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Trust Bank may be taken over

RDM 24/2/77

By HAMISH FRASER
Deputy Financial Editor

BANKING, as Trust Bank has told its customers for the past 22 years, will never be the same again. For Trust Bank, the pioneer of the dolly-bird image and piped music, is about to be taken over.

Bank Holding Corporation of South Africa (Bankorp), a company controlled by Sanlam, said yesterday it would make an offer to buy full control of Trust Bank. Bankorp is listed on the Johannesburg Stock Exchange and represents Sanlam's major banking interests.

Sanlam and one of its associated companies, Federale Volksbeleggings, already own 36 per cent of Trust Bank. Trust Bank's board and its major shareholders, Sanlam and Federale Volks, have approved the proposed deal in principle.

The consummation of the deal now looks a formality.

The merger of the banks would create a R2 000-million banking empire, covering nearly all aspects of financial services.

● See Page 20

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Millions more for Rosebank

RDM 23/2/71

DEREK SMITH: Property Editor

ONE OF the last major steps towards creating a completely rejuvenated Rosebank will probably be taken far sooner than was anticipated.

The Old Mutual has disclosed that, because it has come to an understanding with certain tenants over the past few days, it has re-opened its file for the redevelopment of Admiral's Court as well as a site across Tyrwhitt Avenue.

This project will also entail the building of the planned 2 000-car R4-million parking garage immediately to the west of Admiral's Court and The Firs.

The key to the project has lain with certain tenants in Admiral's Court, some of whom have leases which expire only in 1984.

But the OM told Property Mail this week that an arrangement has been made whereby these key lessees have agreed to go onto a month's notice basis after February next year.

With this major hurdle out of the way, the greatest outstanding problem now is the rezoning application for the bulk which will be needed to make the re-development viable.

The City Council itself is not opposed to the application which fits in with its own master plan for.

But a number of objections have been received from local traders and property owners who feel that a massive new complex will prejudice their own positions.

The matter is now with the townships board and a hearing is scheduled for March, 28. It will take several months, therefore, for a decision to be reached and redevelopment cannot start until next year anyway.

This prospect, however, is far better than the original idea which was to wait until the 1980's.

The idea will be to have Woolworth's as the major magnet in the new complex which would give the project a good start.

An Old Mutual spokesman says the idea will be to develop the garage and the new. Admiral's Court site simultaneously.

The land for the garage is council-owned, of course, but Mutual will do the development by arrangement.

"The tenant situation no longer frustrates us," says a spokesman, "but the rezoning application may still hold us up for some time.

"However, it has now become technically possible for us and a decision will be taken on whether to go ahead in earnest."

Preliminary plans provide for 14 000 sq metres — mainly trading space—for the Admiral's Court site and an additional 5 600 sq metres at Rosebank Galleries across Tyrwhitt Avenue.

The new space will be added to the 13 000 sq metres occupied by Greaterman's at the moment to give 32 600 sq metres to the Old Mutual on either side of Tyrwhitt Avenue (which will become a pedestrian area anyway).

The final decision to go will ultimately depend on the outcome of the rezoning application.

In the meantime, however, the company says it is not all that concerned if things remain the way they are because both Admiral's Court (owned since 1965) and Rosebank Galleries (transferred last June) are showing satisfactory returns as they stand.

An early decision to develop will give the Old Mutual two concurrent redevelopments in the Johannesburg.

The other is in Pretoria Street, Hillbrow, where a decision has been taken to add a squash court complex to the Hillcrest shopping ventre which was bought from Retco in 1975.

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Big firms back plan for power

21/9/77

The Star's Insight Team

The plan to raise R50 million and more of bank money for electrical reticulation of Soweto was initiated by Roberts Construction and the big electrical firm, Siemens (Pty) Ltd.

The Anglo American Corporation was also deeply involved, but it is not clear whether it was in from the outset.

An executive director of Anglo American, Dr Zac de Beer, confirmed the involvement of his corporation yesterday.

A spokesman for Siemens confirmed his company's involvement.

He said "a number of people" had thought of the plan, and Roberts Construction and Siemens had joined forces to get it moving.

FINANCING

"We realised financing was necessary, and the banks were contacted.

"What otherwise would have taken years, will now be achieved much faster," he said.

In addition to the obvious benefits to Soweto, the scheme could be the "ignition" for the revival of other sectors of the economy. It would also be a "pilot project" for other townships.

CONFIRMED

Roberts Construction also confirmed the plan and its involvement. A spokesman said feasibility studies, costing and technical aspects were now complete. Detailed reports had been sent to the Government.

The companies moved on the scheme last July — only weeks after the chairman of the West Rand Bantu Affairs Board, Mr Manie Mulder, announced that it was intended to supply Soweto with electricity.

Mr Mulder was not available for comment but a board spokesman said he was to fly to Cape Town next week for talks at a high-level.

The Star's Insight Team has established that Siemens and Roberts approached five major banks for loans in July.

CO-OPERATION

The approach was certainly in co-operation with the West Rand Bantu Affairs Board (possibly in its name) and probably had the backing of the Anglo American Corporation.

Four of the banks agreed "in principle" to make the loans (amounting to R52-million) providing they were guaranteed by the Government. These were Barclays National, The Standard, Volkskas and Nedbank.

The fifth bank, Trust, insisted that an attempt be made to raise an overseas loan and that, if this failed, the bank loans should be outside their normal lending limits (as governed by the ratio of loans to liquid assets.)

Trust was then quietly dropped from the scheme — at any rate it heard no more about it.

The four banks were all equally involved in getting the scheme off the ground. Barclays is, however, leading the negotiations with the Government.

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Millions may be lost, experts predict

GLEN ANIL clients stand to lose millions of rands out of the company's liquidation, despite assurances by the liquidators to the contrary. They may even forfeit the money they subsequently pay into the liquidators' trust account.

This is the opinion of township experts who last week considered the effects of the company's having ceded first-mortgage bonds and portions of its debtors book to different institutions.

They claim that stand purchasers have no guarantee of getting their money back from the estate in the event of their not being able to take transfer of their stands.

At the Glen Anil township of Glen Vista situated south of Johannesburg, for instance, Senbank holds a R9 000 bond on each of the 530 stands while Glen Anil Finance (owned by the Rubenstein family and Nedbank) has a charge over the unpaid balances owed by purchasers.

To obtain transfer of their stands, purchasers will first have to pay Glen Anil Finance the money that is owed on each stand (between R3-4 000), and then pay Senbank R9 000 in order to secure a stand that on current market prices would fetch no more than R7 000.

Owners of stands in unproclaimed or unserviced townships are also unlikely to see their stands, it is claimed. Servicing stands in many cases will be prejudicial to creditors, for unless the townships are fully sold, the net effect of having to service every stand will be to increase the number of serviced stands in Glen Anil's already full portfolio.

The liquidators have advised purchasers to pay their monthly instalments into the estate's trust account rather than pay them into an attorney's trust account that would be guaranteed by the Law Society's Fidelity Fund. There is no guarantee covering the Glen Anil trust fund.

The township sources, who do not wish to be named, are concerned that Glen Anil standowners might find themselves in a position similar to those Corlett Drive clients who bought in the handful of townships that cannot be proclaimed. Those standowners stand to lose everything, including court costs should they choose to liquidate the Corlett subsidiaries from which they bought.

The same might be the plight of Glen Anil clients, the sources claim, though on a much larger scale.

One of the four liquidators, Clive Landsdown of Syfrets, also expressed concern for the plight of stand purchasers.

"As we sit here now we haven't got answers for these poor people," he told Business Times, adding that the liquidators had taken counsel's opinion on the matter.

Regarding the trust account, he said this was to be kept separate from the normal liquidators' account, and he and his colleagues had given a public assurance that purchasers' monies would be protected.

There was no doubt that there were major problems, he said. A major one concerned servicing of stands, and he confirmed that servicing of some townships might not take place.

...vryburgers. Wanneer ons ... bestudeer, sien ons dat nie die een of ander taal in die besonder of een spesifieke faktor vir die wording van Afrikaans verantwoordelik was nie, maar dat die Afrikaanse taal die produk is van baie eksterne en interne faktore. Besonder belangrik was die dialektiese skakerings van 17de-eeuse Nederlands; soos uit die oorsig blyk, is die meeste „kenmerke" van Afrikaans voortsettings van die een of ander dialekvorm of tendensie in 'n dialek wat in Nederland self deur beskawingsfaktore teëgewerk is of verdwyn het. Daarnaas het die invloed van die talle vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer en vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon in hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

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Rubenstein is on the hook

20/7/81
S1.

David Rubenstein

DAVID RUBENSTEIN, 33-year-old chairman of the now defunct property giant Glen Anil, is personally liable for R10-million worth of debts his company owes to the Rand Bank.

By Ian Morgan

It is believed that the bank is weighing up the advantages and disadvantages of suing Mr Rubenstein. On the one hand there could be considerable costs involved in a court action against him and, if only a small amount were recovered, the curator could be criticised for wasting creditors' funds.

On the other hand, the curator must seek every possible means of protection for the bank and its creditors and, should Mr Rubenstein not be sued, the curator could later be subject to criticism.

It is believed the guarantee was signed by both David Rubenstein and his father, the late Dr Eddie Rubenstein, in 1970 when Glen Anil borrowed R200 000 from Rand Bank.

The guarantee covered any monies that were owed at the time, or which might accrue in the future. This latter provision was inserted to cover interest.

Although the R200 000 was repaid in 1971, the bank held on to the guarantee covering all lendings from it to Glen Anil.

For David Rubenstein, such a move by Rand Bank could spell disaster. His family's interest in Glen Anil, which in 1969 was worth R120-million on paper when the share price touched R34, is now worthless.

In addition, it is understood that Mr Rubenstein's position with the company (worth at least R32 000 a year) is to terminate, with finance director Herzl Lurie taking a leading role in the long winding-up process that is expected to take from three to four years.

David Rubenstein confirmed last week that a guarantee to Rand Bank was in force.

hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.
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J. DU P. SCHOLTZ, *Taalhist. opstelle*, pp. 162–168.
J. L. PAUWELS, „De volgorde van verbogen verbale vormen in het Nederlands", in *Dietse studies*, pp. 105–110.

9.5 Slotopmerkings

In hierdie beknopte oorsig van die wording van die Afrikaanse taal kon net op die mees opvallende kenmerke van die woordeskat, klank- en vormstelsel, en van die sinsbou gewys word. Talle van die fyner besonderhede van die Afrikaanse taalstruktuur kon uit die aard van die saak nie ter sprake kom nie; maar uit die verskynsels wat wel bespreek is, blyk al duidelik dat Afrikaans nie eensklaps ontstaan het nie. 'n Tydperk van minstens 200 jaar was nodig om die Afrikaanse taalstruktuur te laat ontwikkel. In dié ontwikkelingsproses het baie faktore tot die veranderings op die gebied van die woordeskat, die fonologiese en morfologiese struktuur, en die sinsbou bygedra. Wanneer ons ons bronne versigtig bestudeer, sien ons dat nie die een of ander taal in die besonder of een spesifieke faktor vir die wording van Afrikaans verantwoordelik was nie, maar dat die Afrikaanse taal die produk is van baie eksterne en interne faktore. Besonder belangrik was die dialektiese skakerings van 17de-eeuse Nederlands; soos uit die oorsig

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s. sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die *Frans-teorie* voorstaan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C. Hesseling het die teorie in 1897 al weerlê. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het; hy dink aan die een kant aan Duitse invloed; aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrikaans die aandag gevestig het. D. C. Hesseling het dié gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde werk *Het Afrikaansch* (1899) waarin hy sy *Maleis-Portugees-teorie* uiteengesit het. In teenstelling met die vorige teorieë was Hesseling s'n die eerste wat werklik wetenskaplik verantwoord was. Volgens Hesseling moes daar binne die eerste dertig jaar van die volksplanting 'n skielike botsing van tale aan die Kaap plaasgevind het, nl. 'n botsing tussen die 17de-eeuse Nederlands van die vryburgers, soldate en amptenare en die taal van die Oosterse slawe wat Maleis en 'n vorm van gebroke Portugees gepraat het, of 'n vermenging van albei („Maleis-Portugees"). In 1658 en daarna het 'n groot aantal slawe wat gebroke Portugees gepraat het, Kaap toe gekom; dit sou volgens Hesseling 'n skielike kommunikasieprobleem veroorsaak het wat tot 'n vinnige
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Banks and their problems

From Page 1

fields as property financing and leasing where high yields are available, high risks prevail — as we have witnessed in South Africa in recent months.

So the vicious circle tightens and, as depositors get the wind up and refuse to renew, the bank faces a situation where not only is its profit margin being squeezed into non-existence but it is running out of cash with which to meet the demands of its depositors. It is not that the bank is broke because it will, in South Africa, have hidden reserves with which to meet many of the calls on its cash, but its assets, the loans it has made to its clients, have a longer life than do its liabilities. Thus as deposits mature and depositors demand their funds, the bank becomes caught in a liquidity crisis in which it cannot meet these demands although it is technically still solvent.

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Bank loans for Soweto a tonic

By ELIZABETH ROUSE

Hollard Street report

SENTIMENT was more cheerful yesterday in Hollard Street on favourable background news, and even lagging industrials responded.

The tonic was the bank's R50-million for Soweto lighting and Senator Horwood's statement that township unemployment would be cut.

The market interpreted his statement to mean a serious effort to build houses for Blacks.

Coals continued to advance, ~~but~~ trading was lighter than on Thursday. Coal-content mining financials were in demand with Amcoal reacting well to the interim report and news of its R109-million mine.

Gold shares moved off the top in spite of firmer gold price indications, but the week's advances were satisfactory.

Saaiplaas and Wit GM were features. Saaiplaas was actively traded on comment on its uranium potential, gaining 29c on the week to close at 182c.

Wit GM came off 90c to 100c on the provisional liquidation of the National Soil Group, part of the Glen Anil group.

It was a dull week for other metals, but the manganese and antimony counters were firmer.

Minorco gained 20c to 320c yesterday ahead of its results in otherwise dull coppers.

De Beers came off the top to close 1c up at 383c, unchanged on the week.

Rooiberg and Union moved off a few cents yesterday in tins in spite of a cash price of more than £6 000 for tin.

AT Cols, Tavistock and Wit Cols were up in the 50c to 100c range. Profit-taking drove Natal Ammonium down 20c on the week.

Cons Murch jumped 60c.

Gefco, in spite of losing 25c yesterday, was 75c firmer on the week, but Msauli weakened 30c.

West Drie led the gold gains with a 200c advance on the week. Vaal Reefs put on 175c, Harties improved 140c and Randfontein rose 125c.

Doorns did well with a 70c gain. Kloof and Libanon were up in the 50c range.

Amcoal jumped 35c yesterday. Week's gains were 30c for Anglo, 40c for Randsel, 50c for Genmin, 75c for GFSA and 110c for Johnnies. UCI firmed 25c and Unicorp put on 16c.

Barlows gained 11c on the week, Abercom rose 12c and Mitcott firmed 20c.

Debincor, Indsel and Primrose went against the firmer industrial finance trend.

M & R shed 30c to 150c yesterday — purely a market deal and not reflecting anything in the group.

Remgro jumped 19c, reflecting the firmer trend among leaders.

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JSE can replace Rand Bank R1m

Deputy Financial Editor

THE Johannesburg Stock Exchange is locked into a R1-million investment with Rand Bank which, in the event of its not being fully recoverable, will be topped up from its own resources.

A statement from the JSE said it had an investment of R1-million with Rand Bank on fixed deposit due to mature on February 1. With Rand Bank now under curatorship, it was hoped the deposit would be repaid in full, but in any event the JSE would make good any amount from its own resources.

The statement said: "The JSE has under its administration various funds which are invested, inter alia, in a number of deposit receiving institutions.

"Among these investments is a fixed deposit of R1-million which was due to mature on February 1 with Rand Bank, which was placed under curatorship."

A spokesman for the JSE would not elaborate.

Hollard Street opinion was that the Rand Bank deposit represented part of the JSE's guarantee fund. This is administered by the JSE and represents money contributed by brokers to finance compensation to those suffering from defalcations by JSE members.

The JSE is believed to spread its business as evenly as possible with banks and financial institutions which are on its lists, or with which it does business. The risk of an investment with Rand Bank clearly took those whose job it is to monitor the financial stability of its listings as much by surprise as it did the man in the street.

The JSE relies for its prosperity on confidence no less than the banking industry does and it is unlikely that it will join the rush to switch deposits from small banks to the big banks.

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Electricity for Soweto: banks to lend R50m?

JOHANNESBURG — South Africa's "big four" banks have committed themselves in principle to finance a complete electric power scheme for Soweto at a cost of between R50 and R70 million.

But the banks — Nedbank, Barclays, Standard and Volkskas — said yesterday only preliminary discussions had been held and only a commitment in principle had been made.

The West Rand Bantu Administration Board, which has been negotiating with the banks for six months, is now understood to be finalising details of the power programme.

The board chairman, Mr M. Mulder, is to fly to Cape Town next week for talks at Cabinet level on the scheme and it is believed he will ask for Government guarantees for the short-term loans needed from the banks.

The banks refused to confirm reports yesterday that a [illegible] million loan package had been granted by the banks, or that they had listed three aims for the scheme — to improve Soweto living conditions, ease unemployment and increase demand for a wide range of goods.

A Standard Bank spokesman said: "We were approached about six months ago to help finance the scheme. We agreed in principle."

A Nedbank spokesman said there had been a definite commitment in principle but details had not been finalised.

A Barclays spokesman said the announcement appeared to be premature. "We have been involved in preliminary discussions but are not at liberty to discuss these."

No Volkskas spokesman could be reached for comment.

A spokesman for the West Rand Board confirmed that negotiations with the banks for the project had been taking place. — SAPA.

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JSE cash frozen in Rand Bank

A million rands from funds administered by the Johannesburg Stock Exchange is "locked into" the troubled Rand Bank.

The bank is under curatorship as a result of its involvement in loans to Glen Anil. No deposits can be withdrawn from it.

No one was available at the Stock Exchange at the time of going to press today to say what the locked-in funds were. However, The Star understands it is money from the guarantee fund used to protect brokers' clients in the event of defection or collapse of broking firms.

In a statement today the Stock Exchange Committee said the money was expected to be recovered in full, but that in the event of any loss the Stock Exchange would make good the loss from its own funds.

Earlier this week, when The Star asked if the exchange had money in Rand Bank the president, Mr Chris Freemantle, said the exchange "never" revealed how its money was invested.

The exchange's public relations officer, Mr Clive Algar, advised The Star not to "assume too much."

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UBS lends R1 m a day

IN spite of the economic slowdown, particularly in the building industry, the United Building Society has lent an average of R1-million a working day to would-be homeowners in its current financial year, says Mr Hans Hefer, managing director of the UBS.

"Between April and December last year, we granted loans totalling R226-million, which is only 11 per cent less than in the same period of 1975

The society's share of home loans represented about 30 per cent of loans granted by the building society movement (R770-million).

"The belief that there is a shortage of funds for domestic housing is erroneous," says Mr Hefer. "It probably stems from the fact that in April last year the building societies' intake of new funds totalled only R12-million. This was followed by comparatively lean months in May, June and July."

Since then, the flow of money to the societies has shown an upward swing and it is averaging R44-million a month.

Mr Hefer says the United alone plans to make R25-million a month available for bonds in February and March — Sapa.

58

Gunman gets R6 000

15/8/77 Vd

Crime Reporter

"Hand me the money or I will pull the trigger," a masked man told a bank clerk in Booysens, Johannesburg, yesterday while holding a revolver to the head of Mrs Margaret Lethbridge.

Mr Max Gugger (23), a clerk at one of Standard Bank's mobile agencies, told police that Mrs Lethbridge came to the bullet-proof window of the vehicle while he was parked in front of the Desta company in 3rd Street, Booysens Reserve.

A masked man came up and put the revolver to Mrs Lethbridge's head.

He told Mr Gugger to hand him money or he would pull the trigger. Mr Gugger gave him about R6 000 in cash.

58

Barclays sees higher taxes

INCREASED taxes to pay for another large increase in defence spending may be announced in next month's Budget, according to Dr Johan Cloete, chief economist of Barclays National Bank.

He says in Barclays Economic Review: "Inflationand balance of payments considerations require a continuation of restrictive monetary and fiscal policy and so does the financial position of the government.

"Output and employment considerations, on the other hand, dictate expansionary policies, particularly a continuation of expansionary fiscal policy precisely at a time when the Government is being forced to cut back severely on its expenditures."

The position is made more difficult by the likelihood that, when the Budget is introduced, neither the inflation nor the balance of payments position will have improved sufficiently to allow fiscal policy to become more expansionary than at present.

"On the contrary, given the likelihood of a further substantial increase in defence expenditure, tax rates might even have to be increased and the base of the tax system widened, which would be contractionary as far as output and employment are concerned."

The Government could decide, on balance of payments considerations alone, to continue to sacritice output and employment. But there is a limit to this because recession is a cumulative process, difficult to reverse.

The authorities could rely on rising export earnings, including a slow increase in the gold price, to inject additional incomes into the economy. However, while a high rate of inflation persists, the real impact of such injections will be watered down. — Reuter.

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hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.

J. A. VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*, jg. 7, nr. 1, 1967, pp. 328–342.

J. DU P. SCHOLTZ, *Taalhist. opstelle*, pp. 162–168.

J. L. PAUWELS ..., volgorde van verbogen verbale vormen in het Neder... *...e studies*, pp. 105–110.

9.5 Slotopmerkings

...pte oorsig van die wording van die Afrikaanse taal ...nees opvallende kenmerke van die woordeskat, klank... ...en van die sinsbou gewys word. Talle van die fyner ...n die Afrikaanse taalstruktuur kon uit die aard van ...sprake kom nie; maar uit die verskynsels wat wel ...al duidelik dat Afrikaans nie eensklaps ontst... ... is of ... het. Daarnaas het die ... talle vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer en vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon in hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s. sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die *Frans-teorie* voorstaan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C. Hesseling het die teorie in 1897 al weerlê. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het; hy dink aan die een kant aan Duitse invloed; aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrikaans die ... ...estig het. D. C. Hesseling ... ...er, veral in sy beroemde ... *Maleis-Portugees-teorie* ...eorieë was Hesseling s'n ...rd was. Volgens Hesse... ...an die volksplanting 'n ...evind het, nl. 'n botsing ...urgers, soldate en amp... Maleis en 'n vorm van ...ing van albei („Maleis-...ntal slawe wat gebroke ...u volgens Hesseling 'n ...oorsaak het wat tot 'n vinnige ...ering van Nederlands gelei het. Die resultaat was 'n sterk vereenvoudigde taal met 'n reduksie in sy grammatika. Wanneer 'n kultuurtaal in 'n bepaalde kontaksituasie deur 'n botsing met 'n sosiaal laerstaande taal binne 'n kort tydperk 'n drastiese reduksie, struktuurverandering en vereenvoudiging ondergaan, praat 'n mens van kreolisering. Hesseling moet egter self erken dat die tipiese kenmerke van kreolisering in Afrikaans ontbreek, daarom kom hy tot die konklusie dat Afrikaans beskou moet word as Nederlands wat halfpad bly staan het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

58

'Mickey Mouse' in bank hold-up

15/9/73

By EMILIA JAROSCHEK

A GUNMAN wearing a Mickey Mouse mask yesterday robbed a teller behind bulletproof glass in a mobile bank. He escaped with R6 000.

The gunman foiled the security set-up by holding his gun at the back of a woman hostage.

The woman, Mrs T. Lethbridge, 50, had entered the mobile bank to draw money. A voice behind her said: "This is a hold-up."

She turned and saw a masked man crouching behind her with a gun.

"If you don't give me money I'll shoot her," the gunman told the teller, Mr Max Gugger, 22, who was protected by bulletproof glass.

The robber handed a plastic bag to Mrs Lethbridge. The teller passed a bundle of notes through the small opening in the glass.

The robber demanded more and Mr Gugger handed over another two bundles. The robber then withdrew his gun from the badly shaken Mrs Lethbridge's back and fled.

Mrs Lethbridge, of Delta Engineering in Booysens Reserve, told detectives from the Brixton Murder and Robbery Squad she had gone into the mobile Standard Bank — a huge armour-plated truck — to draw money.

Detectives are searching for the man. Police are also hunting three armed Africans who held up a Solly Kramer bottle store in Booysens yesterday. They escaped with R8 000.

58

Claims pay-out last year was R111,5-million

13/4/77

THE extent of the service provided by the Old Mutual for its 650 000 policy holders — as well as to the 450 000 members of pension plans and group life assurance plans it underwrites — can most graphically be gauged by the value of the benefits it paid out last year, totalling R111,5-million.

This represents a 22,8 per cent increase on total benefits paid out in the previous year (R90,8-million), and a 200 per cent increase in the past ten years.

In order to meet such enormous claims, and yet continue generating surpluses on the funds received from its policy holders (which are returned in the form of bonuses), an insurance company must clearly monitor its operations with considerable attention to three aspects:

- Growth: This would include growth of assets, premium income and payments of benefits to policy holders.
- Profitability: Measured in terms of value for money to members, this means keeping operating expenses as low as possible and obtaining a good return on investments. (see graph).
- Client satisfaction: This would be measured in several ways, including the benefits paid out, bonuses declared, repudiations of claims (Old Mutual declined to pay in only 14 cases during 1976), and the retention of contracts by policy holders.

"And the most important thread running through all these issues is the customer," says Mr Jacobus van der Merwe, assistant general manager (administration). "In order to meet the very high standards we set ourselves this customer-orientated approach is inculcated into our staff."

How successfully is Old Mutual gearing itself to provide its service?

As far as growth is concerned, the figures published in last year's annual report speak largely for themselves: gross premium income grew by R60-million (27,5 per cent), to R278-million.

Reassurance premiums (paid by Old Mutual to spread its risk mainly on "sub-standard" lives) increased by around 50 per cent, to almost R3-million. This, explained Mr Van der Merwe, was a function of Old Mutual's determination to offer terms of cover whenever possible, including the great majority of sub-standard lives.

An indication of how successfully Old Mutual was providing [illegible] vice was that less than one per cent of applications was turned down and only 1,5 per cent of all new policies were loaded.

"True operational results can best be seen in the success or otherwise of underwriting, coupled with the actual claims experience," he said.

"If your underwriting is bad you cannot provide the benefits you'd like to. This does not mean you cannot accept relatively poor health risks — you could still offer terms on lower life expectation by charging extra premiums appropriately."

Successful underwriting, is demonstrated mainly in terms of the benefits which an insurance company is able to pay out. These depend in the main on death claims experience, the level of operating expenses, the period of time for which the policy remains in force, and lastly the investment performance of the company.

Today, given the prevailing high rate of inflation, investment results become even more important.

Total investment income generated by Old Mutual increased last year by around 20 per cent (to R122,5-million), an effective return on investment totalling almost R1 500-million, of around 8,6 per cent.

In this context it must be borne in mind that by Statute insurance companies are obliged to hold at least 30 per cent of their investments in Goverment-approved securities (for non-pension business), and 50 per cent for pension business.

Furthermore, included in Old Mutual's portfolio, as in all other long-established insurers' portfolios, are investments acquired years ago when interest rates were much lower.

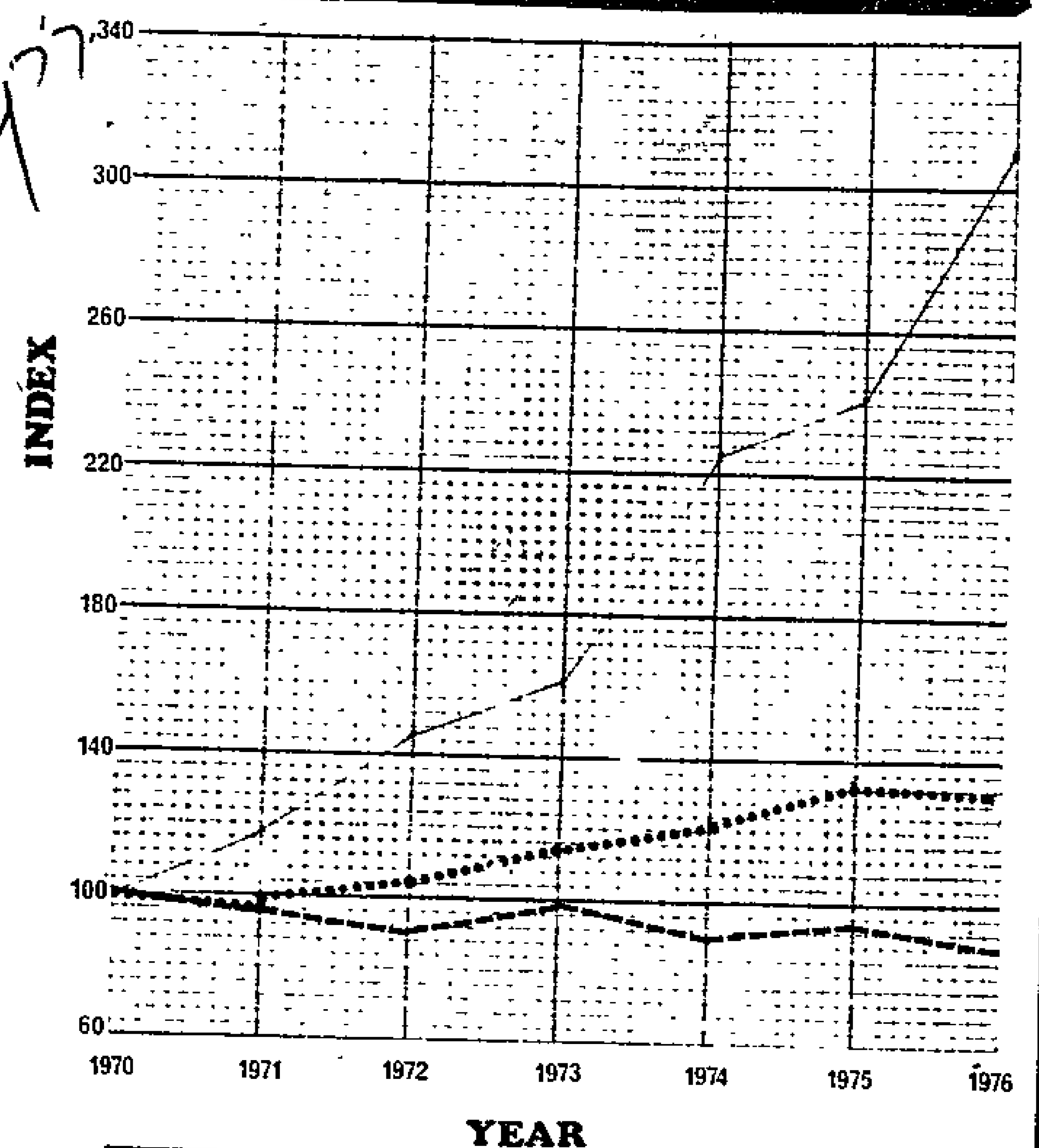
Old Mutual has produced a series of statistics which sets out the benefits it has generated.

In the first example, it is assumed that a man aged 30 next birthday effected a whole life policy in 1947 for a premium at entry of R200 a year. It is furthermore assumed that the policy became a claim on January 1, 1977.

Firstly, Old Mutual provides claims figures for a policy of this kind taken out in January, 1947. The original sum assured by Old Mutual would have been for R8 362. If the policy was paid out following a claim in January 1977, or 30 years later, the claim value would have been R22 601.

An endowment-type assurance, effected by a man aged 30 next birthday in January 1947, for a premium of R200 a year, which matured in January 1977, shows that Old Mutual's maturity value of R16 106 would again have been outstanding.

COST CONTROL



KEY
—— Total Premium Income
..... Number of Office Staff
--- Ratio of Total Operating Expenses to Premium Income

58

R42m a year goes into retirement fund

ST 13/3/77

ANNUAL premium income of Old Mutual's retirement annuity fund during its last financial year amounted to more than R42-million, according to Mr Theo Hartwig, joint actuary at Old Mutual.

These accumulated premiums have boosted Mutual's share of the retirement annuity market in South Africa to around 32 per cent.

According to figures compiled by the Life Offices' Association recently, one quarter of the total premium income received during the year ending June 1976 by all insurers in respect of individual policies (ie, excluding group business) was for retirement annuity schemes.

With the traditional last-minute rush for retirement annuities about to start (as businessmen endeavour to beat the fiscal year-end with tax-deductible contributions), the inflow into Old Mutual's retirement annuity fund is expected to increase by around R9-million by the end of the current financial year.

Clearly, retirement annuities constitute one of the most important sectors of the insurance market — particularly at this stage of the year — and Old Mutual has just released its pension report which focuses some attention on the question.

But of course one of the major attractions of retirement annuity funds is the tax concession allowed.

Annuity contracts, based on income tax legislation passed in the early sixties, are basically private pension plans with the following main features:

- Premiums rank with pension fund contributions as deductible from taxable income.
- They attract a higher bonus rate than other policies because of the investment income generated by the fund.
- They are basically endowment policies with the provision that at least 66 per cent of the proceeds accumulated at retirement must be used to purchase an annuity (a pension).
- No payout is permitted before age 55 except in the event of death or ill-health.

These qualifications are contained in the Income Tax Act which stipulates, regarding tax deductions, that a contributor to a retirement annuity scheme may deduct from his taxable income an amount not exceeding R3 000.

This amount is allowed for both retirement fund and pension fund contributions (not more than R1 500 may be deducted in respect of contributions to a pension fund).

The Act also allows 33 per cent of the accumulated retirement fund to be paid to the contributor in cash, the first R40 000 of which would be free of tax.

The rapid growth by Old Mutual in this market reflected "wide acceptance" of its product, according to Mr Hartwig. "Right from the start the outstanding merits of Old Mutual's retirement annuity products were evident," he said.

An indication of this popularity was provided by the 32 per cent annual growth in premium income from this source, increasing total income from around R10-million in 1971 to last year's R42-million.

There are three conventional bonus plans: One without life cover, one with cover and a third with reinforced life cover — incorporating a measure of reducing term assurance, which provides considerably enhanced life cover at the cost of a relatively small drop in the capital value at retirement.

The two "performance profit" plans directly linked to Old Mutual's investment portfolio, are with and without life cover respectively.

Furthermore, a policy holder has the option of adding disability benefits to the with-life cover plans, thus considerably increasing their attractiveness, according to Mr Hartwig.

"The plans also provide great flexibility, an extremely important feature in any life policy and especially in retirement annuities. Thus, for example, it is possible to vary the originally selected retirement age at a later stage with a minimum of fuss and penalty to the policyholder."

With-life cover, plans can be "bridged". This means that policy holders may elect to cease paying their premiums for a period — up to a maximum of three years — and still enjoy life cover. When the policy is reinstated the benefits are adjusted, so that no arrear premium payments need be made.

During the period of "bridging" cover must be provided by a short-term assurance policy for which a small premium is payable.

The plan without life cover under the performance profits policy also incorporates the facility to vary the level of premium payments. Such variations may be temporary or permanent, upwards or downwards.

R6-million computer has cut costs

3/2/77

OLD MUTUAL'S new main-frame computer — installed in October last year at a cost of around R6-million — will generate considerable cost savings in the future, according to Mr Dick Lloyd, general manager of computer staff at Mutualpark.

Mutual is currently converting existing systems to suit the new computer, which is now operating at only a fraction of its capacity.

However, Old Mutual has established that the new ICL 2980 main-frame will provide around 300 per cent greater computing capacity than the existing two computers.

Despite the massive capital investment involved, Mr Lloyd says computer costs are currently running at around R9 to R10 000 of premium income — well within the industry average of R12/R10 000.

Why the new investment? Mr Lloyd said the existing, outdated computer facilities were being used to their maximum capacity and Old Mutual was obliged to spend a considerable amount annually on outside bureaux.

The installation of the computer was thus primarily dictated by the desire to control costs.

Old Mutual's staff had in fact decreased substantially since December 1974 due to the growing influence of computing facilities.

Measured against this was an 11 per cent improvement in Old Mutual's "activity index" for the same period. Consequently Old Mutual had improved the ratio of salary and overtime expenses to premium income by 8 per cent in the 12 months to June 1976.

Computing facilities contributed substantially to this improved performance, and in view of the growing load on existing facilities it was necessary to expand.

In addition to its main-frame facility, Old Mutual has on-line terminals at all its main branches, linking these to the Cape Town head office.

The first phase of this on-line facility has been completed (Old Mutual shares the data-transmission network with Nedbank). The network already processes around 120 000 receipts a month.

58

Mutual beats R100-m mark

THE premium income of the Old Mutual, South Africa's largest insurance and pension company, has exceeded the R100-m mark for the first time.

Mutual, which nips in ahead of arch competitor, Sanlam with assets of R1 600-m as against Sanlam's R1 150-m, achieved a 52% growth in premium income for the year. Sanlam's premium income for the year to September amounted to R219-m.

Funds administered in the Mutual's group assurance business totalled R427-m in the year to June 30. Investing these funds carefully has meant the Mutual has been able to declare an increased bonus rate of 10,9% for pension funds.

Along with its results, the Mutual has announced a new product — a group pension plan for Blacks. To build up a meaningful pension during the person's working life, the employer contributes not less than R60 a year.

58

R2,3m WASTE DEFENCE BILL

ORMANDE POLLOK
Political Correspondent

18/2/77

CAPE TOWN—The Department of Defence lost more than R2 300 000 on damages, deficiencies, accidents and payments during the 1975/76 financial year.

Another R212 754 was lost in the variation or cancellation of contracts involving the Defence Department.

And it cost R65 692 for the South African Navy's participation in the Cape-to-Rio yacht race.

These details of Government spending were in the report of the Auditor-General for the 1975/6 financial year. The report was released in Parliament yesterday.

In it, the Auditor-General, Mr. F. G. Barrie, said losses excluding motor accidents, loss to aircraft, ships and other equipment amounted to R1 300 000.

The largest single loss was caused by fire at the air publication depot. Damage amounted to R502 855.

Another big loss in this category was R99 945 for fuel discrepancies.

During the year, Defence Force vehicles were involved in 1 361 motor accidents resulting in payments for third-party victims and damage to vehicles totalling R683 729. A sum of R20 185 was recovered.

The Auditor-General reported that in 431 cases the drivers in these accidents were prosecuted. In 885 cases no disciplinary action was taken and 217 were pending.

Losses and damage to aircraft and ancillary equipment were either written off or accepted as a charge against public funds. The cost amounted to R1 349 530 for 74 cases. The Government also made ex-gratia payments totalling R25 652, including R1 600 to a person whose leg was fractured during the official launching of a rescue craft during celebrations at Gordon's Bay in 1972, and R2 000 paid to the mother of a child who was killed in an accident in which a Defence Force vehicle was involved and the driver found guilty of culpable homicide.

See also Page 11.

58,336

R300 000 African Bank to open opposite Bara

9/2/77 (S)

Des Kilalea

The African Bank's new branch opening in Soweto at the beginning of April will be the third in the area within three months.

The new branch, which cost about R260 000, is opposite Baragwanath Hospital. Once equipped, the total cost of the operation will be about R300 000 according to general manager Mr Allan Wentzel.

Last week The Star reported the planned opening of Standard Bank's new Jabulani branch later this month, and Barclay's Dube branch sometime in March.

Until recently only one banking operation was allowed in Soweto, but present regulations allow up to six. The area has an estimated annual spending power of over R220m.

COMPUTER

The African Bank branch will have a staff of about 13 including 11 blacks. Once the building is complete a R20 000 visual record computer will be installed for recording and controlling accounts. At present members of the bank are being trained in the operation of the computer.

The African Bank is a general bank so there will be no current accounts. But the bank will supply a cheque requisition service for savings account customers who need cheques for payments.

Loan facilities will be offered. Mr Wentzel estimates that about 80 percent of all loans business will be HP finance for furniture, cars and buses.

He does not view the lack of pledgeable property by most blacks as a disadvantage. Very few loans are completely secured he says. Experience and initial scrutiny of the applicants are often enough when granting a loan.

BALANCE

The African Bank was set up about one year ago and already has a branch in Ga-Rankuwa in Bophuthatswana. The black public own [illegible] percent of the company while the balance is held by five of the major banks in South Africa.

[illegible] are Standard

Mr Wentzel says the new branch is sited in a dense high-income area. Baragwanath Hospital employs about 6 500 people and there is also a major bus terminus nearby. A new hotel near the bank is also expected to draw people to the area.

Included in the bank building is an insurance broking office run by Afribank Insurance Brokers.

EDUCATION

Mr Wentzel says one of the bank's main tasks is educating Soweto people in money and banking matters. "Generally very few blacks have much experience in banking. And this is the reason for the appointment of a white manager for the Soweto branch." But eventually a black manager will take over.

The African Bank hopes to become a commercial bank sometime in the future. But not operating current accounts is an initial advantage because the operation is too small to handle [illegible] accounts.

estimated annual spending power of over R220m.

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BALANCE

The African Bank was set up about one year ago and already has a branch in Ga-Rankuwa in Bophuthatswana. The black public own 75 percent of the company while the balance is held by five of the major banks in South Africa.

These are Standard, Barclays, Nedbank, Trust and Volkskas. Each bank holds 60 000 R1 shares. The board comprises seven black directors and three white directors representing the shareholding of the five major banks.

In terms of an agreement the African Bank is helped in training and operations by the major shareholding banks.

a black manager will take over.

The African Bank hopes to become a commercial bank sometime in the future. But not operating current accounts is an initial advantage because the operation is too small to monitor accounts.

38

Banker confident of upward climb

(8/1/77) [illegible]

South Africa is in an economic depression but should start pulling out later in the year, a senior banker said today.

Mr Charles Ferreira, managing director of Mercabank added: "Let's not mince words. I believe that in the first quarter of this year we will have negative growth (a contraction of the economy) and when you have that you do not have a recession — you have a depression."

In an interview with The Star he said the economy was at the bottom of the depression or close to it.

However, the time had come to "look forward." The recovery would be "slow and tedious" but it should start this year.

On what he called the "tragic event" of the Glen Anil crash, Mr Ferreira said he did not believe the public would suffer directly.

His bank was not one of those directly concerned in the crash but he believed the bankers involved would find some way of protecting the interests of those who bought stands from Glen Anil on terms.

Mr Ferreira said that certain people should stop "emphasising lack of confidence" — particularly in the property market.

Property, he said, existed and people had to live on it. "To say there is no future in property is to say there is no future in South Africa."

Speaking about foreign confidence in South Africa's banks being shaken by the Glen Anil liquidation, he pointed out that foreign debts of all banks were safe.

"There is not the slightest doubt in my mind that the Government must protect foreign creditors and the very mechanism of bankers' foreign commitments implies Government underwriting," he said.

● The liquidators of Glen Anil have announced they will hold a Press conference at 2 pm tomorrow.

is also of immense importance ... country. More than a third ... (apart from these f... .

Agricultural ... one fertility of ... is brought in from neighb... significant food imports ... rubber. The total bi... small when compare... ize, and sugar, each ... year.

Kruger warns clerics

HOUSE OF ASSEMBLY — Churches which sought to sow revolution and further political ideologies under the cloak of Christianity should not expect to be allowed to do so with impunity, the Minister of Justice, Mr Kruger, said yesterday.

Speaking during the second reading debate on the Bill banning films on Sundays, Mr Kruger said Mr Alex Boraine (PRP, Pinelands) had said it was not Christian to make such laws and that Mr Kruger was critical of the churches.

"That is not true. Our policy is as Christian as that of anyone else. Our policy towards blacks is as Christian as that of anyone else," he said.

Mr Kruger said it was necessary for him to keep his eye on churches and clerics who under the cloak of Christianity sought to sow revolution and further political ideologies such as black power, and where necessary to take action. — SAPA

* Agriculture ... played its part in releasing workers for ... sectors of the economy.

* Statistics are far from adequate but they indicate that although the actual number of people employed in agriculture has only recently started to drop, they have been representing a steadily declining percentage of the total national workforce.

The drift from the land has until recently been most marked in the white and Asiatic population groups but since about 1950 the number of "colourеds" on the land has also been dropping. Industrial, mining and urban competition for Africans had not until recently been as severe but indications are that the number of Africans employed by farmers is now falling too. With more intense competition from the mines, which are now recruiting locally, numbers are probably falling faster.

The advent of farm machinery was not initally used to replace labour but was rather taken as an opportunity by the farmers to extend and intensify their farming operations. Until the tractor arrived, the cultivation of large areas of land with unsophisticated labour and slow trek oxen was virtually impossible. Until motorised transport arrived, it was too tedious, expensive and slow to transport large quantities of produce from outlying farms. Until

58

Financing building society loans

8/3/77

IT now takes about nine investors in a building society to finance one home loan opposed to the five savers it required 13 years ago.

This graphic illustration of inflation in the building industry was provided by Mr. Ane de Wet, managing director of the Trust Building Society, when he addressed businessmen in Cape Town recently.

He said that this disturbing pattern indicated that there was something drastically wrong with investing and borrowing habits in South Africa.

In the United States, for example, 9,2 investors were required to finance one home loan in 1963 and now only 8,2 investors were needed.

Savings with building societies had increased recently but according to Mr. de Wet this was more as a result of a decrease in demand for credit than an increase in the savings potential of individuals.

The effect of these circumstances on the local home building industry would mean that:-

- Hardly any new houses would be built this year.
- Those that were built would cost more and would probably offer less in accommodation, finish, quality and value.
- They would also be different in concept, design and appearance.

Mr. de Wet predicted that all forms of higher density housing, such as clusters, duplexes, maisonettes, row-houses, semi-detached and terraced houses, would become more popular.

More existing homes would be altered to provide bigger and better living conditions and very few people would upgrade their homes by selling and buying or building new ones.

The houses that have been improved will be resold at higher prices.

Although the real estate market was inactive he urged people to buy now rather than wait for prices to decline further. He also advised people contemplating building to take advantage of the current "buyer's market" in home sales.

"Building contractors have already been forced by the current stringent market conditions to maximise productivity, minimise wastage and increase efficiency but the cost of building materials is still rising.

"All this leads to the conclusion that the same house can only cost more in future. The moment liquidity improves and money becomes more readily available, house prices will immediately rise."

58

Money market

Interest rates harden

9/3/?

Colin Campbell

Interest rates hardened in the money market last week in reaction to the curatorship for Rand Bank and the liquidation of Glen Anil.

The official discount rate for 90-day bankers acceptances was raised to 9,9 percent, the Treasury Bill rate moved from 7,84 to 7,86 percent and dealers report quiet and very hesitant trading.

Buying has been very selective while everybody waits for conditions to settle down and the clouds to clear from this week's shock developments. Houses have been busier with inquiries than with actual trading, though the system remains fairly flush with cash.

News from the capital market is that UAL will handle a R5m stock issue for the Cape Divisional Council this week. There are three loans — 20 years at 13,08 percent; 12 years at 13 percent, and five years at 12,81 percent. The issue opens tomorrow.

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LANDSLIDE...

6/7/77 Su Tri

Glen Anil...good times giant that couldn't beat slump

SUNDAY TRIBUNE PROBE by Jeff Henderson, Colin Vineall, Penny Swift and Tony Spencer-Smith

THE sudden collapse of the R170 million Glen Anil Development Corporation has shattered public confidence in land investment and could bring a severe nosedive in land values.

South Africa's financial and political turbulence is seen as a major factor behind the crash — coupled with Glen Anil's expansionist policy in a worsening property climate, and soaring interest rates.

This week, as liquidators prepared to wind up the corporation's affairs — a process that could take between one and five years — the managing director of Barclays National Bank, Mr Bob Aldworth, spoke of fears of a run on deposits among some of the eight banks who have withdrawn support of the tottering Glen Anil empire.

"Some of the banks are cagey about the amounts they loaned and what security they had. I think some of them are scared of a run on deposits and this is probably causing their caginess," he said.

The United Party finance spokesman, Mr David Baxter, told the Sunday Tribune that lack of confidence in South Africa as a result of Government policy was a contributing factor in the Glen Anil collapse.

Both he and Mr Harry Schwarz — chief finance spokesman for the Progressive-Reform Party — said the Government was not obliged to protect inadequately managed companies. But Mr Schwarz added: "The protection of people's savings is a different matter and the Government has a duty to ensure the liquidity of small banks is maintained."

Meanwhile, a leading Durban property broker this week forecast a drop in land values by as much as 10 percent as a direct result of the collapse.

"I think the situation is pretty catastrophic. Everybody thought it was going to be a bad year but we have certainly started off in rip-roaring fashion.

Confidence

"The point is the confidence in the property industry of the man in the street. There must be other township companies who, because of this loss of confidence, must be in very dire straits.

"The banks who have been supporting these companies must now be thinking which are next in line for the same treatment."

Mr David Alston, director of the Association of Building Societies said: "Theoretically, a thing like this shakes public confidence in land as a medium of investment and it's therefore logical to seek a more liquid form of investment for savings.

"Inevitably the failure of a company the size of Glen Anil will shake investor confidence and could lead to further depressing trends in the property market which are already apparent.

"I think price of land will almost inevitably come down."

Mr Don Kennedy, executive director of the SA Property Owners Association, believed the main impact on the industry would be the nervousness of the institutions which had lent money to Glen Anil and prospective purchasers.

"From my experience I believe the people who have been hurt are very much in the minority," he said.

The Glen Anil Development Corporation was born in 1948 when a Johannesburg dentist decided to turn a hobby into a profession. Dr Edward Adrian Rubenstein had been investing in land since 1926, successfully establishing townships in partnership with various associates.

Beginnings

In 1948 he bought a portion of a farm named Glen Anil just outside Durban and established what is now the suburb of Glenashley.

The company was incorporated in 1954 and a year later its authorised capital was R30 000. It went public in 1968 with a Stock Exchange listing. Shares were offered initially at R2,50 each but within a few months 5 000 000 shares were issued, each worth R34 — making a paper value of R170 million, with the Rubenstein family retaining 70 percent.

David Rubenstein, the present chairman, had spent his school holidays and vacations from Wits University working for the company and joined full time in 1965 when he was 22. He took control in 1975.

Losses

Last year in his annual report he reported "extraordinary losses" in the sale of two portions of farmland, at Bellville and on the Natal North Coast, and said: "The directors now feel it is necessary to review the value of each and every piece of land held for development — as well as the land and buildings held for resale — taking into consideration the depressed conditions prevailing."

In the same 1976 report, the Corporation auditors — Kessel, Feinstein, Torch and Co — were "unable to express an opinion as to whether the land for future township development is of the values stated in the financial statements."

The crunch was coming.

A consortium of eight — the Trust Bank, Nedbank, the Standard Bank, Randbank, Senbank, Barclays, Hill Samuel and the Bank of Johannesburg — collectively lent Glen Anil at least R92,5 million.

This week the consortium ended its support and Glen Anil applied for its own liquidation. At the

David Rubenstein ... young boss

David Baxter ... UP view

Jan Sadie ... trouble ahead

David Alston ... building societies

Don Kennedy ... few casualties

Harry Schwarz ... Progref view

Rand Supreme Court, Mr Rubenstein blamed South Africa's economic and political climate for a decline in the demand for property.

He said the corporation was unable to pay its debts although its assets of R147 million theoretically exceed its liabilities of R136 million.

Freezing

The court heard a report, prepared by Sage Holdings on behalf of the creditor banks, that Glen Anil had bought large tracts of land on terms before the property market slump two years ago, in anticipation of higher land prices. Payment was falling due although the land remained undeveloped and unsaleable.

The situation was worsened by the freezing of land development in green belt areas.

Glen Anil has about 4 000 debtors — members of the public who had purchased stands under written deeds of sale.

The biggest creditor is the Trust Bank which is owed R29 million, while Nedbank is owed R23 million, the Standard Bank R13 million, Randbank R10 million, Senbank R5,5 million, Barclays Bank R5,3 million, Hill Samuel R3,6 million and the Bank of Johannesburg, R3,1 million.

But Mr Aldworth, of Barclays, says it is uncertain what losses the banks will suffer.

Barclays, he said, was in an "unsecure" position; when the loan was made in 1973 Glen Anil was a sound company and no security was asked for.

"I did not anticipate the degeneration of the property market and if the same information was put in front of me again I would probably make the same decision.

"One thing I hope will be learned from this is the importance of knowing what other banks loan. We had no idea Glen Anil had borrowed so much money. More co-operation between banks would enable us to assess companies' exposure."

Other bank executives were not so outspoken. Mr Michael Vosloo, general manager of the Bank of Johannesburg, said: "We believe our securities are such that no losses will arise."

The amount owed by Glen Anil to his bank was so small proportionately that "we could not really influence the other banks in any way".

According to public relations officer Mr Roy Terry, the Standard Bank also has sufficient security to cover the Glen Anil money — "Our exposure is R13 million but we are well covered by security which includes mortgage bonds and building society deposits."

Mr Tony Blair, managing director of Hill Samuel, believed every bank would lose something — "It's impossible that any of the banks — excluding the Rand Bank which is under curatorship — will come out with 100 percent of their capital and interest."

Secure

Mr Johannes Prince, general manager of the Trust Accepting Bank, said: "We are in a secure position. Glen Anil owes the Trust Bank Group R30,7 million but they owe us only about R3 million. The difference of R27 million is fully covered by first mortgage bonds and there are other forms of security as well.

"Glen Anil is a solvent company with a liquidity problem. But if the liquidation is done in an orderly way nobody will suffer," he said.

Typical

Professor J. L. Sadie, a top economist at the University of Stellenbosch, said the Glen Anil collapse would adversely affect the general business atmosphere — "but it's unlikely to have really serious repercussions in the economy."

The failure of Glen Anil was "a typical example of the wages of sin of illiquidity" but was not a bankruptcy in economic terms because the company's assets exceeded its liabilities.

Mr Tony Norton, managing director of the Standard Merchant Bank, saw Glen Anil as "a victim of circumstances" — the coming together of a number of factors which were hard to see at the time the company was buying land.

"When you have a recession with very high interest rates, political uncertainty and inflation, township development is bound to be a vulnerable area.

"No one in his right mind could have foreseen the recession lasting so long."

Professor Meyer Feldberg, director of the Graduate School of Business at Cape Town University, spoke of the enormous psychological impact of the collapse.

"In itself Glen Anil is just another straw on the camel's back — but it's a very big straw and is bound to have further repercussions. Property companies will be under intense pressure over the next four or five months and it would not surprise me if a couple of others went under."

Today, David Rubenstein is being described as a "headstrong" boss, who failed to heed his more seasoned advisers, didn't keep his outside directors fully in the financial picture and pursued a policy of expansionism during an unfavourable economic period.

And questions are also being asked about the banks who carried on advancing millions to an overstrained empire.

Did each bank take any steps to find out what Glen Anil had already borrowed at each stage from its competitors?

Did each bank when approached for money insist on Glen Anil also disclosing the full extent of the company's off-balance sheet financing? And if not, why not?

1977

6/2/77

TRUST BANK CHIEF JAN MARAIS TALKS ABOUT THAT R29 MILLION LOAN

6/2/77 Su Tr

DR Jan Marais, chairman of the Trust Bank — owed R29 million by Glen Anil and by far the biggest creditor — told the SUNDAY TRIBUNE this week: "Trust Bank assets are more than R2 billion. We can meet any emergency."

Liquid cash assets were far above the ratio required by the Reserve Bank, he said, and the public should not confuse the troubles of smaller banks with the stability of the South African banking sector as a whole.

"South Africa has an extremely healthy banking history. There has never been a disaster with any major bank in this country."

However, Dr Marais said conditions leading up to the recent difficulties of Rondalia and the Rand Bank, now under curatorship, could be ascribed to "over-tough conditions imposed by the fiscal authorities."

"The banking sector has been over-restricted for a long time. The banks have been excessively used by the Government to control the economy. It is only recently that the Government introduced other methods, such as import deposit schemes and price control.

"It is obvious the Government must control inflation, but I question their methods in placing the full burden on the banks. Some of the smaller banks had a tough time complying with all the requirements. A healthy small banking sector is essential and these two problems should never have happened."

Dr Marais said the Trust Bank's loan to Glen Anil was fully secured with first mortgage bonds and sessions of sales contracts as security.

THREE liquidators have been appointed to wind up Glen Anil. Nedbank's nominee is Mr Clive Lansdowne, of Syfrets; Barclays' choice is Mr Les Cohen, of Western Trust; and the Trust Bank selection is Mr Ralph Millman of Cape Trustees.

The chances of Glen Anil stand-holders retaining their property depends on whether the land is unproclaimed, approved by the administrator or whether transfer has been taken.

Stand owners in townships of unproclaimed land are the hardest hit and will probably lose their land. Proclaimed land property owners stand a good chance of keeping their land — if they can find the money to take transfer. If they can't, the stand will be taken back but the owner will then rank as a preferential creditor.

They will get 31 days from the liquidators to provide guarantees for the funds owed and must take transfer within six months.

Glen Anil is believed to have about 15 000 deed of sale buyers on its books.

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R1,4m township court claim

5/2/77

Court Reporter

AN Amanzimtoti township, Zulwini Gardens, is being sued for payment of bonds worth R1 437 373.

Two bonds on the 52 891-hectare property were passed in favour of the South African Permanent Building Society in 1974 and 1976.

The building society has now brought an action in the Supreme Court, Durban, for payment of the capital sum and interest and an order declaring the property executable.

Papers before Mr. Justice Broome yesterday stated that Zulwini Gardens failed to pay bond instalments between June and November last year.

The building society claims it is now entitled to call for payment of the capital sum and interest and foreclose the bond.

A director of Zulwini, Mr. Christoffel Lessing, said that the township was developed as a cluster housing scheme with 117 dwelling units. Some were tenanted and others purchased.

Mr. Lessing stated that although Zulwini was in arrears on bond payment until October last year, payment had since been made.

He denied that Zulwini was in default and is opposing the action.

The hearing was adjourned to February 11.

Mr. Alan Magid (instructed by Clemmans and Johnston) appeared for S.A. Permanent Building Society.

The Sch... ...ence in the last 3 - 4 years ... ...en on a no-charge basis by fo... subjects were taught in their entirety by Mr P.E.M. Immelman, Miss L.E. Taylor, Mr G.D. Quinn, and myself while still on the Library staff. Other subjects were shared, and sections of courses were being taught by another three or four. At the present time there are still three people who help with ... two lectures on thei...

During 1975 and the first part of 1976 it has ... to engage part-time lecturers ... (Miss L.E. Taylor) and ... from City Libraries and the Cape Provincial Library Service). The money to pay them has been obtained by ma... money available for leave replacements during Mrs ... This ... was suggested by the Staffing Committee when our position was brought to their attention last year.

In 1977 there ...

The permanent staff ... our work are being neglected for lack ... adequately. We need the money not only to continue employing the part-time staff referred to above, but also to engage the people at present paid from Demonstrator money, and other specialists who at present cannot be approached. It is a question of maintaining the existing position as a first priority, and then of improving on it.

A brief account of the work ... by the present staff of the School of Librarianship should make the position clear. There are at present six

undergraduate/2........

*. This was in addition to paying three part-time lecturers to do Mrs Russell's work.

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R50 000 for Defence

Staff Reporter

THE SPRINGS Town Council is to invest R50 000 in Defence Bonds.

This was approved at the monthly council meeting after an appeal from the officer commanding the Witwatersrand Command.

The town treasurer, Mr Patrick van [illegible], said although the council did not have funds [illegible] for this type of investment Defence Bonds were a question of "helping to ensure the continuation of [illegible]".

[illegible]

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Other banks safe—Horwood

3/12/71 RDM

CAPE TOWN — Following hard on the problems experienced by Rondalia Bank and Rand Bank, the Minister of Finance, Sen. Horwood, said yesterday there was no reason why other banks should get into difficulties.

"I feel it is desirable that I should reassure the public as far as it is in my power," he said.

"I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties."

He said that according to the available information, certain specific factors were primarily responsible for the problems facing Rondalia Bank and Rand Bank.

"To the best of our knowledge these factors are not applicable to other banks," he said.

"Even in the cases mentioned, it is reasonable to expect that with careful handling and given necessary time the public need suffer no loss."

He thought it to be in the national interest to bring the facts to the notice of the public so that uncertainty did not create unnecessary problems for the smaller banks. — PC.

Biggest crash in S.A. history

GLEN ANIL GOES UNDER

2/2/77 nm

Johannesburg

THE R180 million property empire of the Glen Anil Development Corporation toppled yesterday with a crash which will reverberate round the entire economy.

Glen Anil, one of the country's biggest township developers, was placed in voluntary provisional liquidation in the Rand Supreme Court yesterday after the cutting of its financial lifeline by the consortium of banks which had been providing combined support amounting to more than R100 million.

According to Sapa, the repercussions of the crash — thought to be the biggest in South Africa's history — are bound to have a serious effect on the already ailing property and township development markets.

It will also affect banking and business circles and the confidence of the general investing world.

The consortium's decision to pull out left Glen Anil with no choice but to go into liquidation as the Government had already indicated it would not rescue the group.

The banks, who reached their decision to withdraw after two all-day meetings on Monday and Tuesday, still hope to salvage something from the wreck.

In a statement yesterday they said: "It is the intention of the majority of members of this consortium to continue to co-operate with one another whilst the company is in the course of being wound up, with a view to taking whatever steps are reasonably possible to avoid any undue or unnecessary adverse impact on the township and property market."

One suggestion understood to have been mooted is that efforts should be made to band together a number of major companies in a consortium to inject the necessary liquidity into the group to refloat some parts of it.

Most of the banks hold security in the form of mortgage bonds and deed - of - sale debtors.

Shareholders with more than R34 million in Glen Anil are not expected to recover anything.

It is understood about 15 000 people have bought land from the group on deed of sale, and owe a total of around R61 million.

The financial straits of Rand Bank, the consortium member placed under curatorship last Saturday after a heavy run on its deposits, led the other banks to reconsider their suport for Glen Anil.

Dr. F. J. du Plessis, curator of Rand Bank, said yesterday it was hard to believe the consortium would not try to do something to prevent an uncontrolled liquidation.

If there was a liquidation, he assumed Rand Bank would get back at least part of the R10 million it had lent Glen Anil.

A spokesman for one of the consortium banks said he thought the banks had some responsibility to ensure the bottom did not drop out

GLEN ANIL FOLDS

3/2/77

FROM PAGE 1

of the residential property market.

But the Mercury's financial reporter writes that Natal is not likely to be hit as badly as other parts of the country.

Glen Anil's company report for the year to June 30, 1976 shows its two largest investments to be Paradise Valley and Port Zimbali, near Umhloti Beach.

Around R5 000 000 has been sunk into Port Zimbali to date, while Paradise Valley has eaten up around R10 million.

The company is also known to have Glen Hills township in the Durban North area, with 200 stands, most of which have been proclaimed and 50 percent of Illovo Glen and Zinkwazi Glen.

It is believed the majority of Glen Anil clients have already taken transfer of their stands and will probably not be affected by the liquidation.

But property owners at Illovo Glen on the South Coast will have to wait until Illovo Sugar Estates, which holds 49 percent of the township holding company with Glen Anil, discusses the matter with the Glen Anil liquidators.

They will then hear what will happen to their investment.

Mr. J. P. Willsher, managing director of Illovo, said the 2 200 ha township had been proclaimed. Two houses had been built to his knowledge. An agreement with Glen Anil where Illovo had offered land to them for sale to the public had not been renewed after the first five years.

Mr. Willsher said it was possible Ilovo would buy out Glen Anil's share of the development company.

However, he thought that all property owners would be protected as the township was proclaimed.

Meanwhile, following hard on the problems experienced by the Rondalia Bank and the Rand Bank, Senator Owen Horwood, Minister of Finance, said yesterday there was no reason why other banks should get into difficulties.

He issued a special statement in Cape Town yesterday to ease public uncertainty about the position of other small banking institutions.

"I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties," our parliamentary correspondent reports.

5 8

Trade gap continues to narrow

2/1/77 RM

THE narrowing of South Africa's merchandise trade gap, which began last April, continued in the closing months of 1976, says the Standard Bank review. The seasonally adjusted shortfall in December was R61 100 000, compared with an average monthly shortfall in 1976 of some R114 900 000.

The gap continued to narrow in spite of reduced export growth in the latter half of the year and slower expansion of world trade and declines in commodity prices. But the main reason for the narrowing was a large decline in the import bill from about May.

Last year's strong downward trend in imports was a reflection of a decline in consumer demand, lower levels of real fixed investment by the private and public sectors and falling inventories. From August the import deposit scheme is likely to have played a role in accentuating the decline in imports, says the bank.

South Africa's largest category of export revenue has for some time been that from gold coin, diamonds and precious stones, which earned 25,5 per cent of export revenue in 1975, and 20 per cent in 1976. This loss of share was entirely due to weak coin sales.

Earnings from Krugerrands and diamonds in 1976 combined were only 1 per cent higher than in the previous year. Revenue from Krugerrand sales in 1976 deteriorated substantially from the 1975 levels because 2 900 000 coins were sold abroad in 1976, compared with 4 700 000 in the previous year. Not only were fewer coins sold, but the gold price was lower.

Buoyant diamond sales partly compensated for the disappointing gold coin sales abroad in 1976. World sales of uncut diamonds were 45 per cent higher than in the previous year and 17 per cent above the record of 1973. Gem sales were mostly to the United States, Japan and West Germany.

The strong performance of the non-gold mining sector last year made an important contribution to the external payments position. Exports of base metals and minerals accelerated in most of 1976 after having risen moderately in 1975.

Greater volumes of coal, manganese, asbestos, copper, chrome and vanadium were exported.

Agricultural exports were nearly 6 per cent below the 1975 level.

"This is significant because only 12 per cent of foreign earnings in 1976, excluding gold bullion, was derived from this source, compared to a contribution of 28 per cent in 1975."

Sugar available for export in the current season is estimated at 840 000 tons — 23 per cent more than in the season ended in May, but prices are now considerably lower.

Foreign earnings are likely to amount to R180-million — 14 per cent less than in the previous season.

The wool season to June produced export earnings nearly 60 per cent above the 1974-75 season, and earnings to October are 68 per cent higher than in the corresponding four-month period of 1975, says Standard Bank. — Sapa.

Mr Gerry Clark, general manager of NSO South Africa (Pty), has been appointed to the company's board. Mr Clark spent 11 years in the British police before coming to South Africa. He spent a number of years in the security field, before joining NSO in 1971

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BIG CASH BOOST TO THE TINY 'STATES'

PRETORIA—The net national income of South Africa's eight homelands increased by 72 percent to R1 329-million in the three years from 1971 to 1974, according to a report on the homelands' national accounts for the period, published here by the Department of Statistics.

The income of homeland computers increased by 88 percent during the three-year period, and was relatively high in the case of Bophuthatswana 75 percent, Ciskei 91 percent, and KwaZulu 139 percent of the net domestic product.

Transfer payments to homeland governments and direct expenditure by South African Government bodies in the territories totalled about R163-million in 1971, compared to R270-million in 1974, an increase from R30 per head of population to R45.

During the period, transfers and expenditure increased from about R65-million to R95-million in KwaZulu, R22-million to R53-million in Lebowa, R31-million to R47-million in Bophuthatswana and R22-million to R39-million in Ciskei.

Low cost

The report states that "the substantial expenditure in the homelands by the South African Government makes it possible to provide services such as education, housing and health at very low costs to the users."

The expenditure did not include funds which the Government supplied to development corporations for investment in the homelands.

On the other hand, the homeland governments did not contribute towards investments by the South African Railways and Harbours, the Department of Posts and Telecommunications, and Escom in the homelands.

The gross domestic product at current prices, of all homelands combined, increased by 14,3 percent in 1972, 25,4 percent in 1973 and 27,3 percent in 1974.

Inflation

Substantial price increases occurred, however, and to give a rough indication of real growth the GDP could be deflated by means of the consumer price index to arrive at approximate increases of 7,4 percent in 1972, 14,4 percent in 1973 and 14,1 percent in 1974.

Market production increased by 92,8 percent from 1971 to 1974, while non-market production increased by 59,8 percent over the same period.

The share of the total homeland GDP originating in the major agriculture, horticulture and forestry production division varied between 20 and 22 percent during the period, and the gross value increased from R56-million to more than R100-million.

The number of cattle in all homelands increased from 2,3 million in 1971 and 1972 to 2,5 million in 1973 and 2,6 million in 1974.

Varied

The output of maize, by far the most important agricultural product, has varied considerably over the years according to the report.

It increased from 134 000 metric tons in 1971 to 177 000 in 1972, then deceased to 128 000 in 1973 and afterwards increased to 168 000 metric tons in 1974.

The mining divisions share in the GDP of all homelands increased from 13 to 19,8 percent in the three-year period.

Bophuthatswana contributed 83,1 percent and Lebowa 15,9 percent of the total value of mining in all the homelands.

In Bophuthatswana, mining contributed 52 percent of the GDP in 1974 and in Lebowa 16 percent, while the share in all the other homelands was less than 2 percent.

The share of non-Whites in the GDP of all homelands was on average between 75 and 77 percent in the three years.

The report states that it was low in Bophuthatswana as a result of the mining activities from which race groups other than Africans obtained appreciable income.—(Sapa.)

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Reserves increase

4/4/77

PRETORIA — South Africa's total gold and foreign assets increased by R34 478 169 last week and stood at R719 137 633 on Friday, according to the weekly statement of the Reserves Bank.

In a special statement the bank says the increase in assets during the week ended January 28 reflects, inter alia, a drawing of R39,0 million on the International Monetary Fund under the existing stand-by arrangement.

According to the weekly statement the gold holding alone increased slightly, by R37 495 to R376 645 001.

Foreign bills increased from R20,5 million to R27,7 million while foreign investments dropped slightly from R21,8 million to R21,7 million and other foreign assets increased from R265,7 million to R292,8 million. — (Sapa.)

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58

Property giant crashes

3/4/77 DD

JOHANNESBURG — The R180 million property empire of the Glen Anil Development Corporation toppled yesterday with a crash which will reverberate round the entire economy.

Glen Anil, one of the country's biggest township developers, was placed in voluntary provisional liquidation in the Rand Supreme Court yesterday after the cutting of its financial lifeline by the consortium of banks which had been providing combined support amounting to more than R100 million in loans and guarantees.

The repercussions of the crash — thought to be the biggest business crash in South Africa's history — are bound to have a serious effect on the already ailing property and township development markets, and will also affect banking and business circles and the confidence of the general investing world.

The consortium's decision to pull out left Glen Anil with no choice but to go into liquidation as the Government had already indicated it would not rescue the group.

Trust Bank was understood to have been owed R41 million by Glen Anil, followed by Nedbank (R29 million), Standard (R13 million), Rand Bank (R10 million), Senbank (R5,5 million), Barclays (R5,3 million), Hill Samuel (R3,6 million) and Bank of Johannesburg (R3,1 million).

The banks, who reached their decision to withdraw after two all-day meetings on Monday and Tuesday, still hope to salvage something from the wreck.

One suggestion understood to have been mooted is that efforts should be made to band together a number of major companies in a consortium to inject the necessary liquidity into the group to refloat some parts of it.

Most of the banks hold security in the form of mortgage bonds and deed-of-sale debtors.

Shareholders with more than R34 million in Glen Anil are not expected to recover anything.

It is understood about 15 000 people have bought land from the group on deed of sale and owe a total of around R61 million.

A spokesman for one of the consortium banks said he thought the banks had some responsibility to ensure the bottom did not drop out of the residential property market.

The demise of Glen Anil, whose shares soared to R34 each in the housing boom of the late 1960s, then plummeted to 37c four months ago when rumours of difficulties began, illustrates the liquidity problems which have been crippling the property industry.

Corlett Drive Estates was the first to go two years ago when it was put under judicial management. Then last year the S. M. van Achterbergh group ran into trouble and a number of its companies have been liquidated.

The court was told yesterday that one of the reasons for the Glen Anil crash was that the group's borrowings far outstripped the capital and increase in reserves and that this had led to serious under-capitalisation.

The political and economic scene in South Africa was also blamed for a sharp decline in the demand for stands.

A consolidated balance sheet prepared at September 30 last year reflected assets of R147 million against liabilities of R136 million.

But the Glen Anil chairman, Mr David Rubenstein, said that although the company might appear to be solvent, its liquidity situation rendered it "commercially insolvent and unable to pay its debts."

The financial straits of Rand Bank, the consortium member placed under curatorship last Saturday after a heavy run on its deposits, led the other banks to reconsider their support for Glen Anil. — SAPA.

R300 000 fraud: brothers flee SA

3/2/77 Star

58

Own Correspondent

DURBAN — Two Durban brothers are reported to have fled the country after police investigations into the alleged fraud of more than R300 000 from Pick 'n Pay stores.

The fraud, understood to have taken place over more than a year, involves the altering of invoices for large consignments of fresh produce ordered by Pick 'n Pay from a wholesale firm.

The alterations allegedly caused Pick 'n Pay to pay for goods it did not receive.

The two brothers are Chris and Rene Fayd-'Herbe de Maudave who allegedly used the fresh produce firm, Apo (Pty), as a front for their operations.

Police believe the men took most of the R305 000 involved when they fled to Mauritius early in January.

They were seen on the island between January 10 and 14 and had apparently started negotiations to buy a hotel for about R200 000 but were put off by the unstable political situation.

A police spokesman said the alleged fraud took place last year at Pick 'n Pay branches in Montclair, Berea, La Lucia and Musgrave Road.

Police have questioned many people since the start of investigations and expect to make "a lot more arrests."

The estate of Chris Fayde'Herbe de Maudave was finally sequestrated last year after the Durban Supreme Court had heard that he owed a bank about R4 250 and had other debts totalling about R250 000.

58

Reserves rise R34m after IMF drawing

17/2/82

Total gold and foreign reserves rose R34,5m last week to R719,3m, the Reserve Bank said.

The rise is largely attributable to the drawing of R39m on the IMF under the existing stand-by arrangement, the bank said.

Gold holdings were unchanged at R376,6m.

The bank said in its weekly return to January 28 bills increased R7,2m to R27,8m, investments were unchanged at R21,8m and other assets were up R27,3m at R293m.

The gold content was 52,37 percent (55,00), and the ratio of gold reserves to liabilities was 25,4 percent, compared with 25,5 previously.—Reuter.

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Land firms face threat

2/2/77 Star

By The Star's Insight team

The future of the multimillion rand Glen Anil empire hung by a thread today and a business expert forecast a string of collapses among weaker property companies in the next six months.

Glen Anil's chances of survival withered to almost zero when a consortium of top banks withdrew combined support amounting to more than R100-million in loans and guarantees.

The property giant, whose shares soared to R34 each in the housing boom of the late 1960s, but plunged to only 37c four months ago on first rumours of trouble, is expected to apply to the Supreme Court for its own liquidation.

If so, it will mark one of the biggest single business crashes yet in South Africa.

Ailments

It will underline the symptoms of ailments that have become widespread across the property scene which has cut deep into the confidence of land and home buyers.

First cracks appeared two years ago when Corlett Drive Estates was put under judicial management under pressure from Barclays National Bank and Jessel Properties.

The reasons were familiar: debts running into millions of rands and a critical cash shortage getting worse.

A second major shock came six months ago when S M van Achterbergh toppled from a profit run into heavy losses. The company is now being liquidated piece by piece.

Mr Marke Markovitz, chairman of the Witwatersrand section of the South African Property Owners' Association, delivered a grave warning today that more business shocks may be on the way.

Shakeout

The shakeout of weaker property companies will continue for the next six months, he said.

"The collapse of property companies has been as a result of bad management, over-buying of poor property, short sighted marketing and very high gearing," he said.

Mr Markovitz, also managing director of Landmark Real Estate, predicted a number of liquidations or judicial management orders by mid-1977.

"A lot of the troubles stem from the property stampede in the late 1960s when amateur dealers were jotting down nonsen-

To Page 3, Col 2

Personnel Managem
Marketing
Personnel Manager
Law (B.Bus.Sc./L
Business Finance

...ing courses to complete degree:

Actuarial Science I (
Actuarial Science II

Accounting B
Business Finance
Communication
Costing (Management Acctg) I
Taxation & Estate Duty II

Sake Afrikaans
Communication
Introduction to Computing (R)

58

Bankers' reluctant move

The bankers who yesterday decided to withdraw their financial support from Glen Anil acted with great reluctance. They, better than anyone, knew the catastrophic effect their move could have.

They had sat late discussing the problem the previous night and yesterday's meeting lasted a long time.

According to some sources, they finally made their decision only after becoming convinced they had no other option.

CERTIFICATES

They also faced a problem that had already led to one bank, Rand Bank, being placed under curatorship.

Rand Bank was owed R10-million by Glen Anil and this led to problems and, it was feared, could have led to large scale withdrawal of deposits.

Its negotiable certificates of deposits (NCDs) were already being treated with wary circumspection on the financial market.

Mr David Rubenstein, chairman of Glen Anil.

These certificates are a kind of bankers IOU for large amounts that are traded almost exclusively among large financial institutions. Many were due to be "rolled over" (renewed or paid out) and the market was nervous the bank, because of its heavy commitment to Glen Anil, would not be able to pay.

Appointing a curator for Rand Bank meant that its deposits were "frozen" and no "run on the bank" could develop.

NERVOUS

If other bankers, particularly the smaller ones, were nervous when they discussed Glen Anil at their meeting high in a city centre skyscraper it would be difficult to blame them.

In deciding to discontinue support of the property giant they also knew they were letting themselves in for endless legal headaches.

"There will be enough work in this to keep every lawyer and every advocate in Johannesburg busy for a year," one source told The Star.

"Swarms" of concurrent creditors were expected to come out of the woodwork and sue for their money.

In addition, other legal problems were expected to arise from the different arrangements banks had with Glen Anil.

GUARANTEED

Some, for instance, had guaranteed finance for the installation of water, roads, electricity and sewerage in new Glen Anil townships.

"If," bankers asked their lawyers, "Glen Anil goes out of existence, and the townships pass into other hands, can local authorities move in, install the services and sue us for their cost in terms of our guarantees?

"If so, who can we sue? Our contract is with Glen Anil and it would no longer be in existence."

The lawyers did not know. However, there seems to be enough meat in that question alone to keep a court arguing for a year.

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UNIVERSITY OF CAPE TOWN

(WITH WHICH IS INCORPORATED THE SOUTH AFRICAN COLLEGE)

TELEPHONE: 69-8531

Director Ext. 497

Secretary Ext. 496

SCHOOL OF LIBRARIANSHIP,
P.D. Hahn Building,
University of Cape Town.

gust, 1976.

APPLICATION FOR ... TEACHING ASSI...

SCHOOL OF LIBRARI...

SUPPORTING MEMORANDUM

R2,5m loan

BANK OF Johannesburg has attracted underwriting commitments for the full R2 500 000 loan issue on behalf of the Phalaborwa Water Board.

A loan for 20 years with a coupon rate of 13,35 per cent is offered.

The funds will be used for extension of the board's supply to cope with bigger demands for the industrial areas as well as the residential and Black townships.

The success of the issue confirms earlier expectations that long-term loans would attract more support.

The School of Librarianship has had its staff reduced in the last 3 - 4 years by the loss of assistance previously given on a no-charge basis by former members of the University Library staff. Up to four subjects were taught in their entirety by Mr R.F.M. Immelman, Miss L.E. Taylor, Mr G.D. Quinn, and myself while still on the Library staff. Other subjects were shared, and sections of courses were being taught by another three or four. At the present time there are still three people who help with sections of courses, and several who give one or two lectures on their own specialities.

During 1975 and the first part of 1976 it has been possible to engage part-time lecturers from outside the University for one complete course (Miss L.E. Taylor) and sections of a course (librarians from City Libraries and the Cape Provincial Library Service). The money to pay them has been obtained by making economical use of the money available for leave replacements during Mrs Russell's absence.* This course of action was suggested by the Staffing Committee when our position was brought to their attention last year.

In 1977 there will be no leave replacement money.

The permanent staff are working to capacity, and certain aspects of our work are being neglected for lack of time to deal with them adequately. We need the money not only to continue employing the part-time staff referred to above, but also to engage the people at present paid from Demonstrator money, and other specialists who at present cannot be approached. It is a question of maintaining the existing position as a first priority, and then of improving on it.

A brief account of the work done by the present staff of the School of Librarianship should make the position clear. There are at present six undergraduate/2........

* This was in addition to paying three part-time lecturers to do Mrs Russell's work.

58

Moerat Mr M

Nattrass Dr. J King George V Avenue

Costhuizen Mr. 39, BLOEMFONTEIN 9300

Parsons Mr.J. nes P O Box 61809

Pebane Mr. L. 9520

Pennefather Mr 205

Perks Mrs. P.

Perks Mr. W.

Peterson Mr.A. NDEBOSCH 7700

Phimister Dr. I RHODESIA

Potgieter Mr. J 4380

Ratcliffe Ms. A , JOHANNESBURG 2196

Building societies and commerce

1/2/77

THE NATAL Chamber of Industries believed it was the function of Government to provide housing "for the lower echelons of the population," said Mr. H. W. Archibald, the president of the chamber.

The chamber was however, aware that the Government did not have the necessary financial resources at present.

Mr. Archibald said the chamber felt the building society movement should be allowed to extend its activities to Africans.

Several officials have pointed out that building society interest rates were almost double those offered by the Bantu Investment Corporation.

Mr. Archibald felt it was "naive to expect employers to donate funds" for home building to employees. Even in more prosperous times only a small number of employers could afford to do this.

The chamber was also not enthusiastic about lending money to employees. "Loans are equally difficult in the present circumstances and adequate security is a problem.

"The chamber furthermore believes that the employer-employee relationship should be untrammelled by the burdens of substantial financial indebtedness of the employee to the employer."

Rees Mr. D. c/o Dept of Economics U.C.T. RONDEBOSCH 7700

Reynolds Dr. N. The Ford Foundation, 55 Lodi Estate, New Delhi, INDIA

Rich Mr. P. 25 Park Road, RONDEBOSCH 7700

Richardson Mr. D. 96 Buckingham Road, KLOOF NATAL 3600

Robb Ms.N. Silverhurst, Alexandra Road, WYNBERG 7700

Robinson Mr. T. c/o Cape Times, CAPE TOWN 8001

Matsobane Mr.D. P O Box 65 HORISON 1730

Savhal Mr. B. Alwyn Court, Bridgton. OUDTSHOORN 6620

Schaffer Mr. A. Woodside Avenue, Cowie's Hill VIA DURBAN 3600

Simons Ms. M. c/o CAGL, U.C.T. RONDEBOSCH 7700

Stadler Dr, A. Dept. Political Studies, Wits. JOHANNESBURG 2001

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Suzman Mrs. H. 49 Melville Road, Hyde Park, Sandton TRANSVAAL 2199

Stewart Mr. J. Fincial Mail, P O Box 2447, CAPE TOWN 8000

Tarr. Dr. A. Dept of Agricultural Economics, University of Natal PIETERMARITZBURG 3201

Theron Mr. J. c/o Institute of Race Relations, 5 Long Street MOWBRAY 7700

Van der Merwe Mr. L. Posbus 58, BONNIEVALE 6730

Van der Horst Dr. S. 21 Rugby Road, ORANJESICHT CAPE TOWN 8001

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58

Bank cash is frozen

Dom 1/2/77

JOHANNESBURG — The Rand Bank, with assets of R180-million last March, has been placed under curatorship. The Governor of the Reserve Bank, Dr. T. W. de Jongh, has issued a statement saying that the Reserve Bank guarantees the foreign liabilities of Rand Bank.

Professor Dr. E. J. du Plessis, chairman of Senbank, has been appointed curator, following an urgent application by the Registrar of Banks, Mr. Wynand Louw, to the Supreme Court in Pretoria on Saturday.

The appointment was supported by the Minister of Finance, Senator Owen Horwood.

It is understood that Rand Bank's immediate difficulties stem largely from its involvement to the extent of about R10-million in the ailing Glen Anil township development company.

Rand Bank is one of eight banks that have been mounting a rescue operation for Glen Anil.

One immediate effect of curatorship is that clients' deposits with Rand Bank will be frozen until its overall position can be ascertained.

The Cabinet decided last week not to give help to Glen Anil, which has debts with the eight banks of approximately R80-million.

Curatorship for a bank is similar to judicial management for a company, and is designed to give the bank breathing space to establish its position and determine its future course of action.

Rand Bank is the second of the smaller South African banks to have been placed under curatorship. Towards the end of last year Rondalia Bank was placed under the curatorship of Dr. Charles Ferreira, managing director of Mercabank.

He later announced that he was confident of finding a quoted company to purchase the bank. — (Sapa.)

See Page 24

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578

Soweto to get 2 bank branches

1/3/77

Des Fitzlea [illegible]

Two bank branches are to open shortly in Soweto. Standard plans to open its doors [illegible] month and Barclays should follow before the end of March.

Until February last year Soweto, which has an annual spending power of over R[illegible]m, was only served by agencies. But in February 1976, Barclays, which was the only banking service in the area, lifted its agency to branch status.

The bank had planned a new building for its branch, but the June disturbances [illegible] the temporary premises destroyed and the building of the new premises [illegible].

However, Barclays' new building should be completed by the end of March. The new branch, which will be run by blacks, is in [illegible] Village, one of the wealthier areas in Soweto.

The manager of the branch will be Mr T[illegible] Molete, formerly a business development officer at Barclays. He is also an executive member of the multiracial South African Bank Employees' Union.

LOAN FINANCE

The new Standard Bank branch, the bank's first in an urban black area, was originally planned for August last year, was held up by building and electricity supply difficulties.

It will employ 12 people — all of them black. The first manager is Mr Henry Lugojolo, previously a marketing officer in Standard.

The R250 000 building is in Jabulani and is expected to draw a large number of accounts from the town branches and agencies.

Full branch facilities will be offered, including loan finance. The building also contains a [illegible] auditorium available to Soweto businessmen for meetings as well as [illegible] given by the bank on money matters.

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RAND BANK'S CASH CRISIS

Financial Reporter 1/2/71

THE PLACING of Rand Bank under curatorship is unlikely to have any real direct impact on Durban business, but the ripple effect may well be felt throughout South Africa.

Hardest hit is going to be motor sales organisations as the bank's main activities were in hire purchase financing and leasing operations.

While Rand Bank concentrated its activities in the Transvaal, it did some business in Natal, mainly in the motor trade.

One of the main results of the move, say Durban bankers, is going to be a public loss of confidence in the banking system in general and small banks in particular.

One said: "This is not a sign that the banking system is tottering on its last legs. Banking in South Africa is more tightly controlled than it is anywhere else in the world."

While no information was forthcoming from Rand Bank yesterday, the problem seems to have been caused by a liquidity crisis brought about by the bank's R5 million exposure to Glen Anil, itself the subject of heated controversy in banking circles.

This, combined with dropping profits, probably meant the bank has hit a severe cash flow problem.

The result probably was that the bank was unable to meet NCD's falling due, and rather than dishonour its commitments, it has requested that a curator be appointed to handle its affairs and that it be protected from legal action for payment of its commitments.

Though it is probable that, in time, all obligations will be met in full, it is unlikely that Rand Bank will be the same again.

The chances are that it will continue but it may be sold as a shell to some company wanting a banking licence — and there are a few buyers in the market at present.

Tony Hudson

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Reserve Bank to help out Rand Bank

3/4/77 Star

Colin Campbell

The Reserve Bank is to guarantee the foreign liabilities of Rand Bank, the Governor, Dr T W de Jong, said in a special statement today.

The Reserve Bank's intervention after the appointment of a curator is seen as a move to protect South Africa's name in the international banking world.

The total sums involved have not been disclosed, but it is understood that Rand Bank was heavily involved in import-export credit — notably for certain motor companies — and that it had large commitments with American banks.

STATE'S DUTY

The Progressive Reform Party's spokesman on finance, Mr Harry Schwarz, MP, said today the authorities had a duty to show their confidence in the small banks, and ensure that none which was inherently sound should be affectetd by the problems of Rand Bank.

Last month, Rondalia Bank was placed under curatorship.

The seed of Rand Bank's problems is the Cabinet's decision not to support with State aid the ailing property group Glen Anil.

● Glen Anil loan triggered woes of Rand Bank —Page 16.

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Alarm over Govt insurance plans

30/1/77

5/

THE SHORT-TERM insurance industry is alarmed over legislation proposed by the Government which they fear will disrupt their businesses and sharply increase the costs of short-term cover.

Short-term cover would cost more

By STEPHEN MULHOLLAND

The proposed legislation, the first draft of which was circulated this week, calls for the automatic cessation of cover if premiums are not in the hands of the insurers within 30 days after the insurer has assumed the risk. The proposed legislation allows for no discretion in this matter and short-term insurers claimed this week that this could be disastrous for the protection of company assets and liabilities and the welfare of individuals and their families.

A short-term expert said: "This kind of legislation is unknown in any other part of the world and would seem to be against the public interest." Short-term insurance experts pointed out that, for example, it is common practice with new businesses for insurers to hold them covered while the risks are assessed and rates established. This frequently takes months and in terms of the proposed new legislation such understandings and flexibility in the short-term insurance industry would be destroyed.

The proposed legislation also limits the discretion of insurance companies to increase the amount of a provisional premium by more than 10 per cent. It is claimed in the industry that insurers will have to overcharge because it is virtually impossible in the early days of establishing a business to calculate the rate within 10 per cent accuracy. It will also make it difficult for clients to negotiate with insurers who have established a high rate at the outset in respect of which premiums would, by law, have been paid within 30 days.

Another contentious aspect of the draft legislation is that it calls for agents to set up trust accounts in which all premiums are to be deposited. These premiums are to be paid monthly to the insurance companies and the provisions of the legislation make it clear that the trust account method of operation will mean large increases in staff adding to the costs of insurance cover.

It is pointed out that insurers and agents will have to watch payment of every item which, for commercial and industrial houses, is extremely complicated.

The proposals are regarded as a backward step as the whole industry and the Registrar of Insurance Companies have been trying to improve the cost structure of the industry.

It is also pointed out that agents who are now to to get less commission by Government controls are being faced with substantial extra costs through the new proposals.

The legislation also fails to provide for the monthly payment of short-term premiums which is widely used, particularly by individuals.

'Let the blacks build'

Chamber of Industries calls for change in 'whites only' loans law

30/1/77 S

By Property Editor COLIN VINEALL

THE Natal Chamber of Industries believes building societies should be allowed to extend their activities to blacks, and wants restrictions lifted to enable them to do so.

And it has called for a campaign to build the "optimum number" of houses for blacks in a bid to stem the "socio-economic crisis flowing from the rising tide of unemployment."

It says that a loan from a building society would leave the black employee independent, and adds: "As whites have the right to seek loans from societies, what earthly reason is there to deny that right to non-whites?

"For too long, different rules have been applied to different races, in a multiplicity of facets of their daily lives. Surely, some rationalisation is called for."

An editorial column in its weekly bulletin says that the chamber believes that as a basic premise, it is the function of the Government to provide housing for the lower echelon of the population.

"It is, however, aware that Government funds at the present time are inadequate to meet the total demand for black housing."

Urging that building societies should be able to help, the Chamber points out that this will only be possible if existing impediments are removed.

"The major problem is one of security and in this context, the Chamber points out that building societies are precluded by a provision of the Building Societies Act, 1965, from advancing money other than on the security of a mortgage on urban immovable property and whites and white-controlled institutions are precluded, primarily in terms of the Group Areas Act, 1966, from holding rights to immovable property in non-white areas."

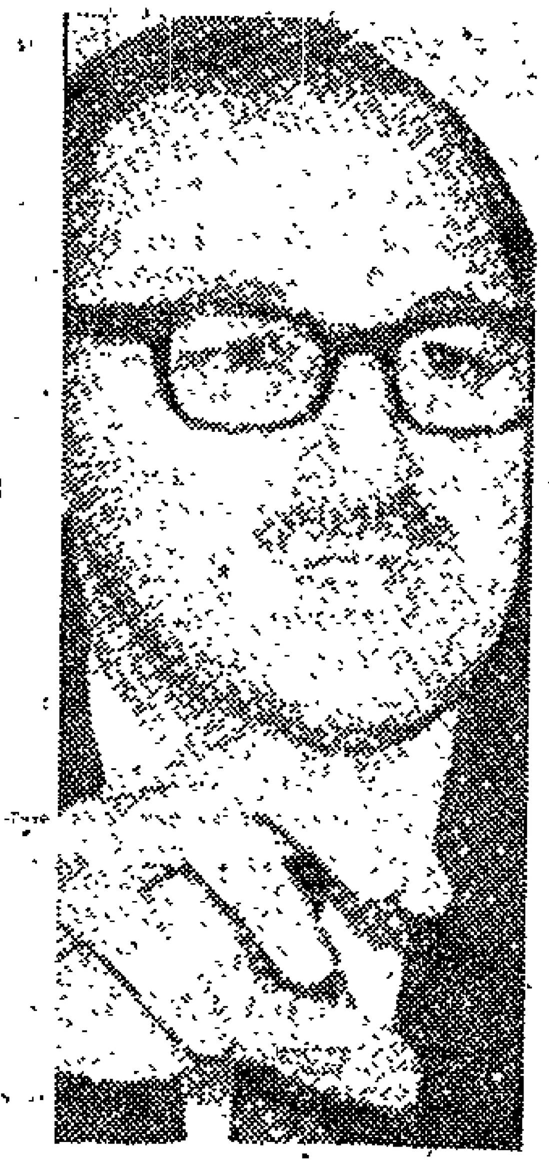
The Chamber says an amendment to the law would be necessary to give a white or white-controlled building society the right to register a mortgage bond against the title deeds to immovable property in non-white areas and provide protection for the bond-holder in the event of a breach of contractual obligations.

The Chamber says: "It is rather naive to expect employers to donate funds for home building to employees, especially in the current difficult economic situation. Even in more prosperous times, only a very small percentage of employers could afford to make outright donations.

"In any event, the chamber doubts whether 'handouts' of this nature are psychologically good — they certainly do nothing for the self-esteem of the recipient.

"The Chamber believes employers can play a role in the development of non-white housing by investing in building societies to a greater degree should the impediments mentioned be removed. It is accepted that many employers are able to assist employees in the acquisition of homes, and in this, the Chamber would never say Nay.

"We believe that a campaign aimed at the production of the optimum number of black housing units is now called for and will do much to alleviate the social problems created by the lack of adequate housing and the socio-economic crisis flowing from the rising tide of unemployment."



DE WET
The State must allow societies to provide

And . . . let the building societies help

58

Property Reporter

THE MEANING and value of housing and home-ownership to the black urban population can no longer be regarded as beyond the consideration of building societies, Mr Ané de Wet, managing director of the Trust Building Society told the Stellenbosch Afrikaanse Sakekamer this week.

He said housing for the lower income groups of sub-economic housing is correctly the responsibility of the State.

"Economic housing without any further qualifications, however, is the responsibility and province of building societies. They must therefore be in a position to provide the necessary finance."

In a major speech on home-ownership and its future in South Africa, Mr de Wet said a house in South Africa has a vastly different meaning to different people. The only common denominator was that it is a place of shelter.

In the South African context, there must be distinction between:

- The big farm houses with hectares of land around them.
- The urban mansions of successful white, Indian and Coloured entrepreneurs or professional people.
- Ordinary houses and flats.
- Shacks in which some whites, but mainly Coloureds, Indians and urban blacks live — with doubtful tenure and uncertain ownership.

He quoted the "authoritative building survey" by the Bureau of Economic Research of the University of Stellenbosch, which stated that if it was assumed that residential building costs have increased by about 15 percent, the total real fixed investment in residential buildings, compared to 1975, decreased by about 10 percent during 1976.

The Bureau also said that many firms would probably discover this year that the main problem will be a struggle to stay in business.

Survival might be the keyword for the year to many, and in this battle not profits only but cash flow will be the operational term.

"This means," said Mr de Wet, "the provision of new housing has been severely curtailed in 1976 and will be even more limited in 1977.

"The rate at which private homes are built depends very much on the availability of building society funds, for which there is seldom an absence in demand."

He said that while it was not the function of the State to provide finance, it was its duty to provide the legal framework within which building societies are able to obtain the necessary funds in order to operate effectively in the execution of the vital function of providing finance for housing.

"Our free enterprise system, in fighting the evils of creeping socialism, must see to it that the initiative remains in the hands and control of private enterprise."

Mr de Wet also said that although the housing and real estate market is quiet and inactive at the moment, the indications were nevertheless strongly in favour of buying now rather than waiting for a decline in house prices.

UNIVERSIT[illegible] [illegible] TOWN

Coal loan

MANILA. — The Philippines National Oil Corporation Energy Development Company is considering seeking a $13 300 000 loan from the Asian Development Bank to develop coal resources in Cebu, central Philippines. — Reuter.

TELEPHONE 69-8531
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7700

FACULTY OF ARTS

The School [illegible] in the last 3 - 4 years [illegible] assistance [illegible] given on a no-charge basis [illegible] subjects were taught in their entirety by Mr R.F.M. Immelman, Miss [illegible] Taylor, Mrs [illegible] Quinn, and myself while still on the Library staff. Other subjects were shared, and sections of courses were being taught by another [illegible] people who help with sections of courses, as well as several who give one or two lectures [illegible]

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58/336

Star 12/1/77

Building society for Soweto opens next month

The West Rand Bantu Administration Board is to establish its own building society next month to help finance housing, the director of housing in Soweto, Mr M P Wilsnach, said in Johannesburg today.

He said the society would operate with money fed it from the revolving fund at the board's disposal.

Mr Wilsnach declined to reveal the amount in this fund, but said it was "substantial."

At present it takes about two years for a Soweto resident to buy an existing home. There are 10 000 people on the official waiting list.

FINANCE

The only way he can get a house is to have one built, which costs him between R1 359 and R4 000. He either has to pay cash, or get his employer to finance him.

It takes four to six weeks to build.

Mr Wilsnach said that as soon as funds are available his board will advertise.

Yesterday The Star reported that the Natal Building Society had made R1-million available to the board and that other societies were examining the possibility of making loans.

Mr Wilsnach today refused to comment on why people were being told they had to pay cash for new houses while the board had "a substantial sum" at its disposal. He said money to build new houses would be available during February.

⊙ Houses for all a must —Page 9.

~~152~~
~~16~~
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Dutch bank ends SA loans

21/1/77

Own Correspondent

LONDON. — A Dutch bank has bowed to pressure by anti-apartheid groups and decided not to lend any more money to South Africa.

It is the Amsterdam-Rotterdam bank, one of five European banks — among them the Midland Bank of Britain — which had made substantial loans through the European-American Banking Corporation.

The Reverend David Haslam, secretary of End Loans to South Africa, said: "This is very significant. It has shown that public opinion can change a bank's policy and means that the Midland need not fear being the first bank in the consortium to stop lending money to South Africa."

As part of the campaign, the Greater London Council was yesterday urged to use its 200 000 shares in the Midland to vote against the bank's continued investment in South Africa.

The call was made by Mr Lloyd Harrington, deputy leader of the council, which is controlled by the Labour Party. He said: "There are good financial as well as moral reasons why such investments should stop.

"We cannot afford to invest in a country which casts such doubts on its own long-term stability through its explosive policies of constraint and confrontation.

"The Vorster Government is bound to interpret such loans, if not as a bond of friendship, then at least a gesture of approval.

"The Conservative Party is willing to accept the profits from any source of investment. What is only too obvious is that money that comes from South Africa is [illegible] blood money."

58 336

Star 12/1/77

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● Houses for all a must —Page 9.

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336

Star 26/1/77

One offer on black housing

Only the Natal Building Society has so far agreed to lend money to Bantu Affairs Administration Boards to finance black housing.

Its regional manager, Mr Tim Hart, said today he was "unable to understand" why other building societies were holding back.

"I would like to see R10-million a month going into Soweto housing, but we cannot do it alone."

Mr P J Watson, general manager (administration) of the South African Permanent Building Society, said his society had to date had no dealings with Bantu Affairs Administration Boards.

His society had hoped for legislation making it possible for them to deal directly with black home-buyers but it did not seem this would happen soon.

GUARANTEES

However, he agreed his society would have to participate and once it had established the principle of making loans to boards it would consider how much to make available.

A spokesman for the Allied Building Society said: "We are looking at the problem but we want certain guarantees first."

Mr J L S Hefer, managing director of the United Building Society, said his society would be happy to make funds available "but we first have to find out what leasehold entails.

"We are having discussions with the Government and funds will be available when we have guarantees."

Saambou would not comment in the absence of their general manager.

LIST OF

Africa Mr. 7700
Aires Mr. A
Antrobus Mr 5140
Archer Mr.
Ardington M
Ardington M
Baffoe Mr.
Bates Mr. R
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Birt Mr. M. 7700
Bloch Mr. N. 7700
Boonzaier Mr)ad, KENILWORTH , Cape Town 7700
Botha Mr. D. PE TOWN
Boyle Mr. B. PE TOWN
Bowery Mr. M Services, P O Box 6601, ROGGEBAAI C T. 8012
Brokebsha Pr ropology, University of California, Santa FORNIA 93106 U.S.A.
Brown Mr. P. NATAL 3245
Bromberger lose, Cavendish Street CLAREMONT 7700
Budlender M ept. U.C.T. RONDEBOSCH 7700
Christie Mr OBSERVATORY 7925
Clarke Mr. mics U.C.T. RONDEBOSCH 7700
Cummings Ms , Universi+ ITZBURG 3205
Dinnell Mr. nomics U.C.
Dorrington RTVILLE 68
Dorrington RTVILLE 68
Evans Mr. skroon, O.F.S. 9520
Finlay Mr. onstantia Road CONSTANTIA 7800
Ford Mr. ffairs, Admin. Board. P O Box 14024 PORT ELIZABETH
Fiske Mr. PIETERMARITZBURG 3205
Frean Mr. rs Association, P O Box 1278 DURBAN 4000
Gebhardt Ms IDHOEK S.W.A.

The Star, Wednesday January 26 1977 3

Star 26/1/77

Stop loans to SA, UK bank told

The Star Bureau

LONDON — The Greater London Council has voted by 59 to 31 to demand an end to loans to the South African Government by the Midland Bank of which it is a shareholder.

Although the Conservative opposition argued strongly against the motion, the issue was never in doubt and the final vote was on party lines. Last year, the Labour majority succeeded in a similar vote and it was determined to emphasise its view again.

Mr I Harrington, chairman of the policy and resources committee, said there were financial and moral objections to the council's investment in South Africa.

"We cannot afford to invest in a country which casts such doubts on its own long-term stability through its explosive policies of constraint and confrontation.

The South African Government was bound to interpret this investment as a gesture of approval, if not a bond of friendship.

INHUMAN

"This regime does not deserve our approval let alone our friendship. It is based on an inhuman system of government in which white minority rule is supreme and any opposition is viciously put down."

Another councillor, Mr Lesley Freeman, said it was not the council's job to interfere with the politics of South Africa or any other country.

The first people to suffer as a result of the motion would be the minority in South Africa working for change.

But the move was approved and a motion will be put to the next annual general meeting of the Midland Bank in April "requiring an end to loans to the South African Government or its departments, agents or state corporations."

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58

Star 24/1/77

Blacks not told of loan for houses

Although a building society has made R1-m available, blacks trying to buy new houses from the West Rand Bantu Administration Board have been told to pay cash as there is no money available.

Mr Tim Hart, regional manager of the Natal Building Society, said today the board could draw on R1-m and lend it to people to buy improved houses with electricity and sewerage facilities.

He understood that there were problems in installing electrical reticulation and sewerage in some areas. The society was also considering lending money for this.

CONFERENCE

This week several people complained to The Star that when they approached the board to buy houses they were told they needed cash.

Mr M Malan, the board's assistant director of housing, said today this was because there were no funds available. He was not aware he said, that any building society had made funds available to the board.

The chief director of the West Rand Administration Board, Mr J C De Villiers, was in conference with his chairman, Mr Manie Mulder, and could not be reached.

Because ownership of all land in black townships is retained by the board, building societies cannot deal directly with black home-buyers, but can lend money only to the board to distribute for home finance.

A senior building society official said it seemed the message on what facilities were available was not "filtering down" to more junior men who dealt directly with the public.

One offer on black housing — Page 5.

58.
~~336~~

Star 26/1/77

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"We are having discussions with the Government and funds will be available when we have guarantees."

Saambou would not comment in the absence of their general manager.

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DD 20/1/77

Crosland may summons Barclays chief again

LONDON — Barclays Bank, already up to its neck in adverse publicity over the purchase of South African defence bonds, faces a second, and this time embarrassing, summons to the British Foreign Office.

Reacting to a South African press report that Barclays International Bank had admitted that it had no intention of curbing its South African subsidiary from buying defence bonds, left-wing Labour MP, Mr Frank Allaun last night tabled a question to the Foreign Minister, Mr Crosland, asking him to send for Mr Frank Dolling, senior executive manager of Barclays International, to clarify the situation "without delay."

In his question, Mr Allaun said: "If the Foreign Secretary is aware that Barclays has now stated that it cannot press its South African subsidiary to refrain from lending money to the developing South African armed forces despite the recent joint statement issued by the bank and the Foreign Office, in which the bank undertook to ensure that such loans would not be made again, will he ask Mr Dolling to meet him again without delay.'

The question is down for answer tomorrow.

A number of Labour MPs have expressed their support for his stand and believe that the bank misled the Foreign Office by allowing the joint statement to be released knowing full well there was nothing it intended to do to stop future purchases of defence bonds and that it was merely worried over the adverse publicity it had received as a result.

Today, the Anti-Apartheid Movement will picket 100 branches of Barclays in centres throughout Britain

Bank in more trouble

Cape Times 20/1/77

Own Correspondent

LONDON. – Barclays Bank, already up to its neck in adverse publicity over the purchase of South African defence bonds, faces a second, and this time acutely embarrassing, summons to the British Foreign Office.

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Barclays softpedal on pledge

By Geoffrey Allen: LONDON 16/1/78

THE undertaking Barclays Bank gave the British Government this week on the future purchase of South African defence bonds was meaningless.

I was told this yesterday by Mr Frank Dolling, senior general manager of Barclays International and immediate past managing director of Barclays SA.

Earlier in the week he met Mr Ted Rowlands, a Foreign Office Minister, to discuss the controversial purchase by Barclays SA of R10-million worth of bonds.

An agreed statement afterwards said Mr Dolling was deeply conscious of the strength of public feeling in Britain about apartheid and gave an undertaking that the bank would do all it could to ensure there was no repetition.

But Mr Dolling told me the undertaking "meant nothing" beyond avoiding publicity when more bonds were bought.

As he explained it, Barclays is in a perfect Catch-22 situation.

No control

To continue operating in South Africa it must, by law, invest in Government and semi-government securities. Much of that money is spent on defence. If it refused it would have to close down. This it has no intention of doing.

In any case, Barclays International cannot interfere with its South African subsidiary, even though it holds nearly 64 per cent of the shares. This was agreed with the British Treasury when Barclays SA was formed.

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Barclays 'won't withdraw that R10M'

Tribune Reporter

BARCLAYS BANK'S R10 million investment in South African defence bonds will not be withdrawn — in spite of the international [illegible], say Johannesburg banking circles.

And while Barclays London, with its [illegible] per cent shareholding in [illegible] South Africa, is in a position to force the withdrawal — if necessary by sacking the South African board of directors — both South African and London sources deny that this would happen.

Leading banking sources this week scoffed at any suggestion that the R10 million would be withdrawn, or that Barclays International would put any real pressure on its South African subsidiary to do so.

One prominent banking official said: "In theory Barclays London could sack the entire South African board, but in practice it is unlikely to do so.

"The R10 million will stay exactly where it is. After all, what's the difference between investing in defence bonds or Government stock? All the money goes into the same coffers."

And from London [illegible] of the Tribune Bureau reports that Barclays International can do nothing but try to persuade Barclays National not to make further investments in the South African defence fund.

This was admitted this week by a spokesman for Barclays International after its chief general manager, Mr Frank [illegible], had promised the British Government it would do "whatever possible" to prevent a repetition of the controversial R10 million deal.

Horwood pleased at banks defence

58

BOND BUY

CAPE TOWN. — The Minister of Finance, Senator Owen Horwood, yesterday criticised British Government action over the R10-million investment in Defence Bonds by Barclays Bank.

Mr. Frank Dolling, senior general manager of Barclays International Bank, was summoned to the British Foreign Office three days ago to explain the investment by its South African subsidiary, Barclays National Bank Ltd.

Mr. Dolling gave an undertaking that the bank would do whatever was possible to ensure that such an investment was not made again.

Senator Horwood described the Foreign Office action as "unusual." He said, however, that no special steps to accelerate the required reduction of foreign shareholdings in South African banks to 50 per cent was contemplated as a result of the development over Defence Bonds.

"The reported action of the British Foreign Office in regard to the recent investment by Barclays National Bank Ltd, in South African Defence Bonds is certainly unusual and cannot contribute to the furtherance of the long-standing financial relations which have existed between Britain and South Africa to the benefit of both countries," Senator Horwood said.

"I should point out that Barclays National Bank Ltd. is a registered South African Bank with its own South African board of directors, and that the funds which it invests are derived, to an overwhelming extent, from South African depositors.

"I welcome the action of this South African bank in making this purchase of Defence Bonds, which represents a sound and attractive investment," he said.

He added that no special steps were contemplated to accelerate the requirement on foreign banks to reduce shareholdings.—(Sapa.)

Audio/visuals

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SA banks silent on defence bonds

By HELEN MAISELS

AFTER the row in Britain over Barclays National Bank's R10-million investment in South African defence bonds, some banks in South Africa are keeping tight-lipped on the question of defence

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(e) Will everyone be able to hear? Will you need to use a microphone? Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

(f) Can the room be darkened easily? Are there sufficient power supplies for any projected visuals or recorded sound?

Visuals

(a) What equipment will you have at your disposal? Will there be an experienced projectionist available?

(b) Are there any suitable visuals or other aids (e.g. films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared? If so, how much money has been allowed for:

58

SA banks silent on defence bonds

21/1/82 RDM

By HELEN MAISELS

AFTER the row in Britain over Barclays National Bank's R10-million investment in South African defence bonds, some banks in South Africa are keeping tight-lipped on the question of defence bond investments.

Neither Standard Bank, which is 67 per cent owned by the Standard and Chartered Banking Group in the UK, nor Nedbank, 100 per cent South African owned, would reveal whether they hold any defence bonds.

Defence bonds rank as Government stock and qualify in terms of the Bank Act as prescribed investments.

Mr Roy Terry, a spokesman for the Standard Bank, said: "Details of various stocks held are not normally made public by banks. For this reason Standard Bank would prefer not to disclose details of its investment."

Mr Terry would not comment on whether the bank's British company had issued directives about defence bond investments.

Mr A. J. Venter general manager of Volkskas, said that obviously the bank held defence bonds, but would not disclose the amount.

A spokesman for Trust Bank said the group held defence bonds worth a "few hundred thousand rand," but could not give specific figures.

The Government was not taking any steps to accelerate the required reduction by a foreign bank of its shareholding in a South African subsidiary bank to 50 per cent, the Minister of Finance, Senator Horwood said yesterday. He was commenting on the British Foreign Office's angry reaction to Barclays defence bond investment.

Barclays pledge 'carries no weight'

RDM 14/1/77

Own Correspondent

CAPE TOWN. — The pledge by Barclays International to keep tighter control over its South African subsidiary's Defence Force links was described as virtually meaningless by a top South African financier yesterday.

The parent bank was reacting to criticism by Britain's Labour Government of the purchase of South African Defence Bonds, worth R10-million by Barclays National last month.

The Registrar of Financial Institutions, Mr J. Wynand Louw, said in Pretoria yesterday that Barclays National was a South African Bank. Financial sources said 90 per cent of its money was South African, and what the parent thought was unlikely to affect its operations.

In terms of the Banks Act, it was required to invest a certain percentage of its funds in prescribed assets, including Government Stocks, Land Bank, debentures, and Defence Bonds.

The banks could choose between these, but it was normal to go for a wide range.

Subsidiaries of foreign banks would probably now eye the Defence Bonds with some caution.

But effectively the prescribed assets all went to the Government kitty, where they were appropriately utilised.

Row over Barclays defence bonds

13/11/78

A major row is expected to blow up over the unprecedented promise given to the British Government by Barclays Bank that "it will do whatever possible" to ensure its South African subsidiary, Barclays National, does not invest more funds in South African defence bonds, reports The Star's London Bureau.

Fears that this interference may provoke angry retaliatory action by the South African Government against foreign owned banks have been expressed in the city.

The undertaking was given yesterday to Mr Ted Rowland, Minister of State for Foreign and Commonwealth Affairs, by Mr Frank Dolling, senior general manager of Barclays International, who was summoned to the Foreign Office over the R10-million investment in defence bonds by Barclays National last month.

"CARPETING"

After a 45-minute meeting (described as a "carpeting" by London newspapers) the following agreed statement was issued by the Foreign Office:

"Mr Dolling explained the relationship between Barclays Bank and its South African subsidiary and that day-to-day mana-

To Page 3, Col 7

Audio/visuals

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Pressure to stop SA loans

12/1/77

The Star Bureau

LONDON — The Labour-controlled Greater London Council is to join powerful church groups in demanding that the Midland Bank, in which it holds 200 000 shares, should stop making loans to the South African Government.

It is believed here that the GLC's involvement could swing many other Labour-controlled authorities behind the growing campaign to end the bank's controversial links with the Republic.

The GLC will be asked formally at its meeting on January 25 to approve a resolution from its major policy and resources committee to sponsor a resolution at the annual meeting of the Midland.

The resolution will call on the bank to "end loans to the South African Government or its departments, agencies or State corporations."

The Rev David Halsam, a founder member of End Loans to Southern Africa, said yesterday that it was "a major breakthrough" to have the sponsorship of such a body as the GLC.

At the Midland's annual meeting last year a motion by church bodies to stop loans to South Africa was defeated by 47,5-million votes to 3-million.

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Budget

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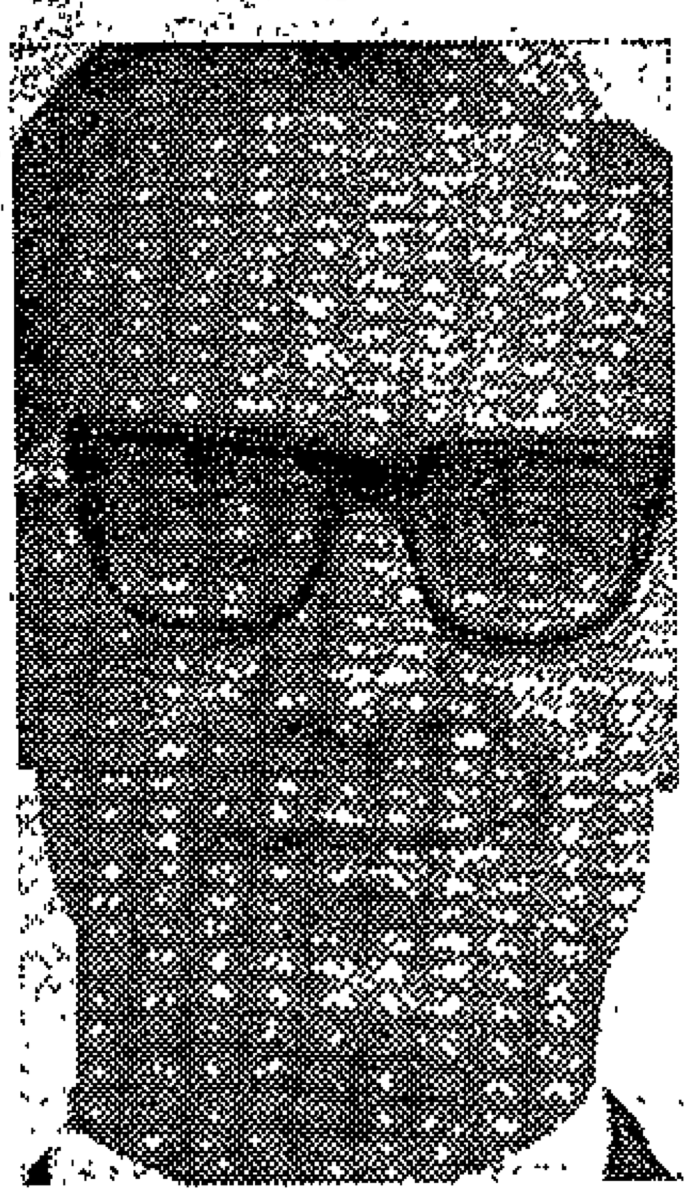
ARGUS 29/12/76

SA recession not yet over —De Kock

The Argus Correspondent

JOHANNESBURG. — South Africa's recession has not yet touched bottom. The economy is still in a cyclical downswing and for some sectors conditions will probably get worse before they get better, Dr G. de Kock, senior deputy governor of the Reserve Bank, said on television last night.



Dr Gerhard de Kock

Dr de Kock, in an interview with Andre Walters in the programme Kamera Een, said it was important to distinguish between two economic turning points.

The first was the turning point in the balance of payments and the second was the lower turning point in the domestic business cycle.

South Africa had probably reached, or was close to reaching, the first turning point but it had not yet reached the second turning point, the lower turning point in the business cycle.

SEE LIGHT

Dr de Kock said it was not possible to indicate with any accuracy when this would occur.

But he did see light at the end of the tunnel.

There was positive evidence that the economic situation had already begun to improve in certain import respects: Exports were rising, the volume and value of imports were declining, the declining trend in the gold price had been reversed and the current account deficit in the balance of payments would be about half of the figure for the first six months of the year.

The problem still lay, however, in the disappointing performance of the capital account.

Looking ahead Dr de Kock forecast that the balance of payments would not prove to be as much a headache in the coming year as it had been this year.

He was not, however, as sanguine about the capital account in the balance of payments. As a result he thought that further recovery in the payments situation would be moderate rather than spectacular.

The course of the domestic business cycle would be greatly influenced by the strength of the upswing in the major industrial countries, by the behaviour of the gold price and by the prices of South African exports.

GOLD PRICE

If the overseas upswing continued and regained its lost momentum — and particularly if the gold price also climbed a bit further — Dr de Kock believed a new upswing in South Africa would follow.

But, Dr de Kock warned, 1977 is not likely to be a record growth year either for the world or for the South African economy.

What he did expect was that South Africa would slowly but surely make further progress in curbing inflation and in strengthening its balance of payments.

Barring unforeseen developments, he expected that the general economic situation at the end of 1977 would be considerably better than it was at the end of 1976.

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Boardroom alarm bells

By GORDON KLING
Industrial Reporter

THE YEAR 1976 proved overseas financial pundits correct: South Africa could not afford a prolonged recession without devastating consequences, and alarm bells in boardrooms throughout the country forced businessmen into the political arena en masse.

Unemployment jumped by 50 percent from January, and the man-in-the-street believed it when economists stated that he would be poorer, in real terms, at the end of the year than when it began. Salaries and wages didn't keep up with the inflation rate.

Barclays Bank chief economist, Dr Johan Cloete, said living standards fell by about 3,7 percent in 1976 and both private consumption and expenditure could show a decrease in 1977.

He predicted an inflation rate of 11 percent in the new year and doubted that this would be covered by pay rises.

Graduates

University graduates had the implications of the recession made painfully clear to them. Few could pick and choose employers and many couldn't get jobs at all. Some executives were even left searching for posts as companies cut back on staff.

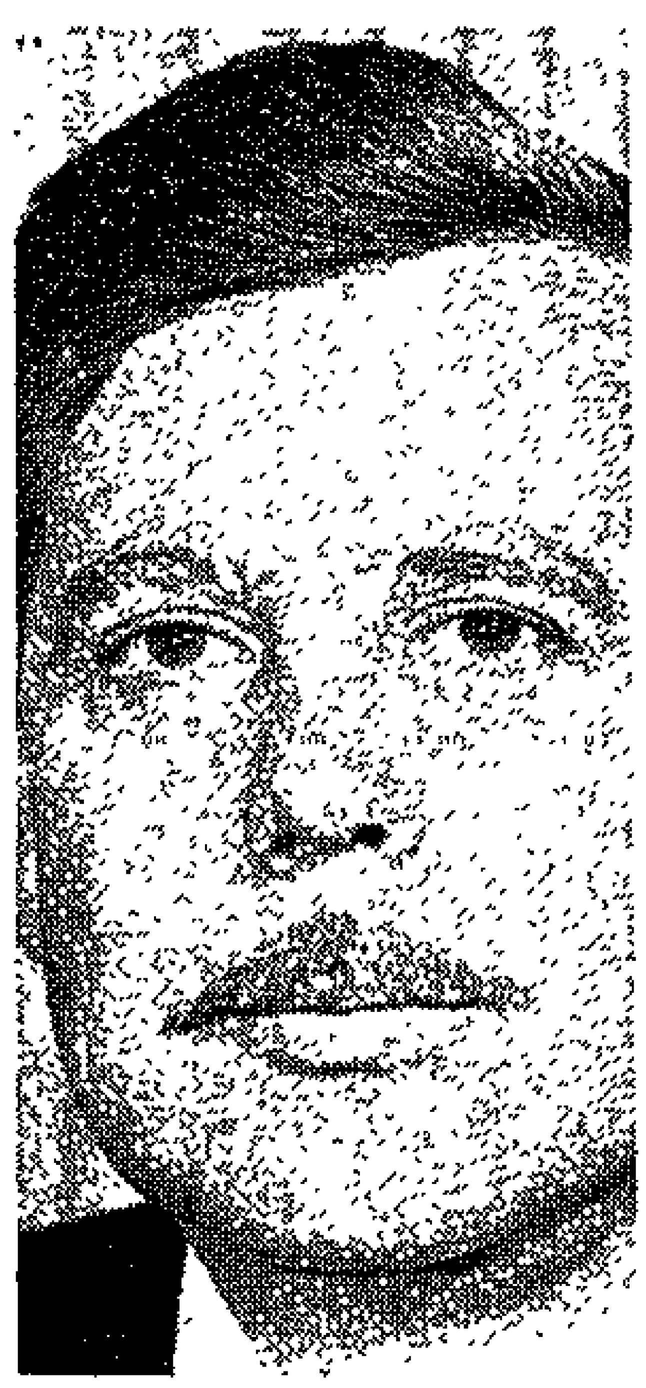
The glitter came off gold and dashed a myth. The value of the metal was simply what people would pay for it, and with the International Monetary Fund auctioning 780 000 ounces every six weeks, the price collapsed to below 102 dollars an ounce on the London market in August.

The Minister of Finance, Senator Owen Horwood, appealed for calm but the president of the Chamber of Mines, Mr Robin Plumbridge, promptly panicked and appealed to the IMF to call off further sales.

The country loses about R20-million for every one-dollar drop in bullion over a year and pressure on the rand prompted a string of "no-devaluation" pronouncements from Finance. Nervous investors unloaded shares while others glumly waited for drastic dividend cuts.

South Africa in Port Elizabeth in October.

The call was immediately rejected by opposition politicians but chastened businessmen looked to their own houses while pursuing discussions on change with Government ministers and department heads.



Mr Chris Heunis

Noting that racial discrimination in business could not be attributed soley to Government policies, the Cape Town Chamber of Commerce published a manifesto calling for equality of opportunity for all employees, within the provisions of the law.

It called on firms to select, train, pay and promote staff without regard to race or colour; to grant them equal benefits; and to do everything possible to promote racial harmony.

At grassroots level. the Cape Employers Association began drafting recommendations to be submitted to the authorities which called for December.

Objectives included the improvement of housing standards, education, community activities, recreation facilities and job opportunities. The promotion of home ownership among Blacks was central to their aims.

Bannings

At the same time the Minister of Justice, Mr J T Kruger, was explaining to the Trade Union Council of South Africa (Tusca) that a spate of banning orders imposed on Black labour organizers was related to their personal activities and not the activities of trade unions.

The year tottered to a gloomy economic end. The head of a giant international store chain, Mr M D Sieff, warned that hopes for an economic recovery were misplaced unless the Governments was willing to make fundamental changes in basic policy. Foreign investors were pulling out.

The Reserve Bank declared that restrictive monetary and financial policies, while still necessary for the fight against inflation, were not conductive to a higher growth rate or the reduction of unemployment in the short term.

The real gross national product was expected to decline for the second year in a row, and Barclay's chief economist saw a negative growth rate for 1977.

Defence

And the Minister of Economic Affairs, Mr Chris Heunis, showed no intentions of an early policy to breathe new life into the economy. Defence spending had to remain a priority, he told businessmen in Pretoria in October, and the budget objectives for 1977 also included strengthening of the balance of payments and containment

Cont.

29/12/76

Soweto

Then Soweto burned. Analysts in Europe and America warned that investment in South Africa would never be viewed in the same light again.

Shock waves of the spreading unrest reverberated through the ailing economy and employers, particularly in Johannesburg and Cape Town, were faced with massive stay-aways by workers.

Production lines in the Cape's biggest industry, clothing, came to a standstill in September and the two-day strike had plant managers wondering aloud about the possibility of permanent staff reductions.

Workers' plight

But when the tension produced by the civil unrest began to ease, organized commerce and industry moved into politics as attention focused on the plight of workers.

The Prime Minister, Mr Vorster, reacted swiftly by telling businessmen not to meddle in politics at the annual congress of the Association of Chambers of Commerce of Act, compulsory education for all, a new look at housing in Black townships and changes in the Industrial Conciliation Act, among other things.

More than 100 of the most influential voices in South African business threw their weight behind the establishment of an urban foundation to improve the quality of life of Blacks in the cities at a conference in Johannesburg in of inflation.

A settlement in Rhodesia, widely expected to generate a flow of American dollars to the subcontinent, remains somewhere off in a murky future along with the economic benefits.

But the Prime Minister, the Minister of Finance and economists, could see the economy turning in the new year. The country's businessmen could add: "Or else?"

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Audio/visuals

Is it essential … show any audio/… such as a film … videotape?

Bank promise may be void

BD 14/1/77

CAPE TOWN — An undertaking by Barclays International Bank in Britain to do everything possible to stop further support to the South African Defence Force by its local subsidiary, is considered in financial circles to be meaningless.

The Registrar of Financial Institutions, Mr J. Wynand Louw, said yesterday that all banks in the Republic were registered under the Banks Act which made no differentiation regarding the operations of local or foreign controlled banks.

Subsidiaries of foreign banks had local boards which the authorities regarded as the governing bodies and the banks were autonomous.

Barclays National is a South African bank. Financial sources say 90 per cent of its money is South African and what the parent thinks is unlikely to affect its operations.

In terms of the Banks Act it is required to invest a certain percentage of its funds in prescribed assets.

These include Government stocks, Land Bank debentures and the Defence Bonds which have caused the Barclays headache.

The banks can choose which they wish to take, as long as the required amount of money goes into them.

There can be little doubt that the subsidiaries of foreign banks, in an attempt to avoid embarrassing situations, will now eye the defence bonds with some caution.

But effectively the prescribed assets all go to the Government kitty and banks, regardless of what their parent may say, will continue to contribute as much to the defence of South Africa as the Government wants.

In terms of South African legislation, all foreign controlled banks will not be permitted to have foreign ownership of more than 50 per cent in years to come. — DDR.

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(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared? If so, how much money has been allowed for:

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14/1/77

Top bankers facing a dilemma

Kevin Stocks

The row over Barclays National Bank's buying of R10-million in defence bonds has placed two top bankers at opposite ends of a dilemma.

One is Mr Frank Dolling, senior general manager of Barclays International in London and until last year the immensely popular managing director of Barclays National Bank in South Africa.

The other is Mr Bob Aldworth, Mr Dolling's equally popular successor as managing director of Barclays in South Africa. Mr Aldworth is a Boksburg man who made it to the top in big-league banking and is the first South African to become managing director of Barclays National Bank.

Mr Dolling, presumably acting under great pressure, on Wednesday, put his name to a statement issued by the British Foreign Office which virtually promised the Barclays International would see to it that no further investment in defence bonds would be made.

However, wording of the statement was just vague enough to leave in doubt as to wether Mr Dolling was promising to (a) merely "try" to prevent such investment or (b) to prevent the publication of news about such investments.

MR DOLLING

MR ALDWORTH

SA MONEY

The statement agreed to by Mr Dolling also said Barclays was "deeply concerned at the insensitive nature of the investment in defence bonds and the nature of the publicity given to it by their South African subsidiary."

Mr Aldworth, as a South African and as the man who must have approved buying of the bonds and the publicity (Barclays called a Press conference at which the cheque was handed over) can hardly be expected to like this comment.

He could also be entitled to point out that the money was South African money deposited by South Africans and that it is arrogant cheek for either Barclays International or the British Foreign Office to try and dictate that it cannot be used to buy Defence bonds.

His problem is that he is in a damned if you do and damned if you don't situation.

If he defends the investment he is right in South Africa and wrong with his parent company in London. If he tamely accepts Mr Dolling's statement he opens the way to Government outrage at foreign interference and to possible withdrawal of deposits by patriotic South Africans.

IN CONTROL

His board of directors has a South African chairman, Mr J M Barry, and a majority of South Africans. However, the British parent company still controls the majority of shares and could, in any clash with the South African board, change the directors.

Such a move would almost certainly draw South African Government intervention and would be bad for Barclays business.

● An unnamed Government "banking spokesman" was today quoted in a morning newspaper as saying there would be no Government action over the defence bonds row. However, the Secretary of Finance, Mr Gerald Browne, today told The Star he could not comment on the matter.

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'Glen Anil collapse will hit many'

3/2/77 RDM

Staff Reporter

THE COLLAPSE of the Glen Anil property development company has national ramifications — for banks, business in general and the public, a Rand Supreme Court judge was told yesterday.

The chairman, Mr David Rubenstein, asked for an urgent order placing the company in provisional liquidation because of the large amounts involved and to protect its 4 00 debtors. These are mainly people buying stands on instalment.

Mr Justice Nicholas granted the order, to be made final on February 22 in absence of any objection.

Mr Rubenstein, said that although the company was apparently solvent it could not pay its debts.

An examination of the company's books last September by Sage holdings, on behalf of the consortium of creditor banks, showed gross assets of R147-million and gross liabilities of R136-million. The latter included R13-million in deferred liabilities which might not materialise.

The consortium had claims against Glen Anil totalling about R88-million. In addition, some of the banks were contingently liable for debts which could amount to R20-million.

The Sage report gave the following reasons for the collapse:

- The political and economic situation over the past few years had led to a sharp fall in the demand for stands, particularly as the land investor was no longer in the market.
- The price of stands had fallen, while the cost of providing services necessary for proclamation had risen.
- Before the slump in the property market, the group had bought large tracts of land on terms in anticipation of higher land values. Payment was falling due while the land remained undeveloped and unsaleable.
- The company's holdings had been adversely affected by the freezing of land development in the so-called "green belt." Large areas of this land could not be developed for years to come.
- All this happened when the company's accumulated borrowings far outstripped its capital and reserves.
- These borrowings had to be repaid at higher rates of interest because of the all-round increase in interest rates stemming from inflation and restrictive monetary policies.
- From 1974 the company engaged in off-balance sheet financing which, added to disclosed liabilities, would have reflected an even worse borrowing trend.

In short, Glen Anil's problems resulted from the overall state of the economy, over-trading and planning based on immediate prospects during more buoyant times.

Mr Rubenstein said an initial moratorium granted by the banking consortium was due to expire on November 30, but was extended to February 15. But last Friday facilities essential for the company to continue in business, were withdrawn.

M. M. Kuper, instructed by Werksmans, appeared for Glen Anil

SUN-TRIB. (FIN) 9/1/77

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Suspicion of South Africa as a borrower?

JOHN CAVILL in LONDON

SUPERFICIALLY the failure of British diplomat Ivor Richard's Rhodesia settlement shuttle has made little impact on the standing of South Africa as a borrower in the international loan markets.

In the Euro-bond secondary market, for example, prices of South African issues stand higher than they did in early October when political hopes were running high because of Rhodesia's acceptance of the Kissinger package.

But this is almost entirely due to a general rise in bond prices which has now tapered off as American interest rates have edged up.

And South Africa remains a highly sensitive subject among the international banks, none of whom is prepared to put its name to any views on its current capacity to borrow.

The large American banks, who participated heavily in medium loans to South Africa last year and almost replaced the German and Swiss in that market, refuse to make any comment.

It is rumoured here that an inquiry into American bank lending to South Africa is being carried out under the auspices of the United States Congress, which may be one pertinent reason for the silence.

But as one banker said this week: "It doesn't pay us to say anything at all.

"If we have any adverse comments to make on the standing of South Africa we run the risk of losing business from a good client.

"Equally if we say anything positive we are likely to come under the hammer from the anti-South Africa lobby in the United States and with a new President, holding strong views on apartheid, in the White House we prefer to keep our heads down," he said.

South Africa enjoyed a relatively good year, in terms of the total borrowed, in the international market in 1976.

Despite the virtual closing of the long term fixed rate bond market to South Africa — as evidenced by the flop of the Government's 25 million-dollar issue in February, most of which was left with the underwriters — medium-term syndicated loans totalled R370 million in the first three months of 1976.

The next six months, which saw political worries over Angola and Rhodesia exacerbated by internal disturbances, produced only R95,6 million.

But the final three months saw R235 million raised although much of this was in the form of export credits tied to specific projects such as the Escom nuclear power station at Koeberg or Sasol Two.

In total, however, South African borrowing amounted to an impressive R722 million, 32 percent more than in 1975, even though the bulk of it was relatively short term with lenders in many cases having an option to be paid out after three years.

The outlook for the current year is hazy. No one knows what South Africa's foreign borrowing requirement will be like.

Cut-backs in public spending and deferment of some major infrastructure expansion programmes are expected to reduce the need.

But, on balance, bankers here feel that the general climate for South African borrowing will remain "difficult".

Signs of bank collapse showed last year

(3/7/77)

THERE WERE CLEAR indications as long as four months ago — from its September quarterly return to the bank's watchdog, the Registrar of Financial Institutions — that Rand Bank was ailing.

A banking collapse affects society as a whole as the banking system is crucial to the functioning of the market economy. In this article Deputy Editor, Nigel Bruce, takes a close look at what happened to Rand Bank and gives guidelines which depositors can look for in assessing their own banks.

Indeed, an analysis of the return suggests that even without its Glen Anil commitment, the bank might still have ended up under the curatorship.

Moreover, it is problematical whether at that stage even a strong managing director well schooled in asset management and marketing could have pulled it straight.

Essentially, the return suggests three areas of major weakness:

- The bank was borrowing too short and lending too long. This meant it had frequently to refinance its loans at increasingly disadvantageous terms.
- It was facing a potentially large amount of doubtful debts in its hire purchase and leasing activities, which constitute about 60 per cent of its total lending activities.
- The security backing its R14-million of straight loans was not as extensive as it might ostensibly appear.

These suggestions are based on certain assumptions — which err on the conservative — of the nature of the bank's underlying assets, particularly of the average life of its various discounts, loans and advances.

They have had to be made as Rand Bank's board feels that the bank's affairs are currently sub judice and that it should, therefore, not comment on them.

It is a cardinal rule in banking that any bank which borrows short to lend long does so at its peril. Primarily it was the disregard for this rule that caused the collapse of so many British fringe banks.

Rand Bank did not learn from their experience. Of its total loans, discounts and advances of R125-million at September 30, R98,4-million or 68 per cent were long-term.

Specifically these were R48-million of leases (assuming an average life of 28 months as most leases run for from three to five years); R33,5-million of hire purchase advances (assuming an average life of 18 months on contracts written for three years); and other loans of R16,9-million (assuming an average life of two years).

Loans

Yet, with 68 per cent ot its loans long-term, only 28 per cent (or R41-million) of its deposits were for longer than six months — which is defined as long-terms.

But a close look at its deposits suggests that is a rather optimistic and superficial view. For nearly half of its R81,6-million of medium-term deposits (31 days to 6 months) were from private depositors ("other deposits" in the returns) which probably include at least some private savings that can be withdrawn on seven days notice.

Nevertheless, private savings are at times of runs on banks' deposits relatively stable. As they are usually for less than R125 000, interest payable on them is controlled so they do not chase the highest rates available.

The other half of Rand Bank's medium-term deposits (R12,7-million from local authorities, R10,8-million from banks in the form of NCDs, and R16,8-million from companies) certainly do chase the highest returns and are therefore volatile in uncertain times.

Moreover, these volatile local authority, bank and corporate deposits constituted R48-million or 58 per cent of Rand Bank's R144-million total deposits on September 30.

The assessment of potential doubtful debts is more complicated. Take total hire purchase discounts and advances of R33,5-million of which R3-million were shown as overdue.

Instalments

Assuming an average life of the HP portfolio of 15 months and that the average period of the amount overdue is six months, the total instalments payable by the overdue accounts is R3-million divided by six which is R500 000.

Assuming also that the doubtful debt experience reflected in the September returns does not improve, this R500 000 multiplied by the 15 month average life of the portfolio indicates potential doubtful debts of R7,5-million. Add the R3-million of known overdues and this rises to 34 per cent of the total HP book. That reflects the worst possible situation.

The chances are that with Johan Maree having subsequently taken over as MD the doubtful debt experience would have improved considerably. Also repossessed equipment would have some value.

Doubtful

Applying the same formula to the Bank's R45,1-million leasing book on which overdues were R2,2-million in September, and assuming the average life of the book to be 28 months and the average period of overdues to be six months, R10,2-million of potential doubtful debts is revealed — or 21 per cent of the total book.

While the assumption that the September overdues experience might continue and not improve could be an over-statement, it certainly does illustrate how vital effective management is to a small bank.

Moreover, even if it be exaggerated, other bank analysts are going to make these calculations based on similar assumptions, and these will be kept in mind when assessing Rand Bank's book. It would not be surprising, therefore, that if Professor Fred du Plessis, the Bank's curator, decides to dispose of the HP or leasing books, he is going to be a seller rather than many other banks willing buyers.

At face value, overdues on "Other Loans and Advances" of R17-million amounted to R1-million or six per cent. On the R1,7-million of those loans that were secured R0 2-million overdues are 12 per cent. And on the R14-million that was secured R1-million of overdues is 8 per cent.

Most likely Rand Bank's exposure to Glen Anil is contained in this R17-million and probably arose from an ssociate of the Bank's having bought the property company's deeds of sale and sold notes issued against them to the Bank, which in turn attempted to sell on this paper in the market. Its exposure is the extent to which it failed to sell this paper on.

A scrutiny of the security held against the R14-million secured portion of the R17-million shows 41,4 per cent was against shares and mortages, 31,4 per cent against personal and other guarantees, while 26,4 per cent was secured "by other means," whatever that amounts to.

Nor does the September return indicate whether the mortages are first, second or otherwise. One can only guess at the quality of personal and "other" sureties, or those loans secured "by other means."

Adequacy

If Rand Bank's unhappy experience indicates anything, it is that the adequacy of management rather than the total of its assets is of prime importance to small banks when the going gets tough.

Provided that deposit maturities are not short when the banking system is illiquid, that they do not lag too far behind loan maturities, that excessive reliance is not placed on NCD's for deposits, that overdues are held in reasonable check, and that if, besides having achieved all that, management also has a reasonable track record, no depositor with a small bank should come unstuck.

However, there are instances when an analysis of these quarterly returns does not give a fair picture. This is particularly so when a small bank is part of a larger group and may be being managed for the benefit of the parent, to achieve some other long-term objective or in conjunction with other associates.

Nervous

Nor should nervous institutional depositors forget that while a large bank can often easily absorb its mistakes, smaller ones are more adept at putting them right, faster, hence limiting the effect, if only because the aggregates involved are smaller.

Moreover, the statutory limitations that inhibit the growth of small banks does have the salutary effect of encouraging them to be more selective in their lending. Consequently, few others, apart from Rand Bank, ought in theory to be involved heavily in property — the downfall of the British lunatic fringe.

The other problem abroad, of course, was speculation in the foreign exchange markets, which is not permitted by law here, so if it has taken place it must certainly be only on a very limited scale.

Clearly, choice of a bank to which to lend money is no longer a simple task for an institutional investor. Of course, he could always take the easy way out and stick to the big four. But in these inflationary times when every fraction counts, it is a safe bet that such lack of analytical sophistication will be shown up in the annual financial statement.

Inves:men: giant has daily flow of R1-million

13/1/77 Business Times

WITH total assets approaching R1 600-million and a daily inflow of investable funds of over R1-million, Old Mutual ranks as a giant in the South African investment market.

And a measure of the success with which this responsibility is applied on behalf of 660 000 policy holders is seen in the 20 per cent increase in investment income to R122,5-million) recorded in Mutual's last financial year to end-June 1976.

Investment twins Peter Bieber and Frans Davin are the men responsible for deploying policy holders' funds which are the result of the premiums received and which last year grew by 27 per cent to R275-million.

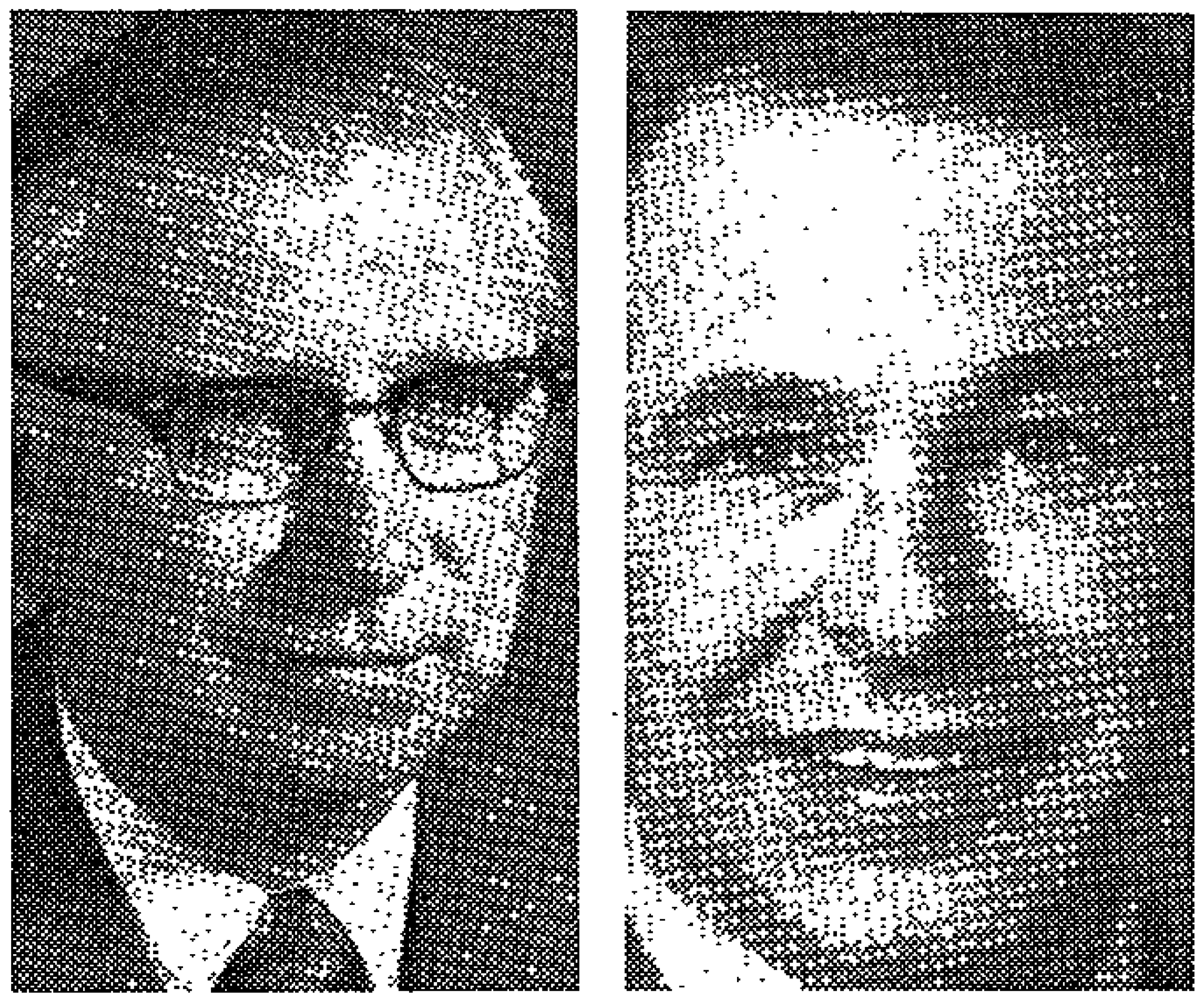
How do they manage this responsibility and what are the underlying objectives which dictate their decisions?

"Basically we regard ourselves as trustees, aiming at investments which will provide the best value for our policy holders' money," says Mr Bieber Assistant General Manager, Investments).

"This doesn't mean we are timid in our decisions, rather we must find a compromise between the best returns available and the risks attached."

Furthermore, bearing in mind the significant impact Old Mutual's investment strategy has on the country's economy, "there is no way we can invest today and disinvest tomorrow," adds fellow strategist Mr Davin also Assistant General Manager, Investments).

Of course, investment decisions are basically of a long-term nature and do not mean that Old Mutual "cannot switch out of something which is not coming up to expectations and in some circumstances remain liquid," says Mr Bieber.



Frans Davin (left) and Peter Bieber . . . deploying over R1-million a day.

Indeed, the latest balance sheet shows that money on call and deposit totalled R46,5-million at June, 1976. While some of this was committed, it reflects the strategy of waiting for worthwhile investment opportunities.

In this regard Old Mutual has scored several coups. Perhaps the most exciting deal since publication of the last annual report was the purchase, at a substantial discount, of a R6,5-million parcel of shares.

The deal, negotiated by Mr Bieber and Mr Davin in November last year, was via an intermediate financial institution. Understandably the Mutual was reluctant to disclose the seller of the shares.

However, an indication of benefits available to such a large institution with such an enviable cash flow is provided by the discounts at which the counters were purchased.

The parcel consisted of four different shares. The first, quoted at the time of the negotiations at 317c, was bought by Old Mutual at 303c.

Terms agreed upon for the remainder (price to Mutual first, quoted price in brackets) were: 168c (185c), 237c (260c), and 78c (85c). "We agreed to the terms on the day we were approached, and within an hour they had their cheque," said Mr Bieber.

But what makes the deals even more agreeable to Old Mutual is the fact that the shares are currently trading (with one minor exception), at pretty substantial premiums on the prices quoted at the time of the negotiation.

Clearly, deals such as this do not crop up frequently, but "given our size we do get opportunities others can't even dream of," says Mr Bieber.

Perhaps a prime example of this was provided by the R25-million 25-year loan granted to AE&CI five years ago — at the time the single largest private loan ever.

"The saving to AE & CI of around R750 000 (achieved by negotiating with a single partner) gave us an extra return of about 0,25 per cent — and all we have is a single line in our ledger which gives us two cheques a year," said Mr Bieber.

An essential feature of such large deals is that Mutual has, over the years, acquired an image of a partner that does not interfere.

"Irrespective of size of their holding we leave management of the company's affairs to their own management," said Mr Davin.

Investments held by the Old Mutual total R1,5-billion. Equity investments, at around R362,5-million, is the single largest area of voluntary exposure (24,3 per cent).

This figure reflects total equity investments (including Rhodesia).

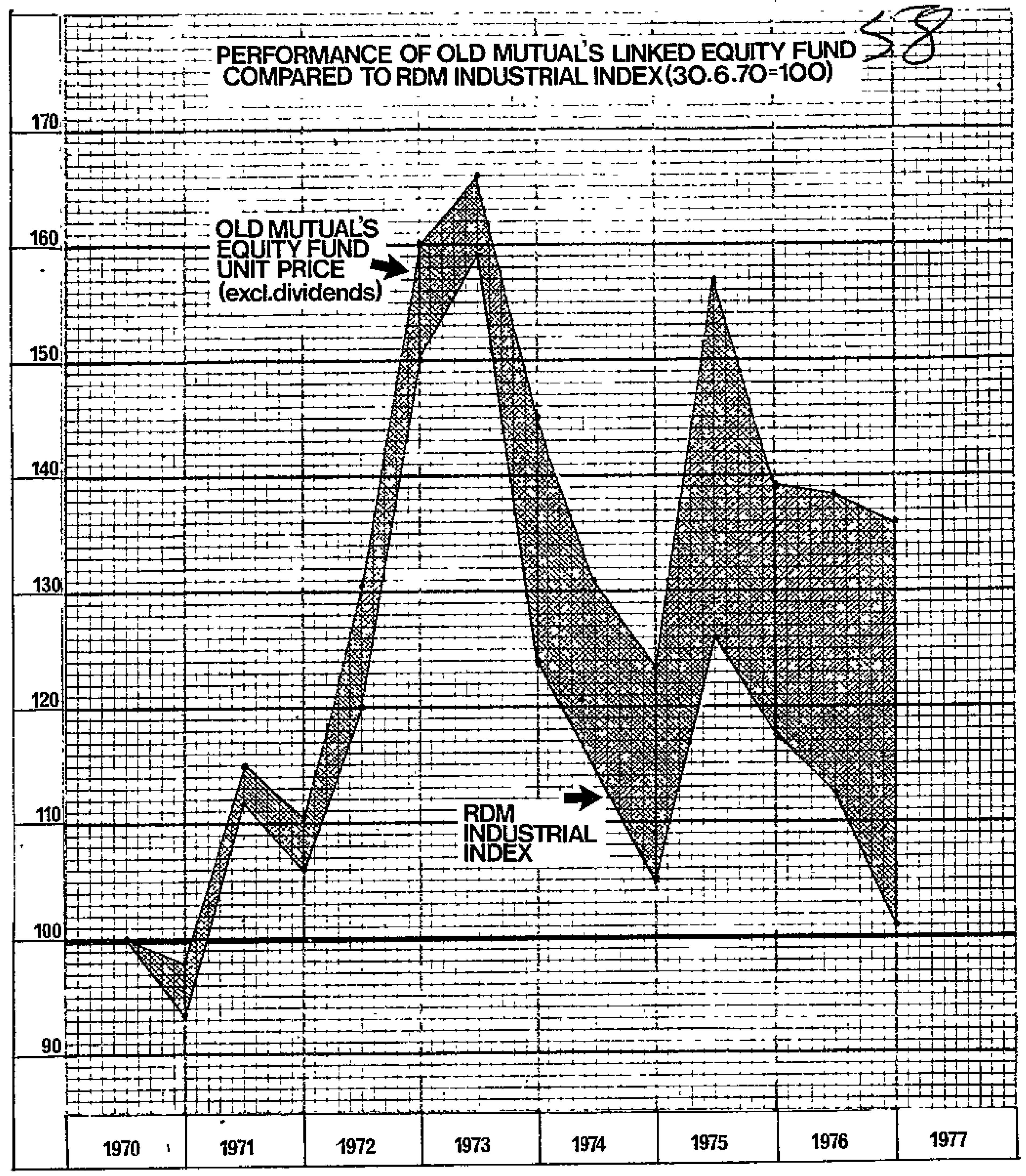
At R211,8-million, Old Mutual's considerable property portfolio (as at end-June, 1976) represents 13,1 per cent of assets and is the second major investment area.

In his chairman's address in December, Mr Jan van der Horst pointed out that income from this portfolio had increased by 37 per cent — substantially due to a significant increase in the portfolio (R36,4-million, or 20,8 per cent), and the fact that several development projects became income-producing during the year.

Government-approved securities apart, the third largest "voluntary" investments held by Old Mutual are in fixed interest mortgages and debentures (around R152-million, or just over 10 per cent).

If the equity spread in Old Mutual's unit trust portfolio is a reliable guide to sectors favoured by the Mutual's investment strategists, then it would appear that financial-mining and industrial counters share the most attention, followed closely by food and stores.

There can be little doubt that Messrs Bieber and Davin have struck a happy mix of equities. As the graph (equity fund performance) shows, the Mutual has consistently outperformed the RDM's industrial index with its linked equity fund. With the overriding emphasis on generating benefits for policy holders, what does all this mean for the Mutual's clients?



The answer is to be found in the bonus rates declared by the company. In 1970, a bonus of 8,75 per cent (income plus terminal bonus) was declared. This has since shown a continual and steady growth — to 10,4 per cent in 1975 and 10,9 per cent last year.

In addition, every three years Mutual makes a "triennial bonus distribution", and last year reveresionary bonus rates were increased by 10 per cent.

In his chairman's address, Mr Van der Horst revealed that such reversionary bonus added to individual policies totalled over R300-million for the three years ended June, 1976.

When dividend income is linked to their respective sectors we find that the following were the main contributors to the society's income from this source:

Diamonds 20 per cent, gold 19 per cent, metals-minerals 12 per cent, banking 12 per cent, food-beverages 7 per cent, iron, steel-engineering 6 per cent and chemicals 4 per cent.

"As far as the immediate future is concerned it is our view that an upturn in the economy cannot be expected until the end of 1977," said Mr Davin. Provided that the present anti-inflationary measures taken by the Government are adhered to, Old Mutual expects the inflation rate to decrease.

"There will be a gradual improvement in the balance of payments, but due to the heavy demand for capital it is not anticipated that long-term interest rates can start showing a downturn before late in 1977. No significant upturn in interest rates is foreseen between now and the end of the year."

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Sanlam, Mutual still building, buying equities

15/7/77

Harold Fridjhon

South Africa's two major investors — the Old Mutual and Sanlam — with more than R9m a week to invest are still in the share market and are still in property.

And broadly speaking, both insurance giants are following similar policies in these fields.

They are being highly selective in their share market activity. As Peter Bieber, the Old Mutual's Assistant General Manager (Investments) told me:

"We have the market under constant scrutiny and in our studies, there is no sector which is discarded. In spite of the prevailing public attitude towards share investment, we as an institution still find the share market is as interesting as ever."

Sanlam's Ronnie Masson, Assistant General Manager, takes a similar view. Like Bieber he has staff investigating and analysing market situation. In recent years, however, Sanlam has been following up special situations — such as taking up its entitlement to Federale Mynbou's rights offer after the General Mining take-over of Union Corporation. And others.

Bieber is not dismayed by present economic conditions. With the market barely 10 percent above its low-point he believes that this is the time to buy — but at a price.

"We have patience," he told me. "We are prepared to wait to get what we want at the right price. And having bought we are prepared to wait for what is basically a good share to come right."

This, of course, is where insurance companies have the edge on the private investor: their investments are all very long term to match their long term obligations.

In property both companies are concentrating on leasebacks negotiated with sound commercial and industrial companies. Mutual is also successful in building specially tailored premises for AAA — rated companies.

"One project," Bieber told me, "was to build a head office complex for a large commercial group. Situated in parklands well beyond the CBD, this project is not only a good investment, but Mutual has also made a contribution to environmental development by giving the employees of the company a delightful background in which to work."

Both groups are largely shunning CBD development, although Sanlam is still completing "flagship" projects in Johannesburg Pretoria and Cape Town But when these are completed further C B D development is likely to dry up for some years.

LOW KEY

Township development is very low key, but here again, Sanlam has its unusual South Coast scheme winning public acceptance.

Debentures are still in favour — but again at a price. Both investment boffins do not see long term rates easing to any marked extent and they are looking for top rates with impeccable security.

The groups' investment policies have a common philosophy even though they might differ slightly in direction. This philosophy is: they have a fiduciary responsibility to their members and security is a prime consideration. After that, time will produce the growth in income which they are both seeking.

Banks' yes to loan for Soweto

58
335
185

R50-m for lights

18/2/77 [illegible]

Michael Chester, Financial Editor

The big banks today pledged a R50-million package in short-term loans to push ahead with the massive scheme to provide a complete electric power scheme for Soweto.

The finance package now only awaits pledges of Government guarantees to allow a final go-ahead.

Banks ready to contribute to the capital needed to start the project include Nedbank, Barclays, Standard and Volkskas. They regard the Government guarantees they have asked for as little more than a formality.

It has been the shortage of capital—especially in recession time and during big cutbacks in Government spending—that has delayed a launch of the electrification scheme.

But the bankers now insist on a start as soon as possible, with three main aims:

- To improve living conditions in the black township, to cool down simmering social unrest;
- to bite into unemployment by creating an entirely new work force to tackle the vast project;
- to give new impetus to demand for a wide range of goods—cables of industries out of the recession.

Spending on the ripple effects of the electrification would run into tens of millions of rands—all the more so if the project generates the extra jobs to increase spending power in Soweto.

The Government guarantee will mark the start of one of the biggest social advances the black township has known.

It is estimated that barely 25 percent of Soweto homes now have electricity — and even then not all with a complete power service.

It is understood that Barclays National Bank was the "pack-leader" in arranging the loans and that the scheme has the full backing of the Anglo American Corporation. Details of Anglo's involvement are expected later.

The news gave Soweto its second big moment of optimism today.

Earlier, Senator Horwood, Minister of Finance, announced that the Government is considering proposals to curb unemployment in the black townships.

Housing

Senator Horwood divulged no specific details.

The Bureau for Economic Research at Stellenbosch University has already hinted that the Government is ready to increase its spending on black housing — not only to provide homes to ease the shortage, but also to provide more jobs in a bigger building programme.

- Unemployment fund

Power promised last year

The Star's Insight Team

The West Rand Administration Board first promised electric power to Soweto in July last year. Its chairman, Mr Manie Mulder, then said he expected to have all problems ironed-out by August.

His timetable may have been a little optimistic and his estimate of financial cost, from R45-million to R55-million, may turn out to be too low.

The board needs to provide new electrical reticulation for about 55 000 homes plus improving the often low voltage reticulation in the about 25 000 homes that already have power.

In addition, it will be necessary to install power in all new homes built (an upsurge in home-building is expected this year) and to launch a major programme to provide street lighting.

Mr Mulder has promised that Soweto power will not be on the lines of "austere schemes" proposed in the past. It will be a full supply capable of running a complete to, 58

28/2/77

Foreign bankers worried over SA

By Nigel Bruce

FOREIGN bankers, already wary of lending to South Africa because of the indeterminate political situation, are flocking to this country to check on their security now that two banks have been pressed to the wall.

Even the Reserve Bank's having immediately stood behind Rand Bank's foreign obligations when the bank was placed under a curatorship, has not stopped them.

Moreover, foreign exchange banks say the number of telephone enquiries they are receiving about business conditions here and the solvency of small banks have shot up since Rand Bank'd position became known.

Apparently, foreign bankers are no longer content only with government guarantees in view of the country's heavy borrowings from the International Monetary Fund and other foreign sources. They want to see for themselves that South African borrowers are solvent and likely to remain so.

The public corporations, particularly Escom, Iscor and the SABC, have been singled out for close scrutiny in view of their heavy dependence on foreign loan finance.

While they are heartened by the fact that some of these corporations, especially Escom, are becoming more self-sufficient by generating development capital from their own trading operations, they believe that the corporations' methods of funding capital expenditure are inappropriate to the rate and extent of expansion being required from them.

These bankers are also giving close attention to the domestic political situation. They want to know from the Government how it plans to handle its economic and racial problems so that they can take this into account in their own detailed cash flow forecasts.

So far they have been frustrated by Government's refusal to accept that anything more than the oil crisis and the revolution in Portugal are at the heart of present difficulties, and its myopic contention that deep racial problems do not exist.

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Big banks discuss safety buffer

21/2/77

Michael Chester, Financial Editor

Executives from the big five commercial banks were called to the Reserve Bank in Pretoria today to discuss the creation of safety buffers to protect small banks that may run into problems.

One item high on the agenda was the launch of a special fidelity fund into which all the big banks would contribute and from which smaller banks could draw in an emergency.

The motive of Dr T W de Jongh, Governor of the Reserve Bank, was to calm down the speculation about the future of smaller banks caused by moves to call in curators to sort out problems at Rondalia and Rand Bank.

The immediate aim is to safeguard smaller banks from problems at the month-end — only seven days away.

OBJECTIVE

On February 28 all the banks will have the problem of heavy withdrawals as the tax year comes to a close.

A widespread concern is that the smaller banks may face additional problems if customers decide to switch many of the remaining deposits to the bigger banks if confidence in the small banks is wilted.

The creation of a fidelity fund had the objective of protecting smaller banks suffering a heavy slide in the level of deposits — in turn firming up the banking system as a whole.

Also due to be discussed at the meeting today was the possibility of a lowering of supplementary liquid asset requirements for certain banks.

A third possibility was a raising of ceilings on deposit rates — at least on small deposits and perhaps only temporary — for small banks to deter withdrawals or switches of funds to the big banks.

Riots: do insurers have to pay?

Sfw 26/1/77

South African insurers have paid out claims for riot damage estimated to exceed R1-million. But it is still not clear whether they had to.

Most policies with riot clauses exclude liability for political upheavals and acts against the Government.

Until the Cillie Commission has made its findings on the causes of last year's unrest, insurers are unwilling to commit themselves on whether they include it in this category.

LOSSES

Santam, which faces the Bantu Administration Board's claim for their vast riot losses, has not made a decision on compensation.

But Putco has been paid out in full, in terms of its insurance policy, for damage to buses up to June 30 last year. After that, its riot cover was cancelled.

Most insurers say they have honoured claims on policies with riot clauses without necessarily admitting liability, so that they have not set a precedent for future claims.

LIABILITY

The managing director of one company which has admitted liability said he felt that clients who had been paying premiums for riot cover for some time were entitled to compensation.

Much of the property damaged during the unrest — like shops in Alexandra township — was not insured against rioting at all.

SELECTIVE

Companies are still issuing new riot cover, but selectively. One policy excludes riot damage to vehicles if it happens in a township.

A committee appointed by the SA Insurance Association has investigated insurance schemes in other countries prone to losses with political implications.

None of them has a solution tailormade for the South African situation. But the committee has drawn on their experience to prepare recommendations on new wording for riot clauses. The draft is complete, although it has not been published.

The recommendations could be used as a guideline for members of the association, and possibly in negotiations with the Government.

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Consumer Council hits at savings institutions

DD 23/12/76

JOHANNESBURG — The South African Co-ordinating Consumer Council yesterday accused the country's banks, building societies and insurance companies of apathy in stimulating saving.

Mr Johan Verheem, director of the council, said in Pretoria that many millions of rands were being paid out on bonuses to employees in the private sector this month.

But — as had happened in September when public servants received bonuses totalling R20 million — there was no indication that any but a few of the savings organisations were making a special effort to channel some of the money into positive savings or insurance.

"These two big bonus pay-out occasions are special circumstances and, as such, need a special approach if some of the money is to be effectively utilised to the benefit of the country and the consumer and to counteract inflation.

"These are annual payouts and savings schemes based on this fact should be devised. Normal advertising and promotions make little impression on these occasions. Bright new ideas, taking all the facts into account, are needed," Mr Verheem said.

Because of the lack of an enterprising approach from companies directly involved in the field, all the council could do was to warn consumers not to spend their bonuses on unnecessary purchases and rather to consider some annual payment towards insurance or endowment policies, defence bonds, or building society shares, h said. — DDC.

58.

Standard Bank review says....

Economic revival rests on mining

3/12/76 nm

JOHANNESBURG — Hopes for an export-induced economic revival in South Africa are pinned on the mining sector in general and focus in particular on coal, iron ore, uranium and platinum, says the Standard Bank in its latest monthly review.

But mining has its problem areas and to ensure future efficiency in the sector, concerted efforts will have to be made to overcome shortages of capital, skilled labour bottlenecks and the threat to the profitability of mines from cost escalations.

It says that because of doubts about the future of gold, it is significant that the mining sector has intensified its activities in the field of other metals and minerals.

Particularly strong has been the performance of coal mines, whose output volume has continued to grow since the beginning of 1974.

OIL CRISIS

The oil crisis of 1973 gave renewed importance to coal as a source of energy and as a base for chemical production.

Increasing domestic demand for coal for steel production and electricity generation has encouraged greater output capacity of existing coal mines and the opening of new collieries.

Since the beginning of the year, the tonnage of coal exported has risen 90 percent and the corresponding increase in the value of these exports has been 127 percent.

The opening of Richards Bay harbour in April and the completion of the railway line from Witbank to Richards Bay has initiated coal exports on contract to Japan.

This bulk commodity port will, in the near future also be used for exporting other minerals such as phosphoric acid, phosphates, titanium, zircon and rutile, and at a later stage for shipping chrome ore, steel products, asbestos, copper and fluorspar.

Similarly, output of iron ore has risen sharply since the end of 1975.

SALDANHA BAY

The opening of Saldanha Bay harbour and the railway line from the mine at Sishen now enables the export of an estimated 15 million tonnes of iron ore on contract each year to Europe and Japan.

By contrast, the amount of copper mined has increased modestly since mid-1975, but export earnings show relatively small rises this year. — (Sapa.)

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DP. 2/12/76

Gold and foreign reserves down

PRETORIA — South Africa's total gold and foreign assets decreased by R60 492 556 last week, and stood at R850 038 357 on Friday, according to the weekly statement by the Reserve Bank.

An accompanying statement by the Bank said the decline of R60,5 million was accounted for by the repayment of official foreign loans.

The gold holding alone declined slightly by R12 031 to R374 900 742.

Foreign bills dropped from R64,1 million to R62,9 million, while foreign investments remained practically unchanged at R21,8 million, and other foreign assets dropped from R449,5 million to R390,2 million.

Government deposits dropped from R51,0 million to R43,6 million, while deposits by provincial administrations increased from R54,6 million to R55,6 million. Notes in circulation increased from R1 006,1 million to R1 187,2 million.

The ratio of gold reserve to liabilities to the public, less foreign assets, stood at 29,2 per cent on Friday, compared with 31,4 per cent the week before. — SAPA.

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BANK SCANDAL: THOUSANDS HIT

1/12/76 **Mercury Correspondent** Nm.

CAPE TOWN – The R100 million Rondalia Bank has frozen all accounts, cutting off thousands of depositors from their funds, in one of the biggest banking scandals in South African history.

The Minister of Finance, Senator Owen Horwood, has appointed a curator to take over the management of the bank, which is in grave financial difficulties stemming from the current economic climate.

The Registrar of Banks, Mr. Wynand Louw, yesterday applied for a moratorium freezing all assets of the bank to allow the curator, Mercabank's Dr. Charles Ferreira, a breathing space in which to examine the crisis.

Shocked customers throughout South Africa were yesterday told they could not draw on their deposits at the bank.

"I've been saving at the bank since after the war and now I can't even pay my accounts," said Mr. G. C. Ehlers of Parow East.

"I know hundreds of other railway workers whose cheques are automatically deposited there and we're all in trouble. Something has to be done. Our Christmas bonuses were also deposited and this is a time of year when everyone needs money.

"I've been desperately trying to raise loans all over the place."

A bank spokesman, Mr. J. C. J. van Schalkwyk, said in an interview from Pretoria that it would be up to the curator to decide how to meet the needs of depositors. He could give no estimate of what action would be taken or how long it would take. Mr. Ferreira, who was overseas, would need time to examine the situation.

He blamed the bank's problems on the present economic climate.

The rest of the companies in the Rondalia group, which operates in the fields of insurance, tourism, construction, motor vehicles, and printing, were not affected.

A reliable source at the Registrar of Financial Institutions in Pretoria said an application for a curator was made because of dissatisfaction with the way the company was being run. Rondalia, according to Mr. van Schalkwyk, had asked for the step to be taken.

Banking sources, including a Rondalia executive, believe the action will affect the positions of top bank officials. The sources point out that the appointment of a curator to take over the affairs of a bank is unique in South African banking history. The managing director is Mr. B.D.T. Boschoff, MPC for Sunnyside in the Transvaal, and his deputy is Mr. J. B. Sevenster, who was unwilling to comment on the affair yesterday. Mr. Boschoff was not available.

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BEGGARLY BRITAIN SEES LOAN PRICE SOAR

LONDON — The full Labour Cabinet learned for the first time yesterday just how tough the terms will be for Britain's urgently-needed R3 300 million credit from the International Monetary Fund.

24/11/76 Om

Indications from official sources are that the IMF will want even more severe restraints on public borrowing next year than were thought necessary when Britain applied for the loan at the end of September.

It will be for the Government to decide how the economies will be made, either through spending cuts, increased taxation or a mixture of both. All the IMF will do will be to approve overall objectives.

IMF inspectors now in London to discuss the loan will probably return to Washington at the weekend, after spending three weeks in secret talks with the British Treasury and the Bank of England, the sources said. No word on their specific recommendations was officially revealed.

The IMF team is expected to take with it a draft letter of intent from the Government on economic policies, including he key issues of the public sector deficit and growth in money supply—a major contribution to inflation.

Before the loan can be finally approved, the "Group of 10" industrial nations will have to decide on replenishment of IMF resources.

The group — the United States, Japan, West Germany, France, Canada, Sweden, Belgium, Holland, Britain and Italy — is expected to meet for this purpose in Paris at the end of the first week in December.

The sources said it was not yet certain whether the Government would publish its letter of intent to the IMF once the loan is announced, although this was done when Britain borrowed about R1 700 million from the fund a year ago.

Package

The Chancellor of the Exchequer, Mr. Denis Healey, is expected to announce to Parliament some time in mid-December the package of economic measures which is to be part of the deal — and which could cause a major political storm between the Government and the Labour Party's Left wing.

The country has already been given a foretaste of harsh medicine to come. A severe squeeze on bank lending was announced last week and yesterday the Government cut subsidies to local authorities — making increased local taxes inevitable next year.

Britain wants the IMF loan as soon as possible because a six-month stand-by credit of R4 500 million from a group of leading industrial countries has to be repaid by December 9. — (Sapa-Reuter.)

49/58.

Argus.
19/11/76

The law and you . . . by JUDEX

Money-lending in the modern world

DID YOU KNOW?

IN terms of the Group Areas Act no African, Coloured or Asiatic person may, without a permit, attend any place of public entertainment in a White area, and this includes cinemas, theatres, circuses and any other presentation of the performing arts, under cover or in the open air, to which the public are invited.

TALK of money-lending, and one immediately thinks of some Shylock hoping that Antonio's argosies will fail, and then trying to exact (literally) his pound of flesh. Or of Polonius admonishing his son: "Neither a borrower nor a lender be.'

In fact, of course, a free enterprise society such as ours could hardly exist without extensive lending facilities — and also its cousin-concept, the granting of credit.

South African law follows business needs and supplies an extremely supple system of contractual rules. If, for example, you want to buy a car but do not have the ready cash, you can (a) prevail upon the seller to conclude a credit sale (which he is unlikely to agree to, because ownership of the car passes to you) or (b) arrange hire-purchase, either directly with the seller, or through a discount house (in this case ownership of the car passes to you only when the last instalment has been paid).

Restrictions

In this field of money-lending and credit South African law imposes three major restrictions. (The old statute used to be the Usury Act 1926, but now we have the grander-sounding Limitation and Disclosure of Finance Charges Act 1968.)

In the first place, this Act empowers the Minister of Finance to prescribe an annual finance charge rate, which is our old friend of interest in another guise, and no money-lender or credit-giver may stipulate for a higher rate. The rate is 12% for a debt over R400, rising to 18% for a debt of R200 or less.

Second, a money-lender or a credit-giver, whether or not this is requested by the borrower, must disclose the full particulars of the transaction before it is concluded, including the cash amount or credit actually to be received by the borrower, the exact amount of the finance charges, the latter expressed as an annual finance charge rate, and details as to when and in what instalments the total debt must be paid.

Judgment

A person who omits or falsifies any of these particulars is guilty of an offence and liable to both imprisonment up to two years and a fine up to R1 000.

Third, a money-lender or credit-giver may not, for example if the borrower should default, obtain a court judgment for a greater amount than the debt outstanding, together with an extra finance charge at the agreed annual rate for the period of default.

To round off the Act, its provisions do not apply to pawnbrokers or to a money-lender outside the Republic who grants a loan to a borrower in the Republic.

It may be thought that the Act is so plain to read that businessmen know exactly where they stand. Not so. There has been a steady stream of litigation since the Act came into operation on April 1 1969. Not only have the courts had to construe the language of various sections, but they have differed radically on a crucial issue.

Suppose that a contract stipulates that if the borrower defaults the total amount becomes due and payable — this being known as an acceleration clause — the borrower defaults, and the lender enforces the acceleration clause. Can the debtor reduce the amount payable, on the ground that the finance charges he will be paying are now in excess of the prescribed rate for the period during which he had actual use of the money?

Conflict

The Supreme Court in the Cape, the Eastern Cape and South West Africa have said Yes the Supreme Court in the Transvaal and Natal No; in each case there was a Full Bench sitting — that is, three judges. And then this year another Full Bench in the Transvaal decided that its colleagues' previous decision was wrong.'

This is one of the most spectacular conflicts of judicial opinion in South African legal history. There are three ways to resolve it — a litigant willing to go further on appeal to the Appellate Division; the Minister of Justice referring the issue to that Division for as it were a hypothetical decision, in terms of an Act passed last year by parliament; or Parliament itself amending the 1968 Act to clarify the matter.

Meanwhile, this problem apart, be sure that in any money-lending transaction you may be involved in the statutory requirements are complied with strictly.

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Money-raising difficulties

11/11/76 DD.

LONDON — South Africa's overseas borrowing difficulties are being published in the United States as well. The latest edition of Business Week says: "International bankers are becoming increasingly leery about making loans to the troubled Republic of South Africa."

This week the South African authorities confirmed they had arranged a 110 million Eurodollar credit.

According to Business Week, Citibank put together the funds but the magazine commented that the credit was expensive and far short of the 300 million dollar loan which the Minister of Finance, Mr Horwood, was seeking.

Last week the Financial Mail said the five-year loan was 0,75 per cent above Libor (London interbank offered rate). Business Week says the Eurocredit is 1,875 per cent above Libor (London interbank offered rate, around 5,75 per cent).

Again a Citibank spokesman in London was tight lipped about the affair.

About two months ago Business Mail got wind of this loan and reported that South Africa was negotiating a 100 to 200 million dollar loan in the Euromarkets.

Subsequent to that report, the Washington Post wrote that South Africa had negotiated a loan of 300 million dollars.

European sources disagreed with that article at the time, saying that American banks were trying to raise 300 million dollars, but could not fulfil their target. They emphasised that 100 to 220 million dollars was a closer estimate.

In Dusseldorf last week, the Secretary for Finance, Mr Gerald Browne, said South Africa was still managing to borrow money, but most of the finance had been raised in the United States.

If the Business Week report is any indication, South African borrowers will find it as difficult to find cash in America as in Europe. If they do get the money, it is likely to be very expensive.

Business Week reports: "One New York City bank reports it has been approached half a dozen times in the past few months by European banks trying to put together syndicated loans that are unrelated to Citibank's effort.

"Unfortunately for the South African Government, foreign bankers are so worried by both the nation's economical and fiscal woes, and the prospect of black unrest, that they are unlikely to loosen their purse strings lightly." — DDC

(58)

Foreign bankers emphasise...

S.A. has reached credit ceiling

9/11/76. **Mercury Correspondent** Business Mercury.

JOHANNESBURG—Bankers in Zurich, Frankfurt and Dusseldorf emphasise that South Africa is finding it increasingly difficult to raise money abroad.

In interviews, bankers were not prepared to be specific, but it is evident that South Africa's credit rating has been downgraded.

Reasons for the change in attitude are:

- Political events in South Africa and surrounding States. The South African Government, public and private corporations were heavy borrowers in 1974 and 1975. European banks are up to their limits in South African paper;
- Deteriorating economic conditions and the wide balance of payments deficit;
- Caution following numerous requests from nations with large balance of payments deficits.

Bankers maintain that South African institutions have little hope in raising money on the public Eurobond markets. South African issues, quoted on this market have fallen sharply during the past year.

A German banker remarked that after each outbreak of violence, investors were heavy sellers of the securities.

Norway is rated highly in the Euromarkets because of its North Sea oil potential. Yields of this country's securities are four to five percent lower than South African securities, in spite of South Africa's vast coal, uranium and mineral resources. Both Swiss and German bankers report that it is difficult to raise money privately for South Africa.

Before the Angola debacle Swiss banks found it relatively easy to place South African paper with private clients and institutions. Now the going is tough.

Bankers in London, Switzerland and Germany all affirm that South Africa has reached its credit ceiling.

They find it extremely difficult to lend cash of one year and more because extra South African paper would exceed the limits in their portfolio.

58

Court told of 'double discounts'

nm. 21/10/76

Court Reporter

THE accountant investigating the affairs of the Sidarel Finance Corporation found that the company had followed a "peculiar" procedure of double discounting bills from "dummy" clients, the Durban Criminal Sessions heard yesterday.

When questioned, one of the directors of SFC said that this accounting method had been adopted for "convenience," Mr. Palmer Strachan told the Court.

Three former directors and the auditor of SFC are appearing before Mr. Justice Kumleben and two assessors charged with nine counts of fraud, one count under the Banks Act and five counts under the Insolvency Act.

The men, Mr. Basil Ostilly, Mr. Louis Michael Epstein, Mr. Sydney Horwitz and Mr. Graham Robert Rosenthal, have pleaded not guilty to all counts.

Peculiar

Mr. Strachan said that after he had discovered the "peculiar" double discounting procedure he asked Mr. Ostilly for an explanation.

In a letter Mr. Ostilly said that when the company's managing director, Mr. Eldred Savell, realised that bills would not be met, a new series of post dated cheques covering the amount would be discounted.

The money would be deposited with Siderel Investments and when a bill was not paid, money was withdrawn from their account to meet it.

If a new series of bills was placed with a bank for collection, the old series was not withdrawn, but left to be dishonoured on the due date.

Oversight

Mr. Ostilly said that this was an "oversight" on Mr. Savell's part. The method was adopted for accounting convenience.

Mr. Strachan said that he could not see why this was convenient.

One client, Mr. Perumal, was discounting bills with SFC for "dummy" businesses. Large amounts of these bills were discounted twice, the Court was told.

The hearing continues today.

Mr. E. C. Heller SC, Mr. M. Imber SC, Mr. T. P. McNally SC and Mr. J. Butler are appearing for the State. Mr. R. Allaway SC and Mr. P. Meskin SC are appearing for Mr. Ostilly and Mr. Epstein. Mr. Meskin appears for Mr. Horwitz. Mr. D. Friedman, SC, and Mr. R. Goldstone appear for Mr. Rosenthal.

58/156.

nm 12/10/76

U.K. inflation 'is under control'

LONDON — Facing a Parliament tense and angry over the recent slump in sterling, the Chancellor of the Exchequer, Mr. Denis Healey, said yesterday that Britain's "real economy" was developing in line with the Labour Government's strategic objectives.

He announced measures aimed at encouraging savings and said that "we would not hesitate to take any measures required to keep our strategy on course."

But there were no major announcements, such as drastic new cuts in public spending. Mr. Healey insisted things were basically under control.

Opposition Conservatives shouted "resign," drowning the more muted pro-Healey cheers from Labour members. Conservative economic spokesman Sir Geoffrey Howe said: "No one in this country and in the world outside any longer believes a word that the Chancellor says."

SURVIVE

The Government, however, was expected to survive any attempts by the Opposition to defeat it in last night's emergency debate on the economy.

Mr. Healey said spending by the public sector was levelling off and should fall in real terms next year.

Throughout recent weeks, as sterling dropped on foreign exchange markets, Mr. Healey and the Premier, Mr. James Callaghan, have insisted that sterling is undervalued.

"Yet the foreign exchange market has so far not taken that view," said Mr. Healey. "We must live with the judgments of that market, whether we like them or not."

He said a sharp rise in commodity prices and the depreciation of the pound meant that the original inflation target of single figures by the end of the year was now out of reach. Britain's annual inflation rate is running at 13,8 percent at present.

RISING

Official figures released yesterday show that the prices of both industry's finished goods and raw materials have been rising. Raw material costs rose by 3,25 percent during September. Prices for the home sales of manufactured products increased by 1,25 percent.

The London stock market continued a recent downward slide, closing at 6,6 points down at 286,1. Share prices have been hit by the weakness of sterling and fears that record high interest rates will hurt investment.

GROUND LOST

Sterling itself lost moderate ground in European currency markets, closing at 1,6595 dollars, compared with 1,6625 on Friday.

Mr. Healey announced the introduction of a new scheme for small savers and improved rates of interest of National Savings Bank accounts. A new savings certificate would cost about R7 to buy and would be worth R10 after four years.

Mr. Healey said this should make a useful contribution to financing the public sector borrowing requirement and enable small savers to share in benefits from the recent general rise in interest rates.

Before he addressed Parliament, Mr. Healey met industrialists and trade unionists on the National Economic Development Council.

According to council director-general, Sir Ronald McIntosh, Mr. Healey told the meeting that the credit squeeze may last only a matter of weeks. There is anxiety here that the squeeze may damage industrial recovery if it lasts too long. — (Sapa-Reuter.)

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2 332

Riot cover ends on State-owned township property

S EXP 22/8/76.

By MARTIN SCHNEIDER and RAY JOSEPH

NATION-WIDE rioting has now left at least 247 people dead — and insurance companies have cancelled all cover on Government property in Black townships.

In fact Santam, the insurance company heading the group covering most of the country's 22 Bantu Affairs Administration Boards, cancelled its riot cover as long ago as July 21.

The company cancelled all cover on Thursday this week.

CLAIMS

A new consortium is now believed to be offering the Government only limited risk coverage.

But claims relating to the period before cancellation of Santam's insurance cover may lead to heated dispute between the company and the Government.

A clause in the policies stated that if damage was a result of an uprising against the Government, Santam would not be responsible.

Any dispute over claims is likely to be resolved only after publication of the Cillie Commission report on the riots.

While politicians are sharply divided on what they believe are the causes of the riots and whether they constitute "an uprising against the Government," political scientists this week refused to comment.

They say comment may infringe the Commissions Act, and be construed as contempt of the Cillie Commission.

Confirming the cancellation of its insurance cover, a Santam spokesman yesterday declined to enter the dispute on the controversial riot clause, but added: "We are still waiting for proper submissions of claims.

"Before then we cannot do anything."

He disputed claims in certain newspapers that Santam faces a R10-m bill from Transvaal Bantu Affairs Administration Boards.

"Amounts so far in the Press are all based on estimates and in the insurance business people always overestimate," he said.

He added that Santam had reinsured itself in South Africa and with overseas companies.

The death toll in the riots has risen to at least 247.

Since violence broke out in Soweto on June 16, more than 2 000 people have been arrested on charges ranging from sabotage to public violence.

The arrest yesterday, under the Internal Security Act, of Mrs Fatima Meer, a Durban sociologist, has brought to 52 the number of people held under this law.

As violence spread to other parts of the Transvaal, the Peninsula, Port Elizabeth and the Transkei, the property toll included:

- The BophutaTswana Legislative Assembly, razed to the ground, the Soweto Urban Bantu Council, and the Universities of Zululand, the Western Cape and Fort Hare, all extensively damaged.
- Government offices damaged or destroyed number at least 93, schools 106, beerhalls and bottle stores 71, shopping complexes 6.
- More than 100 buses and at least 170 vehicles have been damaged or destroyed, as well as 51 shops, nine homes, nine banks, six libraries, eight hostels, six clinics, two hotels and one factory.

Teargas fired at riot man's funeral

RIOT police fired teargas into unruly crowds at the funeral of a Black youth killed during the disturbances in Cape Town.

Gangs of youths, defying appeals by the family of a dead 18-year-old student to disperse, marched on the cemetery, which the police had cordoned off, and riot squads were brought in to chase the chanting crowds into the streets.

Two attempts were made to burn schools at Langa yesterday. — UPI.

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2 ~~332~~

Obstacle remains on Black homes

16/8/76

STAR

Building societies are no nearer to financing homes for Blacks in urban townships though the Minister of Bantu Administration and Development has announced that the home ownership scheme for Blacks is in operation.

The snag is that building societies may only grant mortgage bonds for houses on the security of the property and its improvements. The latest home-ownership scheme, however, only offers as security notarial bonds on an applicant's moveable assets or right of occupation of the house.

Neither of these forms of security is legally allowed for building-society bonds and, unless an amendment to the Building Societies' Act is made, Blacks will not be in a position to apply for loans.

ILLEGAL

The Association of Building Societies announced last month that it was investigating the possibility of providing home loans for Blacks.

The leader of the investigation, Mr Roy Canning, said today that the problem of providing loans for Blacks was still the same, although the home-ownership scheme is in operation.

Since Blacks could not own land, the only form of security remained notarial bonds — illegal in terms of the Building Societies' Act.

58

ARGUS 28/7/76

Minister to probe Spes Bona bank loan

The Argus Political Correspondent

THE Minister of Coloured Relations, Mr H. H. Smit, is to deal next week with a demand for an immediate investigation of a loan by the Coloured Development Corporation's Spes Bona Bank to Mr Jan Haak's Transterra Mining Company which is in financial trouble.

The call for an investigation had been made by Mr Colin Eglin, leader of the Progressive Reform Party.

In terms of a leasehold agreement between the Spes Bona Bank and Transterra the bank bought labatory and mining equipment worth R152 000 and leased it to Transterra.

In February this year the bank had refused to accept deposits from Whites, Indians and Africans and it was stated that it did business only with Coloured people.

It now appeared that, prior to this statement, the bank had made the R152 000 loan to Transterra.

NEED FOR CASH

Mr Eglin said today that, instead of providing a loan to a speculative, White-controlled mining company, it seemed to him that the CDC-controlled Spes Bona Bank could have used its surplus funds to provide bridging finance for Coloured housing where there was known to be a desperate shortage of money.

'There are thousands of Coloured people crying for short-term loans to enable them to buy building materials to build their homes or enlarge their existing ones.

'I can think of no better or safer investment area for the Spes Bona Bank than in Coloured housing,' Mr Eglin said.

The loan agreement with Transterra would normally have been discounted with other financial institutions which dealt in this, but Transterra found itself in difficulty before this could be done.

REPOSSESSED

The CDC then repossessed most of the equipment with the exception of some plant worth about R20 000 which had been installed in Rhodesia.

The spokesman said the Spes Bona Bank was a savings bank which operated as an economic entity and was entitled to invest surplus funds in short-term loans as other banks did.

No personal loans or services had to be withheld from Coloured people as a result of the Transterra deal.

CALL FOR PROBE

He sent a telegram to Mr Smit asking for the investigation earlier this week. A spokesman for the Minister's office in Pretoria said today. He was visiting South West Africa this week and would be able to attend to the matter only next week.

The Spes Bona Bank may issue a statement before then.

A spokesman for the CDC said today the deal with Transterra had essentially been a short-term one using surplus funds which had not been obtained from Coloured investors.

(63)

SUNDAY TIMES, Business Times, April 18 1976

In the nick of time . . .

New R50-m Concorde Bank born

Willem Greef

By NIGEL BRUCE

CONCORDE BANK, the product of a reverse takeover of Concorde Leasing by Staalwerkers-spaarbank, throws open its doors for business for the first time on Tuesday.

With assets of about R50-million, it will be about the sixth largest general bank and will rank about 20th among the 51 banks in the country.

Although the main thrust of its business will remain in industrial leasing, it is poised also to expand into other banking areas, the most obvious being the money market in view of shareholder Messina's activities in this field.

The takeover, which comes in the nick of time for Concorde Leasing, was masterminded by Mercabank's chief, Dr Charles Ferreira.

Had this former non-bank finance house not acquired a banking licence, its growth would have been severely circumscribed. The Banks Act is presently being amended to prevent leasing houses like this one from taking deposits against the security of lease receivables and leased capital goods.

In addition, a bank licence will enable Concorde to gear itself to a much greater extent than formerly. Although, of course, it will have to comply with the earnings eroding high liquid asset ratios and the ceiling on loans.

It appears to be getting no leeway under the ceiling, as other new banks have had in the past. Instead its ceiling will be calculated on the basis of total group loans.

While the deal is clearly innovative and must have been negotiated with much skill and tact, it is not entirely novel. Mercabank itself and Finansbank had similar roots, although they acquired dormant licences.

The main shareholders of the new bank are Sanlam which, once certain options are exercised, will have about 30 per cent; Messina, which has 43 per cent reducing to 30 per cent once Sanlam exercises its options; and Mercabank with 11 per cent.

The chairman will probably be Dick Jobbling, Messina's investment manager; and Trevor Evans, former managing director of Concorde Leasing, will be an executive director. Willem Greef has just moved from Mercabank to become general manaber and chief executive officer.

Mr Greef tells me for the most part Concorde will concentrate on "wholesale" banking and, like Rand Bank, will not open its doors to the public at large.

The exception is in the business areas covered formerly by Staalwerkers-spaarbank, which is the acceptance of deposits from and the granting of loans to industrial workers, in particular Iscor employees.

Obviously, part of the deal negotiated by Dr Ferreira was that these borrowers and lenders would not be prejudiced by the takeover and merger of the two organisations into a much larger general bank.

An interesting feature of Concorde's leasing operations is the R2,5-million assessed tax loss it has to offset against future profits.

Mr Greef explains that this arose out of the large extent of investment allowance business done by Concorde Leasing in the past. The benefit of the loss will accrue in time. In reporting profits, the tax benefits were deferred over the periods of the existing leases so that the potential return on the existing book is considerably more than is the case with many other leasing companies.

1) 63

2) ~~66~~

Barclays 'here to stay'

STAR 14/4/76.

The Star Bureau

LONDON — A recent statement by Chief Gatsha Buthelezi, the kwaZulu leader, opposing foreign investment in South Africa's central economy, was cited by several speakers at the annual meeting of Barclays Bank in London yesterday.

The speakers used the statement in an attempt to persuade the bank to cease its operations in South Africa.

But the chairman, Mr Anthony Tuke, while not commenting on the chief's statement, made it clear that the bank was there to stay, although he admitted that South West Africe was "a difficult problem."

Seventeen speakers, including one who said he was putting a question on behalf of Mr Peter Hain, took up more than an hour of the meeting as they questioned Mr Tuke closely on operations in Southern Africa.

NO POINT

On South West Africa, Mr Tuke said there was no point in the bank withdrawing from the territory, or in taking into account United Nations resolutions on it, unless and until the British Government decided it should do so.

"As long as we are subject to the laws of the British Government we must abide by its regulations," he said.

As far as the bank was concerned, if it had got to choose between obeying the instructions of the British Government or Swapo, it would obey its own Government.

Mr Tuke said he was not aware that Barclays National Bank had made available R30-million for a copper project outside Cape Town. But he was not aware of every single loan the bank made all over the world.

On investing in South Africa generally, Mr Tuke said: "We consider that foreign investors are doing more good to the people by staying rather than by selling their business to local interests."

There was a genuine difference of opinion over this, but he believed the bank had overwhelming support in staying.

(1) ~~Capital~~
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(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.'

Sunday Express 4/4/76

'Special' premium rates for Blacks

By HELEN ZILLE

BLACKS pay more for life insurance policies than Whites — unless they have special qualifications that entitle them to "normal rates."

This was uncovered this week in the latest Express investigation into discriminatory practices in commerce.

Johannesburg's two largest life insurance companies, African Eagle Life and Sanlam, both load life premiums for Blacks unless they fulfil certain qualifications.

For African Eagle these are:

- A university degree or a similar qualification.
- A salary of R500 a month or more.
- Application for a policy with a premium of at least R40 per month.

Sanlam exempts Blacks from extra rates if:

- They are teachers with a salary of at least R1 200 a year.
- They are ordained ministers of religion in a recognised denomination.
- They are graduates.
- They earn at least R3 000 a year.

On certain African Eagle policies the premiums for Blacks are loaded by much as 50 per cent. others, five years are ad to the applicant's age, which in terms of cash means a difference in premiums of between R2 and R27 for different policies.

Comprehensive figures for Sanlam were not available. A spokesman said: "Overall one has to discriminate. It is not a discrimination aganst colour but against a higher risk."

A Sanlam actuary claimed the company's premium rates were based on statistics of the Actuarial Society of South Africa that show the mortality rates of Blacks between the ages of 25 and 55 to be 20 to 40 per cent higher than those of Whites.

An actuarial spokesman for African Eagle admitted there were no reliable statistics on Black mortality rates.

Social Sec - Genl

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In February [illegible] million — a [illegible] total of R[illegible] million [illegible] the same month last year.

Lending is already [illegible] February was R[illegible] million [illegible] total of R[illegible] million.

Mr. Dave Alston, the director of the Association of Building Societies, said: "If the societies intake of funds declines, obviously we have to be a bit more prudent in what we put out."

The drop in funds is not entirely unexpected. At their annual meeting in Cape Town last month building society chiefs predicted that the movement would be in for a "lean" time because of the tight liquidity situation in the economy.

"How long the current situation will continue is difficult to say," said Mr Alston. "A lot depends on the Budget on March 31."

He said that if the [illegible]

[illegible] the moment and we are not pushing for any special relief [illegible] relation to [illegible] increase in the [illegible] tax [illegible] Government [illegible]

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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 by 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

To Page 3, Col 5

● **Deposit scheme will stretch small traders — Page 30.**

New cash squeeze

22/7/76 STAR

From Page 1

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.

[illegible]

The balance of the [illegible] [illegible] is the best way to launch [illegible] in indigenous business in the homelands.

[illegible] will participate [illegible] the operation right [illegible] the start and, with experience, will eventually take over virtually all aspects of the business.

Aidec chairman, [illegible] [illegible], who is also chief executive of Federale Volkskas Makelaars, said this week that no definite [illegible]

[illegible] to proceed [illegible] the [illegible] and the insurance company, he said.

[illegible] the Botswana [illegible] London Stock Exchange.

[illegible] advantage of the scheme is the potential which it will offer to the citizens of KwaZulu. Not only will there be an [illegible] benefit — which will be passed on by the White companies in the early stages — but it will, to a certain extent, retain large amounts of cash within the homelands. At the moment any premiums paid for insurance [illegible]

[illegible] homeland. [illegible]

[illegible] Botswana Government.

The Aidec proposal is one of many commercial undertakings which have been submitted to the Executive Council of KwaZulu under the tripartite guidelines.

Checkers, Pick 'n Pay, the OK, Pep and Frazers are all retail groups which are interested in the concept and McCarthys and Datsun are also interested in developing in the KwaZulu homeland.

[illegible]

[illegible] within the next few days.

This should be handed to the [illegible] board next week with a final decision on whether to go ahead or not being made by the company within the next few weeks.

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A long, hard struggle

THE BANK

63

By HELEN ZILLE

A NEW BANK opened in South Africa in December which could do more to change the social structure in this country than any other financial enterprise in our history.

It is called the African Bank of South Africa and the moving spirit behind it, Mr Sam Motsuenyane, believes it will be the catalyst for the evolution of an entirely new social class in South Africa — a Black managerial middle class of entrepreneurs and tradesmen.

Mr Motsuenyane is confident that the new Black class will mushroom in the homelands as well as the urban areas.

He sees the conditional 30-year leasehold, recently offered to Black city dwellers, as the first tentative sign of official recognition that South Africa's urban Black population is permanent.

Linked with this, he discerns a tacit acknowledgement by the Government of the need to fill the vacuum in the country's economy by Black businessmen and enterprises.

AFRICAN BANK OF SOUTH AFRICA LIMITED

It was a proud day for Sam Motsuenyane when the African Bank's first branch opened in Ga-Rankuwa, BophuthaTswana on December 1.

Sun Express 4/1/76

The determination to provide a financial reservoir to nourish emerging Black industry and commerce was the spark behind the genesis of the African Bank concept in 1964.

It now remains the overriding purpose — three weeks after the bank's first branch opened in Ga-Rankuwa, BophuthaTswana on December 1.

The opening of the Soweto branch next year will mark the emergence of a potentially powerful Black financial venture on the threshold of White South Africa's economical centre.

It will signify a considerable slackening of the Government cordon that threatened to confine Black undertakings to the homelands.

And when branches open in other city centres a financial infrastructure will have been created for the growth of Black industries and factories throughout the country.

Inevitably, a need will arise for Black directors, managers, entrepreneurs and technical experts which will meet and absorb the growing economic aspirations and potential of the Black man.

A Black middle class will evolve to swell the ranks of the small Black professional elite and act as a lever for the elevation of the entire Black community.

This is what Sam Motsuenyane had in mind when he said at the bank's opening ceremony in Ga-Rankuwa: "This is a major step in the upliftment of my people."

His words captured the tenacity and growing resolve of Black South Africans to become equal partners in South Africa's economic development.

And they echoed the mood of the Bloemfontein congress in 1939 when Afrikaners established the Reddingsdaadbond, dedicated to the task of securing for themselves an adequate position in the country's economy.

Within two decades the economic rehabilitation of the Afrikaner was complete.

While the Black and Afrikaner movements are identical in their aim of providing the financial muscle for the all-round elevation of their people, they differ in one important respect: The Afrikaner movement aimed at establishing an exclusive and segregated economy while Mr Motsuenyane sees the hope of Black advancement in the concerted effort of all South Africans.

Mr Motsuenyane sees Black businesses as a training ground to prepare the

... to create a new Black soc

THAT SAM BUILT

● The moving spirit behind the venture, Mr Sam Motsuenyane.

will mushroom in the homelands as well as the url

way for a truly integrated economy where Blacks are absorbed at every level.

South Africa's "big five" in banking were quick to respond to the challenge. Thirty per cent of African Bank shares are held jointly by Barclays, Standard, Trust, Nedbank and Volkskas, who have also undertaken to provide the know-how and training necessary for the venture.

The homeland governments own a 21 per cent shareholding and they will reap the initial benefits of the investment.

The bank will give top priority to the establishment of labour-intensive industries in the job-starved areas where Mr Motsuenyane sees a potentially lucrative export market for assembled products such as bicycles, wheelbarrows, household appliances and TV sets.

Financial momentum will be given to housing schemes and the building industry to promote the manufacture of materials such as bricks, tiles, window frames and doors.

Black trade will receive a welcome boost in the cities and rural areas. "We will begin by supporting tradesmen and industries that do not require vast capital expenditures and will absorb a large labour force," he said.

Mr Motsuenyane dates the genesis of the African Bank to the 1964 meeting of the National African Federated Chambers of Commerce (NAFCOC). A heckler interrupted a speech on the role of the Negro in the economy of the United States to shout: "If American Blacks can do it, why can't we?"

The response was instantaneous and R70 was collected immediately to establish a fund for the founding of a bank.

"We have come a long way since that R70 — and for years I doubted whether we would make it," Mr Motsuenyane said.

"We did not know how to overcome the sense of failure and lack of confidence of the Black man after generations of living in an environment where all achievement is claimed by others. It was against this lack of self-trust that we had to battle most."

So hard was the struggle that by 1972 no progress had been made at all and the plan was almost abandoned.

In a final bid to gain widespread confidence in the venture, Mr Motsuenyane visited Britain for a meeting with the directors of Barclays International Bank in London.

He told the Barclays bosses that their bank owed a lot to the Black people of South Africa and that financial and practical support of the project would be a worthwhile investment in the Black economic advancement in South Africa.

Mr Motsuenyane left that meeting with a promise of support and returned to South Africa to receive the Government's go-ahead.

Concern at insurance premiums

Star 9/12/75

63

Trade union bodies representing about 400 000 workers today expressed concern at the new insurance industry agreement allowing short-term insurance premium rises.

Most of the 51 insurance companies which are members of the Insurance Association have supported association recommendations aimed at ending the rate-cutting war.

CONCERN

The Trade Union Council of South Africa (TUCSA) said the implication of the recommendations was that competition between companies would be eliminated unless their rates rose by more than 20 percent.

In terms of the recommendations, competing companies will not undercut the rates of a company which has issued a policy when the policy has to be renewed.

But undercutting will be allowed if the company issuing the policy has increased premiums by more than 20 percent.

Today "we're going to write to the Minister of Economic Affairs and ask him to institute an investigation in terms of the Monopolies Act," said Tucsa ecenomist, Mr Robert Kraft. The Confederation of Labour has also expressed concern.

An Insurance Association spokesman said the recommendations were necessary because the rate-cutting war of the last 18 months had drastically cut the profits of insurance companies.

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Insurance 'monopoly' appalls Tucsa

RDM 9/12/75

(2, 63

By JOHN IMRIE

THE Trade Union Council of South Africa has reported the insurance industry to the Price Controller for coming to what it regards as a "monopolistic price-fixing agreement which is detrimental to the public interest."

In terms of the agreement competing companies will not quote a lower rate when a policy falls due unless the company carrying the risk increases its premium by more than 20 per cent.

All except six of the 51 companies belonging to the Insurance Association have pledged support for the agreement which is said to be aimed at ending a rate-cutting war.

However, Tucsa's general secretary, Mr Arthur Grobbelaar, said yesterday he was "appalled" at the agreement which was a "blatant attempt to restrict free competition and thereby raise prices."

He said Tucsa had raised the matter last week with the Price Controller, Mr Joep Steyn, who had taken a serious view of the report made to him and had agreed to "institute an investigation to determine whether or not this agreement was against the public's interest."

Mr Grobbelaar said that in effect the agreement permitted the insurance companies to increase their premiums on short term insurances by 20 per cent before competition was again allowed.

Tucsa intended raising this monopolistic aspect with the Minister of Economic Affairs and would ask the Price Controller to also investigate whether the agreement did not contravene the principles of the Collective Programme of Action Against Inflation.

Mr Rodney Schneeberger, manager of the Insurance Association, was not available for comment.

SUNDAY TRIBUNE, DECEMBER 7, 1975

Devaluation slows down inflow

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Now investors loo[k] before they leap

BUT DESPITE ANGOLAN WAR, THE PICKINGS ARE STILL RICH

Financial Reporter

THE WAR in Angola is having remarkably little effect on foreign investment in South Africa so far, says George Forrest, foreign exchange economist with Barclays Bank.

He qualified this, however, by saying it was difficult to assess the effect of Angola independently from the effects of devaluation.

"Devaluation made people overseas think about the position in South Africa quite a lot. It put South Africa more under the microscope. So when Angola did burst, it did not come as so much of a surprise.

"But if devaluation had not taken place, then Angola would have caused a huge stir; as it is, it has made foreign investors look at South Africa more sharply."

Problem

Mr Forrest said that although investor inflow may have slowed since devaluation, raising loans overseas was not a big problem.

But loans have become more expensive; the cost of borrowing on foreign markets has risen from 1,5 or 1,75 percent over market rates before devaluation to 2 or 2,25 percent now. And management fees have also risen.

"These are signs that people do consider their books fairly full with lendings to South Africa, and they are trying to discourage them. But if people here are prepared to pay the price, they can get the cash."

If the Angolan situation deteriorated, an easing of capital inflow is more likely than a drastic cut in funds.

Another foreign exchange ...

He said South African shares were more likely to be off-loaded on foreign markets than bought.

John Cavill reports from London: A halving of the blocked rand discount provided evidence this week that investor fears of a Vietnam-style escalation of South Africa's involvement in the Angolan conflict are receeding.

In four days the blocked discount narrowed from 15 percent — to which it jumped on reports of a possible confrontation in Angola — to about 7,5 percent.

And while investment sentiment ranges from optimistic to cautious no one is selling South African shares because of the Angolan situation.

At the cautious end of the spectrum it is fear of other people's fears — notably the Americans — which is dominating sentiment.

Reason

Richard Henderson, of Henderson Administration which manages Unit Trust Fund's investment of R350 million said: "I do not think South Africa is seriously threatened in any way although a sustained involvement in a war situation would be very expensive.

"But I am concerned about what other people might fear, the Americans in particular who look at a map of Africa and see that South Africa is somewhere near Angola.

"For that reason while I have been buying South African shares — they represent 2 to 3 percent of our worldwide portfolio — I have been taking them a...

... shares of [illegible] trusts with [illegible] South African gold have plummetted in [illegible] weeks, and at least [illegible] market analysts [illegible] slump on the [illegible] Angola.

Last year the [illegible] Precious Metal [illegible] Incorporated of Bos[ton] which holds 40 [illegible] South African stock [illegible] sold at 15 dollars [illegible] week they were [illegible] 6,50 dollars and there was no wager buying.

Reflection

According to Wal[l] Street securit[y] [illegible] Robert Stovall, [illegible] the shrinkage of the [illegible] of South African share[s] This has [illegible] partly because the [illegible] price has come down [illegible] also because there is [illegible]ry that the South [African] situation is not stable."

In spite of this, [illegible] he plans to [illegible] gold shares to clients.

"The alarm comes an[d] goes, but I am [illegible] think that the Sou[th] African economy as [we] now know it will [illegible]ger than some that [illegible] now not concer[ned] about.

"But the ordinary in[vestor] has to be [illegible] influenced by Angola."

23.9.1975

they are trying to discourage them. But if people here are prepared to pay the price, they can get the cash."

If the Angolan situation deteriorated, an easing of capital inflow is more likely than a drastic cut in funds.

Another foreign exchange expert said the link between Angola and South Africa was still tenuous in the mind of the foreign investor and unless the situation deteriorated rapidly it was unlikely that the flow of capital would dry up or that there would be an outflow of funds.

"Whatever is happening in Angola, there are still rich pickings for the foreign investor in South Africa at the moment, he said.

"It is too early to predict the outcome of events there, but foreign investors at the moment do not appear to be so concerned as to be withdrawing funds or even cutting back on investment.

"Of course a drastic change for the worse in Angola might change this.

Committed

Andre Hamersma, chief economist at the Standard Bank, said a lot of investors in other countries were committed to South Africa in the form of direct investment in subsidiary companies, General Motors and Ford, for instance.

"Our experience in the past has been that when you have a revival of business conditions in South Africa, parent companies are forced to invest more money from overseas because of their limited local borrowing facilities.

A stockbroker, however, admitted that the war in Angola was having a depressing effect on the market, with investors both here and overseas nervous.

[illegible] the Americans in particular who look at a map of Africa and see that South Africa is somewhere near Angola.

"For that reason while I have been buying South African shares — they represent 2 to 3 percent of our worldwide portfolio — I have been taking them a little more slowly over the last week or so."

In Zurich, Hans Stiefvater of the Union Bank of Switzerland's Intrag Fund management subsidiary said: "At the moment our view of investment in South African shares has not been affected by Angola and even if the MPLA won the day there — which I doubt it will — I doubt whether we would sell a single share."

Outlook

Intrag's South African fund, SAFIT, is worth about R60 million. Other funds under Intrag management have reduced their South African holdings over the last year but entirely because of the outlook for the gold price.

Mr Stiefvater, however, admitted that "if the Americans get worried about the Angolan situation we will not be able to ignore it and we would act on that."

London stockbroker Oliver Baring, of Rowe and Pitman, said: "Obviously people are worried that it could escalate into a Vietnam situation and fear that the South Africans may do more than just sit around the Kunene Dam.

"But on fundamentals I am very bullish for South African stocks and we have seen a fair bit of buying recently. Added to that blocked rand discount which raced out of 15 percent and is now back to 7,5 percent proves there is demand."

The Tribune's New York Bureau reports: The

Idamasa invests R100 000

Mercury 28/11/75

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African Affairs Reporter

THE Interdenominational African Ministers' Association, Idamasa, has bought shares worth R100 000 in the African Bank, the first branch of which was officially opened in Garankuwa yesterday.

During the past two years the association conducted prayer days throughout the Republic and raised funds to boost the African Bank.

Rev. S. Z. Sikakane, the superintendent of the Lay Ecumenical Centre at Edendale near Pietermaritzburg, played a leading role in encouraging the Ministers to raise funds for the bank. He is also one of the directors of the bank.

The Ministers taxed themselves R15 each to reach the target of R100 000.

S.A. DIGEST 7/11/75 (63)

BANK STAFFED BY BLACKS

The first branch of Barclays National Bank to be staffed entirely by Blacks was officially opened by the Chief Minister of the Venda homeland, Chief P. R. Mphephu, at Sibasa in the Northern Transvaal. The Commissioner-General of the Venda homeland, Dr J. C. Otto, was among those present.

Chief Mphephu said that the Black homeland had placed much confidence in the bank. He regarded the fact that the branch was to be managed "by our fellow-Vendas" as "a sign of growth and confidence in our nation".

The general manager of the bank, Mr A. H. Joubert, said: "Projections based on a special survey undertaken in 1973 show that the growth of income of all Blacks in gainful employment will, by the year 2000, reflect an overall increase of no less than 875 per cent, while that in respect of the White sector will reflect an overall increase over the same period of 185 per cent.

The World

At the official opening of the first entirely Black-staffed bank in South Africa, the Chief Minister of the Venda homeland in the Northern Transvaal, Chief Patrick Mphephu, centre, welcomed the bank's establishment in Sibasa, the Venda capital. Seen with the Chief Minister is Mr Elliot Mothibi, right, who holds a diploma in bank management. Chief Mphephu called on his people to support the bank with their patronage

Group pension plan for Black workers

Cape Times 7/11/75

63

OLD MUTUAL with the approval of all homeland governments and after consulting various leading people in urban areas has announced a unique pensions product.

For the first time in South Africa it will now be possible for both large and small employers to make meaningful pension provision for their semi- and unskilled Black workers, including migrants.

A similar system is currently serving 6 000 Rhodesian farmers, providing a pensions service for 200 000 workers.

The Group Pension Plan has the benefit of Old Mutual's comprehensive pensions and investment knowledge and experience built up over many years of administering individual pension funds which today total hundreds of millions of rands.

LABOUR PATTERNS

Mr Marius van den Heever, assistant general manager (pensions) explained the pension plan. He said the fact that few Black workers stayed with one employer continuously right up to retiral, has thus far made pension provision for them administratively very difficult.

Present labour patterns militated against lower paid workers in the Republic, and citizens of the homelands, building up adequate pensions under conventional pensions arrangements.

Few existing pension plans catered for all Black employees while migrant labourers were often excluded.

Old Mutual's specially designed group pension plans, tailored to individual needs will enable all employees, including migrant labourers, to build up meaningful pensions.

Mr Van der Heever added that group life cover could be added to these pension benefits.

He said contributions were accumulated in an individual account for every worker and earned interest there until retiral. Full preservation of pension rights was assured since cash benefits were paid out only in the event of death. Disability or retirement.

Breaks in service or employment with a number of participating employers would not affect these pension rights. Service with all participating employers would contribute towards a meaningful pension for an employee who would not have to depend solely on family or Government sources of money in his or her old age

The actual benefit received on retirement was dependant on the yield on investments during the period of participation. Any projection was thus an estimate based on current conditions and subject to periodic adjustment.

If however, a net yield of 8 percent over the long term was assumed and that current annuity rates remained unchanged a contribution of R60 a year (approx. R1 a week) for 30 years would yeild a pension of about R1 000 a year at age 65.

Pension will be payable for at least five years and thereafter until death.

The boards of trustees appointed through the homeland governments in each case, will act as a centralizing body to enable an employee to remain a member of his particular plan even if he should change employment.

F.M. 24/10/75? 63

That there was much back-slapping at the opening of the first bank branch staffed entirely by Africans at Sibasa last Tuesday?

Barclays GM A H Joubert praised the Venda people for their "conservatism". "You do not make hasty decisions and when Barclays in 1961 opened an office at Sibasa you, the Venda people, after due consideration, gave it your support . . ." he said.

Venda Chief P R Mphephu said Barclays enjoyed a great reputation around the world as an honest and reliable bank and pointed out that "every Venda who passes by (the Sibasa branch) should remember the money of the Venda in the building."

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Cape Times 25/9/75

Robb warns on index-linking wages

INDEX-LINKING of wages should be approached with reserve by everyone who was concerned for South Africa. Only people who sought a short-term gain for a limited number of the country's population would oppose this point of view.

This was said yesterday by Mr F C Robb when he delivered his chairman's message at the annual meeting of the Southern Life Association at Rondebosch, Cape Town.

Mr Robb dealt with the impact of inflation on the assurance industry and said that inflation was admittedly difficult to control when real growth was the objective. For South Africa real growth was essential, as the only alternative in a fast-growing society.

MANPOWER

South Africa was probably the only reasonably well developed country where there was not only a substantial surplus of manpower which was not fully employed, but one which had never been fully employed, Mr Robb said.

This added to the inflationary pressure. It artificially created a scarcity of skilled labour, and this was why inflated wages were being paid in many skilled occupations.

The process of opening up certain jobs to Blacks without sacrificing the security of the employment of Blacks and Whites in certain areas must be speeded up if the growing scarcity of skilled labour was to be met.

Whites would have to be prepared to share their privileged monopoly of skills in order that South Africa might continue to grow or even survive, because the effective use of human resources held the key to non-inflationary real economic growth.

SALARIES

He expressed his appreciation of the fact that the government was doing its best to retrain salary increases in the public sector because the insurance industry and other financial institutions drew their personnel from the same limited pool as the public sector.

It was essential that wage restraint be exercised, for this was to be the ultimate benefit of all, particularly those living on fixed incomes, such as pensioners.

Investment income of the company was up by 20,6 percent, dividend income up by 26 percent, and total premium income up by 19,5 percent.

The overall investment income of the Southern increased by 20,6 percent from R18,5m to R22,3m. The dividend return based on cost of the substantial equity portfolio that provides backing for policies other than limited policies was 10,5 percent. Dividend income on this portfolio (excluding share purchases during the year) increased by 26 percent.

Total premium income increased by 19,5 percent from R34,2m to R40,9m. This growth was brought about by a substantial increase in a new annual premiums in respect of individual policy and pensions business.

Total income for the year was increased to R63m (R53m for the previous year) and total assets rose to R288m (R257m for the previous year).

Many favourable property investments were made, among them some in Johannesburg, and one in Durban. These investments, together with other developments and Southern's already substantial property holdings, will bring the amount of policyholders' funds held in real estate to R57m.

63

LET WOMEN'S INCOME BE CONSIDERED

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(2) 123

Bureau
24/9/75

JOHANNESBURG—Women are the most productive work force in South Africa and their income should be taken into consideration when mortgage bond repayments are being planned by building societies and prospective home-owners.

This plea for a change in building society rulings was made yesterday by Mr. Martin van Achterberg, a director of a large home building concern when he addressed a symposium on housing and housing finance organised by the Association of South African Building Societies here.

"The rule that no family should pay more than 25 percent of the breadwinner's income in bond repayments is outdated and as the Government has already made income tax concessions for working wives, so should building societies become less rigid and accept the fact that today family planning is more sophisticated and allow a wife's income also to be taken into consideration," he said.

Mr. van Achterberg was discussing the role of the builder and home ownership in the economy and said the high standard of living in South Africa was one of the main attractions of the country.

It was based on a free enterprise system and this system should be jealously gua led, he went on.—(Sapa.)

Building revolution on the way

Natal Mercury 20/9/75.

63

Financial Editor

THE BUILDING societies' sliding scale of mortgage rates will bring a revolution in home building in South Africa and in the living standards of its people.

Eighty percent of bondholders will have to make larger repayments on the money they still owe to the societies, but the Government's aim of compelling people to live in smaller houses, on less ground, will probably be achieved.

These points were made by officials of the societies to whom I spoke yesterday.

Mr. Ken Cusens, managing director of the Provincial Building Society, said that the new rates would not be popular and there would probably be an outcry.

"There have been hikes in interest rates recently and the overall costs of building societies have risen and, as a result, profitability has fallen.

"Although we provide a service to the public, we are also investment institutions. The movement's average profit, after tax, has recently been 22c for every R100 handled.

"Something had to be done otherwise we would end up with a minus balance."

Mr. G. J. Macpherson, assistant general manager of the Trident Building Society, said that the monthly increase in repayments by bondholders on the smaller debts would not be excessive.

A man with an outstanding balance of between R10 000 and R15 000 on a 25-year mortgage would pay an additional one cent a month for every R100.

Above R15 000 a bondholder would pay an additional three cents a month on the balance he owed.

On the other hand, people taking out new loans above the R15 000 mark would have to meet considerably increased repayments.

A man borrowing R22 000 for a 20-year term would have to meet repayments of R227 a month. This represented an increase of R7 a month compared with the previous monthly payment.

Mr. W. F. Hamilton, chairman of Alex Hamilton Construction and a director of the South African Permanent Building Society in Durban, said that the sliding scale of lending rates was acceptable to him.

Mr. Hamilton welcomed the fact that the societies would now be able to place 30 percent of their funds in loans of more than R18 000.

"I feel that R18 000 is an unreasonable figure because of the rise in building costs. I think this figure should be scrapped altogether."

Among other points made were:

- In future luxury housing will only be for the very rich.
- Owners of large blocks of flats, who have borrowed money to finance construction, will be in trouble. So will the tenants because rents must increase.
- The higher rates will make it harder still for a man to own a home of his own.
- Homes with one bathroom, one garage and no servants' quarters will be the rule in the future.

The multi-tiered interest system breaks down like this:

On all new and existing loans or balances up to R10 000, the present rate of 10,5 percent will apply; On all new and existing loans between R10 000 and R15000, the rate goes up to 10,75 percent; On existing loans only above R15 000, the rate goes up to 11 percent; On new loans above R15 000, these rates apply to the full amount owing; 11 percent on properties valued by the building society at up to R28 000; 11,5 percent on valuations between R28 000 and R40 000; 12 percent on valuations over R40 000.

For most present homeowners the impact on the new mortgage rate scale will be small because more than 75 percent of outstanding advances made by building societies are less than R15 000.

But people who are looking for bonds at the moment or in the future will feel the effect of the rapid escalation of housing prices.

Sliding scale of interest approved

Star 19/9/75

Bond rate to be increased

302 63

Tony Koenderman

The Government has approved a sliding scale of interest rates on domestic home loans which will mean higher repayments for all bondholders owing more than R10 000.

Building societies will also be allowed to put 30 percent instead of the present 25 percent of their lendings into bonds of more than R18 000.

The multitiered system breaks down like this:

- On all new and existing loans or balance up to R10 000, the present rate of 10,5 percent will apply;
- On all new and existing loans between R10 000 and R15 000, the rate goes up to 10,75 per cent;
- On existing loans only above R15 000, the rate goes up to 11 percent;
- On new loans above R15 000 these rates apply to the full amount owing: 11 percent on properties valued by the building societies at up to R28 000; 11,5 percent on valuations between R28 000 and R40 000; 12 percent on valuations over R40 000.

Objectives

A statement by the Association of Building Societies today said the objectives of the differential lending rates were to promote more modest standards of housing, to restore the building societies' diminished operating margins to more prudent levels, and to assist the Government in the direction and application of monetary policies.

Mr David Alston, the association's director, said that if the differential rate had not been implemented, it would have been necessary to increase the mortgage rate across the board to at least 10,75 percent and probably 11 percent.

He emphasised that it was not the object of the building societies to favour big loans — which would give them the highest return.

For many years up to 1974, building societies operated on a margin of at least 1,5 percent between their borrowing rate (paid on shares and fixed deposits) and their lending rate on domestic housing loans.

"An adequate margin is essential if societies are to cover all administration expenses and place a prudent amount to reserves," the association said.

But in January 1974, when the share rate was increased by 1 percent, the mortgage rate was in-

To Page 3, Col 3

New bond repayments

The following tables show the current rate of monthly repayments and the proposed new rates on every R1 000 outstanding on 20-year bonds:

EXISTING BONDS

	Old rate	New Rate
Under R10 000	R10	R10
R10 000 to R15 000 ..	R10	R10,18
Over R15 000	R10	R10,32

NEW BONDS

	Old rate	New rate
Under R10 000	R10	R10
R10 000 to R15 000	R10	R10,18
Over R15 000	See table below.	

A new sliding scale applies on new loans where the amount exceeds R15 000 and it depends on building society valuation — again worked out on monthly repayments on every R1 000 on 20-year bonds:

VALUATION

	Old rate	New rate
R15 000 to R28 000	R10	R10,32
R28 000 to R40 000	R10	R10,67
Over R40 000	R10	R11,11

30 (15)

Up goes the bond rate

From Page 1

creased by only 0,75 percent in an effort to lighten the burden on the home-owner.

In June 1974, investment rates were again increased — by 1,5 percent, compared with an increase of only 1,25 percent in the mortgage rate.

It might have been possible to hold the mortgage rate to 10,5 percent if investment rates had followed the declining trend of recent months.

But the bank rate was recently raised, followed by an increase in the commercial banks' prime lending rate, making an increase in the mortgage rate inevitable.

A few examples clearly show how the penalty increases on the size of the bond you hold or intend to obtain.

Monthly repayments on an existing bond with only R8 000 outstanding remains at R80. But with R20 000 outstanding, repayments move from R200 to R206,44 a month. And with R30 000 outstanding the cost rises from R300 to R309,66 a month.

If you intend to apply for a new bond of R25 000, the old monthly repayment of R250 moves to R266,60.

On a new R30 000 bond, on a house valued over R40 000, the cost will be R330,33 a month instead of R300.

The new rates are being recommended to building societies to be effective as soon as possible.

Implementation is likely to be prompt and almost automatic.

(See Page 23)

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Durban gets second Indian-run NBS branch

SUNDAY TRIBUNE 14/9/75

Financial Reporter

IMPROVED job opportunities for Indians and Africans and a more personalised service to Black building society clients are two of the major benefits that have stemmed from an expansion programme being tackled by the Natal Building Society in Natal.

As part of this expansion the NBS is setting up a network of branches in Natal to cater for the needs of its steadily growing number of African and, in particular, Indian clients.

The latest Indian-run branch to be opened is in Durban, in the old Masonic Hotel premises in West Street. The NBS bought the old Masonic Hotel last year for R220 000 with the express intention of turning it into a Black NBS branch.

The Masonic branch is the second Indian-managed NBS branch in Durban and the fourth in the province. The others are in Victoria Street, Durban, at Pinetown and in Pietermaritzburg.

"Our expansion programme provides for the opening of several other of these branches in Natal during the next few years," said Brian Short, Natal regional manager of the NBS.

The Masonic branch is on the western fringe of the city, close to the Berea railway station and several big bus terminals. It is the 17th NBS outlet in greater Durban. In addition the NBS has a network of 42 agents in greater Durban.

"Judging from the initial flow of business, and based on an in-depth market study of the area, the Masonic will be the NBS's fastest growing branch in Natal," said Mr Short.

He said the Masonic alleviated the pressure on the NBS Broad Street branch, which, until now, was the only NBS outlet in this part of the city.

Manager of the Masonic branch is Mr S. T. "Chin" Naidoo. His staff includes Indian and African tellers.

Mr "Chin" Naidoo, manager of the new branch

Dr Penny

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Cape Times 9/9/75

Pension Partners' first portfolio

PENSION PARTNERS, the new property investment scheme pioneered by property economist Dr Peter Penny, has announced its first partnership scheme with the purchase of an R8,7m portfolio from the ailing Summit organization.

First Pension Partners, as the partnership will be known, has acquired Rand Bank Centre in Braamfontein, Nedbank Plaza in Hillbrow and the Durban Rand Bank Centre at a price that is well below replacement cost. Summit Real Estate is currently under judicial management.

The transaction was concluded by Dr Penny, who is managing director of Herbert Penny (Pty) Limited and professional adviser to the partnership, and Dr Charles Ferreira, managing director of Mercabank Limited, independent managers of the scheme.

The portfolio is the first in a series of acquisitions by Pension Partners which will enable the participating pension funds to invest directly in real esttate, an inflation hedge with a far better record than equities or fixed interest stock.

Through the medium of a limited liabilities partnership, pension funds, previously restrained by lack of expertise and the difficulty of spreading risk, can now overcome these problems without losing control over individual investment decisions.

Further acquisitions will form the basis of other partnerships. Dr Penny says several pension funds have already expressed the intension of participating in second pension partners, which is negotiating to acquire a R5m portfolio involving a lease back for a major tenant.

Investment decisions are taken on the advice of a steering committee of pension fund managers. Funds represented are Iscor Pension Fund, Rand Water Board Pension Fund, Motor Industries Pension Fund, Rock Pension Fund, African Finance representing Afrox Pension Fund and Perskor Provident Fund.

With one exception, the funds on the committee have participated in First Pension partners. The additional participant in this partnership is Huletts Pension Fund.

The FPP portfolio shows a satisfactory commencing yield and a minimum annual growth of 5 per cent compound although annual growth is expected to outstrip five per cent, as several below-market rental leases expire in the next three years.

The Braamfontein and Hillbrow properties are well let at present and the Durban property has only a small vacancy factor. Major Durban tenant, Rand Bank, has indicated that it will not exercise its "bargain" rental option when its lease expires at end-1977.

The company is expected to move to Amaprop's 320 West Street, but will continue to pay rental until the termination of its lease.

Acquisition of this first portfolio indicates acceptance of the partnership concept by pension funds and crowns three years of development work by Dr Penny, supported by leaders of the pension fund movement and with the assistance of several government departments.

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

Credit abused, says banker

RDM 26/8/75

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Staff Reporter

DURBAN. — Credit in South Africa was being greatly abused, the chairman of the New Republic Bank, Mr H. E. Joosub, told the bank's annual general meeting in Durban yesterday.

"It appears to me that in the extension of credit something is radically wrong," he said.

Mr Joosub said consumer credit for the past two-and-a-half years to the end of December 1974 increased from R1 475-million to an estimated amount of R2 300-million. This was an increase of 56 per cent.

During 1974 summonses were issued in more than 538 000 cases of bad debts. Civil judgments were granted for 253 000 cases involving a total amount of R56,4-million.

"These figures are proof that the granting of credit is no longer founded on sound business principles," Mr Joosub said.

He said it had now become important for Blacks to be represented, and even to hold directorships, in public bodies.

"At present this group is only a consumer who is making a major contribution by way of consumer spending and labour."

The time had arrived for the larger financial business, industrial and mining entrepreneurs to consider inviting members of "our group" to serve on boards and have a say in the functioning of their institutions, he said.

F. M. 22/8/75 (63)

Boss of the Black bank

This month Sam Motsuenyane became chairman of the African Bank of SA. For the genial farmer from Ga-Rankuwa the creation of the bank after a decade of struggle, when it was often little more than a distant, beckoning vision, represents a triumph for Black aspirations. He is nevertheless fully aware that "this is the beginning of a long road, a road we've never traversed before."

The fact that at government's instigation the five big "White" banks will be minority shareholders does not worry him: "At the outset we knew that partnership would be better than going it alone without the expertise.

"We only have one economy in this country, and in certain instances interests must merge. Business cannot follow Black-White contours."

At 48 Motsuenyane is a veteran of the Black man's fight for economic advancement. A trained agriculturalist (with a BSc in agronomy from North Carolina) he spent many years as secretary of the African National Soil Conservation Association, steeping himself in the minutiae of rural development. And though, since his election as president of the National African Federated Chamber of Commerce (Nafcoc) in 1968, he has emerged strongly as the voice of organised Black business, he still speaks of himself as a "country bumpkin" and is chairman of a farmers' association in the Bophuthatswana Homeland.

It was this knowledge of farming that led to his co-option by Nafcoc as agricultural adviser in 1965, when the Chamber was formed, after his return from the US. Thereafter his role broadened; he edited the Chamber's trade journal and, once elected president, found himself re-elected "to the hot spot year after year after year".

Motsuenyane recalls the idea of the African Bank was first mooted at Nafcoc's inaugural conference: "Our people were much taken by a report on Black enterprise in America. There were questions like: Why can't we involve ourselves more in the SA economy? Why not a bank? Why not start today?"

As "testimony" that the matter had been raised in serious debate a "national fund" was started and though by 1972 there was little more than R1 000 in the fund, and R1m would be needed, the symbolic commitment had been made.

A breakthrough was achieved in that year, when Motsuenyane spoke at a Barclays International lunch in London, and took the opportunity "to express the hopes and aspirations of Black people for an African banking institution here. I was presumptuous enough to tell them they should plough back something of wha they had taken from Africa, and, indeed they took the position that they were pre pared to help. They would train peopl and take up shares in an African bank t create an atmosphere of confidence.' From then on, "we went ahead withou ever looking back".

Motsuenyane . . . deliberations blessed

Motsuenyane remembers one meetin when "an old Zionist chap at the back o the hall stood up and blessed us, askin that our deliberations be crowned wit success and God's glory." He feels tha this kind of vigorous spirit, translate into reality, has been an incalculabl asset in founding the new institution.

DAILY DISPATCH 22/8/75

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Lusikisiki man on new bank board

JOHANNESBURG — Mr S. M. Motsuenyane, of Ga-Rankuwa, has been elected first chairman of the new African Bank of South Africa at the inaugural directors' meeting held here last week.

Mr Motsuenyane, who is president of the National African Federated Chamber of Commerce, holds a degree in agriculture and is a businessman in Ga-Rankua. Since 1968 he has been a prime mover in the establishment of the bank.

Mr A. E. Wentzel, a chartered accountant, has been appointed general manager of the bnak.

Other directors elected at the meeting were Mr A. N. Gadi, a Lusikisiki, Transkei, businessman; Mr P. G. Gumede, vice-president of Nafcoc, of Newcastle; Mr J. H. Khaas, a Lebowa businessman; Mr S. J. J. Lesoland, a Gar-Rankua company director; Mr. R. R. Bongwe, an Adams Mission (Natal) general dealer; and the Rev E. Z. Sikakane, senior member of the interdenominational African Miners' Association. — SAPA.

African Bank of SA is registered

RDM 7/8/75

(63)

Staff Reporter

THE AFRICAN Bank of South Africa was registered as a company by the Registrar of Companies on July 31, the general manager of the bank, Mr Allan Wentzel said yesterday.

Mr Wentzel said in a Press release that the subscribers to the memo and articles of association are to meet formally to elect the board of directors on August 13, in Johannesburg.

Seven of the 10 directors will be Africans and the remaining three will be representatives of the shareholder banks. These banks are Barclays National Bank, Nedbank, the Standard Bank of South Africa, the Trust Bank and Volkskas.

The shareholder banks will collectively subscribe for 300 000 shares of R1 each in the capital of the company.

"Originally it was intended that African investors would be given the opportunity to subscribe for 700 000 shares of R1 each resulting in the company having an issued capital of R1-million," Mr Wentzel said.

"However, the response from the African community has been so great that an additional 300 000 shares of R1 each have been made available for subscription by Africans."

Mr Wentzel said that the prospectus of the bank should be registered on August 29. The offer to the African community of one million shares of R1 each is likely to be open on September 5.

Potential investors who have deposited funds in trust with the National African Federated Chamber of Commerce will receive the full number of shares they applied for.

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Why Africans and Indians pay more for life insurance

Natal Mercury 28/7/75

AFRICANS and Indians pay more for life insurance in most companies than do Whites, but several insurance men denied recently that premiums were "racially loaded."

By TIM MUIL
African Affairs Correspondent

Indian insurance salesmen and a number of Africans told the Natal Mercury recently that at least eight major companies operating in Durban "discriminate against people of colour."

A spokesman for the Life Officers' Association in Cape Town, representing most companies, said: "In this apartheid-ridden country innocuous procedures are viewed with suspicion. This is an understandable emotional reaction, but actually we have no racial orientation."

Many firms have standing instructions that add four or five years to the age of African, Coloured and Indian policyholders, thus forcing them to pay higher premiums.

Women

One company gives Indian and Coloured women the same premium as men and has no policies available for African women. White women pay smaller premiums than men.

Another company will only insure, at higher premiums, the lives of Africans engaged in professions or business, but refuses to grant a wide variety of accident and disability benefits to these clients.

The manager of a local branch told the Mercury: "One reason Africans and Indians pay higher premiums in mutual insurance companies is that equity has to prevail among policy holders.

"The mortality tables of the society and of other companies transacting African business show that there is a shorter life expectancy among Blacks.

"A Black man's life, on average, is about five years shorter than a White man's and if he paid the same premium he would, probably, pay less on average than a White because he would pay fewer premiums."

Mortality

Every insurance man insisted that life expectancy was the sole arbiter of policy in relation to premium loading.

A Life Officers' official said his organisation had been conducting life expectancy investigations in South Africa for the past 20 years, but firms had little experience in African mortality rates because few Africans had taken out life insurance.

The standard of ance ratings was White lives because Whites were the largest insured group.

"We do quote standard rates for many Indians where the policies are large enough to save administrative costs which in turn subsidises the increased mortality expected.

"A fairly widely adopted practice among all companies for all Indians insured on standard rates is to reinsure the policies."

Where endowment policies mature at 65 or earlier and have premiums over R200 a year, companies can insure Indians at standard rates but not Africans because, again, they do not have mortality statistics.

Where the policy holder's premium is less than this companies cannot offer the standard rate.

The association spokesman, referring to the lack of accident benefits for Africans, said that no prudent insurer would offer accident and disability benefits to Africans living in the township environment of violence and robbery.

"I would like to point out that no insurer could offer these benefits to anyone, regardless of race, at economic rates if he lived in the kind of society the African has to endure in the townships.

"A White man living in a tough neighbourhood in South Africa would only be granted these benefits, if at all, at a loading compared to the man living in what might be called a select suburb.

"Insurance companies do have occupational ratings which tend to be economically selective."

One Indian complained that a certain company placed a 50 percent loading on pure term insurance for Blacks.

It was explained that this type of insurance accrued no profits, had no maturity value and carried low premiums. "The premiums are designed to cover the pure cost of the death risk. There is no way to subsidise the increased mortality rate and this kind of insurance has an increasing risk factor whereas normal insurance has decreasing risk factors."

This company was another that insured only "well-off Africans and provides no supplementary benefits."

An official explained that because the company had no experience with African business it could not qualify the risks.

Another insurance man said many firms were exploring the African market but were moving cautiously. "At this stage we are only looking at the educated class because we feel only this group will be able to understand insurance and need it."

Diabetes

Many Indians have complained that they have to undergo strenuous glucose tolerance tests when applying for life insurance coverage. But, they claim, Whites do not have similar tests for cardiac conditions.

A Life Officers' spokesman said: "This is not true. Indians have a known susceptibility to diabetes in much the same way that Whites are known to have cardiac problems. Of course, heart ailments are also extremely prevalent in the Indian community.

"Most companies require glucose tolerance tests (GTT) for larger policies, say in excess of R25 000 sum insured.

"If the family history indicates diabetes we would call for the GTT regardless of the sum insured.

"All Whites are asked to undergo electro-cardiographs on policies over about R25 000, and for much less if the medical history necessitates it."

It was pointed out that at least four of the companies operating in Natal did not load their premiums against Blacks.

An insurer contended: "I am sure these companies are trying to break into the non-European market. This is a marketing policy we are talking about.

"I would also like to bet that they have a much smaller percentage of the non-European market than we do, than do companies like ours with big Indian and Coloured portfolios.

Headaches

"Those companies that do load, generally have a larger percentage of the non-White to the White market than those who do not and so they have more to lose.

"Generally speaking Indian business does have more headaches. For instance, premium lapses are more frequent and those firms that offer standard rates to non-Whites invariably re-insure or allow the White portfolio to subsidise at least some of the Indian policies."

Question

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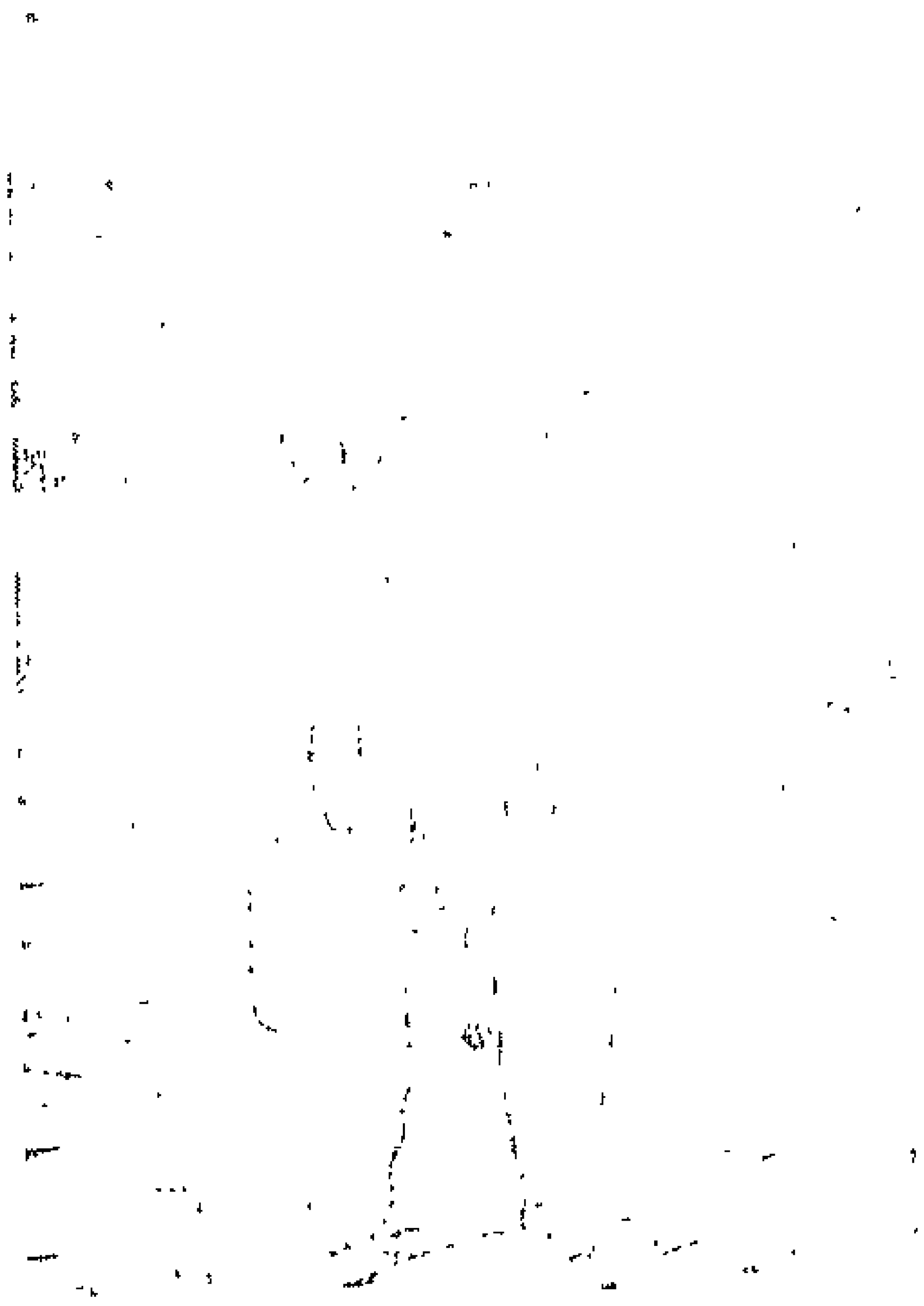


Coloured housing today . . . more than mortgage [illegible] needed

F.M. 25/7/75

63

:OLOUREDS

3uilding houses

lans to establish a building society for ıe Coloured community have reached a ıirly advanced stage, the general ıanager of Spes Bona Savings & ınance Bank, Mr Hannes Verster, told ıe *FM* this week.

Verster disclosed that preliminary discussions with the Registrar of Building ocieties, Mr Wynand Louw, had been romising, but a great deal of ground work was still needed before final proposals could be submitted.

Verster, who became GM of Spes Bona about a year ago, said he was immediately impressed with the need for a building society for Coloured people after discovering that nearly 70% of Spes Bona's lending business was in respect of mortgage bonds over homes, businesses and industrial sites.

The main problem of getting started will be to get geared up financially, although a Coloured building society would receive an initial boost from a transfer of Spes Bona's existing mortgage business.

According to the latest annual report (to September 30 last year) total assets of the bank increased by R1,4m to about R5 2m (38,8%), while deposits increased to R4,4m, of which R3,1m was received from Coloured depositors. The bank's net profit for the year was R103 092

Verster says there is tremendous pressure on Spes Bona for housing mortgage finance, from people who are unable to get money from "White" building societies. This is by no means due to discrimination on the part of the building society movement, fully represented as it is with branch and agency business in the Coloured group areas. It is just that mortgage finance is tight.

But whether an exclusively Coloured building society will be in a better position to relieve the pressure is doubtful. It is equally doubtful whether the Registrar will exempt a Coloured building society from any of the provisions of the Act, since this would smack of paternalism.

The most likely method by which the new building society will get off the ground is by way of a large deposit of say, R1m being made by Spes Bona Thus launched, the society would then make mortgage loans.

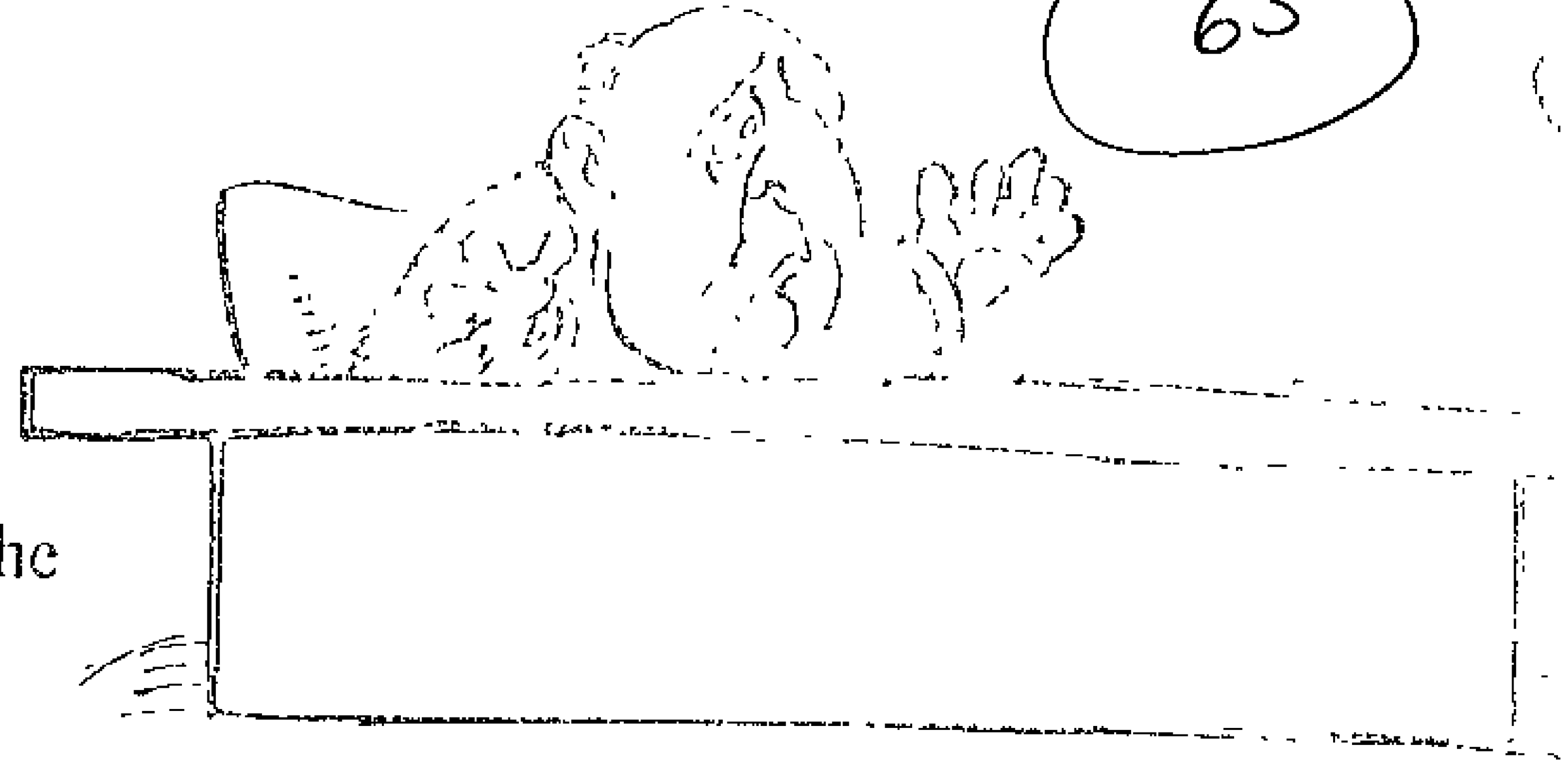
At the same time, it is conceivable that the Coloured Development Corporation's subsidiaries such as [illegible] Landdros Hotels, Sadecor and other trading [illegible] could make cash deposits with a new building society.

[illegible] subsidiaries of the [illegible] could [illegible] be merged with the Coloured building society at a later stage in line with government's wish to see building societies involve themselves more in housing development.

F.M. 18/7/75

63

Inflation and your pension



The dangers of continuing inflation are legion. Not least is the havoc it can play with the expectations of pensioners — and with the finances of those providing the pensions

flation threatens to play havoc with the 2 000-plus invested in the privately-administered pension funds, to say nothing of the many millions in State-controlled and other funds. As returns on assets drop further and further below the rate of inflation, a situation is developing from which nobody can possibly benefit.

With double-digit inflation likely to continue into the foreseeable future, so forcing up salary levels and consequent pension liabilities, a mix of superhuman investment skill and luck will be required for the funds to meet spiralling liabilities without heftily increased cash contributions from their sponsoring companies.

By law, 50% of a fund's portfolio is required to be invested in government and quasi government stock. Last year, the average return on this prescribed fixed interest portion would have amounted to [illegible] 6% (the return being negative when depreciation [illegible] value of securities [illegible] income).

Taking the inflation rate [illegible] sion funds last [illegible] would [illegible] show an [illegible] on the [illegible] assets merely [illegible] point for solvency — the point [illegible] net income is equal to the inflation [illegible]

Of course, the essentially [illegible]

WHO HAS THE ANSWER?

During the next few years, the position of pension funds is likely to be very difficult. On the one hand, pensioners will be clamouring for increased pensions. On the other, funds will be running into deficiencies.

In the final salary type of pension schemes, members will retire on adequate pensions. But after a few years, if inflation continues, they will find that their pensions are insufficient for their needs and that they face a diminishing standard of living. If inflation persisted at 10% pa for a period of 10 years from the date a pension is awarded, the value of the pension at the end of the 10 year period would, if unadjusted, be only 40% of the value of the pension at the date it was awarded.

Funds may be able to create reserves from which to meet an annual increase of say 3%. This does not help very much if the inflation rate is over 10%.

To do anything worthwhile in the way of providing cost of living increases would add 20% to 40% to the cost of pension schemes. The only way of meeting the position is by increased contributions. To what extent can employers and employees be expected to pay in additional amounts to help former employees who have retired?

This is a question I will not attempt to answer.

C M Payne, general manager, Witwatersrand Gold Mine Employees Provident Fund.

nature of pension fund investment does help weather the bad patches experienced over the short term. But inflation has meanwhile worsened, to make even the short-term look uncomfortingly long, particularly for those funds more recently established. Even the returns of the established funds whose assets would partly be cushioned by the book values at which they were purchased years ago, are looking a little sick against a current 15% inflation rate.

From 1971 to 1973 inclusive, a consulting actuary calculates the returns of some 20 major funds at 8,1% on prescribed stocks, 9,3% on other fixed interest investments, 17,3% on equities and 11,6% overall. For 1974, though variations could be wide depending on the proportion of mining shares, he reckons the figures might read —6%, —7%, —10%, and around —6% overall.

"It is clear," he deduces, "that company rates of contributions to pension funds will have to be much higher over the next few years than anything previously contemplated." Nor can the possibility of steeply increased contributions from employees, too, be excluded.

Just how much is needed is already being seen, both overseas and locally.

The extra contributions required can frequently amount to more than even the largest corporations can pay in any one year, representing a potentially major liability for the future, currently undisclosed in company balance sheets.

In the US, estimates *Fortune*, these "unfunded liabilities" amount to as much as one-third of the net worth of scores of large companies, "and the proportion sometimes runs higher still". It is 46% at Western Union, 53% at Bethlehem Steel, and 86% at Uniroyal.

Similarly in the UK, where the situation has been dramatically spotlighted by the £38m set aside by BP to cover an updated actuarial assessment of *part* of its back service pension liabilities.

SA is not escaping. Though many companies are still able to ignore the problem, or treat increased pensions as normal business expenses (and so have no need to itemise them separately), others consider detailed disclosures of the contributions inevitable. As one financial director put it: "There is no point in postponing these provisions, as we would then only have to deal with a larger problem later".

Those who are already topping up their funds include:

- Barclays, where a further R250 000 was transferred to its fund last year. This comes on top of a R2m "special contribution" in 1973 and R1m the year before.
- OK Bazaars, which has put in R140 000 (R94 000). "The amount to be set aside will be computed by taking each year, in respect of pers[illegible] at that date, an estimate of [illegible] are likely to become payable [illegible] to such persons ... [illegible] income".
- GFSA includes a "sund[illegible] ture" for 1974 of R3,1m in [illegible] dated income statement as the [illegible] in making up its fund's R5,1m [illegible], which it intends financing over [illegible] years.
- Palabora Mining notes that "[illegible] tinued inflation pattern has [illegible] several adjustments". In 1974 [illegible] were charged with R3m which [illegible] with increased future contri[illegible] be sufficient to finance future [illegible]
- Edgars Stores has had to cough up R383 000, of which R150 000 was provided last year with the balance to come from this year's earnings.

It might not be unreasonable to adopt the argument that the topping up of pension funds is a social cost, which [illegible] simply have to [illegible] with liquidity tight and companies [illegible] higher proportions of [illegible] inflationary profits to finance [illegible] and plant, the [illegible] pension [illegible] onal [illegible] ately [illegible] serve even to reduce [illegible] which would [illegible] make equ[illegible] attractive as an investment for the pension funds and [illegible] more [illegible] to cause.

Even property, traditionally [illegible] counted [illegible] against inflation, is a little uncertain — [illegible] for the young [illegible]. Having [illegible] the top of the market a few [illegible] they have yet to enjoy much [illegible] appreciation of their [illegible] portfolios as overs[illegible] of office [illegible] shopping accommodation [illegible] rentals constant. And in the [illegible] of course,

THE TAX ANGLE

An employer who pays an amount into a pension fund in excess of the normal contribution to enable the fund to meet the problems caused by inflation, or who directly subsidises the pensions of past employees or their dependents, can face tax problems.

This is the opinion of E R P Morris, Professor of Tax at Cape Town University.

Following the decision in the case of W F Johnstone and Co versus CIR (Appellate Division, 1951), such payment may well not rank for deduction under the general formula.

However, there are special provisions in the Income Tax Act which will help in certain cases, argues Morris. Section 11(l) would permit a deduction if the payment to the fund represents a lump sum [illegible]. The Secretary for Inland Revenue is then empowered to [illegible] amount and allow the deduction [illegible] over a period of [illegible] ment relates to [illegible] have already retired, the wording of S11(l) leaves doubt as to whether the payment falls under the relevant section at all.

In the case of [illegible] pensions paid directly to employees or their dependants [illegible] a deduction [illegible] by way of an annuity [illegible] the case of expenditure [illegible] it of [illegible] under [illegible] any [illegible] property values have slumped, compounding the problems of pension funds there.

While a prime SA CBD investment would today earn around 9% net, the funds must have confidence in the prospect of long-term recovery to finance the gap between uneconomic rental income and the erosion of inflation.

The outlook is scarcely heartening for fund managers, who can look forward to virtually nothing other than equities and property for the growing source of income on which they depend. Apart from the principle that the funds should be able to stand on their own, there is an obvious limit to the extent to which companies can continue topping up fund deficiencies from earnings. Nor is it desirable that fund members should be at risk for pension benefits on the extent to which a particular corporate philosophy, to say nothing of profit performance, dictates the generosity of continuing contributions.

This raises the question of that 50% of assets directed by law into "prescribed" securities. Originally the aim was to ensure safety. And now, naturally enough, government is still keen to get its hands on as much as possible of the R250m-plus which the funds have to invest each year.

However, yields on these prescribed assets are standard at under 10%, and growth is restricted. This necessarily limits the fund's capacity to match contributions and investment performance with liabilities.

The time has surely come for government to consider the removal of this artificial restraint on investment freedom in the interests of both better balanced portfolios and fund solvency. What may have made sense in times of monetary stability makes nonsense in times of high inflation.

Coupled to declining investment performance is the impact of inflation on wage and salary levels. As these have rocketed in recent years to keep pace with the cost of living, funds using the more popular method of calculating benefits on the final three to five years of an employee's salary have increasingly felt the pinch. Their problems are compounded by the fact that they haven't had use of inflation-affected contributions for the earlier 30 or so years of the employee's working life.

That salaries have risen out of all proportion to contributions creates difficulties as great for the "money purchase" pension schemes.

Though the latter are under less strain to meet liabilities by the nature of their structures, which relate the ultimate benefit to an employee's contributions over his entire working life and not the final salary, they are as obliged to perform successfully so that the benefit will

[illegible]

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BUILDING SOCIETY funds are estimated to have jumped by as much as R100-million in June, largely through investors seeking some stability after the halving of call money interest rates in nine months.

D/E ARGUS (Bus.) 12/7/75

By Tom Hood

Accurate figures will not be available until the end of the month.

But Mr D. G. Alston, director of the Association of Building Societies, has said that May's inflow of R64,4-million was improved last month as a result of the increased liquidity in the economy.

A survey of building societies this week disclosed confidence of a steady improvement in deposits for the rest of the year.

The banking sector is now reported 'awash with liquidity'. Money that earned 16 to 18 percent at call in October is now getting a mere 6 percent.

Businesses and individuals have cut their borrowings and the build-up of cash has forced 31-day rates as low as 8 percent.

One building society considered that people have been spoilt by high interest rates on call money and were reluctant to go into fixed deposit.

If they waited too long, however, they might fall between two stools and find deposit rates offering less than now.

The fall in short-term rates was expected to permeate through to medium and long-term investments such fixed deposits and five-year investments.

But if the upturn continues it is unlikely to provide enough housing finance to meet the backlog of loan applications.

Queues for loans will persist until next year, though the waiting period for a bond may be reduced, the societies feel.

And this will continue to put a brake on house prices.

Banking sources in Cape Town expect interest rates to be cut by another 0,5 percent soon and the downward trend to go on for another eight to 12 months before business is revived, and the demand for finance perks up.

Long-term rates will not come down appreciably because of the high rate of inflation, they say.

The downward trend is due to a drop in demand for credit, less capital spending in the building industry and fewer imports.

- Funds received by building societies as a whole fell by 31 percent in the 12 months ending March.

Black insurance

WITSIESHOEK. — An African insurance company is the next project to be undertaken by the National African Chamber of Commerce, the president, Mr Sam Motsuenyane, said here.

The company would work hand in hand with the newly established Bank of South Africa, he said.

The project would function effectively if it had at its disposal long-term investments such as insurance funds, which would be made available for business development projects in Black areas.

'At the moment Black investments in White insurance companies are in no way helpful to back economic developments.

'The Blacks are in fact exporting capital in various forms from their poor areas without deriving any benefits or advantages,' Mr Motsuenyane said.

STAR 11/7/71

Insurance giant to set up in Transkei

Business Reporter

One of the world's largest insurance broking companies is to set up a broking firm in the Transkei and will train Xhosas to run it.

The decision follows a meeting in London between the Chief Minister of the Transkei, Chief Kaiser Matanzima and the chairman of Willis Faber and Dumas Ltd.

Executives of the firm's South African associates, Willis Faber Dumas & Rowand (Pty) also attended.

The new company will provide a completely local insurance broking service for Transkei commercial and industrial undertakings as well as catering for the needs of individuals.

Facilities in London and South Africa will be made available to train Transkei citizen to take over the new firm.

APPOINTED

The first Black employee, a Mr Kubukeli, has already been appointed. The Transkei company will be managed by Mr Peter Kidson.

The South African associate of the London company is largely owned by Safmarine and already has interests in the Transkei through an association with the Xhosa Development Corporation.

According to this company Xhosa investors will be invited to invest in the new undertaking.

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First African bank launched in Qwa-Qwa

STAR 11/7/75

WITSIESHOEK — The formation of the first African bank in South Africa proved that the Black people had now reached the "take-off stage" from where they would gain momentum, the Chief Minister of the Qwaqwa Basotho Homeland, Mr Kenneth Mopeli, said here yesterday.

He was opening the annual conference of the National African Federated Chamber of Commerce which is being held in the homeland.

SIGNIFICANT

Mr Mopeli said the foundation of the bank marked a very significant stage in the development of Black human resources, and he congratulated Nafcoc on the project.

The Chief Minister called on people to pool resources and mobilise every cent in an effort to ensure the Black nations' survival and existence alongside other nations of the world.

"We have lived for a very long time in medieval solitude and let other races do a superb job of opening our country," said Mr Mopeli. "We dare not allow this state of affairs to continue indefinitely while we fold our arms and look on.

"We shall have to diversify our economic activities, otherwise we are not going to get far with our efforts to uplift ourselves."

He added that it was time Qwaqwa considered the introduction of home industries, using female labour as a firm basis for the promotion of one of the foremost industries — tourism.

Returning to the subject of capital invested by White industrialists in the Homeland, Mr Mopeli said the Central Government had been reluctant to allow this in the past, fearing that it might be dubbed as an invasion of the Black economy by "White economic imperialism."

He announced that within the next three months Qwaqwa would have its own Development Corporation. The land tenure system would also be overhauled with the assistance of the chief and tribal authorities.

SPONSORSHIP

Meanwhile, it is reported from Pretoria that the Bantu Investment Corporation has decided to sponsor the salary of the secretary of Nafcoc.

Dr M J Olivier, territorial manager for the BIC in Natal and Qwa Qwa, announced the sponsorship on behalf of the board of the BIC at the annual conference of Nafcoc at Witzieshoek yesterday.

— Own Correspondence and Sapa.

Business Argus 9/7/7[illegible]

Pensioners' plight

PRESS articles on the plight of South African pensioners have caused a large upsurge in business for life insurers, according to Mr Ken Palmer, general manager for the Legal and General Assurance Society.

He said Legal and General had achieved a record 79 percent increase in new premium income from R930 375 to R1 667 243 for the five months to May this year, against the same period last year.

This rise is the result of the public's increasing awareness of their individual need to protect themselves in their old age, he said, and commented that the awareness was largely due to recent Press articles.

(63)

Question............................
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being attempted.

F. M. 4/7/75

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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 [illegible] totally ineffective [illegible] 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 [illegible]

cost of credit [illegible] the [illegible] nalled by Bank rate. [illegible] few months of [illegible] improve it could be [illegible] Bank's [illegible] to [illegible] credit [illegible] Bank rate.

From the bank's point of view, the difficulty [illegible] no relation to what [illegible] pay for their funds [illegible] they borrowed from [illegible] This [illegible]

...ueal:

STAR 28/6/75

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African brokers

Franz Albrecht

An African insurance broking firm — controlled by eight African businessmen — has been formed in Johannesburg to write up insurance among Africans throughout the country.

The company's name is Octagon Africa Insurance (Pty) and the chairman is the Tembisa businessman Mr Jacob Nyembe. His deputy is Mr Joe Masoga.

The company is being assisted by Mr Victor Hartley who has been in insurance for 20 years and Mr Ivan Morris, a professional man from Johannesburg, who are both directors.

So far the company has had talks with numerous insurance companies about underwriting agreements and the response has been favourable.

RDM 25/6/75 STAND. BANK GROUP. (63)

During the past financial year the economic environment in which banks in South Africa operated was subject to wide fluctuations. I am happy, however, to report that the Group was able to contend with these changes and achieved a 29 per cent increase in profits, before extraordinary items, over last year. I will refer in more detail to these record results later in this statement.

Significant changes occurred during the year in both the pace of economic activity and the conditions prevailing on the financial markets. During 1974 the Republic attained one of its highest growth rates but the strong expansionary phase, which began in late 1972, ended during the year. Domestic liquidity was extremely tight during the first two quarters but there has been an easing of pressure since then.

South Africa's output of goods and services was 7,2 per cent higher than in 1973. This increase was soundly based on a fast growth in fixed investment, a sharp rise in the value of gold output and record agricultural crops. Less satisfactory aspects of the Republic's growth pattern were the high rate of inflation, infrastructural bottlenecks, particularly in transport and communications, and the severe shortages and high cost of operating and development finance.

The liquidity shortage was caused largely by a deterioration of South Africa's balance of payments position. Imports rose dramatically to keep pace with the demand for investment and consumer goods, generated by the high level of economic activity, and exports declined in sympathy with recessionary conditions overseas. Tight monetary policies abroad also slowed down capital inflows, resulting in a further decline in our gold and foreign exchange reserves.

To protect the dwindling reserves and to prevent an overheating of the economy, the authorities pursued a restrictive monetary policy and the liquidity of the banking sector was severely strained, causing a rise in money and capital market interest rates to levels which were more in line with international trends.

At the same time the banking sector was unable to satisfy all the credit requirements of the productive sectors of the economy and by the end of 1974 business activity slowed down.

The demand for all types of credit remained strong, forcing banks to bid aggressively for funds in the money market, resulting in significant increases in the cost of resources. Lending rates consequently came under pressure and the minimum overdraft rate had to be increased twice during the financial year.

Large inflows of capital during November and December 1974 and a moderate narrowing in the trade gap, curbed the decline in the gold and foreign exchange reserves. Reserves, however, did not improve significantly during the first quarter of 1975 because capital inflows were not as large as expected. The liquidity situation in the local market eased from October 1974 and short-term interest rates began to decline.

The banking subsidiaries of the Group were once more restricted by the necessity to increase capital in line with the growth of deposits. In terms of statutory requirements, capital and unimpaired reserves must be held at 6 per cent of deposits and in spite of depressed conditions on the Stock Exchange, your Directors felt that a rights issue was warranted. An issue of 9 987 459 Ordinary shares at 200 cents per share by Stanbic was handled by Standard Merchant Bank Limited in April 1975. The issue raised some R19 600 000, which will provide additional capital for the banking subsidiaries. The issue was more than 99 per cent subscribed, only 90 219 shares being taken up by the sub-underwriters in South Africa. In the then market conditions, the continued support of shareholders was gratifying. The rights issue also reduced the participation of Standard Bank Limited, London, in the ordinary share capital of the Group to 73,1 per cent. London's shareholding was reduced further to 70,2 per cent by the acquisition of the entire issued share capital of City Credit Limited which is referred to elsewhere in this report. This reduction is in line with proposed legislation requiring overseas participation in the capitalisation of South African banks or bank-holding companies to be reduced to 50 per cent within an agreed time limit.

Because a satisfactory solution could not be arrived at in regard to the Chartered Bank's domestic banking operation in California, it was necessary in terms of the United States Federal Reserve Bank's regulations for the Chase Manhattan Bank to dispose of its holding in the Standard and Chartered Banking Group. This shareholding in the Group has now been sold to the Midland Bank Limited, which was already a shareholder, and formal connections between Chase and The Standard Bank have now come to an end.

This development is a matter of great regret to me and all my colleagues. Our American Division has made great progress over the years and I pay tribute to Mr. Steve Pryke for the valuable contribution he has made in building up this Division, which handled a major share of all the American business in South Africa. He leaves us on 30 June but will continue as the Chase's representative in South Africa and we wish him well. I feel certain that a continuing close relationship will remain between the Standard and Chase, on a basis customary in a relationship with a valued correspondent bank.

The short-term profitability of Standard Merchant Bank suffered as a result of the depressed stock market and the high cost of money and a large element of historical fixed rate term-lending. Steps have been taken to increase profitability.

Demands for hire-purchase and leasing finance continued at a high level and this is evident in the record results achieved by Stannic. During the current year, television will provide another avenue for hire-purchase and leasing business and Stannic is well placed to meet demands in this field.

Our Financial Services Company, which provides mortgage facilities for the development of commercial, residential and industrial property, was inhibited during the past year by the tight interest rate control which the authorities imposed upon the participation bond movement. The rate structure, which permits charging borrowers a maximum of 11,35 per cent, is out of line with both the rate in the market place and that charged by building societies for similar commercial developments. Consequently, it was not possible to attract sufficient funds for fresh lending.

Also, insurance companies and pension funds now appear to have changed their investment policy, undertaking property developments themselves or in partnership with others. This is borne out by the value of commercial mortgage loans provided by insurance companies and pension funds increasing by only R257 million over the past eight years, whereas the increase during the same period in participation bond loans was R790 million. With both participation bond finance and traditional institutional sources denied to them some frustration is being experienced by entrepreneurs who wish to undertake developments. For this reason they were unable to respond quickly to correct the recent shortage of flat accommodation in certain areas, thus contributing to the general accommodation shortage which is developing in South Africa.

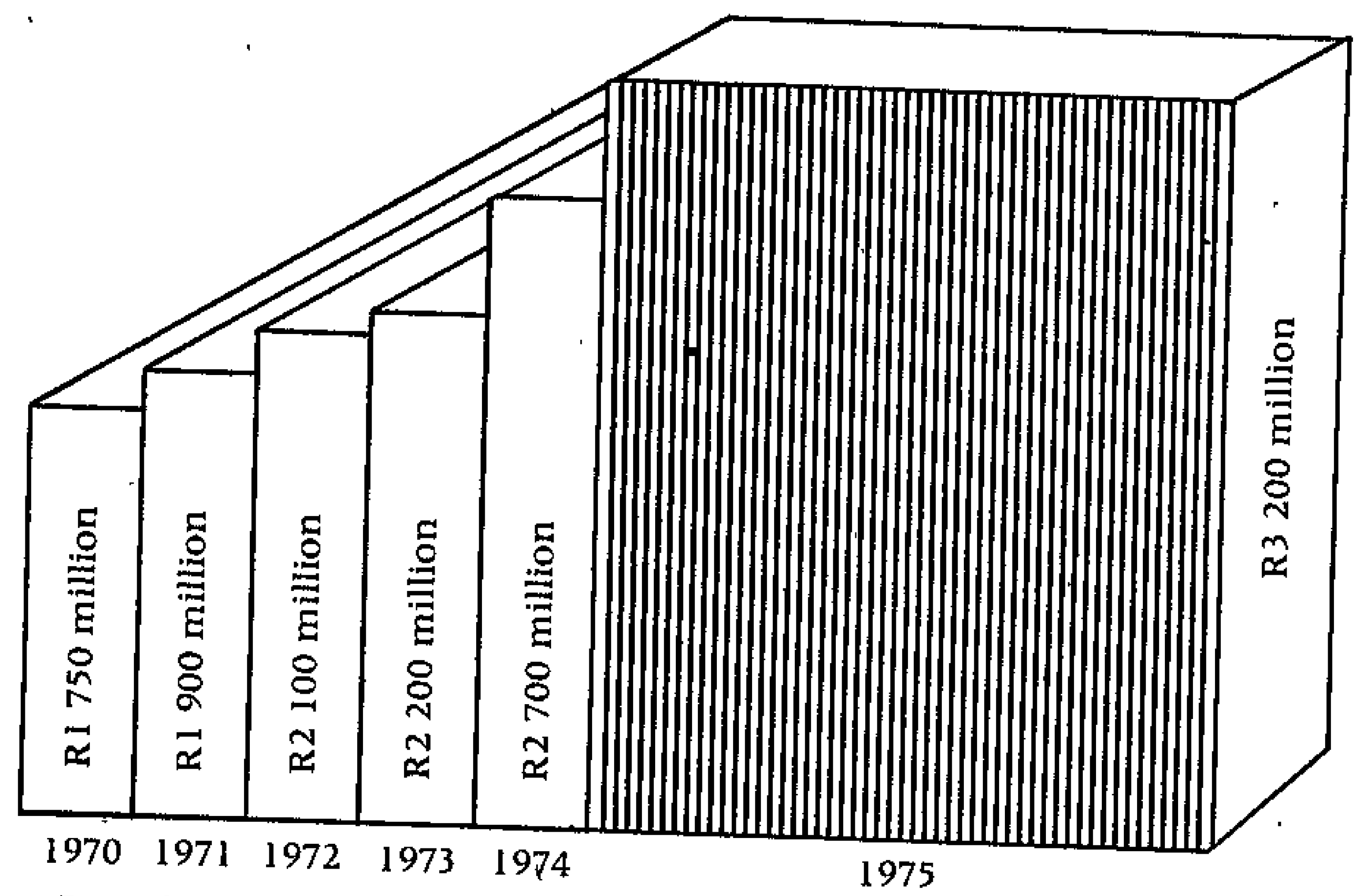
MARKETING

The marketing policy of the Standard Bank Group is to review systems, branches and services with the object of keeping up to date with customer needs. During the past year we launched Plusplan, a special savings account yielding 8 per cent, with a stop-order facility, making it the only one of its kind in South Africa at this time.

Quick facts from the financial statements

Total assets	R3 200 million
Interest payable to customers	R125 million
Shareholders' funds	R130 million
Profit, before extraordinary items	R17,3 million
Dividend	19 cents

How assets have grown in the seventies



Research has revealed both a need by customers and enthusiasm from retailers for a Standard Bank credit card and your Board has decided to introduce a card early in 1976. An agreement with the Interbank Card Association, which holds the franchise for the international "Master Charge" mark, ensures that the Standard Bank card will be accepted by a world-wide network of airlines, retailers, hotels and banks.

Studentplan, designed specially for the university student, was also launched in 1974. It incorporates a loan facility, a unique insurance policy and other services to assist the student with most financial needs.

Through Standard Bank Insurance Brokers, the Group provides an overall insurance service that suits the varied needs of customers. The contribution to group income by this subsidiary is growing at a significant rate.

Regular investors in the Standard Bank Mutual Fund's "Grow as you Save" plan have benefited substantially from the system of rand-cost averaging. During the period in which the industrial indices fluctuated widely and ended with a net loss of more than 20 per cent during the 2 years since the Fund was launched in May 1973, all regular monthly investors in the Fund, regardless of when they started, were showing an overall surplus on their investment. The difficult share market conditions induced the managers to retain a high degree of liquidity and this substantially aided performance. The plan's proven benefits and tax advantages are expected to attract an increasing flow of funds.

Factoring has been added to the Group's list of loan and investment services, by the acquisition of City Credit Limited and its subsidiary, International Factors (South Africa) Limited, thus complementing the large variety of services offered by Stannic.

SMB provides a comprehensive service by a staff with a high standing in merchant banking. SMB services extend from acceptance credits and term loans to mergers, capital reconstructions and debenture issues.

Backing the Group's obvious strengths in a complete range of services offered through an extensive branch network, is the concentration on good customer service. The training of staff has been expanded during the year and our college at Morningside provides a venue for continuous courses designed to further the Bank's interests.

CITY CREDIT LIMITED

As referred to earlier, Stanbic acquired the entire issued share capital of City Credit Limited on 25 April 1975. Details of that acquisition are set out in an insert accompanying the financial statements.

ANNUAL FINANCIAL STATEMENTS

The Group's income statements and balance sheets for the financial year ended 31 March 1975 are dealt with in detail in the Directors' Report, drawn in terms of the requirements of the Companies Act, 1973. The figures for the year and for the previous financial year, are on a disclosure basis which means we have not taken advantage of certain exemptions by the Act allowed to banking subsidiaries.

I wish, however, to refer to certain features of the accounts.

As announced in the prospectus accompanying the recent rights issue, the profits to the 31 March 1975 earned by the Group were estimated at "not less than R16 million". The Consolidated Income Statement reflects a profit, before extraordinary items, of R17 257 000, against profits for the previous year of R13 360 000. The increase in earnings is due largely to the improvement in the performance of the commercial banking and hire purchase and leasing operations.

The dividend for the year has been raised to 19 cents from 18 cents per ordinary share. The final dividend of 11,5 cents per ordinary share was declared to all shareholders registered on 20 June 1975, including the 9 987 459 ordinary shares allotted on 29 April 1975 in terms of the rights issue.

Retention of income before extraordinary items, which has been transferred to Distributable Reserves, was again high at R8 588 000, as against R6 606 000 in 1974.

FUTURE PROSPECTS

Economic expansion during the present financial year is likely to be slower than during the period under review. Both the private sector's consumption and investment expenditures are growing at a slower rate, although government outlays remain at a high level. On balance this should result in some easing of the pressure on demand for loanable funds. If the gold market remains relatively stable and South Africa is able to attract sufficient short and long term finance from abroad, financial conditions should ease considerably and this would facilitate a resumption of business growth early in 1976.

Bearing in mind these economic uncertainties, our forward profit projections indicate that the results of the Group should continue to show growth and we expect an increased return on shareholders' funds.

STAFF

The welfare, progress, development and education of our staff are always primary considerations of the Group, which is one of the largest employers in the Republic and South West Africa. The conditions of the staff are continuously being reviewed by management and the Boards of directors of the subsidiary companies.

Substantial increases in salaries were awarded to staff at the beginning of 1975. Further, it has been our policy to ensure that service conditions are the same for all members of our clerical staff. There are now uniform conditions of service for all staff, irrespective of race.

BOARD OF DIRECTORS

The retirement of Sir Cyril Hawker as Chairman of Standard and Chartered Banking Group Limited and as a Director of Stanbic became effective on 31 August 1974. I again pay tribute to the exceptional contribution he made to the development and diversification of the Group. We will remember him particularly for the harmonious relations which he fostered between London and the operations of the Bank in South Africa.

Sir Cyril was succeeded on 1 September 1974, by Lord Barber, who was also appointed to the Board of Stanbic. Lord Barber has had a distinguished career in politics as well as in business and brings to the Group a wealth of experience in finance.

I am sad that we are to lose the services of two of our longest serving Directors, Mr. C. S. Barlow and Mr. F. H. Y. Bamford who, having reached the retiring age for Directors, will retire on 22 July. "Punch" Barlow joined the South African Board of the Bank in 1957 and became Deputy Chairman when the South African company was formed in 1962 and Deputy Chairman of Stanbic when it was formed in 1969. During this long period of service his contribution towards the progress of the Group has been invaluable. He has also made an outstanding contribution to South Africa in many other fields. Fred Bamford began his business career with the Standard Bank and, apart from his many other business interests, became Chairman of the Chase Manhattan Bank (South Africa) Limited. He joined our Board in 1965 when the Chase operations in South Africa were merged with ours. I am most grateful to these two colleagues for their valued support over the years. We shall miss the wise counsel and sound judgment which they have brought to our affairs.

During the year I welcomed to the Board of SBSA Mr. M. A. du Plessis, of Pretoria, and Prof. P. C. Fourie, of Bloemfontein, and also Mr. H. R. Reed, joint Managing Director of Standard and Chartered Banking Group. Prof. Fourie also became Chairman of our Regional Board in Bloemfontein. Messrs. J. Garlick and D. W. Williams joined the Cape Board and Mr. R. J. Ross the O.F.S. and Northern Cape Board during the year.

Mr. G. Krone resigned from the Cape Board for business reasons. On reaching retirement age Mr. D. A. P. Johnston retired from the Natal Board and on 22 July 1975, Messrs. A. D. Forsyth and S. J. Rossouw will retire from the Cape Board, Mr. J. R. A. Hulley from the Natal Board, Mr. H. Z. J. Kühn from the O.F.S. and Northern Cape Board and Mr. A. J. Bester from the South West Africa Board. To these members of our Regional Boards I extend our thanks for the service they have given us during their terms of office.

Mr. E. H. Fox retired from the Board of Standard Merchant Bank Limited on 3 June 1974, when he joined the Board of Stanbic. We welcomed to the SMB Board Mr. G. A. Macmillan on 3 June 1974.

At STANNIC's Annual General Meeting on 26 June 1974, Mr. E. J. G. Roy retired on reaching retirement age. His services over a long period will be missed and I thank him for his contribution. We welcomed to the Board Mr. D. C. Irish and Mr. K. H. Gager on 23 April 1975. On 31 March 1975, Mr. J. C. McLeman resigned because of his move to Natal. We wish him well on his well-earned retirement.

SENIOR MANAGEMENT

Mr. J. R. A. Hulley, who was General Manager of the Natal Region and Mr. J. A. Rogan, who was Assistant General Manager in the Witwatersrand Region, retired during the year. They were succeeded by Dr. C. B. Strauss and Mr. D. W. C. Simmonds respectively. Dr. Strauss had been responsible for Corporate Planning at Head Office and Mr. Simmonds was the Manager of the Commissioner Street Branch. Subsequently, Mr. Rogan was appointed Chairman of Standard Bank Insurance Brokers and of Diners Club S.A. (Pty) Limited in succession to Mr. L. van Niekerk.

The Bank suffered a sad loss through the untimely death of Mr. Vincent de Villiers, Senior General Manager in Cape Town. Mr. Dennis Blackhurst, previously General Manager, Cape, succeeds Mr. de Villiers with the title of Regional General Manager and Mr. J. P. Esterhuizen, General Manager, South West Africa, succeeds Mr. Blackhurst. Mr. H. C. Taljaard, who had served as a General Manager's Assistant in Johannesburg, has been appointed to take Mr. Esterhuizen's place in South West Africa.

Mr. J. J. Ball will retire as General Manager of the Bank's Trust Division in July and will be succeeded by Mr. K. R. Schneider.

Mr. L. B. Russell, the Group Financial Manager, retires on 30 June 1975, and Mr. G. H. Vickers has been appointed to take his place.

Mr. N. A. C. Lillelund was appointed Assistant General Manager in the Natal Region.

To all the senior executives and the staff throughout the Group I express my grateful appreciation for their loyalty, co-operation and support without which it would not have been possible to achieve such gratifying results. In conclusion, my sincere thanks are extended to my two deputies, Messrs. C. S. Barlow and W. T. Passmore, to Mr. H. P. de Villiers, Managing Director, and to my other colleagues on the Boards of Stanbic and its subsidiaries and on the Regional Boards.

Ian Mackenzie

25 June 1975

(63)

NBS has large cash balance

Natal Mercury 17/6/75

Property Reporter

AT THE end of March the Natal Building Society had R60m in liquid resources, compared with R46m a year before. The society granted loans for R90m during the year.

Justifying the large cash balance, the chairman Mr. G. B. Law says this was due to the uncertain financial climate.

The directors felt that it would be prudent to hold the cash, which was apparently invested short term.

The society has made loans of R443m to 40 050 applicants and its assets increased by R49m to R547m. It has entered into commitments to loan R16m (R31m in 1974.

It will undertake major developments at Pinetown and Pietermaritzburg and is planning to develop "cluster units."

Sagit replies to questions

(63)

C.T. 16/6/75

Cape Times Financial Correspondent

JOHANNESBURG. — Shareholders who lost money in National Fund Investments (NFI), now Sagit, should not hold the present board of Sagit responsible, as none of them was a director during the crucial period during and after the 1969 boom, said Sagit's chairman, Mr Charles Wotherspoon, yesterday.

Mr Wotherspoon was speaking at the extraordinary meeting of Sagit requisitioned by Mr C R Benson and 122 other shareholders.

In a 3½ hour long and at times emtional meeting the chairman, Mr Wotherspoon, replied to questions posed by Mr Benson at this meeting and in the past.

Mr Benson has for several years been critical of the directorate of Sagit and NFI and the meeting was similar to the extraordinary meeting of the company in February 1972.

SYMPATHY

At the 1972 meeting comprehensive replies were given to Mr Benson's questions which were repeated in full at last week's meeting.

Mr Wotherspoon said he sympathized with shareholders who lost money in NFI but when criticism was voiced account should be taken of the change in composition of the board.

Mr Wotherspoon said he was appointed to the board in July 1970. One of Mr Benson's questions to the directors was to ask "for a list of names, and positions held in the company, of those people to whom offers were made at any time to credit part or all of the original cost of their shares in the company".

"ILLEGAL"

Mr Wotherspoon said in reply that Sagit had never purchased its own shares and had not lent money out for this purpose. To have done would have been illegal he said.

At the beginning of the meeting Mr Wotherspoon pointed out that the shareholders who requisitioned the meeting represented only 0,21 percent of total shareholders and 0,36 percent of total shares in the company.

The chairman's reply, which lasted for about two hours, was not heard by the majority of shareholders many of whom left while Mr Wotherspoon was talking.

After the chairman had completed his reply Mr Benson presented a list of another 45 questions to the chairman.

After examining the questions Mr Wotherspoon said he was satisfied these had been covered in his earlier reply.

ARGUS 11/6/75

63

UBS assets up R206-m

THE United Building Society increased its assets by nearly R206-million to R1 611-million in the year to March in spite of unfavourable economic conditions.

Reserves at March 31 stood at R47 327 000 compared with R42 821 000 at March 31 1974.

The directors report the demand for housing loans was high throughout the year and in spite of the granting of new loans totalling R370 620 000, it was not possible at any time to meet all the applications received.

During the year properties were acquired in Boksburg, Evander, Empangeni, Ermelo and Nigel, bringing the total of the United's properties to 84.

The Star Monday June 9 1975

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Volkskas profits up 29 pc

Brian Thompson

The Volkskas group hoisted profits by 29 percent during the year to March 31 1974 but the bank has decided to retain a much larger proportion of its income and dividends have been increased by only nine percent.

Group profits after tax and transfers to reserves rose from R9,5m to R12,2m, while the final dividend to be recommended at the annual meeting is up one cent to 9,5c, making a total of 18c (16,5c) for the year.

There was some slowdown in profit growth during the second half of the year. At the interim state, profits were running 31 percent ahead of the comparable year-ago figure but even at this point it was obvious that the bank intended to plough back more of its profits, having raised the interim dividend by only half a cent.

The second six months saw profit growth dip slightly to 26 percent but nevertheless there was a slightly more generous lift in the final dividend.

The bank has also reported that total assets increased from R1 464m to R1 885m, also a gain of 29 percent.

IGI profit up by 34 percent

STAR 9/6/75

(63)

Business Reporter

Taxed profit of Incorporated General Insurances rose by a healthy 34 percent to R1 231 000 in the year ended March compared with the previous year.

The annual dividend increase is 27 percent to 14c a share on earnings a share of 30,1c compared with 22,5c in the previous year.

Gross premium income is up by 3,3 percent to R15 058 000 for the year and the surplus on realised investments is R18 000 (1974: R183 000).

The annual report is to be sent to shareholders during the last week of this month.

Warning to insurers: salesmen's fees are too high

63

Sun Times 1/6/75

By TONY STIRLING

THE South African insurance industry faces the threat of a Government crackdown on the rates of commission paid to salesmen.

Mr Wynand Louw, the Registrar of Financial Institutions, this week warned that unless the insurance industry "puts its house in order" he would act to curb commission regarded as "excessive". Legislation to empower

the Government would be forced to act.

In the field of life insurance he had found that commission of up to and exceeding 125 per cent of the first year's premium was paid to salesmen. "I regard this as excessive," he said.

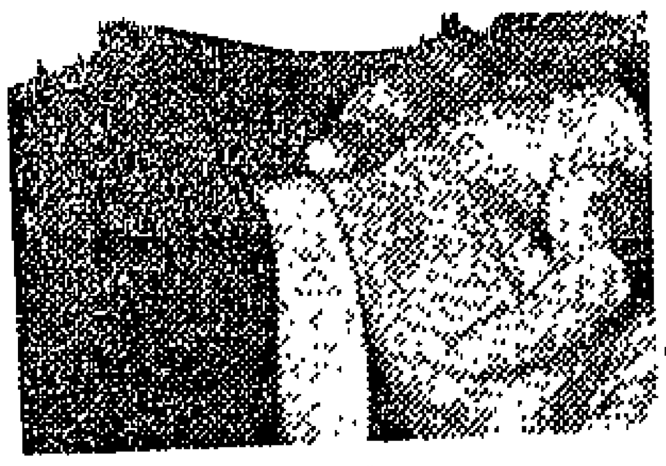
There was also evidence that commission paid on types of annually renewable insurance was excessive. It varied in the case of motor insurance from 9 to 27 per cent.

Imbalance

The imbalance between the highest and lowest commission payable in this field he ascribed largely to intense competition and could be seen as an attempt by companies paying the higher rates to get business through brokers.

Salesmen, particularly those operating in country districts, appointed sub-agents who informed them of a business prospect. For this service, which generally only involved making a telephone call to the salesman, the sub-agents received from 30 to 50 per cent of the salesman's commission.

On an endowment policy carrying an annual premium of R400 the amount received by a sub-agent could be R200 for simply informing a salesman that a person



Mr Wynand Louw . . . "Commissions are excessive."

the Minister of Finance to fix commission rates is before Parliament.

Previous attempts to get the insurance industry to toe the line on commission failed. Investigations by the SUNDAY TIMES showed that there was little chance that insurers would agree among themselves to fix rates, and that the Minister would have to use the new legislation.

Competition

Mr Louw said that the situation regarding certain commissions paid to salesmen was "unhealthy."

If the rates applying to forms of life insurance and annually renewable policies such as motor and fire policies were not voluntarily cut from the present excessive levels.

A number of persons are receiving commission for rendering practically no service at all. Garages, accountants, lawyers and those involved in hire-purchase transactions requiring obligatory insurance are receiving fat commissions for merely referring business.

According to brokers and insurers it would be more equitable to limit the sale of insurance to recognised practitioners, or devise a system of commission more in accordance with the type of services rendered by the broker, salesman or intermediary.

Banks had entered insurance in a big way, most of them having their own broking departments, and some of them their own insurance companies.

Persuaded

It was claimed that two banks had persuaded clients to take insurance through the bank by raising the subject of the client's overdraft facilities.

The industry as a whole appeared set against compulsory Government curbs on commission. It was felt that compulsory control should include recognition of the different services offered by the different types of brokers and intermediaries.

By RALPH HELLER (63)

DONALD GORDON, who has consistently taken the Guardian-Liberty group from strength to strength, has done it again.

Yesterday, he unveiled plans for entering a new growth area — banking. This follows Guardian Assurance Holdings' purchase of a 30 per cent stake in the old established Fidelity Bank and Trust Company of Port Elizabeth, a general bank, in a R1-million cash-and-share deal.

Sun Times (C.T.) 1/6/75

BAN

The 30 per cent interest makes Guardian the largest single shareholder in Fidelity. No other single shareholder — there are over 400 — holds more than 1 per cent of Fidelity.

Guardian has obtained the maximum stake in Fidelity which an insurance company will be allowed to hold in a bank under proposed banking legislation.

It is a coup for Guardian as it now has a strategic stake in one of the few remaining banking independents in South Africa.

Wynand Louw, Registrar of Financial Institutions, who has been reluctant to grant new banking licences, has given the nod to the deal which is effective from July 1.

The significance of the deal for the Guardian-Liberty group, which at last balance sheet had assets of R368-million, is that it is complementary to its existing operations in short and long-term insurance, property, mutual fund management, and the investment and issuing house fields.

Undoubtedly, Guardian will now throw its financial expertise into assisting Fidelity to move into the national limelight.

The start of this will be the appointment of two directors to the Fidelity board. These have not been named yet, but could include Mr Gordon.

Fidelity is an amalgam of three trust companies, Guardian Trust and Investment Company of Port Elizabeth (founded 1853), Aegis Investment and Trust Company (1873), and Fidelity Trust Company (1926).

Donald Gordon . . . new growth area.

In the year ended September 1974, Fidelity notched up taxed profits of R240 000. Total assets of the bank are R12-million.

Its service includes bond schemes, hire-purchase and leasing, trust operations, property selling and administration. But banking, which provides 75 per cent of profits, is the biggest growth area.

Neville Cro, Fidelity's joint general manager, said yesterday his company had been looking for a partner to provide new impetus. Fidelity, he said, had also been approached by various companies to do a deal.

"We decided to go to Guardian to strengthen our image before expanding nationally. Our first step will be into Johannesburg, perhaps by the end of the year."

Mr Cro says the determining factor was that both Guardian Trust and Aegis Investment (two of Fidelity's component companies) had had longstanding links with the Guardian and Royal Exchange groups in London for about 100 years. They sold insurance for both companies.

The Royal Exchange merged with Guardian at about the same time as the three Eastern Cape trust companies got together.

The mechanics of the Guardian-Fidelity deal are:

Fidelity is to issue 450 000 new ordinary shares to Guardian Holdings and/or its subsidiaries at R2,25 a share. The shares will be paid for by the issue of one new Guardian Holdings share at R1,25, plus a cash payment of R1 for each new Fidelity share allotted.

At the same time, it is proposed that a maximum of 50 000 additional unissued shares in Fidelity — bringing Fidelity's total issued capital to 1,5-million shares — will be allotted at R2,25 a share for cash to other institutions, pension funds or companies at the discretion of Fidelity's directors.

This is aimed at obtaining shareholders for Fidelity with important connections to expand the company's business in the main financial centres of South Africa.

No shareholder, other than the Guardian group, will be allotted more than 1 per cent of the issued share capital of Fidelity, entrenching Guardian's dominant role.

F.M. 30/5/75

Question.............................
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ECONOMIC RELATIONS

Following détente

63

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.

Black housing: a quandary

F.M. 9/5/75 (63)

The building societies are in a quandary. Government's decision to grant leasehold home-ownership rights to urban Blacks was taken without consulting the primary financial vehicle for implementing that decision.

The rub is that the societies have no idea as to how to resolve the dilemmas posed by that decision.

Deposits made with the building societies come from Blacks and Whites alike. Without rights of home ownership, however, Blacks have until now been excluded from standing in the queues for building society loans.

If the 30-year leases on houses (not land) promised by government can be properly registered, then the demand for the already inadequate pool of building society finance will be considerably increased.

Not only is it unknown at this stage whether the proposed leasehold rights can be registered, which is a necessary prerequisite for the granting of a building society loan and without which government's home ownership gesture could scarcely be meaningful, but the number of Blacks who would "qualify" for the right is also undetermined.

It would seem that the limitation of those qualifying is likely to go beyond Section 10 Bantu" (see page 479). In an interview with the *FM*, Punt Janson, Deputy Minister of Bantu Administration, envisaged the scope of the concession as possibly extending to "all those recruited legally" (*FM* January 31). And his analogy at the time with sectional titles clearly indicates that the long leases might indeed be registered.

There can be no doubt that, under these circumstances, the building societies will be only too pleased to lend to Blacks.

Leslie Lucas-Bull says that the UBS will lend "to any race group provided the bonds can be registered suitably to protect the interests of ourselves and our investors, and provided the property offered as security is adequate".

Like UBS, the SA Perm also supports the concept of Black home ownership. Joint chief executive Boet Viljoen would welcome the opportunity of considering applications for loans by Blacks on the same basis and subject to the same qualifications as we presently consider applications for loans by other racial groups".

Throughout the society movement, there is a consensus that its funds should be made available on the basis of merit. As Trust Building Society's Ané de Wet puts it: "There is no question of Black money and White money — all money is green".

But difficulties will arise.

First, fresh pressure on building society funds by thousands of Blacks who might qualify can only worsen the overall problem of funding home ownership.

It is no use arguing that increased demand should sort itself out by pushing up the mortgage rate, for this would price house ownership beyond the range of many.

Second, the societies are reluctant to act in the high-risk area of sub-economic and economic housing where the security might be of questionable value. However, since this is the area which falls into the ambit of the government's concession, methods would have to be found of encouraging building society participation.

They are after all, best equipped in terms of administration, specialised knowledge and public trust for handling an operation of this nature.

It could be that government will consider guaranteeing high-risk loans and making cash available for the purpose. In this event, the societies could simply administer the loans (at a reduced interest rate?) for the various local authorities and Bantu administration boards.

Politically, government is playing its cards well. The changes can be effected by regulation and not legislation, so avoiding embarrassing parliamentary debate over the permanence of urban Blacks. Deputy Minister Janson has passed the baby onto Deputy Minister W A Cruywagen, who has been so recently appointed that he is unable to elaborate on government thinking.

Even Manie Mulder of the West Rand Bantu Board has to maintain silence because he is awaiting "details" from government.

Clarity, it seems, will only emerge with the passing of time — once government and the societies have got together, as they must.

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STAR 5/5/75

African bank is a dream come true

Pretoria Bureau

The African Bank, South Africa's first Black commercial bank, expects to open two branches by the end of the year, one in Ga Rankuwa near Pretoria and one in Soweto.

The bank has successfully raised its R1m capital, and all it needs to be registered is the official blessing of the homeland governments.

So far three — kwaZulu, Gazankulu and Basotho QwaQwa — have officially endorsed the bank.

The Bantu Investment Corporation has told Mr Sam Motsuenyane, director elect and prime mover of the bank, that its Ga Rankuwa premises will be ready in August.

When theGaRankuwa branch opens, aon cefa r-fetched dream will be realised for Mr Motsuenyane and for the National African Federated Chamber of Commerce, which he heads.

Nafcoc first had the idea for a commercial bank for Blacks in 1964. A banking account was opened for funds for the bank; but until 1972, the fund never topped R1 000. But the men behind it did not lose hope.

They employed a White economist, Dr J Berczy, to do a feasibility study. He came up with four problems — a dearth of trained personnel and capital, the limited market for bank because of low Black earning and the difficulty of instilling confidence in the bank.

The "big five" White banks have since put up 30 percent of the African Bank's capital, the rest was raised from Black individuals and organisations.

Mr Motsuenyane and Nafcoc see much significance in the foundation of their bank. They see it as the first step towards self help for Blacks. The bank will mobilise the R4 000m earned annually by Blacks to uplift them economically.

Daily Disp. 3/5/78

(63)

Loans for black home owners?

JOHANNESBURG — Building societies would be happy to lend money to blacks to buy homes in urban areas if this was legally possible, the Association of Building Societies said yesterday.

The Association was commenting on the announcement in Parliament by the Minister for Bantu Administration and Development, Mr M. C. Botha, that blacks would be able to own their own homes in white areas on a 30-year lease basis.

The Association's director, Mr David Alston, said: "At this stage building societies are unable to say whether the Minister's announcement will enable them to grant loans to urban Africans who wish to lease their own homes.

"The Association would like to give its assurance, however, that societies will give sympathetic consideration to loan applications by urban Africans if legally possible." — SAPA.

SA's FIRST BLACK BANK

63

3/5/75

Argus

Weekend Argus Reporter

THE African Bank, South Africa's first Black commercial bank, expects to open two branches by the end of the year — one in Ga Rankuwa near Pretoria and one in Soweto.

The Bank has successfully raised its R1-million capital and all it needs to be registered is the official blessing of the homeland governments.

Three — KwaZulu, Gazankulu and Basotho Qwaqwa — have officially endorsed the bank and the rest are expected to do so by the end of next week.

The Bantu Investment Corporation has told Mr Sam Motsuenyane, director elect and prime mover of the bank, that its Ga Rankuwa premises will be ready in August. He expects the bank will open for business as soon as they are.

Mr Motsuenyana foresees the day when the bank will have branches in all the Black townships and homelands of South Africa.

When the Ga Rankuwa branch opens, a once far fetched dream will be realised for Mr Motsuenyane. And for the National African Federated Chamber of Commerce, which he heads.

Nafcoc first had the idea of a commercial bank for Blacks in 1964. A banking account was opened for funds for the bank but until 1972, its balance had not topped R1 000. But the men behind it did not lose hope.

They employed a White economist, Dr J. Berczy, to do a feasibility study. He came up with four problems — a dearth of trained personnel and of capital, the limited market for the bank because of low Black earnings and the difficulty of instilling confidence in the bank.

Mr Motsuenyane and his colleagues in the scheme were disheartened but not daunted. Mr Motsuenyane gave the bank its greatest breakthrough by flying off to London in 1972 to drum up support for the idea.

'I was very presumptuous,' he says, 'I told the international head of Barclays Bank that they had taken quite a lot of wealth out of Africa — now the time had come for them to plough some back.'

Barclays was enthusiastic and undertook to train personnel, and to take out a minority shareholding.

Mr Motsuenyane spoke to the Minister of Bantu Administration, Mr M. C. Botha, the BIC and the Registrar of Banks and was delighted to find there were no objections to the bank.

The 'big five' White banks have since put up 30 percent of the African Bank's capital. The rest was raised all over the country from Black individuals and organisations, including churches and schools.

Mr Motsuenyane and Nafcoc see huge significance in the foundation of their bank. They see it as the first step towards self help for Blacks. The bank will mobilise the R4 000-million earned annually by Blacks to uplift them economically.

It will start by attracting deposits and then lending for mines, agriculture and industries in the homelands. But it will not confine itself to the homelands.

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White is Blacks' banker

STAR 30/4/75

A 36-year-old Johannesburg accountant, Mr Allan Wentzel, has been voted general manager of the African Bank of South Africa, which is to open soon.

He was chosen from more than 80 applicants, some of them Blacks with good qualifications.

The president of the National African Federated Chambers of Commerce (NAFCOC), Mr S M Motseunyana, said to-

MR ALLAN WENTZEL

day that Mr Wentzel had been chosen because of his experience in merchant banking.

"Some of the Blacks who applied had imposing qualifications and degrees but no experience. This bank carries the hopes of the Black people and cannot be allowed to fail. For this reason an efficient White man was chosen."

Blacks throughout South Africa have spent the last two years collecting R750 000 to start the bank.

(63)

Dramatic changes predicted for SA banking scene

STAR 29/4/75

The Star Bureau

LONDON—With inflation and real growth both chalking up double figure rates, the South African economy's recent performance can only be described as sizzling, according to a lengthy survey published by the Financial Times.

The increase in real GNP topped 10 percent in 1974 after an almost equally remarkable rise of 9,5 percent in 1973, the survey continues, while the consumer index jumped by 11,5 percent after rising by 9,5 percent the year before.

"With such a rate of expansion to finance, the banks were naturally called on to provide lashings of new credit."

Enthusiastically, the Financial Times continues: "They (the South African banks) did not let their customers down. Credit extended to the private sector soared by 36 percent in 1973 and at an annual rate of 29 percent in the first half of 1974.

"Only when the banks found their own liquidity squeezed in the second half of last year did they close their lending windows."

From about August, last year says the survey, credit became more difficult to obtain.

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This was because the previous rapid expansion of credit, coupled with a flood of cash out of the country because local interest rates were too low, contributed to a tightening of the liquidity position of banking institutions.

"In fact the ratio of their surplus liquid assets to their liabilities to the public declined from 4,5 percent at the end of July 1973, to 0,8 percent at the end of June 1974."

As a result, interest rates rocketed. The monetary authorities recognised this and raised official interest rates on various occasions.

Explaining develpments during that period, the Financial Times reports that governor of the Reserve Bank, Dr Bob de Jongh, told stockholders that the expansion of bank credit and the balance of payments had a natural tightening effect of liquidity conditions.

Sooner or later this also had to exert a restrictive effect on the ability of banks to continue extending more credit and it had been considered desirable not to counteract this effect.

Even so, the survey continues, the squeeze was so tight that the banks at times failed to comply with Pretoria's liquidity requirements, which drew a harsh response regarding the "spirit of permissiveness" from Dr de Jongh.

Almost immediately the annual rate of increase in bank credit to the private sector was reduced from 29 percent during the first half of 1974 to nine percent during the second half — "a very significant reduction.'

At this point, however, the Financial Times says, "The greatest challenge facing all South African banks in the years ahead will be to increase their capital sufficiently to keep up with an expected rapid inflation of the money supply.'

The foreign controlled ones would have to do this while at the same time increasing local participation, "for all banks are obliged to increase their local shareholdings to 50 percent within a reasonable period of be forced to forge even closer links with those major financial institutions — the mining houses and insurance companies — that are large generators of surplus funds.

"In the process, the face of South African banking is likely to change dramatically," the survey concludes.

Bank chief warns on cash crisis

Sun Times
Bus Times
27/4/75

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 86 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 be 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

Bank warning

Sun Times (Bus Times) 27/4/75

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 Insurance — 8 per cent each 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.

HANSARD 9 Q. column 664-5
9 April 1975.

Coloured Development Corporation/ Spesbona Bank: Investments/loans

180. Mr. T. ARONSON asked the Minister of Coloured, Rehoboth and Nama Relations:

(1) Whether the Coloured Development Corporation invested in any shares in fishing companies; if so, (a) in which companies and (b) for what reasons;

(2) whether the Corporation or the Spesbona Bank has granted any loans to companies with a majority of Coloured shareholders and a minority of White shareholders: if so, (a) what are the names of the companies, (b) what is the number of shares held by (i) Coloured and (ii) White persons in each company and (c) what is the amount of the loans advanced in respect of each of these companies.

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Z 63

The MINISTER OF COLOURED, REHOBOTH AND NAMA RELATIONS:

(1) Yes.

(a) Kaap-Kunene Beleggings Ltd.

(b) The Corporation was interested in 1965 in acquiring a fishmeal quota for the Coloured community. As the number of quotas being issued at that time was limited, the then Minister of Economic Affairs instructed a company which was then in the process of formation to make shares available to the Corporation, to ensure that Coloureds also have a share in the fishmeal industry. This company, Suid-Oranje Visserye Ltd., was formed by a consortium of existing companies in the industry, in conjunction with the other companies and bodies which deserved to have a share of the fishmeal industry. The shareholding in Suid-Oranje Visserye Ltd. has since been taken over by Kaap-Kunene Beleggings Ltd. in exchange for shares in the latter company.

(2) No. (a) and (b) fall away. It should be pointed out that a Commercial Bank by way of its very nature is not in a position to disclose information relating to its clients' affairs.

Question ... th sides of the paper

HANSARD 9 Q column 643-644
8 April 1975.

1 (63)
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Banks in Bantu townships

*10. Mr. D. D BAXTER asked the Minister of Bantu Administration and Development:

(1) Whether his Department restricts the number of banks or branches thereof which may be established in Bantu urban townships; if so, (a) how many banks or branches are authorized and (b) in which townships are they located;

(2) whether he has received representations in regard to the establishment of additional banking facilities in Bantu urban townships; if so, (a) what was the nature of such representations and (b) what was his reply thereto.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(1) Yes.

(a) Five commercial banks have been authorized to establish four branches or agencies each in urban Bantu residential areas subject to the proviso that not more than one bank be permitted to operate in the same residential area

(b) The information is not readily available and the expenditure involved to obtain such information urgently, is not considered justified

(2) Yes.

(a) Representations were received for the extension of banking facilities in Soweto.

(b) Authority has been granted for the establishment of a branch of each of the other banks not yet operating in Soweto.

HANSARD 3 Q. column 186-187.
18 February 1975.

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Granting of mortgage bonds by assistance to building societies

*42. Mr R. G. L. HOURQUEBIE asked the Minister of Finance:

(1) Whether any information has been supplied to him by the Association of Building Societies about the ability of building societies to grant applications for mortgage bonds on (a) houses, (b) blocks of flats and (c) sectional title units during 1975; if so, what information;

(2) whether he intends taking further steps during the current session to assist building societies in providing mortgage bonds on (a) houses, (b) blocks of flats (c) flat units and (d) sectional title units; if not, why not.

The MINISTER OF HEALTH (for the Minister of Finance):

(1) During November last year the Association of Building Societies furnished the following information to my Department to substantiate their claims that the ability of societies to lend would be curtailed:

(a) that for period 1 April 1974 to 30 September 1974 building societies had experienced a reduced inflow of funds of R244 million in comparison with R440 million for the same period of previous year;

(b) that in respect of deposits in excess of R250 000 which were free of deposit rate control building societies could not compete with other financial institutions;

(c) that building societies could not compete with the Post Office in respect of certain tax free investments.

(2) The Association was informed that in view of changed monetary conditions which were expected, the consideration of any relief for the building societies should stand over until a clearer picture was obtained. Monetary conditions have in the meantime improved but the authorities will continue to watch the position carefully.

F.M. 7/2/75 63

FM CURRENT AFFAIRS

Barclays makes a steal

"It would seem desirable to have a commercial bank and an insurance company in the same stable . . ."

That was Mr Harry Oppenheimer's view at the time of Rand Selection's offer for Schlesingers last March. Yet ever since Randsel climbed into the driver's seat there has been a question mark over SII's future and particularly over that of its now 70%-owned subsidiary, Western Bank.

Brave words at the time from both the Schlesinger and Anglo camps about the Anglo link giving Western Bank new muscle and opening wider horizons were never very convincing.

In the event it has taken less than a year for Rand Selection, a willing seller, to find (or be found by) Barclays, a willing buyer. Indeed Barclays, the Anglo American group's main banker, on whose board Anglo is represented, has always been the most obvious suitor.

From its point of view the acquisition for around R19m makes great sense — and looks like a bargain. Explains its MD, Frank Dolling, "We can now offer a retail instalment credit service without cluttering up our normal business".

And since the authorities are loath to issue new banking licences, the acquisition of an existing general bank was the obvious other way for Barclays to fulfil its ambition.

Cleverly linking the swop of 45 new Barclays A ordinaries for every 100 Wesbank shares (see *Fox*) with an invitation to Wesbank shareholders to subscribe for another 4,7m B ordinaries, Barclays simultaneously raises an extra R20m locally with which to finance expansion (both of Wesbank and its own deposit taking ability) and decreases its foreign shareholding (via Barclays Bank International) from around 85% to 64%.

That will go a long way towards meeting government's requirements that local banks increase their South African stake to 50% within 10 years.

To make sure the latter ploy succeeds, Rand Selection has agreed to take up its full entitlement and to underwrite, for no charge, any shortfall.

Coinciding with details of the offer, Wesbank reveals that its half-year to December taxed profits slumped from R1,5m in 1973 to a loss of R36 000 for July-December 1974. That should concentrate Wesbank's minority shareholders' minds wonderfully.

So much for Barclays. From Anglo's side the deal gives it up to 15,8% of the

Barclays' Dolling . . . adding cash, local content, and a building block

equity of South Africa's largest bank, with impressive world wide connections, in exchange for control of a small, and now ailing, H P bank (which it could, had it wanted to, put right at any time with an appropriate deposit and capital injection).

It also gets a possibly embarrassing conflict of interest out of the way. One embarrassment which won't go away, however, is the fact that when Rand Selection acquired Wesbank via SII it was no doubt valued by Schlesingers on a multiple bearing some relation to its scintillating profit record which rose uninterruptedly from R900 000 in 1968 to R2,4m in 1973.

Indeed it was thought at the time that an appropriate price tag then ought to be about R50m, in contrast to the R19m Barclays is paying Randsel now.

What of Wesbank's future? Managing director Dudley Sanger has decided to leave. He is believed, like so many other Schlesinger men, to want to spend more time abroad. And, whether enthusiastically or reluctantly (we don't know which since he insisted on remaining incommunicado this week), he is also selling out his personal stake.

FINANCE — GENERAL

1976 — OCT. 1977

With the Compliments of

THE CHAIRMAN, MR. J.B. ELLINGHAM

THE LIFE OFFICES' ASSOCIATION OF SOUTH AFRICA
1st FLOOR, CHURCH SQUARE HOUSE, CHURCH SQUARE, CAPE TOWN 8001

Met die Komplimente van

DIE VOORSITTER, MNR. J.B. ELLINGHAM

DIE VERENIGING VAN LEWENSVERSEKERAARS VAN S.A.
1ste VERDIEPING, KERKPLEINHUIS, KERKPLEIN, KAAPSTAD 8001

The Life Offices' Association of South Africa Review of Life Assurance

1976

The Life Offices' Association of South Africa
First Floor, Church Square House, Church Square, Cape Town, 8001
Secretary: R. Geary-Cooke

Life Assurance in South Africa 1976

This review is being issued in the public interest by The Life Offices' Association of South Africa.

The Association represents 42 insurance companies who have contributed to this report and who together transact more than 98% of the country's life assurance business. It strives continually to improve the quality of the services offered to the public by its members, and it is the recognised mouthpiece for the life assurance industry in South Africa in all dealings with Government and private institutions.

Office Bearers (1976/77) of The Life Offices' Association of South Africa

J. B. Ellingham
CHAIRMAN

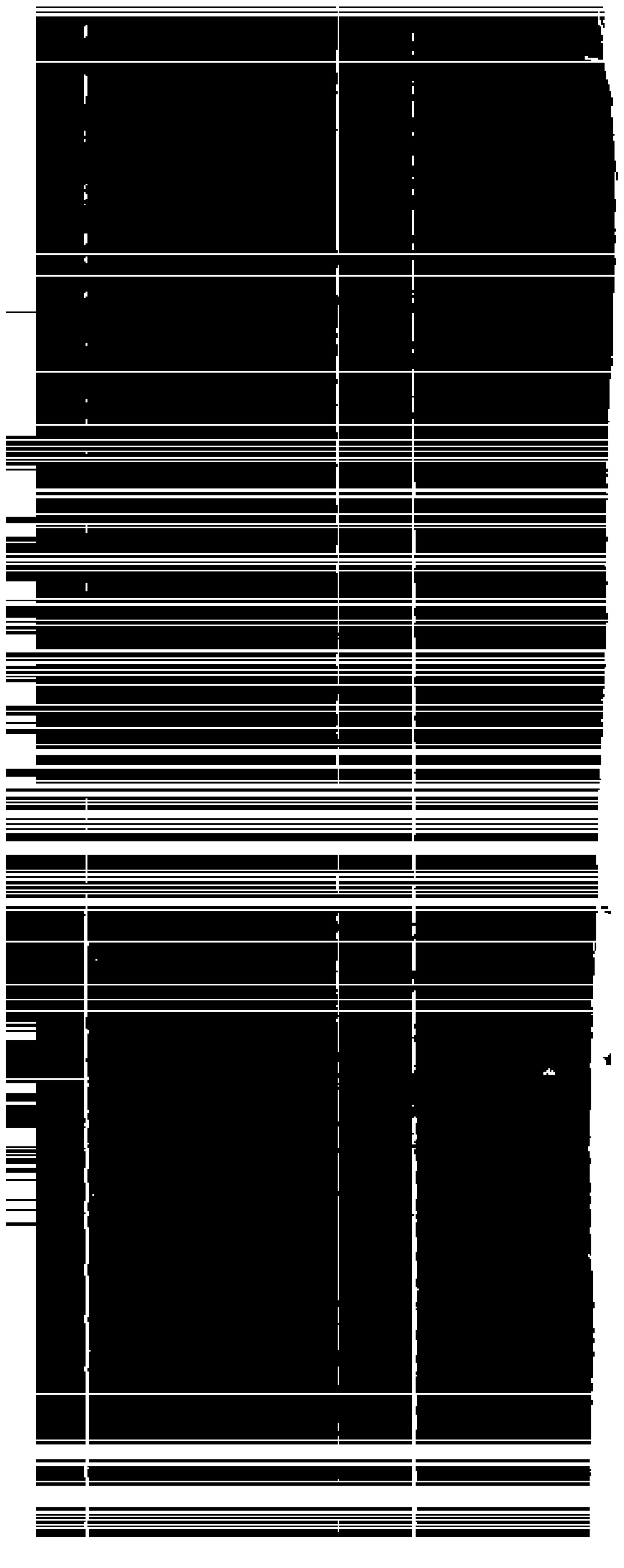
D. W. Williams
DEPUTY CHAIRMAN

Life Assurance savings

Life assurance continues to be the country's most important medium for long-term savings. During 1976, premiums received from policyholders, together with investment income, exceeded outgo by way of payments to policyholders, operating expenses and taxation by R716 million. This is the amount of new money that became available for investment through life assurance savings and it represents a third of estimated total personal savings during 1976. Notwithstanding the increasingly adverse effects of inflation on the economy, public confidence in life assurance as a savings medium was thus maintained. If inflation is to be reduced, personal savings must be further encouraged, for such savings reduce demand and at the same time are channelled into investments that can create supply.

People buy life assurance for a number of reasons, the main ones being to make provision for their own old age and to provide financial protection for their families if they themselves should die prematurely. A person creates an estate immediately, or adds to one, with the purchase of a life assurance policy, and preserves that estate as the policy is maintained over the years. Total life assurance protection in force under individual policies presently amounts to more than R28 000 million. Although this figure appears impressive, the average amount of life cover per person insured in South Africa is still relatively low.

Income



Premiums from all forms of life assurance business, including insured pension and group life schemes, amounted to R981 million, an increase of 22% on the 1975 figure.

Individual life assurance, as distinct from group pension and group life schemes, is the oldest and most widely used form of life assurance protection and accounted for 60% of the total premium income for the life assurance industry during 1976. Individual life policies can offer more than death cover. Under many types of policy cash values are built up, which can help families meet financial emergencies, achieve specific objectives or provide income for retirement.

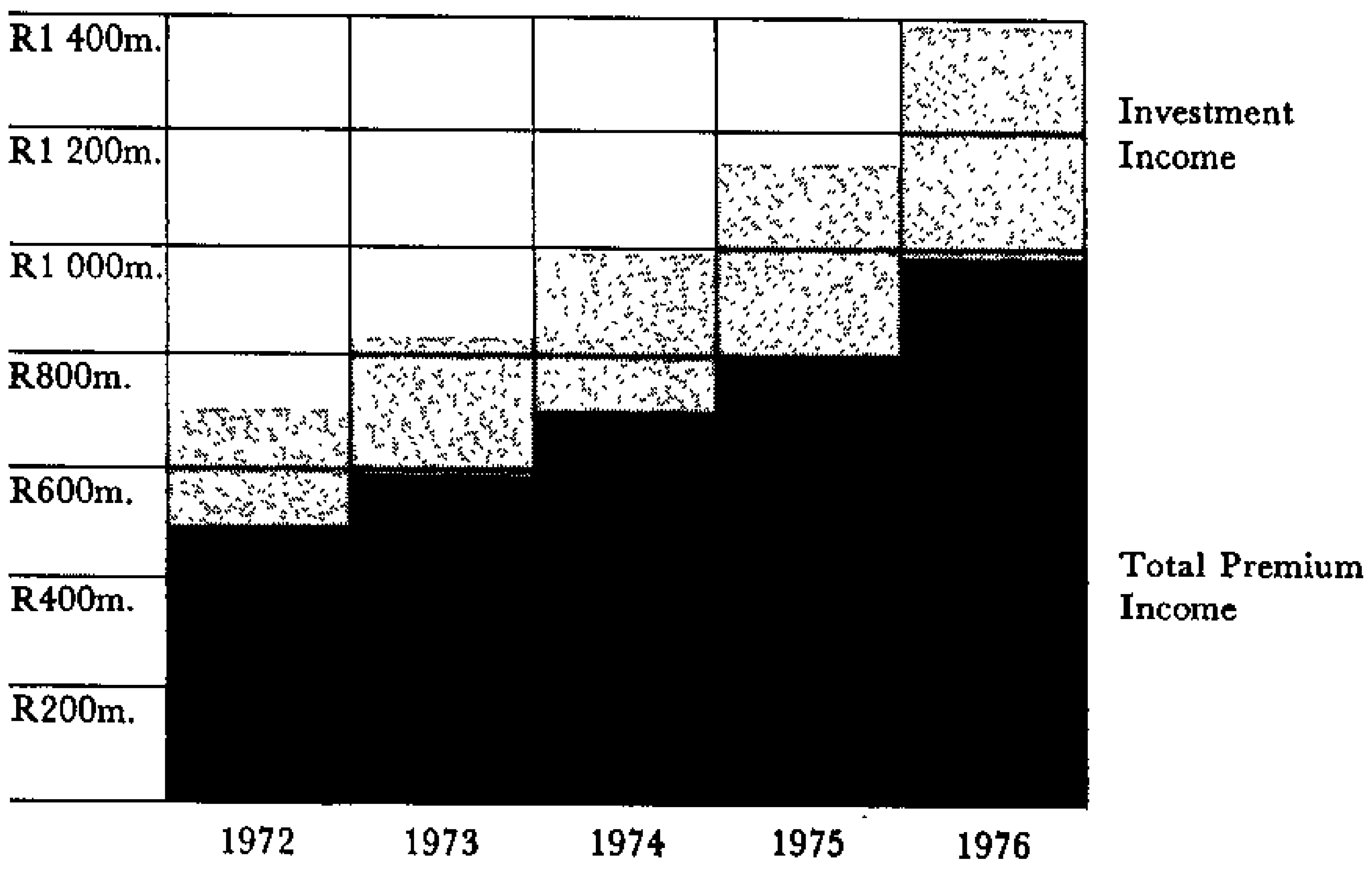
During 1976 premiums under insured group pension and group life schemes increased by R105 million to R389 million, representing 40% of the total premium income of the life assurance industry. Since such contributions are generally a percentage of pay roll, this increase partly reflects general rises in salary and wage levels in commerce and industry, despite certain wage restraints resulting from the anti-inflation manifesto. Furthermore, a considerable number of plans were extended to include categories of workers, particularly lower paid workers, who were previously not members of pension and group life plans.

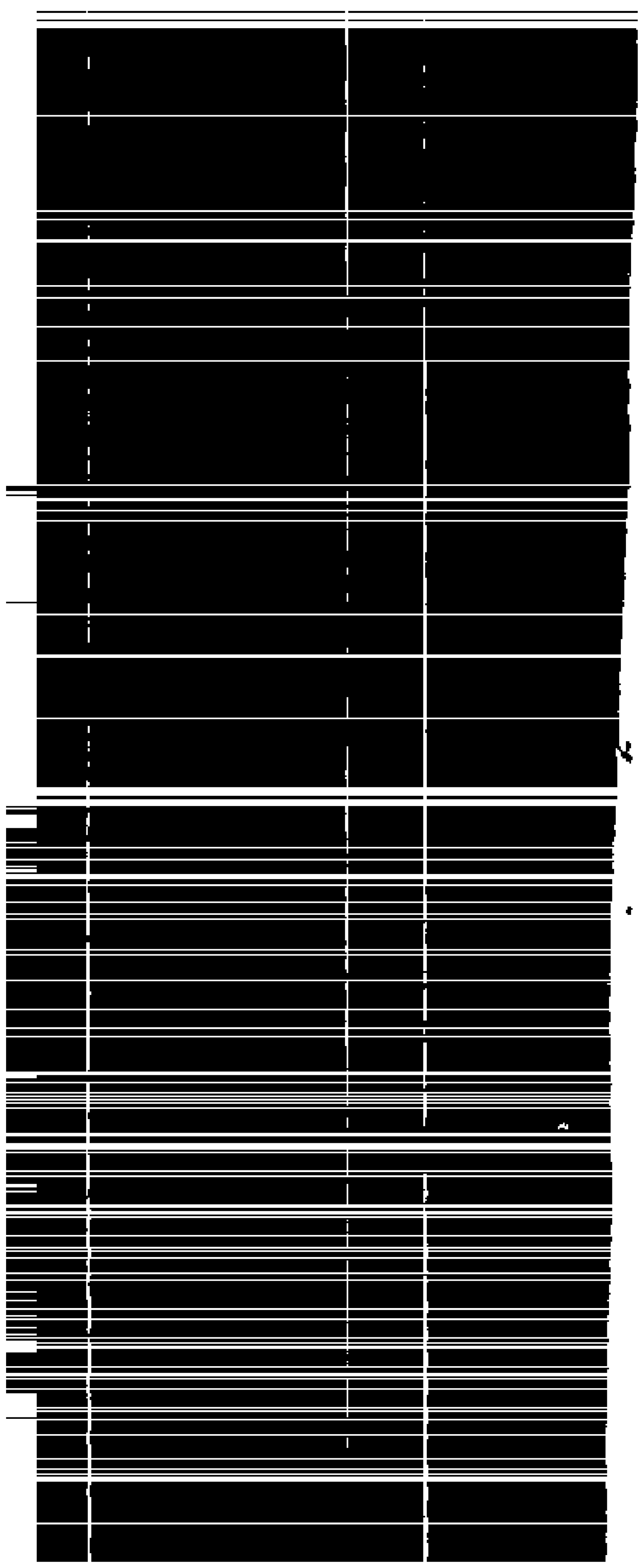
The investment income earned on the funds rose from R336 million in 1975 to R414 million in 1976. This increase is the result of two factors: a higher yield on investments and a larger volume of funds invested.

The following is a summary of the income of life offices during the past five years:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Individual single premiums	29	63	77	28	30
Individual yearly premiums	306	347	403	490	562
Group Pension and Group Life Premiums	155	184	237	284	389
Total Premium Income	490	594	717	802	981
Investment Income	192	224	268	336	414
TOTAL INCOME	682	818	985	1 138	1 395

Total Income





Benefits paid

Life assurance, in its various forms, provides for the payment of a wide range of benefits to policyholders and their beneficiaries. Payments are made on maturity or earlier death in the case of endowment assurances; on death only under whole life policies. In the case of term assurances a claim is paid only if death occurs during a fixed period. Annuities are contracts under which, in return for either a single premium or after a series of annual premiums, regular payments are made by the life office to the policyholder for a period which may extend throughout his life (life annuity) or throughout a fixed period whether he is alive or not (annuity certain). Insured group pension schemes and retirement annuity funds provide specifically for the payment of a regular pension during the period of retirement.

Declaring a bonus is a way in which a company distributes surplus to holders of with profit policies. It may be paid in cash immediately, but more often than not it takes the form of an addition to the sum assured and is paid out at the same time as the sum assured. Many companies issue linked policies which, instead of qualifying for bonuses, participate in the fortunes of specific investments.

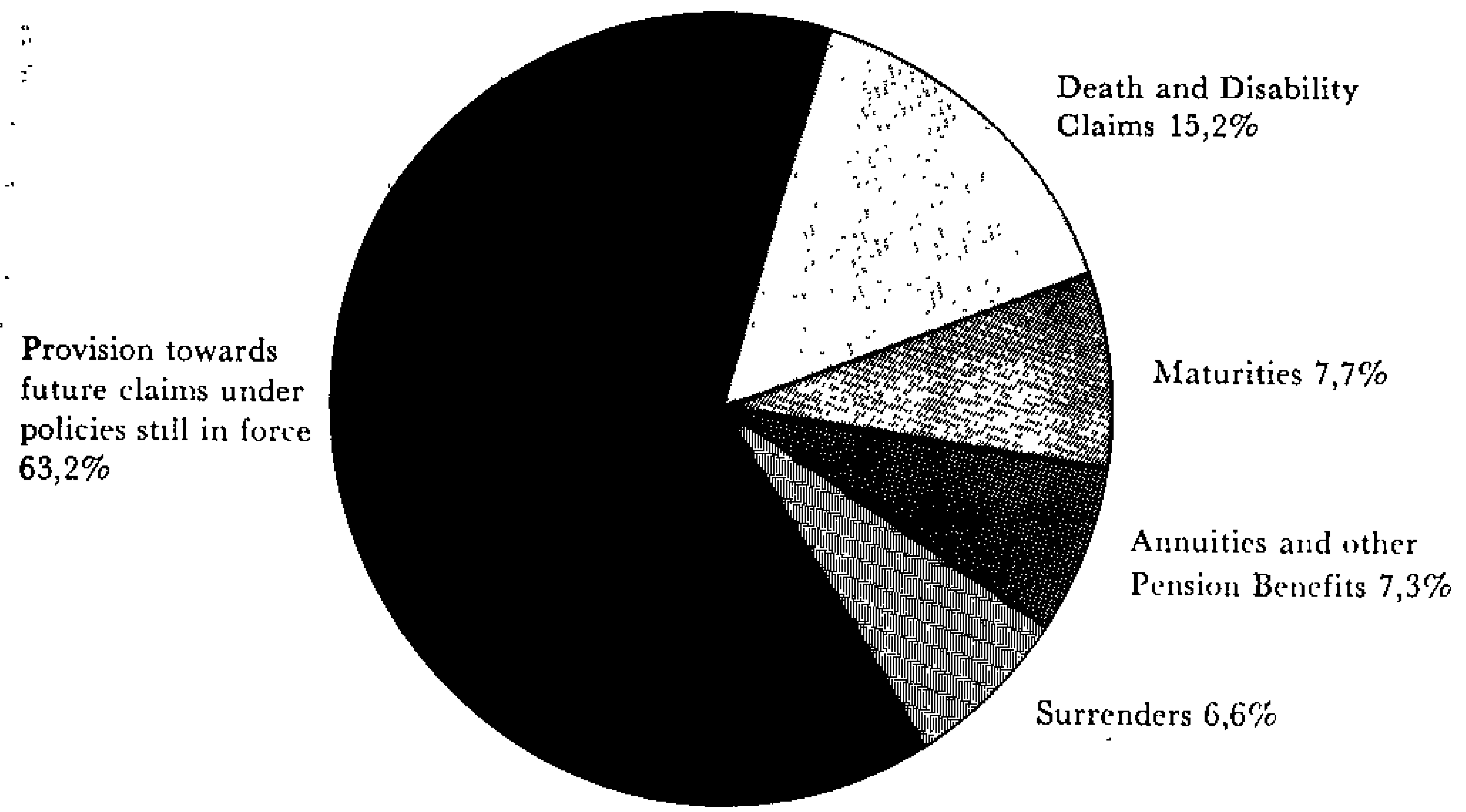
During 1976, payments, including bonuses, on death and disability (R172 million) and maturity (R87 million) increased steadily, as did payments to annuitants (R82 million). The amount paid out in benefits, including surrenders, can be expected to increase each year because of the greater volume of business in force.

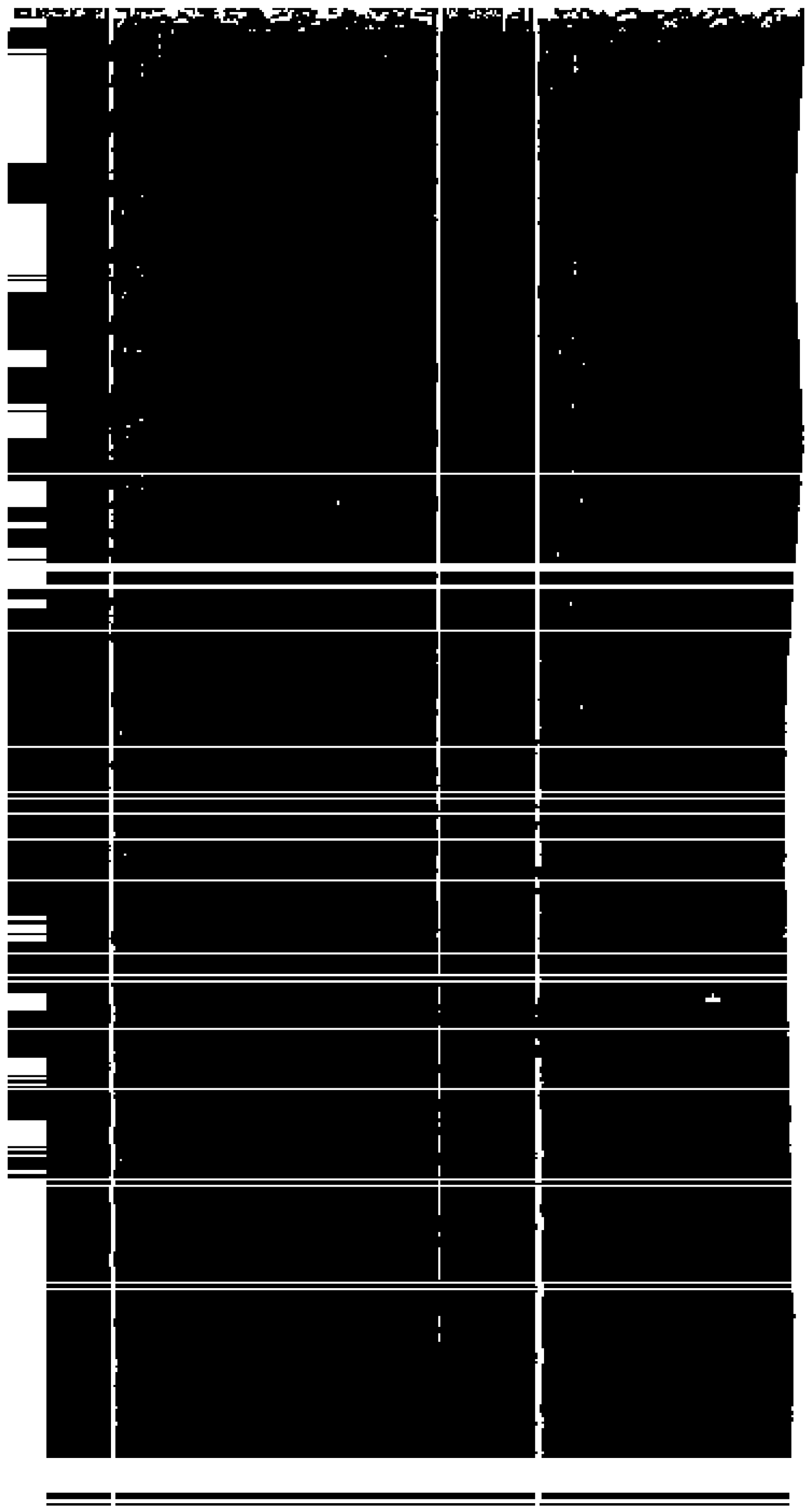
Total benefit payments during 1976 were at the rate of R1,7 million for every working day of the year.

The following is a summary of the benefits paid to policyholders and their beneficiaries during the past five years:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Death and Disability Claims	90	99	116	135	172
Maturities	50	58	66	76	87
Annuities and other Pension Benefits	42	52	57	65	82
Surrenders	42	42	51	61	75
TOTAL PAYMENTS	224	251	290	337	416

Payments to Policyholders in 1976,
expressed as a percentage of total net income (i.e. excluding operating expenses and tax).





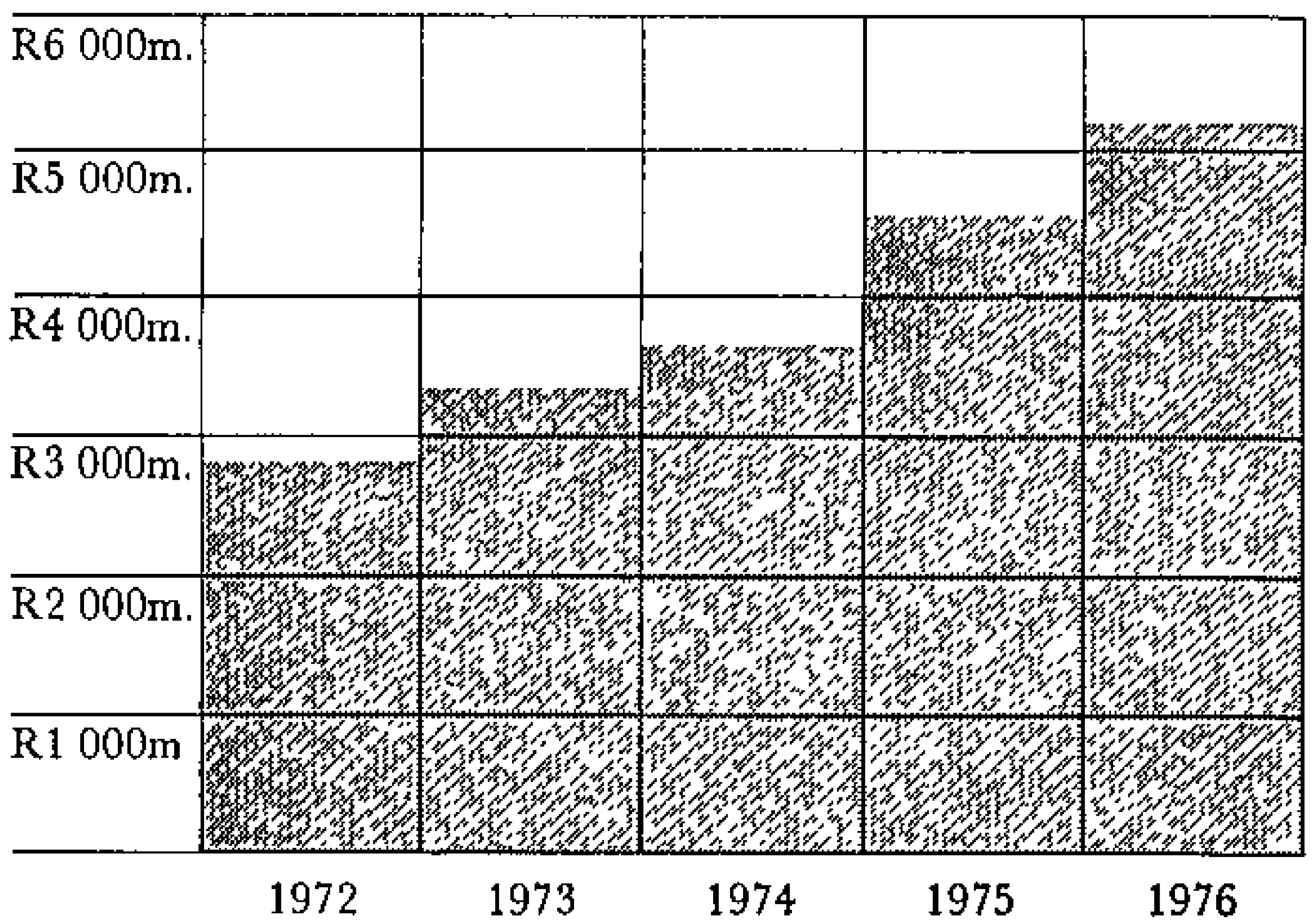
Assets

The assets held against the offices' liabilities to pay future claims under policies still in force totalled R5 257 million (at book value) at the end of 1976, an increase of 14% on the previous year.

With nearly R3 million to invest every working day, life assurance is one of the most important single sources of investment funds in South Africa. The investments largely represent policyholders' and future pensioners' savings.

The following graph indicates the growth of policyholders' assets during the past five years:

Total Assets

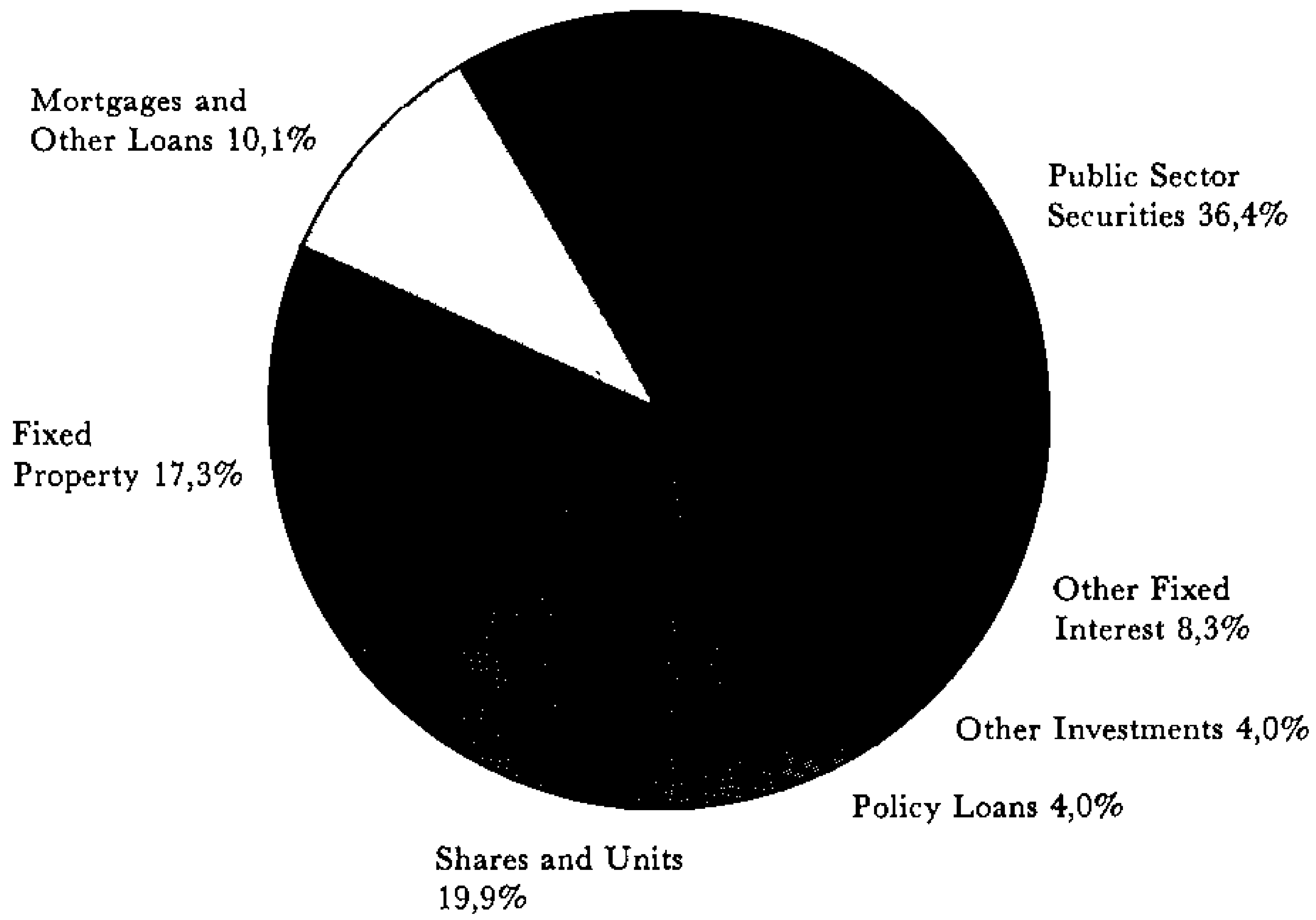


Life offices contribute substantially to the State's capital requirements. During 1976 life offices responded to an appeal by the Minister of Finance to increase their investments in Government Stock and total holdings of public sector securities rose by R353 million, the equivalent of no less than 22% of the public sector's long-term internal borrowings during 1976.

Life offices are statutorily obliged to invest certain proportions of their funds in the public sector, at rates of interest below free market rates. Apart from these requirements, however, they have freedom to invest the balance to best advantage. This is to the benefit of policy-holders and shareholders alike, but, more than that, the savings which life offices are able to attract finance a wide range of industrial and commercial projects.

The percentages shown below are averages for the industry as a whole — they do not reveal what is in fact a wide variation in the proportionate holdings of individual offices. In the interest of their policyholders, offices seek the best return possible from their investments, including capital appreciation, and by spreading their investments over a wide range, endeavour to safeguard the future of the funds.

Investments 1976



Pension services

In a country, such as South Africa, which subscribes to the principles of private enterprise, pension provision is based primarily on corporate and personal responsibility and thrift. Life offices offer a wide range of pension services and, by active marketing, they play a major role in extending pension provision to all sections of the population.

It is estimated that of the total number of employee-members of the private sector pension funds, approximately 750 thousand are White and more than 1 million belong to other race groups. This represents approximately 75% of White and possibly considerably more than 50% of other race group employees in the private sector for whom private pension provision is practicable, i.e. those other than the very lowest paid. These percentages are expected to increase further in the future.

An important feature of pension provision under private enterprise is that pensions are funded before retirement. This not only creates security for the pensioners, but the funds accumulated for the purpose are available for investment in the public and private sectors, thereby also contributing in a significant way to our country's capital needs.

There is, of course, still room for improvement in the present arrangements. Problems concern, mainly, the preservation of pension rights on leaving a firm and the effects of inflation. Both these problems have been investigated in depth and their solution requires close co-operation between private enterprise and the State.

Expenses

Apart from payments to policyholders, a life office incurs expenses in procuring new business and administering its existing business. The desirability of keeping these expenses to a minimum receives continuous attention.

Figures of operating expenses and their relationship to total income for the industry for the past five years are as follows:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Operating Expenses (including commission)	118	150	172	205	232
Ratio to total income	17,4%	18,3%	17,5%	18,0%	16,7%

Expenses of acquiring new business, of which commissions paid to intermediaries constitute a substantial part, normally account for the greater part of operating expenses. The Minister of Finance has issued regulations under the Insurance Act, effective from 1st March, 1977, which control commissions payable to intermediaries.

The life assurance industry as an employer

Member offices of the Life Offices' Association employed some 22 000 full-time staff at the end of 1976. Over the years, numbers employed have continued to rise, but these increases have been relatively smaller than the growth in sales and existing business, indicating larger unit sales and greater administrative efficiency. Computerization is particularly suitable in many phases of the work and has led to substantial improvements in productivity.

NOTE: The figures used in this report are based on statistics compiled by the Life Offices' Association of South Africa.

Members of the Life Offices' Association of South Africa

AA Mutual Life Assurance Association Ltd.
African Eagle Life Assurance Society Ltd.
Anchor Life Assurance Company Ltd.
The Atlantic & Continental Assurance Company of S.A. Ltd.
Cologne Reinsurance Company of South Africa Ltd.
Colonial Mutual Life Assurance Society Ltd.
Commercial Union Assurance Company of S.A. Ltd.
Federated Employers' Insurance Company Ltd.
Gerling Global Reinsurance Company of S.A. Ltd.
Guarantee Life Assurance Company Ltd.
Homes Trust Life Assurance Company Ltd.
IGI Life Assurance Company Ltd.
Legal & General Assurance of S.A. Ltd.
Liberty Life Association of Africa Ltd.
The Mercantile & General Reinsurance Company of S.A. Ltd.
Momentum Life Assurers Ltd.
Munich Reinsurance Company of S.A. Ltd.
National Employers' Life Assurance Company of S.A. Ltd.
The National Mutual Life Association of Australasia Ltd.
Ned-Equity Insurance Company Ltd.
New Zealand Insurance Company (S.A.) Ltd.
Norwich Union Life Insurance Society
Pearl Assurance Company Ltd.
Permanent Life Assurance Company Ltd.
Prosperity Insurance Company Ltd.
Protea Assurance Company Ltd.
The Prudential Assurance Company Ltd.
Rand Life Assurance Company Ltd.
Rentmeester Versekeraars Bpk.
Rondalia Assurance Corporation of S.A. Ltd.
Security Life Assurance Corporation Ltd.
Shield Life Insurance Ltd.
The South African Metropolitan Life Assurance Company Ltd.
South African Mutual Life Assurance Society
South African National Life Assurance Company
The South African Trade Union Assurance Society Ltd.
The Southern Life Association
Standard General Insurance Company Ltd.
Swiss-South African Reinsurance Company Ltd.
UBS Insurance Company Ltd.
Union National South British Insurance Company Ltd.
Yorkshire-General Life Assurance Company Ltd.

Die Vereniging van Lewens-versekeraars van Suid-Afrika Oorsig van Lewensversekering

1976

Die Vereniging van Lewensversekeraars van Suid-Afrika
Eerste Verdieping, Kerkplein-huis, Kerkplein, Kaapstad, 8001

Sekretaris: R. Geary-Cooke

Lewensversekering in Suid-Afrika 1976

Hierdie Oorsig word in die openbare belang deur Die Vereniging van Lewensversekeraars van Suid-Afrika uitgereik.

Die Vereniging verteenwoordig 42 lewensversekeringsmaatskappye wat tot hierdie verslag bygedra het en wat gesamentlik meer as 98% van die land se lewensversekering behartig. Hy strewe daarna om voortdurend die gehalte van die dienste wat deur sy lede vir die publiek aangebied word, te verbeter, en in alle onderhandelinge met die Regering en private instansies is hy die erkende mondstuk van die lewensversekeringsbedryf in Suid-Afrika.

Ampsdraers (1976/1977) van Die Vereniging van Lewensversekeraars van Suid-Afrika.

J. B. Ellingham
VOORSITTER

D. W. Williams
ONDER-VOORSITTER

Lewensversekering-spaargeld

Lewensversekering bly nog steeds die land se vernaamste medium vir langtermynbesparing. Gedurende 1976 het premies van polishouers ontvang, saam met beleggingsinkomste, die uitgaaf wat by wyse van betalings aan polishouers, bedryfskoste en belasting aangegaan is, met R716 miljoen oorskry. Dit is die bedrag aan nuwe geld wat vir belegging beskikbaar geraak het deur lewensversekeringbesparing en dit verteenwoordig 'n derde van die geraamde totale persoonlike besparing gedurende 1976. Ondanks die toenemende nadelige uitwerking van inflasie op die ekonomie, was daar dus 'n volgehoue openbare vertroue in lewensversekering as spaarmedium. Indien ons die inflasiekoers wil verminder, moet persoonlike besparing verder aangemoedig word, want dit verminder aanvraag en terselfdertyd word dit in beleggings gekanaliseer wat nuwe produksie-moontlikhede kan skep.

Mense koop lewensversekering om baie redes, maar veral om voorsiening te maak vir hul eie oudag en om geldelike beskerming te voorsien vir hul gesinne ingeval hulle voortydig sterf. Met die koop van 'n lewenspolis skep die polishouer dadelik vir hom 'n boedel of vergroot hy sy boedel; en hy bewaar sy boedel deur die polis deur die jare in stand te hou. Die totale lewensversekeringsdekking wat tans onder individuele polisse van krag is bedra tans meer as R28 000 miljoen. Hoewel hierdie syfer indrukwekkend lyk, is die gemiddelde bedrag aan lewensdekking per persoon in Suid-Afrika nog betreklik klein.

Inkomste

Premies uit alle soort lewensversekering, met inbegrip van versekerde pensioen- en groeplewenskemas, het R981 miljoen bedra, 'n vermeerdering van 22% op die 1975-totaal.

Individuele lewensversekering is, in teenstelling met groeppensioen- en groeplewenskemas, die oudste en algemeenste vorm van lewensversekeringbeskerming. In 1976 het dit 60% van die totale premie-inkomste van die lewensversekeringsbedryf uitgemaak. Individuele lewenspolisse kan meer as net doodsdekking bied. By baie soorte polisse word kontantwaardes opgebou wat gesinne kan help in geldelike nood, of om bepaalde doelwitte te bereik of om inkomste vir aftrede te voorsien.

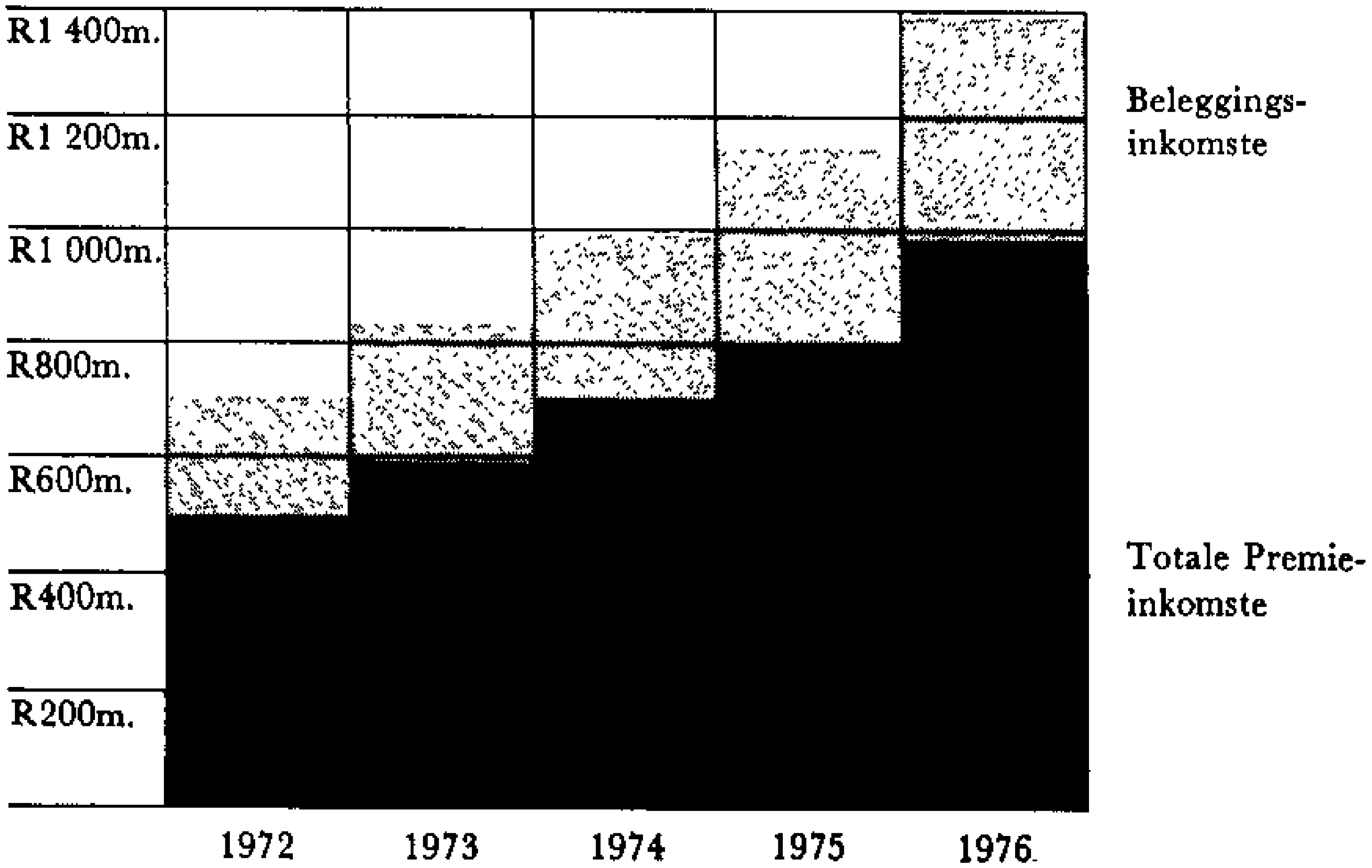
Gedurende 1976 het premies kragtens groeppensioen- en groeplewenskemas met R105 miljoen vermeerder tot R389 miljoen, wat 40% van die totale premie-inkomste van die lewensversekeringsbedryf verteenwoordig. Aangesien sulke bydraes gewoonlik 'n persentasie van salarisse uitmaak, is die toename deels 'n weergawe van algemene salarisstygings en verhoging van loonvlakke in die handel en nywerheid, ondanks sekere loonbeperkings as gevolg van die anti-inflasiemanifes. Daarbenewens is 'n aansienlike getal skemas uitgebrei om kategorieë in te sluit van werkers, veral laagbesoldigdes, wat nog nie voorheen lede van pensioen- en groeplewenskemas was nie.

Die beleggingsinkomste uit fondse het van R336 miljoen in 1975 tot R414 miljoen in 1976 vermeerder. Hierdie vermeerdering is te danke aan twee faktore: 'n Hoër opbrengs uit beleggings en die groter volume fondse wat belê is.

Hier volg 'n opsomming van die inkomste van lewensversekeraars gedurende die afgelope vyf jaar:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Individuele enkelpremies	29	63	77	28	30
Individuele jaarpremies	306	347	403	490	562
Groeppensioen- en Groep-lewenspremies	155	184	237	284	389
Totale premie-inkomste	490	594	717	802	981
Inkomste uit Beleggings	192	224	268	336	414
TOTALE INKOMSTE	682	818	985	1 138	1 395

Totale Inkomste



Voordele uitbetaal

Lewensversekering, in sy onderskeie vorms, maak voorsiening vir die betaling van 'n groot verskeidenheid van voordele aan polishouers en hul begunstigdes. In die geval van uitkeerpolisse word betalings gedoen op die vervaldatum of by vroeër dood; en by helelewenspolisse, alleen in die geval van dood. In die geval van termynversekering word 'n eis alleen uitbetaal indien die dood gedurende 'n voorafbepaalde tydperk intree. Annuïteite is kontrakte waarkragtens gereelde betalings deur die lewensversekeraar aan die polishouer gedoen word. Dit kan vir 'n tydperk wees wat oor sy hele lewe strek (lyfrente) of oor 'n vaste tydperk, of hy in die lewe is of nie (annuïteit vir sekertermyn). Dit geskied deur 'n enkelpremie of 'n reeks jaarlikse premies te betaal. Versekerde groeppensioenskemas en uittredingannuïteitsfondse maak spesifiek voorsiening vir die betaling van 'n gereelde pensioen na aftrede.

'n Maatskappy verdeel gewoonlik surplus onder houers van winsdelende polisse deur 'n bonus te verklaar. Dit kan onmiddellik in kontant betaal word, maar meesal neem dit die vorm aan van 'n toevoeging tot die versekerde bedrag en word dit daarmee saam uitbetaal. Baie maatskappye reik gekoppelde polisse uit wat, in plaas van om vir bonusse te kwalifiseer, in die lotgevalle van bepaalde beleggings deel.

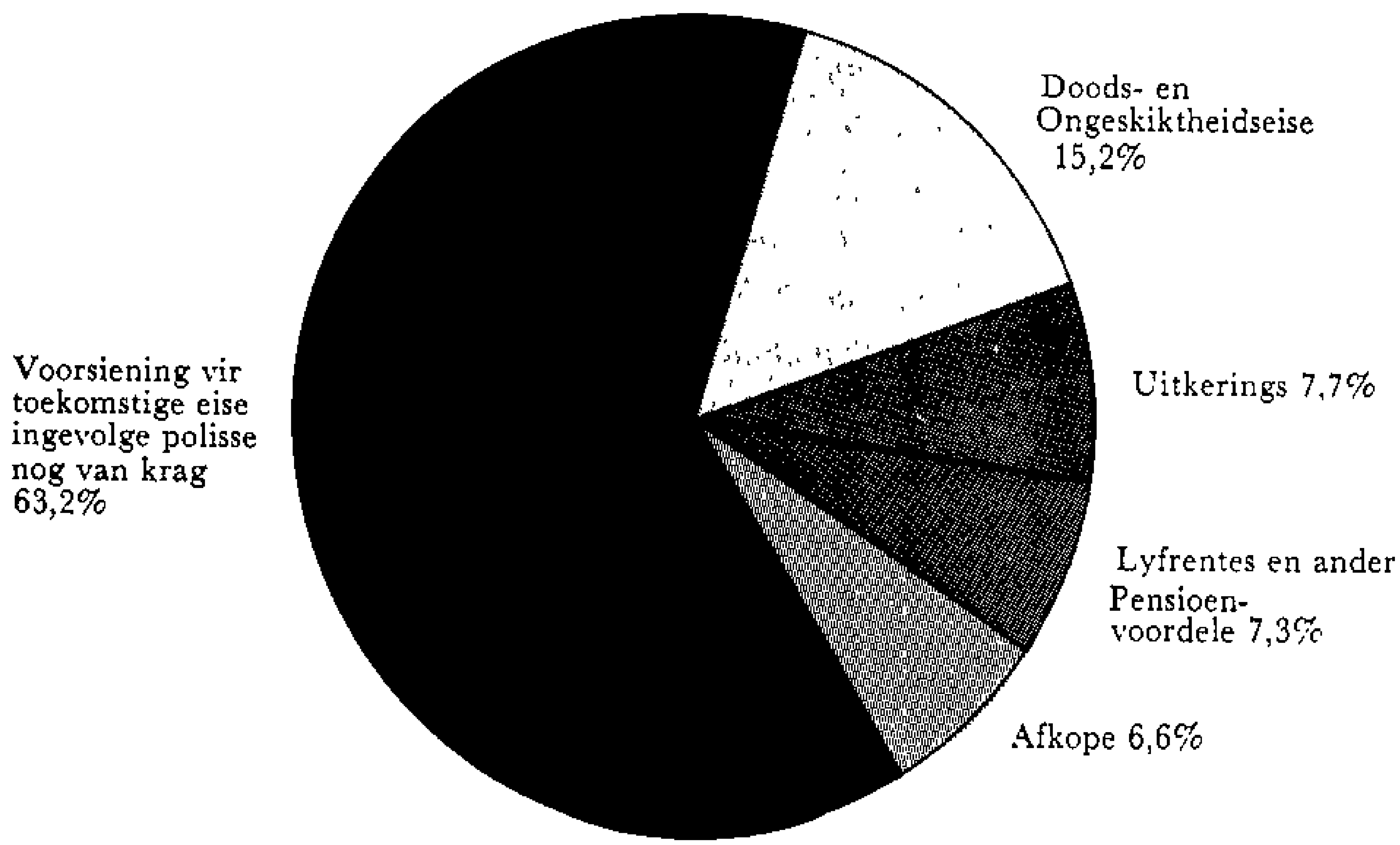
Gedurende 1976 het uitbetalings, bonusse inbegrepe, by dood en ongeskiktheid (R172 miljoen) en uitkering (R87 miljoen) bestendig toegeneem. Dit was ook die geval met uitbetalings aan annuïteitontvangers (R82 miljoen).

Die bedrag aan voordele uitbetaal, afkope inbegrepe, sal natuurlik jaarliks vermeerder vanweë 'n groter bedryfsomvang. Gedurende 1976 het totale uitbetalings aan voordele, R1,7 miljoen vir elke werkdag van die jaar bedra.

Hier volg 'n opsomming van voordele wat gedurende die afgelope vyf jaar aan polishouers en hul begunstigdes uitbetaal is:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Doods- en Ongeskiktheidseise	90	99	116	135	172
Uitkerings	50	58	66	76	87
Annuïteite en ander Pensioenvoordele	42	52	57	65	82
Afkope	42	42	51	61	75
TOTALE UITBETALINGS	224	251	290	337	416

Uitbetalings aan polishouers in 1976
uitgedruk as 'n persentasie van totale netto inkomste (d.w.s. na aftrek van bedryfskoste en belasting).

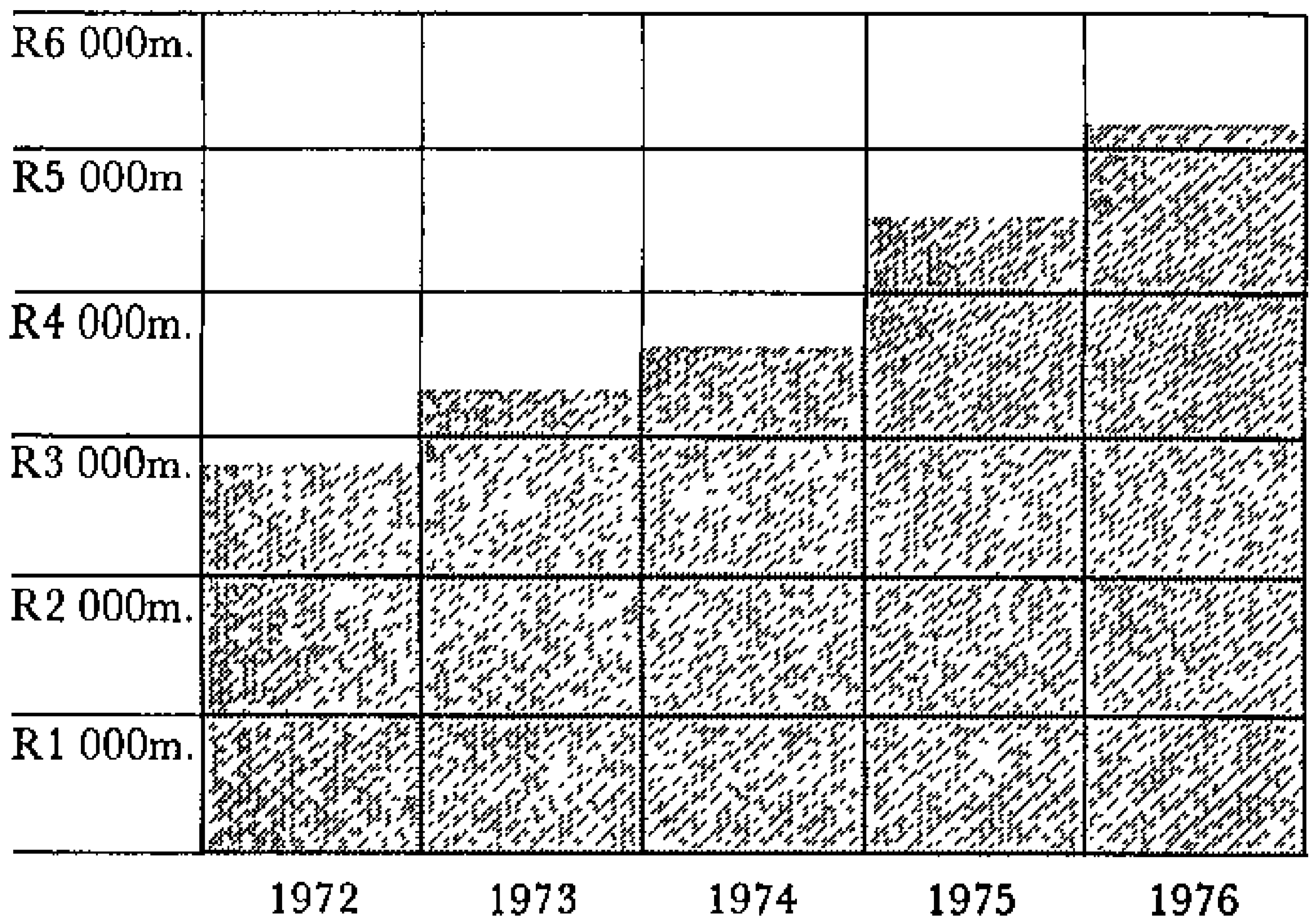


Bates

Die bates wat aan die einde van 1976 deur lewensversekeraars gehou is om toekomstige verpligtinge ingevolge hul polisse na te kom, het R5 257 miljoen (teen boekwaarde) beloop—14% meer as die vorige jaar.

Die lewensversekeringbedryf het byna R3 miljoen beskikbaar om elke werkdag te belê. Dit is dus een van die belangrikste enkele bronne van beleggingsfondse in Suid-Afrika. Die beleggings verteenwoordig hoofsaaklik die spaargeld van polishouers en toekomstige pensioentrekkers. Hier volg 'n grafiek wat die groei toon in polishouersbates oor die afgelope vyf jaar:

Totale Bates

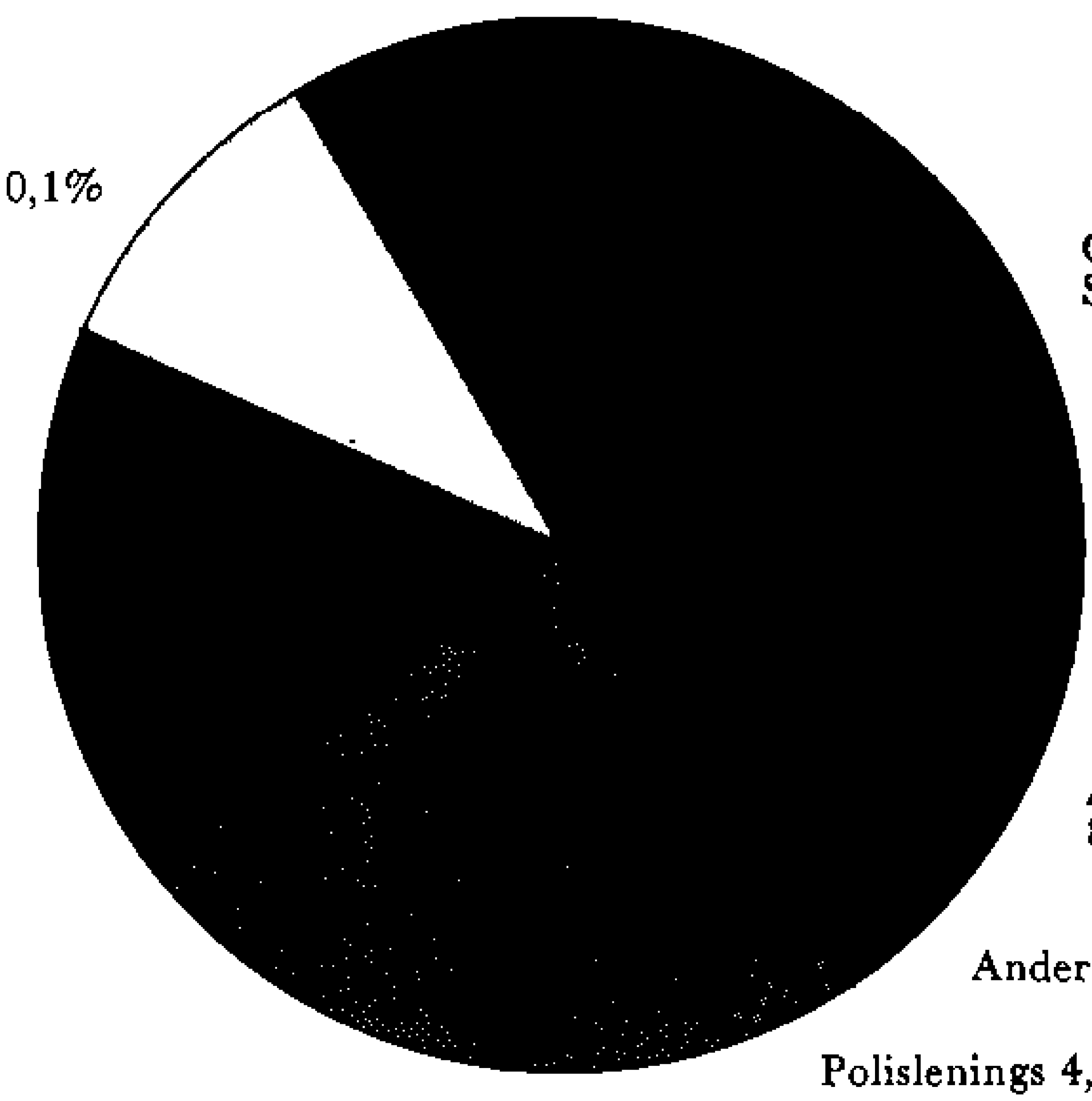


Lewensversekeraars voorsien in 'n aansienlike mate in die Staat se kapitaalbehoeftes. Gedurende 1976 het hulle gereageer op 'n beroep deur die Minister van Finansies om hul beleggings in Staatseffekte te vermeerder. Die totale besit van openbare sektor-effekte het met R353 miljoen toegeneem wat gelyk is aan 22% van die openbare sektor se interne langtermynlenings gedurende 1976.

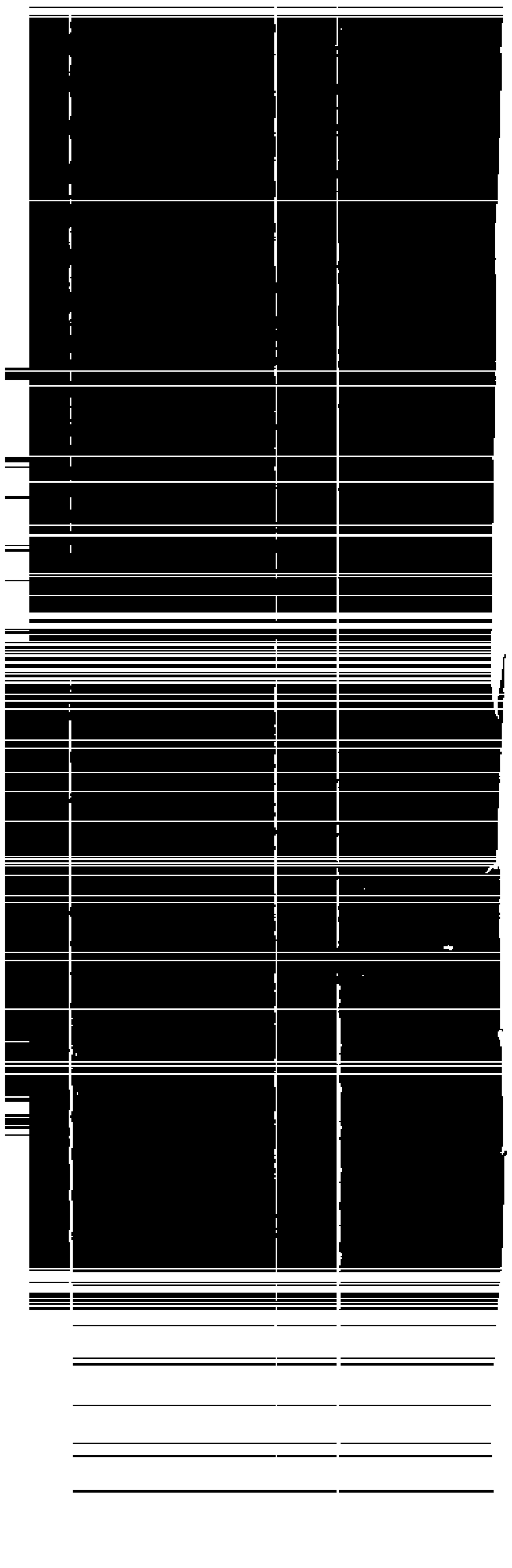
Lewensversekeraars word volgens wet verplig om sekere gedeeltes van hul fondse in die openbare sektor te belê, teen rentekoerse benede dié van die vrye mark. Afgesien van hierdie vereistes staan dit hulle egter vry om die res op die voordeligste manier te belê. Hierdeur word polis- sowel as aandeelhouers bevoordeel. Die spaargeld wat lewensversekeraars mobiliseer finansier daarbenewens ook 'n groot verskeidenheid van nywerheids- en handelsprojekte.

Die persentasies wat hieronder aangedui word is gemiddeldes vir die bedryf as geheel — hulle reflekteer nie die groot variasie in persentasies wat daar tussen afsonderlike versekaars bestaan nie. In belang van hul polishouers kies versekeraars daardie beleggings uit wat aan hulle die hoogste opbrengs lewer, waardevermeerdering van kapitaal inbegrepe. Deur hul beleggings wyd te versprei, probeer hulle ook om die toekoms van hul fondse te beveilig.

Beleggings 1976



Pensioendienste



In 'n land soos Suid-Afrika wat die beginsels van privaatinisiatief onderskryf, word pensioenvoorsiening hoofsaaklik op gesamentlike en persoonlike verantwoordelikheid en spaarsin gebaseer. Lewensversekeraars bied 'n groot verskeidenheid van pensioendienste aan en deur aktiewe bemarking, speel hulle 'n leidende rol in pensioenvoorsiening aan alle bevolkingsgroepe.

Daar word bereken dat pensioenfondse in die private sektor ongeveer 750 000 Blanke en meer as 'n miljoen werknemers uit ander rassegroepe as lede het. Dit verteenwoordig omtrent 75% van die Blanke werknemers en moontlik aansienlik meer as 50% werknemers uit ander rassegroepe in die private sektor vir wie private pensioenvoorsiening prakties moontlik is; dit wil sê almal behalwe die heel laagbesoldigdes. Na verwagting sal hierdie persentasies in die toekoms verder toeneem.

'n Belangrike kenmerk van pensioenvoorsiening deur private ondernemings is die befondsing van die pensioene vóór aftrede. Dit besorg nie alleen sekuriteit vir pensioentrekkers nie, maar die fondse wat vir die doel toegedeel word, word vir belegging in die openbare en private sektore beskikbaar gestel en sodoende word 'n aansienlike bydrae tot ons land se kapitaalbehoeftes gemaak.

Daar kan natuurlik steeds op die huidige reëlings verbeter word. Die vernaamste probleme is hoofsaaklik dié van die behoud van pensioenregte en die uitwerking van inflasie. Hierdie probleme is albei grondig ondersoek en die oplossing daarvan lê in noue samewerking tussen privaatinisiatief en die Staat.

Uitgawes

Afgesien van uitbetalings aan polishouers, gaan 'n lewensversekeraar koste aan om nuwe versekering te verkry en om sy bestaande versekering te administreer. Die wenslikheid daarvan om hierdie uitgawes tot die minimum te beperk, geniet volgehoue aandag.

Gegewens oor die versekeringswese se bedryfsuitgawes en die verhouding tot totale inkomste vir die afgelope vyf jaar is soos volg:

	1972 Rm.	1973 Rm.	1974 Rm.	1975 Rm.	1976 Rm.
Bedryfsuitgawes (kommissie ingesluit)	118	150	172	205	232
Verhouding tot totale inkomste	17,4%	18,3%	17,5%	18,0%	16,7%

Die grootste deel van bedryfskoste is gewoonlik toe te skryf aan uitgawes vir die verkryging van nuwe versekering en kommissie wat aan tussenpersone betaal word maak gewoonlik die belangrikste deel hiervan uit. Ingevolge die Versekeringswet het die Minister van Finansies regulasies wat met ingang van 1 Maart 1977 van krag word, uitgevaardig om kommissies wat aan tussenpersone betaal word, te beheer.

Die lewensversekeringsbedryf as werkgewer

Lede van die Vereniging van Lewensversekeraars het aan die einde van 1976 ongeveer 22 000 voltydse werknemers in diens gehad. Oor die jare het die getalle voortdurend toegeneem, maar dit was heelwat kleiner as die styging in verkope en bestaande besigheid. Dit dui op groter eenheidverkope en meer doeltreffende administrasie. Die rekenaar kan in baie fases van die werk doeltreffend benut word en het reeds aansienlik hoër produktiwiteit in die hand gewerk.

NOTA: Die syfers wat in hierdie verslag gebruik word, is gebaseer op statistiek wat deur die Vereniging van Lewensversekeraars van Suid-Afrika saamgestel is

Lede van die Vereniging van Lewensversekeraars van Suid-Afrika

AA-Onderlinge Lewensassuransieassosiasie Bpk.
African Eagle Lewensversekeringsmaatskappy Bpk.
Anker Lewensversekeringsmaatskappy Bpk.
Atlantiese en Kontinentale Assuransie Maatskappy van S.A. Bpk.
Commercial Union Versekeringsmaatskappy van S.A. Bpk.
Federated Employers' Versekeringsmaatskappy Bpk.
Gerling Global Reinsurance Company of S.A. Ltd.
Guarantee Life Assuransiemaatskappy Bpk.
Homes Trust Lewensassuransiemaatskappy Bpk.
IGI Lewensversekeringsmaatskappy Bpk.
Keulse Herversekeringsmaatskappy van S.A. Bpk.
Koloniale Onderlinge Lewensversekeringsgenootskap Bpk.
Legal & General Assuransie van S.A. Bpk.
Liberty Life Association of Africa Ltd.
Mercantile and General Reinsurance Company of S.A. Ltd.
Momentum Lewensversekeraars Bpk.
Munich Herversekeringsmaatskappy van S.A. Bpk.
Nasionale Onderlinge Lewensassosiasie van Australasië Bpk.
National Employers' Lewensassuransie Maatskappy van S.A. Bpk.
Ned-Equity Assuransie Maatskappy Bpk.
New Zealand Versekeringsmaatskappy (S.A.) Bpk.
Norwich Union Lewensversekerings Genootskap
Pearl Assuransie Maatskappy Bpk.
Permanent Lewensversekeringsmaatskappy Bpk.
Prosperity Insurance Company Ltd.
Protea Assuransiemaatskappy Bpk.
Die Prudential Assuransiemaatskappy Bpk.
Rand Lewensversekeringsmaatskappy Bpk.
Rentmeester Versekeraars Bpk.
Rondalia Versekeringskorporasie van S.A. Bpk.
Security Life Assurance Corporation Ltd.
Shield Lewensversekering Bpk.
Die Southern Lewensassosiasie
Standard Algemene Versekeringsmaatskappy Bpk.
Suid-Afrikaanse Metropolitan Lewensversekeringsmaatskappy Bpk.
Suid-Afrikaanse Nasionale Lewensassuransiemaatskappy
Suid-Afrikaanse Onderlinge Lewensversekeringsgenootskap
Suid-Afrikaanse Vakbond Assuransievereniging Bpk.
Switsers-Suid-Afrikaanse Herversekeringsmaatskappy Bpk.
U.B.S. Versekeringsmaatskappy Bpk.
Union National South British Versekeringsmaatskappy Bpk.
Yorkshire-General Lewensversekeringsmaatskappy Bpk.

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B 17/77(IK)

(For immediate release)

PRESS STATEMENT BY THE MINISTER OF FINANCE, SENATOR THE HONOURABLE OWEN HORWOOD

Following upon the special steps which were necessary in connection with Rondalia Bank and Rand Bank, it has come to my notice that a measure of uncertainty exists among the general public regarding the position of other small banking institutions.

I feel it is desirable that I should reassure the public so far as it is in my power. I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties.

According to the available information certain specific factors were primarily responsible for the problems facing the two banks mentioned. To the best of our knowledge these factors are not applicable to other banks. Even in the cases mentioned, it is reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss.

In the circumstances I consider it to be in the national interest to bring the facts pertinently to the notice of the public so that public uncertainty does not create unnecessary problems for the smaller banks.

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST OF THE MINISTRY OF FINANCE

CAPE TOWN
2 February 1977

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Banking's crisis of confidence is passing

7/3/85

Colin Campbell

Deposit funds in Rand Bank totalling between R140m and R150m should all be refunded eventually, Professor F du Plessis, the bank's curator, told The Star today.

This news, which will effect thousands of depositors throughout the country, coupled with other weekend banking developments should further calm the crisis of confidence that has swept over the local banking scene.

Weekend developments include statements that:

- Rand Bank is solvent, and that depositors funds are secure;
- Volkskas has given its blessing to the Trust Bank-Bankorp deal.

Prof F du Plessis, curator of Rand Bank, has said that the initial investigations into Rand Bank have been complete, and as long as depositors agreed to take a lower rate of interest on their funds then everybody should get their money back.

Prof Du Plessis said this morning that it would be a long, slow process in sorting out the affairs of Rand Bank, but that he would strive to cut costs and shave off the weaker assets as soon as possible. Once the operation had been smoothed down a buyer might be interested in purchasing what remains of Rand Bank — but all depends on the state of the market.

While deposits which were placed with the Rand Bank ahead of curatorship would generally still generate the promised rate of interest, deposits which had subsequently matured would have their rates cut. The level to which these will be cut depends on the curator's success in cutting costs.

One problem area is those deposits which were attracted in the days immediately ahead of curatorship when, it is understood, Rand Bank probably offered higher rates of interest than was prudent.

Among those institutions which are known to have deposits with Rand Bank — all of which are now frozen — include the Johannesburg Stock Exchange, and companies in Dr Albert Wessels Wesco group.

While the local operations of Rand Bank would be run down gradually, the foreign obligations of the bank — which have been guaranteed in the meantime by the Reserve Bank — will be offered to foreign correspondents.

The other banking development concerns the proposed "rationalisation" of Trust Bank and Bankorp: Volkskas has decided to offer its 41 percent stake in Bankorp to Sanlam.

The price has not been announced, but the decision to sell its stake relieves it of having a stake in a bank which is about to take under its umbrella another bank with which its banking activities would be in competition.

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Tough times ahead

Michael Chester,
Financial Editor

A new analysis of business trends by Barclays National Bank shows that the prolonged recession deepened at the start of 1977 — and still worse may be ahead.

The analysis has been based on a new business activity index that has been devised by the bank, using a combination of the movement of advances and discounts and current account credits and debits at its nation-wide network of branches.

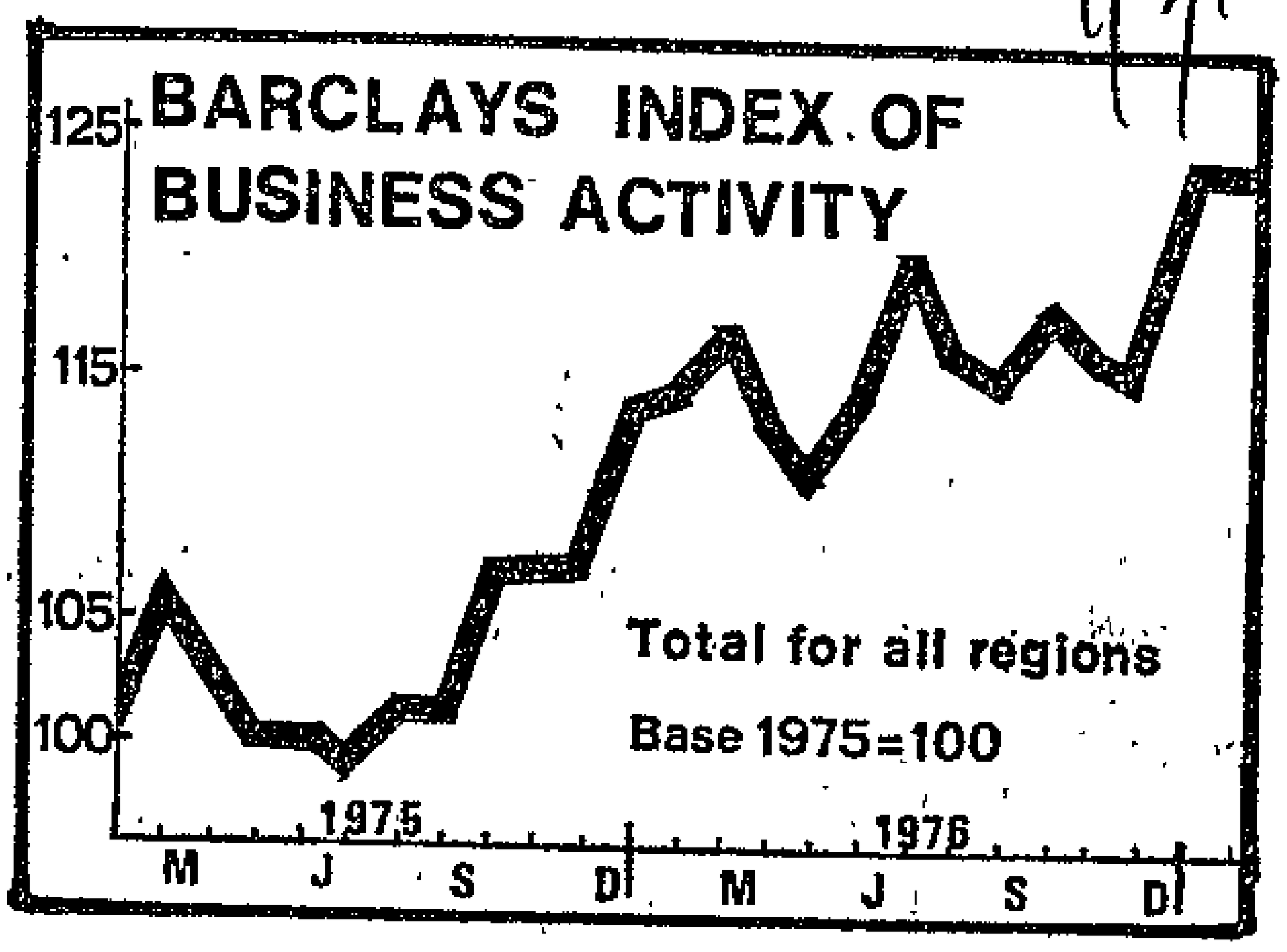
And it shows that at the outset of 1977 the index managed a gain of only 7,8 percent compared a year ago in terms of business money values — meaning an actual drop of about 3 percent in real volume terms when inflation is taken into account.

The index record for 1976 shows a climb of less than 1 percent in business activity in real terms once an inflation rate of 11,1 percent has taken its bite.

REGIONS

Dr Johan Cloete, head of the Barclays economics department, tells me that the novel composition of the new index is proving by historical comparisons to be a better indicator than the conventional use of alternatives such as retail sales or manufacturing production indices.

It also has the advantage of revealing the big differences in business trends according to regions.



The new Barclays National Bank index shows the growth in business activity since 1975 in terms of value. Allow for the bite of inflation and 1976 saw a growth of less than 1 percent by volume and in January it actually dropped by about 3 percent.

It shows, for example, that Durban/Pinetown suffered the worst of the business slowdown at the start of 1977. Even in money terms, activity there declined by 1,7 percent in January compared with a year ago and against an advance of 11,6 percent for 1976 as a whole.

The slowdown was also severe in Johannesburg/Pretoria, where in money terms business grew by a mere 1 percent in January — meaning a very heavy fall in real volume terms — against a growth of 10,1 percent last year.

The decline of business by value was much less steep in the Cape Peninsular, where growth in January held at 6,3 percent compared with 11,5 percent last year.

Much more pleasant surprises come in an examination of trends in the rural regions.

Rural Transvaal — aided by agriculture — enjoyed a growth of business in money terms of 13,7 percent last year, actually growing in January to 18,8 percent.

Better still, growth in the Natal rural region climbed from 19,7 percent last year to a relatively spectacular 20,9 percent in January, which Barclays assumes stems from business bonanzas at growing new towns like Newcastle and Richards Bay.

Even so, taken as a whole, business got off to a dismal start for 1977 — and the outlook for the index is an even harder battle to strive above inflation levels to find the plus signs in real terms.

Mutual funds

	Buy	Sell	Yield
Old Mutual	125,25	114,68	7,00
	125,36	114,46	7,00
NGF . . .	75,42	70,37	7,69
	75,48	70,43	7,68
Sage . . .	144,39	133,77	6,51
	145,40	134,69	6,46
UAL . .	135,30	127,67	7,71
	135,67	128,04	7,69
Sats	56,29	52,92	8,35
	56,43	52,65	8,33
Sanlam .	129,74	121,00	8,09
	130,09	121,33	8,07
Trust . . .	42,91	40,06	9,79
	43,10	40,24	9,74
Santam . .	63,21	50,28	9,06
	63,25	59,31	9,05
Syfrets . .	40,15	37,91	9,99
	40,17	37,94	9,98
Guardbank	107,76	100,80	8,97
	108,21	101,22	8,94
Standard .	91,68	87,19	9,35
	92,16	87,49	9,30

Light figures denote previous price.

Securities Rand

JSE Securities Rand (US Cents)	38,26
Securities Rand Discount (%)	38,26
Dollar Premium (%)	106,50
Effective Dollar Premium (%) . . .	36,48
Reuter's Conversion Factor	0,7327

Despite surcharges there'll be a R148-m shortfall

John Patten, Political Correspondent

THE ASSEMBLY — The Minister of Finance, Senator Horwood, has proposed a wide-ranging revenue surcharge on imports to help balance the record R8 960-million Budget.

The 15 percent surcharge on imported goods is expected to produce R400-million from the public during the financial year.

CONCESSIONS

This was a feature of the third, tough Budget in a row Senator Horwood has introduced since taking over the portfolio in 1975.

The Minister proposed increases in company annual duty, stamp duties and the import surcharge to help meet a shortfall of R2 000-million he had to meet.

But he made concessions to social and military pensioners that would cost the State R25,5-million in the coming financial year and granted increased abatements on pension funds, through which the State would sacrifice R3-million.

SALES DUTIES

While no increases in income tax, company tax, loan levies or further increases in sales duties were announced, the import surcharge can be expected to affect a wide range of goods and so cause the general public to delve more deeply into their pockets.

Because of the amounts the State needed to meet its expenditure, Senator Horwood announced increases in the statutory percentages of prescribed assets for insurers and pension funds (yielding R520-million in funds to the State), and also removed the exception from building societies, forcing them to invest R120-million mainly in Government stock.

DEFENCE BONDS

The Minister introduced a special national defence bond on top of normal defence bonds which together would bring in another estimated R160-million.

Concessions he granted that will not cost the State anything immediately involve increases in abatements on insurance and medical schemes, and larger allowable deductions for employers who assist in housing employees.

HOUSING

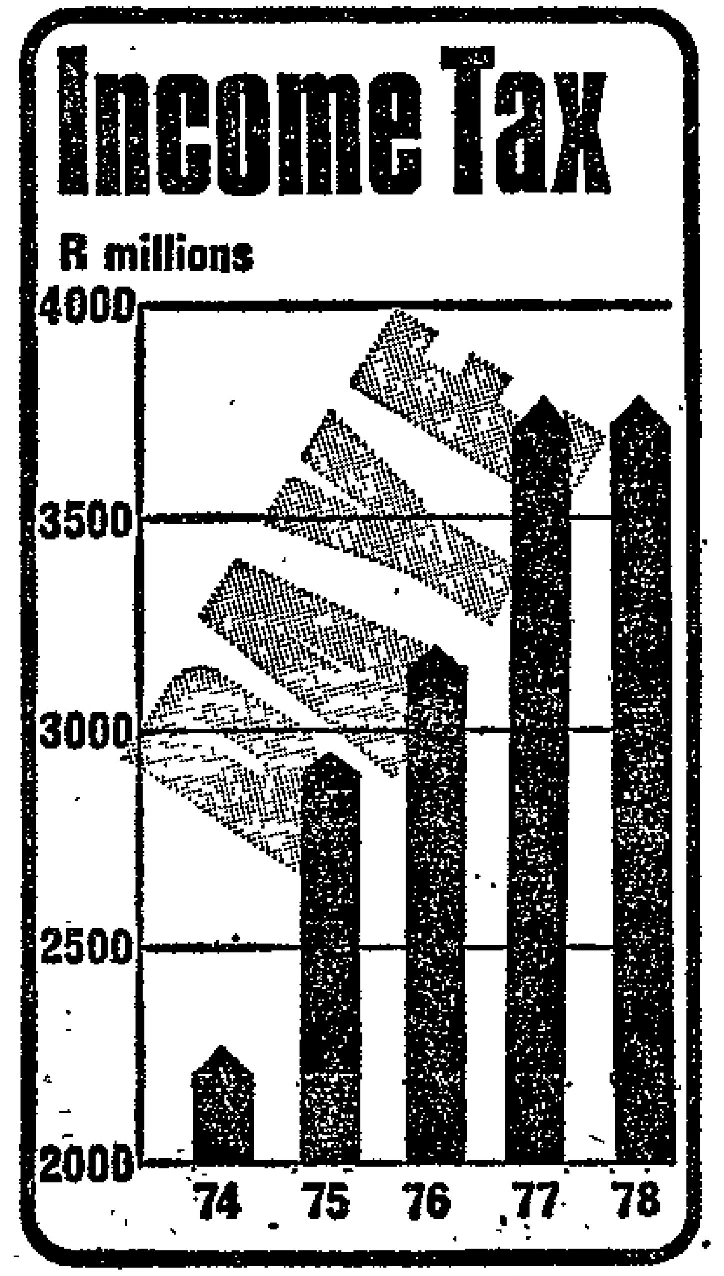
Features of the Minister's expenditure estimates are increases of 21,3 percent in defence expenditure to R1 654-million, a 39 percent increase in contributions to the National Housing Fund (amounting to R43-million), a 17 percent increase in the Vote for Indian Affairs, 15 percent on Coloured Relations, 19 percent for Community Development, 23 percent for public works, 50 percent for Bantu Education.

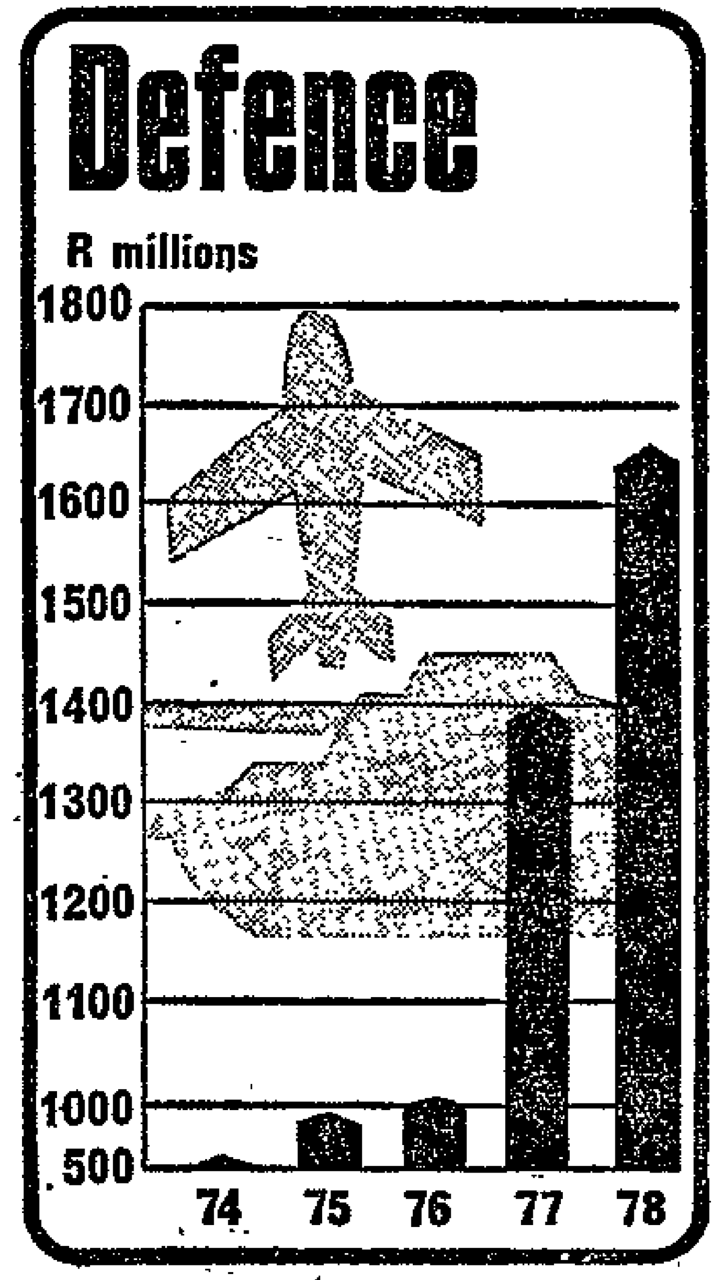
In spite of these heavy increases, Senator Horwood said the overall expenditure of departments, excluding defence, had been 7,7 percent over last year. This had been achieved through "dealing very strictly with the budgets of other Government departments."

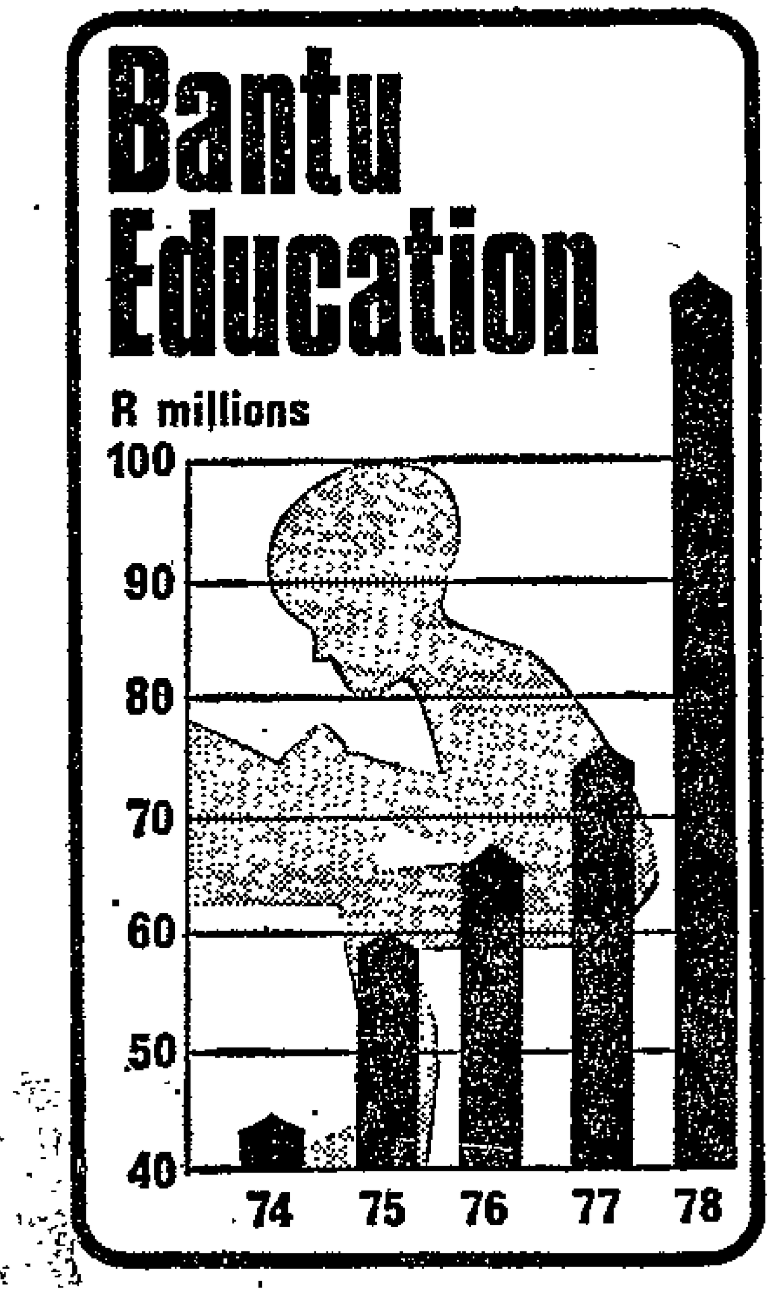
The Minister said the gap between expenditure and revenue had been too great to meet out of marginal tax adjustments.

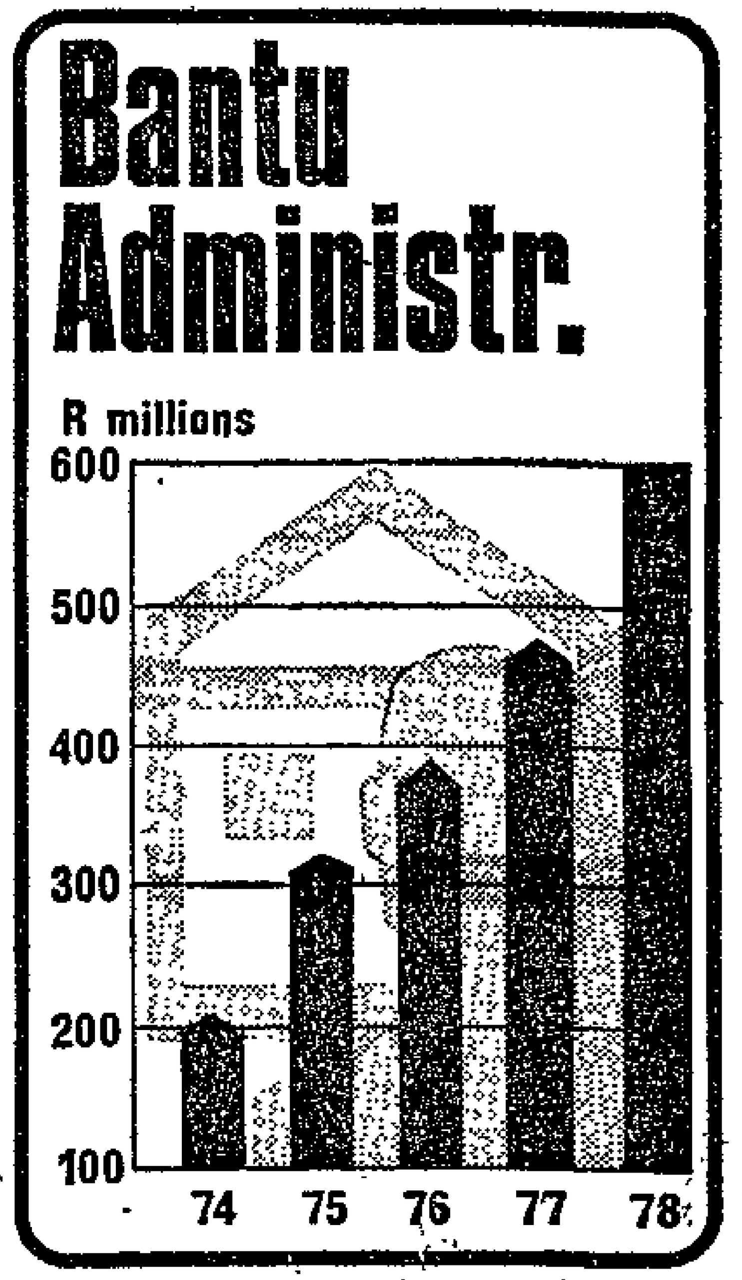
His first step, therefore, had been to secure reductions in State expenditure, and to divert more of the country's capital resources to the public sector while making investment more attractive. The import duty was the fourth step.

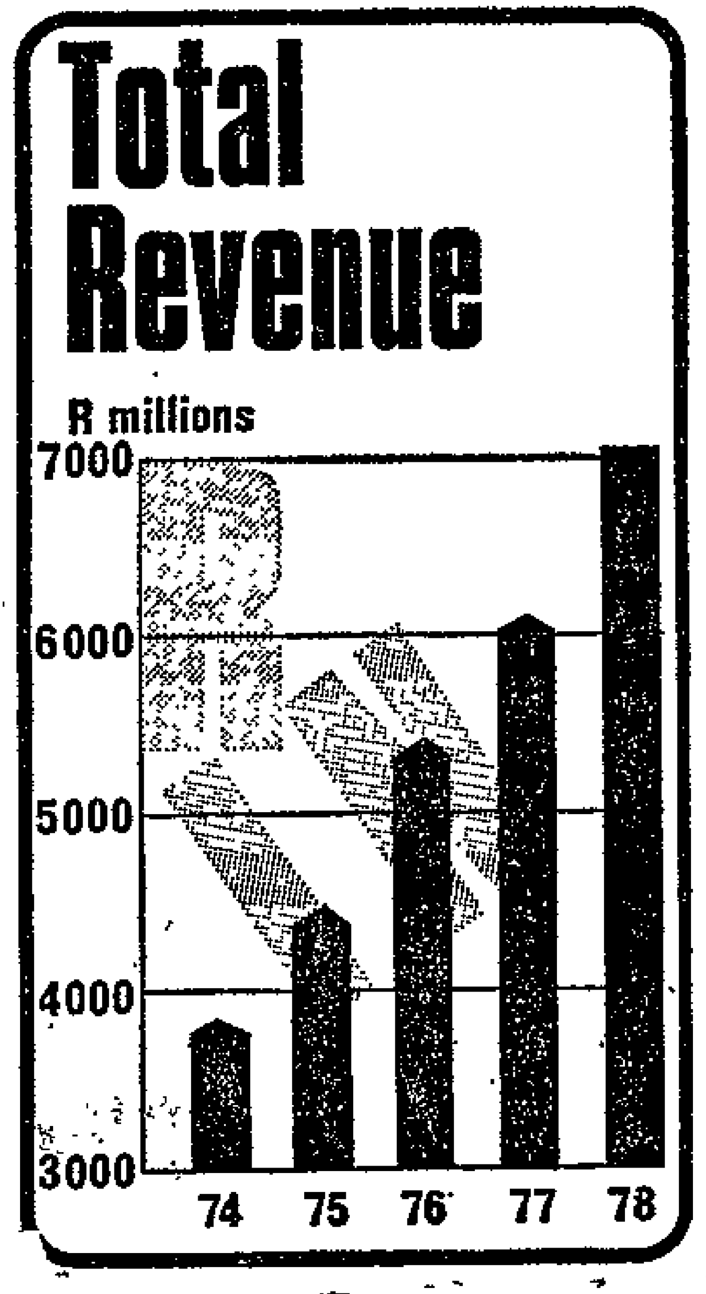
Even after all these measures, he had a shortfall of R148-million, but he proposed to meet this from the Stabilisation Account.

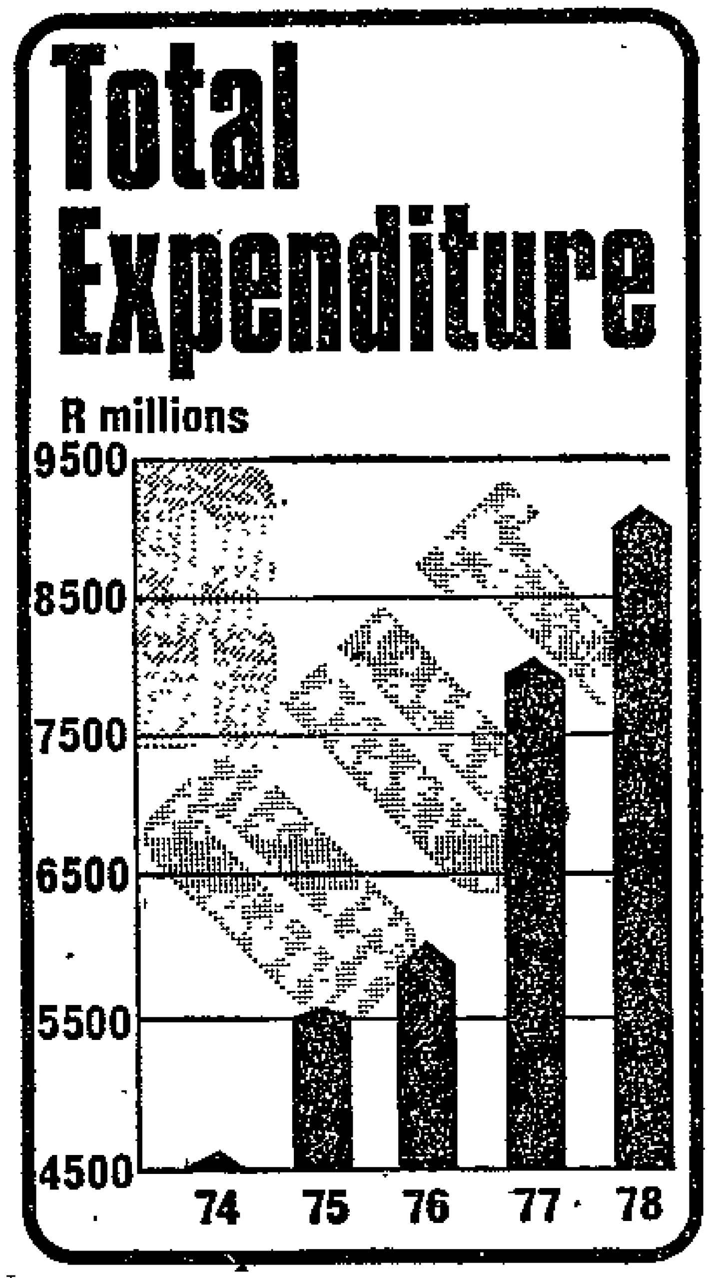


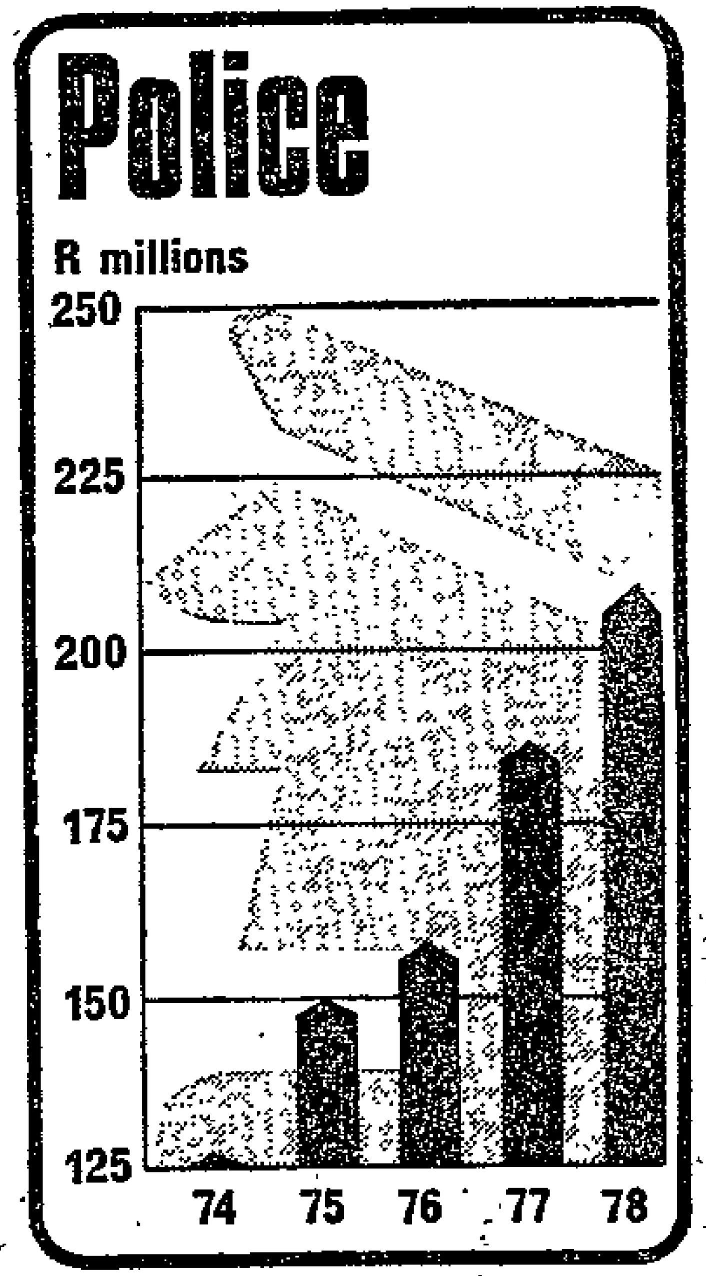












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SA banks sound: Horwood assurance

ARGUS 2/3/77

The Argus Political Staff

THE Minister of Finance, Senator Owen Horwood, today assured the public of the soundness of all other South African banks following the Rand Bank and Rondalia Bank debacles.

He also said it was reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss from the two banks being placed under curatorship.

Senator Horwood said in a statement that it had come to his notice that there was a measure of uncertainty among the public over the position of other small banking institutions.

'I feel it is desirable that I should reassure the public so far as it is in my power.

NORMAL SUPPORT

'I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties.'

Senator Horwood said according to the available information, certain specific factors were primarily responsible for the problems facing Rand Bank and Rondalia Bank.

NO LOSS

'To the best of our knowledge these factors are not applicable to other banks, and even in these two cases it is reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss.'

Senator Horwood said he considered it to be in the national interest to bring these facts to the notice of the public so that public uncertainty did not create unnecessary problems for the smaller banks.

● The Minister's office said today he would deal with the reasons for the Government's refusal to assist buyers of property from the Glen Anil and S. M. van Achterbergh property groups during the debate on the Part Appropriation Bill next week.

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S.A. RESERVES FALL R11,7m

PRETORIA — South Africa's total gold and foreign assets declined by R11 631 075 last week and stood at R688 248 253 on on Friday, according to the weekly statement by the Reserve bank.

The gold holdings alone dropped slightly by R43 506 to R375 847 537.

Notes in circulation increased from R975,7 million to R11 142,6 million.

The ratio of gold reserve to liabilities to the public less foreign assets stood at 25,9 percent on Friday, compared with 26,1 percent the week before.

Minister's car grab bid eased

5/3/72

Mercury Correspondent

PRETORIA — The Minister of Economic Affairs, Mr. Chris Heunis, has had second thoughts about drastic measures incorporated in draft legislation to give the Government a tighter control of the fuel industry.

Motor industry sources said yesterday he had agreed to drop provisions which would have empowered inspectors appointed by him to confiscate vehicles allegedly carrying fuel unlawfully and to suspend the licences of drivers.

The provisions, it was stated, have been scrapped after strong opposition from the oil companies, Assocom, the Handelsinstituut and the Motor Industries Federation.

One source said it was pointed out to the minister that to give inspectors the powers contemplated was totally unacceptable, and that only the Courts should have the power to confiscate vehicles and suspend or cancel driving licences.

In terms of the original draft the onus was on the driver of the vehicle to prove within 14 days that the inspector had acted wrongfully.

The inspectors, however, will retain the right to enter premises without a warrant where they suspect contraventions of petrol regulations, and to arrest suspects, also without warrants.

The drastic powers of confiscation of vehicles and cancellation of licences will remain in the legislation, but will now be exercised by the courts.

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SUNDAY TIMES, Business Times, March 6, 1

R1,5-million profit in Glen Anil deal

Bus Times 6/3/77

By IAN MORGAN

A PROFIT of nearly R1,5-million was made in 11 days on the sale of 269 hectares of ground in the Brits district to Glen Anil, the now defunct property giant, by a trust controlled by Matthys Bekker, a pioneer of the Datsun company in South Africa.

According to documents lodged in March, 1975, when transfer duty was paid, the MCP. Bekker Trust (Pty) Ltd bought a portion of the farm Rietfontein from Mr Barend Bezuidenhout on June 28, 1974, for R507 135. Before this, on June 17, 1974, it sold the ground to Glen Anil for R1 950 000.

On both transfer duty documents the price was referred to as "fair market value".

According to sources closely connected to Glen Anil, an estimated commission of R200 000 was paid to a Johannesburg finance broker, Mr Louis Solomon, who negotiated the deal on behalf of Mr Bekker.

Last week one of the four Glen Anil liquidators, Mr Clive Landsdowne, confirmed that the property was purchased in June, 1974, while transfer took place in March, 1975.

He said that Glen Anil bought on terms and that a few instalments were still to be paid. However, the Bekker Trust has received the bulk of the funds due to it.

Mr Landsdowne claimed that Glen Anil did not know of the prior transaction taking place and that a profit of R1 443 000 had been the result.

The township, now known as Xanadu, is on the company's books as land proposed for township development and no sales of erven have taken place.

Matthys Bekker

According to the informed sources, Glen Anil paid a deposit of R50 000 that was held in trust until certain conditions were fulfilled.

These included an undertaking that, when transfer took place, the land would be suitable for township development. There was also a requirement that the property had to be cleared by the Geological Survey and that the PWV Roads Consortium would not freeze the area for future roads expropriation.

When these conditions were fulfilled, Glen Anil took transfer.

Mr Bekker was on holiday last week and could not be contacted for comment. An associate, Mr Nick de Jaeger, who was in Sabie last week on business, said he was not prepared to discuss the matter without having access to his files in Johannesburg.

When asked about his part in the transaction and also about the amount of commission he is alleged to have received, Mr Louis Solomon replied: "I can't make an comment."

Bank clamp lops R27m a month off lending

RDM 31/3/77

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Financial Editor

THE NEW clamp on bank lending will make about R27-million a month less potentially available to the private sector once the present underlent position of the banks has been overtaken.

The banks are apparently about R100-million underlent at present.

There is dismay in banking circles that the ceiling on lending appears to have again become a feature of South African financial life.

The Governor of the Reserve Bank, Dr T. W. de Jongh, announced in Pretoria yesterday that the concession to banks granted at the end of March last year to increase their ceilings on certain loans and advances to the private sector by ½ per cent a month would be withdrawn from today.

The step is being taken as a temporary measure because of the continued need to strengthen the balance of payments and to reduce the potential inflationary effects of excess liquidity in the economy.

Dr De Jongh said, however, that the temporary freezing of the ceilings did not mean that bank credit to the private sector could not be increased in the coming months as banks still had considerable scope under the existing ceilings.

He said: "In terms of the quantitative restrictions imposed a year ago on bank credit to the private sector, banking institutions have been allowed, since the end of March, 1976, to increase the ceilings on their discounts, loans and advances to the private sector and on their private sectors investments, as defined, by ½ per cent per month.

"After the usual consultation with the Treasury, the Reserve Bank has decided to withdraw this concession as from April 1, 1977, which means that the respective ceilings established for each bank as at March 31, 1977, will apply from that date until further notice.

"This step is taken as a temporary measure on account of the continued need to strengthen the balance of payments and to reduce the potential inflationary effects of excess liquidity in the economy, particularly in view of the expected large seasonal shift of Government funds to the private section during the second quarter of 1977, which could cause a substantial easing of the money market and banking situation."

Mr Roy Terry, group public relations of the Standard Bank group, said the decision showed a determination by the authorities to persevere with restrictive policies.

Mr Terry said: "The intention of the measure is to restrict bank lending when loan demand picks up.

"What is also disturbing is that a measure described as temporary has now become a permanent feature of Government controls. A consequence of this action will be that more funds will be channelled to the public sector rather than to the private sector."

58.

Cape Times 4/4/77

Barclays Bank denies bonds sale

LONDON. – A spokesman for Barclays Bank here yesterday denied any knowledge of a report in the Observer newspaper that the bank's subsidiary would be selling its recently-acquired South African defence bonds.

The spokesman said that a decision to sell the bonds would be entirely up to the board in South Africa.

The report said that the chairman of Barclays International, Sir Anthony Tuke, who visited South Africa to discuss the dilemma raised by the bank's controversial investment, had convinced the South African subsidiary that the effects of their decision were harmful to Barclay's international interests. – Sapa

Banks lend R60m for Soweto electricity

The Star's Insight Team

A group of major banks has finally approved loans of almost R60-million for the electrification of Soweto. This means the plan to provide electricity will certainly go ahead.

The Star has established that the banks have written to the Government saying the money is available.

The electrification plan has already been approved "in principle" by the Minister of Finance, Senator Horwood, who is now expected to give the final go-ahead.

The West Rand Bantu Affairs Board has also been supplied with a full brief on the financial and engineering implications of the scheme.

Delay

Some delay was caused because of the big rise in the cost of the scheme between the time it was first proposed and the present.

The increased costs had to be approved by the boards of directors of all the banks concerned — Barclays National Bank, The Standard Bank of South Africa, Nedbank and Volkskas. This has now been done.

The Soweto electrification scheme was first proposed by a large civil engineering and construction company, Roberts Construction. Also involved were the Anglo American Corpora[illegible] large ele[illegible]

Siemens and the banks.

The plan calls for the banks to make the money available for five years — after which the loans will be taken over by the Government.

Ready

A full feasibility study for the project has already been drawn up and it is understood that Roberts Construction is ready to start work as soon as final approval is given.

The company estimates that it can complete the full electrification of Soweto within three years.

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Barclays to 'drop' bonds

Natal Mercury 4/4/77

Mercury Correspondent

LONDON — Barclays Bank is to sell its recently acquired South African Defence Bonds after protests in Britain and Africa according to a report in the Observer newspaper.

The British Government was among those who warned Barclays Bank International of the adverse affects of its South African board's decision to make a "patriotic contribution" by investing in the Republic's Defence Bonds.

The reactions were especially damaging in African countries where Barclays have considerable interests.

S.A. Visit

The chairman of Barclays Bank International, Sir Anthony Tuke, visited South Africa to discuss the dilemma raised for the bank's international interests by the local board's action, says the report in the Observer.

The problem facing the international board of directors was that every national board — which is comprised of local citizens — is autonomous in matters of commercial policy.

The South African board sought to justify their action on the grounds that they had a patriotic duty to contribute to the defence of South Africa's borders against "communism" even though they disapprove of internal repression.

But Sir Anthony Tuke convinced them that the effects of their decision, however, justified it might be in local terms, was harmful to Barclay's international interests.

They have now agreed to move out of Defence Bonds back into normal gilt investments.

Denial

Sapa says that a spokesman for Barclays Bank here yesterday denied any knowledge of the Observer's report that the bank's subsidiary would be selling its recently acquired South African Defence Bonds.

The spokesman said that a decision to sell the bonds would be entirely up to the board in South Africa.

He said he had spoken yesterday morning to Mr. Frank Dolling, senior general manager of Barclays International, who had told him that he, too, had no knowledge of the alleged decision by Barclays National to sell the bonds.

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Seven face currency charges

RDM 5/4/77

By ARINA de KOCK

A FORMER assistant bank accountant of a Volkskas Bank branch and six other men appeared in the Rand Supreme Court yesterday on charges of fraud and contravening currency control regulations, involving more than R500 000.

The former assistant accountant of the Booysens branch of Volkskas, Mr Frederick Johannes Breedt, 25, appeared in three separate trials before Mr Justice Nestadt.

No evidence was led and all the hearings were postponed to April 25. Bail of R100 was extended to all accused. The first trial involved four bills of exchange for 917 680 American dollars (about R650 000).

Three men appeared with Mr Breedt. Mr Waldemar von Killian, 30; Mr Dougie Lee, 30, and Mr Stanley Immelman, 30.

On the fraud charge it was alleged that they tried to sell the bills of exchange for R450 000 to Mr James Tesselaar, Captain M. van Rooyen and Lieutenant O. Fourie. The bills, it is alleged, were valueless and had been forged.

On the two counts of contravening the currency control regulations the men are alleged to have tried to sell the bills this February without permission from the Treasury and intending to send the money out of South Africa.

In the second trial Mr Breedt appeared with Mr Von Killian, Mr Lee, Mr Lodewyk de Jager, 53, and Mr Paulo Numo Duarte Bento, 24.

No evidence was led. In this trial eight allegedly forged bills of exchange featured in a fraud charge and two counts of contravening currency control regulations.

It is alleged they sold foreign currency bills of exchange last November. As a result, they allegedly shared R74 180 profits.

Mr Breedt also appeared in a third trial about alleged theft by false pretences of R13 600.

Miss J. P. Oosthuizen appeared for the State.

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'Wage gap will narrow'—Finance Secretary

Mr Gerald Browne . . . priorities always changing.

Leon Marshall,

CAPE TOWN — Mr Gerald Browne will be stepping down in October this year after having put together the most difficult Budget of his 17 years as Secretary for Finance.

But he hopes that his last Budget though tough has provided a sound foundation to build on.

Speaking in his Cape Town Office of his long spell of handling the country's purse strings and of the exacting task it is, Mr Browne said this year had been the most difficult because "we have been hit on all fronts" — the depression overseas, the decline of the gold price, the political disturbances in southern Africa and during the past months in Soweto and other black townships and the reduction of the capital inflow as a result of these.

Headaches

It had a big effect on the country's balance of payments — "which has given us a lot of headaches over the past year or so. In addition there was the slowing down of growth, the recession in South Africa, unemployment and right through it all the continuation of inflation.

It made budgeting more difficult even than at the time of Sharpeville and when South Africa left the Commonwealth shortly after he became Secretary of Finance.

But he remains optimistic about the future, for basically, he believes South Africa has a lot going for it.

He thinks the gold price will go up, although he hopes it will not go up as steeply and then come down as steeply, as it did during the past two or three years.

He prefers a steady rise.

In addition, he pointed out, the country's tremendous mineral wealth, its managerial skill and its labour which is becoming more skilled. All of which makes the future look very promising.

On the other hand however, he believed one of the biggest problems to contend with would be the very steep increase in the black and brown populations which would make tremendous demands for housing, schools, power, water, communications and other services.

But he thought South Africa had the capacity to solve those problems and was confident it would.

The last Budget he believed could be of great help in the long run, by providing a sound basis which the country could grow from.

Asked whether this meant that a new start had been made, with the redistribution of expenditure under the present Budget indicating the new priorities for the future, Mr Browne said:

Priorities are of course always changing with the circumstances. Defence has been a first priority for quite a time now but more particularly over the past two years. There is perhaps a rather greater emphasis on housing now. Education too has been priority, but this again is getting perhaps more emphasis at this time.

Of course the basic infra-structure — like the Railways — always has a high priority.

But I think we have had to look at the more basic essentials at this time while it has been obvious that the money just was not there for the less important things. . ."

Mr Browne said in preparing the Budget one of the recurrent problems had been the balance of payments.

There had been periods when it was favourable, but for a large part it had been quite a headache.

But on the one hand it was probably largely because South Africa had an open economy, with gold, as one of its major products, being used mainly as an export commodity to import other articles.

On the other hand, the growth potential of the country was so great that when the balance of payments position was favourable, the country was in a position of rapid growth.

This usually led to a pretty steep increase in imports which in turn led to a balance of payments problem.

With regard to the charge of government overspending Mr Browne said he felt this to be a "little bit exaggerated."

He thought it was very easy in the present position to look back and say the government should have spent less three years ago. No one could have foreseen or has predicted as far as he knew the depth and the length of the depression overseas, the fall in the gold price, Angola and all the other factors which hit the country together.

Had these things not happened or happened so severely, he would not be sure that the government would have been accused so much of excessive spending.

Certainly most of the spending had been on things which were absolutely basic. By far most of government spending was on either social or economic infra-structure — water, telecommunications, railways, schools, hospitals, and universities.

When situations like the present arose, there had to be cutbacks even on essentials while making do with a lower rate of growth and perhaps somewhat lower standards in some ways.

But he would not agree that government expenditure was really excessive in accordance with the trends of the time.

Another factor was the big capital projects that were started in the last five or six years, some of which were now under way and nearing completion.

Hindsight

These were all very worthwhile projects and would help the economy very much like the harbours at Saldanha Bay and Richards Bay which would be of great advantage to the country's export trade, even though their financing was causing problems at this moment.

The criticism that too many of these big projects had been tackled at the same time was once again a question of hindsight.

Had the government known of the situation that was going to arise it would probably have phased them out or started some of them a little later.

Asked about the future prospects, Mr Browne said he expected the upward trend in the economy to be resumed and that all sections of the population would improve their economic standard in the future.

At the same time he expected that the economic progress of the black and brown people would probably be more rapid than that of the white population so that the gap would become smaller.

He thought, however, that people should maybe think of somewhat lower standards with regard to some amenities, like housing because such a lot of capital would be needed to provide for the development of the country and for jobs for the increasing population.

It was not so much a decline of wealth or income, but rather a question of devoting that increasing income to more productive uses.

Instead of spending so much money on private housing, we might well devote more of it to more productive uses to provide jobs and develop the country further.

Asked about the reasons for his decision to retire at the age of 60 this year, Mr Browne said:

"Having been in the present job for 17 years, I thought maybe it was about time someone else — a younger man — had a turn at it.

"It is a fascinating job. It has always been a lot of fun. But it is a fairly exacting job. I think I shall look for something rather less exacting for the future. I certainly do not plan sitting at home doing nothing. I hope I can make a fairly useful contribution still.

Future

"I think after 17 years one does tend to become a little bit stale too, and that it is a good thing for someone with a fresh approach, more energy and more imagination to take over.

"I also have a theory that while starting a new phase of your life you should not leave it too late. . ."

Mr Browne said he could not indicate at this stage what his future plans were.

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Bank in Land!

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Real estate is a dirty word in banking parlours in the UK and US. It's getting that way in SA

David Rockefeller's dictum is a timely reminder that bankers earn their bread and butter by taking risks. Nothing ventured nothing gained. But those risks — which they take with depositors' money as well as that of their shareholders' — must be prudently assessed, and continuously re-examined against the borrowers' performance and probity and changing economic conditions.

In the light of some of the nasty shocks South African bankers have been getting lately — Glen Anil, Van Achterbergh, Wainer, Du Preez, Transterra to mention a few — it's reasonable to ask whether the way they have been monitoring their exposure to risk is prudent enough. Chase Manhattan has asked itself that discomforting question after being badly burned in the US real estate market and given its shareholders a commendably frank answer:

"Without question Chase and other banks make some loans which, when made, are deemed prudent in the light of known facts and conditions, but which in retrospect look far less attractive."

South African bank loans which over the past few years have turned sour, or over which hangs a question mark, now add up to a disturbing R250m. Obviously only a fraction of this will be lost. Nor is there the slightest chance of any major South African bank failing: the liquid assets and capital they are compelled to maintain and the substantial hidden reserves built up over many years guarantee their solvency.

Nevertheless, depositors and shareholders have a right to a more candid and explicit explanation of some of the bigger knocks they have taken recently than most boards are inclined to give. Trust Bank MD Anker Burger is quite right to argue that "banks cannot be held responsible for the failure of companies". What they *can* be held responsible for is any failure to identify lame duck customers early enough and to take timely action.

Gerry Muller, Nedbank's chief executive, attributes the majority of problem loans to property developers. "The whole banking world erred by being too optimistic about property values. The difficulties which US and UK banks experienced with their property portfolios two years ago are only now coming to the fore in SA."

In the heady days of booming sales and easy money — only a few years back — property developers put together large portfolios of township land, financing their purchases and paying for services largely with bank credit. The more they could borrow, the more they bought. And the more they bought, the more they could sell.

No more. The chickens are coming home to roost. The economic downswing has hit land sales hard. The weakness of the rand, government's need to shore up the foreign reserves, and inflation have pushed up interest rates. That, plus the ever rising cost of bringing townships to proclamation and providing them with water, power and sewerage have eaten into gross revenues to the point where cash flows have turned negative and debt servicing and loan repayments put in jeopardy.

In the light of this discouraging trend, why, for example, did Rand Bank decide to lend R4,3m to Glen Anil as recently as 18 months ago — plus a R300 000 reticulation guarantee — when the bank's capital and disclosed reserves at the end of March 1975 stood at only R8,3m?

ANXIETY MAKING EXPOSURES

BORROWER	BANK	EXPOSURE (RM)†	STATE OF PLAY
Glen Anil‡	Trust§	29,2	The consortium has already lent another R4,2m to see the company over the next month. Security differs from bank to bank.
	Nedbank	23,0	
	Standard	13,0	
	Senbank	5,5	
	Barclays	5,3	
	Rand	4,7	
	Hill Samuel	3,6	
	Bank of Jo'burg	3,1	
		87,4	
Corlett Drive group of companies	Barclays	23,6	Barclays exposure has grown, although some of the others have reduced theirs
	Hill Samuel	1,3	
	Bank of Jo'burg	0,9	
	Credit Bank	2,1	
	Citibank	0,7	
	Wesbank	0,7	
		29,4	
Summit group	UAL	18,0	UAL is holding the properties and has already taken a knock in excess of R2m.
	Standard	2,2	
		22,2	
Ben du Preez	Standard	21,0	Standard is trying to sell its security, namely mining rights of questionable value in SWA
	Finansbank	0,2	
		21,2	
Cape Town Centre	Standard	13,0	Adequate security, although negotiations with Old Mutual have fallen through
	Syfsa Participation Bond Managers	3,8	
		16,8	
Lengro (Pascall)	Trust	11,2	The bank claims to be reducing the losses and is hoping to put the company on a profitable basis within 2 years.
Van Achterbergh	Volkskas	7,7	Volkskas expects no capital loss although interest will be foregone from the time of liquidation.
	Trust Accepting	1,0	
		8,7	
IL Back	Nedbank	7,3	The risk is now a Rembrandt risk, which is certainly no cause for anxiety.
Wainer Companies	Bank of Jo'burg	2,3	Largely covered by bonds over the properties
	Barclays	1,7	
	Standard	1,1	
		5,1	
Wainer & Wife	Standard	0,5	Security (crates of personal possessions) was rescued on the high seas.

The big £ leak: behind the furore

The tip-off came late last week via the telephone of Malcolm Crawford, economics editor of London's *Sunday Times*. Within a few days it became the story that torpedoed the pound. During a couple of hours on Monday morning the pound fell up to 8c against the dollar, its worst battering ever.

The US Treasury and the IMF both immediately denied the allegation and Chancellor Denis Healey, slammed it as "irresponsible". By mid-afternoon on Monday there was fury in the House of Commons as Healey faced hostile questions from all sides.

His subdued statement blaming it all on a single Press report was greeted with jeers and calls for his resignation. Sir Geoffrey Howe, Shadow Chancellor, declared that "it was another sorry savage condemnation of the Chancellor's management of the economy". Liberal Party economics spokesman John Pardoe described Healey's statement as showing "stupifying complacency".

It was left to Prime Minister James Callaghan to offer a broader interpretation of the whole affair later that day when he faced questions from a panel of journalists on television. He warned the IMF, West Germany, the US and Japan (the nations most concerned with further financial aid to Britain) that there were dangers in pushing the UK into too great a deflation. Such a deflation would be quite wrong for Britain because of the danger to social cohesion and because of Britain's contribution to the stability of the West.

"If we are pushed because there is a short-term situation into a position where we would have to make a choice whether to carry on with these responsibilities (clearly a reference to Rhine Army and Nato commitments) or whether we have to say "sorry, our economic situation demands that we put our own position first, then this would be a serious matter indeed for Europe," he warned.

He called for the leading economies to help take over "in some form or another" the liabilities arising out of sterling's position as a reserve currency. He rejected massive public spending cuts as a solution, re-stating his policy that it was already government's aim to reduce public spending as a proportion of GNP over the next three years.

Meanwhile, Crawford and his campaigning Editor, Harold Evans, stand by their story in the face of great hostility. Crawford himself has extensive contacts in the IMF, the US Treasury, central banks and other sources. His story, he says, was not speculation. It was a tip-off from sources he respects.

He points out that, though the IMF may be embarrassed at suggestions of collusion between itself and the US Treasury, in fact US involvement in drawing up terms for IMF loans is far from unusuals.

Prime Minister Callaghan . . . don't push us too far

America is by far the most important contributor to the Fund. It is, says Crawford, also the case that though the IMF always sends a delegation to a country like Britain before loans are agreed (the team is due in London next week), the IMF has fairly clear ideas beforehand of what sort of conditions (if any) it might seek to impose and what sort of policies it would like to see implemented or maintained in the event of a loan.

A US Treasury man is always the IMF Deputy Director and the whole question of loans to Britain would be discussed well ahead of final approval by the IMF's Executive Board.

Indications are that a further short sharp fall in sterling to the $1,50 mark was in fact discussed at a high level in the IMF as one of the possibilities, as a background for aid to Britain. The motive of Crawford's informant is unclear, but it remains a possibility that the tip-off might have been made to forestall the condition of a sharp fall in the sterling rate being imposed by the IMF.

Observers with first-hand knowledge of the inner workings of the IMF point out that the Fund is certainly in favour of sterling's downward float. They also explain that it is not unusual for the Fund to insist (in secret of course) on a devaluation or depreciation before granting a credit, at least to small countries. But they say they would be surprised if the IMF were actually to lay down a specific rate of exchange for an economy as important as the UK's.

The private view at the American Treasury, writes the *FM*'s Washington correspondent, is that Healey himself was the source of the *Sunday Times* story.

The Americans, and many of the IMF professional staff, have been worried ever since the 10-nation standby credit was set up in June that Healey was being evasive. They fear he won't be able to produce the necessary government spending cuts. They believe he is stalling for time, stalling for his export earnings to turn around and for his already high interest rates to start reversing capital flows.

They also see Healey waging a clever campaign in the British Press about the faceless bureaucrats of the IMF who are coming to run Britain's economy.

Their conclusion is that Healey leaked the $1,50:£ story to the *Sunday Times* to achieve two ends: to further discredit the IMF and to push the pound down deliberately for whatever immediate surge it might bring to export sales and capital inflow.

All of this is US Treasury speculation. What they do insist, and the IMF agrees, is that there has been no fixing of a pound exchange rate; that to do so violates the concept of "managed floating" set at Rambouillet; that there is no reason to believe that $1,50 would be a better rate for the pound than $1,70 or $1,25 for that matter; and that to try to dictate exact numbers to Healey would be to fall into his political trap.

Meanwhile a *Washington Post* report on Tuesday suggested that the UK might have to hike its central bank lending rate from the already high 15% level to 18%.

The *Post* story began as an interview with Federal Reserve Board Chairman Arthur Burns who said: "There's nothing to it," about rumours that the US and IMF were conspiring to force the pound to $1,50.

Then *Post* business editor Hobart Rowen went off on his own:

"Nobody wants to talk much about it. But the possibility of a breakdown in law and order, or an extremist revolt gives the US and other Nato governments the chills." But he added that "indications are that the IMF will nonetheless insist on stern measures and will not necessarily try to assure the continuance of a Labour government".

Chairman Jan de Necker tells the *FM* that Rand Bank granted Glen Anil a R10m facility on a bill basis subject to its exposure at any one time being less than R5m. Therefore bills for R5,7m were placed in the money market — without recourse.

Wasn't this spreading risks far too narrowly? And how far will its exposure increase if the banks agree collectively to a moratorium plus a further injection of finance to keep development going?

He adds that the bank's policy is to spread its risks and not become overcommitted to any one client. Each loan application, he says, is treated on its merits and seldom have the facilities granted to any one customer exceeded 25% of share capital and published reserves. He explains that, at the time of granting the Glen Anil loan, it was generally regarded as the "top township developer with a healthy balance sheet."

Apart from Rand Bank having confidence in Glen Anil, it obtained "good security", namely the cession of debtors on sales of proclaimed land and established townships. "Moreover, the amount outstanding on the debtors book held as security comfortably exceeds the outstanding loan." The *FM* understands that the bank has David Rubenstein's personal guarantee for the full amount of the claim.

Rand Bank is not the only one that appears to have over-extended itself on Glen Anil loans. With capital and disclosed reserves of R62m (at end-December), Trust Bank group's apparent commitment of over R29m represents nearly 50% of its capital and reserves. Nearly R10m of this is mortgage participation money for which the bank has a strong moral, though no legal, liability.

However MD Anker Burger believes that "such amounts are misleading". He claims that Trust's direct commitments are well secured, either by first mortgage bonds over proclaimed properties or by cession of debtors or shares in Glen Anil subsidiaries with good cash flows. Apart from that he maintains that, in contrast, many of the other banks, though in for smaller amounts, are totally unsecured and could lose heavily in a liquidation.

Burger's point is only partly valid. It may well be asked why some banks should lend to an already heavily borrowed company without adequate security? And what is that security worth anyway should Glen Anil not manage to keep afloat and land and debtors have to be liquidated? And is there not an element of double counting of security when the properties are mortgaged to one set of creditors and the debts outstanding on the same land are ceeded to someone else?

To his credit Barclay's MD Bob Aldworth frankly admits that Barclays did not realise the extent of Glen Anil's total borrowing. He also makes the point that some of the security other banks have acquired was only pledged recently and might well be set aside in the event of a liquidation.

Then there's the case where Standard Bank allowed the notorious Chaim Wainer to draw over R500 000 on his overdraft, and to continue this facility, despite the fact that he had not submitted audited accounts — or indeed any accounts at all — to the bank for two years.

Arthur Daymond, Standard's GM (Facilities), comments: "Wainer kept his private, and other, accounts with us for 19 years. As he provided us with signed statements of his and his wife's assets and liabilities — including audited company balance sheets — from time to time, a position of trust had been built up. We have no reason to believe that these did not reflect his true worth."

It appears as if banks often lower their guard when dealing with long-standing clients. So it's that much more painful when the knock comes. That's what Volkskas found with its R8m exposure to Van Achterbergh. MD Danie van Huysteen acknowledges that towards the end of last year they noticed that the company which had banked with them for 30 years, was struggling with its cash flow. However, when the banks discussed their problem with Martin van Achterbergh he was so reassuring that the bank was persuaded to provide additional bridging finance.

There is also the question of learning from mistakes. Having made some loans

Wilson & Mansfield	Trust	2,6	No dividends have yet been awarded.
	Standard	2,0	
	Barclays	0,8	
		5,4	
Transterra (and other Jan Haak companies)	Barclays	0,7	The money is virtually lost, though some banks are in better positions than others.
	Bankovs	0,3	
	Trust Accepting	0,3	
	Senbank	0,2	
	Trust	0,2	
	Spes Bona	0,2	
		1,9	
Union Townships	Standard Merchant	3,2	Probable write-offs
	Hill Samuel	0,4	
	Standard	0,2	
	Wesbank	0,2	
	Barclays	0,2	
		4,2	
Chweidan	Trust	1,5	No dividends have yet been awarded.
	Standard	0,5	
		2,0	
Alwarwo	Nedbank	4,0	Write-offs
	Santam	0,3	
		4,3	
Lightweight Investments	Standard	1,8	About 30% is secured by AIM shares
Mosenthals Guarantee & Trust	Standard	1,7	Guaranteed by another bank.
Haaks Garage	Trust	1,2	Partly written off, although Volkskas hopes to recover its loan.
	Steelworkers Saving Bank	0,3	
	Volkskas	0,2	
		1,7	
Ravenna Chemicals	Nedbank	0,6	The company has been resuscitated and is apparently making money.
	Standard	0,4	
		1,0	
Ubco (Randburg property group)	Bank of Athens	0,8	
Sidarel	Standard	0,7	Most likely to be a loan loss.

In a few cases, like IL Back, the risk has subsequently been taken off the casualty list.
†*Overdrafts, loans and guarantees.*
‡*Other creditors are: SA Perm (R1,6m), Allied (R1m), Western Mortgage Nominees (R1,1m), and Standard Merchant (R7,3m which is mostly secured by cash and building society deposits).*
§*About R10m of this is participation mortgage bond money.*

which looked like turning sour, why didn't the banks monitor their clients' total borrowings more carefully? Why were property portfolios allowed to expand over the past two years when they should have been reduced?

One would have thought, for example, that having been led down the garden path by Leon Pascall for years, Trust would have made doubly sure it didn't get over-exposed in the property field again. After all, the land boom was already over, every major city was over-supplied with office blocks and overseas experience showed what losses on property loans could do to bank earnings.

Then there's the problem of being locked in although warning lights are flashing. Hill Samuel's deputy MD Richard Clowes explains his bank's R3m secured term commitment to Glen Anil: unless the borrower breached the terms of the contract, for example by defaulting on interest payments, the bank was not able to call up the loan. Burger finds himself in a similar fix: most of Trust's commitments are long-term bonds which were arranged when Glen Anil "was still the prince of property companies under the management of Dr Eddie Rubenstein."

Despite the subsequent change in management and the deterioration in the property market the contracts could not be cancelled. These problems apply equally to participation mortgage bonds. A mortgage granted for five years, say, cannot be terminated by the mortgagor unless one of the conditions is broken by the mortgagee — even if the economic climate turns a seemingly good business risk into a bad one.

Guarantees — particularly for township services — are even more difficult for a bank to get out of. Once a municipality has a bank's guarantee that it will be paid for putting water or sewerage facilities into a township, if the developer goes bust the bank carries the can.

With overdrafts, however, the banks have more flexibility. They are repayable on demand — at least in theory. But it's usually difficult for a customer, especially one caught in a liquidity squeeze, to transfer his account — and the risk — to another bank. Nevertheless the early warning systems built into overdrafts should alert bankers to potential trouble ahead. The first warning bell rings when a customer struggles to stay within the agreed limits. When he consistently issues cheques in excess of his overdraft limits it can often be a sure sign something's brewing.

But simply calling in the overdraft may precipitate the collapse of a company that, with nursing, has a sporting chance of coming right. Against that there's the old adage "the first loss is always the best loss." Examples where good money was thrown after bad are easy to recall: Alwarvo, Ben du Preez, Summit, Corlett Drive (Barclays' exposure has actually grown since the company went into judicial management). Examples where a turn-around was achieved are harder to find: one has to think back to SA Druggists and Amato in the Sixties.

With the odds stacked against a successful rescue, why do bankers opt for this choice so often? Standard Bank's Daymond explains: "A bank's first concern is to avoid a loan loss, or to limit its size if a loss is inevitable. A decision must be taken on all the facts available at the time. Sometimes — as with Summit, where we tried to salvage the company by injecting more money — we make the wrong decision. But this can only be seen in retrospect. It is always easy to be wise after the event."

Of course the aim should be to be wise *before* the event. Without wanting to be accused of trying to teach our grandmothers how to suck eggs, here are some suggestions:

- The banks should pay more attention to assessing the changing outlook for industries as a whole, as distinct from that of individual customers. Swimming against the tide can eventually exhaust even soundly managed companies;
- Bankers should pay more attention to cash flow. The balance sheet alone can be a treacherous guide;
- Where a company intends borrowing from more than one bank a condition of all new loans should be that it undertakes to keep all its bankers continuously informed of the details of all its obligations, both on and off balance sheet. A mere undertaking not to exceed an agreed overall gearing factor in the annual accounts is obviously not enough;

Trust Bank's Anker Burger and Rand Bank's Jan de Necker . . . a question of bonds and bills

- Without wanting to invite yet more regulation by Pretoria, there is nevertheless a need for more supervision of the *quality* of a bank's assets. This is especially true of small banks which may be tempted to concentrate their lending among too few borrowers and in too few sectors;
- As a result of the public sector's insatiable appetite for funds too little of the community's long-term savings is being left for the private sector. This starves the equity and long-term loan markets of capital and forces the banks to provide too large a proportion of corporate financing on a short-term basis. Pretoria should correct this basic imbalance.

More than in mature industrial countries bankers in SA have to heavily back people with courage and imagination, often beyond the limit their track records would indicate is safe. Some will fall by the roadside. But it is important that, when they do, they cause as little damage to the financial fabric as possible.

A MORAL OBLIGATION?

At the meeting with Glen Anil earlier this month the banks agreed to advance another R4,2m to the company to tide it over until the end of November, when the Sage report on its long-term viability will be discussed.

The *FM* understands that banks are already bailing the company out with deeds as well as words. Apparently, the company has defaulted on loans by institutions like pension funds. Some banks which guaranteed these loans have already dipped into their pockets to make good the payment. Others presumably will after they receive lawyers' letters from the institutions.

But it appears as if the more interesting tests are still to come. What will happen when interest on the bills which Rand Bank on-sold — without recourse — in the money market falls due? Will the bank leave its friends — pension funds and such like — to take the knocks, in the event of a default, or will it chip in itself? Indeed, the selling of bills without recourse, by a registered bank in itself raises some eyebrows. Some bankers the *FM* spoke to felt that this was a somewhat unusual development in the money market.

Finally, what of the participation mortgage bond money invested? There's a lot at stake. The banks that manage the schemes have no legal liability to participants. Morally it's another matter.

(1) 58
(2) ~~136~~

MOUTON'S MONEY

FIN MAIL 29/10/76

The position in which Ben Mouton now finds himself, after losing the Mine Workers Union case and having to pay R220 000 plus costs, is bad news for the unfortunate shareholders of the Barcelona flat block in Durban.

Judgment has been reserved in the case brought by Old Mutual to recover R700 000 from Coinland, a Mouton company, and from Mouton as guarantors of the Mutual's first bond on Barcelona.

If judgment goes against Mouton, his ability to meet the claim may be affected by his loss of the MWU case. Recourse would then be against Barcelona and its shareholders.

For similar reasons, Mouton's situation could affect the outcome of the State's action on behalf of Barcelona shareholders against Coinland for the recovery of R549 000 paid by buyers.

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Here comes the blockbuster Bill

FIN. MAIL 29/10/76

On Tuesday this week a Cabinet legal committee was due to consider a draft Bill that will have a far-reaching effect, if enacted, on certain money-making schemes.

A Department of Commerce official was dismayed to hear that the *FM* had learnt of the proposed Bill, and refused to discuss it on the grounds that it is still "completely confidential".

The *FM* learns that the *Development Schemes Bill, 1977* will enable the Minister of Economic Affairs to appoint an official who will have the power to examine all schemes, whether concerned with land or shares, in which the public is invited to participate (and pay) and, if he thinks fit, to declare them as being "controlled schemes."

Declaration of Control will be by way of *Government Gazette.* Once a scheme is controlled the entrepreneur cannot make a move on the administration of the scheme, or its moneys, without official permission. Appeal against controlled status will be possible only to the Supreme Court.

The intention is clearly first to hammer the perpetrators of crooked schemes, and schemes that are not necessarily intentionally crooked, but which, by their fragile structure (eg current expenses to be met by on-going sales) are bound to fail, swallowing up the small investors as they go under. The holiday chalet, holiday plot and holiday flat market is riddled with such tight-rope acts (although there are some good schemes offering value for money too).

To that extent, the proposed legislation is welcome. But businessmen quizzed by the *FM* have certain reservations.

It's a case of hitting that poor old fly with the sledgehammer again. Instead of putting so much power in the hands of an appointed official, with only expensive legal recourse available against that power, would it not be better, one of the arguments goes, to require the promoter of a suspect scheme to show cause why his scheme should not be gazetted? In December the proposals will probably be circulating in official draft Bill form. The above, and other points, should then be made forcefully.

One very important question: will the legislation, once enacted, apply to schemes already in existence?

gain hunters shouldn't be too optimistic. For a start, the bondholders are bound to be there and they'll be bidding to protect their interests.

First bondholder, to the tune of R1,1m, is Syfsa Participation Bond Managers, part of the Syfrets/UAL group. Standard Bank has a second bond of R450 000.

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FIN. MAIL 5/11/76

PRESCRIBED INVESTMENTS

More for government

Finance Minister Owen Horwood is trying to squeeze even more money out of pension funds and life assurance offices. Pensioners and policy holders will be the sufferers. He's aiming to pull in as much as R160m extra on total assets in 1975 of R8 000m.

When the Minister first appealed for an extra 2% in December 1975 it was not clear exactly what was meant. Confusion arose partly because, under the Insurance Act (Section 18 bis of 1971) and the Pension Funds Act (Section 19 (7)(b)) life offices and pension funds were given 10 years to bring their prescribed investments up to the new minima. Prescribed assets consist of government and semi-government stock, bank and building society deposits and cash.

For life offices' ordinary business, a minimum of 30% of total assets have to be in the form of prescribed assets. Of these, government stocks must represent at least 15% of total assets. For pension funds and the pension fund business of life offices, a minimum of half of total assets has to be in prescribed assets, of which an amount equivalent to 20% of total assets has to be government stock (eg a pension fund with assets of R100m in 1975 must invest at least R50m in prescribed assets of which at least R20m would need to be in government stock). On one interpretation assuming assets are growing by 10% pa at the end of 1976, total assets would equal R110m of which at least 22% (R24,2m), and not 20%, must go into government stock, and at least R33m (30%) into other prescribed assets.

But depending on how far life companies and funds had progressed in bringing their assets up to these totals, it was not clear to what amount the 2% should be added. Several interpretations are possible (see table) and in most cases, depending on the base used, it could amount to well over 2%. This has not yet been resolved.

Then in July the life offices received the 1st Annexure to the Registrar's original draft Circular RV 30. This said that any over-investment in government stock that a life office might have (over its statutory minimum) must be maintained and a further 2% of total assets added. For instance, an office that had 30% in government stock (instead of 15%) would have to keep it all, and add 2%. It would not be allowed to run it down to 15% + 2%.

In October yet another bombshell landed in the shape of the 2nd Annexure. This supersedes the 1st Annexure, but retains the original provisions, and introduces an extremely complicated formula which penalises those offices taking advantage of Section 18 bis of the Act (ie those who are still building up their statutory assets to the prescribed minima).

In their case they will have to invest even more, perhaps up to 25% more, in government stock than under the 1st Annexure which, the life offices claim, was itself not consistent with the Minister's original request.

Believe it or not, private pension funds are still in the dark. The Registrar has been trying to sort out the life offices first. But it is expected that he will issue a document to pension funds corresponding to the 2nd Annexure, which will have the same disadvantages.

The irony is that it is now very difficult for pension funds to increase their statutory investments for 1976 to meet the new requirements, especially as the November long-term issue of governmen stock was brought forward to September. and there is no further long-term issue before the end of the year.

(There is, however, a short-term issue this month, and there may be limited possibilities in the secondary market.)

Although the points raised above deal only with government stock, the Annexure relates both to government stock *and* total prescribed investments. If it is followed to the letter, funds may find they will have to invest perhaps 70% or more of the increase in their assets in 1976 in prescribed investments.

The practice of enforced subscriptions in order to fund the Exchequer's needs is objectionable enough. To create such unnecessary confusion and uncertainty over simple questions of definition is worse. To then exploit the resulting ambiguities in order to extract even more from helpless pensioners and policy holders is disturbing.

WHAT THE 2% COULD MEAN

Hypothetical Life Assurer

Statutory requirement 31-12-1975	R18 000 000
Actually held 31-12-1976	R19 000 000
Statutory requirement 31-12-1976	R19 500 000

The "extra 2%" is (per Minister) based on 31-12-1975 liabilities and is, therefore, always R2 000 000. The amount which has to be invested by 31-12-1975 can be:

1. R2 000 000 over what was held as at 31-12-1975, ie R21 000 000 or
2. R2 000 000 over the statutory requirement as at 31-12-1976, ie R21 500 000 or
3. R2 000 000 more than the statutory requirement as at 31-12-1976 plus the amount held in excess of the statutory requirement as at 31-12-1975, ie R22 500 000 or
4. R2 000 000 more than would have been held as at 31-12-1976 had there been no "request", which is probably what the Minister intended but is impossible to determine accurately. An estimate would be R23 000 000 based on 20% of growth in liabilities plus the 2%.

These differences may seem small but each extra R1 000 000 in government stock means policyholders and members of pension schemes lose interest of somewhere in the region of R30 000 per year.

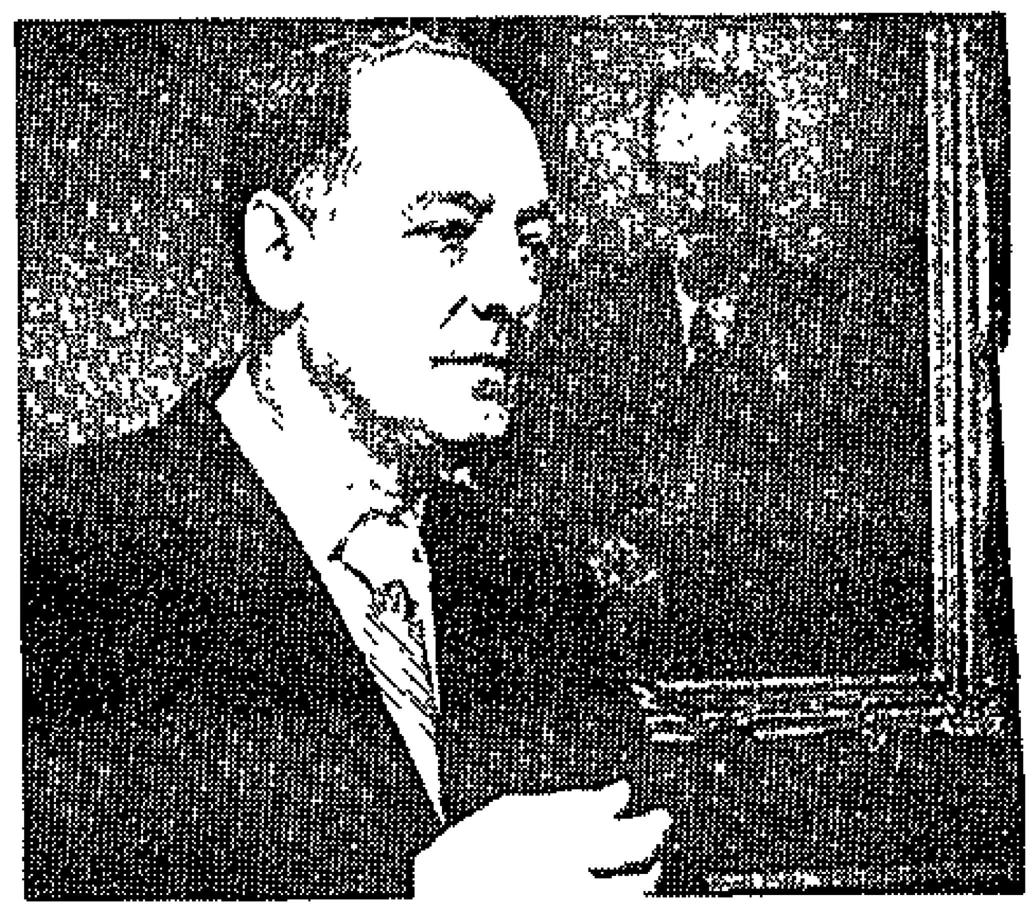
FIN. MAIL 5/11/76

(58)

UPALO

VOLKSKAS

Banking in the top league



Volkskas' Van Huyssteen . . . all are welcome.

Politically conceived, Volkskas is today determinedly apolitical — even if much of the support that has made it into a R2 bn super-bank isn't.

The bank insists that its spectacular growth is the result only of good management and SA's general post-war prosperity and most definitely not of political clout. If you were to suggest that the bank has benefited unduly by government and Afrikaner patronage, the reply would be that the government banks at the Reserve Bank and Volkskas has only its due share of quasi-government, provincial and municipal accounts — and that the "English" banks have benefited equally by the patronage of the formidable English business establishment.

If the bank receives a particular kind of support it cannot help it. It's White South Africa, not Volkskas, that is polarised. "We have customers of all language, racial and political groups," says Volkskas' silent and shy, scrupulously courteous, managing director, Danie van Huyssteen, "and they're all equally welcome."

All the bank's signs, stationery, accounts and public statements are in both official languages. But nearly all its offices are racially segregated. This is because "the majority of our customers want it that way and they come first". Times are changing, though, and there's a chance that Volkskas's new HQ in Pretoria will be integrated.

Volkskas has never been big in Black accounts, but it recently acquired a 50% stake in the Bank of the Transkei. But the step is unlikely to be repeated in other homelands, says Van Huyssteen.

Volkskas has traditionally been conservative, but this has not been a barrier to growth. In the past two years, it has grown faster than any other bank in SA and last year total assets rocketed by 31% to R2 400m, and taxed profits by 16% to R14,1m.

Van Huyssteen is a little reticent about the make-up of that taxed profit, R12,6m of which came from banking and the rest from the bank's other activities. Of the banking income, lending and discounting, hire purchase and leasing, contributed 59%, and listed and unlisted investments the rest.

The biggest non-banking interest is in the R12m Transvaalse Suikerkorporasie, which normally contributes between R2m and R3m to profits, but which last year earned only R800 000, "due to technical problems which have now been ironed out". Volkskas Beleggings is the next biggest non-banking contributor, followed last year by the wholly-owned Transvaal Metal Foundry (TMF), which had an outstanding year. Another significant industrial interest is a 36% stake in United Car & Diesel, makers of Mercedes-Benz, one of the few cars still selling profitably.

Van Huyssteen predicts that although the group will not grow as spectacularly as it did last year, profits overall will be "at least equal". He is pinning his hopes on a small growth in total assets, the high earning power of certain of Volkskas' activities, and general economies. Despite the low world sugar price, Suikerkorporasie will this year return to the profitability of previous years, but earnings from TMF will be lower.

Some banks have lost large amounts in recent years to bad, doubtful and dubious debts, and these are posing a real threat to profits and dividends. But, according to Van Huyssteen, Volkskas' bad debts are "infinitesimal", due largely to the bank's conservatism in lending. Volkskas' only really big blue was the R7,3m lent to Van Achterbergh. Van Huyssteen claims the bank is unlikely to lose even a cent of this, as the loan was "adequately covered".

Volkskas has just completed a thoroughgoing investigation into all its lending to property and motor firms and is satisfied that no further large bad debts are imminent. The bank's biggest costs are interest and salaries for its 7 700

THE BANKS COMPARED

(Ratio of disclosed taxed profits to shareholders' equity)

	1972	1973	1974	1975	1976
Volkskas	9,8	11,1	12,3	13,6	12,5
Barclays	15,5	16,8	17,8	15,6	n/a
Nedsual	14,7	14,4	14,7	15,9	n/a
Standard	9,3	9,8	11,0	13,3	14,2
Trust	11,6	10,8	11,8	11,2	n/a

	Year to:	Taxed profits (A)	Shareholders' equity (B)	A/B
Volkskas	31.3.76	14,1	112,9	12,5
Barclays	30.9.75	28,2	180,6	15,6
Nedsual	30.9.75	26,2	165,0	15,9
Standard	31.3.76	23,7	166,1	14,2
Trust	31.12.75	7,0	62,5	11,2

PRICES AND YIELDS

	Price	EY (%)	DY (%)	Cover	1976 high	% change since high
Volkskas	235	31,0	8,1	3,8	295	—20,3
Barclays	270	22,2	6,7	3,3	320	—15,6
Nedsual	175	17,4	8,9	1,9	228	—23,2
Standard	240	23,2	9,4	2,5	310	—22,6
Trust	55	36,5	12,7	2,9	78	—29,5
Average		24,3	10,6	2,8		—22,2

VOLKSKAS' TRACK RECORD

	Total Assets	Net Profit from Banking	Total Net Profit	Earned	Paid	Net Assets
	Rm	Rm	Rm	cents per share	cents per share	cents per share
1972	1 006,8	n/a	6,5	42,0	14,0	437
1973	1 214,7	6,7	7,6	49,1	15,0	447
1974	1 464,8	7,7	9,5	62,8	16,5	410
1975	1 885,5	8,8	12,2	73,5	18,0	541
1976	2 481,4	12,6	14,1	*74,2	19,0	†524

** On average number of shares over the year following rights issue.*

† On number of shares in issue at end of financial year.

5/11/76

mainly White workers in more than 500 offices nationwide, neither of which can be easily pared. If short-term rates continue to fall, however, so could the bank's rates to depositors.

A major new investment is the R23m, 45-storey headquarters building currently under construction in Pretoria and due for completion in mid-1978. Pretoria is just entering its worst ever glut of office space but Van Huyssteen and his colleagues, perhaps rather hopefully, are counting on an economic recovery before opening date to fill the building at a rental of, "at the very least", R5/m^2, which would gross about R3m a year.

Volkskas has 18 000 shareholders, of whom 14 700 hold less than 500 shares. The only major shareholder, apart from various nominee companies, is Sanlam, which holds 28% of the equity.

Volkskas, characteristically, is conservative with dividends. While it has the second highest earnings yield of the "big five", its dividend yield is second lowest and its dividend cover, at 3,8, the highest. This conservatism allowed the bank to plough back R8,6m into general reserves, which in turn allowed it to increase deposits by R138m odd. It was a wise step at the time, for the regulations holding bank deposits to 16,6 times capital and reserves, was, because it curbed lending, a major brake on profits. Times have changed, however, and to-day profits are hampered most seriously by declining demand for bank credit, a decline that will probably continue until general economic recovery is seen.

The health of the banks, and that of the general economy, have always been intimately connected, but the banks in SA have seldom fallen quite as ill as the economy. Banks are relatively inflation proof and their reserves for riding out storms are large. The cosy agreement between banks on commissions and charges is further protection. But in line with the economy's, Volkskas' fortunes will probably deteriorate until the long awaited upswing. Van Huyssteen does not expect this until the third or fourth quarter of 1977.

Nevertheless, his forecast of profits and earnings equal to last year's does not seem unduly optimistic. If it is fulfilled and the dividend cover is unchanged, the share will offer a dividend yield of 8,1% on its current price; fair but not scintillating in a market with an average dividend yield of 10,6%. The share will become much more interesting when conditions normalise, earnings rise and dividend caution decreases. Also when the world sugar price revives and the new building starts paying for itself.

But then, of course, you may not get it so cheaply.

David Carte

Why Glen Anil, and others, are fair game

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FIN. MAIL 12/11/76

The last thing financially embattled Glen Anil wants now is hassles from its customers.

But that is what it is getting. Last week Mrs Marina Stander made an urgent application to court for the liquidation of Glen Anil on the grounds that it is unable to effect transfer to her of two stands bought from Glen Anil by her and fully paid for.

The stands are in Glen Kelly, a proclaimed township, and Mrs Stander had paid R21 700 for them, being the full price plus finance costs, by August 1975.

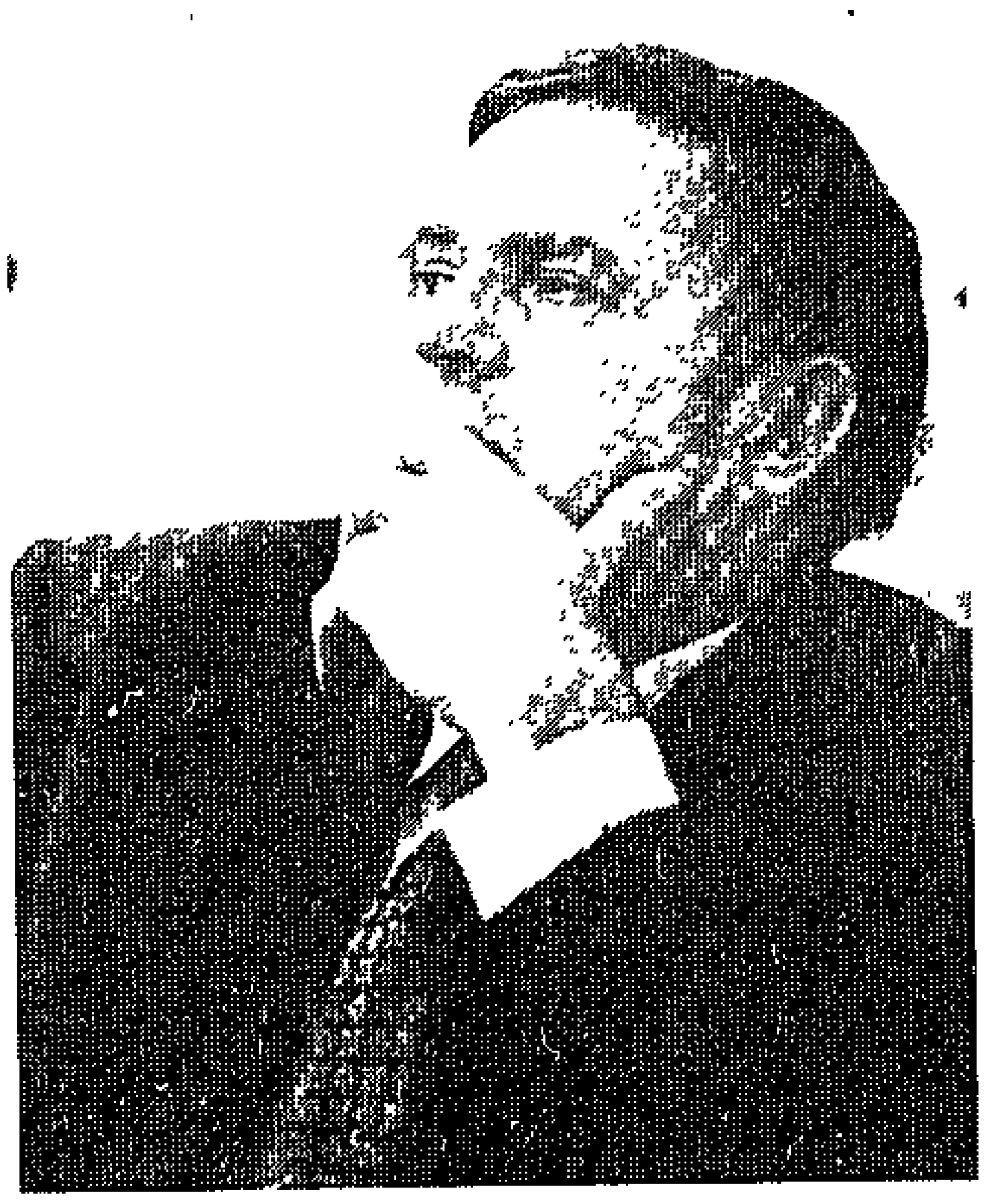
Glen Anil has its own version of how and why Mrs Stander has not yet obtained transfer, and whether or not it is able to effect transfer. And Mrs Stander has hers.

Mrs Stander was joined in her application by other standholders who had bought in Glen Vista township.

Israel Maisels, QC, appeared for Glen Anil and asked for a postponement. It was granted — to November 16.

In the meantime, Glen Anil's AGM last Friday produced no fireworks. The two vital questions affecting shareholders, namely who will run the company in the future and how will it be financed, have to wait for that all-important analysis of the company being undertaken by Sage Property Holdings and ex-joint MD Tim Marneweck. It should be ready in about three weeks.

Glen Anil's Rubenstein pleads for patience . . .



. . . while Marneweck watches and waits

A tricky question at the moment is whether actions such as Mrs Stander's will affect the results of that analysis, and by extension, the attitude of the banks.

On the present scale, perhaps not. But if Mrs Stander is joined by hundreds of other standholders, and if they look like succeeding, the banks will have to look at the situation with that in mind.

There are thousands of potential Mrs Standers, not only in Glen Anil, but in the debtors book of every property company in the country, listed or unlisted.

There is a reason for it. Let's face it, vacant residential land has by and large turned out to be a bum investment, especially if finance charges are piled onto the original purchase price.

It will be years, if ever, before that kind of money can be recovered through a normal sale in the marketplace. And if you take into account opportunity cost, that is, the benefit that would have accrued from that cash if something else had been done with it, it is quite likely that there will never be full recovery.

That is why it is perfect economic sense for anyone who has bought a vacant residential stand to try and have the sale voided and the money plus interest paid returned.

That is no doubt what motivates m[any] of the Tuckers' clients who are now c[la]mouring for their money back.

Companies that have been compe[tent] about their selling contracts and devel[op]ment procedures should have nothing [to] worry about. A failure in that resp[ect] could now turn out to be costly if a co[m]pany has to make large-scale refunds.

(1) 58

(2) 332

FIN. MAIL 10/12/76

BLACK HOUSING

EAC Enquiry II

Government, anxious to channel private funds into Black housing, has appointed yet another committee — a small inter-departmental group chaired by Registrar of Financial Institutions Wynand Louw and with representatives from the Treasury, Community Development and Bantu Administration.

It is to report to the next meeting of the Economic Advisory Council in February on "possible sources and period of financing and the repayment conditions attached thereto", and on "the nature of the security which employers and other lenders can obtain when providing housing for Black employees".

This is the crux of the matter. Since the leasehold scheme for urban Blacks was first announced early in 1975, the private sector has time and again expressed its willingness to assist — only to become entangled in red tape from bureaucratic lesser lights than government representatives on the EAC. It took another committee, chaired by Community Development Secretary Louis Fouche, to point out to the EAC at its November meeting that financial "bottlenecks" stood in the way of meaningful private enterprise participation.

The construction of Black housing is an obvious way of stimulating the economy. The import content of housing is relatively low; there is an existing housing shortage and growing unemployment; and there is underutilised capacity in the depressed building industry. This the EAC has now recognised.

Let's hope the stage is finally set for real action.

14/1/77

Pretoria has been asked to rescue Glen Anil. Should it agree?

A critical choice

58

When the talk turns to finance these days one name is on everyone's lips, and no wonder. When a company as large as the R180m Glen Anil group, in a business as important as township development, gets into trouble the ramifications are vast.

Not only are tens of thousands of families directly involved because they are in the process of buying stands from the company. Probably even more are indirectly involved because they have deposited money with certain banks which have over-invested in the company and look as if they could land in trouble as a result.

In fact, Glen Anil's problems are so vast and far-reaching that certain banks have asked the government to come to its rescue, and there seems little doubt that the company's future will become one of the key financial issues facing MPs when they return to Parliament next week.

On the face of it, the case for a government rescue operation is overwhelming. However, before the authorities do get involved they had better be quite sure they know what they, and the taxpayers they serve, are letting themselves in for.

According to the consortium of banks which have lent to the company, Glen Anil is not technically insolvent. Its assets, even if they are written down to take account of today's weak property market, add up to more than its liabilities (although not if all the assets had to be sold quickly and more or less simultaneously). Rather, the company's problem is a lack of ready cash, caused by the slump in property and rising interest rates. Its receipts (chiefly buyers' instalments on stands already sold) do not match its outgoings (mainly interest on and redemption of loans, as well as outlays on extensive new developments).

The residential property market is in the doldrums partly because of a lack of long-term finance — a problem chiefly caused by inflation — and partly because of a general lack of confidence in the future — a result of the political situation. So there is little that can be done to boost the company's receipts, although no doubt at least some of its assets can be sold off, given sufficient time. Basically the only way to save the company is to reduce its outgoings.

In essence, that means finding a way to reduce the amount of interest it has to pay (without of course proportionally reducing its borrowings which would entail the forced sale of its assets) and to convert its short-term debts into long-term ones or into equity. From the banks' point of view, reducing rates of interest payable by Glen Anil means incurring definite, measurable losses, and in the case of some of the banks such losses could be very large.

The challenge, then, is to devise a scheme that will persuade the banks (all of them) that they would be better off to incur such losses rather than to force the company to sell off the bulk of its assets.

But that can probably only be done by removing some or all of the risk element from the banks' advances to Glen Anil. Or rather, by shifting the risk from the banks to someone else — in this case the government, because the shareholders are certainly not in a position to make much of a contribution.

The problem is complicated because each bank has arranged its lending in a different way. Some have concentrated on mortgage advances, so their loans are reasonably well secured. Others have advanced money to the company by in effect buying its debtors. Others have provided overdrafts.

Whatever scheme is finally proposed will have to take account of the banks' varying interests. However the broad principle will be the same for all: in return for shifting their risks to the government the banks will have to accept a lower rate of interest and later redemption of debt.

To make sure that even those large banks with relatively little at risk go along with the scheme it may be necessary to offer an additional sweetener. If the banks were to end up with government stock, for example, this could be classed as a prescribed asset, which would allow the banks to sell off some of their other prescribed assets and invest the proceeds in more profitable assets.

In addition, it may be necessary for the Reserve Bank to make special arrangements to safeguard the liquidity of the smaller banks. How this is to be done is not clear: presumably Church Square could discount their non-liquid assets.

Moreover, the banks would no doubt wish to arrange things so that in future they all had a say in running the com-

BANK EXPOSURES

BORROWER	BANK	EXPOSURE (Rm)*
Glen Anil	Nedbank	23,0
	Trust†	19,2
	Standard	13,0
	Senbank	5,5
	Barclays	5,3
	Rand	4,7
	Hill Samuel	3,6
	Bank of Jo'burg	3,1
		77,4

COMMENTS

†In addition Trust's mortgage participation bond scheme has advanced about R10m.

*The consortium has already lent another R4,2m to see the company over the next month. Security differs from bank to bank.

A BANKER'S VIEW

One of SA's leading bankers is Henri de Villiers, managing director of the Standard Bank group. As a firm believer in the free enterprise system he says he cannot subscribe to State intervention.

"If a company is mismanaged and in danger of going into liquidation, it must suffer the consequences of our capitalist system. However, there could be social and/or strategic implications and in this context there are precedents for the State to assume a protective role.

"Generally speaking, we already have a form of creeping socialism and the government deciding to assist ailing companies would represent another threat to free enterprise. I realise the implications for our economy if some of the larger companies are allowed to go under — unemployment and a chain reaction of insolvencies — but surely that is the price to be paid for freedom of action.

"The capitalist system demands efficiency and good management if a company is to survive. That is its fundamental strength. Why, therefore, should the State, and indirectly the taxpayer, be forced to bail out the shareholders?

"In addition, if one asks the State to cushion losses, one is also inviting the State to put a ceiling on profits which would represent a further erosion of the free enterprise system."

pany. That presumably would mean taking over virtually all of the Rubenstein family shareholdings, and paying nothing for them.

What are the advantages and disadvantages from the government's (and taxpayers') point of view? This of course can only be answered by viewing the alternative, which is the forced sale of some or all of the company's land to pay off at least a part of its indebtedness — or worse, an immediate liquidation.

The consequences of that could be disastrous, say some. Glen Anil so dominates the residential land market, they claim, that the forced sale of a large part of its portfolio would certainly cause land prices to plummet countrywide. That would multiply the difficulties of other property companies, some of which are already in trouble, possibly making them so illiquid that they too would be forced to sell off their land holdings.

Many other institutions which lend on the security of land — such as building societies, pension funds, mortgage participation schemes — might then be in trouble too. Meanwhile, one or two of the smaller banks which have over-lent to Glen Anil, could find themselves in serious trouble, as a result of which there could be a run on their deposits.

Then what? What would be the overall reaction across the country? Is it not probable, say the doom mongers, that business generally would suffer, that there would be a lack of business confidence, with unemployment rising even more steeply and new investment virtually collapsing?

And what would be the reaction overseas? Perhaps a growing demand for early repayment of debts and an unwillingness to lend more to SA.

The indirect overall cost in terms of lost economic growth, lost jobs and lost national income could make the burden of rescuing Glen Anil look minute by comparison. That is one point of view, and is probably an exaggerated scenario.

There are, however, tremendous dangers in a government rescue operation of this sort. On a very fundamental level the question should be asked: is it indeed the government's responsibility to bale out banks for a bad investment in a particular company? For years, businessmen have been crying out against excessive government interference in business. Surely that applies when business is bad, as much as when business is good.

Next, what is the future of the competitive system in this country if the government shows that it is willing to help one (badly managed) company but not necessarily its competitors? Is there not a danger that managers and bankers will see a lesson in this and grow less cautious in the future? The result could be a serious mis-allocation of the country's scarce resources.

Another point: if the government commits resources to the company, how soon will it get them back? Take Barclays' experience with Corlett Drive, Standard's with Ben du Preez, and UAL's with Summit. Generally, when large companies get into serious trouble they *never* get out of it. (SA Druggists is a rare exception.)

Finally, how can Pretoria justify aid to what is basically the White residential land market when it has reservations about providing additional resources for Black housing, even though a boost in that direction would greatly help to relieve unemployment?

These are all good reasons why Pretoria should keep its nose out of Glen Anil. The question is, when they are all put together on a scale, do they outweigh the disastrous consequences of not coming to the rescue?

Some people believe Glen Anil is in danger of becoming a national disaster. The object is not to save its shareholders. They can expect nothing. Nor is the object to protect the profits of the banks. The banks committed the traditional error of using short-term deposits to make what have turned out to be long-term malinvestments. Perhaps with the stock market and long-term loan markets in such bad shape, the money for township development would not have been available anywhere else. Be that as it may, the banks must now pay the price.

Rather, the object is to save the country from a major economic setback which, coming on top of its recent political setback, could herald a very dark period in its history.

This line of thought has an obvious appeal. But is it based on a firm foundation? Do the facts and figures of Glen Anil's predicament *really* point to a national disaster? Unless they do, the wiser course is for government to keep its nose well out of Glen Anil (although the Reserve Bank might have to safeguard the liquidity of some of the smaller banks).

To ensure the long-term survival of the free-enterprise system in SA the best way is not to come to the rescue of ailing companies. It is to let them go to the wall.

A CAUTIONARY TALE

This week Harold Lever, the British Prime Minister's economic adviser, has been trying to solve the financial woes of the Meriden Econ Motor Cycle Co-operative.

Set up under the aegis of Industry Minister Tony Wedgewood Benn, the co-operative is asking for another £1m to prevent its collapse. The government is reluctant to provide the money but is so heavily involved that another £1m is neither here nor there.

Britain may lag behind its European rivals in many respects, but the UK authorities have become adept at mounting rescue bids for ailing UK companies.

The first example to catch the public eye was Upper Clyde Shipbuilders in 1967. To stop the Glasgow ship building industry from going bust, the government arranged the merger of five Clydebank shipyards. The experiment collapsed a few years later and the government had to pick up the tab for £28m.

The remains were injected (along with £35m) into Govan Shipbuilders and Marathon (makers of North Sea oil rigs). Over the period, close to £100m of taxpayers' money has been sunk into these ventures.

Rolls Royce was the next to be bailed out and when Britain's major computer companies looked on the verge of extinction in 1968, the government arranged a merger and invested £60m over the following period.

The City has not been able to stand aloof from the government's efforts to rescue UK companies. Even the Bank of England has been dragged in to do its bit. The fringe bank crisis of 1973-74 led to a number of banks becoming virtually insolvent and the Bank of England was forced to set up its special Lifeboat Committee with the help of the large UK clearing banks.

At its peak in 1974, the lifeboat was lending £1,3bn to over 30 banks which had burnt their fingers in property lending or suffered a run on deposits. Today, some £800m is still out on loan and running the lifeboat has become a tiresome and expensive chore for both Bank of England officials and the senior clearing bankers involved.

The Bank of England has come under severe criticism because of the role it played in 1975 in the rescue of Burmah Oil.

The Bank stepped in and provided a standby facility of £75m and guaranteed loans of $650m. In return Burmah forefeited its shareholding for a measly £179m. Since then BP shares have rocketed and the Burmah stake is now worth £630m. Consequently, Burmah shareholders feel the Bank has cheated them and are planning to sue for some of their money back.

Once a government starts bailing out companies, where does it all stop?

(58)

23/1/77

A TOP NAT FIR[M] SUSPENDE[D]

NICTUS Finansiële Instellings, the multi-million-rand South West African property group whose major shareholders include several National Party hierarchy members in Windhoek, has been suspended by the Johannesburg Stock Exchange at the company's request.

Sunday Times Reporter

Nictus was in the news last June when it was found the company stood to make enormous profits on land it had bought from Windhoek City Council through a subsidiary and was planning to resell to the council.

There was also an outcry when the South West African Legislative Assembly planned to buy a block of Windhoek flats from Nictus for R516 000, though the municipal valuation was only R326 000.

At that time shareholders included:

- Mr A. H. du Plessis, former South African Cabinet Minister and leader of the National Party in South West Africa — 22 275 shares.
- Mr Eben van Zijl, verkrampte Nationalist representative to the Turnhalle talks and member of the executive committee — 20 000.
- Mr Kosie Brinkman, member of the Nationalist executive committee — about 50.
- Mr Kosie Pretorius, member of the executive committee — 800.
- Mr C. J. Mouton, Nationalist MP for Windhoek — 1 600 shares.
- Mr A. J. Louw, Nationalist executive secretary and member of the Assembly — 100.
- Mr F. R. Rall, Assembly member — 4 000.
- Mr S. G. Vilonel, Assembly member — 1 100 shares.

The total shareholding of other members of the Assembly comes to 11 435.

This week a subsidiary of Nictus Finansiële Instellings, N and P Construction, was provisionally liquidated in the Windhoek Supreme Court.

It had shown a R300 000 loss up to last December 31.

According to the annual report of Nictus, the parent company showed a taxed loss of R772 000 for the financial year to last June 30.

This compared with a taxed profit of R505 591 for the previous financial year.

At the time, Nictus said it hoped to solve its problems by the end of 1976.

However, the Nictus chairman, Mr P. J. de W. Tromp, said from Windhoek yesterday that he did not think the company would be able to pay dividends in 1977.

Mr Tromp said the provisional liquidation of N and P Construction could have an adverse effect on Nictus.

For this reason Nictus had asked the Johannesburg Stock Exchange to suspend it, he added.

After the Press publicised the proposed deal between Nictus and Windhoek City Council last year, the council's management committee unanimously rejected the offer of land by the Nictus subsidiary.

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FIN. MAIL 28/1/77

·LACK HOUSING

nterbank's lead

·bank Discount House deserves a pat · the back. In handing over three ·lando West houses to three of its ·ck employees last Friday, it is the first ployer actually to conclude financial ·angements in terms of government's ·icy change to permit rights of occu·ncy and use on houses in urban Black ·as for an unlimited period.

Twenty-year housing loans have been provided by Interbank at a subsidised interest rate of 5%. If the employee leaves the Bank, he can pay off the outstanding amount over a specified period and his rights (which are transferable) remain unaffected. The houses, with two bedrooms, a family room, kitchen, bathroom, hot and cold running water and electricity, were built for the employees by the West Rand Bantu Affairs Administration Board. Interbank provided the finance, secured under a notarial bond registered on the rights of occupancy and usage.

On paper the scheme looks simplicity itself. But other employers might be forgiven their sluggishness in following Interbank's lead.

The first dark area is just what this "right of occupancy" means. Employers are still confused over whether they will be helping or hurting employees by offering similar schemes. For example, by buying his house, an employee will be loaded with larger monthly payments

·an if he continued to rent. If he is ·denly endorsed out of the urban area, ·at will he have to show for his attempt ·purchase?

One attorney describes "right of occu·ncy" as "an abortion which nobody ·ems to understand. It is not leasehold, ·or is it a concept with which we can deal ·ormally in our law". To him, a notarial ·nd over "right of occupancy" sounds · but makes nonsense, for there is still ·real right over land.

The second is the contortions which the building societies are having to perform. While the Bantu Administration Boards are trying to persuade the societies to lend directly to them (as prescribed investments), and for the Boards then to build for urban Blacks, the societies generally are opposed to it.

They know that Blacks dislike dealing with the Boards. They also want Blacks, thousands of whom are loyal depositors, to feel and know that the societies are working directly for them. So societies and employers are trying all sorts of techniques to get the "home ownership" scheme off the ground: like a society granting a bond to an employer over his property, which amount the employer then advances as a loan to his employees for purchase of houses.

These machinations are all so unnecessary. If government seriously wants its "home ownership" programme to become meaningful, it cannot do so without direct building society participation. And this will simply not be achieved until government grants Blacks proper title.

(58) FIN. MAIL
28/1/77

GLEN ANIL

Nedbank's involvement

Has government already assisted Glen Anil? It appears that it has. When Nedbank and Standard granted additional facilities of about R5m to the cash starved company in December certain assurances, it seems, were given by government.

What were they? No one will say. Nedbank's MD Gerry Muller answered "no comment" while Standard GM Conrad Strauss told the *FM* to speak to his PRO, who wasn't helpful.

A pity. Although the banks claim they are acting in the best interests of both the public and themselves, the matter should be aired as it could involve taxpayers' money. It's crucial that this be done as the Glen Anil situation more and more resembles a can of worms.

Take Nedbank's involvement. It has R23m at stake. Of this, R6m is in the form of guarantees for financing township services, which presumably will not be called if the company legally ceases to function, and R17m in loans. The direct claims are largely related to the financing of a separate company, Glen Anil Finance, which has a paid-up capital of R3,75m, equally owned by Nedbank and Edglen, the Rubenstein family holding company. Its assets are R18m worth of deeds of sale and its only liability is about R15m owed to Nedbank.

In addition to its direct recourse to Glen Anil and specific arrangements to replace unacceptable debtors, Nedbank apparently holds other security which bolsters its position.

Nedbank claims that the reason for this round-about involvement was its desire to keep its business in a separate entity as it was not the company's main banker.

Nedbank's Muller . . . a well-secured stake?

The effect of the deal (which was previously offered to at least one life insurer), however, has been to window-dress Glen Anil's accounts. The R15m was apparently never consolidated in the company's liabilities. It was off-balance sheet financing.

Moreover, the *FM* understands that when Glen Anil sold the deeds of sale to Glen Anil Finance, deferred profits on these deeds were realised, although many instalments are still outstanding. This obviously boosted profits and, ironically, the company's tax liability.

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THE ARGUS, THURSDAY FEBRUARY 3 1977

CAPE NOT HURT BY GLEN ANIL

THE property market in Cape Town is not likely to be seriously affected by the liquidation of the giant Glen Anil township development company, says Mr Geoffrey Seeff, one of the city's leading estate agents.

Legislation may be in the pipeline to prevent undesirable conditions of fixed property sales in the light of the Glen Anil and S. M. van Achterbergh companies' collapse.

Such legislation is likely to effect the sale of unproclaimed stands and the sales of flats which had not been registered under the Sectional Titles Act.

It is felt, however, that those buying stands on proclaimed townships will have nothing to worry about. These townships are all mortgaged.

It is felt that all that will happen is that title to the townships will pass to the mortgage holder and the position of the stand-buyer will be unchanged.

He will continue to be able to take transfer of his stand whenever he wants to do so.

The position of the person buying a stand in an unproclaimed township, however, is somewhat different.

It seems that legally his stand does not exist.

However, the stand purchaser will still be a preferential creditor — though whether his claim will be as strong as the mortgage holder's remains to be seen.

Nevertheless, the general feeling among property men is that whoever takes over the townships would find it more profitable to honour the stand purchasers' claims and to assist them to take transfer of their stands.

Consequently fears th[at] the liquidation of G[len] Anil will result in blocks of land bein[g sold] off at very low pr[ices are] regarded as groundle[ss by] most property men.

Property meddling attacked

Argus 3/2/77

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DR A. D. WASSENAAR, in his book, Assault on Private Enterprise, makes a damning indictment of Government interference in property and township development which has been highlighted by the collapse of the property giant, Glen Anil.

Dr Wassenaar contends that in South Africa official policy has been to hamper township development as much as possible.

'A general analysis of recent trends . . . leads inescapably to the conclusion that the private sector is being phased out of township development. The report of the Niemand Commission has done great harm to township development in the RSA, and has launched another typical attack against private enterprise.'

EXCESSIVE

As an example of the difficulties faced by private developers, Dr Wassenaar points to standards imposed by officialdom in respect of streets, roads and all other services which are regarded as 'unbelievably excessive' by the private sector.

Dr Wassenaar says another factor contributing to the escalation of costs is the time taken by the process required to obtain approval of townships.

He says the time required to obtain proclamation of an average township has increased because of the Niemand Commission recommendations and other factors.

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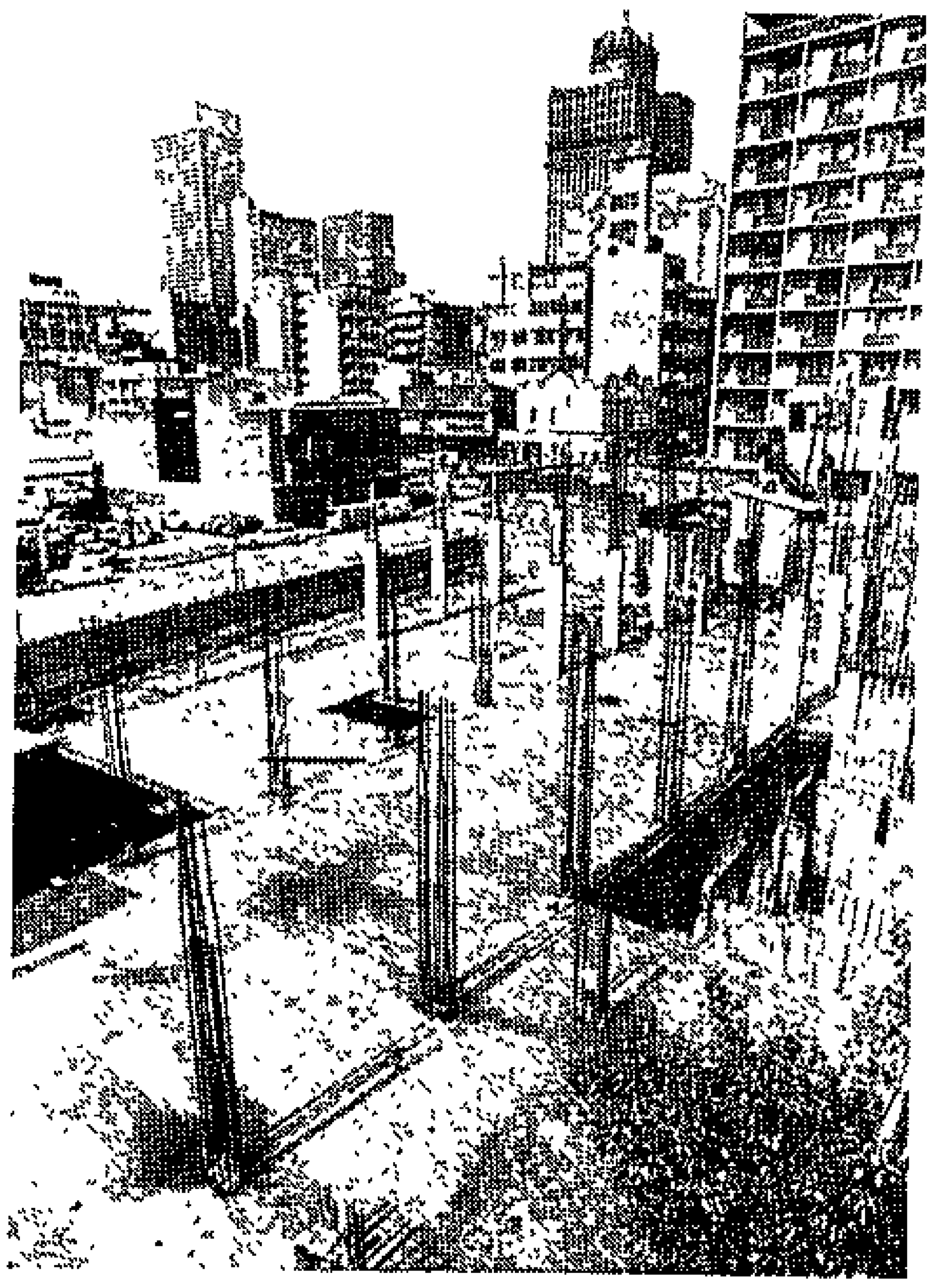
PENSION FUNDS

Reluctant landlords

The Joint Municipal Pension Fund (Transvaal) has done it again. Last year it stepped in and bought the nearly completed Lindrene Centre in Kempton Park, over which it had granted a bond, when the developer became insolvent (*FM* October 8).

This time the property is a 1 400 m² CBD site in Johannesburg's Bree Street, between Mooi and Gold Streets. The purchase price was R230 000, the exact amount of the pension fund's bond. The site was to be developed with offices by Bree Holdings (Pty). This company got as far as constructing a double-deck parking basement before it went into liquidation.



Bree Street site . . . the wrong time and the wrong place

The pension fund hasn't yet made up its mind what to do with the site. This is understandable since the market reckons the site, at the "wrong" end of Bree Street, is a dud.

Road motor transport — See — PUBLIC SECTOR - Transport
TRANSPORT - private

Roadmaking — See — CONSTRUCTION - General

Rubber products — See — MANUFACTURING - Rubber

RUSSIA

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Sactu — See — INDUSTRIAL RELATIONS - Workers' Org. Sactu

Saldanha Bay — See — DECENTRALIZATION - Other Areas

23 / ....

Some lessons from Glen Anil

FIN MAIL 4/2/77 (58)

Board members and bankers need to draw the right conclusions from Wednesday's liquidation order

The pleas from bankers that government should help them bail out Glen Anil were no doubt persuasively argued. In the event the Minister of Finance declined to help. And the ultimate penalty of liquidation has been set in motion.

He was right to do so. Had taxpayers' money — or the government's own guarantees — been used to shore up the company and cover over the gross mismanagement of its finances, it would have set a dangerous precedent. If Glen Anil, why not Corlett Drive, S M van Achterbergh, Rand Bank, Rondalia Bank and any other ailing business which could make out some sort of case?

Government has been rightly condemned for excessive interference in the economy — and not only by Sanlam's 'Lens' Wassenaar. By digging in its heels over Glen Anil it has shown that this unhealthy trend can at least be halted, if not reversed.

But if government is to be commended for its wise decision, what about those actually involved in the Glen Anil fiasco?

The company's board for example. First of all there's its headstrong boss, David Rubenstein, whose insistence on an expansionist policy in a worsening property climate and climbing interest rates lies at the root of Glen Anil's financial weakness. Had he listened to some of his more seasoned advisers, among them his father's protegé Tim Marneweck, the group might not have escaped a battering but might well have survived to live another day.

For him Wednesday must have been a tragic day, not merely because the blue chip market leader inherited from his father has finally crashed, but because for him and his family associates the prospect must be one of financial ruin. His shares are probably worthless and the substantial personal sureties he signed will have to be redeemed from his own assets.

Nor was he merely headstrong. It is possible that neither he nor his executive directors put the outside directors fully in the picture. What other explanation is there for the board allowing Glen Anil's finances to develop into such a precarious state?

Those outside directors will no doubt want a full accounting from him for putting their own reputations at risk. Having said that, the obvious further question is to ask why they didn't *insist* on full, detailed and up-to-date financial reports, on a monthly basis if necessary, once it became likely that the property industry was going to fall victim to the twin problems of reverse gearing as interest rates climbed and declining sales as the clamp on household incomes got tighter?

Not only was the board not fully in the picture. To judge by the tenor of his comments following publication of the 1975-76 report, Rubenstein succeeded in misleading the financial press as well, including ourselves.

But the reddest faces are those of the bankers who were happy to go on advancing millions to an already overstrained colossus, often on the flimsiest security. Did each bank take steps to find out what Glen Anil had already borrowed, at each stage, from its competitors? Did each bank, when approached for more money, insist on

There but for the grace of God and good management . . . Tuckers MD Hymie Tucker

Elementary financial prudence exercised in time, and based on a full disclosure, was obviously missing. Outside shareholders relying on non-executive directors to watch their interests will justifiably feel aggrieved.

Rubenstein also disclosing the full extent of the company's off-balance sheet financing?

If not, and it seems not, there is something seriously wrong not only with the property industry but with the banking

Once proud leader of the property pack

industry too.

The first thing that needs to be put right and which deserves the immediate attention of bank boards — and of the Registrar — is closer supervision of the *quality* of bank assets, not merely the conventional liquid asset and capital ratios. These are based only on the liabilities side.

Secondly it is clear that millions are capable of being loaned without a full expert investigation of the borrower's viability (*pace* the recent Wainer loan from Standard which was granted without accounts even being available).

The boards and top managements of the banks should also urgently review their appraisal systems and probably need a good shake-out themselves. They can't escape taking risks: but some risks are worse than others. And smart bankers should know the difference.

That's all water under the bridge. What happens now? A sensible strategy for the banks would be to separate the most promising assets from the dud ones; enlist long-term institutional finance; develop the former to the point of marketability; and jettison the rest in as orderly a fashion as possible.

Whether the bank consortium can hang together and ensure that the liquidators are able to conduct an orderly disposal and distribution of the assets is an open question. There has already been a great deal of pulling and pushing with some of those enjoying good security being tempted to realise it, which would have left the less well secured in the lurch. Other bonds were registered only over the past six months. Had the company been put into liquidation earlier, some of this security would not have been perfected and the position of the unsecured lenders would have been that much better (in a liquidation, bonds registered within the preceding six months can be more easily challenged or upset).

No doubt the banks will also be taking a closer look at their other property investments, and will be calling for further security as the market deteriorates in anticipation of Glen Anil's forced sales. Where such security is not forthcoming, loans may have to be recalled and there may have to be further bankruptcies.

However each case should be judged on its merits. It will be fatal if the banks, having been scorched by Glen Anil, take fright and start making unreasonable demands for security. That could unnecessarily trigger off more collapses.

A final point: the case for government aid was that Glen Anil's bankruptcy could have a domino effect with wide ramifications. Yet shareholders, creditors, standholders and the public have been kept completely in the dark about Glen Anil's true financial position for more than three months. Even now no one outside the charmed circle knows how much Glen Anil was actually losing and how much would be needed from government to make a rescue operation feasible.

This conspiracy of silence leaves a bitter taste.

HOW THE BANKS STAND

Standard: The group as a whole has advanced about R20m to Glen Anil, of which Standard Bank has lent R8,5m on overdraft and R4,5m on reticulation guarantees. Standard Merchant has guaranteed a R3m Euroloan and given terms loans of about R4,3m.

SMB's claims and obligations are partly secured by building society deposits while Standard Bank is also partly secured, for example with a bond over Medical Centre. Last August it registered certain other bonds which have not been perfected yet.

In December 1976 Standard was appointed one of GA's main bankers and has subsequently put in about R4m against certain securities.

Hill Samuel: A R3,6m term-loan made by Bank of Johannesburg is guaranteed by Hill Samuel.

Barclays: Has granted facilities for about R6m of which R2m are reticulation guarantees, R3m overdraft facilities, and R1m is a participation bond arranged by Western Mortgage Nominees. Except for the mortgage bonds Barclays is totally unsecured. It apparently didn't realise how deeply indebted Glen Anil really was. Secondly, while all the discussions were proceeding some other banks' security was hardening — to the detriment of unsecured creditors like Barclays.

Nedbank: Guarantees of R6m and R17m of loans to a Glen Anil subsidiary Glen Anil Finance, in which Nedbank has 50% of the 3,8m equity. The loans, all off-balance sheet, are secured by deeds of sale.

Senbank: Term loans for R5,5m secured mostly by first mortgage bonds over developed townships. The rest is secured by bonds over undeveloped land.

Rand Bank: R10m was advanced against promissory notes made out in favour of Rand Bank; R5,7m of these were subsequently on-sold in the money market without recourse. Fred du Plessis, the curator, has not indicated whether it will back them.

The notes are secured by deeds of sale (the properties are however bonded to another bank) and by David Rubenstein's personal guarantee.

Trust: Is in for the most but is generally regarded as well secured. R10m is participation mortgage money for which the bank has no direct liability; R10m in term loans granted by Trust Finance Corporation (TFC) funded with long-term debentures; and the rest, R9m, again term loans, from Trust and Trust Accepting (TAB). R13m of the initial R19m made available by the bank was to Glen Anil subsidiaries.

As security Trust, TAB and TFC have first mortgage bonds over developed and proclaimed land (eg Pierre van Ryneveld Park, Betty's Bay, Glencairn (Durban), cession of debtors in one instance, and cession of shares and guarantees by Fourways, a subsidiary with "a strong cash flow."

Even Trust's soft underbelly, Paradise Valley Township, to which it advanced R7m, is secured by a cross-guarantee of a healthy subsidiary. A R2,1m performance guarantee is also secured by a guarantee from Fourways. Since the consortium was formed a further R1,25m bond has been given, against good security.

Bank of Johannesburg: a R3,1m loan with bonds over undeveloped land.

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COVER STORY

Increasingly, economic power vests with the big institutions, primarily life insurers and pension funds. In SA, two financial giants — Old Mutual and Sanlam — loom large over the private sector

The Colossi at the Cape

FIN. MAIL 4/2/77

In the Unseen Revolution, US management pundit Peter Drucker claims that true socialism — ownership of the means of production by workers — has already come to the US.

Employees' pension funds own at least 35% of industry's equity capital — sufficient for potential control.

This trend has gone even further in South Africa: the tentacles of Old Mutual (assets R1 600m) and Sanlam (R1 150m) spread far into banking, industry and mining. Between them, they own — on behalf of policy holders and pension fund beneficiaries — half of all the life offices' R5 000m assets. Even if private pension and provident funds (assets of R4 000m) are also included, they control nearly 30% of such institutional assets and 40% of institutional equities.

Sanlam and Old Mutual's 1975 SA premium income individually represent 0,7% of Gross National Product (GNP). That is almost as much as the collossal Australian Mutual Provident which generates premiums equal to 1% of GNP. By comparison, the two largest US insurers, Prudential and Metropolitan, whose premiums are bloated by their huge medical insurance business, generated premium of only 0,4% and 0,3% of GNP respectively.

The SA twins are still growing fast. Despite its large base and aggressive competition from smaller insurers, Mutual's premium income soared by 27% to R275m last year. Total assets increased by 17,5% — 50% more than the inflation rate during that period. Sanlam's performance was as impressive with assets also shooting ahead by 17,5% to R1 150m.

Though a good 30% of total assets are compulsorily invested in comparatively low-yielding public sector securities, a large chunk is still channelled into the private sector. At book value, which even in today's depressed market understates their worth, Mutual has spent some R363m on equities and R114m on corporate debentures, an increasing amount with conversion rights. Sanlam has a share portfolio of R248m and a substantial holding in property.

Besides their direct investments both can exercise influence, if not control, over a much wider area. Mutual, for instance, has a number of "associates" which are themselves financial giants. There's the Nedbank group (Nedbank, Nedfin, UAL, Nefic and Syfrets) whose combined

MAJOR INVESTMENTS

OLD MUTUAL‡	Total Cap Rm†	Holding (%)
AECI*	275	3,7
AEG Telefunken	13	15,6
Anglo*	525	7,8
Anamint*	370	4,8
AT Colls*	10	18,3
Barlows*	300	5,2
Bloemfontein Board	1	48,8
Breda Bank	2	20,9
Burlington Hos*	3	11,4
Common Fund*	10	21,2
Cullinan Holds*	9	10,2
Centurator	2	100,0
Del Engineering	1	75,0
De Beers*	1 300	3,2
Discount House	6	19,0
Dura Holds	10	33,0
Federale Chem*	30	11,1
Federale Volks*	60	10,2
Helios Holdings	4	37,5
Human & Rousseau	1	42,0
ICS*	40	17,5
ICL (Iclef Holding Co.)	35	10,2
Malcomess Bakke*	10	11,4
Mutual & Federal*	9	51,0
Nedbank*	160	26,1
Samuel Osborn*	10	12,2
SA Druggists*	25	10,5
SA Fertiliser	110	18,7
Stanbic*	130	12,0
Stuttafords*	5	23,4
Swiss Office Machinery	1	25,0
Union Corporation*	230	4,6
SANLAM §		
Bankorp*	20	30,0
Bonuskor*	15	27,0
Federale Chem	30	10
Federale Mynbou*	114	36
Federale Volks*	47	47
Homes Trust Life	125	100
Malcomess Bakke*	10	16
NDH	7	11
Nasionale Pers	-	18
SA Philips	--	25
Sanbes	-	100
Sankor*	17	72
Sanland*	15	69
Sanmed	-	100
Sanprop		100
Santam	15	33
Satbel	--	64
Sentrust*	40	10
Trust Bank*	27	11
Volkskas*	54	28
United Transport	-	25

SANLAM FAMILY	Total Cap Rm†	Holding (%)
BONUSKOR		
Construction & Mining Equipment	28	100
Komatidraai	5	100
Midmacor Holdings	11	100
Mitco Tool	14	100
Rand Bank*	3	12
SA Druggists*	29	28
SA Glazing	4	100
Saw Milling Companies	10	100
Twello Forestry	12	100
FEDERALE MYNBOU		
*General Mining Group**	640	67
Buffels	120	
Clydesdale	20	
Gefco	35	
Lydenburg Plats	20	
Msauli	30	
Sentrust	45	
Stilfontein	30	
Transnatal	105	
Trek	13	
*Union Corporation Group**	1 000	50
Bishopsgate	30	
Bracken	74	
Carlton Paper	20	
Darling & Hodgson	20	
Impala	140	
Kanhym	15	
Kohler	15	
Sappi	50	
St Helena	165	
UCI	45	
Winkelhaak	90	
FVB		
Asmar Beleggings*	0,4	67
Avis Rent-a-Car	-	50
Bochmalt	--	100
Cape Lime	---	100
Continental China	--	71
Federale Mynbou*	115	12
Federale Chem	30	69
Fedmar	--	100
Federale & Volkskas Makelaars	---	50
Fedics	-	33
Lambons	—	100
Massey Ferguson*	9	30
Marine Products*	29	50
Phil Morkel*	8	47
Raylite Holds	-	20
Siemens	---	17
Trek*	13	23
Trust Bank*	25	24
Veka*	2	26
W Woods	---	64

**Quoted company. †Market value, gross asset value and net asset value for quoted companies, unquoted companies and unquoted banks respectively. ‡These investments represent about 55% of equity book value. §About 70% of book value* assets top R2 500m. In addition to its 26% shareholding control (with no voting restrictions and no evidence that control is ever exercised) Mutual's chairman Jan van der Horst and director Jan Pijper sit on Nedbank's board. Other executives have seats on the boards of subsidiary banks like UAL. To reciprocate, Nedbank chairman Frans Cronje and deputy-chairmen Gerry Muller and Len Abrahamse are directors of Mutual.

Then there's Mutual's special relationship with the SA Permanent building society (assets exceed R1 500m), in which it has invested about R12m. Having no long or short-term insurance arms, SA Perm writes its business through Mutual and its subsidiary Mutual & Federal and earns a commission.

Mutual men reciprocate by acting as agents and selling Perm investments which complement their own. Relations are cemented at board level. Van der Horst is a member of Perm's board: Cronje recently became chairman; while ex-chairman E S Smith was a Mutual director.

Sanlam's set-up, though complicated, is more direct. A legacy of its founding ideal — to give the Afrikaner a foothold in commerce and industry — is the close-knit family of Federale Volksbeleggings (FVB), Federale Mynbou, Bonuskor, Bankorp and Homes Trust Life. In addition, there are many companies on the periphery which come under Sanlam's influence, to a greater or lesser degree, but are neither directly nor indirectly controlled by it

Take banking. It controls Bankorp, holding company for Senbank, Bank of Johannesburg and Credit Bank (formed last year from Sasbank and Federale Bank) jointly with Volkskas which has 40% of the equity.

It also has a 28% share in Volkskas itself and nominates two of its 10 directors (two Volkskas men also sit on the Sanlam board); a 11% direct and 24% indirect (through FVB) stake in Trust; 33% of Santam which, in turn, owns Mercabank; and options on 20% of the capital of Concorde Bank. It has an 11% holding in National Discount House and through Santam, Trust and FVB a big slice of the Interbank action. Finally, between them, Bankorp and Bonuskor own 40% of Rand Bank.

How is this impressive, if latent, financial muscle exercised? Van der Horst firmly denies that Mutual has or is seeking power. "Mutual's objective," he insists, "is to produce the maximum benefits possible for policyholders in the long run." This requires setting high standards of investment, underwriting and cost control.

Board membership is seldom sought (though Mutual executives are often "asked") and no attempt is made to interfere with management. Investments are never sacrosanct and if a company performs below par, it will disinvest (as it once did with a 16% holding in a listed company) even if it takes the market a long time to absorb the stock.

Not even Nedbank is "controlled". Van der Horst points to its substantial (12%) holding in Stanbic, its main bankers, as evidence. Gerry Muller agrees: "If our results were poor Mutual would obviously want to know why. But they don't control us."

However, without mentioning names, Mutual has on occasion prevailed on management to follow a more conservative financial policy or negotiated higher yields on debentures when trust deeds were amended. When discussions with managements fail, Mutual does not shirk from taking further action if there's a principle at stake, as AT Colls found out. Its decision to issue rights in Witbank Collieries to preference, as well as to ordinary, shareholders has been opposed, up to Supreme Court level, by Mutual, and is going on appeal.

Sanlam today is only slightly more activist than Mutual, but considerably less so than say the investment and mining finance houses. And it intends to become even less involved in control and potential control situations in future, in order to have a freer hand with its investments.

MD Pepler Scholtz illustrates its philosophy: "Though Sanlam is by far the largest shareholder in the Federale and General Mining groups and owns enough shares to enable it to control effectively, for example by appointing the board or by introducing its own management, it is not policy to do this. Thus, only a few nominees serve on the various group boards.

"We at Sanlam are aware that we are assurance people, and in the broader sense financial people. We have neither the experience nor the expertise to accept responsibility for managing an industrial or mining group. Moreover, these companies would fail to attract and maintain competent management if we were to try to interfere."

Sanlam's Scholtz . . . a close but loose relationship

This close, but loose, relationship has advantages for both parties. The Union Corporation drama showed how vulnerable a company can be if there is no one large shareholder to block takeovers and offer protection. Sanlam's financial strength also enabled the group to get control of UC. For Sanlam, the benefit lies in investing in a group of companies where it is assured of dynamic, efficient, management, and where it has the potential ability "to intervene and protect the interests of policyholders if things go wrong."

Not all relationships follow this pattern. Take Volkskas. Sanlam is again the largest single shareholder, but with voting rights limited to seven per shareholder its position differs from other shareholders only in its right to nominate a few directors.

Volkskas MD Danie van Huyssteen puts it this way: "In no way does Sanlam control us. Not at board level, nor through voting rights. Our relationship is more a loose association."

Old Mutual's Van der Horst . . . culture is what is done and not done

Santam, the short-term insurance and banking group that originally spawned Sanlam, has even freer rein. Despite owning 33% of the shares, Sanlam's vote is restricted to 1% and it has no voice on the board. Though a leading merchant banker estimates cost savings from a Sanlam/Santam merger at around R8m (R6m on the insurance side and R2m from Santam/Bank of Johannesburg and Senbank/Mercabank consolidations) Scholtz admits that this is "unlikely" to happen. He has no intention of trying to force the matter.

Not that Sanlam is afraid of entering the fray when an investment goes awry.

As the major shareholder it considers its prime function to be ensuring that a company has good management and will, if necessary, encourage the necessary changes to achieve this. Scholtz nevertheless has no objection to selling a poorly performing investment if things are going badly, but maintains that it is not always sound policy to do so.

The loose control exercised over "family" affairs, and preoccupation with investment yields, are well illustrated in those cases where Sanlam puts capital into one company and an associate backs a direct competitor. For example, Sanlam has 25% of United Transport, Hertz's holding company, while FVB controls Avis Rent-a-car. Similarly, Sanlam owns 25% of SA Philips while FVB has a 17% share in Siemens.

Despite their *laissez-faire* attitudes to "controlled" investments, both Sanlam and Mutual have been criticised in the past for acquiring such enormous power while in practice being accountable to no-one. As Mutual has 650 000 voting members and Sanlam 580 000, voting power is more diffused and thus management's grip is firmer than in most incorporated bodies.

Moreover, because of the long-term nature of life insurance and the fact that it is not simply a savings medium, but also a cover against death or disability, it is difficult for policyholders to measure returns or management performance. With incorporated insurers, on the other hand, shareholders (though not policy holders) have adequate yardsticks to gauge results. On the other hand policyholders could suffer if profits are unreasonably released to shareholders.

Scholtz does not deny that Sanlam's board (as with the vast majority of companies) is self-perpetuating and that members are handpicked. But he stresses that the board, where ultimate authority rests, is strongly independent and should be prepared to dismiss an inefficient management in the interests of policyholders.

He also makes the valid point that there are dozens of companies where managements are laws unto themselves with little regard for outside directors and shareholders.

Besides an experienced and strong board, Mutual's management is kept in line by what Van der Horst calls the "culture of what is done and not done."

Not that control is left entirely in the hands of "independent" boards or pervasive "cultures." Mutual and Sanlam are both governed by Acts of Incorporation (which define members' rights, directors' duties, etc) as well as the Insurance Act which is administered by the Registrar of Insurance (who keeps an eagle eye over developments in the industry).

And to their credit both foster communication with policyholders and voluntarily send out annual reports. Compared to incorporated insurers like Liberty Life, the information provided in the balance sheet and income statement is equally comprehensive, though both Van der Horst and Scholtz stress that they try to keep the accounts as uncluttered and easily comprehensible as possible. Hence the absence of qualifying notes, which take up three pages in Liberty's report.

Though some information required by the Companies Act, such as directors' emoluments, is not given, this is readily disclosed at well attended agms.

The rest of the long-term savings industry may well be dwarfed by these two giants. But *prima facie* it seems an efficient system for mobilising and channelling capital into infrastructure and productive enterprises. In spite of this, a bureaucratic State pension scheme, is already being mooted, which could easily become a drain on the economy and a disincentive to save (*FM* last week).

And those who argue the case for a larger number of rivals, each with a smaller slice of the insurance/pensions cake, should remember that this might also lead to inefficiency as available management and investment talent would be spread thinner than they already are.

Glen Anil a warning against reckless buying

Cape Times 5/2/77

By DAVID DOUGLAS
Property Editor

THE crash of the Glen Anil empire did not mean the end of the property market and while other companies who were not geared to modern economic conditions would also go down, it was the time when forward-seeing people could make good buys, Mr Fred Heller, vice-chairman of the Cape Town branch of the Institute of Estate Agents said yesterday.

It was a difficult time for sellers of property. The blame for the present problems of property owners could be laid largely on the heavy increase in interest rates of mortage bonds.

"It is a tremendous jump from 8½ percent to 11½ percent in many instances in a short time. People may find themselves in a position where they never really clear their bonds if they are not careful."

This week Mr Heller was commenting on the sale of three properties in the Schwartz brothers empire, which received top bids of around half and even less of the municipal valuation.

"There is no room in the market for agents and companies which do not keep up to date. Among agents there is an air of waiting for things to pick up. I do not feel that the industry is headed for ruin, for we have a sophisticated economy.

"However, we are pretty near the bottom by now."

Mr Heller then had good news for people who purchased, provided they had the money and did not need to take out crippling bonds.

"The people who bought these properties this week, for example, the flats which went for R270 000, will be rich when the economy sorts itself out.

"These flats are in a prime position on over an acre. If one were to try to build now at present rates one would not be able to put up half the amount of accommodation.

"One just cannot find vacant sites in the city and leading suburbs today and the cost of building is escalating all the time."

Mr Heller warned against reckless buying and said that care should be taken. It should not be assumed that there would be no further drop in property values.

THREE auction sales this week surprised agents and others because they reached about half or less than the municipal valuation. They were all good properties, and the poor prices received were blamed on the present economic climate.

However, said Mr Fred Heller of Lionel J Heller, they could not be described as sales by a willing seller to a willing buyer, as they were in fact forced sales, being in the estate of the Schwartz brothers being liquidated.

On Tuesday Pentland Heights, 14-24 Constantia Road, at the corner of Wellington Avenue, Wynberg, fetched a top bid of R270 000. The municipal valuation is R402 980. About 70 people attended the sale, the bidding starting at R200 000. There were 23 bids.

Pentland Heights is a recently-built block of 42 flats at uncontrolled rentals. There are 34 garages and the total rents amount to R55 466 a year.

On Wednesday a small building at 72 Loop Street in the City was auctioned for R55 000. The municipal valuation is R161 590. The site measures 377 sq m and is zoned General Commercial sub-zone C5. About 30 people attended and the bidding started at R25 000.

On Thursday Pendennis, Camp Road, Muizenberg which is a large piece of ground, 5 256 sq m in extent with an elderly house on it, and having a frontage of 110 metres on Boyes Drive, went for R16 500. The municipal valuation is R30 800.

The house is really two attached units and they have a floor area of 431 sq m. There has been considerable damage by vandals, but the structures are in good condition, the auctioneers said.

Described as the "finest site in Muizenberg," it is said to be free of mist and protected from the wind. There is room for cluster housing in view of its size, although it is graded as single dwelling zone.

All bids are subject to confirmation by the authorities.

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Sun Trib (Fin) 6/2/77

58

Fall of a giant

By ESMOND FRANK

BUSINESSMEN this week described the collapse of the R180 million property giant, Glen Anil, as "graphically symptomatic" of the country's deteriorating economic plight.

Glen Anil, whose share price slumped from R34 each at the height of the property boom in the 1960's to 37 cents each just over four months ago, applied to the Supreme Court in Johannesburg on Wednesday for its own liquidation following a bank consortium's decision to withdraw its support from the tottering property empire.

The beginning of the end for Glen Anil came early in the week when Rand Bank — which had lent the ailing property company some R10 million — was placed under curatorship.

Glen Anil's only hope for survival then rested with the Government. But the Cabinet sounded the company's death knell when it declined to provide State funds to help prop up the slumping giant.

The final blow came on Wednesday when the eight bank consortium ended the moratorium. The company had no option but to apply for an order of liquidation. It owed the eight banks — Trust Bank, Nedbank, Standard Bank, Rand Bank, Senbank, Barclays Bank, Hill Samuel and the Bank of Johannesburg — at least R92,5 million.

Although the banks have undertaken to do their utmost to cushion the effects of the liquidation, Glen Anil's crash, said to be the biggest in South African economic history, is bound to send a series of violent shock waves through all sectors of local commerce and industry.

Meanwhile, the question of liquidating a company with such diverse assets as Glen Anil is a complex problem, writes **Alan Peat.** Both in who will buy and what there is to buy.

"One thing is for sure," says one property expert, "whoever does buy is going to look for heavy discounting on the properties' going prices. This for two reasons. First, whoever buys will face the same liquidity problems as Glen Anil unless they can be assured of their returns.

"Second, on large schemes like these the investment return programme would be long term and a buyer would want a high net return to make up for the length of time his capital would be tied up."

That Glen Anil's portfolio is overvalued as an asset is not in doubt. Much of it was bought at a time when land and property values were high and going higher.

Selling now in a depressed market, with money tight, interest rates high, and bonds difficult to come by, their actual value on the open market is substantially down.

Sun Times 6/2/77 (58)

GLEN ANIL

THE CRUMBLING GIA...

Down comes the ho... that Rubenstein bui...

BEHIND this week's dramatic collapse of Glen Anil, South Africa's largest property giant, lies the story of a brilliantly successful father and the son who took his place. Sunday Times 6/2/77

By IVOR WILKINS

DR EDDIE RUBENSTEIN, who died in 1972, was an energetic, affable man of immense personal charm. While practising as a dentist in Johannesburg he dabbled in property as a hobby and in 1948 bought a farm north of Durban which he developed into the township of Glenashly.

The farm was known as Glen Anil and the deal marked the start of a property empire. Over the next 20 years, with a flamboyant blend of drive, integrity, vision and business acumen, Dr Rubenstein developed township after township.

He was a generous man with a contempt for hard-bitten business methods.

It is a story of a R120-million fortune made and lost in 28 hectic years of enormous wheeling and dealing. It involves big personalities, tremendous flair, genius and courage and, in the end, a series of tragic blunders and setbacks.

Although it involves thousands of people and the South African economy as a whole, essentially it revolves round a Johannesburg dentist, Dr Eddie Rubenstein, and his son David.

When Glen Anil went public in 1968 Dr Rubenstein had developed more than 100 townships, among them Glendower, Glenadrienne, Savoy Estates, Victory Park Extension 18, St Andrews, Bramley Park, Glen Athol, Ballito Bay, Cresta, Malanshof, Mindalore and Industria North.

The shares soared from R2,50 to R34 on the Johannesburg Stock Exchange and the market value of the company was estimated at nearly R280-million. The Rubenstein family fortune was R120-million.

Success

It was into this boisterous world of high-power success that David Rubenstein, the only son (there are two daughters), stepped after completing a bachelor of commerce degree at the University of the Witwatersrand.

From an early age he had been intimately involved in the company's activities and worked there during his school and university holidays.

By 1970 his father's health was failing and David took over much of the day-to-day management. He was 27. Five years later he was chairman and chief executive of South Africa's largest township developer.

This week Glen Anil crashed and went into provisional liquidation. Its shares had been suspended on the JSE when they sank to 30c.

A personal fortune of millions has been lost and David Rubenstein, a 33-year-old bachelor with a love of fast cars (he drives a Mercedes and an E-type Jaguar), nightclubs and jet-set weekends, faces ruin.

Loyalty

On the face of it, it would seem that the complex, introverted David is to blame for the collapse and certain reports have said so bluntly. But people close to the company

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6/12/77

Mr David Rubenstein . . . expanded on weakening market.

say that while he unquestionably made serious blunders, the truth is more complicated.

From the time he entered Glen Anil he had to contend with the enormous respect and personal loyalty the staff had for his father. Innovations he tried often met with the attitude: But that's not the way Eddie would have done it.

He was also faced with a legacy of huge investments his father had made during the boom years. Large amounts of land had been bought far from the main centres as long-term development prospects.

While that might have been sound policy in the prosperous sixties, the harsh economic realities of the mid-seventies ruled out the prospect of developing these tracts.

Dr Rubenstein had also diversified and entered joint ventures, several of which made a loss from the start.

David's critics argue that had "Eddie still been alive, he would have made a plan."

Expansion

And they add that had David retained his father's experienced chief lieutenant, Tim Marneweck, things might have been different.

The Financial Mail said this week: "First of all there is its headstrong boss, David Rubenstein, whose insistence on an expansionist policy in a worsening property climate and climbing interest rates lies at the root of Glen Anil's financial weakness. Had he listened to some of his more seasoned advisers, among them his father's protege Tim Marneweck, the group might not have escaped a battering, but might well have survived to live another day."

Trying to off-load nonviable investments and in-fighting among the decision-makers sapped Glen Anil of strength it could have used more profitably on its own ventures.

And then David started expanding. In 1971, using his international banking connections—he is friendly with the De Rothschild bankers in Paris—he raised a huge Eurodollar loan. The rand was devalued leaving Glen Anil owing more than the R3-million it originally borrowed.

In January, 1976, he linked with a London company, Chaddesley Investments Ltd, which was intended to operate in Britain and Europe. But in December that had to be aborted at no profit.

In March, 1975, at a time when the warning bells were ringing on the property market, he launched a R100-million holiday project at Port Zimbali on the Natal north coast.

And a joint venture with an Israeli civil engineering group, Soltrade, ran into bad problems in 1975.

The South African economy was entering deep recession. Nobody was buying property. Buyers were having difficulty meeting their monthly payments. The cost of installing services climbed to more than R3 000 a stand.

The banks were under pressure and it became increasingly difficult to replace or renegotiate loans.

Towards the end of last year an unusually high number of five-year loans fell due.

In October Glen Anil called for a meeting with its eight main creditors, Barclays Bank, Standard Bank, Hill Samuel, Ned bank, Senbank, Rand Bank, Trust Bank and the Bank of Johannesburg to try to negotiate a survival plan.

The meeting was due on October 12. By Friday October 8, news of the meeting had leaked to the Johannesburg Stock Exchange.

Panic

There was a panic run on the company's shares, which plunged from nearly 100 cents to 37 cents before trading was suspended.

Events moved quickly after that. The banks asked the Government for help, but, already facing strong criticism for interfering in private enterprise, the Cabinet refused.

While the banks and Glen Anil were casting about for alternative escape routes, Rand Bank baled out and on January 29 came under curatorship. It attributed its problems to a R10-million debt by Glen Anil.

It was over. The remaining seven banks had no hope of reaching a solution and on Tuesday they terminated a four-month moratorium on Glen Anil's debts. By arrangement, David Rubenstein applied the next day to be liquidated.

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LANDSLIDE...

Sunday Tribune 6/2/77.

Glen Anil ... good times giant that couldn't beat slump

SUNDAY TRIBUNE PROBE by Jeff Henderson, Colin Vineall, Penny Swift and Tony Spencer-Smith

THE sudden collapse of the R170 million Glen Anil Development Corporation has shattered public confidence in land investment and could bring a severe nosedive in land values.

South Africa's financial and political turbulence is seen as a major factor behind the crash — coupled with Glen Anil's expansionist policy in a worsening property climate, and soaring interest rates.

This week, as liquidators prepared to wind up the corporation's affairs — a process that could take between one and five years — the managing director of Barclays National Bank, Mr Bob Aldworth, spoke of fears of a run on deposits among some of the eight banks who have withdrawn support of the tottering Glen Anil empire.

"Some of the banks are cagey about the amounts they loaned and what security they had. I think some of them are scared of a run on deposits and this is probably causing their caginess," he said.

The United Party finance spokesman, Mr David Baxter, told the Sunday Tribune that lack of confidence in South Africa as a result of Government policy was a contributing factor in the Glen Anil collapse.

Both he and Mr Harry Schwarz — chief finance spokesman for the Progressive-Reform Party — said the Government was not obliged to protect inadequately managed companies. But Mr Schwarz added: "The protection of people's savings is a different matter and the Government has a duty to ensure the liquidity of small banks is maintained."

Meanwhile, a leading Durban property broker this week forecast a drop in land values by as much as 10 percent as a direct result of the collapse.

"I think the situation is pretty catastrophic. Everybody thought it was going to be a bad year but we have certainly started off in rip-roaring fashion.

Confidence

"The point is the confidence in the property industry of the man in the street. There must be other township companies who, because of this loss of confidence, must be in very dire straits.

"The banks who have been supporting these companies must now be thinking which are next in line for the same treatment."

Mr David Alston, director of the Association of Building Societies said: "Theoretically, a thing like this shakes public confidence in land as a medium of investment and it's therefore logical to seek a more liquid form of investment for savings.

"Inevitably the failure of a company the size of Glen Anil will shake investor confidence and could lead to further depressing trends in the property market which are already apparent.

"I think price of land will almost inevitably come down."

Mr Don Kennedy, executive director of the SA Property Owners Association, believed the main impact on the industry would be the nervousness of the institutions which had lent money to Glen Anil and prospective purchasers.

"From my experience I believe the people who have been hurt are very much in the minority," he said.

The Glen Anil Development Corporation was born in 1948 when a Johannesburg dentist decided to turn a hobby into a profession. Dr Edward Adrian Rubenstein had been investing in land since 1926, successfully establishing townships in partnership with various associates.

Beginnings

In 1948 he bought a portion of a farm named Glen Anil just outside Durban and established what is now the suburb of Glenashley.

The company was incorporated in 1954 and a year later its authorised capital was R30 000. It went public in 1968 with a Stock Exchange listing.

Shares were offered initially at R2,50 each but within a few months 5 000 000 shares were issued, each worth R34 — making a paper value of R170 million, with the Rubenstein family retaining 70 percent.

David Rubenstein, the present chairman, had spent his school holidays and vacations from Wits University working for the company and joined full time in 1965 when he was 22. He took control in 1975.

Losses

Last year in his annual report he reported "extraordinary losses" in the sale of two portions of farmland, at Bellville and on the Natal North Coast, and said: "The directors now feel it is necessary to review the value of each and every piece of land held for development — as well as the land and buildings held for resale — taking into consideration the depressed conditions prevailing."

In the same 1976 report, the Corporation auditors — Kessel, Feinstein, Torch and Co — were "unable to express an opinion as to whether the land for future township development is of the values stated in the financial statements."

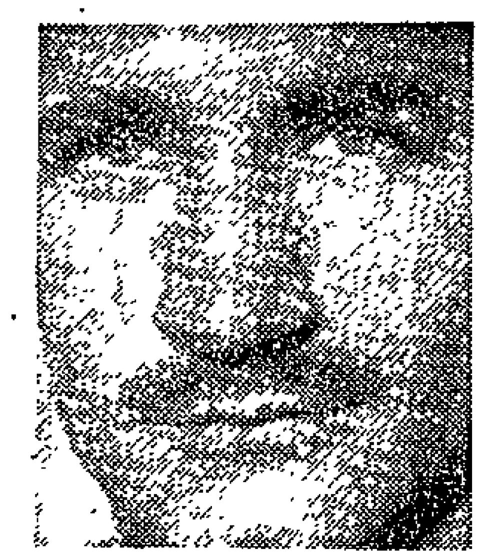
The crunch was coming.

A consortium of eight — the Trust Bank, Nedbank, the Standard Bank, Randbank, Senbank, Barclays, Hill Samuel and the Bank of Johannesburg — collectively lent Glen Anil at least R92,5 million.

This week the consortium ended its support and Glen Anil applied for its own liquidation. At the


David Rubenstein ... young boss


David Baxter ... UP view


Jan Sadie ... trouble ahead


David Alston ... building societies


Don Kennedy ... few casualties


Harry Schwarz ... Progref view

Rand Supreme Court, Mr Rubenstein blamed South Africa's economic and political climate for a decline in the demand for property.

He said the corporation was unable to pay its debts although its assets of R147 million theoretically exceed its liabilities of R136 million.

Freezing

The court heard a report, prepared by Sage Holdings on behalf of the creditor banks, that Glen Anil had bought large tracts of land on terms before the property market slump two years ago, in anticipation of higher land prices. Payment was falling due although the land remained undeveloped and unsaleable.

The situation was worsened by the freezing of land development in green belt areas.

Glen Anil has about 4 000 debtors — members of the public who had purchased stands under written deeds of sale.

The biggest creditor is the Trust Bank which is owed R29 million, while Nedbank is owed R23 million, the Standard Bank R13 million, Randbank R10 million, Senbank R5,5 million, Barclays Bank R5,3 million, Hill Samuel R3,6 million and the Bank of Johannesburg, R3,1 million.

But Mr Aldworth, of Barclays, says it is uncertain what losses the banks will suffer.

Barclays, he said, was in an "unsecure" position; when the loan was made in 1973 Glen Anil was a sound company and no security was asked for.

"I did not anticipate the degeneration of the property market and if the same information was put in front of me again I would probably make the same decision.

"One thing I hope will be learned from this is the importance of knowing what other banks loan. We had no idea Glen Anil had borrowed so much money. More co-operation between banks would enable us to assess companies' exposure."

Other bank executives were not so outspoken. Mr Michael Vosloo, general manager of the Bank of Johannesburg, said: "We believe our securities are such that no losses will arise."

The amount owed by Glen Anil to his bank was so small proportionately that "we could not really influence the other banks in any way".

According to public relations officer Mr Roy Terry, the Standard Bank also has sufficient security to cover the Glen Anil money — "Our exposure is R13 million but we are well covered by security which includes mortgage bonds and building society deposits."

Mr Tony Blair, managing director of Hill Samuel, believed every bank would lose something — "It's impossible that any of the banks — excluding the Rand Bank which is under curatorship — will come out with 100 percent of their capital and interest."

Secure

Mr Johannes Prince, general manager of the Trust Accepting Bank, said: "We are in a secure position. Glen Anil owes the Trust Bank Group R30,7 million but they owe us only about R3 million. The difference of R27 million is fully covered by first mortgage bonds and there are other forms of security as well.

"Glen Anil is a solvent company with a liquidity problem. But if the liquidation is done in an orderly way nobody will suffer," he said.

Typical

Professor J. L. Sadie, a top economist at the University of Stellenbosch, said the Glen Anil collapse would adversely affect the general business atmosphere — "but it's unlikely to have really serious repercussions in the economy."

The failure of Glen Anil was "a typical example of the wages of sin of illiquidity" but was not a bankruptcy in economic terms because the company's assets exceeded its liabilities.

Mr Tony Norton, managing director of the Standard Merchant Bank, saw Glen Anil as "a victim of circumstances" — the coming together of a number of factors which were hard to see at the time the company was buying land.

"When you have a recession with very high interest rates, political uncertainty and inflation, township development is bound to be a vulnerable area.

"No one in his right mind could have foreseen the recession lasting so long."

Professor Meyer Feldberg, director of the Graduate School of Business at Cape Town University, spoke of the enormous psychological impact of the collapse.

"In itself Glen Anil is just another straw on the camel's back — but it's a very big straw and is bound to have further repercussions. Property companies will be under intense pressure over the next four or five months and it would not surprise me if a couple of others went under."

Today, David Rubenstein is being described as a "headstrong" boss who failed to heed his more seasoned advisers, didn't keep his outside directors fully in the financial picture and pursued a policy of expansionism during an unfavourable economic period.

And questions are also being asked about the banks who carried on advancing millions to an overstrained empire.

Did each bank take any steps to find out what Glen Anil had already borrowed at each stage from its competitors?

Did each bank when approached for money insist on Glen Anil also disclosing the full extent of the company's off-balance sheet financing? And if not, why not?

6/2/77

How Wassenaar burst bubble in game of brinkmanship that went too far

Tribune Reporters

THE CRITICISM of the government by Sanlam's chief, Dr Andreas Wassenaar, for its mismanagement of the economy in his book published this week has received broad support from businessmen, trade union leaders and opposition politicians.

But, they are quick to point out, the ideas expressed by Dr Wassenaar, and in particular those pointing to the unwieldiness of the government bureaucracy and its growing influence in the economy, are not new. They have been stated often and forcibly over the years.

The assistant General Manager of the powerful Federale Volksbeleggings group, Dr Jan Hupkes, said dialogue between the Government and the private sector was essential if the economic crisis was to be alleviated.

Five years ago, he said, he had warned that the business mood was in the doldrums. "The cost squeeze on profits had put the cash budgets of large companies off target, bridging finance was not always available while the structural rate of inflation was far greater than the real growth rate.

"Then I added a warning. I said the time was ripe for a fresh talk between the private and public sector and that the dangerous game of brinkmanship had gone too far. One cannot solve problems if one is not prepared to identify them," he said.

In the years since then, he said South Africa has had its gold bubble and now the wheel has turned full circle — despite an increase of 50 percent in the gold price since 1971.

Dr Hupkes added: "Our growth rate is now considerably lower, our balance of payments and foreign indebtedness higher and our inflation rate has sky-rocketed."

Between 1971 and 1975 company taxation had increased from 6,9 percent to 9,3 percent of national income while current government expenditure had risen by 97 percent and fixed investment by the public sector by 103 percent. The comparitive percentage increases for the private sector were 70 and 88 percent respectively.

The General Secretary of the Trade Union Council, Mr Arthur Grobbelaar, said he agreed with Dr Wassenaar's misgivings about the effectiveness of the civil service.

"Something has got to be done to control the numbers employed in the public service" he said. "We must also have a very serious look at the effectiveness of government departments and, where necessary, question their very existence.

"Dr Wassenaar said correctly, that government had become a monster but didn't say it had become a monster because of what it was doing. And it all boils down to interference on the basis of ideology."

The chief financial spokesman of the Progressive Reform Party, Mr Harry Schwarz, said Dr Wassenaar's comments were nothing new. What was new was that a member of the Afrikaner establishment had revolted.

The United Party's chief spokesman on finance, Mr David Baxter, said he felt the doctor had played down too much the effect of the political situation on the economic climate.

"Politics is the Achilles heel of our economic situation," he said.

The attack and the whole issue of the Government's handling of the economy will again be the centre of Parliamentary controversy in debates in the Assembly in the coming week.

The Sanlam chief's book is likely to feature prominently in the "little budget" debate starting tomorrow and continuing on Wednesday and Thursday.

Opposition politicians do not rule out the possibility that the Minister of Finance, Senator Horwood, may come with shock adjustments to sales taxes or to loan levies when introducing this year's R2 922-million Part Appropriation Bill. In this way he could pre-empt attempts by the public to stockpile before the main budget, which is expected to be one of the toughest for years.

The Part Appropriation Bill is a massive 25 percent higher than the little budget of last year. The minister is asking Parliament for no less than R579-million more than he did in February last year.

In opposition circles it is felt Mr Vorster made a cardinal blunder this week in his public attack on Dr Wassenaar.

By entering the debate on a Private Member's motion to rebuke Dr Wassenaar, Mr Vorster is seen to have not only highlighted the misgivings of the business world, but to have drawn attention unmistakably to dissension over present government policies.

Mr Vorster's reaction indicates how painful he found the attack. He took the unusual step of entering the debate and, instead of answering Dr Wassenaar's accusations, delivered a stinging personal attack which seemed designed to undermine the financier's credibility as a member of Afrikanerdom.

The ruthlessness of Mr Vorsters attack — described by an Opposition MP as character assassination — is not likely to endear the party political arm of nationalism to Afrikaner academics and businessmen who are becoming restive at the turn of events.

For one thing, Mr Vorster told Parliament that Dr Wassenaar had not supported South Africa becoming a republic — an issue of doubtful relevance 16 years later and in a debate on economics.

But Dr Wassenaar, who refused to comment further on his collision with Mr Vorster, says explicitly that he did not vote in the 1960 referendum simply because he missed it due to an aircraft delay in Rome.

He was returning from a business trip to Britain, having left early so that he could vote, when his aircraft was delayed for 30 hours.

His only stand on the question of a Republic had been that it should remain within the Commonwealth — and he now accepted that leaving the Commonwealth had been for the best.

Trade unions See INDUSTRIAL RELATIONS - Workers Organisations

Training See EDUCATION - Technical & Vocational
EDUCATION - University
MANPOWER - Apprentices
MANPOWER - Training

Trains See PUBLIC SECTOR - Transport

Trans. Transvaal

Transl

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PENSION FUND PARTNERS

The identity of Guardian Liberty Life's partners in the financing of Pick n Pay's new R12m hypermarket, now abuilding in Johannesburg's Norwood, has emerged.

Liberty Life, which put the scheme together, has a 50% stake; Escom Pension Fund has 20%; the Motor Industries Pension Fund and Armscor Group Pension Fund 10% each, and Guardian Assurance Fund and the Plate Glass Pension Fund 5% each.

The amounts coughed up by the pension funds for the 10 ha site, bought from Retco, put its price at just over R2m.

Transp Authorities
ort
URBAN AFRICANS

TRANSPORT, PRIVATE - General File here material on taxi companies, private bus companies, e.g. City Tramways, Putco, carters & hauliers and stevedoring companies.

TRANSPORT, PRIVATE - Labour

Tuberculosis See HEALTH & DISEASE - Tuberculosis

Tucsa See INDUSTRIAL RELATIONS - Workers' Organisations - Tucsa

Tyres, manufacture See MANUFACTURING - Rubber

U;

UNEMPLOYMENT See also HOMELANDS - Labour
MANPOWER
SOCIAL SECURITY - Unemployment Insurance

United Kingdom See BRITAIN

UNITED NATIONS See also ILO
NAMIBIA
O.A.U.

UNITED STATES - General

27 / ....

Glen Anil — the battle of the banks

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Glen Anil's provisional liquidation could herald an unprecedented dispute between the banks on the validity of their respective securities.

The provisional liquidators told a Press conference on Wednesday that roughly 95% of the group's assets are hocked to secured creditors. Of these, a negligible R4m-R5m worth of assets at book value are free of mortgages.

On top of it, because Glen Anil was borrowing twice on the same security, banking consortium creditors are also secured by a pledge of debtors. The disputes arise because different banks are secured in different ways.

As at September 30 last, Trust Bank (though unsecured for R2,5m) had the full balance of its R30,2m secured by mortgages over land and/or buildings. So, too, with Standard's R6,07m; Senbank's R5,5m; Bank of Johannesburg's R3,1m; Barclays' R2,2m; and Hill Samuel's R1m.

Rand Bank had R366 000 secured by mortgages, and R10m by pledge of debtors. Of Nedbank's total R14,9m exposure (it is thought to be a few million higher today), the entire amount was secured by pledge of debtors only.

On liquidation, the first mortgage bond is inviolate. The mortgagor is first in the queue for payout. Only when his claim has been settled in full is there a residue for other secured creditors, for concurrent creditors and lastly for shareholders. The way matters stand, this situation would seem to put Trust and other mortgagors in a particularly favourable situation as against Nedbank.

Assuming Glen Anil does go to final liquidation — a fair assumption — its properties will have to be auctioned. The procedure is for the highest bid to be accepted and the creditors paid out in order of preference. In practice, with a portfolio of this magnitude and in current conditions where bids may fall short of the amount bonded, the mortgagor is likely to put in a nominal bid and take possession of the property.

Should bids be in excess of the mortgage, the mortgagor recovers *in toto*. Should they not, the debtors pledged to other creditors will become worthless. Only the owner of the land, previously the mortgagor, can effect transfer to the debtor.

How Nedbank will fare from the debacle remains to be untangled. A spokesman for the bank does concede that the bondholder comes first, but adds: "There are plenty of deeds-of-sale where we don't have to worry. We are certainly not relying on those deed-of-sale debtors where there are bonds for our security."

Men in the saddle . . . Metrust's Oertel, Western Trust's Cohen, Syfret's Lansdown, Cape Trustees' Millman.

But if the provisional liquidators are correct that only R4m-R5m of assets *at book value* remain unbonded (at September 30, Glen Anil's mortgages totalled R66m), how can Nedbank be correct? Exactly how much of its R14,9m minimum commitment stands to be wiped out?

At all costs, Glen Anil's debtors' book must be kept ticking over. If land buyers stop paying their instalments what cash flow there is will dry up. Provisional liquidators Ralph Millman (Cape Trustees), Les Cohen (Western Trust), Clive Lansdown (Syfrets) and Perry Oertel (Metrust) are encouraging deed-of-sale buyers to keep up payments until the legal wrangles over transfer are sorted out. Instlaments will be placed in a separate account and will be refunded if transfer cannot be effected.

This seems a fair solution. There would be no point in debtors continuing to pay if the land was simply to pass to the bondholder. The sensible course will be for bondholders, in whose interest it is to recover their money and not sit with repossessed stands, to come to some arrangement whereby they will pass transfer once debtors have paid balances outstanding on each of Glen Anil's mortgages.

There could, however, be a further complication. Some institutions (Standard is said to be one) might have taken bonds too close to provisional liquidation and stand the risk of having them set aside as undue preference.

Moreover, bonds are supposed to stand on their own feet. Yet, asks one banker, "who will guarantee the feet?" Because of the decline in property values, many first mortgages might not now be fully covered.

In Glen Anil's case, Trust Bank, for one, has financed almost its entire exposure through debentures and participation mortgage bonds which it administers as agent for clients. In the broader context, should the depression prove prolonged, a crucial question for the entire participation bond movement is whether its administrators will continue to accept a moral liability (they are not legally liable) to guarantee clients their capital redemption and interest any more than mutual fund administrators should be liable for minimum share prices and dividend returns?

Indeed the question must be asked: What justification is there for a bank using its shareholders' and depositors' funds to subsidise a vulnerable partici-

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Hansard 4 col 314 15/2/77

African Bank of South Africa, Limited

*4. Mr. G. H. WADDELL asked the Minister of Finance:

(1) Whether permission has been granted to the African Bank of South Africa, Limited, to open branches in (a) Soweto and (b) the homelands; if so,

(2) whether any conditions were stipulated; if not, why not; if so, what conditions.

The MINISTER OF FINANCE:

(1) (a) Yes.

(b) Yes, in Ga-Rankuwa.

(2) No conditions were stipulated. In terms of the Articles of Association of the Bank the Registrar of Banks must approve the opening of every new branch in order to make sure that the Bank will operate in a sound manner. The policy which will be followed in this connection will be to achieve a broad balance between the number of branches inside and outside the homelands.

African Bank of South Africa, Limited

*5. Mr. G. H. WADDELL asked the Minister of Finance:

Whether the African Bank of South Africa, Limited, has received permission (a) for its Ga-Rankuwa branch to operate an agency in Pretoria and (b) to operate an agency in Johannesburg for its Diepkloof branch; if not, why not.

†The MINISTER OF FINANCE:

(a) Yes.

(b) No, since no application has been received from the Bank.

African Bank of South Africa, Limited

*6. Mr. G. H. WADDELL asked the Minister of Bantu Administration and Development:

Whether the African Bank of South Africa, Limited, is permitted to own property in Johannesburg; if not, why not.

†The DEPUTY MINISTER OF BANTU AFFAIRS:

In this connection I refer the hon. member to section 6 of the Bantu (Urban Areas) Consolidation Act, 25 of 1945.

CRIME - General

File here criminal stats of
a general nature, e.g. death
sentences, police assaults, etc.,
as well as material on NICRO.

(38) (58)

IDC looks at Leyland loan

F/M MAIL 18/2/77

The IDC is studying a proposal by Leyland and UDC Bank that the motor company make use of a line of foreign credit available to the IDC to lease plant for its new Rover model, due on the market early 1978.

The amount involved is just over R3m and would be used by Leyland, the *FM* believes, to lease pressing plant which would then be installed at Messina's Steelmobile Engineering works in Rosslyn, which will produce the Rover body. Total launch costs for the new model, which will be entered in the local content programme (now 66%), could be R9m.

Industry sources and some bankers are surprised that the IDC should be involved, although IDC chairman Jan Kitshoff explains that: "Any established industry which wishes to rationalise or expand can approach us for assistance. We have credit facilities, some of fairly long standing, in, for example, the UK, US, France and Belgium, which we can make available to people in need."

Kitshoff won't comment further, nor will UDC confirm or deny that it's involved. Both point to a "banker-client" relationship with Leyland.

Leyland itself says that for some time it has been examining the benefits of leasing plant and equipment for new products. "Several banks and leasing companies have been contacted to determine the feasibility and some alternative schemes have been devised."

The company adds that it has not approached the IDC for a loan, but that "an imaginative scheme developed by one of the banks contacted by Leyland suggested, as one of several alternatives, the utilisation of a foreign borrowing facility currently available to the IDC.

"The utilisation of foreign funds has ʼe advantage of lower cost .... to ʼplore the feasibility, information on the ʼsing proposal and on Leyland has ʼn provided to the IDC at the request ʼhe bank.

Should this proposal prove feasible and be selected by Leyland it would not involve any direct investment or loan by IDC to the company. The IDC would be one of several parties involved in structuring the equipment leasing arrangements."

Despite SA's impaired foreign borrowing ability, those foreign banks who have made credit arrangements with the IDC are standing by their commitments.

Two merchant bankers intimated to the *FM* that they would find it very difficult, if not downright impossible, to raise R3m short-term money in, say, the Euro-dollar market, at present for a scheme such as Leyland's.

The IDC's lines of credit are particularly attractive because they tie in with the export credit systems of the countries in which they are established and are thus normally at interest rates lower than current commercial rates.

Could be some queues will be forming outside Van Eck House.

Leyland MD Peter Murrough . . . a step in the right direction

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Defence

DENMARK - General

DENMARK - Labour

6/ ....

Glen Anil notwithstanding, there's a strong case for special arrangements to help the small banks. But not unconditionally

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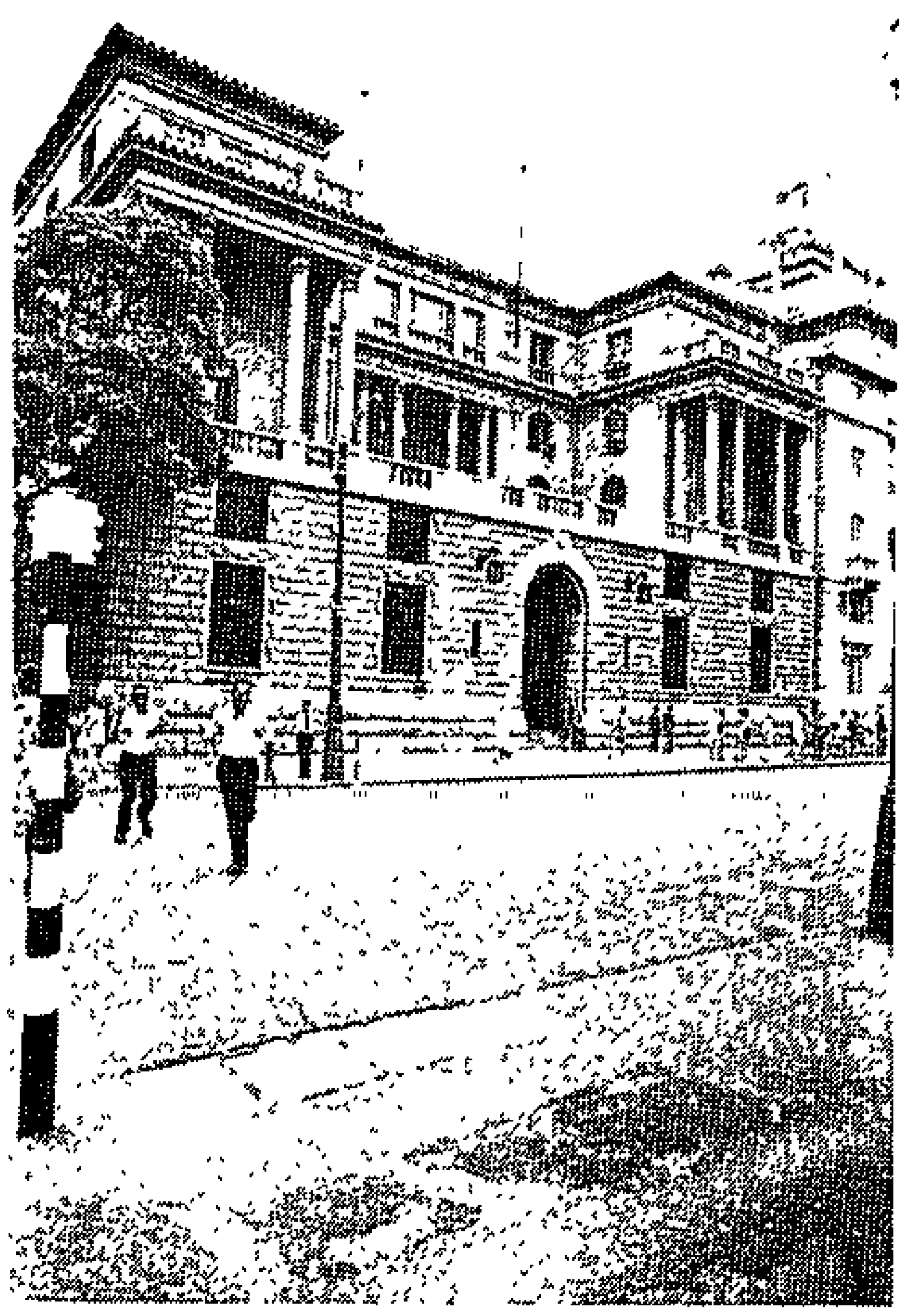
A stitch in time

The small banks are in a spot. Despite reassurances earlier this month from Minister of Finance Owen Horwood that Rondalia and Rand Bank are exceptions, and that all other banks are sound, a fair number of businesses and institutions with funds to invest are shying away from the smaller banks in favour of the bigger ones.

Not surprisingly the Reserve Bank is giving the matter its close attention.

But it would be an exaggeration to say there is a crisis. It is true that the smaller banks are finding it extremely difficult to market their negotiable certificates of deposits (CDs), and there is talk that a sizeable proportion of the small banks' CDs maturing at the end of this month may not be renewed. However, there is no hint that any of them are about to run into liquidity problems.



Reserve Bank ... watching closely

Rather, they face the possibility (it should be put no higher than that) of a small but continuing haemorrhage of deposits, which, if left unchecked, could accelerate.

Does that matter? Under the Banks Act every deposit-taking institution is obliged to hold large reserves of cash and even larger reserves of liquid assets. Liquid assets are restricted, in the words of the 1964 Report of the Technical Committee on Banking and Building Society Legislation, "to assets which are either cash or can be turned into cash *immediately and without any significant loss.*" And the shorter the maturities of a bank's deposits, the more liquid assets it is required to hold. Banks are able, therefore, to fund a substantial proportion of any net loss of deposits by off-loading liquid assets, on to the central bank if necessary.

The balance has to be provided by reducing other assets, which comprise a whole range of categories from debentures and bills to personal advances and HP loans, some of which are a good deal less liquid than others. Many of these assets — lease agreements, for example — have what might be called built-in repayment schedules and are thus self-liquidating; in the case of others it may be necessary to demand repayment.

As a bank loses deposits so it reduces its assets and, if it has to incur losses in the process they can be charged against earnings, or if the losses are too big, against capital and reserves, which by law have to be kept above a certain minimum.

A cursory glance through the banking tables of past issues of the *FM*'s Top Companies surveys shows that it is not uncommon for a bank to experience

Horwood . . . decision soon?

periods of shrinkage, when both its deposits and assets are reduced. So why today's concern?

The answer, obviously, lies in the deteriorating economic climate. As Rondalia and Rand Bank have shown, banks *can* get into difficulties; it is *not* always possible to counter a drain on deposits by reducing assets. When loans have to be recalled hurriedly losses *may* have to be incurred that are so large as to wipe out a bank's entire capital and reserves.

As one well-known banker put it this week, "it is true that liquidity and solvency are two different concepts — but in times like these the distinction becomes a fine one." A loss of deposits can soon cause a loss of profits and, if it continues, a loss of capital. And because small banks have a number of inherent disadvantages they are the ones which are more vulnerable.

Small banks, for example, do not have the large branch networks of big banks, so deposits do not come their way automatically; more so than the big banks, they have to buy deposits in the money market. This has two disadvantages: deposits are more volatile — they can suddenly and unexpectedly dry up — and they are more expensive.

Small banks therefore need to seek a higher return on assets, which means accepting greater risks. And because their asset portfolios are smaller, they can more easily end up having too many eggs in too few baskets.

Moreover, because of deposit rate control, which lays down maximum interest rates that can be paid on small deposits, the proportion of really large deposits (in excess of R1m) with the small banks is relatively high. If these are not renewed the marginal loss of funds could be large and disruptive.

Should anything be done? As with Glen Anil there are two camps: on the one hand, those who believe there is already far too much official interference in the market and that Pretoria should keep its nose out of the affairs of the banking community; on the other, those who believe the possibility, however remote, of another bank closing its doors is not something the economy, in its present nervous state, could stand.

The latter camp believe it's better to play safe. While there is no immediate danger that another bank will land in difficulties, they say, and have to close its doors, who is to say what could happen if economic and business conditions continue to worsen? If the deterioration continues at the rate experienced over the past six months, before the year is out question marks could emerge over the quality of the security backing many of the smaller banks' loans. Also, over the next six weeks money could become exceptionally tight as State spending slows seasonally. Far better, then, to be prepared.

What this camp would like to see is some sort of formal arrangement between the big commercial banks and the Reserve Bank whereby together they would stand prepared to provide any small bank with sufficient funds should it run up against any shortage of liquidity that could not be handled in the normal way.

There is strong speculation in financial circles that something along these lines is indeed under consideration in Church Square. If so, it must be clearly thought through. In particular, if such a scheme comes into operation, those involved ought to be quite clear about its likely duration — and ultimate purpose.

It will be one thing if economic conditions steadily improve as the year progresses. For it might then be possible to demonstrate convincingly that fears about the small banks are unfounded, and the problem would go away.

However, a more convincing scenario is that many sectors of business will remain under considerable pressure throughout 1977 and that uncertainty about small banks will therefore persist. What then? Rescuing lame ducks in the knowledge that they will be able to stand on their own feet later on can perhaps be justified. It is a different matter if aid has to be more or less permanent.

In fact, if there is to be any aid at all, it should surely be flanked by a major effort to rationalise the whole banking structure. That points to the need to engineer a reduction in the total number of banks from 51 to a much smaller number via mergers and consolidations. Any small fry left over, who are unable to stand on their own feet, could use the ensuing breathing space to slowly wind down their operations and disappear from the scene.

Sanlam's Andreas Wassenaar . . . would he back his banks?

An aid scheme, if it eventuates, should also be regarded as an opportunity to answer a pertinent question: what, if any, is the responsibility of those large financial institutions which have significant shareholdings in banks? Are they prepared to come to their aid should they get into trouble?

Nedbank, for one, is quite emphatic on this point.

A current Nedbank brochure, inviting customers to invest in fixed deposits, states:

Your investment *is backed by SA's largest financial group.* We don't just guarantee the interest rate. We also guarantee that you'll get every cent of your capital back, without delay, at the end of the investment period."

Presumably that means the Old Mutual, the largest shareholder in Nedbank, guarantees its deposits.

Is Sanlam, in the same way, prepared to guarantee the likes of Trust Bank and Santam Bank in which it has sizeable shareholdings? Not that any of these banks are in the slightest trouble: we refer to them by way of example only.

Undoubtedly, deposits are attracted to certain banks in the belief that they are backed by their larger institutional shareholders. So in that sense one could say the institutions *do* have a moral obligation not to walk away from their investments should they get into trouble.

It's certainly a point to be clarified.

Arguably, another weakness is the fact that there is only a cursory official scrutiny of the quality of a bank's loans and advances. No one in Pretoria really knows, for example, whether or not a bank has a dangerously large number of eggs in one basket. This is something that needs to be closely re-examined.

Finally, there is the question of undisclosed profits and undisclosed reserves. Depositors need to be able to make sound judgments about where to put their money. How can they do so without knowing a bank's true profits and reserves? The concession by which banks can put undisclosed amounts from current earnings into undisclosed reserves should be withdrawn and all banks should go on to a full disclosure basis in their annual reports.

Looking at the problem as a whole, the present difficulties of the small banks could turn out to be a blessing in disguise. Creating the machinery for some sort of special help from the bigger banks and Church Square may indeed be a timely step. And if that help is forthcoming, the opportunity should be used to persuade bankers, big and small, to play their part in putting their industry onto a sounder footing.

Banking will never be the same again

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Fin Mail 25/2/77

Trust Bank's Jan Marais must have jibbed at the deal with Bankorp this week — but was there any option?

The Trust Bank is now entering an era when under reasonably normal circumstances, the benefits of its policy decisions of the past should begin to pay off handsomely — **Jan Marais, Trust Bank Chairman, December 1976**

Those who know how proud Jan Marais was of Trust Bank and how fiercely he defended its independence can only come to one conclusion: he must have been dragged screaming and protesting into the Bankorp fold. For he had assiduously over the years tried to build himself into a near impregnable control position where he could be virtually a law unto himself.

For him to have accepted the Fall from Grace implied by the humiliating terms of the Bankorp reverse take-over (he will be TB's sole representative on the combined board despite the fact that TB's gross assets are twice those of the Bankorp group) suggests either that a gun was put to his head, or that he had painted his bank into a corner.

Either way it's a fair assumption that at the heart of TB's weakness lay its excessive involvement in long-term property commitments (Lengro, Glen Anil, Hofman, Sandglen and Trump) and increasing unease in the public's mind as to how much these would cost the bank.

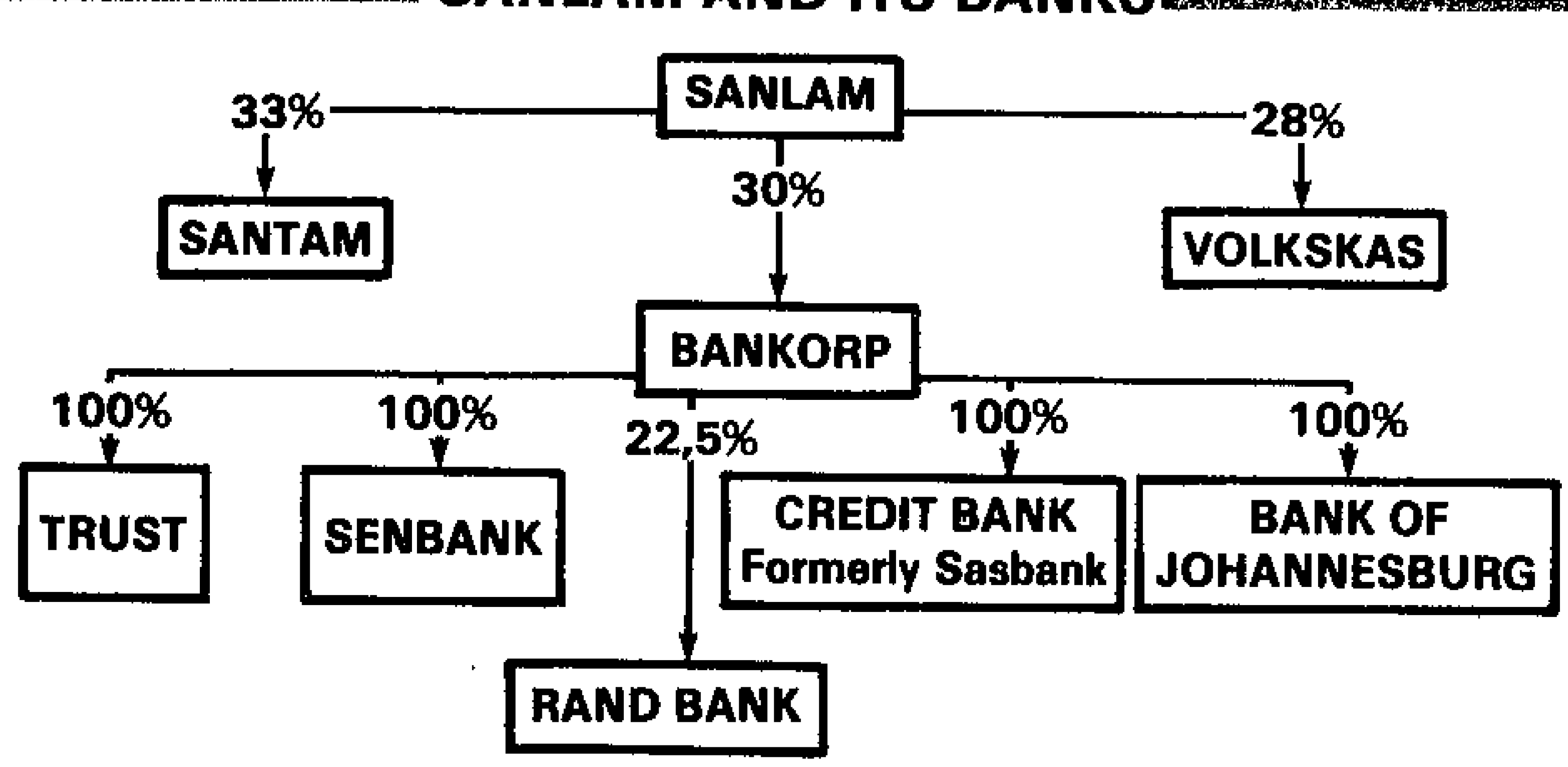
Sanlam's Scholtz and Trust Bank's Marais . . . putting TB beyond dispute

Our calculation, which TB hasn't refuted, is that by 1976 its R64m equity investment in property had reached a staggering 103% of group capital with a further R41m of doubtful property loans (*FM* January 7).

The collapse of Rand Bank at the end of January, due directly to its own Glen Anil exposure, inevitably also put the spotlight on the most heavily property oriented of the Big Five. Not surprisingly, cautious depositors were inclined to review their involvement in all deposit-taking institutions — big or small — which seemed likely to be over invested in land, bricks and mortar.

Another indicator of mounting anxiety has been the steady decline on Trust Bank's share price (45c on suspension to yield a high-risk — indicating 14,6%) which made the raising of additional capital by a rights issue impractical. That extra capital was desirable has been showing up in Trust Bank's marginal adherence to its minimum statutory requirements.

SANLAM AND ITS BANKS



With Sanlam/Bankorp now firmly wedded to Trust Bank there can be no need for any more anxiety. Whatever short-term financing problems Trust Bank may have to meet, Sanlam/Bankorp will be there to inject whatever extra funds may be needed.

What of the new combined group? Gross assets will amount to well over R2 bn of which Trust Bank contributes more than two-thirds. But in terms of net assets the two components are more or less in line — a point which illustrates Trust Bank's huge gearing. Market capitalisation of the two is also roughly in line.

Notwithstanding the struggle behind the scenes, there is plenty of scope for rationalising the two groups. There seems no reason why Senbank should not absorb Trust Accepting Bank (to make it by far the biggest merchant bank). And Bank of Johannesburg's, Trust Bank's and Kredietbank's HP and leasing business could well be merged to yield substantial savings and create the biggest general bank. And a switch of Trust Bank's cheque accounts into Volkskas would enable Volkskas to challenge the supremacy of Barclays and Standard.

Given this potential it would be no great sweat — and a generous gesture — for Bankorp to absorb Rand Bank and set depositors' minds at rest.

Of course Jan Marais' flambuoyant style will sit uncomfortably alongside the low-key competence of Sanlam's Pepler Scholtz, the *eminence grise* behind the Bankorp scene. Even so the deal looks a better option for Marais than previous unsuccessful attempts to merge Trust Bank in with the equally incompatible conservatism of Volkskas.

Another Rand Bank victim

The pillar of Corporate Acceptances' business is about to take a battering. Here's why . . .

Laurie Korsten, 35, has long been regarded as one of SA's bright young bankers. As he moved from Trust Accepting Bank to Finansbank, then formed his own Corporate Acceptances (CA), his stature grew. Sadly his reputation for initiative and expertise, the pillar of his business, is about to take a battering.

And the freeze on Rand Bank deposits claims yet another victim.

CA, an investment holding company also providing financial advisory services, has a subsidiary called Corporate Brokers Pty (CB). The former is run by Korsten; the latter, operating as money brokers, by Guy Macleod, who enjoyed a 25% share in CB's profits. So smoothly was CB operating, and so watertight did Korsten consider its procedures that the time spent by Korsten in overseeing its day-to-day management became minimal.

On January 12 the CB board (including Korsten and Macleod) decided that clients themselves should be advised against depositing funds with Rand Bank, and that client funds (mainly on call and the balance on relatively short-term) already invested by CB should be reduced expeditiously to a maximum of R1m from the then level of R2,1m. Subsequently, according to Korsten, Macleod advised CB management that he had carried out this board decision.

On January 31 Rand Bank was placed under curatorship and its deposits frozen. To their consternation it has subsequently emerged that CB clients at that point were involved with Rand Bank not for R1m but for R2,7m of which slightly over R1m was neither authorised by the clients themselves nor was in line with the decision of the CB board — which had in fact made arrangements for the balance to be paid out by Rand Bank on January 31.

Lending clients now want this unauthorised R1m of call money back, but CB is unable to comply. It believes, but is not

CB's Guy Macleod . . . were client's funds switched?

yet able to confirm, that this amount is with Rand Bank. This week Korsten temporarily suspended CB's operations and announced that its records "are such that the movement of funds lent and borrowed through this agency (CB) cannot presently be traced with certainty in all cases". Further, "CB would draw to the attention of borrowing clients intending to make repayment of borrowed moneys direct to the principals who lent such moneys, that no reliance should be placed on information hitherto furnished by CB as to *which of its lending clients' funds have been placed with such borrowing clients*".

CB's method of operation was to attract funds from lending clients to whom it would recommend suitable borrowing clients, such as leading industrial companies and registered banks. The lender, having made his selection, would make out a "not negotiable" crossed cheque in favour of the borrower. Both lender and borrower would then, on CB forms, make out respective acknowledgements to one another of the loans. CB calculated its agency commission as a percentage of the rate paid by borrower to lender.

To ensure that call money could be immediately repaid, as a service to clients, CB kept a trust account from which it could make out cheques to lenders simultaneously with their calling up loans from borrowers. The lender would thus receive a CB cheque on calling up a loan and the CB account would simultaneously be replenished by a cheque from the borrower. This account was also used for administration and the distribution of interest payments.

Subsequent to the board directive of January 12, the rate being offered by first-class corporate borrowers for such call money was in the vicinity of 10%. In contrast, Rand Bank was desperately (in retrospect) offering around 11,5%. Macleod was tempted by this higher rate to divert the funds to Rand Bank instead of to corporate borrowers, as the lenders had directed. Incidentally, the profits of CB (in which Macleod's personal interest was substantial) would benefit to the extent of the full 1,5% differential instead of merely from the 0.5% commission payable.

From about January 12 onwards, and unbeknown to members of CB's board other than Macleod, funds arising from lenders — although this had been made out to the borrowers of their choice — were, unknown to the lenders, called up by Macleod from the borrowers shortly (hours or days) after they had deposited the cheques in their own accounts. These funds were then redeposited in the CB trust account and then re-invested by CB on call with Rand Bank and other higher yielding borrowers.

Once in the CB trust account, however, the funds lost their identity. With millions of rands passing through each day, Macleod's revised system made it impossible to match rand lent to rand borrowed. When the music stopped, not only were lenders funds locked up in Rand Bank, it could not immediately be determined whose funds they actually were.

Macleod alleges that in fact *after* Rand Bank was placed under curatorship CB altered its records to switch some lenders out of Rand Bank and others in. Hence the confusion.

Needless to say, Macleod is no longer with CB.

THE OTHER VIEW

Asked for comment, Macleod replied:

- My share of profits was 25% for the first four months of CB's current financial year (ending 28 February 1977), and 10% for the last eight months.
- On January 12, the board did not *specifically* decide that clients *should be advised against* depositing funds with Rand Bank. What was decided, and communicated to me, was that by the end of January, we should have not more than R1m with Rand Bank.
- I advised CB management subsequent to January 12 that the decision to leave a balance of only R1m would be carried out, and actually arranged with Rand Bank that it would repay all funds except for R1m on January 31.
- Funds given to Rand Bank between January 12 and 26 were, first, funds which clients specifically approved and earmarked for Rand Bank and, second, funds derived from Cape Trustees via other banks.
- Rand Bank was "used" by CB when recalling funds, or placing net daily surpluses. Funds were only recalled from borrowers *not* "hours or days" after being deposited with borrowers, but *en masse* on January 31.
- In December 1976 the system of "internal switching" lenders' funds from one borrower to another without necessarily advising the lenders, was re instituted at CB. This system, as re instituted, was known not only by the CB dealers but by the other directors, namely Laurie Korsten and Don Woods. Korsten had a file containing copies of each day's placing sheet which *carefully reflected funds "incorrectly placed"*.
- The "Circular to All Clients" of CB, which Korsten put out this week, is grossly inaccurate or misleading. It implies that I alone executed the "internal switches" unbeknown to anyone else, when in fact this was known by at least Korsten and Woods.

Independent auditors Alex Aiken & Carter are urgently examining CB's books to reconstruct records of all money broking transactions. On completion CB hopes to be able to advise clients of their positions *vis à vis* Rand Bank.

If repayment in full is obtained from all persons or institutions where client funds have been placed, particularly from Rand Bank, there will be no capital shortfall. There may, however, be continuing difficulties over interest (CB contributed from its own funds to meet January's interest payments to clients including those whose deposits are known to be frozen).

However, should a group of lenders' funds remain unidentifiable, they would probably find it in their interests to share any losses *pro rata* rather than mount costly time consuming legal actions for recovery.

That apart, the other casualty is Korsten's highly profitable operation.

Slowly ahead

FIN. MAIL 25/2/77 58

The African Bank of SA will soon open a branch in Diepkloof, Soweto in addition to its Ga-Rankuwa branch. If it flourishes, and capital is accumulated, more branches will follow. What are the prospects for one in "white" Johannesburg? After all, some of the White banks are moving into Soweto.

The African Bank's general manager, Allan Wentzel, tells the *FM:* "An agency in Johannesburg is in our plan, but we have to sort out the question of locality."

Registrar of Banks, Wynand Louw, says approval of new bank branches depends on the need in any particular area. He warns that if the African Bank spreads out too quickly, there is a danger of its over-reaching itself. So, "at this stage I cannot allow more branches".

The Bank is in any case constrained by its "Blackness". It must expand on a "ratio" basis only, whereby each urban area branch has to be paralleled by a rural branch. Louw claims that this is a government policy which ensures that there is service rendered in the Bantustans "to give a broad balance".

Sam Motsuenyane, chairman of the bank, says the ratio scheme is the result of his fight against the original government ruling that he was to trade only in the Bantustans. He points out that Black spending power is in fact concentrated in the White areas. Despite this, he wants other banks to open up in Soweto so as to give a "complete" service.

The African Bank is a "general" bank at the moment and cannot run current accounts. Motsuenyane points out that some White-owned companies are its biggest depositors.

Local Authorities See PUBLIC SECTOR - Local Authorities

See also GROUP AREAS

FIN. MAIL 25/2/77 (58)

Stitched up?

Will Governor Bob de Jongh's measures to boost confidence in the small banks stitch up the hole in their money pockets? On Wednesday, the money market was certainly more bullish than it had been for many weeks. Small bank paper, which had become virtually non-negotiable, showed the first signs of life.

Bankovs GM Koos van Aswegen explains: "That the Reserve Bank, Treasury and the big banks have taken steps during this confidence crisis is a positive move which will assist the banks. In particular, relaxation of interest rate control on deposits over R250 000 will enable bankers to spread their deposit bases — and investors to spread their risks."

Mercabank MD Charles Ferreira agrees: "This move will be the start of the arrest of the slide in confidence in the small banks."

Other bankers, however, question whether investors will be tempted back. With profit margins already squeezed small banks will only be able to pay a certain amount on deposits and no more — perhaps not enough. After all, no guarantees have been given by Pretoria to depositors.

Besides allowing greater competition for funds in the money market (the ceiling was reintroduced last year because the building societies were squealing that they were losing deposits to banks), Church Square's plan involves the normal extension of Reserve Bank accommodation to small banks (eg by discounting acceptable securities) and the provision of a R55m fund through the NFC, with contributions from the Big Five banks.

The banks which already have surplus deposits on call with the NFC will simply convert part of these into fixed deposits, which will earn interest slightly in excess of the NFC call rate, currently standing at 7,73%.

Pool funds will then be lent to banks by the NFC against paper not rediscountable at the Reserve Bank (eg debtors). Terms and conditions have not been disclosed, though bankers believe they will be favourable, one suggestion being 9,5%.

Is R55m sufficient (small bank NCDs and interbank deposits stand around R150m)? Some have their doubts. But, on the other hand, the Reserve Bank is also prepared to discount liquid assets in the normal way, so on balance current liquidity strains should be overcome.

Doubts about the solvency of some of the banks are another matter. They probably will not be allayed until there is an upturn in the economy. But whether their *bona fides* have been re-established is another matter.

Financial Mail February 25 1977

Loc ... Authorities

Loc ... - Strikes

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Mac ... ee MANUFACTURING - Iron, Steel, Engineering and Metallurgical Industries

MAL

MAL

Mal ... ee HEALTH & DISEASE - Nutritional diseases.

ee also HOMELANDS - General

POVERTY

MANI ... File material on personnel and supervisory management here. Include material on or by S.A.I.P.M., N.I.P.R., Univ. of O.F.S. Division of Personnel Research, N.D.M.F. and schools of business administration.

MANI ... File here material and comment at national and regional level on economically active persons e.g. E.D.P., and Dept. of Labour's biennial MANPOWER SURVEYS.

MANI ... e also POPULATION - Migration

MANF ... e also Specific sectors and industries

MANF

MANF ... Include both formal and informal restraints.

MANF ... Reserve for formal apprenticeship only.

MANF ... File here material on training schemes which fall short of full formal apprenticeship leading to craftman's status.

MANU ... File only material applying to the sector as a whole. Be specific where possible.

MANU

16/ ....

58

The Argus Correspondent

JOHANNESBURG. — The future of the multi-million rand Glen Anil empire is hanging by a thread. ARGUS 2/3/77

It is expected to apply to the Supreme Court today for its own liquidation. The decision was made yesterday after a consortium of eight banks withdrew their support from the property giant.

The banks withdrew support for a sum amounting to more than R100-million in loans and guarantees.

Glen Anil's holdings in the Western Cape include about 400 plots in Doorde Kraal, Bellville; the De Bos Estate in The Strand; and the Glen Ywer industrial township in Brackenfell. It also owns undeveloped land in Stellenbosch, Hermanus and Durbanville.

It also owns the Glen Rome township in Somerset West in which about 160 fully serviced plots have stood undeveloped for five years awaiting permission for the connection of services across private land.

Shareholders

Shareholders, whose funds in the group amount to more than R34-million, may lose everything.

It is not yet known what will happen about the 15 000 people who have bought stands from the group on deed of sale or who hold contracts for stands in townships not yet proclaimed.

The men who made the decision to withdraw support — described as 'agonising' by one source — were: Mr M. H. Vosloo for the Bank of Johannesburg, Mr Bob Aldworth and Mr Colin Waterson for Barclays National Bank, Mr C. J. S. Oakley for Hill Samuel, Mr G. S. Muller for Nedbank, Professor F. J. du Plessis for Senbank and, as curator, for Rand Bank, Mr G. M. F. Oxford for the Standard Bank and Mr N. M. J. van Rensburg for the Trust Bank.

Biggest sum

The bank owed the biggest amount is the Trust Bank, whose lendings to Glen Anil are authoritatively reported to amount to R41-million.

Nedbank is the next biggest lender and its 'exposure' is put at R29-million.

Standard is believed to be owed about R13-million, Senbank about R5,5-mil-

(Continued on Page 3, col 6)

(See Page 18)

Crash will affect thousands

The Argus Correspondent

JOHANNESBURG. — Thousands of people will be affected by the crash of Glen Anil — so many that one banking source has described the prospect as 'catastrophic.'

An estimated 15 000 people, who bought land from the group on deed of sale, owe an estimated R?1-million on their land.

Their position — particularly in view of the fact that the group has pledged its land and debtors' books as security for its debts — is in jeopardy.

Fortunately most, possibly as many as 90 percent, hold land in proclaimed townships which gives them some measure of protection.

In terms of the sale of Land on Instalments Act they rank as preferential creditors with only bondholders taking preference and if the property is sold in execution they stand a chance of recovering some, or all, the money they have already paid for their stands. Alternatively they can pay off the balance owing and take transfer of their land.

For all the thousands of Glen Anil customers to raise sufficient money to take transfer would require tens of millions of rands and it is unlikely that this money could be obtained.

Those who are buying unproclaimed land on terms have no protection and merely become concurrent creditors in the event of the seller's insolvency.

UNDERMINED

The hundreds of employees of the Glen Anil group stand to lose their jobs at a time when not many good jobs are available.

The possibility of thousands of Glen Anil stands being thrown on to the market in sales in execution is enough to give property men nightmares.

Property prices could plunge, deed of sale selling would become almost impossible and public confidence in large property companies would be undermined.

FIN. MAIL 4/3/77

BLACK LEASEHOLD

Legislation in sight

Legislation to amend the Building Societies Act to enable the societies to extend mortgage loans to prospective Black homeowners is on the cards. At present the 30-year leases available to urban Blacks provide insufficient security.

According to a leading member of the building society movement, a statement on government's intentions will be included in the Prime Minister's statement on last week's meeting of the PM's Economic Advisory Council, which dealt with the question of direct institutional funding of Black housing. The statement is expected shortly before or after the March 30 Budget.

No fewer than three memoranda on Black housing and financing were studied at the EAC meeting. Financial Institutions Registrar Wynand Louw submitted a study relating to the role institutional lenders might play in a housing programme; the Association of Building Societies presented its arguments on the question of loan security; and the Urban Foundation submitted a memorandum on urban Black land tenure.

The building societies put forward a convincing case, stating they would be in breach of depositors' trust, let alone their governing Act, if they were to advance inadequately secured mortgage loans.

They made it clear they had no intention of pressurising government to depart from the basic tenets of its policy regarding Black freehold land ownership in the Common Area. But they are eager to lend against the security of a registered lease, provided all doubts are removed about the tenuous status of would-be Black borrowers in the Common Area.

To do business on a leasehold basis, the societies insist that leases be given statutory inviolability. They should not be subject to arbitrary cancellation; they should be transferable; and they should be run in perpetuity. These conditions are fundamental to the basics of building society business — protection of the value of the security.

The building society movement is divided on the question of what to do before the necessary changes are made. Explained Albert Marais, president of the Association of Building Societies, this week: "The majority of member societies would prefer to lend directly to urban Blacks on a merit basis, but until such time as legislative changes make this possible, societies are able to make finance available through Bantu Affairs Boards, and opinions differ as to whether this promotes true home-ownership in the accepted sense of the word."

Local Authorities — See PUBLIC SECTOR - Local Authorities
See also GROUP AREAS
URBAN AFRICANS

Local Health Committees — See PUBLIC SECTOR - Local Authorities

Lock-outs — See INDUSTRIAL RELATIONS - Strikes

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MANPOWER - Training — File here material on training schemes which fall short of full formal apprenticeship leading to craftsman's status.

MANUFACTURING - General — File only material applying to the sector as a whole. Be specific where possible.

MANUFACTURING - Labour

F/M MAIL 4/3/77 58

BANKS ACT I

The Section 27C poser

The legal teaser in the Bankorp takeover of Trust Bank is Section 27C of the Banks Act. This clause, which was only introduced last August, states:

"A registered bank controlling company shall not directly or indirectly control more than one banking institution in any class of banking institution. Provided ... that a banking institution shall not control another banking institution of the same class as the first mentioned institution."

Did Bankorp, a bank controlling company, which already owns one active *general* bank, Bank of Johannesburg, and a dormant general banking licence (the old Federale Bank) simply disregard the rules? MD Willem Pretorius answers: "The law applies to us as to everyone else, and we will obviously take cognisance of it in our future planning. Moreoever, the matter was discussed with the Registrar of Banks."

Asked to comment, Registrar Wynand Louw explained that "as the law now stands the situation (of three general banking licences) may have to be changed. Alternatively, the Technical Committee on Banking may have to look into the position and if the situation merits it, the Committee can recommend an amendment to the law."

The fact remains the take-over was an infringement of the Banks Act. Since no one is going to challenge its legality in Court the deal will no doubt be consummated.

BANKS ACT – II

Another shocker

Last year's amendment to the Banks Act not only caused complications for acquisitive bank holding companies. There were other difficulties. Take investments in property and shares.

In terms of Section 21A a bank's total investment in fixed property; loans and advances to property holding subsidiaries; and shares, including shares in subsidiaries, may not exceed the bank's paid up capital and unimpaired reserves. However, where "fixed property or an undertaking" is bought in by a bank to protect its investment such an investment is excluded from total property holdings for five years from the date of purchase.

Nevertheless, some banks still far exceed the ceiling on such assets. For example, at the end of December 1976, Trust's net capital and reserves stood at R56,3m. Yet its investment in bank premises, other property, and issued shares came to a staggering R83m (premises (R54m), shares of subsidiary companies R5m), shares in other companies (15m), and property bought in, probably *more than* five years ago, R9m)).

In addition, look at the balance sheet item "other fixed properties" which Trust's assistant GM (Finance) Don Slade explains includes equity investment in property (other than premises) and loans and the bank's own mortgage loans to property companies which are not subsidiaries (eg Glen Anil), and which "do not fall within the ambit of the Act". They come to another R80m. That all totals R163m on capital and reserves of less than a third of this figure.

MD Anker Burger explains that this position existed before the amendment came into force in August 1976. Since then Trust, like other banks, has submitted full particulars about these investments to the Registrar but has received no response.

Registrar Louw's view is that "it takes time to comply with the law and that certain situations which must be changed existed before the law came into effect." And his office is working on new returns (which call for additional information) which take into account the new requirements of the Act.

Fair enough. But what on earth is the Trust Bank group doing taking on Trump's property portfolio when it seems that, in terms of the spirit if not the letter of the law, it should be doing no such thing?

92. South African Institute of Race Relations, Monograph no. 2, Farm Labour in the Orange Free State, 1939, p 14.

93. See, in particular, P. Rich "The Allocation of Labour and the Evolution of Apartheid Ideology", University of the Witwatersrand, 1976, mimeo; M. Morris "The Development of Capitalism in South African Agriculture", Feburary 1976, mimeo.

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F/M MAIL 11/3/77

AFRICAN BANK

Mangope's brush-off

Is Chief [illegible] Mangope's BophuthaTswana government attempting to elbow out the African Bank with its own Bank of BophuthaTswana?

Opposition leader Chief [illegible] Maseloane fears it is. He points to a recent speech by Mangope to BophuthaTswana traders in which he said that his government would have nothing to do with the African Bank. Mangope also announced that a Bank of BophuthaTswana will be launched after the Bantustan achieves Transkei style independence towards the end of this year.

Maseloane fears that Mangope may encourage local traders not to bank with the African Bank and suspects that the proposed Bank of BophuthaTswana may offer commercial banking facilities.

"If this happened, it would mean that we would be asked to support a tribally based, State run commercial bank," he adds. "This is ridiculous. The African Bank is the first nation-wide financial initiative by Blacks and we should be supporting it fully — not setting up rivals."

He is also sceptical of the proposed Bank's viability. "What chance of success does a small, ethnically-based bank have? If Blacks are to make an impression on the financial scene, we should be pooling our resources, not splitting them up into so-called ethnic groups."

African Bank's headquarters are at Ga Rankuwa in BophuthaTswana, and its relations with Mangope's government are therefore of some importance.

African Bank's Sam Motsuenyane says he knows of no attempt to persuade Tswanas not to support his Bank, and brands the decision not to work with it as "a retrogressive step. We are attempting to work with Homeland governments and have offered them shares in the Bank," he says. "Gazankulu and KwaZulu have both taken up our offer, and we expect to begin operating in Tran

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F/M. MAIL 1/4/77

BUILDING SOCIETIES

Cupboard is barer

The R120m that the building societies will have to funnel towards prescribed government stocks will come straight out of the borrowing kitty. It means R120m less for building society bonds.

In the 1976 calender year, the SA societies lent a total of R1 173m (R1 050,9m for houses and the rest commercial). If this year's lending is a similar figure, the R120m represents a shade over 10% of total lending that cannot be lent anymore.

With the Stellenbosch University economists and others arguing that the home building industry needs priming because it is a key sector of the economy, that 10% chop is a disaster.

A 10% reduction in the main source of home financing is not priming.

No wonder that Building Societies Association director David Alston says that the Association has "serious doubts" about the R120m requirement. What he and his Association are too diplomatic to say is that they have "serious doubts" about the *wisdom* of it.

Make no mistake, the Association believes that the R120m requirement, coupled with overall illiquidity in the economy, is "certainly likely to severely curtail building society lending forthwith".

BSA's Alston . . . doubts about R120m

Those bond queuers are going to have to be even more patient than they have been so far.

One other point: Finance Minister Horwood justified the R120m requirement from the societies by saying that they have a reasonable inflow of funds at the moment and that there has been a fall-off in the demand for home loans.

The first is true, though it may change suddenly if other forms of investment increase their relative attraction to savers. The second is also true, but is not the whole picture. Though the demand for loans has dropped, it is still greater than the *availability* of loans. There are sti[ll] ...

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Natal	N/A	[...],6
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	[...]ier, Lion's River, [...]ela, Underberg,	15,2
	[...]s: Camperdown, Kranskop, Pietermaritzburg, Umvoti.	32,8
		13,7
	Eshowe, Hlabisa, Lower [...]njaneni, Mtunzini.	19,8
	Babanango, Dannhauser, [...]oe, Newcastle, Ngotshe, [...]rg, Utrecht, Vryheid.	29,4
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	[K]rugersdorp, Oberholzer, Roodepoort, Westonaria	25,4
	[...]k, Vereeniging.	46,4
	[...]miston, Kempton Park.	87,5
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	Brits, Marico, Rusten[...]ggens, Thabazimbi.	27,9
	[...]svaal: Bronkhorstspruit, [...]blersdal, Middelburg,	16,5
	[...]al: Amersfoort, Belfast, [...]nelo, Piet Retief, Volks[...]troom, Waterval-Boven.	21,0
	[...]elspruit, Witrivier.	38,7
	[...]lgrim's Rest.	29,0
		36,1
	: Messina, Pietersburg, [...]s, Soutpansberg, Warmbaths,	25,5
	[...]al: Bloemhof, Christiana, [...]areyville, Koster, Lichten[...]zer-Reneke, Ventersdorp, [...]d.	25,5
	[...]otchestroom	32,4
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STAR (58)

Details on R520m to public sector known tomorrow

Michael Chester, Financial Editor

The final formula on how the pension funds and insurance companies will be required to channel around R520m into the public sector coffers, which they were alerted about on Budget Day, is likely to be spelled out in detail tomorrow.

(58)

Senator Owen Horwood, Minister of Finance, plans to set out precise proposals — and so dispel a considerable amount of confusion — at talks in Cape Town.

Representatives of the building societies, which have been exempt from statutory investment requirements over the past six years but which now must find R120m, have also been invited to the talks along with the pension funds and insurance companies.

So have representatives of the banks, which between them must raise an additional R120m in gilts and semi-gilts in the current fiscal year.

So far, the only clue to a formula for the R520m extra from the pension funds and insurers has come from Mr Gerald Browne, Secretary for Finance, who has described the total as "indicative of what is needed rather than an exact calculation."

Snippets from the office of the Registrar of Financial Institutions suggest that Senator Horwood will set out to steer about 50 percent of the 1977/78 growth in assets of the pension funds and insurers into the public sector.

This would leave about half of the growth in assets at the disposal of the private sector.

Senbank has published its own homework on how the final will look, assuming the Minister will go for a full R760m from the four sectors. As a yardstick:

- Pension funds and insurers will need to put R342,2m into RSA stock and R178m into public corporations.
- Building societies will have to put R78,9m into RSA stock and R41m into public corporations.
- Banks will be required to find an identical R78,9m for RSA stock and R41m for public corporations.

Such a formula, if followed, would neatly cover the additional R260m prescribed requirement for semi-gilts and leave around R500m for government gilts.

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FIN. MAIL 15/4/77

BARCLAYS

Internal dissension?

Barclays National in Johannesburg was quick to deny speculation this week that the continuing furore in UK anti-apartheid circles about its R10m Defence Bonds purchase would speed up plans for the parent company, Barclays Bank International, to reduce its present 63,8% stake to below 50%.

The argument advanced over the weekend in the London *Observer* was that the contradictory positions of BBI — under pressure in one direction from the anti-apartheid movement, the Third World and the British Foreign Office — and Barclays National under similar pressure in the opposite direction from the SA government and clients — were untenable.

It argued that Anglo/De Beers, with 18% of the equity and with a seat on the Barclays National Board, could take up the number of shares required to make the SA holding 50% without difficulty. The foreign holdings must be reduced to 50% by 1986 anyway.

But Bob Aldworth, managing director of Barclays National, told me the argument was "sheer speculation" and denied that any essential conflict existed between BBI and Barclays National, despite criticism of the SA Defence Bonds purchase by BBI's chairman Anthony Tuke and senior general manager, Frank Dolling.

Apart from BBI's 33,96m shareholding in Barclays National, the "vast majority" of the remaining shareholders are SA residents. It would require either a SA-only rights issue, in which BBI waived its entitlement, or the direct transfer of shares from BBI to SA hands for the 50% local ownership edict to be effected.

Assuming non-resident holdings, apart from those of BBI, to be negligible, such a rights issue would need to create 14,7m shares to equalise present SA holdings, amounting to 19,3m, with those of BBI. This would be expensive even at a discount to market price. Only slightly cheaper would be the transfer of 7,3m shares from BBI to SA hands — the other alternative. At the current price of 263c that would cost R19,3m.

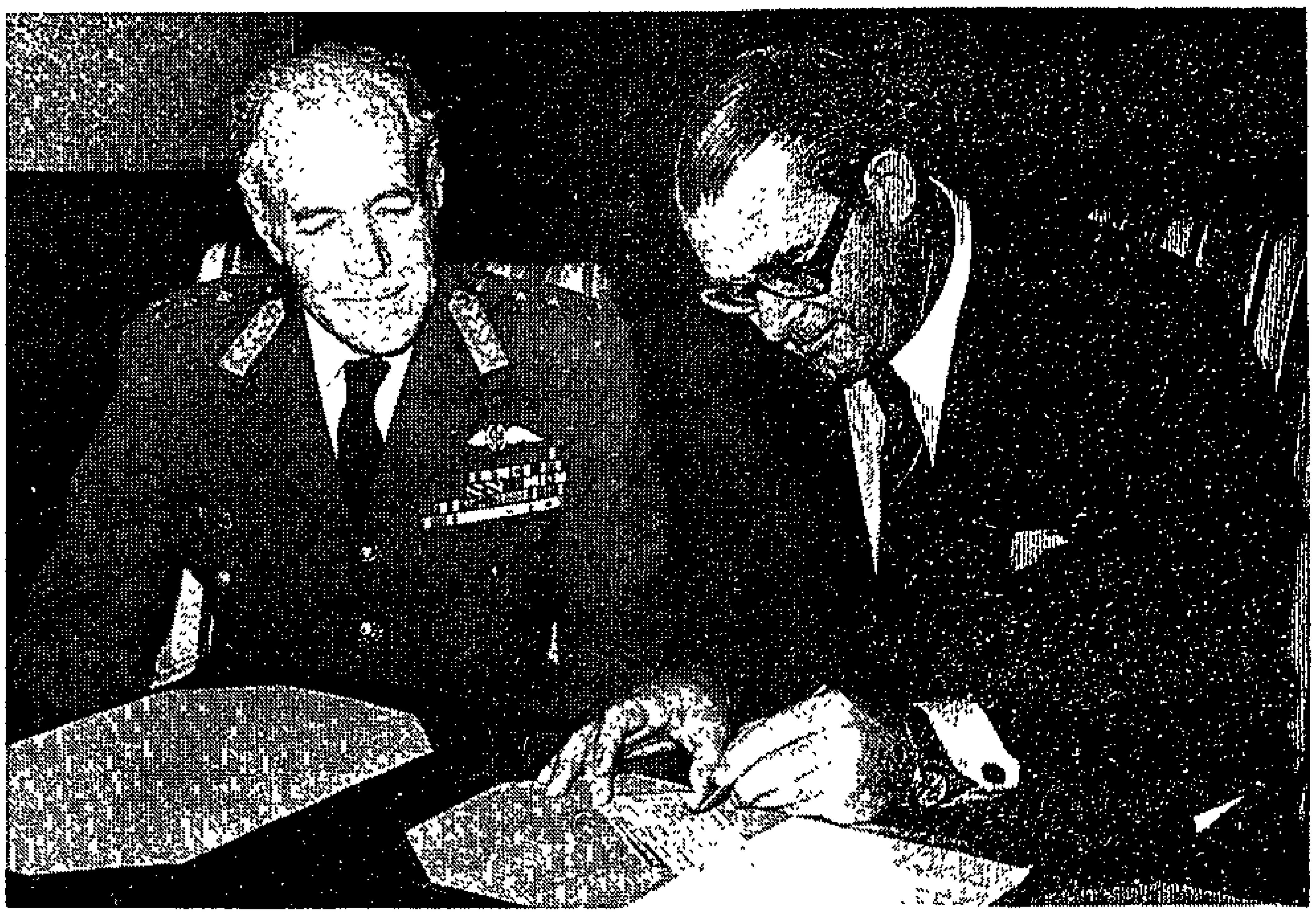
Anglo De Beers could no doubt afford that, but has little to gain from such a move (as BBI would still have 49,9% odd). It would have 32% of the equity — if the authorities allowed it.

With its existing 18% stake, seats on the Barclays National board and its position as a customer of Barclays, Anglo already has a significant say in the affairs of the bank. It would gain little by increasing its stake, especially with the shares yielding only 7% in the face of mounting capital requirements for its mining projects. So the issue of whether or how BBI will speed up reduction of its stake is unresolved at this stage.

Stanbic's parent, Standard and Chartered, has avoided similar pressure so far. It has a limited branch network in the UK and is therefore less sensitive to political pressure. Moreover, it has kept a low profile in sensitive areas, like Defence Bonds, which Barclays National exploited for maximum publicity — and certainly succeeded beyond its wildest expectations.

Stanbic will probably go on reducing the parent's holdings piecemeal with rights issues like that of last year, which reduced its stake from 70% to 67,4%.

David Carte



Bob Aldworth signing away the cash . . . before the flak started flying

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Bantu Educational Journal, October 1958, p.386 :
die O.V.S.' and Ibid, March 1959, pp.99-100: 'Nuwe
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Supervision of marketing policies proposed

The Argus Political Staff

THE insurance industry faces the possibility of considerable extensions of the State's powers of control over its business.

Proposals to this effect have been made by the commission of inquiry into the long-term insurance industry, appointed in 1971, in its report just tabled in Parliament.

The chairman of the commission was the Registrar of Financial Institutions, Mr J. W. Louw.

The commission's recommendations depart in important respects from the approach to State control embodied in the present Insurance Act.

It says it has found it necessary to recommend that the circumstances and form of intervention by the Registrar of Financial Institutions be widened and be made more flexible.

It has also proposed that a permanent consultative body, to be known as the standing advisory committee on long-term insurance, be established to assist the Registrar in exercising the wider powers.

The members of the committee would be appointed by the Minister of Finance on the basis of their knowledge and experience in the long-term insurance industry.

While the majority of the commission's members were actuaries and senior executives of insurance firms, its recommendations have come in the face of recent criticisms of increased Government intervention in private enterprise.

But it states its belief in the report that 'the wide powers that we recommend will, by their very existence, have a salutary effect, so that, in practice, it will seldom be necessary to exercise them.'

State duty

It is pointed out that the State has a duty to ensure that long-term insurers make provision on a sound basis for their future contractual obligations during the extended periods before these obligations have to be met and also to protect the equitable interests of with-profit policy-holders.

It also has a duty to promote fair marketing practices, in view of the special features and complications of life insurance, and to promote the effectiveness of the market mechanism of competition by setting standards of disclosure.

The main methods of control proposed by the commission include:

- Having sufficient information made available to the State and the public so that insurers' operations and the benefits provided can be assessed;
- Ensuring that information supplied is such that the Registrar would be able to judge whether and when State intervention into the affairs of an insurer is necessary;
- Supervising the marketing of insurance policies, including the aspects of presentation and costs;
- Giving recognition to the contribution that professional officers such as auditors and actuaries can make towards the maintenance of sound business practices and by promoting and supporting such contribution by appropriate legislation.

The report states that it must be accepted that the State cannot ensure that all insurers will conduct their business soundly without imposing a degree of control which would be intolerable and inconsistent with the principles of free enterprise.

While the commission accepts that legislation cannot ensure or generally improve the competence of firms or prevent acts of dishonesty, care should be taken in amending the Insurance Act to avoid the public being given the impression that the degree of supervision by the State would make it unnecessary for them to exercise particular care when taking out life or other long-term insurance.

Compulsory investment: Review is urged

The Argus Political Staff

THE Louw Commission has strongly criticised the principle of the State compelling insurance companies to invest a large proportion of their assets in Government and public sector stocks.

The commission's criticism, contained in a report tabled in the Assembly yesterday, comes at a time when the Minister of Finance, Senator O. P. F. Horwood, is under attack from the opposition for increasing this percentage in last month's Budget.

He raised the statutory percentage of prescribed assets to be held by long-term insurers from 30 to 35 percent of their insurance liabilities and from 50 to 55 percent of their liabilities relating to business carried on with pension funds.

The commission, however, said the time has arrived for the principle of compulsory investment in prescribed securities to be reviewed 'in the interest of policy-holders and especially of members of retirement annuity and pension funds.

TO PROTECT

The report stated it had been held in the past that long-term insurers should invest part of their funds in prescribed assets to protect policy-holders and to ensure liquidity, and the Franzsen Commission had stressed the importance of this investment as a method to help finance the development of the country's infrastructure.

The commission was of the opinion, however, that the compulsion to invest in prescribed assets did not increase the protection of policy-holders.

Concern about coercive selling of insurance is expressed in the report and it recommended that the practice be prohibited.

The report says the commission received allegations that coercive selling or the exercise of undue influence on a borrower to buy life insurance is or has been practised by certain banks, building societies, small independent finance companies, finance houses and insurance companies.

In most cases the complaints are related to the grant of a loan or overdraft subject to the client taking out insurance from which the lender benefits by way of commission earnings.

This situation seems to be an outcome of the modern trend towards close integration of financial services where financial institutions of many types are becoming more and more involved in the selling of insurance.

Consequently the opportunities for coercive selling are becoming more frequent.

BROKERS

Tighter control of insurance broking firms, insurance agents and the marketing of insurance has been recommended by the Louw Commission Inquiry into the long-term insurance industry.

The commission has recommended the registration of insurance broking firms and the licensing of sales employees of both insurers and of broking firms.

If the commission's recommendation are accepted by the Government, only registered broking firms and their employees would be allowed to call themselves insurance brokers.

Need for changes in war cover outlined

The Argus Political Staff

THE LOUW Commission has described life insurance cover for war risks as 'unsatisfactory' and has urged the Government to act immediately to rectify this because of the pressing nature of the problem.

At present, in terms of the Insurance Act, a life policy containing a provision limiting liability to military and naval duty in a war in which South Africa was involved is null and void.

The report of the commission into the long-term insurance industry tabled in Parliament yesterday says it would be in the public interest that war conditions be more clearly defined.

CIVILIANS

It said that this was pressing because not only military personnel but also civilians were involved at present. War risks, it said, did not lend themselves to statistical analysis.

'In view of the wider ramifications for the State as well as the industry, and because of the pressing nature of the problem, we have advised the industry to take up the matter directly with the authorities concerned.

'We have accordingly not expressed ourselves on the possible solution,' the report said.

The Department of Defence said in evidence that it had no objection to the repeal of section 38 of the Insurance Act, but laid down several provisions.

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PRESCRIBED INVESTMENTS

Worse than anticipated

FIN. MAIL 22/4/77 (58)

The outcome of last week's meeting on prescribed investments between the Minister of Finance and the institutions concerned (insurance, pension funds and building societies — banks were not included) was worse than generally anticipated.

- Total prescribed investments for insurance companies are to be increased from 30% of total liabilities to 35%, including the "voluntary" increase of 2% at the end of 1975. However, the 5% is tentative at this stage and may have to be slightly increased after the position of the public corporations has been determined. The sub-minimum of total prescribed investment to be invested in government stock is increased from 15% to 17,5%.
- For pension funds the percentages are increased from 50% to 55% and from 20% to 22,5% respectively and the same provisos apply.
- Building societies will have to invest a minimum of 10% of their liabilities, including their liquid assets in prescribed investments. The exemption granted in 1971 has been withdrawn. The Minister will prescribe the percentage of total investments to be held in government stock of longer than three years, and debentures or stock of public corporations and local authorities.
- Banks. The present 10% in prescribed investments, of which 5% has to be in government stock, will be increased to 15% and 8,5% respectively.

In all cases the increased investments will have to be made according to a proportional scale, with specified percentage increases for the periods ending 30 September 1977, 31 December 1977 and 31 March 1978.

In general it has been reluctantly accepted that the increases were unavoidable. But, as Sanlam's MD Pepler Scholtz remarked: "It's one straw after another on the camel's back, and it's the poor policy holder who pays".

Mutual's Van der Horst . . . what's a fair rate?

Both Scholtz and Old Mutual's MD Jan van der Horst plead strongly that at least government interest rates should be "fair" (as Senator Horwood promised in the budget speech).

The difference between rates on government stock and public corporations, and between government stock and company debentures have fluctuated a lot during recent years and are now 1,6% and 2,75% respectively.

"What constitutes a fair rate?" queries Van der Horst. He points out that in SA the differential between government stock and corporate debentures is way out of line with that of other countries.

From this Van der Horst argues that, assuming a discount rate on the long-term company debenture rate of 4% to 12% is typical in a free market, and given a SA rate of 13,8% on company debentures, the government rate should be 4% to 12% less, which would give an interest rate of 12,1% to 13,2% on government stock.

In the past the differential in SA was much lower than it is today.

NOVEMBER 1976 — ALL FIGURES IN %

	Inflation	Company debentures	Government stock	Discount
[illegible]	10,4	13,8—14	11,00	21
[illegible]	5,0	7,90	7,42	6
[illegible]	5,6	10,04	8,86	12
[illegible]	9,3	9,05	8,69	4
Australia	14,4	12,00	10,50	12
UK	15,0	16,48	14,59	12
Germany	8,7	7,60	7,31	4

NEW CONTROL SOUGHT ON FUND-RAISING

24/5/77 Am

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Parliamentary Correspondent N. MERC. 24/5/77

CAPE TOWN — A Government-appointed commission of inquiry has recommended that any organisation which openly collects money should be registered to protect the public from possible abuses in the collection of the R135 million raised annually by voluntary organisations in South Africa.

The commission also urged new controls over any money sent out of the country or any money sent into the country, a tightening up of the measures governing affected organisations and control over money sent from overseas to cover defence costs in security trials.

The new measures are contained in the report of the commission of inquiry into the collection of voluntary financial contributions from the public, tabled in Parliament yesterday.

The three-man commission was chaired by Professor Izak van Rooyen. The other members were Professor Hendrik Cilliers and Mr. B. C. Loots.

The commission found the present situation in connection with the so-called "border funds" to be "unsatisfactory" and called for greater co-ordination and control over funds.

"The commission can predict that the different funds will help the same group of people and that this will not only lead to overlapping but could also lead to a chaotic situation through which dependence will be created — something which militates against the principle of community work and which must be resisted at every cost," the commission said.

It therefore recommended that a central aid fund for soldiers and other servicemen, including their dependants, should be established under the protection and direction of the Department of Social Welfare and Pensions.

It recommended that no funds should be collected from the public for this purpose without the approval of the central fund in whose name fund-raising would have to take place.

The commission also recommended that any person who collected money on behalf of an organisation, for whatever purpose, should be in the possession of a licence, subject to certain provisions.

These licences would be issued by senior welfare officials in the various regions.

The commission's 331-page report, which has been released only in Afrikaans, also makes recommendations over health organisations, educational bodies, cultural organisations, religious groups, sports bodies, university rag funds, service clubs, commercial collections, professional fund-raisers, emergency funds, refugee funds, chain letters, house-to-house collections, street collectors, tax allowances, investments by voluntary organisations, the use of competitions, publicity, control of school and hospital funds.

(58)

United reaches R2 billion

25/6/77

JOHANNESBURG — The United Building Society, which took 83 years to reach its first billion in assets, has taken only five more years to reach the R2 billion mark.

This was announced by Mr Philip Sceales, the Chairman of the United, at a press conference at which he reported the society's preliminary results for the financial year ended March 31, 1977.

The United is the first building society in South Africa to reach R2 billion in assets.

Commenting on the phenomenal growth of the United, especially in the past few years, Mr Sceales disclosed that it had taken the society ten years after its establishment in 1889 to reach R100 000 in assets; 27 years to reach its first million; 58 years to reach its first R100 million; and 75 years to reach the R500 million mark.

In its latest financial year the assets of the United had risen by about R180 million to total R2 025 million, compared with the record R234 million increase achieved in the previous financial year.

During Mr Sceales' term of office as Chairman over nearly eight years, the society's assets have increased by R1 336 million or about 194%.

At the financial year-end share capital totalled R995 million, having increased during the year by more than R93 million. Fixed deposits totalled R413 million, and savings deposits R517 million, showing increases during the year of nearly R23 million and R52 million respectively. An estimated R8 million is to be transferred to reserves at March 31, 1977, when total reserves will amount to about R62 million. — DDC.

... and then Perm's assets up

JOHANNESBURG — The assets of the SA Permanent Building Society increased by more than R140 million to more than R1 545 million during the financial year ended March 31. Loans granted during the year amounted to more than R300 million, or nearly R1 million a working day.

Share capital rose by more than R87 million while deposits increased by R53 million.

Mr A. F. V. Viljoen, general manager, says that during the year economic pressures stimulated increased support for tax-free investments while causing dwindling support for fixed term deposits.

It would appear that withdrawals had been made from savings accounts to help balance family budgets. This in turn could be attributed to price increases for consumer goods.

The society was proud of the fact that during the year it had increased its market penetration by nine per cent over the previous year which had been a record year in the Perm's 94-year history.

The society's lending record over the past year was considered an excellent performance in the light of the current economic climate. — DDC.

(58)

Gordon puts kibosh on Horwood's claims

State to grab 65 pc of insurance and pension cash flow

RDM 27/5/77

By MICHAEL COULSON

NO LESS than 65% of the cash flow of life insurers and pension funds for the fiscal year to March, 1978, will be compulsorily appropriated by the public sector, according to Mr Donald Gordon, chairman of the Guardian/Liberty Life group.

Mr Gordon, who was addressing the group's annual meetings in Johannesburg yesterday, is the first major figure in the affected sectors to speak out openly, confirming the calculations that have been made by analysts since Senator Horwood's Budget speech in March.

Mr Gordon said the amount available for financing private sector requirements, already hit by recession, inflation, unemployment and monetary restrictions, would be left at an inadequate level.

Although he appreciated the reasons for balancing the 1977 Budget, the Government's excessive call on this vital and traditional generator of long-term capital must be seriously questioned, and the long-term effects on the economy carefully assessed.

On the basis that South Africa was essentially a mixed economy, with the private and public sectors playing complementary roles, it was necessary for sound economic development that the private sector should not be "squeezed out" of the capital market by the public sector.

The diversion of long-term capital from the private sector could delay an economic revival, he said.

Mr Gordon also supports the need for full reassessment of the current practice of artificially maintaining yields on Government stocks at unrealistically low levels, which amounts to an additional tax burden on the insurance industry and pension funds, and thereby indirectly on the long-term savings of the public.

In avoiding the implications of the free market mechanism, the Government is losing the opportunity of broadening its accessibility to long-term funds, and will consequently make itself more and more reliant on compulsory and increasing imposts on the savings industries, he says.

As far as the specific affairs of the group are concerned, Mr Gordon is more sanguine. He says Libertly Life's premium income so far this year is slightly ahead of corresponding 1976 levels, and he hopes the second-half fall-off experienced last year will not be repeated.

This year should again produce record new business levels and substantial further growth.

On the short-term side, Guardian has also achieved excellent progress in developing its premium income, and there are signs of a substantial improvement on the past few years' disappointing underwriting results.

The action taken by the short-term insurance industry to restore the market to profitability appears at last to be meeting some success, and Guardian SA should therefore show a "substantial improvement" on recent results.

Since the end of 1976, a number of major developments will have far-reaching effects on the insurance industry, the life side in particular.

Mr Gordon cites the regulations to control, and reduce, broker commissions; the report of the commission of inquiry into long-term insurance; and the increased statutory requirements to invest in public stocks.

He says these will have a great impact on the life insurance industry, and a deep and lasting influence on the entire economy.

On balance, in spite of current economic conditions, he is confident that the group's strength and powerful financial base will bring further progress this year, enabling shareholders to look to another successful year of growth.

COMMENT: Mr Gordon's authoritative remarks must surely put the final kibosh on Senator Horwood's pious hope — which has never been borne out by such calculations as outsiders have been able to make — that the insurance industry/pension funds would have as much money to invest in the private as in the public sector this year.

He confirms — were any confirmation needed — that the Government's immediate financial needs are forcing it to hamstring the private capital market, and it is no longer able to fill any significant part of its capital needs from abroad.

No wonder some recent relatively minor public sector issues have been so heavily oversubscribed, as canny fund managers try to fill their books before borrowers, realising the size of the captive market that will be available to them this year, move to mark down yields even more sharply — a process that will aggravate the uneconomic returns on public loans referred to by Mr Gordon.

The implications for the private investment and savings industries are terrifying. Any meaningful upturn in the equity (Johannesburg Stock Exchange) market has been firmly hit on the head.

And even though this is a secondary market, the vast diversion of funds to what is generally regarded as the less efficient sector of the economy can only further delay any revival in fixed investment.

At the moment, when there is spare capacity in many areas, this may seem of no great importance. But in the long run, renewed economic growth is impossible without a pick-up in private fixed investment.

When this fails to materialise, we can no doubt expect another spate of statements from officialdom exploring the reluctance of the private sector to invest.

A phenomenon made all the more ironic by the fact that it is the very shackling of the private capital market to satisfy the insatiable public sector demand for capital that is one of the most important reasons behind the shortage of private risk capital.

It's the chop for 10 Glen Anil companies

Chief Court Reporter

TEN companies in the Glen Anil group with liabilities amounting to millions of rands were placed in liquidation by order of the Rand Supreme Court yesterday.

These were among the 13 companies in the group placed in provisional liquidation in March. The court was told that the 13 companies, all controlled by Glen Anil, had liabilities of R6 747 349, which included a claim of R5 117 021 by Glen Anil.

Yesterday the provisional orders against three of the companies, Park Glen (Pty), Flora Glen (Pty) and Ventura Properties (Pty), were extended to June 7.

Mr Justice McCreath was told most of the companies owned undeveloped land in the Witwatersrand area.

Dowerglen Shopping Centre (Pty), one of the companies put into liquidation yesterday, owned a property in the Germiston area said to be worth R1 710 342.

The other companies put into liquidation yesterday are Windsor Glen Shopping Centre (Pty); Davlands Investment Co (Pty); Sabsan Investments (Pty); Sandglen Cresta (Pty); Arbor Glen (Pty); Meadow Glen (Pty); Glenlea Shopping Centre (Pty); Weltevreden Development Co and Mont Ami en Mer (Pty).

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Insurance: A touch of over-cure?

The Report of the Commission of Inquiry into the long-term insurance industry has on the whole been well received. Even those who maintain that the life industry doesn't need government interference concede that a lot of good work has been done. Many of the recommendations are welcome: for instance, those concerning the removal of tax anomalies, compulsory investments in government stock, more discipline in marketing, moves towards greater disclosure and recognition of the desirability of "proper" bases, unique to each insurers' circumstances, for the valuation of assets and liabilities.

Predictably, there is opposition to the wide powers proposed for the Registrar. But these should be largely counterbalanced by the recommended permanent Standing Advisory Committee to the Registrar. Furthermore, the Commissioners believe "that the wide powers we recommend will by their very existence have a salutory effect so that in practice it will seldom be necessary to exercise them."

Guarantee Life's MD Dr Schlomo Peer was dubious: "I'm not convinced that there is a problem that needs a cure. The Report mentions freedom of action but recommends complete control".

The Report sees the duties of the State as being.

- "to ensure that long term insurers make provision on a sound basis for their future contractual obligations during the extended period before these obligations have to be met;
- "to protect the equitable interests of with-profit policyholders". (At various points throughout the Report the importance is stressed of protecting policyholders' "reasonable benefit expectations" as opposed to merely their legal entitlement); and
- "to promote fair marketing practices in view of the special features and complications of life insurance, and to promote the effectiveness of the market mechanism of competition by setting fair standards of disclosure".

It is stressed, however, that controls should be weighed against their possible inhibiting effects on the ability of the industry to innovate and meet the needs of the insuring public.

Clearly much would depend on the Standing Advisory Committee, whose members would be appointed by the Minister. It has already been given a long list of matters to look into. (Presumably its members should be professionals not representing individual companies. And if it is to perform its most important function of giving the Registrar impartial advice, surely it was a mistake to recommend that the Registrar should be chairman?)

To enable the Registrar to detect weaknesses in an office's financial position before it is too late, more frequent information is called for, in particular annual instead of triennial valuations of assets and liabilities.

Guarantee Life's Peer . . . not convinced. Metlife's Bloomberg . . . going too far

Liabilities and assets should be valued on bases consistent with one another ("proper valuation") In addition, there must be a comprehensive annual actuarial report, a copy of which must be sent to the Registrar.

The intention is to strengthen the position of the actuary as a regulator of the industry's methods of operation. by giving him adequate protection from his employer in the event of disagreement, and by providing penalties against improper influence.

The Registrar would also have a general power to order an insurer or broking firm to cease any practice which he considers undesirable but only after consulting the Standing Committee, and with the Minister's consent.

On these proposals, Metlife's MD David Bloomberg comments: "This surely goes too far . . . it is wrong in principle that the Registrar should have such arbitrary powers without there being recourse to a Court of Law".

Further points in the Report.

Investments: The Commission recommended that the principle of compulsory investment in prescribed securities should be reviewed in the interests of policyholders. One universally popular proposal that certainly won't be accepted at present!

Investment linked business: "Linked business is still developing and further innovations are likely to be introduced. The approach of the Registrar should be flexible and any problems should be referred to the Standing Committee".

Despite this promising approach, the Commission has drawn up a set of rules for linked policies such as do not apply at all to conventional policies:

- Only one form of investment-linked policy should be allowed;
- No maturity guarantees should be permitted; and
- Insurers should only be allowed to include unlisted securities and fixed properties in linked portfolios subject to the rules of valuation being approved by the Registrar, and the Registrar should have the right to limit the proportion of any specified class of asset in linked portfolios.

Both Schlomo Peer and Liberty Life's Mark Winterton express reservations about the prohibition on maturity guarantees. Says Winterton: "I see no compelling difference between giving

CAPE TIMES 11/5/77

(68)

R7,5m debt provision trims Barclays profits

Own Correspondent

JOHANNESBURG. — Although operating profits continued to advance in the six months to March 31, a R7,5m additional provision for doubtful debts trimmed Barclays National Bank's earnings. The interim dividend has, nevertheless, been raised 1c.

Operating profit in the six months was R30 122 000 (1976: R28 864 000), but the additional provision chops this to R22 622 000. This is just inside the 25 percent of profits that banks may charge against tax for doubtful debts. After tax and minority interests, interim earnings work out at 27,6c a share (32,7c). The interim payment is 10c (9c). In the full year to March, earnings were 54,0, of which 19c was paid out by way of dividends.

The interim report says a further additional bad debt provision may have to be made at the end of the financial year. Barclays National's managing director, Mr Bob Aldworth, says the provisions were not made with any particular bad debts in mind, but just as a matter of prudence. The bank's main exposures are on Glen Anil (up to R4m) and Corlett Drive (unquantifiable, he says, as parts of that group are still trading).

He confirmed that Barclays Western Bank is now operating profitably, and although I did not get the impression that it is making much of a contribution, he said that it is doing well in the HP market and actually exceeded its new business target in the past two months.

The group, said Mr Aldworth, is now operating close to its ceiling. With demand for agricultural credit seasonally high at this time of year, he expects this to continue until at least mid-July. He believes the banking sector as a whole is fairly fully lent.

The decision to increase the dividend is a sign that management is confident about the overall position. The R7,5m provision, to put it in perspective, is only equivalent to 15c a share, and must be compared with total capital and disclosed reserves of R203m — the first time this figure has been reached.

While it is impossible to forecast earnings in the face of potential further provisions at the year-end, if the pattern of recent years is maintained there should be at least another ½c increase in the final dividend — maybe even 1c.

This would give a total of 20½c to 21c. At 20c the yield pattern is just about the lowest in the whole banking sector. Indicative of the market's regard for the share's investment merits.

54. Report of the Department of Lands, UG 53-'18

55. The Farmers Weekly, 17th September 1913.

56. The Farmers Weekly, 31 January 1912.

57. NA 313 876/13/814. An accurate summary of the legislative position in the Union before the passing of the 1913 Natives Land Act is to be found in an untitled memorandum prepared by the Native Affairs Department in the House of Assembly dated 28th February 1913. The Orange Free State was the only Province to specifically forbid the purchase of land by Africans, though in the Cape the Private Locations Act of 1909 restricted the purchase of land for tribal or collective occupation while in Natal "by administrative arrangement" Africans were debarred from purchasing any Crown Land. In the Transvaal, Africans were able to purchase landunder Tsewu's case of 1905.

58. Union of South Africa, <u>Blue Book on Native Affairs</u>, 1910 pp 47-48.

59. <u>Union Government Gazette Extraordinary</u>, 6 December, 1911. The clauses that were identical were clause 13 (I) of the Bill to "regulate the residence of Natives on land in certain ... Union and to prohibit the unauthorised ... tives on any land" and clause 39 (I) of ... ent Bill. The clauses related to the penalties ... Crown Land.

60. ... Secretary of Native Affairs ...

61. ... Rissik, 15th November, 1911.

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PENSION FUNDS

A new(ish) approach

If there's nothing new under the sun, it's even more of a truism that there's little new in insurance and pensions. So, despite the considerable and costly fanfare with which African Eagle Life ("The specialist pensions company in the Anglo American Group") is launching its somewhat grandiously named "Mint Series New Money Fund", it really isn't a major breakthrough, nor even a "radically new approach", as deputy managing director Ron Scowby modestly claims.

Even so, the new money concept is new on the South African pensions scene, and, as such, it's very much to be welcomed. It's a concept that has been used successfully overseas, particularly in the US, for many years.

Basically, the approach is that the fixed interest element of a pension fund — normally up to 70% both as a matter of choice and of statute which now requires 55% in gilts and semi gilts — is regarded as being invested on a year by year basis, with the "new money" earning the rate of interest applicable to the year in which it is actually invested.

That sounds elementary, of course, and is in fact the way that new moneys accruing to privately managed funds are applied. But the majority of medium to large funds are insured under the popular "deposit administration" method, and here new moneys are pooled with old moneys to provide an average rate of interest for the pool as a whole.

The pool concept, as Scowby points out, "results in a complete distortion of the pattern of income yields being declared on the investments". And, when interest rates are rising, new money is subsidising "historical" money, although the converse applies when interest rates fall. Under the Mint Series plan, each year's money inflow earns the rate of interest that is actually applicable to it.

A quick check among the bigger pensions brokers shows that African Eagle's initiative is welcomed. "On balance, it's a good contract, and another useful tool in the pensions trade — but it's not one that will see the elimination of other, existing, useful tools," said one industry leader. But, he added, "I'll be even more interested when I know what investment and administration charges are involved."

Draft copy

FARM LABOUR IN THE EASTERN CAPE, 1950-1973

Outline:

1 Introduction : purpose

2 The Eastern Cape : the farm economy and labour requirements

3 The farm labour force : size and composition

4 Farm wages

5 Labour condition

6 Labour problems

7 Conclusions

8 References

Unidev, which is engaged in property development and civil engineering, increased its taxed profit from R2,56-million to R3,32-million in the year ended February.

Share earnings rose from 11,50c to 14,89c. An increased final dividend of 4,0c (3,75c) makes a total of 7,5c (6,75c) for the year.

Derek Tommey

Argus 19.5.77

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G.G. ANTROBUS
Department of Economics,
Rhodes University,
GRAHAMSTOWN

August 1976

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South Coast empire

Natal Mercury 28/4/77

Five property firms collapse

Mercury Correspondent

PRETORIA.—Five more companies in the multi-million-rand Tulryk Natal South Coast property empire crashed yesterday, a week after the final liquidation of the parent company and main subsidiary.

Final liquidation orders were granted on Monday in the Supreme Court at Pretoria by Mr. Acting Justice Phillips.

Last week Messrs. Tulryk Ltd. and the main subsidiary, Messrs. Tulryk Development Company (Pty.) Ltd. were placed under liquidation.

An eighth company in the group, Messrs. Pari Plus Beleggings Beperk, has been placed under provisional liquidation but its return date was extended to June 14.

Liquidated on Monday were Messrs. Ons Kan Ook Beleggings, Edms Bpk, Prestanmar Beleggings, DMS Beleggings Maatskappy Edms Bpk, Frederiand Beperk, Jorcas Eindomme Dms Beperk and V D Trading Agencies Ltd.

The whole action follows the crash of the parent company, after the Bank of Johannesburg had applied for Tulryk's liquidation after the company had been unable to meet loan obligations.

The Bank of Johannesburg had loaned the organisation R8 - million for projected extensions to Natal South Coast holiday flats.

Focal point in the litigation was three blocks of flats in the Amanzimtoti area — High Tide,

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Rembrandt moving into Volkskas and Bankorp

Cape Times 25/5/77

By PAUL DOLD
Financial Editor

IN A MAJOR development the powerful Rembrandt group is moving into banking, taking 20 percent of Volkskas and is negotiating for a similar stake in Bankorp.

Based on the current market prices of the shares, Rembrandt's banking stake is worth some R15m. Last night's brief announcement said that the Rembrandt group had agreed with the approval and support of Volkskas to acquire an interest of 20 percent in Volkskas at R2,40 a share.

Rembrandt is also negotiating to acquire a 20 percent portfolio investment in Bankorp. Both holdings in the banks will not carry the right to nominate directors.

This is Rembrandt's first direct investment in the banking sector but it represents an entry into finance for the group which recently diversified from the tobacco-liquor base into mining.

Rembrandt is believed to have played a leading role in General Mining's successful takeover of Unicorp.

The deal is a coup for Dr Anton Rupert who has quietly seen an opportunity to catapult Rembrandt into the fore of South African blue-blood banking stock, not only into solid Volkskas but also into the rapidly expanding Bankorp group.

Dr Anton Rupert ... industry, mining and now banking.

The announcement will be seen in the market-place as the latest development in the reshuffle of South African banking interests under the Sanlam umbrella in recent weeks, triggered by the Bankorp bid for Trust Bank.

At the beginning of April it was disclosed that Volkskas's 41 percent stake in Bankorp was to be offered to Sanlam in return for Sanlam's shareholding in Volkskas. The end result is that 8,2m Bankorp shares will be swopped for 4m Volkskas held by Sanlam. In due course these 4m shares are to be offered to Volkskas shareholders.

The deal left Sanlam with a 9,77 percent portfolio stake in Volkskas.

Clearly Rembrandt, with its massive international muscle in its traditional fields, is rapidly broadening the scope of its activities and the Sanlam-Volkskas deal must have provided an opportunity for taking a strategic stake in both Volkskas and Bankorp.

Rembrandt's new banking stakes are in line with Dr Rupert's own philosophy of being large enough to be meaningful.

Secondly, he is known to prize autonomy highly and thus is not seeking board representation, believing that the group should stick to managing what it knows best — industry.

Thirdly, Rupert is obviously well satisfied with the current market yields on the shares and feels they are an outstanding investment.

The investments will probably be housed in a 100 percent Remgro subsidiary. I gather that, although the Bankorp holding is referred to as a portfolio investment in last night's announcement, this does not have particular significance.

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PICK N PAY

More funny money

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Pick n Pay will be opening two new hypermarkets this year in Cape Town and Bloemfontein, and a further two in Durban and Johannesburg are scheduled for 1978. Except for the Cape Town hypermarket, which will be owned but bonded, the others will be financed off balance sheet. Southern Life will lease back the Bloemfontein hypermarket which is expected to cost R7m, while a consortium headed by Guardian Liberty Investment Corporation will do lease backs on the other two at an estimated cost of R17m.

Despite Pick n Pay's R13m of cash in the bank, plans are in hand to increase the equity base ahead of the big expansionary push into hypermarkets. This base is currently R12m or 22% of gross assets of R55m. UAL is arranging underwriting on a R5m automatically convertible preference share issue, and is delaying announcement of the exact terms until the last minute. These will only be known on June 14, the day of the

What's Rupert up to?

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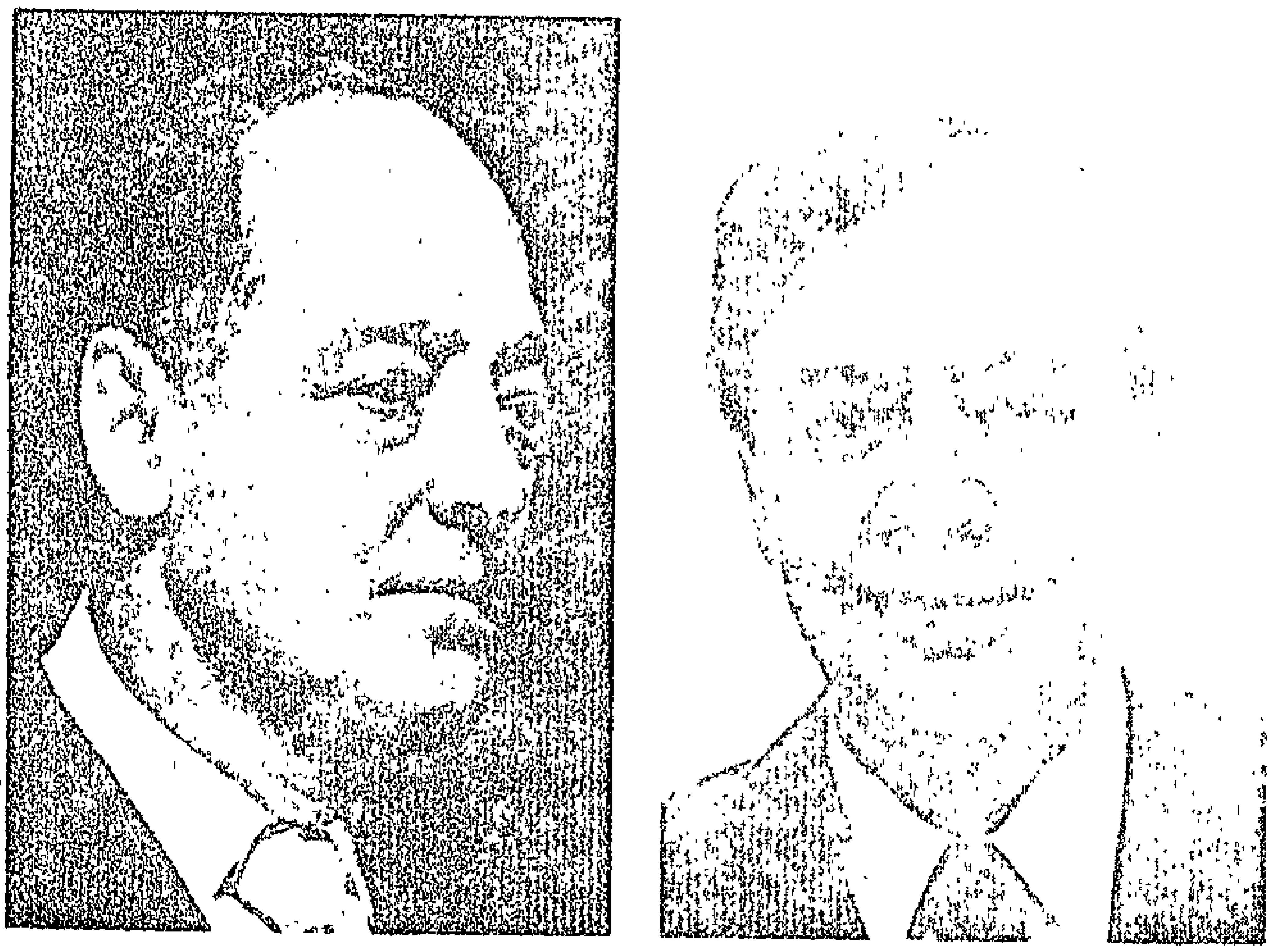

Van Huyssteen, Rupert . . . banking can damage your health

Rembrandt seems to be moving away from the concept of expansion through partnership to direct portfolio investment. But whether the move into banking was motivated by a genuine desire to enter this field, or more by the need to broaden the spread of bank shareholdings across a wider spectrum of Afrikaner business, will probably, because of the secret way things are done down at Stellenbosch, never be known.

Sanlam and Rembrandt, until the Fed Mynbou deal, maintained a distant relationship. Now Rembrandt has suddenly purchased a 20% interest in Volkskas, effectively from Sanlam, and is negotiating to buy a 20% interest in Bankorp, also from Sanlam.

Sanlam originally owned 28% of Volkskas, which was reduced to under 10% as a result of the unscrambling of the Volkskas-Bankorp connection at the time when Volkskas refused to be pushed into a merger with Trust and left Sanlam to sort out its banking problems on its own.

The other 18% was temporarily placed in the hands of "friendly institutions" before being placed with existing Volkskas shareholders, as the bank itself could not buy back its own capital. Volkskas has now arranged for it to be built up to a round 20% and at the striking price of 240c, the parcel will cost Rembrandt R10,3m and give a yield of 7,9%.

No new shares have been issued by Volkskas, and Rembrandt thus becomes the largest single shareholder but with no board representation. In fact Rembrandt's total holding will only confer on it 7 votes in a general meeting while any individual shareholder, whether he has one share or 1m, will have one vote. The only way that Rembrandt could exercise any influence over the affairs of the bank would be if the sitting Volkskas board were to invite it in. So far it has shown no inclination to do so.

Rembrandt's second step, the proposed purchase of 20% of Bankorp, is less explicable. Why would Rembrandt want to have a 20% stake in the two rival Afrikaner banking groups?

The Sanlam group is again the potential seller but Rembrandt's exact commitment will have to await the outcome of Bankorp's stand by offer for Trust.

Rembrandt's outlay in Bankorp will be a minimum of R6,6m up to a maximum of R9m. Acceptance of Bankorp's terms by Trust shareholders now looks like being at a higher percentage than originally contemplated so Rembrandt will probably be spending a total of close to R18m on its entry into the banking field.

That Rembrandt is proposing to take stakes of exactly 20% is significant. Last year Rembrandt equity accounted everything that was between 25% and 50% owned, which included Fed Mynbou, Gen Min and Union Corp as well. This could easily be adjusted downwards to accommodate 20% interests, in line with some overseas practice. So bewildered shareholders beware. Rembrandt's accounts this year could become even more meaningless than in the past.

That Rembrandt is getting a foot in the door of both Afrikaner banking groups seems to belie the fear that Sanlam was prepared to channel its business away from Volkskas into Trust and other associates in retaliation for Volkskas refusing to play ball over Trust. In turn, the concept of the new Bankorp, backed by Sanlam's muscle, which is how the Bankorp/Trust deal was originally presented, is now becoming implausible.

Volkskas has long standing business associations with Sanlam, while the extensive branch network particularly on the *platteland*, must be invaluable in channelling life assurance business Sanlam's way. With Sanlam bringing in Rembrandt as a partner it has to a certain extent distanced itself, and perhaps even defused what was being billed as a North v South banking war in the Afrikaner community.

For Rembrandt itself, I doubt whether its purchases will have any beneficial effect on its market rating. The profile was indistinct enough without adding banking interests. Its chief attraction to investors has been the predominant foreign source of its earnings which has accorded it the premium rating of a 7,7% dividend yield.

Richard Stuart

FIN. MAIL
27/5/77
58

BANKING SCHEMES

Reviving good ideas

Barclays Bank may regret the price it paid for Western Bank. But some of its marketing ideas are still working.

Its special saving account, for example, was very popular. It offered: 8% interest, calculated on daily balance; withdrawals and deposits at all branches; five free cheques a month; no ledger fees; monthly itemised statements; and HP or home improvement finance.

Wescard, Western Bank's multipurpose credit card (which could be coupled to the above special savings account), was withdrawn at the end of February. Good credit-risk holders were advised to apply for Barclaycards; poor credit-risks were dropped. Customers with outstanding debit balances (Wesbank offered revolving credit at 18% a year) were given the option to pay back over six, 12 or 24 months.

The savings scheme, however, was revised on March 1 under a new name, Multisave. This also offers five free monthly cheques, as did Wescard. These, however, are available only from Barclays Western Bank outlets, not from Barclays own branches.

There are precious few of them — 60 countrywide, of which only four are in

COMMISSION RATES

Mending a fence

Reports that the Registrar of Financial Institutions has agreed to allow commissions paid to brokers on term policies to rise by up to 183% are true. But they have caused unnecessary confusion.

Recent legislation pegged maximum commissions to 85% for ordinary life and endowment, and to 30% for term, but no specific provision was made for "reinforced" (or hybrid) policies. These, basically, add varying amounts of term to a life policy. As a result, there was the prospect of endless difficulties in determining what level of commission should be paid on each hybrid.

It has now been arranged that all recurring premium policies (other than retirement annuities) are to be treated alike — ie for reinforced policies the whole premium can attract up to 85% commission. (This is an arithmetic 183% increase on 30%.) This will remove the disincentive to sell reinforced policies, which are inherently sound.

Straight term policies will also carry the higher commission rate. This is a relatively minor concession as little term business is written, such policies being appropriate only in special circumstances.

FIN. MAIL 3/6/77 (58)

FINANCIAL INSTITUTIONS

Render unto Horwood

The Financial Institutions Amendment Bill, which had its first reading last week, provides, among other things, for the appointment of an advisory committee, with Registrar Wynand Louw as chairman, as was recommended in the Report of the Commission of Inquiry into long-term insurance (*FM* May 8). The committee will advise the Registrar on any matter relating to long-term insurance and the intention, according to the Report, is that it will give the Registrar the backing and advice of a consultative body "in arriving at sound and informed decisions in difficult and possibly contentious matters"; and in particular, on those matters on which the Registrar is required to exercise discretionary powers.

The Bill also deals with the changes in prescribed assets announced in the Budget. These are increased from 30% to 35% for ordinary life insurance business, and from 50% to 55% for pension and retirement annuity business.

This is to be effected in three steps:

- To 33% and 53% by September 30 1977;
- To 34% and 54% by December 31 1977;
- To 35% and 55% by March 31 1978.

As a result of representations made by the industry, there is a proviso that the Minister may determine lower percentages if he finds that he has got the extra money he requires at an earlier stage. There is also a provision that if an office can make out a case that it is unable to meet these requirements the Registrar may allow some relief.

3 THE LABOUR FORCE

The total number of farm employees in t...
was 48 687 of which 90% were Blacks wit...
8 % Coloureds. This contrasts with a...
Cape Province where Coloureds are in th...
table gives an indication of the size ...
Cape in relation to the Cape Province :

Table 1: No of regular farm labourer ... Cape Province and South Afr...

Race group	Eastern Cape	Cape Province - Eastern Cape
Whites	908	4 679
Coloureds	3 700	86 616
Asiatics	4	27
Blacks	44 075	50 992
TOTAL	48 687	142 314

Source: Agricultural (

It will be noted from the table that ...
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58

Spes Bona bank may be opened to all races

Cape Times 3/6/77

By GORDON KLING

SOUTH AFRICA'S only coloured bank, the wholly-owned Coloured Development Corporation subsidiary, Spes Bona, is negotiating with the Government for approval as an open bank to serve all races in a move which could have wide ranging implications for other apartheid financial institutions.

Disclosing this following questions at a press lunch in Cape Town yesterday, the bank's general manager, Mr A J Kedzierski said it would continue to be classified as a coloured business regardless of the outcome of the negotiations and it would require a permit to operate in white areas.

The bank was the centre of a controversy last year over a loan across the colour line to a former cabinet minister, Mr Jan Haak's collapsed Transterra mining group.

The United Party finance spokesman, Mr David Baxter, yesterday welcomed the move towards open status. He did not believe business should be confined on the basis of race.

"I'm strongly in favour; the white banks are open; why shouldn't a coloured one be?"

The Progressive Reform Party spokesman on financial affairs, Mr Harry Schwarz, said the party believed institutions should be multiracial, but if they were created for a community they should look after that community.

The possibility of Spes Bona becoming an open bank automatically raised questions on the status of the Indian-based New Republic Bank, and the African Bank, he said.

He did not object to the move, but more important than who a bank did business with was who controlled it. It was important to get blacks, coloureds and Asians into ownership positions in a free enterprise economy, he said.

The registrar of financial institutions, Mr Wynand Louw, confirmed the Spes Bona negotiations but said that the matter was now the responsibility of the Minister of Coloured Affairs, Mr H H Smit. The Minister was not available for comment last night.

I understand that a primary motivating factor behind the negotiations is an effort to improve the image of the bank in an effort to boost expansion. Branches in the central business district of Cape Town would have obvious business attractions, but the current "coloureds only" policy would stand out in a more embarrassing light than in coloured areas where existing branches are located. Open status would also clear up anomalies resulting from financing coloured businesses which, in turn, do business with whites.

Steyn advises investors

Political Staff

THE SECRETARY FOR COMMERCE, Mr Joep Steyn, yesterday told private entrepeneurs not to allow their reactions to investment opportunities to be dictated by considerations which reflected a total disregard of South Africa's determination.

Opening a new Transvaal factory Mr Steyn said that while South Africa's investment rating had suffered a set-back because of political and economic developments in Southern Africa, investors should also not disregard the country's capacity "to solve its present difficulties in a manner conducive to the future economic and political stability of the country".

The Republic was committed to the maintenance of private enterprise and the private investor who put his money into South Africa "has an unqualified assurance against the expropriation of assets by the State", said Mr Steyn.

He climbed into woman's bed

BETHLEHEM. – An African man who climbed through a broken vent last year and lay down naked next to a sleeping woman was yesterday sentenced to eight years by Mr Justice L C Steyn. The judge found Petrus Mlangeni, 24, guilty of housebreaking with intent to rape and assault with intent to rape with aggravating circumstances. The woman, had woken up and struggled with the man who had then tried to strangle her, evidence said. – Sapa

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CAPE TIMES 8/6/77

Bank may make pay out this month

JOHANNESBURG. — Rand Bank, crippled in the aftermath of the Glen Anil debacle, hopes to make an initial repayment before the end of this month to most depositors, the curator, Professor Fred du Plessis, said yesterday.

"We are still looking for some money coming in and I cannot be specific," he said, "but I would hope to make an initial repayment of the order of around 15 percent by the end of this month. It could be slightly more."

Professor Du Plessis said he had negotiated successfully with about 90 percent of depositors. They had co-operated when he explained that the intention of returning all deposits could be effected only if depositors were willing to accept lower interest rates on their deposits.

The basic formula he had used in the negotiations was to ask depositors to accept an interest rate of seven percent against the eight percent or higher they had been expecting.

"I am still negotiating with the other depositors and remain hopeful that we will get 100 percent acceptance.

"There has been only one flat refusal from one small depositor, and even then I feel there is still room for negotiation."

The few who would not co-operate would have to wait before they received any money, he said.

The timing and amount of repayments would depend on the cash flow of the banks itself dependent on assets maturing and becoming liquid or the realization of assets. — Sapa.

TABLE 10 Division of labour, numbers employed and farm size by farm type

Product: ...	Sugar	Wattle/ Timber	Sheep/ Beef	Dairy	Pigs/ Poultry	Crops	Horti- culture	Other	Mean
Ratio of skilled/ unskilled:	1 : 4	1 : 4.6	1 : 2.3	1 : 2	1 : 1.3	1 : 2.6	1 : 5.9	1 : 2.6	1 : 2.8
Numbers of workers employed									
Skilled	7.3	4.4	4.8	5.0	8.0	4.1	1.5	4.8	5.0
Unskilled	29.3	20.4	10.9	10.1	10.5	10.6	8.9	12.5	14.2
Part-time	17.73	12.34	8.69	9.7	10.51	11.12	9.43	11.36	11.09
Average farm size (ha)	408.30	861.50	875.80	721.00	566.00	1214.00	571.40	607.00	728.00

TABLE 11 Hours worked by farm type

Product:-	Sugar	Wattle/ Timber	Sheep/ Beef	Dairy	Pigs/ Poultry	Crops	Horti- culture	Other	Mean Totals
Hrs worked per week	42.5				47	[illegible]9.3	45.4	44.4	46.2

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CAPE TIMES 8/6/77

Stanbic's R12m Glen Anil provision

JOHANNESBURG. — Standard Bank Investment Corporation's earnings a share in the year ended March 31 dropped from 56,53c to 41,35c after the provision of about R12m before tax against the group's exposure to the Glen Anil property group.

The directors say in a statement accompanying the year-end results: "This makes provision for the maximum possible loss and future profits cannot be adversely affected.

"Everything will be done to ensure that the assets realize a fair value and recoveries from claims could result in future credits to income."

The group has held its final dividend at 14,5c for an unchanged total of 22,5c.

Group operating profit was higher at R38 363 000 (R37 374 000) but taxation rose to R15 100 000 (R13 656 000). Transfer to general debt provision, less deferred taxation, and extraordinary times brought net income down to R21 211 000 (R25 122 000). — Sapa

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Business Mercury

Trident in flats plan

10/6/77 Natal M.

Financial Editor

THE TRIDENT Building Society has embarked on a building scheme in Pietermaritzburg with the aim of providing flats, with two, three and four bedrooms, which will be sold at reasonable prices under sectional title.

The directors say, in their annual report, that great interest has been shown in this development. It is situated in a desirable residential area of the city, which is close to shops, public transport and Maritzburg College.

During the year ended March, 1977, the Trident's assets increased by R5 936 000. On the other hand, the society's surplus of revenue over expenditure, before the payment of dividends, amounted to R3 118 000.

The revenue and expenditure account shows that to this has been added R78 000, an unappropriated surplus from 1976, and R62 000, which is a transfer from provisions. This makes a total of R3 258 000 available for appropriation.

Dividends paid to shareholders amount to R3 120 000 leaving a balance of R138 000 (1976: R250 000).

The conclusion to be drawn from these figures is that the high rates that building societies are having to pay for money has caused a tight, and uncomfortable, situation for them.

J. Keir

Gold Exchange

MANILA — The Philippines is planning to open a gold exchange in Manila, the foreign exchange director of ...

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er-Afrika
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Department of French,
iversity of Cape Town,
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h May, 1977.

58

Dear Sir,

I have pleasure in enc... y copy of the 1976 issue of French Studies in Southern ... journal of the Association for French Studies in South...

The journal is publish... ted in the first instance to papers presented at the bien... the Association. The subscription rate is ...

The next two issues, t... expected to appear in July 1977, will include papers delivere... , on the theme "Le Rêve dans la littérature français... butors are Jean-Bertrand Barrère (Cambridge), Jean Ri... ppe Sellier (Paris-V).

I hope you may be inter... to this journal. Orders may be placed with the Secretary ... f French, University of Cape Town, Rondebosch, 7700, Sout...

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F/M. MAIL 10/6/77

GOVERNMENT BONDS

Tax-free delights

(58)

Yet another storm burst on the banks and building societies on Wednesday when Finance Minister Owen Horwood revealed the generous terms of the Defence Bonus Bonds and a new series of Treasury Bonds.

The Defence Bonds will offer an interest rate of 8%, of which 5% will be tax-free and the remaining 3% will be credited to the "lottery" fund for subsequent prize allocation.

The bonds — which should be on sale by October — will be available in denominations as low as R5, and will be redeemable after one year. Winning numbers will probably be drawn monthly, and prizes are likely to be mouth-watering: one between R20 000, and R25 000, one at around R12 000, and numerous smaller ones from R5 000 down to R50.

The original idea of a bonus payable on redemption has been shelved. Though no mention has been made of maximum holdings, the bonds are to be sold freely over Post Office counters, with no record

Financial Mail June 10 1977

is to survey the farm labour conditions in the
ately two decades and to note some of the
the attitudes of employers, and the changes
oyment and wages paid. The main source
in particular 1973, is a farm labour survey
th E.A. Thomson in the Eastern Cape.
on the willingness of members of farm study
tions as well as interested individuals
approximately 1020 pre-coded
osted to farmers throughout the Eastern Cape
ned of which 299 were suitable for analysis.

in what follows to bear in mind the
In order to place the data in perspective
f supporting data from Agricultural Censuses

Horwood . . . unpacking a new blow to building societies

of buyers. So it's unlikely that a maximum will be enforced.

The five-year Treasury Bonds (available from August 15) will offer an 8% tax-free dividend. They will be sold in multiples of R100 with a minimum of R500, and can be cashed within 18 months of purchase. Maximum individual holding will be R40 000.

The terms of both new issues will undoubtedly compete strongly with building societies' tax free shares, which also offer 8% but whose maximum holding is limited to R10 000. Moreover, despite the lower tax-free return on the Defence Bonds, the gambling element is likely to make them as attractive as building society shares, especially to the small investor.

Association of Building Societies' director David Alston is more worried about the Treasury Bonds than the defence lottery: "The Treasury Bonds seem to have been sprung on us. On the face of it, they'll offer competition because of the R10 000 limit on paid up shares.

"But tax free shares still have the edge on the Defence Bonds, which effectively only offer 5% tax free." Other building society men are more worried.

"The new issues will decidedly have an effect on building societies," says SA Permanent assistant general manager Keith Gibbs, "and I can see the schemes giving us a bit of a headache."

Another building society man shares Gibbs' concern - "People in higher income brackets seeking some measure of tax relief will avail themselves of the bonds," he notes.

What's the societies' next move? One possibility is to push for an increase in the R10 000 ceiling on tax-free shares. But with Pretoria's high local borrowing commitments, chances are the societies' pleas will get an unsympathetic hearing.

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SUNDAY TIMES, Business Times, June 12, 1977.

Most banks are now out of the 'lifeboat'

By NIGEL BRUCE

IN THE aftermath of the Rondalia and Rand Bank debacles, the heat is now off the independent small banks. In recent months they have been struggling to keep their cost of deposits below what they earn on loans.

Nearly all of the handful that borrowed from the Reserve Bank's R55-million "lifeboat" fund are now out of it and, in fact, even at the height of its use, only half of the total was lent.

The favourable trade balance, steadying reserves and reduced loan demand, which caused large banks to funnel unwanted deposits to the smaller ones, have all, by increasing liquidity, helped ease substantially the lot of the small banks.

Nevertheless, for all but the most skilfully managed, and particularly for the newer ones, the outlook remains uncertain and the possibility of an early resumption of anything like past growth rates is remote.

This is clearly illustrated by the fact that less than two years ago banking licences were being aggressively sought by many hopeful newcomers.

Now a banking licence is almost a non-saleable commodity, except at unacceptable knock-down prices.

And industrial companies, such as Plate Glass and Protea, are withdrawing from leasing, a quasi-banking activity. This is partly because the Act's new Banks definition of deposits has knocked the bottom out of leasing for non-banks. But it would be surprising indeed if expectations of circumscribed banking returns had not also influenced them.

A rough indication of how investors view bank investments in general can be gleaned from the fact that the prices of some quoted bank shares represent less than 60 per cent of net asset value.

There are basically four reasons for this relatively sudden about face.

• Over the past two years some banks in the larger Western countries have hit rough waters and not all have survived.

In South Africa the sharp edge of the recession took time to bite, but eventually led to cash problems for Rondalia and Rand Bank, which resulted in their both being placed under curatorships.

• Measures to restrict the supply of credit to the private sector, which had to be harsh to counter official profligacy and hinder an outflow of scarce foreign capital, have for the time being at least severely curbed growth possibilities.

The measures include the credit ceiling (now almost superfluous because of declining demand for new loans), the high supplementary liquid asset ratios and absurdly low usury ceilings in the face of a tight monetary policy.

Of these, the liquid asset requirements are the toughest, particularly for banks with large amounts of short-term deposits. For 75 per cent of new short-term deposits have to be invested in low yielding official securities.

If a further 20 per cent of these deposits be set aside as working capital, only 30c of each new rand taken in is available for lending. And if it be invested in sufficiently high-yielding loans to show a return commensurate with those in other investment sectors, the borrowers are usually risky.

• The overtrading of some banks led them to seek large corporate deposits, in fact so large that at times individual deposits equalled or exceeded capital and reserves, which were highly sensitive to competitive interest rate rises.

• As the larger banks found the 14 per cent usury ceiling on overdrafts too constricting, they moved strongly into higher yielding HP business and leasing.

Their interest-free deposits, desire to gain market share and ability to make use of investment allowances and tax situations, enabled them to offer such competitive terms that they began to capture large slices of these markets.

The natural consequence of factors such as these is to discourage the formation of new banks and encourage the merging of existing independent ones.

However, a closer look at the small independent banks, their management, shareholders and the widely differing nature of their business and of their funding, suggests that this might happen only to a limited degree.

In fact, it could be that the total number of banks is more likely to decline through the rationalisation of existing bank group interests.

The reason for this is that size, important although it has proved to be, is not the only criterion for a small independent bank's survival and ultimate growth.

Those that have relatively large numbers of small, long-term deposits (against which fewer liquid assets have to be held) and have avoided lending in the high risk retail market which also pushes up costs, should be able to preserve margins, thus ensuring a vital cash flow.

This is provided that in addition their managers concentrate on service, which is difficult for a large bank to rival, to both depositors and borrowers, and are innovative.

While generalities are hazardous and inside

cont. . .

12/6/77

Big boys from the small banks ... left to right, UDC's Ian Summers, Volkskas Merchant's Laurie Korsten and Finansbank's Piet Liebenberg.

knowledge scant on the quality of individual bank lending portfolios, it appears that Finansbank, Concorde Bank (despite its youth) and UDC Bank (just in time) have run their businesses along these lines.

Bank of Lisbon and Bank of Athens, although more into retail business, have the advantage of loyal and less avaricous depositors in the communities they serve.

Boland Bank and a host of smaller rural banks are in similar positions. In this category fall banks like Bank of SWA, Fidelity Bank, British Kaffrarian Savings Bank, Cape of Good Hope Savings Bank and Stellenbossche Distrikbank.

While there is no reason to doubt its viability, Bank of OFS, which came short in property and allowed its retail business to mushroom, might find itself, as did Voogdy some years ago, not unresponsive to merger with Boland or, possibly, Volkskas. The nature of its agricultural business and geographical spread fits in well with those of these to two larger banks. And, after all, its merchant bank has already gone to Volkskas.

But, of course, the stimulus to merge may also come from shareholders who see more favourable returns elsewhere. In this light Messina's interest in Concorde has to be viewed, as well as SA Breweries' in UDC (although in view of what it paid it might have to sit out the rough weather) and Wesco's in tiny Rand Merchant Bank.

UDC's other large shareholder, Britain's UDT, is still heavily into the Bank of England's lifeboat, which might encourage it to liquidate its interest here as it has done elsewhere. Although as UDC's Ian Summers points out, the proceeds from its sale won't help UDT significantly to get out of the lifeboat.

A further difficulty in guaging the outlook for independent banks, particularly Afrikaans ones, is what appears to be a growing philosophical schism between Volkskas and Sanlam which could cloud commercial objectivity.

Be that as it may, whatever future bank groupings are in store, the banking community has certainly grown more robust as a result of its recent trials. Moreover, it has recognised the need for skilled and experienced managers and for the conscious assessment of commercial risk.

CONCORDE BANK

FIN. MAIL 17/6/77

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Finansbank bids

Concorde Bank was suspended on Monday because of negotiations between an unlisted company and Messina to purchase Messina's 42% stake in Concorde. If Messina accepts the offer the same offer will be made to all other Concorde holders. But meanwhile shareholders will have a couple of weeks to wait before any definite offer is made to them.

The market is rife with rumour as to the identity of the unquoted bidder. But several "people in the know" have confirmed to me that Finansbank is the bidder.

They key question is how much will Finansbank pay? Messina's stake of 2,4m shares is worth between R1,1m, valued at Concorde's pre-suspension price of 45c, and R2,5m on the disclosed net asset value of 104c. This, of course, does not include the sum stacked away as undisclosed assets. A fair price would be around the 80c per share mark.

For Messina, the sale would be the tidying-up of a loose end and the offer is not untimely, as banking becomes more and more difficult. Furthermore it has not been a field in which the group has excelled. The proceeds would be helpful, while the loss of dividend receipts is negligible, at R26 000, in the context of Messina's R14m earnings last year, as is the marginal decrease in net asset value.

Concorde would fit in very neatly with Finansbank's operations, giving added strength and at the same time securing Sanlam's muscle. Sanlam lent Concorde Leasing (as it was before its deal with Staalwerkersspaarbank) R30m some years ago and this sum makes up the bulk of Concorde's deposits. Sanlam's consent to the offer is obviously important and there is reason to believe that it would be quite happy to see Concorde go to Finansbank, which has a reputation for sound management. However, I am assured that Sanlam will not be financing the deal.

One of the most attractive features about Concorde is that it has a R2m tax loss, which is convenient to a bank which may want to shelter earnings from tax — like Finansbank. Provided the combined group continues to run the leasing book, it will always benefit from investment allowances and can use Concorde's tax losses. It does not seem that Finansbank sees Concorde as the means to a listing.

Gail Pemberton

MONTHLY CASH WAGES: permanent labour, 1973

299 farms in the Eastern Cape

Number of farms

0 20 40 60

1-5 6-10 11-15 16-20 21-25 26-30 30+

(0)

Cash wages (R/month)

Average monthly cash wage = R10-67

Median " " " = R9-89

F/M. MAIL 17/6/77

ABERCOM/PROTEA

Comedy of errors

58

There's been a change of heart at Abercom. Originally David Lurie was insistent that he wanted all of Protea or nothing. It now looks as if he will be happy to settle for less.

As a bid would have required an initial 90% acceptance to make it possible for Protea to become wholly owned, this route was rejected in favour of a scheme of arrangement. But Lurie and his advisers did not reckon on the problems an opposed scheme could throw up. With the board of Protea firmly opposed, there was probably little chance of a scheme successfully getting through the courts.

Schemes were never designed for takeovers in the first place and the courts are known to be taking a harder line against their use as takeover vehicles. As this would be something of a test case, being the first scheme to come to the courts without recommendation from both boards, it would not require more than a technicality for the judge to throw it out.

Then there is the little matter of different classes of shares. There would apparently have had to be a separate scheme for the partly paid shares. And as these are all owned by Protea executives, what chance could there have been of

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TABLE NO. 5

Type of
Farm
Gover
Commu

Sources: Bulle ... ition, 1959
R.P.

The farmer offi ... to B.E.D. approval,
and it is thus ... pal of the school
with the owner ... sses teachers,
subject always ... teacher's salary, if
his appointment ... paid in full by B.E.D.
and can thus be ... is nevertheless the
farmer's task t ... this may be left to
the principal i ... accomplished through
approaches to w ... local inspector of
education who is likely to have a list of prospective applicants.

As schools are usually situated at some distance from the nearest village or town, the teacher is normally housed, by private agreement with the farmer, on the property itself. The prospect of housing numbers of teachers may act as a disincentive to expansion of schools with the attendant demand for further teachers.

PUPIL ENROLMENT

In order to attempt to evaluate the penetration of education into the rural environment comparison of enrolment over a time span is useful. This question will be dealt with more fully later but it is apparent that the proportion of children in farm schools has remained fairly constant over 13 years.

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ALLIED TECHNOLOGIES LIMITED
("Altech")

ALLIED ELECTRIC (PROPRIETARY) LIMITED
("Allied") CAPE TIMES 23/6/77

and

STC STANDARD TELEPHONES AND CABLES (SOUTH AFRICA) LIMITED
("STC")

Barclays National Merchant Bank Limited is authorised to announce that agreements have been signed in terms of which Allied and STC will become wholly owned subsidiaries of Altech. The agreements are subject to the consent of certain regulatory authorities and the transaction as a whole will require the approval of the shareholders of Altech.

Allied is currently the holding company of Altech and its principal business is the manufacture and marketing of electronic and electrical products, electronic components and solid state systems. STC is wholly owned by Standard Telephones and Cables Limited of the United Kingdom. STC manufactures and markets telecommunications equipment, electronic components and business and data communications systems. The consideration to the vendors of the two companies will be –

In respect of Allied, the issue of 4 757 777 fully paid ordinary shares of R1 each in Altech.

In respect of STC, the issue of 3 050 354 ordinary shares of R1 each and 3 400 000 11 per cent cumulative redeemable preference shares of R1 each in Altech, both fully paid, and the repayment one year after the issue of the shares of a loan of R250 000.

There are currently 1 700 000 Altech ordinary shares in issue, of these 524 103 ordinary shares presently held by a wholly owned subsidiary, of Allied, will be converted to 10% "A" cumulative redeemable preference shares of R1,00 each. On completion of the transaction Altech will have 8 984 028 ordinary shares in issue, of which 587 948 will be held by companies which will then be wholly owned by Altech. Of the remaining 8 396 080 shares, 63,7 per cent will be owned by South African shareholders, and 36,3 per cent will be owned by Standard Telephones and Cables Limited and its nominees. STC, therefore, now becomes a locally controlled company.

For the year to 28 February 1977 the earnings attributable to the ordinary members of Altech were R355 000 or 20,9 cents per share and the net assets were 114 cents per share. If the transaction had been effected at 28 February 1977 the Altech earnings on the increased share capital would have been R3,2 million or 37,6 cents per share and the Altech net assets would have been approximately R11,3 million or 134 cents per share, based on the audited financial statements of Altech and Allied at 28 February 1977 and STC at 31 December 1976.

Full particulars of the transaction will be given to members of Altech in the press and in a circular to members which it is expected will be mailed in August 1977.

The listing of the shares of Altech on The Johannesburg Stock Exchange will be reinstated with effect from the opening of business on Monday 27 June 1977.

23 June 1977

BARCLAYS NATIONAL MERCHANT BANK LIMITED
(Registered Merchant Bank)

Business Mercury

28/6/77 NATAL MERCURY (58)

Stanbic sets high target

JOHANNESBURG — Standard Bank Investment Corporation has set a target return on shareholders' funds of 16 percent for the year ending next March 31, the chairman, Mr. Ian Mackenzie, says in his annual review.

He adds that in setting its objectives for the current year, the board has made a number of crucial assumptions which form the basis of its projected results. He lists a number of them:

- The world recovery will be at a moderate rather than explosive rate and commodity prices will level off and then begin to improve again;
- The price of gold will not fall below 125 dollars an ounce;
- The oil price increases by the Opec countries will be moderate;
- Monetary and fiscal policies will remain restrictive for the full period to March 31, 1978 and the money supply increase will be at annual rate of 9,5 percent over the same period;
- Credit ceilings will be partially lifted before the financial year-end;
- Overall, 1977 can be expected to produce (compared to 1976) an unchanged level of gross domestic product.

Mr. Mackenzie said financial plans from group companies based on these assumptions had been drawn up and accepted by the board. These resulted in the expected return on shareholders' funds being close to 16 percent.

Recession

"The uncertain factor, however, is whether the recession will continue for longer than expected," he added.

The group expected to pay a dividend on ordinary shares of approximately 50 percent of distributable profits, after preference dividends, he said. No additional capital would be sought during the year, he added.

The group's operating profit in the year ended March 31 rose substantially before disclosed and undisclosed charges for loan losses but profits available for distribution dropped by 15,5 percent to R21,2-million.

"The next 12 months will be critical for southern Africa and the Government's handling of the situation will have far-reaching effects on the economy of our country and on business as a whole," Mr. Mackenzie said. — (Sapa.)

28/6/77 N/Mercury

ASSETS UP

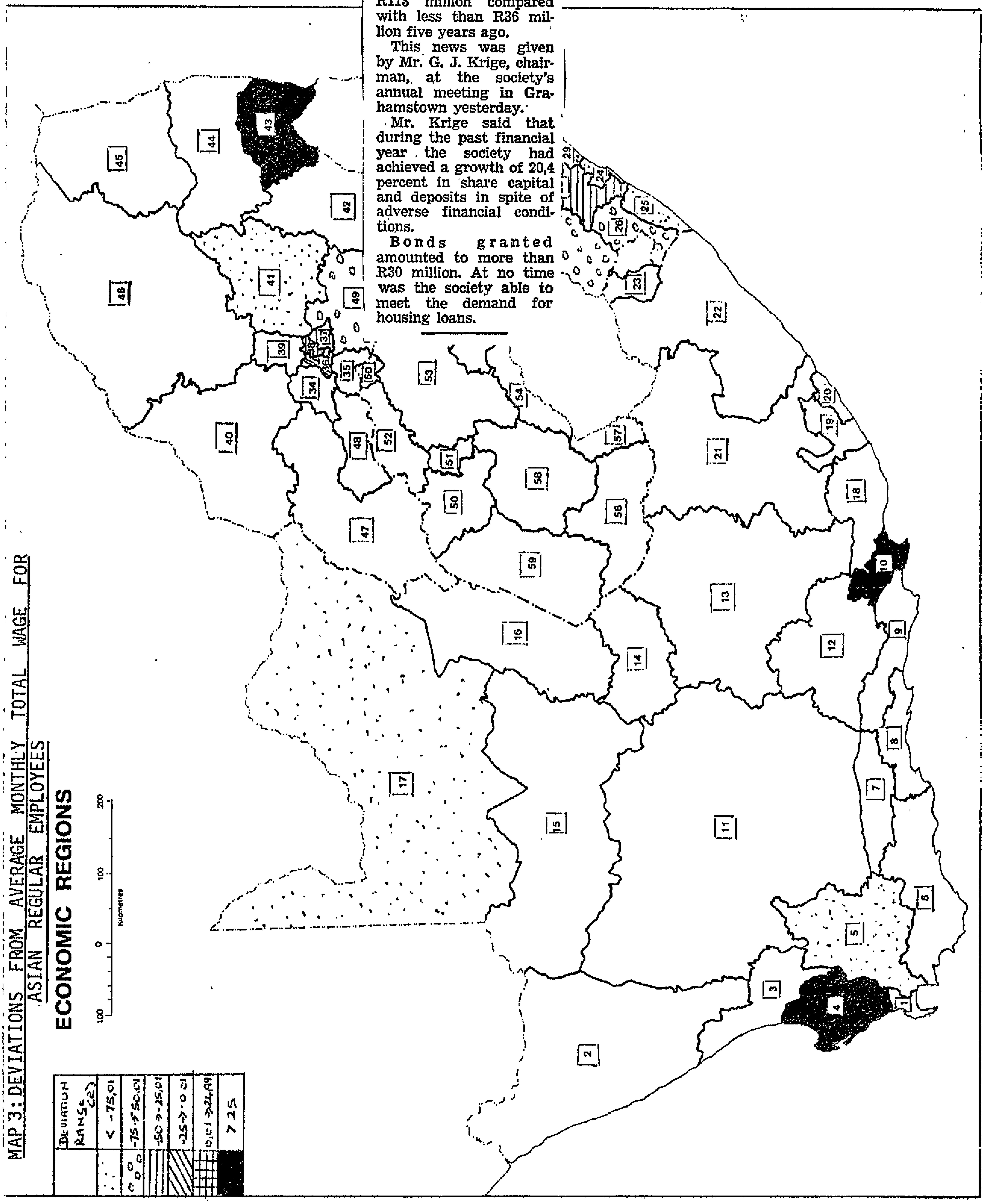
Financial Editor 58

THE ASSETS of the E.P. Building Society have increased to more than R113 million compared with less than R36 million five years ago.

This news was given by Mr. G. J. Krige, chairman, at the society's annual meeting in Grahamstown yesterday.

Mr. Krige said that during the past financial year the society had achieved a growth of 20,4 percent in share capital and deposits in spite of adverse financial conditions.

Bonds granted amounted to more than R30 million. At no time was the society able to meet the demand for housing loans.



FIN. MAIL 24/6/77 (58)

FINANSBANK

Going courting?

Is Finansbank — which has long prided itself as SA's only "independent merchant bank" — willing to forego some of its autonomy? In particular, has Finans-

bank chairman Piet Liebenberg approached the US giant Chase Manhattan to take a share in his bank?

Comments Chase's country manager in Jo'burg Peter Gross: "There has been no official approach." Finansbank refuses to comment.

Rumour has it that should Liebenberg fail to bring in Chase, he would be interested in finding another foreign partner. Not surprising, bearing in mind that before Finansbank's bid for Concorde Bank its major growth area appeared to be its foreign business.

Though consolidated profit fell from R750 000 in 1975/76 to R0,6m last year, turnover on foreign exchange and trade financing business more than doubled. A foreign partner would obviously give this side of Finansbank's operations a major boost.

From the investor's point of view, Finansbank has several drawcards. Despite being the smallest of SA's eight merchant banks, the return on shareholders' funds (and on assets) is higher than any of its competitors. Moreover, Finansbank has a go ahead reputation and a highly-regarded management team.

Political factors however would presumably weigh heavily with prospective foreign shareholders, particularly banks. And the plight of small SA banks might detract from Finansbank's attractions.

Ethnic banking

FIN. MAIL 24/6/77

58

Growth has been slower than expected. The short-term is a time for consolidation

SA's three "ethnic" banks — the Indian owned New Republic Bank, the African controlled African Bank, and the Coloured Development Corporation's wholly-owned subsidiary, the Spes Bona — are finding ethnicity little safeguard against hard times.

While tiny by comparison with the white-controlled general banks (the three have combined assets of R27m and issued share capital of R2,9m against 20th ranked Bankovs with assets of R132m and share capital of R6,4m),

Reddy . . . ready to merge

hopes were high when the banks were launched. Figures projecting total African earning power of R9 000m by 1980 were quoted, and it was anticipated that a large slice of this pie would come to the ethnic banks. What Afrikaner nationalism had done for Sanlam, surely a burgeoning black consciousness could do for the ethnic banks.

The New Republic Bank, launched in 1971 with a share capital of R700 000, now has assets of R10m, a staff of 40 and three branches, two in Natal and one in the Oriental Plaza in Johannesburg. It has announced that Standard Bank is to acquire a 50% stake. Explains Jagaram N Reddy, MD, chief executive and prime mover behind the merger:

"Though we made a small profit last year, the economic climate is making it very difficult for us to establish a satisfactory growth pattern, and as a small bank to be really competitive."

Having Standard as a partner should allay any potential depositors' fears, but what price the bank's ethnic status? The gap between the advanced white and the less developed black sector is too great for a purely ethnic bank to succeed at the present time, avers Reddy.

"One does not turn people into bankers in five weeks, or even five years." He sees in the merger the ideal relationship that should, he feels, characterise the entire economy.

"Only by means of real co-operation, where the partnership is not one of simple labour exploitation, but primarily one of job training and profit sharing, can we bridge the gap between black aspirations and achievements."

Spes Bona is also finding that the ethnic shoe can pinch; it recently applied to the CDC to go "non-racial". Though there is nothing in the bank's articles of association that determines the racial nature of its borrowing and lending, it has been tacit policy to date to operate along ethnic lines.

Spes Bona (assets R13,6m — four branches) is experiencing acute lending problems at the present time, according to CDC general manager Mike Pentz.

This difficulty is highlighted by the breakdown of Spes Bona's current lending portfolio, with 55% of funds out on low-yielding mortage bonds, 24% in hire-purchase, 14% in leases, and about 7% in personal loans, almost exclusively with coloured people.

Despite extensive efforts, the bank has problems finding high income yielding investments in the "coloured" market. Risks are high, and security is often doubtful. The directors believe that the scope of the bank's operations needs to be widened to gain access to the improved investment opportunities available in the "open" market without which, it is felt, the bank's business will contract in real terms.

The African Bank of SA is the newest of the ethnic banks, and to the extent that ethnicity counts among depositors (most of its shareholders are Tswanas and Xhosas) it presumably has the largest potential market of any bank in SA. Yet even Afribank is finding the going rough.

Now in its second year of operation, despite the recent opening of its third office (in Umtata), Afribank has yet to turn a profit for its shareholders. Not that the bank is purely ethnic anyway, with the five major white banks (Barclays, Standard, Nedbank, Volkskas and Trust) holding 25% of the equity as founder shareholders.

Black spending power

Afribank has a further limit to its growth, in that government policy allows it to expand its branch network on a "ratio" basis only, so that each urban area branch has to be paralleled by a rural one. With black spending power concentrated chiefly in the urban areas, the ratio policy is a real restriction on the bank's ability to expand.

Chairman Sam Motsuenyane has frequently stated that he believes that blacks want capitalism and the banking services which are its backbone, but with an estimated 1,5m blacks unemployed, neither saving nor commercial investment is really possible for the bank's natural constituency at the present time.

In fact, all three banks admit that the greater portion of their funds are still drawn from white institutional investors. While representing a negligible portion of the institutions' investment portfolio, such investment represents around 60% of the deposits held by the ethnic banks.

In the light of this, the short-term viability of ethnic banks is doubtful. Indeed, with their "ethnicity" somewhat diluted by recent events, their very rationale must be queried. Banking relationships are by their nature long term. A relationship built up over many years and often involving intricate and extended financial arrangements is not easily or advisably broken simply to express solidarity or to follow a fashion. The major banks, moreover, have long-standing ties to all sectors of the community, and are actively expanding them.

Nonetheless, the ethnic banks do hold the hope for the black community that in the long term they will provide a countervailing weight to white business interests, and that they will play a key role in the development of a black entrepreneurial class.

Reddy may be right however when he suggests that ethnic banking is essentially a transitional phenomenon, whose rationale lies as much in the scope it provides for blacks to be trained in the skills of banking and to share in its profits, as it does in the promotion of specialised services for the black community.

It has taken Sanlam over half a century to achieve its present eminence. It is unlikely that the ethnic banks will have a much shorter climb.

Hopeful news for Rand Bank depositors

D.D. 6/9/77 (58)

JOHANNESBURG — The chance of material losses of capital by depositors with Rand Bank is very slight, says the curator, Prof Fred du Plessis, in his review of the year ended March 31.

Prof Du Plessis, who was appointed curator when the bank was placed under curatorship at the end of January this year, says a thorough investigation has shown that depositors will, in all probability, recover in full the funds they invested with the bank.

He does, however, qualify this with two provisos — that the bank is not forced "to realise its assets immediately," as such a step would, in the present economic climate, result in substantial capital losses:

"And that the interest and operating costs of the bank can be reduced substantially".

Prof Du Plessis said the direct cause of the bank being placed under curatorship was the authorities' fear than an expected deterioration in the financial position of the Glen Anil property group, to which Rand Bank had a material credit exposure, could lead to a liquidity crisis in the bank.

"After considering the results of a thorough investigation into the affairs of the ban, it became obvious that the most important uncertainty about solvency is the final outcome of the claim against Glen Anil. At present it is not possible to obtain clarity over this.

"It would appear from the investigation that the reason for the bank's exceptionally large exposure to Glen Anil is mainly due to irregularities, for which former officials of the bank were responsible. This matter was immediately brought to the attention of the South African Police".

Prof. Du Plessis said all depositors, irrespective of whether the deposits or NCD's had already become payable or not, had been requested to agree to a reduction in the interest rate payable to seven per cent per annum from the date of curatorship.

As a quid pro quo, depositors who agreed would receive a pro rata repayment as the cash flow of the bank permitted. It was anticipated that these repayments would take place at regular intervals.

Depositors who did not agree to the reduction in the interest rate would not enjoy any preference on the timing of the repayment of deposits.

Prof Du Plessis said shareholders would not have any claim on the funds of the bank for as long as unsatisfied legal claims by the depositors still existed. — SAPA

~~that old castle?'~~ asked ~~the young girl~~, pointing with her
ıming walls of the Château de Chillon.

›re than once,' said Winterbourne. 'You too, I suppose,

len there. I want to go there dreadfully. Of course I
dn't go away from here without having seen that old castle.'
excursion,' said Winterbourne, 'and very easy to make.
, or you can go by the little steamer.'
cars,' said Miss Miller.
ln the cars,' Winterbourne assented.
they take you right up to the castle,' the young girl
›ing last week; but my mother gave out. She suffers dread-
She said she couldn't go. Randolph wouldn't go either; he
ıch of old castles. But I guess we'll go this week, if we

›t interested in ancient monuments?' Winterbourne inquired,

:are much about old castles. He's only nine. He wants to
ıer's afraid to leave him alone, and the courier won't stay
been to many places. But it will be too bad if we don't go
ller pointed again at the Château de Chillon.

SHAREHOLDER CHALLENGES GIFTS TO FOUNDATION

58

W/E ARGUS 17/9/77

Mr Justice Jan Steyn, executive director of the Urban Foundation . . . 'giving to the foundation is contributing to a healthy South African society.'

ARE companies acting in the interests of their shareholders when they give large sums of money to organisations such as the Urban Foundation? Some shareholders think not.

A Cape Town woman who owns shares in some of the bigger companies told Business Argus financial staff she strongly opposed the actions of companies that gave away 'shareholders' money by the millions' without asking their permission first.

She quoted from the Companies Act which said directors had to act in the interest of their companies' shareholders and to the benefit of the latter. If they failed to do this they could be prosecuted.

'This money — contributions to the foundation — is coming out of the shareholders' pockets and dividends are not keeping pace with inflationary prices,' she said.

She claimed many of the businessmen who had contributed already were millionaires in their own rights and should have given their own money — not the shareholders.'

Mr C. M. Grover, acting-chairman of the Shareholders' Association and one of its directors, declined to make a statement for the association but said he doubted whether by making large contributions to the foundation companies were contravening the Companies Act.

'It could be a good public relations move if I read that a group had given money to the Urban Foundation. I'd rather support it than a group that did not give — it's a matter of opinion.'

A professor of commercial law at the University of Cape Town said charitable contributions — which were, however, generally much smaller than those being made to the foundation — were usually handled by the company's board of directors, who did not have to consult shareholders.

But where businessmen made substantial donations to the Urban Foundation for their companies, 'there might well be dissenting shareholders and they have every right to complain.'

which charitable organisation companies gave their money, they always did so in their own long-term interests and those of their shareholders.

The issue centred on a question of social responsibility. Those companies that presented a socially responsible image in the market place attracted the right types of consumers, workers, creditors and shareholders.

'In today's environment it is necessary for South African companies to be socially responsible and involved in the affairs of the community from which they derive their profits.'

Mr Justice Jan Steyn, director of the Urban Foundation, said directors of companies had a responsibility to their shareholders to ensure the future existence of the companies.

In his opinion giving money to the foundation was in the long-term interest of companies and directors that did not protect their companies'

Dr Sandra van der Merwe of the Stellenbosch Graduate School of Business, said companies that contributed to the Urban Foundation were using sound business principles and did so as a means to profitability and growth.

It was the result that mattered and no matter to

Dr Sandra van der Merwe of the Stellenbosch Graduate School of Business . . . 'giving to the foundation is a sound business principle.'

long-term interests were being negligent.

'People who give to the Urban Foundation are contributing to a healthy South African society with the right environment for future growth.'

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OLD MUTUAL IN RECORD PAY-OUT

Sun. Trib. **Finance Reporter** 18/9/77

BENEFITS paid to Old Mutual policyholders and their beneficiaries during the financial year which ended on June 30 reached a record R137-million, nearly R26-million higher than the previous year, the chairman, Mr J. G. van der Horst, announced in Cape Town today.

This is only the second time in the history of the South African insurance industry that a life office has paid out more than R100 million in benefits in one year. Old Mutual also achieved it in its previous financial year when it paid out R111,5 million.

The largest payments were on death claims which totalled R50,8 million, up R8,8 million on the previous year.

Maturity benefits increased by R3,7 million to R29,8 million and disability claim payments by R336 000 to R1,4 million.

Old Mutual's gross income during 1976-77 increased by R81 million to R482 million. Its gross premiums and considerations for annuities amounted to R333,4 million — before the deduction of reinsurance premiums which totalled R2,4 million.

Investment income amounted to R148,5 million, up R26 million on the previous year.

Following the South African Government's calls to increase investments in government, municipal and other prescribed stock, Old Mutual during 1976/77 increased its holdings of government stock by R64,9 million to R253,3 million.

Its holdings of stock in local authorities and utility corporations, such as Escom and Iscor, increased by R46 million to R247,8 million.

Loans to universities and other ... teed by government or public utilities increased by R20,6 million to R105 million. Loans to its policy holders showed an increase of R3,9 million to R66,2 million.

The activities of the Pioneers Club this season culminated in a dinner with Alan Corrigan as guest speaker. This was a most successful evening and the sub-committee is of the opinion that such future events should be thrown open to all hockey enthusiasts so that as many of them as possible can benefit from the knowledge of someone like Corrigan.

It is gratifying to note that through the stimulation of the Pioneers Club a few more names have been added to the coaching scheme, namely [illegible], Owen Metcalf, Paul Queck, Brian Eyre and John Donald. A non-Pioneer, Jimmy [illegible], also did a grand job in stimulating our Junior leagues at representative level (Disas and Country Districts "B").

Clubs:

With the exception of the April gathering of coaches, there has been little or no contact with Clubs; manpower being the overriding problem. Roy Howard, has assisted Constantia Hockey Club and Owen Metcalf at Sea Point Hockey Club. Most Pioneers are inevitably involved in their own Clubs.

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Sake-Rapport 18/9/77

Mutual ontvang R482 milj.

DIE Ou Mutual se bruto inkomste het in die jaar tot einde Junie vanjaar met meer as 20 persent of R81 miljoen tot R482 miljoen gestyg. Terselfdertyd het die voordele wat aan polishouers en hul naasbestaandes uitbetaal is, met 23,4 persent tot R137 miljoen gestyg.

Dit is die tweede keer in die geskiedenis van die Suid-Afrikaanse lewensversekeringsbedryf dat 'n versekeraar in een jaar meer as R100 miljoen aan voordele uitbetaal. Ou Mutual het hierdie prestasie ook in sy vorige boekjaar behaal, toe hy R111,5 miljoen uitbetaal het.

Toe mnr. Jan van der Horst, voorsitter van die Ou Mutual, hierdie syfers aan Sake-RAPPORT bekend gemaak het, het hy gesê dat hierdie toename in die uitbetalings en die feit dat die genootskap se inkomste die afgelope vier jaar meer as viervoudig toegeneem het, 'n bewys is dat die klem wat Ou Mutual op diens plaas, dividende afwerp.

Net soos in vorige jare het eise weens dood die grootste deel van die uitbetalings behels. Hierdie uitbetalings het die afgelope jaar met 21 persent tot R50,8 miljoen gestyg. Uitkeervoordele het met R3,7 miljoen tot R29,8 miljoen gestyg en uitbetalings weens ongeskiktheid met R336 000 tot R1,4 miljoen.

Uitbetalings ten opsigte van jaargelde het met R1,7 miljoen tot R7,8 miljoen toegeneem.

Effekte

Die Ou Mutual se beleggingsinkomste het die afgelope jaar R148,5 miljoen bedra. Dit is R26 miljoen meer as die vorige jaar of 'n toename van 21,2 persent.

Ná die Regering se versoek dat versekeraars hul beleggings in staats-, munisipale en ander voorgeskrewe effekte vermeerder, het Ou Mutual die afgelope jaar sy deel deeglik gedoen en sy beleggings hier met 34,5 persent of R64,9 miljoen tot R253,3 miljoen verhoog.

Die grootste deel hiervan is na die plaaslike owerhede en nutskorporasies soos Evkom en Yskor, waar die belegging met R46 miljoen tot R247,8 miljoen toegeneem het.

Lenings aan universiteite en ander lenings wat deur die Regering of openbare korporasies geborg word, het met R29,6 miljoen tot R105 miljoen gestyg.

Lenings aan polishouers het met R3,9 miljoen tot R66,2 miljoen gestyg. Die Ou Mutual het op die oomblik meer as 1 100 miljoen poliskontrakte, waarvan die versekerde waarde altesame meer as R8 300 miljoen beloop.

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13/7/77 SUNDAY TIMES, Business Times

Mutual pay 23pc more

By TONY KOENDERMAN

THE Old Mutual, South Africa's largest insurance and pension company, paid out benefits of R137-million in the financial year ended June 30 — a 23 per cent increase over the previous year.

This increase, coupled with a doubling of premium, investment and total income over four years, shows that "the emphasis on improved service to policyholders and members of the public is paying off dividends," says the chairman, Mr J. G. van der Horst.

Gross income during the year increased 20 per cent to R482-million, while investment income rose 21 per cent to R149-million.

Gross premiums and considerations for annuities amounted to R333-million before the deduction of reinsurance premiums, which totalled R2,4-million.

The largest single category of benefit payments was death claims, which totalled R51-million, followed by maturity benefits (R30-million).

Responding to the Government's calls for increased investment in municipal and other prescribed stock, the Old Mutual increased its holdings of Government stock by R65-million during the year to R253-million.

Its holdings of stock of local authorities and utilities, such as Escom, increased by R46-million to R248-million. Loans to universities and other loans guaranteed by Government or public utilities increased by R21-million to R105-million. Loans to policyholders rose by R4-million to R66-million.

The company currently has more than 1,1-million policy contracts with a total sum assured of more than R8 300-million.

Old Mutual's share of the total business is about 30 per cent. According to the 1976 Life Office Association's report, the total life assurance in force under individual policies amounted to more than R28 000-million last year.

Total premium income in South Africa was R981-million, and the amount of new money available for investment in 1976 was R716-million — a third of total personal savings in the country.

The year just completed saw Old Mutual acquire a dominant shareholding in Tiger Oats.

Van der Horst . . . the public is now reaping the dividends.

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Sunday Times (Business Times)

Commodities slump could hit SA exports

21/8/77

By NEIL BEHRMANN London

WORLD commodity prices have tumbled over the past few months reflecting large surplus and under-investment in Western economies.

If this trend continues, exports of South African primary products will be adversely affected. But on the plus side, the decline in raw materials prices will help bring down inflation which continues to gnaw at international economies.

The Economist Dollar Commodity Index has been falling steadily since April and now stands almost 20 per cent below its peak since that month. From their 1977 peaks in the first few months of the year, antimony is down 37 per cent, aluminium 17 per cent, copper 27 per cent, lead 29 per cent, zinc 35 per cent, sugar 30 per cent, while vital South African exports — wool and maize — are also depressed.

Platinum and silver are well down on their highs, while gold is off its peak too. And in line with the world-wide depression in the steel industry, manganese and the iron-ore market are down in the dumps.

At this time of the year, the northern hemisphere summer season draws interest away from the commodities markets. Trading is quiet, so it could easily be possible that prices of many commodities could be reaching bottom.

But there is no getting away from the fact that supplies of most commodities are more than sufficient. There are large surpluses of grains, wheat and sugar and supplies of other "soft" commodities, tea and soya beans are beginning to ease.

The United States Agriculture Department has forecast that there will be near-record corn and wheat crops in the United States.

It also predicts a record soy bean crop, while the cotton crop will be well above the levels seen in 1976.

Interestingly, sugar crops in the United States are expected to decline sharply because of the depressed price of the commodity. But it is still expected that there will be a world surplus of three-million tons, especially from the EEC producers.

Soft commodity prices are also declining because consumer resistance is making itself felt.

Over the past two years, cocoa and coffee prices soared to unheard-of heights. In the United States retail coffee sales declined by more than 30 per cent in the second quarter this year, compared to the same period in 1976. Recent statistics show that a similar trend is manifesting itself in sales of cocoa.

Important South African exports copper and platinum are trading well below their 1976 peaks. Copper is in an almost chronic oversupply situation with estimated world stocks at two million. American producers are beginning to cut back production, but these efforts will hardly alter the world surplus, considering that Peru and Poland will be increasing their output dramatically over the next few years.

Also, Third World countries like Zambia are continuing to produce because they are short of foreign currency and must keep their workers employed. The platinum price fell sharply because Japanese demand fell considerably in 1976 and in the first few months of this year. But at least there are signs of a turnaround in Japanese platinum buying.

But the basic reason for the fall in metal prices is that investment is slack in the major industrialised countries.

And with sluggish investment there is little real demand for metals and essential raw materials. Moreover, at current prices, it is hardly profitable for producers of several of the metals to put up new ventures.

FIN. MAIL 16/9/77

BLACK JOB ADVANCEMENT

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The recent Top Centre affair highlighted some of the frustrations faced by business in the area of black advancement.

Government's continuing obduracy in this matter appears likely to be slightly softened by the proposed Association of Chambers of Commerce guidelines which Minister Michiel Botha has asked it to draw up. Though the brief deals only with the question of the appointment of black managers in urban area stores where *all* the employees are black and customers are *predominantly* black, Assocom will presumably take the opportunity to raise a number of related issues.

One of the most important of these is the training of black managers and other senior staff, rather than simply their appointment. Commerce in particular relies almost exclusively on in house and in-store training of both black and white staff.

Since such training for blacks usually consists of actually performing a given task — such as selling, credit control, personnel supervision or even managing — under white supervision, the prohibition on mixed race work situations creates enormous difficulties.

"The only way to learn how to buy, sell or manage, is actually to *do* the job," says Gavin Barnett, executive director of Edgars Stores, which spends more than R200 000 a year on black training. Over 55% of Edgars' 8 600 staff is already black, up from 30% 10 years ago. Management's commitment to black advancement is reflected in the number of senior black staff already employed by Edgars, several of whom earn R8 000 and more per annum.

A further problem faced by business is that at present permits for managers are granted to individuals rather than to stores. Thus every time a black manager leaves, the firm must go through the lengthy rigmarole of re-applying for permission to employ and appoint [illegible] staff for [illegible]

Not surprisingly, it is the larger companies, and particularly those dealing with blacks, which have the more sophisticated black advancement programs. With more than [illegible] of the downtown retail market dominated by blacks in all the major urban areas (FM August 12), the economic rationale for black advancement is obvious. Barnett — who with 130 Select House clothing stores aimed at the black market, faces the problem acutely — says, "Where your market is predominantly black, it is the most elementary business logic to have black sales staff, black buyers and black managers providing for that market."

Cosmetic exercises

Barclays Bank, with a total work force of 17 000, employs approximately 1 900 blacks in clerical positions at an average starting salary of R200 a month. A quarter of these have already passed, or have entered to write, the Institute of Bankers' examinations. Barclays says there is no differentiation in salary scales between black and white staff; black staff are also eligible for the bank's subsidised housing loans and all other fringe benefits. Last year 430 blacks passed through the bank's training schools, where courses range from teller training to management. The bank's 20 odd black managers and business development officers draw salaries ranging from R5 000 to R12 000 per annum. The country's only African MBA is also with the group.

OK Bazaars has 15 000 employees, only 40% of whom are white. The introduction of predominantly black sales staff has met with little resistance from either white staff or the buying public. OK employs 20 senior black staff as section managers and regional training officers, with salary scales ranging from R250 to R600 per month.

[illegible] that [illegible] of [illegible] front [illegible] "window dressing" promotions.

[illegible] of the [illegible] black training and advancement programmes [illegible] part [illegible] advancement [illegible] do more than make a few token promotions."

The black personnel director of a large construction company echoed this view, saying, "Business is more concerned with the [illegible] of its black appointments than with real advancement and responsibility."

Ferguson describes [illegible] typical experience with [illegible] advancement programmes: [illegible] enthusiastic promotion of a few blacks to higher positions followed by their disappointing performance and a falling back into apathy. The company then adopts "long term" advancement goals, retaining the promoted blacks as fodder for the press and overseas parent companies.

"Management just does not realise how rapidly blacks can be trained to assume real responsibilities with the proper selection and motivation techniques. In Rhodesia we took a brewing plant with 700 employees, and within three years everyone except the production manager was black."

It is the transmission of the basic skills of numeracy and literacy that is still the major hurdle in many black training programmes. Thus Barnett, among others, is emphatic that "Blacks should and must have access to educational opportunity on exactly the same basis that whites do. Without that educational basis it is idle to talk of significant black advancement."

Daily Disp 20/9/77

You're probably under-insured

(58)

Are your sums insured adequate? These are the words you are probably asked every year by your broker or your insurers when your policies come up for renewal. And is your reaction — "Oh yes, they're fine," because there is something else that month which has cropped up that must be paid and the last thing you want is an increased insurance premium?

After all, what is insurance? One of those necessary evils which turn up once a year, which have to be paid at the most inconvenient time, and out of which you never really seem to derive any benefit. In fact it's rather like getting a "Due by You" notice from the Receiver of Revenue . . . until that loss finally occurs!

One evening you and your family return home and, as you walk towards the house, you notice a window swinging open, and one of the panes broken. When you unlock the front door and walk in, your worst fears are realised. You have been burgled!

After you have looked through all the rooms you realise that most of the family's clothing has been taken, and your first act is to telephone the police. It is while you are waiting for them to arrive that it suddenly dawns on you. Stop worrying, I'm insured; and you pass the rest of the night with a considerable sense of relief.

The next morning you phone your broker and report the loss to him. Yes, it is a large loss. In fact the police seem to think the thieves must have had a car nearby, there was too much to carry by hand.

Oh, you say my householders policy is on a reinstatement value basis. That means new for old, does it? Good, because I must replace the stolen clothing.

You then go about replacing the stolen items, complete the claim form, the insurance company's assessor comes out to your house, looks around, and goes through your claim, which amounts to R1 200. (It seems to mount up very quickly, what with the price of clothes these days).

All that is now left is to await your insurers' cheque so you can pay the various shops who have been quite happy to let you buy on account when they have been told that it is an insurance claim.

Then, about a week later, you receive a phone call from your broker. There is a problem, he says, and it appears the insurers are only prepared to pay out R600.

With mounting horror you hear something about "underinsurance" and "you did tell us last year that your sums insured were adequate." All you can think of as you put down the phone is where are you going to find the other R600 to settle the outstanding accounts?

Now what has happened to our unfortunate friend in the story is that the assessor, during his inspection of the house, had worked out that the value of the household contents, including the stolen items, amounted to R8 000. Unfortunately, the sum insured on our friend's policy was only R4 000, and despite being asked by his broker every year at renewal if his sum insured was adequate, he had not, for various reasons, bothered to increase it.

The insurers had, accordingly, applied the condition of average, a condition to which most policies are subject, and this, in effect, means that if there is underinsurance, then the amount claimed, i.e. the loss, will be reduced by the same proportion that the sum insured on the policy bears to the actual value at risk.

This is represented by the following calculation:

Sum insured ÷ actual value at risk x loss = settlement.

In our example this would have worked as follows: R4 000 ÷ R8 000 x R1 200 = R600.

It is a simple example, but the same conditions apply not only to the contents of your house, but also to the insurance of buildings, plant and machinery, stocks, in fact virtually anything where the sum insured represents the full value at risk.

Business Mercury

Economy still in downswing

30/9/77 (58)

PRETORIA — The economy is still in a downswing, but factors are emerging which indicate the end of the downward phase may be reached in the near future, says the South African Reserve Bank in its September quarterly bulletin.

The bulletin says economic indicators, including quarterly national accounts series, show recessionary conditions but these are being mitigated significantly by a relatively high rate of expansion in economic activity in the primary sectors of the economy.

The real gross domestic product increased substantially during the second quarter of 1977, after having declined in the previous two quarters.

This increase was due to a rise in the real value added by the agricultural, mining and services sectors. The real value added by industry and trade, however, continued to decline.

Real gross domestic expenditure declined substantially further during the second quarter because of decreases in gross domestic fixed and inventory investment.

Real private consumption expenditure remained more or less unchanged at the level of the preceding quarter and real Government consumption expenditure increased moderately.

"At current prices," said the bulletin, "the gross national product exceeded the gross domestic expenditure for the first time in four years." — (Sapa.)

Now Protea's got that lean and hungry look

Sunday Times (Business Times) 2/10/77

(58)

By JEREMY WOODS

AFTER fighting off a bid from industrial conglomerate Abercom earlier this year, Protea Holdings has emerged victorious from the skirmish looking leaner, fitter and well poised to take advantage of any upswing in the economy.

According to the latest accounts to June 30, Protea has sold off some of its loss-makers, increased liquidity and is looking for higher earnings in the current year.

Chairman Fred Beard tells shareholders: "the group's financial ratios are better than they have been for some years and the soundness of the group's finances was, "a major factor in the board's decision to maintain the dividend payment."

For the year ahead, Mr Beard says the reorganisation will have "positive consequences" for the group's results as loss-makers have been sold.

On the assumption that business conditions will not improve, Mr Beard expects Protea's earnings to be at a level "which will enable the payment of at least the same dividend as last year" — namely 13c.

Managing director Aiden Beard says Protea Holdings has access to more than R10-million in cash resources. "This, together with funds generated internally, should be more than sufficient to finance any growth requirements which are likely to arise during the next year."

In the balance sheet, stocks have dropped from R61-million to R51-million, creditors from R33-million to R28-million while bank and other short-term borrowings fell from R25-million to R17-million.

And the Abercom bid?

"This not only diverted management's attention from more important matters for an unnecessarily extended period, but was very costly in terms not only of the direct costs, which were considerable, but the indirect costs," says Fred Beard.

SAKE-RAPPORT
2/10/77

58

VOLKSKAS

EIENDOMTRUST

TUSSENTYDSE VERSLAG

DIVIDENDVERKLARING EN SLUITING VAN REGISTERS

Die ongeouditeerde winssyfers van die Trust vir die ses maande wat op 30 September 1977 geëindig het, met resultate vir die ooreenstemmende ses maande die vorige jaar, is soos volg:

	Ses maande tot 30 Sept. 1977	Ses maande tot 30 Sept. 1976
Inkomste voor belasting	R378 445	R395 000
Inkomste na belasting..............	R375 975	R393 100
Verdienste per onderaandeel...	2,46c	2,57c

Kennis word hiermee gegee dat 'n tussentydse dividend, synde dividend 16 van 2,45c per onderaandeel (1976: 2,50c) uitgereik word vir die halfjaar wat op 30 September 1977 geëindig het, en dat hierdie dividend betaal word aan onderaandeelhouers wat op 14 Oktober 1977 in die boeke van die Trust geregistreer is. Dividendtjeks sal op ongeveer 31 Oktober 1977 uitgestuur word.

Die oordrag- en lederegisters sal gesluit wees vanaf 17 Oktober tot en met 19 Oktober 1977.

Kragtens die bepalings die Inkomstebelastingwet sal 14,43% aan belasting afgetrek word van dividende wat betaalbaar is aan onderaandeelhouers wie se geregistreerde adres, volgens die lederegister buite die Republiek van Suid-Afrika geleë is.

Op las van die direksie,
VOLKSKAS-EIENDOMTRUST-BESTUURDERS BEPERK

Pretoria
1 Oktober 1977
Oordragkantoor
Trans-Oranjegebou 613
Pretoriusstraat 273, Pretoria 0002
(Privaatsak X377, Pretoria 0001)

Okt. 13

8 58 CT 4/11/77

Building societies inflow up 6,5 pc

JOHANNESBURG. — Investment in building societies increased by 6,5 percent during the September quarter compared with the previous three months, the Association of Building Societies of South Africa announced here yesterday.

According to its latest newsletter the amount invested during the past three months in savings, fixed deposits and shares totalled R184,4 million compared with R177,9m during the previous quarter.

Capital repayments on bonds dropped by 3,1 percent during the same period from R162,3m to R157,3m. The amount lent during the quarter dropped by 22,7 percent from R268,5m to R207,5m.

The end of September was also the end of the first half of the association's current financial year which showed an improvement of 12,2 percent in net intake of investments over the previous year. The net intake was still 31 percent below that of the same period in 1975.

Net intake during the first half of this year amounted to R292m. During the same period last year it amounted to R260,2m but during that period in 1975 the total was R422,9m.

According to the newsletter the current quarter's figures showed that the inflow of funds has remained at a satisfactory level under general recessionary conditions.

While there has been an overall increase in savings deposits, due to the capitalization of interest and transfer of share dividends in September, the counter continued to reflect a net outflow each month.

This was giving the building society movement cause for concern, particularly as the new issue of Defence bonus bonds, which became available on October 1, could further adversely affect the situation.

With the general liquidity in the country appearing to show some improvement, however, it was hoped that the present position could be maintained during the current quarter. — Sapa

Economic-political situation linked

58

PRETORIA — The present economic picture in South Africa and abroad could not be assessed by economic indices only; nor would this be the case in the future, the secretary for Commerce, Mr. Joep Steyn, said here yesterday at the FCI annual convention.

"The present economic situation is totally and inseparably bound to the political situation — and this is the case throughout the world."

The FCI's report on the economic situation reflected a degree of guarded optimism. Although this did not enjoy general support it represented the experiences and assessments of one of the economically active sectors in the country.

It showed that the future could be approached with realism. He did not agree that, because official statements lately did not always generate optimism, Cabinet members should not tell the public the truth. Cabinet members had a responsibility to the public to tell the truth.

Realism meant that when the economic position was assessed first the positive factors should be looked at, and only then the negative. The mere fact that the private and public sectors in South Africa could identify the causes of their economic problems, was a very positive factor.

"The have also shown the courage and capabilities to introduce measures to remove the causes of these problems," Mr. Steyn said.

In this respect he referred to the discipline imposed upon business in the monetary and fiscal fields. These disciplines were also displayed in the actions of the private sector. — (Sapa.)

GRANT FEARS

Mercury Correspondent

JOHANNESBURG — Concern was expressed at yesterday's FCI meeting in Pretoria at the possibility that the authorities may be considering withdrawing the investment incentive allowances currently offered to industry.

Mr. George Thomas, chairman of the FCI's Taxation Committee, drew attention to the problems associated with the larger amounts of capital now being required to finance increases in output.

A further worrying trend was the declining ability of the private sector to generate capital for investment.

It was growing apparent to the authorities that considerable sums of money are being "lost" to the fiscus through the provision of investment incentive allowances.

58

Insurance not easy way out for emigrants

Star 6/10/77

Would-be emigrants from South Africa who think they can get money out of the country by taking out overseas life and endowment insurance policies are going to be disappointed.

Under the exchange control regulation a South African resident cannot take out life insurance overseas.

Many people believe incorrectly that it is better to take out a long term policy with an overseas insurance company because it can be transferred.

An investigation by the Cape correspondent of The Star revealed that some overseas insurance companies had arranged that if somebody wanted to emigrate, he could make his policy paid-up in South Africa and the company would issue a policy overseas for the balance of the cover.

However, the paid-up value of the policy would still be subject to exchange control when the person left South Africa, and would be deducted from the amount the emigrant could take with him.

STRESSED

A spokesman for a leading Rand insurance company said if a South African were emigrating he could transfer the surrender value of his policy, subject to exchange control.

His policy would be cancelled in South Africa and the surrender or reserve value of the policy transferred to a reciprocal company overseas, which would then draw up a new contract.

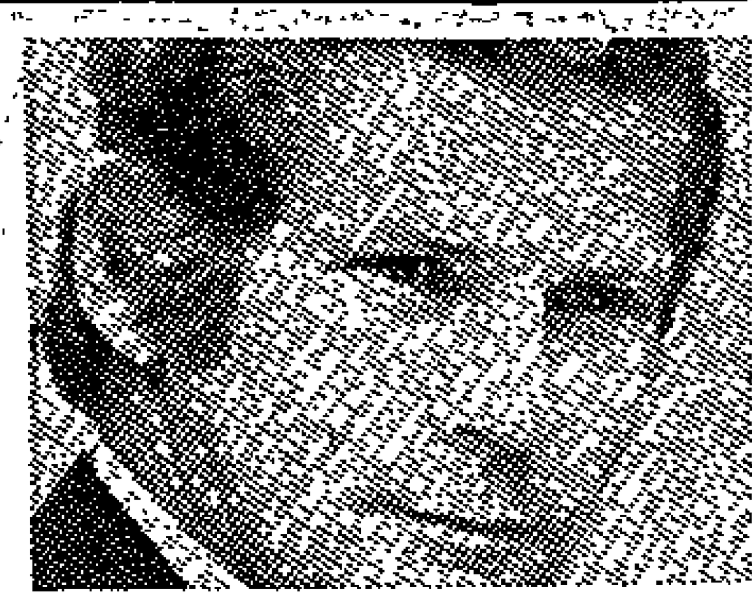
If this were done the value of the sum insured in the original life or endowment policy would automatically be transferred.

The spokesman stressed the policy or the guaranteed insurability (the value of the sum insured) could only be transferred if the South African were emigrating.

Volkskas group attack the money markets

Sunday Times (Business Times) 9/10/77

58



Laurie Korsten

By NIGEL BRUCE

TWO OF the smaller merchant banks, Finansbank and Volkskas Merchant Bank, announced widely differing interim results this week. If anything can be construed from them, it is that although the funding difficulties of small banks are over, it is still advantageous to have a large banking parent.

Finansbank announced that "notwithstanding the possibility of an improvement in the business climate," net profit in the six months to September has been declared at the same level as last year, R300 000, and the 35 cent a share interim dividend has been maintained.

Volkskas Merchant Bank, created last May out of Bankovs Merchant Bank and revived since June by Laurie Korsten, a former Finansbank director, showed an increase in net profit from R77 000 to R120 000 and an increase in total assets from R9,5-million to R34-million.

Its average return on shareholders' funds at 17,45 per cent is substantially above the average for its sector.

Of course, to compare the two banks is palpably misleading, for the growth of one is exaggerated, coming as it does from a small base and because it has in Volkskas a formidable parent to support it.

The interesting thing is the aggression with which the Volkskas group is attacking, through the merchant bank, the money and capital markets, which accounts mainly for the increase in the latter's assets, and the corporate finance market.

For instance, between March and September its banker's acceptances increased from R1,9-million to R18-million, it has built up a substantial holding in negotiable certificates of deposit and invested fairly heavily in the bridging bonds of public corporations.

On the local capital market it has raised R34-million and is involved in some small foreign financing. It has also been appointed with Senbank and UAL to handle the next R50-million Iscor issue.

In the field of corporate finance, it was involved in the Fuchs and Fucil transactions and the Price Forbes deal — and it is working on two others.

Mr Korsten says the main thrust of the bank's next initiative will be in the foreign capital markets which, if successful, will be the hardest nut it has yet cracked.

AGENDA FOR THE
WEDNESDAY,
PALACE HOTE

1. CALL TO ORDER
2. ATTENDANCE
3. APOLOGIES
4. ACCEPTANCE OF A
5. MINUTES OF THE M
   5.1. Verificati
   5.2. Matters ari
6. PRESIDENT'S REPOR
7. SECRETARY'S REPOR
8. TREASURER'S REPOR
9. VICE PRESIDENT DEV
10. VICE PRESIDENT PRO
    10.1. Chapter Pro
    10.2. National Pr
11. VICE PRESIDENT INTE
12. EXTENSIONS
13. NEWLANDS NEWS
14. AWARDS
15. CORRESPONDENCE
16. GENERAL
17. CLOSURE AND NEXT MEETING

FOREIGN LOANS TO S.A.

businessmen or politicians he had met in Italy, Spain or at the International Monetary Fund meeting in the United States, had mentioned the question of possible sanctions against South Africa.

It had only been raised once, at a Press conference he had held in Washington.

"I said that as someone who was brought up to appreciate the benefits of free trade and coming from a country which has stated emphatically that it would not be party to trade sanctions or boycotts, I found it extremely difficult to envisage.

Senator Horwood said South Africa's trade with the United States, for example, had become substantial in the past few years.

"No country can afford to ignore a lucrative, productive market, which is what we are for the United States."

It was also not easy to disinvest when one had capital investments in a country.

"My feeling is that I would be extremely surprised if it came to that. I find it extremely difficult to envisage that."

Senator Horwood would not reveal which countries had made loans but he said they were both European and American. The loans were to the Government and government undertakings. — (Sapa.)

Scotts hit by falling margins

RDM. 14/10/77 (58)

By HAMISH FRASER

TAX and the familiar cry of an erosion of margins have reduced Scotts Stores results for the six months to August 31 to the level of most retailers who are clearly having a hard time of it.

Attributable profits dropped by 8% from R1 075 000 to R984 000 on pre-tax profits which rose fractionally from R1 533 000 to R1 570 000. Turnover rose — helped by the first-time contribution of Cashmart (Pty), Adorable Footwear (Pty), Eltrim (Pty) and Lansal (Pty) — by 24% from R24 399 000 to R35 798 000 but pre-tax profits were up by only 2% from R1 533 000 to R1 570 000.

The interim dividend has been maintained at 17c.

Earnings dropped 8% from 43c a share to 39,6c a share but the build-up of liquidity in the past suggests that last year's pay-out of 49c on earnings of 125c a share is in no danger.

Scotts expects no improvement in trading results in the short term and on that basis is reluctant to forecast earnings for the year to February 28, 1978. One thing that is certain is that the tax rate, which rose by 28% in the first half, will again run at a higher rate.

The share fell 10c yesterday to 575c. At this level, assuming earnings of the order of 125c a share this year and a maintained dividend of 49c, a yield of 8,5% and an earnings multiple of 4,6 is not expensive for a company which has shown its ability to survive the worst conditions and fully exploit the best conditions.

* * *

Big boost for Guarantee Life (58)

Business Times Reporter

GUARANTEE LIFE Assurance, Anglo American's specialist life insurer, has announced unaudited results for the 12 months to September 30 which show total net premium income at R10,0-million — an increase of 16 per cent. Income from investments at R2,9-million showed a similarly substantial increase. Annualised new business production excluding single premium business and similar special 10-year endowment schemes was R3,6-million — an increase of 22 per cent. The total assets now amount to R42,5-million. In the last month of the 12-month period, accepted new business amounted to over R420 000. Managing Director, Dr Shlomo Peer, says that the marked increase in business over the last two months is directly attributable to the recently launched Hi-Life plan.

This offers cheap estate duty and partnership cover and incorporates extensive guarantees.

The company's year end has been changed to March 31.

Sunday Times · Business Times

16/10/77

FM 21/10/77 companies

(58)

BANKORP

How to add Trust?

Activities: *Holding company for Central Merchant Bank, Bank of Johannesburg, and Credit Bank of SA. Has 60% of Trust Bank. Investments include stakes in Santam Bank, Volkskas, Rand Bank.*

Chairman: *Dr A D Wassenaar; deputy chairman: Prof F J du Plessis; managing director: W S Pretorius.*

Capital structure: *27,2m* ordinaries of R1 Market capitalisation: R33,2m.*

Financial: *Year to June 30 1977. Ratio of cash and advances:deposits: 85%. Cash at bankers and at call: R53,5m.*

Share market: *Price 122c (1976-77: high, 140c; low, 90c; trading volume last quarter, 172 000 shares). Yields: 28,4% on earnings; 11,5% on dividend. Cover: 2,5. PE ratio 3,5.*

* After 6,7m new shares for Trust Bank.

	'74	'75	'76	'77
Deposits (Rm) ...	317	462	538	513
Advances and other accounts (Rm)	243	335	400	383
Pre-tax profit (Rm)	3,8	5,4	6,7	7,1
Earnings (c) ...	23,4	25,8	31,6	34,7
Dividends (c) ...	10	11	12,5	14
Net asset value (c)	249	261	276	295

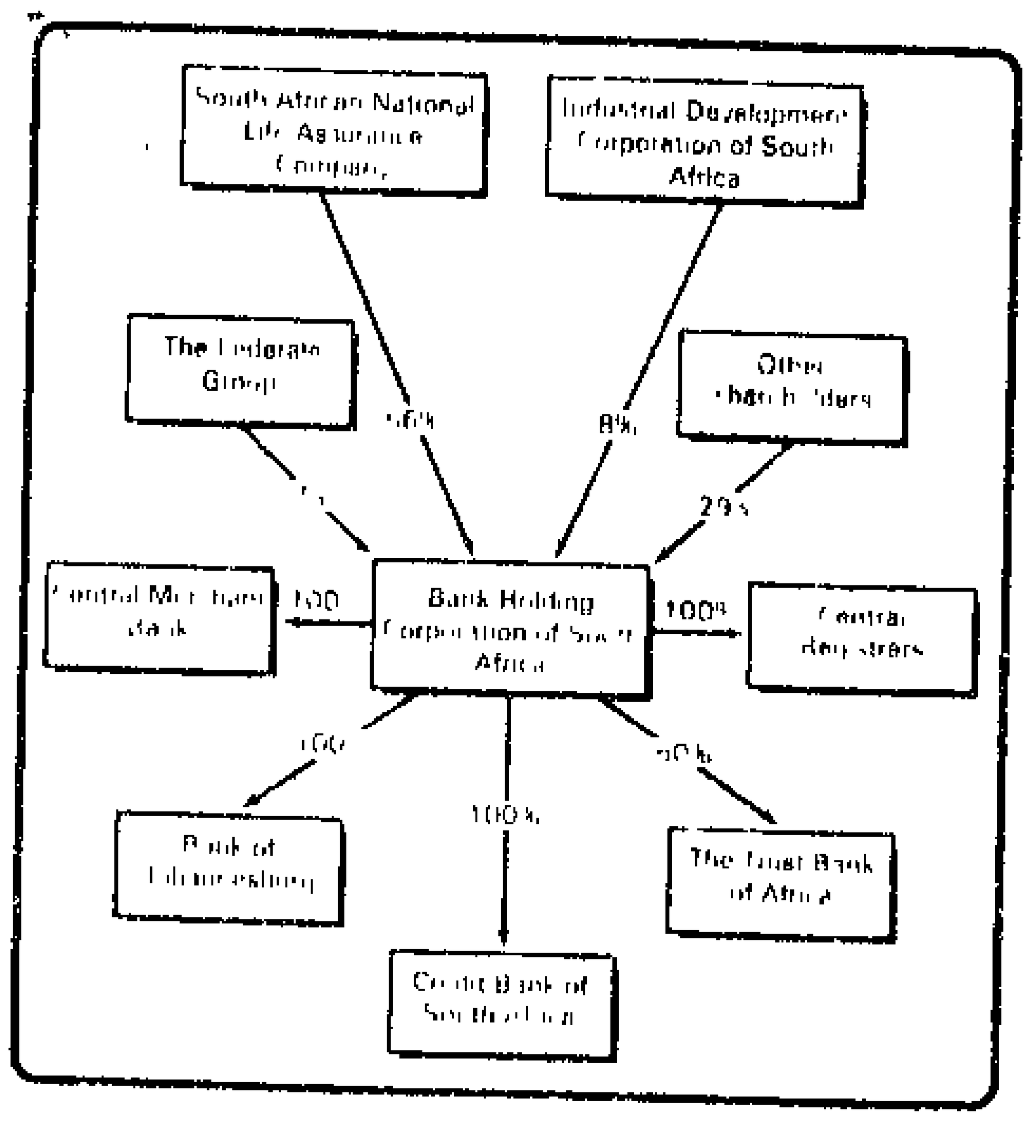
Trust Bank only became a subsidiary after the year-end and its results are thus not consolidated. Consequently, and because Trust Bank's own balance sheet is now 10 months old, the annual accounts are only useful in evaluating the other components of the banking group.

Of these, only Credit Bank was in an expansionary phase. Its total assets grew to R216m (R147m) with net income after tax and transfers to reserves 29% higher at R2,52m. The bank's loan business is individual consumer finance and import/export financing. The slowdown in consumer spending has probably hit the former and most of the year's growth will have been from import/export business.

Senbank contracted. Total assets were cut by R18m to R313m. Profit after tax and transfers to reserves rose to R2,85m (R2,41m) though it is not possible to tell whether this represents a real improvement or merely because of lower transfers to reserves. The picture will change completely during the current year following the merger with Trust Accepting Bank.

Bank of Johannesburg marked time while it "saw fit to place greater emphasis on the quality of its business rather than to strive for asset growth".

On a consolidated basis, results for the year are not inspiring. Taxed income increased to R7,1m (R6,5m), but this



was before an extraordinary write-off of R1,47m of which R1m represented the total investment in Rand Bank.

Deposits declined to R513.4m (R537,7m), perhaps in part because of reduced depositor confidence in smaller banks. As a result, advances decreased while cash holdings rose due to stricter lending criteria. The bulk of improved profits presumably arose from the increased acceptance business written during the year.

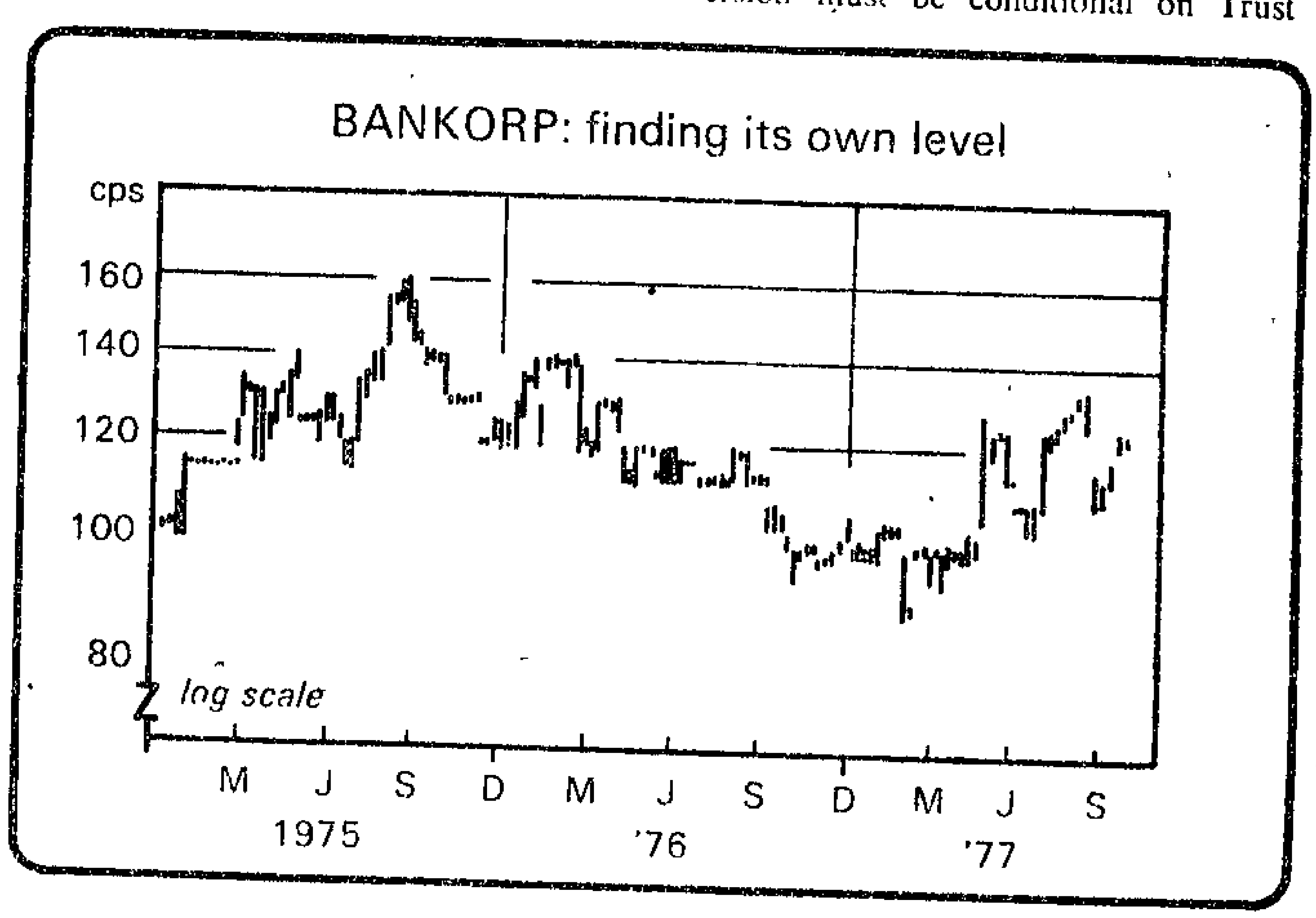
Near-term profit growth will depend on how quickly credit demand picks up and how well deposits can be attracted. Dr Wassenaar is looking for an improvement in business conditions during the second half of the current year but gives no indication of what this might mean to earnings.

In any event the overriding consideration will be how quickly Trust can be turned around. Trust made a nominal R638 000 for the six months to June 30. But accounting procedures, particularly those pertaining to transfers to inner reserves to bring it in line with Bankorp practice, will now be implemented. This could cause a serious reverse in disclosed profits. Anyway, we do know that a resumption of dividends is a long way off.

Clearly Bankorp took on the investment with insufficient analysis of Trust, otherwise there would have been no need to halve the original offer terms to one for six. The 6,73m shares issued in exchange for 60% of Trust mean that earnings per share have been diluted by 25% with no certainty that the investment will ever become dividend paying or that it is worth anything. It is quite apparent that the majority shareholder has been calling the shots with little concern for the minority.

Still to be decided is how the R25m from Sanlam, needed simply to hold Trust Bank's disclosed reserves at a sufficiently high level to maintain the current level of business, is to be injected. It must pass through Bankorp though it is currently on deposit with Trust. But Trust was foisted onto Bankorp and any deal which further dilutes minorities' interests will be totally unacceptable.

Most likely at this stage seems to be the issue of convertible prefs by Trust to Bankorp, back to back with Sanlam. But any new issue by Bankorp must be dependent on Trust's performance. Conversion must be conditional on Trust



having been seen to come right.

As far as the shares are concerned there is little attraction. At a time when the whole character of the group has been altered without reference to minorities, the least that could have been done would have been more forthright and revealing reporting. There are far better looking investments elsewhere in the sector.

Jim Jones

AG gets report on bank

Sunday Times
Business Times 23/10/77

(58)

By Tony Stirling

INVESTIGATIONS into certain Rand Bank transactions with the collapsed Glen Anil group of companies have been completed and the docket sent to the Attorney-General of the Transvaal.

This was confirmed this week by Colonel Tertius Wium, deputy head of the Commercial Branch in Johannesburg.

The services of the Commercial Branch were enlisted in June by Professor Fred du Plessis, Curator of Rand Bank. The alleged irregularities were reported to him soon after his appointment as curator.

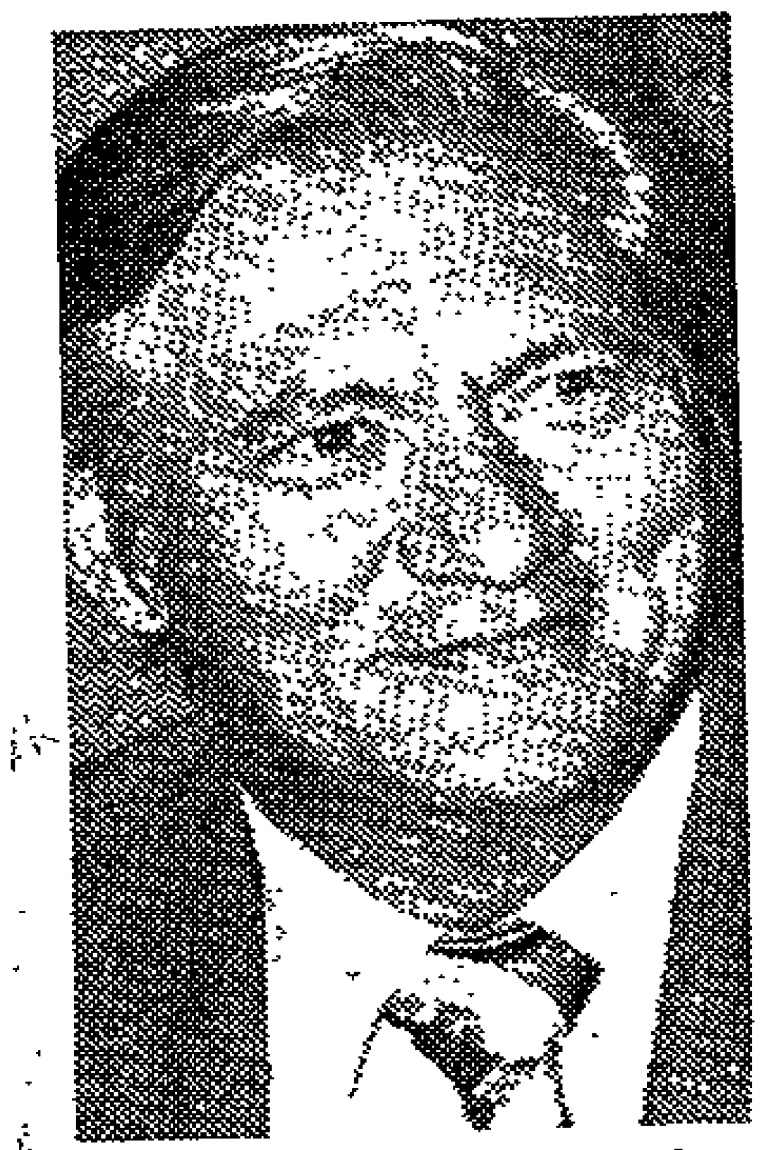
The investigations were said to be connected with about R5,7-million of promissory notes issued by Glen Anil.

The outcome of the investigation could have a bearing on the bank's claims against its insurers.

The bank's claim against its insurers could be strengthened if any of the bank's employees were found to have broken the law.

Sunday Times
Business Times, October 23, 1977.

Willem Pretorius . . he'll have to be on his toes.



Bankorp's Fred du Plessis . . . sorting it out.

The lion's roar may be worse than its bite

By NIGEL BRUCE

THE OLD lion of Belville, Sanlam, has told its erstwhile friend and newfound foe, Volkskas, that it faces the risk now of a streamlined Bankorp cutting it up in the market place.

Far be it for me to suggest that is an empty threat. But the streamlining of Bankorp is going to be no mean task, as the latest accounts of the constituent group companies indicate. Indeed, it is going to require a slim Willem.

Take, for instance, the Bank of Johannesburg, which is the Bankorp asset that most approximates the business of Trust Bank, being as it is largely in instalment credit.

Fear of bad debts has meant that its net profits have slipped from R1,38-million to R1,3-million and its total assets have remained practically unchanged from the R187,8-million of last year.

This means that while it represents about 25 per cent of Bankorp's assets, it is providing only 18,8 per cent of the total banking profits, having slipped from providing 24 per cent in the previous year.

If that is any guide to Bankorp's skills in the instalment credit markets, in which Trust was once the dominant force, then Ron Rundle, in the new Volkskas Industrial Bank, can probably breath easier.

Of course, an assumption like that is rough and ready. And it is tough on subsidiary banks in specialist markets in which the going is hard, because usually they are not allowed to attack more lucrative fields that might encroach on big brother's preserve.

On the other hand, this does not seem to have bothered Credit Bank, the amalgam of Sasbank and Federale Bank. It didn't stick to the former's traditional lending markets but developed those of Federale, which is undoubtedly a trespass into the preserve of Senbank.

In consequence, its return in shareholders' funds at 15,8 per cent is the best in the group and while representing only 28 per cent of total group assets it contributed 38 per cent of total group banking profits, up from 34 per cent last year when it represented only 20 per cent of total group assets.

It did this by going for the acceptance credit market, in which Senbank is top dog, and in which it increased liabilities of clients under acceptances from R21-million to R63-million, and for related foreign exchange business.

I'm told, however, it does not clash with Senbank as it goes for the big multinational business and leaves the rest to . . . guess who?

Nevertheless, Senbank has done all right, contributing 44 per cent of total group banking profits while representing 41 per cent of total group assets. The comparable figures for the previous year were 42 per cent and 46 per cent. Return on shareholders' funds, however, was only 10,3 per cent against 9,2 per cent previously.

Ostensibly, therefore, the obvious thing when streamlining the group is to lump Credit Bank, which is registered (somewhat unjustifiably some might think) as a savings bank, in with Senbank and Trust Accepting Bank, now that the former appears to be less enthusiastic about the personal loans the old Sasbank used to make.

But the problem is that if it were to do that, it might lose those awfully loyal and secure Afrikaans depositors. And if it did, the chances are that they might drift off to Volkskas, among others.

As they say in the army of a certain friendly power when faced with a difficult situation: "Right, then Fred . . ."

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(58) FM 28/10/77

Glen Anil's fortunate few

The Glen Anil tale of woe will take years in the telling. For all those who feel the hurt, there are the fortunate few who have reaped the benefit of what, with hindsight, appear to have been some pretty extravagant Glen Anil land purchases.

The evidence is an annexure to the confidential Sage report on Glen Anil commissioned by the consortium of banking creditors set up to investigate whether the township giant could be spared the fate of liquidation. The annexure details land purchased for future township development.

It shows a description of the land purchased, its size, the book cost, the Sage valuation and estimated profit potential on cost. As a valuation basis, it notes that township values have been attributed only to land which falls within areas for future development and where planning permission has been or is being granted; revenue has been based on past sales in surrounding areas with no allowance for the present depressed state of the market; no provision has been made in profit estimates for further capitalised interest nor for escalation in development costs over the years, although conservative and high estimates were used.

Almost invariably, the land has been downvalued — often drastically. There are exceptions — like the 40 ha Wingate Park Country Club in Pretoria in at a book cost of R264 000, valued at R500 000, and estimated to show a profit after development of R1m; or 155 ha bought from J C and J C Jerling in Albertsdal and Alrode South at a cost of R436 000, valued at R0,7m and estimated to show a R1,1m profit. These however are the exceptions. The more general case is where the Sage valuation is lower than book cost. For example, 279 ha bought from the MC Bekker Trust in Pretoria East, in the books at R2,2m, was down-valued to R1m. However, it is estimated the land would show a profit of R148 000 if developed.

There is also a long list of downvalued land where no profit potential whatever has been estimated. Like a 101 ha portion of a farm at Strand bought from H J Morkel. It is in at a book cost of R435 000 and downvalued to R200 000. Or 1 573 ha bought from Melt Laubser in Blauberg, in at a book cost of R2,6m and downvalued to R1,5m.

But the 10 heftiest drops between book cost and Sage valuation are substantial indeed, as the table shows.

Bannings push up rand sales

Sunday Times, Business Times

By NEIL BEHRMANN

30/10/77

LONDON. — The securities rand discount widened sharply over the past week as overseas investors became more bearish on South Africa's political outlook than local operators.

After the banning orders, South African shares fell dramatically in London. From its peak of 174,5 on October 18, the Financial Times Index has fallen by some 21 per cent. For American and Continental investors, the average fall was similiar.

During this period, dollar prices of Libanon tumbled 30 per cent, Vaal Reefs 27 per cent, Western Areas 29 per cent, West Dries 26 per cent, St Helena 23 per cent and De Beers 14 per cent.

In the first part of the hectic declines, the gold price was appreciating, but its subsequent reaction hardly helped matters.

During the depressing time, securities rands behaved peculiarly. Securities rands could be described as South Africa's effective investment currency. They are created through arbitrage by buying South African shares overseas and selling them in Johannesburg.

But securities rands are traded independently of shares too and the rate fluctuates according to supply and demand.

This week, securities rands traded at 77 US cents — a discount of 33 per cent to the commercial rand dollar rate of 1,15. Since securities rands is the arbitrage rate, it also means that South African shares on foreign sharemarkets are currently 33 per cent lower than quotations in Johannesburg.

Fluctuations of securities rands in the week after the banning orders were fascinating. The first day after the restrictions, the rate actually rose a cent to 81c. It then remained steady for the next three days around the 80c mark, despite plunging gold share prices.

One of the reasons was that there was a big buyer around. Secondly, percentage falls in Johannesburg, New York and London were about the same. In the past few days, Johannesburg tended to be a buyer rather than a seller of golds and the securities rand discount widened from 30 per cent to 33 per cent, reflecting the difference in views between local and foreign investors.

A chart of brokers Galloway and Pearson shows that over the long run the South African political situation is the main determinant of the securities rand discount.

After the coup in Portugal, the discount steadily widened to a peak of 40 per cent in September 1974. The discount narrowed considerably in the months leading to the rand devaluation.

Southern African "detente" was in the air that time. The 17,9 per cent devaluation then wiped out the discount completely. Then came Angola, the Soweto riots and by the beginning of this year it had widened to an all time peak of 45 per cent.

As overseas investors became accustomed to the "new" South African political climate, the discount narrowed to 25 per cent.

But as Galloway and Pearson point out, the

• To Back Page

Bannings push up the sale of rands

Sunday Times, Business Times 30/10/77

• From Page 1

political situation is not the sole factor in determining the securities rand discount. During a thin market, immigrants to South Africa can affect the rate when they buy securities rands.

Demand for issues such as Escom this year pushed up the rate, at a time when foreign investors were still selling South African shares.

Also, heavy demand for gold shares from the United States pushed up the rate recently. These abberations are of a short term nature, however. It is the long-term trend which must be examined — and for the moment the discount is widening.

SUNDAY TIMES, Business Times, October 30, 1977.

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Trust to take on the Big Four

An all-out drive on the cheque account business

By Nigel Bruce

TRUST BANK, regenerated with Sanlam policyholders' money, is about to take on for the second time in its short life the Big Four commercial banks in a make-or-break drive for cheque account business.

This time, however, the attack will be led by a former academic, Fred du Plessis, the new managing director who was once a professor of money and banking.

It promises to be a fight that will make erstwhile chairman Jan Marais' busting into the exclusive cheque clearing circle in the sixties pale by comparison.

There are a number of reasons for this:

• Cheque deposits have over the years diminished dramatically as corporate treasurers have learned to keep these non-interest-earning balances to a minimum.

As a percentage of total deposits, the cheque deposits of Barclays and Standard have declined from about 50 per cent to 30 per cent over seven years, Volkskas' are down from 40 per cent to 26 per cent and Nedbank's from 36 per cent to 23 per cent.

The Big Four must staunch this haemorrhage if they are to remain competitive, especially as the margins on their traditional lending business are being squeezed by usury ceilings that are too low.

• Trust Bank is unlikely to be able to attract these deposits by cutting banking charges or paying interest on them as it would be breaking the cartel agreement among the commercial banks that stipulates minimum charges.

This would invite retaliation from the Big Four on whose extensive branch network Trust is dependent to have its cheques cleared.

• The traditional loyalty of South African companies to their long standing commercial banks has been reinforced by the recent problems of the smaller banks.

• If Trust Bank does not get a greater share of this business, it can no longer fall back on its traditional hire purchase and leasing business for the Big Four have moved into these markets in a big way.

With the advantage of their relatively low cost cheque deposits, they are able to undercut general banks like Trust.

Trust Bank's share in these markets has already fallen dramatically. Seven years ago it led the field in both HP and leasing, with Western Bank and UDC Bank trailing some distance behind.

Today, while Trust is still the largest in HP it ranks now only in fourth place in leasing and Standard and Barclays have accumulated in recent years both HP and leasing assets at twice the pace of Trust.

The Nedbank group and, somewhat belatedly Volkskas, are both pushing into these markets at a whacking pace.

Professor du Plessis told me this week that he believed Trust Bank had never made much progress in the cheque account business because it had neglected to offer corporate customers the same sort of one-stop banking that it offered the man-in-the-street.

The extensive management reshuffle in the bank — of which the senior moves were announced this week — is his first step to rectify this. Others are to follow.

He acknowledges that in Bankorp, of which Trust is now a subsidiary, there is not a great deal of either instalment credit or property management expertise.

But, he points out, it does have a reputation for good management and the essence of this, in his view, is to find the men with the right skills to do the job.

One advantage he has is that Sanlam, which has a phenomenal amount of financial muscle, is standing much more actively behind him than traditional Afrikaner business power ever stood behind Jan Marais.

Moreover, Sanlam, where its own interests are concerned, is an unashamed armtwister. So it is not impossible that companies in which it has significant interests will be told to swing more business over to Trust Bank.

Professor du Plessis has no plans to change the glossy, rather brash dolly-bird image of Trust Bank which has stood it in so much good stead in the past.

He tells me, too, that rationalisation of Bankorp's bank and other interests will not end with this week's announcement that Credit Bank and Bank of Johannesburg are to be merged.

However, he does not envisage that it will necessarily involve a reduction of competition between banks within the group, which he sees as a positive advantage.

Some assets — such as, I guess, those industrial interests taken over from Trump — could be sold off at an appropriately advantageous time.

One area that remains to be sorted out is Trust Bank's insurance interests. Currently it is bidding for minority interests in Metlife, the Cape Town composite insurer, and has to its name also an insurance broking concern.

One reason for Trust's offer for Metlife, the business of which overlaps with that of Trust's ultimate parent, Sanlam, could be that if it should decide to dispose of the company later, it would be easier to sell if wholly-owned.

There have been rumblings from minority Metlife shareholders of the terms offered to them and rumours of a consequent rival bid. But neither Bankorp nor Finansbank, which is representing minorities, believe this likely, especially as about 80 per cent of the business Metlife writes is fed to it from Trust Bank.

One puzzling aspect of the reorganisation at Trust Bank announced this week is that its problem property portfolio is remaining firmly within the bank.

Professor du Plessis has an explanation for this which I confess I don't understand. It seems to me that fresh property minds ought to be brought to bear on this problem and these minds are in Sanlam rather than in Bankorp.

Therefore, as Barclays wisely took over the areas of Western Bank's business that it knows well, it seems strange that Sanlam is not itself taking over Trust's property interests. Certainly if this were to happen, the chances of Trust's financial performance improving would seem to be substantially enhanced.

There is no doubt that Professor du Plessis has been landed with the hottest job in South African banking.

Intellectually, he is eminently well-equipped for the task. It remains to be seen whether he has the leadership qualities of his predecessor.

Certainly, if he is able to gain a significant slice of the cheque account market for Trust and re-establish its lead in the instalment credit market — both formidable tasks despite Sanlam's support — he will emerge the giant among South African bankers.

Senbank in running

Sunday Times

Business Times

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BY NIGEL BRUCE

SENBANK, with Sanlam standing behind it as a likely participant, is also a member of the Stannic and UDC-GATX consortium competing for the R120-million Iscor Ellisras lease.

This consortium has put forward proposals only for the leasing part of the financing, whereas the Barclays-led consortium is believed also to be involving itself in the financing of the mine.

A decision on the financing of this project is still some way off, especially as numerous competitive proposals for the financing of portions of the total are being considered.

30/10/77

SAKE-RAPPORT 30/10/77

(58)

BO LINKS: Mnr. Donald Swanepoel . . . nuwe senior hoofbestuurder van Trust-Bank, wat die drade aan mekaar gaan hou.

BO: Dr. Chris van Wyk . . . as nuwe senior hoofbestuurder van Trust-Bank gaan hy sorg dat Trust-Bank se naam hoog bly.

LINKS: Mnr. Hennie Jacobs . . . „gebore" Trust-Banker wat nou as senior hoofbestuurder die kleinhandelsake sal uitbou.

Kredietbank nou onder eerste ses

OPWINDENDE vooruitsigte, is soos die nuwe en sterker Kredietbank vandeesweek ná die samevoeging van Kredietbank en Bank van Johannesburg beskryf is. Die aankondiging, 'n verdere rasionalisasiestap in die Bankorp-stal, is vandeesweek in Johannesburg gedoen.

Voorlopig sal die naam van die nuwe bank Kredietbank wees, met vir eers daarby „waarby die Bank van Johannesburg ingelyf is". Europese Kredietbank met sy hoofkantoor in Brussel het 'n geding hangende waarin beswaar gemaak word teen die naam Kredietbank, wat sy ontstaan had uit die samevoeging van Federale Bank en Sasbank.

Dit is derhalwe billik dat eers gewag word vir die uitslag van die geding voordat finaal besluit word watter naam die nuwe bank sal kry.

Hoe ook al, met gekonsolideerde bates van R454 miljoen en winste van byna R4 miljoen, volgens die onderskeie banke se state op 30 Junie vanjaar, is Kredietbank nou een v die ses grootste banke die land.

Sterkpunte

Uit 'n ontleding sterkpunte van die ond skeie twee banke wys samevoeging op 'n l logiese aksie. Kredietb het 'n wye netwerk va kantore. Verder word groot gedeelte van sy d sito's in die vorm van sp rekenings en vaste de to's van individue verk

Hierdie bron van fo vanaf middelsl g tot ner beleggers, veroor 'n stabiliserende effe die rentekoste van de to's. En hierdie takst tuur en bron van fonds goed aansluit by Bank Johannesburg se 12 tak tore en noodgedwonge ter afhanklikheid van die groothandel-depositomark, is aan Sake-RAPPORT gesê.

Die bediening van individue se finansieringsbehoeftes by Kredietbank sal nou saam met die paaimentfinansiering van Bank van Johannesburg deur 'n wyer takstelsel aangebied word.

Bank van Johannesburg het vanaf sy ontstaan op die voorpunt gebly betreffende rekenaaraanwending. Dienste soos deposito's, spaarrekenings en paaimentfinansiering word op 'n ten volle gerekenariseerde basis by alle takke aangebied. Kliënte kan dus by enige tak van die bank volle inligting rakende 'n rekening bekom en enige t

Vervolg op bl. 3, kol 6

Wins kan mooi styg

Vervolg van bl. 1

saksie afsluit.

In hul onderskeie velde het die twee banke elkeen 'n mooi kap van die besigheid gehad. So bv. het Kredietbank as in- en uitvoerfinansierder 'n goeie naam in die buiteland, terwyl die Bank van Johannesburg weer in die plaaslike kapitaalmark, in nywerheidsfinansiering en dies meer vir hom 'n stewige plekkie uitgeskouer het.

'n Mens kan egter verwag dat met die groter kundigheid waaroor die nuwe groep deur die samevoeging van mannekrag beskik, nuwe terreine betree kan word. Ook kan rasionalisasie van dienste en ander dinge bydra dat die groep se winsgewendheid reeds in sy eerste gesamentlike jaar met minstens 10 persent kan verbeter.

Trust-Bank is nou reg

IE knoop is by Trust-Bank deurgehaak. Daar is geen sprake meer van 'n ...ntlike vertrouensprobleem nie. Met die bank se likwiditeit skort niks en sy ...heime reserwe het reeds 'n sterk stoot van R25 miljoen gekry.

Uit 'n onderhoud met die ...k se voorsitter en voort... ook besturende direk...r, prof. Fred du Plessis, ...t dit duidelik geword dat ... bank nooit 'n likwiditeitsprobleem gehad het ...

Die bank se grondslag is ...ou sterk en daar kan ...sonder groei in die toe...ms verwag word, sê prof. ...u Plessis nadat hy gerui... tyd reeds sy volle aan...ag aan die bank se sake ...

Prof. Du Plessis sê ook ...at hy dit sy taak gemaak ...t om persoonlik vas te tel hoe Trust-Bank se ...eld nou na buite is. Hy ... geen sprake van 'n ...ertrouensprobleem vind ...ie en die houding van die ...ank se kliënte is so gesond as wat kan kom.

Hierdie feit word dan ook wel deeglik bewys deur die ...vloei van deposito's en die ...instandhouding van be...staande deposito's. Daar is ...ook reeds 'n wesenlike verlaging in die koste van sy geld.

...Prof. Du Plessis sê dat hy

Maar met die sterk inspuiting wat die topbestuur van Trust-Bank gekry het, kan aangeneem word dat die bank dalk nie te lank sal hoef te wag voor daar weer dividende uitbetaal kan word nie.

Uit die Bankorpstal word mnr. Donald Swanepoel, besturende direkteur van die Bank van Johannesburg, en dr. Chris van Wyk, hoofbestuurder van Senbank, albei nou senior hoofbestuurder van Trust-Bank, word ook senior hoofbestuurder.

Mnr. Swanepoel is by uitstek 'n man vir stelsels en dit is duidelik dat prof. Du Plessis meen dat mnr. Swanepoel in hierdie hoedanigheid 'n waardevolle bydrae by Trust-Bank kan lewer.

Met die rasionaliasie van die stelsels wat mnr. Swanepoel se taak sal wees, kan groot geld bespaar word. Dit is moeilik om 'n syfer daarop te lê, maar Sake-RAPPORT het op gesag verneem dat 'n syfer van 'n paar miljoe

mnr. Donald Slade, op die oomblik 'n adjunkhoofbestuurder van Trust-Bank.

Hy word nou 'n hoofbestuurder en sal nou heeltyds in beheer van Trust-Bank se groot kopseer, sy eiendomme, wees. Hy was voorheen deeltyds by die eiendomme betrokke. Nou word sy span ook baie versterk en sal hy ook toegang tot die kundigheid van Sanlam se eiendomsafdeling hê. — **DAVID MEADES**

Cont

30/10/77

die bank weer voort sal gaan om sy sterk groei van die verlede te handhaaf sodra die paar haakplekke wat bestaan het, uitgestryk is.

En hierdie haakplekke is ook eerder 'n verskil oor bankbeleid. Volgens die beleid van die Bankorp-groep is dit nodig om eers meer binnevet te kry. Hier is reeds 'n sterk grondslag gelê met die oorplasing van R25 miljoen na die bank se geheime reserwe.

Hierdie geld kom van Sanlam en sal in die vorm van omskepbare voorkeur-aandele deel van Trust-Bank se kapitaal word.

Hierdie uitgifte word deur Bankorp en Sanlam onderskryf en ofskoon dit nog nie fisiek gedoen is nie, is die geld reeds by Trust-Bank. Besonderhede oor die voorwaardes vir die regte-uitgifte sal dalk hierdie week bekend raak.

Intussen kan ook oor die kort tot medium termyn verwag word dat 'n heelwat groter deel van Trust-Bank se winste tot die geheime reserwe oorgeplaas sal word. Dit sal tot gevolg hê dat die aandeelhouers vir eers ietwat agtertoe in die tou sal moet staan.

Bankorp/Kredietbank-organisasie nie verspot is nie.

Beeld

Dr. Van Wyk, wat ook bekendheid as 'n ekonoom van formaat verwerf het, het ook oor die laaste jaar of drie vir hom groot naam by Senbank op die gebied van bemarking gemaak. Dar kan ook aangeneem word dat hy by Trust-Bank sterk op bemarking sal konsentreer en dit sal van hom verwag word om die bank se beeld te bou.

Mnr. Jacobs het op sy beurt saam met Trust-Bank grootgeword en was die vorige besturende direkteur, mnr. Anker Burger, se regterhand. Hy is 'n kenner van die kleinhandelaspek van die bankwese en sal in hierdie hoedanigheid voortgaan.

'n Ander nuweling by Trust-Bank is mnr. Marius Smith, op die oomblik 'n assistent-hoofbestuurder van Senbank. Hy word nou 'n hoofbestuurder van Trust-Bank. Mnr. Smith, wat ook 'n gekwalifiseerde aktuaris is, sal voortaan die bank se syferman wees.

Maar die man op wie se skouer waarskynlik die swaarste las gaan wees, is

Standard Bank

STANDARD BANK INVESTMENT CORPORATION LIMITED
(Incorporated in the Republic of South Africa)

NM
31/10/77
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Interim Report and Dividend Announcement

The Directors of Standard Bank Investment Corporation Limited announce the following unaudited results of the Group's operations for the six months ended 30 September, 1977, with comparative figures for the six months ended 30 September, 1976, and for the full year ended 31 March, 1977.

	Six months to: 30/9/77 (R000)	30/9/76 (R000)	Year ended 31/3/77 (R000)
Group profit after operating expenses and provision for loan losses and extraordinary items	23 115	19 869	34 727
Estimated taxation	8 567	7 620	13 516
Group profit after taxation	14 548	12 249	21 211
Preference dividend	260	426	687
	14 288	11 823	20 524
Weighted average ordinary shares in issue	52 839 504	46 332 057	49 517 925
Earnings per share (cents)	26,78c	25,43c	41,35c
Dividend per ordinary share (cents)	9,5c	8,0c	22,5c

Earnings per share are calculated on the weighted average of the ordinary shares in issue during the periods concerned.

OPERATING RESULTS

The recessionary conditions continued in the first half of the financial year and, with consumer demand and fixed and inventory investment slack, demand for credit remained weak. The only sectors to perform well were agriculture and mining and this strength caused the overall real growth rate of the economy to be positive in the second quarter of the calendar year. The money supply also grew rapidly for the period to June, 1977, but has subsequently slowed. A softening in short-term interest rates helped to maintain net interest margins, but the continued recession caused a higher than expected business failure rate in the past six months.

The comparative figures for September, 1976 quoted above, have not been adjusted to incorporate half the loan loss provisions for the full year, and are as published in the Interim Report dated November, 1976. If these figures were adjusted to take into account a pro-rata share of the full loan loss provisions for the year ended 31 March, 1977, which included the provisions for the Glen Anil Property Group, the published earnings per share for September, 1976 would have been more than 20% lower.

PROSPECTS FOR THE REMAINDER OF THE FINANCIAL YEAR

Some of the assumptions made in the Financial Statements for 1977 require comment as conditions have changed, although not materially.

... Because of the growth in the agriculture and mining sectors, a real growth rate for 1977 of 1% is expected against the previous assumption of no growth.

... The estimate of growth in the money supply has been increased from 9,5% to 12,0%.

... It is now apparent that the recession will continue for longer than anticipated.

The assumptions made for the remainder of the financial year indicate that liquidity will improve further, loan demand will increase marginally and loan losses will still be higher than budgeted.

The financial implications of the changes in these assumptions are that profits for the full year will be marginally lower than planned, but will not materially affect the original estimate of the return on year-end shareholders funds.

In these circumstances the Board has decided to declare an increased interim dividend of 9,5 cents.

IAN MACKENZIE, *Chairman.*
H. P. DE VILLIERS, *Group Managing Director.*

INTERIM DIVIDEND NO. 16

Notice is hereby given that an interim dividend of 9,5 cents (1976 – 8,0 cents) has been declared payable to ordinary shareholders registered in the Corporation's books at the close of business on 25 November, 1977. Cheques will be posted on or about 14 December, 1977, to shareholders at their registered addresses, or in accordance with their written instructions to the contrary which must be received not later than 25 November, 1977.

Non-resident shareholders' tax will be deducted from dividends, where applicable.

The register of ordinary shareholders will be closed from 26 November, 1977, to 4 December, 1977, both days inclusive.

By Order of the Board
C.W. BJERRE
Group Secretary.
8 November, 1977.

Registered Office:
27th Floor,
Standard Bank Centre,
78 Fox Street,
Johannesburg, 2001.
(P.O. Box 7725, Johannesburg, 2000.)

Registrars:
Rand Registrars Limited,
2nd Floor, Devonshire House,
49 Jorissen Street,
Braamfontein, Johannesburg, 2001.
(P.O. Box 31719, Braamfontein, 2017.)

FINANCE - GENERAL

1977

SOUTHERN AFRICA LABOUR AND DEVELOPMENT RESEARCH UNIT

TELEPHONE 69-8531 (Ext. 453 440)

... DIVISION

MONEY *Fin Mail 1/7/77*

Folding up the rand (58)

The R1 coin replaces the R1 note today, but the Reserve Bank expects the note to be around for another couple of years before it finally goes out of circulation.

Koos Groenewald, director of the Mint, explains that a coin lasts 25 years or more while a note wears out within three or four months. So the new coin will presumably mean considerable savings. Or will it? Neither the Mint, which is responsible for coins, nor the Reserve Bank will reveal what it costs to produce either coin or notes. But there will certainly be a saving on foreign exchange because all the special bank note paper is imported whereas the metal for the coins can be obtained locally.

There are 72m R1 notes in circulation and these will be gradually withdrawn as the coin takes over. Groenewald says 30m R1 coins will be minted this year, and of these 17m have already been issued to the banks.

The new coin (31 mm diameter) is slightly smaller than a Krugerrand (32,7 mm) and a bit larger than a 50c piece (27,8 mm). It will be made of pure nickel.

The Mint, according to Groenewald, produces some 300m coins a year with an annual increase of 10% to 20%.

The introduction of a rand coin is not expected to create any problems (vending machine operators are unconcerned) or make pay packets appreciably heavier because the R2 note ... not very popular up to now ... should become more widely used. At the moment there are 21m R2 notes in circulation, but the Reserve Bank has the necessary stock to increase this if necessary.

- A money expert estimates that it costs more than a rand to produce a R1 note.

Financial Mail July 1 1977

Dear (

RESEA ... STUDIES

A cop ... d. We hope that you will
find

N.3. ! || We wo ... s R1,00 to help cover the
cost ... rt.

Thank ... for attending.

Yours

FRAN

2/7/77 N/MERCURY

Hotel might be success, Court hears

(58)

Court Reporter

THERE is a reasonable chance of the Ocean View Hotel becoming a successful concern and being able to pay its creditors in full, a Durban Judge heard yesterday.

Director Mr. J. H. Porter, who brought an urgent application earlier this week for the winding up of the companies owning and running the hotel, said that the cash injection vital for the business was not as large as he formerly feared.

Mr. Porter said that after discussions with the accountant for Musgrave Investments (Pty.) Ltd., and Ocean View Hotel Ltd., he felt that there was a chance of the hotel recovering under judical management.

Both companies, which have liabilities of more than R785 000, were placed under provisional judicial management.

Interested persons must show cause by August 12 why these should not be made final.

A creditor, Mrs. P. D. Wilgoose, was given leave to intervene in the proceedings.

Butterworth

In another case yesterday one of the owners of the Butterworth Hotel, who has left the country and is seriously ill, was ordered to pay R309 355 to a building society.

The Court was told that widow Mrs. Lilith Rosiland Kahn had bound herself as surety and co-principal debtor for money owning by Kahn Properties to the Allied Building Society.

The sum was owing to the Allied with interest, according to papers before Mr. Justice Didcott.

SIZE GROUP (HECTARE)	ECONOMIC REGION							
	18		19		.20		21	
	No.	Area	No.	Area	No.	Area	No.	Area
TO 1,9	3	3	4	4	5	5	3	3
2 - 4,9	14	43	11	35	31	92	24	79
5 - 9,9	38	316	7	60	82	671	57	442
10 - 19,9	72	1 075	34	499	67	912	54	792
20 - 49,9	134	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		3 200
50 - 99,9	86							7 805
100 - 199	104							27 273
200 - 299	110							52 394
300 - 499	187							165 131
500 - 999	243							620 660
1 000 - 1 999	170							1 174 480
2 000 - 4 999	76							1 447 005
5 000 - 9 999	12							285 076
10 000 - OVER	3							65 336
TOTAL	1 252							3 849 676

2/7/77 N/MERCURY

No cash to pay wages

Court Reporter

A PINETOWN cartage company has debts of R923 644 and is unable to pay wages and lease instalments due yesterday, according to papers before a Durban judge.

Mr. Justice Mostert placed Barry Mills Investments (Pty.) Ltd., under provisional winding up.

Interested persons must show cause by July 29 why the order should not be made final.

Director Mr. Barry Mills said his company's serious financial difficulties arose from a contract for the cartage of mining equipment from Durban to Zaire.

There was trouble with Rhodesian authorities about transport certificates and trucks were held up at border posts for weeks at a time, Mr. Mills said. This resulted in a serious loss of revenue.

Barry Mills Investments' liabilities exceed assets by R226 894.

Mr. Peter Combrinck (instructed by Jacobs and Partners) appeared for Mr. Mills.

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(58) Sake-Rapport 3/7/77

Boer soek nou ál meer sofistikasie

MET die algemene afplatting in ekonomiese bedrywighede in die land, het die sake wat versekeringsmakelaars in die stede doen uit die aard van die saak ook daardie neiging weerspieël. Maar danksy goeie landboujare gaan dit nog heel goed op die platteland.

Libertylewensgenootskap is in die gelukkige posisie dat sy sake met verekeringsmakelaars steeds 'n sterk toename in groei toon. Maar 'n groot deel van hierdie welslae kan toegeskryf word aan die steun wat die maatskappy in al groter mate van die platteland af kry.

Die ontwikkeling was aanvanklik spontaan, gesels mnr. Monty Hilkowitz, 'n direkteur en hoofbestuurder bemarking van Liberty. Dit was geen skielike ontploffing nie. Dit was geleidelik, maar het nou so groot geword dat dit nie langer geignoreer kan word nie.

Die maatskappy het in al hoe groter mate bewus geword van die feit dat daar al meer Afrikaanssprekende polishouers in die maatskappy is. Dit was in teenstelling met die eerste dekade of wat toe die maatskappy byna uitsluitend vir sy sake van die stedelike Engelssprekende sakegemeenskap afhanklik was.

Dit was met die oog hierop dat daar besluit is om die Afrikaanssprekende mark baie meer intensief te ontgin. Hierdie besluit het ook saamgeval met die toestand waar sake al hoe moeiliker in die stede geword het met die ekonomiese resessie wat net nie sy draaipunt wil bereik nie.

Die stede met sy oorheersende sakegemeenskap is uit die aard van die saak baie meer sensitief vir skommelinge in die konjunktuur. En in hierdie volgehoue afname in bedrywighede in die ekonomie was die landbou een van die min ligpunte. Met die boere gaan dit nog baie goed.

Die land sit vandag eindelik met 'n boeregemeenskap wat finansieel baie gesond is. Met stygende opbrengste en groter produktiwiteit is die boerdery vandag 'n hoogs wetenskaplike onderneming en is daar vandag talle boere wat in beheer van bates is wat 'n miljoen rand oorskry.

Met die toetrede van die banke tot die makelaarsbedryf het is hierdie gespesialiseerde kundigheid ook binne bereik van die boer gebring. In die verlede was hy hoofsaaklik afhanklik van die diens van heeltydse verteenwoordigers van versekeringsmaatskappye.

Maar nou het ook hy, net soos die sakeman in die stad, die stadium bereik waar hy die dienste van die onafhanklike makelaar benodig in veel van sy besigheidstransaksies.

Versekering is vandag vir hom nie meer net iets wat die verband op sy plaas ná sy dood sal dek nie. Die spektrum het nou so verbreed dat dit nou om baie meer as net bloot dit gaan.

Daar is sulke sake soos boedelbelasting, pensioenplanne vir sy werkers, annuiteite en reële beleggings. En dit is hier waar die onafhanklike makelaar vir die boer van onskatbare waarde kan wees.

Daarom is dit Liberty se plan om die onafhanklike makelaar op die platteland soveel moontlik te help. Die maatskappy is nou in staat om die Afrikaanssprekende makelaar in sy eie taal te steun.

Die maatskappy glo ook dat hy in die proses net baat kan vind. Liberty het oor die afgelope 18 jaar by feitlik elke nuwe versekeringproduk wat op die mark gekom het, die pionierswerk gedoen.

Die meeste van hierdie planne was hoofsaaklik vir die mense in die hoër inkomstegroepe ontwerp en daarom meen Liberty dat hy 'n voorsprong teenoor die ander versekeraars het. Mnr. Hilkowitz meen trouens dat die Afrikaanssprekende dalk in die verlede aan die korste end kon getrek het omdat hy nie toegang tot die gesofistikeerde Libertyprodukte gehad het nie.

Omdat die maatskappy hoofsaaklik vir die groter polisse gaan, word administratiewe winste hierop uit die aard van die saak nie verwater deur administratiewe koste op kleiner polisse nie.

Maar terselfdertyd meen die maatskappy ook dat hy aan die polishouer eweeens sy regmatige deel van die wins gee, met die voordeel van spesifieke beleggingsmoontlikhede. Dit is nie net sommer toevallig dat daar soveel oorsese maatskappye is wat Liberty vandag as een van die toonaangewendste versekeringsmaatskappye ter wêreld beskou nie, veral as dit by nuwe versekeringsplanne en produkte kom nie.

MONTY HILKOWITZ . . . dit is hoog tyd dat die boer selfde toegang kry tot gesofistikeerde versekeringsplanne.

Volgens mnr. Hilkowitz is die toenemende mate van verbruikersweerstand ook besig om die maatskappy 'n groter geleentheid te gee om meer ingang tot die Afrikaanse mark te kry.

In al hoe groter mate is mense nou besig om meer rond te kyk om te sien waar hulle die beste waarde vir hul geld kan kry. Kopers is nou baie meer bewus oor al die verskillende moontlikhede as wat die geval tien jaar gelede was.

En Liberty is vandag ook in 'n posisie waar hy aan die Afrikaner diens kan lewer. Dit was 'n dekade of wat gelede vir die maatskappy 'n groot probleem. Baie mense kon glad nie Afrikaans praat nie.

Maar dit verander nou vinnig. Daar word nou daagliks Afrikaanse klasse by die hoofkantoor aangebied. Daar is elke dag sowat 30 persent van die groep se werknemers in sulke klasse.

Een van die newe-effekte daarvan is ook dat die Afrikaner hom vandag in al hoe groter mate tuis voel by Liberty juis omdat daar soveel gedoen word om 'n groter Afrikaanse beeld te bou.

Maar Liberty het geen planne om met regstreekse verteenwoordiging na die platteland uit te brei nie. Dit is sy filosofie om op die platteland deur makelaars te werk en dit is ook baie goedkoper.

Dit is ook die maatskappy se plan om meer polisse te ontwikkel wat spesifiek vir die behoeftes en vereiste van die boer ontwerp is. En in hierdie verband is die maatskappy reeds ver gevorder.

Liberty wil sover moontlik die geleentheid hê om die plattelandsemakelaar te steun om in die veranderende behoeftes van die boer tot groter sofistikasie te kan voorsien.

LIBERTY MIK NA R1 000 M.

D. G. Gordon lig sluier

LIBERTY lewensgenootskap se groei en ontwikkeling is sonder presendent in die wêreld se versekeringswese en die maatskappy is vas van plan om sy toonaangewende rol te speel. Terselfdertyd mik hy om oor die volgende vyf jaar sy bates minstens tot R1 000 milj. te verdubbel.

Dit blyk uit 'n onderhoud wat Sake-RAPPORT met die groep se besturende direkteur en stigter, die 47-jarige mnr. Donald Gordon, gevoer het.

En dat Liberty hierdie mikpunt met gemak sal kan bereik, lyk baie moontlik. Die R1 000 milj.-kerf sal hy bereik deur oor die volgende vyf jaar 'n gemiddelde jaarlikse groeikoers van 15 p.s. te toon.

Sedert die stigting van die groep is nog elke jaar 'n sterker groeikoers getoon en behalwe 1975 was die syfer elke jaar meer as 20 p.s., terwyl dit in 1973 45 p.s. was en 62 p.s. in 1974. Sy bates het die afgelope jaar met 23 p.s. tot R479 milj. gestyg en op die huidige oomblik is R500 milj. reeds oorskry.

Mnr. Gordon, wat byna twintig jaar gelede as 'n jong rekenmeester Liberty-lewensgenootskap begin het, sê dat die lewensversekeringsbedryf in die jare wat voorlê in al toenemender mate aan die land se ontwikkelingskapitaal sal moet verskaf.

Die Regering is terdeë van hierdie rol bewus en daarom hoop mnr. Gordon dat dit nooit vir die bedryf onmoontlik gemaak sal word om hierdie lewensbelangrike rol te vervul in die mobilisering van die publiek se spaargeld nie.

Die bedryf is in Suid-Afrika nog relatief klein sover dit internasionale standaarde betref. Maar die moontlikhede is legio en die potensiaal geweldig groot. En dit is tot groot hoogte met die oog hierop dat mnr. Gordon so optimisties oor die volgehoue groei van Liberty is.

Daar is egter vir hom een negatiewe aspek waar hy hoop en vertrou die Regering groter aandag sal gee. Dit is die swak belastingvoordele wat daar vir mense is wanneer hulle lewensversekering uitneem.

Die land se versekeringsbedryf is hoogs gesofistikeerd en kan hier sy bydrae lewer. Maar dan moet die Regering daardie rol erken en dit nie vir die bedryf al hoe moeiliker maak nie.

En in hierdie opsig is Liberty besig om sy bydrae tot die ontwikkeling van die land te speel. In 1973 was hy byvoorbeeld instrumenteel vir die onderskrywing van 'n suksesvolle lening van R65 milj. vir Evkom. En die maatskappy het op die oomblik nie minder nie as R45 milj. wat regstreeks in Evkom belê is.

Mnr. Gordon voel baie sterk oor die rol wat energie in die toekoms van die land moet speel en vandaar die betrokkendheid by Evkom. En, wat min mense weet, Liberty is op 'n groot skaal regstreeks by die ontwikkeling van energie betrokke.

Die maatskappy het die grootste enkele belang in Clydesdale Collieries, waar die Coalbrook-myn na 'n produksie van 4 milj. steenkool per jaar ... vir die Taaibos-en Highveld-kragsentrales. Die ander groot vennoot in hierdie steenkoolmaatskappy is General Mining, wat ook die myn bestuur.

Liberty is ook saam met General Mining 'n gelyke vennoot in die ontwikkeling van die steenkoolmyn vir die Matla-kragsentrale. Hierdie kragsentrale sal in 1982 voltooi wees en sal dan 'n vermoë van 3 600 MW hê, wat gelyk is aan meer as 30 p.s. van die land se huidige elektrisiteitsbehoeftes. Hierdie steenkoolmyn sal meer as R150 milj. kos.

Op die gebied van eiendomsontwikkeling is die maatskappy ook terdeë besig om sy rol te speel en oor die laaste jaar of wat veral in die ontwikkeling van streeksinkoopsentrums aan die buitewyke van die stede.

'n Baie groot deel van hierdie ontwikkeling word op 'n terugverhuringsgrondslag gedoen, wat aan die maatskappy 'n gewaarborgde opbrengs gee. Sy totale betrokkendheid hier beloop nou sowat R125 milj.

In staats- en semistaatseffekte sal die maatskappy vanjaar meer as R40 milj. belê, terwyl hy sy bedrywighede in gewone aandelebeleggings sal voortsit.

Hier het die maatskappy onlangs beheer oor Fugit gekry, wat die land se grootste geslote beleggingstrust is. Mnr. Gordon sê dat sy maatskappy geen spesifieke planne met Fugit het nie, wat steeds deur UAL bestuur sal word. Maar hy meen dat die kombinering van Liberty se talente op hierdie gebied met dié van Fugit mooi moontlikhede vir die toekoms het.

Liberty, wat uit en uit as Suid-Afrikaanse maatskappy begin het, het in 1961 noue bande met die Guardian Royal Exchange van Londen aangeknoop, maar ná verskeie oornames die afgelope dekade of wat is die maatskappy in toenemende mate besig om die oorsese aandeelhoudings te verminder.

In hierdie proses is twee ander oorsese versekeringsmaatskappye, Manufacturers Life en Sun Life, se bedrywighede in Suid-Afrika in 1972 en 1974 by Liberty ingeskakel.

En met plaaslike oornames, soos byvoorbeeld dié van Rapp & Maister, is die Suid-Afrikaanse aandeelhouding besig om al hoe groter te word.

Mnr. Gordon sê dan ook dat dit die maatskappy se „konstante beleid" is om die buitelandse aandeelhouding as 'n persentasie te verminder. Die Guardian Royal Exchange se belang in Liberty beloop op die oomblik byvoorbeeld reeds minder as 50 p.s. teenoor meer as 70 persent net vyf jaar gelede.

En dat die maatskappy in die jare vorentoe nog verdere oornames sal doen, is baie seker. Daarmee sal die oorsese belange nog verder verwater word.

Die sterk groei wat die maatskappy handhaaf, word deur mnr. Gordon hoofsaaklik aan sy sterk Suid-Afrikaans-georiënteerde bestuur toegeskryf, hoewel waardevolle hulp uit die buiteland gekry is.

Maar hoewel die oorsese aandeelhouding nog groot is, is die beheer van die bestuur geheel en al in Suid-Afrika en die buiteland het geen invloed op die maatskappy nie.

Mnr. Gordon meen dat die maatskappy as die grootste lewensversekeraar in die land wat private aandeelhouers het sal voortgaan om die leiding te gee tot groter sofistikasie in die mark. En met die groter sofistikasie van die Afrikaanse mark, sal die maatskappy ook hier sy bydrae lewer.

DONNIE GORDON . . . gee ons die kans en ons sal die fondse mobiliseer

LIBERTY-LEWENS is op drie na die grootste lewensversekeraar in die land en die grootste versekeraar wat op die Johannesburgse Effektebeurs genoteer word. In hierdie ontleding van Liberty kyk DAVID MEADES saam met Liberty se topmanne na die maatskappy en sy jongste planne om veral op die platteland groter diens aan die Afrikaanse makelaar te lewer.

Beter as die fondse self kan doen

LIBERTY-Lewensgenootskap beskou pensioenfondse as die afdeling waar die sterkste groei getoon kan word. Die maatskappy is veral trots op die vertoning van sy beleggings die afgelope dekade of wat, en meen hy is sterk opgewasse om 'n diens vir pensioenfondse te kan lewer.

Mnr. Hugo Biermann, bestuurder beleggingsbemarking en bestuurder pensioene-bemarking, sê dat die maatskappy die bemarking van sy pensioenplanne hoofsaaklik deur die makelaarsbedryf doen.

En, soos aan die lewenskant, gaan die maatskappy ook uit sy pad om hier 'n diens te lewer, wat bloot op meriete vir die maatskappy baie sake sal bring.

Liberty meen hy is beter in staat om aan 'n pensioenfonds die maksimum-opbrengs te lewer as wat die fonds self kan doen. Daar is vir eers die beperking op pensioenfondse wat hulle nou sal verplig om 55 persent van hul bates in staats- en semi-staatseffekte te belê.

Voorts mag 'n pensioenfonds ook nie meer as 5 persent van sy bates in een eiendom belê nie, en ook nie meer as 25 persent van sy bates in eiendom in totaal nie.

Word die beleggings egter deur 'n lewensversekeraar hanteer, kan die fondsbestuurder soveel as wat hy wil van die fonds se bates na 'n spesifieke belegging kanaliseer solank die versekeraar se totale beleggings aan die voorgeskrewe vereistes voldoen.

Liberty bied vandag drie spesifieke beleggingsmedia vir pensioenfondse, waarvan die eiendomsportefeulje seker die grootste is.

Mnr. Biermann sê hierdie portefeulje word op 'n baie sistematiese en doelgerigte manier bestuur. Die strategie word gereeld aangepas en besluite word deurentyd geneem om sekere sektore van die mark te vermy.

So het Liberty byvoorbeeld drie jaar gelede besluit om nie voort te gaan om in kantoorgeboue in die middestad te belê nie. En vandag waar baie eiendomsmaatskappye en groot instellings probleme het om ruimte verhuur te kry, is 98 persent van die ruimte van Liberty se kantoorgeboue in die stede beset.

Daar is toe besluit om in ander eiendomsbeleggings te belê, met die beslisste uitsluiting van dorpsgebiedontwikkeling. En behalwe in sekere spesifieke gevalle, sal daar ook nie in die ontwikkeling van nywerheidseiendomme belê word nie.

Ondanks inflasie sal die gemiddelde gesin egter nog altyd kos koop, en in toenemende mate by supermarkte en hipermarkte. Om hierdie rede is besluit om in twee sulke projekte te belê. Dié projekte is saam met Pick 'n Pay in Durban-Noord en Norwood, Johannesburg, aangepak.

Maar die beleggings was onderworpe aan sekere vereistes. Vir eers het Liberty 'n perk op die maksimum-koste geplaas. As die koste hierdie perk oorskry, sal Pick 'n Pay daarvoor verantwoordelik wees sonder om 'n belang in die gebou te kry.

Pick 'n Pay sal ook vir 'n tydperk van minstens 22 jaar in die gebou bly, en elke gebou sal deur Liberty se eie bougroep, Rapp and Maister, gebou word. Die opbrengs en eskalasie is ook van so 'n aard dat al sou die maatskappy die hele projek ná 22 jaar afskryf, hy nog steeds 'n baie goeie belegging sou gedoen het.

Op hierdie manier word die onvoorspelbaarheid uit die eiendomsbelegging gehaal, sê mnr. Biermann.

'n Soortgelyke projek was 'n verspreidingsentrum vir Greatermans aan die Kazerne-kant van Johannesburg. En in al drie gevalle het die maatskappy ook op die grondslag van onverdeelde eienaarskap die projekte met pensioenfondse soos dié van Evkom, die Motornywerheid, Krygkor, en ander aangepak. Liberty het 'n belang van 50 persent in dié projekte.

Die jongste projek is die Eastgate-ontwikkeling van R40 miljoen op pad na die lughawe Jan Smuts. Die projek sal vroeg in 1978 voltooi wees, maar 60 persent van die ruimte is reeds aan instansies soos Checkers, OK, Woolworths, Edgars en Greatermans verhuur. Die totale waarde van dié kontrakte beloop R100 miljoen oor 'n tydperk.

Pensioenfondse kan sulke projekte nooit alleen ontwikkel nie, maar kan tesame met Liberty daarin deel.

Die feit dat die maatskappy ook drie jaar gelede besluit het om uit die middestad te trek, weerspieël hoe ver vooruit hy bereid is om te kyk en ook sy beleggingsfilosofie, sê mnr. Biermann.

Die maatskappy meen dat die belegging van 'n pensioenfonds se bates uiters konserwatief gedoen moet word. Daarom sê die maatskappy ook nie dat hy oornag beter as die fonds self sal kan doen nie. Maar hy is vol vertroue dat sy sistematiese langtermyn-beleggingsfilosofie dit moontlik sal maak dat sy opbrengs elke jaar ten minste die beleggingsindekse sal oorskry.

HUGO BIERMANN

Met sy aandelebeleggings is ook dieselfde filosofie gevolg. Daar is vyf jaar gelede besluit om in geen genoteerde aandele behalwe 'n paar uitgesoekte prima-aandele te belê nie.

En wat effekte met vaste rente betref, het die maatskappy in Januarie 1976 besluit om, met die oog op 'n verwagte styging in koerse, hoofsaaklik in effekte met 'n kort looptyd te belê. Nou voel die maatskappy weer dat koerse later vanjaar sal begin daal, en het nou begin om in langtermyn-effekte te belê.

Dit het spesifiek tot gevolg gehad dat private pensioenfondse in Liberty se portefeulje kon deel in 'n bonus van 12,15 persent in 1976, wat van die hoogste koerse vir hierdie soort belegging in die versekeringswese is, sê mnr. Biermann.

NATAL MERCURY

4/7/75 N. MERCURY

Road blast

COL DISPEGUY — A bomb blast blocked a mountain road near the French - Spanish border yesterday shortly before competitors in the Tour of France cycle race were due to pass, police said. No-one was hurt. Basque separatists operate in the area. — (Sapa-Reuter.)

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ACT

To amend the Insurance Act, 1943, so as to redefine "insurance business"; to provide for an advisory committee on long-term insurance; to further regulate the holding of assets; to further regulate the transmission of short-term insurance premiums received by intermediaries; to extend the non-forfeiture provisions relating to funeral policies; to provide for the accrual of interest on a loan or advance, on the security of an insurance policy, to an amount beyond the principal debt, and to limit the prescription of a loan or advance, on the security of an insurance policy, to at least the period of prescription of liability under the policy; to amend the Pension Funds Act, 1956, so as to redefine "financial year"; to further regulate the exemption of pension funds from the Act; to further regulate the holding of assets; and to further regulate the protection of pension benefits; to amend the Inspection of Financial Institutions Act, 1962, so as to redefine "financial institution"; and to extend the registrar's powers of inspection; to amend the Banks Act, 1965, so as to further regulate prescribed investments and investments in Government securities; to further regulate the restrictions on the investment by banking institutions in certain assets; to further regulate the control over banking institutions and the transfer of part of the business of a banking institution; and to extend the powers of curators; to amend the Building Societies Act, 1965, so as to further regulate prescribed investments; and to exempt the State from providing additional security in connection with advances to its employees; and to provide for incidental matters.

(Afrikaans text signed by the State President.)
(Assented to 20 June 1977.)

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Amendment of section 1 of Act 27 of 1943, as amended by section 2 of

1. Section 1 of the Insurance Act, 1943, is hereby amended by the insertion in subsection (1) after paragraph *(a)* of the definition of "insurance business" of the following paragraph:

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N/MERCURY 7/7/77

Mutual Unit Fund on top

Financial Editor

THE SOUTH AFRICAN Mutual Unit Trust has bucked the trend of recent quarterly results from the mutual fund movement—it ended the June quarter with a larger portfolio value and it sold more units than were re-purchased.

This was a creditable performance in the present recessionary climate, which has placed a bearish grip on Stock Exchange prices.

The Old Mutual's portfolio value rose from R56 705 999 at the end of March, to R57 436 294 at the end of June. Sales of units totalled 3 676 918 and re-purchases were 1 150 531 giving net sales of 2 526 387.

A spokesman for the Old Mutual said yesterday that the reasons for the fund's good showing were that some of the company's policies were linked to units which gave an automatic flow into the fund and a low key approach had always been adopted in selling the units.

"Even in the hectic days of the stock market boom period we did not put investors into units if these were not the right investment for them."

NGF outflow

Among the other funds National Growth Fund had a net outflow of R2 336 947, Sanlam Trust had a net outflow of R553 056 and S.A. Trust Selections had a net outflow of R347 073.

The Trust Bank Growth Fund also fared poorly, with an outflow of R445 000 compared with an inflow of R83 000 in the previous quarter.

The UAL Mutual reported a disinvestment of R23 208 and Syfrets Inter Growth was R39 042 down on the quarter. Guardbank had an outflow of R51 000.

7/7/77 N/MERCURY

(58)

Reserves drop reflects debt

Mercury Correspondent

JOHANNESBURG—The R53 million fall in the gold foreign exchange reserves last week reflects South Africa's heavy debt obligations. The reserves now stand at R721 million, compared with R757 million after the gold swop deal at the end of April.

The reserves have also been boosted by a further R39 million credit since then from the International Monetary Fund. If it had not been for this IMF drawing the reserves would have lost R75 million — largely cancelling out their 94 million net gain in the week after the gold swop.

As it is, they are only R36 million down. The pressures are all on the capital account side of the balance of payments

There was a surplus of R39 million on the current account in the first quarter of this year. The export boom in April and May and the continuing low level of imports of those months makes it certain that there was another surplus on the current account in the second quarter.

Under pressure

The fact that the reserves are under pressure because of the capital account rather than the current account, makes the present situation critically different as far as general economic policy is concerned.

Traditionally, South Africa's balance of payments problems have always been on current account. When, therefore, payments problems have forced restrictive action and a slowing of the economy, a move to surplus on the current account has always been sufficient.

Now, however, the problem is that even with a surplus on current account, the capital side is a matter of major concern.

● See Page 25

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S.A. reserves decrease by R53m

PRETORIA — South Africa's total gold and foreign assets dropped by R53 207 762 last week and stood at R720 980 071 on Friday, according to the weekly statement of the Reserve Bank.

In an accompanying statement the bank said the decline of R53,2 million in the total assets was accounted for, inter alia, by the repayment of foreign loans as well as special payments over the month-end.

The gold holding alone dropped by R155 905 to R286 071 021.

Foreign bills dropped from R102,1m to R85,4m while foreign investments increased from R20,3m to R20,4m and other foreign assets dropped from R365,3m to R328,9m.

Government deposits increased from R81,1m to R152,2m and deposits by provincial administrations from R52m to R67,2m.

Notes in circulation increased from R1 075,3m to R1 176,2m.

The ratio of gold reserves to the public less foreign assets stood at 21,1 percent on Friday, compared with 21,7 percent the week before. — (Sapa.)

Yorkshire General takeover

Sunday Times 10/7/77

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Business Times Reporter

MOMENTUM Life Assurers has taken over the South African interests of Yorkshire General Life Assurance part of the General Accident group.

This will increase the assets of Momentum to about R36-million, and annual premium income to R10-million.

The transaction is subject to the approval of the Registrar of Insurance.

Tuckers hits stand buyers for arrear payments

10/07/77

• From page one

that the matter is currently before the Attorney General.

The 2 000 stand buyers who have subsequently brought arrears up to date have stands in about 20 townships, a proportion of which have been proclaimed. Transfer can be passed once the total amounts owing on the proclaimed stands have been paid.

Where stand buyers are able to pay in full for stands in unproclaimed townships, Tuckers is prepared to provide a bank guarantee for the full amount until transfer is taken. If proclamation is subsequently refused, making transfer impossible, buyers will be paid back the purchase price, the company spokesman says.

Some of the 1 000 stand buyers who received summonses are also among the 900 members of the Township Stand Owners Action Committee.

Where they have approached its chairman, Mr Sammel, for advice he has advised that buyers in unproclaimed townships (that is where transfer is impossible when all amounts owing are paid) and those that bought stands in certain townships prior to service guarantees being provided in terms of the Town Planning and Township Ordinance and Regulations, should enter an appearance to defend through a legal representative.

This will hinder Tuckers obtaining a judgment by default, and would make any subsequent action contesting the validity of any sales much more difficult, Mr Sammel claims.

Whether sales of stands in townships prior to the provision of guarantees are valid or not is at the heart of the contest between the committee and Tuckers. The same dispute is currently the subject of a investigation by the police and was supposed to have been clarified at the end of June in a special statement by Transvaal MEC, Daan Hough.

Two advocates' opinions that these sales are of "no force and effect" were obtained by Mr Sammel, on behalf of his committee, and submitted to Mr Hough in early April.

According to Mr Sammel, Mr Hough intended submitting them to Provincial lawyers and basing his promised statement on their findings.

Mr Hough's statement is ten days late and all my attempts to reach him over the past three weeks, both by telephone and registered letter, have failed.

This particular matter has not been tested in court, although it did form part of an action earlier this year brought against Tuckers by a disaffected stand buyer seeking to invalidate certain land sales and get his money back.

It was a ground not pursued in this action which, like an earlier one, floundered on the purchaser's claiming the sale invalid as the contract did not indicate that the township involved was not an approved one. In both cases the court found the sale valid as non-approval was implied.

Mr Sammel's committee has not yet brought or paid for any action against Tuckers out of the R20 800 subscribed by its members.

Mr Sammel says that apart from certain administrative expenses which ended in March, and legal costs, a "good portion" of these funds is being held in an attorney's trust account for later use.

He is waiting for the Attorney General's decision once police investigations are completed and for Mr Hough's declaration before proceeding in court against Tuckers. He hopes thereby to avoid protracted and costly litigation for which the committee's resources are most likely inadequate.

However, Mr Sammel claims that over the past six months he has by no means been idle in his opposition to Tuckers. He has:

• Assisted the police in their investigations and taken up the matter with Mr Hough;

• Persuaded Tuckers stand buyers to withhold more than a million rands in instalments due to the company under certain deeds of sale, the validity of which he contested;

• Advised on hundreds of letters of demand from Tuckers and entered appearances to defend in cases where members received summonses;

• Recovered more than R20 000 in respect of sales of Tuckers stands for standholders by contesting the validity of certain sales.

A Tuckers' spokesman claims the company has obtained legal opinion that, despite the sales of land prior to the provision of guarantees, its deeds of sale in these cases are not invalid.

Hymie Tucker

Tuckers hits stand buyers for arrears

Sunday Times (Business Times) 10/7/77

10/7/77

TUCKERS, the controversial township developers, have just had a blitz on 3 000 stand buyers who have fallen into substantial arrears on their monthly deeds of sale payments. They owe in total, I estimate, about R12-million.

By NIGEL BRUCE

The arrears were a direct result of the publicity given to the campaign against the company by the Horace Sammel-led Township Stand Owners Action Committee, a company spokesman tells me.

This must have prejudiced the company's recent cash flow by at least a million rand, calculated on the basis of average individual arrears of R400 over six months.

Three thousand letters of demand were sent to these stand buyers, of whom 2 000 have subsequently brought their lagging payments up to date thus reinstating the cash flow. The remaining 1 000 were sent summonses — although, according to a company spokesman, Tuckers is "reluctant to take judgment against them." Instead compromise is being sought.

Both the letters and the summonses demand immediate payment of the total amount outstanding on each stand plus interest.

This is in terms of the deeds of sale and is also "normal commercial practice" in the township market, the spokesman says.

Accordingly, he dismisses any suggestion that by calling up the total amount owing, rather than just the arrears or repossessing the stands, the company intended to intimidate recalcitrant stand buyers.

Contrary to its former practice, the summonses were issued by the company itself and not through an attorney.

This, says the spokesman, was to save costs, both to the company and to the recalcitrant stand buyer, who, in addition to legal fees, would not now have to pay the cost of the summons or the lawyers' collection costs. About half of the 1 000 summonses related to stands already proclaimed and on which transfer is possible.

Of the remainder, a "large proportion" related to a Crocodile River development which Tuckers hopes to have proclaimed shortly, when it will be able to give transfer. Proclamation is being delayed, the spokesman says, by the Townships Board who have failed to stipulate what recreational facilities, the provision of which is obligatory, have to be provided.

There are those who claim this to be a stock Tuckers response to enquiries over township proclamation delays.

The spokesman places no importance on the fact that in terms of proclamation these stands may be occupied permanently for only four months at one stretch, dismissing it as being in practice impossible to enforce.

Nor does he know anything about a police investigation of the sale of certain stands in this township which are thought to have been contrary to a provincial ordinance.

But a police spokesman tells me that the investigation has been completed and

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Natal Mercury, Tuesday, July 12, 1977 9

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Confidence 'worsening'

JOHANNESBURG — Business confidence in South Africa appears to be deteriorating steadily and, what is probably worse, many businessmen expect conditions will get worse during the next three to six months.

That is the finding of Barclays National Bank in its latest quarterly opinion survey published in "Business Brief" yesterday.

The opinion survey showed that 60 percent of all customers consulted were pessimistic about prospects for the remainder of the year and about being able to maintain profit growth at last year's rates of increase.

Commenting on the opinion survey, Dr. John Cloete, Chief Economist of Barclays National Bank, feels that a situation of considerable overkill might now have developed.

"Both bank credit and the money supply are currently increasing at very low rates and indeed might even be decreasing in absolute terms," he says.

Money supply

"It is not easy, of course, to exercise appropriate control over the money supply — particularly in an 'open' economy such as ours — and it might well be that the authorities have now gone too far with their cutbacks on the money supply, in which case the adverse impact on an economy that is already depressed could be very severe."

Dr. Cloete adds that, in any case, it is clear that the cutback in the money supply and the persistent high inflation rate must have largely offset the expansionary effect on the economy coming from the substantial increase in export earnings over the past year. — (Sapa.)

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Natal Mercury 13/7/77

S.A. LOAN SLATED

LONDON—The board of the Hill Samuel group of international bankers was attacked by two anti-apartheid stockholders at its annual meeting here yesterday for its involvement in securing loans for the South African Government.

But Hill Samuel's chairman, Sir Kenneth Keith, in reply to the criticism, said the group's involvement in the Republic benefited South Africans of all races and provided a service for much-needed British exports.

"We have no intention of withdrawing from South Africa," Sir Kenneth said.

The shareholder protest was led by the Rev. David Haslam of an organisation called End Loans to South Africa, and the Rev. Keith Slatter of the Methodist Missionary Society.

They attacked the group's R112,5-million loan to the South African Government last October, which was a festering sore on the body of British international finance."—(Sapa.)

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Natal Mercury

Bank statement

9/7/77

(58)

PRETORIA -- The South African Reserve Bank is no longer required to publish a weekly statement of its assets and liabilities, a statement from the bank said yesterday. This followed the passing of an amendment to the S A. Reserve Bank Act during the past parliamentary session. — (Sapa.)

Natal Mercury 15/7/77

RESISTANCE TO R1 COIN FOUND

(58)

Mercury Reporter

THE Durban public seems to be resisting the R1 coins—except to collect as a novelty.

This was shown by a Mercury survey of cashiers in the Durban area.

"Very few seem to be in circulation. We only banked R10 in R1 coins on Monday after our weekend business," said the supervisor of a busy Pinetown supermarket and department store.

She was sure the coins would be confused with 50c pieces. "I have told the cashiers to run their thumb around the edge of each coin — just to make sure."

In a discount store in Durban a cashier said: "A few people have asked for them but these were to keep rather than spend."

Another cashier said: "On rare occasions when I have had the coins, customers have asked for notes instead. They are scared of getting confused between 50c and R1 coins."

Bank statement

N. Merc. 16/7/77

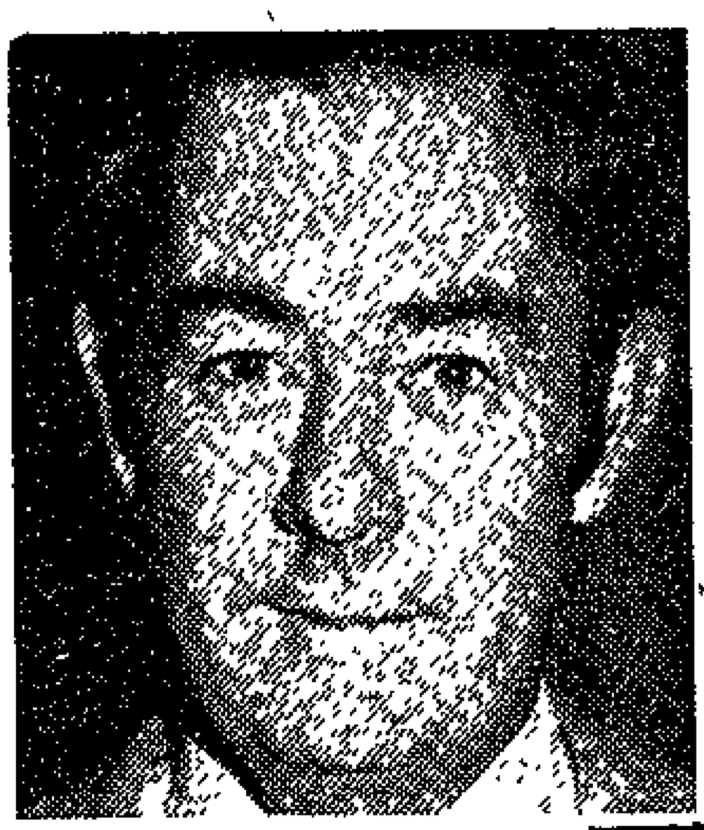
(58)

PRETORIA — The South African Reserve Bank is no longer required to publish a weekly statement of its assets and liabilities, a statement from the bank said yesterday. This followed the passing of an amendment to the S.A. Reserve Bank Act during the past parliamentary session. — (Sapa.)

It'll be more difficult to buy a home

Sunday Times (Your Money) 17/7/77.

Societies face drop in lending resources



By David Alston (above) director, Association of Building Societies of South Africa.

IT IS particularly difficult to assess the outlook for home loans these days. Up to the end of societies' latest financial year, ended on March 31, the movement held its own in unfavourable economic conditions, with total lending exceeding R1-billion for the second year in succession.

Although a satisfactory inflow of funds has been maintained in the first quarter of the new financial year, it is likely the picture will change completely because of measures introduced in this year's budget. The impact of these measures has not been felt, but could prove fairly severe in the remainder of the year.

In the first place, the statutory requirement that societies must maintain prescribed investments in addition to liquid assets — was reimposed, and a regulation gazetted on July 8 lays down that by March 31, next year societies must hold 3,5 per cent of these investments in long-dated government, public corporation (limited to Iscor and Escom), and local authority stock.

It is estimated that this requirement will syphon off R120-million from the movement and this sum will be diverted from lending in the present financial year.

The Minister of Finance also announced a special issue of defence bonds in the budget, and latest indications are that they will be available from the end of September at the latest.

The bonds yield only a secured 5 per cent tax free, but the bonus element will undoubtedly appeal to the man in the street who likes an occasional flutter. There will probably be some diversion of savings in the initial stages, although I do not anticipate that the bonds will prove attractive to the genuine investor in the long run.

Of more concern to the movement is the new issue of 8 per cent Treasury bonds which will replace the second series of premium bonds and be available from August 15. The Treasury bonds will yield 8 per cent tax free and be redeemable after 18 months (similar to the societies' special issue tax-free shares), but the maximum amount which may be invested in them is R40 000 per taxpayer, exactly four times that of the societies' tax-free shares.

Bearing in mind today's tax levels, these bonds will undoubtedly prove attractive to the higher-income group and societies expect them to provide strong competition.

A fourth bearish factor already affecting building societies is the increasing competition from the banking sector for savings money. In particular two subsidiaries of commercial banks are marketing special savings on a basis with which the societies cannot compete without radically increasing their cost structure.

Were societies to match the terms offered by the banks for this kind of money, a rise in the levels of lending rates, which the movement is anxious to avoid, would undoubtedly follow.

All these aspects — coupled with the Government's intention of restricting fiscal and monetary policy until inflation is brought under tighter control and until the balance of payments on capital account recuperate — mean it is likely that the money available for investment with all financial institutions will continue to diminish.

On the face of it, therefore, the outlook for the potential home-owner and others dependent on building societies for finance is indeed bleak in the short-to-medium term.

Although in some areas there has been a marked fall-off in loan applications, the demand for bonds, in general, still exceeds available money. This means a substantial backlog could build up by 1978 if the inflow of funds deteriorates rapidly over the rest of the year.

Obviously, in present economic conditions, it would be irresponsible for the movement to be growth-orientated, and the association appreciates that white housing is not a Government priority.

However, it is essential that societies maintain prudent levels of liquidity, and should they find themselves in a position whereby they cannot even meet reasonable loan demands, it may be necessary to approach the authorities for help.

Another factor which could substantially affect housing, and the societies' role as main financiers thereof, are recommendations contained in the report of the Commission of Inquiry into Housing Matters, tabled in Parliament three weeks ago.

The report will be discussed by the association's council soon, but a preliminary scanning indicates that our recommendations to the commission have been received with sympathy.

In particular, the movement is hopeful that the Cabinet will accept the important recommendation by the commission that the so-called "R18 000 limit" be abolished and that the system of differential rates (or some refinement thereof), be utilised as the "break" to prevent too much building society funds being channelled into the more expensive type of home.

This discipline, with the statutory requirement that loans of more than R20 000 must be repaid within 20 years, and the building

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JSE Top 100 reviewed: Back Page

Sunday Times (Your Money) 17/7/77

Home-loan outlook gloomy

• From page 1

societies' "House rule" that bond instalments should not exceed 25 per cent of income, could regulate the societies' lending activities far more realistically than arbitrary ratios.

The R18 000 limit not only distorts prudent lending, but also penalises genuine home-owners who have been forced into the second bond market with its exorbitant raising fees and rates of interest.

I am convinced that the abolition of the limit will enable societies to lend equitably in all centres of the Republic.

No article on the outlook for home loans would be complete without a reference to the vexed question of lending to urban blacks. I know the matter is receiving the attention of the authorities and the Urban Foundation, but I must reaffirm that most societies want to lend directly to urban blacks on a merit basis, provided some form of acceptable and inalienable basis of tenure can be worked out to give adequate security. However, it must be understood that societies are not responsible for financing sub-economic black housing, which remains the responsibility of the State.

In general, one cannot be optimistic about the outlook for home loans for at least the rest of 1977, pending the long awaited general revival of the economy.

However, considering that building societies enjoyed a reasonable inflow of investment money last year, when the country was already in a recession, I am hopeful that this situation might continue, albeit on a reduced scale. I say this because societies still offer the best "package" for the genuine investor who is concerned about the security of his money and is looking for a reasonable return, plus easy accessability to funds.

Obviously, lending this year will have to be curtailed, but if the recession results in a more realistic approach to housing standards, it will have at least one welcome side-effect.

Banking in the 70s is a tough selling operation

17/7/77

NOT ALL that long ago customers used to seek out the banks. Today, it's the other way round with the banks going all out to market their services. Their marketing is vigorous and the approach varies from bank to bank.

Common to all their marketing approaches has been the development of conditional business within the context of one-stop banking.

This has been a controversial subject. It is felt, for example, in some quarters that loans should not be conditional on the client also buying an insurance policy which earns the bank commission as an agent.

At branch level bank managers are encouraged to act as "contact" men — not necessarily being all-round experts in personal finance themselves, but having the resources of the bank to call upon when faced with a problem.

They can often provide the "link" to more specialised guidance. According to one banker, only a few people ever avail themselves fully of the free advice which can be obtained from these sources.

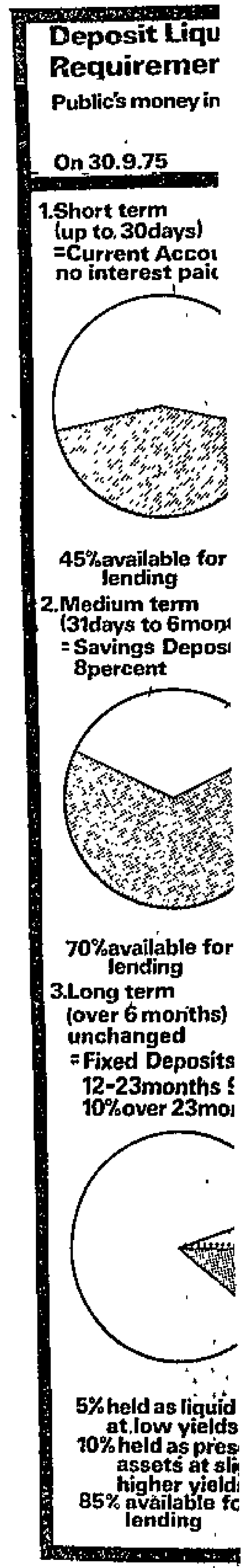
For any bank manager to act entirely in his client's best interest it is necessary for him to have an overall knowledge of the client's financial situation. This means that when advising his client he can take full account of, for instance, his tax and estate duty position.

This advice can, of course, be provided from many other sources. The advantage of the commercial banker is that he is able to call on the expertise available fron his specialist departments.

In modern banking it pays to get to know one's bank manager.

Personal contact will help bankers to help their clients. An overall knowledge of a client's financial affairs enables the bank to give more constructive advice and, of course, to measure its own risk.

Banks claim today to look after customers from cradle to grave. And if your account is large enough, the manager might even ask you out to lunch.



Dramatic swing to savings accounts

TODAY'S BANK: The Financial Supermarket

Edited by Catherine Lurie

BANK customers have in recent years shown a very marked preference for placing their savings and salaries for a fixed term in savings accounts rather than use the traditional current (or cheque book) account.

This dramatic swing is illustrated by the fact that the current account balances in December 1972 represented nearly 40 per cent of the commercial banks' total deposits and total savings accounts balances less than 20 per cent. By December last year, however, total current account balances had plunged to nearly 25 per cent and savings accounts increased to 24 per cent.

Of course, the decline in the current account balances was not only because the man in the street found he could do better out of a savings account, but also because those that have to manage the large liquid balances of companies have become more alive to the fact that they can be more profitably invested in short-term money market securities. The latter, of course, can be easily sold as and when the company requires extra cash.

Consequently, corporate treasurers have kept liquid balances in current account, on which no interest is paid, to a minimum and maximised the earnings on spare balances by investing them at a greater profit in the money market.

For similar reasons the nations' savers have tended either to keep current account balances to a minimum or to place all their savings and salaries into interest earning deposits. A popular one is the Special Savings Account facility because it is short-term and funds can therefore be easily drawn to pay unexpected debts.

In addition to a saver receiving no interest on a current account balance, he also has to pay ledger fees and other charges for the privilege of being able to write cheques against his balance.

More recently, general banks in particular have encouraged this trend towards savings investment by offering all sorts of sweeteners with their Special Savings Account facilities. These include the bank writing as many as six cheques for the depositor per month free of charge. For the man in the street with few bills to pay, this obviates the need for an expensive facility such as a current account.

This trend has also 'en-

quid assets the banks are required by law to hold, have risen steeply. Broadly speaking, the law required that they invest a large amount of a short-term deposits (i.e. upto 30 days) in liquid assets, the yield of which is very low. Lesser amounts of each deposit need to be invested the longer the period of maturity.

Accordingly, current account balances which are short-term deposits have to be invested largely in loans which are very low yielding. Savings accounts deposits, although they may require a short notice period before withdrawals of about seven days, are nonetheless classified as medium-term deposits, which means more may be lent to the general public at a higher rate of interest.

For the banks, too, savings account balances tend to be more suitable than current account balances as their own financial planning is less dependent on volatile short-term funds.

official deposit rate controls place a ceiling on the amount banks may pay to depositors, and this limits the banks' ability to attract deposits by paying more.

Nevertheless, in recent years "subtle price-cutting" has emerged among the banks by their manipulation of these conditions, enabling them to offer, subject to the deposit rate ceiling for a particular deposit maturity, returns that appear to be in effect slightly over the odds.

It has also led to some marketing ingenuity among the banks, an example of which is the Target Savings account on which Trust Bank yields 8,5 per cent and carries no minimum balance requirements. The interest on it is calculated and credited half-yearly.

However, in reality this is much less a savings account than a notice deposit account which requires that balances be placed in it for a minimum period of six months.

Another form of savings investment offered by the

effective yield. For instance, capitalising the interest monthly on a basic yield of 8,75 per cent for a six month deposit increases the effective yield to 9,1 per cent.

Deposits which are left with the bank for longer than twelve months are called Fixed Deposits. These must be left at a bank for periods from twelve to thirty-six months and carry a correspondingly higher interest rate. For instance, a deposit of two years or longer carries an interest rate of 10 per cent.

Under normal circumstances these deposits cannot be withdrawn before they mature, but should the funds be required for an emergency there are various schemes available whereby the bank will allow depositors to borrow against the security of these deposits.

Another popular form of investment offered by the banks are participating mortgage bonds, which have to be held for a minimum

What's in banking for the family

IF YOU look into the deals offered by your once traditional, conservative bank, you'll discover that the general savings account has exploded into a bewildering range of financial services.

The "one-stop" banking concept was launched in the 1950s by Dr Jan Marais of

1 — 12 years.

Teaching children to save: "Storybook of savings", Piggybank and other savings ideas.

17 — 23.

National servicemen and students: Student loans, life assurance, personal insurance, wills, campus

Student loans a loss leader for the banks

STUDENT LOANS were introduced in South Africa by Nedbank and are today offered by several major banks. In effect, the banks offer cheap financial aid to students in the hope that after graduation into a professional or other career, the student will continue to do business with them. 17/7/77

Typically, a student whose family cannot afford to finance education will approach a bank with an application for a student loan. These loans are offered at low interest rates and are repayable only after graduation when the student starts to earn an income.

For example, a student might borrow up to R1 500. He will pay interest of 5,5 per cent compared with normal rates of 14 per cent. He will not have to pay interest or capital instalments until after graduation. Should he fail to graduate, or leave the university, he becomes immediately liable for the repayments plus interest.

Banks lose interest on student loans, but take a long-term view that future business flowing from them will at least enable the cost of subsidisation to be recouped and that other more lucrative business could eventually follow.

Nedbank's lead appears to have stimulated more and more cheaper facilities being offered by its rivals to students. The snowballing of this loss leader in a competitive market could mean that some banks are drawn in sufficiently deeply to have some regrets.

But are student loans really so advantageous in the long term? The interest charged is minimal, but R1 500 a year accumulating interest over three or four years is a hefty sum of money to repay. If one made use of the maximum R1 500 a year, it may be a nominal sum to a successful professional. But to the BA student, just out of school, "with no experience," it could mean a crippling load of debt year after year.

The banks appear to be understanding on this point and indicate that they would be prepared to make suitable arrangements with the particular individual concernd.

Volkskas will lend students up to R600 a year — but only after the first year of study because of the high dropout rate. The interest charged is 5,5 per cent for the period of study only. However, after the course has been completed, the interest rate charged will rise to the normal commercial rate.

Nedbank offers R800 to the applicant on a yearly basis, at 5,5 per cent for the duration of the course and the repayment period thereafter. Nedbank does not insist upon insurance security. However, if the loan is substantial and the conditions deem it necessary, they will request a guarantee either from the parent or guardian.

The bank encourages the student or parent to take out some sort of insurance cover, to avoid the family being saddled with a large debt burden in the event of death or disability.

Barclays and Standard both grant loans of up to R1 500 on a yearly basis. Explains a Barclays spokesman: "If it is a first-year student we require a guarantee from parents because of the high drop-out rate. We also require a 'level-term' assurance policy, which is where the sum assured remains constant over the life of the policy.

"There is a specially designed policy called the 'Graduator Policy' which can form the basis of a very sound insurance portfolio because of the many options open to the student when he graduates."

As with Barclays, the interest rate remains constant at 5,5 per cent for the repayment period thereafter. Yet the Standard Bank are a little more sophisticated in their marketing technique.

Accompanying the loans is a current account (a cheque book), which is the first part of a financial package called "The Student-Plan." It consists of five other services which the student may use in full or part.

These include a Student-Savings Account, The Stanza Special Students' Life Policy, Flexirand Investment certificates, Plus-Plan Account and a free Standard Bank Monthly Economic Review.

Students' loans, carefully handled, can obviously be of great assistance in launching a young career. An association with a bank could also assist a young person better to understand and plan his or her personal finances.

Bank vir Tswanas

DIE Regering van Bophuthatswana en die Standard Bank-beleggingskorporasie Beperk het besluit om 'n nuwe bank wat plaaslik in Bophuthatswana geïnkorporeer sal wees, te probeer stig.

Volgens 'n gesamentlike verklaring deur die Bophuthatswana-regering en die Standard Bank groep sal die bank op 'n datum ná die onafhanklikheidswording van Bophuthatswana volgens wedersydse ooreenkoms gestig word.

Die nuwe bank sal die totale bates en laste van al die bedryfsagentskappe van die Standard Bank-groep in Bophuthatswana op 'n bepaalde datum verkry. Daar is nege Standard Bank agentskappe in Bophuthatswana.

Die kapitaal van die nuwe bank en die persentasie van die aandele wat aan die Bophuthatswana regering, aan die Standard Bank groep of aan enige ander aandeelhouer uitgereik sal word, sal volgens wedersydse ooreenkoms tussen die twee partye beslis word

In die tussentyd sal die Standard Bank-groep ná onafhanklikheidswording sy bankwerksaamhede in Bophuthatswana voortsit en hy het onderneem om senior en klerklike personeel vir die nuwe bank te begin werf en oplei. Die Standard Bank-groep het ook besluit om opgeleide beamptes wat die takbanksake kan bestuur, tydelik na die nuwe bank oor te plaas.

Rapport 1/7/77

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VERSEKERING ONDER 1 DAK

SAKE-RAPPORT 17/7/77

(59)

Deur DAVID MEADES

DIE Bank van die Oranje-Vrystaat (Bankovs) het sy makelaarsbedrywighede op die gebied van korttermyn-versekering in 'n nuwe maatskappy saamgesnoer en terselfdertyd met — Federale en Volkskasmakelaars 'n samewerkingsooreenkoms aangegaan.

Die nuwe maatskappy sal bekend wees as Bankovs-Versekeringsmakelaars. Die maatskappy sal geheel en al deur Federale en Volkskasmakelaars bestuur word.

Daar kan aangeneem word dat hierdie samewerking tussen Bankovs en Federale en Volkskasmakelaars 'n verdere stap in die nouer skakeling met die Volkskas-groep is.

Voordele

Volkskas het 'n maand of wat gelede 'n belang van 80 persent in Bankovs-Aksepbank verkry en die naam in Volkskas-Aksepbank verander. Groot dinge word van hierdie aksepbank verwag, wat ongetwyfeld groot voordele vir Bankovs sal inhou.

Bankovs kan nog as 'n onafhanklike bank beskou word, met Rentmeester met 'n belang van 25 persent in hom die grootste enkele aandeelhouer. Maar die bande tussen Rentmeester en Volkskas is ook heel sterk, wat die samewerking tussen Bankovs en Volkskas logies maak.

Wat die ooreenkoms tussen Bankovs en Federale en Volkskasmakelaars betref, is dit duidelik dat die beeld van Bankovs in die Vrystaat veral 'n groot rol gespeel het.

As die grootste suiwer Suid-Afrikaanse versekeringsmakelaar is Federale en Volkskasmakelaars in 'n posisie om 'n diens aan Bankovs-Versekeringsmakelaars te bied wat baie moeilik oortref sal word.

Bankovs is sedert 1974 aktief as makelaar bedrywig en die ooreenkoms met Federale en Volkskasmakelaars moet nou groter stukrag aan Bankovs se versekeringsdienste tot gevolg hê.

A quiet year for insurance-or was it?

By NIGEL BRUCE

THE PAST year has been a tumultous one for the country's life insurance industry, but you would never think so from the report of the industry's official body.

It has seen the authorities dramatically slash commissions that life offices may pay to independent brokers, and the Commission of Inquiry into Long-term Insurance presented its report which, although by and large giving the industry a clean sheet, also contained some controversial recommendations.

In addition to that, Government raided further the nation's savings to pay for its own extravagance to the detriment of future life insurance policy holders and pensioners.

But one would hardly get the impression that one of the largest and most powerful industries in the country, with total assets of about R5 000-million, had been through a tumultous year from the annual report of the Life Offices Association of South Africa for the year ended June 30, 1977.

It makes fleeting reference to the government's raid on the nation's savings and devotes only one sentence to a matter as complicated and controversial as the control of commissions paid to intermediaries.

There is no reference to the report of the Commission of Inquiry into the Long-term Insurance Industry which was in wide circulation by April of this year.

Nor is any forecast made by this powerful body, which has 42 members, about the problems likely to be faced by the industry in a year during which the pace of economic activity — and consequently personal incomes — could decline still further.

Nor are the statistics in the report particularly helpful. For instance, payments to policy-holders expressed as a percentage of total income for the review year have no comparable figures for the previous year.

What is interesting, however, is that the report's statistics show a declining ratio of operating expenses to total income — from 18,3 per cent in 1973 to 16,7 per cent in 1976. As brokers' commissions are an important component of operating expenses, one wonders why the authorities, in view of that trend, felt constrained to cut forcibly commissions as they did.

Sunday Times (Business Times)

17/7/77.

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SUNDAY TIMES, Business Times, July 17, 1977.

Finansbank offer for Concorde falls through

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By NIGEL BRUCE

FINANSBANK's 85 cents a share bid for Messina's 42 per cent of Concorde Bank has floundered over its discovery that the latter is exposed to the extent of R3-million over doubtful leasings debts in Natal.

The debts arose as a result of capital equipment leases to companies owned by Concorde's former manager in Natal.

Concorde, while it was aware of an "irregular" situation in its Natal operations, did not know until Finansbank's investigation, the extent of its exposure.

Repossessions and disposals of the equipment leased to these companies — four of which have been placed in provisional liquidation and one under judicial management — will, however, limit any loss the bank might suffer to less than R3-million.

This does not mean that the bank is in any financial trouble. It has a sound deposit base — including a R30-million facility from Sanlam — a good cash flow and considerable reserves.

Finansbank has obviously taken the view, however, that should any other loan mishap occur, further strain on the reserves might mean that it had, at its offer price, acquired net assets at a premium rather than a discount.

This is not to suggest that other loan losses are likely. Concorde has a reputation of having written leases mainly with solid companies. But it lent heavily in the construction equipment market, which, should the recession deepen, might leave it with rapidly depreciating capital equipment on its hands.

On the other hand, it did face a similar problem with equipment repossessed from Burton Construction, but dexterously extricated itself.

Messina remains a seller as it sees higher returns available to it from its traditional mining activities. But there is nothing to suggest that it is in a hurry.

However, in the present recessionary climate, because of tough competition from the large bank groups, and in view of the imposts of a tight official monetary policy, it is difficult to imagine who else would be prepared to offer anywhere near Finansbank's bid at this stage.

Finansbank's rival for Concorde, the giant Chicago leasing and factoring company, Walter Heller, which would have had the advantage of buying Concorde cheaply by acquiring rands through the rand securities discount instead of at the official price, had lost interest even prior to the uncovering of the Natal difficulties.

A spokesman for Heller's local operation, Fordom Factoring, tells me that while it had been talking to Concorde for about a year, it had not made a firm offer, nor had it investigated the bank other than perusing its published accounts.

Nor, I gather, did Heller respond to more recent Finansbank overtures to join it in its bid for Messina's key stake.

In the present economic climate, not only has Finansbank every right to be cautious, but it would be surprising indeed had Concorde, as a leasing bank involved with the construction industry, not faced some loan problems at some time. It was Messina's misfortune that they should have occurred now.

Insurance policy covers terrorism

(58)

Sunday Times (Business Times) 17/7/77

By IAN MORGAN

A JOHANNESBURG firm of insurance brokers' Multimerit, is offering what it claims to be the only personal accident policy that provides cover against injury or death from incidents of terrorism. It costs about the same as conventional policies without this cover.

The policy is included in a package deal covering comprehensive motor' householders and all-risks insurance.

According to the company's managing director, Dave Kok, he first devised the scheme about 16 months ago and approached a number of insurance companies to underwrite the policy. Only two were interested: the US-based American International Insurance Co and the local President Insurance Co.

Since then other companies, some of which he had approached unsuccessfully before, are beginning to show interest.

A spokesman for a large short-term insurer says that while cover against urban terrorism is not normally part of group packages, this cover could be obtained by extending existing policies and by paying an additional premium.

D.D. 18/7/77

Business confidence in SA deteriorating

(58)

JOHANNESBURG — Business confidence in South Africa appears to be deteriorating steadily and, what is probably worse, many businessmen expect conditions will get worse during the next three to six months.

That is the finding of Barclays National Bank in its latest quarterly opinion survey published in Business Brief.

And, commenting on the opinion survey, Dr Johan Cloete, chief economist of Barclays National Bank, feels a situation of considerable overkill might now have developed.

"Both bank credit and the money supply are currently increasing at very low rates and, indeed, might even be decreasing in absolute terms", he says. "It is not easy, of course, to exercise appropriate control over the money supply — particularly in an "open" economy such as ours — and it might well be the authorities have now gone too far with their cutbacks on the money supply, in which case the adverse impact on an economy that is already depressed could be very severe".

Dr Cloete adds that, in any case, it is clear the cutback in the money supply and the persistent high inflation rate must have largely offset the expansionary effect on the economy coming from the substantial increase in export earnings over the past year.

"Moveover, any stimulatory effects emanating from increased export earnings will continue to be inhibited as long as this positive impact is offset by cutbacks in the domestically generated money supply — whether it is money created by the banks for the Government or for the private sector — and by continued double digit inflation", he says.

"Exports also make their impact on the economy by increasing the domestic money supply, and in this respect there is no difference between a stimulation of the economy through increased export earnings or through additional money created by the banking system for the Government or for the private sector".

Turning to Barclays' opinion survey itself, 60 per cent of all customers consulted were pessimistic about prospects for the remainder of the year, and about being able to maintain profit growth at last year's rates of increase.

Most retail and wholesale customers reported that business during the second quarter of this year had been worse or much worse than in the corresponding quarter last year.

About 40 per cent said second quarter sales had been on a par with levels attained in the corresponding period of 1976, while 14 per cent said results had been better.

Retailers in foodstuffs and non-durable consumer goods fared satisfactorily, with 71 per cent reporting that business in the second quarter had been on much the same level as in the same quarter of 1976.

By contrast, 59 per cent of traders in clothing, footwear and other semi-durable goods, and 62 per cent in furniture and household appliances, reported that sales had been down on or appreciably lower than in the second quarter of last year.

Firms in the manufacturing industries apparently experienced better conditions in the second quarter than commerce. Some 38 per cent of all manufacturers consulted reported that production and sales levels had been lower, or appreciably lower, than in the second quarter of last year.

About 40 per cent, however, said business had been about the same, and 22 per cent said business had been better. — DDC

D.D. 27/7/77

Drop in profits for Saan

(58)

JOHANNESBURG — South African Associated Newspapers has declared an unchanged interim dividend of 8c per share for the year ending December 31.

The unaudited net group trading profit for the six months from January to June this year was R478 000 compared with R543 000 a year ago.

Net trading profit attributable to Saan amounted to R440 000 (R478 000). Earnings per share dropped from 24,7c to 22,7c.

The trading results did not include the surplus of approximately R20 000 realised on the disposal of the entire issued shareholding in George and Knysna Herald, formerly held by Eastern Province Newspapers. The proportion of the surplus attributable to the company is approximately R12 000.

A depressed economy, aggravated to some extent by evidence of advertising budgets being diverted to meet commercial television commitments in 1978, resulted in a sharp decline in demand for advertising space in the first half of 1977. Although tariffs were increased, advertisement revenue also fell behind the level achieved in the corresponding period of 1976.

Gross circulation revenue was above that earned for the first half of 1976 due, principally, to the higher average cover price of Sunday papers following the five cent increase at the beginning of February 1976.

Unfortunately this benefit was insufficient to offset the very substantial increase in distribution costs, with the result that net circulation revenue was below that earned in 1976.

Savings were achieved in operating costs, including newsprint, but this was due only to decreased consumption as a consequence of the lower volume of advertising space sold. At a time when other costs were being tightly controlled, the effect of the large increase in the price of newsprint on the company's ability to maintain profits was very severe.

The results of Cape Times were much improved, but the profit earned by Eastern Province Newspapers Limited was well below that earned in 1976. The profit of the Financial Mail was much the same as that achieved last year.

While trading conditions were not expected to improve greatly during the second half of 1977, results for the full year should be assisted by the recently announced increased cover prices of all group newspapers. In the circumstances, it was considered the interim dividend should remain unchanged at eight cents. — SAPA.

J.D, 29/7/77 (58)

Society's centenary

GRAHAMSTOWN — The Grahamstown Building Society held its 100th annual meeting yesterday. It is the oldest building society in South Africa.

Mr K. Stone, who has been a member of the board of directors for 42 years, chaired the meeting for the 31st time.

Originally, it started as a terminating society to assist members in buying, building or adding to dwellings.

The society became permanent in 1933 and at its first annual meeting assets totalled R10 111 and profits R433.

Present assets exceed R37 million. Last year the society had a profit of over R1,6 million.

Mr Stone said the society's head office would remain in Grahamstown and any amalgamation with other societies would be avoided. — DDC.

...ID-GELD

Staan reg vir oplewing

DIE metode van finansiering wat deur Suid-Afrika se nywerheidsmaatskappye gevolg is tydens die resessie wat in 1974 begin het, was oor die algemeen gesond. Trouens, die huidige stand van hierdie maatskappye se geldsake plaas hulle in 'n gesonde posisie om 'n oplewing in die ekonomie ten volle te benut.

Anders as die algemene verwagting het hul likwiditeit nie juis verswak nie, terwyl daar ook nie buitengewoon van kort geld gebruik gemaak is om lang of vaste bates mee aan te koop nie. Die belangrikheid van eienaarskapitaal tot totale kapitaal aangewend, is ook nog binne die veilige grense.

Dit is van die belangrikste gevolgtrekkings waartoe dr. Hennie Reynders, uitvoerende direkteur van die Gefedereerde Kamer van Nywerhede, in 'n publikasie vir die Buro vir Finansiële Analise van die Universiteit van Pretoria kom. Die publikasie is 'n omvattende studie oor nywerheidfinansiering, sy huidige probleme en vooruitsigte in die Republiek.

Voorraadvlakke

Die publikasie toon onder meer die volgende:

- Die omsetsnelheid van voorraad het in die afgelope agttien maande van die resessie toegeneem. Die gemiddelde omsetsnelheid sedert 1970 was in die omgewing van 5 keer per jaar en dit het gedaal tot net meer as 4 keer aan die einde van 1974 en daarna weer verbeter tot dieselfde as die middel van die vorige groeifase in 1973.

...oor dat...

- Onderstaande tabel toon dat geleende geld wel oor die tydperk tussen 1970 en 1976 as persentasie van totale kapitaal aangewend, gestyg het, maar dat dit nog steeds binne die aanvaarbare norme is.

Vreemde kapitaal as persentasie van totale middele.

Die BFA se syfers):

JAAR	KORT KREDIETE	LANG KREDIETE	TOTAAL
1970	27,9%	9,2%	37,1%
1971	28,8%	10,1%	38,9%
1972	28,5%	10,8%	39,3%
1973	28,9%	10,6%	39,5%
1974	33,4%	10,3%	43,7%
1975	30,5%	14,3%	44,8%
1976	27,9%	16,4%	44,3%

Vervolg op bl. 3, kol. 2

Hieruit is dit duidelik dat die land se nyweraars nie op hul voorraad gesit en broei het toe dit met sake nie meer so goed gaan nie. Uit die verhoging in die omsetsnelheid van voorraad wat saamval met 'n absolute afname in omset is dit duidelik dat die gemiddelde voorraadvlakke aansienlik moes gedaal het en dat dit 'n belangrike bydrae was tot die gesonde likwiditeit van hierdie ondernemings.

Bankrotskappe

- Die omsetsnelheid van debiteure het ook 'n mooi verbetering getoon en wel beweeg van die gemiddeld van ongeveer 5,7 vir die tydperk 1970 tot 1974 tot meer as 6 keer aan die einde van 1976.

Dat hierdie verbetering behaal kon word ondanks bankrotskappe wat nuwe rekord-hoogtes bereik het, getuig van die algemeen goeie kredietbestuur wat in die resessie toegepas is.

- Met die likwiditeit van die nywerheidsmaatskappye het dit ook besonder goed gegaan. Die standaard bedryfsverhouding het net hier teen die einde van 1974 en die begin van 1975 gedaal tot onder die aanvaarde laer limiet van 1,8, maar het intussen weer verbeter tot byna 2 tot 1. Die vuurproefverhouding toon 'n byna konstante verkoop op ongeveer 1,25 tot 1.

- Die kontantverhouding toon egter 'n merkbare verbetering sedert die begin van 1975. Kontant plus kwasi-kontant dek tans meer as 17 persent van die kort krediete vergeleke by slegs 8 persent in die begin van 1975.

Só het eienaars gefinansier

● Vervolg van bladsy 1

Die stygi ıg in totale vreëmde kredi et van 37,1 persent tot 44 ,3 persent van totale midd ele aangewend, kan geheel en al toegeskryf word aan die styging in langtermyn-lenings van 9,2 persent tot 16,4 persent Daar bestaan dus min grond vir die vrees dat die nywerheidsondernemings toenemend van korttermynlenings gebruik gemaak het om vaste bates mee aan te koop.

● Dit is verbasend dat aandeelhouerskapitaal nog steeds so 'n belangrike rol kan speel in die finansiering van hierdie ondernemings. Die mark vir die uitreiking van nuwe aandele oor die tydperk was morsdood, sodat die styging in eienaarskapitaal hoofsaaklik moes kom van onuitgekeerde wins.

Onderstaande tabel toon hierdie verloop baie duidelik.

Die persentasie samestelling van die eienaarsbelang van nywerheidsondernemings in Suid-Afrika van 1970 tot 1976.

Jaar	Gewone aandele	Verdeelbare reserwes	voorkeur-aandele
			20,3%
1970	38,0%	40,0%	20,9
1971	36,7%	40,0%	23,2%
1971	33,6%	40,8%	22,5%
1972	31,3%	43,8%	23,7%
1973	28,0%	46,1%	23,8%
1974	25,0%	49,0%	23,3%
1975	22,0%	52,4%	25,6%
1976	19,4%	53,5%	

Die eienaars het dus indirek deur die terugploeging van winste nog steeds 'n aansienlike bydrae tot die finansiering van hierdie ondernemings gemaak. Voorkeuraandele waaraan daar in baie gevalle seker 'n omskeppingsreg gekoppel is, het 'n stygende bydrae tot eienaarskapitaal gelewer. Die rede hiervoor is seker dat institusionele beleggers hierdie soort aandele verkies.

● Die aanspraak van rente op wins voor belasting is geneig om te styg in laagkonjunktuur. Maar selfs aan die einde van 1976 was dit nog binne 'n veilige grens soos, onderstaande tabel toon.

Rente, belasting, dividende en onuitgekeerde winste as 'n persentasie van wins voor belasting en rente.

Jaar	Rente	Belasting	Dividende	Onuitgekeerde wins
1970	9,6%	31,4%	28,1%	30,9
1971	11,8%	30,7%	28,3%	29,2%
1972	12,2%	29,7%	28,6%	29,5%
1973	10,7%	29,9%	28,1%	31,3%
1974	10,6%	25,1%	31,4%	32,9%
1975	15,3%	25,7%	24,4%	34,6%
1976	16,4%	26,1%	24,6%	32,9%

Selfs aan die einde van 1976 was die rentelas dus nog meer as ses keer gedek deur die wins. Omdat die totale dividend slegs 24,6 persent van die wins uitgemaak het, moes die voorkeurdividende ook goed gedek gewees het.

Dit is ook interessant om daarop te let dat die gemiddelde belastingkoers van die nywerheidsmaatskappye gedaal het. Dit kan toegeskryf word aan die groot belastingtoelaes wat tans betaal word op nuwe kapitaalinvestering.

Oor die langer termyn voel dr. Reynders ook taamlik gelukkig. Hy wys op die land se ryk fisieke hulpbronne en menskragte, sy ondernemingsvaardigheid en nywerheidsdissipline en sy gesonde institusionele raamwerk om dit alles te onderskraag Bowendien is daar in die private sowel as die owerheidsektor reeds allerlei stappe gedoen om aan die strukturele en ander knelpunte aandag te gee.

Dr. Reynders sluit af deur te sê „Wat die kort en tussentermyn betref is die nywerheid met sy huidige finansiële struktuur en met oortollige kapasiteit in 'n goeie posisie om die verwagte oplewing, altans uit 'n finansiële oogpunt, met vertroue tegemoet te loop.

„Dit sou verstandig wees om 'n konserwatiewe finansieringsbeleid te bly voer en hierby die rentabiliteit, veral op die kort termyn, ondergeskik aan die likwiditeit te stel."

● Dr. Reynders herhaal môre-aand om 19,30 uur die lesing in die Grootsaal van die C.G.W. Schumanngebou op Stellenbosch.

Sun. Times Corresp. 31/7/77 (58)

I DO NOT know what the proper, or right, value of the rand is. And neither does anyone else. Most of us know that it is fixed at $1,15 but that figure reflects the decision of fallible men in Pretoria and not of the market place.

There is a market in what are called securities rands, previously more descriptively called blocked rands. These are rands owned by foreigners which have been realised through the sale of assets in South Africa. These rands trade at around $0,75, which indicates that $1,15 might overstate the market value of ordinary rands.

That is beside the point. What is interesting is that, because the rand is fixed to the falling dollar, it is now declining in value against currencies such as the German mark and the Japanese yen. And this process has no connection whatsoever with South African decisions (except the one to remain pegged to the dollar), circumstances or needs.

The Americans have chosen to allow the free market to determine the price of the dollar which therefore reflects conditions (principally a soaring deficit on its current account) within the United States. Movements in the value of the rand must also reflect circumstances in the United States and not in South Africa (where we have a very healthy and rare surplus on our current account). If the rand were floating freely at, say, $0,80, it could now be rising against the dollar instead of illogically falling with it. The rand's current weakness could be right, but for the wrong reasons.

At first glance one would assume that fixed, controlled rates are more stable than free, floating rates. But experience has proven that this is not the case.

The other side of the fixed rate coin is exchange control. This was invented in the thirties by Hjalmar Schacht, Hitler's brilliant economic adviser. The aim of exchange control was to despoil the Jews of Germany. It was, and is, a totally unwarranted intrusion on the freedom of a man to do what he wishes with his own funds.

It has since been adopted by many nations, and always to their cost. Those who have eschewed it, such as America, West Germany, Japan and Switzerland have benefitted thereby.

In South Africa it has bred a new class of criminals, employed the time, talent and energy, which could have been more productively spent elsewhere, of numbers of civil servants, Reserve Bank officials and policemen.

It has also given rise to the utterly false notion that because a man makes money in South Africa, he therefore owes it to the country to keep his money here. Nobody will condemn him if he sells De Beers shares to buy Barlows. But if he wants to sell rands to buy marks, pounds or yen he is a traitor.

Exchange controls, in addition to being an arbitrary and unreasonable interference in personal liberties, are also economically damaging and, furthermore, like all such controls, do not even work very well. And, coupled with a fixed rate that is too high, they mean that those who manage to get permission to move money out (or sell rands for other currencies) are paid a premium by the rest of us who are forced to keep our assets in rands. Those who are determined to sell rands do so through unofficial, illegal channels at discounts. Those who buy such "hot" rands at a discount get them back into circulation at the official rate; exchange control thus encourages illegal action and rewards it.

There is no better market in existence in the world than the market in foreign exchange. It is heavily populated and extremely active. South Africa should be a beneficiary of this highly efficient market.

The rand should be set free to float and exchange controls simultaneously abolished. Perhaps the rand would fall sharply. All this would mean was that there were more sellers than buyers of rands. The sellers would get hurt and the buyers would get a good deal. And at a certain price there would be roughly just as many rands on offer as there were for sale. There is a price which clears markets.

These arguments are often dismissed as impractical theory. The opposite, on the evidence, is the case: those countries without fixed rates or exchange controls prosper relative to those which employ them.

(58)

Sunday EXPRESS Business

Exchange fluctuations hamper planning

FLUCTUATIONS in the foreign exchange markets of the world remain a constant deterrent to detailed pricing and long-range planning, according to Andrew Connor, manager of the economics division of Barclays Bank's foreign exchange department.

He says that while the Rand is no longer a free international trading currency, exporters and importers are, nevertheless, affected by movements in the US dollar to which the Rand is officially linked.

This means that an importer faced with an invoice in Deutsche marks, for example, will have to pay more in US dollars and therefore more Rands if the dollar declines on foreign exchange markets.

And an exporter who has receipts due to him in a weak currency, such as Italian lire or Spanish pesetas, will receive less if those currencies decline further.

Both importers and exporters, warns Connor, must watch the free market to third currency rates with special care. Also they should take advantage of the forward exchange market to protect themselves against adverse movements.

Importers and exporters, should also note that the Reserve Bank can realign the "fixed" rate to the dollar at any time it chooses.

"Ironically, history has shown us with Governments around the world, that the more they say their currency is "fixed", the more likely they are about to change its value.

"Many Governments today prefer not to perpetuate the myth of a 'fixed' rate but allow their currencies to float according to the pressures of supply and demand."

The current unrest in the foreign exchange markets, Connor adds, could lead the Reserve Bank to alter the Rand's dollar value. A fall in the dollar's value relative to such strong currencies as the Japanese yen and Swiss franc is as good for SA as Americans claim it is good for the US.

The current feeling is that it gives exporters a chance to reduce their prices in terms of strong currencies, while maintaining the Rand value; and thus increase export sales.

"Importers and exporters can also avoid sleepless nights by covering themselves in the forward exchange market against a movement of the Rand to dollar rate, at the modest cost of 1% per annum."

This however can only be done with firm trading transactions. Most risk is in respect of plans and business aspirations scheduled for the more distant future.

• Barclays' Andrew Connor ... the Rand-dollar rate could change.

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PREFE EN / OPTIONS	1	2	3	4	5	6

A full minu
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5 August 19

by

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R7m leverage lease for paper tissue plant

Sunday Times (Business Times)

31/7/77

58

THE largest leverage lease written so far in this country, a R7,166-million six-year contract with Stanger Pulp and Paper, was concluded in April by Nedfin Bank's leasing arm.

By NIGEL BRUCE

This is only the sixth time that a large leverage lease — which usually offers returns of between 20 and 30 per cent to those participating in the equity consortium — has been written in this country.

It is the second one written by Nedfin Lease Underwriting (in which US Leasing has a 20 per cent stake) with Stanger Pulp. The first was for R781 000 to finance the acquisition of process control equipment.

Other large leverage leases were R5-million for a large industrial company and a similar amount for Iscor, both arranged by NLU, and R5,4-million for Pietermaritzburg, arranged by UDC Bank/GATX and Magnum Leasing.

In theory, a leverage lease is one in which about 70 per cent of the cost of capital equipment is provided by institutional investors (at about 13 - 14 per cent a year) for a lessor or equity consortium, which itself provides the remaining balance.

The equity consortium, which purchases the equipment to be leased, is able to benefit as the owner from investment allowances which are tax deductible. Hence it is able to lease the equipment on very favourable terms.

In the case of the latest Stanger Pulp lease, the com-

• To back Page

R7-million leverage lease

• From Page 1

pany is paying only roughly half of the cost of an overdraft or debenture issue. Leasing as it has a tissue making plant was particularly attractive.

Stanger Pulp's profits position prevents it at present from benefiting from investment allowances had it borrowed money some other way and purchased the equipment outright.

The low cost of the lease to Stanger Pulp suggests that the equity consortium passed on all of the investment tax allowances to the company. Even so, I would guess the consortium's return to be more than 20 per cent on capital employed partly because of judicious timing.

The entire finance for this leverage lease was provided from within the Nedbank group, as it was with the Iscor lease.

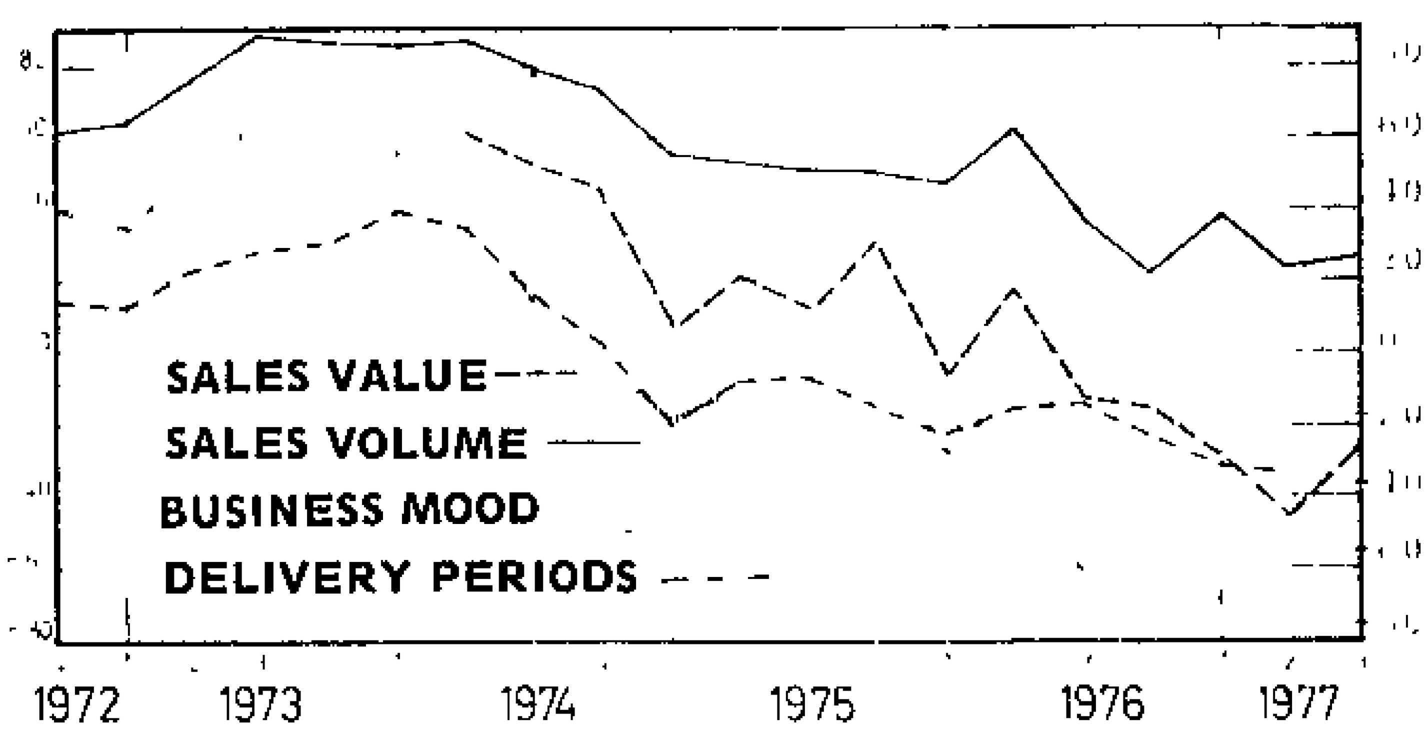
As with all large leasing propositions, Stanger Pulp's was offered to a few institutions in the leasing market. Because of the Nedbank group's existing involvement, the deal finally concluded probably had special attractions for the bank.

58

For the informatic ... ,pared by
the Faculty Office

PREFERENCE / OPTIONS	1	POINTS
1	9	79
2	4	106
3	3	87
4	11	163
5	4	88
6	13	143

NET % OF INDUSTRIALISTS WHO FEEL CONDITIONS WERE BETTER/WORSE, SALES HIGHER/LOWER AND THAT DELIVERY PERIODS HAD LENGTHENED/SHORTENED.



Pessimism dims recovery light

31/7/77 Sun. Exp. Business

A GRADUAL recovery in the economy may be expected early next year, but most businessmen are still very pessimistic about prevailing business conditions.

And from their recent experiences, one can understand why.

According to the latest opinion survey from the Bureau of Economic Research at Stellenbosch University we learn that a net 76% of manufacturers believe that conditions had been worse last quarter than a year ago.

And an even larger number, 82%, described business conditions as "unsatisfactory".

The survey highlights the reasons for their continued pessimism. "Not only has the volume of sales (-44%) and production (-38%) been worse during the second quarter . . . but the value of orders received (-12%) shows a decline over the corresponding period."

And these are manufacturers who are sitting with productive facilities which are only 78% utilised.

It is also worrying that the decrease in the value of orders received is stronger than the value of sales so the ratio of orders not executed to sales dropped sharply.

But all is not gloomy for it seems from the survey that many manufacturers are pinning their hopes on a slow recovery next year and that they are less pessimistic about future demand.

A full minute of the ... bers in
due course.

5 August 1977

...R.E. PAAP
Dean, Faculty of Arts

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D.D. 5/8/77

Monetary inquiry

(58)

PRETORIA — The Minister of Finance, Sen Horwood, announced yesterday that the senior deputy governor of the South African Reserve Bank, Dr G. de Kock will shortly assume duty as his special economic adviser.

He also announced the appointment of a commission of inquiry into South Africa's monetary system and monetary policy, with Dr De Kock as chairman. — SAPA.

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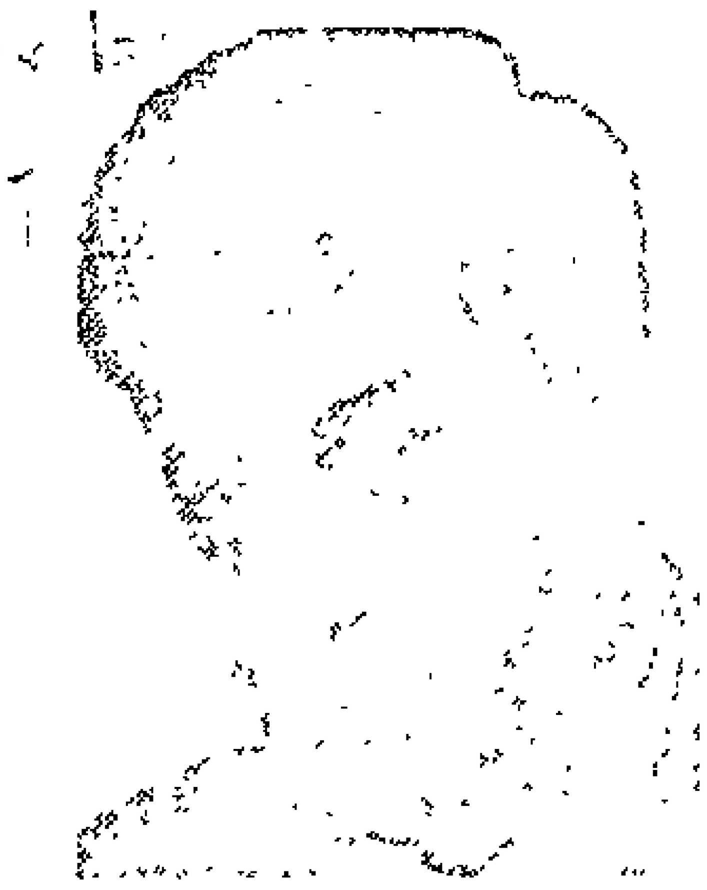
Indian bank gets broader mandate



Mr J. N. Reddy

THE NEW Republic Bank, South Africa's first and only Indian bank, is to drop its "Indian shareholders-only" clause from its constitution. New Republic managing director J. N. Reddy confirmed that this week and said that this has to be done in light of the Standard Bank's acquisition of 30 percent of the shares in New Republic Bank.

"Also," he added, "it is right that it should be done in the present climate in business. The reservation is no longer needed."

According to Reddy the bank has been moving towards open shareholding for some time, and the fact that Standard's shareholding has been cleared by the Registrar of Banks indicates that no official opposition is likely to be made to the move.

The bank's original constitution, he said, had to include the "Indians only" limitation in order to get a license. The clause is likely to be deleted officially at a meeting on Thursday.

KRISIS IN BANKWESE NET BETYDS GEKEER

TYDIGE stappe deur die monetêre owerhede het gehelp om 'n kettingreaksie te verhinder wat meer banke as net Rondalia en Randbank in die moeilikheid kon laat beland het, sê die voorsitter van Interbank-Diskontohuis, mnr. C. H. J. van Aswegen, in sy oorsig van die jongste finansiële jaar.

Interbank was by albei banke betrokke. Hoewel verwag word dat deposante in albei gevalle hul volle kapitaal sal terugkry, lyk dit nou waarskynlik dat 'n deel van die verskuldigde rente prysgegee sal moet word. Voorsiening is dus gemaak vir moontlike verliese in hierdie verband. Dit het vir Interbank 'n winsverlaging van 17,5 persent gebring, teenoor die vorige jaar se syfer.

Die bank se netto wins ná belasting en oordrag tot interne reserwes was R505 090, gelyk aan 42,1c per aandeel, teenoor R612 106 (51,5c per aandeel) die vorige jaar.

Dividend

Daar is besluit om 'n slotdividend van 12c per aandeel aan te beveel, wat die totaal vir die jaar op 'n onveranderde 22c te staan sal bring. Dit word 1,9 keer gedek.

Die bank se totale bates het in die jaar verhoog van R147 miljoen aan die einde van die vorige jaar tot R159 miljoen.

„Uit die betreklik beperkte winsdaling wat in die state weerspieël word, sal aandeelhouers self kan aflei dat, as dit nie vir hierdie gebeurde was nie, u maatskappy inderdaad 'n baie meer winsgewende finansiële jaar sou gehad het," sê mnr. Van Aswegen.

Die afgelope boekjaar was een van die moeilikste in die geskiedenis van die Suid-Afrikaanse bankwese, sê hy. Swak saketoestande, bankrotskappe, die hoë koste van geld en die verpligting van banke om besonder hoë likwiede bateverhoudinge te handhaaf, het daartoe meegewerk dat die twee genoemde banke onder kuratorskap geplaas moes word.

Spesiale fonds

Hierdie stap het 'n vertrouenskok vir deposante meegebring en byna gelei tot 'n vertrouenskrisis. „'n Kettingreaksie kon daartoe gelei het dat baie meer bankinstellings as die twee genoemdes in die moeilikheid kon raak," aldus mnr. Van Aswegen.

Die skepping van 'n spesiale fonds van R55 miljoen by die NFK wat vir tersirkulering na banke beskikbaar sou wees, saam met ander stappe, het egter die gewensde sielkundige uitwerking gehad. „Dit wil op die oomblik voorkom asof die krisis afgeweer is," sê die voorsitter.

Hy meen egter dat die ervaring wat die banke in die moeilike tydperk opgedoen het op die lang termyn tot almal se voordeel kan wees.

SAKE - RAPPORT 7/8/77

LABOUR SUPPLY IN THE SOUTH AFRICAN ECONOMY

John Knight

Saldru Working Paper No. 11

Cape Town

June 1977

Bank charges probe may benefit man in the street

Sunday Times (Business Times) 7/8/77.

(58)

THE COMMERCIAL banks are studying the possibility of a major re-allocation of bank charges among certain categories of customers. This move would ultimately lead to large corporate customers paying much more, in percentage terms, and possibly the man in the street paying less.

By NIGEL BRUCE

A special committee, comprising officials from the commercial banks, has been deliberating over these changes for the past eight months. And this week its members reported back to their respective managing directors.

However, the commercial banks are far from unanimous over what changes should take place and how soon they should be implemented.

Broadly speaking, however, they agreed that the inequities and irregularities of a system under which the small customer in in effect subsidises the larger one should be removed.

The problem is how to achieve this in view of the widely differing branch networks structures and different stages of computerisation among the banks.

While significant changes in the apportionment of bank charges are ultimately bound to occur, the formalised banks cartel, the Register of co-operation, is nonetheless unlikely to disappear.

Instead this agreement, which prescibes minimum charges for all bank services, is more likely to be revised.

In past years this cartel has given the larger commercial banks monopolistic powers, enabling them to keep small competitors in their traditional fields at arm's length.

However, it has also, to some extent, protected small banks which have difficulty in competing with the lower average cost of deposits enjoyed by the large banks.

In more recent years, however, moves to break this stranglehold have intensified. With the example of the British clearing banks, which dismantled their cartel some years ago, the Reserve Bank has begun to agitate for a more competitive clearing system.

More recently, the penetration by the large commercial bank groups of the instalment credit market, which had previously sustained newcomers, and the consequent reduction in the number of effectively competing banks, has increased pressures for a more rational charges dispensation in the commercial banking market.

The threat of a Post Office-influenced giro clearing system and competition from building societies payments clearing systems has highlighted the need for the commercial banks to look to their laurels.

Apart from the physical difficulties of achieving this and the need to avoid disruptive piecemeal changes, there are directors in at least one traditional commercial bank who do not understand that greater competition will be in the interests of their own banks, as well as the public.

In view of this and the divergence of disciplines represented on some banks boards, this confusion is understandable even if unacceptable.

(58) D.D. 8/8/77

Horwood predicts cash inflow

JOHANNESBURG — The Minister of Finance, Sen Horwood, said yesterday the general impression he brought back from Europe was that the political factors inhibiting foreign investment were beginning to lose their effect.

Speaking at the opening of a firm in Kempton Park, Sen Horwood said South Africa might begin to look for an increased inflow of foreign capital in the not too distant future.

"Clearly, however, while political uncertainties in Southern Africa persist, or are thought to persist, it would be realistic to plan on the assumption that foreign capital investment will in the immediate future be at a somewhat lower level than in the past.

"We shall, therefore, have to continue to look to domestic saving for the financing of the major part of our capital investment and we shall have to ensure that our interally-generated capital resources are applied in the best possible way," he said.

"A few weeks ago I visited most of the principal financial centres in Europe and spoke to a large number of prominent bankers and financial leaders," Sen Horwood said.

"Without exception they were all impressed by the dramatic improvement in our balance of payments over the past 18 months.

"Although the balance of payments was helped by some improvement in our terms of trade, there is no doubt the financial discipline which the monetary authorities have imposed (in other words our strict fiscal and monetary policy) has been a major factor and I can say this has created an extremely favourable impression in overseas financial circles."

At the same time, it was only realistic to recognise that political factors were still playing a part in restricting the flow of foreign capital to the Republic, he added.

Because these fears were based on uncertainties rather than on facts, they were not easy to remove, Sen Horwood said. — SAPA.

(1)58

CAPE TIMES 10/8/77

Building society hits at black home loan snag

Own Correspondent

JOHANNESBURG. – A leading building society has expressed doubts about its home loan policy for Africans in the Southern Transvaal because it believes blacks do not like dealing with the West Rand Bantu Administration Board (WRAB).

In a strong call last night for a new deal for black home owners the deputy chairman of the Natal Building Society, Mr Gordon Chapman, announced that the NBS had already granted R1 750 000 to the Vaal Triangle Bantu Administration Board and WRAB.

No secret

Speaking at the opening of the society's new Johannesburg headquarters MR Chapman said he made no secret of the fact that the society collected savings from blacks.

"We want to channel these funds into homes for blacks. Unfortunately this cannot be done in the traditional manner because in the black townships in white areas they do not enjoy freehold title," he said.

To overcome the obstacle, loans were granted to Bantu administration boards on the understanding that the money would be used to build better types of houses. In many cases these were for nominated employees of companies which invested funds with the society.

"Unfortunately I am not sure that we are doing the right thing, especially in Soweto, because our feedback is that the blacks do not want to deal with WRAB.

"We do take comfort from the fact that the families living in these houses are very grateful indeed that they have a roof over their heads. But how much more satisfying it would be for all concerned if proper title could be given so that they could deal directly with us as home-owners should," Mr Chapman said.

"The home building industry was in for a lean time and with an oversupply of offices and shops the whole industry looked like being under-employed for some time to come.

"Yet it need not be. The tragedy of our country is that while whites are over-housed all three non-white groups of our population, blacks, Indians and coloureds are crying out for homes.

"Surely we should feel ashamed that this situation has been allowed to develop," he said.

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*Je suis étudiant inscrit à l'Université de .... (6 marks)
en vue du diplôme de .... et joins ma cotisation de R2,50 valable pour l'année civile 197... (Il est à noter que seuls les étudiants n'ayant pas encore dépassé le niveau du B.A. Honours pourront bénéficier de cette réduction.) (Total: 50 marks)

*Rayer la mention inutile.

PRIERE D'AJOUTER AU DOS DU CHEQUE OU DU MANDAT POSTAL LA MENTION "COTISATION AFSSA" SUIVIE DU NUMERO DE L'ANNEE POUR LAQUELLE EST EFFECTUE LE VERSEMENT (PAR EXEMPLE: "COTISATION AFSSA 1977"). MERCI.

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CENTRE FOR AFRICAN STUDIES

Research Workshop

Pleas

Supp. D.D Indaba 12/8/77

Loan shark threat

58

Indaba reporter

EAST LONDON — Interest of up to 1 200 per cent a year is being charged by loan "sharks" in Port Elizabeth's African townships, according to a spokesman for the Cape Midlands Bantu Affairs Administration Board (BAAB).

Police warned that to charge more than 14 per cent allowed by the Limitation and Disclosure of Finance Charges Act was a criminal offence which carried a fine of R1 000, or two years or both.

The authorities warned that people using loan "sharks" to pay urgent debts could get into serious difficulties if they were unable to pay the interest or repay loans.

Police said they had had a number of complaints from people who had been assaulted by others who claimed they owed them money.

People also find themselves getting into deeper financial difficulties trying to meet the exorbitant interest demands.

A BAAB spokesman said it had for years been trying to stamp out loan sharks, but their victims covered up for them.

The people turned to loan "sharks" in emergencies and were exploited because of their situations.

The amounts borrowed were seldom as high as R100 — usually R10 to R20 — but whatever the amount, the borrower had to repay double at the end of the month.

The money was borrowed for a number of reasons, including arrear rents or hire purchase instalments, and medical fees, the spokesman said.

This

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In which areas do you think research at UCT should be concentrated?

What did you think of the Workshop?

DILEMMA LYK SÓ

Ons sê...

DIE Minister van Finansies, sen. Owen Horwood, het vandeesweek gesê dat sekere maatreëls vir die selektiewe stimulering van die ekonomie binnekort aangekondig sal word.

In die berig hier langsaan vertel Hill Samuel van al die probleme en gevare verbonde aan so 'n stimulering. Ons kan nie anders as om met die bank se voorbehoude saam te stem nie. Die AHI voel blykbaar dieselfde.

Maar die grafiek hieronder toon aan hoe 'n groot deel van die land se ekonomiese bedrywighede nou laer is as wat die gewone langtermyn-neiging van die verskillende sektore wil aandui.

Maar dit toon terselfdertyd dat kredietverlening aan die owerheid nog te hoog is en dat die aanwysers van die land se handel met die res van die wêreld nog glad nie so sterk is as wat ons graag sou wou glo nie.

Ons hoop dat die Minister en sy raadgewers tussen die behoefte wat daar bestaan na stimuleer en die steeds ernstige betalingsbalansprobleme van die land, 'n weg sal vind om tog iets te doen aan die land se werkloosheidsprobleem.

Bank stel probleme

58

DIE merkwaardige verbetering in Suid-Afrika se handelsbalans is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouens voorkom of sake nog verder kan versleg en die volgehoue daling in ons reserwes bly die grootste probleem.

Dit is hoe Hill Samuel se siening van ons ekonomie se huidige stand opgesom kan word. Dié bank stel die dilemma waarin die Minister van Finansies, sen. Owen Horwood, verkeer baie duidelik. Iets moet gedoen word, maar hoe?

Daar is verskeie weë vir hom oop. Maar elke een kan weer tot ander probleme lei. Die minister behoort egter onder geen omstandighede toe te gee aan versoeke dat die ekonomie gestimuleer word alvorens die eksterne rekeninge daarop dui dat dit wenslik is nie, sê die bank.

Daar is so baie argumente wat aangevoer word en faktore wat oorweeg moet word wanneer oor die ekonomie besin word, dat enigeen wat probeer om kop of stert daarvan te begryp, meer as net die gewone twee kante van 'n ekonoom nodig het.

Kante

● Aan die een kant is die resessie nou drie jaar oud en dit lyk of die tyd ryp is om stappe te doen om dit te beëindig. Maar aan die ander kant is dit maar net vier maande gelede dat almal die deflasionistiese begroting verwelkom het. Omdat daar nog nie genoeg tyd daarvoor was om sy volle uitwerking te hê nie, is dit te betwyfel dat hierdie beleid so gou weer verander sal word.

● Aan die ander kant kan die hoë vlak van werkloosheid tot onrus met politieke en maatskaplike gevolge lei. Maar aan die ander kant kan pogings om nou te stimuleer tot groter werkloosheid later lei en kan baie strenger maatreëls dan nodig wees om die fundamentele probleme van die ekonomie op te los.

● Maar as ons aan die ander kant die ekonomie nie gou genoeg in 'n opwaartse fase dwing nie, kan ons die huidige verbetering in oorsese ekonomieë geheel en al misloop.

● Aan die ander kant het ons egter nie die buitelandse fondse om in staat te wees om te stimuleer nie.

● Aan die ander kant het die lopende rekening van die betalingsbalans geweldig verbeter en toon dit nou 'n oorskot. Maar aan die ander kant wys die kapitaalrekening van die betalingsbalans 'n netto uitvloei, sê Hill Samuel.

En dit is hierdie laaste „kant" van Hill Samuel wat baie duidelik die land se grootste probleemgebied is. Die sogenaamde verbetering in die betalingsbalans ignoreer die feit dat die land se reserwe in die eerste kwartaal vanjaar meer gedaal het as in die laaste kwartaal verlede jaar.

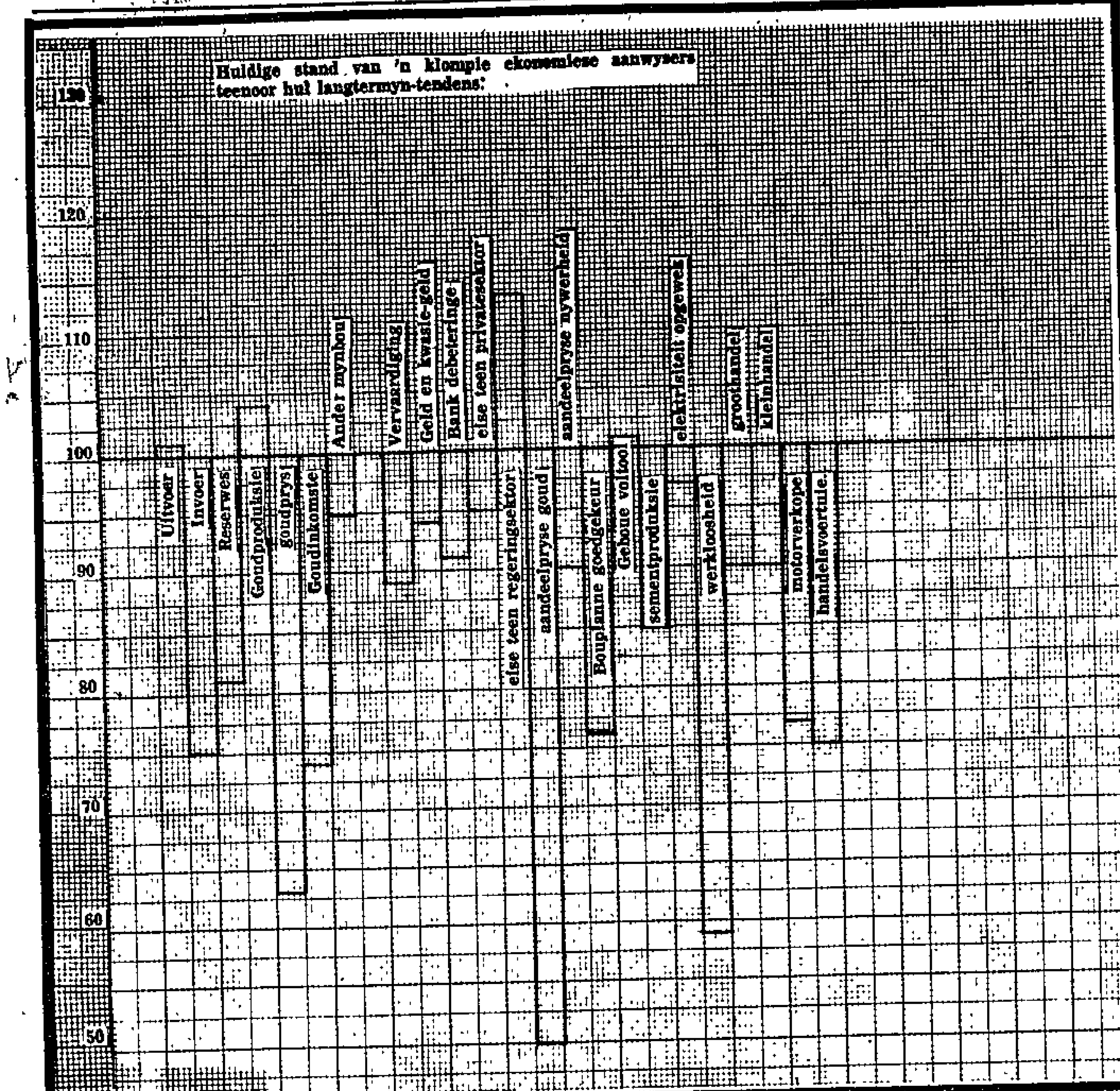
Skade

Die bank meen nie dat die verbetering in die tweede kwartaal vanjaar genoeg was om 'n styging in die netto reserwe te bring nie. Hy meen trouens dat die daling in die netto reserwe voortgeduur het. Hy voeg by dat die netto reserwe die afgelope drie jaar met R1 581 miljoen gedaal het, waarvan R913 miljoen in 1976. Een aan die einde van Maart 1977 was ons netto reserwe minus R1 047 miljoen.

Hill Samuel sê dat dit moontlik is om te raai dat die einde in die daling van die reserwe in sig is en dat daarop gedobbel kan word. Dit is in 1975 tot ons skade gedoen.

Maar dit is moontlik dat daar 'n vroeë poging sal wees om te probeer om die resessie te beëindig, dalk kort nadat die netto reserwe begin om te styg. Maar dit is 'n dobbelspel wat kan werk of nie werk nie.

Die bank meen dat alles gedoen behoort te word die resessie so gou moontlik te beëindig. Maar sê dat sen. Horwood, „wat sover baie verrig het om die kwale van die ekonomie te genees, onder geen omstandighede moet toegee aan versoeke dat die ekonomie gestimuleer moet word alvorens die buitelandse rekeninge dit moontlik maak nie".



BOSTAANDE grafiek toon hoe pap die land se ekonomie werklik is. Al sou hierdie ekonomiese aanwysers maar net nader kom aan hul langtermyn-neigings, sal ons al weer hoogs tevrede wees sonder dat daar 'n werklike boom in die ekonomie is.

Aanwysers toon die gly aan

Deur VIC DE KLERK

DIE meeste ekonomiese aanwysers toon nog 'n duidelike afwaartse fase, terwyl feitlik alle ekonomiese bedrywigheid op die oomblik aansienlik onder die langtermyn-tendense is.

Die grafiek hier langsaan, wat saamgestel is uit inligting vervat in Trends, die jongste publikasie van die Buro vir Ekonomiese Ondersoek van die Universiteit van Stellenbosch, toon aan hoe ver die belangrikste ekonomiese aanwysers onder hul langtermyn-tendens is.

Dit is slegs die waarde van die uitvoer, netto goudproduksie, eise deur die banksektor teen die regeringsektor en, snaaks genoeg, bouplanne voltooi wat nog tred hou met die langtermyn-neiging of daarop kon verbeter.

'n Ontleding van die tendens van elk van hierdie aanwysers toon ook nog baie min draaipunte. Die netto goudproduksie is nog steeds beter as die langtermyn-tendens. Maar vanweë die swakker goudprys bly inkomste uit goudproduksie baie laer as die neigingslyn sedert 1970.

Ook die waarde van die uitvoer is glad nie so sterk as wat soms gemeen word nie. Dit is nou maar net marginaal hoër as die langtermyn-tendenslyn.

Kredietverlening deur die banksektor aan die staat is omtrent die enigste — en daarby 'n ietwat onwelkome aanwyser wat op die oomblik 'n behoorlike plus toon bo die langtermyn-neiging.

Die daling in die buitelandse reserwe, goudinkomste, aandeelpryse en die verkope van passasiersmotors begin egter nou 'n afplatting — toon en beweeg eerder sywaarts, maar nog heelwat onder die vlak van wat dit werklik kan wees.

Aan die ander kant toon die tendenslyne van mynbouproduksie, goud uitgesluit, die invoer, sementproduksie, die verkope van handelsvoertuie, werkloosheid — bouplanne goedgekeur en beide klein en groothandelsverkope nog 'n duidelike verdere daling onder die langtermynpotensiaal.

Aan die geldkant van die ekonomie gaan dit op die oomblik gemakliker, en rentekoerse daal. Maar dit is basies omdat die vraag na geld aan die afneem is. Die aanbod van geld soos weerspieël deur die hoeveelheid geld en kwasiegeld, is nog steeds aan die daal en is nou laer as die langtermyn tendens.

Voorskotte toegestaan deur die banksektor aan die private sektor toon n soortgelyke neiging.

Uit hierdie ontleding van die buro is dit duidelik dat die algemene ekonomie nog ver weg is van sy langtermyn-neiging. Selfs al sou sommige van hierdie aanwysers net weer nader beweeg aan hul langtermyn-tendenslyne, sal daar al 'n aansienlike verbetering in die ekonomie wees.

(58)

13/8/77 Business The Natal Mercury

Higher inflow of capital expected

JOHANNESBURG – The Minister of Finance, Senator Owen Horwood, said yesterday the general impression he brought back from Europe was that the political factors inhibiting foreign investment were beginning to lose their effect.

Speaking at the opening of a power products firm in Kempton Park, Sen. Horwood said South Africa may begin to look for an increased inflow of foreign capital in the not too distant future.

"Clearly, however, while political uncertainties in southern Africa persist, or are thought to persist, it would be realistic to plan on the assumption that foreign capital investment will, in the immediate future, be at a somewhat lower level than in the past.

"We shall, therefore, have to continue to look to domestic saving for the financing of the major part of our capital investment and we shall have to ensure that our internally-generated capital resources are applied in the best possible way," he said. – (Sapa.)

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5 August 1977

... I.R.E. PAAP
... ulty of Arts

Putting the squeeze on liquidity

Special Finance Correspondent

LED BY a [illegible] of the Treasury bill rate, there has been a [illegible] rise in short-term interest rates during the past [illegible] month. The trend [illegible] in a general tightening of liquidity. This has been partly seasonal in nature, but [illegible] be regarded as a reflection of [illegible] determination on the part of the authorities to keep a tight [illegible] on the money supply.

The seasonal aspect of recent developments in the money market can be traced back to two causes. A large volume of [illegible] tax payments due at the end of June [illegible], at this time of the year, unclaimed in current accounts of commercial banks.

Not only is this cash effectively neutralised as a source of liquidity, but its [illegible] implies a rise in the short-term liabilities of commercial banks. In consequence the banking sector as a whole has to increase its level of liquid assets holdings with the Reserve Bank.

The creditor [illegible] of the banking sector are [illegible] further.

[illegible] the squeeze on liquidity, July and August are normally a period of [illegible] in Government spending. [illegible] and Government departments have [illegible] earlier in the year.

As a result, tax receipts coming in at this time of the year are [illegible] in the form of Government deposits with the [illegible] not [illegible] the banking sector [illegible].

The issue of Government stock in July provided further evidence of the Government's [illegible] of the [illegible] [illegible] [illegible] the Treasury [illegible].

[illegible] current [illegible] trend [illegible] [illegible] [illegible] percent [illegible] the year.

A total of R[illegible] million left the market as a result of the [illegible] of the issue.

Rates for [illegible] also firmed from 10.45 percent at the end of July to 10.6 percent this week.

But the additional significant influence on the market [illegible] the dramatic success of the Anglo American [illegible] of shares in the [illegible].

Heavily over-subscribed, the [illegible] rush to apply for shares led to a liquidating of short-term paper and [illegible] use of overdraft [illegible] followed by a [illegible] balances.

[illegible] deposits will, of course, now be returned [illegible] of [illegible] in the context [illegible] to be [illegible].

[illegible] certain [illegible]

[illegible]

SUNDAY TIMES, Business Times, August 21, 1977.

Light relief due from Dr De Jongh

By NIGEL BRUCE

IT WOULD be unwise for any business man to regard last week's miniscule reduction in the prime lending rates of some commercial banks as an indication that significant stimulatory monetary measures will be introduced this week.

The chances are, however, that the Reserve Bank Governor, Dr Bob de Jongh, will announce some monetary concessions in his annual address on Tuesday. But, like the prime rate cuts, they are unlikely to be anything more than cosmetic.

Speculation among bankers is that the Governor might restore the small progressive monthly growth factor in the quantitative bank lending ceilings and maybe even ease the supplementary liquid asset ratios on short-term deposits imposed in September 1975.

This latter imposition, which means that 75c of each new R1 deposit has to be invested in low-yielding securities, has cut deeply into bank earnings, especially at a time of declining loan demand.

But to go so far as to cut the bank rate would have our foreign creditors down on Church Square like a pack of wolves. To them, there is a real danger that the psychological impact of such a move could outweigh a careful consideration of its actual stimulatory effect.

Of course, with resources so underutilised it would have little or no inflationary consequences, but it would certainly break faith with the men in Frankfurt and Washington. The fragile state of the capital account of the balance of payments, not to mention Exchequer funding operations, cannot afford that.

Moreover, Standard bank economists have told us that imports are unlikely to continue racing up apace. We all know that inflation is still hurting and there are no net reserves worth talking about.

Certainly, until liquid asset ratios are reduced significantly, the banks will not be able to afford another lending rate cut. In any event, it's in their interests to postpone it for as long as possible.

For with the cost of deposits falling faster than income from loans, their narrow earnings margins are widening, probably sufficiently for the time being to offset the effects of the reduction in loan demand.

The cause of last week's prime rate reduction was most likely the fact that some prime customers found that they were not as prime as those elsewhere and, in consequence, threatened to move their business to banks where prime rate meant what it is said to mean.

With lending margins so narrow, such a threat could not be taken lightly by banks looking for earnings from services and commissions that accompany overdrafts to large corporate customers.

In those circumstances, logically the bank with the most to fear from a reduced market share would act first.

58

J.H. Minet aims to expand SA operation

Sunday Times (Business Times) 21/8/77

By NIGEL BRUCE

J.H. MINET and Company, the local subsidiary of the large international insurance broking concern, is looking for local acquisitions to expand its business in this country.

This follows merger talks between one of its large competitors, Price Forbes Sedgwick, and Federale Makelaars, the broking company owned by Federale Volksbeleggings and Volkskas.

Minet already has an interest in a local Afrikaans broking operation, having 33 per cent of Sentrale Makelaars, the other owners of which are Bonuskor and Perskor, which are connected with Price Forbes's hoped-for partner.

The impetus behind Minet's search for other acquisitions here comes partly from the gearing up of its international parent to service multi-national clients in their various countries of operation.

To this end, 10 regional directors of the holding company, Minet James International, met in Johannesburg this week to plan international merketing strategy.

But, of course, there is another reason and presumably it approximates the rationale behind the Price Forbes-Federale Makelaar get-together.

The local market is overcrowded (there are in fact 28 major insurance brokers here) some of whom are finding the going tough in the present recessionary business climate.

Coupled with that, official regulations this year have forcibly reduced commission earnings and effectively doubled guarantees, which in turn has pushed up costs.

The obvious reaction to this is for the larger brokers to absorb the smaller, especially where they are going cheap, or to merge with others to step up turnover and thus, to some degree, compensate for lower earnings and higher costs.

Minet's local MD, Kit Keey, tells me that any local acquisitions would most likely be paid for partly by the company,s international parent increasing its investment in this country — welcome news in view of the state of the capital account of the balance of payments.

PF se ding deur

58

Sake-Rapport 21/8/77

Deur DAVID MEADES

ONDERHANDELINGE tot die samesmelting tussen Price Forbes / Sedgwick en Volkskas/Federale Makelaars, is suksesvol afgehandel, het die drie aksepbanke, Volkskas-Aksepbank, Senbank en Standard-Aksepbank, aangekondig.

Dit sal die totstandkoming van 'n reuse-makelaarsgroep tot gevolg hê wat minstens drie keer so groot as sy naaste mededinger sal wees. Volkskas en Federale Volksbeleggings sal die beherende belang in die gesamentlike groep hê, 'n belang wat oor die volgende drie jaar tot byna 67 persent sal toeneem.

Aan die minderheidsaandeelhouers van Price Forbes sal 'n kontantaanbod van 200c per aandeel gedoen word, wat vergelyk met die 160c waarop dié aandeel voor sy opskorting gestaan het. Aansoek sal ook gedoen word dat PF van môre af weer genoteer word.

Die samesmelting is nog onderworpe aan die goedkeuring van die Britse owerheid, ofskoon dit net as 'n formaliteit beskou kan word.

In die nuwe groep sal Price Forbes Sedgwick van Brittanje aanvanklik 'n belang van 40 persent en die Volkskas/Federale Volksbeleggingsgroep 'n belang van 60 persent hou. Maar dit is deel van die ooreenkoms dat die Britse aandeelhouding oor die volgende drie jaar tot 33,3 persent verminder word en die S.A. aandeelhouding tot 66,6 persent toeneem.

Hoewel daar 'n mate van rasionalisasie tussen die bedrywighede van die twee groepe sal wees, sal hul bedrywighede afsonderlik bly. Hulle sal egter mettertyd onder een bestuur geplaas word.

Nadere besonderhede sal mettertyd in die aanboddokumente vir die minderheidsaandeelhouers bekend gemaak word.

Mutual man urges better use of capital

• From Page 1

of the past, the opportunities of the future. By investing in the training of our manpower we can make major improvement in productivity."

So far as the country's future capital needs are concerned, he says "with a truly free capital market where the cost of capital is regulated by the supply and demand for this commodity, there should be no prolonged shortage or surplus of capital. The market will both ration and allocate the capital funds available to the most efficient users."

Mr Bieber draws comfort, too, from South Africa's demonstrable high propensity to save — in the 25 years to 1976 gross domestic savings provided about 95 per cent of gross domestic fixed investment.

Most of the points Mr Bieber makes have been made before. But coming from one of such influence at a time when the de Kock Commission into Monetary Policy is about to examine some of them, they are certainly worth pondering again.

Sunday Times (Business Times) 21/8/77

8.5

Sunday Times

(Business Times.) August 21, 1977.

Call for better use of capital

By Nigel Bruce

SOUTH AFRICA has not been making the best use of the capital available to it, the Old Mutual's top investment adviser, Peter Bieber, claims in a penetrating paper on the country's capital requirements.

This is particularly telling criticism coming from a spokesman for an institution that is a very large provider of capital to both the public and private sectors.

He points out that in the years between 1960 and 1975 gross domestic fixed investment was on a generally rising trend whereas the annual percentage increase in real GDP declined, indicating that the country was not using increased capital investment effectively.

Another disturbing trend is that about three years ago public sector capital investment overtook that of the private sector, which usually used capital more efficiently.

Further, comparing two five-year periods (1966-71 and 1971-75), there is a significant decrease in GDP growth and in the labour force while real capital stock growth increased, although slowly.

Comparing capital/output and capital/labour ratios with labour productivity in the same two periods, the former two ratios have risen while the latter has declined.

To improve the use of capital, Mr Bieber suggests:

- Government should encourage the use of less labour-saving machinery through better use of the exchange rate mechanism and allowable tax write-offs that are not so generous.
- Comprehensive cost/benefit studies be undertaken in both private and public sectors to establish priorities. But, he warns, the public sector's cost of capital should not be calculated at the current Government stock rate; this is not realistic as the large captive market for this stock is created by legislation.
- The public sector should allow the private sector to undertake as many capital projects as possible.
- Interest rates should be allowed to reflect supply and demand for capital, as restrictions on them distort the allocations of funds and utilisation of resources.

Mr Bieber also suggests ways of increasing the country's capital formation:

- Allowing the transferability of accumulated pension benefits so that employees changing jobs are less likely to spend refunded benefits.
- Encouraging saving by the authorities insisting upon a minimum pension requirement for all employees.
- Allowing Government stocks rates to reflect market forces to encourage private sector investment in them. In March this year, non-institutional investors held only 3,8 per cent of long-term Government stock — R225-million out of R5 889-million.
- More Government realistic long-term stock rates would also encourage a more active secondary market in these securities which, by making them more liquid investments, would enhance their attractiveness.
- More generous tax abatements on life insurance policies would probably encourage sufficient additional savings to offset the loss of official revenue.
- As a significant savings media is by way of home ownership, if this were opened to blacks the savings that would in consequence be accumulated would be very large.
- Public corporations should increase retentions out of profits through greater transfers while Government at all levels should make greater transfers from their current to capital accounts.

In this regard, he believes all public corporations should aim for retention ratios already prevalent in the private sector.

Mr Bieber does make the point that he is not disheartened by our inefficient use of capital but sees "in the low productivity figures

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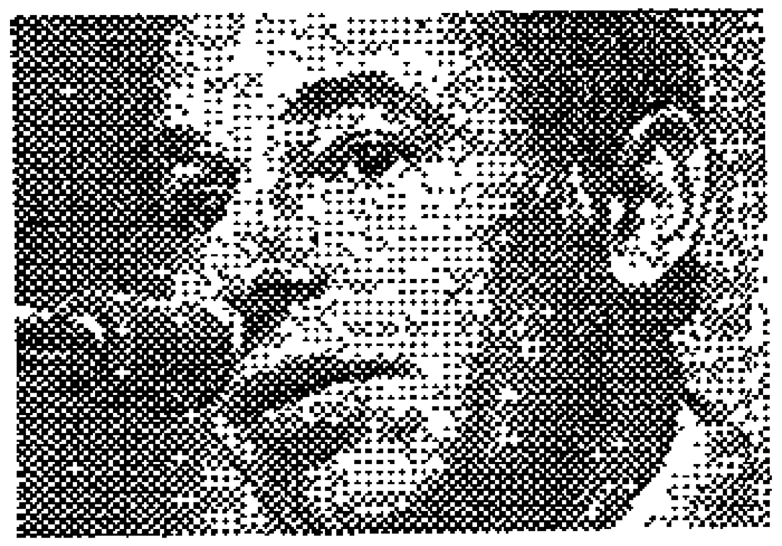
Mutual man spells it out



Peter Bieber

R25m injection of capital

Jan Marais leaves Trust Bank

Cape Times
24/8/77
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By GORDON KLING

THE CHAIRMAN of Trust Bank, Dr Jan S Marais, and its managing director, Mr Anker Burger, resigned yesterday. The bank is to receive a massive capital injection to help it with its problems.

Dr Marais

Mr Burger

And the bank's private shareholders have been hit by a substantially reduced offer for their shares.

Both Dr Marais and Mr Burger have taken early retirement on pension.

The surprise developments follow a probe by Bank Holding Corporation of South Africa (Bankorp) into the affairs of Trust Bank which was founded by Dr Marais 22 years ago and was the fourth-largest bank in South Africa. Bankorp gained control of Trust in a controversial share swap earlier this year.

Bankorp's parent company, Sanlam, is to inject R25 million into Trust to strengthen its contingency reserves.

The deputy chairman of Bankorp, Dr Fred du Plessis, who has been elected executive chairman of Trust, yesterday told a press conference in Johannesburg that the investigation had revealed that Trust had made insufficient provision against doubtful debts and write-offs in terms of the standards which Bankorp had set for its subsidiaries. He emphasized that there were no liquidity problems at the Cape Town-based bank.

Dr Marais declined to comment on the developments at the bank or the state of its asset base. His wife said in Cape Town last night that he was considering his position and might be willing to discuss the matter in a few days.

The new chairman, Dr Du Plessis, said it was essential that the deficiency regarding bad debts be corrected. The capital injection would place Trust in a position to maintain and strengthen its capital base with a view to continued sound growth in the future.

But the moves mean that there is no prospect of Trust paying any dividends "until such time as the contingency reserves have again been increased to a level that complies with Bankorp's requirements" which Dr Du Plessis said could take a considerable number of years.

He also announced that Bankorp is to go for the 40 percent of Trust shares still held by the public, but at a reduced offer of one Bankorp share for every six Trust shares. This compares with an offer of one for three made in March this year which resulted in considerable shareholder opposition because Johannesburg Stock Exchange prices indicated a two-for-one agreement.

On the new terms Trust's

Continued on page 2

Miniskirts . . . and drive

THE EARLY retirement yesterday of the founder and chairman of Trust Bank, Dr Jan S Marais, marked the end of a new, aggresive image in banking launched in the Cape 22 years ago.

Miniskirted attendants in bold red and black offices were part of the drive for business that made the bank the fourth largest in the Republic and gave rise to the slogan "Banking will never be the same again."

Bankorp offer a shock for Trust Bank minorities

C.T. 24/8/77

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By PAUL DOLD, Financial Editor

TRUST BANK minorities have every reason to be dismayed over Bankorp's one-for-six offer coming so soon after the original one-for-three and they must be wondering today what has happened in the few months since March to so radically alter Trust's worth in Bankorp's eyes.

At the time of the takeover Bankorp chairman, Dr A D Wassenaar, told Trust shareholders that the one-for-three offer was based on the relative profit growth expectations of Bankorp and Trust Bank on a medium-term outlook.

The Bankorp board, he said, had concluded, after almost two months' investigation on the possibilities of rationalization, that its confidence reflected in its bid for Trust Bank shares was justified.

The last Trust Bank report indicated that, apart from the usual provisions, an additional sum of R3,5m had been transferred to reserves to provide in full for any losses on its stake in Glen Anil.

Many of Trust Bank's shareholders at the time felt that Bankorp's original offer was ungenerous (Trust stood at 47 against Bankorp's 100c at the previous suspension) and decided to stay with Trust. Trust was then paying a 7c dividend as against Bankorp's 12,5c.

After what presumably was an extensive investigation into Trust Bank when the previous bid was made today's news that Sanlam is having to inject R25m to strengthen shareholders' funds is astounding, to say the least.

Trust Bank has no liquidity problems, says Bankorp

Bankorp's deputy chairman told a press conference yesterday that Trust Bank has no liquidity problems. It is merely a question that Bankorp does not agree with the way in which Trust Bank has handled provisions and write-offs on bad and doubtful debts.

He stressed that if there was any liquidity problem Sanlam would not have been asked to strengthen Trust by R25m.

The terms of the latest offer have been arrived at on a one-for-six basis based on all the relevant factors from the investigation into Trust Bank.

This is less than satisfactory. Before accepting the offer minorities (even with Trust's dividend prospects being bleak) will want the fullest details in the offer documents.

Before suspension yesterday Bankorp were 125c as against Trust's 38c and the offer effectively values Trust at 20,8c a share.

Bankorp's profits today, which exclude Trust, are fairly encouraging and the final dividend is up 1c to 9c making a total of 14c (12,5c). But Bankorp shareholders will be keen for full details of how their group's acquisition of Trust is likely to affect their dividend outlook.

From a Bankorp shareholder point of view Bankorp in retrospect paid too high a price for Trust.

The whole affair is likely to dent market sentiment with shareholders in both companies displeased.

Bankorp raises final

JOHANNESBURG. — Bank Holding Corporation of South Africa (Bankorp) has raised its final dividend by 1c to 9c for total distribution of 14c (12,5c) after increasing earnings per share from 31,6c to 34,8c in the year ended June 30.

All the group's banking subsidiaries — Senbank, Bank of Johannesburg and Credit Bank — exceeded their budgeted profitability, and the profit from banking subsidiaries, after providing for tax and transfers to contingency reserves, rose to R6 688 875 (R5 729 700).

Profit, after tax, of Bankorp and its non-banking subsidiaries dropped to R421 670 (R733 359), mainly due to the non-payment of dividends from Rand Bank.

As Trust Bank only became a Bankorp subsidiary on July 14, no Trust Bank income is included in the results. — Sapa

SAKE-RAPPORT SONDAG, 28 Augustus 1977

TRUST-BANK SE LES

Ons sê . .

ONS vertrou dat die land se banke baie geleer het uit die groot afskrywings wat nou by Trust-Bank gedoen moet word, asook die probleme van Randbank en Rondalia-Bank vroeër vanjaar en verlede jaar.

'n Bank moet hom vir eers hou by die soort besigheid waarvoor hy in die lewe geroep is. Ten tweede moet hy in die beoordeling van sy eie transaksies en beleggings meer konserwatief te werk gaan as sy kliënt self.

Maar daar is ook nog 'n ander les. Dit gaan oor die aanwending van sy bates. Dit was seker in 'n gegewe stadium in ons ekonomie baie aantreklik om op groot skaal in eiendomme te belê. Maar sulke beleggings is nie altyd prioriteit nommer een nie.

Vorentoe kan die banke gerus konsentreer op belegging in die nywerheidwese — veral om invoer te vervang en selfs nuwe uitvoer te skep.

Deur in nywerhede en uitvoerondernemings te belê, mag miskien minder aanskoulik wees, maar dan word die belange van die land gedien.

Kwaal lê nie by banksake

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Deur VIC DE KLERK

'N WEGBREEK van die konserwatiewe benadering tot die bankwese, juis dié aspek waarmee Trust-Bank vir hom so groot naam gemaak het, is tot groot hoogte die oorsaak van hierdie bank se probleme. Dit was waarskynlik hierdie probleme wat aanleiding gegee het tot die skokbedanking vandeesweek van die bank se twee grootbase dr. Jan S. Marais en mnr. Anker Burger.

'n Omvattende ondersoek na die bank se geldsake wat Sake-RAPPORT vandeesweek gedoen het, dui egter daarop dat daar met Trust-Bank se bedrywighede in die tradisionele bankwese nie veel skort nie en dat die bank goed geplaas is.

Die groot probleem lê egter by die waardering van die hele groep se beleggings. Daar is nie volgens konserwatiewe praktyke genoeg voorsiening vir waardevermindering gemaak nie. 'n Bedrag van minstens R25 miljoen behoort afgeskryf te word. Dit is byna gelyk aan die totale winste van die afgelope vier jaar.

Die bank was dus in 'n posisie dat die gemiddelde koste van sy geld besig was om te daal, terwyl die meeste van sy bankbeleggings teen vaste rentekoerse was. Dit het natuurlik 'n aansienlike verbetering in sy wins uit bankbesigheid voorspel.

● Verder het die bank net voldoen aan die kapitaalvereistes van die Bankwet. Sy eie kapitaal was net meer as 6 persent van sy verpligtinge teenoor die publiek, wat beteken dat hierdie kapitaal tot die maksimumvoordeel van die aandeelhouers aangewend is.

Kortweg, die bankbesigheid van Trust-Bank is byna net so gesond soos dié van staats-, munisipale en ander effekte nie.

Aan die einde van 1976 was die Trust-Bankgroep se belegging in hierdie soort effekte net meer as R200 miljoen. En selfs baie kon-

Vervolg op bl. 3, kol. 5

PROF. FRED DU PLESSIS, nuwe uitvoerende v van die Trust-Bank.

'n Ontleding van Trust-Bank se bankbesigheid toon onder andere die volgende:

● Die bank was in 'n redelik gemaklike likwiditeitsposisie aan die einde van Junie.

● Die samestelling van sy deposito's was sodanig dat die daling in korttermynrentekoerse die afgelope paar maande maklik kon gelei het tot 'n daling van 1 persent in die gemiddelde koste van deposito's vir die bank.

Sy deposito-portefeulje het bestaan uit 23 persent kort, 42 persent middel en 35 persent lank. Bankiers is oor die algemeen gelukkig met so 'n depositosamestelling.

● Ook aan die uitleenkant was die bank goed geplaas. 'n Baie groot deel van sy geld was uitgesit in die vorm van huurkope, persoonlike lenings, verhuringstransaksies en ander vorme van paaiementbetalings teen vaste rentekoerse.

die meeste ander banke. Dit is ook om hierdie rede dat prof. Fred du Plessis, nuwe uitvoerende voorsitter van die bank, vandeesweek met vrymoedigheid kon sê dat die bank geen likwiditeitsprobleme het nie.

Daar kan ook aanvaar word dat dit nie vir die Bankorp-groep nodig was om veel van Trust-Bank se gewone bankbesigheid af te skryf nie.

Benadering

Maar dit is op genoteerde beleggings en beleggings buite die banksektor waar die benaderings van Bankorp en Trust-Bank aansienlik verskil. 'n Paar sake in die rekeninge van Trust-Bank was waarskynlik nie vir Bankorp aanvaarbaar nie.

By voorgeskrewe beleggings het Trust-Bank geen voorsiening gemaak vir die verskil tussen markwaarde en aflossingswaarde van sy verpligte beleggings in

T-BANK GESOND

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serwatief bereken, moet die markwaarde van hierdie effekte 5 persent minder wees, of 'n bedrag van R10 miljoen, wat eintlik afgeskryf moes word.

Aankoopprys

Ook in sy hantering van die waarde van ander genoteerde beleggings verskil die benadering van Trust-Bank en Bankorp aansienlik. Trust-Bank het byvoorbeeld nie hierdie beleggings van hom afgeskryf indien die markwaarde laer as die aankoopprys was nie.

Volgens die groep se jongste balansstaat was sy belegging in genoteerde aandele R23 737 000. Dit het 'n markwaarde van R16 408 000 gehad. Volgens die bank se jaarverslag is daar geen voorsiening gemaak vir hierdie boekverlies van R7 329 000 nie.

Dan is daar natuurlik nog die waarde van ongenoteerde beleggings en eiendomsbeleggings waarop die direksie 'n waardering plaas. Só 'n direkteuswaardering val natuurlik nou saam met die direksie se siening oor 'n sekere sektor.

Volgens die jongste bankstaat (BW 9) het Trust-Bank die volgende beleggings gehad met wie se waardering die direksie van Bankorp nie noodwendig sou saamstem nie:

BankperseleR55 miljoen; Vaste eiendom behalwe bankpersele: Ingekoop, R10 782 151 en Ander R88 005 837.

Dit is dus 'n eiendomsportefeulje van meer as R150 miljoen. In ooreenstemming met die bank se algemene beleid om hom nie veel te steur aan markpryse nie, is die waarde van hierdie belegging volgens 'n konserwatiewe waardering waarskynlik heelwat minder.

As op al bogenoemde behoorlike afskrywings gedoen word, is dit duidelik dat 'n bedrag van R25 miljoen, of 'n bedrag gelyk aan die nuwe fondse wat Sanlam deur Bankorp in Trust-Bank gaan stort, maklik moontlik is.

F.V.B. BYT DIE SPIT AF

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Deur David Meades

DIE jongste plan van Sanlam en Federale Voksbeleggings om die aanbod van Bankorp vir Trust-Bank terugwerkend te aanvaar, is vir Federale 'n verdere gevoelige slag.

Hy sal nou vir sy 11 273 147 aandele in Trust-Bank 1 878 578 aandele in Bankorp kry. En teen die prys van Bankorp voor sy opskorting, sal hierdie ruilbelang 'n markwaarde van net R2 348 225 hê.

Dit sal met die markwaarde van R6 763 888 vergelyk aan die einde van Federale se boekjaar in 1976. Die totale markwaarde van sy genoteerde beleggings het toe op byna R52 miljoen gestaan.

Aan die inkomstekant gaan Federale ook sleg verloor. In die vorige jaar het hy nog 'n dividend van altesame R789 120 uit sy belang in Trust-Bank gekry.

Gegrond op die jongste verhoogde dividend van Bankorp sal Federale se inkomste uit die vergrote Bankorp R263 000 wees — 'n verskil van meer as R500 000.

Rupert

Met 'n belang van byna 27 persent was Federale die grootste enkele aandeelhouer in Trust-Bank. Sy belang in die vergrote Bankorp sal nou sowat 6 persent wees.

En nou kan 'n mens nog verder gaan. As daar gewerk word van die veronderstelling dat Federale vir sy Trust-Bank-aandele gemiddeld 70c stuk betaal het, kry hy nou die belang in Bankorp teen 'n historiese prys van 420c per aandeel.

Hy skuif ook in die Bankorp-beheer af tot die derde plek. Dr. Anton Rupert se Rembrant het 'n belang van 20 persent in Bankorp gekry teen sowat 120c per aandeel, wat in die vergrote Bankorp 'n belang van sowat 13 persent sal verteenwoordig.

Bankwet

Aan die ander kant kom Sanlam goed uit die transaksie en gaan sy uiteindelike belang in Bankorp nou baie nader aan die maksimum-perk wees, wat deur die Bankwet voorgeskryf word.

As daar aangeneem word dat al die oorblywende minderheidsaandeelhouers in Trust-Bank die nuwe aanbod aanvaar, sal Bankorp se totale uitgereikte ... sowat 30 miljoen aandele styg, teenoor die huidige 20,5 miljoen.

Hiervan sal Sanlam dan sowat 11,5 miljoen hê, wat hom 'n belang van sowat 38 persent sal gee. Dit sal met sy belang van sowat 20 persent in Bankorp voor die Trust-Bank en Rupert-transaksie vergelyk.

Die minderheidsaandeelhouers sal dan 43 persent van Bankorp besit.

Sterns is cleared in US inquiry

Sunday Times (Business Times) 29/9/77

(58)

By JIM SRODES

WASHINGTON. — US Government investigators have closed their inquiry into possible tax-fraud links between Zale Corp, the world's largest jewellery store chain, and the Sterns Diamond Organisation of Johannesburg. The South African firm has been cleared of all suspicions.

Earlier this week, Zale officials settled its dispute with the government by agreeing to revamp its audit procedures, appoint new directors and now face a probable back-taxes bill that may amount to $50-million.

Zale owns about 20 per cent of the issued capital of Sterns. The shares are held indirectly by Mr Donald Zale, the president of Zales,

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Sterns cleared in US investigation

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who is also a director of Sterns.

An official of the Securities and Exchange Commission told Business Times:

"Zale has signed a consent decree that will require it to elect three new directors from outside the firm within the next 90 days and to reorganise its auditing committee so that these new directors constitute a majority.

"We found no evidence to connect the Sterns stores, although the charges against Zale involved substantial overseas dealings."

The consent decree signed by Zale officials enjoins the firm from violating the "anti-fraud, periodic reporting and proxy provisions of American securities laws."

When business men sign the decree, they are neither admitting nor denying guilt, but merely promising not to continue the activities that led to the charges.

Zale, which had a 14 per cent sales increase to $677,8-million in the fiscal year ended in March, has almost 1 700 stores across the United States that not only specialise in jewellery, but also offer lines of shoes and clothing.

The SEC had charged that for nearly 20 years, the family-owned conglomerate had maintained a cash account in Antwerp, which ostensibly contained funds to trade in diamonds — nearly all from South Africa.

The complaint was that this unaudited account generated at least $210 000 in yearly profits from 1973 to 1976 and that the money was given to Zale officials and employees in Belgium, Israel and Britain as additional compensation "in possible violation of the tax laws of those nations."

There was no evidence of such transactions involving Zale employees who may have done business in South Africa, the SEC stated. Much of the money went to senior officials of the Texas-based company, the charges alleged.

In addition, the government charged that these same officials "devised a scheme for manipulating" the company's financial reports for the purpose of evading US taxes.

Zale officials have already said publicly that added tax liabilities for the 1973-6 period of the investigation will be at least $10-million.

A "preliminary analysis" has also indicated that the final taxbill to the US Government "could be as much as $50-million".

FPS bly groei

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FINANCIAL Planning Services (FPS), 'n maatskappy in die Nedbank/Sage-groep wat hoofsaaklik sake doen op die gebied van persoonlike finansiële beplanning, het klaarblyklik ondanks die insinking in die ekonomie steeds 'n groot vraag na sy dienste.

Hy het sy pragtige groeirekord sedert sy totstandkoming 'n paar jaar gelede in die eerste ses maande vanjaar gehandhaaf en daardeur sy posisie as 'n wesenlike mag in die lewensversekerings-, pensioen- en finansiële beplanningsbedryf nog verder verstewig.

Volgens FPS se besturende direkteur, mnr. Denis Kaplan, het die groep se nuwe gewone jaarlikse premie-inkomste in die eerste helfte vanjaar met 28,8 persent tot die rekordbedrag van R2 848 000 toegeneem, teenoor die R2 210 154 van die ooreenstemmende tydperk verlede jaar.

Die nuwe premie-inkomste uit lewensversekering vir die hele 1976 bedra R4 950 000. Die nuwe premie-inkomste wat gedurende die eerste helfte van vanjaar deur FPS se filiaal, FPS Pension Consultants, bygekry is, het die R1-miljoen-kerf oorskry en is reeds byna gelyk aan die totaal vir die hele 1976.

In die eerste helfte van 1977 het FPS ook R9 500 000 namens sy klante in finansiële instellings soos banke, bouverenigings, deelnemingsverbandmaatskappye en onderlinge beleggingsmaatskappye belê. In 1976 is altesame R17 miljoen in hierdie instellings belê.

SUNDAY TIMES, Business Times, August 28, 1977. 58

End may be near for uranium boom

BY NEIL BEHRMANN

LONDON. — The end of uranium's incredible price rise over the past four years is being signalled by the Australian Government's decision to allow fullscale production, according to mining analysts in London.

The spot price of uranium is currently ruling around $40 to $41 a pound, compared with its peak of $44 last year. From 1970 to 1973, the price ruled around $6 to $7 a pound.

In 1974, it averaged at $10,50; in 1975, it was $26 and soared to $44 last year.

Analysts at mining and broking houses believe that the bull market is now over, even thought Australia's uranium will only come on line in a big way in four to five years time.

Australian Prime Minister Malcolm Fraser confirmed earlier leaks to the Press when he told Parliament that he would lift the four-year ban on the mining of uranium.

The country is estimated to hold a fifth of the West's known uranium reserves.

Mr Fraser told Parliament that shipment would begin in the eighties to Europe, Japan and the United States. He said that bilateral treaties would be negotiated as soon as possible and uranium contracts would include written guarantees against the possibility of repudiation by a future Labour government.

At the London Uranium Supply and Demand Symposium in June, this year, Mr Tony Grey, chairman of Australia's Pancontinental Mines, said that because of protracted delays, none of Australia's recent major uranium discoveries could be brought into production before 1980.

He envisaged a three-year development programme which would enable Australia to produce initially 3 000 tons a year in the early eighties to 12 000 tons by the mid-eighties.

David Hargreaves, of Lawrence Prust, estimates that by 1979 uranium prices could already be falling in anticipation of Australian production coming on stream.

The Charter Consolidated Metals and Minerals research team has warned that the sharp rise in uranium prices over the past three years was brought about by the energy crisis, the Westinghouse default and above all the Australian embargo.

With uranium requirements continually being eroded and the possibility of buoyant supplies, Charter reckoned that the present price was too high to be sustained in constant money terms over the period to 1985.

Mining analysts also believe that there is a good chance that the Canadian s will lift their constraints which they are imposing on uranium exports. If this happens, the price could fall within 12 months.

It was also pointed out that the chairman of the Uranium Institute, Dr Heinrich Mandel, said that the price of uranium was too high in relation to producers' costs. A fair price for delivery in the eighties would be about $30 a pound.

He said that prices had been inflated by over-reaction on the part of producers to an earlier situation in which they were making tremendous losses.

That statement was made at the London supply and demand conference in June.

In April, this year, the Wall Street Journal, in a strongly-worded editorial, said that US Government's wasteful enrichment and excessive stockpiling policies had artificially inflated the demand for uranium, pushed up the price, and created a shortage spectre.

"It is only a matter of time until this artificial demand will be removed. If it is done soon, the price will decline from its present artificial levels," said the journal.

In the US Congress, a sub-committee is currently investigating actions of a uranium cartel which includes organisations from South Africa, Australia, Canada, Britain and France. The sub-committee linked the rise in uranium prices with floor prices set by the cartel.

SUNDAY TIMES, Business Times, August 28, 1977. 58

Crane boom turns into a nightmare

By TONY KOENDERMAN

WITH AN over-supply of cranes estimated at between 50 and 80 per cent, the crane hire business is in dire straits.

And the temper of the men in the business is not improved by the knowledge that contractors for Sasol II are buying new cranes — 110, worth R22-million, are said to have been ordered — instead of hiring them.

"For every six jobs going, there are 10 cranes available," declares John Dawes, of Dawes Crane Hire.

"The result is that the customer dictates the price he will pay. There has been no increase in our rates for four years. But our costs are still rising. A crane which cost R90 000 three years ago now costs R160 000."

Etienne de Villiers, general manager of rental operations for Premier Metal, which owns Leason-Afmec, the dominant crane hire firm, agrees.

"There is no doubt there is a serious over-supply situation," he says. "We get about 70 per cent utilisation out of our 100 cranes.

"We are killing ourselves with competition. There has been tremendous rate-cutting, which means the industry is not viable.

"People are prepared to discount by as much as 50 per cent on agreed rates for the job."

Estimates of the number of cranes available for hire in the country go as high as 500, with 450 of them on the Reef.

The three biggest suppliers are Leason-Afmec, Greenham Plant Hire and Grayston Plant Hire.

The problem of over-supply stems from the construction boom of 1971-74 when crane hire companies became over-capitalised. One of the major offenders was, in fact, Leason-Afmec, which was subsequently rescued from the consequences by a takeover by Premier Metal.

At the time, Premier was Leason-Afmec's main supplier, and had given guarantees to the bankers of Leason-Afmec for R2-million worth of cranes it had sold to Leason-Afmec.

Premier Metal was a 70 per cent subsidiary of Messina Transvaal until late last year, when Messina bought out the minority shareholding for 235c a share.

The industry's total investment in cranes is estimated to be between R35-million and R50-million. Turnover of the whole plant hire business (of which crane hire is only a part) is put at about R30-million a year.

Tariffs laid down by the Contractors' Plant Hire Association are largely ignored because of the intense competition.

For example, Mr Dawes says a 30-ton crane should be hired at a rate of R48 an hour according to current rates, but is still earning only R29,50 an hour — the same rate which prevailed four years ago.

However, a spokesman for Greenham's said he thought there would be some business coming from Sasol II as the contract proceeded.

The Group Areas Act 'costs SA millions'

(58) STAR 3/9/77

MR WINSTON HERZENBERG

Yussuf Nazeer

For years now, a Johannesburg city councillor has been campaigning for the rights of Indian South Africans to remain in the city, and not be kicked out to distant group areas.

"It is a moral issue," says the PRP city councillor for Braamfontein-Vrededorp, Mr Winston Herzenberg.

He was commenting on the fact that Indian South Africans are calling on the Government to give them back Pageview and Fordsburg as an Indian residential area which they have lost under the Group Areas Act.

"The whole world has condemned the Group Areas Act," Mr Herzenberg declared. "It is unethical, immoral and indefensible to uproot a people from their long traditional homes in the city where they have been since the turn of the century, and to simply legislate them out of town.

"These law-abiding, cultured people have suffered the most under its ruthless implementation," he added.

Mr Herzenberg asserts that many "verligte" whites shared his views that all the Indian people should not be totally excluded from the city for the following reasons:

- It was morally wrong to coerce people to live long distances away from their work in the city;
- Since the 1880s the Indian people had been an integral part of the city, contributing to its growth;
- Indian South Africans born and bred here have just as much right to enjoy the city's life in terms of its recreational, cultural and social amenities, including the advantages of commerce, communication and other privileges;
- An Indian population living around the Oriental Plaza was essential to keep the eastern atmosphere of the city alive in the same way that Hillbrow's continental atmosphere is kept alive by the population who live in flats around its cafes, nightclubs and cinemas;
- The establishment of the Plaza as an "eastern" tourist attraction becomes meaningless without a local population to add to the attraction and provide a consumer market as well;
- The traders were contemplating buying the Plaza and they should at least be given the right to live near it.

Then there was the question of economics. The Group Areas Act had cost the country millions of rands and was contributing to inflation, Mr Herzenberg pointed out. And it was predominantly the white taxpayer who had to pay for the removal of the Indian people from their homes and businesses.

An Assembly report three months ago stated that it would cost something like R23 133 274 to resettle 591 Indian traders — or R39 142 per Indian family. And if all the Indians were resettled in their group areas by 1980 — when the operation could expect to end, the whole exercise of uprooting and resettling would cost the taxpayer more than R200-million.

Mr Herzenberg disclosed that the urban renewal plan for the white area of Vrededorp was already behind schedule because the Government was short of money.

He could not see where the money would come from for the removal and re-housing of Pageview's Indians and then developing the area for whites.

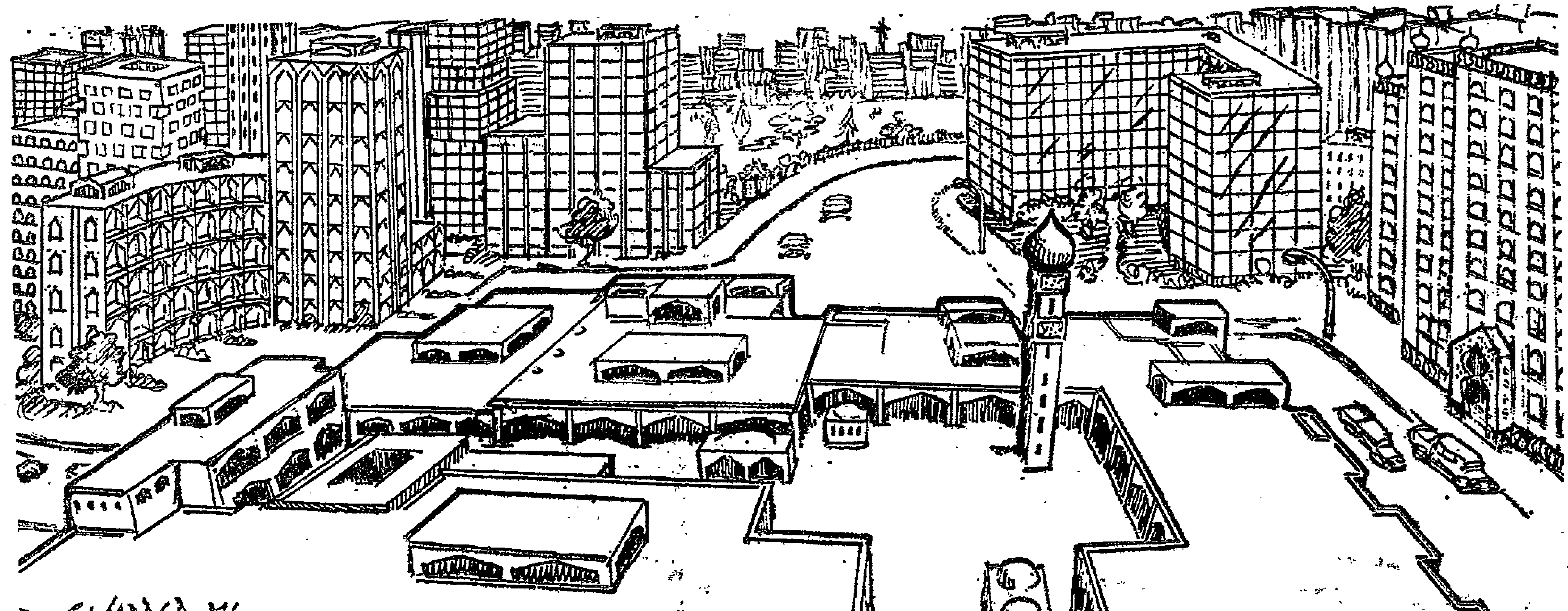
Lenasia was already overcrowded with a need for between 3 000 and 4 000 homes for its own natural population growth. It was absurd reasoning to allocate new-built Lenasia houses to Pageview residents, who don't want to go there in the first place while the township's residents are crying out for homes.

If the Pageview-Fordsburg Indians were left where they are, the Government would save millions of rands, because the Indian community was prepared, if given the chance, to develop their own residential area in this complex, Mr Herzenberg argued.

He pointed out that the Pageview-Fordsburg area, a long standing "traditional Indian" complex, already had a major advantage.

It was the hub of Indian life with its five cinemas, hotel, business and residential flats, good homes, schools, mosques, temples, churches, cafes, shops and other Indian enterprises.

Quite recently, Pretoria University's Professor Nic Rhoodie, suggested that the time may now be here to exempt certain areas from the provisions of the Group Areas Act.



An artist's impression of what the Fordsburg-Pageview complex would look like if an Indian flatland was built around the Oriental Plaza to enhance its "eastern" atmosphere.

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New industrial bank launched

3/11/77 N. Mercury Bus.

PRETORIA — The launching of a new venture, Volkskas Industrial Bank which will specialise in commercial and industrial leasing as well as suspensive sale, was announced yesterday by Mr. D. P. S. van Huysteen, managing director of Volkskas.

Mr. Ron Rundle, formerly of Finanskrediet, the leasing arm of Finansbank was appointed managing director. He has more than 20 years' experience in instalment credit and leasing.

Trans-Oranje Finansieringskorporasie, a hire-purchase bank and a subsidiary of Volkskas, will be used as the vehicle for the bank and its name will be changed to Volkskas Industrial Bank, subject to the approval of the Registrar of Companies.

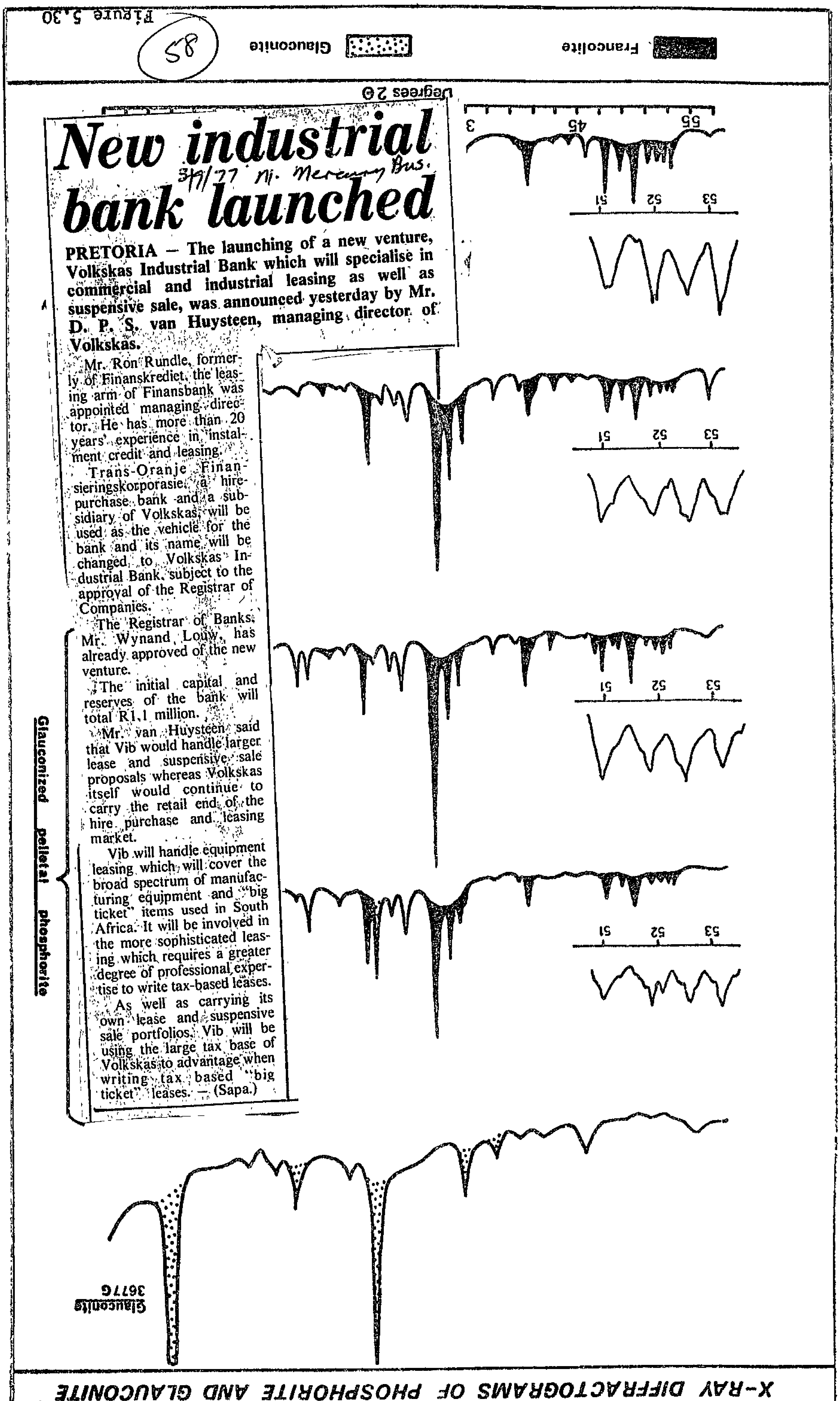
The Registrar of Banks, Mr. Wynand Louw, has already approved of the new venture.

The initial capital and reserves of the bank will total R1,1 million.

Mr. van Huysteen said that Vib would handle larger lease and suspensive sale proposals whereas Volkskas itself would continue to carry the retail end of the hire purchase and leasing market.

Vib will handle equipment leasing which will cover the broad spectrum of manufacturing equipment and "big ticket" items used in South Africa. It will be involved in the more sophisticated leasing which requires a greater degree of professional expertise to write tax-based leases.

As well as carrying its own lease and suspensive sale portfolios, Vib will be using the large tax base of Volkskas to advantage when writing tax based "big ticket" leases. — (Sapa.)



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Rand Bank Curator says:

Depositors will recover funds

N. Mercury Bus. 3/7/77

JOHANNESBURG – The change of material losses of capital by depositors with Rand Bank is very slight, says the Curator, Prof. F. R. D. du Plessis, in his review of the year ended March 31.

Prof. du Plessis, who was appointed Curator when the bank was placed under curatorship at the end of January this year, says a thorough investigation has shown that depositors will in all probability recover in full the funds they invested with the bank.

He does, however, qualify this with two provisos – that the bank is not forced to realise its assets immediately "as such a step would, in the present economic climate, result in substantial capital losses; and that the interest and operating costs of the bank can be reduced substantially."

Prof. du Plessis said the direct cause of the bank being placed under curatorship was the authorities' fear that an expected deterioration in the financial position of the Glen Anil property group, to which Rand Bank had a material credit exposure, could lead to a liquidity crisis in the bank.

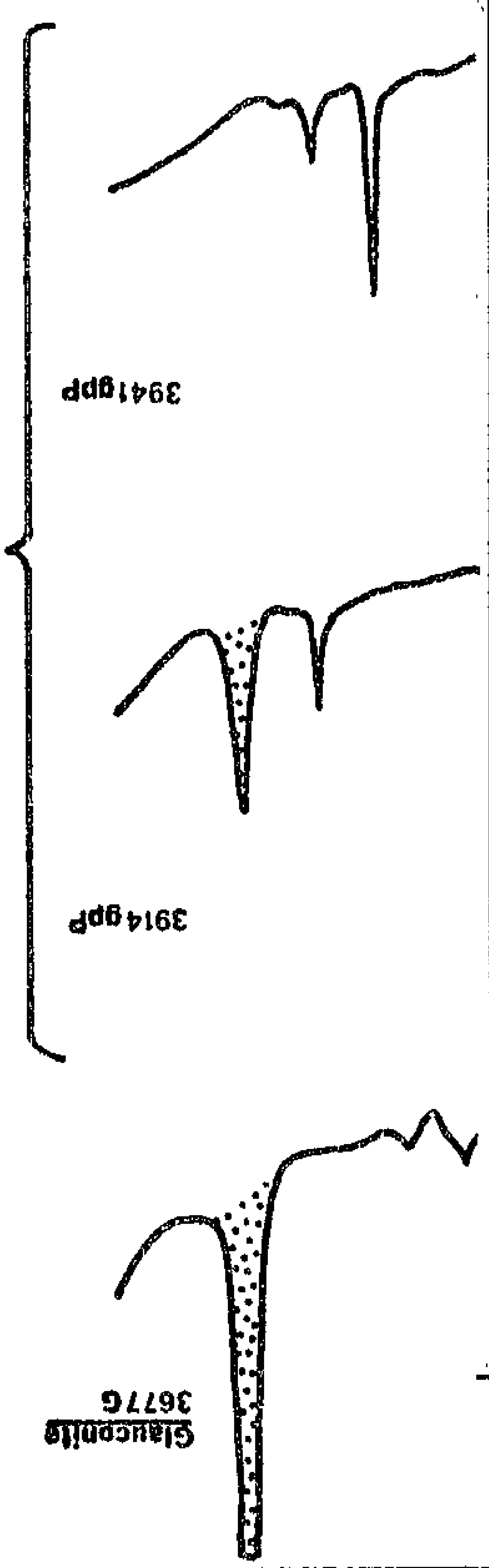
"After considering the results of a thorough investigation into the affairs of the bank, it became obvious that the most important uncertainty about solvency is the final outcome of the claim against Glen Anil. At present it is not possible to obtain clarity over this.

"It would appear from the investigation that the reason for the bank's exceptionally large exposure to Glen Anil is mainly due to irregularities for which former officials of the bank were responsible. This matter was immediately brought to the attention of the South African Police."

Prof. du Plessis said all depositors, irrespective of whether the deposits or NCDs had already become payable or not, had been requested to agree to a reduction in the interest rate payable to 7 percent per annum from the date of curatorship.

As a quid pro quo, depositors who agree would receive a pro rata repayment as the cash flow of the bank permitted. It was anticipated that these repayments would take place at regular intervals.

Depositors who did not agree to the reduction in the interest rate would not enjoy any preference on the timing of the repayment of deposits. – (Sapa.)



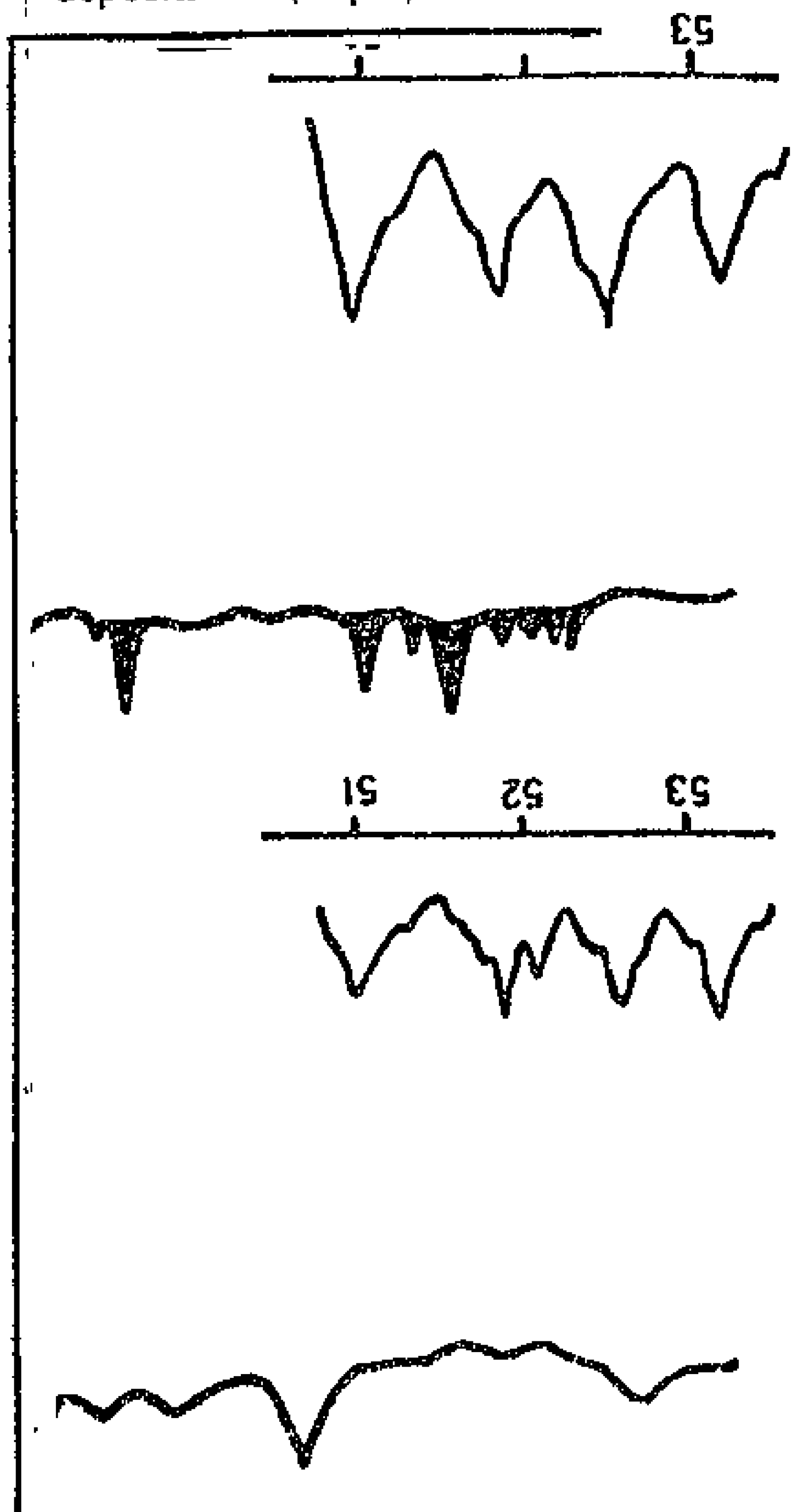


Figure 5.30 X-RAY DIFFRACTOGRAMS OF PHOSPHORITE AND GLAUCONITE

Banks seek R120m Iscor leasing deal

Sunday Times (Business Times) 4/9/77

ISCOR, the giant State steel works, is negotiating with a local banking consortium headed by Barclays to lease a massive R120-million in capital equipment for its R240-million Ellisras metallurgic coal mining project.

By NIGEL BRUCE

This will be by far the largest lease ever written in this country, and rank among the world's biggest, if it comes off.

Barclays has 50 per cent of the consortium, Volkskas 30 per cent through its new leasing associate, Volkskas Industrial Bank, and Nedbank 20 per cent, through Nedfin.

Iscor says that the Barclays consortium is not the only one competing for the project and that negotiations which have only just started are likely to be protracted and hinge on numerous considerations.

Iscor has been drawn to leasing from local concerns because of the difficulty and cost of attracting long-term foreign capital for a project with which it believes it must proceed.

However, leasing may only be used to finance capital works — in particular a coking coal plant — as the financing of the mine itself does not attract initial and investment tax allowances. Hence it is unattractive to the banks as a leasing prospect.

One of the considerations on which the deal with the Barclay's consortium hinges is Iscor's ability to raise the balance of the capital expenditure required from other non-bank financial consortia.

Iscor's attempted resuscitation of the Ellisras project has its roots in its own need for the coking coal, essential to its steelmaking operations. It has had to import coking coal recently.

A consortium of large banks appears to be needed so that between them there is a sufficiently large tax obligation to enable the fullest advantage to be taken of the various allowances.

It is a moot point whether Barclays, as large as it is, could derive full benefit on its own from the allowances.

There is a possibility that were it to take the full amount on its books, the reduction in its ability to benefit from other future leasing deal allowances would inhibit its drive into the leasing market.

Should the deal come off, it will also have important implications for Volkskas, a latecomer to this market, as indeed it has been into other markets into which its competitors have diversified. Its share of a lease of the size contemplated could give it a considerable foothold in the leasing market.

The impetus behind its belated diversification probably springs from two sources. Firstly, like other banks, it has found returns from pure lending are, partly because of the dictates of monetary policy, becoming increasingly less remunerative.

Hence it is seeking fees and commissions from the provision of one-stop financial services to corporate customers. To this end it recently acquired a merchant bank, which has already made significant strides into the bankers' acceptance market.

This week it turned Trans-Oranje, an all but dormant hire purchase bank with capital and reserves of R1,6-million, into an industrial bank to spearhead its drive into leasing and to the financing of heavy capital equipment through suspensive sale arrangements.

Three weeks ago managing director Danie van Huyssteen, intimated to me that Volkskas acquisitions would not end there. Obviously, the next step is for it to acquire a general bank to take it into the retail end of the suspensive sale market, hire purchase.

Also behind its drive for a stable fee and commission income is its preponderance of public sector accounts, which are volatile, yield low returns and attract little associate business, which is where the cream now lies.

The second thrust behind its diversification move probably comes from its severed association with Sanlam, whose interest in it has been bought by the more dynamic Rembrandt group. Already its fledgling merchant bank is heavily involved in the provision of facilities for its new shareholder.

Psychologically the row with Sanlam, when the latter attempted to foist an ailing Trust Bank on it, must have been a great fillip to a management already remarkable for its independence of mind.

This must have been especially so as its refusal to accept Trust Bank has, in commercial terms, proved to be correct — that is if what Sanlam says about Trust's bad debt potential is anything to go by.

Significantly absent from this consortium is the country's largest leasing bank, Standard's Stannic. Asked why, its official spokesman said: "We never discuss our customers."

The probable reason is that should the Iscor lease come off, Stannic may no longer be top dog. Maybe, therefore, it's getting up its own consortium, although I guess finding partners of sufficient size could be a problem.

Another lease of this size is unlikely in the foreseeable future here for Escom believes it would have difficulty justifying leasing capital equipment of the magnitude contemplated for Iscor in terms of the Electricity Act, and few other companies are big enough.

Iscor stresses that it is keeping its options open at present and that negotiations are tentative and delicate. Meanwhile, Barclays, Volkskas and Nedbank men are hard at work optimistically rounding off the details of their financial package.

(1) 058

BANKING AND LEASING

One-stop scramble pays off for big banks

TEN YEARS ago the Trust Bank was emerging as the new one-stop bank. It was the first in South Africa to diversify into leasing and hire purchase fields in such a big way — a diversification begun by American banks and emulated by all major banks in South Africa.

Apart from Trust and Wesbank, the traditional names in the finance industry (such as NICC, UDC, Credcor, Lease Plan International, Central Leasing, Trade and Industry and so on) were independent finance companies, without any banking connection.

None of the major banks had any material or direct interest in hire purchase and leasing. Today, the position has reversed itself completely: By March, this year, three of the biggest banking groups — Barclays, Standard and Nedbank — with the Trust Bank, held total receivables of R1 154-million out of a total of R1 668-million held by some 50 banks, representing more than 69 per cent of the total bank market share.

What made the big banks diversify into finance in such a big way overnight. There are several reasons:

• They were feeling the competition from Trust Bank and Wesbank, whose one-stop banking services were making inroads into their traditional preserves.

• The large banks were looking for more profitable diversification. Whereas hire purchase to the man in the street was nothing new, it offered a good return. Leasing, on the other hand, was a comparatively new finance technique which would offer very attractive returns, particularly when taking into account the taxation incentives.

By Mike Sweatman, managing director, Barclays Western Bank.

• Inflation had brought about the collapse of the capital market. Good companies could no longer obtain long-term funds through their traditional sources — they turned to their bankers for assistance; overdrafts were clearly not the answer.

• Government policy made it difficult for non-bank financial institutions to raise deposits from the public. The loopholes in the Bank's Act were closed and as the finance companies were called upon to provide ever-increasing finance, it was only a matter of time before the banks took over the major role.

Not only did this diversification come timeously, but it has been a most successful diversification for the banks. This is in spite of the heavy liquid-asset requirements imposed on finance banks and the recently introduced advance ceilings.

The main reason for the banks' entry into the hire purchase and leasing market was the better yield this type of business offered. For many years, the First National City Bank in the United States predicted that consumerism was the name of the game. This was the market that held the most potential, the market that was the least exploited. Overnight, followed closely by other major banks, Citibank landed in the consumer finance field in a very big way.

It was not so long ago that the British banks discovered hire purchase and the two biggest finance companies — UDT and Mercantile Credit — operated independently from the British giants. Today, Mercantile Credit is wholly-owned by Barclays and has made a significant contribution to the group's profits for the last half-year.

As a rule of thumb, bank instalment credit operations should be twice as profitable as its traditional business, measured in terms of net profit to total assets employed.

In Australia, Esanda, a fine finance company mostly dealing in hire purchase, contributes a bigger share to group profit than its parent the ANZ Bank. Esanda's return on assets employed is almost 10 times that of its parent — talk about the tail wagging the dog!

Of course, the big banks have diversified not only into finance. Insurance, travel, factoring, credit cards, for instance, are areas where banks have met with varying degrees of success.

These moves were not so much diversification as an absorption of services that had been obvious omissions. After all, why be sent down the road by your bank manager to some competitor just because you want to buy a car?

It cannot be denied that the finance industry once had a rather tarnished reputation — although some houses have always maintained the highest ethical standards. But the reputation stuck, largely due to the efforts of a few who managed to drag the rest of the industry down to their level — at least in the eyes of the public and, sometimes, of the authorities.

Today, many of the finance houses (mainly consisting of general banks) and most of the big ones have clubbed together to form the Finance Houses Association (FHA). Whereas the FHA in the "good old days" was not much more than a pleasant lunch club, today it is an industrious association, comprising some six to eight committees and sub-committees, with about 30 senior executives in the industry applying themselves continuously to the problems facing the finance industry.

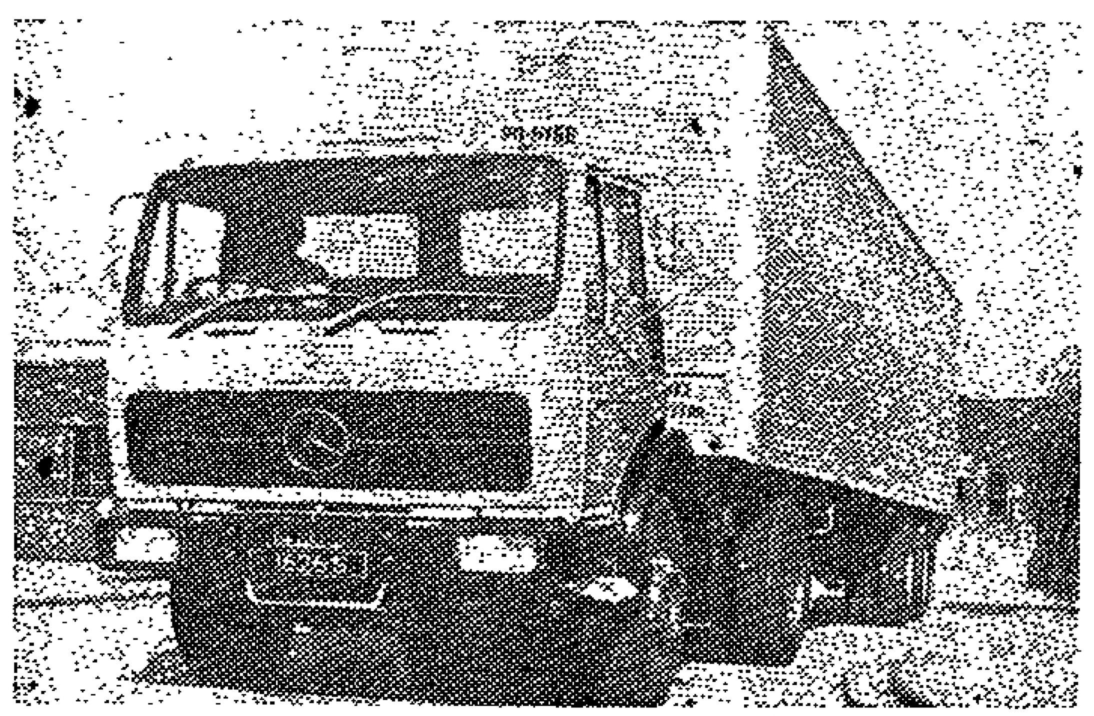
The Standard Code of Lease Ethics is a good example of the output of the FHA. This code is gaining wide acceptance from other financial institutions, professional bodies and, much more important, from government departments which hitherto lacked an in-depth knowledge and understanding of the industry and its problems.

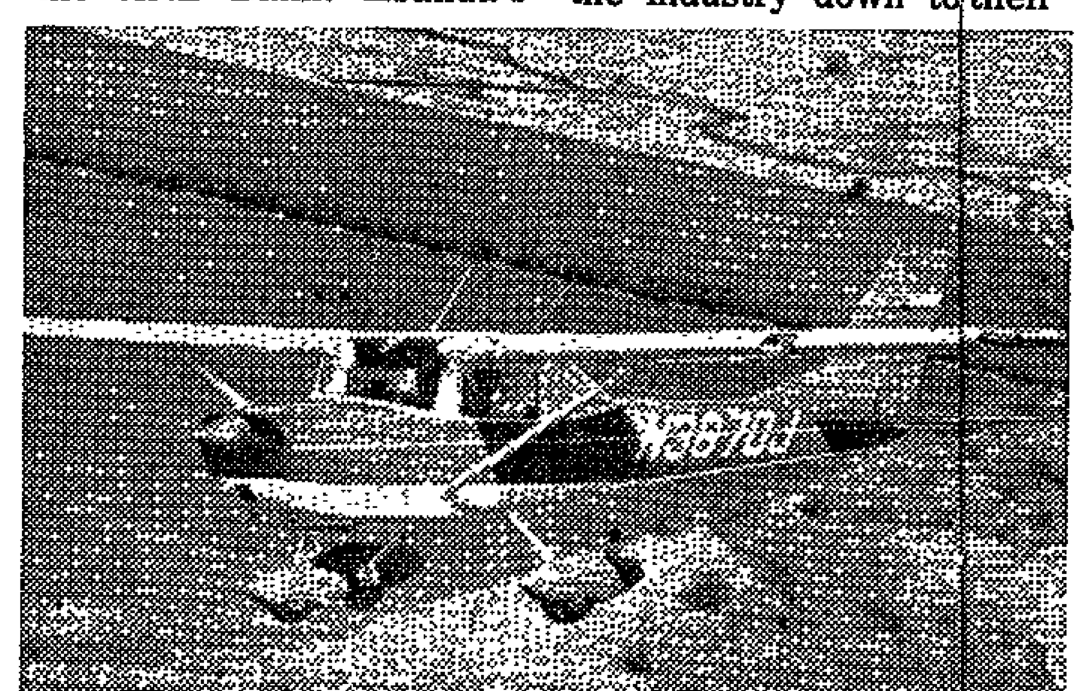
In retrospect, it is easy to see why the banks went into hire purchase and leasing. Few regret the decision and most look forward to ever-increasing returns from these investments. There is nothing wrong with that: after all, the finance market is generally felt to be a higher risk market than the commercial banking market.

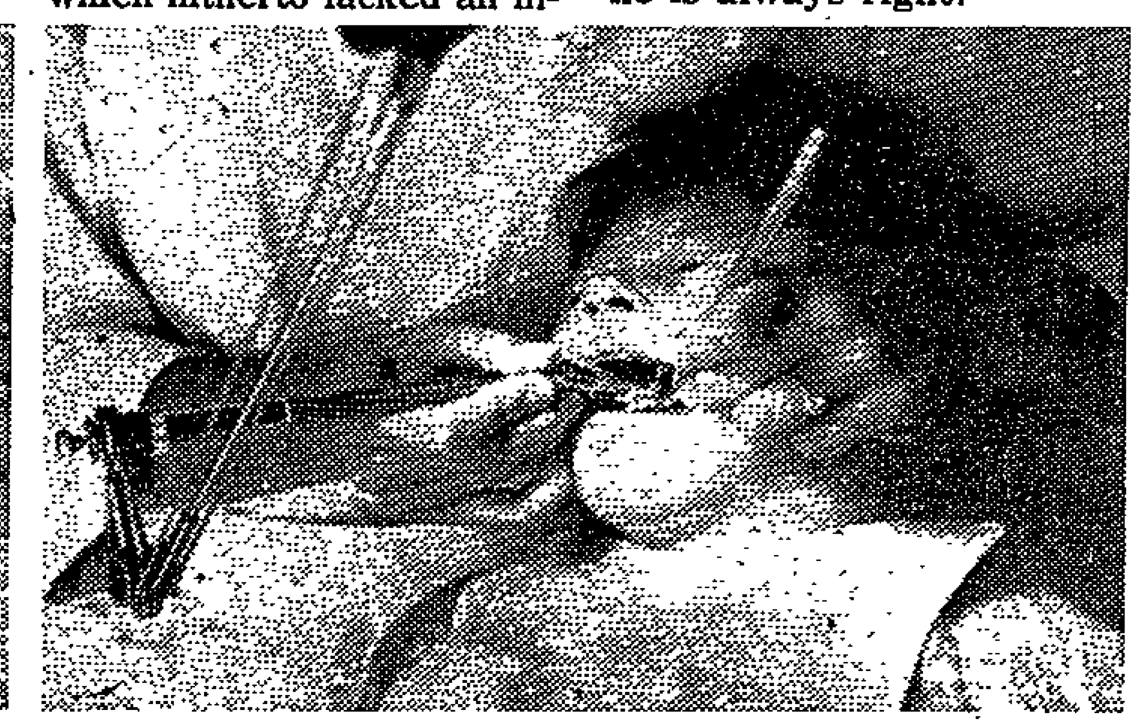
By taking over the industry, banks have once again displayed their resourcefulness and imagination; by pulling the finance industry out of the fire and setting it well and truly on its feet. But the customer has really won — he is getting a better service, at a more competitive price and he is getting a fairer deal all round — and he is always right!

From transport to tools

Leasing has become the quickest way of financing capital equipment projects, be they for industry or the professions. Trucks, aeroplanes or complete surgeries of medical equipment have become readily available under packaged leasing plans which take care of amortisation, residual values and taxation.







Leverage leasing's appeal growing

LEVERAGE leasing, in which capital programmes costing between R250 000 and R50-million are financed in one package, is being more actively marketed in South Africa.

By Jonathan Kipps, Nedfin Lease Underwriting general manager.

Involving the structuring of leasing transactions in which the lessor contributes only a portion of the total funding, leverage leasing has been common for many years in the United States. The objective is to provide the lessor with an attractive and tax-effective investment, without requiring too substantial a commitment of funds.

Normally, these transactions involve a tax-paying entity which contributes, for example, 25 per cent of the cost of the assets to be leased, with the balance being provided in the form of fixed-interest debt, the repayment of which is secured by the lessee. It is usual for the bonds to be non-recourse to the borrower, whose liability is limited to passing on rentals received from the lessee.

The leasing of movables was first introduced into the United States after the Second World War. The concept did not spread into Europe and South Africa until the late fifties. At first, it was confined to the distributors of office equipment offering a rental package as an alternative to a sale.

Then independent leasing companies came into operation to assist the suppliers of office and ancillary equipment to finance the leasing of their products.

Leverage leasing was pioneered in America by United States Leasing International (which is an affiliate of Johannesburg-based Nedfin Bank) and from there spread out to Britain, South Africa and Australia. It has captured the imagination of users of plant and machinery because of the considerable benefits which can be derived from a highly sophisticated, geared financial structure.

These benefits included extremely attractive rates of interest and long-term finance to fund long-term assets.

One of the advantages is clearly the ability to finance high-cost equipment with long economic life — tankers, power stations, irrigation systems, diesel locomotives, ships and factories.

Probably one of the biggest advantages to a lessee is flexibility. Leases can be structured to meet the cash-flow requirements of the lessee and this includes the period of the lease, the frequency and size of the payments and the size of the residual.

The lessee benefits further because rental charges for the use of the asset over the lease term are generally significantly lower than the cost of financing the acquisition of the capital goods under conventional debt financing.

The quasi-government sector is investigating the advantages of leverage leasing. Municipalities, the railways, provincial administrations and the semi-government industrial organisations are all finding that a lease represents a genuine alternative source of finance. In leasing, a municipality, for instance, is not merely using another method to tap the same funds that it would raise had it decided to go to the capital market instead.

At present, it is possible for the lessor to claim the investment and initial allowance on a lease of productive equipment even though the equipment is leased to a non-tax paying body such as a municipality.

This has been criticised on the grounds that the municipality would not have been in a position to claim the allowances had it owned the equipment, and therefore it should not be possible for the lessor to claim them. As the lessor passes on the value of the allowances to the lessee by means of reduced rentals, this means that in terms of current legislation municipalities can raise long-term funds on productive equipment at rates considerably lower than those prevailing in the capital market.

The advantages of leverage leasing to the lessor revolve around the tax benefits. The investment allowance and the accelerated depreciation that accrues from the initial allowance are the sources of leverage, since the lessor, with large amounts of taxable income, finances only a portion of the equipment cost and may recoup an original investment in a short time.

The benefit of the tax allowances is magnified in the hands of the lessor since only about 25 per cent of the total equipment cost is financed directly by then, while they rank for the full tax benefits.

As explained earlier, these benefits are passed on to the lessee by means of reduced rentals and so companies which have more tax shelter than they can use may trade these benefits to those companies needing tax relief.

The participants who put up debt funding in leverage

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SAKE-RAPPORT 4/9/77 (58)

VOLKSKAS SPAN NET WYER

MNR. RON RUNDLE

Deur DAVID MEADES

VOLKSKAS is stil-stil besig om al hoe meer uit sy dop te kruip. Hy is besig om die bankwese aggresiewer as ooit tevore in sy geskiedenis te takel. Dit word sonder enige vertoon gedoen — waarskynlik omdat die bank baie waarde heg aan sy konserwatiewe manier van dinge doen.

Sy aksepbank is nog maar pas op dreef, maar is reeds besig om 'n krag op hierdie gebied te word. En Volkskas het ook vandeesweek aangekondig dat hy daadwerklik tot die nywerheidsbankwese en verhuring toegetree het.

Oor die laaste jaar of drie het 'n hele paar van die land se banke ongemaklike terugslae ondervind. Volkskas het hier heel goed uitgekom. Hy sit nou wel met S.M. van Achterberg, maar dit wil al hoe meer begin lyk of hy hier die grootste deel van sy las gaan verhaal.

Die naam wat Volkskas in hierdie moeilike tyd in die bankwese vir hom opgehou het, strek ver. Dit is ook daarom duidelik dat Volkskas hierdie toestand tot sy voordeel benut om 'n nog groter krag in die land se bankwese te word.

Bankorp

Die bank se besturende direkteur, mnr. Danie van Huyssteen, het ook aan Sake-RAPPORT bevestig dat die bank sy visier nou baie breër stel. Die bank wil so 'n wye vlak as wat moontlik is, dek en die jongste ontwikkelinge by die bank is deel daarvan, het mnr. Van Huyssteen gesê.

Daar kan ook aangeneem word dat die verwydering tussen Volkskas en die Sanlam/Bankorp-groep baie met die verbreding van Volkskas se spektrum te doen het.

Sy onttrekking as 'n groot aandeelhouer by Bankorp het hom genoodsaak om regstreeks tot die aksepbankwese toe te tree. 'n Mens is egter nie seker of die bank hom nie juis uit Bankorp onttrek het om self groter sê in die aksepbankwese te kry nie.

Huurkoop

Volkskas-Aksepbank het tot stand gekom nadat Volkskas die beherende belang in die Bankovs-Aksepbank verkry het. Onder die leiding van die dinamiese Laurie Korsten is hierdie bank besig om alle verwagtinge te oortref.

Sy bedrywighede brei feitlik daagliks uit. Met die totstandkoming van die bank op 1 Junie vanjaar het hy met 'n kapitaal van R1 miljoen begin. Dit word sedertdien maandeliks verhoog om tred te hou met die uitbreiding in sy bates en is so pas tot R3 miljoen verhoog.

Met die stigting van Volkskas Industriële Bank (VIB) betree Volkskas nou ook die nywerheidsbankwese. Hierdie nuwe bank sal spesialiseer in handels- en nywerheidsbruikhuur sowel as gevorderde huurkoop. Die nuwe bank staan onder leiding van 'n oud-Finansbankman, mnr. Ron Rundle.

Spektrum

Die bruikhuurdienste vir toerusting sal die breë spektrum van vervaardigingstoerusting en ander groot items insluit. VIB sal hom veral toespits op gesofistikeerde transaksies wat tot groot hoogte gebruik maak van die professionele kundigheid wat nodig is in verhuringsooreenkomste wat op belastingvoordele gegrond is.

Die nuwe bank sal van groot waarde vir talle Volkskas-klante wees. Hier lyk dit of die bank veral baie aandag aan munisipaliteite sal gee.

VIB sal ook projekfinansiering onderneem en sal behalwe van plaaslike fondse ook oorsese vennote gebruik wat kapitaal kan verskaf om 'n projek gedeeltelik of volledig te dek.

Hierdie verbreding van Volkskas se spektrum in die bankwese gaan ook nie ongemerk by die ander groot banke verby nie. Dit is byna of 'n „nuwe" Volkskas uit Pretoria dié waarskuwing rig: „Pas op, die bankwese sal maar altyd dieselfde bly!"

Knives being sharpened for Glen Anil legal battle

Sunday Times (Business Times) 4/9/77

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FURTHER shocks can be expected from the collapsed Glen Anil group of companies if the forecasts contained in the secret Sage report are accurate.

By TONY STIRLING

Informed sources predict that the major creditors, the eight-bank consortium which tried to save Glen Anil, are preparing for a lengthy legal battle over their claims. And this is borne out by the facts contained in the report.

The report suggests that liquidation holds dangers for the banks, including attack by the liquidators on certain securities held by the banks.

It even suggests that some of the guarantees viewed by the banks as secured are in fact unsecured, and that further problems could arise because of duplicated encumbering of assets by the banks.

The thorny issue of which guarantees might be subject to attack cannot be revealed.

One of the joint liquidators, Perry Oertel, said this week that a secret commission of enquiry into Glen Anil was being held in terms of the Companies Act and he was therefore unable to comment on how far the liquidators had got in their efforts to find out which guarantees could be attacked.

From information which has come to light however, at least two of the banks involved are preparing for battle over the conflicting guarantees.

The Sage report points out that in the event of liquidation, certain secured loans would be found to be partially unsecured.

The reasons it gives are the depreciated value the underlying assets would have on realisation, duplicated encumbering of certain assets, substantial obligatory development costs on some of the land, and challenges which could be brought by liquidators against the securities held by the banks.

The Sage report indicates—

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Leasing is now a necessity, a new way of life

4/9/77

Ron Rundle

By RON RUNDLE, chairman, Finance Houses Association leasing committee.

IN TODAY'S business environment where the high cost of money is a fact of life, leasing is being employed increasingly as a means of keeping working capital intact, and separating use from ownership.

The present turmoil and uncertainty in the money and capital markets makes financial planning a difficult task, particularly when the supply of long and medium-term funds in the market place is limited. Sources of medium and long-term capital from overseas markets have long since dried up and, where available, are most times by-passed because of the uncertain foreign exchange markets which give rise to extraordinary exchange risks.

These factors make it even more necessary for the buyer of capital equipment to be sure of the financial package he is being sold.

Today, the trend in industry is towards leasing rather than purchasing equipment. For many, leasing has become an economic necessity, a way of life. And this was confirmed in a recent SEIFSA report which stated that in the engineering industry, more companies were leasing than purchasing plant and equipment.

With these new dimensions in leasing has come the recognition by interested banks of the need to bring about a standard code of leasing practice in South Africa.

This recognition coincides with the revitalising of the 16-year-old Finance Houses Association (FHA) which today consists of nearly twenty members, mainly banks involved in leasing.

The FHA Council of Members instructed its leasing committee to set about the task of standardising practices in South Africa. After two years of work, numerous consultations and lengthy discussions, a code was finally agreed upon and various State departments, as well as the South African Reserve Bank, were asked to give approval to the document.

Not only was approval given but also encouragement, particularly from the Department of Inland Revenue who, together with the FHA, are co-operating in effecting the implementation of the code.

The code, among other things, attempts to eliminate practices which result in a loss of revenue for the State, or are contrary to existing legislation.

There remains, however, another important task for the FHA — the education of the business community as to the content and practice of "true leasing". In this regard, the association is arranging a series of leasing seminars in all the main centres to which professional bodies, financial managers and public servants will be invited.

The agreement between the banks brings into practice a number of interesting changes:

Termination of lease. Whereas previously many lessees expected the equipment or motor vehicle to become their property on payment of the final rental, this will no longer be possible. Lessees may enter into a secondary period lease at a much reduced rental but they may not become owners of the leased equipment unless they acquire ownership by purchasing at a "fair market value". The banks will, in terms of their agreement, pitch the secondary period rental at a level which is collectable and the costs of collection are fully covered.

The lessor may, at his discretion, refund the excess over and above the cost and a fair return (on capital invested) less expenses, as a rebate of rental. These rebates which are taxable in the hands of the lessee, will be reported to the Receiver of Revenue.

Leases which are structured with a residual value will receive much the same treatment — the excess over and above the residual value could be refunded to the lessee and any shortfall payable by the lessee. Secondary period rentals for residual value leases will no doubt cover the remaining residual.

Lease period. In confirmity with a request from the Department of Inland Revenue, leases will be written over the same period as the asset is written off for tax purposes by the lessor. It will no longer be possible to lease, for example, a lathe over two years when the authorised write-off period is five years.

Acquisition of leased equipment by third parties. Neither the lessee or any associate may acquire the leased equipment unless purchased at fair market value but any sale is at the discretion of the lessor.

Proceeds of sale. Proceeds from the sale of leased goods are sometimes deducted from the cost of the replacement item to be leased. That reduces the taxable income since any rebate of rentals should be declared as income earned in a single year rather than in effect being spread over a number of years.

The code says that the lessors will refrain from deducting sales proceeds from replacement leases, and it goes on further to say that any benefits enjoyed will be reported to the Receiver of Revenue.

There is no doubt that the new code of practice will cause financial managers to look more closely at its effect on their decisions, but it is almost certain that if the leased asset is still usable, they will opt for a secondary period.

Members of the association are confident that in putting their house in order, they will avoid possible "over legislation" by the authorities. They also believe that the code would in any event be a sound basis for any possible legislation in the future, should the industry not conform to the standard practice.

The trail of abandoned equipment over the past decade must amount to several millions of rands but, in the future, prospective lessees will find it more difficult to persuade lessors who are members of the FHA and Association of Banking Institutions (who are co-operating in the implementation of the code) to twist the terms of the lease to allow the equipment to be abandoned or even sold at a nominal value.

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SPECIAL REPORT

The banks speed up money transmission

BANKING & LEASING

EDITED BY DAVID PINCUS

IN SOUTH AFRICA the use of cheques as a medium of payment is a well-established practice. But it has been creating handling and processing problems which have been increasing steadily each year.

In line with world-wide trends, South African financial institutions and businesses, operating in both the public and private sectors, found that they were being choked by the ever-increasing volume of paper in circulation.

Furthermore, the manual processing of paper is labour intensive and therefore very expensive.

By 1969 the workload on the banks, mostly cheque clearings, reached critical proportions and a meeting was called to consider the establishment of a permanent inter-bank committee to investigate automated document handling.

In February 1970 the general management steering committee of the clearing banks held their first meeting and decided to establish SABASCOM (South African Banks Automation Standards Committee) to tackle the problem.

The next important decision taken was to set up ACB (Automated Clearing Bureau (Pty). This is an independent, non-profit making automated bureau to process the cheques.

Initially, ACB was intended to cater for the Reef area only, where the highest volume of cheques are negotiated.

The immediate effect of ACB was that MICR encoded cheques were no longer manually sorted by each member bank for clearing to the banks on which they were drawn. Instead, all cheques were cleared in random order to ACB where they were sorted, listed and balanced.

ACB also calculates inter-branch settlement figures relative to each bank as well as an inter-bank indebtedness to be settled by the Reserve Bank who debit or credit the accounts of the participating clearing banks.

Generally, any cheque deposited or encashed in the Reef area is debited to the drawer's account at his bank that day. No longer can a customer issue a cheque knowing that at that stage he has unsufficient funds in his account for the cheque to be honoured.

No longer can he rely on his cheque taking up to five days to reach the branch of the bank where the account is kept, thereby giving him a breathing space to fund his account.

By A. W. McDermid, deputy general manager of the SA Reserve Bank, and chairman of the standing committee for co-ordinating the development of the South African money transmission service.

To enable the clearing banks to achieve this, Automated Clearing Bureau (Pty) provides the computerised banks with a magnetic tape on which all relevant data has been captured from the encoded information located at the bottom of the cheques received that day. These tapes are available in the evening after the day's processing.

The banks in turn update the accounts of their customers held at all their branches which are linked to a particular bank's computer. For those branches not on line to the computer, printouts containing the same information are despatched to the branches concerned. Printouts are similarly provided to those clearing banks that are not computerised.

Currently ACB processes up to 674 000 cheques per day representing values of up to R2 759-million. During 1976 a total of 113-million cheques was processed and indications are that the number of cheques processed during 1977 will total about 125-million.

A second automated cheque processing bureau began operations in Cape Town in June this year to cater for the Western Cape and thought is currently being directed at establishing a third bureau in Durban. The three bureaux will process electronically approximately 300-million cheques issued annually in South Africa

The introduction of the MICR cheque processing system does not, however, get to the root of the problem which is reducing the volume of cheques and other payment documents in circulation.

What then is the solution? The first point that must be made is that effecting payments by means of cash is not the answer.

Using cash as a medium of payment is the costliest means of all payment mechanisms. Coupled with this is the increasing rise of theft and robbery.

But by far the costliest aspect for the country is the dislocation of the liquidity of the banking system as a consequence of the increase in the total amount of notes and coin outside the banking system from about the middle of each month. After the end of the month this cash gradually flows back to the banking system.

One way of reducing the volume of cheques in circulation is to use the direct deposit system. Instead of large institutions issuing each employee with a cheque, which must subsequently be cashed at a bank or deposited to the credit of the employee's account at a bank or building society, one cheque is issued to the institution concerned with a list of the employees' accounts to be credited with the salary payments.

Not only does this system cut down on cheques issued, but other advantages also flow:

- Cheque losses are reduced.
- Cheques cannot be stolen and cashed by persons other than those entitled to payment.
- The system is convenient.
- If the employee changes his address, payment will continue to be deposited into the account, eliminating the need to forward the cheque to the new address.
- Cheque recipients can travel or go on holiday without worry about a cheque waiting at a post office or mailbox.
- Payments can be made on the due date.

Naturally, to be able to take full advantage of the direct deposit system employees must be encouraged to open current accounts at banks or savings accounts at institutions providing this service.

Recently, however, a major development has taken place whereby payments, both debits and credits, can be effected by means of the magnetic tape service provided by the banks through the medium of ACB, and the building societies through BDB (Building Societies Data Bureau (Pty)).

Let us take the example of salary payments deposited to the credit of employees' accounts maintained with the clearing banks.

A large employer who has a computer, eg the Government, will generate one magnetic tape containing all relevant information for the employee's salary to be credited to a current or savings account maintained at any one of ACB participating banks. (If the employer has no computer, the tape can be prepared by any one of the computer service bureaux in existence in South Africa or possibly even by one of the banks).

The tape is handed to the employer's banker together with one cheque for the total of the salaries to be credited to the employees' accounts. The tape can also be delivered direct to ACB.

The tape is sent either direct or through the employer's bank to the ACB, where it will be processed and balanced. A tape with the necessary information and payment instructions will be produced for each individual bank. These tapes will credit the banks where employees maintain their accounts and debit their total salary payment to the bank where the employer maintains his account.

Each of the ACB participating banks will collect its own tape from the ACB and, through its own computer, will credit all the employees' accounts maintained at the branches of that particular bank with the salary payments.

For those banks which are not computerised a printout is provided by ACB to enable the employees' accounts to be credited.

ACB also offers a debit transfer system which will allow accounts maintained with the participating banks to be debited on a regular basis, in respect of payments such as insurance premiums, telephone accounts, television licences, car licences, water and light accounts and rates and taxes.

To take a simple case, anyone can enter into an agreement with, say, an insurance company whereby he agrees that his monthly insurance premiums may be debited to his account maintained at one of the clearing banks. An agreement is also concluded with his bank which is authorised to accept debits to his account for this purpose.

All relevant information

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Pension funds and insurers warehousing gilts

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SOME pension funds and insurance companies, expecting interest rates to soften have committed themselves forward on gilts and semi-gilts.

This move to take advantage of the prevailing high interest rates and to get funds 'warehoused' is enormous. It is estimated that between R100-m and R300-m is being carried over on behalf of the large institutions by the discount houses and the banks.

But this swing to gilts at high rates could create an extra volatility in the marketplace next year.

The pension funds and insurance companies with around R1 500-m available for investment this year, have been obliged to place more than R900-m in prescribed securities before March next year. Many have however more than their maximum invested. (The alternative and traditional investments, property and the stock market, have been comparatively unattractive.)

As investment managers anticipated interest rates dropping into 1978, some committed future funds to stocks at the current rates. These investments 'warehoused' by the discount houses and banks, could amount to R300-m, according to one source.

They certainly exceed R100-m and have been accumulating since the start of the year.

Most pension funds and insurers are not likely to have committed themselves beyond six months.

The rush into gilts and semi-gilts was prompted by this year's heavier demand for gilts as the institutions had surplus funds which they had to invest somewhere and the expectation that interest rates would come off.

And while the experts may differ on the amount that is currently being 'warehoused' for the institutions, there is consensus that the current affection for gilts could well cause a reaction in the capital market next year.

If, in fact, institutions have already committed 1978 income to gilts, to take advantage of what are seen as higher rates, and take a breather from 1978 issues, because of a shortage of cash — the institutions do after all have a finite amount of cash — interest rates could rise again.

But it is unlikely that alternative investments will, in the foreseeable future, match the attractiveness of investing in the public sector. Also it is fair to guess that as much money as has gone the way of the public sector this year, will go that way again next year — even if rates soften.