looking at business with South Africa.

Dr Smit said that in 1975 the US had a trade surplus of more than 800 million dollars (nearly R700 million) with South Africa. The major Western industrial countries together had a surplus of well over R2 000 million.

South Africa could only finance this partly by overseas loans and credits.

Any action led by the US to reduce capital inflow to South Africa (it is already sharply down on the level of two years ago) must hit such overseas exports to this country if it were successful. Dr Smit said this was an arithmetic necessity.

Banking puzzled

South African banking circles are puzzled by Mr Young's reported remark that new US human rights legislation will disqualify South Africa for financial help from the IMF and the World Bank.

It is pointed out that South Africa has never borrowed from the World Bank and that both it and the IMF are international bodies not subject to US legislation.

Star 27/5/77

21

Huge rise in personal savings essential

Michael Chester,
Financial Editor

South Africa needed a massive rise in personal savings equal to as much as five percent of total national income to provide a solution to growing employment and housing problems, Dr Frans Cronje, chairman of Nedbank, warned today.

He estimated an increase in savings of at least 3 percent was needed solely to compensate for the drying up of a capital inflow from overseas that had amounted to an annual R800m in recent years.

To reach an adequate level in capital formation to cope with a population increase of 700 000 a year, personal savings needed to climb by a still higher 5 percent to finance new investment in the public and private sectors.

Dr Cronje, in an address at a Transvaal regional conference of the SA Permanent Building Society, added that the extra savings would have to come almost exclusively from the white community — meaning less spending from the family budget and more frugal living standards.

In turn, the Government must find ways and means to add to the attractions of savings in building societies, insurance compaines and pension funds in particular.

A number of steps were essential:

- Encouragement to the saver by changes in the whole direct taxation system.
- Home ownership by black families, meaning a big increase in black savings via building societies.
- Aims to bring in far more Coloured, Indian and black families into insurance and pension schemes.

came out and ran second to King's Rhapsody in the Smirnoff — again impressing.

The Drum had one run on the Rand finishing second. He then came to Natal and was second to Three Wing in the Durban Nursery. Next time out he was second to That Sun in the Easter ...t and then won well far

(21)

Louw's about turn on broking costs

29/5/77
6 [illegible]

By NIGEL BRUCE

THE POWERFUL Registrar of Financial Institutions, Wynand Louw, has agreed to allow commissions paid to life insurance brokers on some term policies to rise by up to 183 per cent.

This will mean an increase in the costs of life insurance companies — which will assuredly be passed on to the public — less than three months after he slashed almost all commissions paid to life brokers by up to 20 per cent to contain the rising cost of life insurance.

The Registrar's latest commissions decision — which will be embodied shortly in recommendations to the Minister of Finance — could also have other far-reaching consequences.

The official reason for the Registrar's ironic move now is basically to release his department from an "embarrassing" administrative situation, according to a letter from his office to the Life Offices Association, which represents the collective interests of life insurers.

This arose because although the recent regulations limiting life insurance commissions to brokers pegged the maximum for basic or permanent assurance at 85 per cent of the first year's premium and for term assurance at 30 per cent, they made no allowance for "reinforced" policies containing various degrees of both types of assurance.

The difference between the two types of assurance is that a proportion of premiums paid on basic policies is invested and acquires a value which is passed on at some stage to the insured. Term policies, however, acquire no value. A payment is made only when a claim is justified. At the end of its currency, the insured gets nothing. Consequently it is a much cheaper form of life assurance than the former.

In view of the different levels of commissions on these two types of policies, when they were mixed to some degree or other in "reinforced" policies, the Registrar's office was frequently asked to decide which level of commission should be paid.

Because of the arithmetical complexity of attributing one level of commission for basic assurance and another for term in this type of policy, the Registrar's office recommended to the LOA, which concurred, that the principle of one level of commission for all types of policy should prevail.

The net effect of the proposed change in the formula specified in the regulations will mean that brokers will get less commission on term policies of less than 10 years, but considerably more — rising to a maximum increase of 183 per cent — on term policies of longer duration.

According to industry sources, the decrease is rather academic as most term assurance is sold for 20 years or longer.

Also influencing the Registrar's decision is the fact that broker commissions on income protection policies were pegged at a maximum 30 per cent of the first year's premium, which was tending to discourage broker sales of this important type of cover.

The Registrar and the LOA reasoned also — although there could be an element of rationalisation in this — that: 1) In relative terms the amounts involved in term insurance are small; 2) One common commission level would discourage brokers pushing basic assurance, because of the higher commission it carries, when a client's interests could more usefully be served through term assurance.

That is all very well. But if one accepts the principle that the cost of life insurance was being inflated by high acquisition costs, as the Registrar has patently done, then his latest decision is clearly anomalous, especially as he decided that the benefits flowing from enforced lower commissions justified their stultifying competition and reducing the amount of life assurance sold with some degree of impartiality.

There are also some other disquieting aspects of his decision. For instance, some insurers argue that as term assurance offers a high amount of life cover at a low cost relative to basic assurance, it is easier to sell, particularly and inappropriately to the lower economic strata. Consequently, brokers might push term insurance merely for a quick high commission yielding sale.

If this were to happen it would inhibit savings, which is socially undesirable, and, as prescribed investments (mainly low-yielding official securities) apply to a very limited extent to term policies (as no investment reserve is created), the fiscus could find itself short

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Cheque fraud 'economic sabotage'

ARGUS 3/6/77

21

— Deputy Attorney General

THE actions of Anthony Anastasias Nichas, convicted of fraudulently causing an outflow from South Africa of nearly R250 000 in foreign currency, were tantamount to economic sabotage, the Deputy Attorney General of the Cape, Mr F. W. Kahn, SC, argued in the Supreme Court, Cape Town, today.

Nichas, 45, of Bantry Bay, was convicted of 15 counts of fraudulently obtaining travellers' cheques and of a further 18 counts of contravening the exchange control regulations.

Arguing on sentence, Mr Kahn said Nichas had committed 'a grave and ugly offence made more reprehensible by his exploitation of this country's economic and political difficulties.'

GOOD TO HIM

'He was prepared to exploit a country which, to quote him, was good to him. For a miserable R3 000 commission he was prepared to prostitute his conscience and sell his country down the river,' Mr Kahn said.

Nichas had defrauded the community at large and that community looked to the court to discourage 'this type of thing.'

In passing sentence, the court should be mindful that the sentence would be used as a guide-line in other currency cases, Mr Kahn said.

Mr R. Marais, SC, for Nichas, argued that to depict his client as a professional gangster, part of a 'Mafia-type of syndicate', was painting an incorrect picture.

NOT SOUGHT

In each case, Nichas had been approached by people and had not, himself, sought 'customers'.

It was important to remember that the money which had been converted into travellers' cheques had not been stolen or come by illegally, but belonged to people who wished to get it out of the country.

Although the State, for very good reasons, frowned on this practice, 'to use cliches such as "economic sabotage" creates more heat than light,' Mr Marais said.

The hearing continues.

Mr Justice Watermeyer sat with two assessors, Mr G. Friedman SC and Mr M. Lindhorst.

Mr Kahn was assisted by Mr S. Baker. Mr Marais was instructed by D. F. Meyers, Lindsay and Co.

Housing fac

The general in terms
of location rtion
is still the or
enclosures ar s with
very poor roc r,
from rain off front
of the house ly
raised at the cow-
dung and even s it
provides soft ttle
care of the st es.
The rooms are
dining-room tal ctor
driver whose ba who saves R10-R15 p.m. This man
wanted to build d house away from the others and he has no
beds at all in pparently not as necessary as the dresser in
the front room) get that the cow-dung floor is very comfortable,
some even make r, using a type of clay for darker or lighter
shades. Cooki an open fire, even though most houses have
a fire-place wit apparent because
there is often a floor whe l. It is
interesting to n g fire is oduced using
one or two logs ime. A e fire would
require very much sumably, normally
collect the wood, sense in de mud and
reed houses alway king wind eter of ± 15 cms.
(6 ins) and there in the are always
lower than an adu e asked the reason for
this, but there i ently it tional practice
that when a strang red the to crouch,
and if there were owner at an advantage
to overpower him.

The majority of fa be doi although
there is at the pr talk about providing better living
conditions. The most attractive incentives to facilitate
building new houses and modernising old. This was a loan for 30 years at 1%
interest. However due to lack of funds this has been stopped temporarily, but

Sunday Times 5/6/77 (21)

Poor-to-rich man jailed

Sunday Times Reporter

Nichas and wife Katie: "I was greedy."

CURRENCY smuggler Anthony Anastasias Nichas' classic rags-to-riches story ended this week with a seven-year jail term.

Nichas, who was convicted of fraud and foreign exchange contraventions involving R250 000 was two years old when his mother died and his father left him in the care of an aunt in Athens.

New start

After World War II they arrived penniless in South Africa to start afresh, his wife Katie told me this week.

He started a flourishing laundry business which he sold in 1973 and joined Faros and Company, Cape Town shipping agents and chandlers.

There he met Raymond Kets, who was involved in an R8-million foreign currency swindle and was jailed for 15 years in March.

Nichas became one of Kets' seven middlemen who supplied cheques to currency smugglers at commissions ranging from four to 10 per cent.

Kets would approach bankers of the shipping agents who employed him and apply for authorisation to buy foreign currency, supplying them with fictitious reasons.

Kets then presented the banker's form to American Express cashiers telling them that the cheques were needed for sailors' salaries.

Greed

He would pay in South African currency given to him by Nichas, who earned R7 000 in commission from the R250 000.

He told the Cape Supreme Court that "greed" had tempted him to become one of Kets' middlemen.

Nichas, 45, was convicted on 15 counts of fraud and 18 exchange control charges.

He was sentenced by Mr Justice Watermeyer to seven years, two years suspended for two years on condition that 18 000 American dollars were returned from Greece.

Meanwhile, a secret list of wealthy people who employed Nichas to get money oct of the country is in the hands of police investigators.

Nichas had refused to name the people, but relented during his trial this week and promised to supply police with full details.

A Reserve Bank official said: "An immediate investigation has been launched."

He added that the names disclosed by Nichas could not be revealed at present because it would hamper invetigation — but there were a number who had been named.

10/6/77 BD

Horwood in cash crisis row

2

JOHANNESBURG — The Minister of Finance, Sen Horwood, was last night at the centre of a major new controversy over whether or not the country's foreign capital inflow was drying up.

He faced a barrage of Opposition questioning in Parliament yesterday after disclosures of the minutes of a meeting between him and the Association of Pension and Provident Funds.

According to the minutes, the Minister told the association the foreign capital inflow had almost dried up because of adverse publicity following last year's disturbances.

The minutes stated this was one of three reasons given by the Minister to support his request for a further R520 million from pension funds and insurance companies for Government and other loans.

Last night Sen Horwood denied making the statement, while the association declared that their minutes were "absolutely correct."

The latest controversy follows the appointment earlier this year of a select committee to investigate statements by the PRP MP, Mr Gordon Waddell, that the Minister had grossly misled the country on the foreign capital inflow position.

At the time, Sen Horwood accused Mr Waddell of a "most irresponsible, damaging and unpatriotic act."

Referring to his meeting with the Association of Pension and Provident Funds, Sen Horwood said last night: "Neither on that occasion nor on any other have I said that the capital flow has dried up." He said departmental officials with him at the meeting supported his claim.

"I want to know how the minutes of the meeting came to be distributed," he said.

But the chairman of the association, Mr M. P. Dietrich, in consultation with a colleague who also attended the meeting, Mr L. Hewitt, remained unmoved by the Minister's denials.

"As far as I am concerned," he said, "the minutes are absolutely accurate. Mr Hewitt clearly remembers the statement. I would go so far as to remind the Minister that we had a long discussion on how the supply of capital was going to be a critical factor.

"We stand by our minutes."

SEN HORWOOD . . . denies saying capital flow had dried up.

Mr Dietrich said the minutes had been routinely distributed to all association members.

The minutes of the meeting on April 14 were disclosed by Mr Waddell in the Assembly on Wednesday night.

The Minister challenged the minutes in the House yesterday and again in an interview.

Mr Waddell said last night the issue was now a "matter of the gravest concern because two association members were unanimous in their endorsement of the minutes."

He said the Minister's credibility was at stake.

Mr Harry Schwarz, the PRP's finance spokesman, said the matter would be raised today at the resumption of the committee stage of the Financial Institutions Bill being handled by the Minister.

"The Minister simply has to take people into his confidence," Mr Schwarz said. "If things are tough, we can get down to the business of solving the problems. But we will demand that the Minister states the position."

A running row between the Minister and the PRP started in February when Mr Waddell said Sen Horwood had been grossly misleading by stating that R635 million in long-term private capital had entered the country during the first nine months of last year, but not revealing that there had been an outflow of R331 million.

The parliamentary select committee appointed to investigate the claim has not yet tabled its report.

The Minister's most recent public statement on foreign capital came on May 8 when he told a Nationalist meeting in Natal it was "unpatriotic and scandalous" to say South Africa was not getting foreign capital.

"Every week we sign new agreements with foreign bankers," he said. — DDC.

Wooing the West

At a time when foreign investors are closely watching events in SA, government and business are launching a high-powered drive to restore shaken confidence.

On June 20 and 21 Senbank and Safto are sponsoring what one of the organisers calls a "private and unpublicised" conference in New York for top US business leaders. Theme of the lavish seminar (a 350-room motel on Long Island has been hired) is: "Why invest in SA?" Star speakers include Foreign Minister Pik Botha and former US Treasury Secretary William Simon.

Brochures mailed to 1 000 businessmen also featured Henry Kissinger as guest speaker, but he will be unable to attend due to "prior commitments".

Meanwhile, there is some confusion over Finance Minister Owen Horwood's US travel plans. On May 12 Horwood told the Senate that "when this session is over, the Secretary for Finance and I will be visiting some of the famous banks of the world in Europe and America ... We will talk to them and put our case and I can assure this House that we will obtain capital in meaningful quantities."

Yet last week Horwood said his July trip would take him only to Europe. He will visit the US only in September when he travels there for the International Monetary Fund's annual get-together.

A senior executive at Morgan Guaranty, which has participated in a number of loans to SA, said this week that he was "frankly delighted" that Horwood was not coming to the US in July, "since there is absolutely nothing I could tell him".

A Chase Manhattan officer echoed: "I would have been surprised to see anybody from SA here after our statement last month." He was referring to Chase's pledge not to support any more SA projects which "perpetuate apartheid".

A further sign of the poor standing of SA in US capital markets is the report that the well-known credit rating agency Standard and Poor's was approached late last year (by whom it is not known) to do preliminary work on SA's creditworthiness. This, the *FM*'s Washington correspondent reports, followed bankers' suggestions that a SA public sector borrower should test the US bond market.

However, the *FM* learns that S&P's assessment of SA's vulnerability to changes in the political situation was so bearish that even with a booming economy SA would be a relatively poor credit risk. According to the *FM*'s sources, the study was then dropped.

Asked to comment Senator Horwood told the *FM*: "Government did not approach Standard and Poor's or any other rating agency. The report is completely false."

Ex-Treasury Secretary Simon . . . guiding investors

(21)

STAR 22/6/77

Fake passports: 2 men held

Own Correspondent

DURBAN—Police investigations into a R2-million forged passport and currency smuggling network have been reopened in Durban with the arrest of two men and the possibility of several more.

Commercial Branch detectives today detained two Indian men on charges of printing fraudulent British passport pages.

This brings the number of people arrested since the racket was exposed in April to 15. The network is alleged to have printed forged passports and used them to obtain travellers' cheques.

4. l ... rm based in Cape Town.
l ... for a job in Parow is
a ... llowing January. But
i ... n Bellville instead
fc ... n payment of an agreed
pe

Sta ... require the services
of ... n at R3 000 p.a., and
an

The ... s, each earning R2 000,
will

Tran ... s bought for R5 000 each
2 ye ... 400 p.a. plus 10c per
mile

It is ... quire the lorries to
trave

Mater ... y has already bought all the materials for the Parow job:

1 000 units of Type A at R1 per unit
500 units of Type B at 50c each

Type A would not be used for the Bellville job, but could be sold for 50c each.

Type B has no alternative uses and zero scrap value, but 200 units can be used for the Bellville job. In addition it will be necessary to buy 3000 units of Type C at R10 each for the Bellville contract.

Both jobs will take exactly one year.

The Managing Director asks you to consider which of the two alternatives is most profitable.

Draw up a table showing the opportunity costs involved in each.

What advice would you give?

(50%)

Star 27-6-77

Foreign capital outflow clouds BoP

(21)

Michael Chester, Financial Editor

The balance of payments on current account has swung into surplus for the first time since 1973 and raised optimism at the Reserve Bank that tough fiscal and monetary policies are finally laying the foundations for a sound economic revival.

A marked improvement carried the current account from a R396m deficit into a R39m surplus in the first quarter of 1977, it is revealed in the June bulletin from the Reserve Bank.

Adjusted to take seasonal factors into account, the balance at an annual rate showed a shrinkage in the deficit from a record R2 405m a year ago to only R242 m — largely due to higher income from gold sales and a decline in imports.

However, the BoP scenario still shows problems. The annual rate of merchandise exports, seasonally adjusted, failed to hold the pace set at the tail end of 1976.

Also, the net outflow of short-term foreign capital not related to reserves rose from R62m in the last quarter of last year to a worrying R349m in the 1977 first quarter.

Short-term funds related to reserves showed a fall in net inflow from R186m to only R55m.

The net inflow of long-term capital also suffered a sharp decline from R317m to R148m — leaving public corporations and local authorities to a higher bill for loan repayments than the total of new foreign loans fed into them.

MONEY SUPPLY

Meanwhile, the money and near-money supply, worked out on an annual rate, was reined in from a 17 percent increase in the first six months last year to an actual decrease of 1,7 percent, or around R38m.

This indicates that the Reserve Bank is trying a dose of monetarist medicine in efforts to pull down the inflation spiral.

But for the moment it is clear the recession is biting deeper and deeper. Manufacturing production

Quite properly, the Re-
serve Bank notes that good progress has been made in solving some of the problems haunting the economy. But there is obviously a long way to go yet.

24. Which of the following statements is correct ?

1. If supply declines and demand remains constant, equilibrium price will fall.
2. If supply increases and demand remains constant, equilibrium price will rise.
3. If demand decreases and supply increases, equilibrium price will rise.
4. If supply increases and demand increases more, equilibrium price will fall.
5. None of the above.

21

27/8/77 N/MERCURY

SHARES CLAMOUR

LONDON — A giant sale of shares in Britain's partly State-owned oil company British Petroleum has attracted nearly five times the expected number of applications, the Bank of England announced yesterday.

The offer by the Labour Government of 66,79 million shares of its stake in British Petroleum had been expected to draw a flood of prospective buyers. Last week it was already being described here as the "share sale of the century."

The offer of stock worth R846 million is part of the deal steeled last year when Britain obtained a R3 400 million loan from the International Monetary Fund (IMF) to help shore up its sterling currency.

Application lists for the offer, at R12,65 a share, were opened on Friday morning. Yesterday the Bank of England said the offer had been "4,7 times subscribed."

The bank said it would announce this afternoon how the shares are to be distributed in England. There have been calls for a ballot to choose the buyers from among the applicants. — (Sapa-Reuter.)

25. I… wanted to raise the price o… ions would you take ?

1… ge and sell it on the open

2… tiliser on their barley-

3… substitute).
4… ne.
5… rley.

26. I… upward shift in the demand s…

1…
2… he price of corn.
3… amount of corn supplied with … pply of some other commodities.
4… lteration in the output of any commodities.
5. Will lead to none of the above.

27. "The price of wheat rose sharply (a) because the dry spell reduced the yield per acre and (b) because millers sought to stockpile wheat to protect themselves from future price increases that would occur if the drought were to continue". This quotation says that the price rise was due to

1. A shift in the demand curve and a movement along the supply curve .
2. A shift in the supply curve and a movement along the demand c curve.
3. Shifts in both the demand and supply curves.
4. Movements along both curves.
5. None of the above.

28. "Price adjustments serve to keep the quantities supplied and demanded equal. If at the initial price there is excess demand, the price will rise. The price increase has two effects : it tends to shift the demand curve down because people are willing to buy a smaller quantity at a higher price, and it tends to shift the supply curve up because producers find it profitable to produce a greater output at a higher price. The price will adjust until there is no excess demand".

Page 6. / ....

SA loans: bank hit by R8-m loss

Star 28-6-77 (21)

The Star Bureau

NEW YORK — More than R8-million was withdrawn from a leading New York bank yesterday as the first step in a campaign throughout the United States to boycott banks which provide loans to South Africa.

The campaign is being sponsored by the American Committee on Africa and more than 150 prominent Americans, including congressmen, and is aimed at the early withdrawal of at least another R10-million.

In yesterday's withdrawal, two leading trade unions — the Furriers Joint Council of New York and the Amalgamated Meat Cutters and Butcher Workers of North America — withdrew their pension, medical aid and savings accounts with the Manufacturers Hanover Trust, one of the five largest banks in the city.

The bank is one of the prime targets of the new campaign because of its policy of making loans to South Africa.

Other banks known to be directly threatened by the boycott campaign include the Chase Manhattan Bank, and the huge Citibank group.

According to Mr Justice Booth, a judge of the New York Supreme Court who is president of the American Committee on Africa, US banks have provided an estimated R1 750 million in loans to South Africa over the past two years.

"We think that if the public knows the truth about where their money is going, we can stop this," the judge said. He claimed that it was meaningless to argue that US loans provided jobs for blacks.

"NO GOOD"

"The trouble in South Africa is that the whole system is no good," he added.

The director of the committee, Mr George Hauser, said the organisation was no longer concerned with differentiating between loans to the South African Government and its corporations on the one hand and the private sector on the other.

"The end result is the same. It strengthens the apartheid regime," Mr Hauser said.

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF SPEECH AND DRAMA

Information Sheet

This Department offers a variety of academic and professional courses. Prospective students should consider their reasons for taking courses in this field, before deciding which of the ...ontions ... Please read the latest edition of the U.C.T. ...with care. Most of your questions will be answered ...tes may help you to select your course, in terms of ...ou envisage.

...ma (a first qualifying course for the B.A. degree)

...Senior Course for B.A.)

...Senior and Major Course for B.A.)

... courses.

Drama I and II are open only to students who have completed Speech and Drama, or a first University course considered by the Dean of the Arts Faculty as being equivalent.

Performers Diploma in Speech and Drama

This is a professional course, which is designed to provide training towards a career in the theatre. We do not pretend to create artists, or to guarantee employment. No applicant is accepted for the course without 2/ .....

S&D2(a)

3. Write br

RDM 28/6/77 21

s)

Regional

Forged bank drafts in immigrant's jacket lining

Staff Reporter

A 35-YEAR-OLD immigrant found with 149 forged bank drafts in the lining of his jacket at Jan Smuts Airport on May 5 was yesterday convicted under the Customs Act.

According to evidence in the Kempton Park Magistrate's Court, the drafts could have had a practically unlimited value.

Ioannis Kouvdis, an immigrant from Greece living in Johannesburg, was fined R150, or two months, by Mr A N du Plessis.

He was found guilty of failing to declare the bank drafts on his arrival at Jan Smuts Airport, but not guilty of forging them.

Mr P A Coetzee, a senior member of the Standard Bank's inspection department said in evidence it was illegal for an individual to have blank bank drafts.

He told the court an amount reflected on a completed draft meant that an equivalent amount had been paid over to the bank.

The drafts were honoured throughout the world and the Standard Bank would have had to pay out, whatever amount had been written in on the blank draft. The bank could therefore stand to lose a considerable sum, he said.

A Jan Smuts Airport customs official, Mr Peter Bobbins, said he stopped Kouvdis shortly after he had arrived in South Africa on May 5.

He searched Kouvdis and found the bank drafts in the lining of a jacket. The drafts were in the name of the Standard Bank of South Africa and addressed to the Standard Chartered Bank Limited, New York, the South African bank's parent company.

Kouvdis told the court that while waiting for a flight to South Africa passengers were asked by a man if they were going to Johannesburg.

The man approached him and asked him to take the drafts to a friend in Johannesburg.

He agreed and put them into his jacket pocket, he said.

The lining of his pocket was torn, and the drafts had slipped out of the pocket and into the lining. He did not know that it was illegal to possess blank bank drafts.

According to a statement handed in to the court, tests proved that the drafts had been forged.

ECONOMIC REGIONS

The Natal Mercury, Wednesday, June 29, 1977. 13

21

Historic hotel 'owes R785 000'

Court Reporter

TWO URGENT applications were brought to the Supreme Court yesterday for the winding up of the companies owning and running Durban's Ocean View Hotel, which has debts exceeding R785 000.

The applications against Musgrave Investments and Ocean View Hotel Ltd., were made by a director of both companies, Mr. J. H. Porter, under the name of Wilgoose · Porter (Pty.) Ltd.

In papers before Mr. Justice Didcott, Mr. Porter said he had tried to rescue the hotel by putting more money into it against the realities of the situation which were now apparent to him.

"I do not bring this application lightly or without considerable deliberation as to what is in the best interest of all concerned," he said.

Mr. Porter said the hotel, which was "almost part of Durban's history," had been managed by inexperienced people until recently. The present manager had arrived too late to save the situation.

Musgrave Investments, which runs the hotel, had a deficit of R131 385. Ocean View Hotel Ltd., had liabilities of R524 000. Both companies owed Wilgoose Porter a total of about R350 000.

The hearing of the application was adjourned to Friday.

Mr. David Gordon (instructed by Graham Fowlis and Company) appeared for Wilgoose Porter.

					lo.[1]	30
Maize					-	-
Grain					-	-
Wheat					-	-
Other					-	-
Sunfl					-	-
Groun					-	-
Groun					-	-
Legum					-	-
Tobacc					-	-
Chicor					-	-
Seed (					-	1,9
Sugar					21,5	26,9
Sisal					3,3	43,9
Phormi					-	-
Hay&Fo					-	-
Vegetables	0,6	-	0,2	0,3	0,1	0,4
Citrus Trees (B)	2,4	0,1	-	0,4	0,2	1,3
Citrus Trees(N-B)	3,7	0,2	-	0,1	0,2	1,5
Bananas,Pineapples, Granadillas	1,4	0,4	-	1,1	0,1	11,3
Other Sub-Trop Fruit(B)	0,1	0,1	-	1,4	0,5	0,1
Other Sub-Trop Fruit (N-B)	0,1	0,1	-	0,2	0,1	0,1
Nut Trees (B)	0,7	0,4	-	-	0,2	-
Nut Trees (N-B)	0,7	3,0	-	0,2	0,2	0,8
Grapes (B)	-	-	-	-	-	-
Grapes (N-B)	-	-	-	-	-	-
Other Deciduous Fruits(B)	0,3	-	-	-	-	-
Other Deciduous Fruits (N-B)	0,2	-	-	-	-	-
Cattle	4,8	0,4	0,9	0,1	-	0,6
Sheep	10,5	0,3	1,0	-	-	-
Goats	7,5	-	-	-	-	0,1
Pigs	2,7	0,1	0,4	0,8	0,5	0,1
Horses,Mules,Donkeys	4,1	0,3	1,0	0,3	0,5	0,3
Ostriches	0,3	-	-	-	-	-
Poultry	0,6	0,1	0,1	3,3	0,3	0,2

33. Where the price elasticity of demand for a good was relatively high, the effect of placing a sales tax on that good would be to :

1. Have almost no effect on sales.
2. Place a relatively high proportion of the tax on the shoulders of the consumers.
3. Place a relatively high proportion of the tax on the shoulders of the producers.
4. Reduce government revenue.
5. Shift the demand ... . (21)

34. If the price elastic ... potatoes was o.25 then the effect of a bumper h ... d output 20% above the expecte expected level would ...

1. Raise revenue by ...
2. Raise revenue by ...
3. Reduce prices bu ... affect the increased output.
4. Both 1. and 4. a ...
5. Reduce revenue, ... s.

35. If the equilibrium m ... s was 20 cents a dozen, then the effect of legisl ... that the minimum price of eggs could not be be ... en would be to :

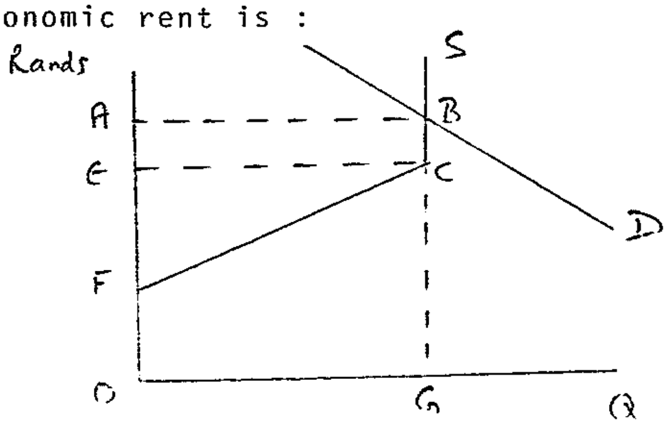
> 29/6/77 MERCURY
>
> **R83m DIVIDENDS** (21)
>
> JOHANNESBURG — Dividends totalling more than R83,6-million were paid by the United, the country's largest building society, in the year ended March 31, Mr. Philip Sceales, chairman of the society, said in a report, read on his behalf, at the annual meeting in Johannesburg.
>
> After paying these dividends and tax of nearly R6,9-million, the United still had a surplus of nearly R9,4-million — its largest ever.

1. Reduce the supply of eggs.
2. Increase the demand for eggs.
3. Both 1. and 2. above.
4. Cause a surplus of eggs.
5. Have no effect.

36. If the equilibrium market rent of homogeneous Sea Point flats was 10 cents per square foot per month then the effect of rent control that laid down a maximum price of rents a square foot · would be to :

1. Help alleviate the housing shortage in Cape Town.
2. Increase the rate of turnover in flats.
3. Increase the chances of newly married couples finding a flat in Sea Point.
4. Make it more difficult for newcomers to find a flat.
5. All three possibilities 1. 2. and 3. above.

37. In the following diagram economic rent is :



1. EF per unit of land.
2. OABG
3. The amount ABCF
4. The triangle ECF
5. The rectangle ABCE

42. If the income elasticity of demand for maize was known to be exactly 0,6 and if South Africans consume 80 million bags of maize per annum then the ~~effect of~~ South African real incomes rising by an average of 20

1. Reduce the demand for
2. Create a surplus of 16
3. Increase South African ... ize by an indeterminate amount
4. Increase South Africa ... ize by 9,6 million bags.
5. Increase South Africa ... ze by not more than 4,8 million bags.

43. If Brazil produced half o ... ut of coffee and if the price elasticity o ... e was .25 then the effect on Brazil of reduc ... 20% would be to :

1. Raise world coffee pr
2. Increase total income ... ffee farmers.
3. Increase income of Br ... ers.
4. All three 1. 2. and 3
5. The first two 1. and ... e.

44. If Australia produced a ... d's wheat and if the price elasticity of dema ... e-third then the effect of Australia redu ... 10% would be to -

1. Raise income of Aust ... cers.
2. Lower income of Aust ... cers.
3. Lower price received ... eat producers.
4. Have no effect on wo
5. Raise world price by

29/6/77 N/MERCURY

'Sale of ~~150~~ (81) century'

LONDON — Small investors were the winners in the British Government's allocation of shares in the country's oil giant, British Petroleum.

Institutions and other major buyers, as well as potential investors in the U.S., had their applications for the 66 785 591 shares cut back in favour of individual purchases.

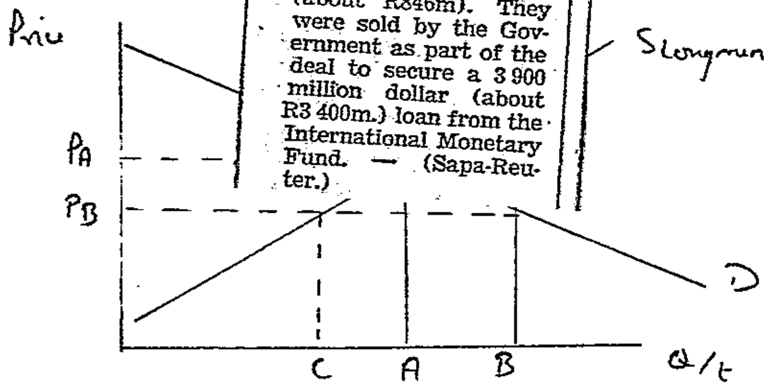
The Bank of England accepted in full applications for up to 150 of the shares, all sold at £8,45 (about R12,65) each, but those seeking up to 1 000 shares were allocated only 150.

Buyers asking for between 1 000 and five million were allowed only 14 percent.

Instead of the 25 percent originally allocated for sale in America, only about 20 percent will be offered, in what has been called "the sale of the century."

The total value of the shares was £564 million (about R846m). They were sold by the Government as part of the deal to secure a 3 900 million dollar (about R3 400m.) loan from the International Monetary Fund. — (Sapa-Reuter.)

45. In order to stabilise pr ... s of a buffer-stock scheme



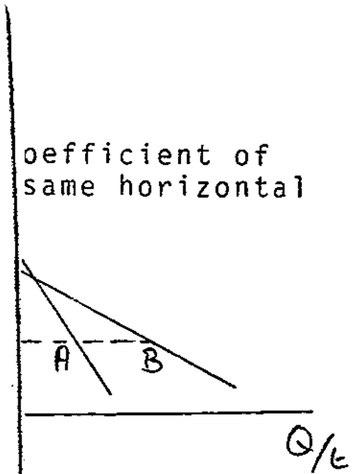
If a bumper crop OB was harvested the government would have to :

1. Buy AB wheat at price P_A
2. Buy AC wheat at price P_B
3. Buy AB wheat at price B_B
4. Sell AB wheat at price P_B
5. Sell AB wheat at price P_A

12. Which of the following is most likely to have a high price elasticity of demand ?

1. Cigarettes.
2. Motor
3. Chocol
4. Food.
5. Shoela

13. Given two … oefficient of
price elas … same horizontal
line as A)

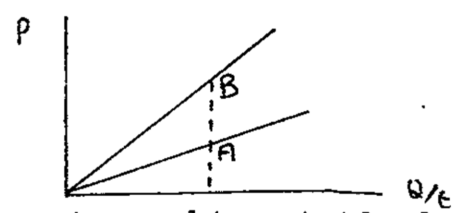


1. Less t
2. More t
3. Equal
4. Depend
5. One ca

14. Price elast

1. $\Delta Q/P \times$
2. $P/\Delta P \times \Delta$
3. $\Delta Q/Q \times \Delta$
4. % chang / % chang
5. $Q/P \times \Delta$

15. Given two s … schedules, the coefficient of
price elast … B (which lies vertically above a) is



1. Less th
2. More th
3. Equal t
4. One can
5. None of

16. A rise in th … rator components would probably lead to

1. A fall i … efrigerators.
2. A rise i … frigerators.
3. A leftwa … pply curve of refrigerators.
4. A rightw … emand curve of refrigerators.
5. A leftwa … and curve of refrigerators.

17. Income elast … defined as

1. $Y/Q \times \Delta Q/\Delta Y$
2. $\Delta Q/Y \times \Delta Y/$
3. $Q/\Delta Q \times Y/\Delta Y$
4. $Q/Y \times \Delta Q/\Delta Y$
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Business Mercury

29/6/77 N/MERCURY (21)

'Encourage savers' call

Financial Editor

DR. F. J. C. CRONJE, chairman of the South African Permanent Building Society, told the society's annual meeting in Johannesburg yesterday that the Government should do more to encourage South Africans to save.

Dr. Cronje said that, in the past, foreign capital inflow had been the equivalent of 3 percent of national income.

Unless the country was to develop at a slower rate in future, this amount would largely have to be made good through local savings.

Dr. Cronje said that while building societies would find it difficult to attract the same volume of funds in the coming year as they did in the past two years, they would also be obliged to invest R120 million in prescribed stock. This would reduce their ability to finance mortgage loans.

The SA Perm's assets had increased by R147 million during the 1976-77 financial year compared with R198 million in the previous year, he said. They now stood at R1 553 million.

	ECONOMIC REGION									
	41	42	43	44	45	46	47	48	49	50
	AS A PERCENTAGE OF PRODUCTION/SALES/NO. (1)									
Maize	4,6	3,7	0,1	0,2	0,1	1,9	20,6	3,3	12,8	6,9
Grain Sorghum	1,[illegible]	[illegible]	[illegible]	[illegible]	-	8,1	8.0	3,3	22,4	1,3
Wheat	3,[illegible]	[illegible]	[illegible]	[illegible]	-	1,3	0,4	0,1	0,2	3,8
Other Cereals	2,[illegible]	[illegible]	[illegible]	[illegible]	-	1,1	0,2	0,1	1,0	0,5
Sunflower Seeds	5,[illegible]	[illegible]	[illegible]	[illegible]	-	10,3	19,3	4,9	35,8	1,5
Ground Nuts (Shelled)	8,[illegible]	[illegible]	[illegible]	[illegible]	-	17,4	14,3	2,6	1,0	5,8
Ground Nuts(Unshelled)	13,[illegible]	[illegible]	[illegible]	[illegible]	0,1	4,0	26,1	0,3	0,6	2,2
Legumes	4,[illegible]	[illegible]	[illegible]	[illegible]	0,4	1,5	4,2	0,9	22,6	0,9
Tobacco	12,[illegible]	[illegible]	[illegible]	[illegible]	1,8	29,5	0,5	0,3	-	-
Chicory	-	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-
Seed Cotton	19,[illegible]	[illegible]	[illegible]	[illegible]	5,3	13,2	1,0	-	-	0,4
Sugar Cane	-	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-
Sisal	-	[illegible]	[illegible]	[illegible]	3,5	1,1	-	-	-	-
Phormium Tenax	-	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-
Hay&Fodder Crops	2,[illegible]	[illegible]	[illegible]	[illegible]	0,1	2,2	3,1	1,9	7,6	1,2
Vegetables	3,[illegible]	[illegible]	[illegible]	[illegible]	7,9	10,1	0,9	0,9	6,1	0,6
Citrus Trees (B)	1,[illegible]	[illegible]	[illegible]	[illegible]	18,8	14,6	0,1	-	-	-
Citrus Trees (N-B)	1,[illegible]	[illegible]	[illegible]	[illegible]	25,2	7,2	0,1	-	-	-
Bananas, Pineapples Granadillas	-	-	6,9	1,0	4,8	11,9	-	-	-	-
Other Sub-Trop Fruit(B)	0,3	0,1	23,6	0,7	55,7	3,8	-	-	-	-
Other Sub-Trop Fruit (N-B)	0,1	0,1	15,0	1,9	68,4	8,6	-	-	-	-
Nut Trees (B)	11,6	0,9	14,7	0,9	4,9	3,6	0,6	0,3	0,1	-
Nut Trees (N-B)	1,7	0,5	18,0	5,2	24,2	10,0	0,1	0,2	-	-
Grapes (B)	0,1	-	-	-	-	0,5	-	-	-	-
Grapes (N-B)	0,3	-	-	0,1	0,1	0,3	-	-	-	-
Other Deciduous Fruits (B)	1,5	0,5	-	1,2	-	0,5	1,1	0,6	0,3	-
Other Deciduous Fruits (N-B)	4,1	0,6	-	1,8	-	1,7	0,8	0,5	0,2	0,1
Cattle	2,7	5,3	0,8	0,6	0,9	8,3	5,9	1,9	5,6	1,8
Sheep	0,5	5,3	0,1	0,2	-	0,6	1,7	0,3	1,9	1,1
Goats	0,8	2,2	0,2	0,5	0,3	4,7	0,6	0,3	0,3	0,3
Pigs	2,9	4,5	0,4	0,7	0,6	6,3	7,4	2,5	3,6	1,4
Horses,Mules,Donkeys	1,9	5,9	0,4	0,7	0,3	6,6	4,7	1,3	2,9	1,6
Ostriches	0,1	0,2	-	-	0,1	0,4	0,4	0,8	0,8	0,2
Poultry	0,8	1,0	0,3	0,3	0,3	1,7	1,5	3,5	1,3	0,4

29/8/77 N/MERCURY

Illovo final dividend

21

Financial Editor

ILLOVO Sugar Estates has declared a final dividend of 15c. This will be payable on September 9. The final, together with the interim of 5c, makes a total distribution of 20c for the year (1976: 15c). The company's group profit, after tax, for the year ended April, 1977, was R2 715 000 (1976: R2 175 000).

The dividend drain

FIN. MAIL 1/7/77 (21)

Has one of Senator Horwood's attempts to staunch the outflow of funds from SA in fact had the opposite effect?

The Minister announced in the Budget that foreign-controlled companies (previously allowed to declare dividends and transfer profits abroad from income earned after January 1 1960) may now only make transfers from profits earned after January 1975. The cut-off date will be moved forward annually by one year.

Though some bankers insist this move is having no effect on dividend and profit outflows, (which in 1975 totalled nearly R400m on direct and non-direct investment), others aren't so sure.

Comments one well-known international banker: "From exchange control applications and discussions with businessmen, we have noticed a speeding up of dividend and profit remittances. They feel the government has established a precedent for tightening up. They don't want to be caught in the future".

Adds another: "If you put a lid on a boiling pot, you've got to expect the pressure to increase".

Though a spokesman for a third major bank stresses there has been no flood of applications for higher dividend transfers since the new rule was announced, he adds that "there's no doubt that many companies are looking very carefully at what they declare out of 1975 earnings, so that they are not locked in next year".

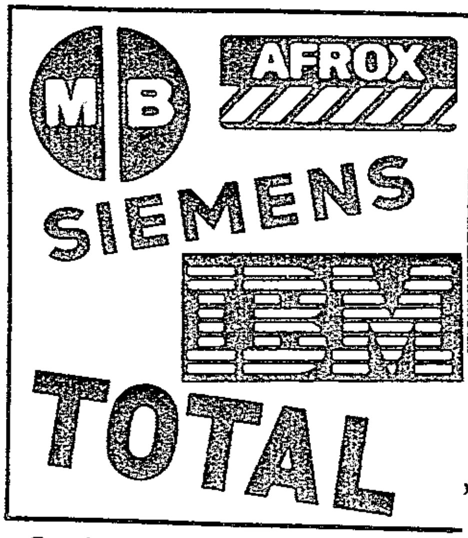
N.3

He claims that at least one big overseas-based customer, whose dividend in the past has been around half of after-tax profits, is this year proposing a 100% payout.

The accompanying table gives an indication of the profits, dividends and distributable reserves of a sample of foreign-controlled companies in SA. Unfortunately, most of the companies refused to confirm or deny the FM's figures. However, we have reason to believe that they are a true reflection.

They show that the amounts foreign-based companies could send out by way of higher dividends are substantial. Though firms like Esso are already remitting most of their profits, others such as IBM and Firestone have been leaving a sizeable chunk in SA.

An IBM spokesman notes: "The company remits a consistent percentage of profits and does not intend to change that percentage."



Foreign firms . . . how much are they taking out?

However, it is believed a number of companies are considering boosting their payouts. For instance, Otis' sharply higher dividend this year was probably motivated by political factors (*FM*, May 13). The new restrictions will certainly do nothing to encourage these firms to leave their earnings in SA.

Pretoria seems to be aware of the blow the restrictions could give to investor confidence. A spokesman for one large commercial bank notes that the Reserve Bank has in recent months approved several transfers of funds from companies' pre-1975 earnings. He claims to have been told that these transfers will still be allowed in certain cases, so long as the Bank is satisfied that the company is not disinvesting and has not exceeded its local borrowing ceiling.

On the other hand, the Bank's official line is that, as a general rule, the new restriction is being strictly applied. However, it stresses that each case is decided on its merits.

LOTS LEFT HERE

	After-tax profit 1975	After-tax profit 1976	Dividend 1975	Dividend 1976	Distributable reserves end-1976
	Rm				
IBM	5,6	10,7	3,6	4,2	22,0
Esso	2,3	n a	4,4	0,9	1,5
Caltex	13,0	12,0	12,0	8,0	44,0
Chubb	1,0	1,0	0,7	0,6	3,0
International Harvester	1,0	0,3	0,7	*—	n a
Firestone	5,5	5,7	*—	*—	26,0
Otis	2,2	3,6	1,0	3,1	5,4
Ingersoll-Rand	2,4	2,6	2,2	2,2	12,1

Most of these companies refused to confirm or deny the above figures.
* No dividend

... OF CAPE TOWN,
RONDEBOSCH.
7700.

6th June 1977.

e that you will

help cover the

ing.

Before I started on this great project, I just could not figure out about this fete business. I eventually had to ask Nathan (one of my junior bellringers) - Could he explain what is the meaning of this funny word Fete?" He looked at me and said, "Mr. Palmer, how stupid can you be. Don't you know that overseas they call a bazaar a fete and in this country we call a fete a bazaar? Well there I was looking at a 15 year old with a ... face and me nothing to say.

I am sure that by now we a... the meaning of fete - where you ... you like, eat what you like ... couple of months there has been ... amount of activity around the ... ings of the various organisatio... ish that have got together and ... committee of stall holders for ... have also the honour of having ... and Mr. Lesly Muller on our com... now we have 15 stalls and a car... Lesly. Everyone concerned is going all out to make Fete '77 ... success. We have the pleasure ... Keith Anderson's circus on the ... day of the Fete. We are wait... from Bishop's whether their ba... to perform as well. There wi... side shows. We want to make ... happiest day ever at St. Mary...

Oh! I almost forgot - sur... stupid: The date of the fete ... NOVEMBER 12th IN THE CHURCH G... have anything you would like t... let me know. My address is ... Woodstock. My telephone no... will then collect. Let us ... try to work as a family and ma... a tremendous success. May God bless you all for your wonderful work you are doing for his Church.

Micky Palmer.

COURT ORDER ON COMPANY

1/7/77 N/MERCURY (21)

Court Reporter

A CENTRAL Durban men's outfitters, Inside Out (Pty.) Ltd., was placed under a provisional winding up order in the Supreme Court yesterday.

A director, Mr. Brian Stuart Beatt, stated in papers before Mr. Justice Didcott that the company's affairs were inextricably interwoven with those of Guys Stores, which was placed under provisional liquidation this week.

He said that Inside Out's liabilities totalled R42 000. Assets, which consisted mainly of stock, amounted to R35 000.

The company, which has traded since 1968, owes Mr. Beatt R5 919 for money lent.

Interested persons must show cause by July 29 why the winding up order should not be made final.

(i) On the recommendation of the board of the faculty, after approval of the heads of the departments concerned, the Senate may grant to a student exemption from and/or credit for courses completed by examinations at another University; provided that exemption and credit may not be given for more than three courses in respect of attendance at another University for one year only, and that the total ... which exemption and credit is given, may no...

attend because of the late arrangements, I felt happy to feel that I was representing St. Mary's at the Service. The climax of an Ordination Service, I feel, is when the Bishop lays His hands on the head of the Deacon and all the clergy present lay their hands on his head and the prayer for the gift of the Holy Spirit is said over him. It is at this moment he is strengthened by God to commence his ministry as a Priest in the Church of God.

It was gratifying to see so many of our parishioners in Church on the Tuesday eveing when Father Hess celebrated his first Mass as a priest. I know that he was very happy to see so many present to share with him in this great act of worship as Christ's representative in the Eucharist. We hope that his ministry at St. Mary's will be a long and happy one and that he will be a faithful priest and shepherd in the Church.

Trinity

The Church has now entered into the long season of Trinity which commenced on the 5th June and continues until Sunday 20th November. It commenced on the Sunday after Pentecost and was originally kept only as the Octave of Whitsun. It was not till the Middle Ages that the Sunday was at all widely observed as a separate feast in honour of the Holy Trinity. Its observance introduced to mark the conclusion of the Liturgical commemorations of the life of Christ and the descent of the Holy Spirit by a celebration embracing God in all three Persons, was universally enjoined by Pope John XXII in 1334. The feast became specially popular in England, perhaps by its association with St. Thomas Becket, who was consecrated Bishop on that day in 1162. The restriction of the feast to a single day by the absence of an octave is appropriate to the Unity of the Godhead which the feast commemorates. In the Sarum Missal and other rites, Sundays are reckoned after Trinity, and not after Pentecost as in the Roman rite.

NATAL MERCURY 5/7/77

Time for optimism, says NBS chief

Financial Editor

(21)

MR. G. B. LAW, chairman of the Natal Building Society, said in Durban last night that the time had come to view the property market in a more objective manner.

Addressing shareholders at the society's annual meeting, Mr. Law said that the improved pattern in the country's trade justified a more optimistic attitude about the economy.

"Those in a position to influence decisions should now recognise the positive signs of improvement and do whatever they can to generate a more positive business approach towards the future."

Mr. Law said that if this happens, it can be expected that the demand for homes will increase and with it an inevitable rise in the cost of buying a home.

It was possible that the demand for loans might fall in the months ahead but at no time during the past financial year was the NBS able to cope with the demand.

This indicated that properties were still changing hands at a steady rate.

On the other hand, there had been a noticeable drop in the building of new homes.

But there had been a natural growth in the population and this would automatically generate an added demand.

Mr. Law said that it was undesirable, for the sake of the economy as well as the home buyer, that the price of homes should rise.

"Even today it is difficult to obtain a modest home for below R25 000 and, at that price, the buyer requires a deposit of R5 000 to secure an 80 percent bond.

"Should the price of homes increase, it will generate an inflationary trend throughout the economy. Ways must be found to prevent this happening."

Natal Mercury 9/7/77 (21)

Court orders on Natal firms

Court Reporter

FOUR Natal companies were yesterday placed under provisional liquidation and a fifth under judicial management following an application to the Supreme Court, Durban, by Concorde Leasing Corporation (Natal) Ltd., which is owed more than R2,3 million by the companies.

The applications, against Haul Hire (Pty.) Ltd., Georgian Investments (Pty.) Ltd., of Margate, S.A. Sand Products (Pty.) Ltd., Dupite Investment and Finance Company (Pty.) Ltd., and Drive Yourself (Pty.) Ltd., were brought by Mr. Charles R. Trevaskis, acting manager of Concorde Leasing Corporation (Natal) Ltd.

In papers before Mr. Justice Broome, Mr. Trevaskis submitted the companies were in severe financial difficulties and would be unable to repay their commitments to his corporation.

Concorde Leasing is owed R1 551 535 by Haul Hire (Pty.) Ltd., R292 294 by Georgian Investments (Pty.) Ltd., R353 190 by S.A. Sand Products (Pty.) Ltd., R35 378 by Dupite Investment Company (Pty.) Ltd., and R110 207 by Drive Yourself (Pty.) Ltd.

The money is owed to Concored Leasing for hire purchase and leasing agreements.

Mr. Trevaskis submitted he had approached Mr. Roger White, a director of each of the five companies about the debts.

Mr. White was "hopelessly insolvent," Mr. Trevaskis submitted.

Mr. Justice Broome placed Drive Yourself (Pty.) Ltd, under judicial management. The other four companies were placed under provisional liquidation.

MERCURY 9/7/77

Natal Mercury

Mercury 9/7/77

Rhodesia restricts air travel

(21)

SALISBURY — Restrictions on the purchase of expensive air tickets out of Rhodesia were announced yesterday by the Rhodesian Reserve Bank.

A statement said the move, which only affects tickets costing more than R1 040, was taken because "increasing abuse" of the unrestricted sale of tickets was causing loss of foreign currency to Rhodesia.

"The effect of the new instructions upon the general travelling public will be minimal," the statement said, "the main feature being that henceforth fares costing in excess of 800 dollars per person may not be sold without the prior approval of a commercial bank."—(Sapa.)

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Renewed bid to cut loans to SA

Sunday Times (Business Times) 10/7/77

By JIM SRODES

NEW YORK. — The Committee to Oppose Bank Loans to South Africa is back in business.

The committee, in protest against the treatment of blacks in South Africa, has announced that the Furriers' Joint Council Labour Union will withdraw more than $10-million in pension, health and savings funds from manufacturers Hanover Trust Bank.

This announcement launches a campaign to end US bank loans to South Africa. The campaign seeks withdrawal of accounts from such banks by groups and individuals. Other target banks are Citibank (which has reportedly committed a $22-million loan to Consolidated Gold Fields) Chase Manhattan, and Morgan Guaranty in New York, Continental Bank of Illinois, the Bank of America and the First National Bank of Atlanta (which is participating to the tune of $2-million in a $100-million loan to Iscor).

Justice William Booth of the New York Supreme Court, who is president of the American Committee on Africa (ACOA), described as staggering the fact that current loans total an estimated $2-billion.

"We think that if the public knows the truth about where their money is going, we can stop it," Mr Booth said.

He called the issue of whether such loans provided jobs for Africans a meaningless one. "The trouble is the whole system is no good," he said.

George Houser, ACOA director, noted that in most cases bank loans provided money for capital investment. Whether the loans were made to the government or to government-controlled corporations, he said, the result was the same: to strengthen apartheid.

Natal Mercury 12/7/77

MUTUALS BUY METALS

JOHANNESBURG — A feature of the combined portfolios of the 11 Mutual Funds was the increase in metal and mineral shareholdings over the past year, an announcement of the Mutual Funds Association said here yesterday.

Statistics released by the Association showed that in June, 1976 the value of metal and mineral shares was R30,3m (representing 10,5 percent) whereas in 1977 the figures were R41,0m and 15,2 percent respectively.

Compared with the March quarter, there were no major changes in June this year. The total market value of the funds increased marginally from R268,0m to R269,6m The cash holding remained at R25,9m.

The outflow in June was R800 000,00 compared with outflows of R400 000,00 in March, 1977 and R4m in June, 1976. — (Sapa)

21

14/7/77

...o new deals after trip but

...L GET ALL HE NEEDS

(21)

JOHANNESBURG — The Minister of Finance, Senator Owen Horwood, said here yesterday that the purpose of his visit to various European countries had not been to try raise loans nor to conclude any specific agreements.

Speaking at a Press conference after his arrival, Senator Horwood added, however, that he was not returning empty-handed. He also had no doubt that South Africa would obtain all its loan requirements envisaged in his Budget.

Senator Horwood was accompanied by the Secretary for Finance, Mr. Gerald Browne, and the senior vice-governor of the South African Reserve Bank. Dr. Joop de Loor, joined the mission from Washington, where he represents South Africa at the International Monetary Fund.

Trends

Senator Horwood said the purpose of the visit was to exchange ideas with bankers, financiers, industrialists, politicians and representatives of the various governments "to bring ourselves up to date with the latest economic trends in the world and at the same time to put our case to them not only as far as South Africa is concerned but the latest developments in southern Africa.

"In the course of these talks we discussed various possibilities. I wish to stress, however, that we did not close any specific deals or enter into any specific agreements. I have, however, no doubt whatsoever that we will obtain our loan requirements.

"In fact, we are confident that we can realise more and do better if we need it," Senator Horwood said.

Referring to the economic climate in general in Europe, the minister said he was surprised at the slackness of the European economy as a whole.

Battling

He had thought the upswing of which there was talk would be more pronounced, but most of the European countries still had to battle against unemployment, inflation and patchy growth rates.

It was against this background that South Africa's exports had made a really great impression on the influential people his mission had been dealing with.

"They were particularly impressed by what they described as our dramatic turnabout in our current account, and that we succeeded in changing our balance of payments from a deficit to a surplus," he said.

Senator Horwood said he explained to them that South Africa was now reaping the benefit of heavy spending on the improvement of the infrastructure in recent years.

This included the building of the new harbours at Richards Bay and Saldanha, the building of new railway lines to carry ore and coal, and other projects such as the second Sasol and extensions to Iscor.

All these endeavours were now becoming productive.

Senator Horwood also said that because of the turnabout in the balance of payments, economic stimulants in selective sectors were under discussion. These steps would be announced within the next three to four months.—(Sapa.)

N. Mercury 12/7/77

Offer accepted

CENTRAL Merchant Bank Ltd., has announced that Trust Bank shareholders, representing 25,34 percent, of the issued shares of Trust Bank, have accepted Bank Holding Corporation's recent offer for Trust's shares. Bankkorp now owns 60,48 percent., of Trust's issued shares.

(21)

E.P. Herald 15/7/77

U.K. has R101m deficit

(21)

LONDON. — Britain had a balance of payments deficit of £67-million (about R101m) last month, more than double the figure for May.

The fall in the country's earnings resulted from a £208m (about R312m) rise in imports while exports went up by only £172m (about R258m).

The visible trade deficit — the difference between imports and exports — was £287m (about R431m) but the figure is reduced by invisible items such as shipping charges and insurance.

The Department of Trade said the big import bill reflected the arrival of installations for North Sea oil and gas production.

In spite of the decline in the country's trade performance in June, the figures for the second quarter of the year showed a big improvement over the first three months.

As a result of April's favourable balance, the quarterly deficit was only £7 million (about R10,5m) compared with £327m (about R491m) in January to March.

The Department of Trade said there was an improvement in the balance of trade in oil of £121m (about R181m). — (Sapa-Reuter.)

Business Mercury

Natal Mercury 15/7/77

Concorde door left open

21

Mercury Correspondent

JOHANNESBURG — Finansbank has been frightened off Concorde Bank for the time being. But the door has been left open for Finansbank to renew its investigations and resume negotiations with the bank's major shareholder, Messina.

The disclosure last week of a possible loss of more than R2-million has brought a temporary end to discussions.

Concorde has sent its auditors in to investigate the circumstances surrounding the default of five companies in Natal and negotiations may be resumed when an audited statement is available.

Meanwhile, Concorde's chairman, Mr. R. E. C. Jobling, has warned shareholders that the final dividend this year will be passed. A 3c final was expected but Concorde expects profits in the year to June 30, 1978 will justify resumption of the dividend.

The market took the news calmly when the shares were relisted yesterday. A buyer at 20c could not persuade sellers to part with their shares and no shares changed hands. The shares had risen to 45c before suspension a month ago.

The possibility of a deal later this year at a price related more to net worth than share price will probably sustain the price. In the absence of that, the shares would surely have plunged yesterday.

Glut of obsolete offices

17/7/79 (Business Times) Reporter Sunday Times

MORE THAN a third of the vacant office space in Johannesburg is difficult or impossible to lease or sell, says property consultant Alistair Barclay.

This is because of the inadequacy of facilities offered and general obsolescence.

The result is that although there are 275 000 square metres of empty offices in the city — about 10 per cent of the total — it is not that easy to find space if you are looking for more than 3 000 square metres.

"Much of what is available is scattered in comparatively small parcels through buildings 10 years old or more, with floor areas of of only 500 to 600 square metres," Mr Barclay said.

Mr Barclay is in charge of the development, investment and estate agency division of Dunlop Heywood.

(21)

A transfusion for anaemic Triomf

Sunday Times (Business Times) 17/7/77

(21)

Louis Luyt.

TRIOMF — the cash-stretched fertilizer group — is on the point of receiving a R13-million cash injection to help service its short and medium-term loans.

By JEREMY WOODS

The bulk of the money is coming from an R8-million shot-in-the-arm from Triomf's own shareholders.

AECI, which owns 49 per cent of the operating company, has agreed to put in an amount of slightly less than R4-million to correspond with its stake.

The rest is coming from chairman Louis Luyt himself and Triomf Investments.

This co-incides with the news that Mr Luyt has put his personal executive jet on to the market, at R3,0-million. My information, from a reliable source, is that the jet is being sold to raise cash to meet the amount that Mr Luyt is committed to chip in.

The R8-million will appear in the balance sheet as additional shareholders' funds.

A further R5-million is about to flow in as a result of the sale of the stocks of the Triomf Crop Protection business and the realisation of its debtors.

I understand that from now on AECI will be more closely involved in the daily management decisions of Triomf's operating company.

A manifestation of AECI's increased involvement in Triomf has been the appointment of a managing director, Phillip Clarke, MD of the Citizen newspaper and a right-hand Luyt man. This post has been enpty for some months.

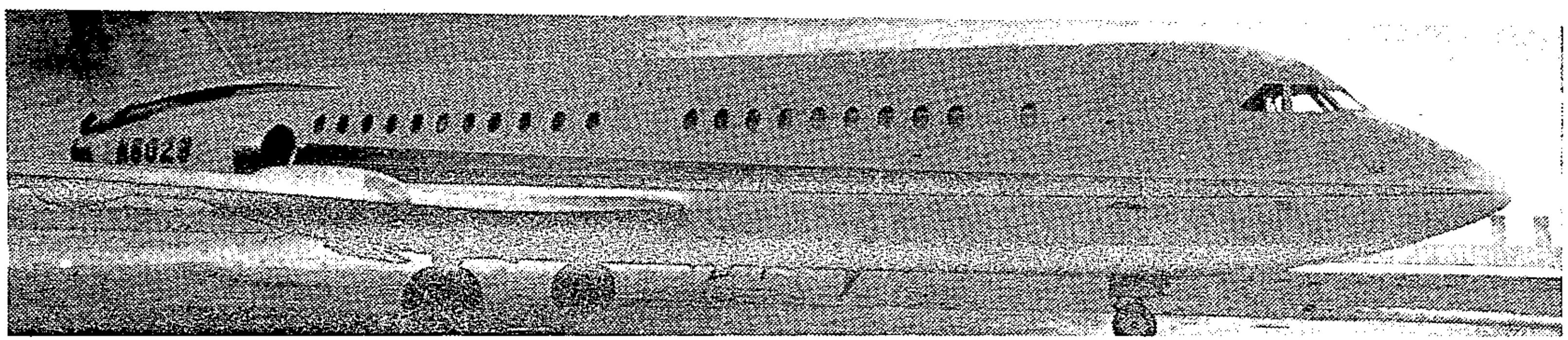
All of this must be good news for Triomf shareholders and the farmers who have supported Mr Luyt.

Despite this, however, there may still be rough waters ahead. For instance, I hear that the losses being notched up at the Richards Bay phosphoric acid plant exceed R1-million a month.

For the business community in general and Triomf's shareholders in particular, it must be reassuring to see AECI working more closely with the Luyt management team — and to know that the financial muscle of the two big shareholders in AECI, Anglo American and Britain's ICI, is not far away.

There is also the question still to be settled of Triomf's deal with Gazocean. In settling this, I am sure that Mr Luyt will bear in mind the importance and delicacy of this country's trading, defence and capital-raising relations with France, especially in view of official French interest in Gazocean.

For sale to keep Triomf airborne



Louis Luyt's BAC One-Eleven executive jet. The cabin has wall-to-wall carpeting, a desk with swivel chairs and double beds.

SUNDAY TIMES, Business Times, July 17, 1977.

New-look Protea is slimmer, fitter

21

Aidan Beard

PROTEA HOLDINGS, recently the subject of a fruitless bid by Abercom, has so pared its interests and streamlined its operations that it will be a very different operation at the end of its current financial year than it was even at the end of its last, seventeen days ago.

By IAN MORGAN

This was explained to me by managing director Aidan Beard, son of chairman Fred Beard, who himself had been brought in years ago as MD to do a similar job.

According to Mr Beard (junior), this process was interrupted by David Lurie's Abercom bidding for the conglomerate at a price that failed to find popular support, and in a manner that proved technically difficult.

The biggest problem was image — or rather Protea's lack of one — and for this reason, says Mr Beard, the group's shares were trading so low ("too low") that a bid could be contemplated by someone like Abercom.

Now Protea has cleansed itself of a number of unprofitable subsidiaries.

Not only will this mean a cash injection from disposals of more than R10-million this financial year, but the company will become more manageable through having interests in six instead of 11 areas.

According to Mr Beard, Protea was too diversified and for this reason had to change. The problem was that certain subsidiaries were not only unprofitable, but were detracting from management's concentration.

Last year the company started cutting down its spread of investments disposing of Braeside Mushrooms, as well as three hospital supplies companies that it had acquired from former deputy chairman David Tabatznik. Proceeds from the sale of these subsidiaries amounted to almost R1-million.

Then, earlier this year, Protea disposed of the H. Alers Hankey group to Stewarts and Lloyds for R4,25-million.

Within its electrical group of subsidiaries, a clean-up operation began which resulted in the shutting down of a television aerial company, Globe Alpine Aerials, and an electrical supply outlet in Newcastle, plus a tightening of internal controls.

Still unannounced is the disposal of a subsidiary that has Been a major loss-maker for the group. Metal industry sources believe this could be the Protea-Esab (Prosab) welding division. According to Protea's annual report last year, the group had to inject further funds into the company. The written-down book value of Prosab is R714 000, and loans to subsidiaries total R731 000. This would indicate a total worth of the division of some R1,5-million. The industry sources are predicting that an overseas buyer will be in the market.

Protea's new range of interests are now defined as chemicals, electrical, scientific, medical, metals and engineering and protective clothing.

By rationalising, the group is also looking to improving its financial ratios mainly, by Mr Beard's admission, to impress share market analysts.

The most important of the ratios under attention is borrowings to shareholders' funds. The group has a limitation of one-to-one imposed by various trust deeds. The ratio last year was 0,85, but the goal for this year is 0,7. The means of accomplishing this is through more stringent controls over stock and debtors, plus cash inflow from the disposals.

Protea also wants a better relationship between short and long-term borrowings which, in recent years have tended to favour the former.

"We would like to improve the value of our shares, but we believe the way to do this, and improve our image generally, is through getting our house in order rather than through a public relations exercise," says Mr Beard.

As far as the group's current financial year is concerned, it is not likely that the changes will have any significant effects, so earnings of 22c a share are in sight (27,5c last year). The market has been expecting earnings as low as 18c a share.

The pay-off should come next year. By reorganising subsidiaries, three things will have been brought about: the group will have eliminated certain loss areas, it will have reduced its debt burden, and saved management time — which has been disproportionate on the loss-makers.

With the company's preliminary results due out in August, the market has been expecting a reduced final dividend making a total of about 9c instead of the 13c of the last two years.

This, I guess, is unlikely, for two reasons: the company's policy as been never to reduce a dividend and its financial situation is likely to improve this year — if only through the disposal of loss-making subsidiaries.

A dividend several cents higher than the market's expectation cannot now be ruled out, if only for window dressing purposes.

How much Abercom's ill-fated bid to bring Protea back into the Lurie family sphere of influence accelerated the rationalization is a matter of conjecture.

To be sure, nothing concentrates the minds of top management better than a takeover bid, especially one threatening the effective control of a father and son team.

It also suggests that perhaps Protea had in recent years grown a bit complacent and fat. Maybe, after all, there was more to David Lurie's bid than meets the eye — apart from what appears to have been an obvious misjudgment on price. Indeed, he might have done shareholders a favour.

21

'Prepare to work harder for less'

Star 21/7/77

Staff Reporter

MIDDELBURG — South Africans of all colours are going to have to be content with a drop in their standard of living.

At the same time they will have to work harder, Dr L A van Wyk, senior lecturer in economics at Potchefstroom University, said here yesterday.

He told the Suid-Afrikaanse Buro vir Rasse-Aangeleenthede (Sabra) youth congress that investment possibilities in South Africa were far less attractive now than they were a few years ago.

Foreign countries were becoming more discriminatory in where they invested.

Further, overseas countries had their own problems.

As a result of their own needs far less capital was available for investment than before.

Because of the political unrest here last year, the world saw South Africa as being politically unstable, Dr van Wyk said.

South Africa had to finance its own development projects as a result of these factors.

But this was complicated by the fact that people used the money they would have saved to try to maintain their previous standard of living.

Although the military threat to South Africa had placed an extra burden on the economy, Dr van Wyk felt the country's military strength had secured economic and political stability.

FIN. MAIL 22/7/77 (21)

FOREIGN LOANS

Success at a high price

The SAR's new DM35m loan reflects a superb sense of timing rather than a renewed appetite among foreign investors for SA paper.

The private placement (originally planned for only DM20m) is being lead managed by Berliner Handelsgesellschaft Frankfurter Bank (BHF). Five other banks (not all German) are participating. The loan carries a coupon of 8,25% and has a three year term.

In recent weeks the deutschmark sector of the international capital market has been particularly active, owing mainly to speculation about a further rise in the mark. Coupons on several issues have been cut (to below 5% for top-class names, such as Norway), and offerings have been up to eight times over-subscribed. Moreover, the SAR's loan is by no means the only one whose size has been increased.

Despite the current attractions of the DM sector, Railways is paying a high price for its money. Though the issue price is not yet known, German sources tell the *FM* early trading is likely to be close to par because a steady demand is expected from non-participants.

The attractiveness to investors of the SAR's terms can be measured by two yardsticks:

- Yields on paper issued recently by high-class borrowers in countries comparable to SA (such as Mexico and Brazil) are currently running at around 7,75%-8%. The *FM* learns that "a little extra" was added to the SAR's coupon to compensate for the current unpopularity of South African borrowers.
- Yields on comparable SA paper in the secondary market are around 8%. For instance, Escom's 9,25% 1975-80 issue (which has three years to run) is currently yielding about 7,8%.

Despite the stiff terms forced on it, Railways has achieved the distinction of being the first SA borrower to negotiate a publicised international loan since the disastrous RSA bond offering in February 1976.

Sun. Exp. 24/7/77

21

Angry tide rising over Margate pool

Express Reporter

THE ratepayers of Margate are mobilising against the town's new Olympic-sized swimming pool.

Anger over the R100 000 pool, on a R75 000 site donated by the local Chamber of Commerce, prompted a succession of Ratepayers'. Association meetings and a meeting of the Federation of Ratepayers' Associations.

A new drive for membership of the federation has added strength to suggestions that the town have a referendum on the issue.

Some residents believe such a referendum could force the town council to resign.

Plans being considered meanwhile to stop the "white elephant" in its tracks include a letter of protest to the Administrator of Natal.

So far nearly R40 000 has been spent building the pool. Another R60 000 is needed to complete it. The Chamber of Commerce, apart from the donation of land, has promised to pay R25 000 towards the total cost.

The row started last month when residents heard the town's budget included R22 000 to maintain the pool.

The local council had claimed that, because of the chamber's contributions, the pool would cost ratepayers "almost nothing".

Mr Des van der Westhuizen, a prominent resident, said the council's eventual contribution, plus running expenses, could hardly be described as "almost nothing."

Sunday EXPRESS **Business**

EDITED BY PENELOPE GRACIE

Sun. Express 24/7/77

21

High Court backs bank in London action

SA PROPERTY valuers must be thanking their lucky stars that courts here are unlikely to take a similar attitude to the British High Court, which this month awarded damages to a London merchant bank against an estate agent making an over-optimistic valuation of building land at the height of the property market in 1972.

The bank is Singer & Friedlander, which lent £1,5-million to a now collapsed property company in December 1972, at 12.875%, 3% above the then inter-bank rate.

The loan was secured by an agricultural property valued by the estate agent, John D Wood, at £2-million.

When the developer crashed, S&F acquired the property, which is now said to be worth no more than £600 000.

It was general practice at the time of the loan for finance houses, when asked to lend money to property developers, to rely on a valuation of the land offered as security, and inform the valuer direct that it was relying on his valuation.

The full judgment has not yet been published, but it seems that S&F must have persuaded the judge that the Wood firm had failed in its professional capacity. There is not apparently any imputation of any deeper irregularity.

Nevertheless, it is thought in London that many other financial institutions now holding properties as security against loans made to now defunct borrowers may be considering following the precedent of the S&F case.

Banks in SA which made loans to such operations as Corlett Drive, Glen Anil or Schachat must be ruing that neither the law nor the circumstances permits similar legal recourse here.

Council's R5,5m bank balance

DD 26/7/91

21

EAST LONDON — The city council was flush with money during the month of June with R5,5 million in the bank.

Most of the money came from the city's public loan issue in April and was invested on short-term with three of the city's banks until needed to pay for various projects.

On the other hand, the city had to pay R2,4 million on the half yearly repayment of interest and redemption on various loans.

Escom took R990 821 for electricity, but this is paid back by consumers.

Salaries and wages cost R717 563 and contracts, mainly for the North-East Expressway and electricity facilities, took R556 792. — DDR

Business Mercury

26/7/77

(21)

S.A. pays its way again

R122m surplus for half-year

Mercury Correspondent

JOHANNESBURG — The country's latest balance of trade statistics, recently released, reflect an encouraging surplus of R122-million for the first half of the year. The improvement over the deficit of R927-million at the same time last year exceeds R1 000 million.

In short, the country is paying its way again for the first time since early 1974.

The resultant optimism has sparked off a debate in business circles: to stimulate or not to stimulate the economy.

There are those in favour of re - stimulation, among other reasons, to counter the disturbing rise in unemployment.

Ranged against them are those acutely concerned by the unsatisfactory balance of payments position and the risk of reversing the current downward tendency in the rate of inflation.

"However, if the current trend of falling imports and rising exports continues," the Minister of Finance, Senator Horwood, declared last month," I feel I will be able to consider an economic boost before the end of the year."

With five months to go, economists have agreed that the positive trend is a continuing one; so, apparently, does the Minister of Economic Affairs, Mr. Heunis.

In spite of the unexpectedly slow revival of the economics of our principal trading partners and continuing downward trends at home, he notes that the performance of the mining and agricultural sectors foreshadows real growth in the gross domestic product

Consequently, he is now prepared to support a selective, export - led re - stimulation of the economy.

Certain options suggest themselves. The favourable increase in exports this year is mainly attributable to the escalating flow of minerals through the new ports of Saldanha and Richards Bay, together with the growing demand for raw materials accompanying the slow but steady economic recovery abroad.

To capitalise on the situation, demands maximum efficiency and ingenuity in the exploration, extraction and benefication of the country's abundant material sources.

South Africa has the technological ingenuity and expertise. An example is the Ergo project being developed on the East Rand in the near future and at relatively small capital cost. Ergo is to extract seven tons of gold, 190 tons of uranium and 500 000 tons of sulphuric acid from 18 slimes dams in the area.

27/7/77

FIRMS MAY MERGE

Mercury Correspondent

21

JOHANNESBURG — News of a possible merger of strong Afrikaans and English insurance broking interests has caused a buzz in insurance circles.

The reason for Price Forbes Sedgwick's suspension on the Johannesburg Stock Exchange on Friday stems from talks between this company and Federal Volksbeleggings and Volkskas's insurance broking company, Federale Makelaars.

According to a Federale spokesman: "A possible rationalisation of interests" is being discussed.

2 The Natal Mercury, Wednesday, July 27, 1977.

(21)

FUND TO HELP CAST

LONDON—South African actress Janet Suzman launched an appeal here yesterday to help 42 Zulu actors and actresses stranded in London.

They had been appearing at the Old Vic Theatre in UmaBatha, a tribal musical which they had already presented in four British provincial cities and were due to take to Manchester and Bristol before flying to Tel Aviv for the Israeli Arts Festival on August 8.

Equity, the British actors' union, said the agency which organised the tour ran out of money and had not paid any hotel bills or salaries for three weeks.

Miss Suzman, working with Equity, is setting up an emergency fund for the cast and hopes to raise enough money to help them go ahead with their Israeli visit.

All Equity members in London's theatre district will be asked for donations to pay outstanding bills and provide salaries for the cancelled part of the tour.

An Equity spokesman said yesterday: "The actors have been abandoned in London and are very upset. They looked upon the tour as a fund-raising trip to build their own theatre back in Durban."—(Sapa-Reuter.)

SA owes UN R5 million

D.D. 28/7/77

(21)

NEW YORK — South Africa now owes the United Nations over R5 million in outstanding contributions and has lost its voting rights.

With a R1,1 million bill unpaid for this year, unpaid contributions total R5,1 million and R1,4 million is also owed in outstanding contributions to the UN's Middle East peacekeeping operations. — DDC.

21

TO BORROW FROM CAPITAL

Mercury Reporter 28/7/77

IN an attempt to keep rates pegged the Ladysmith Town Council is to transfer money from the capital account to the borough fund account.

The chairman of the finance committee, Councillor Lister Clarence, said the council could ill afford the transfer, but the money would be transferred back to capital when the economy improved.

Water tariffs are to increase 4c a kilolitre—the first increase since 1974.

Increases had to come about because large industries had cut water consumption and R2 600 000 had been spent on the Spioenkap water scheme, Councillor Clarence said.

Councillor Clarence said capital estimates had been out by more than R1 000 000.

N/M Mercury 28/7/77

Rates to go up

Mercury Reporter

(21)

PIETERMARITZBURG—As a three-day session began yesterday to thrash out the capital's operating estimates for 1977/78, it became apparent that ratepayers will have to dig deeper in their pockets.

The City Treasurer, Mr. Peter Cox, has indicated that there will definitely be an increase in rates but no estimate can be given at this stage.

It is envisaged that the council will take all possible action to prevent a large increase, but additional rail and fuel costs, and the cost of borrowed money have made an increase inevitable.

Last year the 4,89 percent rates increase was the lowest in the city's history.

D.D. 29/7/77

Surcharge extended

PRETORIA — The 15 per cent import surcharge is to be extended to cover other imported goods.

The Minister of Finance, Sen Horwood, said yesterday the base for the surcharge should be as wide as possible to obtain the maximum revenue with as low a rate of surcharge as possible.

He said South Africa was committed to the General Agreement on Tariffs and Trade (Gatt) and the surcharge could not apply to goods subject to a Gatt binding.

But it had not been possible at the time to make separate provision in the customs tariff to all Gatt-bound goods with the result all goods classifiable under such a heading were excluded from payment of the surcharge. — DDR

21

Capital has minimal rates rise

N. Mercury 30/7/77

(21)

Mercury Reporter

PIETERMARITZBURG—The cost of an extra cinema ticket each month is the effect the 7,91 percent rates increase announced here yesterday will have on the average household.

Emerging from a marathon three-day session of the city council where the city's draft estimates were considered, the chairman of the finance committee, Miss Pamela Reid, said: "I take my hat off to my colleagues. To keep the increase to less than 8 percent in this economic climate was a stout effort."

The increase comes into effect on Monday and follows hours of pruning an original deficit of R2 826 765 to R500 000.

The council had been left no alternative but to increase rates to meet the shortfall, said Miss Reid.

But the council has announced the rates increase in the hope that the National Housing Commission will not ask it to repay a R345 000 loan for the Westgate housing scheme this year.

If this request is turned down, the deficit will leap to R845 000 and the city council will be forced to review its decision.

The rates increase is also based on an anticipated saving of R100 000 by heads of departments during the year.

The new rate randage will be 3,3c in the rand on land and 1,05c in the rand on buildings. The water rate of 0,1c in the rand remains unchanged, as it has for the past few years.

Miss Reid said the council had also decided to increase certain grants in aid. The Pietermaritzburg Philharmonic Society has had its grant increased by R8 000 to R41 000 a year and the publicity association's grant has been increased by R1 500 to R20 000 a year.

Flats sold for R130 000

D.D 30/7/77

21

EAST LONDON — A block of 28 flats in Amalinda, built four years ago, was auctioned yesterday for R130 000 to a company which includes the Standard Bank.

Saxilby Court in Liddiard Street has a municipal valuation of R86 570 and the annual rates are R1 190.

A spokesman for the auctioneers, Mr Harry Perks, said the price paid was satisfactory in the present economic climate.— DDR.

US options trade raises fears of manipulation

Sun. Times 31/7/77

(21)

By Jim Srodes: Washington

WHAT THE go-go mutual funds of the 1960s were to Wall Street, the booming options trade is to the 1970s. In fact, the action has become so hot that the government's regulatory agencies have become worried and are threatening to step in and halt the options vehicle in its tracks.

While the ban has been put in place yet, the two major securities regulatory agencies here have served notice they are worried about manipulation and fraud in the options market.

Both the Securities and Exchange Commission (SEC), which governs equities, and the Commodities Futures Trading Commission (CFTS) have asked the exchanges not to list any new options for an indefinite period.

Just missing the clampdown are platinum options which the CFTC approved late last week to take effect on August 1. Platinum futures contracts, to be traded on the international monetary market in Chicago, would call for the delivery of 100 troy ounces of 99,9 per cent pure platinum. A New York exchange already offers contracts on 50 ounce platinum.

The CFTC complaint about .the options trade is that commission studies show that in order to police the market adequately, the commission would have to devote 75 per cent of its budget and staff to the operation. Since the commission must also regulate the regular futures market, such a prospects is prohibitive.

The SEC's complaint is more tentative ubt nonetheless serious. The SEC has ordered the five exchanges which offer options in common stocks to continue business but not to add any more contracts on new shares. During the freeze, the SEC will investigate allegations that options trades have been so manipulated that they have affected the performance of the Dow Jones Industrial Average.

The complaint is not as far out as it sounds.

Fully 23 of the 30 industrial shares that make up the Dow industrial index have at least half a dozen options contracts trading on each one of them on any one of the five exchanges. Since most options mature at about the same time, it is possible that a rush on options of a given stock on all exchanges could have some impact on the underlying stock.

The probe will take some time — at least into September. In the meantime, the hot options trade has cooled down considerably.

Shipping company's profit cut

Sun. Times 31/7/77

(21)

By L. DANIEL

ZIM ISRAEL Navigation company, the national carrier, reports an after-tax profit for 1976 of \$3-million (R2,6-million) on a turnover of \$404-million (R351-million).

Although the profit is down by \$4,75-million (R4,1-million) from the 1975 figure, Zim general manager Yahuda Rotem still considers it a "considerable achievement" in view of the world-wide shipping slump and the losses the company incurred as a result of the Israeli seamen's strikes.

Recession

The recession in shipping continues and Zim has already lost \$4-million (R3,4-million) due to strike action this year, but Mr Rotem expects the company to remain in the black in 1977.

Turnover in 1976 was 4,4 per cent down on 1975 due partly to the introduction of the US law providing that half of all American aid deliveries must be shipped in US vessels.

(21) Sun. Exp. Business 31/7/77

Ergo swamped by investors

By PENELOPE GRACIE

THE Ergo issue has created an excitement the financial community has not known for five years and has attracted some R180-m in a really tough economic climate.

Barclays Bank, bankers to the Ergo issue, were working under intense pressure as the week drew to a close and it became clear that the issue was heavily oversubscribed.

There were 3,7-m shares to be issued at 350c a share and late on Friday it appeared that the the oversubscription was somewhere near 14 times over issue.

The issue proved a cinch with both the institutions and the public and as one banker remarked: "Every pension fund, insurer and account holder has been scrambling to get shares."

At four o'clock on Friday afternoon the bank had counted R150-m and the counters were standing knee-deep in applications. Chief executive Bob Aldworth said: "The cheques are still piling up and we'll work round the clock to clear the issue."

The acid test of the issue will be seen when the shares are listed and the experts are talking of a 100c to 150c premium. There have been indications that London is interested in taking stock off local holders but initially only up to a price of 450c.

The other question of interest to applicants is the method of allocation Anglo American will settle on. It is well-known that Anglo was keen to weight the issue in favour of the small man but had to consider the fact that the small man is not traditionally a long-term holder of shares.

It is therefore likely that Anglo will opt for an arithmetic allocation so that everyone will get something, but it is improbable that the small man will be preferred.

There is an interesting side issue of the flood of money that found its way to Barclays that could have created problems. It seems that when Anglo settled on July 29 as the closing date for the issue, it did not take into account the fact that the issue, if any success, would increase the bank's short-term liabilities over the month end — an unhappy state for the issue's banker.

It is understood that Barclays requested, and received, a special dispensation from the Reserve Bank for the issue funds, so as to avoid a distortion of its liquid asset ratio at the month-end.

Stockbrokers have been looking hungrily at the money flowing the way of Barclays and many have pondered whether any of the stagging profits or returned application money will find its way into the ailing exchange.

The consensus is that Ergo has definitely focussed attention on the stock exchange in a positive light and that Ergo may well give the market a much-needed boost, but most of the funds are expected to flow right back into the banking sector.

David Hulett fined for buying foreign currency

21

RDM 2/8/77

Staff Reporter

DAVID Barry Longford Hulett, a scion of the sugar barons, was yesterday fined R10 000 or two years by a Johannesburg regional magistrate, Mr A W Brink, for contravening the Exchange Control Regulations.

Hulett, 42, pleaded guilty to a charge of having bought R28 000 in British sterling from Mr Graham Ingram on March 8 when neither was an authorised foreign exchange dealer.

Pleading in mitigation of sentence, Mr L F Weyers, for Hulett, told the court Hulett had intended emigrating to Guernsey. Guernsey was a free port and he planned to import anthurium blooms and diamonds from South Africa. Both undertakings would benefit South Africa, he said.

But before an immigrant could establish himself in Guernsey, he had to buy a house at a "mindboggling" price.

He said Hulett was the son of the sugar barons and was wealthy, but he did not have ready cash.

This was not "funk money" nor "the yellow route," he said. Hulett was not a man grabbing his last sixpence to make a run for it. He could take only R30 000 out. For a further R30 000 he would have to wait five years, Mr Weyers said.

Passing sentence, Mr Brink said foreign exchange was the life blood of the country.

Comment.

T I T U L U S IV.

De Injuriis.

Continuatio. & argumentum tituli.

Quarta species delicti, unde obligatio & actio inter privatos nascitur, est injuria seu contumelia. Quæ quid sit, quomodo & quibus fiat, tum qua pœna vindicetur, quæ circumstantiæ eam augeant aut minuant, & denique quomodo aboleatur, hic docebitur.

T E X T U S.

Generaliter injuria dicitur omne, quod non jure fit: specialiter, alias contumelia, quæ a contemnendo dicta est, quam Græci ὕβριν appellant: alias culpa, quam Græci ἀδίκημα dicunt, sicut in lege Aquilia damnum injuria datum accipitur: alias iniquitas & injustitia, quam Græci ἀνομίαν καὶ ἀδικίαν vocant: cum enim prætor, vel judex, non jure contra quem pronuntiat, injuriam accepisse dicitur.

C O M M E N T A R I U S.

Omne quod non jure fit] Quicquid non jure fit generali verbo injuria dicitur. *l. 1. hoc tit.* ubi Ulpianus ait, injuriam ex eo dictam, quod non jure fiat. Itaque omne factum, quo nocetur detrimentumque

ARGUS 2/8/77 (J1)

Politics hits economy

The Argus Boland Bureau

STELLENBOSCH. — The South African economy can no longer absorb political decisions, Dr H. J. J. Reynders, executive director of the South African Federated Chamber of Industries said last night.

He was speaking at the opening of the University of Stellenbosch's commerce week.

The meeting was attended by students, lecturers and members of the Western Cape business world, including Dr Anton Rupert, Senator W. C. Dempsey and Mr W. Pretorius, chief director of Santam.

Political factors were impeding the economic achievements of the country more than ever, Dr Reynders said.

Economic stability was only possible in times of political stability, and South Africa's dilemma was to achieve orderly change at the right pace — not so speedily that the aims of the Government policy were negated, or so slowly that disruption and chaos would follow.

The political uncertainty in South Africa had resulted in a decrease of foreign capital flowing into the country and further mistrust would not only affect the inflow, but could even result in the withdrawal of capital.

The influence of political factors on the availability of foreign currency should not be underrated, he said.

Looking into the short-term and long-term economic future, Dr Reynders said the country was on the eve of new experiences on the socio-economic political front.

This would have a favourable influence on the internal economic development and growth as well as the inflow of foreign capital.

INFLATION

He predicted that the inflation rate for 1977 should not be higher than the 11 percent of 1976, and over the longer term a single figure rate should be achieved.

It would, however, remain high, as any society would 'with high social, physical and defence infra-structure costs along with pressure for greater equality of opportunity of the various race groups, and not necessarily with greater productivity.'

	wn	Lost	Goals For	Goals Against	W
Men	4	3	25	26	
Ladi	0	1	4	4	

__From the Notice Board:__

Please note the following dates in your diary:

GDGC Seven-a-Side Tournament - 7th August
Club AGM - please be sure you 're there -
Ohlssons Tournament - 21st August
Hockey AGM - 18th September

At the time of going to press, final details of our September tour are not yet available. We had originally planned to go to George for a tournament, but then changed to a trip to Oranjemund. Confirmation of our invitation to the Oranjemund tournament is awaited. If this comes off we will travel by coach with VOB/VOG to Oranjemund together with our ladies - our party consisting of 24 persons. The teams will be selected in due course and members advised. Estimated cost is R40 per player not including pocket money.

__Seven-a-Side Tournament Arrangements:__

Our annual show-piece is once again made possible with the generous assistance of Ohlssons Breweries and will take place on Sunday 7th August commencing at 10.00 a.m.

__Teams:__ Pool A: Sea Point, Olympics, Pinelands, GDGC, Ohlssons and Constantia

Pool B: Paarl, VOB, Fish Hoek, Mutual, WPHC and Bergvliet.

__Umpires:__ are once again being organised by the Umpires' Union with "Husky" Huskisson in charge.

__Lunch__ is your own affair, but the usual fires will be provided. Snacks, in the form of pies, sausage rolls, peanuts and chips will of course be on sale too for the lame and lazy.

__Refreshments__ will be available in the usual (d)effective form.

Ergo 18 times subscribed

D.D. 3/8/77

(21)

JOHANNESBURG — Applications for 69 325 400 Ergo shares have been received and subscription monies amounted to R242 638 900, the directors of the company announced yesterday.

The offer was for 16 million shares at R3,50 a share, of which 12 250 000 shares had been firm subscriptions as stated in the prospectus. The balance of 3 750 000 shares were available for public subscription.

Many difficulties had to be faced in deciding the basis of allocation of the 3 750 000 shares, as the offer was 18 times subscribed.

The basis of allocation is set out below:

Applications for 100 shares — one in 10 will receive 100;

Applications for 200 shares — two in 10 will receive 100;

Applications for 300 shares — three in 10 will receive 100;

Applications for 400 shares — four in 10 will receive 100;

Applications for 500 shares — five in 10 will receive 100;

Applications for 600 shares — six in 10 will receive 100;

Applications for 700 shares — seven in 10 will receive 100;

Applications for 800 shares — eight in 10 will receive 100;

Applications for 900 shares — nine in 10 will receive 100;

Applications for 1 000 shares will each receive 100. — SAPA.

N. Mercury Bus. 3/8/77

Nedbank executive sees...

Good export year ahead

21

JOHANNESBURG—South Africa could expect a very good exporting year. "I expect that the current deficit of R1 600-million in 1976 will be turned into a surplus of R500 000," Mr. G. S. Muller, chief executive of Nedbank, said here yesterday.

He estimated that the country would export goods to the value of R1 400 million more than in 1976. Imports would also be lower than in the previous year, especially in the way of capital goods.

Addressing the Johannesburgse Sakckamer, he said:

"Due to the weak condition of internal trade, ordinary imports will also be lower. In this respect there can be a saving of between R1 000 million and R1 500 million. But imports for defence and oil will cost more," he said.

Referring to the country's foreign debts, he said that short and medium-term debts (about R5 000 million) could be paid from six months' export earnings.

"Many other countries have debts equal to from one to seven years' export earnings."

To borrow money abroad would not be easy. The 10 biggest American banks held 50 percent of their loans overseas and could not extend this margin.

Compared to South Africa, they have had high percentages of bad debts." — (Sapa.)

N Mercury Business 3/8/77

Tongaat issue

Financial Editor

NATAL'S Tongaat Group, which has interests in sugar, building materials, textiles, food and animal feeds, has raised R8,5-million by an unsecured debenture issue. The money will be used to reduce short-term borrowings of the group and meet its financial requirements and expansion in the future.

A spokesman for Central Merchant Bank, which handled the issue, said in Durban yesterday that the initial offer was R7-million debentures, giving a return of 13,65 percent and an average life of 14,5 years.

In response, applications were received which totalled R11,5-million.

Tongaat has decided to allot R8,5-million. Applications for up to R50 000 will be met in full with reductions above this amount.

This is the third debenture issue of the kind in the current year.

Sentrachem raised R20-million in April, also with the assistance of Senbank, and Edcon raised R4-million in May. The Tongaat issue confirms the expected decline in rates.

At the end of 1976 debentures were yielding about 14 percent. The Sentrachem issue gave 13,80 percent and the Edcon issue 13,90 percent.

(21)

Churchman on currency charge

21
RDM
3/8/77

Staff Reporter

THE acting treasurer of the Evangelical Lutheran Church, Mr Theodore Hondrom, appeared in the Johannesburg Regional Court yesterday charged under the Exchange Control Regulations.

The State alleges that a Mr B Ohman, who banked at the Standard Bank in Sunnyside, Pretoria, instructed Mr Hondrom to make payments from Mr Ohman's account with blank cheques Mr Ohman signed.

It was said Mr Hondrim made two such payments, both to the management board of the Evangelical Lutheran Church.

The first was for R8 000 and the other, for R9 000.

According to the charge sheet it was a condition of the payments that an equivalent amount of money would be paid in Sweden by an unknown person to Mr Ohman.

Mr Hondrom pleaded not guilty before Mr J P... Gildenhuys to the charge of having drawn bills of exchange without the permission of the Treasury.

Mr Hondrom had been acting as the church's general treasurer from March 1976, the court was told.

The hearing was postponed to September 14.

TEXTUS.

COMMENTARIUS.

TEXTUS.

Generaliter injuria dicitur omne, quod non jure fit ...

TABLE OF CONTENTS

Corporation ditches its Bantu tag D.D. 3/8/77

PRETORIA — The name of the Bantu Investment Corporation has been changed by an amendment to an Act of Parliament to the Corporation for Economic Development (CED).

A statement said that in its new role, the CED could best be described as "a South African development bank providing expertise and finance to its clients, in commerce and industry, and to the National Development Corporation." — SAPA.

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Ergo share allocations

Dejection for many investors

Mercury Correspondent 4/8/77

JOHANNESBURG — Now that the basis for Ergo allocations is known, it remains a case not of who had been lucky enough to get an allocation of shares, but at what price they will open on the stock market on August 10.

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The public offer of 3 750 000 shares attracted an enormous response and with R242-million subscribed for the R13-million worth of shares, the offer was over-subscribed 18 times.

There will be many disappointed investors who will receive their refund cheques back in the middle of next week and whether they will attempt to buy in on the market is a point which few experts are prepared to forecast.

However, a random selection of brokers and investment advisers believe that there will be good stagging profits to be made in the first few days of the share's listing, although their appraisal of the fundamental investment merits of the share differ.

A stockbroker, noted for his knowledge of the gold share market, considers Ergo an attractive investment in current conditions and believes that once the stags have been shaken out, the share could settle down at around 450c. At this level he considers it fully priced.

Looking further ahead, however, he points out that the company will run out of its tax concessions and expects the company to be paying a fairly high level of tax in five to six years.

To compensate for this, Ergo will have to expand, either through raising the tonnage of material milled per month, or by improving recovery ratios. He feels, however, that there is ample scope for improving recoveries of uranium, which at present are low.

A portfolio manager specialising in mining shares, sees 450c as a reasonable price when all considerations are taken into account. But at this level it compares with counters like Vaal Reefs, Buffels and Harties at their current prices and will be subject to the same cost and price factors.

He also foresees the possibility of teething troubles at the plant as the pilot operation is called up to planned production capacity.

High future

Also looking ahead, he expects tax to start in about six to seven years at a high fixture of between 67 percent and 68 percent, which will "make it very difficult to maintain dividends."

However, initial purchases will probably be made by those who will take a shorter-term view and will thus act as a prop to the price. His estimate for an opening price is between 425c and 450c with a good overseas demand at around these levels.

The author of an investment letter holds a rather less encouraging view and believes that at 350c the share is fully priced.

The statement is based on the assumption that Ergo will pay an average dividend of 35c over the next 10 years and if this is discounted to present values, using a return of 12,5 percent, the present value is exactly 349,6c a share.

Govt to examine monetary policy

RDM 5/8/77

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By HAMISH FRASER
Deputy Finance Editor

A COMMISSION of inquiry into South Africa's monetary system and policy is [illegible] appointed.

The commission will be headed by the senior deputy governor of the Reserve Bank, Dr Gerhard de Kock.

Announcing the appointment of the commission last night, the Minister of Finance, Senator Owen Horwood, said changes in the international monetary system in gold and exchange rates had created problems in the working of South Africa's monetary system.

Thep roblems had contributed to some extent to the abnormal combination of inflation, recession and balance of payments imbalances in recent years.

Senator Horwood said the application of monetary policy in changed, and still rapidly changing circumstances, should be investigated.

The secondment of Dr De Kock to the Ministry of Finance as a special economic adviser was also announced by Senator Horwood.

The commission, which is expected to include a significant representation of bankers and businessmen, was welcomed by Johannesburg financiers. And the selection of Dr De Kock was especially applauded.

N. Mercury 5/8/77

Bank has improved profits

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JOHANNESBURG — The French bank of Southern Africa improved its group profits after tax and after transfer to its contingencies reserve to R347 046 in the first half of this year, according to the unaudited results published here yesterday.

In the corresponding period last year the bank made profits of R323 327 (R760 445 for the full year) resulting in earnings per share of 5,44c (12,80c for full year). During the first six months ended June 30 earnings per share increased to 5,84c.

An unchanged interim dividend of 2,50c has been declared. The total dividend last year amounted to 6,50c per share.

According to the interim report the high cost of borrowing experienced by the banking sector during 1976 continued into 1977. But lately, there had been an easing in short and medium-term rates, which resulted in lower costs of resources.—(Sapa.)

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to year. The ted ranged from 3 to 50 bags in a good year, through 2 al year right down to 0 to 10 bags in a bad year. T tuations are also highlighted by the fact that nobody pro s in a good year whereas no less than 65% produced up gs in a bad year. Furthermore, the maximum number is 10 while only 63% produced 10 bags or less during y 53% did so during a good year. The maximum number al year was 18 while 37% could produce more than than

What these fig reme caution is needed when talking about agricultural p anskei and Ciskei. A single year's measure could

2.6 <u>Factors I d</u>

In spite of fl from year to year we obtained a measure of yield in a 8 interviewees. The average yield for a normal year gen[35] and 60% of the sample obtained less than or equal ty-nine per cent of the sample reaped a harvest of 8 b figures have to be treated with extreme caution because "guesstimates" on the part of workers 600 miles or so aw We also have no indication whether this did or did not include the green cobs that are picked and eaten before the harvesting commences.[36]

We tried to determine which factors influenced yield and applied a backward stepwise regression including, as independent variables, those factors which we thought would be influential. The results are summarised by the following three equations and explained in the paragraph below:

YIELD = 118,3 - 7,06 MORGEN - 33,92 PROPLAND - 19,7 HWFA (5)

Sign.Level (0,00) (0,00) (0,00) (0,07)

$R^2 = 11,0\%$

Variables excluded (in order of exclusion) HWC, HSA, CATTLE, HUA, HSC, LONGDID, HNA, HNC, REMIT, HUC, HWMA.

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34. In the case where an interviewee did not specify his normal harvest, but did give his harvest in a good and a bad year, we calculated a "normal" harvest as the average between a good and bad harvest.

35. 200 lb. bags.

36. See M. Lipton (1976), pp. 4-5 for the importance of including or excluding this measure.

N. Mercury 6/8/77

21

Company is awarded R6,4 million

Finance Reporter

AFTER three years of legal wrangling, the Tongaat Group has settled for R6 400 000 compensation for land expropriated from the company for the new La Mercy Airport on the North Coast.

The original claim submitted by the company was for R25 million for the loss of land and utilisation of surrounding land as a result of the airport works.

But Mr. Alan Hankinson, the managing director, said their claim had been reduced to R9 million after the Government had agreed to relocate the roads and services in the area at Government expense.

The company lost an earlier claim for R7 000 000 in the Durban Supreme Court earlier this year and was due to go to court again next month to contest its new claim, when the offer of compromise was reached.

The original compensation offered by the Department of Agriculture was R5 200 000 but this was increased to R6 400 000 in an out-of-court settlement.

RDM 6/8/77

(21)

SA seeks a way to replace Bretton Woods

SOUTH Africa will study the feasibility of establishing a foreign exchange market in which the rand would be allowed to float freely and no longer be linked to the dollar, say banking sources.

Their comments follow the announcement by the Minister of Finance, Senator Horwood, of the appointment of a commission of inquiry into South Africa's monetary system and monetary policy.

The sources say South Africa has a sophisticated banking and financial system for its stage of economic development.

But with the formal cessation of the Bretton Woods system later this year, the stage has been reached where South Africa's monetary system and policy must be re-evaluated.

With the new International Monetary Fund articles coming into operation and a system of legally floating currencies allowed, the position of the rand and its inter-relationship with other currencies needs to be studied.

The commission is seen as an attempt by both the public and private sectors to overhaul the monetary system and rid it of the ad hoc approach adopted in the past.

The commission headed by the Reserve Bank's senior deputy governor, Dr Gerhard de Kock, is expected to take at least two years to complete its task, but this does not rule out the possibility of interim reports.

The commission's terms of reference and members are yet to be announced, but sources say the private banking sector is expected to be fully represented and to play a major role in the study.

The commission will also study open market operations in the money market where there is, among others, a need to create a better secondary market in Treasury bills.

It will study ways of getting the relative interest rates back into proper alignment, and the function of bankers' acceptances and negotiable certificates of deposits.

Immediate reaction from commercial bankers is favourable, although many believe that the establishment of an open foreign exchange market in Johannesburg would be premature under present circumstances.

While it is accepted that with the rand fixed to the dollar in a generally floating international system, any change to this rate tends to be more of a political decision than a monetary one, it will be difficult to devise a system that would allow the rand to reflect market pressures. — Reuter.

Sunday Times 7/8/77 (21)

Smile! Business is all set for take-off

INVESTMENT up, exports up, growth up, inflation down — that was the tonic that put the smile back on the face of South African business this week.

After a long, hard business winter — the worst since World War Two — there are real signs that the worst is over.

By NIGEL BRUCE

Rands poured into Anglo American, at a rate not seen since the sixties boom, as investors scrambled for a share in its new gold-from-mine-dumps recovery project, Ergo.

Business forecasts from some top business men and economists are heartening.

On Wednesday, Mr Gerry Muller, chairman of the SA-UK Trade Association and Nedbank group overlord, forecast a good year with exports exceeding imports by R500-million.

Last year exports fell R1 600-million below imports.

He estimated that exports this year would be worth R1 400-million more than last year.

Despite heavy borrowings from abroad—R5 000-million in short and medium-term loans — exports earnings over six months could wipe them out.

Hot on Mr Muller's heels on Thursday came ebullient economist Mr Raymond Parsons, chief executive of the Association of Chambers of Commerce, forecasting a 2 to 2,5% rise in the economy's growth rate next year after almost no growth this year.

He estimated that inflation running at 10 to 11% this year would decline next year to between 9 and 10%.

But he believed the economy was capable of an even better performance and criticised the "negative mood among many business men and consumers."

Mr Parsons, in turn, was followed on Friday by Nedbank's official forecast: "The period of waiting, the economic indicators suggest, is almost over.

"Within a few months, unless something quite unexpected occurs, the lower turning points of the business cycle down-swing will have been passed and the economy generally will be on the way up again."

Even dour Dr Jan Hurter, the chairman of Volkskas, after sombre warnings that austerity must be endured and the Government blamed less, said in his annual address to the bank's stockholders: "Economic factors are nevertheless becoming more favourable for a moderate upswing during 1978."

Also during the week came the more encouraging news that South African products are selling overseas, that South Africa's shortage of ready foreign cash is declining and that there are some signs of domestic business gingering up.

Citrus

The Citrus Exchange said it expected foreign earnings from citrus exports to rise by five per cent this year to R120-million.

The Steel and Engineering Industries Federation said orders from the metal and engineering industries increased slightly in June — at last a break in a 15-month continuous decline.

The head of the Transvaal Coal Owners' Association, Mr Alan Tew, announced that South Africa was on the verge of signing a large steam-coal order with the Japanese Government - controlled Electric Power Development Corporation.

"We expect to supply between 300 000 tons to 500 000 tons a year in 1981," he said.

Reserves up

Even the gold and foreign exchange reserves rose by nearly five per cent in the last month to R755 200 000 on July 31, an official announcement said this week.

However, the regular monthly economic reviews from Barclays and Standard, which also came out this week, were a sober reminder that recessionary forces in the economy are still strong and that, despite other encouraging signs, it will be some time yet before we have more rands in our pockets and more work for the jobless.

8/8/77 DAILY DISPATCH, MONDAY.

Making easy money with other people's

(21)

EAST LONDON — How to make easy money without risking your own! That is what Anglo-American Corporation has done with its Ergo share issue.

Hundreds of thousands of South Africans between them contributed R242 638 900 in the hope of being allocated Ergo shares before they are listed on the Johannesburg Stock Exchange. With only 3 750 000 shares (at R3.50 each) the issue was oversubscribed 18 times, so few of the hopefuls will be lucky.

But all that cash had to be in, together with the applications, not later than Friday 29 July. Those who were unsuccessful will have their monies returned today.

This means that for at least eight days Anglo-American will have R242 638 900 invested on call at seven per cent ... all other people's money!

This investment will earn for them some R46 533,48 a day — or R372 267,90 for the eight days.

But it goes deeper than that. Applications opened on Monday 11 July, and it is a fair bet that by Friday 15 July at least ten per cent of the R242 638 900 had been received — and immediately put on call at seven per cent.

This means that at least a further R4 653 a DAY was earned for an additional 14 days ... a total of R65 142 ... PLUS additional investment income from further monies received on following days up to 29 July.

It is a fair bet, therefore, that Anglo-American has earned something approaching R500 000 from would-be investors anxious to obtain Ergo shares. And it is all TAX FREE.

This is because of an Appellate division judgment last year in favour of Guardian Assurance, who did a similar thing. When the Secretary for Inland Revenue decided their "profit" was taxable, Guardian went to court on appeal, on the grounds that the money was to cover the flotation expenses.

In that instance, interest earned by Guardian totalled R616 000, and total expenses incurred came to R227 000. That issue was oversubscribed 30 times!

Because of the many disappointments that are bound to arise over Ergo's "lottery" allocation, I feel it would be a thoughtful gesture if Anglo-American (Ergo), when they return the cheques to the unlucky ones, added on at least a portion of the interest earned.

After all, they will still have the interest earned on R13 125 000 (for the 3,75 million shares allocated), which will be at least R20 137, so if they returned only 50 per cent of what the remainder earned they would not be out of pocket.

UNIVERSITY OF CAPE TOWN

FACULTY OF ARTS

Report of Senate Working Party on Faculty Structure

At the continuation meeting of the Board of the Faculty of Arts held on Thursday 4 August 1977 the Board agreed to vote on the following six options:

1. The creation of two separate faculties : one of Human S[...] other Languages and Literature.
2. The relocation of the following four departments in the Social Science : Anthropology, Economics, Political Scie[...] Religious Studies.
3. Reunion of the Faculties of Arts and Social Science.
4. Preservation of the status quo.
5. Proposal of the Working Party, i.e. the relocation of Af[...] and Religious Studies in Social Science and Economics in[...]
6. Status quo except for the relocation of Economics and Po[...] Science in a new Faculty of Economics and Business Studi[...]

Note: It was agreed that the Department of Speech and Drama w[...] any case be relocated and therefore was not included in the above options.

Members were asked to rank these options in order of preferenc[...] weight them as follows: 6 points for 1st preference, 5 for 2n[...] 3 for 4th, 2 for 5th and 1 for 6th preference.

The result of the poll which serves as an indication only of F[...] to the Working Party is as follows:

OPTION POINTS

CAPE TIMES 9/8/77

R300m battle ends and taxpayer, industry may foot bill for Iscor

21

By GORDON KLING

THE TAXPAYER and South African industry are likely to foot the bill for mounting Iscor capital needs now that the government has ended the R300 million battle for Iscor's 45 percent stake in the manganese mining giant, Samancor.

Top industrialists and the Shareholders Association of South Africa resent Friday's "no sale" decision by the Minister of Economic Affairs, Mr J C Heunis, which saw the share drop substantially in price yesterday with its relisting on the Johannesburg Stock Exchange.

The champion of private enterprise and chairman of Sanlam, Dr A D Wassenaar, yesterday said he believed it was completely wrong for the government not to sell the Iscor subsidiaries.

"I think they should sell Iscor itself," he added. However, he emphasized that his views did not relate specifically to the Samancor decision because he was not aware of the factors on which it was based.

He reiterated the view that government should keep out of the legitimate spheres of private enterprise.

Reliable Johannesburg mining house sources said it would now be necessary for the government to meet Iscor's need for capital by providing for this in the next budget, by increasing the price of steel, or by a combination of both. The taxpayer and industries using steel would suffer.

A spokesman for Iscor conceded in Pretoria yesterday that it was common knowledge that the corporation needed money. He could not comment on the decision to cancel the sale of Samancor, which would have brought more than R100 million into Iscor coffers, because it had been made by a minister.

Share sentiment

The chairman of the Shareholders Association, Mr R B Clark, said yesterday in Cape Town that the decision was disappointing. Minority shareholders could have benefited from the sale.

This sentiment was shared by the market, which knocked 90c off the share price before it began to recover on the JSE in the afternoon. The shares were suspended at 780c on July 12 pending the outcome of the offers by Anglo American, General Mining and Barlows. Anglo is understood to have bid 1 080c a share — a premium of about 40 percent on the market price.

A government statement said the sale had been cancelled because of the strategic nature of Samancor's operations, but a Progressive-Reform Party spokesman, Mr Harry Schwarz, has rejected this on the grounds that the metals and minerals concerned were no more strategic than those mined by private enterprise elsewhere in the Republic.

The director of the Steel and Engineering Industries Federation, Dr B P Drummond, disagreed. He did not want to comment, because he believed the offer was "a straightforward commercial deal which fell through," but he believed Samancor was a strategic undertaking.

"In view of vertical integration benefits, it was perhaps logical that Iscor should want to retain it," he said.

Mining sources, however, speculated that there was grave disappointment at Iscor over the decision, and said it was clear that government made the decision.

● Meanwhile, Reuter reports from Frankfurt that bond market sources believe Iscor will soon attempt to raise funds in Germany.

Long-term interest rates: are they set for a fall?

Sun. Times Business 14/8/77

(21)

THE vexing question about long-term interest rates is not so much whether the present softening will soon become a more significant decline; that can most likely be safely assumed.

By NIGEL BRUCE

The real nub of the issue is whether the decline will be temporary or whether it will herald such a reduction in the demand for capital that in the years immediately ahead rates will fall progressively.

The reason for the present decline in the long-term rate is a reduction in investment and a rise in savings; the very requirements that were necessary to achieve a surplus on the current account of the balance of payments.

The same occurred, as can be seen from the graph, between 1971 and 1973 — as the gap between investment and savings declined (in other words the current account deficit contracted), both the debenture rate and the public corporation stock rate dipped.

Now that the current account is in strong surplus, there is no reason to believe that these rates will not respond accordingly once again.

Whether these rates continue to decline will depend largely on the speed of the country's econonic growth in the years ahead and on the speed with which inflation is arrested.

So far as future capital requirements are concerned, the Standard Bank's economists are among those who see a moderating trend. Broadly speaking, they base their opinion on the belief that infrastructure investment will diminish now the investment boom is over and Government priorities have changed.

Consequently, they believe that the ratio of capital needed to achieve a given output will improve, making for a lesser demand for capital. And that this trend will be assisted by the better use of industrial capacity through import displacement or exports of manufactured goods.

They point out that typically fixed investment accelerates from roughly the middle of an expansion phase, continuing to rise well beyond the start of a contraction.

Another factor, of course, is the relatively slow growth of our large industrial trading partners.

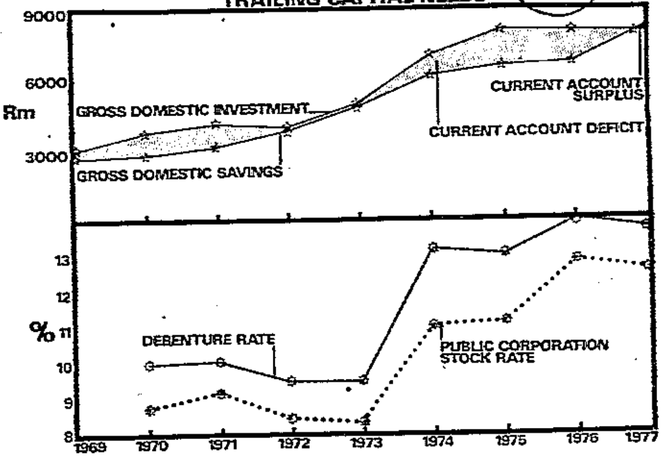
With a falling demand for bank loans, rising corporate liquidity and higher export earnings, short-term rates are also likely to decline further, which could mean that, deprived of high short-term yields, investors could be tempted into longer term stock which, in turn, could reduce long-term rates.

But there is another side to the coin. Much depends on the view the authorities take on interest rate differentials between here and the industrial West. The chances are that because of our capital account problem, they will keep domestic rates higher.

Senator Horwood's brave stand against his free-spending cabinet colleagues may not be as successful next year, especially as the country's infrastructure, while undoubtedly substantially expanded, might not yet be as adequate as is commonly assumed.

Certainly, Escom is going to have to continue to invest heavily if national electricity needs are to be met in future years. Water resources are still inadequate. And we all know what the telephone service is like.

TRAILING CAPITAL NEEDS



The demands of the public corporations on the local capital market, moreover, could be increased as international opprobrium over our unstable political policies mounts.

There is also a great deal of bottled-up demand for long-term refinancing in both the public and private sectors. Escom, for instance, has a fair amount of short-term notes in the market that will eventually have to be more securely financed.

Nor should it be forgotten that this country is heavily indebted to foreign creditors and that the cost of servicing this debt is rising. The reserves will, therefore, most likely not rise markedly over the next year.

So far as the private sector is concerned, there have been so few loan issues in recent years that it is a fair bet that if the price of long-term capital should dip for long, a residual demand could be unlocked. For while there may be ample liquidity around, there are limited uses to which this sort of money can be put.

World demand for many of the strategic minerals relatively recently discovered here remains buoyant, but vast capital sums are required to unlock them. To some extent this demand can be glimpsed from the huge industrial leases that are currently being written.

White concern over black unemployment has already manifested itself in capital commitments, albeit small so far. While the desire to reduce the gap between black and white wages could put a floor under the extent to which inflation can be reduced.

The case put by the Standard Bank men on future capital requirements is well argued and telling. But, on balance, in the peculiar circumstances of this country, an and in view of changes in other funding cycles in recent years, I would expect the demand for capital in the earlier part of the business cycle to be more brisk in future.

If that be so, the cost of long-term capital could well be on the way up again before many months are gone.

Nine face currency trial

RDM 1/8/77

21

Staff Reporter

NINE men allegedly involved in a gigantic currency smuggling racket will be tried in the Rand Supreme Court on November 14.

The men, Mr Graham Ingram, 37, Mr Bruce King, 40, Mr Graham Aldridge, 44, Mr William Condon, 42, Mr George Haton, 42, Mr Brian Armstrong, 28, Mr Neville Horner, 29, Mr Jacob Celliers, 27, and Mr Ronald Rutter, 38, are alleged to have obtained US dollars and British sterling using forged passports. They face charges of fraud and contravening the Currency Control regulations.

The charge sheet says Mr Allan Perrel copied the pages of a British passport in Durban. Passports were then assembled in Johannesburg in the names of fictitious people and with photographs of the accused.

(21)

Standard cuts lending rate

Business N. Mercury 17/8/77

For the inf
the Faculty

JOHANNESBURG — The Standard Bank yesterday cut its best lending rate to blue chip customers to 12,5 percent from an effective 12,8 percent.

None of the other major commercial banks contacted yesterday morning had cut their rates, but banking circles expect they will follow suit more or less immediately.

PREFERENCE / OPTIONS						
1						
2						
3	3	6	3	4	6	3
4	11	11	5	6	2	0
5	4	4	5	5	3	3
6	13	7	6	1	0	3

The move has been approved by the Reserve Bank.

A Standard Bank spokesman, announcing the decision, said: "This is a technical adjustment to bring the bank's best lending rate into line with the prime rate.

"Up to now, the bank's best lending rate was effectively 12,8 percent, which was calculated on the basis of charging 12,5 percent prime on the first 40 percent of daily availment and 13 percent on the remainder.

"By agreement with the authorities, the prime rate can vary between 2,5 percent and 3,5 percent above the bank rate, which is at present 9 percent.

Adjustment

"This prime rate, however, is not necessarily the best effective rate at which banks can lend and the adjustment by Standard Bank is designed now to restore prime rate 12,5 percent as its best lending rate to blue chip customers."

Barclays National Bank announced later it would match the Standard Bank move and would discontinue its present two-tier system of rates charged to prime borrowers, with effect from August 24.

"From that date, those customers who are presently being charged prime rates on a portion of their borrowing and prime rate plus half a cent on the balance will be charged prime rate (12,5 percent) on the full amount of their borrowing," Barclays said in a statement. — (Sapa.)

A full minute of the proceedings will be circulated
due course.

5 August 1977

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World bankers in new look at SA

Sunday Times (Business Times) 21/8/77

INTERNATIONAL bankers are taking a less jaundiced view on South Africa because of the improvement in the balance of payments current amount and conservative monetary and fiscal policies.

But the continual news of Rhodesian haggling and strife in Soweto are still making it difficult for South African public and private corporations to borrow significant quantities abroad.

"But at least", said a banker "international institutions are becoming accustomed to the changed South African situation and are prepared to live with it. Bankers have also become disenchanted with the intransigence of some of the black political factions in Rhodesia and are hoping that time will be on the side of moderates".

First signs of this change in attitude came from the performance of South African issues on the Eurobond market. Both dollar and Deutschemark issues were at their lows in September last year after months of rioting in Soweto, and a turn for the worse in Rhodesia.

In the dollar Eurobond market Anglo American 7,5 per cent 1987 was 71,25 points. It is now 82,5 points. Escom 10 per cent 1980 was 71,25 points. It is now 82,5 points. Escom 10 per cent 1980 was just under 92 points while it is currently 102 points. In the same period Iscor 10 per cent 1980 rose from 90,25 points to 100,5

By Neil Behrmann: London

points and Republic of South Africa 9,75 per cent 1981 rose from 92 points to 99 points.

The appreciation of Euro-Deutschemark issues was even more pronounced, but the increases were of course helped by the rise of the German currency. Escom 6,25 per cent 1987 jumped from 64,25 points last September to 80 points this week, Escom seven per cent 1988 from 65,25 to 83 and Iscor jumped from 66 points to 93 points in the same period.

Last September some Escom Deutschemark issues were priced on a yield to redemption of 16 per cent. These yields have fallen to the 9,5 per cent area.

South African issues, in line with a buoyant bond market, rose sharply in the last quarter of 1976 and appreciated further over the past six months. Also, SA dollar issues held their gains in the Eurobond market despite the sharp decline of the dollar during June and July. Deutschemark South African Eurobonds rose further during the July period because of the improvement in the mark.

But with the dollar stronger, prices could react. The second hopeful sign of a change in attitude came from the June international investment conference in New York, which was sponsored by the magazine Institutional Investor.

At the conference Michael Jaccard, manager of Kleinwort, Benson, said that with confidence and a little bit of courage an investor could take advantage of situations in two of the cheapest markets in the world, France and South Africa. (International investors are cautious about investing in France because there is a good chance that the combined socialist-communist alliance will win next year's elections.)

The general manager of Germany's Schroder, Munchmeyer, Hengst and Co said that there were good-quality South African equities with ridiculously high yields and low-price earnings ratios. Under different circumstances, he said, South African industrials would probably offer the greatest value in the world.

Finally, in its first publicised Eurobond financing since January 1976, a South African borrower — SA Railways — raised R18-million on the German Market. Bond dealers described the issue as a success because it was originally set at R7,5-million.

Nevertheless, with a coupon of 8,25 per cent with a maturity of only three years, it was much more expensive than any recent borrower has paid in this market for longer maturities.

Bond sources also said that Iscor was planning a private placement of DM15-20-million for five years at an 8,25 per cent coupon.

The finance is small at this stage — but at least it is a start again.

-RDM 23/8/77 (21)

Regional

Shopkeeper gets R5 000 fine for currency fiddle

Staff Reporter

A DOORNFONTEIN, Johannesburg, shopkeeper and his wife who wanted to emigrate to Spain because they were scared of living in South Africa were yesterday fined R10 000 by the Johannesburg Regional Court for 50 counts of fraud.

They had sent R13 000 to Spain, the court was told.

Casimiro Cardiero, 45, and Maria Cardiero, 40, had pleaded guilty to all the charges.

They admitted forging letters from the Spanish Department of the Interior.

These said the couple were paying maintenance to people living abroad.

The letters were used to obtain foreign exchange which was then paid into the Cardiero's personal account in Spain, the court heard.

In mitigation of sentence Cardiero said he had decided to go to Spain after being beaten up and robbed on several occasions in Doornfontein.

He and his wife were terrified of South African conditions, he said.

They had brought $US10 000 into the country and thought they were entitled to take it out again.

In passing sentence the magistrate, Mr T Kleynhans, said he was taking into account the fact that the transactions had taken place during a period longer than three years.

He fined them each R5 000 or three years and gave each a further two years' jail suspended for five years.

Jan Marais

Were Trust Bank's provisions so bad?

Sunday Times (Business Times) 21

28/8/77

Dudley Sanger

Recent times have been turbulent for South African banking. This week Jan Marais, acknowledged throughout the world for his financial marketing flair, retired and his creation, Trust Bank, was merged into Bankorp. Business Times Deputy Editor, Nigel Bruce, questions some of the decisions taken.

PERHAPS it is not a coincidence that what happened to Western Bank a few years ago when it was bought by Barclays is happening in large measure now to Trust Bank, which is being bought by Bankorp, a Sanlam interest.

Until recently, these were the two largest hire purchase and leasing banks in the country, both of which had moved with vigour and imagination to fill a gap in the market, and in consequence brought marketing flair and innovation to retail banking here.

Trust under Jan Marais was much more of a pioneer than Western under Dudley Sanger and it was also the first bank in many years to bust into the exclusive cheque clearing arrangement dominated by the large commercial banks.

Much later, Western followed Trust in but neither were able subsequently to accumulate significant amounts of current account balances, which are particularly attractive as no interest is paid on them.

Their biggest assets during their years of rapid growth were their chief executives, whose marketing agility and ability to motivate staff members kept their banks constantly ahead in the market place.

Some bankers argue now that they were also ultimately to be their biggest liabilities as, when the time came for consolidation they did not ensure they were backed by sufficient sound administrators. Nor, when they ceased to be active day-to-day in their banks' activities, did they bring other alive minds to the fore.

Indeed, they also made other mistakes, mostly when attempting to move into markets they neither knew nor understood; Western Bank into cheque accounts and Trust into property.

What is undeniable, however, is that Dr Marais and Mr Sanger had a penetrating knowledge of, deep understanding and uncanny feel for the hire purchase market.

Therefore, to my mind it is peculiar that in both cases only a few months after these banks had been grasped by other institutions, neither of which had extensive expertise in hire purchase, we are told that provisions for bad debts were massively inadequate.

One might be forgiven for wondering what special abilities Barclays and Sanlam (or for that matter Bankorp) have that enable them to assess bad debts better than the men who had been doing it for years, in Dr Marais' case for 22 years.

While I realise that both legally and through custom banks are able to cloak a great deal of their lending activities, sometimes for good reason, I cannot escape the feeling that as the terms of Bankorp's bid for Trust, which in any event were low initially, have been halved, now is a time when investors are entitled to know more details of how these inadequate provisions arose and what formulae were used in determining them.

Two factors with regard to them need to be kept in mind. First, if Dr Marais or Mr Sanger had applied the same lending criteria as Barclays or some other established commercial bank, they would most likely never have got their banks off the ground.

Second, bankers in the instalment credit field assure me that hire purchase credit management, like that of credit card management, requires delicate judgment, tactful and highly motivated managers and constant attention.

On the change of ownership of both Western and Trust many of their managers inevitably must have been demoralised and were probably allowed to remain so for months. In the absence of the high managerial motivation of the past, how the quality of their debts must have deteriorated.

Certainly, from the quarterly statistics to the Registrar of Banks, Trust's constant loss of market share over some time is plain to see. In particular its share of retail deposits declined.

Partly this was because the large bank groups have been attacking its markets with new found vigour. This is because they have the advantage of a relatively cheap deposit base (in view of their interest-free cheque deposits) which can more profitably be lent in the hire purchase market for 21 per cent rather than on overdrafts where there is a 14 per cent usury ceiling.

But more recently the trend has been pronounced, probably as a result of staff uncertainties and a general demoralisation.

The next question is whether a dour academic, Professor Fred du Plessis, and an executive of one of the most staid institutions in the country, Willem Pretorius, can possibly step adequately into the shoes of Dr Marais?

Only time will tell. But in the meantime, if I had Bankorp shares I would sell them. For apart from the management difficulties that must lie ahead, Barclays, Standard and Nedbank are attacking Trust's market share with such zest and advantage that in my view it has only a limited chance of ever recovering its former position.

Western Bank is in a different position, having a chief executive now who also has long experience in instalment credit and a parent that is in a position to feed it with cheap deposits and, through its branch network, a steady flow of customers.

Another doubt about Bankorp concerns its other major asset, Senbank, an independant merchant bank. Here, as elsewhere, the traditional activities of merchant banks have been assailed from all sides, not least by life assurers. Their old claim that their brains were a better asset than lending brawn has been proved to be spurious.

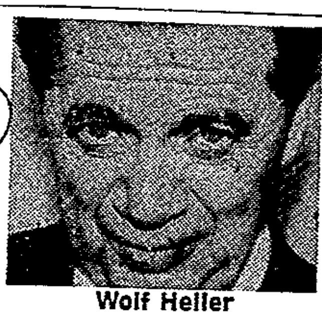
Bankorp's other assets are a handful of relatively insignificant general and savings banks, probably serving specialist markets or communities. If your lump the whole lot together with Trust and Senbank, assuming that the whole be stronger than the sum of its parts, you get neither a Barclays, a Standard, a Volkskas nor a Nedbank.

Finally, while I know of no reason to doubt that Standard's Stannic and Nedbank's Nedfin are not in fine fettle, as they have been expanding rapidly into the very markets over which Western and Trust have stumbled, maybe it would be reassuring to know what sort of bad debt provisions they are making?

A blank cheque to make a fortune

Sunday Times (Business Times) 28/8/77

21


Wolf Heller

By TONY STIRLING

WOLF Heller, the former boss of Parity Insurance, is back in the big time having secured an estimated 50 to 75 per cent of the infant reflective number plates business. The total market is thought to be worth around R40-million — about 3,5 million vehicles will have to be plated over the next three to four years as the system becomes compulsory.

Mr Heller, who heads Buffalo Signs, holding company of United Reflective Converters, at present has about 100 franchise holders spread throughout the country.

According to Alf Shead, URC sales director, another 60 franchise holders are to be appointed.

URC is one of the five companies licensed by the Bureau of Standards to make the aluminium blanks used in the trade for making the new plates.

The franchise holders are contractually tied to take blanks from URC, which also supplies the dies and pressing equipment.

"It took about R1-million to establish the setup. You can't invest that kind of money and supply the dealers with your equipment unless they are tied to you for the blanks," said Mr Shead.

Mr Shead said that URC was selling the blanks at just over R4-5 a set, depending on what kind of embossing machine and dies franchise holders have taken.

The Heller camp has another advantage. When Mr Shead saw the "writing on the wall" about four years ago, he was active in forming the Number Plate Manufacturers' Association, all of whose members are today tied to URC, according to Mr Shead.

Big plate dealers have estimated that Mr Heller's group has to date captured between 50 and 75 per cent of the market.

"That is about right," said Mr Shead.

Another of the five SABS licencees Jimmy Bartholomew, of Safety Car Plates in Pretoria, recognised at the moment as URC's only real competitor, said this week that he did not view it as healthy that the plate makers should be tied to any particular manufacturer for blanks.

Mr Bartholomew, who has spent just on R1-million on gearing his company to the change, said that he was not tyin g up his dealers because it could lead to serious complications.

"Although I am supplying dyes and embossing equipment just as URC is, I am not tying the dealers contractually. I believe they may just find themselves in a position where they are being forced to accept blanks at an uncompetitive price because they are tied to one company," he said.

21

"Mainly because of social considerations, real wages of black workers were raised significantly during the past years, notwithstanding increasing rates of unemployment and decreasing productivity caused by the decline in the level of economic activity.

"From a business point of view, this had a detrimental effect on production costs and did not promote the creation of employment opportunities, but rather a greater degree of mechanisation and a higher capital-output ratio or a lower labour-output ratio."

The South African Reserve Bank.

Sunday Times (Business Times) · 28/8/77

IN ITS detached, apolitical prose, the Reserve Bank has, in the above comment, isolated a dangerous result of business men exercising their social consciences in their professional affairs.

Business men who take decisions on the allocation of the resources they control, based not on what the market place tells them, but on a desire to "do good" usually end up, in overall terms, by hurting the very people they set out to help.

It is difficult, in the context of the evil and illogic of South African racial legislation, for our business men to resist the temptation to, for example, raise black wages regardless of the economics involved, in the mistaken belief that such action will alleviate social tension and counter social injustice.

But what happens, of course, is that when wages are artificially increased — in other words without relation to performance — then the business man, who is paid not to do social good, but to show returns, is forced to seek ways to maintain and, if possible, increase profits and dividends.

He does this, as the Reserve Bank points out, by opting for a "high degree of mechanisation and a higher capital-output ratio or a lower labour-output ratio."

It would seem that such trends are precisely the opposite of what a country like South Africa, with large numbers of unskilled and semi-skilled workers, needs. If those bleeding heart liberals who hammer away at the social consciences of business men were to think through to the effects of the actions they are urging, they might see what damage they are causing.

Not only do artificial wage increases tend to throw people out of work, reduce job opportunities and force business away from labour-intensive activities, they also kill off the prospects for the birth of enterprises which might well provide gainful, albeit low paid, employment for those otherwise unemployable at the higher, artificial wage rates.

Not for a moment can any man of reason condone legislated racial wage and salary gaps or feel anything but contempt for the business man who hides behind government policy to excuse his indulgence in like practices.

There have been repeated calls lately for planning geared to our socio-economic needs, one of the greatest of which is to generate employment for millions of poorly educated and trained people for a long time to come.

The creation of enterprises geared to fill this need must be labour intensive and able to employ relatively unsophisticated people in large numbers. Such enterprises will not be born, and their job-creating propensities will not be available to us, if stress is constantly laid, not on the creation of jobs, but on the maintenance of wages at levels which output does not justify.

Aside from denying work to the disadvantaged this policy, as is being illustrated today in Sweden, threatens the health even of a developed economy.

Of primary importance, of course, is the excision from our society of the cancerous burden of labour legislation, the bulk of which is aimed at protecting whites from black competition. Those days are over and, given the advantages enjoyed over generations, any white not prepared to compete with a black doesn't deserve his job in the first place.

PF minorities gang up against the big boys

Sunday Times (Business Times)

28/8/77

(21)

By NIGEL BRUCE

MINORITY shareholders in this country's blue chip insurance broker, Price Forbes Sedgwick, are preparing to fight for a higher price than the 200c they are being offered for their shares.

They are being advised by crack independent merchant bank, Finansbank, which is ranged against Senbank, Volkskas Merchant and Standard Merchant.

The offer arises out of the proposal to merge Price Forbes with Federale and Volkskas Makelaars (Pty) Ltd to form a broker that will control about a quarter of the country's short-term insurance premium income.

There is a great deal of commercial logic in the deal, especially as brokers' commissions are being forcibly reduced by the authorities who also require that from October payments to insurers be speeded up.

In view of this, and Price Forbes' splendid performance in the past, shareholders fear they are being short changed. They point out that, as the offer does not include another dividend from PF, they are being offered in effect only 175c a share.

Moreover, as PF usually earns most of its profits in the first half of its financial year, they feel that, regardless of the problems ahead, an immediate fall in earnings is unlikely.

While the offer price is substantially higher than the 140c at which PF was trading prior to the deal, some minorities feel that they are long-term investors looking for future prospects not a quick 35c turn on their stock, for which they will be giving up substantial future earnings.

A fairer price they feel would be in the 225c to 250c range. Finansbank, I believe, is non-committal at this stage.

Despite the fact that minorities own only about 30 per cent of PF, there is a chance that they could throw an inconvenient spanner in the works, especially if they insist successfully that PF directors and staff, who own roughly 50 per cent of total minority holdings, be debarred from voting.

CAPITOL.

SEP. 77.

OCT. 77.

RDM 7/9/77

R30 000 bail in currency exchange case

(21)

Staff Reporter

BAIL of R30 000 was yesterday granted to Mr Delfim Pinto Baptista, 41, who is alleged to have supplied R950 000, which was taken from South Africa by means of false documents.

Mr Baptista was not asked to plead when he appeared in the Johannesburg Magistrate's Court.

He was booked on a plane for Portugal when he was apprehended by Jan Smuts Airport officials on August 5. He had declared to customs officials that he had a bank draft for the equivalent of R185 000 in sterling.

He told the court that a friend, Mr George Diaz, had asked him to collect the draft from the Bank of Lisbon and take it to Portugal.

Mr Baptista said he was the commercial director of Worldwide Enterprises, an import-export business, which he operated from a flat in Quartz Street, Hillbrow, Johannesburg.

Counsel defending him on the charge of contravening the Exchange Control Regulations, Mr B K Luen, said Mr Baptista had been an innocent party to the importing of more than R1-million from Mozambique, via South Africa, to Portugal.

This money had belonged to Mr Diaz, Mr Luen said.

The State opposed the bail application. In evidence the investigating officer, Lieut M Bosman, claimed Mr Baptista had supplied the money in the draft from different banking accounts.

He said Mr Baptista had current accounts at five banks, saving accounts at others, and a business account at the Bank of Lisbon. He alleged that Mr Baptista had falsified forms to enable him to pay money into Mr Diaz's account.

He also alleged that Mr Baptista had supplied R950 000 of more than R1-million which had left South Africa in this way.

The magistrate, Mr L van Schalkwyk, granted bail, saying Mr Baptista had not tried to escape between August 5 and 7 during which he had been free.

Bail conditions are that his passport remain with ... and that he report ... Hillbrow ...

Standard Bank Review sees . . .

More signs of economic uplift

(21)

Bus. Mercury 7/9/77

JOHANNESBURG — Many recent statistics and economic views point to an improvement over a broadening front in the most severe post-war recession South Africa has been passing through durng the past three years, according to the latest Standard Bank Economic Review.

There are positive elements of a bottoming out and an improvement in consumer confidence and the business mood. But the evidence is as yet not sufficiently strong to firmly conclude the GDP is set for a resumption of strong positive growth.

The exceptional performance of agriculture and mining has been spilling over into the production and retail sectors.

There are, however, notable exclusions, principally the building and property sectors and the civil engineering and investment goods industries.

Govt spending

This improvement has been achieved without any assistance from the Government, whose spending is still running well below the anticipated rate.

The impetus provided by the agriculture and mining has been enhanced by the business sector's success in reducing the inventory overhang and a substantial improvement in overall domestic liquidity.

There have been few recent increases in personal earnings and unemployment continues to rise. Yet there are positive gains in retail sales, principally in foodstuffs and furniture, in department stores and shops selling clothing and shoes.

Passenger car sales appear to have more or less bottomed but it will be difficult for the motor industry to achieve even 170 000 sales for the year.

Some of the improved performance of final sales also spilled over into the wholesale sector, but because of the built-in lag, the stronger demand in final sales has so far had a relatively limited impact on overall manufacturing.

Output falling

In June overall manufacturing and production was still declining at an annual rate of three percent but this rate is substantially lower than in August last year, when it was some 8 percent annually.

But unqualified optimism is not justified. With the exception of the U.S. the economic recovery in the industrial world has been hesitant and growth slack.

Commodity prices are low because of weak industrial demand for metals, mineral and fibres, and record grain harvests in the case of food crops, with few prospects for change in the near future.

The gold price is unlikely to move substantially upward under conditions of uninspiring world growth.

Political factors in South Africa are not conducive to strong growth, since they may negatively affect both the country's capital and current accounts. — (Sapa.)

JCI's earnings, divs static

Bus. N. Mercury 8/9/77

21

JOHANNESBURG — Johannesburg Consolidated Investment Company's profit attributable to equity shareholders for the year ended June 30 amounted to R26 196 000 compared to R26 206 000 in the previous financial year, the company announced here yesterday.

Earnings per share remained static at 369c and the interim dividend per share was unchanged at 40c. The final dividend per share was also unchanged at 130c to make an unchanged total of 170c for the year.

Income increased substantially from R36 982 000 to R60 696 000 but taxed profit was up only slightly less than R1 million, up from R30 934 000 to R31 792 000.

Johnnie's direct interest in Consolidated Metallurgical Industries and Otjihase Mining Company has been reduced to 50 and 49 percent respectively. They ceased to be subsidiaries and have not been included in the year-end consolidation.

This has resulted in a reduction in the figures for mining assets, fixed assets and long-term loans in the consolidated balance sheet.

Consolidated Metallurgical Industries' ferrochrome plant at Lydenburg started production only on May 1 and continues to build up. The first shipment in terms of a long-term contract is expected to be made later this month.

The total loss for the first full year of Otjihase Mining amounted to R9.7 million.

Charge of R6m

The charge of R6.2 million made in the income statement was Johnnies' full share of this loss for the period July 1, 1976 to June 13.

In addition, it was deemed prudent to make an extraordinary provision of R12 million against this investment at this time.

The company's affairs are a cause of great concern. The future of this mine with a possibility of a suspension of operations is now being examined.

The increase in trading profits from R22 million to R28 million emanates mainly from the Tavistock Colliery interests. — (Sapa.)

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cisely why the ANC
suggested them-
prestige and ap-
inherited directly
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nearly universal African resistance
the reputation as the main voice
nion. As the home of the rising
ome of the most capable African
ecentralization and disorganization
an insupportable, monolithic, mass
e balance of a racially exclusive
on-racial society gave both cohesiveness
y. Lastly, the ideological resistance
itutional tactics helped it retain
void government repression.

tes

1. Feit, n in South Africa, pp. 12-39.
2. Sithol alism, pp. 86-94.
3. Carter, Politics of Inequality, p. 359.
4. Karis and Carter, Protest, pp. 77-78.
5. But see Kuper in OHSA, vol.II, pp. 439-440.
6. Karis and Carter, Protest, pp. 62-63.
7. Ibid., p. 66; Wilson and Thompson, OHSA, vol. II, pp. 439-440.

7.5 Karis and Carter, Protest, p. 66; Walshe, African Nationalism, p. 224.

8. Karis and Carter, Protest, p. 152.

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Business Mercury

9/9/77

S.A.'s gold, foreign assets decline

PRETORIA — South Africa's total gold and foreign assets dropped by R43,4-million last month and stood at R711,7-million on August 31, according to the monthly statement by the Reserve Bank.

A spokesman for the bank said yesterday the drop was mainly due to the continued repayment of foreign credits.

From July 31 to August 31, the bank's gold holding declined slightly by R103 974 to R286 478 923.

Foreign bills dropped from R95,4-million to R59,8-million while foreign investments remained practically unchanged at R20,5-million and other foreign assets also dropped from R352,5-million to R344,8-million.

Government deposits increased from R312,4-million to R455,0-million and deposits by Provincial Administrations from R62,6-million to R88,4-million.

Notes in circulation dropped from R1 192,0-million to R1 162,3-million.

The ratio of gold reserve to liabilities to the public less foreign assets stood at 20,2 percent on August 31, compared to 20,8 percent on July 31. — (Sapa.)

letters are required by him in order to issue you with a Study permit, while overseas students must contact their nearest South African Embassy in order to make application for a Study Permit.

FR. 77.84

2/...

........./page 2

(21)

Women's Lib now a matter of policy

Sunday Times (Business Times) 11/9/77

Business Times Reporter

WOMEN'S Lib has entered the insurance field.

Old Mutual are marketing an insurance plan called "Her own Policy". It is designed for women in all occupations — including that of housewife.

The status of the humble housewife is thus raised to a profession, with a money value attaching to it.

The policy is based on Old Mutual's basic "with-profit endowment contract".

It offers women up to the age of 60 years a disability benefit. Disablement arising through pregnancy is accepted as a valid claim.

The policy gives a woman the right to take out additional assurance every three years up to the age of 40 to a maximum of R75 000.

A bride may transfer her option to her husband regardless of health, within three months of marriage, provided he is under 40.

The policy is being marketed at a minimum inclusive premium of R20 a month or R200 a year, with pay-out between 55 and 65.

It is available to women up to the age of 50 and the minimum term is 10 years.

Nous espérons [...] nos visiteurs venus d'Europe
MM. Marc Fumaroli [...] esseurs à la Sorbonne,
M. Christian Ange[...] le Louvain, M. Robert Niklaus,
de l'Université d'[...] pécialiste suisse.

Nous vous fer[...] enir la liste des titres de
communications pro[...] nvités, de façon à ce que vous
puissiez décider, [...] de cause, du sujet de vos propres
exposés.

5. F.I.P.F.

Vous trouverez [...] la réponse finale de la Présidence
de la Fédération In[...] esseurs de Français à notre demande
d'affiliation à leu[...]

Nous ne pouvon[...] nouveau - comme Mme Wynchank l'avait
fait dans sa circul[...] 1977 - de vous affilier à titre
personnel à cette F[...]

Ayant reçu ent[...] e du Bulletin no. 12-13 de la
F.I.P.F. consacré a[...] gnement du français (langue maternelle,
langue seconde et l[...] x Différentes approches méthodologiques
pour la lecture des[...] sans nul doute d'un grand intérêt
pédagogique pour l'[...] s - j'ai le plaisir de vous faire
savoir que je tiens[...] votre disposition et la ferai parvenir
à ceux qui en ferai[...]

Je vous prie de croi[...] expression de mes sentiments toujours
dévoués.

Pierre Petit
Secrétaire

PP:gh

Ad agency predicts R23-million billings for '77

Sunday Times (Business Times) 11/9/77

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ADVERTISING house J. Walter Thompson is projecting billings of R23-million this year, a 13 per cent annual increase at a time when total advertising expenditure has risen only 5 per cent.

"Our billings in the first seven months of the year totalled R10,5-million, with the heavier spending period prior to Christmas still tocome," says joint managing director Rob Irving.

In the four years up to 1976, JWT's billings rose 121 per cent, compared with an estimated industry growth of 67 per cent, he said.

Another agency doing well in the current depressed environment is Marchant Young, product of a recent merger between Young Advertising and Graham Barfield & Marchant.

Extra business from existing clients has pushed billings up R500 000 to R4-million, says managing director John Marchant.

Rob Irving ... "Heavy spending still to come."

Maurice Nadeau - Le roman français depuis la guerre, Collection Idées, ..., 1970

Jean-Bertrand Barrère - La cure d'amaigrissement du roman, Albin Michel, 1964

Pierre Astier - La crise du roman français et le nouveau réalisme, 1968

Le Nouveau Roman, numéro spécial d'Esprit, juillet-août 1958

Midnight Novelists, numéro spécial de Yale French Studies, été 1959

Annie Arnaudiès - Le Nouveau Roman, Tome 1: Les matériaux; Tome 2: Les formes; Collection Thèma anthologie, Hatier, 1974

B. **Ecrits théoriques:**

Nathalie Sarraute - L'ère du soupçon, Collection Idées, NRF, 1956

Alain Robbe-Grillet - Pour un nouveau roman, Collection Idées, NRF, 1963 Editions de Minuit

Michel Butor - Essais sur le roman, Collection Idées, 1969, NRF

Michel Butor - Répertoire I, II, III, Editions de Minuit (1960, 64, 68)

Jean Ricardou - Problèmes du Nouveau Roman, Le Seuil, 1967

Jean Ricardou - Pour une théorie du Nouveau Roman, Le Seuil, 1971

C. **Etudes sur les nouveaux romanciers**

René Micha - Nathalie Sarraute, Classiques du XXème siècle, 1966

Jean Miesch - Robbe-Grillet, Classiques du XXème siècle, 1965

Henri Micciollo - La Jalousie d'Alain Robbe-Grillet, Collection Lire aujourd'hui, Hachette, 1972

Jean-Pierre Vidal - La Jalousie de Robbe-Grillet, Collection Poche critique, Hachette, 1973

Bruce Morrissette - Les romans de Robbe-Grillet, Editions de Minuit, 1963

Jean Alter - La vision du monde d'Alain Robbe-Grillet, Structures et significations, Droz, 1966

René-Marill Albérès - Butor, Classiques du XXème siècle, 1964

Patrice Quéréel - La Modification de Butor, Collection Poche critique, Hachette, 1973

Bernard Lalande - La Modification, Butor, Collection Profil d'une oeuvre, Hatier, 1972

Jean Roudaut - Michel Butor ou le livre futur, essai, Collection Le Chemin, NRF, 1964

... thought ... al ... 9th ... in- ... wards ... il, 1973 ... ards ... eid-

forced by a whites-only cafe operating ...
building in Umtata.[20] It is notable that he entered the Bunga
only after the whites had left it in the 50's.[21] Matanzima
considered (rightly) separate development to be the first positive
devolution of power from the whites to the Africans. However
qualified it may have been, it still offered more power and op-
portunity ... than did continued futile
efforts to become involved in a multiracial South Africa.
Given the resistance of South Africa's whites, Matanzima views
... at all. Agree-
...
educated Africans to join with the Transkei government. So
successful has Matanzima been in this respect that he has iden-
tified the multiracialism of the Opposition Democratic Party as
reactionary subservience to continued white domination.[22]
At the same time, he is a traditionalist and believes
... of chieftainship, though he has made
some efforts to modernize and democratize the institution.[23]
This, taken in conjunction with his desire to achieve Xhosa
hegemony helps explain his puzzling move towards independence.
It is notable that the real issues with which Matanzima had
... of sovereignty, African domination, and land claims.*
The settlement of the first two accorded roughly with Pretoria's
..., although Matanzima's recent willingness to accept
Transkei citizenship, a reversal of his earlier stand, created
... The land issue was to delay independence for ...
... and eventually precipitated a split within the TNIP over the ...

*The citizenship of urban Africans also seemed to be a precondition
(Matanzima rejecting them) but this was used to project the
autonomy image and was clearly subordinate to the land issue.[24,5]

FR. 77.98

SUNDAY TIMES, Business Times, September 11, 1977.

Are societies' returns too low?

(21)

MILLIONS of rands worth of potential mortgage finance are lost to would-be homebuyers each year through the low returns building societies earn on the vast sums they invest in Government securities and other liquid assets.

And the position is likely to worsen this year, following the demand in the last budget that the societies should divert another R120-million into prescribed investments.

> There is a school of thought which believes that South African building societies are not performing as well as they should. Free-lance investment analyst Michael Coulson takes a deep look at the issue.

The problem arises not so much from the fact that the societies hold such large investments of this nature, but in the returns they earn on them, which are surprisingly poor for institutions whose financial expertise is theoretically their main stock-in-trade.

Building societies, like banks or other organisations that borrow money which they may have to repay in unpredictable amounts at short notice, would indeed be guilty of great financial imprudence if they did not keep sufficient liquid assets to meet any likely calls on them for repayment of deposits.

Calls on accounts

To some extent, of course, it can be calculated when demands for repayments are likely to be made. Experience can show what proportion of maturing fixed-period shares or subscription shares will ... from society to society, and is not something that outside analysts can calculate. The longer the average life of liabilities to the public, the smaller the immediate cash resources a financial institution needs to have available.

In practice, however, the building societies are likely to have a fairly similar mix, and thus a similar prudent level of liquidity. Over many years the societies have held about 7 per cent, on average, of their assets in liquid form, with generally only minor variations from society to society or year to year. And there is no reason to doubt that, to this extent at least, experience has led to a justifiable assessment that this is more or less the optimum level.

Although 7 per cent may not sound much, official figures disclose that in March this year, together with holdings of other prescribed assets, it amounted to more than R700-million. Following the latest budgetary requirements, this will rise to not far short of R850-million by ... of results. In 1976-77, for instance, when there was no statutory requirement for the societies to hold long-dated Government stock, they continued to do so. This incurred major capital losses in the process, apparently preferring to carry these book losses in their balance sheets rather than realise them and see them reflected in their revenue and expenditure accounts, even though such a course of action would have reduced the effective size of the losses.

Massive shortfall

The six largest societies, which collectively represent well over 90 per cent of the movement in terms of funds, held investments with a book value of R680-million at the end of March. Market value of these was some R39-million; a shortfall of 23 per cent. The No 2 society, the SA Permanent, showed a 14 per cent shortfall on a book value of R54-million; Allied, the 3rd biggest, a 16 per cent shortfall on a book value of R44-million.

The societies' performance is equally poor when related to the true rate of return they achieved, although the results of the big three rank in a different order. But none of them managed to reach an effective 8 per cent overall. Only the UBS (just) managed to equal the standard set by the discount house daily call rate.

Paradoxically, this was partly because the UBS held a higher proportion of its assets in relatively long-term investments than the other two. So that alhough it ran the risk of larger capital losses, it was also able to sweeten its return by investing more of the total in high-yielding securities.

What sort of yardstick should be applied as a measure of what the building societies should earn on their investments?

This is a matter of opinion, but it is not unreasonable to suggest that on the amount that it is necessary to keep in liquid form (which, as we have seen, historically tends to be about 7 per cent of capital and deposits) they should earn at least the dis... fixed sometimes several per cent below the present mortgage rate.

On this basis the shortfall would be some R5,5-million for the UBS alone.

But this is hardly fair to the societies. For them, as for any financial institution, there is a cost in holding money liquid to meet possible day-to-day requirements. On the other hand, it does reflect the costs the societies incur when, for whatever reason, they do not invest the maximum possible proportion of their funds in the mortgage business which is their raison d'etre.

The societies would probably also argue that they hold long-term securities to redemption, so the extent of their notional capital losses while they hold them does not in practice matter.

Burden passed on

This is an argument often adopted by institutions in such a position, but is contrary to modern investment theory, which holds that the object of investment is to maximise total return over any given period. As long as the proper tax adjustments are made, it is immaterial what part of this return comes in what is normally regarded as income, and the same or some other form.

Calls on savings accounts can fluctuate more widely, but should also conform to a pattern over time.

Even so, it is difficult to determine the correct level of liquidity for a society. This depends on the mix of liabilities, which will vary

This is a staggering sum, and one is entitled to ask how efficiently it is being invested. Admittedly, there are legal restrictions on how it may be invested, but there is still a good deal of scope for managerial choice.

And results do not always suggest that these choices are made with the happiest

of the shortfall was attributable to non-liquid holdings, which were only a small part of the total.

The United, largest of all the societies, held public sector securities with a nominal book value of R81-million. Only in the notes to the accounts was it disclosed that market value was R62-

balance they should at least be able to earn the 12-month deposit rate.

Shortfall of millions

During the year to March, the 12-month rate was 9,5 per cent; the call rate, on a compounted basis, was equivalent to about 7,7 per cent. The table shows the actual returns of the big three societies for the year, against this yardstick.

The UBS again shows up relatively best, but even the shortfall of 0,8 per cent on assets of this size is equivalent to R2-million a year. Whether you regard this as effectively putting 0,1 per cent on to the mortgage rates, or as an indication of mortgages that could not be granted, this is a not insignificant amount.

At SA Perm the shortfall was R1,7-million, and at Allied R2,1-million: a total for the big three of R5,8-million.

The loss would be even more marked if the return is compared with what the societies earn on their mortgage advances, a figure that varies between 10,8 per cent for the UBS and 11,0 per cent for the SA Perm, the differences being due to the different composition of the loan portfolios, including the extent to which societies may have outstanding long-term loans at interest rates

tion.

It follows from this that any capital loss during a period reduces the overall net return for that period.

Having made these qualifications, the conclusions are clear.

Firstly, that if the societies earn the same sort of return on the prescribed investment requirements imposed on them by Senator Horwood, they will lose appreciable income which, in the long run is not a burden on them, but is passed on to homebuyers throughout the country. It is this already hard-hit category, not the institutions through which their borrowing is channelled, who ultimately bear the burden of Senator Horwood's fiscal requirements.

Secondly, even given the constraints under which they operate, the societies earn a rate of return on non-mortgage investments considerably less than should be expected from organisations whose main asset is supposed to be financial knowhow.

It is a pity that more of the undoubted skill and professionalism that has been devoted to building them up into the giants they are today, with their indispensible role in the economy, has not been applied to managing this important sector of the funds they administer.

HOW THEY RATE . . .

	UBS	SA Perm	Allied
Average investment (R'000)	245 818	146 930	126 848
Gross returns (R'000)+	19 077	10 475	8 486
Rate of return (%)	7,76	7,13	6,69
Desired rate (%)	8,56	8,31	8,43
Shortfall (%)	0,80	1,18	1,63

* Market value, net of tax.
+ Including change in market value deficit, net of tax.

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ana, Eragrostis gummiflua,
Aristida congesta.
iese suggests that past
dra or Heteropogon
species. The photos
(plots 57, 55 and 71).
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only been heavily grazed

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makes it possible to
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dra - Heteropogon
ted by plots 217 and 100
genteus - Eragrostis
utilised allowing
rs naturally where the
higher successional status.

Trust will need careful handling

By MICHAEL COULSON

	Barclays	Standard	Nedbank	Volkskas*	Trust
Branches	900	910	150	575	65
Deposits (Rm)	4 170	2 262	1 048	1 920	974
Advances (Rm)	2 822	1 416	566	916	569
Net profit (Rm)	27,6	14,4	17,6	15,2	7,0
Value of properties (Rm)	77	78	56	77	64

Figures may not be entirely comparable as year-ends and accounting practices differ.
*** From consolidated accounts.**

CAN Trust Bank survive? This may seem a strange question at a time when Sanlam has committed itself to a R25-million investment, on which it is prepared to earn no return for some years, specifically to ensure that the answer to that question is, yes.

But to avoid financial collapse is not quite the same thing as survival, and it's a fair bet that in, say, three years' time Trust Bank will bear little resemblance to what it is today.

It is even possible that, like Western Bank, it will have to give up its attempt to become a force in commercial, as distinct from general and HP, banking.

For even now it seems that the extent of the Trust Bank disaster is not fully understood.

While it was originally an understandable and legitimate object not to create the atmosphere of public suspicion that could have created a run on the bank, with fatal consequences for Trust itself and severe harm, for SA banking as a whole, one basic statistic has never been given the appreciation it merits.

That R25-million provision is almost exactly equal to Trust Bank's disclosed group profits for the whole of the past four years.

Now it does not follow that Trust Bank in reality made no profits during the past four years. For one thing, like most banks, its disclosed profits are less than its actual profits. For another, some of the provisions now thought necessary undoubtedly relate to transactions whose roots go back beyond the past four years — in the case of the old Leon Pascall Organisation, now known as Lengro, for up to 10 years.

And without casting aspersions on Bankorp's good faith as to the size of the provisons it now considers necessary, it is a cardinal principle of this type of rescue operation that you take the worst possible reasonable view at the start, to ensure that any future surprises are not unpleasant ones.

But even allowing for these considerations, it is clear that Trust Bank's profitability has been tenuous. As the accompanying table shows, even on disclosed figures Trust worked on much narrower margins than other leading banks.

The bank closest to Trust's size, in terms of assets, is Nedbank: whose disclosed profits are three and a half times Trust's.

The table also highlights two of Trust Bank's other main problems.

The first is that in spite of the expansionary policy it does not have the branch network necessary to become a major force in commercial banking. Nedbank consciously went in for the upper end of the retail market, for corporate and large private accounts, and its success in implementing this explains why it sustains a highly profitable business on a branch network much smaller than those of the Big Three.

Trust Bank's retail business, as far as an outsider can gauge, is predominantly at the lower end of the market.

To gain from this market the large volume of interest-free, highly profitable credit balances on chequing accounts you need the sort of branch saturation of the Big Three — Barclays, Standard and Volkskas.

Trust never managed this, and accordingly rested in an area of the market of doubtful viability: bigger than the minnows like French Bank or Bank of Athens, with their highly specialised business, yet not big enough to compete with the giants.

The other problem area, of course, was the direct involvement in property development.

It is bitterly amusing to reflect that the figures in the last line of the table were published as recently as last December by Trust Bank itself, in an attempt to convince sceptics that — to quote — "it does not seem that the Trust Bank's property investment is unduly disproportionate."

Add to this R64-million the R41-million exposure on loans theoretically secured by property, and there's a total involvement in property of well over R100-million.

On Trust Bank's own figures, this is more than for any other banking group except Standard, whose total exposure (including Standard Merchant) Trust calculated at R132-million, and Barclays (including Western) at R109-million.

In view of the differences in scale of other yardsticks, the risks this exposed Trust to at a time when the property industry was in deep recession were clearly excessive.

So what does Trust Bank have:

- An immature commercial banking operation of a probably unviable size;
- A record of highly questionable judgment of creditworthiness, in view of the major provisions now thought necessary;
- And an excessive direct and indirect exposure to the troubled property sector.

It is reservations on whether these problems can be solved while preserving Trust more or less in its present form that led me to pose the question at the head of this article.

For the difficulties in overcoming them are immense: The Barclays Wesbank merger was simple in comparison: not least because Wesbank's redundant activities, especially commercial banking, could easily be absorbed into big brother Barclays.

Trust, on the other hand, is bigger than Bankorp, by almost any measure. This is not a whale swallowing a minnow, and however efficient Bankorp's executives may be, it's difficult to see how they have the physical resources to conduct the wholesale revamping of the Trust operation that's needed. Especially as they have no direct, internal opportunities for rationalising the commercial banking side.

The nominal changes at the head of Trust Bank reflect this. For chairman Jan Marais and MD Anker Burger have, significantly, been replaced by Prof Fred du Plessis, a man of no commercial banking experience, as executive chairman, and Sanlam's Willem Pretorius — who will remain based in Cape Town — as deputy chairman.

Trust Bank, in other words, now has no managing director.

One of Bankorp's most urgent priorities must be to find the right man for this crucial spot as du Plessis' right-hand man. But where do you find someone with the necessary banking experience, acceptable to the Sanlam/Federale establishment, willing to leave whatever rewarding job he may have now to take on this giant task?

That's a question every corporate headhunter worth his salt in SA ought now to be trying to answer. My bet would be someone like Johan Moolman, former MD of Boland Bank but now safely ensconced in a top job at Federale's head office.

1977
Jos Gerson

The Natal Me

(21)

JSE turnover rises R23m

Financial Editor 3/9/77

TURNOVER on the Johannesburg Stock Exchange totalled R72,6 million during August compared with R49,5 million in the same month last year.

There has also been a sharp rise in the value of gilts traded in the market. In August this year they totalled R12,67 million compared with R2,1 million in August, 1976.

This month turnover is averaging about R15 million a week. An encouraging trend in view of the political pressures that are being exerted on South Africa and the grim warnings from senior members of the Government and Defence Force that South Africans must prepare for tough times ahead.

The market has shrugged off this bad news. Yesterday shares became firmer right across the board and dealers noted local and overseas interest.

Better tone

The reasons given by brokers for this better tone in the market were:

- The bullion price has been firmer. Yesterday it was fixed at 148 dollars in London and there are forecasts that it will rise to 160 dollars;
- Institutions have been taking up their full allocations of gilts and semi-gilt stocks as the general view was that long-term rates would fall. This has indeed happened — Escom has reduced its rate from 12,4 percent to 12 percent;
- Investors have been sitting with large cash balances and they have now decided to move into the market to take advantage of the bargains that are available.

EC.77.60

Long-term interest rates falling fast

Mercury Correspondent 15/9/77 21

JOHANNESBURG — The speed at which long-term interest rates are tumbling has caught at least some borrowers with their coupons at the top. The Worcester Town Council issue which opened this week attracted substantially more than the R3-million on offer.

But with the rate pitched at 12,64 percent for the 21-year loan, this was not surprising.

A secondary loan over 12 years at a coupon of 12,43 percent had been planned but as the response to the longer-term issue was so good, preference to the 21year issue has been given.

Money market sources were amazed at the generosity of the interest rate on this loan and while conceding that it should carry a coupon between 0,3 percent and 0,35 percent higher than listed and hence negotiate stock, they felt that it could have been as successful at a rate of about 12,5 percent.

But, like the recent Johannesburg loan, which was six times over-subscribed and offered a rate of 12,5 percent over 20 years, the terms were negotiated before the pattern began to move downwards.

Confirming this easing of rates, Escom, in the past week, has lowered its rate pattern of long-term stock by 0,2 percent to 12 percent while the Public Department Commissioner has turned off the tap issue supply which was ruling at 11 percent.

Giving credence to the downward trend are the details of the R15-million Cape Town loan, which is due to open on September 22. The loan will be split into three parts, two of which will be over a 21-year term and the third over 12 years.

The first loan, over 21 years, will carry a coupon of 11,5 percent. The second, over the same period and issued at par, will carry a rate of 12,16 percent.

All in, after brokerage and commission, they carry a rate of 12,2 percent.

The third portion, over 12 years, carries a rate of 11,97 percent and an all-in yield of 12,02 percent.

The long-term issues accordingly carry a coupon of 0,3 percent below the recent Johannesburg offer.

5. Rempl... ...ive:

Il es...

______

Il p...

______

Son père dit qu'elle de...

______

Il faut que vous vous c...

______ (12)

6. Mettez les verbes entre... ...es:

(a) Après que Robert (... ...endant plusieurs semaines... comment il (se tir... ______ ...sauter) ______ ...il, qu'il ne s'en (sort... ...conseils paternels.

(b) Le français ainsi c... ______ du latin.

Jean et moi (venir)...

Ce sera dommage qu'... ...u concert.

Il (venir) ______ mercredi dernier s'il avait pu. (10)

7. Donnez des locutions équivalentes aux mots soulignés (ne recopiez pas les phrases):

Monsieur Martin n'avait rien dit depuis le départ.

______

Il leur fallait attendre l'un derrière l'autre au guichet.

______

J'ai de la difficulté à comprendre ce qu'il dit.

______

Après avoir causé un instant avec le gardien, il s'en alla.

______ (8)

(21) Sndy Times (Business Times) 18/9/77

How much lower can Trust sink?

By MICHAEL COULSON

AS THE Trust Bank saga continues to unfold, there comes to be less and less for the comfort of outside shareholders.

This week's announcement that profits plunged by 80 per cent in the six months to June 30 is not in itself earth-shattering. After all, I pointed out last week that, were account taken of the R25-million provisions now regarded as desirable by Bank Holding Corp, Trust Bank's new controlling shareholder, Trust Bank's profitability over the past four years would have been tenuous.

The real killer is that the latest profit "is calculated on a basis which is consistent with the accounting policies adopted by Trust Bank in the past. Had the accounting policies set by Bankorp for its other subsidiaries been adopted, the interim profit would have been considerably lower."

One may well ask, how much lower than an 80 per cent decline can profits go? On the face of it, the answer is that they could be negative, although this is implicitly refuted by the statement in the interim report that profits for the year should be enough to enable Trust Bank to strengthen its inner reserves "and thereby establish a sound basis for renewed growth."

Well, maybe. Seeing, it is said, is believing.

Were Bankorp proceeding with its announced bid for minority shares in Trust Bank, on a one Bankorp to six Trust basis, this would be a cogent reason for minorities to accept. But we are now told, also, that "in view of the fact that a number of Trust Bank shareholders, including some of the largest, have categorically advised that they will not support any scheme to give effect thereto, it has now been decided not to incur unnecessary expense by putting proposals before shareholders that have no possibility of being accepted."

It is interesting to learn that Trust Bank still has some substantial shareholders, other than Bankorp. But — irrespective of the merits of the bid, as such — their reluctance to accept is immaterial to the principle of whether, in the present circumstances, such a bid should in fact be made.

Compare this attitide with that of another large group, Liberty Life. It will be recalled that, earlier this year, Liberty acquired effective control of the closed-end investment trust., Fugit. At the time, there was subdued criticism of Liberty for not making a bid to all shareholders, although it was clear that there was only a moral, not a legal, obligation on Liberty to do so.

Liberty this week announced that it is to make a standby offer of 80c a share to outside shareholders in Fugit, which, it says, is equivalent to the highest price it paid for any of its existing stake in the company — and this in spite of the fact that, once again, certain large outside shareholders (market betting is that The Old Mutual, which owns about 11 per cent of Fugit, is prominent among them) are unlikely to accept.

In view of the commitments Bankorp is undertaking in the Trust Bank rescue, one can only sympathise with its desire to avoid unnecessary expense. But there is nothing to stop it making a similar standby offer through a nominated Stock Exchange broking firm, a technique which has been used more than once in the past and incurs virtually no expense other than that involved in taking up whatever shares are offered.

Senbank (the leading merchant bank which is Bankorp's other main subsidiary) can hardly be unaware of this possibility.

Following the belated discovery of that R25-million underprovision, and the acceptance by the original vendors of control of Trust Bank to Bankorp of a 50 per cent cut in their price, it can hardly be claimed that Senbank has come out of the Trust Bank imbroglio covered in glory.

I hope that the interim statement will be thoroughly digested by the makers of the numerous anonymous and/or unspecific complaints received by Business Times after my article on Trust Bank last week. For while — as I stressed — Trust Bank is solvent in a balance sheet sense, at a time when most other banks (Barclays, National, Standard and Volkskas, to name three) are reporting improved earnings and prospects, it takes some sort of perverse genius for a bank with reported shareholders' equity of R62,8-million (all right, knock off R25-million and call it only R37,8-million) to earn a mere R658 000 in a six-month period.

Sunday Times
(Business Times)
18/9/77

Insurance, courtesy of the GPO

MAIL ORDER insurance against sickness and accidents is being offered by the Johannesburg insurance brokers, Staff & Marketing Services.

The new scheme has been created to ensure continuity of income for professionals, one-man business operators and corporate executives, says managing director Tim Beckett.

The policy only begins paying out, in the case of illness, after a 90-day period of absence from work — in effect carrying on from where many firms leave off.

This, he claims, makes it possible to offer the policy at low premiums, ranging from R5 to R25 a month.

'Have you been to t[...] ne young girl, pointing with her parasol to the far-glea[...] de Chillon.

'Yes, formerly, mor[...] bourne. 'You too, I suppose, have seen it?'

'No; we haven't bee[...] ere dreadfully. Of course I mean to go there, I woul[...] hout having seen that old castle.'

'It's a very prett[...] rne, 'and very easy to make. You can drive, you know,[...] e steamer.'

'You can go in the [...]

'Yes; you can go i[...] nented.

'Our courier says t[...] castle,' the young girl continued. 'We were go[...] gave out. She suffers dreadfully from dyspepsia. S[...] ndolph wouldn't go either; he says he doesn't think m[...] uess we'll go this week, if we can get Randolph.'

'Your brother is not interested in ancient monuments?' Winterbourne inquired, smiling.

'He says he don't care much about old castles. He's only nine. He wants to stay at the hotel. Mother's afraid to leave him alone, and the courier won't stay with him; so we haven't been to many places. But it will be too bad if we don't go up there.' And Miss Miller pointed again at the Château de Chillon.

FR. 77.77

Anglo pushes up earnings on higher capital

(21)

RDM 23/9/77.

By DON ROBERTSON
Mining Editor

ANGLO American, which has been pushed to a 27-month high on the Johannesburg Stock Exchange this week, reports a 6% increase in earnings for the six months to June.

Pre-taxed profits for the half-year were more than doubled at R92 071 000 compared with R44 214 000 in the first half of 1976.

However, the 1977 half-year includes the consolidation of Rand Selection and therefore makes any comparison with previous figures meaningless.

Anglo has extended its current financial year by three months and it will end in March.

For shareholders, the important fact is that earnings are marginally higher in the last six-month period on an issued share capital which has increased to 222 905 032 shares compared with 131 672 300 shares at the end of the 1976 half year.

On the dividend side, the position becomes more complicated. In terms of the Rand Selection offer, a special dividend of 8,25c was paid to Anglo shareholders registered on May 6 this year. Since then, no further dividend has been declared.

However, it is announced that a "second" interim payment will be made in November this year and a final dividend paid in respect of the financial year by March next year.

The Rand Selection offer document said that the November payment would be at least 12c and that the final would be at least 21c to make a total of 33c, which is unchanged from the previous 12 months.

The total payout for the extended financial year on an annualised basis offers the same return of 33c a share, which is already covered by the earnings for the first six months.

This offers the promise of a slightly higher second interim and final, which market sources believe could amount to 35c.

The effects of the Rand Selection merger on the Anglo profit and loss account nevertheless make interesting reading. Pre-taxed profits are up to R92 071 000 compared with R44 214 000 in the six months to June, 1976, and R93 865 000 for the previous financial year.

The effects of the deal come in at the tax stage with the Receiver's cut rising to R7 945 000 from R1 706 000. Minorities also rise to R14 947 000 from R1 282 000 to leave a net figure of R69 179 000 against R41 226 000.

It is on this figure, after a minimal deduction of R143 000 for preference dividends that the earnings are based.

However, Anglo has decided it necessary to write off a further R9-million on possible losses on the Tenke Fungurume copper project in Zaire. To date, Anglo and its associates, mainly Charter, have written off R53 800 000 on this project.

After this write-off, Anglo's investment in the project will stand in the books at R1 400 000, and the indication is that it will never be brought to production under the Anglo banner. Anglo and its associates' stake in the project was 28%.

Allowing for this provision, the company retains R43 394 000 in earnings in the half-year which, allows for the payment of the special 8,25c dividend. This retention will be sufficient to pay a maintained 33c dividend for the whole year, leaving the rest for accumulation to reserves.

On this point, it is mentioned in the interim report that earnings for the second six months will be lower than those now earned, although earnings in the first three months of 1978 will be proportionately higher.

Balancesheet figures are not considered at this stage so the effects of the merger will not be known until next year. However, the report says the market value of listed investments at June 30 was R1 579 000 000 compared with R931 600 000 a year ago.

SUNDAY TIMES. Business Times, September 25, 1977.

Getting to grips with gilts — S African style

21

A VAST sea of funds washes about in South Africa's market in Government and semi-Government stocks. It is bigger than the market in ordinary shares and can be expected to grow sharply in the years ahead. Freelance writer Michael Coulson takes a close look at the state of this important market.

BOTH the private and public sectors will have to make much more intensive efforts than in the past if South Africa is to develop a meaningful market in gilt-edged and semi-gilt-edged securities.

And recent tentative steps in this direction have not come to grips with the basic problems. We're still years away from a genuine open market system.

Dr Chris Stals, a deputy governor of the Reserve Bank, told a recent seminar on the gilt market that in the first eight months of this year the Bank sold Government stock to a total value of R90-million in the market, of which the commercial banks bought R53-million, discount houses R23-million, other banks R9-million, and non-banking institutions R5-million.

During the same period, the Bank bought Government stock worth R113-million, of which only R12-million was acquired from the market and the balance directly from new issues by the Treasury.

Capital market circles estimate that in addition to the stock released by the Reserve Bank, the Public Debt Commissioners have pushed out close to R200-million of Government securities. The PDC controls the investment funds of various public sector bodies, and also makes "tap" issues of Government stock, to ensure that the market always has a supply.

However, they point out, while this is welcome in itself, an open market operation in any real sense demands that the managing authorities be prepared to buy as well as sell. The PDC is not thought to have been a buyer this year.

The PDC is also understood virtually to have turned off the tap issue of Government stock about three weeks ago, pending the next new issue of Government loan stock.

However, it is by no means only the public sector that has to bear the blame for the lack of an effective secondary market (that is, the market in existing securities, as distinct from new issues) in gilts and semi-gilts.

It is widely accepted that the stockbroking fraternity underestimated the importance of the capital market.

activities, estimates that about 20 per cent of this is turned over annually — equivalent to about R2 000-million.

This figure may seem high in relation to the turnover recorded on the JSE, which is only 3 per cent of this, but even if you downgrade the figure it is clear that the bulk of the secondary market bypasses the JSE.

Why do we need an effective secondary gilt market? Why do institutions not just hold gilt-edged securities to redemption?

As far as the monetary authorities are concerned, as Dr Stals told the seminar, it is an extremely useful part of monetary policy, a mechanism for increasing or decreasing the money supply. But its primary function is to create an efficient capital market, and bring lenders and borrowers together. For those institutions who are compelled by law to hold large percentages of their assets in the form of gilts, an effective market is necessary if they are to maximise their returns — and thereby give proper value to the thousands of individual small investors whose savings they mobilise.

marketable Government debt) more effective, and Dr Stals also claimed that the Treasury has become more aware of the need to make new issues at interest rates "more or less in conformity with ruling market rates."

The fact that the Government, relying on the statutory requirements for institutions to make large investments in prescribed securities, has issued loans at what the market regards as inadequate rates of interest, is a burning point with the private sector.

Chris Freemantle, president of the JSE, told me he believed the acceptance by the authorities of genuinely market-related rates was vital. Roy McAlpine, the Liberty Life group's capital market specialist, went further: "I do not believe we can have meaningful open market operations until the gilt-edged rate becomes truly competitive."

There is also a responsibility on non-central Government borrowers — Escom, Rand Water Board, municipalities — to assist the flexibility of the market. Too often, they take the view that once they've got money through an issue, that's the end of it. In fact, an effective capital market requires that these borrowers too help develop a market in their securities.

And though they are much smaller than the central Government, they are not insignificant. At the end of March, their stock contributed R3 420-million of the total nominal value of R11 732-million of gilts and semi-gilts listed on the JSE, against R8 312-million in marketable central Government securities (market value, of course, was less, as stocks issued years ago at interest rates below present levels are traded at below their nominal value, and was only R9 847-million).

The JSE is also trying to improve its competitive position in the gilt market. For some time it has been testing a system called Giltcast, which aims to provide information on the availability of and demand for gilt stocks. At present 15 brokers are linked into the system, and can key inquiries into it.

Institutions so far have been sceptical of Giltcast, partly because it is only an inquiry service and cannot match demand and supply directly, partly because its facilities are so far only available to JSE members.

A further problem that the JSE will have to face is commission rates. While JSE firms already charge lower rates on gilts than on equities or debentures, and on the whole lower rates than are charged on gilts in London, the capital market still regards them as excessive. The JSE is believed to be studying this problem, but whether lower rates would attract sufficient additional gilt business to the JSE to make them worthwhile is a matter on which there is no agreement and the proof of this pudding can only be established by eating it.

CONT...

HOW GILTS AFFECT THE JSE

	Capitalisation		New capital raised		Value of market turnover	
	Equities	Gilts	Equities	Gilts	Equities	Gilts
1973	23 607	7 396	295	1 456	1 267	37
1974	30 326	7 879	233	1 154	1 587	68
1975	23 321	7 906	61	1 147	1 196	49
1976	19 078	9 425	309	2 437	719	38
1977	18 714	9 847	329	1 527	689	64

(All figures in Rm; JSE year ends on March 31).
* Most gilt trading is handled outside the market.

Swiss loan for Escom alleged

5/10/77 (21)

Mercury Correspondent

LONDON — London sources believe that Escom recently raised 40 million Swiss francs (R15 million) privately in Switzerland. The sources say that the rate is in the region of 7,25 percent and the duration of the loan is three years.

Swiss bankers in London were unable to confirm the loan but London bankers believe that the deal could have been done through smaller banks.

The deal was private and follows recent deutschemark borrowings by South African Railways and Iscor during July.

London bankers note that a rate of 7,25 percent in Swiss francs can hardly be described as cheap. Recently, the Australian Government raised money at 5,75 perment for seven years in Swiss francs.

Despite fears over the Australian economy, shaky reserves and fears over the Australian dollar, it can be seen that the rate is still much lower than in South Africa.

Bankers here say that corporate clients are borrowing money at six to 6,5 percent in Swiss francs, also for periods of six to seven years. So South African borrowers are paying higher rates on their loans and the repayment periods are much shorter.

Bankers here note that some private money brokers are trying to raise cash for South African corporate borrowers. They are wary of non-bankers and independent brokers who are knocking on their doors.

Business Mercury

Growth funds perform well

21

Mercury Correspondent 5/10/77

JOHANNESBURG — Some Mutual Funds are selling the last of their Government holdings because of lower interest rates and consequently are cash flush to take advantage of share market opportunities.

The Trust Bank Growth Fund reports that it sold the last of its Government stock (worth R451 263) in the September quarter and cash rose to R2 842 816 (R2 713 873) in the June quarter.

Trust unit price showed a marked improvement of 17,9 percent in the past quarter while total assets increased to R21 880 943 from R19 845 056.

Top 10 holdings were De Beers, Remgro, Sentrachem, Calan, Genmin, Barlows, Pep, Samanco, Scotts and S.A. Brews.

Guardian Bankers

Guardian Bankers' growth fund units have also performed well in the September quarter, the increase being 16,4 percent from the ex-dividend price at the end of June.

Guardbank showed a welcome net inflow of R39 000 after a net outflow of R51 000 in the June quarter.

The Sanlam Group mutual funds reflected mixed results. Sanlam Trust's net inflow narrowed substantially to R13 993 from the previous quarter's inflow of R553 056.

Top 10 holdings are Anglo, De Beers, Barlows, S.A. Brews, Sentrachem, Calan, Anamint, Pick 'n Pay, Pep and Sentrust.

National Growth Funds net outflow declined to R1 150 000 from R2 340 000.

Top 10 holdings were Barlows, Remgro, De Beers, Anamint, Anglo, Genmin, S.A. Brews, Fedmyn, Amgold and Sentrachem.

S.A. Trust Selections had a net inflow of R100 872 against an inflow of R347 073 in the June quarter. Value of ordinary shares rose to R15 420 000 from R12 940 000.

INVESTMENT FM 7/10/77 (21)

Pretoria, please push

Heavier capital spending by government may be required to get the long-awaited economic upswing underway. So argued Secretary for Statistics Tjaart du Plessis and Anglo American alternate director Michael O'Dowd at this week's NDMF Business Outlook conference.

"It is doubtful," asserted Du Plessis, "whether the economy will revive fast enough of its own accord. Some prodding from the government will be necessary."

The question is whether public outlays already planned will be sufficient to get the economy moving. Capital expenditure in the public sector is expected to increase in real terms by only 3% in 1977 and 5% in 1978.

Next year, capital spending by local authorities on housing is slated to jump by 12,6%, though real fixed investment by public corporations will inch up by only 4.8%. Expenditure projections for other public sector bodies show only marginal changes.

Is this enough to pull the economy out of the doldrums? Much depends on export performance. But this has weakened recently (*FM* August 26 and September 23). Du Plessis concludes: "If exports do not come up to expectation, then clearly it will be the task of government outlays to pull the economy out of the valley."

According to O'Dowd, recovery will get little help from the private sector: "Even if the recovery has begun, we will not see any significant increase in investment in new manufacturing capacity before the end of next year."

O'Dowd . . . not much help from the private sector

Moreover, "barring a significant recovery in the world economy . . . the rate of investment in non-gold mining is more likely to fall than to rise".

What about investment in gold mining? O'Dowd does "not expect an increase in the gold price on a sufficient scale to bring any important new projects which have not already been announced".

He does not mention the contribution of the farming sector. But current low prices for many of our major commodities — maize, sugar and wheat, for example — do not bode well for private investment in this sphere either.

Midland onseker

Van
GIELIE DE KOCK
LONDEN

DIE Britse drukgroep End Loans to Southern Africa (Eltsa) se volle aandag is nou op Barclays Bank gevestig nadat hy vandeesweek aanspraak gemaak het dat hy groot welslae met die Midland Bank behaal het om lenings aan die Suid-Afrikaanse regering te staak.

Eltsa beweer dat 'n bankkorsortium, waarin Midland Bank 'n belang van 20 persent het, amptelik besluit het om geen verdere geld aan Suid-Afrika te leen nie. Volgens Eltsa het die European American Banking Corporation die besluit reeds in Junie op sy jaarvergadering in New York geneem.

Maar in Brittanje was Midland vandeesweek baie versigtig om op die aanspraak te reageer. Midland sê hy het nog niks amptelik uit New York gehoor nie.

Al wat die bank bevestig het, is dat hy reeds 'n geruime tyd onder geweldige druk van die Wêreldraad van Kerke geplaas word om hom heeltemal te distansieer van Suid-Afrika.

SAKE-RAPPORT
9/10/77

21

Liberty's Gordon digs into shares and gilts

Sndy Tms (Busnes Tms) 9/10/77 (21)

By NIGEL BRUCE

THIS country's largest listed life insurer and one of its top property owners, the Guardian Liberty Life group, is continuing to invest heavily in South African securities and properties.

It is doing so despite the flight of foreign capital, declining private sector capital investment, and all the other economic and political problems the country is facing.

This, it believes, is a massive vote of confidence in the future potential of the economy and is an attitude which, when adopted twice before by large life insurers, has proved one of the decisive determinants in the subsequent business recoveries.

The significance of this is also that the group's founder, chief executive and guiding spirit, Donald Gordon, has not yet been proved wrong in his far-sighted exploitation of investment opportunities over the past 20 years.

An example of the group's investment acumen is its controlled mutual fund, Guardbank, the value of which has grown by 16,03 per cent between January 1970 and September this year whereas the average value of all mutual funds declined by 28 per cent over that period. In fact, Guardbank's nearest rival's value dropped by 16 per cent.

"We are putting our money where our mouth is," Mr Gordon told me this week in a rare Press interview during which he explained the group's reasoning behind its acquisition of Fugit, a blue chip investment trust.

Essentially, it reflected the group's view that the time was opportune to step up its equity holdings, hence it invested R27,2-million through the purchase of its 62,5 per cent controlling interest in Fugit, first through the acquisition earlier this year of 42 per cent of the trust and the balance through a recent stand-by offer to outside shareholders.

The total outlay for Fugit (an average of 70,1 cents a share) represents an approximate overall 27 per cent discount on Fugit's net asset value, or R10-million.

This discount, Mr Gordon explains, will not have a material effect on the net asset values of Guardian Holdings or Liberty Life as it will be primarily for the ultimate benefit of Liberty Life policy holders.

But as Fugit will be consolidated in the group's next financial statements, its balance sheet will show a major upsurge in equity investment as R60-million of equities in Fugit's portfolio will increase total group assets to about R700-million.

Nor do the group's equity investment plans end there. For Mr Gordon plans to develop Fugit as a "major vehicle for the holding of group equity investments" and to this end its listing will be continued.

Possibly, therefore, he plans to increase its authorised capital so that other portfolio additions could be acquired through equity swap arrangements.

Although in order for Liberty to obtain the full benefit of the discount locked into Fugit's balance sheet it would most likely have preferred to own the trust in toto, now that the standby offer is closed Mr Gordon is happy to have other shareholders aboard.

In fact, as they are predominantly Liberty's life assurance competitors (Mutual has 11 per cent, Southern 4 per cent, Legal and General 3 per cent and Sanlam 2 per cent), he has every reason to be flattered at the implied compliment to his investment skills.

Of course, one reason for the reluctance to sell could be the expense of replacing the shares in Fugit's portfolio in view of their discount on net asset value.

Liberty's expanding investments are by no means being limited to the equity market. The group has also poured R55-million this year into official fixed interest securities (of which R30-million went into medium and long-term Escom stocks) before the recent break in long-term interest rates.

This represents a vast position in gilts and semi-gilts — it is far in excess of the group's statutory holding requirements.

Indeed, current holdings will "look after" the group's statutory requirements, at the high rates previously prevailing, well into the second half of next year, Mr Gordon tells me.

Moreover, as he expects a further decline in long-term interest rates because of a faster than usual growth in institutional cash flows,

• To back page

Donald Gordon ... "putting our money where our mouth is."

Digging into shares, gilts

• From Page 1

swollen by the compounding effect of prolonged high interest rates, the group's fixed interest portfolio is likely still to grow, especially after the forthcoming Escom and gilt issues.

Market sources say this is the second decisive killing in fixed securites that Mr Gordon has pulled off. The first was when long-term interest rates moved sharply in the early 70s.

Nor, Mr Gordon tells me, is there likely to be a significant tailing off in the group's property investments, which have swallowed up R140-million — just over 20 per cent of total group assets or less if three large leaseback deals (which are amortised over the term of the lease) are categorised as financial rather than property deals.

A substantial proportion of its new property developments is let at economic rentals some of which have 5 to 6 per cent annual escalations and turnover clauses.

"In this inflationary era when central city properties can be bought at half their replacement value, sooner or later they must reach their full value," he reasons.

Sndy Tms (Busnes Tms) 9/10/77

(contd)

TRADE FINANCE (21) FM 14/10/77

Stay abroad for now

Overseas interest rates are creeping up closer to local rates. Is it expedient yet for company treasurers to switch their trade financing from foreign to SA sources?

Standard Bank remarks in its latest economic review that "the gap has begun to narrow noticeably and higher costs of financing trade abroad will almost certainly have a direct influence on domestic interest rate policies by effectively setting a lower limit to the decline in domestic short-term interest rates".

One foreign exchange fundi reckons that around R1bn of imports and exports are currently financed from abroad. So it's clear why the authorities are keen to discourage traders from winding down foreign credits.

On small amounts, foreign finance still has a clear advantage. Local overdraft rate for most firms is 13%-14%. Rates for 30-day dollar finance quoted by one major bank are only 10,48%. This rises to 10,73% for 180 day credits. And daring treasurers can save another 1% by not taking out forward cover — a devaluation before the election is highly improbable.

Even 1-month Swiss francs (on which there is a forward cover charge of over 6%) cost only 10,85%.

The gap for acceptance credits is far narrower, though banks are often prepared to shave their handsome handling fees on foreign acceptances to attract business.

Three-month local acceptances are available on the money market at around 9% (9,125% on four-month credits). But the all-in cost (including commissions) of prime acceptances is about 11%. The quoted cost of six-month US dollar acceptances on larger amounts is around 9,28%. Again it's possible to save 1% by not covering forward.

It's worth noting however, that only a small percentage of total movements can be financed by acceptance credits. They are only normally granted to the biggest and best customers and on amounts exceeding about R25 000. And local borrowing restrictions on multinationals may play a big part in encouraging them to continue using foreign finance.

While local acceptances are not normally used as a direct substitute for foreign trade finance, observes the Standard Bank Review, they are indicative of effective local borrowing costs of prime companies.

R38m loans raised overseas

RDM 19/10/77

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MR LAWRENCE Miller, chairman of Lawfin of Cape Town, says he has negotiated a multi-national series of loans totalling 100-million German marks (about R38-million) for one of South Africa's public sector institutions.

He says this brings the total value of foreign loans raised by Lawfin in this year to R80-million and means that Lawfin has raised a substantial percentage of South Africa's total foreign capital inflow for the country's public corporations.

The reported 100-million mark loan is said to carry varying rates of interest tied to its various periods. These rates are considered favourable for South Africa at the present time, Mr Miller says.

21

Horwood: 'We need solutions urgently'

ST 21/10/77.

PRETORIA. — The Minister of Finance, Senator Horwood, said yesterday that South Africa needed solutions to certain monetary problems "and we need them urgently".

Opening the first meeting of the commission of inquiry into the monetary system and monetary policy in South Africa, under the chairmanship of Dr Gerhard de Kock, the minister said the many basic changes in recent years, in both the South African and the international monetary systems, made the commission's task essential.

The commission's work could be divided into three broad areas. In the first, the money market and interest rates, he said there was clearly scope for further improvement in the markets for Treasury bills and other gilt-edged or semi gilt-edged securities.

Common cause

It was also common cause, that there were problems in the money market on the role of trade bills, promissory notes and bankers' acceptances, the National Finance Corporation, the Land Bank, and the smaller banks.

"Most of these problems in turn are either cause or effect, or both, of certain unsatisfactory features of our interest rate structure.

"I refer, for example, to the disproportion which sometimes exists between the Treasury bill rate, bank rate and other money market rates.

"I would urge the commission to look closely at these interest rate problems, since they diminish the importance of the money market and result in an unsatisfactory allocation of scarce funds.

"This, in turn, contributes to higher costs and a lower rate of economic growth. It also reduces the effectiveness of monetary policy.

"It would be a significant forward step if the commission could recommend ways and means of eliminating these anomalies and appropriately realigning interest rates in the light of changing conditions."

On the second area, exchange rate policies and practices, he said it might prove desirable at a later stage to make further adjustments to changes in recent years in the international monetary system — changes which were to be formalized in a new international monetary fund agreement, presumably early next year.

"Instead of fixed exchange rates, we now have a world of floating rates. These developments have implications not only for our balance of payments but also for our domestic monetary system and policy."

He also expected the commission to look closely into the pros and cons of developing a broader and more active foreign exchange market in South Africa.

In the third area of the commission's task, monetary policy in the broad sense, the first and second areas would have to be integrated and account taken of the various inter-relationships, such as those between the money supply, interest rates and exchange rates.

"In the course of this integration, it is important to arrive at a clearly defined and internally consistent approach to monetary policy. Naturally, this broad monetary strategy must also be specifically designed for South African conditions."

The minister said he would expect the commission to investigate thoroughly the pros and cons of measures such as bank credit ceilings, variable cash reserve and liquid asset requirements, and deposit rate controls in the changed circumstances.

"In particular, I look forward to its recommendations regarding the desirability of increased use of the more basic techniques of monetary policy such as rediscounting policy, open-market operations, public debt management and interest rate policy in general."

21

CT- 21/10/77.

Sanctions would backfire — Abrahamse

THE MOUNTING of sanctions against South Africa would backfire, driving the whites into the laager and aborting the groundswell for progress which was gathering momentum, Mr Len Abrahamse, executive deputy chairman of the Nedbank Group, told London businessmen yesterday.

Recent developments had understandably once again focused attention on South Africa's internal policies and the issue of whether overseas business should continue investing and trading with the Republic, he told a London Chamber of Commerce and Industry seminar on "Europe and Africa — trends and relationships".

"The Achilles heel to what by all standards should be a strong vigorous economy is twofold: First, the fact that economic, social and political discrimination is still too pervasive a feature of our society and second, the absence of any reasonable constitutional rights in so far as our fellow blacks, especially the urban blacks are concerned.

"However I am convinced that there is a growing commitment to eliminate legalized discrimination on purely racial grounds, to provide greater economic opportunity for all non-whites, to provide for political involvement and participation by all in the community. But let us not confuse a sharing of power with an abdication of power.

"Nevertheless, there are real question marks overhanging South Africa today and only the foolish and ostrich-like would discount the possibility of further disorders if the pace of change and adaption is inadequate or superficial. We need to regain the goodwill of the new generation of articulate, erudite blacks, but to force change at a rate and to an extent that creates chaos would be equally disastrous.

"The disinvestment and/or economic sanctions school must recognize that any determined attempt to force internal change to make a pandemonium and call it progress would backfire. It would drive the whites into the laager and polarize the situation between the whites and the blacks who would suffer most from any sustained boycott. It would certainly abort the groundswell for progress that is gathering effective momentum."

Mr Abrahamse underlined the strong trade ties between South Africa and the EEC, pointing out that Southern Africa's visible trade deficit with the community rose from 9m dollars in 1974 to 386m dollars in 1975. South Africa was dominant in the region and the 1976 figures are expected to show an even higher deficit in favour of Europe.

Angola, South Africa and Zambia accounted for 94 percent of the trade with the EEC from the region with South Africa contributing about 80 percent. The EEC's largest individual surplus was also with South Africa — 647m dollars in 1975.

Southern Africa — and South Africa — was more important to the EEC than many may have thought and there was little doubt that to date the relative significance had increased further.

"A passing world on the so called EEC code of ethics. You must forgive a degree of cynicism about this self-righteous example of selectivity. Are there codes of ethics for other countries with whom you trade and are conditions of black workers in South Africa not, in fact, better than elsewhere on the continent, most of the Indian sub-continent and parts of Latin America?"

Borrowing 'will be difficult'

By NEIL BEHRMANN

LONDON. — The deputy chairman of Nedsual, Mr Len Abrahamse, said the latest political developments would make it difficult for South African borrowers to raise money abroad — at least in the short term.

He said that since March this year the Euromarkets were becoming easier for South African borrowers. But he now felt there would be a "hiccup" in the market and South African borrowers would have to hold off temporarily.

Mr Abrahamse was warmly received in a speech delivered at a London Chamber of Commerce and Industry seminar on Europe and Africa.

He said that any political improvement would bolster South Africa's credit rating which traditionally had been high.

On the political question he said he was not defending policies which he deplored. He said that economic, social and political discrimination was still pervasive in South Africa.

He condemned the absence of constitutional rights for "our fellow blacks" and said it was necessary to remove discriminatory legislation. At the time news of Biko's death broke he was briefing American financiers on investment opportunities in South Africa. "It would have been far easier to have been at home," he said. "Whatever he was planning to do, the circumstances of his (Steve Biko's) death are indefensible."

But, he said, in spite of the recent depressing events there has been an important change in South Africa. The debate in South Africa had changed from "why should we share political opportunity" to "how do we share political opportunity".

He stated that the only effective white opposition was the business community which was doing a tremendous amount through organization "to bring a greater sense of realism to those in political power".

agriculturalists
ilizations such as
e legitimate branches
those in Greece, Egypt ...
of archaeology, they are not taught at present within the Department of Archaeology.

Sunday EXPRESS

Business

EDITED BY PENELOPE GRACIE

Insurance: Do salesmen reveal all?

INSURANCE salesmen sometimes blind the public with science when selling insurance, but closer inspection reveals that they don't always tell all they should.

And on occasion, the optimistic values discussed are just that and not what the policyholder will receive after having contributed for all those years.

Too often it seems the man-in-the-street buying a policy is the victim of a wonderful marketing campaign. We suggest that not only he wise up to what's what, but we also recommend that the insurance companies proffer more information on their products at the outset.

Insurance companies have sold hundreds of thousands of retirement annuities in this country over the years but very few of the people holding these policies know what they are really getting for their money.

What they say you will get:

ILLUSTRATED MATURITY VALUES AFTER 30 YEARS

Quoted illustration assuming 10% p.a. net of all expenses and charges.

	R
African Eagle	163 494
Guarantee Life	163 734
Legal and General	161 509
Liberty Life	151 738
Ned Equity	158 351
Norwich Union	148 614
Prudential	163 859
S A Mutual	156 586
Sanlam	163 700
Southern Life	159 225

The companies vary tremendously in what they tell the public, some disclos-

EXAMPLE: R1 000 PER ANNUM PAYABLE FOR 30 YEARS — WITHOUT LIFE COVER

	HOW MUCH OF YOUR R1 000 PREMIUM IS INVESTED				EXTRA EXPENSES AND FUND CHARGES		
	YEAR 1		SUBSEQUENT YEARS				
Company	Management Expenses	Amount Invested	Management Expenses	Amount Invested	Management fee	Re-allocation charge at maturity	Gross yield required to give 10% net at maturity
	R	R	R	R			
African Eagle	1 000,00	NIL	NIL	1 000,00 Guaranteed	0.2% per month on net value of portfolio	NIL	12,7%
Guarantee Life	986,22	13,78	NIL	1 000,00 Guaranteed	5 48ths of 1% per month on net value of portfolio	NIL	11,4%
Legal and General	60,45	939,55 Guaranteed	60,45	939,55 Guaranteed	NIL	5% of fund value	11,4%
Liberty Life	161,40	838,60 Guaranteed	161,40	838,60 Guaranteed	1 24th of 1% per month on Fund Value	NIL	Property 11,8% Equity 11,2%
Ned Equity	124,84	875,16	124,84	875,16 Guaranteed	1 24th of 1% per month on market value of Fund + 10% of gross interest + dividend income but no charge on capital appreciation	NIL	Max 11,7% * Min 10,5% Can reduce through other surpluses arising
Norwich Union	663,36	336,64 Guaranteed	Year 2 663,36 Years 3-10 92 43 Years 11-30 41 26	336,64 907,57 958,74 Guaranteed	1 24th of 1% per month on capital value of Fund	5% of allocation price of units	10,81%
Prudential	94,42	905,58 Guaranteed	94,42	905,58 Guaranteed	1 16th of 1% per month on market value of fund	NIL	10,83% Uncertain estimate because do not reveal expense charges)
Mutual	Not quoted	Not quoted or guaranteed	Not quoted or guaranteed	Not quoted or guaranteed	5% of contributions less Pol. fee built into quoted values	NIL	10,0% Uncertain estimate because do not reveal expense charges
Sanlam	95,30	904,70 Not guranteed	95,30	904,70 Not guaranteed	1 64th of 1% per month of Fund value	NIL	10,2%
Southern	120,00	880,00	120,00	880,00	0.5% per annum on	NIL	10,5%

ferences are quite considerable.

From the table can be seen that other factors affect the gross yield required to give 10% net at maturity. Factors such as the management fee levied against the value of the fund (the company makes a charge for its fund management activities, the buying and selling of shares and property for instance) and the realisation charge made in the event of a claim — death, paid up value or maturity — arising.

Only two of the companies, Legal and General and Liberty Life, make a charge for shareholders' interest. (Legal and General also charges, as does Norwich Union, as the mutual funds do, an inclusive a 5% differential between buying and selling prices.)

The table illustrates that to achieve a net 10% a year, the companies have to earn a gross yield that varies between 12,7% and 10%.

To achieve that net 10% for policyholders, African Eagle for instance has to earn a 12,7% gross yield on its investment and its per-

Life .... | Guaranteed

* Actual Return for Ned Equity dependent on Ned Profits which include investment returns, and other surpluses resulting from better than anticipated control over expenses for policyholders benefit

ing a great deal, some a poor minimum.

We have looked at an example, in a special Sunday Express survey, of a R1 000 a year retirement annuity, without life cover, payable over 30 years. The study reveals how differently the companies approach the task.

We have for the purposes of this exercise assumed that the portion of the R1 000 premium that is invested each year grows at 10% pa net of all expenses and fund charges.

We have taken policies marketed by 10 of South Africa's larger insurers and used information that is not always available to the public.

It is perfectly reasonable to expect the insurance companies to charge a fee for managing your money over a 30 year period. But the amounts of the R1 000 premium policyholders actually have invested on their behalf vary from nothing in the first year to R939,55.

Incredible as this seems it highlights the varying approaches of the companies. Do you know what portion of the R1 000 is invested in your policy? Is the investible portion of your premium guaranteed and if so when will it be invested on your behalf?

It can be seen that some companies, specifically African Eagle, Guarantee Life and Norwich Union take far more of the premium for their expenses in the first year than in later years. The majority like Legal and General, Liberty Life, Ned Equity, Prudential, and Southern Life guarantee the investible premium and a level amount to be deducted from the premium each year.

The Mutual and Sanlam do not bother to tell policyholders what percentage of their premium is allocated for investment and what percentage is absorbed in management costs.

Theo Hartwig the joint actuary at Old Mutual comments: "Our projections are based on our current expense deductions and there are no further charges. We have no reason to expect an increase in charges."

However as the expense deductions vary so widely from R60,45 to R1 000,00 in the first year it is reasonable to assume that some companies are themselves subsidising the cost of running the fund in the first year while others are trying to cover their costs in year one. (In some instances the policyholder will be jeopardised by having his investment term reduced by one year — the investible amount will not be invested for 30 years but for 29.)

We believe that it is important for the policyholder to have a guarantee that the deductions for expenses on his premium will not rise in the future, and so reduce his investible portion. We also do not share the Mutual's confidence that current operating costs will be contained in the future.

The policyholder, if he is not told when discussing retirement annuities, should ask what proportion of his premium is to be invested every year.

Interestingly only two of the mutual companies, SA Mutual and Sanlam, fail to guarantee the amount of the premium to be allocated to investment.

Our researches have produced an allocation amount for Sanlam although the company itself declares: "We have no fixed investment allocation amount. Deductions from gross premium for expenses and where applicable, mot mortality, can be varied.

"According to our experience, mortality deductions also change over the duration of the policy which makes disclosure impracticable."

For each company one can take this amount of the premium allocated to investment, net of all expenses and fund charges, and calculate its maturity value at a 10% growth rate a year.

Because the companies' expenses and charges vary so much, as we have seen, it stands to reason the gross yields required to give the policyholder a net 10% a year, as illustrated, must also vary. And the dif-

ter than its nearest rival.

So before taking out a retirement annuity policy it is important for the man-in-the-street to look at not only the company's historical performance in the investment field, but also to find out what charges the company will make.

These charges are quite legitimate but as we have pointed out, not all of them are guaranteed and not all prospective retirement annuity purchasers enquire as to what charges will be made against their R1 000 premium in the 30 year term.

It is most important to establish these for it is only the net investible amount that will earn future growth.

FACT

TO match a net 10% appreciation each year, most companies have to achieve a gross yield far in excess of 10%. Some even have to beat 12% per annum.

Larger companies contain expenses

AN examination of the operating costs of the various insurance companies shows that the older, larger companies are benefiting from economies of scale and years of experience.

They seem to succeed in containing their expenses relatively well. The smaller, newer companies are not as successful in holding down costs. This is to be expected as an insurance company's biggest costs are registered in the first few years of a policy.

So, if the greater portion of your business is new business, your costs must be relatively higher.

However it is interesting to examine these ratios over the past three years. The expenses are not exclusively those related to retirement annuities (the companies do not isolate these especially) but for expenses to the company in and encompass costs incurred when writing life, general pension and retirement business.

It is also interesting to note that it is the larger, older companies that have the lower cost structure and it also those companies which do not offer policyholders a wide range of investment portfolios to choose from.

It could be that their experience has shown that having one managed portfolio is cheaper and just as effective as a rash of specialist portfolios.

HOW THE INSURERS COSTS HAVE MOVED IN THE LAST THREE YEARS

(Ratio of operating costs to premium income)

	1974	1975	1976
African Eagle	31,2	32,2	33,12
Guarantee Life	23,1	49,0	54,15
Legal & General ..	31,6	33,9	34,4
Liberty Life	25,9	28,8	26,35
NedEquity	22,0	53,7	43,29
Norwich ..	23,6	23,2	28,5
Prudential .	19,9	20,0	18,0
Mutual ...	19,7	21,3	19,19
Sanlam ...	19,0	20,7	17,68
Southern ..	22,6	22,9	21,86

TELL US WHAT YOU THINK

ARE you, the man-in-the-street better off with an insurance company that offers one managed portfolio or gives you a range of policies? The insurance industry offers the public a variety of retirement annuity policies.

Some have one general investment fund in which you can invest, others have a variety and you can choose the type of investment portfolio you believe is best suited to your needs.

Here we list the insurance companies and the type of portfolio they offer.

Next week we will carry views from the companies on whether a 'balanced' portfolio is better than a specialist, for instance pure property, portfolio.

What do you, as the payer of the premium, think? Write to us: Business Express, P O Box 1067, Johannesburg 2000.

AVAILABLE METHODS OF FUNDING INVESTMENT LINKED RETIREMENT ANNUITIES

		Type of investment portfolio				
Company	Name of Fund	Managed Fund	Property Fund	Equity Fund	Gilt edged Fund	Cash Fund
African Eagle	2001 Series	Yes	Yes	Yes	Yes	Yes
Guarantee Life	Topaz	Yes	Yes	Yes	Yes	Yes
Legal & General	H.P.	Yes	No	No	No	No
Liberty Life	VIP	No	Yes	Yes	Yes	No
Ned Equity	Nedsave & Distributor Series	Yes	No	No	No	No
Norwich Union	Libra	Yes	Yes	No	Yes	No
Prudential	Prubond	Yes	No	No	No	No
S.A. Mutual	Performance Profits	Yes	Yes	No	No	No
Sanlam	100 plus	Yes	No	No	No	No
Southern Life	With Gain	No	Yes	Yes	No	No

● Is a guarantee at maturity vital in a retirement annuity policy taken out with a well-established insurance company? Next week we continue to look at retirement annuities and discuss this issue — as well as the cost to the policyholder of terminating a policy.

Plunge in interest rates may be over

Sunday Times
Business
Times
23/10/77

(21)

By NIGEL BRUCE

THE PLUMMETING of long-term interest rates has most likely been brought to an abrupt halt by the announcement this week of the 0,25 per cent cut in the gilt rate from 11 per cent to 10,75 per cent.

Although there is still a considerable weight of institutional funds, compounded by earnings from high interest rates over a number of years, seeking investments and few investment outlets open to them, there are other factors likely to halt the trend.

The first is that the yield on long gilts and semi gilts, as seen in the 11,75 per cent Escom has paid for its R50-million of new long-term money, is very close to the 11,8 per cent annual rate of increase in the consumer price index in the second quarter of this year.

The second is that if long-term rates decline any further, investors will be tempted to swing an increasing amount of assets into the short end of the market, which in turn will accelerate the reduction in short-term rates.

If the authorities allowed this to happen, local traders would be encouraged to switch their trade finance from foreign sources to domestic facilities and delay repatriation of foreign earnings so as to take advantage of higher short-term returns abroad.

The net effect of a consequent lag in incoming payments and accelerated repayment of outgoing trade facilities, would drain scarce foreign liquidity out of the country and create again a balance of payments problem.

The likelihood of this happening has been heightened by a rising trend in short-term interest rates abroad.

The third is that although Exchequer receipts from official loans are well up, receipts from taxes are lagging, hence the Treasury still most likely has a net cash requirement.

A further decline in the long-term pattern could mean that investors' interest in gilts is choked off, especially as many institutions stocked their portfolios ahead of the fall in the rates, to meet future statutory investment requirements.

Indeed, some bankers believe that the Treasury would have been wise not to have cut the gilt rate by a full 0,25 percent, which would most likely have meant a subscription considerably higher than is now expected.

This would have meant the Exchequer being generously funded on loan account well into the next fiscal year when tax receipts could again be lagging, especially in view of the gloomy International Monetary Fund expectations of a decline in world trading.

Finally, there is still a considerable pent up demand for capital which should accelerate slowly now that signs of tentative economic growth can be seen again.

21

SUNDAY TIMES, Business Times, October 23, 1977.

Kruger purge hits SA's borrowing power

By NEIL BEHRMANN

LONDON. — The political clampdown by the Minister of Justice, Jimmy Kruger, this week is regarded as a setback for South African borrowers on overseas markets, after the slight improvement in the past few months.

American and European bankers refused to be quoted because of the sensitivity of the developments. But the overall sentiment is that it will be more difficult to raise funds abroad — at least temporarily.

One American banker said: "The general sentiment is much worse. Those who were toying with the idea of lending to South Africa are now likely to step on to the sidelines. Others who have refused to lend for some time will, of course, believe that their suspicions have been confirmed."

Another banker said that pressure groups against lending to South Africa would intensify their efforts to harass international banks involved with South Africa.

At a London Chamber of Commerce and Industry seminar on Europe and Africa, industrialists remarked that the banning orders were a great pity.

The repressive measures of the South African Government would hardly assure long-term stability and would therefore militate against investment in the region.

At the conference, Len Abrahamse, deputy chairman of Nedsual, basically agreed with sentiments of other bankers. He told me that the Euromarket attitude to South African borrowers had improved since March and he had felt that it could be a good time to go to market — there were some projects in the pipeline.

But, with the banning orders, he felt there would not be a "hiccup" in the market and that, for the time being, South African borrowers should hold off. If they obtained finance, it would probably be expensive.

Current talk in the market, for example, is that a South African Government guaranteed borrower is negotiating a three-year Eurodollar loan at 1,875 per cent above the London Interbank offered rate of 7 to 7,25 per cent.

With commissions and front-end costs, the market is talking of an effective rate of 2,5 per cent above Libor (London Interbank Borrowing Rate). This is expensive financing, to say the least, and is higher than the recent loans to Malawi and other developing nations.

There have also been short-term Interbank loans on a six-month basis, quietly carried out by some American banks. This short-term "hot" money has flowed into the country.

It is evident that South Africa continues to obtain funds from abroad. But the problem is that it is in the form of trade finance and short-term loans at expensive rates. Project finance is also there, because once the project is under way, the lender receives payment. These deals are with private concerns.

But the situation is unhealthy as short-term loans must soon be repaid and some time in the future it might be difficult to roll over the borrowings.

It is thus hardly surprising to find that foreign bankers are stressing that South Africa must liberalise its policies. They are worried about future stability and feel that the actions of the Government may create problems at a later stage.

The importance of black Africa's relations with the EEC must also not be underestimated. At the Europe and Africa conference, Claude Cheysson, Commissioner for Development and Co-operation at the EEC, emphasised the growing trade between Europe and Africa.

He also affirmed that the EEC had been giving aid to Botswana, Lesotho and Swaziland. The overall message from the conference is that Europe wants stability in Africa, not only on moral grounds, but because of growing markets and the raw materials which come from the area.

Despite the embarrassment over the banning orders, Mr Abrahamse was warmly received by a large audience of industrialists, bankers and European officials.

It was quite evident that the audience was not against South Africa and South Africans. Instead, with the exception of a few right-wingers, the audience expressed abhorrence of apartheid and the Government's actions this week.

SABC gets loan

Sunday Times (21) 23/10/77

Business Times Reporter

THE SABC was able recently to obtain an additional foreign bank loan when renewing a one-year foreign facility.

Neither the new money nor the facility renewed are believed to be very large.

The deal was arranged by a local merchant bank, a spokesman for which says the lender stipulated as a condition of the loan no details be publicised.

Mr G.A. de Bruyn, adainistration chief of the SABC, would not comment on the loan, its cost or the amounts involved.

According to its latest annual report, the corporation has R72-million outstanding in foreign loans.

NM 28/10/77 (21)

The Natal M

S.A. will reach capital target, says Minister

JOHANNESBURG — The Minister of Finance, Senator Owen Horwood said capital inflow this year might not be as high as it was two or three years ago, but he was confident that the country would attain the capital target set in the current Budget.

The Minister was speaking to a luncheon meeting of the American Businessmen's Club. He said that in the last few months there had been indications that the sentiment in the international capital market had moved in South Africa's favour.

"Thus, for example, the discount on security rands declined and the prices of South African public sector securities on foreign markets improved relatively to those of other comparable securities.

"Nevertheless, we must accept that, due to the (quite mistaken) view held in some quarters abroad that South Africa is threatened by political instability, it will probably be difficult for the time being for the Government or other public sector bodies to raise loans abroad for periods longer than 3 to 5 years.

RDM 28/10/77

Difficult, but Horwood confident on capital

21

THE MINISTER of Finance, Senator Horwood, said yesterday that capital inflow this year might not be as high as it was two or three years ago, but he was confident South Africa would reach the capital target set in the budget.

He told a luncheon meeting of the American Businessmen's club in Johannesburg that in the past few months there had been indications that sentiment in the international capital market had moved in South Africa's favour.

"Thus, for example, the discount on security rands declined and the prices of South African public sector securities on foreign markets improved relatively to those of other comparable securities.

"Nevertheless, we must accept that, due to the quite mistaken view held in some quarters abroad that South Africa is threatened by political instability, it will probably be difficult for the time being for the Government or other public sector bodies to raise loans abroad for periods longer than three to five years.

"Export credits will remain available to South African importers.

"I have no doubt that, when deemed necessary, we shall also be able to raise additional capital in the form of syndicated bank loans. While I do not expect that the capital inflow this year will approximate the large inflows of two or three years ago, I am confident that we shall attain our capital target set in the current budget."

He said he would make a statement in the "near future" on the moderate stimulation of South Africa's economy on a selective basis.

A moderate stimulation of the economy at this stage would strengthen and not weaken the capital account of the balance of payments. At the same time, it would exert an expansionary influence on the Treasury's revenue from direct and indirect taxes.

"At my request senior officials of my department and of other departments concerned have made an intensive study of the position and have now reported to me. I intend to make a statement in this regard in the near future."

Senator Horwood said that on his recent overseas visit, various meetings and discussions had served to confirm that the conservative monetary and fiscal policies South Africa adopted had been essential for its economic well-being, and had been the mainspring of the dramatic change in the current account of the balance of payments.

A deficit, at a seasonally adjusted annual rate, of R2 529-million in the first quarter of 1976, had been transformed to a seasonally adjusted annual surplus of R1 277-million in the second quarter of 1977.

"The Government, however, fully realises the importance of long-term sound economic growth in all sectors of the economy, especially against the background of a rapidly growing population and the need to create job opportunities for the increasing number of workers who enter the labour market annually.

"Furthermore, conditions have now changed to such an extent that a shift in policy emphasis — from restraining investment and consumption to the moderate stimulation of sound economic growth — has become desirable."

Although the Government had succeeded in cooling the economy and thereby achieving a surplus on current account, any further cooling might prove to be counter-productive.

"We have demonstrated that we have our current account under control. It is now important that we also prove that our economy has the resilience and the potential to ensure an increasing standard of living to all the peoples of South Africa. We must exhibit faith and confidence in the future and growth potential of our economy.

"We must continue to convince foreign investors that there are profitable investment opportunities in South Africa because we welcome foreign participation, according to well-tried and sound economic principles in the development of the economy."

A shift in policy emphasis did not mean that South Africa could now embark on a spending spree.

"Our motto remains financial discipline. But we should also avoid 'overkilling' the economy.

"Our policy must therefore be directed towards attaining appropriate increases in real investment and the money supply — not too much, but also not too little. It is a question of balance.

"Apart from possible adjustments in the monetary and fiscal policy, I believe there is a case to stimulate on a selective basis certain forms of economic activity which are labour-intensive and which have a low direct import content."

"The IMF classifies South Africa with countries like Australia, New Zealand, Finland, Greece, Iceland, Portugal, Spain, Turkey, and Yugoslavia as 'more developed primary producing countries', to distinguish them on the one hand from industrial countries and on the other hand from developing countries.

"In this special category South Africa was a star performer. Although our rate of economic growth during the past year was lower than the average, our rate of inflation and balance of payments were considerably better than average."

The dramatic turnabout in the current account of balance of payments was worth special mention. The fact that this achievement had been mainly the result of fiscal and monetary discipline, had not gone unnoticed in financial circles. — Sapa.

Americans still have cash for South Africa

2\)

A. Tribune 30/10/77

Finance Reporter

AMERICAN bankers are not decreasing their quotas of cash for South Africa says Gerry Muller, chief executive of the Nedbank group.

However, says Muller, they are not likely to increase their quotas either because of pressure from boards of directors and churches.

And funds for normal commercial transactions are fairly easily obtainable at very close to the going interest rates. The only problem was that these funds were mostly short term.

Interest

Money for official projects was also available, but in most cases the interest rate was pitched above the going rates.

Muller also said that while the rand was weakening along with the dollar, it would be unwise for South Africa to revalue in order to maintain the rate of exchange with other currencies as it would mean a devaluation when the dollar regained its strength.

Nedbank has announced that profits for the year to September 30, 1977 have increased to R31,59-million, an increase of 11,4 percent. This brings earnings per share from 33 cents in 1976 to 36,7 cents and dividends from 16,5 cents last year to 18 cents. The contingencies include a provision of R8,5 million against the Glen Anil loss.

(1) ~~28~~
(2) ~~319~~
(3) ~~101~~
(4) ~~47~~
S. Capital

BLACK ROLE

A committee under the chairmanship of Sam Motsuenyane, President of the National African Federated Chamber of Commerce, has decided that the Black man's share in the economy and the problems of Black businessmen in urban areas (and in the homelands) needs further study.

ASSOCOM, the AHI and BENBO are all involved. Accordingly, to get certain basic information, the Bureau of Market Research has been asked to undertake a study on the attitudes of Blacks towards Black businesses, and on the role on the Black man in the South African economy.

The Small Business Advisory Bureau has also been asked to make a study of the problems of the Black businessman in South Africa. It is hoped that these studies will be finalised by mid-year.

COMMERCE Feb. 1975

HANSARD 6 Q. column 436

11 March 1975.

~~1 Afri-Gen~~

~~2 260 A~~

3 Capital

South Africa's aid to African states

*13. Mr. G. W. MILLS asked the Minister of Foreign Affairs:

What was the amount of South Africa's aid to African states during each year from 1965 to 1973.

†The MINISTER OF FOREIGN AFFAIRS (Reply laid upon Table with leave of House):

The following amounts were paid from Department of Foreign Affairs fund for assistance to and co-operation with foreign countries for each financial year in question:

1965-'66	R3 237·81
1966-'67	R11 682·43
1967-'68	R44 324·12
1968-'69	R68 841·64
1969-'70	R696 427·19
1970-'71	R711 344·70
1971-'72	R1 039 287·87
1972-'73	R866 635·54
1973-'74	R1 244 299,60

In addition loans totalling R15 310 253·25 have been made available. Of this amount R1 345 000 has already been repaid.

FM 21/3/75

Blocked rands

Capital

John Gerard Carter, Kenilworth:

In your footnote to a reader's letter (*FM* February 7) you wrote: "The blocked rand discount reflects more than what outsiders think of the official exchange rate and the country's political risks. It also, for instance, reflects fluctuations in the UK investment dollar premium." In effect, you referred to the problem and then left your readers high and dry by doing nothing to explain it.

Many questions come to my mind. For instance, do the London stock market prices of SA shares represent the amount the seller in Britain gets (less jobber's turn and brokerage) or has the investment dollar premium to be deducted?

Then again, what is the position of a prospective immigrant to SA who transfers his sterling capital by buying SA shares on the London market and bringing them with him to SA? Does he have to pay the investment dollar premium, and if so, can he get it refunded?

If a SA resident, wishing to take up residence in Britain, buys, for example, De Beers shares on the Johannesburg Stock Exchange and, on arrival in Britain, he sells these shares on the London Stock Exchange, what then would be his position with regard to the investment dollar premium?

FM *will shortly publish an article on blocked rands. The answers to your questions are as follows:*

- *London prices include the investment currency premium so a non-resident of the UK has to deduct the premium;*
- *A prospective immigrant would be best advised to establish residence in SA and then to transfer his capital, buying ex-premium in London and selling in Johannesburg. This creates blocked rands which the Reserve Bank will in such cases allow to be released;*
- *A SA resident moving to the UK is entitled to retain the premium if he holds shares acquired as a non-resident of the UK for a period of two years from arrival in the UK.*

HANSARD 3 Q. column 227.

21 February 1975

Capital

Foreign loans repaid

*32. Mr. T. ARONSON asked the Minister of Finance:

What amount of foreign loans was repaid by (a) semi-state corporations and (b) the South African Government during the financial year 1973-'74.

†The MINISTER OF FINANCE:

(a) R135 554 120.

(b) R133 307 256.

HANSARD 3

Q. column 227-228

21 February 1975.

Capital

Foreign loans: Negotiations conducted/ concluded/amount required

*33. Mr. T. ARONSON asked the Minister of Finance:

(1) Whether negotiations in respect of foreign loans are being conducted at present;

(2) (a) what loans have been successfully concluded in the last six months and (b) on what terms were they concluded;

(3) what amount in foreign loans is required over the next 12 months.

The MINISTER OF FINANCE:

(1) Yes.

(2) (a) and (b):

(i) A revolving credit loan for an amount of $100 million at an interest of 0,625% above the London Interbank Offered Rate.

(ii) A revolving credit loan for an amount of $35 million for a period of 3 years which will then be converted into a loan for a term of 7 years at an interest rate of 0,625% and 0,75% above the London Interbank Offered Rate during the first 3 years and the final 7 years, respectively.

(iii) A loan of 50 million Deutsche Mark at 10.75% per annum for 3 months with the possibility of renewal from time to time.

(3) The amount required will depend upon the needs of the Exchequer and the developments in the balance of payments and gold and foreign exchange reserves of South Africa.

HANSARD 4 Q. column 265.
25 February 1975.

Capital

South African investment in Mozambique/Angola/Lesotho/Botswana/Malawi/South West Africa

*20. Mr. T. ARONSON asked the Minister of Finance:

Wh[illegible] the estimate[illegible] South African [illegible] Mozambique [illegible] Angola, [illegible] Botswana [illegible] Malawi and [illegible] South West Africa.

†The MINISTER OF FINANCE:

It is the intention of the Reserve Bank to publish the final results of the census of foreign transactions, assets and liabilities of the Republic—referred to in the reply to a similar question during the previous session of Parliament—in its September 1975 Quarterly Bulletin. Provisional results, which will not be made public, will only become available in the second quarter of 1975.

Separate statistics are not available for South West Africa.

Financial Mail

Capital

FM

APRIL 18
1975

Order, please

In their desperate scramble for foreign funds, public corporations are damaging their own interests. Only a list of economic priorities is likely to improve matters

On Tuesday, public corporation financial managers got together with the Department of Finance to thrash out a problem that is causing some painful headaches both here and abroad. The problem is the corporations' increasingly un-co-ordinated approaches to international capital markets.

The meeting came not a moment too soon. A sizeable chunk of the cash needed to finance projects like Sasol 2, Sishen-Saldanha, Escom's Matla, Duvha and Koeberg power stations, Railways' expansion programme and SABC-TV (to name only a few) will have to be raised abroad. But, in their eagerness to find funds, the corporations are falling over each other's feet.

The present impasse has several causes:

- Lack of co-ordination in the corporations' borrowing schedules. The latest incident occurred a month or two ago. At the same time as Iscor's bankers were canvassing subscribers, who should pop up without warning in the same market but the SAR&H.

Railways had pitched its margin higher than Iscor with the result that Iscor had to raise its price and lose face. Clearly it was more difficult for both organisations to raise their money simultaneously than it would have been if one had waited a while;

- The current over-exposure of South African borrowers in overseas markets, particularly in the Eurocurrency sector. American banks, for instance, have statutory limits beyond which they may not lend to any one foreign borrower. Several are close to these limits in respect of loans to SA bodies.
- Some foreign bankers complain that certain public corporations are in the habit of approaching several banks simultaneously to manage their loans. It is usually not long before a bank gets to hear that it is not the only one competing for the borrower's favours;
- Political factors do not help matters. SA's borrowing potential must inevitably be smaller than that of countries which are more widely acceptable politically. While it is true that one or two recent loans saw the first participation of several American banks in loans to SA institutions, some of them asked for their identities to be kept secret. And, at the request of foreign banks, Iscor refuses to divulge the extent of its foreign borrowings last year.

The parties and amounts involved in foreign borrowing give some idea of the importance to SA of foreign sources of capital. Largest borrowers to date have been Iscor, Escom, SAR&H, the Post Office, IDC, SABC and of course, the central government, which borrows both for itself and on behalf of several other bodies including the Uranium Enrichment Corporation, as well as the Railways and Post Office.

Johannesburg is so far the only municipality to have gone abroad for funds, though others such as Cape Town and Pretoria would like to if government would let them.

Several companies, including Anglo American, SA Breweries and De Beers have floated foreign loans but the sum of their borrowings has been relatively small in comparison with those of the public sector.

The extent of SA's forays into foreign capital markets can be judged from the record R459m of long-term loans raised abroad last year by public corporations and from the estimate that about R500m will be raised by all SA borrowers this year.

We rank among the top ten borrowers in the world's capital markets and in some of them among the top five.

Iscor (which places a loan almost every month) is the largest borrower and is expected to raise around R150m this year.

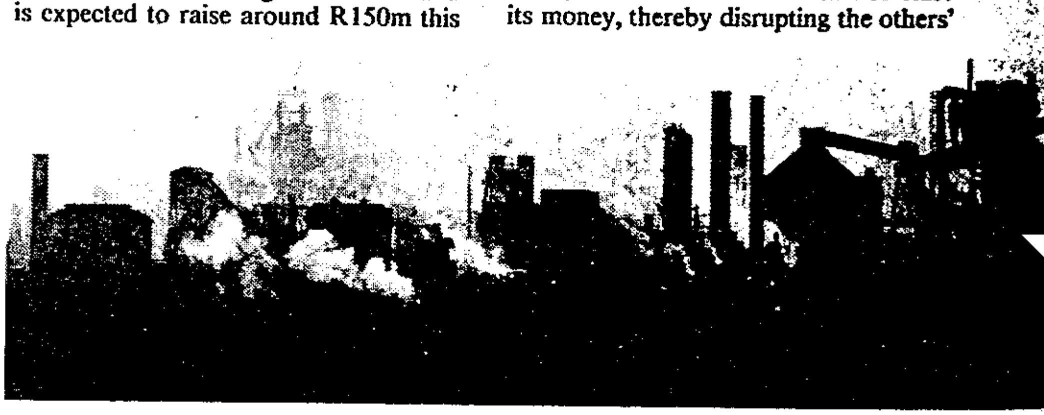
An example of the steep jump in foreign borrowing requirements is Railways' record. In the year ended March 31, despite the virtual collapse of capital markets last year, it borrowed R108m abroad as against R82m the previous year and R58m in 1972-73. This year, Railways hopes to find R157m, excluding credits for aircraft purchases.

Despite all this activity (or perhaps because of it), co-ordination of foreign borrowing operations is haphazard. Once a year, corporations notify the Department of Finance of their approximate requirements during the next 12 months, but after that it is a case of each man for himself. The result: snarl-ups similar to the recent Iscor/SAR incident.

Some borrowers are more careful than others to ensure that the market will be receptive to their approaches. Escom for one always checks with Finance to make sure no other SA borrower is likely to tread on its toes.

Two years ago, Pretoria tried to form a "queue" of borrowers for foreign loans. The idea was to compile a loan programme similar to that for the local capital market where prospective borrowers looking for more than R1m come to the market in an order determined by the Department of Finance.

Problems arose almost immediately with the queue for foreign loans, mainly because of sharper and more frequent fluctuations in foreign market conditions. The first borrower in the queue, Iscor, took a full three months to raise its money, thereby disrupting the others'



Whose project comes first?

A VIEW FROM LONDON

How do the world's capital markets regard SA borrowers? The *FM* has received some views from a special correspondent in London:

South Africans may think of themselves as riding the wave of a gold boom and heading towards better relations with their neighbours, but the international capital market remains stonily unimpressed.

The premiums demanded of even the biggest and most creditworthy South African borrowers tell their own story and the comments of international bankers in London confirm that SA may find it difficult to finance, in international markets, the ambitious infrastructural investments now being contemplated.

In the past year, there has been only one South African international bond issue, a $15m flotation made for Escom in March 1974, which has recently been yielding an uncomfortably high 10,65% on its average life.

All but three of the 28 South African international bond issues currently quoted in London are yielding well above 10% on average life, nine are yielding above 11% and four above 12%.

This compares with yields of around 8% on the issues of a country like Denmark (not exactly the best borrower in the world) or even 10% on those of British nationalised industries.

Nor is this all; 16 of South Africa's internationally quoted bond issues are denominated in the appreciating D-mark, which imposes an additional cost on the borrower, four are in units of account and only 8 are in dollars, which favour the borrower.

South African dollar issues are particularly difficult to make because a large part of all international dollar bonds are placed through Swiss banks who are ready enough to trade South African gold, but hypersensitive when it comes to placing South African paper.

Political pressure is being exerted on international banks by religious bodies, notably the Methodists in Britain and the Dutch Reformed Church in the Netherlands.

This kind of pressure can be circumvented to some extent by placing debt directly with banks rather than by issuing bonds which banks then have to place with investors.

Last August Escom managed a $35m floating rate placement and this March another for $30m, but the cost has gone up, from 1% over the inter-bank rate last August to 1,625% above on the latest issue.

At least some bankers believe that a South African international bond issue might presently be possible only at a "distress" rate and, because of the bad advertisement that this would represent, have advised against trying for the time being.

loan schedules.

There are other possible solutions. One would be for the corporations to borrow less frequently in larger amounts.

Another would be for the Treasury to borrow for everyone. But then the corporations would lose the advantages that spring from diversity; at present each borrower has its own team of banks, each with its own resources. In addition, some borrowers can get better terms than others, sometimes even better than the central government.

Government is making its contribution towards solving some of the problems. Last year, central government only borrowed R212m abroad out of the R334m originally provided for. And this year, Senator Horwood has budgeted for a foreign loan requirement totalling R309m, of which only R140m will be new loans. Main reason for the decrease is to make way for other borrowers, particularly public corporations.

But it was agreed at Tuesday's meeting merely to provide fuller information to government on the timing and amount of each corporation's borrowing. The Department of Finance will act as a sort of clearing house in the hope that, by keeping abreast of each other's activities, borrowers will not tread on each other's toes. And the Reserve Bank will in future co-ordinate all approaches by foreign lenders.

It is doubtful whether such a loose system of control will work, however, without some determination of individual project priorities. After all, if market conditions were favourable, which treasurer would meekly delay his loan while others got the money they needed?

Only by setting priorities for the projects themselves will government manage to bring order to the raising of funds to finance them.

HANSARD 11 Q. 807

25 April 1975

Capital

Blocked rand

*8. Mr. H. H. SCHWARZ asked the Minister of Finance:

(1) For what purposes may so-called blocked rand be used in the Republic by non-residents without Reserve Bank consent;

(2) for what other purposes have non-residents used blocked rand in South Africa with the approval of the Reserve Bank during the past twelve months;

(3) whether he is considering any alteration to the system of or application of exchange control.

The MINISTER OF FINANCE:

(1) Except with special permission of the Exchange Control Authorities, only for re-investment in locally quoted securities, in Non-resident Bonds or in other public sector bonds with a remaining maturity of at least five years.

(2) Limited local expenditure of former South African residents on business or on private visits to South Africa and limited amounts to immigrants who settle permanently in South Africa.

(3) No but the system and the application thereof are constantly under review.

Price rise in farm products looming

RDM 8/4/75

Staff Reporter

THE PRICES of all Government-controlled farm [illegible] to new [illegible] this year.

All four SA Agricultural Union commodity committees which have met so far this year have recommended substantial increases in farmers' prices.

The beef committee recommended a 15 per cent rise in the floor price of beef, mutton and pork, the grain sorghum committee an increase of [illegible] per cent, and the mealie committee an increase of 15 per cent in the mealie price.

These recommendations were [illegible] by the control boards and submitted with their recommendations to the Minister of Agriculture.

Later this month two other SAAU committees will meet, the dairy committee and the fresh milk committee.

With the same justification — rocketing production costs — both these committees are expected to recommend price increases of between 15 and 20 per cent.

The fresh milk committee may recommend an even higher increase.

This would mean increases in the prices of fresh milk, butter, cheese and condensed milk.

Later this year the wheat committee will meet to recommend prices for the crop now in the ground.

Again the Government will have no alternative but to agree to an increase.

The increase in the basic price of wheat, with the increased margins which will probably be demanded by millers and bakers, will either mean an increase in the bread price or a substantial increase in the bread subsidy.

Towards the end of last year the price of white bread was raised to 16c and brown bread to 13c. The State subsidy on bread is now R56,3 million a year.

The Government can expect an angry reaction from the trade union movement and consumers generally if the prices of these basic foods are raised.

The Minister of Agriculture, Mr Hendrik Schoeman, said in Parliament recently that in addition to the bread subsidy the Government paid subsidies on butter (R12 707 000); maize ([illegible]); grain sorghum (R653 000) and cheese (R1 152 000).

The country's two largest trade union organisations — the Trade Union Council of South Africa and the SA Confederation of Labour — as well as the SA Institute of Race Relations, have appealed to the Government to keep the prices of basic foods down by increasing State subsidies.

~~(1) 246~~

(2) 3 Marketing Control Boards

BMW to raise capital

RDM 7/4/75

[illegible] Reporter

[illegible] South Africa is to [illegible] its [illegible] capital in preparation for an injection of money from its parent company, [illegible] Motoren [illegible] of Munich.

Mr [illegible], a director of the parent company, said at the weekend that the share capital of the South African operation would be raised from [illegible] to [illegible].

"This [illegible] commitment to remain involved in the South African [illegible]."

He said that a further [illegible]-million of finance had been arranged to support a higher level of sales.

Half of the [illegible]-million has been provided by the parent company in Germany while the other half has been provided by a South African finance house.

"The injection of funds [illegible] hire purchase and leasing facilities will be more freely available," said Mr Schoenbeck.

These moves come shortly after the company has spent R3-million rebuilding its assembly plant at Rosslyn, Pretoria.

"BMW expects to sell [illegible] cars this year in South Africa which would put its turnover at R20-million," he said.

"It is the demands of the already rising sales figures plus the projections of the sales boost that should come from the new [illegible] that have led to the tripling of the share capital."

Mr SCHOENBECK ... we are still involved

Insufficient local capital for public sector spending

STAR 23/4/75

Neil Behrmann

Unless sufficient capital flows into the country, the money and capital markets will be under increasing pressure from the rise in public sector spending.

The table indicates Department of Statistics' expectations of Public Sector. (Government and allied bodies) spending during the next three years.

It can be seen that the department estimates that spending will rise from R3 108m in 1974 to R4 250m in 1977, an increase of 37 percent. But these estimates are calculated on current prices and if double figure inflation continues during the next three years, public sector spending could be around R6 000m in 1977.

Statistics of the South African Reserve Bank shows that public sector spending represented some 40 percent of overall gross domestic investment in the country, during 1974. Local savings of individuals, corporations, the surplus of the government and depreciation amounted to R5 990m.

But a capital inflow of R741m was needed to finance the balance of the Republic's investment requirements.

A huge increase in public sector spending, means that a shortfall of savings is likely to occur. To supplement this shortfall a large increase in foreign capital is necessary.

And besides the required jump of foreign capital into South Africa, the balance of payments must improve as well. One can only hope that a world economic recovery will occur during the next two years to boost exports and hence the gold and foreign exchange reserves.

ACTUAL AND EXPECTED CAPITAL SPENDING OF PUBLIC SECTOR—1974 to 1977 (R-mill)

	1974	1975	1976	1977
New construction ..	2 072	2 473	2 789	2 860
Purchases of machinery & equipment	867	989	1 088	1 220
Purchases of land & buildings	169	204	185	170
TOTAL . ..	3 108	3 666	4 062	4 250

ALTERNATIVE

The alternative is heavy borrowing on the local capital and money markets and a continuation of high interest rates.

The table shows that new construction will represent 67 percent of total spending this year. The department estimates that private construction firms will be awarded R1 946m of these contracts.

These estimates indicate that the construction and engineering firms will be bolstered from any economic decline in the private sector.

INTEREST RATES

Capital

Looking to London

F.M. 25/4/75

Capital inflows are heavily dependent on whether interest rates here are higher than overseas. So foreign interest rate trends are of vital concern to local bankers.

They should therefore be somewhat comforted by the comments of Leonard Mather, chairman of the giant United Dominions Trust group in the UK, and part owner of UDC Bank.

Mather, out here to take a closer look at his SA interests, doesn't think hints of firming interest rates in the US *per se* will push up UK rates. But he qualifies this by saying that UK rates, and the strength of sterling, depend on Britain's inflation being brought under control.

Since last week's Budget (*FM* April 18) did nothing to curb UK public spending — there will be huge borrowings in the coming year — or to dampen wage demands, the betting is that UK interest rates will once again come under upward pressure.

As one SA bank puts it: "The weakness of the pound reflects the market's concern about the (UK) government's ability to come to grips with the problem of inflation and labour militancy."

So one doesn't have to be a Jeremiah to join those few experts who have recently been saying SA money market rates will firm later in the year. In the past three weeks the key rate — on trading in prime 3-month NCDs — has plunged 2% to the current 9,5%.

The same view held by UAL's banking GM, Tony Ross. He is certain short-term rates will continue to drop in the immediate future, but "there is a strong likelihood of a change in direction by the year-end, if not before".

He bases this view on a reversal of the falling trend in the US and Europe, and argues that we will have to follow any change in direction to protect our balance of payments.

His reasoning will receive support sooner than expected if the gold market remains soft. Tighter domestic liquidity through falling gold receipts will put paid to current noises about a fall in overdraft rates.

As one of SA's top bankers put it, a cut in the overdraft rate "implies that banks are keen to lend". And while bankers are currently seeing the first indications of a softening in loan demand, there's still a long way to go before they can expect to open their loan windows and find no-one there.

Sun Times Bus Times 27/4/75

Bank chief warns on cash crisis

By RALPH HELLER

UNLESS South African business men find new ways of raising capital there will not be enough work for the extra 11-million people of all races who will be on the labour market by the year 2000.

This is the view of Piet Liebenberg, chairman of Finansbank, who says "the biggest problem facing industrialists today is the supply of risk capital.

"Our stage of development requires that we have to expand the economy so that there is enough work for everyone.

"It is estimated that by the turn of the century, there will be 19,6-million workers in South Africa — 2,3 times the 8,3-million who were active in 1970."

Mr Liebenberg points out that in the next 25 years, the African labour force is expected to leap by 148 per cent, the Coloureds by 128 per cent, the Indians by 96 per cent, and the Whites by 85 per cent.

South Africa, he feels, has almost everything going for it — a stable government and under-exploited human and natural resources. The only limiting factor is capital which will have to be raised internally and internationally, in highly inflationary times.

The vastness of the capital requirements can gauged by the fact that the country's gross domestic investment is expected to total R36 134 million at the turn of the century — six times as much as the R5 865-million of 1974.

The projections for the year 2000 are based on the Economic Development Programme for 1974-1979. All figures are based on 1973 prices.

"Creating the infrastructure for a population which will double within the next 25 years, will not be possible without massive foreign assistance in the form of capital and skills.

"There is this enormous daily accumulation of surplus funds in the Middle East, against falling reserves

Continued on Back Page

Sun Times (Bus Times) 27/4/75

Bank warning

Continued from Page 1

in the West and other countries.

"If one assumes that such capital and skills will be forthcoming, then it may be said that South Africa is standing on the threshold of an unprecedented period of wealth and development.

"It is therefore important that every possibility be utilised to promote the interests of South African in this respect, and that is why the present detente policy in Africa is so important.

"Internally, we have to devise new ways in which companies, which would have raised capital through the Johannesburg Stock Exchange, can now do so."

He feels that local banking and other financial institutions should be more effectively marshalled to achieve this. While citing Germany in the post World War II period as an example, Mr Liebenberg acknowledges that this could lead to the banks and others dominating the economy.

"But based on this experience we could build in checks and balances to avoid this.

"There is no other way out, and the financial sector will have to rise to the challenge and be much more dynamic than they have been in the past.

"They will — just as they support organisations like Escom — have to find ways and means of supplying risk capital for companies, which in these inflationary times, are finding their borrowing capacities increasingly hampered."

In exchange for this finance, Mr Liebenberg envisages the institutions obtaining a stake in the company. This could take the form of a profit-participating preference share — which forms part of permanent capital — thus avoiding the charge of bank encroachment.

"In this respect the IDC has done a tremendous amount, but one can't expect them to carry the burden for the whole country. Besides which, that is not its function.

Annual report

Finansbank yesterday published its annual report, which shows that taxed profit for the year which ended March was R600 000 — a 20 per cent increase over fiscal 1974. This rise in earnings per share from 19c to 23c is rather academic as it comes after transfers to secret reserves.

A final dividend of 3c per share has been declared, making a 6c total for the year, compared with 5c previously.

Total assets have gone up by a quarter to R51,5-million and capital and reserves from R2,7-million to R3,2-million, in the period under review.

Finansbank shareholders include Sentrust, Griffon Holdings, Manufacturers Investment (Jacobson family), and Federated Employers In-

amount each, as do members of the Finansbank management team, Johannes Hamman and Dr Leon Porter. Laurie Korsten, formerly with Finansbank, also holds about 8 per cent.

Mr Liebenberg's family interests control a further 10 per cent.

Among the further 100 individual shareholders, who hold the balance of the equity, is Raymond Ackerman.

LAURIE KORSTEN, one of the founders and an ex-director of Finansbank, has set up on his own.

His new Johannesburg-based company, Corporate Acceptances, will handle all aspects of financial investigating and planning and advise on mergers and takeovers.

Mr Korsten has been joined by Donald Woods, currently personal assistant of Charles Fiddian-Green, executive chairman of the Rennies group, and Gordon Maddock, a former manager at Finansbank.

File
CAPITAL.

FM

Financial Mail

MAY 2
1975

Capital

The Mozambique connection

It's not only a test for détente. It will decide whether socialism and capitalism can live together

South Africa's resolve to search for an accommodation within Southern Africa — and more ambitiously the ultimate goal of a common market — will be crucially tested when Mozambique becomes independent next month.

Mainly because the ideological underpinnings of Pretoria and the philosophies of the new government in Lourenco Marques are so dramatically at variance.

Frelimo, forged out of a 10-year guerrilla war, is disciplined, well organised, and highly motivated towards building a socialist Mozambique.

But Party ideology is tempered with pragmatism. Fortunately — for both sides — it is unlikely that ideology will be allowed to obstruct the desperately needed strengthening of its slender economic base.

If pragmatism predominates it should not be difficult for SA and an independent Mozambique to be good neighbours.

The South African connection is of long standing. Without the need to ship goods to and from the Transvaal, there probably would be no Lourenco Marques. Indeed, until Paul Kruger gained his long desired rail link to Delagoa Bay in 1890, LM was little more than a trading post and fort with fewer than 500 people.

The original Mozambique Convention was negotiated by the Transvaal government in 1909. Even before then SA mines and sugar plantations provided the bulk of cash employment for Mozambicans.

Today well over half Mozambique's total foreign earnings (R250m in 1972 — latest official figure) are attributable to the SA connection:

- Three-quarters of the shipments passing through LM are South African. They contribute at least R50m a year in harbour and railway revenue.
- The nearly 100 000 Mozambican miners working in SA earn more than R80m per year; of this nearly R48m in deferred pay is payable in gold valued at the official price; if sold in the free market at $167, this would be worth R145m.
- Cabora Bassa power, with SA the only possible customer for many years, will contribute (even at present prices) R15m in its first year of operation. And by 1980 at least R33m will accrue from sales to Escom.
- By reason of geography and keen prices, SA is first among suppliers to Mozambique and, more importantly, is third among customers for Mozambican exports. Amount bought by SA? R11m in 1972.
- Finally there is normally some R10m in earnings from SA tourists.

So the foundations for extending bridges between the two neighbours are there.

Can we extend them?

The handful of SA politicians and businessmen who have talked with Frelimo officials find no lack of realism.

Rennie's Fiddian-Green . . . more confident now

Gordon Waddell, Progressive Party spokesman on finance, finds Prime Minister Joachim Chissano "an impressive man, not doctrinaire, who sees his first task as getting the economy back on its feet". Waddell believes SA businessmen can work with Frelimo.

Charles Fiddian-Green of Rennies — which has large shipping interests there (almost 10% of the group's profits come from Mozambique) — has received no indication of impending changes in his company's sphere of operations as a result of independence. He bullishly reports business in Mozambique as "running more or less normally."

Mike Ridley, MD of LTA — the principal contractor on civil work at Cabora Bassa — says his company has had no difficulty working with Frelimo during the more than six months of transitional control.

Kobus Loubser, SA Railways GM, has found Frelimo perfectly happy to accept advice and aid from SA in his dealings so far. The evidence? Four diesel electric locos on loan; a signalling system; and repair of 40 Mozambique chrome wagons is SAR's contribution to date.

In short, most SA businessmen — having adjusted to the presence of Frelimo soldiers and visitors from Africa and Eastern Bloc countries — find doing business relatively easy. Much better, certainly, than was anticipated immediately after the coup or during the dark days of White-inspired violence in September and October.

One Mozambique businessman, a member of Frelimo, told the *FM* last week:

"There shouldn't be any problems for South African investors in Mozambique. Provided they are prepared to work *with* us rather than over us. The only change is that the bribes and corruption of the old regime are gone. And those few SA firms who were part of that will probably not find any role to play in the new Mozambique."

At the same time Mozambique is a tragically underdeveloped country which will be only too eager for aid and assistance from whatever quarter. This will certainly include China, Russia, and Eastern Europe — a fact SA must accept.

The colonial era has left Mozambique with hardly any infrastructure. There is no railway track linking north to south; existing lines are designed only to bring raw materials to the coast for export.

There was not even a tarred road between the two largest cities — LM and Beira — until last year.

The poverty is depressing. Over 90% of the country's 9m people are illiterate. Only 9,3% of school age children are presently enrolled in any form of education. A mere 600 000 attend school and of these only 0,1% are in high school.

In 1969 there were 502 doctors, an average of one for every 16 000 people. Today there are less than 100.

Malnutrition is a lingering malaise and there is a debilitating lack of protein. Fifty thousand people in the Limpopo valley region face the prospect of famine following floods which destroyed 100 000 hectares of crops in February. In the north, on the Tanzanian border, 100 000 refuges must be resettled and there is not enough food to feed everyone there.

More than 3m people — or nearly half the population — are involved in subsistence farming.

Population growth is 2,4% per year, well above the world average. At this rate it will reach over 10m by 1980. And Mozambique cannot feed its people now from domestic sources.

But, if Mozambique is poor today, it has great potential. Vast mineral deposits, including coal, iron ore, copper, gold, manganese, chrome, nickel, and natural gas, lie untapped.

It is in this specific field that many SA investors have unanswered questions. Companies, like JCI and Iscor, hold concessions granted by the Portuguese authorities to develop mineral resources. Yet no word has been received from Frelimo as to whether the claims will be honoured after independence.

While there are indications that Mozambique will certainly maintain existing economic links with SA, there is resistance within the party to developing new ones.

Perhaps understandable from a country unalterably opposed to apartheid, this attitude is nonetheless shortsighted. For it is SA that offers an immediate export market and also the technological know-how to develop the region's mining capabilities.

SA firms, Anglo American among them, have shown they can work effectively with Zambians and there is no reason why similarly mutually beneficial relations could not be developed with Mozambique.

Rhodesia, however, is a different story. There are indications Frelimo intends to cut off Rhodesia's link to Beira and LM. While this will cost Mozambique at least R15m per year in foreign earnings, Frelimo thinking is that this is necessary for achieving majority rule in Rhodesia.

While SA policy towards Frelimo has been ultra-correct it has also been ultra-unimaginative. What is necessary now in the days before independence is a clear statement of intentions and interests.

Specifically, such a policy stance should include:

- An intention to extend mutually beneficial agreements and conventions previously negotiated with the Portuguese. This includes continuation of the gold option for deferred pay of miners on SA gold mines.
- An offer to enter into a mutual non-aggression pact, perhaps even extending this into a Southern Africa defence alliance.
- A willingness to embark on economic, technical and educational aid programmes to assist Mozambique develop its material and human resources.
- Provision of capital to prepare LM harbour for containerisation. Without this a big question mark hangs over its future.
- Improved compensation for death, injury or illness of Mozambicans working on SA mines.
- Continuation of the present "no visa requirement" for visitors to and from SA.

Once having made clear its own good intentions, SA would have the right to expect from Mozambique a clear and comprehensive statement on future relations — and specifically on investment — both present and future.

There is a time for caution. And there is a time for boldness. The ball is in South Africa's court. If we don't pick it up soon, plenty of others will.

F.M. 2/5/75

Capital

Blocked rand mysteries

Unless you can play tunes with blocked rand, in financial circles you really haven't arrived. Here's how it's done

What is a blocked rand? The simple answer — a rand which is blocked — raises a multitude of questions. As a broad generalisation all rand funds owned by non-residents, whether as a result of direct or portfolio investment, are blocked. Only overseas residents can legally hold blocked rands.

Even this generalisation needs qualification. For example, an immigrant to SA who wants to bring in money, typically from the UK, can buy SA shares listed in London and sell them in Johannesburg or simply sell here SA shares he already has in London.

However, the result of such a transaction is to create blocked rands in Johannesburg which then can be turned into ordinary rands. The procedure is application to the immigrant's bank for sums up to R20 000, and to the Reserve Bank for larger sums. Permission to unblock is usually granted for three years from the applicant's arrival in SA in respect of shares or assets owned prior to immigration. Brokers usually suggest prior clearance with the immigrant's bank in order to avoid pitfalls.

There is a third category: "free" rands. These can arise in special circumstances. During the bids for Union Corporation, General Mining's partial offer (which was never formalised) involved the issue of securities and "free" rands.

To the UK resident, the Reserve Bank would have permitted these "free" rands to have been transferable into currencies other than sterling or rands at the taker's option, and they were therefore worth just over £1 each against the normal 62p-63p. In other words they effectively become investment currency, which we explain below.

In a less specialised sense, "free rands" are non-residents' funds transferred from abroad through banking channels and invested in the SA banking sector. Such funds remain transferable (free) or convertible into resident rands.

Income earned either in free or blocked funds is transferable.

In the stock market a blocked rand is created when a non-resident buys shares in London, New York, or any of the minor markets where SA shares are dealt in, and sells in Johannesburg. Here's a specimen deal (with brokerage and duty omitted):

Buy 1 000 Loraine in New York at \$5:	\$5 000
Sell in Johannesburg at 400c:	R4 000
R4 000 at R1:\$1,47 (the official exchange rate):	\$5 875

This throws up a paper profit of \$875 but leaves the seller holding R4 000 in blocked rands in Johannesburg.

The blocked rands are eligible for investment in any shares quoted in Johannesburg, or in gilt-edged. In addition they can be used for subscribing to certain Escom and other public body issues and to rights issues of quoted companies. But other new issues and nil paid letters cannot be taken up in blocked rands.

However, back to our US dealer, who has been in and out a few times, built his R4 000 stake up to R11 000 and now wants to move his funds back to the US.

This time:

Buys 2 000 Welkom at 540c: R10 800
This is nominally worth $15 900 at the official exchange rate.
Sells in New York at $6½: R12 800

The shortfall is $3 100 and is known as the blocked rand discount. In this case it is 3 100 ÷ 15 900 as a percentage, or the difference between the official exchange rate and the rate you get by buying in Johannesburg and selling, in this instance, in New York. On this transaction, it works out at 19,5%, in the middle of the current quote of 18,5%-21%.

There is no blocked rand index, but most dealers calculate their own rate based on the major stocks traded between London, Johannesburg and New York. If the blocked rand discount averages 19,5%, it means the overseas dealer is getting an exchange rate of R1:$1,19, against the official $1,47.

For the UK resident, the situation is different. UK prices, as quoted in *RDM* every morning, or on Reuters, are in new p or £ and *include* the investment currency premium, which extra he pays to acquire assets outside the UK, including SA shares quoted in London.

Reflecting a major movement of funds out of UK securities, this premium has recently risen to a *nominal* 110%, before falling back to 99%.

The premium is, however, worked out on the basis set by the Bank of England of £1:$2,60, the Smithsonian sterling:dollar rate. Since then, sterling has depreciated against the dollar to $2,34.

The *effective* premium is therefore calculated as follows:

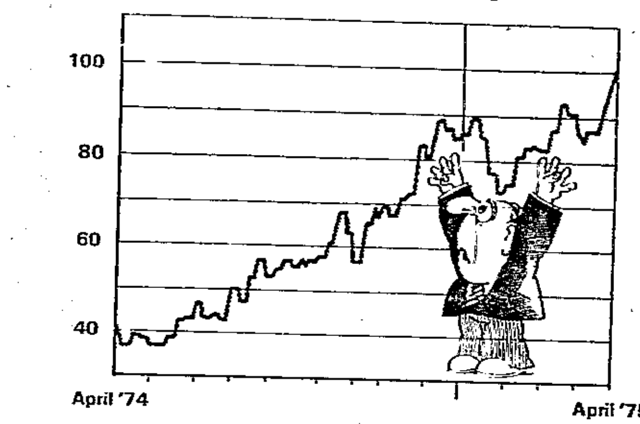
1,99 × 2,34 ÷ 2,60 = 1,90, or 90%

This means two things: that UK residents are prepared to pay a very substantial sum to avoid holding either sterling or UK-registered shares, and that in the case, for instance, of an SA-registered share, the UK resident is now paying almost as much for investment currency as for the underlying security.

Of course, UK residents can deal in a large number of SA shares quoted in London. But if they wish to buy in SA, for example to take up an issue such as Saaiplaas, they have first to buy investment currency. At 250c, the Saaiplaas take-up price was equivalent to about 156p at the then rand:sterling rate; but the UK resident would, at the time, have had to pay an effective premium of 109p, or 70%, for investment currency.

On this basis, the Saaiplaas would have cost him 265p.

Not surprisingly, many in the UK refused to pay the extra and simply sold



OUT OF SIGHT

their nil paid letters.

So far we have looked at the possibility of dealing in New York or of dealing in London as a UK resident. The third major type of dealing overseas in SA securities is in London as a non-resident of the UK.

The buyer in this case could be resident in Switzerland, the US, other countries on the Continent, or simply offshore — and sometimes a very long way offshore.

Such a person is entitled to deal "ex premium" — indeed, as a non-resident of the UK he is not permitted to hold UK investment currency. When he buys in London, therefore, the premium has to be stripped out of the London price.

It works like this:

Buys 1 000 Elsburg in London at 400p: £4 000
With the *effective* premium at 90%,
the cost to him of the share is: ....400 ÷ 1,90 or 210p

For simplification, most dealers apply the "conversion factor" published every evening by Reuters. Currently this is 0,525. So 400 x 0,525 = 210p.

These examples exclude brokerage and other costs and the 25% which UK residents have to surrender to the Bank of England of the effective premium on sale of a foreign security.

This means, in the Saaiplaas example, that if the investor sold at 265p he would get only 238p back 265 — (25 ÷ 109) before brokerage and other costs.

The market in SA securities has thus become an increasingly complex game for the international investor. A gold shares dealer in Zurich, for instance, has to monitor four markets: the local Zurich market, New York, London ex-premium; and Johannesburg.

At the start of trading on Tuesday, he would have found the following position in, say, Vaal Reefs:

New York: $38½ at the close
Johannesburg: $38 (R32, or $47 at $1,47 less blocked rand discount of 19,5%)
London: $38¾ (£29¾ cum premium; £16¼ ex-premium × $2,34).

From the Zurich vantage point, or that of the US dealer, or anywhere offshore, the effective prices in the three major centres are brought into line as a result of arbitrage.

For the SA investor, these complexities have a profound bearing on the course of particular share prices. The existence of international interest in SA securities means that, regardless of local conditions, shares can move spectacularly in Johannesburg according to how the US and London are dealing. There are funds with massive buying power in both centres which can move the Johannesburg price significantly with a single order.

In recent months, the old umbilical cord with London has been severed. After June 1972, when SA-registered securities were brought into the UK investment currency net, (it previously applied only to the US and Canada) the blocked rand discount happened roughly to equal the effective investment currency premium. Nevertheless the UK investor tended to remain the influence on the SA market.

Today, however, the prime external influences on Hollard Street are the activities of US and offshore dealers, in the widest sense.

And while the investment currency premium has tended to rise over the past three years, it can go the other way as well.

If this happens, the UK resident holding, for instance, SA gold shares, could take a nasty loss.

Apart from this, the investment currency element in the London price is non-yield bearing.

Because of these external complications Hollard Street is more than ever standing on its own two feet. Over the past three years, local share prices have generally come on to a more favourable basis in relation to levels overseas. It is now, more than ever before, up to local institutions and investors to lead a revival in stock market interest.

F.M. 2/5/75 Capital

BANK LIQUIDITY

Swings and roundabouts

Though the banking sector didn't find itself as short of cash at the end of March as many had feared, some banks hit a tricky patch (*FM* April 4). Analysis of the liquid asset levels of 10 selected banks by the *FM* this week confirms this.

The excess liquid assets (ELA) of a bank largely determines its ability to lend money. While Standard's shot up by a massive R98m over the month, Nedbank and Trust Bank were left with big shortfalls, and Volkskas' ELA fell considerably.

Since Standard's financial year ended on March 31, the most likely explanation is that Standard did all it could to ensure its deposit book was as fat as possible.

The outflow of money from the country — speculation that the rand would be devalued during the tail-end of March — also played a part in draining the banks.

Shortfalls in minimum liquid asset holdings are an offence in terms of the Banks Act. However the Registrar of Banks has not yet had time to examine closely the end-March figures. In any case, he likes to take all circumstances into account in exercising his discretion whether to penalise shortfalls — and seasonal swings in money market conditions are mitigating factors.

Trust Bank, short for the second month running, says it prefers to "keep liquid assets at the required level during the month, and not chase up rates to prevent a temporary month-end outflow". As was the case with Nedbank, its holdings were apparently back in line a couple of days later.

What the exercise does show is that basing required liquid asset holdings solely on a bank's position at the end of the month can give a distorted picture of its true liquidity situation.

EXCESS LIQUID ASSET HOLDINGS

	end-Dec	end-Jan	end-Feb	end-March
	Rm			
Barclays	132,343	74,332	60,143	65,691
Standard	180,196	33,846	24,606	122,442
Volkskas	40,012	46 531	41,992	7,440
Nedbank	1,411	0,120	3,668	—45,968
Trust	1,163	7,615	—31,665	—24,067
Wesbank	—1,864	1,960	3,442	0,586
Rand	0,663	1,611	1,510	1,369
UDC	2,544	2,069	1,722	1,865
Senbank	3,409	4,698	0,509	0,637
UAL	2,112	0,919	0,608	0,471

Financial Mail May 2 1975

File CAPITAL

Iscor seeks a loan overseas

Mercury Correspondent 14/5/75

LONDON—Iscor is making a private placing in Europe in an attempt to raise 40-million dollars for the construction of the Saldanha Bay project.

The loan contains some unique features which the managing bankers believe will ensure its success. The floating rate notes run for 15 years and include an optional redemption feature.

As a spokesman for one of the four managers commented: "Obviously there is a premium offered to those who stay with the loan longer."

The four banks managing the placing are Credit Commercial de France, Kredietbank N.V., Westdeutsche Landesbank and Hill Samuel Co.

A spokesman for Credit Commercial in Paris said that the final amount of the placement (they are aiming at 40-million dollars) depended on the success of the placement but he expected it to be warmly received.

PAYMENTS

He said that the chief attraction of the issue is its interest payments. Repayments will be made after the third year of signing and every year after that until the sixth year, so that the loan can run from three to 15 years.

Notes will carry a six monthly floating interest which will be calculated at a margin of five-eighths percent above the inter-bank rates for Euro-dollars.

It however carries a guaranteed minimum interest rate of 8,5 percent.

The spokesman declared that "the issue has attractions for both lenders and the borrowers. The interest payment for the lenders is higher than that offered elsewhere while the borrower is safe in the knowledge that he has the funds to work with for a longer period than is usual."

The loan is similar to that which Hill Samuel recently arranged for Escom.

SA becoming 'nation of foreign shopkeepers'

By DAVID PINCUS

SOUTH AFRICA is being turned into a nation of foreign shopkeepers and industrialists by a steady stream of moneyed people slipping out of "liberated" African countries, and also away from Europe.

A large percentage — if not the majority — of businesses and factories being sold in South Africa are now being bought by people who until recently had similar operations in other African countries, and in some European countries.

Most of them come here for a few weeks to look around, decide what they want, then take out the necessary residence papers, and buy.

How they get their money out of their former countries is something of a mystery. Some, it is believed, use funds they established in Swiss banks when they saw which way the wind was blowing. Others have found their own ways, and will not divulge them.

The reason why people from former Portuguese colonies are flocking to South Africa is obvious, but Europeans are coming here because of the relative industrial and commercial peace and quiet, and as one said:

"So eager are these people to invest their money in South Africa that business brokers have reached a point where they have more buyers than sellers for certain types of businesses and manufacturing operations."

I was told this by two leading business brokers in Johannesburg, Hillbank Business Sales, and Barnabas Plein.

Hillbank is "scratching around for the small and medium-sized operation," while Barnabas Plein is "having great difficulty getting operations big enough to interest some of our clients."

Six of the last 10 businesses sold by Hillbank were sold to foreigners, and four of the last 10 sold by Barnabas Plein were bought by foreigners.

"It's rather sad to think that foreigners appear to be more confident about the future of South Africa than South Africans themselves," said David Wilk, a director of Hillbank, who is in charge of selling factories.

"However, the fact is that many of our inquiries come from Italians, Germans, Britons, although mainly from people who have left Mozambique and Angola.

"The majority of them have between R40 000 and R150 000 available in cash, and are looking for either retailing operations, or for small or medium-sized fac-

Cosmas Mullinos, sells retail for Hillbank . . . "There are ways and means."

David Wilk, in charge of Hillbank's factory sales . . . Short of small and medium types.

Gerald Abrahams, of Barnabas Plein . . . Short of the big stuff.

tion's retail operation selling, said he asked several of his clients how they were able to get their money into South Africa. Invariably the answer was a bland, "there are ways."

Gerry Abrahams, managing director of Barnabas Plein, had calls for businesses from a wider spectrum, ranging from those with R5 000 to invest in a fish and chip shop, to industrialists from Europe with millions to invest in South Africa, and from some South African finance houses who now wish to diversify.

Surprisingly, he has not had any direct approaches from people in Britain. This leads him to believe that some finance houses are, in fact, acting as fronts for people in Britain who want to invest in South Africa without letting the trade unions there know of their intentions.

"The situation at the moment is that we are short of the bigger businesses and factories to sell," Gerry Abrahams told me.

"The reason is simple. The man in the street is having difficulty finding the extra few thousand to put down as a deposit for his own small business, but the bigger man has all the money he needs, so the bigger businesses and factories go first.

"To give you an indication of how easy it is to move bigger concerns: I advertised three businesses with a total selling value of R1,25-million in the SUNDAY TIMES at the end of January.

"Two of them have already been sold, and we are negotiating now for the sale of the third business. Had it not been for the fact that the business was in the throes of moving to a border area it would have been sold weeks ago.

"The response to the advertisement was incredible. For the first two months after it appeared I did virtually nothing other than attending to genuine inquiries."

File Capitol

'Outside capital needed'

STAR 21/5/75

South West Africa Bureau

WINDHOEK — The homelands must be consolidated and become independent as soon as possible so they can obtain development capital from outside South Africa.

This was said yesterday by Mr Chris Bisschoff, chairman of Rondalia, in his presidential address to the Afrikaanse Handelsinstituut congress here.

In terms of the 1936 Land Approriation Oct, 2,27-million ha of land must be bought at a cost of about R500-million.

"It is economically possible to finalise the consolidation of the homelands through a non-recuring capital expenditure," he said.

"After this South Africa can negotiate on an intergovernmental level about further economic aid so that it does not have to carry the load on its own shoulders alone."

The credibility of South Africa's detente policy would be enhanced, and the homeland policy would unfold more vigorously.

FLEXIBLE

The country would be able to show that it was not rigid but was keeping pace with the new circumstances.

It was an admirable goal to want to make the homelands viable before independence and to leave them with orderly government.

At the same time, the people of the homelands should be given more responsibility for the development of their own areas.

South Africa had to reconsider its priorities against the background of a fluid and unpredictable international economic climate.

The country's immense capital needs of the future made him doubt whether South Africa alone could carry the full responsibility for the homelands.

The annual cost of guardianship might well be out of proportion to the country's responsibility and economic capabilities.

Certain political priorities might also have to be reconsidered against this background.

TIPITAL

Steel industry pours R2 000-m into future

25/5/75
Sun Times (Bus Times)

ABOUT R2 000-million is expected to be invested in the iron and steel industry between 1973-79, with Iscor — producer of 72 per cent of South Africa's steel — bearing the brunt.

The basic steel industry is capital-intensive and unlike the long-term demand for its products — which increases at a relatively even rate — production capacity increases in a series of steps.

Before each enlargement of productive capacity, local supply is often unable to meet local demand. This switches to over-capacity as expansions are made, resulting in a continuing yo-yo situation.

Since 1969 the local steel industry has had increasing difficulty in meeting the expanding local demand.

More steel has had to be imported — from a relatively low value of R38-million in 1969 to R110-million in 1973.

Indications are that steel imports last year and this will be even higher.

One of the problems is that steel mills of international standard take several years to come on-stream.

New schemes need careful planning and timing.

In the State's new Economic Development Programme, large expansion projects will gradually come on-stream and will enable the industry to cope with new demands.

EDP planners have projected an increase in production of 10,2 per cent a year until 1979.

The planners believe that imports will decline from the high level of R110-million in 1973 to only R51-million in 1979.

Exports of basic steel products increased rapidly — by 12,1 per cent — between 1963 and 1973. Apart from the large contribution that came from the export of basic steel, the growth in the export of ferro-alloys also played an important part in the industry's commendable export performance.

Taking into account the planned large extensions to local productive capacity of steel in particular, coupled with the strong possibility of an export-oriented steel mill to be located at Saldanha Bay, the export target growth rate of 12,2 per cent a year — envisaged by the EDP — seems to to be within the industry's grasp over the next five-year period.

Domestic demand is expected to expand at a much slower rate than that of production and its growth has been set at only 7,1 per cent a year over the 1974-79 period.

This large growth differential is mainly attributed to the high rate of import replacement as well as the expected rapid growth in exports.

The main domestic industrial consumers of basic iron and steel products, in order of importance, are:

- Metal products;
- Machinery (other than electric);
- Electrical machinery and appliances;
- Transport equipment;
- Construction (especially civil engineering);
- Transport and communication.

Basic iron and steel products are: pig iron; ferro-alloys and steel products, such as billets, blooms, slabs or bars; hot and cold rolled and drawn products, such as sheets, tin-plate, terne-plate and black-plate; strips, rails, rods, wire rods and wires; castings and forgings.

To match the overall projected expansion in production, employment must grow at a rate of 6,7 per cent a year from last year to 1979.

However, thanks to automation, training and better use of its labour force, a relative improvement in the semi-skilled and skilled labour position could occur.

There is also the lure of recent wage rises in the iron, steel, engineering and metallurgical industries, which added up to 15 per cent to the wages of 70 000 Whites and 250 000 Black workers.

On the basis of a 46-hour week, the new increases mean the top minimum wage in the industry (for Whites) is now R87,40 a week.

Although the wage gap between Blacks and Whites substantially widened, in percentage terms the Blacks won rises almost twice those of White workers.

MORE BLACKS
Sunday Express 25/5/75
AHI CONGRESS

Special Correspondent

WINDHOEK. — Deliberations at this week's Afrikaanse Handelsinstituut annual congress pinpointed three specific areas that are disturbing the South African business community and threatening to hamper seriously the healthy growth of the economy.

It was concluded that top priority should be given to the task of finding solutions to these problems or of reducing their effect.

Congress delegates devoted most of their time to expressing concern over:

The unavailability of investment capital and the fact that there is just not enough money around to fund all those projects planned for the next five years by private and public sectors, and which are necessary to ensure the economy grows at the EDP desired rate of 6,4 per cent a year;

The increasing encroachment of State-controlled enterprises and the growing demands from the public sector on the money supply, at the expense of the private sector;

The tenuous relations between Black and White on the shop floor, the growing shortage of skilled workers and the need to make better use of the country's large pool of Black labour.

It was emphasised by Dr Frans Cronje, chairman of Nedbank and Syfrets-UAL, that it was imperative for social, economic and political reasons that South Africa grow at a faster rate than the other industrialised nations of the world.

The country had so far failed to achieve that, he said, although it certainly had the potential to do so. Obstacles in the way were the shortages of investment capital and skilled workers.

South Africa faces the problem of having to find R40 000-million for various capital projects over the next five years — a daunting prospect.

Delegates expressed the view that it was inevitable the country would have to face up to shortages in the money supply. As a consequence a plea was made, directed mainly at the Government, for a look at priorities and so those capital projects, which were not essential at this time, could be discarded.

There was a general expression of concern at the encroachment of State-controlled activities on the economy and the increasing level of expenditure by this sector.

One delegate said it was disquieting to note that State expenditure was increasing at a considerably faster pace than the growth rate of the GNP.

Capital demands from this sector were exerting heavy pressure on the money supply, hampering attempts by the private sector to maintain a satisfactory growth rate.

It was emphasised that the problem of investment capital was only likely to be overcome if the country remained a free enterprise society, and not if State control was increased.

The AHI's immediate past president, Mr Chris Bisschoff, asked whether in view of the worsening money supply position many political priorities — homeland financing was mentioned specifically — should be reassessed against the background of economic feasibility.

On this he asked for the consolidation and independence of the homelands to be speeded up to lessen their dependence on South African capital.

On the labour issue, a warning was sounded that the way in which the Government handled labour matters — about 10 Government bodies are involved — could lead to a confrontation, a worsening of Black-White relations and possibly industrial unrest.

There was an urgent need for co-ordination on this question and the establishment of an adequate manpower policy to control the demand and supply of labour.

Double digit inflation will boost jobless

STAR 26/5/75

Neil Behrmann

In the latest annual report of Federale Volksbeleggings, chairman Dr P E Rousseau warns that double figure inflation could increase unemployment in South Africa.

Dr Rousseau reasons that new investment—for example factories — is necessary to generate job opportunities.

But in today's world of double figure inflation, firms find it difficult to obtain finance for investment which in turn creates jobs.

The share market for instance, is no longer an effective source of new capital. Dr Rousseau believes that investors realise that earnings contain an element of "fictitious" profit which is caused by inflation.

Higher dividends and insufficient depreciation erode capital during inflationary conditions. The share capital of a company shrinks even though it appears to grow in money terms.

Under these circumstances, an entrepreneur must borrow to finance his business.

NEW WAYS

This loan capital can adversely affect the capital structure of companies and to make matters worse the long term investor tends to disappear during inflation.

A company which is forced to borrow money on a short term basis could aggravate its financial soundness even further.

Dr Rousseau feels that new ways must be found to increase equity capital of companies. He says that South Africa must find finance to create jobs for a growing population.

If entrepreneurs operate with insufficient profit margins, the general public will experience a dangerous effect of inflation — a shortage of jobs.

● Net asset value of Federale Volksbeleggings rose from 519c to 575c, during the financial year ended December 1974. Net profit rose from R5,8m to R8m, earnings from 35c to 44c a share and dividends from 10,5c to 14c a share.

3: capital!

No more loans until detente say bankers

STAR 27/5/78

Own Correspondent

DURBAN — Two top South African bankers have warned that South Africa is becoming "horribly over-borrowed" on overseas capital markets and that this country should adopt a more orderly approach to its foreign borrowing.

Mr R A Setter, managing director of Rand Bank said in Durban that overseas bankers were becoming more conservative, because of limited resources, in evaluating applications for resources.

Mr Setter said there was a new awareness with regard to South Africa's political policies, but it had been clear that there would be no loans forthcoming until detente was reached in Africa.

Mr Setter called for the establishment of a "central agency" to handle all South Africa's infrastructural borrowings overseas and thereby create "banking order" in South Africa.

He said: "Everybody is scrambling for money in overseas markets" for example Iscor and Escom, one after the other. This had led many overseas bankers to believe that South Africa was overborrowed.

Mr J H Gerber, managing director of Federale Bank has also warned South Africa will be unable to "get the foreign capital we need to expand our economy" in the next few years.

He reminded that one South African organisation had found great difficulty in raising a R10m loan at the end of last year, after being told overseas: "You have borrowed too much."

Added to this situation was the fact that savings had dropped dramatically in South Africa recently.

"Savings in the last number of years have averaged 10 percent of national income. In the last year this figure dropped to around four percent," he said.

Mr Gerber called for increased incentives to encourage savings.

Both bankers were addressing delegates to the change - orientation and planning seminar being held in Durban this week by the Graduate School of Business of the University of Stellenbosch.

Index linking —economists are divided

STAR 28/5/75

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Staff Reporters

At a symposium organised by Tucsa, a panel of economists was sharply divided on the practical advantages of index linking in South Africa.

Index linking means that economic contracts such as wages, loans and savings are linked to changes in the cost of living. For example, if an acceptable cost of living index rises by 15 percent, then wages, the value of loans and savings must automatically rise by 15 percent.

The panel included Dr J Cloete, Barclays Bank's chief economist; Dr J Hupkes, chief economist of Federale Volksbeleggings; Mr Robert Kraft, economist of Tucsa; Miss Joan Knox, and Professor Arndt Spandau of Witwatersrand University's economics department. Chairman of the panel was Mr George Palmer, editor of the Financial Mail.

SYMPTOMS

The two academics and Mr Kraft said they thought indexing could be applied in South Africa, but the other economists disagreed.

All the economists admitted that indexing tackled the symptoms and not the root cause of inflation. They talked about lowering the rate of inflation or keeping inflation at present levels. They did not firmly state that indexing would end inflation.

Dr Hupkes said that partial indexing was not a feasible proposition in South Africa. If wages were only linked to a cost of living index, for instance, there would be unfair pressure on other groups and sectors of the economy.

"If we want indexing," he said, "then we must go the whole hog."

Dr Cloete remarked that there was already partial indexing in South Africa. Building contracts, rental agreements and some recent wage agreements were examples.

The Star Thursday May 29 1975

Fighting off socialism

Own Correspondent

DURBAN — South Africa cannot escape the world-wide trend of creeping socialism, but could fight it by a redistribution of wealth and the creation of a stronger middle class.

This was the warning given by Mr Len Abrahamse, joint deputy chairman of Nedbank and Syfrets-UAL Holdings, when he addressed the change orientation and planning seminar of the Stellenbosch Graduate School of Business in Durban. "Stop talking about educating the Blacks, just do it," he said.

As a matter of priority, he said, "forget about colour" and rather think in terms of training all unskilled labour.

He said that in the past many businessmen had sheltered behind the policies of the Government when they could have been training unskilled labour.

But Mr Abrahamse added that, while industry had its part to play, "the problem is so enormous that industry cannot do it alone."

"We need new thinking on our whole educational infrastructure and we haven't a great deal of time," he warned.

He said that world wide the trend to the "destruction of the middle class — the root of capitalism" was taking place and warned that the world's free enterprise system was under attack.

Mr Abrahamse was the third speaker at the seminar to warn that South Africa could expect "another price spiral" next year.

Two bankers have warned that a "fashion boom into which the world is being psychologically conned" will probably cause an inflation rate in South Africa next year of about 17 percent.

Mr Abrahamse said that the "reflationary processes will be artificial and in mid-1976 inflation will be very destructive."

In reply to a question, Mr Abrahamse also warned that property was no longer a hedge against inflation in the sense in which it had traditionally been held.

He said that in South Africa, as had happened the world over, short term money had gone into property and the bubble was in danger of bursting."

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ECONOMIC RELATIONS

Following détente

F.M. 30/5/75 Capital

Trade follows the flag. So the International Association of Commerce and Economic Students (Aiesec) is following up détente moves with an examination of economic interdependence at its 9th Congress, to be held in Bellville, Cape on July 3-4.

Major drawcard is likely to be General Meir Amit, president of Koor Industries and a former chief of Israeli army intelligence. He will deliver a paper on *The Meaning of Interdependence.*

Johan Munnik, congress convenor, says of General Amit: "He was one of Israel's top fighting men who played a decisive role in the struggle for Israeli independence and is now engaged in that country's struggle for economic independence. He is now chief of the country's largest industrial group with 65 manufacturing enterprises in Israel."

Another speaker is Dr Norman Napo Raditapole, former Secretary for Agriculture in the Lesotho government and currently head of the agriculture department at Edesa, Anton Rupert's Swiss-based Development Bank for Equatorial and Southern Africa. He will deliver a paper on *Interdependence in Agriculture.*

Other participants are Dr Frans Cronje (chairman), Dr Henry Olivier (*Interdependence in Energy and Water*); Dr Wim de Villiers of General Mining (*Interdependence in Mining and Labour*); Anson Lloyd of the SA Foundation (*The Economic Future of Africa and the Possibility of a Southern African Economic Community*); Dr Jan de Loor, Deputy Secretary for Finance (*Interdependence in Finance*); Dr Piet Kieser of Safto (*Interdependence in Trade*). Assocom's Executive Director, Raymond Parsons, will sum up.

In addition, says Munnik, an invitation has been sent to Dr Robert Gardiner, Executive Secretary of the Economic Commission for Africa, to speak on *The Importance of Economic Co-operation between Countries in Southern Africa and Equatorial Africa.*

Businessmen from Zambia, Malawi and Lesotho have been invited to deliver papers.

Question..................
Write on both sides of the paper

Do not write in this margin

The alarming money gap

STAR 10/6/75

During the past year or so, most South African firms have probably experienced a squeeze on liquidity and indications are that a shortage of finance remains a major restrictive factor.

There has, of course, been a sharp increase in business profits during the past year, but in the majority of firms the increase in profits has not been rapid enough to compensate for the impact of inflation on the cost of acquiring new capital goods and of replacing worn-out fixed assets.

Working capital needs, moreover, have risen to record levels as a result of the greatly increased industrial raw material prices, increased wage costs and sharp increases in stock levels.

The result has been that many businesses have found the savings or capital resources that they have been able to generate themselves by way of profits quite inadequate to finance their total requirements of fixed and working capital.

Saddled with debt

In fact, the past year has witnessed the opening up in business of an adverse savings-investment gap of quite alarming proportions, which has not only saddled many firms with an unduly large amount of debt, often in the form of short-term credit, but has also brought the 1973—74 investment boom in the private sector to a fairly abrupt end.

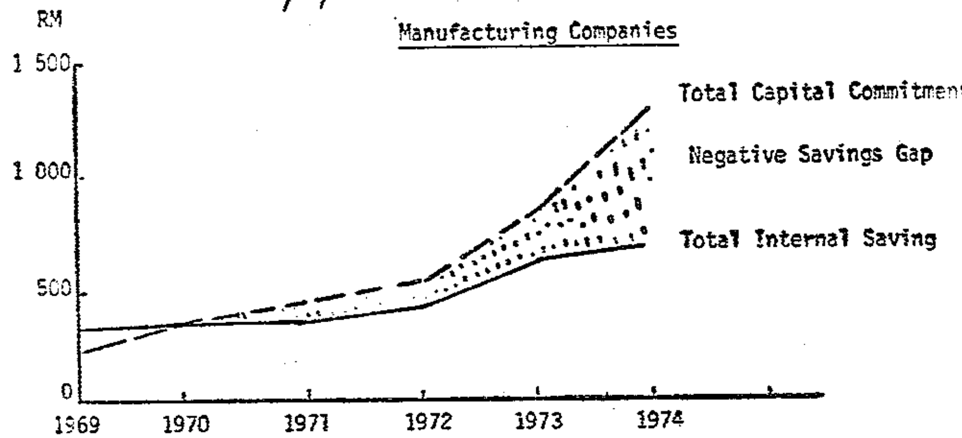
The magnitude of the adverse savings investment gap experienced by businessmen during 1974 in particular is shown in figures published by the

● DR JOHAN CLOETE, Chief Economist of Barclays National Bank, here sounds a warning that the growing gap between cash savings and investment bills inside many South African companies has now become alarming.

Department of Statistics for groups of firms representative of the total manufacturing sector and of the retail and wholesale trade in the country.

The survey shows total internal savings consisting of after-tax profits plus provision for depreciation generated by the firms in the sample, total investment expenditure by these firms in new fixed assets and in additional stocks carried and then the difference or gap between business savings and total capital commitments.

In the case of the manufacturing firms in the department's sample, their adverse savings investment gap increased from R220m in 1973 to no less than R604m in 1974. The increase in the gap for retail firms was equally dramatic, from only R7m



in 1973 to R92m in 1974.

The wholesale firms in the sample, on the other hand, were able to maintain a surplus of internal savings over total capital commitments largely because this sector was able to boost its profits last year to a much greater extent than the manufacturing or the retail sector.

The profit performance

While total after-tax profits, plus depreciation, of the wholesale firms in the sample increased by no less than 51,3 percent during 1974, profits returned by the manufacturing and retail firms increased by only 9,5 percent and 23.3 percent respectively.

Bearing in mind that the inflation rate last year was 11,2 percent, the profit performance put up by the manufacturing sector in particular must, therefore, be regarded as far from satisfactory.

The principal cause of the widening savings investment gap was the record increase in stock levels last year.

There can be little doubt that at current interest rate levels interest costs must be imposing a considerable burden on cash flows and on profits. Business firms will obviously be taking steps to reduce stock levels and to cut costs in order to reduce their reliance on outside funds and in order to lighten the interest burden.

Adverse impact

This process, however, will take time, particularly in the face of the adverse impact which increasing consumer resistance to rising prices is currently exerting on sales.

Meanwhile, because of the magnitude of the savings-investment gap which developed last year, we must expect that the adjustments which will need to be made will mean and will impose a relatively lengthy period of slow-down on the private sector of the economy, particularly as in the current situation there is just no easy way of obtaining additional finance.

Both loan and equity finance, and even short-term credit, remain largely restricted to the bigger firm which is not only in a position to afford the high cost of finance but is also able to satisfy the tighter provisions for risk and for possible loss which most providers of finance — and particularly the banks and the other financial institutions — are currently applying.

For economic policy, the inability of business to finance itself under conditions of double figure inflation — particularly because it is quite impossible for most businesses in these circumstances to set current selling prices to take account of still more inflation next time round — implies that it is absolutely imperative to bring about a significant reduction in the rate of inflation in the first place.

Otherwise we can be sure that inflation will go to ever-higher levels which in the end will give rise to such a crushing burden of debt being imposed on business that large sections of it will inevitably collapse.

A further important implication for economic policy of this increasing inability of business to finance itself appears to be that tax rates should be flexible — that is to say, the corporate tax rate ought to be reduced in order to compensate for the erosion by inflation of the capital resources of the private sector.

With the corporate tax rate on reported profits unchanged, businessmen have no option under today's inflationary conditions but to increase their prices if they are to conserve their profit margins and their capital resources.

This, however, merely adds fuel to the inflation. Besides many businesses are unable to increase their prices sufficiently to protect their profit margins fully from the eroding effects of inflation. In their case, an unchanged corporate tax rate is tantamount to a transfer of real capital resources from the private to the public sector — hence the need for downward adjustment in the corporate tax rate.

There can be little doubt that such a transfer of real resources affecting a significant part of the private business sector is, in fact, currently taking place.

An unless the process is stopped, the private sector will not even be able to maintain its real capital assets at their existing levels, with the inevitable result that productivity in the economy and hence the standard of living will go down.

File Capital

Iscor raises R33m

Star 11/6/75

PARIS — South Africa's Iron and Steel Industrial Corporation (Iscor) raised 50m dollars (R33m) through a private placement of floating rate notes, Credit Commercial de France has announced as co-manager.

The notes carry a margin of 1⅛ percent above the six months London Eurodollar rate.

Reimbursement can be called for at the option of participating banks after three years. The notes can be held to a maximum of 15 years.

Issued at 98,5 percent, the notes will be reimbursed at 98,6 percent on the third year, rising by annual stages to par if held up to or beyond the 10th year.—Reuter.

Indexation would be a 'serious threat' in anti-inflation drive

ARGUS 11/6/75

The Argus Correspondent

JOHANNESBURG. — Barclays Bank has joined the big debate on indexation with a resounding 'No' to the system as a mechanism to deal with inflation.

Dr Johan Cloete, chief economist at the bank, argues in a new Business Brief that the use of comprehensive indexation would prove a 'serious mistake' if introduced in South Africa.

He argues that both employers and employees would add even more heat to inflation by building increases into cost and wage budgets based not only on the rate of current increases but also inclined to add their own 'safety margins.'

If the consumer knew that future money incomes were protected against price increases, it would mean the removal of the last vestiges of discipline over consumption expenditure already running at excessive levels.

INTENSIFIED

If anything, the struggle between capital and labour to protect and if possible increase their respective shares of the total national cake would be actually intensified.

Overall, indexation would almost certainly result in the acceleration of inflationary pressures in the economy.

South Africa should acknowledge, instead, that its most urgent need was to speed up the rate of capital formation as much as possible, Dr Cloete argues. And a first requirement was the encouragement and protection of business profits.

Comprehensive indexation, he insists, would reduce the rate of capital formation:

- It would considerably extend Government control over the economy to the detriment of the profit motive and the incentive to invest in the private sector.
- It would perpetuate and even accelerate the inflation rate and in turn the tendency toward excessive consumption leading to a reduction in savings and investment.

New investment would be seriously hampered since index-linked interest rates and wages would introduce so much uncertainty into calculations that the entrepreneur would find it virtually impossible to determine the future return on invested capital.

Indexation would serve as a rapid conductor of imported inflation.

South Africa, because of its dependence on exports, would probably be forced — like Brazil — to devalue its currency constantly.

Dr Cloete concludes that excessive demand, with the inflation it causes, can only be overcome by greater productivity — or by a cut, at least temporarily, in living standards.

HANSARD 18

Q. 1121

10 June 1975.

Capital

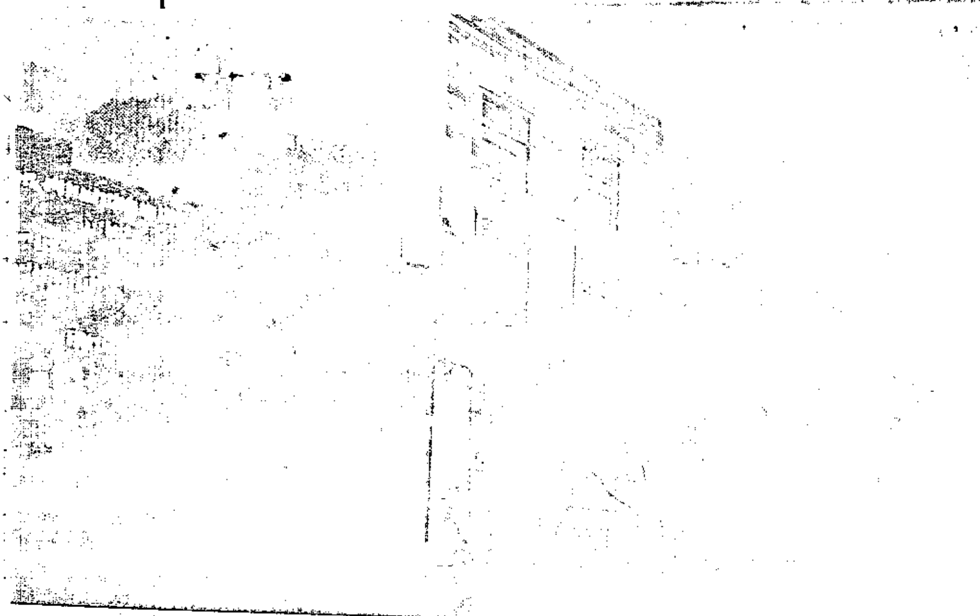
Blocked rand system

*9. Mr. T. ARONSON asked the Minister of Finance:

Whether the system of the blocked rand is being reconsidered as a means of ensuring investment capital from abroad; if so, in what way will the present system be altered.

The MINISTER OF LABOUR (for the Minister of Finance):

The system of blocked rand is constantly kept under review. It does not necessarily follow that any alteration of the system will ensure an additional net inflow of investment capital from abroad.



A sizeable problem

F.M. 13/6/75 Capital

he newly appointed commission on monopolies is expected to ... o the question of economic concentration. It should avoid the ...

ı **business,** bigness can have advantages ıd disadvantages. Whether on balance is in the public interest will depend on hat it achieves. That surely must be the ntral point for the newly appointed onopolies commission to remember as ponders — as its terms of reference mand that it does — "economic mono-listic power conglomerates". Precisely ıat those words mean we do not know. hat we do know is that there need be thing bad about bigness as such. Only : *abuse* of bigness can be bad.

Having said that let us hasten to add ıt we are well aware that the state of npetition in SA leaves much to be ıired and that we welcome the commis-n's appointment. Free enterprise's ım to survive is justified only if free ːrprise is competitive enterprise. And the end competition — and not the ːe Controller — is the only effective rantee consumers have against being ːn for a ride. While every business-ı publicly stands for competition, ately far too many support it only as as it is in somebody else's market.

he sharp edge of competition, which only guarantees fair prices, but effi-ːcy, technological progress and ıter productivity as well, can be ted in many ways. Among them: col-on over prices, market sharing, icted entry, aggressive competition ːned to establish single-seller situa-, and out-and-out monopolies.

A law differs from that in the US. In ːrica the mere *fact* of a diminution of petition is sufficient for restorative ın, eg the breaking up of powerful nercial groupings. In SA competition not only has to be diminished, but it has to be shown that this is also, in each specific case, contrary to the public interest, difficult though this concept is to define.

This is a sound principle and it should apply no less when considering the question of economic concentration. Bigness *per se* is not necessarily against the public interest. Indeed, in a developing country like SA, its advantages can often outweigh any disadvantages. Consider the need for economies of scale on the production line; consider too the desirability of having big business groups when it comes to approaching foreign capital markets for development funds.

Nevertheless it is true that there is a continuing temptation for all those with exceptional economic muscle to use it

STOP THAT PRI...

The US magazine *Business Week* last week gave a word of advice to businessmen wishing to avoid charges of price collusion.

Business Week suggests you:

- Don't agree with your competitors to raise or maintain selling prices.
- Don't co-ordinate discounts, credit terms, or conditions of sale with your competitors.
- Don't talk prices, markups, or cost structure at trade association or other meetings.
- Don't agree with your competitors to rotate low bids on contracts.
- Don't agree with competitors to

What in our view is needed is not a crusade against economic power *per se* but an effective watchdog to ensure that power is never abused, a watchdog to which consumers and other businesses, big and small, can turn to whenever they have a legitimate grievance. It should have the courage to take remedial action whenever abuses are proved. In many cases, the simple threat of withdrawing tariff protection and tougher competition from cheaper imports would do the trick.

As for mergers, many potentially fruitful rationalisation plans would simply never get off the ground if an attempt were made to adjudicate them in advance *à la* the mergers Bill of the late Si [illegible] which was thankfully killed and buried by an earlier commission. Again what [illegible] needed is close surveillance [illegible]

Another deficiency of the [illegible] system of monopoly control is that [illegible] much compromising and negotiation [illegible] allowed between offenders and [illegible] dom behind the scenes. The public [illegible] dom sees the process of consumer protection in action. It should. This would help maintain its confidence that competition was being safeguarded.

Whether price control is compatible [illegible]

Talks on Arab investment

STAR 17/6/75

Political Correspondent

CAPE TOWN — A spokesman for a London-based Arab trust will see the Deputy Minister of Bantu Development, Mr Raubenheimer, in Cape Town on the possible investment of up to R100-million in South Africa's homelands.

In an interview today, Mr Raubenheimer said he had seen the spokesman, Dr David Mort, last year, concerning such a scheme. He had agreed to a further interview.

The Deputy Minister said he had advised Dr Mort the previous time that the trust must come to the Government with specific projects in which its funds could be invested.

PLANNING

He referred Dr Mort, at the time, to the Bantu Investment Corporation and the Xhosa Investment Corporation to work out the best way in which such funds could be used.

Mr Raubenheimer said he did not expect to make a statement after seeing Dr Mort this afternoon. His role at this stage was just to give advice and help iron out any difficulties that might have arisen.

NOT ALONE

"It is just a question of advice at this stage. They must come with something definite, not a vague approach. We cannot go to the Treasury and ask to import R100-million for homeland development if they don't know how to use the money," the Deputy Minister said.

Representatives of the Arab Trust would also have to see the homeland leaders about any plans they might have for their territories, he added.

The Arab Trust was not the only overseas group interested in investing in the homelands, Mr Raubenheimer said.

Zulus get big Arab aid offer

RDM 17/6/75

By
PATRICK LAURENCE

KWAZULU was one of the two homelands offered loans of up to R100-million on behalf of the London-based Arab Trust, it was learnt yesterday.

According to one source, the second homeland was the Transkei, but the Transkei Chief Minister, Paramount Chief Kaiser Matanzima, yesterday denied receiving an offer.

"I know of no such offer and I would certainly have known about it if the Arabs had offered the Transkei money," he said.

INTERVIEW

The offers were made by Dr David Mort, managing director of a real estate and development company, following preliminary discussions with the deputy Minister of Bantu Development, Mr Braam Raubenheimer.

Mr Raubenheimer confirmed yesterday he had been approached by Dr Mort and had advised him to approach either the homeland governments or the Bantu Investment Corporation or the Xhosa Development Corporation.

The Minister meets Dr Mort again today for further talks after weekend reports about the offer of Arab money to homelands, and a request by Dr Mort for a second interview.

Chief Gatsha Buthelezi, Chief Minister of KwaZulu, said yesterday: "I have been in correspondence with Dr Mort, but I need to know more about the conditions of the offer before I can make a firm commitment."

Under present conditions, homelands are free to raise their own loans but only to the limit of their own sources of revenue (R18-million in the case of KwaZulu). But once they are independent — as the Transkei will be next year — that limit falls away.

Dr Mort said of the Arab Trust yesterday: "It is interested in the welfare of Black African states. It has already made loans to Ivory Coast, Senegal and Nigeria. One of the homelands was advised to contact Ivory Coast to check on the trust's bona fides."

Among the conditions which the trust would set for any loan of money to the homelands would be:

- A guarantee for its loan.
- A specific project for any money lent.
- Satisfaction that the project was feasible.
- A low rate of interest, "say about 10 per cent."

Dr Mort said the trust would probably only accept a guarantee for repayments from the SA Government.

He added: "If we get any specific proposal from a homeland for a development project, we will go back to the Treasury to try to negotiate a guarantee."

Dr Cedric Phatudi, Chief Minister of Lebowa, said yesterday he would be interested to learn more about the offer and invited Dr Mort to contact him to discuss it.

Overdrafts to cost less

STAR 18/6/75

Neil Behrmann

Standard Bank is to cut its minimum overdraft rate by one percent to 11 percent on June 26.

The minimum charge on overdrafts is presently 12 percent.

Leading customers can expect to benefit by the move.

Other banks are likely to follow, but Trust Bank, Nedbank and Barclay's said they had not decided to cut overdraft rates yet.

The man in the street pays between 12 and 14 percent on his overdraft.

But with the reduction in the minimum overdraft rate his lending costs should decline too.

Mr. Gordon Oxford, chief general manager of Standard Bank, said the bank had decided to cut the overdraft rate because of "the marked increase in liquidity" in the banking sector.

He believed there would be sufficient cash around for some time.

In line with the decrease in the overdraft rate, Standard intends to reduce interest payments on deposits.

At the moment an investor can obtain 9,5 percent on money which is deposited for 12 months at the bank and eight percent on 30 days' deposits.

But a bank spokesman would not disclose the new rate of interest on deposits.

inflow saver

R327m helps payments

By HOWARD PREECE
Financial Editor

RDM 19/6/75

A WHACKING net capital inflow of R327-million helped South Africa effectively to break even on the balance of payments in the first quarter of this year. This is shown in the Quarterly Bulletin of the Reserve Bank.

There was a shortfall of R319-million on current account which, with a loss of R13-million on valuation adjustments, gave a net drop of R5-million in the gold and foreign exchange reserves.

This was reflected in a drop in the foreign exchange holdings of the private bank sector.

The holdings and the gold assets held by the Reserve Bank rose by R22-million.

The impact of falling gold production — down 9 per cent in the first three months of this year — is seen in the value of net gold output of R638-million.

GROWTH RATE

The average gold price was 2 per cent higher than in the last quarter of 1974, but the value of net output fell by R75-million.

Confirmation that a imum real econo growth rate of 4 per cent this year can be expected is given by the bulletin.

The bank expects a rate of between 3 per cent and 4 per cent, which is marginally lower than previously expected. As the bank says, however: "These estimates still compare favourably with those for most developed countries."

Even so, it is a pertinent reminder that there is a lot of difference between increasing the target rate of the Economic Development Programme to an average annual growth of 6,4 per cent and achieving it. The hare is not so easily cased.

It is also not going to be so easy as some think to get the next boom moving.

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File CAPITAL

By Desmond Healey

Sun Trib 22/6/75

IT IS a drop in the ocean compared with what the steel industry needs to keep out of financial hot water and not impose a further burden on the taxpayer through the Government.

That is the immediate reaction from metal industry economists and steel dealers to the announcement that the price of steel has been raised by an average 15 percent with immediate effect — from an average R230 a tonne to an average R264,50 a tonne.

Insignificant

Neither do the experts expect that the small increase in price will have any significant inflationary repercussions, because it is thinly spread right through the economy and should not lead to dramatic rises in prices of products containing steel.

Included in the price rise, announced by the Secretary for Industries, Mr Philip Theron, in a Government Gazette notice on Friday, is an increase in the steel imports levy from R7,35 a tonne to R10,25 a tonne.

The levy is designed to equalise the price of imported steel with that of locally made steel — many imports cost 50 percent more than the equivalent local product — and it is costing the country a packet.

At the end of the last financial year — to June, 1974 — the deficit on the levy fund reflected in Iscor accounts was R35,7 million.

Deficit

The deficit, in the wake of 700 000 tonnes of steel imports in the calendar year, now stands at a huge R200 million which is being financed by the Government, because Iscor just does not have the financial resources to sustain such a debt.

This year Iscor expects to have to import 500 000 tonnes of steel products which at a levy of R10,25 a tonne will contribute just more than R5,1 million to the fund.

That means it will take more than 40 years to wipe out the deficit.

Behind the average 15 percent increase in the price of steel is a high tide of mounting costs for the steel makers, a tide which in the last financial year put Iscor more than R37 million in the red.

Iscor's current financial year ends on June 30 and the Government postponement of early requests for a steel price increase mean that an even bigger loss will be recorded. It could go up to more than R50 million, despite the additional R37 million which the Government is pumping in through the purchase of shares which do not qualify for dividends at any time.

Wages

High on the list of steel maker cost increases is wages which at the top end of the scale have been raised by 8,6 percent and at the bottom, covering Black labour, by 15,4 percent.

At the same time the prices of coal, electric power, transport and mining equipment have all risen dramatically to put the Iscor balance sheet in what an economist called an impossible situation.

In boosting the steel price, the Government has varied the percentage increases according to the various different products turned out by the steel mills in an effort to minimise the impact on manufacturing industry, commerce and the consumer.

For that reason the price of tinplate, the main material of food cans and allied food packaging, has gone up by no more than 14 percent while the biggest rise is just more than 16 percent on heavy steel plate, used in the shipbuilding and repair and civil engineering and heavy engineering construction and manufacturing industries.

Impact

That means the impact on the ordinary consumer can probably be absorbed by manufacturers of such products as tin cans, but the costs of major Government infrastructure developments, such as harbours and power stations, will rise fairly sharply.

Although Iscor began invoicing steel deliveries at the new prices as from Friday it is expected to be several weeks before the first effect is reflected in the market and in the meantime the Government is urging restraint in price rises upon manufacturers, including the car builders who have already raised prices by as much as 20 percent this year and warned that further rises are in the offing.

Added together the facts clearly reflect that Iscor no longer could continue to carry the burden of rising costs and the lowest steel price in the world without abandoning its expansion programme designed to make the country self-sufficient in steel products and eventually leave a small surplus for export.

Such expansion is regarded by the Government as being vital to the economic future of the country.

SA needs to curb monopolies

Cape Times 24/6/75

DAVID SHRAND welcomes the appointment of a commission of inquiry on the subject.

CAPITALISM has been described as "the law of the jungle" principally because it involves economic warfare on a "tooth and claw" basis. Although the free-enterprise system results in various irregularities and bottle-necks, it is a self-adjusting mechanism which ultimately operates in the interests of the consumer.

Under the capitalist system the profit motive dictates the economic trend. It is the incentive which influences *entrepreneurs* to take risks in the investment of their capital. This principle has been acknowledged in Russia recently, where the profit motive has been integrated into the economic system as a stimulus to increased production. Economists agree that competition which is prompted by the profit motive is the greatest incentive to production and that any check to competition lessens the aggregate product.

The economic law of demand and supply, if allowed free play, will ultimately iron out any irregularities that may result in the process of adjustment. One of the greatest threats to the smooth operation of the competitive system is the emergence of monopolists whose aim is to control the market by regulating supply and in devious other ways holding the consumer up to ransom.

In most countries legislation has been introduced to prevent monopolists dislocating the economic system. In this connection South Africa has followed suit.

In 1955, the South African Government placed on the Statute Book the Regulation of Monopolistic Conditions Act, which is designed to prevent or control monopolistic conditions in South Africa. In terms of its provisions, the Board of Trade and Industries is entrusted with the administration of the Act and since 1955 has undertaken various investigations, among which may be mentioned the biscuit industry, tyre manufacturers, motion pictures, electrical equipment, the liquor trade, tobacco manufacturers, the building industry and an investigation into the Central News Agency set-up.

The principle entrenched in the Regulation of Monopolistic Conditions Act is that monopolies are not in the interests of the public and that appropriate measures must be taken to excise any monopolistic growth from the economic system.

Monopolistic practices may take various forms such as arrangements among purchasers to restrict output or to maintain fixed selling prices or to prevent new entrants into the market.

Although the Government has with one hand sought to destroy monopolies, it has with the other hand created them in violation of the principle enunciated in the Regulation of Monopolistic Conditions Act.

The Government has supported monopolistic conditions in the wine industry which is rigorously controlled. Similarly, various primary agricultural products which fall under the control of the marketing boards are in effect a monopolistic device to protect the farmers. The marketing boards are specifically excluded from the provisions of the Regulation of Monopolistic Conditions Act.

It has been estimated that primary agricultural products handled by the various marketing boards amount to at least R400m a year. This is an estimation made many years ago and today the figure will be substantially in excess of this figure. Most of the important agricultural products have been placed under control and the farmer has thus been relieved of the pressure exerted by the competitive system. The prices of these various agricultural commodities are maintained on an artificial level to enable producers to derive a greater measure of profit than would otherwise accrue to them in normal circumstances.

The Government has argued that this principle of control is essential in order to maintain orderly marketing.

Throughout the world governments have arrogated to themselves monopoly rights and South Africa is no exception. This trend is manifest in various fields of the economy. For instance, the Motor Carrier Transportation Act endows the Government with monopolistic powers over the conveyance of any person or goods on any public road by a motor vehicle. The South African Government has also created monopolies in various other fields namely, Iscor and similar organizations.

Apart from governmental interference in the competitive system in South Africa, there are various organizations in the private sector which have achieved monopolistic status.

Take-over bids

Tell-tale signs that a monopolistic trend exists in South Africa are evidenced by the various mergers and take-over bids that have now become an everyday feature of South African economic life. The ...

F.M. 27/6/75

Capital

Top Companies Special Survey

Producing the Top 100 table for the annual *Top 100 Survey* is a real bastard. This year some errors crept in. So we're running the main table again. This time, hopefully, 100% correct.

The following companies were omitted from the original table: Tiger Oats, Oude Meester, Ovenstone Investments, Dunlop, Schachat, Tollgate and Primrose Industrial, while Metal Box was incorrectly ranked.

Primrose's David Lurie

The Top 100 table also carries, in the second column on the left-hand side, a ranking in terms of market capitalisation. This ranking has also been corrected in the table published below and these corrected rankings should be applied to "The Capitalisation League" on page 76 of the June 6 *Special Survey*. Some of the rankings in "The Top 100 Market Leaders", on pages 71 and 72, are also affected.

The third column on the left ranks the Top 100 companies by net profit, and these rankings are also corrected below. The "R1m Pre-tax Profit League" (pages 65 and 66 in the *Survey*) is also affected by the omissions noted above. The corrected rankings by net profit, shown below, can be used as a rough guide for amendments.

In the corrections published on June 13 and 20, the rankings given referred to the position each affected company should have occupied in the tables published on June 6. These rankings differ from those in the table below to the extent that they are affected by changes in the corrected table above the position of the company concerned.

To keep the record straight, we suggest that the table published here should be pasted into your copy of the *Special Survey*.

Our apologies to readers, and to the companies affected.

Oude Meester's Dirk Hertzog

THE TOP 100

Ranked by:

Total assets	Market capitalisation	Net profit		Total assets	Market capitalisation	Equity funds	Net profit	Turnover	Employees '000	Months since year end
				—Rm—						
1(2)	2(3)	2(4)	SA Breweries	695.0 (357.7)	199.9 (276.7)	205.0 (202.7)	28.9 (19.2)	627.1 (276.4)	52.6 (32.5)	14
2(1)	1(1)	1(1)	Barlow Rand	563.6 (441.4)	256.2 (358.8)	217.0 (175.2)	58.9 (37.0)	683.9 (585.7)	51.4 (47.2)	8
3(—)	13(—)	10(—)	C G Smith	350.2 (279.1)	66.3 (85.7)	88.9 (74.9)	12.5 (7.7)	349.3 (282.1)	51.5 (—)	14
4(—)	21(—)	12(—)	Rembrandt Cont	345.6 (307.0)	48.6 (56.2)	144.4 (148.4)	10.8 (12.6)	— (—)	— (—)	14
5(3)	7(6)	4(3)	Rembrandt Group	345.4 (306.8)	88.7 (130.0)	248.0 (243.0)	21.3 (24.7)	— (—)	— (—)	14
6(—)	25(—)	34(—)	Federale Volks*	329.8 (303.1)	41.8 (31.8)	86.0 (81.7)	5.7 (4.4)	— (—)	— (—)	17
7(—)	3(—)	5(—)	Amic*	324.9 (231.8)	177.4 (173.5)	183.8 (158.7)	20.9 (10.9)	— (—)	— (—)	17
8(4)	4(4)	3(2)	AE&CI	272.3 (250.3)	166.6 (204.6)	160.0 (145.4)	26.9 (20.1)	204.4 (165.5)	15.4 (15.6)	17
9(5)	5(2)	7(6)	Huletts	244.2 (187.4)	116.3 (116.3)	113.6 (90.5)	14.8 (12.3)▲	190.3 (165.6)▲	24.9 (22.5)	14
10(6)	8(7)	14(11)	OK Bazaars	199.3 (135.0)	85.7 (89.3)	122.0 (76.5)	▲9.6 (7.1)	▲321.7 (254.8)	18.5 (16.7)	14
11(19)	9(12)	9(13)	Tiger Oats	186.1 (95.0)	75.7 (66.2)	83.1 (48.2)	12.8 (6.6)	261.0 (152.8)	(—)	6
12(—)	38(—)	18(—)	A-T Industries*	197.1 (154.0)	27.9 (24.2)	45.1 (37.3)	9.1 (4.7)	282.1 (195.3)	— (	11
13(8)	19(20)	6(5)	Safmarine	173.5 (126.6)	50.7 (50.1)	40.9 (31.8)	16.2 (11.9)	150.6 (117.8)	— (—)	11
14(12)	23(23)	20(23)	Murray & Roberts	152.3 (110.3)	44.0 (43.3)	39.9 (33.9)	8.2 (5.0)	( )	52.2 (40.9)	11
15(10)	33(34)	2[illegible](16)	Dorbyl	150.6 (119.3)	31.9 (35.[illegible])	65.9 (61.2)	7.9 (5.9)	176.9 (156.5)	20.1 (21.5)	8
16(9)	6(5)	8(7)	Premier Milling	146.4 (121.3)	114.7 (133.8)	57.0 (50.0)	12.9 (8.6)	323.0 (257.9)	19.0 (19.4)	14
17(7)	42(32)	35(31)	Anglo-Alpha	135.5 (121.2)	24.0 (35.8)	41.6 (34.2)	5.7 (4.2)	79.8 (63.0)	6.6 (2.5)	[illegible]
18(14)	18(14)	19(14)	Plate Glass	134.4 (107.9)	5[illegible].9 (57.5)	43.8 (36.5)	8.8 (6.2)	— (—)	14.7 (13.9)	14
19(—)	93(—)	88(—)	Picbel	130.8 (44.9)	5.3 (7.2)	10.5 (5.7)	1.6 (0.8)	254.2 (164.4)	— (—)	11
20(15)	15(19)	11(32)	Sentrachem	129.0 (96.7)	63.5 (50.2)	60.3 (34.5)	12.0 (4.1)	137.1 (82.1)	5.1 (4.9)	11
21(11)	16(9)	13(8)	Highveld Steel	117.3 (116.6)	62.0 (79.0)	51.8 (46.4)	9.9 (7.5)	62.6 (56.7)	3.8 (3.7)	11
22(20)	33(28)	21(26)	Protea Holdings	115.2 (80.5)	31.2 (40.2)	33.9 (29.0)	8.2 (5.0)	152.8 (117.8)	8.5 (8.4)	11
23(13)	29(17)	42(36)	Tongaat	114.4 (103.3)	35.0 (51.4)	74.4 (65.7)	5.0 (3.7)	77.4 (54.4)	16.9 (15.7)	14
24(18)	57(15)	39(98)	Greatermans	114.3 (91.2)	17.3 (19.1)	28.5 (25.0)	5.1 (3.3)	(—)	16.1 (14.5)	11
25(16)	31(35)	15(21)	Stewarts & Lloyds	110.3 (96.4)	58.3 (52.4)	32.6 (34.3)	9.3 (5.1)	— (—)	12.1 (10.7)	8
26(—)	58(—)	32(—)	S Atlantic*	109.5 (85.6)	16.8 (17.6)	35.6 (29.9)	5.9 (3.7)	156.2 (113.7)	(	11
27(21)	37(11)	23(41)	Afcol	106.8 (85.3)	28.1 (50.8)	44.1 (38.1)	7.7 (2.9)▲	116.6 (90.2)▲	9.8 (8.6)	14
28(23)	55(52)	54(39)	Oude Meester	105.3 (83.1)	18.5 (22.1)	31.9 (29.0)	4.2 (2.1)	(—)	— (—)	15
29(22)	14(10)	16(12)	Stellenbosch Wine	102.7 (87.3)	64.7 (77.0)	42.1 (39.3)	9.3 (6.9)	168.9 (125.6)		14
30(—)	61(—)	47(—)	Bonuskor*	101.2 (89.3)	16.1 (22.8)	46.0 (43.3)	4.5 (2.5)	( )		11
31(26)	26(21)	29(29)	Unisec	100.5 (71.2)	39.3 (14.9)	54.9 (49.9)	6.2 (4.4)	— (3.5)	— ( )	17
32(16)	20(15)	30(15)	Sappi	95.7 (91.1)	50.4 (54.5)	60.3 (54.3)	6.0 (4.3)	84.0 (70.5)	11.7 (11.5)	17
33(27)	46(36)	40(35)	Afrox	93.3 (65.2)	22.7 (31.3)	46.3 (31.2)	5.0 (3.8)	96.8 (74.9)	4.6 (4.2)	1[illegible]
34(36)	40(31)	28(18)	PP Cement	93.0 (58.5)	25.2 (36.0)	60.6 (56.8)	6.5 (5.5)	56.7 (26.6)	2.1 (1.8)	9

THE TOP 100

Ranked by:

Total assets	Market capitalisation	Net profit		Total assets	Market capitalisation	Equity funds	Net profit	Turnover	Employees '000	Months since year-end
				Rm	Rm	Rm	Rm	Rm		
35(—)	67(—)	51(—)	OIL	89.2 (30.2)	14.1 (19.0)	11.3 (8.6)	4.3 (2.1)	59.2 (30.1)	4.2 (3.1)	16
36(29)	30(18)	36(22)	ICS	81.8 (66.6)	33.1 (50.9)	44.5 (41.0)	5.6 (5.0)	215.9 (191.9)	15.0 (14.0)	17
37(25)	24(16)	25(10)	Federale Kunsmis	81.4 (75.2)	43.0 (54.2)	30.5 (28.1)	7.1 (5.6)	68.7 (60.6)	2.9 (2.8)	17
38(28)	84(79)	67(50)	McCarthy, Rodway	80.5 (67.9)	7.8 (13.5)	20.8 (18.1)	2.9 (2.5)	196.4 (161.6)	— (—)	[illegible]
39(31)	41(69)	56(34)	Leyland	78.2 (61.5)	24.9 (26.7)	41.5 (37.9)	4.0 (3.9)	91.7 (96.2)	5.6 (4.3)	8
40(40)	12(13)	17(17)	Nampak	72.6 (54.4)	66.7 (59.8)	49.5 (36.4)	9.2 (5.8)	78.0 (58.6)	6.7 (6.2)	12
41(30)	27(26)	31(30)	Metal Box	69.8 (62.8)	37.8 (41.5)	31.1 (28.0)	6.0 (4.2)	91.5 (74.9)	8.5 (8.2)	14
42(43)	94(—)	78(42)	Datsun	66.0 (50.7)	4.9 (9.0)	16.7 (14.7)	2.3 (3.2)	101.4 (87.3)	5.3 (5.0)	8
43(37)	70(100)	99(86)	Union Steel	65.2 (59.2)	11.9 (10.4)	26.5 (25.6)	0.9 (1.1)	104.2 (76.9)	5.9 (6.7)	17
44(38)	92(—)	76(89)	LTA	63.6 (56.6)	5.8 (7.4)	5.8 (4.0)	2.4 (1.0)	168.8 (146.3)	21.2 (26.3)	11
45(34)	56(33)	33(27)	Rennies	63.2 (54.1)	18.5 (13.2)	33.4 (29.8)	5.9 (4.6)	76.5 (59.2)	11.2 (8.9)	11
46(60)	65(60)	48(55)	Mitchell Cotts	61.6 (37.2)	15.2 (17.8)	22.0 (17.3)	4.4 (2.4)	164.7 (90.0)	7.3 (4.8)	11
47(33)	72(89)	84(66)	Dunlop	61.1 (41.9)	11.3 (9.0)	24.1 (21.1)	2.0 (1.8)	59.8 (50.3)	— (—)	18
48(32)	76(68)	41(24)	Toyota	61.3 (54.0)	10.8 (15.3)	27.2 (23.0)	5.0 (3.7)	99.5 (79.9)	4.1 (3.6)	17
49(—)	63(—)	54(—)	Calan*	60.4 (39.7)	15.9 (24.6)	21.1 (13.6)	4.1 (2.5)	68.4 (37.4)	— (—)	11
50(47)	22(22)	27(33)	Edgars	58.0 (43.7)	45.6 (43.8)	27.4 (16.3)	6.9 (3.4)	97.0 (75.2)	6.4 (5.7)	11
51(46)	53(48)	43(48)	Russell	57.3 (46.0)	19.0 (24.1)	19.2 (16.1)	4.7 (2.8)	58.0 (45.9)	3.4 (3.5)	15
52(42)	51(56)	45(51)	Irvin & Johnson	56.5 (51.1)	19.6 (19.6)	35.6 (32.0)	4.6 (2.5)	88.5 (66.8)	9.5 (7.7)	11
53(52)	83(62)	70(70)	Carpet Mfg	56.0 (49.2)	8.0 (17.2)	18.8 (18.2)	2.7 (3.7)	— (3.5)	— (—)	14
54(61)	68(63)	61(69)	Ropes & Mattings	55.0 (36.6)	13.6 (17.2)	26.3 (18.3)	3.6 (1.9)	46.3 (29.9)	5.8 (5.1)	11
55(41)	91(78)	83(64)	Williams, Hunt	54.5 (52.4)	5.9 (13.7)	24.0 (22.7)	2.1 (2.0)	74.4 (74.6)	— (—)	9
56(—)	81(—)	92(—)	Sagit*	53.5 (35.9)	9.3 (10.7)	22.8 (18.2)	1.5 (1.2)	26.8 (—)	— (—)	11
57(35)	35(29)	46(25)	Abercom	52.1 (34.0)	30.2 (37.8)	22.8 (19.5)	4.6 (3.0)	57.9 (46.3)	6.0 (8.8)	11
58(49)	64(25)	64(40)	Utico	52.0 (42.3)	15.4 (27.5)	30.7 (29.4)	[illegible] (3.2)	42.4 (38.0)	2.9 (3.0)	8
59(53)	10(8)	24(19)	Woolworths	51.7 (40.7)	72.1 (80.2)	30.6 (26.3)	7.7 (5.4)	86.9 (72.4)	2.9 (2.8)	12
60(—)	11(—)	26(—)	De Beers Ind*	51.6 (49.5)	71.5 (79.8)	73.8 (79.8)	7.0 (6.3)	— (—)	— (—)	17
61(48)	44(44)	60(47)	SA Druggists	51.4 (42.2)	23.6 (25.3)	17.1 (15.4)	3.8 (2.8)	80.2 (66.9)	2.9 (2.8)	9
62(62)	17(30)	74(37)	Swazi Sugar	51.1 (46.3)	56.2 (36.1)	27.7 (28.5)	2.6 (3.6)	25.7 (22.1)	— (—)	14
63(—)	49(—)	73(—)	Metkor*	50.6 (55.8)	21.1 (23.8)	41.3 (38.8)	2.6 (1.8)	— (—)	— (—)	11
64(89)	47(41)	49(77)	Kaap-Kunene	49.7 (30.9)	22.4 (27.5)	22.1 (16.2)	4.4 (1.5)	— (—)	1.8 (1.8)	17
65(—)	88(—)	96(—)	Fuchs Cons Inv*	46.9 (15.8)	6.7 (7.8)	12.9 (8.4)	=1.1 (0.5)	=37.6 n/a	— (—)	15
66(45)	89(—)	95(97)	Wispeco	46.5 (42.2)	6.5 (8.6)	21.4 (20.8)	1.3 (—0.2)	32.5 (39.0)	3.4 (5.0)	11
67(56)	82(—)	91(100)	Phil Morkel	45.9 (40.1)	8.2 (9.1)	6.0 (3.9)	1.5 (—1.6)	46.8 (35.9)	3.7 (2.3)	15
68(72)	78(43)	71(59)	Schachat	45.7 (29.1)	9.8 (29.1)	10.6 (8.4)	2.7 (2.3)	— (—)	— (—)	18
69(57)	87(94)	72(54)	Atkinson-Oates	45.2 (39.3)	6.8 (11.5)	19.1 (17.6)	2.7 (2.4)	116.4 (97.3)	— (—)	11
70(71)	97(97)	86(79)	SM v Achterbergh	44.7 (30.7)	4.4 (11.3)	7.5 (7.6)	1.9 (1.4)	— (—)	— (—)	15
71(55)	43(42)	44(45)	Everite	44.6 (40.4)	23.8 (26.9)	31.2 (28.4)	4.6 (3.0)	36.1 (28.7)	3.7 (3.5)	11
72(50)	45(37)	37(20)	Argus	44.1 (40.3)	22.8 (31.0)	36.3 (34.1)	5.4 (4.4)	46.9 (40.0)	3.4 (3.3)	17
73(68)	52(55)	38(57)	Kohler	43.8 (29.3)	19.3 (24.1)	22.2 (11.0)	5.2 (2.4)	49.5 (37.1)	— (—)	11
74(—)	62(—)	79(—)	Darling & Hodgson	43.7 (35.4)	16.1 (14.5)	9.1 n/a	2.3 (1.2)	75.6 n/a	8.0 n/a	17
75(51)	36(40)	53(43)	Reynolds	43.0 (41.1)	29.0 (27.7)	34.7 (33.0)	4.1 (3.1)	— (—)	— (—)	14
76(54)	71(86)	89(76)	Hubert Davies	40.6 (43.1)	11.7 (12.1)	17.0 (16.1)	1.6 (1.1)	72.0 (56.0)	3.8 (3.9)	7
77(58)	85(—)	85(94)	CNA Inv	39.8 (38.6)	7.4 (9.4)	15.7 (14.7)	1.9 (0.7)	76.5 (74.1)	7.0 (7.1)	15
78(—)	39(—)	80(—)	Placor	39.4 (28.1)	25.6 (28.5)	38.9 (42.8)	2.2 (1.4)	— (—)	— (—)	14
79(97)	90(—)	93(91)	CJ Fuchs	39.3 (23.8)	6.4 (6.8)	16.2 (12.2)	1.4 (0.8)	34.6 (24.5)	— (—)	15
80(66)	74(74)	63(49)	Tollgate	38.9 (33.7)	11.0 (14.3)	22.6 (20.7)	3.2 (2.6)	32.3 (27.9)	— (—)	12
81(63)	50(39)	68(52)	Triomf	38.7 (35.4)	21.0 (28.0)	9.4 (8.9)	†2.9 (2.5)	†80.4 (69.2)	— (—)	17
82(59)	32(50)	77(58)	Blue Circle	37.9 (36.6)	32.0 (23.4)	24.3 (20.9)	2.3 (1.6)	21.2 (15.7)	5.3 (1.4)	6
83(78)	95(—)	90(87)	Marshall Ind	37.2 (25.8)	4.7 (7.5)	15.4 (13.1)	1.5 (1.0)	45.4 (27.2)	— (—)	9
84(—)	28(—)	50(—)	African Cables	36.5 (20.5)	37.1 (42.7)	24.6 (13.0)	4.4 (3.4)	50.3 (34.0)	— (—)	10
85(64)	59(64)	75(72)	Cons Glass	36.2 (27.5)	16.7 (16.7)	15.3 (14.2)	2.4 (1.8)	48.3 (36.3)	6.7 (6.4)	11
86(69)	73(84)	57(56)	SA Distilleries	36.2 (29.3)	11.2 (12.3)	25.1 (26.4)	†3.9 (2.4)	†11.6 (5.4)	— (—)	14
87(—)	79(—)	82(—)	Hippo*	36.2 (27.1)	9.7 (13.9)	13.6 (11.0)	2.2 (1.9)	36.4 (24.9)	4.4 (3.8)	11
88(—)	48(—)	94(—)	Edcon	34.4 (32.1)	21.3 (20.6)	26.0 (25.8)	1.3 (1.3)	— (—)	— (—)	11
89(—)	100(—)	100(—)	Alpha-Dunswart	33.7 (29.5)	1.6 (2.5)	4.2 (3.7)	0.6 (0.6)	— (—)	— (—)	17
90(74)	54(38)	55(28)	Plascon-Evans	33.5 (28.3)	18.8 (28.7)	18.5 (15.3)	4.0 (3.6)■	51.2 (43.4)■	3.6 (2.8)	8
91(87)	66(—)	66(74)	Frasers	33.2 (24.7)	14.2 (11.0)	16.5 (12.5)	3.0 (1.7)	— (—)	3.8 (3.4)	8
92(—)	80(—)	69(—)	Picardi Canners	33.1 (9.1)	9.4 (1.4)	13.2 (—)	†2.8 (0.6)	†25.3 (27.0)	— (—)	11
93(75)	60(53)	58(44)	Truworths	33.0 (27.9)	16.4 (22.0)	14.8 (12.6)	3.9 (3.0)	52.3 (43.6)	5.8 (5.1)	11
94(—)	86(—)	62(—)	Globe Eng	33.0 (18.5)	7.0 (8.7)	12.6 (9.9)	3.5 (2.1)	— (—)	— (—)	11
95(95)	99(—)	98(90)	Asokor	32.8 (24.0)	3.2 (3.4)	4.6 (4.1)	0.9 (0.8)	203.0 (144.0)	3.0 (3.1)	11
96(73)	75(80)	65(63)	Adcock-Ingram	32.8 (28.7)	10.8 (12.9)	15.3 (14.2)	3.0 (2.1)	46.6 (42.0)	— (—)	11
97(82)	77(83)	81(71)	Malbak	32.7 (27.1)	10.5 (12.4)	11.6 (10.4)	2.2 (1.8)	60.4 (50.8)	— (—)	14
98(—)	98(—)	97(—)	Bromain*	32.4 (31.8)	3.7 (6.0)	15.3 (14.8)	0.9 (0.7)	— (—)	— (—)	15
99(—)	96(—)	81(—)	Vavasseur	32.1 (11.3)	4.6 (8.4)	11.2 (4.9)	1.7 (0.6)=	— (—)	— (—)	17
100(—)	69(—)	59(—)	Primrose Industrial	32.0 (23.0)	12.8 (14.6)	16.7 (11.3)	3.9 (2.0)	22.5 (18.8)	— (—)	12

=Adjusted from 6 to 12 months. †Adjusted from 9 to 12 months. *Adjusted from 10 to 12 months. ▲Adjusted from 11 to 12 months. ♦Adjusted from 13 to 12 months. ■Adjusted from 15 to 12 months. ‡Adjusted from 18 to 12 months.

Companies marked with an asterisk were shown as industrial/holding companies in previous surveys.

Figures in parentheses refer to previous year.

Sun Times (Bus Times) 29/6/75

By COLIN CAMPBELL

SOUTH African Breweries is thrusting towards a R1 000-million turnover and solid entrenchment as South Africa's biggest industrial group.

SAB plans to spend R80-million by March next year to modernise and further extend its hold on the South African economy. The addition of R20-million as working capital takes projected commitments to R100-million.

This, and other plans, are detailed in chairman Dr Frans Cronje's annual review for fiscal 1975, published yesterday.

Dr Cronje tells shareholders that there should be a further sound improvement in SAB's profits for fiscal 1976, but warns that the South African economy faces "some difficulties".

Dr Cronje says that the R80-million will be spent on fixed capital investments in its brewery operations; on television equipment and TV sets for leasing; and on the first stage of a programme to develop larger retail stores and hypermarkets.

Of this, R30-million will be spent on breweries operations, and the chairman adds that "these expenditures are all considered essential if we are to meet projected turnovers and maintain our position in the market place".

SAB, which controls OK Bazaars, has not unveiled its hypermarket plans, but it is understood that the group plans at least two hypermarkets — one in Johannesburg and one in Cape Town — both near the present Makro outlets.

The cost of the group's expansion plans will be funded from internal resources and from borrowings.

In May SAB negotiated a R20-million loan — first reported in BUSINESS TIMES on May 4 — and has R15-million in the pipeline from the leaseback of properties arranged with Sanlam.

It will use its short-term facilities to supplement the balance.

The shortfall will be met by disposal of assets, and the chairman adds: "It is essential in the present financial climate that the group utilises its resources more effectively".

Gross margins were squeezed last year, and though turnover rose by 42 per cent to a record R888,9 million the pre-tax and pre-interest return slipped from 10 per cent to 9,4 per cent.

Net interest paid rose significantly from R5,6-million to R13,9-million, but despite this factor, the group was able to report record earnings of 18,1c a share, and improve its dividend payment by 0,5c to 9c a share.

SA Breweries should enjoy some relief on the interest front charge if interest rates continue to tend down, and because of management's intention to control costs strictly, earnings growth should continue.

Over the past 10 years, earnings have grown at an average annual compound rate of 12,3 per cent.

Dr Cronje is particularly lucid on his group's responsibilities towards the community it serves. Points from his review include:

- SAB is moving towards unified salary and wage structures to eliminate the wage gap between Black and White workers doing the same job.
- In addition to supporting sport, university education and charitable causes, SAB will concentrate its efforts more forcefully in the field of technical education.
- SAB intends to initiate a research project to identify the various problems associated with the consumption of alcohol beverages, and in evaluating the sociological effects of these.

Dr Cronje makes a plea for the authorities to assist the private sector by offering forward cover facilities for medium-term loans, thus eliminating the exchange risk.

The capital requirements of South African industry are vast, and while SAB has the capacity to raise foreign capital, the group is obviously exposed to currency risks.

If forward cover is not accepted as a proposal, then Dr Cronje suggests that realised currency losses on loans should be allowed as a deduction from income when tax is determined.

There is no breakdown of turnover contribution, but on the profit contribution front, the South African beer division retains number one spot at R1[illegible]

- Stelbos (29 per cent)— this company finds it difficult to predict sales volumes this year because of possible consumer resistance to higher prices, but a further profit growth is expected.

Because of the gnawing effect of inflation, SAB proposes to revalue its assets on a replacement basis this year.

As an investment, SA Breweries can safely be recommended as a safe medium-term holding.

The group is closely identified with the growth of the South African economy, and though the percentage rise in dividends paid may not be dramatic, at least shareholders have every right to expect a steadily rising dividend income.

Its earnings track record is good, and given management's determination to work assets as profitably as possible under current inflationary pressures, shareholders can safely bet that this year's earnings will be a record.

See MANUFACT. — Beverages

Devaluation booster for gold mines

By HOWARD PREECE
Financial Editor

RDM 30/6/75

THE decision to stop floating the rand and devalue it against the dollar from a central parity of $1,47 to $1,40 will add about R60-million revenue to the gold-mining industry over the second half of 1975.

The Treasury will, in turn, scoop in about R30-million of that through profits tax on the mines.

Last year gold mine revenue was nearly R2 500-million.

The average gold price was around $155 as received by the mines.

On present evidence it will be higher this year, but total revenue — before the devaluation effect — was looking to be about the same because of lower production.

But the devaluation — which is particularly important because of the promise that parity changes in future will, as was traditional until 15 months ago, be made only in absolute necessity — has given the mines a 5 per cent windfall.

It is 5 per cent and not 4,76 per cent — the official devaluation figure — because of the "two arithmetic" of a devaluation. Gold, for example, is priced in dollars. What matters to the mines, however, is the converted rand price.

The effective devaluation equation is then 5 per cent. It work the same way that as a rise from 100 to 101 is an increase of 1 per cent a fall from 100 to 99 is a move of more than 1 per cent.

How much the 5 per cent is worth depends on output and gold price.

But over the second half of this year, it seems likely to be about R60-million compared with the revenue outlook pre-devaluation.

The devaluation has been generally welcomed. But there has been criticism.

A spokesman for the South African Foreign Trade Organisation said: "From a trading point of view, Safto welcomes the devaluation because of the favourable affect it will have on South Africa's vital exports."

But Professor Arnt Spandau, head of the department of business economics at the University of the Witwatersrand, commented: "If anything, there should have been a revaluation of the rand as this devaluation will have a considerable inflationary affect on the South African economy.

"I believe it could push up inflation by about 1 per cent.

"Although the devaluation will aid exports, I see no point of artificially supporting exports."

Mr A. G. Briggs, chairman South Africa British Trade Association, said: "The devaluation is by no means unexpected and I believe it will assist in redressing the balance of trade figures between Britain and South Africa.

"The devaluation of the rand is particularly important because of South Africa's exports to Britain."

TRAVELLERS

Mr Errol Lizamore, international division economist of the Standard Bank, said: "Because of the recent slump in the gold price and the less favourable export prospects, the Government's decision almost certainly takes into account the relatively low level of the country's gold and foreign reserves and the need to curb speculative outflows of capital.

"This is a direct benefit to South African exporters and in terms of sterling exporters to the United Kingdom will now receive about R1,61 for every £1 compared to the previous rate of £1=R1,53. This will assist them in maintaining their share of this important market.

"However, the cost to the traveller will rise because the dollar is now costing more in terms of rands than before. For instance — to buy £100 travellers' cheques will now cost R161 instead of R153.

"There is one other effect on the man-in-the-street. Imports from abroad will cost more, and this effect is bound to be felt in an increase in the cost-of-living."

THE ARGUS,

3/7/75

Critics of SA told to see for themselves

The Argus Bureau

LONDON. — When critics of South Africa visited the country to see things for themselves their attitude invariably changed, Mr Harold Morcombe, past president of the South African Federated Chamber of Commerce said.

Speaking at a seminar on investing in South Africa he mentioned the visit of five prominent British trade unionists in October 1973. In many respects, their preconceived ideas had changed.

Mr Morcombe said South Africa's recent growth performance was well known. A political commitment had recently been given to a high rate of real growth of 6,4 percent in the interests of expanding job opportunities for Blacks, expanding living standards and narrowing the wage gap.

Critics were calling for change, but what they really wanted was the collapse of the entire social and economic structure of the country. However, they would call for this in

QUOTES

DR CEDRIC PHATUDI, Chief Minister of Lebowa:

'People in the Bantu homelands have a sound educational base for fast and rapid growth and are becoming a people well prepared for the future. We have adequate labour of all types fully willing and able to roll up their sleeves and to bend to the task of assisting in the development of their territories.'

DR W. B. COETZER, chairman of General Mining and Finance:

'Britain is earning an average return on her South African investments in excess of 12 percent, compared to an overall average of 8 percent on all her foreign investments. This compares with 8,9 percent on Britain's American investments, 6,6 percent on her Australian, and 5,1 percent on her Canadian investments.

'South Africa takes up only 5 percent of the total area of Africa and houses only 6 percent of the continent's population, but its industrial production is nearly half of that of all the other countries together. South Africa generates 60 percent of total electricity and its railways carries about 60 percent of all railway freight, while its telephone system comprises 48 percent of all the telephones in Africa.'

DR J. ADENDORFF, managing director of the Bantu Investment Corporation:

'The average annual growth of the African population in South Africa is 3,1 percent and estimates indicate that about 120 000 male African workers will enter the labour market every year. About R160-million will have to be expended yearly to create sufficient job opportunities in the Bantu homelands.

'It was doubtful whether the shortfall in capital requirements, as well as the skills necessary to create the required industrial jobs, could be supplied by South Africa alone. For this reason, foreign investment is imperative to enable us to reach our targets.'

Mr Harold Morcombe

Investors told of homeland potential

The Argus Bureau

LONDON. — The importance of new concessions being offered to overseas industrialists who invest in the Bantu homelands has been emphasised here by Dr J. Adendorff, managing director of the Bantu Investment corporation, who said the concessions were now about double what they had been previously.

Dr Adendorff was supported by Mr Franko Maritz, managing director of

See FOREIGN FIRMS

CAPITAL

ARGUS 3/7/75

SA move criticised

MR BRIAN MACLEOD, director of the Cape Town Chamber of Commerce, said today the rand could have been revalued instead of devalued by 4,76 percent as was done last week.

Mr MacLeod, who has just returned from a trade mission to Europe, said he had gained the impression that if the rand had been increased in value in terms of European currencies, South Africa's position in Europe would not have been seriously affected.

The devaluation was unnecessary and inflationary, he said.

'It was a precipitate move and not a very wise one. I feel the Government should have waited to see what happened to the pound. There are already signs that the pound has strengthened.

'The Government should also have taken a careful look at how sales not only to Britain but to Europe would have been affected if it had maintained the value of the rand or increased it.'

Mr MacLeod queried the necessity of devaluing the rand to protect the British markets.

'Other countries which are major suppliers have not devalued and, furthermore, our reserves and balance of payments are in a healthy state.

'There has been a lot of speculation against the rand. If the Government had held on for six months, it could well have found its position in British markets would not have been seriously affected.'

Mr MacLeod pointed out that devaluation would not encourage further investment and warned that it could affect the flow of money into South Africa.

Capital

STAR 3/7/78

'Massive growth' on way

By the turn of the century the market in the homelands will be bigger than the whole White South African market today, Mr J Adendorff, managing director of the Bantu Investment Corporation (BIC) told the symposium.

If African incomes grow at 7,5 percent a year, faster than the national average, their total income will then be R17 000m.

If half of the market is in the homelands, industrialists will be able to build factories there to cater for the African market alone.

He said by the year 2000, SA would at current growth rates, have a gross domestic product of nearly R50 000m and would be a major economic power, comparable to some European powers today. Poverty as a mass phenomenon will largely have disappeared.

However, with the African population growing at 3,1 percent a year, 120 000 African workers would need jobs each year.

About 60 000 of them would be absorbed through normal growth, but 60 000 new jobs would have to be created in the homelands.

Assuming that one industrial job creates two in the tertiary sector, 20 000 industrial jobs would have to be created.

And if creation of the industrial job costs R8 000, R100m will have to be spent on this in the homelands every year.

The BIC has R65m available for economic development in the homelands this year. Presuming R10m is provided by private enterprise, the BIC intends creating 10 000 new jobs in the coming year — which is only half of requirements, he said.

It was doubtful whether SA could provide the shortfall. "For this reason foreign investment is imperative," he added.

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R1,6 billion on homelands — Phatudi

STAR 3/7/75

Capital

Already a total of R1 625 000 000 had been pumped into the homelands and more incentives had been offered, Dr. C N Phatudi, Chief Minister of Lebowa, said in London.

Painting a bright picture, he said that in the four-year period since 1971 more than R1 300-million has been invested in the homelands by commerce.

Stability

"In order to prepare the people for a new economic life, education was spearheaded with an investment of more than R100-million over the last three years," Dr. Phatudi added.

He told overseas businessmen and industrialists that the political and economic stability of the homelands gave unparalleled opportunities for investors.

"The homelands were one of the safest investment opportunities anywhere especially for those industries requiring a new lease of life."

He underlined investment incentives such as low-interest loans, tender privileges, liberal tax, holidays and premises.

"Our political stability is enviable, our labour peace unbelievable and our economic stability a matter of great jealousy," he continued.

"It is safe to say that your managerial skills together with our raw material potential, adequate labour and surface, resources would combine into the optimum type of industrial undertaking so much sought by shareholders."

He warned industrialists that they would be "naive" to think a vast pool of cheap labour existed in the homelands.

"Cheap labour only remains cheap until someone in their ranks gets a bit of savvy and the utopian bubble bursts."

Dr. Phatudi — unparalleled opportunities.

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Reasons for rapid progress

STAR 3/7/75

Capital.

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Mr J J Kitshoff, chairman of the Industrial Development Corporation, listed six reasons why "we are so enthusiastic about our industrial development and why the rate of progress has been so gratifying."

- Stability of Government. Communication between Government and industry was close and cordial and getting better.
- The belief in both business and Government in the superior merits of the private enterprise system.
- The Government's open-door policy to foreign capital, which it threated equitably and hospitably.
- South Africa endowed with mineral and agricultural resources.
- It had plentiful, low-cost power.
- It had big manpower resources, especially in the hidden reserve of potential skills among Blacks.

STAR. 3/7/75

Capital.

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Africa's giant in investment

Half of all foreign investment in Africa goes to South Africa, the chairman of General Mining, Dr W B Coetzer said.

Although South Africa is on the tip of Africa and houses only six percent of its population, its production is nearly half that of all other African countries, he said.

South Africa generates half the continent's electricity and carries 60 percent of its railway freight.

Dr Coetzer added that direct and indirect foreign investment in South African businesses rose at an annual rate of 11 percent from 1966 to 1972.

ESTIMATE

During this period, it increased from R2 286m to R4 700m in 1972 and represented 21,5 percent of all new investments in South Africa.

Dr Coetzer estimates that the value of all foreign investments in South Africa — both private and public sectors — exceeds R9 000m.

He said potential growth areas in the South African economy are:

- The spending power of the Blacks.
- The development of South Africa's infrastructure.
- The television, construction, textiles, engineering and chemical industries.

He believes the mining industry will grow faster than other sectors in the South African economy.

South Africa's internal affairs had faced severe criticism but, once critics had made the effort to visit the country, their attitude changed completely.

This view was expressed by past president of the SA Federated Chamber of Industries Mr Harold Morecombe addressing the conference.

He stressed the need for businessmen all over the world to work closely together because of the understanding and mutual trust built up through business links.

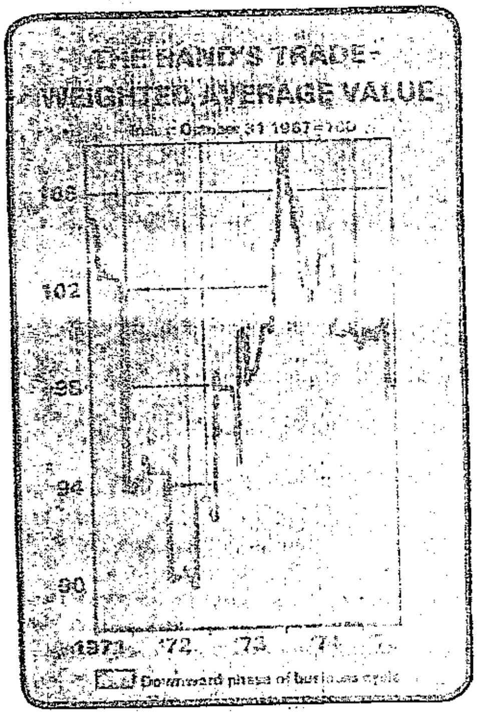
South Africa, he said, had a remarkable record of industrial peace and a large slice of the free world's resources.

Capital

F.M. 4/7/75

Devaluation was forced on SA by a misguided exchange rate policy. Thankfully, that policy has now been [illegible] future exchange rate decisions will be based on more fundamental issues — like inflation

The chastened rand



The old familiar ways have their attractions after all. After a year of "independent managed floating" the rand, like the prodigal son, has returned home — much chastened — to the dollar. And, by all accounts, a long and reasonably stable association is once again in the offing.

How much damage was caused by the rand's adventures with that "trade-weighted basket of currencies" cannot be quantified. But it would have been considerable, especially since March. With the dollar strengthening and the pound weakening, SA's currency steadily appreciated, creating, in the words of Finance Minister Owen Horwood, "the expectation that, *in terms of the existing SA exchange rate policy*, the rand would be adjusted downwards against the dollar in a series of small steps" (his italics).

The result (which would have been very different had the rand been truly floating) was a massive drain on the foreign reserves, with importers speeding payments, exporters delaying repatriation of proceeds, domestic credit being substituted for foreign trade credit and the inflow of private capital generally being delayed.

The magnitude of the drain cannot be judged from published figures (which exclude official short-term loans). But from remarks made by commercial bankers last week it could have been enormous.

Whether the run on the rand would not have happened had the pre-June 1974 exchange rate policy been in force all along is debatable. But what can be said with a fair degree of certainty is that the run would probably have been much smaller, and last week's devaluation perhaps unnecessary.

Indeed, it can be argued that the latest devaluation could still have been avoided if the Reserve Bank had followed advice and announced, even as late as the first week of June (ie before the present sterling crisis started), that it was abandoning "floating" and reverting to the old policy at the then existing exchange rate of \$1,47, or even at a slightly higher rate, say \$1,48. Those who had already sold rands short would have burnt their fingers, speculation against SA's currency in the weeks ahead would have been less intense, and probably the rand could have safely ridden out the current crisis in London, with the Reserve Bank borrowing whatever was necessary to support it.

For, fundamentally, the balance of payments still looks pretty sound. The current deficit has been running at only 4% of GDP during the past year and will probably start to narrow once overseas economic conditions improve. Also, the long-term capital account remains fairly strong.

So there was certainly no need to devalue for underlying balance of payments reasons; SA's trade balance could easily have withstood the 2%-3% appreciation in the average external value of the rand that would have taken place over June had there been no cut in the rand's dollar quotation.

But that is now a hypothetical issue. The rand *was* devalued — by 5% — and instead of appreciating by 2%-3% over June, its average external value *fell* by 2%-3%.

Over time the depreciation, if it is not completely wiped out by a further weakening of sterling and strengthening of the dollar, should help — granted, ever so marginally — to raise earnings and create jobs in export and import-competing industries, thereby softening the impact of SA's current economic downswing.

The price of this advantage is of course a higher cost of imported goods and foreign services, which ultimately has to be paid by the consumer through a still higher cost-of-living.

Which raises again the vexed question of inflation. Now that the exchange rate mechanism has been put back on a firmer footing (and that other starter of runs on the rand — artificially low interest rate ceilings (remember Christmas 1973?) — is a thing of the past) one of the tests facing Pretoria over the next year or two will be whether the rate at which costs rise in SA is to be faster or slower than the average abroad. If it is faster, the rand will become genuinely overvalued and another devaluation, this time for fundamental balance of payments reasons, could well become unavoidable.

South African U[illegible]

F.M. 4/7/75 Capital

London's Intercontinental Hotel [illegible] a Utopian island in the middle of [illegible] week. While government, trade unions and industry again crossed [illegible] on Denis Healey's latest proposals [illegible] still-soaring inflation in Britain, [illegible] brass visitors from SA and [illegible] dignitaries were extolling the Republic's virtues at Trust Accepting [illegible] seminar *Investment Opportunities [illegible]*.

The high-powered audience of European businesss leaders must have turned green with envy to hear Lebowa Chief Minister Cedric Phatudi tell them: "Our political stability is enviable, our labour peace unbelievable and our economic stability a matter of great jealousy".

Considering British industry's present mood of frustration and uncertainty, it wasn't surprising that most speakers emphasised the Vorster government's commitment to free enterprise. "Whether one agrees with all its policies and practices, or not, is really beside the point." [illegible]

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Supported by [illegible] Corporat[illegible] MD [illegible] Minister Phatudi [illegible] Matanzima [illegible] in the Homelands [illegible] attractive than in [illegible] pointed out [illegible] been surrounded [illegible] Homelands are [illegible].

More [illegible] Board Chairman [illegible] noted some of the [illegible] lised areas: inadequate [illegible] munications and [illegible] consequent difficulty [illegible] Whites to move there.

All in all the [illegible] investment opportunity in SA [illegible] likely that at least some [illegible] taking up Kitshoff's invitation [illegible] IDC in Johannesburg [illegible] advice and "a nice cup of tea".

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Question........................
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being attempted.

F.M. 4/7/75

Capital

BANK RATE

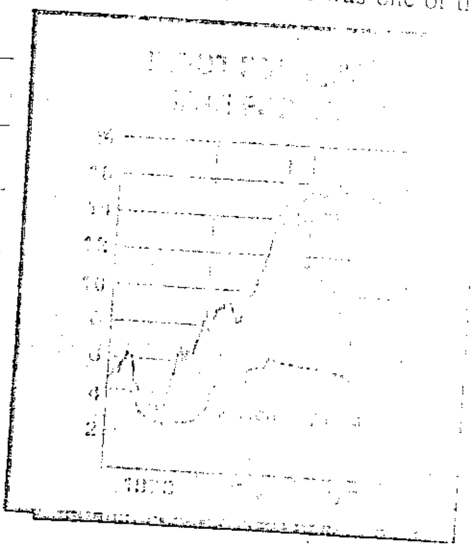
New formula?

One of the more intriguing talking points in banking circles these days concerns moves to resurrect Bank rate. The banks have apparently been doing intricate sums to see if and how the rate could once again become an effective instrument of monetary policy.

Background is the fact that the commercial banks last year raised their finest overdraft rate to a level above Bank rate-plus-2½%. That used to be the traditional link.

By breaking it they rendered Bank rate totally ineffective as a means of influencing the cost of credit to their customers – clearly, from Church Square's point of view, a very serious matter.

Last year the problem was one of the



cost of credit rising above the level signalled by Bank rate. But over the next few months (if liquidity continues to improve) it could be a question of the bank's refusing to reduce the cost of credit in response to a possible cut in Bank rate.

From the banks' point of view, the difficulty last year was that Bank rate bore no relation to what they were having to pay for their funds, not even the funds they borrowed from the Reserve Bank. This could easily happen again. So the

Capital

SA needs a lot from overseas

RDM 4/7/75

By CHRIS CAIRNCROSS
Industrial Editor

THE value of new fixed investment in South Africa over the next 10 years could reach R60 000-million, according to Dr W. B. Coetzer, chairman of General Mining, who stresses that a good percentage of the funds will have to come from foreign sources.

He said at an international seminar in London yesterday that the level of indirect and direct investment by foreigners amounted to almost 22 per cent of all new investment in the private sector.

The seminar's theme is investment opportunities in South Africa.

Dr Coetzer said that in value terms all foreign investments in South Africa, in both the private and public sectors, probably exceeded R9 000-million, of which more than 50 per cent came from the sterling area.

Because of the growth projections for the South African economy, investments from abroad would be welcomed. He accepted, however, that there were certain constraints — exchange controls regulations — which "must be irritating and inhibiting to some overseas investors."

BLOCKED RAND

Specific reference was made to the blocked rand system, which many potential foreign investors have claimed to be one of the main restrictions dissuading them from putting money into South Africa.

Dr Coetzer said there was a sincere wish on the part of the country's monetary authorities to break down the image built up by this blocked rand system.

He believed the abolition of the official gold price of $42,22 an oz and the possibility that inter-central-bank clearing could soon be effected in gold would cause the authorities to introduce changes to South Africa's exchange system.

"I, personally, am very hopeful that we will see some relaxation of restrictions on the outflow of foreign capital in the forseeable future," Dr Coetzer said.

The Secretary of Finance, Mr Gerald Browne, gave a clear hint that the South African Government was giving serious thought to changing the blocked rand system.

He said that while it had been necessary in 1961 to impose restrictions on the withdrawal of capital from the country, "we are at present reconsidering the whole system of blocked rand and I hope it may be possible to introduce more flexibility into the system."

UPTURN

According to Reuter, bankers in South Africa said yesterday that while no major change or scrapping of the system was envisaged, a proposal to make non-resident blocked rand cash balances transferable was being considered.

If such a proposal were accepted, the bankers said it would allow potential United States and European buyers of South African shares to bypass the London market and buy direct in Johannesburg.

Stockbrokers see a potential upturn in business as a result, believing also that the blocked rand pool would be more fluid if cash balances were made transferable.

They also pointed out that because of the controls on the market by the British authorities, London had lost its position to New York as the major overseas market for South African gold shares.

Because of the location of the investment seminar, it is worth noting that, almost without exception speakers believed that a tempting feature which would encourage British industrialists to invest in South Africa was that there is no "threat" of nationalisation.

"I need hardly say that expropriation or nationalisation of foreign investments are completely alien to our philosophy," was how Mr Browne phrased it.

Attention was also drawn to the fact that South Africa has little industrial unrest and is not subject to the type of crippling trade unionism prevalent in Britain; that the South African economy is aggressively capitalistic; and that the tax structure is not as prohibitive as elsewhere.

Capital

SA negotiating R81m deals with 8 Black states

STAR 4/7/75

CAPE TOWN — Contracts valued at R81m in eight African states are at present being negotiated by the Credit Guarantee Corporation of SA, the Deputy Secretary of Finance, Dr J H de Loor, announced here.

He told the International Association of Economics Commerce Students congress that the authorities intend to continue with the more sympathetic approach adopted by the SA exchange control in respect of investment by South Africans in Southern African countries outside the Rand monetary area.

He said the question which now arises, is whether the time has arrived for the establishment of a Southern African regional development institution which would act as catalyst for the diverse efforts of individuals, state bodies and development banks to promote investment in its lesser developed areas.

Dr De Loor said once the official gold price is raised, SA will be prepared to participate in a scheme for part of the revaluation gains of gold-holding countries to be set aside for aid to developing countries.

Large regional schemes still under consideration include the Lesotho Malibamatsu water supply project and the Swaziland thermal power project.

Should these come to fruition, he added, they will involve these countries and South Africa in heavy capital expenditure, hopefully to be aided by foreign governmental and multinational funds.

Israel and South Africa are striving to develop extensive ventures in the areas of trade and industry, Israeli Finance Ministry advisory economic council member, Mr Meir Amit told the Congress.

He said the abundance of South Africa's natural resources and the technological and intellectual skills. Israel can contribute to making mutual assistance a distinct and attractive possibility.

He noted the geopolitical situation viewed from both the standpoint of geographic location and their position on the map of international forces incline them to hope positive interaction will eventuate.

Before there can be any possibility of an African Common Market or economic development based on interdependence, these countries must endorse and accept a new pattern of multinational co-operation, South Africa Foundation deputy president Mr Anson Lloyd said.

He told the students that because of its high level of development, SA is a key state. SA exports to African countries totalled R475m in 1974.

Mr Lloyd said in South Africa the first steps towards economic co-operation are seen in the provision for the purchase of 70 percent of the Cabora Bassa generating capacity.

He noted hydro-electric schemes alone would guarantee long-term industrial development throughout Southern Africa.

Capital

UK investors

Cape Times Correspondent 4/7/75

LONDON. — Many potential investors had been scared off Africa by a general tilt to the left in the continent, but an independent Transkei would not tolerate militant trade unionism, Paramount Chief Kaiser Matanzima told financiers at a seminar in London yesterday.

The Transkei Chief Minister said: "All-take-and-no-give trade unionism which bedevils industry in many parts of the world is something the Transkei cannot afford, and my government will not tolerate it."

But he added: "Employers are expected to pay a fair wage for a fair day's work."

Scheduled for independence next year, the Transkei would pursue a policy of "capitalism with a conscience", which would guarantee higher rewards to those with greater initiative and industry.

Also speaking at the seminar, Dr Johannes Adendorff, managing director of the Bantu Investment Corporation, said that without foreign investment South Africa would be unable to create sufficient work for its rising African population.

About 120 000 African male workers entered the South African labour market annually, of which 60 000 were absorbed by normal growth of the economy.

That meant an additional 60 000 jobs had to be created annually, Dr Adendorff said.

On the assumption that each industrial job generated two additional jobs through the "multiplier effect" a minimum of 20 000 industrial jobs would have to be provided each year to absorb the inflow of workers.

The Bantu Investment Corporation calculated that it would be able to provide 10 000 industrial jobs a year from its own funds (R65m.).

The anticipated shortage of jobs would be 10 000, half the requirements.

Earlier the Chief Minister of Lebowa, Dr Cedric Phatudi, gave assurances against socialism and nationalization of foreign investments.

"We do not envy success of others (and) it is not in our past or present or future to grab what is not rightfully ours."

He emphasized his rejection of segregation, and commitment to non-racialism.

● Sir Arthur Snelling, British Ambassador to South Africa from 1970 to 1972, said he did not believe that South Africa was "going to blow up in the foreseeable future" in spite of external and internal threats to its stability.

He said that he was convinced that barring unforeseen circumstances, the safety of capital invested in South Africa would be much greater over the next 10 years or

New deal on blocked rands likely

Cape Times 4/7/75

JOHANNESBURG. — The South African authorities are considering changing the country's blocked rand system which could mean the creation of a market for blocked rands operating with official blessing, banking sources said.

While no major change and certainly no scrapping of the system is envisaged, a proposal to make non-resident blocked rand cash balances transferable is being considered, bankers said.

The authorities, commercial banks and the Stock Exchange have been holding discussions for some weeks now on ways and means to streamline the country's numerous exchange controls.

The numerous suggestions put forward are being studied by the authorities and while no major changes are expected, the most interesting one is that of transferability of the blocked rand.

This, bankers say, will allow potential US and European buyers of South African shares to by-pass the London market and buy direct in Johannesburg.

Stockbrokers are very enthusiastic and see a potential upturn in business as a result. At present blocked rands are transferred via share deals through the Stock Exchange, and the loss of this if cash balances are made directly transferable is seen as minor by brokers.

Brokers said the blocked rand pool will be much more fluid if cash balances are transferable. They also point out that London, because of the various controls placed on the market by the UK authorities, has lost its position to New York as the major overseas market for South African gold shares.

As one broker put it, a buyer needs a price rise of some 15 to 20 percent to break even in London under present circumstances. There is just no interest in London now, he said.

Bankers said, concerning other aspects of exchange control, that the authorities are attempting to simplify the system and give the banks more scope in dealing with applications up to certain limits.

In this context, as a direct result of inflation, a doubling of the tourist allowance to R4 000 a person and increasing immigration allowances and monthly transfers to dependents abroad is possible, they said.

Bankers, while very encouraged by the moves to streamline (change control, do not expect any dramatic changes in what will be they say, is essentially a very slow process.

Generally, the proceeds from the sale in South Africa on non-resident-owned investments are subject to a blocking procedure, under which the proceeds must be credited to a blocked account with a local authorized dealer in foreign exchange in the name of the non-resident.

These blocked funds can be normally used only for re-investment in locally quoted securities, or converted to foreign currency as follows:

- Tendering for non-resident bonds which are issued by the Government and are redeemable in foreign currency five years from issue date.
- Purchasing of subscribing for Government, municipal or public utility stocks which will be redeemed in foreign currency if held by non-resident for at least five years.
- By buying South African shares which are quoted abroad. — Reuter

Flexibility hope

JOHANNESBURG. — South Africa is at present reconsidering the whole system of the blocked rand and "I hope it may be possible to introduce more flexibility into the system", the Secretary for Finance, Mr Gerald Browne, told an investment seminar in London.

Mr Browne said in a speech released here that it had always been South African policy to permit the transfer of all current profits, interests and dividends.

Since 1961 South Africa had had to impose restrictions on the withdrawal of capital, but these had not discouraged very considerable foreign investment over this period. — Reuter

Plea for relaxation on capital outflow

JOHANNESBURG. — General Mining and Finance Corp Ltd chairman, Mr W B Coetzer, said he was very hopeful of some relaxation of South African restrictions on the outflow if foreign capital in the foreseeable future.

Mr Coetzer told an investment seminar in a speech released here that he was aware that the authorities had been working hard at this problem over the past few months.

The abolition of the official gold price and the possibility of inter-central bank gold transactions in the near future would certainly facilitate positive changes in South Africa's foreign-exchange system. — Reuter

Your money's safe in S.A. says ex-envoy

Natal Mercury 5/7/75

LONDON—It is difficult to avoid the sensation that the Third World is closing in on South Africa, Sir Arthur Snelling, a former British Ambassador to Pretoria, said yesterday at a seminar here on investing in the Republic.

Frelimo, sitting astride the Rand's main lifeline to the sea, were within 400km of Pretoria.

The writing was on the wall for the Rhodesian Government after ten years. South West Africa would undergo a major constitutional change before long.

South Africa's dramatically-increased defence expenditure was understandable in this situation, he said.

An African military invasion of the Republic could be ruled out as suicide. Infiltration and guerrilla activity would not succeed.

Economic pressure would be more serious. The Achilles heel of the Republic was, paradoxically, the size of its foreign trade and investment.

"A thorough-going economic boycott by Black Africa, backed by the new strength of oilrich Nigeria, supported perhaps by the Arabs and some of the Asians could be effective if it forced British, European, North American and Japanese firms to sever their connections and their trade with South Africa, as the price of being allowed to continue their operations in other parts of the world."

He was not saying this would happen, but it was a danger which had to be assessed.

Attempts would be made at such action but, like sanctions against Rhodesia, they would fail through lack of enforcement.

Britain would oppose any such boycott plan. If peace were to return to major world trouble spots it would radically change this position. Attention would be focused on Southern Africa.

But if one considered this to be a remote possibility, one could dismiss the threat to South Africa.

He did not think the homelands would become a focus of discontentment and a source of trouble on South Africa's frontiers.

While typical leaders further north in Africa tended to be socialist, the typical African ruler, actual and prospective, in Southern Africa was inclined towards conservatism.

He put complete trust in Chief Kaiser Matanzima of the Transkei and Dr. Cedric Phatudi of Lebowa when they said

Capital

7/7/75

Demos lunatics, says Matanzima

Cape Times 7/7/75

Cape Times Correspondent

JOHANNESBURG.—On the outset of his European tour at the weekend, Paramount Chief Kaizer Matanzima, Chief Minister of the Transkei, dismissed London's anti-apartheid demonstrators as "insignificant lunatics".

The tour was preceded by two seminars, one in London and the second in Amsterdam, on investment opportunities in the homelands. The London seminar was picketed by anti-apartheid demonstrators.

Chief Matanzima and Dr Cedric Phatudi, Chief Minister of Lebowa, were key speakers at the seminars. Placard-carrying demonstrators tried to cut the ground from under their feet by describing them as "Vorster's Uncle Toms".

Chief Matanzima said: "We put the case for South Africa and the Transkei. It was too important an occasion to take notice of lunatics. They were insignificant."

Dr Phatudi said "We ignored them. They were a very small group. They didn't worry us."

Both homeland leaders were confident that the seminars would bear fruit in the form of British and European investment in their homelands.

Chief Matanzima spoke of a "great deal of interest" in the homelands as investment areas and Dr Phatudi of a "general enthusiasm" and of investors coming over to South Africa for a look at the homelands.

In his address to the London seminar Dr Phatudi said: "Our territories have been and are being consolidated into more manageable masses and the (SA) Government has bent over backwards to accommodate our requests for better lands."

It was put to Dr Phatudi that his statement hardly squared with the known objections of homeland leaders to the "final" consolidation plans already approved of by Parliament.

Dr Phatudi replied that he was dealing with the "positive side" at that point in his address, having already handled the negative aspects — "but we do want more land".

Second seminar planned

8/7/75

Cape Times Correspondent

LONDON. — The international seminar on investment in South Africa held here last week was so successful that a second one will be staged in West Germany in February.

Already two West German banks have offered firm sponsorship for the seminar and an offer to hold a similar meeting came from Monte Carlo.

Angry confusion among the Labour Party left-wing and the Anti-apartheid Movement was never channelled into active demonstrations and many delegates at the seminar knew nothing of the political protests.

Mr John Killip, organizer of the seminar, said: "This is the most successful conference I have organized. I can assure you there will be several announcements, fairly soon on big investments in South Africa and the Homelands."

Although the conference was held behind closed doors, he said most of the 170 delegates, from all over the world, expressed interest in going to South Africa to research investment possibilities.

"As the British and European adviser to the Bantu Investment Corporation I can assure you that I will make plans to fly industrialists to South Africa as soon as they give us firm assurances that they are prepared to invest."

Most South African Government critics were amazed at the size and scope of the conference and bewildered that it could be held in London with a Labour Government openly opposed to apartheid. The Labour Party Central Office threatened to lodge an official complaint with the Department of Trade which sent an observer to the seminar. The threat was withdrawn after the Department of Trade said the observer had not taken an active part.

"I expect that depends on how you define 'active', but we have decided to drop the protest," a Central Office spokesman said. South African delegates were openly intrigued at the idea of seeing a demonstration against them.

"I have often wondered what these things are like," Dr Johannes Adendorff, managing director of the Bantu Investment Corporation, said when 40 anti-apartheid demonstrators picketed the entrace to the seminar. The South Africans photographed them after deliberately avoiding using the internal corridor from their suites to the conference hall at the lush Intercontinental Hotel where the seminar was held.

Mr Killip said many of the delegates had ill-defined ideas of the true political situation in South Africa.

"The claptrap in the British press about South African politics has clouded the view of many of them, but at the seminar we were able to assure them that even in the long term their investments would be safe. They were particularly impressed with assurances from Chief Kaiser Matanzima that the Transkei would move peacefully into independence."

CAPITAL

Reserves rise by R5,9-m

ARGUS 9/7/75

Financial Staff

RESERVE Bank figures today show the devaluation of the rand on June 27 has reversed the outflow of money from the country.

Total foreign exchange reserves rose R5,9-million to R741,9-million last week, the first week since devaluation.

The reserves dropped steadily for months before that, ending in a R30-million fall in a week until the Government acted.

The country's gold holding of almost R521-million rose only R200 000 last week, indicating that the rise in the reserves came mostly from overseas money.

23,8pc rise in Hollard Street prices this year

ARGUS 10/7/75

From BRIAN THOMPSON

JOHANNESBURG. — A significant improvement in Johannesburg Stock Exchange industrial share prices during June has brought the local market into line with most of its overseas counterparts.

After the first six months of the year, Hollard Street prices were 23,8 percent up on their December levels, and contrasted markedly with the situation three months ago when the JSE was right at the bottom of the league.

As in the case of Wall Street, Toronto and Tokyo, JSE prices were at the top at the end of the period, contrary to the pattern in Europe (and, to a lesser extent Australia) where the rallies were showing serious signs of collapse.

The improvement locally was generally attributed to liquidity and interest rate considerations, but it was also evident that there were a number of other factors playing a part.

Of these, the most important was the slump of the pound sterling which, coupled with some favourable London Press comment, prompted a certain amount of interest from British investors seeking to protect themselves against the decline of the British currency.

The institutional window dressing may also have contributed to the rise — certainly, the timing of the improvement and the lack-lustre performance of the market since the beginning of July point in this direction.

Commentators have not been entirely happy with the market's behaviour and some have expressed doubts as to how long the rally will last. Negative factors include the relatively low volume and the lack of breadth of the advance — leaders have often been second and third line companies, which has made the market look somewhat like a dog being wagged by its tail.

Interest in the gold sections diminished progressively and contributed to the low level of activity for the market as a whole. Price-wise, the trend was mainly sideways and the 13 percent decline in the gold index after six months was not significantly greater than the position three months ago.

At present the index is some 29 percent below last year's high.

These issues have not responded well to the results of the U.S. gold auction although most commentators expect some improvement both in the share market and the bullion price in the coming months. But given the ambiguity of the auction results and prospects of a world economic revival, it is also possible that the gold bulls are in for another disappointment.

Prices in the metals sections have followed the same trend as the industrial market. At the end of the second quarter the index for these issues was up about 52 percent. The main feature in non-gold minings was the surge of demand for coals, all of which have gained substantially over the months.

Capital

STAR 11/7/75

HOMELANDS VENTURES ON THE MOVE

Michael Chester, Financial Editor

Investors from at least five of the main European nations have started to lay plans to pursue the possibility of launching new ventures in the South African homelands.

CHIEF MATANZIMA — missions are coming.

Paramount Chief Kaizer Matanzima disclosed in Paris that a number of French bankers and industrialists he had met were now planning a series of missions to the Transkei to evaluate investment opportunities.

The Paris correspondent of The Star reported today that the Banque Nationale de Paris, one of the biggest in France, had confirmed it had now begun investigations into the potential of the Transkei as an investment zone.

The bank was reported to be considering the financing of a Transkei motor plant to assemble Berliet trucks. Chief Matanzima held talks with executives at the Berliet factory outside Lyons during his current tour of Western Europe.

The Chief Minister also said he had a "positive reaction" from French banking and business circles to his proposals to provide the Transkei with a port capable of handling export-import shipping.

NEW PORT

Mr Franko Maritz, managing director of the Xhosa Development Corporation, who accompanied Chief Matanzima on part of the tour, said on return to South Africa today that there now appeared very real chances of the creation of a new big port along the Transkei coast.

He said speculation that the site would probably be Port St Johns was off the mark. Port St Johns was impractical, he said. But there were several alternative possible points along the coast that were to be studied.

The response among potential investors in the wake of the tour — highlighted by special seminars in both London and Holland — had been "most encouraging."

Missions to the Xhosa homelands were also now being planned by investors in Britain and the Netherlands and were expected to arrive around November.

"The climate is perfect at the moment to talk to European investors about ventures in Southern Africa," said Mr Maritz.

"It is not only labour costs that is a big consideration in their thinking — it is the prospect of labour stability.

"Investors in Britain in particular are thoroughly fed up with the unrest among labour forces and the excessive demands of the UK trade unions.

"Also, investors are looking at the potential of the Transkei as a launching pad for export drives into Black Africa. Some of them even see chances of export programmes back into Europe itself."

Mr Maritz was also optimistic about a new flow of investment from West German industrialists with whom he held talks.

The Rome correspondent of The Star reported that Chief Matanzima was due in Milan today on a three-day tour of Italy.

He will in particular be holding talks with the huge Bertrand textile company, of Biella.

A Bertrand spokesman said: "Our company has a very strong interest in investing in the Transkei. We have already drawn up a programme for the development of textile factories there for fabric distribution on the South African market."

I understand the first phase of the Bertrand proposed plant will involve an investment of more than R2m but the ultimate investment plan grows to R12m.

MATANZIMA TO SEEK AID FOR TRANSKEI PORT

ARGUS 11/7/75

Capital

The Argus Correspondent

PARIS. — Chief Kaizer Matanzima of the Transkei is to try to enlist the help of France and the Netherlands to build an ocean port for his country after it becomes independent in 1976.

The chief, who is currently on a European tour to seek investment in the Transkei, said he hoped that France would supply the money and the Netherlands the technology for the port. This was to be one of the topics discussed with a group of French bankers yesterday.

He said that he was trying to convince European bankers and businessmen that the Transkei, as a new and undeveloped country, had "all the possible potential" to attract foreign investments.

The chief described his tour so far — he attended industrial seminars in Britain and the Netherlands before arriving here on Tuesday — as a success.

'INTERESTED'

European industrialists seemed "very much interested" in the Transkei although it was too early to talk of specific commitments. This would come later, he said, presumably closer to the Transkei's October 1976 independence date.

He added that he would like to invite French agricultural specialists to aid in the development of farming in the Transkei. He emphasised that he would welcome "development loans from any European country that wishes to make one to us."

His visit to France is under the auspices of the French Foreign Ministry and included a meeting with the senior permanent Ministry official, Secretary General Geoffroy de Courcel.

CAPITAL

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POLITICS

Homelands 'are not hostage states'

By PATRICK LAURENCE

DR CEDRIC PHATUDI, Chief Minister of Lebowa, returned to South Africa yesterday convinced that overseas investors no longer see the homelands as South Africa's "hostage states".

He predicted overseas money would soon flow into the homelands, even from industrialists against investment in "White" South Africa. His prediction came after a two-week tour of Britain, Holland and Germany.

The tour included two investment seminars, one in London and the other in Amsterdam. Dr Phatudi and Paramount Chief Kaiser Matanzima of the Transkei were key speakers at both.

"Industrialists were all along labouring under misconceptions and would not distinguish between the homelands and the Republic of South Africa," Dr Phatudi said yesterday.

"Those who were not in favour of investing in the homelands thought that if they invested in them they would be investing in the Republic of South Africa.

"So a distinction had to be made and I think that distinction is a very healthy interpretaton of the situation . . . I have no doubt that there was a breakthrough in understanding the situation of the homelands.

Was he saying that industrialists not in favour of investing in South Africa proper would invest in the homelands?

"They would. I gained the impression that they would come into the homelands in so far as they understood the homeland situation much more clearly than before."

Turning to anti-apartheid demonstrators in London who described homeland leaders as "Vorster's Uncle Toms," Dr Phatudi said: "Paramount Chief Matanzima and I treated the demonstrators with contempt. They were just ignorant. They say we are Uncle Toms. Can you imagine rubbish like that?"

But Black students of the South African Students' Organisation took a similar view at their annual congress only a day or two ago when they described homeland leaders as "robots" — did that mean that they were also ignorant?

"Yes, the very people who criticise us have never been to see my homeland in Lebowa.

"If I asked them about the potentiality of Lebowa in terms of minerals, agriculture and things like that I am sure they won't tell me anything. If I asked them about education and the facilities we are trying to provide, I am sure they won't tell me very much.

"Whereas they are in South Africa, they are very ignorant of their own country."

During Dr Phatudi's absence a key Lebowa Cabinet Minister, Mr Collins Ramusi, expressed "shock" that he should have cooperated closely with Dr Johannes Adendorff, of the Bantu Investment Corporation, during the tour.

Mr Ramusi was "shocked" because of the unresolved dispute between Lebowa and the corporation over a development project in the homeland.

Black business 'refuses to stay in back seat'

Staff Reporter

WITZIESHOEK. — Mr S. M. Motsuenyane, national president of the National African Federated Chamber of Commerce (Nafcoc) said here that Southern Africa had entered a crucial political and economic era, which required Black and White businessmen to plan their economic destiny together.

Mr Motsuenyane was delivering his presidential address to more than 500 delegates in Witzieshoek.

He said the Black man was no longer prepared to be relegated to the backseat as a spectator of events that were shaping his own destiny. He wanted to become a true economic partner.

White entrepreneurs were afraid to risk their capital in the homelands unless they had effective control of the business. Africans were just as afraid to risk their autonomy by giving them this power and wanted to control them.

"If businessmen of all races had the right to trade wherever they wanted to in South Africa, we would not face this dilemma.

"But a White-Black partnership that does not recognise the right of the African to hold majority shares in business ventures operating in his own area, is wholly unacceptable to the African under the present political and economic system".

Mr Motsuenyane was loudly applauded when he said the new era in Southern Africa required a rapid adjustment of norms and traditions to meet a future in which colour would not be the criterion determining business opportunities.

"We are entering a new and crucial era in the political and economic history of southern Africa and the need has never been so pressing for the various sections of our multiracial community to try to understand each other's point of view."

He announced that a Black bank the African Bank of South Africa Limited, would be registered soon. Its first two branches would be in Soweto and Garankua.

Phatudi confident of overseas aid

Cape Times 12/7/75

CAPITAL.

Cape Times Correspondent

JOHANNESBURG. — Dr Cedric Phatudi, Chief Minister of Lebowa, returned to South Africa yesterday convinced that overseas investors no longer saw the homelands as South Africa's "hostage states".

He predicted that overseas money would soon flow into the homelands, even from industrialists against investment in "White" South Africa.

His prediction came after a two-week tour of Britain, Holland and Germany. The tour included two investment seminars, one in London and the second in Amsterdam.

Dr Phatudi and Paramount Chief Kaiser Matanzima of the Transkei were key speakers at both.

"Industrialists were all along labouring under misconceptions and would not distinguish between the homelands and the Republic of South Africa," Dr Phatudi said yesterday.

"Those who were not in favour of investing in the homelands thought that if they invested in them they would be investing in the Republic of South Africa.

"So a distinction had to be made and I think that distinction is a very healthy interpretation of the situation. I have no doubt that there was a breakthrough in understanding the situation of the homelands."

Was he saying that industrialists not in favour of investing in South Africa itself would invest in the homelands?

"They would. I gained the impression that they would come into the homelands in sofar as they understood the homeland situation much more clearly than efore."

Turning to anti-apartheid demonstrators in London who described homeland leaders as "Vorster's Uncle Toms," Dr Phatudi said: "Paramount Chief Matanzima and I treated the demonstrators with contempt."

SA faces huge investment bill

RDM 17/7/75

Capital

2 101

3 Capital

Industrial Editor

STRESSING the importance of a rapid expansion of the South African economy, Mr R. A. Setter, managing director of the Rand Bank, said yesterday that about R150 000-million would have to be invested over the next 10 years to ensure this development took place at a satisfactory rate.

He told businessmen at a function in Durban that if the events of the past 10 years were used as a guide, South Africa would have to find at least R15 000-million of this amount from overseas capital markets.

Reviewing the past decade, he noted that total investment amounted to R35 800-million, of which 90 per cent was obtained from domestic sources.

Mr Setter said the prime reason for dynamic economic and industrial growth was to provide job opportunities for the rapidly expanding Black labour force.

"Every year 230 000 Black workers enter the labour market, of whom 140 000 are males."

This indicated what pressures existed and would exist to accommodate productively new workers coming into the labour market.

Political peace was inevitably dependent on economic peace and full employment.

DIMINISHING

It should be realised that South Africa's most important asset — gold — was a diminishing asset, which meant that in the longterm the industrial sector would have to replace it as the major foreign exchange earner.

But he warned that South Africa dare not be satisfied with mere replacement of foreign exchange earnings and would instead have to increase these earnings considerably to finance expensive capital equipment, much of which would have to be imported.

He drew attention to South Africa's mineral resources as a potential foreign exchange earner, maintaining that it was not maximising this earning potential.

This was partly because this industry was still underdeveloped, but mainly because these minerals were being exported in a raw state instead of being beneficiated.

Mr Setter said the rapid development of the homelands was also of importance to the future well-being of South Africa.

Unfortunately, the tempo of development in these areas had been slow.

AGENCY

Mr Setter blamed the "so-called agency situation" — in terms of which permanence of presence was not guaranteed — and the absence of developed infrastructural services as the main factors holding up homeland or border area development.

"I would like to see the stimulation of homeland development through greater concessions, even if this means placing the homeland industrialist in a stronger competitive position than his White area counterpart.

"Some consideration must also be given to the establishment, on a permanent basis, of White industries in Black areas with partnership being the cornerstone."

R996m in new fixed capital investment

STAR 18/7/75

Own Correspondent

DURBAN — New fixed capital investment in the basic metal and engineering industries this year is set to reach R996m, for an increase of R239m above actual spending of R757m on capital projects — buildings, plant and machinery — last year.

This high level of projected investment emerges from a survey of public corporations and private enterprise firms made by the Steel and Engineering Industries Federation of South Africa (Seifsa), and only one thing can stop plans being fulfilled — money problems resulting from the rate of inflation.

This is a sharp reversal of the situation in the second half of 1973 and the first half of last year when foreign loans could be obtained at competitive rates of interest but the world shortage of steel and long delivery times for vital equipment put the brake on expansion.

Of the R996m projected investment for this year, R769m is earmarked for the basic metal industries —production of iron and steel, non-ferrous metals such as copper and aluminium and for the ferrous and non-ferrous casting foundries.

This compares with actual spending of R584m by this group last year when the projection was R733m.

The R227m balance of investment will be made by the metal fabricating industries, including engineering, mechanical and electrical machinery manufacture and production of transport equipment and components for the motor manufacturing industry.

This is a R54m jump on the R173m actually invested by this sector last year, when the projected target was attained.

THE SABC is coming to the local capital market next week to raise its second R10-million loan stock issue this year. The corporation will need only another R4-million to complete its R106-million financing programme for the television service's first phase. ARGUS 18/7/75

The latest issue of 25-year stock, which is being underwritten by UAL and Finansbank, is by way of three loans, one of which carries a redemption offer.

The first, at an issue price of R99,47 and a coupon of 10,50 percent offers a yield to redemption of 10,60 percent.

The second is offered at R95,07 and a coupon of 10 percent but has the same yield to redemption.

CARRIES OPTION

The third at R99,45 has a 10 percent coupon and an all-in yield of 10,10 percent. It carries the option to redeem at par 25 percent of the stock a year for four years from 1981.

The rates on this issue are lower than those quoted for the March issue, reflecting the easier capital market.

Yields with brokerage and commission in March were 10,75 percent (10,60) for the straight loan and 10,24 percent (10,10) for the redeemable loan.

● The dividend growth of Everite in the year ended June is almost 17 percent compared with an earnings a share growth of nearly 4 percent during the same period. Final dividend is 9c (7,5c).

Taxed profit increased 5,2 percent to R4,6-million and turnover is 16,4 percent higher at R42-million.

● General Erection expects an increase in earnings and dividend payments in the year ending February 28 1976, the chairman, Mr V. M. Joubert, says in the company's annual report.

Demand in the industry will continue at a high level, and in view of the continued growth in the structural steel and engineering industry, the group is confident in its future growth.

The shortage of steel has led to a build up in stocks and had has a serious effect on liquidity. But the position is expected to improve from the new year, Mr Joubert says.

● Taxed profit of Sanlam Investment Corporation for the six months ending June increased to R968 091 from R777 600.

The value a share rose to 97c from 75 in December and 80c a year ago.

TOM HOOD

(CAPITAL)

Rapid development for industrial peace

Financial Reporter

Sun Trib. 20/7/75

RAND BANK'S managing director Roy Setter laid it on the line for Durban businessmen this week when he said rapid economic development was a priority in the search for industrial — and political — peace.

Prime reason for the necessity of industrial development was the absorption of newcomers on to the Black labour market every year — 230 000 workers annually, and this figure is likely to grow.

This is aggravated by the growing numbers of Black workers who are forsaking the mines and the fields for the factories.

The second reason is that economic development means better utilisation of labour resources, which is essential "especially when it is borne in mind the relatively small number of Whites who are economically active and who have to provide, almost without exception, all management, personnel and business leadership."

The improved utilisation of Black labour in skilled and better paid jobs has the added advantage of creating a Black middle class which is a "prerequisite for the emergence of the Black entrepreneur — someone already needed and who will assume a greater importance in the future."

Reason number three is the effect it will have on balance of payments in a time when gold is a diminishing asset and an increasing share of our agricultural output is being consumed locally. Industry will have to make up the potential losses in foreign exchange.

And foreign exchange will be needed for the economy if it is to grow.

"If the past decade is used as a guide, it would seem we are going to have to find at least R15 billion in the next 10 years in the overseas capital markets.

"I have been asked whether I consider this figure to be realistic. My answer is 'yes', but subject to the presence of dynamic economic and industrial growth.

"We will also need political stability in Southern Africa," he added.

On the question of gold, Mr Setter was optimistic. "I am confident of the role of gold in the future and feel with expected upturns in world economies, its role will become more important.

"Western governments are now beginning to reflate their economies without having solved the problem of inflation and I anticipate hitherto unknown levels of inflation during the next economic upturn which should start early next year. This will have an influence on the price of gold and demand will remain high."

Roy Setter . . . utilise labour

confidence in SA — Horwood

21/7/75

Cape Times Correspondent

JOHANNESBURG. — Confidence in South Africa is so high that the country can attract all the foreign investment it needs, Senator Horwood, the Minister of Finance, said yesterday.

Speaking on his return from a two-week five-nation European tour, Senator Horwood said South Africa's export position was strong and inflation at home must be controlled to keep it strong.

"The Europeans are very impressed by South Africa's growth rate — more so since their own will be probably be zero this year," he said.

His visit had strengthened South Africa's already close ties with France. "I was most impressed by the French attitude to us and they are eager to increase trade links and investment in our country. We in turn, are making far more contacts with them and much better relations between the two countries are coming fast."

On the oil price, the Minister said there were strong indications that some oil States had overestimated their oil revenue which, in turn, had led to fears of an oil price rise later this year.

AUCTIONS

On the future of gold, he said confidence in the metal remained high in spite of the public gold auctions in the United States and heavy selling from the Russians to buy grain.

"South Africans haven't realized the heavy pressure on gold recently. But even so, the gold price has remained between 164 and 165 US dollars an ounce and Europe's leading bankers feel the metal has weathered the storm very well.

"I still have the same confidence in the future of gold that I always did," he said.

Most European countries had managed to control inflation and their economies would probably move forward next year.

"The notable exception is Britain, which has an inflation rate of around 30 percent this year. When I spoke with the Chancellor of the Exchequer, Mr Dennis Healey, last week, he was waiting for the reaction to new Government pleas for the unions to curb their wage demands."

Cape Times 27/7/75

'R191m needed by textile industry'

THE textile industry has earmarked more than R57m for capital expansions over the next couple of years.

But according to Department of Planning estimates, this hard-pressed sector will need another R191m to maintain the required 6,5 percent a year growth rate over the next five years.

The largest investment programme in the industry has been initiated by the South African Nylon Spinners (Pty) which is pumping about R24m into a polymer plant in Bellville, and carrying out another R18m expansion at the company's Hammarsdale plant in Natal.

The Cape, which recently lagged behind Natal and Transvaal in industrial development has the lion's share of the R57m.

As much as 63 percent of the capital expenditure is planned for the Cape, 18 percent is set aside for Natal, 17 percent in the Transkei and two percent in the Transvaal.

The largest individual project is SANS plant at Bellville, which is expected to supply South Africa's needs of polyester polymer — from which polyester yarn is produced — till 1986.

The managing director of SANS, Mr Royce Bowen, is optimistic about the long-term prospects of the South African textile industry and says production at the Bellville plant should start in the second quarter of 1977.

SANS is owned by De Beers, ICI (SA), AE & CI and the Industrial Development Corporation, who are providing more than half the capital required in the company's expansion programme.

The managing director of Feltex Fabrics and chairman of the textiles steering committee of the Federated Chamber of Industries, Mr C Graham, says the upheavals in the industry have seriously depressed this sector's expansion and unless conditions improved markedly a "serious shortage is in the offing".

The director of the Council for Scientific and Industrial Research's Wool and Textile Institute, Dr D P Veldsman, estimates that the South African textile industry represents an investment of R450m and employs about 100 000 people, which indicates the importance of the industry to the economy.

Another textile company currently involved in significant investment projects is Pep Stores which is setting up a R10m blanket factory in the Transkei. This project was started in June last year.

The Da Gama Textile Company (Pty) announced in January an R11m expansion programme in the Eastern Cape.

Ropes & Mattings, Lantor Nonwovens (Pty) and H Lewis and Co. (Pty) are other textile concerns which, over the past 18 months, have been involved with expansions of from R1m to R2m.

Several spokesmen in the textile industry say there are indications that business is picking up in certain areas, though the outlook is generally still gloomy.

A major textiles manufacterer says the South African industry still requires a reasonable amount of protection from cheap imports if it is to flourish and attract the required amount of investment capital.

He says that much of the capital expenditure over the past 18 months has been in those areas of the textile industry which are already sufficiently protected.

"The "protection argument" has been countered by several clothing manufacturers who say they rely on a certain amount of imports because the South African industry cannot supply all their needs.

Will South Africa get the overseas billions it needs for economic expansion programmes? The Economist (London) examines both the programmes and the prospects.

Outside cash crucial to SA economy

STAR 28/7/75

Would you invest in South Africa? Whether your conscience likes it or not, plenty of people are doing so: after years of persistent deficit, since 1965 every year has seen a net inflow of long-term private capital which, after a hiccup in 1973, reached a peak last year of R562-m.

Which is just as well: despite gold sales which, at around R2 317-m a year, are running three times as high as at the start of the 1970s, South Africa almost as persistently runs a current deficit.

It was nearly R794-m last year, and now, despite an economic slowdown since last autumn, is running rather faster than that at an annual rate of R1 125-m, about 5 percent of gdp.

In contrast, official reserves amount to some R198-m of SDRs and currencies, plus 18-m ounces of gold which the central bank dutifully values at an official price of about R496-m.

Short-term capital swings have recently moved in South Africa's favour, thanks to a change in exchange rate policy; instead of a managed float of the rand in terms of a trade-weighted basket of currencies, it has recently been pegged to the dollar at a rate that meant an effective 5 percent devaluation.

In short, South Africa is all right so long as foreigners keep putting money in.

Local financiers and the Finance Minister, Mr Owen Horwood, have been abroad recently, not least in London, to persuade them that they should, while some large concerns, among them the state-run railways and harbours, have been to the Euromarkets for medium-term money.

In the short term, capital needs remain high. Gross fixed capital formation was rising throughout last year both in money terms and as a percentage (about 27 percent) of gdp, and, despite the general slow-down, has so far remained at high levels in 1975. And future needs are huge. They include:

- Nearly R1 986-m for telecommunications.
- Nearly R2 516-m for two coal-fired power stations, and a further R1 158-m for a nuclear one. These estimates assume imports of additional power from the Cabora Bassa plant in Mozambique.
- Possibly R860-m for a uranium-enrichment plant, still awaiting a government go-ahead.
- A second oil-from-coal plant, at R927-m to ensure against the (slim?) risk that other suppliers—Iran is the largest one — will join the Arabs' (official) boycott.
- Maybe R927-m in new coal ventures; near R198m for two new gold mines; as much again for a titanium and zirconium project at Richards Bay on the east coast; completion of the R562-m Sishen-Saldanha iron ore scheme in the south-west, plus a possible steel mill.
- Something over R662-m in chemical plants, notably a R265-m polyethylene plant and a R198-m plant to produce PVC from coal.

FINANCE MINISTER HORWOOD . . . approach to overseas investors.

Whether South Africa gets this, and more, that it needs over the next five to 10 years will depend in part on foreign investors' judgments about the political risks.

The outsiders' assessment will be based partly on the success — and he has not done badly so far —of Mr Vorster's attempts to get on better with Black Africa (and keep guerrillas out of White-ruled Africa), but more on the way he manages his own Black subjects.

And here the splendid schemes outlined above may not all be as helpful as they might seem.

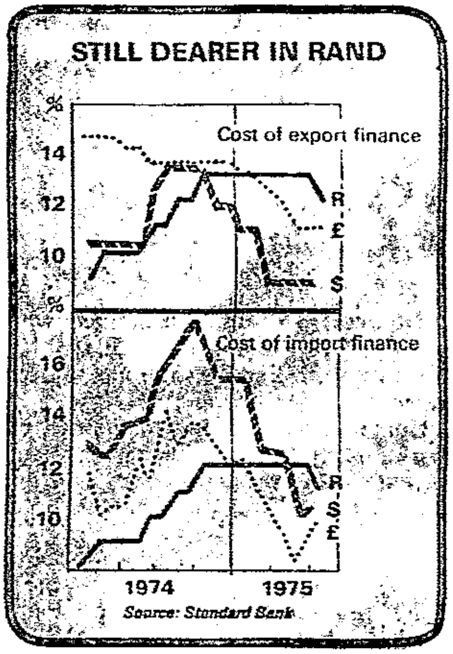
There is no proof that raising Black South Africans' living standards will lessen their political consciousness; but at least they demonstrated with strikes in 1973-74 that lowering those standards increased it.

And uranium enrichment or chemical plants are not exactly the best way of providing a living for largely unskilled Blacks, and so multiplying the Black middle class with a stake in stability.

Black people would benefit directly far more from investment in unglamorous things like Black agriculture, education and housing.

Foreign investors are hardly going to rush into financing such things, even if ways were found of inviting them to. Yet their funds, in the long term, might be safer if they did.

Capital



The foreign reserves are under pressure because interest rate differentials are narrowing, and because some people still think the rand will be devalued. What should be done?

A ticklish problem

Capital

Who would have thought it possible? The economic downswing is now entering its second year, imports are slipping, the foreign reserves are still worth more than R2 000m — yet what is Church Square's chief concern? It is the balance of payments.

The Bank claims it has no worries about the underlying trends of imports, exports, the gold price or long-term borrowing, or about the size of the current deficit (which for calendar 1975 looks like being larger than for 1974).

Rather, it is concerned about the drain on the reserves, caused, it believes, by persistent speculation against the rand.

In a bid to stem this speculation, Horwood last week crossed his heart that he would not devalue, and early this week the banks were summoned to Church Square where the Governor, Dr Bob de Jongh, repeated the pledge.

A further Ministerial announcement, with measures designed to make the pledge stick, is expected. What form will the measures take?

In the first place, there are likely to be some exchange control measures. The banks will no doubt be reminded that it is generally against the rules for importers to transfer funds abroad prior to shipment, or for exporters to hang on to foreign exchange for longer than 30 days. In addition, steps will probably be taken to make it easier for traders to take out forward cover against exchange rate risks.

One suggestion is that the "seven-day" rule should be abandoned: it precludes traders from taking out forward cover later than a week after the underlying transaction.

Another is that the Reserve Bank should be prepared to offer its 1% forward cover for longer periods than six months.

Next, there are likely to be measures to encourage more foreign borrowing, and here one suggestion is that Church Square should stop turning down applications by local businesses to borrow abroad, just because the money is to be used for "unproductive" purposes.

Some people think the Bank should go even further and offer forward cover facilities to borrowers, as it does to importers and exporters.

It is also possible that De Jongh will permit the banks themselves to borrow abroad, although with so much liquidity around they would need quite a bit of encouragement to do so. One possibility would be to reduce their liquid asset requirements against foreign liabilities (and perhaps even go further and raise them simultaneously against local liabilities).

Also on the exchange control front, it has been suggested that the rules governing blocked rand ought to be relaxed to encourage the inflow of long-term foreign funds.

Horwood has rightly emphasised that there will be no tightening of import control, so the next important policy area is interest rates.

The graph shows that, even after including the cost of forward cover, it is marginally still cheaper to finance imports and exports overseas than to use local overdraft facilities. However, acceptance credits (and the grey market) are a good deal cheaper than overdrafts and if overseas rates continue to harden traders could turn more and more to local facilities.

Bear in mind, too, that the banks are flush with excess cash because government is spending heavily and commerce and industry, faced with a deepening recession, are busy de-stocking.

The banks would therefore be only too willing to extend further credit to importers and exporters.

Does this mean Church Square should now attempt to prod local interest rates upwards? It could do so in several ways.

The acceptance rate could be edged upwards by ruling that the banks should hold a smaller proportion of their liquid assets in acceptance paper (or alternatively, if it were practicable, a ceiling could be placed on their use for foreign trade financing).

On a more general level the Reserve Bank could embark on open market operations — ie start selling securities on the cheap — to harden rates in the money market. And if that were not enough it could start raising the banks' supplementary deposit requirements, which would immediately lead to a firming of rates all round.

In short, the Reserve Bank has a large armoury of weapons should it wish to use them. The more drastic ones, like raising supplementary deposits, or liquid asset ratios against local liabilities, would strike a severe blow against business (and stock exchange) confidence, which would be damaging to the whole economy. They should therefore be used only in the event of a serious balance of payments crisis — which the present one is not.

It is true that the gold price could take a knock if the Reserve Bank were forced to unload a large part of its gold stock to buy foreign exchange. But both the Bank and the rest of the public sector have extensive overseas borrowing facilities (as well as the option of postponing certain foreign loan repayments) and if necessary these should be used to the full to tide the reserves over the current crisis.

For after all, if the authorities are so sure that the basic balance of payments is sound, and that there will be no devaluation, they should not be afraid to back their view with hard cash.

Capital

Cape Times 11/8/75

Bank rate goes up

PRETORIA. — The increase in the ratio of minimum liquid assets to short-term liability to the public in respect of commercial banks and other financial institutions as from July 31 was designed to reduce excess liquidity in both the banking system and the private sector as a whole and to reinforce the firming tendency recently shown by short-term interest rates, the Governor to the SA Reserve Bank, Dr T W de Jongh, said in a statement here yesterday.

Dr De Jongh said:

"In addition to the measures announced today by the Minister of Finance to counteract speculation against the rand as reflected mainly in the present unfavourable leads and lags situation in South Africa's balance of payments, and to encourage the inflow of capital in general, the Reserve Bank has decided to make the following adjustments to its monetary policy:

"(1) The bank rate is increased from 8 to 8½ percent per annum with immediate effect.

"(2) From the date of certification of its monthly statement (BA form No. 7) for the month ended July 31, 1975, each commercial bank shall be required to maintain liquid assets (including reserve balances) amounting to not less than the aggregate of:

(a) 49 percent of its short-term liabilities to the public,

(b) 2 percent of its medium-term liabilities to the public,

(c) 5 percent of its long-term liabilities to the public, and

(d) 10 percent of its liabilities under acceptances.

"Since those ratios were formerly 45, 28, five and 10 percent, respectively, this implies an increase in the commercial bank's minimum liquid asset requirements of four percent of their short-term liabilities to the public.

"(3) As from the date of certification of its monthly statement for the month ended July 31, 1975, each banking institution other than a commercial bank or a discount house shall be required to maintain liquid assets (including reserve balances) amounting to not less than the aggregate of:

"(a) 47 percent of its short-term liabilities to the public;

"(b) 2 percent of its medium-term liabilities to the public;

"(c) 5 percent of its long-term liabilities to the public, and

"(d) 10 percent of its liabilities under acceptances.

"For these banking institutions this implies an increase in their minimum liquid asset requirements of 2 percent of their short-term liabilities to the public.

"The required notices to give effect to these changes will in due course appear in the Government Gazette.

"(4) The above measures will be accompanied by appropriate adjustments in the Reserve Bank's transactions in Government securities and interest rate policy in general", he said.—Sapa

Capital

SENATOR HORWOOD

DAILY DISPATCH 22/8/75

High rate public stock

PRETORIA — The Government will make a public stock issue on October 1 for a period of 25 years at ten per cent interest.

The Minister of Finance, Senator O. P. F. Horwood, said last night this was the highest interest rate on a long-term government stock ever paid in South Africa.

To fight inflation effectively, the State must finance its loan programme as far as possible out of current savings, in a non-inflationary manner, he said.

The State could not rely to an increasing extent on banking institutions for finance so it had decided to make a public stock issue at ten per cent a year.

The issue would be open to investors at the Reserve Bank in amounts of not less than R100 000 from next Monday, August 25, up to and including September 30, 1975.

"Apart from this issue, short and medium term stock will also be made available to the public on October 1, 1975, on which date two existing government stocks mature," the minister said.

He appealed to "institutions which mobilise the long-term savings of the public" to take up the new stock. — SAPA.

Daily Dispatch 30/8/78

Industrialists must be positive — Setter

CAPE TOWN — The managing director of Rand Bank, Mr Roy Setter, has called on industrialists to show a positive attitude towards the future of South Africa.

Addressing the Cape Institute of Industrialists in Cape Town he said there were too many negative attitudes regarding the future of South Africa, especially on the political front.

"Is it not true that a negative attitude in any business community filters through the whole economy to the point almost of spiritual capitulation, and that economic progress has, as a component, a high level of optimism?

"I am aware of a number of high level discussions taking place at the present time which relate to the establishment of foreign investment in South Africa. With the relatively high degree of confidence shown by foreign investors in South Africa, should we ourselves not be more aggressive in regard to our future?"

Turning to the development of the Western Cape, he said the authorities should encourage development of the area as a highly industrialised region at a rate faster than has been the case todate.

Banks could play a role in this development by providing finance and advice, "but I think the time has now arrived where banks themselves must be more positive with regard to the future, and must be seen to take long term views in regard to larger development projects subject to the following preconditions:

- Regulatory controls under which banks operate should be removed to a large extent, allowing banks greater flexibility in mobilising funds, current liquid assets and prescribed investment requirements;
- Substantially reduce the amount of loanable money;
- The money supply should be effectively controlled so that there is an even flow, without the peaks and valleys of the past few years.
- There should be a change in emphasis in the channelling and allocation of funds. Too much money flowed from pension funds, insurance companies and other bodies to the public sector in statutory deposits. A portion of these funds should be used for industrial development. — DDC.

Capitol

Bank rate up, no further devaluation

Cape Times 11/8/75

Cape Times Correspondent

JOHANNESBURG. — The bank rate has been increased from 8 percent to 8.5 percent in a battery of measures announced yesterday in a bid to end speculation about a further devaluation of the rand.

The Minister of Finance, Senator Owen Horwood, has staked his political career on a firm 'no devaluation' pledge.

Tens of millions of rands have poured out of the country over the past two weeks as devaluation speculation grew.

The bank rate increase was announced by Dr T W de Jongh, the Governor of the Reserve Bank, who backed it by increasing the compulsory ratio from 45 percent to 49 percent of liquid assets to short-term public liabilities that commercial banks must hold.

This will help push up short-term interest rates including overdrafts — home loan rates should not be affected — with a risk of jolting business confidence at a time when the economy is already moving in low gear.

But there are sweeteners. Senator Horwood is making it easier for banks and businesses to borrow overseas and is speeding up plans to relax the "blocked rand" rules — rules which deter some foreign investment in South Africa.

(See page 6)

Capital.

65

Govt relaxes exchange curbs

Cape Times 11/8/75

See also ECONOMY - General

PRETORIA. — Announcing the Government's decision to relax exchange control restrictions on incoming funds, Senator O P F Horwood, Minister of Finance, said:

Last week, in replying to questions put to me on South Africa's new exchange rate policy, I reaffirmed that the practice of making small and frequent adjustments to the rand-US dollar rate had been abandoned and ruled out any possibility of a devaluation of the rand in terms of the dollar in the foreseeable future. I also stated that further steps would be taken to correct the unfavourable "leads and lags" situation which had been arisen in South Africa's balance of payments and to encourage the inflow of capital in general. I now announce that these steps will be the following:

● (1) Monetary policy.

Appropriate adjustments to monetary policy will be announced by the Reserve Bank today.

● (2) Exchange control.

(a) Sympathetic consideration will be given to applications by local enterpreneurs to borrow funds abroad for periods of not less than six months, provided that such funds are not destined for property development, speculation or consumer credit. This represents a relaxation of the existing control over incoming funds, as foreign loans were previously only approved for "manufacturing and other productive" purposes. The relaxation will extend to foreign borrowings by South African exporters in anticipation of receivable payments.

(b) Sympathetic consideration will also be given to applications by authorized dealers in foreign exchange to raise funds abroad in their own name for the financing of South African foreign trade and for other approved purposes.

BLOCKED

(c) It has been decided in principle that blocked rand will be made directly transferable between non-residents. However, in view of the need to hold further discussions in this regard with authorized dealers in foreign exchange and other interested parties, the details of this new arrangement and the date from which it will take effect will be announced at a later stage.

(d) Control in terms of exchange control regulation 3(1) (F) over local borrowing by the "foreign-controlled" South African firms will be extended by the inclusion under local borrowing of:

(i) Certain defined leasing arrangements,

(ii) Factoring (with recourse); and

(iii) Certain defined "leasebacks".

Particulars as to how this measure will be applied in practice will be furnished by the exchange control authorities to authorized dealers.

TRANSITION

In respect of existing arrangements under these headings, firms affected by this regulation will be afforded a reasonable

and export receipts. Authorized dealers are specifically required to ensure, firstly, that importers do not transfer funds abroad in payment of imports prior to the date of shipment or despatch of the relative goods to South Africa, and secondly, that export proceeds are remitted to South Africa within 30 days after the receipt of payment. The authorities view these malpractices in a very serious light and will not hesitate to deal severely with those who contravene the regulations.

COVER

● (3) Forward exchange cover

(a) The normal maximum period for which the Reserve Bank will grant forward exchange cover in respect of imports will be extended from six to 12 months.

(b) The charge in respect of such cover will remain 1 percent per year.

(c) The Reserve Bank will also consider granting forward exchange cover on application for periods longer than 12 months if required for the importation of capital goods with long delivery periods and/or under extended credit arrangements.

DEALERS

(d) Applications for forward exchange cover by authorized dealers in respect of foreign loans raised in their own names and approved by exchange control will be favourably considered.

(e) The present requirement that forward exchange cover must be arranged within seven days after the foreign transaction is concluded, is abolished. Importers and exporters will in future have the option of covering forward at any time within the relevant liability period. — Sapa

Tougher bank control[s]

RDM 11/8/75

A RELAXATION of the exchange control restrictions on incoming funds so as to improve the facilities for forward cover, was announced in a statement here today by the Minister of Finance, Sen O. P. F. Horwood.

At the same time the Governor of the Reserve Bank, Dr T. W. de Jongh, announced an increase in the bank rate from 8 to 8½ per cent with immediate effect.

Other adjustments in monetary policy announced by the Reserve Bank include an increase in the minimum liquid asset requirements of commercial banks of 4 per cent of their short term liabilities in the public and 2 per cent in the case of banking institutions other than commercial banks or a discount house.

These adjustments in the monetary policy were in addition to the measures announced by the Minister of Finance, Sen Horwood, to counteract speculation against the rand as reflected mainly in the present unfavourable leads and lags situation in South Africa's balance of payments position, and to encourage the inflow of capital in general, the Reserve Bank said.

The new measures would be accompanied by appropriate adjustments in the Reserve Bank's transactions in Government securities and interest rate policy in general.

They formed part of a conservative credit policy which at present had two principal objectives, the Reserve Bank said.

The first was to strengthen the balance of payments in general and, in particular, to correct the unfavourable leads and lags situation.

The second main objective was to reduce the rate of inflation by preventing domestic credit and the quantity of money and near money from rising at an excessive rate.

In taking these various steps, the Reserve Bank said the monetary authorities remained fully conscious of the need to maintain a satisfactory rate of real economic growth in South Africa.

The relaxation of exchange control restrictions announced by the Minister of Finance and the new monetary measures taken together could assist in providing adequate funds to South African enterprises thus sustaining economic expansion, while at the same time helping to redress the balance between domestic and foreign financing of the Republic's expanding production and trade, the Reserve Bank said.

In the final analysis, the curbing of inflation and the maintenance of a sound balance of payments position remained essential prere[quisites] ... tain[ing] ... econ[omic] ...

authorities to authorised dealers.

In respect of existing arrangements under these headings, firms affected by this regulation will be afforded a reasonable transition period within which to move to a position of full compliance with the new requirements.

• In addition to the new exchange control measure, a circular has been sent to authorised dealers instructing them to ensure full compliance with the existing regulations in regard to import payments and export receipts.

Authorised dealers are specifically required to ensure, firstly, that importers do not transfer funds abroad in payment of import prior to the date of shipment of the relative goods to South Africa, and secondly, that export proceeds are remitted to South Africa within 30 days after the receipt of payment.

The authorit[ies] ... these malpracti[ces] ... very serious ligh[t] ... not hesitate to dea[l] ...ly with those ... travene the regula[tions].

The normal ... period for wh[ich] ... Reserve Bank ... forward exchange ... respect of import[s] ... extended from ... months.

The Reserve B[ank] ... also consider ... forward exchange ... application for ... longer than 12 mo[nths] ... quired for the im[port] ... of capital goods ... delivery periods a[nd] ... der extended c[redit ar]rangements.

Application for ... exchange co[ntrol] ... authorised dea[lers] ... respect of forei[gn] ... raised in their ow[n] ... and approved by e[xchange] control will be fav[ourably] considered.

Capital

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Capital

See also ECONOMY - General

Overdraft rates up

RDM 12/8/75

Financial Editor

MINIMUM overdraft rates have been increased from 11 per cent to 11,5 per cent by all the major banks.

This follows the increase in Bank rate from 8 per cent to 8,5 per cent announced yesterday. But Mr David Alston, director of the Association of Building Societies, said yesterday that home loan mortgage rates would remain at 10,5 per cent.

The overdraft increase will have a negligible effect on the cost of living. Had there been a further devaluation of the rand — which Senator Horwood, the Minister of Finance, has firmly ruled out — it would have pushed up the prices of overseas goods.

Capital

Grappling with an inflationary economy in difficult times

STAR 13/8/75

In the midst of a deep world recession, which is still encountering inflation, South Africa's economy continues to be strong.

But the country is not without problems. The most notable worry is an inflation rate of 14 percent, which is higher than most European countries and the United States.

South Africa's new Minister of Finance, SENATOR OWEN HORWOOD, entered office in an awkward period. Interviewed by Neil Behrmann at the Union Buildings in Pretoria, he answers questions frankly.

Question: How severe is the current recession in South Africa?

Answer: The real growth rate of South Africa is expected to be between three and four percent in 1975 compared with seven percent during the past two years. In several European countries, however, the growth rate is either zero or negative.

How much unemployment is there in the country?

The unemployment rate of Whites, Asians and Coloureds is 0,4 percent, but there are no reliable figures for Blacks. It would be useful, however, if we did examine methods to determine the extent of Black unemployment.

During the past few years, Government spending and the money supply increased at a rapid rate. Since these trends are highly inflationary, what policy will be pursued in the next year or two?

Government spending has grown at a slightly higher rate than gross domestic product. It is incorrect to say that an increase in Government spending or the money supply is necessarily inflationary. It depends on whether the economy is running at full capacity or how the spending is financed.

The South African economy is now operating below full capacity, so neither Government spending nor the money supply are having an immediate direct effect on inflation.

But I expect growth to accelerate shortly, so we will certainly have to see that neither Government spending nor the money supply rises rapidly during the next year or two.

What is the extent of public sector participation in the economy?

In 1974, consumption expenditure of the Government amounted to 12,6 percent of gross domestic product, and the gross domestic investment of public authorities to 8,4 percent.

In 1973 the public sector (central Government, provinces, South African Railways, etc) employed about 12 percent of the economically active population, White and Black.

The various agricultural control boards are interfering with the free market mechanism of the economy and are contributing towards inflation. What steps is the Government planning to reconcile the needs of the producer with that of the consumer?

One of the functions of the agricultural control boards is to achieve greater stability in the farming industry, which is subject to great fluctuations because of the weather and other vicissitudes.

In 1974 agricultural producers' prices rose by 11,4 percent, which is less than the consumer price index. The Government assists both producer and consumer by subsidising basic foodstuffs. The total amount budgetted for this purpose is R139m.

Will there be firmer action on inflation during the next 12 months?

There are signs that the rate of inflation is decreasing. But the position is not satisfactory and the Government is determined to take firm action. The latest Reserve Bank moves to control credit is one of these measures.

Others include efforts to improve productivity and persuasion to restrain increases in prices and wages.

If the Government finds it difficult to combat inflation because of South Africa's political circumstances, is it possible that indexing — adjusting contracts to changes in the cost of living — will be introduced in some form or other?

Indexing is only a palliative and does not go to the root of inflation. I would not like to see it introduced generally.

If a high inflation rate were to continue for some time, we might have to consider some limited form of indexing. But at this stage I would be very cautious in applying such a policy.

Could not the Government introduce savings schemes linked to a cost of living index? These bonds would offset the erosion of savings, especially for the "little man."

Cost of living bonds are constantly under review, but no decision has yet been taken.

Inflation also creates inequities in the tax system. More and more money flows to the Treasury as wages and salaries are adjusted to meet inflation. Is it possible that South Africa will follow Canada and index taxation?

It is, of course, true that a progressive income tax produces a more than proportional increase of revenue during inflation. Other taxes — for example customs and excise duties — show an opposite tendency, but I have not heard any suggestions that they should be indexed. I do not think that indexing of taxation is appropriate or desirable here.

What are the prospects for gold?

The gold price has stood up very well in the face of Russian sales and the United States auction. Once the Russian sales are out of the way, I would expect the market to improve.

I doubt whether there will be any agreement on gold at the forthcoming IMF meetings; but I do not think that this will have an adverse effect.

What are the prospects for South Africa's balance of payments.

The situation should improve because of a decline in imports and an increase in exports as overseas economies recover next year.

An increase in the gold price is also likely to assist the balance of payments.

Has capital inflow to South Africa been retarded by current events in Southern Africa? If detente is a success how do you envisage a change to the situation?

Although there is much appreciation abroad for South Africa's policy of detente, current events in other parts of Southern Africa are causing some hesitation among investors in respect of investment in South Africa. Much foreign investment, however is still coming in.

If detente proves to be successful, I would expect a substantial increase in foreign investment in all parts of Southern Africa.

W/E ARGUS (B.A.) 16/8/75

Capital

TRAIN MORE BLACKS, URGES ABRAHAMSE

THE Government's efforts to stimulate the inflow of foreign capital is to be welcomed, Mr L G Abrahamse, joint executive deputy chairman of Syfrual, told Business Argus.

But he emphasised that while increased capital investment was vital for the continued growth of the South African economy, the training of Blacks for more skilled occupations in White areas was no less essential.

The pace of this training and development in recent years had not been fast enough and must be accelerated, he said, pointing out that South Africa was facing an extreme shortage of skilled workers.

This was confirmed by unemployment statistics for June, he added. In that month, fairly deep into the current economic slowdown, the number of registered unemployed Whites, Coloured people and Asians stood at under 11 000 — about 0,5 percent of the labour force in these groups.

The comparable number in America was 10-million, or eight percent.

'An urgent offensive to train and raise the skills of all in South Africa is needed and a grassroots, sophisticated programme of education is required because the minds as well as the hands of the people integrated into the economic system are needed,' he said.

Only 5 percent of the economically active population of South Africa holds professional, technical and upper management jobs against 12 percent in Britain, 17 percent in Australia and 22 percent in America.

To raise the South African proportion to only 6,5 percent by 1980 would require employing 700 000 upper echelon people.

This could be done onl if more Black, Coloure and Asian people wer educated and upgrade fast, said Mr Abrahams

If this were not don the country would run ou of the managerial and pro fessional skills, as well a the factory and artisa skills, required to kee the economy functionin let alone growing rapidly

Capital

SAKE-RAPPORT

Bantoe-rade breek deur

DIE suksesvolle plasing van die lening van R3,4 miljoen vir die Hoëveldse Bantoe - Administrasieraad deur Senbank, beteken 'n groot deurbraak vir dié rade.

Die lening, wat teen 'n koers van 11,15 persent geplaas is, is oorvolskryf en volgens die uitgiftehuis dui dit daarop dat die beleggers nie langer twyfel aan die status van die administrasierade nie.

Met die huidige onsekerheid in die kapitaalmark was die sukses waarmee dié lening afgehandel is, nogal verblydend. Die sekuriteit van die uitgiftes staan bo verdenking, aangesien alle lenings alleen met ministeriële goedkeuring kan geskied. Dit bring mee dat dit deur die Staat geborg word.

As sodanig het die lenings in der waarheid 'n hoër status as dié van sommige groter munisipaliteite.

Volgens die kapitaalmarkbestuurder van Senbank, mnr. Louis Kruger, het baie van die beleggers ook te kenne gegee dat hulle die lening ondersteun omdat hulle die funksie van die rade as noodsaaklik sien in die hele Suid-Afrikaanse opset.

In die lig hiervan kan verwag word dat die rade in die nabye toekoms met groter gemak geld in die kapitaalmark sal trek. Met die huidige tendens in die mark kan daar egter verwag word dat die koers van nuwe uitgiftes heelwat hoër sal wees as dié van die Hoëveldse Administrasieraad.

Sun. Trib. (Fin) 17/8/75

By CHRISTOPHER MORRIS

Borrow abroad: Horwood gives signal for industrial spending spree

Senator Horwood: He's made it easier to borrow on foreign money markets

SOUTH AFRICA is poised to enter the 1980s on the back of a R10 000 million capital spending spree that will entrench the country as the industrial powerhouse of Africa.

And to underline the urgency of this massive capital generation, Minister of Finance Horwood this week encouraged big business to borrow abroad.

For it is obvious the vast amounts required to finance the ambitious projects either under way or on the drawing board cannot be raised locally.

However, a prerequisite for large cash inflows from overseas is investor-confidence in the future of South Africa.

For this reason, detente moves are as important economically as they are politically.

The fruits of an improving image on foreign capital markets are already being reaped. Escom, which will need R915 million before the end of 1977, found no difficulty in raising R27 million from German investors last month.

At home, Senator Horwood made it easier for the private sector to borrow on foreign markets by relaxing previous restrictions on borrowing abroad and also improving facilities for forward cover.

Such moves will help finance the huge developments planned here. They include:

SASOL 2. This is expected to come on stream in 1980-1981 at a cost estimated at R1 050 million.

ISCOR: Long-term plans for expansion and modernisation of its three steelworks and seven mining centres have been estimated at R3 240 million. This does not include capital requirements for the ore export scheme or the proposed semis works at Saldanha.

IMPROVEMENTS to the Durban refinery: Shell and BP are planning to spend R50 million in the next three years.

ETHYLENE cracker at Durban: This will cost Sapref R60 million between 1976 and 1979.

POLYPROPYLENE plant at Durban: Shell is to spend R30 million on this by 1980.

PHOSPHORIC acid plant at Richards Bay: Triomf is to build this for R70 million.

COAL-BASED chemical plant at Sasolburg: AE & CI has received Government go-ahead to spend R220 million on this plant which is planned to come into operation in 1977.

TUGELA-VAAL water scheme: Estimated cost R178 million.

The list goes on: Sentrachem's polyvinyl chloride plant (R75 million), Safripol's coal-based acetylene plant (R100 million), Foskor's Phalaborwa plant (R40 million), oil exploration (R20 million).

Then there are the development programmes planned by the railways and harbours; tentative capital expenditure needs have been put at R870 million for this year alone, including the new oil pipeline from Durban to Johannesburg (R82 million).

Containerisation will involve huge sums. It entails buying 10 large and four small ships and upwards of 500 000 containers plus handling equipment. Saldanha Bay's dock complex is estimated at another R100 million.

And then there's educational programmes (Johannesburg technical college R100 million), provincial programmes (hospitals will cost more than R25-million in Natal alone) and the uranium enrichment plant R550 million).

South Africa should be able to borrow this money overseas. It has benefits that appeal to the hard-headed investor abroad.

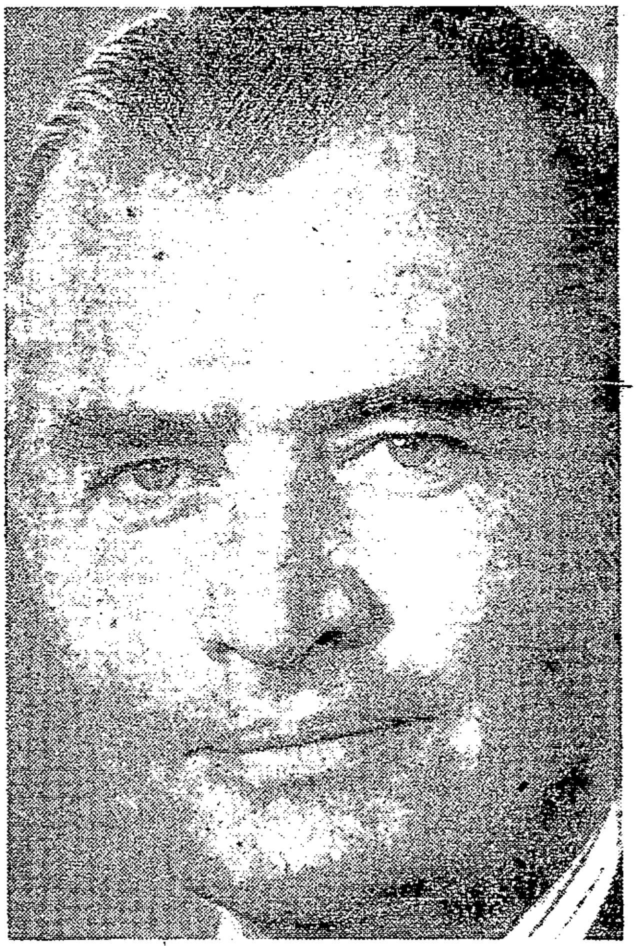
The economy has fared well in the recessionary trend but whether this remains the case depends to a large extent on what economic picture South Africa presents to the rest of the world in the months ahead.

JSE CHIEF SAYS: WE'RE POISED FOR GROWTH IF...

By Esmond Frank

SUN - TRIBUNE (FIN) 17/8/75

THE ECONOMY is poised for growth, says Mr Eric McKie, president of the Johannesburg Stock Exchange.



But the economic future depends on the price of gold and an inflow of foreign investment capital, which, in turn, depends on relaxation of exchange control and on political stability.

He said this week that the outcome of the Rhodesian talks, due to be held before the end of the month, could have a vital bearing on the prosperity of Southern Africa.

An amicable solution to the Rhodesian problem would do much to re-establish confidence in the region as an area for foreign investment.

But an over-night transition to majority rule in Rhodesia would repel rather than attract foreign capital because of the economic chaos experienced in most other independent Black states.

A gradual transition over 10 to 15 years would probably be in the best interests of Rhodesia and Southern Africa.

Mr McKie welcomed the statement by Senator Owen Horwood, Minister of Finance, that it had been decided in principle that blocked rands would be made directly transferable between non-residents.

And the big 'ifs' are gold and foreign cash

Blocked rands are funds realised when foreign-owned assets, such as shares, are sold in South Africa. In terms of the regulations — designed to prevent an outflow of capital — blocked rands can be transferred only by buying or selling South African gilt and gilt-edged securities.

Mr McKie said foreign investment must be encouraged, either directly or through the stock exchange.

"There is no doubt in my mind that problems related to the blocked rand and its non-transferability, and other related problems, have resulted in a vast amount of foreign investment bypassing the Johannesburg Stock Exchange."

The exchange had asked the Reserve Bank to allow blocked rands to be used for subscription for any rights issues.

The Government had not allowed foreign investors to use blocked rands to take up rights of the recent Free State Saaiplaas and Deelkraal issues.

"The continuation of such a policy, in my opinion, can only damage the investment image of South Africa in the eyes of foreign investors."

Increased stock exchange activity would psychologically enhance the country's image as an area for investment.

Important

The stabilisation of the gold price at a minimum 170 dollars for 1975 was of the greatest importance to balance of payments.

"As there appears to be no positive long-term answer to the problem of world inflation, there can be no doubt that the basic mistrust of paper currencies will continue to manifest itself and that gold, as an enduring store of value, will attract strong overseas demand."

He attributed the disturbing fall-off in gold share turnover on the stock exchange — from 63,8 million shares for March 1974 to 27,8 million for March 1975 — to a waning of interest by overseas investors.

Contributory factors included:

- A levelling off of the uninterrupted rise in the price of bullion that sustained the higher volumes of 1974.
- The growing fear the faction fights, strikes and the repatriation of mineworkers to their homelands would disrupt gold production.
- The accelerating costs of production when measured against the behaviour of the volatile bullion price.
- Political events in Mozambique and Angola.

United Kingdom investor interest in South African equities was dampened by the imposition of a 25 percent surrender of the investment currency premium and the widening of this premium to new high levels.

"Although many of these factors could continue to exercise a dampening influence on gold share prices in the short term, "the background uncertainties regarding exchange rates, the international settlements system and the course of the dollar still remain potentially strong influences in the behaviour of bullion prices."

Overseas hedging had mainly tended to move towards investment in bullion rather than equity.

Opposition mounts to S.A. Board take-over

capdal

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Natal Mercury 19/8/75

Financial Reporter

MR. R. B. CLARK, chairman of the Shareholders' Association, says there are four reasons why shareholders in S.A. Board Mills should oppose the take-over bid by Anglo American Industrial Corporation, which is up for approval at a meeting in Durban next Tuesday.

Shareholders are being offered 13 AMIC shares for every 100 S.A. Boards and the same ratio in a parallel offer for the holding company, Stafford Mayer.

The Association says that based on available information, the net asset value for Board shares is about 200 cents — against the current market valuation of about 112 cents and the offer equivalent to 109 cents.

Earnings per share were 21,2 cents for 1975 which was less than those for 1974 (25,6 cents) but were, in fact, higher than in any of the past five years except for 1974.

SUGAR PROFITS

Pre-tax profits from the sugar operations were up about 23 percent to R791 000 (1974 — R649 000) and the Association notes that if current negotiations succeed improved profits can be expected.

It is pointed out that the troublesome No. 6 Board machine at Springs, which cost R11m in 1971, would cost more than R20m at present, "another indication of the company's latent strength."

The Association says the company is soundly based but is suffering from the current downward cycle in the paper trade. Shareholders should resist the bid.

SUBSIDIARY

The situation has changed radically however with AMIC announcing last week that it had acquired enough shares in Stafmay to classify it as a subsidiary. S.A. Board was already a subsidiary of Stafmay.

Control is now in AMIC's hands and there is no need to go through with the takeover unless AMIC believes it is getting a bargain — and must get full control to ensure full benefits.

Capital appears to be the principal problem, with the directors considering that R2m will be needed to get the Springs mill to peak efficiency.

Jon Beverley.

BUSINESS MERCURY

MERCURY 26/8/75

Capital

Turnabout in S.A. money market

By A. Hamersha, senior economist of Standard Bank Investment Corp.

RECENT events in monetary affairs have demonstrated once again the overwhelming dependence of South Africa's economy on developments in the wider world.

A rather dramatic turnaround has occurred in domestic financial conditions, not as a result of fundamental supply and demand considerations, but by virtue of new trends in foreign exchange markets and overseas interest rates.

To place this change in perspective we must cast our minds back over the past year. From October, 1974, until a month ago, a steady trend had been established towards a lower pattern of interest rates in South Africa. The movement was most evident in the sensitive short-term money market.

There, the return on 90-day negotiable certificates of deposit declined from 17 percent in September, 1974, to 6,5 percent in July, this year. In time, developments in the market place produce changes in the various fixed lending rates, and only in June, the major clearing banks cut their overdraft rates by one percent.

DOWNTURN

Most monetary analysts saw little reason to expect any interruption to this trend. The primary factor behind it was the downturn in economic activity and this seemed likely to last at least until some recovery was evident in the United States and European economies.

Financial conditions normally move in sympathy with developments in trade and industry and, without some change in the latter, it seemed more likely than not that the going trend would continue.

Suddenly, the prevailing picture has altered. In the money market the return on 90-day NCDs has arisen for seven successive weeks, moving from 6,5 percent on July 4, to 8,35 percent on August 15. Yet, our fundamental economic conditions are no different. Production in the manufacturing industry is barely higher than a year ago and considerable unused capacity and surplus stocks exist.

continued strengthening of the dollar aroused suspicions that a further rand devaluation must be imminent.

Invariably, such an expectation leads to an outflow of foreign exchange, known as leads and lags.

Importers scheduled to make payment overseas tend then to hasten payment, while anybody due to receive payment of an amount denominated in foreign currency tends to delay it, to realise more rands in the end.

THORNY PROBLEM

This sort of situation spells out a thorny problem for the monetary authorities. Only by forceful persuasion that no devaluation is imminent, can they hope to reverse the outflow of exchange.

This has been the line followed by the Minister of Finance and, on present indications, it appears to have been reasonably successful.

The second factor is the trend of interest rates in the United States. It is clear that the American recession has either ended or is about to do so. As an upturn becomes established interest rates may firm further, following the levels of rising rates during the past weeks which were, in fact, responsible for the change in the South African authorities' policy stance.

INTEREST RATE

Now, why are trends in American interest rates important to South Africa?

The third factor is the behaviour of the free market price of gold. Because gold is our most important export item by far, the overall performance of the gold and foreign exchange reserves is critically dependent upon developments in the gold markets.

The failure of the gold price to move upward, as many had anticipated, has left us with much lower currency reserve holdings than would otherwise have been the case.

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August 1975

Philosophy Department, University of Cape Town.

David Bleazard

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markets were closed

UPTURN

There are few signs of an impending upturn in general economic activity. On the face of it, rising interest rates are the last thing that we should expect.

What has changed the environment fundamentally is the stance of official monetary policy. For more than a year the Reserve Bank had played the role of follower rather than leader, and left the determination of financial conditions largely to natural market forces.

This is no longer the case. The monetary authorities are now taking an initiating role. Monetary policy is dominant, and the recent lift in interest rates is a direct result.

What factors are behind this reassertion of policy?

Three conditions may be singled out: The behaviour of the U.S. dollar, to which the rand is linked; the trends of interest rates in the United States and Britain; and the behaviour of the free market price of gold.

RESERVES

These variables have in common the fact that they play a part in determining movements in South Africa's gold and foreign exchange reserves. Let us look at them in turn.

South Africa's practice in this era of floating exchange rates, has been to fix the value of the rand in terms of dollars. As a consequence, any upward or downward movement in the U.S. dollar vis-a-vis other currencies implies a corresponding appreciation or depreciation of the rand.

Between late February and the beginning of August, the dollar rose about 9 percent on a trade - weighted basis.

The parallel strengthening of the rand (at a time when the British pound was weakening) posed a potential threat to the competitiveness of our exports. Even after the 4,76 percent devaluation of late June, the

In addition, the thinness of the gold market rules out the possibility of increasing gold sales out of stocks in order to improve the current account of the balance of payments. To do this would be to risk depressing the price further.

What stands out clearly is the central role of the gold and foreign exchange reserves in deciding the policy stance of our monetary authorities. Moreover, in taking decisions their hands are largely tied, since each of these three key variables — the movement of the dollar, the trend of American interest rates and the behaviour of the gold price — are largely beyond their control.

BOOM PHASE

When our economy next enters a boom phase we can be certain that the reserves will decline fairly substantially. This typical accompaniment of a boom in any country tends to be particularly marked in South Africa because we depend for capital and semi - processed goods largely on foreign sources of supply.

When, as during an upswing, capital investment by the private sector takes off, imports rise correspondingly, and the reserves therefore tend downwards.

Today, mainly because the world slump has depressed commodity prices, our reserves are at a level that would not long sustain the onset of a boom. A point would be reached quickly at which the monetary authorities would be compelled to put on the brakes to stop a drain on the reserves.

Therefore, their actions now have to be geared towards coaxing the reserves up to lay a sound foundation for a recovery.

CAPITAL

Disciplined rand good for sh

RDM 26/8/75

By ELIZABETH ROUSE

A DISCIPLINED rand means healthier economic growth prospects and the share market should therefore have a firmer undertone, says a broking house analyst.

The view that the rand is to be disciplined by a phase of dearer money is supported by the increase in the long-term gilt rate to 10 per cent.

"The rate of economic recovery may thus be slowed down and industrial share price consolidation may be prolonged," says the analyst.

South Africa's foreign exchange reserves — even at current levels — have been propped up by overseas borrowing, a fact which argues that imports are running far too high.

It may, therefore, be inferred that the shift to a higher interest rate plateau is more meaningful than a correction of leads and lags in foreign trade capital movement.

Higher interest rates and the resultant confusion in money and capital markets have caused Hollard Street trading to slow.

What the brokers say

However, the analyst says the more volatile Wall Street took the rise in United States prime and Treasury bill rates badly. The Dow Jones industrial index has slipped about 80 points from the year's high.

American authorities are on the horns of a dilemma. Firstly, a higher pattern of interest rates could help to cripple the incipient economic recovery by allowing it to be overwhelmed by the leads and lags of the inflationary forces set in motion last year.

Secondly, more expensive money would result in a flow of rate-sensitive funds into the United States. These would have to be sterilised through stringent controls on the banking sector at a time when a more lenient policy is required to stimulate new investm[ent] and employment.

Another analyst says current indecision in behaviour of the Dow J[ones] index suggests, t[he] stalemate in mo[netary] policies may be prolong[ed].

This hardly augurs [well] for Hollard Street beca[use] Wall Street dominates [the] London and the Joh[an]nesburg market.

Most brokers avoid c[om]menting on the So[uth] African scene. In the w[ords] of one broker "it is diffi[cult] to offer valid market c[om]ment with turnover at s

Capital

R1 499m inflow of foreign capital

STAR 20/8/75

Neil Behrmann

South Africa's growth rate dipped sharply during the year ended June 1975, but improved conditions of important trading countries should stimulate the economy in due course.

This is the overall observation of the South African Reserve Bank in its annual report. The bank says that excluding agriculture, real growth of the economy dipped from seven percent to three percent during the 12 months ended June.

Including agriculture the real gross domestic product declined from 5,5 percent to three percent.

But the Reserve Bank feels that business is reviving in the United States and other countries. Besides the stimulus from this source, economic activity should be sustained by a prosperous agricultural season, capital projects of the public sector and television demand.

Features of the report are:

- The rate of inflation declined from 13,8 percent in the six months ended March 1975, to 12,4 percent in the second quarter of this year.
- The deficit on the current account of the balance of paymants rose from R1 300m during the second half of 1974 to R1 710m during the first half of 1975.
- The total net inflow of capital during the year was R1 499m, but there were violent short term movements. During the previous year an outflow of R150m was recorded.
- Total long term loans of the public sector amounted to R749m (R314m) and long term loans of the private sector R257m (R39m).
- The inflow of short term capital into the private sector was R626m compared with an outflow of R497m the previous year, but fluctuations were wide, because of the leads and lags situation.
- Credit to the private sector increased by only 13 percent against 31 percent in 12 months ended June 1974.

The report says that this Government spending was the main cause for the 11,5 percent rise in the money supply. The big increase in spending led to a substantial rise in the Exchequer's deficit. The Government's borrowing requirement rose to such an extent that it was forced to make use of more bank credit.

CAPITAL

WAGE CURB APPEAL MAY BE JUST THE BEGINNING

W/E ARGUS
(Bus Argus)
30/8/75

Financial Editor

THE appeal by the Prime Minister this week for wage restraints is expected to be only the first of a series of Government moves aimed at curbing inflation. Among other measures in the pipeline is also believed to be a request to commerce and industry to limit their profits.

It is believed that the authorities would like companies to restrict the return on capital to 15 percent before tax. Moreover, it seems that official thinking is that companies earning more than 15 percent (before interest charges and before tax) on operating capital should be permitted to pass on only 70 percent of any local cost increase, and the remaining 30 percent to be charged against profits.

Although the Natal Chamber of Industries has announced that its members are prepared to abide by the 15 percent figure, the Cape Chamber of Industries in its latest survey expressed many reservations about the proposal.

The view of its Economic Affairs Committee was that it would not be feasible to recommend for general application specific percentage levels of profit earning.

It continued that the level of return required on capital employed varies considerably from industry to industry and, whereas the 15 percent might be sufficient in some cases, it could be totally inadequate, even seriously harmful, in others.

The committee added that the suggested level of 15 percent profit on capital employed appeared to be based on conditions which were now outdated as a result of the sharp inflationary trends and — probably in the vast

only 9 percent after company tax and this is actually a smaller return than investors can now get on Government stock.

This could create financing problems for industry.

Meanwhile, there is speculation that the Government could move towards a tighter money policy in an effort to squeeze inflation out of the system.

W/E ARGUS
(Bus Argus) 30/8/75

Capital

Wage curb call tempts the bull

THIS WEEK'S call by the Prime Minister, Mr B. J. Vorster, for wage restraint has injected a new and seemingly bullish element into the local investment picture.

The inflationary conditions of the past few years have seriously affected the financial health of the entire South African economy. Therefore anything which helps to moderate inflations, as Mr Vorster's call should do, can only be good for the country and for investors.

However, the share market showed little immediate reaction to Mr Vorster's call. One probable reason is that investors would like to see what response this achieves. Another reason is that there are fears that the Government's call for wage restraint could be linked with a call for profit restaint.

The difficulty here is that while probably every one in business agrees that no company should make excessive profits in these inflationary times, it is not easy to determine what rate of profit companies should be allowed to make.

The point is that what could be regarded as a reasonable profit in times of zero inflation could be hopelessly inadequate when inflation is rampant, such as at present when depreciation rates go through the roof and the capital requirements of business is greatly multiplied.

The fear is that the Government could apply profit limits which might [illegible]

For investors in industrial shares this has been another dreary week on the stock exchange. But they have been able to draw some comfort from the continued run of healthy company profits that are being reported. Statements of profit increases are still heavily outstripping those of profit reductions.

Another cause for comfort was the steady rise in the foreign exchange reserves. These are now at their highest level for eight months and if the Government's plans to draw funds into the country are successful, as they are expected to be, a further rise in the reserves is on the cards.

Increased reserves means greater liquidity, lower interest rates and more money for investment in industrial shares.

Investors in gold shares have had a disappointing week as well with the gold price fluctuating around the 161 dollars an ounce mark. They have also had to contend with reports that the United States may hold another gold auction later this year and that the International Monetary Fund could also become a seller of the metal. But this need not be against the metal's interests.

It appears the major Western states have reached an agreement that part of the IMF's original [illegible]

But considering the Commonwealth finance ministers' squabble at their meeting in Georgetown, Guyana, this week about how the proceeds from the sale should be used, there are obviously high expectations about the price which will be obtained for the IMF gold.

But in current market conditions a good price will only result if central banks are allowed to buy it. And this seems a strong possibility, seeing it is their gold being sold.

Accordingly, the proposal that the IMF should sell part of its gold stock could in fact be a Trojan horse to open the way for resumed central bank dealings, in gold on a large scale.

If this were to happen, gold's rehabilitation as a medium of international exchange would then be complete.

This week AE and CI, the country's biggest chemical enterprise, announced it had raised R45-million by way of two debentures issues — one carrying a 12,75 percent coupon and 12 options to subscribe for AE and CI shares, and the other with coupon of 13,125 percent but with no option rights.

These are attractive rates of interest and in contrast to previous debenture issues by other companies. AE and CI is also offering these deben- [illegible]

Government's anti-inflationary plans and their [illegible] ... So far it is not clear who is going to be allowed [illegible]

Capital

Brick industry needs millions

By DAVID PINCUS

Demand outstrips today's capacity

THE South African brick industry will have to find at least R325-million to invest in new plant and equipment in the next five years if it is to meet the building industry's needs.

Philip Reynolds, director of the South African Brick Association, says: "This is a conservative figure. The owners of the country's 300 brickyards will probably have to invest a lot more than that.

"The money will have to be invested at a rate of between R55-million and R65-million a year if the industry hopes to cope with the increase in demand — this is expected to rise at between 8 and 10 per cent a year."

This investment will quadruple the brick industry's present R120-million stake in plant and equipment.

Mr Reynolds said that apart from the normal upswing in demand by the building industry, the brick industry feels that it may have added to this with the perfection of a brick panel method of construction for economic houses that could revolutionise building methods.

Members of the association have been working on this method for 11 years and have spent about R500 000. They have now developed a method of using brick panels that will enable a team of six unskilled labourers to build a complete Soweto-type house, with the exception of the interior dividing walls, in a day.

"We will demonstrate this method to one of the Bantu Administration Boards in the near future and feel sure it will, to a large extent, replace the present method of building houses in African townships from concrete blocks," he said.

"Once we have broken into that market we feel certain the next step will be the use of this method for outbuildings in White suburbs.

"After more development, it should be found suitable for prestige houses in better-class suburbs.

"About 10 years ago members of our association proved that a brick panel house could be built in a day, but it was a capital-intensive operation. We had to make use of sophisticated equipment, such as tower cranes, to do the job.

"That would have made the system, as it was then, uneconomic — save for large contracts.

"Another drawback was that the joints between the panels were not windproof or watertight. We overcame that problem by developing a special joint that provides an adequate seal against both wind and rain.

"The problem of having to move sophisticated plant to the site was overcome by developing a 1 sq metre panel that can be handled by two labourers and which is slotted into accurately positioned uprights.

"Our roofing people have also developed a special type of roof that can be fitted by unskilled labour.

House shortage

More bricks needed

"The beauty of the system is that everything, with the exception of the concrete floor, can be made in a factory and taken to the site.

"Our system is completely modular, which means that any size or shape of single-storeyed economic or sub-economic house can be built by unskilled labour using the same components."

Another advantage is that no foundations are needed for these houses.

The demand that can be created for houses built using this method can be appreciated when it is realised that at present, according to a spokesman of the West Rand Bantu Administration Board, it takes between 10 and 12 days to build a home in Soweto using the present concrete block method.

Modular system

Any size or shape

And a spokesman of the Department of Bantu Administration added: "There is a terrific shortage. Only 7 573 houses were built for Africans in urban areas in fiscal 1974. We are still trying to find out what the backlog is."

Mr Reynolds said the country's brickyards presently make about 3 250-million bricks a year. Estimates are that they will have to increase production by 326-million bricks a year from this year on.

Present demand is about 65 per cent of this production, which means that some brickyards, but not all, can stockpile bricks in anticipation of what Mr Reynolds calls "the killer demand."

Some cannot afford the capital that is required to stockpile; other yards, such as Brickor and Roodepoort Brick — which make certain lines of popular bricks — have not experienced any fall-off in demand.

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3) 123
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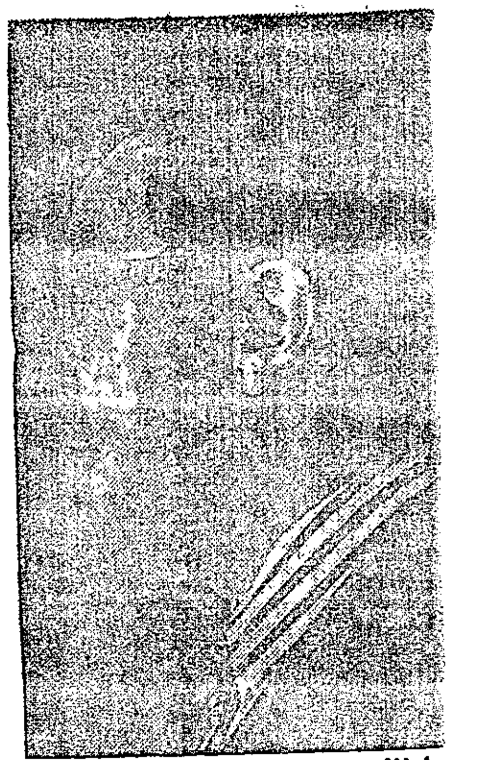
Capital

CAPITAL

By ADAM PAYNE
Mining Editor

TIGHTEN YOUR BELT — OR ELSE

SUN. TIMES
(Bus. Times)
31/8/75



Merton Dagut . . . "It will be painful."

THE Prime Minister's call for a wage freeze is seen in economic circles as a powerful move to avoid South Africa falling into an economic crisis such as Britain's.

South Africa is six months to a year behind America and Britain in facing its inflation problem and it has chosen the wiser but more painful course of higher interest rates, tighter money and an appeal to employers and wage earners to restrain wage appeals and cut down price increases.

Merton Dagut, head of Nedsual's economic unit, said this week that the country is entering a critical period. He agrees with industrial and other leaders who endorse the Prime Minister's appeal.

Leading

Mr Dagut is one of South Africa's leading economists. His views carry considerable influence in banking and Government circles.

He said that if the Government allowed an inflationary course, as in Britain, he believed it would result in price inflation of 18 per cent by the end of this year building up to about 30 per cent next year. This would be dangerous — and could lead to an economic crisis.

Provided the Government policy is followed through, he sees a gentle, hesitant economic upturn about the middle of the third quarter next year.

This would slowly gather strength by the end of 1976.

He believes the growth rate for next year is likely to be little different from that of this year, which will be poor compared to last year's growth.

Bite

He said : "We are in for a typically painful dose of inflation correction. The pain of the adjustment is about to bite.

"The recovery will be from a relatively higher rate of inflation than in the United States because of our underlying need for growth. This recovery should produce a range of inflation of about 6 per cent to 8 per cent.

"That should be low enough to begin a re-stimulation, which we need to achieve our growth rate.

Inflation: it's now or never

"Britain and the United States had parallels to our situation at the end of the first quarter of 1973. They had adopted a fairly tight money policy. The United States enforced a total freeze on prices and wages.

"They stopped the rate of inflation from accelerating, and their position then was similar to ours now. They maintained the tight money policy and entered their most severe depression since World War II.

"The US is still in this recession, although it may have bottomed out. In the process, the rate of inflation has come down, the external trade balance has improved strongly and the dollar has strengthened.

"In Britain, by contrast, the price and wage freeze was maintained for one more quarter and the real GNP (gross national product) fell by about 9 per cent.

"In the end, Britain attempted another policy mix — yielding to the unions' wage demands and trying to grow out of its inflation with the exchange rate of the pound taking the strain.

"The result was a false boom with rising incomes and people storming the shops to buy goods.

"A crisis with a rising rate of inflation, combined with a recession and growing unemployment is now afflicting Britain. Something has to break.

"If we hold our nerve with restraints now, we shall break the cycle and go into the downturn, which should lead to a recovery without crisis.

Increases

"We are into the season of pay increases in the private sector. We are in the mood for saying: 'Things will be better next year, so let us jack up spending a little.'

"But serious difficulties threaten us if we choose to stimulate the money and allow inflation — which will worsen our balance of payments in the near future — to destroy our growth potential."

On the rise in interest rates early in August — done by the Government, with the Reserve Bank's backing, to liberalise the blocked rand mechanism to retain funds in South Africa — Mr Dagut said: "The Budget in March was based on expectations that mining and company profits would remain the

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Tighten your belt before it's too late

● Continued from Page 1

price inflation is diminishing.

"Import prices are increasing less rapidly and the strength of the rand will also help in lowering the import bill.

"The economy perked up in the second quarter. I think it will decline in this quarter and in the last quarter, and there is hope that just enough competition will percolate through to check the rise in prices.

"In addition, we have economic technicalities going for us. The maize crop is not as good as last year. Therefore the surplus of the farming sector will be down on last year, causing a drain on income. Mining and commercial profits are also down on expectations.

"If in the next six months wages and salaries and personal incomes can be made to stop rising rapidly, and at the same time there is a decline in prices, there is a fair chance that the inflationary chain will be broken.

"It won't end inflation. Rather, inflation will not continue to accelerate and will be held at less than 10 per cent.

"I would not be surprised to see a recovery in industrial equities next year. It will come from renewed confidence since companies and investors will see that the rate of cost inflation is decreasing. This will mean that their capital structures will be sound again.

"They will be able to plan for expansion.

"Our policy is also likely to result in gold and foreign exchange reserves increasing between now and the year-end. We know that normally an increase in reserves means a rise in share prices.

"The expectation of a decline in the rate of inflation should make it possible for long-term interest rates to ease slightly. But the picture is complicated by the need until the first quarter next year to raise large sums for public authorities.

"I see a big dip in interest rates about the middle of next year."

On the IMF meeting and the gold price, Mr Dagut was not dismayed at the thought of gold being sold from IMF reserves. This could allow central banks to buy it, he said.

"I foresee the gold price rising. I would not be surprised if it is close to $180 an oz at the end of the year with a rise of 5 per cent on average through next year.

"These figures have enormous implication for the gold mines' profits."

(Capital) 1.

R200m banking merger

Cape Times 1/9/75

JOHANNESBURG. — Nedbank and Syfrets-UAL Holdings Limited (Nedsual) announced at the weekend that the operations of Credcor Bank Limited (Credcor Bank) and Lease Plan International Limited (LPI) are to be merged to form a general bank with assets of more than R200m. The effective date of the merger will be October, 1975.

As a result of the merger, Nedsual will effectively hold 90 percent of the shares in the new group. The large British finance house, Lloyds and Scottish Limited, of Edinburgh, in which Lloyds Bank Limited and the Royal Bank of Scotland Limited each have a 41 percent interest, will hold the remaining 10 percent. Lloyds and Scottish previously held 30 percent of Credcor Bank.

The South African Mutual and Cayzer Irvine have sold their shareholdings in Credcor Bank of 20 percent and 10 percent respectively to Nedsual. LPI recently became a wholly-owned subsidiary of Nedsual.

SUBSTANTIAL BENEFITS

Credcor Bank and LPI are involved in complementary activities, notably leasing. It is therefore expected that substantial benefits will be achieved from the merger, as a result, *inter alia*, of:

- Rationalization of internal functions, services and resources;
- Elimination of overlapping products and services.
- Greater strength in the market place and in marshalling financial and other resources.

In addition, certain saving in terms of management and administration costs should result for Nedsual.

Managing director of the enlarged bank, which will trade under the name of Credcor Bank Limited, is Mr Stanley Kaplan, formerly managing director of LPI.

Mr Austen Downing, who as managing director of Credcor Bank played a major role in bringing it to its present prominent status, reaches retirement age in December and will retire on the merger of the two companies. He will, however, continue to serve on the board of directors.—Sapa

Capital

SA DIGEST 5/9/75

HOMELANDS STAKE IS R230M

The share capital of the Bantu Investment Corporation (BIC) had reached the R100-million mark, and its total share capital would top R125-million by the end of the current financial year, the managing director of BIC, Dr J. Adendorff, said in Pretoria.

The figure of R100-million was reached admidst increasing interest in the economic development of the Black homelands, said Dr Adendorff. In addition to its own capital, which was supplied by the South African Bantu Trust, the corporation had been able to draw substantial amounts of outside capital, and the total investment in the homelands stood at R230-million in March this year.

FACTORIES FOR HOMELANDS

The Bantu Investment Corporation (BIC) will build another eleven standard factory buildings at a cost of R2,5-million at industrial growth points in Black Homelands. This forms part of a R8-million project for an eventual total of 35 such buildings.

Dr J. Adendorff, managing director of BIC, said that these standard factory units were proving so popular that the Corporation was unable to meet the demand at present.

The factory buildings are designed to provide adequate office space at the plant, as well as ablution facilities for 100 to 200 workers. The floor space varies between 1 000 m², 1 500 m² and 2 000 m². Fifteen of these factories were already completed and all were occupied.

Dr Adendorff said that a contract of R2,5-million provided for the construction of two factory units at Isithebe, in KwaZulu, three at Letaba, in Gazankulu, four at Seshego, in Lebowa, and two at Witsieshoek, in Qwaqwa. The building operations are due to start shortly.

Sunday Times (Bus. Times) 7/9/75

Capital

Caltex spending R96-m in Cape

By GORDON KLING

CALTEX OIL in South Africa is to embark on a R96-million expansion programme. It will increase the capacity of its Milnerton refinery in Cape Town by 70 per cent in the largest industrial project yet undertaken in the Western Cape.

Bill Marshall Smith, Caltex managing director, said yesterday design and engineering studies are well advanced. The expansion is necessary to meet the growing market for refined products. It will be in two stages.

Mr Marshall Smith says the expansion also reflects Caltex's optimism about the South African economy.

"Even with fuel conservation measures, the buoyancy of the economy has created corresponding growth in the petroleum industry, although now from a lower base.

Expand

"The Government has allowed us to expand our facilities to meet this growth up to 1983."

The first stage of the project is designed to improve the yield of refined products and is scheduled for completion in March 1977.

The second stage, to increase capacity, is to be completed in July 1978. A date has not been set for the start of construction.

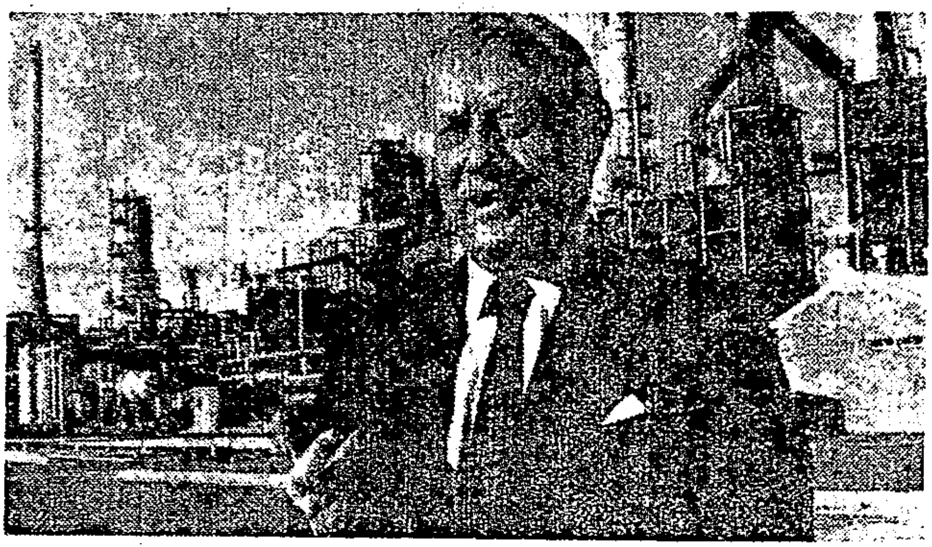
The expansion will raise the capacity of the refinery from 61 000 barrels a day (about 3-million tons a year) to 105 000 barrels a day (5-million tons a year).

This indicates that Caltex is looking for a growth in petrol consumption of nearly 7 per cent for South Africa. The new facilities will include a crude distillation plant, a catalytic cracker for petrol and sulphur removal and recovery plants.

Mr Marshall Smith says they will double the size of the refinery.

Local content will make up one-third of the total R96-million expenditure. Mr Marshall Smith says the expansion will result in foreign exchange savings of about R30-million a year.

"The project is to be financed by a combination of internal funds (Caltex), local short to medium-term borrowings, and possibly some offshore loans." He was unwilling to comment further on this.



Picture by TERRY SHEA

Bill Marshall Smith . . . Expanding refinery capacity.

Second

The enlarged Caltex refinery will move ahead of Mobil's Durban plant into second place, behind the combined Shell-BP, Sapref, refinery, also in Durban, which is due for expansion around 1980.

Caltex, which is scheduled to move into new Cape Town headquarters towards the end of 1977, is one of the few big oil companies still active in exploration work here.

The parental exploration arm, Chevron, has leases on the West Coast south of the Orange River mouth and on the Agulhas Bank.

Mr Marshall Smith says: "It's known that offshore drilling is enormously expensive. We wouldn't be searching if we didn't have reasonable expectations."

Caltex Oil (SA) is owned directly by Caltex Petroleum, which in turn is held 50-50 by Texaco Inc. and Standard Oil of California (Socal). Socal is known outside the US as Chevron. It has been operating here since 1911.

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US will invest more in Republic —Horwood

12/9/75

The Star Bureau

NEW YORK — American investment in South Africa is certain to increase. This is the opinion of Minister of Finance Senator Owen Horwood after five days of talks with top US bankers.

Senator Horwood said here that the role of the Prime Minister in detente in Southern Africa was regarded by top American financiers as extremely significant, and had contributed to the greater confidence and interest in investing in South Africa.

"I have had discussions with the heads of the top banks. Some of the discussions were very good. I have no doubt that United States financiers are very interested in South Africa and will definitely be playing a more active part in investing there," the Minister said.

He said he had been questioned on a wide variety of issues in South Africa.

"It was clear that financiers and industrialists have been impressed with Mr Vorster's efforts to assist Rhodesia toward a settlement by helping to bring the parties together.

"They felt South Africa had extremely good prospects for the future."

This was also indicated by the large number of financiers who had decided to visit the Republic in the next year to look at the country's investment potential.

Attitudes had undergone a "change for the good" since Senator Horwood was last in the United States in 1968. "Things augur well for our association in the future," the Minister said.

Senator Horwood was also optimistic about the IMF conference and talks on gold in Washington last week. The gold price fell because of an interpretation that the role of gold as a monetary asset had been reduced, he said.

'My view — and it is shared by almost everyone I spoke to — is that there was a clear implication that gold's monetary role had been confirmed," he said.

Capital

F.M. 12/9/75
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(2) 47
(3) 28

FREE ENTERPRISE

A new voice

"Capitalism will die simply because there is no one left to defend it." — Joseph Schumpeter, the celebrated economist.

Not in SA, it won't. Right now capitalism has defenders aplenty. A group of businessmen this week announced they intend forming a Free Market Foundation (FMF) and Assocom is also working on ways to brighten its tarnished face.

The stated aim of the Foundation is "to ensure that business has a voice at its own trial. The FMF will provide businessmen with the intellectual ammunition they need to protect themselves from unwarranted public pressure for intervention against business — and the confidence to sell SA to foreign investors, buyers and the world at large as a bastion against creeping socialism and ultimately totalitarian control".

Amongst tactics the FMF intends using to convince the public that not all business is bad business are a consulting and advice service on the functioning of the free market and courses, lectures and seminars on such subjects as the rôle of profits in a sound economy.

Raymond Parsons . . . enough already?

It would not be a bad thing if it kicked off taking a line on government's price and wage restraint proposals. If these are really necessary, then the market mechanism plainly does not work.

The FMF also plans to investigate consumer complaints and "to hammer home to business that it is in its own best interests to maintain a constant control over the quality of its products and practices".

The five men behind the FMF claim the support of several well-known businessmen and it's hoped the organisation will be formally set up before the end of the year. Its backers are already discussing with Assocom possible areas of cooperation and the FMF will possibly have some representatives on the Assocom committee which has been working on the same theme for a year.

According to investment consultant Fred Macaskill, one of FMF's backers, a separate identity will be maintained since Assocom "has many vested interests and doesn't consider those of consumers".

It's certainly high time business explained to a sceptical public the causes and functions of high profits and rising prices. Whether SA needs the FMF is less certain. After all, one of the basic functions of Assocom, FCI and other employer bodies is to put the case of private business to government and the public (though admittedly that isn't always the same as espousing free market principles). In fact, the case for enlightened capitalism was put last Monday by Assocom Executive Director Raymond Parsons when he spoke at length on the social responsibility of business. These bodies have the resources, organisation and influence which the FMF will take many years to build up. The fact that it has been established therefore suggests a lack of initiative and insight on their part. Rather remedy that than fragment their efforts further.

~~1) 120~~
~~2) 80~~
~~3) 30~~
4) Capital

Marina denies irresponsibility

CAPE TIMES 17/9/75

THE Marina da Gama Company, a subsidiary of Anglo American Properties Limited, yesterday denied an accusation by Mr John Wiley, MP for Simonstown, that by scrapping parts of the marina plan it was failing to fulfil its obligations to the public.

In a statement to the Cape Times, Mr D M MacGillivray, managing director of the company, said he wished to correct "wrong impressions" that may have been created by Mr Wiley in his speech at Sandvlei on Saturday, as reported in the Press.

"There were two main aspects to his criticism: the abandonment of the harbour scheme and suggestions that this company enjoyed special advantages from the City Council and Provincial Administration.

"Implementation of the proposed harbour scheme was always dependent upon financial aid from the Government — a fact that has been consistently emphasized since the announcement of the project in 1970 and on which particular emphasis was placed at the official launching of the first stage of the project in October, 1974.

"Financial assistance had not been forthcoming from the Government when earlier this year an overall review of the project was completed. That review demonstrated that the escalation which had occurred since 1970 in the capital costs of the harbour and the breakwater had destroyed their economic viability and the company therefore withdrew its application for financial assistance in April, 1975.

"All possible alternative township development schemes for the harbour and golf course area were considered but did not appear viable. The decision was therefore taken to abandon, for the time being, plans for the development of the company's property east of Prince George Drive."

Mr MacGillivray said the suggestion that the company had enjoyed advantages from the City Council and the Province was "vague and misleading".

"In view of the size and scope of the project as then proposed, certain concessions were in fact granted by the City Council but these were conditional on the construction of both the harbour and the breakwater, and will now fall away."

The company is negotiating a revised financial agreement with the Council and it is anticipated this will result in the normal cost-sharing arrangement applicable to any township developments in the Cape Province.

"This company has met all its commitments to the purchasers of plots and houses in Eastlake, and it will naturally fulfil all its stated commitments to purchasers in the second phase of the Sandvlei development where township services and waterways will be completed during 1976."

(1) 441
(2) Capital

JOHANNESBURG SEPTEMBER 21, 1975

HOW SA LOST R1 330m A WEEK

SUNDAY EXPRESS

PANIC SELLING wiped R1 330-million off South African share values this week in one of the biggest plunges on the Johannesburg Stock Exchange since the dark days of 1969.

By DON ROBERTSON
Financial Editor

And the total loss over the last 10 trading days now stands at R2 600-million.

The plunge comes at a bad time for the South African economy, which has suffered a number of other blows and was just approaching the crunch point in its year-long downswing.

It almost certainly means the long-awaited recovery is going to be delayed.

And for the ordinary man it means austerity times ahead as the economy remains depressed, prices continue to rise — and the Government is forced to curb wage increases to stop inflation getting out of hand.

These are the things which made it such a black week for the economy. . . .

● The price of gold dropped another 13 dollars an ounce — making it a fall of 26.40 dollars since August 28.

● It was this drop in the gold price which triggered the R2 600-million slump on the JSE.

● The interest rate on home loans went up — and, although a new differential

Devaluation: ... of living is ... expected to ...

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(2) ~~Capital~~
(3) 246

The Argus Correspondent

ARGUS 22/9/75

Capital

JOHANNESBURG. — Today's 17,9 percent devaluation of the rand is the latest in a huge series of blows against the value of money. There are more to come.

Businessmen were unanimous today in predicting heavy increases in the cost of living.

Rand is worth 55,28p

ONE RAND is worth 55,28 British new pence compared with 67,32 before the weekend's 17,9 percent devaluation of the rand against the American dollar.

The value of the rand has dropped to 1,15 dollars compared to 1,4 dollars previously.

Among products whose prices are expected to rise most as a result of the devaluation and the expected increase in the oil price are:

- Fertilisers, most of which are oil-based.
- All agricultural products—largely as a result of increased fertiliser and transport costs.
- Meat. The Cape Woolgrowers' Association was asking for an increase in the floor price of lamb and the agricultural union's meat committee wanted increased floor prices for beef, mutton and pork, even before the devaluation.

Higher

Increased prices of grain feeds, fuel and transport arising from the devaluation will force them to ask even higher prices.

- Steel, with its chain-reaction effect on a wide variety of manufactured products.
- Plastics and chemicals, many of which are oil-based.
- Processed foods, as a result of higher fresh food, packaging and transport costs.
- Transport—a result of increased fuel prices.

Mr Martin van Achterberg, managing director of one of South Africa's leading township develop-

Big stores pledge: No profiteering

The Argus Correspondent

JOHANNESBURG. — Major retailers today promised not to use devaluation as an excuse to increase prices of imported goods already in stock. One warned, however, that some retailers would 'jump on the band-wagon' and increase prices immediately.

Mr Cyril Atkinson, managing director of OK Bazaars, said any retailers who increased prices of goods in stock would be 'profiteering' at the expense of the public.

He said his organisation ...

Promise on holding

Swift reaction to rand devaluation

MR JAN HAAK
PRESIDENT OF THE AFRIKAANSE HANDELSINSTITUUT

said the devaluation of the rand would of necessity have an inflationary effect particularly because of higher prices for oil and raw materials and other equipment.

These, he said, would inevitably become more expensive.

Mr Haak, a former Minister of Economic Affairs, said the current high inflation rate could lead to a quick erosion of the devaluation benefits.

This made it even more imperative that all sections should support the Government's anti-inflation programme, details of which would be announced soon.

"If we are successful in the inflation fight the benefits of devaluation can be exploited and the foundations laid for further growth when economic recovery starts among South Africa's overseas trading partners."

The sharp drop in the price of gold with the increase in the value of the US dollar made the rand devaluation unavoidable.

Mr Haak claimed that swift reaction of the Government had ruled out any speculation against the country's economy.

The devaluation could assist in adjusting the balance of payments without serious sacrifices in growth.

This would lead to a more balanced economic growth and make possible a better and more stable business planning climate.

The devaluation, Mr Haak said, should encourage local industrial development and make South African products more competitive with imported goods.

The rand income from gold mining and export of metals and minerals would be much higher while other exports would also be stimulated.

The devaluation would also stimulate the inflow of overseas capital, particularly as speculation against the rand would be eliminated.

A UNITED PARTY SPOKESMAN

said that the devaluation by a massive 17.9 percent was a grim indication of the way in which South Africa's balance of payments and internal fiscal policies had been allowed to get out of hand.

"Rapidly rising external payments on oil and defence have to some extent been unavoidable. They have, however, been accompanied by extravagant overspending by the Government and by gross negligence in controlling the priorities of state corporations.

"These permissive fiscal policies were based on the facile assumption that the widening gap in our balance of payments could for ever continue to be bridged by an ever increasing gold price. Now Russian grain purchases and the progressive demonetization of gold, both of which were predictable, have temporarily weakened the gold markets. The Government has improvidently left itself no option but to resort to the desperate remedy of devaluation.

"It is a desperate remedy because, as with certain drugs, the side effects can be more severe than the disease it seeks to cure. In terms of the weakened rand, defence and oil costs will rise much higher. Inflation, which already threatens the very foundations of our economy, will grow even worse.

"Taxation will be increased to unprecented levels. Our sustained growth on which the social and political peace of South Africa ultimately depends will be seriously undermined. Certain sectors of the economy will receive short-term benefit from devaluation.

"Significant is the fact that whereas some three years ago when the price of gold was around 42 dollars South Africans enjoyed a fair measure of prosperity. With gold presently selling at three times this amount the Government has been unable to contain costs of living, and South Africans are all significantly worse off. In the long run we will all lose because of the present devaluation. Sunday the 21st of September is a black day in the economic history of our country.

"In the absence of Mr David Baxter, MP Constantia, who is overseas and who is the United Party's chief spokesman on financial affairs, this joint statement is issued by Mr H A van Hoogstraten, MP Cape Town, Gardens, UP spokesman on economic affairs and by Mr Derek de Villiers, MP, secretary of the UP caucus secretariat, with the approval of Sir De Villiers Graaff."

MR GORDON OXFORD
Chief general manager of the Standard Bank of South Africa,

said the rand devaluation and increase in liquid asset requirements meant there was likely to be further upward pressure on interest rates and that the availability of credit would be reduced.

It would mean adjusting the whole economy and living standards and the cost of imported products such as motor cars were bound to rise.

Mr Oxford said that because gold played such a central role in the economy, the Minister of Finance, Senator Horwood, had been forced to protect the profitability of the gold mines and indirectly to prevent any further pressure on the gold price.

If people speculated against the rand as importers paid off oversea commitments, short-term money left the country and the gold and foreign reserves came under pressure and the Reserve Bank was forced to sell more gold.

With the gold price under pressure, this was not an attractive prospect.

MR DANIEL FRANZSEN,
Deputy governor of the Reserve Bank,

said the Reserve Bank hoped to announce, as soon as possible this week, the new liquid asset ratio requirements for banking institutions.

Liquid-asset requirements for commercial banks are: Short assets 49 percent, 28 percent medium term, 5 percent long term and 10 percent under acceptances.

Devaluation wrong — Schwarz: Page 4.

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Capital

Unions warn Govt on prices

23/9/75

Cape Times Correspondent

PRETORIA. — Trade union leaders in the public and private sectors yesterday warned the Government that if devaluation led to a spurt in the price spiral, a barrage of realistic wage and salary demands was certain.

The Government, they said, would have to police the private sector to ensure that the sacrifice workers were called on to make was being shared equally by manufacturers, wholesalers and retailers.

The secretary of the 200 000-strong SA Confederation of Labour, Mr Wally Grobler, said devaluation would materially increase the inflation load, and the Government should be warned that the wage and salary earner was not prepared to carry this load on his own.

ABSOLVED

The secretary of the Posts and Telegraphs Association, Mr L J van der Linde, said that unless the Government could clearly demonstrate it had a full control over prices and profits in the private sector, staff associations were likely to feel absolved from their commitment to moderate wage claims.

The president of the Railways Artisan Staff Association, Mr Jimmy Zurich, agreed with Mr Van der Linde.

The president of the Public Servants' Association, Mr S D de K Venter, said his association would sharpen the watch on prices.

"And if prices continue to rise following devaluation, we would then have to consider what action to take."

'Misleading comments'

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23/9/75

Cape Times Correspondent

PRETORIA. — The Minister of Finance, Senator Owen Horwood, said yesterday that he considered much of the comment "which is doing the rounds" on the likely inflationary effects of devaluation was exaggerated and misleading.

In a statement in Pretoria he said the prices of a number of imported goods had eased off lately, because of the depressed conditions in countries from which the goods were obtained, and this counter-acted whatever rise might take place in the cost of imports.

The industries which would benefit most from the devaluation — the mines and export industries — would be expected to proceed with responsibility in regard to their wage and salary policy.

"In other words, to practise wage restraint in terms of the Prime Minister's injunction to the country."

South African manufacturers who imported part of their materials would justifiably raise their prices near the full extent of the devaluation.

"Finally, I must correct a comment which I regard as misleading — that the devaluation will lead to a fall in living standards."

By safeguarding the balance of payments, by curbing the otherwise excessive loss of capital which would have left the country, by giving a boost to the mines and export industries, and by encouraging the inflow of capital, the devaluation of the rand would have precisely the opposite effect.

- Senator Horwood said in an SABC television interview last night that he was convinced the price of gold would recover once the present speculation had ceased, once the Russians had stopped selling gold to buy grain, and once the industrial demand for gold recovered as the price fell.

Capital

Up, up go the prices

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23/9/75

Cape Times Correspondents

JOHANNESBURG. — The South African motor industry — reeling under the impact of the rand devaluation — is initiating an unprecedented wave of price increases, some starting immediately.

This is just one of the many branches of the economy which have been affected by the devaluation. Consumers are in for a significant increase in the cost of living, with retailers predicting steep price rises of domestic commodities.

All Datsun car prices will be hiked between R140 and R240 today and before the week is out Mazda cars and trucks will cost anything from R160 to R350 more.

Mr Peter Whitfield, marketing director of Datsun-Nissan South Africa, said Datsuns had been increased between five and seven percent immediately.

"Car prices will increase an average of 10 to 12 percent in the next three to six months," he said.

Mr Colin Adcock, managing director of Toyota, said: "The long-term effect could be something like 30 percent on the price of a car by the end of next year."

Mr Fred Butler, sales director of Illings Mazda, said the company would formulate its new prices today. "The increases will become effective this week and [illegible] between five and 7½ percent."

Petrol prices [illegible] be increased by three cents a litre, unless new increases by the oil-producing countries are absorbed by the Government.

Consumers' commodities which will be most affected are:

- Coffee, tea and food with a base of imported raw material.
- Soaps and detergents with a raw material base.
- Household goods such as plasticware, glassware, crockery, hardware and tools.
- Imported liquor lines.
- Luxury import goods such as cigarettes and perfumes.
- Photographic equipment.
- Television sets manufactured from imported components.
- Machinery and business machines possibly by 22 percent.
- Fertilizers—most of which are oil-based.
- Farm produce—due to rising transportation and fertilizer costs.
- Meat.
- Processed foods.

Other price rises which will add to the inflationary spiral are:

- Transport due to increased fuel costs.
- Housing.
- Motor cars manufactured overseas.
- Sea and air travel from South Africa to other countries.
- Steel.
- Chemicals.
- Drugs.

International air fares from South Africa are expected to be drastically increased this week, said a spokesman for South African Airways yesterday. As international air fares are calculated in US dollars, prices could go up by 18 percent.

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SA move seen in U.S. as ominous sign

Argus 24/9/75

The Argus Bureau

WASHINGTON. — South Africa's massive rand devaluation was seen by monetary officials at the Treasury and at the International Monetary Fund as another ominous sign that the economic pressure on middle-level countries is becoming unbearable.

The annual report of the International Monetary Fund warned that the 'more developed primary producing countries' — the category which includes South Africa — faced a combined deficit on balance of payments this year of 12 000-million dollars.

The other primary producers in the same category are Australia, New Zealand, Finland, Greece, Iceland, Ireland, Malta, Portugal, Spain, Turkey and Yugoslavia.

Most are in dire trouble because the industrial powers are, in effect, passing on their oil deficits.

BEARING UP

Monetary officials showed little inclination to criticise the rand devaluation even though, until a month or so ago, South Africa seemed to be bearing up rather better than most primary producing countries.

For one thing, the pressure of oil deficits and the related recession in the major industrial countries has caused more than 100 legal devaluations, mainly among the smaller countries, in the past year.

Moreover, officials here pointed to a number of specifics in the South African situation. Among them were the weakening in the prices of commodity exports, the strengthening of the dollar against all currencies, and the weakening of sterling.

LAST STRAW

While these pressures could be absorbed by South Africa, the drop in the gold price caused by the uncertainties in the wake of the decision to sell part of the IMF gold stock was the last straw.

While officials displayed an attitude of understanding, some unofficial sources questioned the necessity

Reserves jump to 18-month high

RDM 2/10/75

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Mining Editor

THE RESERVE Bank's gold and other foreign reserves for the week ended September 26 jumped by R147-million to R916 012 199 — their highest level since March 1974.

The rise reflects the drawing down of South Africa's gold tranche with the International Monetary Fund. This tranche, which was probably taken in currencies and SDRs, was worth around R92-million.

The balance of the remaining increase reflects the revaluation of the Bank's holdings of foreign exchange and SDRs following the devaluation.

The surprising feature is the modest R1 291 110 rise in gold holdings to R530 583 143. This retention level of around 1,35 of gold represents only about 8,8 per cent of current output.

This amazed London bullion dealers who — based on their actual market experience — expected retentions to be much higher. Several dealers thought South Africa must have effected a direct sale to some overseas monetary agency.

Reuter reports that South Africa recorded a R457-million deficit on current account of the balance of payments in the second quarter of 1975 compared with a deficit of R346-million in the first quarter and a deficit of R103-million in the second quarter of last year, the Reserve Bank said.

The Bank said in its quarterly bulletin that at annual rate the deficit increased to R1 901-million in the second quarter from R1 518-million in the first quarter.

This occurred in spite of a slight decline in merchandise imports and resulted from a sharp rise in service payments to foreigners, coupled with small decreases in the net gold output and merchandise exports.

Net gold output was R615-million in the quarter ended June compared with R638-million in the first quarter and R648-million in the second quarter of last year.

The Bank said annualised net gold output fell to R2 436-million in the second quarter due to a sharp drop in the gold price. This was only partially offset by an increase in the volume of gold production.

The Bank said service payments to foreigners amounted to R2 583-million annualised on second quarter figures.

Net short-term private capital inflow declined to R28-million in second quarter from R223-million in the first quarter.

Overall there was a net inflow of capital of R472-million in the quarter compared with an inflow of R355-million in the first quarter and an outflow of R39-million in the second quarter of last year.

There was a marked increase in the net inflow to the central Government due mainly to a sharp rise in official overseas loans to strengthen the balance of payments.

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No cheering at business talks

RDM 2/10/75

MINING EDITOR

THE THEME of the NDMF's business outlook conference, which began yesterday, could only be described as bearish.

Dr J. Cloete, Barclays National Bank economic consultant, saw little if any real growth in South Africa's economy next year, despite the devaluation.

The only hope would be another exceptional agricultural season.

Devaluation was more likely to increase the current account deficit. He could see only a moderate balance of payments surplus.

Dr Cloete was also bearish about the inflow of long-term funds on capital account, noting that overseas investors were unlikely to be inspired by South Africa's recent economic performance.

Rand Bank managing director Mr R. A. Setter could only see an economic upturn coming during the third quarter of 1976.

He also expected government infrastructure spending to remain high and he saw the bulk of this expenditure, which is often criticised as inflationary, "as productive and economically essential."

The manufacturing industry will be hit by inadequate liquidity and shortage of favourable long-term capital over the next 12 to 15 months, he said.

This leads him to expect "a number of takeovers, mergers and insolvencies" next year. The same also applies to the commercial sector.

Anglo American Corporation technical director Mr M. C. O'Dowd saw the whole of 1976 as a "recession year" and could see "no joy for the capital goods sector."

Capital investment — excepting gold mining — "has some way still to go downwards."

He could not see costs on the mines falling next year.

On an equally bearish note he could not see any "further big increases" in the gold price "for some tome to come." But Mr O'Dowd also considered further subtantial falls unlikely or short lived.

He thought the Government was likely both to raise taxes and cut back on capital expenditure. The public corporations would probably also cut back.

He only hoped the Government didn't go in for an overkill on expenditure cutbacks. This would worsen the recession, he said.

Dr P. J. Rieckert, economic adviser to the Prime Minister, tried to inject a cheerful note. There is very little reason to feel dissatisfied with the economy's achievements in the recent past, the present situation, or to feel overly pessimistic about the future.

The real GDP for the first half rose at a higher annual rate than the projected 6,4 per cent — due to high Government expenditure in 1974, the lagged effect of agricultural expenditure coming from last year's excellent season.

Prospects look reasonable for another good agricultural season and the continued rise in average real wages and salaries, particuarly for non-Whites.

Retco managing director Mr J. G. Ward saw no significant upturn in the property market before 1978. He called on the State to make bond repayments tax-deductable and raise the loan constraint — "unrealistic since the Zulu rebellion," to R23 000.

Forsyth and Ozanne managing director Mr L. M. Ozanne saw 1976 as "an unpredictable year" for consumer goods because no one yet knows what effects the Government's anti-inflation measures will have on consumer spending.

Anglo American Corporation economic consultant Mr A. B. Dickman saw inflation as the major enemy.

He could see the consumer price index rising from its present level to an average of around 14,5 per cent for 1975 and accelerating to a 17,5 per cent average in 1976.

If inflation is not to escalate further from that point, wage and salary increases lower than the rise in the CPI have to be accepted and the growth rate must decline.

Provided there is continued discipline over wage and salary increases inflation could be slowed to a rate of around 12 per cent by December 1976.

Heunis offers State aid to ore processors

RDM 2/10/75

Capital

By CHRIS CAIRNCROSS
Industrial Editor

PORT ELIZABETH — The Government has devised a new export incentive scheme designed to stimulate increased activity in the processing of the country's large store-house of minerals and ores for export.

This was announced by the Minister of Economic Affairs, Mr Chris Heunis, in a speech read out for him by Mr P. J. Theron, Secretary for Industries, at a banquet last night marking the close of the Federated chamber of Industries' annual executive council meeting.

Mr Heunis, who is ill, said the scheme is the result of recommendations of a committee appointed recently by the Economic Advisory Council.

The export scheme goes into immediate effect and will last for five years.

Mr Heunis said that while it is clear little or no help is required from those corporations already processing minerals for export, there are other industries which, being only marginally profitable, may need help to develop their productivity "to the great advantage of the economy".

He said prospective processors of local minerals for export may now apply to the Department of Industries and other authorities for assistance.

Mr Heunis outlines the following forms of assistance:

- The rebate of 25 per cent on the prime bank lending rate applicable under the export promotion scheme may be extended to exports classified under the processed minerals category.

At the present prime rate, this concession amounts to a non-taxable subsidy equal to about 1,25 per cent of the value of the annual exports of processed minerals.

- Loans by the Industrial Development Corporation for part of the capital requirements of a processor at "attractive" rates, with a minimum of 6 per cent against a normal rate of 12 per cent.

The higher the portion of the product exported the lower will be the rate of interest.

- Beneficiation allowance in terms of the Income Tax Act to a maximum of 20 per cent of the cost of equipment, and a maximum of 15 per cent of beneficiation plants.

Mr Heunis said these allowances may be granted in addition to allowances normally available to manufacturing and mining undertakings, and in addition to any tax concessions for which the operation concerned may qualify in terms of the decentralisation scheme.

- A rebate of up to 20 per cent on the cost of electric power.
- In cases where railage costs are an important factor and adversely affect the possibilities of export, railage rebates will be allowed on the transport of the main raw materials to the processing plant, and of the products to the coast.

Mr Heunis said that as a general criterion it will normally be a requirement that there should be a substantial input of local raw materials, of about not less than 50 per cent.

"Processing should also be real — say an added value of at least 100 per cent."

flotation and milling processes.

"Assistance in terms of the processing scheme will, therefore, not be available to undertakings based on production principally for the domestic market," he said.

"If they should need support to operate on this market, the traditional channels of assistance by means of customs tariff protection and the normal facilities of the IDC are available."

Mr Heunis said that those companies producing mainly for the domestic market but having surpluses which they wish to export, could qualify for assistance in terms of the existing export promotion scheme.

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'Time to question borrowing policies'

R D M 2/10/75

PORT ELIZABETH. — The recent devaluation, while dramatising the structural problems associated with the country's balance of payments, was also the inevitable consequence of longer and more fundamental problems of the economy, Mr. Dan Benade, FCI president, said yesterday.

"It highlights, for instance, the whole question of the adequacy of industrial protection, the competitiveness of the South African economy and the relative rate of domestic inflation."

Mr Benade said it also raised the question whether we are investing our borrowings wisely.

"It is only good business to use borrowed capital for investment in adequately productive areas, to permit the eventual amortisation of external loans," he said, pointing out that many businesses have gone bankrupt on the policy of borrowing to maintain uneconomic operations.

Referring to the battle plans being made to eradicate the cancer of inflation, Mr Benade attempted to pour cold water on suggestions that the "disciplines of unemployment should be allowed to settle the excessive demands of wages and prices."

He said international experience has shown unemployment has failed to reinstate the "iron law" of markets.

"Dare we in Southern Africa play the supply and demand game with our workers, to which the president of Rhodesia's Association of Industrialists has alluded?" Mr Benade asked.

He warned that however necessary it becomes to reduce inflation levels, the momentum of growth — "so essential to the smooth transition of events in Southern Africa" — must be maintained.

"We must remind ourselves that we live in an environment which is intolerant to failure.

"It behoves all of us, therefore, to study the mistakes of others and to take timeous and concerted action to protect our very survival."

Mr. Benade said the country's present circumstances did not permit us to hold the view that "things will have to get worse before they get better."

He said that South Africans have, for years, been talking about financing Government expenditure in non-inflationary ways; of making better use of total national resources; of determining expenditure priorities; and of wasting less.

"But I do not see sufficient evidence of the sort of co-ordinated planning needed to implement these measures. Now is the time when a co-ordinated strategy must be made explicit.

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FOREIGN LOANS Capital

Devaluation's toll

For the past two weeks, several SA companies have been reworking allocations of estimated cash flows and capital repayment projections. They're the ones, who for one reason for another, made the trek to Europe for loan capital. Several raised medium term funds in Europe late last year because there weren't the funds available in this country or because interest rates in Europe were appreciably cheaper or because they were encouraged, by government departments,

ook overseas. Among those who ined Eurocurrency loans last year e General Mining ($85m), Gallo n), Metal Box (R3,2m in Swiss cs), AE&CI (R20,8m in Swiss cs, sterling and Dutch florins).

's a general rule that forward cover nst changes in exchange rates worng a borrower's future position canautomatically be arranged. The borr usually takes his chances. But the s may approach Exchange Control orward cover on behalf of clients. er can, however, be arranged on nortrading accounts and for imports of capital items, where an overseas is not involved.

hile most could take the 4,8% devaon of June in their stride, the 17,9% uation this September has thrown a r two among the pigeons. Additional cing costs are bad enough (28% up ne effective rate when lumping the devaluations and up by 22% on the devaluation). Take AE&CI as an ple. Instead of having to budget for R2,1m in interest charges on the 3m it has drawn, it must now reckon R2,5m bill. But this R400 000 ase must be put into perspective st the gross interest bill of R7,5m g the year ended December 1974.

orge Thomas, financial director, nents that while AE&CI doesn't sell abroad "people who won't suffer nuch are those who have big export

rtunately for AE&CI it has not n any of the $60m loan money ntly arranged for the Coalplex t: the agreement was signed in on last Tuesday.

e loan has to be drawn within six months and will yield 22% more rands than originally projected. These should help offset rising equipment costs. But while it will have to pay more out in interest on the five-year loan (negotiated at 1,75% above London Inter-bank rate), providing it boxes clever it could lessen the interest burden by shrewdly taking a three-, six- or 12 month view on different currencies when it periodically becomes entitled to exercise currency options.

Equally fortuitous is the fact that it does not have to start repaying any of the R20,8m loan money already received until August next year — there is time for the various exchange rates to change quite considerably. However, due to this money being in European currencies, and not dollars, present calculations show a R24,5m capital repayment might be necessary.

General Mining, which raised a Euro currency $85m long-term loan last year to finance the overseas purchase of Unicorp shares, falls into a different category of borrowers. It was given special permission by Exchange Control that redemption may be made from non-SA sources, or by the sale of SA assets abroad.

Like AE&CI for example, Gen Min cannot arrange forward cover as a hedge against changes in exchange rates. As yet, no provision has been made — in terms of establishing dollar balances overseas — so the liability rises from

R61,7m to R78,3m. On the other hand, elimination of the blocked rand discount means there is no need to provide for a contingent liability on repayment via sales of SA securities.

Metal Box is another company which makes good use of overseas money sources. At end-March its total borrowings amounted to R26,4m, of which R25,5m were long-term. Of the latter amount, R15m was in Eurocurrency loans; R4,6m were scheduled for repayment this October.

The two devaluations would have cost Metal Box R1,3m in addition to the R4,6m scheduled. Fortunately, repayment of this October's commitment was made early this June, prior to the devaluation which took place that month. Thus, on the balance of the Swiss franc loans (R5,7m) the yearly interest charge is currently below 6%. Its R4,7m loan (arranged in August 1974 and repayable in August 1979), being in dollars, is costing it 11,5% post-devaluations, compared with 9% pre-devaluations.

A spokesman for Metal Box put the hiked interest bill into perspective. He

mas . . . "big exporters won't suffer much"

Capital

FCI priority is easing inflation

Fight against rising prices

The Argus Bureau

PORT ELIZABETH. — The fight against rising prices was the main theme of the three-day convention and executive council meeting of the Federated Chamber of Industries this week.

In spite of some strong language about the recent rand devaluation, delegates were unanimous in the crucial opening session that damping down inflation must be their number one priority.

The view of the FCI executive is that the inflationary impact will amount to about another four percent on top of the existing rate, but it is adamant that gloomy predictions of runaway inflation rising to 30 percent next year are far wide of the mark.

APPROVAL

FCI economist, Mr Arthur Hammond-Tooke drew approval from the Secretary for Finance, Mr Gerald Browne, for his sober assessment of the economic position as the convention opened.

Mr Hammond-Tooke told delegates that the months to come would be a lean time for industry but the effects would not be uniformly felt.

With slow industrial growth this year, capacity utilisation and investment level low, and unemployment rising, the picture wassgloomy, he conceded.

RUNAWAY

'But just how serious is it?' he asked. 'I cannot give predence to forecasts of runaway inflation. The real long term growth potential of this economy has been assessed at 6,5 percent a year which is high by international standards. Changes under adjustments in the economy and the social structure will have to be made if this is to be attained.

'We will no longer be able to depend on our abudance of natural resources to carry us through.

'All is not well with the structural position of our economy. There is an unhealthy reliance on imports. We have been borrowing internationally to satisfy our demand for capital.

'But over recent months there has been a full consensus among businessmen that there must be a col-

'A workable programme against inflation has been put forward. With this package I don't think there are any major technical problems facing our economy that we cannot overcome.'

The convention heard from Mr Tjaart van der Walt, Deputy Secretary for Commerce, that the Government anti-inflation plan would be announced on October 7.

EXCESSIVE

Mr Browne said the reaction to devaluation had been excessive and he agreed with the FCI calculation of a 4 percent effect on inflation which he pointed out would be a 'one-time' effect.

He said a sustained upturn in the economy would depend on conditions overseas. With the first sign becoming evident that the United States economy has turned the corner, he felt the improvement here would not be too far away.

Dr B. A van Staden, head of the economic section of the Reserve Bank, pointed out that the impact of devaluation would be imposed on a falling trend in prices.

MR R. D. SMITH . . . industry in for a difficult period.

Mr R. D. Smith, president of the Cape Chamber of Industries, said industry was in for a difficult six to 12 months.

'But devaluation will ease some of the blockages facing exporters,' he said.

'In the canning industry for example a 40 percent increase in the cost of tin-plate has caused serious problems, but devaluation will make our products very much easier to sell.'

Mr Ernst Hausmann of the Transvaal Chamber of Industries said he found 'incredible' the statement by the Minister of Finance, Senator O. P. F. Horwood, that the country was on the verge of another unprecedented upsurge.

RECESSION

He felt the anti-inflationary measures would cause a recession before there was an upturn and the effect of devaluation on the man-in-the-street would be very severe.

Mr Hugh Archibald of the Natal Chamber of Industries said industry would not be able to absorb 30 percent of its cost rises as it had undertaken to do.

Though the FCI had calculated a four percent inflation, this was for the economy as a whole. Industry inflation as a result of devaluation would be much higher, he said.

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Capital

IDC will have to borrow more

STAR 14/10/75 Star 14/10/75

Ivan Philip

Reporting a "marked increase" in the demand for its facilities during the year ended June 30 1975, the board of the Industrial Development Corporation pointed out in its annual report today that in future greater use would have to be made of borrowings to supplement its resources.

Financing facilities amounting to R419,3m were authorised by the IDC compared with R284,9m in the previous year.

The year's total was split into R229,6m for general industrial undertakings and R189,7m for financing of the export of capital goods.

Profits, before tax, increased to R21,9m (R17,3m) and this was attributed to substantial increases in interest earned and dividend income. The largest single dividend, of R5,4m, was received from Sasol.

GROWTH RATE

The report points out that, to achieve the growth rate of seven percent proposed in the Economic Development Programme, real fixed investment in the manufacturing sector will have to increase by 10,5 percent a year.

Since the beginning of the year, the report notes, it has become easier to meet capital needs in the manufacturing sector. The declining trend in investment and inventories and lower growth of production had a moderating effect on the demands for funds.

Another trend singled out by the IDC was the growing number of applicants looking for larger sums of money. This was put down to cost increases and the fact that the industrial sector was becoming more capital intensive.

If this trend continues, says the report, the IDC will have to borrow more — locally and overseas. Recently, loans amounting to R61m had to be raised overseas, but no difficulty was encountered.

The report notes that, while highly-skilled labour was in short supply, the general labour situation in the manufacturing industry was easier.

Profits in the industry have lost their strong upward trend and the proportion of these profits used for internal financing has shown a significant increase — while the proportion distributed to shareholders has declined.

In fact, over the past 14 years this proportion has declined from 38,7 percent to 28,9 percent.

Turning to the provision of finance for the export of capital goods, the board said that deflationary measures in many countries and the declining growth of world trade had led to curtailment of many overseas capital projects.

But despite international competition, South African exporters had succeeded in collaborating in several joint enterprises or in "venturing forth" on their own by making use of the facilities of the export credit scheme.

On the local scene, the corporation felt there had been a "most gratifying" increase in activity in the decentralised areas.

IDC chairman, Mr J J Kitshoff, expanding on points raised in the annual report, said that only one ninth of the Corporation's asset were in quities, and its interest was directed towards companies which the Government would not like to see pass into private, perhaps foreign, hands. He quoted Safmarine as a prime example.

PETROL LEVY

Referring to the massive investment of over R1 000m in Sasol II, Mr Kitshoff said that funds raised through the petrol levy would be channelled through the IDC, but every effort would be made to see that this should not upset the structure of the IDC balance sheet.

In this objective, he said, IDC and Sasol where working in harmony.

In the Corporation's export financing, civil engineering projects had considerable prominence.

Mr Kitshoff said he hoped it would be within the means of the IDC to cope with any expansion of the overseas activities of the civil engineering groups.

TEJ socks for Burlington

Burling Hosiers has bought the men's sock division of Towles Edgar Jacobs. Burhose will begin marketing the TEJ socks in January.

F.M. 17/10/75

CAPITAL MARKET Capital

Surprise, surprise!

Market sources indicate that the R20m Escom loan was fully subscribed. This good response is surprising as the rates were generally considered to be fine.

To some the success of the government issue was also surprising. Altogether R456m was raised, of which R78m is basically a conversion of two loans which matured at the beginning of October. Moreover, R80m was taken up by the PDC (Public Debt Commissioners). This means about R300m in long- and short-term funds was raised in the private sector.

Of the three loans, R246m was invested in the 25-year issue, R50m in the 10-year issue and R160m in the 3-year issue. What these results do indicate, is firstly that investors are still looking long, and secondly, that if Pretoria is to finance its expenditure in a non-inflationary manner further high-yielding issues should be made next year.

But the immediate question is whether long-term rates have peaked. The Escom issue certainly suggests this.

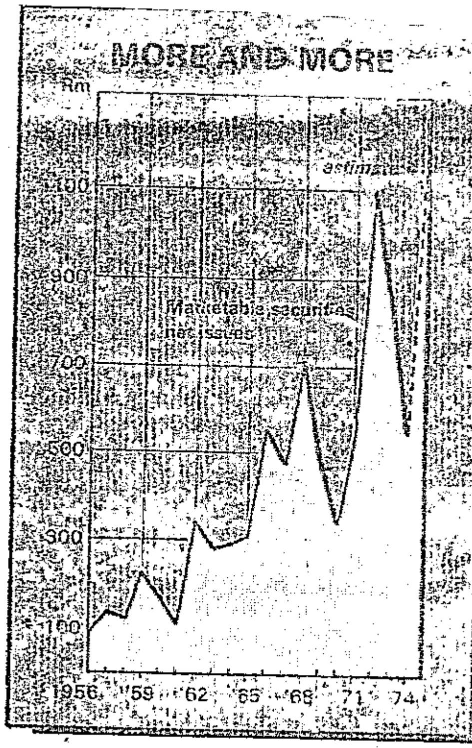
Secondly, a number of local authorities have recently cut back on requirements, thereby reducing demand. Some bankers also expect a spillover from the very liquid money market to the capital market. Finally, Treasury can influence rates downwards if it wants to.

However, a number of contrary factors exist. Demand is still great as the public sector is already committed to large projects. At the *FM* Investment Conference, Senbank chairman Professor Fred du Plessis, estimated the total demand for funds in 1975 to be a record R1 200m. And the supply seems limited.

The success of the government issue indicates that certain investors have bought forward and built up next year's portfolios with current issues. Borrowers encouraged this development by offering longer draw-down periods than previously. So the demand-supply relationship will remain tight.

Du Plessis also mentioned the upward pressure on long-term interest rates from inflation, which will probably be higher in 1976 than in 1975 due to the recent devaluation.

Thirdly, many investors are still on the sidelines waiting for further developments. This very "wait-and-see" attitude will force rates higher as borrowers compete for funds.



Thus the picture in the capital market is far from clear.

In view of the prevalent uncertainty and doubts about future official policy, investors are best advised to follow Du Plessis's suggestion to hold back and "not change course because of temporary changes in the liquidity situation or because of a change in cyclical policy by the government".

If rates are to ease in the short-term, it won't be by much. And if they harden, the waiting will be worth the effort.

MUNICIPAL FINANCE

Cut-back on debt

F.M. 17/10/75 Capital

Sharply rising costs, historically high interest rates, and the recently announced anti-inflation programme are causing municipalities numerous headaches. They are being forced to review expenditure programmes in general and capital projects in particular.

A number of municipalities scheduled to come to the market have already withdrawn, or intend withdrawing: Germiston (R8m); Pinetown (R4m); Witbank (R3m); Uitenhage (R3,5m); Welkom (R2m); Pietersburg (R1,5m) among others. Alternatively, loan requirements have been scaled down: East London reduced its issue from R6m to R4m; Kempton Park (R8m-R7m); Alberton (R3m-R1m); Worcester (R3m-R2m). And further cuts are planned — Johannesburg has indicated that its forthcoming loan may be reduced.

These moves reflect a determined attempt to pare non-essential expenditure. Germiston, for instance, has decided to postpone indefinitely the construction of its proposed new R14m civic centre. Alberton intends deferring the construction of non-income earning facilities, such as parks and sportsgrounds, until next year. Cape Town has lopped R20m off the first draft of its 1976 capital budget, by delaying road-widening and other schemes. And Kempton Park hopes to save R1m by postponing the building of certain main road arteries, a branch library and municipal stalls.

Serious consideration is also being given to revenue accounts, though pressure from ratepayers — following substantial rate increases over the past few years — has already ensured tight budgeting.

Johannesburg's Management Committee has requested all department heads to attempt at least a 10% saving on revenue expenditure. A 10% reduction in staff numbers — through natural wastage — is also being sought.

In Alberton budget estimates are being maintained despite the 18% increase in many costs as a result of devaluation. Kempton Park is clamping down on outstanding rates to improve its cash flow.

It is thus clear that the coming year will see tight finance in all areas of municipal affairs — and that ratepayers cannot expect much relief.

Capital

Economic model will help forecasts

RDM 23/10/75

By JOHN IMRIE

A MODEL of the South African economy — virtually an "economic brain" — is being constructed which will help predict in advance with a far greater degree of accuracy the results of economic policy decisions.

Dr Simon Brand, Deputy Economic Adviser to the Prime Minister, said yesterday that the short-term economic model constructed with the help of the Reserve Bank's computer was still something of a "toy".

"We are at present trying out imaginary economic policy decisions on it, but in future it should enable us to first test the effects of important steps like devaluation or tax changes before implementing them," he said.

The model is known to be regarded as "dangerous" in some Government circles, officials fearing that it might take over their decision-making function.

"This is nonsense. The model is simply a means of getting better information on which to base decisions," Dr Brand said.

Similar models are in use in countries like Holland and are employed by some universities in the United States.

The model consists of a mass of information programmed to show the effects of any changes to the economy.

At present, economists know more or less what will happen if certain things are done, like tightening up or easing the money supply, but the model should be able to provide a far more detailed picture of what will happen.

The project is being supervised by Dr Brand and Dr Braam van Staden, head of the Reserve Bank's economics department.

Leading economists in the private sector yesterday welcomed the move.

Mr Merton Dagut, of Nedsa, said he had been aware of the project for some time and it was an "essential tool for anyone who wants to work out what the results of a particular policy measure will be".

See Man who talks money to the PM — Page 21.

Capital

How the massive pyramid is built up

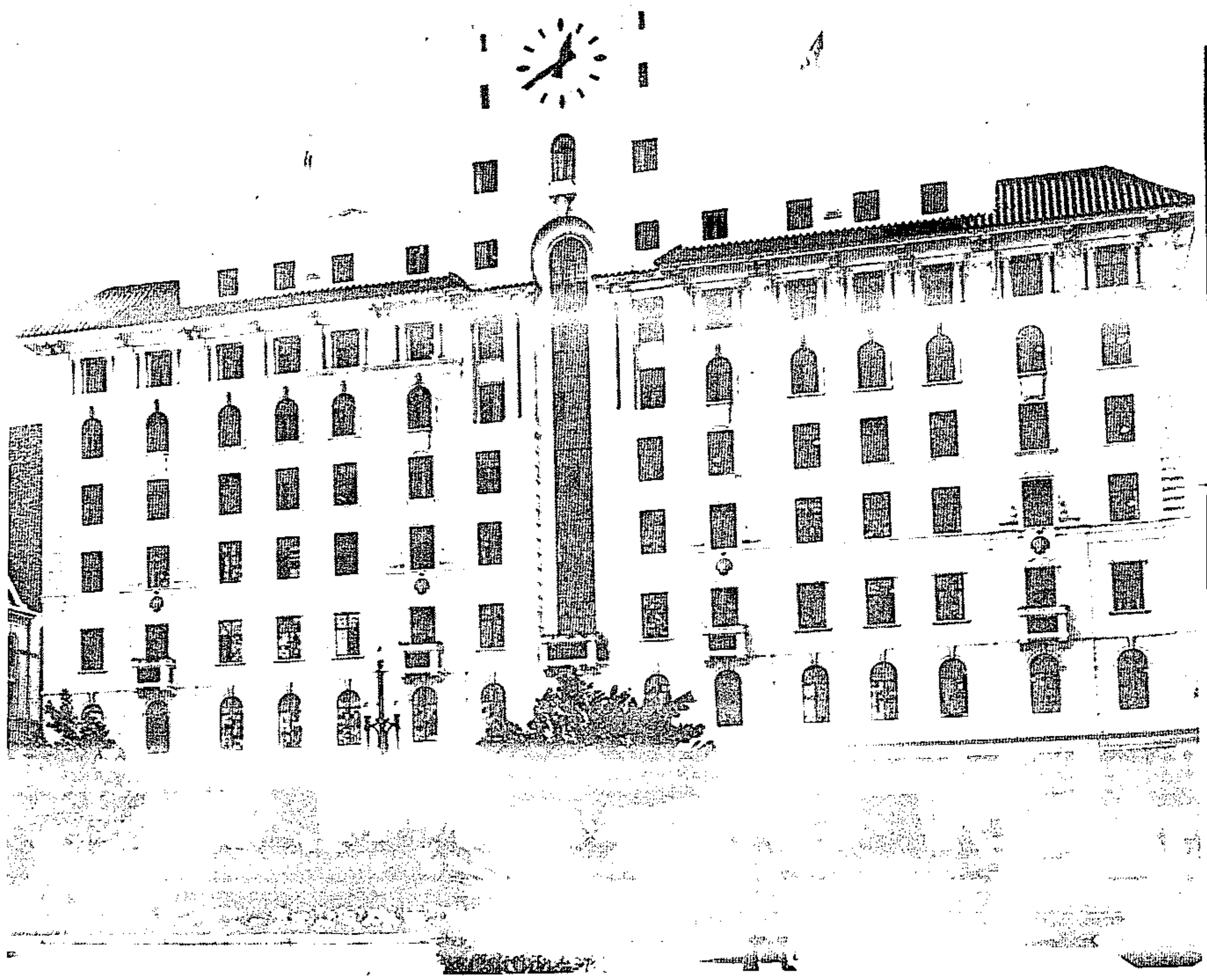
Natal Mercury 3/11/75

WITH the giant Shell group poised to enter its 76th year in Southern Africa, and also poised to embark on a capital expansion programme which will more than double its asset base here, it is worth detailing the separate components which make up the whole in this part of the world.

At the top end of the pyramid is Shell Southern Africa (Pty), which is quartered in Cape Town. Its duties are to supply finance and management services: personnel and [illegible] planning and trade relations services to all Shell companies in Southern Africa.

Chairman and chief executive of Shell Southern Africa is Mr K. L. G. Ken Geeling, 46, who assumed this appointment in June 1973. Previous to this posting he was managing director of the lesser Shell South Africa (Pty), from January 1970.

Born in Durban, Mr Geeling was educated at Michaelhouse School and the University of Natal. He studied accountancy in Durban and is a chartered accountant holding both [illegible]



Shell House in Greenmarket Square, Cape Town, is the present head office of the Shell Group in Southern Africa. The new Shell House is expected to be completed by the end of next year.

[illegible] Africa (Pty) [illegible] with it are oil companies in South West Africa, Botswana, Swaziland and Lesotho.

Mr H. G. "Hans" Pohl, 44, is the managing director of these oil companies. Born in Mannheim, West Germany, Mr Pohl gained a degree in mechanical engineering, specialising in thermodynamics, at the Technical University of Aachen, before joining the Royal Dutch/Shell group in Hamburg in 1957.

He came to South Africa as manufacturing and supply director in 1971.

Chemicals: Operating company in this sector is Shell Chemical South Africa (Pty), which is also active in South West Africa, Botswana, Swaziland and Lesotho.

Heading this section is Mr Stuart Squires, 49 who assumed this appointment in March 1973.

Born in Britain, Mr Squires was educated at Queen's College, Cambridge where he graduated with a MA degree in natural sciences.

He joined the Shell group in 1955 as a marketing assistant in the plastics division and later, after training at the Plastics and Rubber Institute in Delft, Holland, established the thermoplastics technical services team at the group's Carrington Plastics Laboratory.

In 1970 he was appointed deputy manager of the base chemical division and also manager of the lower olefin division, being concerned with basic chemical feedstock planning.

Coal: Shell Coal South Africa (Pty) is responsible for this sector, which also has activities in South West Africa, Botswana, Swaziland and Lesotho. Shell Coal is also responsible for the group's interest in nuclear power in Southern Africa.

Managing director of this subsidiary is Dr A. C. Toohey, 41, who took up this post in May 1974.

Dr Toohey was born at Parow in the Cape and educated in Durban. He graduated with a MSc in chemical engineering at the University of Natal and continued his studies at London University where he received a PhD. He joined the Shell group in 1960.

Metals: Billiton Exploration South Africa (Pty), which has substantial interests in aluminium, zinc, tin and other non-ferrous metals throughout the world. In South Africa this subsidiary is actively prospecting for base metals, including zinc, copper, nickel and lead.

Managing director of Billiton is Dr R. W. Williams, 45, who was appointed to this position in May this year.

After obtaining a BSc honours degree and PhD at London University, Dr Williams joined the Shell group in 1957.

He was involved with oil exploration and production for eight years in Holland and Nigeria before returning to the group's London office to join the then newly formed metals section.

In addition to the above companies the Shell group has other interests in Southern Africa in which it is involved on a partnership basis. These include:

A 50 per cent stake in Sapref, the Durban refinery which is operated under a service agreement with Shell Internationale Petroleum Maatschappij, of The Hague; It has a 50 per cent interest in African Bitumen Emulsions (Pty); a 25 per cent interest in South African Lubricants Manufacturing Company (Pty), which manufactures base oil for lubricants; a 17,5 per cent interest in Trek Beleggings; and a 36 per cent interest in Prices (South Africa).

1. Capital
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SUGAR: THE AMERICAN CONNECTION

Sun. Tribune
23/11/75

By Vic Hanna

THE South African Sugar Association has arranged a 25 million dollar borrowing facility with one of the largest banks in the United States.

The facility was arranged by the general manager of the association, Peter Sale.

The 25 million dollar line of credit has been made available on the basis of a year to year review. Should the facility be used the interest rate payable by the association will be linked to the current market rate at the time of taking up the loan.

Negotiations were opened with the bank some time ago and during August this year a two-man investigating team from the American bank visited South Africa to study the sugar industry.

"We are not borrowing the money at the moment," says Peter Sale, "but by establishing the facility we have cleared our credentials with the American bank."

The arrangement provides for the association to take up the loan in any currency of its choice.

Peter Sale is particularly happy with the terms of the arrangements especially as the association is not paying commitment fee for the facility.

Peter Sale ... "We've cleared our credentials"

25m dollar loan facility

And by establishing its credentials with one US bank means that the association now becomes a known quantity on the American money market and can deal with other institutions without lengthy familiarisation discussions.

The Sugar Association up to now has used London banking facilities to finance the dealing that it undertakes on the world sugar markets.

The degree to which it is operative on the international money scene was proved last year when loans totalling R230 million were arranged by Peter Sale.

The American connection was needed, he says, to provide flexible financing arrangements for the association.

"When one operates on the US sugar terminal market one has to put up money by way of deposits in domestic US dollars. So we had to arrange a facility of this kind."

By the end of this year the association will have delivered a total of 125 000 tons to the US since the termination of the Sugar Act at the beginning of this year.

In terms of that Act, South Africa's quota to the US was 55 000 tons. So the termination of the Act has led to a huge surge in sugar deliveries to the US. One of the reasons in delivering higher tonnages is to establish a past performance of delivery so that, in the event of a re-introduction of a quota system, there is the possibilty that South Africa's allocation could be higher than before.

"The American refiners have shown a distinct liking for the quality of South African sugar which, coupled with the rapidity with which we can ship from our Durban terminal, has provided us with a very good market," he says.

As yet the association has not opened an American office similar to the one in London because "we do not want to run the danger of being classified as trading in the States with consequent taxation problems."

"At the moment we prefer to deal through brokers."

With the association becoming more active on the overseas market similar tie-ups with banks in Canada, West Germany and Japan are a distinct possibility.

Capital

STATEMENT ISSUED BY SENATOR THE HONOURABLE O.P.F. HORWOOD, MINISTER OF FINANCE, REGARDING BLOCKED RAND

Embargo : 00h01 5 December 1975

In my statement of 11 August 1975 I announced that it had been accepted in principle that blocked rand will be made transferable directly between non-residents. After further discussions in this regard with authorised dealers in foreign exchange and other interested parties, I can now announce that the following arrangements in regard to this transferability will take effect from 1 January 1976:

1. The expression "securities rand" will be used instead of "blocked rand" to denote the local sale and redemption proceeds of South African securities and other investments in South Africa, owned by non-residents, excluding former residents of South Africa.

   Emigrants' funds which have been blocked in South Africa will still be referred to as "blocked rand" and will be subject to the same restrictions as before.

2. The Johannesburg Stock Exchange will be permitted to quote prices for securities rand, and members of the Johannesburg Stock Exchange will be permitted to buy and sell securities rand on behalf of non-residents.

3. Authorised dealers in foreign exchange in South Africa will be permitted to transfer securities rand balances from one securities rand account in their books to

2/...

another, in their own books or in the books of another authorised dealer. The full requirements of the Exchange Control in this regard will be advised to authorised dealers and members of the Johannesburg Stock Exchange in due course.

These changes in the existing arrangements will simplify the procedures which non-residents have to follow in disposing of their securities rand to other non-residents.

ISSUED BY THE DEPARTMENT OF INFORMATION
AT THE REQUEST OF THE MINISTRY OF FINANCE

PRETORIA 4 DECEMBER 1975

Capital

Rand drop rumours 'unfounded'

Star 12/12/75

Neil Behrmann

The Minister of Finance said today that rumours of rand devaluation are "absolutely without foundation." And official banking sources say there is no possibility of devaluation.

3 ...ou feel should be added to the course?

Devaluation rumours are rife. Commercial bankers say the talk started in London last Friday, when the gold price tumbled.

Worried businessmen phoned bankers and The Star as the rumours erupted.

Yet official banking sources say the rumours are false and "ridiculous." They firmly stress that devaluation is out of the question.

They say that there is no basis for devaluation because:

4 ...tisfied with your present tutor? Yes/no

- The huge 17,9 percent devaluation at the end of September was aimed at establishing credibility about the exchange rate.
- In spite of movements on the foreign exchange markets, the rand is still about 17,5 percent down on all currencies. So the rand is not overvalued.
- The country's trade balance is expected to improve. Because of the local recession imports should decline and exports should rise next year as overseas economies recover. The gold price is steady too.

5. ... your opinion should the aim of

...eel these goals were achieved during the

- The gold and foreign exchange reserves are steady and even if money flows out of the country, the authorities still have plenty of opportunity to borrow overseas.
- The Angolan situation cannot be compared with Sharpeville as there is now exchange control and it is difficult to take cash out of the country.
- The Central Bank

To Page 3, Col 6

Racial harmony depends on jobs

(1) 315
(2) 170
(3) Capital
RDM 28/8/75

Financial Reporter

A WARNING that unless the economy can generate enough new jobs "we cannot hope to ensure that reasonable harmonious social relations continue to exist" was given yesterday by Mr Frank Dolling, managing director of Barclays National Bank.

He was opening the annual congress in Piet Retief of the South African Wattle Growers Union.

Mr Dolling said: "Personal savings are without question the most important source of the nation's capital resources. If our economy is to grow at a satisfactory rate, if we are to create additional jobs for the large number of new workers that enter the labour market each year, if we are to develop that most important of all our resources — human resources — then a great deal of new investment will be required.

"I think, too, that unless we can create these new employment opportunities we cannot hope to ensure that reasonable harmonious social relations will continue to exist."

RESOURCES

Mr Dolling said: "When one looks at the South African economic scene, one realises that the tremendous recources of the country have so far barely been touched and where they have all too often it has been for the greater benefit of others rather than ourselves. I speak particularly of our wealth of mineral resources which even today are largely exported in their raw condition to be processed and used for the benefit of others.

"The processing of raw materials, ores into metals, basic chemicals into fertilisers and additives together with numerous other examples are all concepts which require a great deal of capital investment and technical know-how. I am sure that if we can find the capital we can generate the know-how.

DECISION

"I think we can begin to see the beginning of this trend and over the past few years I am pleased that my bank has been associated with projects such as an electrolytic manganese smelting plant at Nelspruit, a silicon smelter at Pietersburg, the wood chipping plant at Cato Ridge and a number of other projects, all of which have required a great deal of money but all of which have been a matter of the greater processing of our own raw materials.

"Not only does this improve our export earnings but it also provides more job opportunities and gives us greater control over our own economic destiny.

"But, of course, I would not suggest that the burden of decision should fall entirely on the shoulders of the financial institutions. Nor would it be realistic to suggest that all lending can be directed in the manner I indicated.

"Is it wrong or immoral for a man to borrow, say by way of HP, to buy the family motor car even if it is required mainly for pleasure, or must he wait until he has saved the last rand before he can buy the new suite of furniture that his wife so badly wants? No — credit of this nature is in my view wholly justifiable provided repayment is within the means of the borrower.

"Our country would be a dull place indeed if we were to take away all the pleasurable things from life and devote all our resources, including financial resources, to only the mundane. The trouble starts when too great a part of our resources is devoted to consumer goods and more particularly the finance thereof, leading to an upsurge in demand, an increase of wasteful imports and the inevitable impact on our balance of payments.

"What I would suggest is the establishment of a clear set of priorities in the context of the economic growth we hope and need to achieve in our country and that we should expect and require our financial institutions to play their proper part in the achievement of these goals.

Mr DOLLING

"I have suggested elsewhere that our need for capital and borrowing from overseas over the next 10 years might be as high as R1 000-million a year if we are to attain an acceptable level of growth in our economy.

"Whether or not this figure is under or overstated nobody will deny that our need for capital from overseas will be very great indeed. It is therefore imperative that we marshal our own internal resources first to the very best advantage so as to minimise our dependence upon others and it is for this reason that I suggest that our financial insitutions must accept their true burden of responsiblity. It is not their resources they are deploying but those of the nation as a whole," said Mr Dolling.